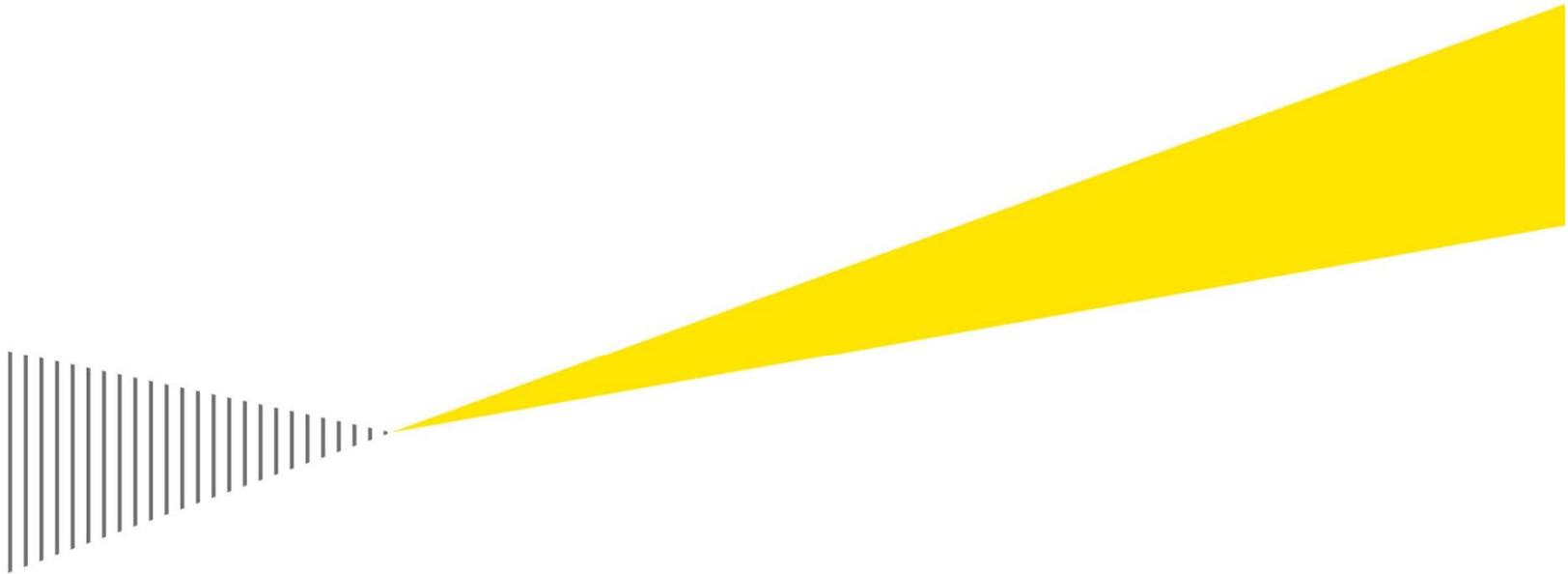


*The Auditor's Communication With Those Charged
With Governance*

**Department of Chamorro Affairs –
Non-Appropriated Funds**
(A Component Unit of the Government of Guam)

Year ended September 30, 2015





Ernst & Young LLP
231 Ypao Road
Suite 201 Ernst & Young Building
Tamuning, Guam 96913

Tel: +1 671 649 3700
Fax: +1 671 649 3920
ey.com

June 3, 2016

The Board of Trustees
Department of Chamorro Affairs

We have performed an audit of the financial statements of the Department of Chamorro Affairs – Non-Appropriated Funds (DCANAF), a component unit of the Government of Guam, as of and for the year ended September 30, 2015, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and have issued our report thereon dated June 3, 2016.

This report summarizes our communications with those charged with governance as required by our professional standards to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process.

REQUIRED COMMUNICATIONS

Overview of the planned scope and timing of the audit

Our audit scope and timing is consistent with the plan communicated in our engagement letter dated November 28, 2012 and at our audit planning meeting with management.

Auditors' Responsibilities under Auditing Standards Generally Accepted in the United States and Generally Accepted Government Auditing Standards

The financial statements and supplementary information are the responsibility of management as prepared with the oversight of those charged with governance. Our audit was designed in accordance with auditing standards generally accepted in the United States, as established by the American Institute of Certified Public Accountants, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. We were not engaged to perform an audit of the Authority's internal control over financial reporting.

