

February 27, 2012

Board of Trustees  
Guam Community College:

To the Board of Trustees:

We have performed an audit of the financial statements of the Guam Community College (the College) and its discretely presented component unit, collectively a component unit of the Government of Guam, as of and for the year ended September 30, 2011, in accordance with auditing standards generally accepted in the United States of America (“generally accepted auditing standards”) and have issued our report thereon dated February 27, 2012.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the College is responsible.

## **OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS AND GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS**

Our responsibility under generally accepted auditing standards and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, have been described in our engagement letter dated September 18, 2011. As described in that letter, the objective of a financial statement audit conducted in accordance with the aforementioned standards is:

- To express an opinion on the fairness of each opinion unit in the College’s basic financial statements and the accompanying supplementary information, and to disclaim an opinion on the required supplementary information for the year ended September 30, 2011 in conformity with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”), in all material respects;
- To express an opinion on whether the supplementary information that accompanies the basic financial statements is presented fairly, in all material respects, in relation to the basic financial statements taken as a whole;
- To report on the College’s internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended September 30, 2011 based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*; and
- To report on the College 's compliance with requirements applicable to each major federal program and on internal control over compliance in accordance with the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* (OMB Circular A-133).

Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared with the oversight of management and the Board of Trustees are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Board of Trustees of their responsibilities.

We considered the College's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

We also considered the College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133. Our audit does not, however, provide a legal determination of the College's compliance with those requirements.

## **MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in the College's 2011 financial statements include management's estimate of the allowance for uncollectible accounts, which is determined based upon past collection experience and aging of the accounts, and management's estimate of depreciation expense, which is based on estimated useful lives of the respective capital assets. During the year ended September 30, 2011, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

## **AUDIT ADJUSTMENTS AND UNCORRECTED MISSTATEMENTS**

As the result of our audit work, we identified matters that resulted in audit adjustments that we believe, either individually or in the aggregate, would have a significant effect on the College's financial reporting process. Such proposed adjustments, listed in Appendix I, have been recorded in the accounting records and are reflected in the 2011 financial statements. Those proposed adjustments that were not recorded by management are also included in the schedule described in the next paragraph.

In addition, we have attached to this letter, as Appendix II, a summary of uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

## **SIGNIFICANT ACCOUNTING POLICIES**

The College's significant accounting policies are set forth in Note 2 to the College's 2011 financial statements. During the year ended September 30, 2011, there were no significant changes in previously adopted accounting policies or their application, except for the following pronouncements adopted by the College:

During fiscal year 2011, the College implemented the following pronouncements:

- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.
- GASB Statement No. 59, *Financial Instruments Omnibus*, which updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools.

The implementation of these pronouncements did not have a material effect on the accompanying financial statements.

In December 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which amends Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans. The provisions of Statement 57 related to the use and reporting of the alternative measurement method are effective immediately. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in OPEB plan financial statements for periods beginning after June 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the College.

In December 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the College.

In December 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*, which is designed to improve financial reporting for governmental entities by amending the requirements of Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively. The provisions of this statement are effective for periods beginning after June 15, 2012. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the College.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the College.

In July 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the College.

In July 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* (an amendment of GASB Statement No. 53), which will improve financial reporting by state and local governments by clarifying the circumstances in which hedge accounting continues to be applied when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The provisions of this statement are effective for periods beginning after June 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the College.

## **OTHER INFORMATION IN THE ANNUAL REPORTS**

When audited financial statements are included in documents containing other information such as the College's 2011 Annual Report, we will read such other information and consider whether it, or the manner of its presentation, is materially inconsistent with the information, or the manner of its presentation, in the financial statements audited by us. We will read the other information in the College's 2011 Annual Report and will inquire as to the methods of measurement and presentation of such information. If we note a material inconsistency or if we obtain any knowledge of a material misstatement of fact in the other information, we will discuss this matter with management and, if appropriate, with the Board.

## **DISAGREEMENTS WITH MANAGEMENT**

We have not had any disagreements with management related to matters that are material to the College's 2011 financial statements.

## **CONSULTATION WITH OTHER ACCOUNTANTS**

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2011.

## **MANAGEMENT'S REPRESENTATIONS**

We have made specific inquiries of the College's management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations the College is required to provide to its independent auditors under generally accepted auditing standards. We have attached to this letter, as Appendix III, a copy of the representation letter we obtained from management.

## **MAJOR ISSUES DISCUSSED WITH MANAGEMENT PRIOR TO OUR RETENTION**

Throughout the year, routine discussions were held or were the subject of correspondence with management regarding the application of accounting principles or auditing standards in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions or correspondence were not held in connection with our retention as auditors.

## **SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT**

In our judgment, we received the full cooperation of the College's management and staff and had unrestricted access to the College's senior management in the performance of our audit.

## **CONTROL-RELATED MATTERS**

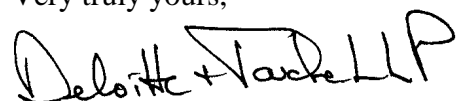
We have issued a separate report to you, also dated February 27, 2012, wherein no matters involving the College's internal control over financial reporting that were considered to be significant deficiencies under standards established by the American Institute of Certified Public Accountants were reported.

We have also issued a separate report to you, also dated February 27, 2012, containing information regarding our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of law, regulations, contracts and grant agreements. The results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133.

This report is intended solely for the information and use of the Board of Trustees, management of the College and the Office of Public Accountability - Guam and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank the staff and management of the College for their cooperation and assistance during the course of this engagement.

Very truly yours,

A handwritten signature in black ink that reads "Deloitte + Tatchell LLP". The signature is written in a cursive, slightly stylized font. The word "Deloitte" is on the left, followed by a plus sign, and "Tatchell LLP" is on the right. The letters are connected and fluid.

## APPENDIX I

### Journal Entries - AJE

Name	Debit	Credit
<b>AJE 1 (Fund 12)</b>		
Bank of Guam Payroll	172,111.75	
Accrued payroll		172,111.75
To record accrued payroll.		
<b>AJE 2 (Fund 12)</b>		
Cash	567,626.23	
Accounts payable		567,626.23
To reverse unreleased checks.		
<b>AJE 3 (ARRA)</b>		
Accounts payable	390,000.00	
Transfer in		390,000.00
GovGuam appropriation	390,000.00	
A/R federal		390,000.00
<b>AJE 3 (Fund 50)</b>		
Transfer out	390,000.00	
CIP		390,000.00
To reverse student center construction costs pertaining to FY12.		
<b>AJE 4 (Fund 20)</b>		
Transfer out	111,423.69	
Instruction		111,423.69
<b>AJE 4 (Fund 25)</b>		
Transfer out	32,395.77	
Instruction		32,395.77
<b>AJE 4 (Fund 4)</b>		
Transfer out	20,147.79	
Instruction		20,147.79
<b>AJE 4 (Fund 50)</b>		
Equipment	163,967.25	
Transfer in		163,967.25
To capitalize F/A purchases above threshold.		

**APPENDIX I, CONTINUED**

<b>AJE 5 (Fund 12)</b>		
Interest expense	34,252.44	
Accrued interest		34,252.44
To accrue interest expense.		
<b>AJE 6 (Fund 50)</b>		
Depreciation expense	238,267.96	
Accumulated depreciation		238,267.96
To accelerate depreciation due to change in estimate.		
<b>AJE 7 (Fund 11/12)</b>		
Transfer-in	210,196.48	
A/R GCC Foundation		210,196.48
To reverse invoice double billed to GCC Foundation		
<b>AJE 8 (Fund 11/12)</b>		
Bad debts expense	192,465.67	
Allowance for bad debts		192,465.67
To recognize bad debts expense on A/R students		
<b>AJE 9 (Fund 1)</b>		
Retiree healthcare cost	664,517.56	
GovGuam appropriations		664,517.56
To adjust for GASB 45 - OPEB		
<b>RJE 1 (Fund 31)</b>		
Cash	46,699.93	
Investment		46,699.93
To reclass restricted cash and cash equivalents		
<b>RJE 2 (Fund 11/12)</b>		
AR Student	133,128.52	
Accounts payable		133,128.52
To reclassify negative receivables.		
<b>RJE 3 (Fund 11/12)</b>		
Accrued leave	181,307.72	
Current portion		181,307.72
To reclassify current portion of annual leave.		

APPENDIX I, CONTINUED

**RJE 4 (Fund 11/12)**

LT - USDA loan	33,323.23	
Current portion of USDA loan		33,323.23

To reclass current portion of USDA loan.

**RJE 5 (Fund 11/12)**

Reserve for encumbrance	130,851.79	
Fund balance		130,851.79

To reverse encumbrance.

**RJE 6 (ARRA)**

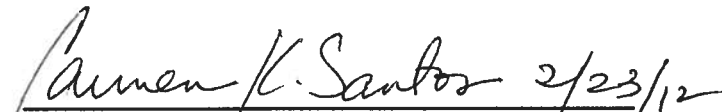
Reserve for encumbrance	1,467,457.80	
Fund balance		1,467,457.80

To reverse encumbrance.

I have reviewed the adjustments and reclassifications above and authorized that they be recorded in the general ledger as of September 30, 2011. The adjustments are results of errors and not results of fraud or illegal acts.

 2/22/12

Edwin E. Limtuatco, Controller, Finance and Administration

 2/23/12

Carmen Kwek Santos, VP of Finance and Administration



APPENDIX II

Guam Community College				APPENDIX A
Summary of Current Year Misstatements				
30-Sep-11				
Entry Description	Assets Dr (Cr)	Liabilities Dr (Cr)	Equity Dr (Cr)	Profit and Loss Dr (Cr)
PAJE 1 - To adjust for stale dated checks over 3 years old				
Accounts payable		169,330		
Other income				(169,330)
PAJE 2 - Unrecorded liabilities				
CIP	8,882			
Building	37,841			
Contractual services				15,928
Accounts payable		(62,651)		
PAJE 3 - Additional bad debts expense				
Bad debts expense				347,928
Allowance for bad debts	(347,928)			
	(301,205)	106,679	0	194,526
<p>Concurrence: The above misstatements have been provided and explained to me. I understand these misstatements and I believe they are considered to be immaterial to the financial statements taken as a whole. I also believe they did not result from fraud or illegal acts, rather errors.</p>				
<p><i>E. Limutaco</i> 2/22/12 Edwin Limutaco, Controller, Finance and Administration</p>				
<p><i>Carmen H. Santos</i> 2/23/12 Carmen Santos, V.P. of Business and Finance</p>				



*Kulehon Kumunidat Guahan*  
Accredited by the  
Western Association of  
Schools and Colleges

February 27, 2012

Deloitte & Touche LLP  
361 South Marine Corps Drive  
Tamuning, GU 96913

We are providing this letter in connection with your audits of the accompanying financial statements of the Guam Community College (the College) as of September 30, 2011 and 2010, which collectively comprise the College's basic financial statements for the purpose of expressing an opinion as to whether the basic financial statements present fairly, in all material respects, the financial position, results of operations or changes in fund balances, and cash flows of the College in conformity with accounting principles generally accepted in the United States of America.

We confirm that we are responsible for the following:

- a. The fair presentation in the basic financial statements of financial position, results of operations or changes in net assets, and cash flows of the College in conformity with accounting principles generally accepted in the United States of America.
- b. The fair presentation of the required supplementary information including, Management's Discussion and Analysis, and additional information accompanying the basic financial statements that are presented for the purpose of additional analysis of the basic financial statements.
- c. The design, implementation, and maintenance of programs and controls to prevent and detect fraud.
- d. Establishing and maintaining effective internal control over financial reporting.
- e. The review and approval of the basic financial statements and related notes and acknowledge your role in the preparation of this information. Specifically, we acknowledge that your role in the preparation of the basic financial statements was a matter of convenience rather than one of necessity. We have reviewed the basic financial statement preparation assistance provided by you and acknowledge that the financial statements are prepared in accordance with GAAP. Our review was based on the use of the financial statement disclosure checklist for stand-alone business-type activities obtained from the Government Finance Officers Association.

## APPENDIX III, CONTINUED

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

1. The basic financial statements referred to above are fairly presented in conformity with GAAP. In addition:
  - a. The basic financial statements properly classify all funds and activities.
  - b. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
  - c. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
  - d. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
  - e. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
  - f. Deposits and investment securities are properly classified in category of custodial credit risk.
  - g. Capital assets are properly capitalized, reported and, if applicable, depreciated.
  - h. Required supplementary information is measured and presented within prescribed guidelines.
  - i. Costs to federal awards have been charged in accordance with applicable cost principles.
2. The College has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.
3. The College has provided you:
  - a. Financial records and related data for all financial transactions of the College and for all funds administered by the College. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by the College and provide the audit trail to be used in a review of accountability. Information presented in the financial reports is supported by the books and records from which the basic financial statements have been prepared.
  - b. Minutes of the meetings of Board of Trustees or summaries of actions of recent meetings for which minutes have not yet been prepared as well as Public Laws enacted by the Government of Guam's Legislature.

## APPENDIX III, CONTINUED

- c. Contracts and grant agreements (including amendments, if any).
4. There have been no:
  - a. Action taken by the College's management that contravenes the provision of federal laws and local laws and regulations or of contracts and grants applicable to the College.
  - b. Communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the basic financial statements.
5. We believe the effects of any uncorrected financial statement misstatements aggregated by you during the current audit engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the basic financial statements taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix A.
6. The College has not performed a risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud. However, management has made available to you their understanding about the risks of fraud in the College and do not believe that the basic financial statements are materially misstated as a result of fraud.
7. We have no knowledge of any fraud or suspected fraud affecting the College involving:
  - a. Management.
  - b. Employees who have significant roles in the College's internal control over financial reporting.
  - c. Others, if the fraud could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the College received in communications from employees, former employees, analysts, regulators, or others.
9. There are no unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 450, *Contingencies*.
10. Significant assumptions used by us in making accounting estimates are reasonable.
11. We adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The implementation of this pronouncement did not have a material effect on the basic financial statements of the College.
12. We adopted the provisions of GASB Statement No. 59, *Financial Instruments Omnibus*, which updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. The implementation of this pronouncement did not have a material effect on the basic financial statements of the College.

## APPENDIX III, CONTINUED

13. In December 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which amends Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans. The provisions of Statement 57 related to the use and reporting of the alternative measurement method are effective immediately. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in OPEB plan financial statements for periods beginning after June 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the College.
14. In December 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the College.
15. In December 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*, which is designed to improve financial reporting for governmental entities by amending the requirements of Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively. The provisions of this statement are effective for periods beginning after June 15, 2012. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the College.
16. In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the College.
17. In July 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the College.

## APPENDIX III, CONTINUED

18. In July 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* (an amendment of GASB Statement No. 53), which will improve financial reporting by state and local governments by clarifying the circumstances in which hedge accounting continues to be applied when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The provisions of this statement are effective for periods beginning after June 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the College.
19. We are responsible for the fair presentation of the additional information accompanying the basic financial statements that is presented for the purpose of additional analysis of the basic financial statements.
20. The Schedule of Expenditures of Federal Awards was prepared in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." We have identified in that schedule all awards provided by federal agencies in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, or direct appropriations. In addition, we have accurately completed the appropriate sections of the data collection form.
21. We are responsible for compliance with local, state and federal laws, rules and regulations, including compliance with the requirements of OMB Circular A-133, and provisions of grants and contracts relating to the College's operations. We are responsible for establishing and maintaining the components of internal control relating to our activities in order to achieve the objectives of providing reliable financial reports, effective and efficient operations, and compliance with laws and regulations. The College is responsible for maintaining accounting and administrative control over revenues, obligations, expenditures, assets, and liabilities.
22. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on its federal programs.
23. We have:
  - a. Identified the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each federal program.
  - b. Complied, in all material respects, with the requirements identified above in connection with federal awards except as disclosed in the report on compliance on compliance and internal control.
  - c. Made available all information related to federal financial reports and claims for advances and reimbursements. Federal financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared and are prepared on a basis consistent with that presented in the Schedule of Expenditures of Federal Awards.

## APPENDIX III, CONTINUED

- d. Identified and disclosed all amounts questioned and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews related to the objectives of the audit.
  - e. Provided to you our views on the reported findings, conclusions, and recommendations for your report.
  - f. Monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of Circular A-133.
24. We have included in the corrective action plan for current-year findings the person in our organization responsible for implementation of the actions, the best actions to be taken, and the estimate of a completion date.
25. Management has identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.

Except where otherwise stated below, immaterial matters less than \$113,200 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to, or disclosure in, the basic financial statements.

26. Except as listed in Appendix A, there are no transactions that have not been properly recorded in the accounting records underlying the basic financial statements.
27. The College has no plans or intentions that may affect the carrying value or classification of assets and liabilities.
28. The following, to the extent applicable, have been appropriately identified, properly recorded, and disclosed in the basic financial statements:
- a. Related-party transactions and associated amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral).
  - b. Guarantees, whether written or oral, under which the College is contingently liable.
29. In preparing the financial statements in conformity with GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:
- a. It is at least reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events.
  - b. The effect of the change would be material to the financial statements.
30. Risks associated with concentrations, based on information known to management, that meet all of the following criteria have been disclosed in the basic financial statements:
- a. The concentration exists at the date of the financial statements.

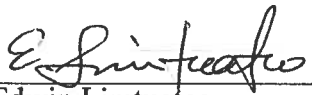
## APPENDIX III, CONTINUED

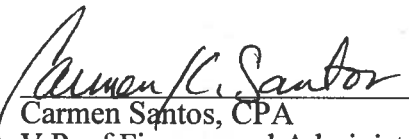
- b. The concentration makes the College vulnerable to the risk of a near-term severe impact.
  - c. It is at least reasonably possible that the events that could cause the severe impact will occur in the near term.
31. There are no:
- a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
  - b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB ASC 450, *Contingencies*.
32. The College has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral except for the lien established by U.S. Department of Agriculture as disclosed in note 9 to the financial statements.
33. The College has complied with all aspects of contractual agreements that may have an effect on the financial statements in the event of noncompliance.
34. No department of Guam Community College has reported a material instance of noncompliance to us.
35. There are no known related party transactions, which should be recorded or disclosed in the financial statements.
36. The College is exposed to various risks of loss; theft of, damage to, and destruction of assets; operation liability; errors and omissions; employee injuries and illnesses; natural disasters and employee health, dental and accident benefits. Commercial coverage is provided for claims arising from most of these matters.
37. The College is responsible for determining and maintaining the adequacy of the allowance for doubtful notes, interfund receivables, and accounts receivable, as well as estimates used to determine such amounts. Management believes the allowances are adequate to absorb currently estimated bad debts in the account balances.
38. Provision has been made to reduce excess or obsolete inventories to their estimated net realizable value. All inventories are the property of the College and do not include any items consigned to it, any items billed to customers, or any items for which the liability has not been recorded.
39. The Government of Guam and its component units, including the College began withholding and remitting funds to the U.S. Social Security system for the health insurance component of its salaries and wages effective October 1998. Prior to that date, the Government of Guam did not withhold or remit Medicare payments to the U.S. Social Security system. If the Government is found to be liable for Medicare payments on salaries and wages prior to October 1998, an indeterminate liability could result. It has been the practice of the College and all other component units of the Government of Guam that payment of this health insurance component is optional prior to October 1998. Therefore, no liability for any amount, which may ultimately arise from this matter, has been recorded in the financial statements.



APPENDIX III, CONTINUED

40. The College received title to 314 acres of land situated in the municipality of Mangilao from the Government of Guam with no restrictions. On November 17, 2011, Public Law was passed transferring the said land to Guam Ancestral Lands Commission.
41. The College has MDF appropriations due from Government of Guam of \$917,781. Such amount was not recorded in the accompanying financial statements as management believes that the amount will not likely be collected from DOA.
42. As of September 30, 2011, information regarding American Recovery and Reinvestment Act (ARRA) grants receipts and expenditures are accurately presented in supplemental schedule in the accompanying financial statements.
43. Other than those described in Note 13 to the financial statements, no events have occurred after September 30, 2011, but before February 27, 2012, the date the financial statements were available to be issued that require consideration as adjustments to, or disclosures in, the financial statements.

 3/1/2012  
\_\_\_\_\_  
Edwin Limtuatco Date  
Controller, Finance and Administration

 3/1/12  
\_\_\_\_\_  
Carmen Santos, CPA Date  
V.P. of Finance and Administration

 3.01.2012  
\_\_\_\_\_  
Mary Okada, Ed. D. Date  
President