An audit of financial statements includes consideration of 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 entity's internal control over financial reporting. Accordingly, we will express no such opinion.

An audit also includes the evaluation of the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the evaluation of the overall presentation of the financial statements.

Our responsibilities are included in our audit engagement letter.

Sensitive Accounting Estimates

A discussion of sensitive accounting estimates has been included in footnote 1 of the financial statements.

We determined that those charged with governance are informed about management’s process for formulating particularly sensitive estimates and about the basis to our conclusions regarding the reasonableness of those estimates.

Management’s judgment is called upon in:

- Preparing budgets that are used to administer and monitor the DCANAF’s operations. These budgets include determining how existing financial resources will be used in the DCANAF’s operations.
- Determining the assumptions used in measuring significant accounting estimates (allowance for doubtful accounts and inventory obsolescence) for financial accounting purposes.

Our views about the qualitative aspects of the entity’s significant accounting practices

Management has not selected or changed any significant accounting policies or changed the application of those policies in the current year.

We are not aware of any significant accounting policies used by the DCANAF in controversial or emerging areas or for which there is a lack of authoritative guidance.

We are not aware of any significant unusual transactions recorded by the DCANAF.

A discussion of significant accounting policies has been included in footnote 1 of the financial statements.

Uncorrected misstatements, related to accounts and disclosures, considered by management to be immaterial

Refer to “Management Representations Letter” in Appendix A.

Material corrected misstatements, related to accounts and disclosures

Refer to “Schedule of Corrected Misstatements” in Appendix B.

Our responsibility, any procedures performed and the results relating to other information in documents containing audited financial statements

Our auditor’s report on the financial statements relates only to the financial statements and the accompanying notes.

We have reviewed the Management Discussion and Analysis and found the information presented to be consistent with the information in the audited financial statements.

Fraud and illegal acts

We are not aware of any matters that require communication.

Independence matters

We are not aware of any matters that in our professional judgment would impair our independence.

Representations from management

We have obtained from management a representations letter related to the audit and a copy of the management representations letter is included in Appendix A.

Changes to the terms of the audit with no reasonable justification for the change

We are not aware of any matters that require communication.

Significant findings and issues arising during the audit relating to related parties

We are not aware of any matters that require communication.

Significant findings or issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management

We are not aware of any matters that require communication.

Significant difficulties encountered during the audit

There were no serious difficulties encountered in dealing with management in performing the audit.

Disagreements with management

There were no material disagreements with the DCANAF's management on financial accounting and reporting matters during the audit.

Management's consultations with other accountants

We are not aware of any consultations made by management with other accountants or specialists.

AICPA ethics ruling regarding third-party service providers

Our responsibilities are included in our audit engagement letter.

Other findings or issues regarding the oversight of the financial reporting process

There are no other findings or issues arising from the audit that are, in our judgment, significant and relevant to those charged with governance regarding the oversight of the financial reporting process.

This report is intended solely for the information and use of the Board of Trustees and management. It is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Ernst + Young LLP

The Board of Trustees
Department of Chamorro Affairs – Non-Appropriated Funds

Appendices

A – Management Representations Letter

B – Schedule of Corrected Misstatements

Appendix A – Management Representations Letter



DIPĀTTAMENTON I KAOHAO GUINAHAN CHAMORRO
DEPARTMENT OF CHAMORRO AFFAIRS

Honorable Edward J.B. Calvo
Governor of Guam

Joseph Antonio Canzonon
President, DCA

Raymond S.Tanorio
Lieutenant Governor of Guam



June 3, 2016

Ernst & Young LLP
231 Ypao Road
Suite 201, Ernst & Young Building



Tamuning, Guam



GUAM MUSEUM



GUAM MUSEUM



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GUAM

In connection with your audit of the basic financial statements of Department of Chamorro Affairs – Non-Appropriated Funds (DCANAF), a component unit of the Government of Guam, as of September 30, 2015 and 2014, and for years then ended, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of DCANAF in conformity with US generally accepted accounting principles.

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.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief.

Management's responsibilities

We have fulfilled our responsibilities, as set forth in the terms of the audit engagement agreement dated November 28, 2012, for the preparation and fair presentation of the financial statements (including disclosures) in conformity with US generally accepted accounting principles (US GAAP) applied on a basis consistent with that of the preceding years.

We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. We have provided you with:

- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, data, documentation and other matters
- Additional information that you have requested from us for the purpose of the audit
- Unrestricted access to persons within the DCANAF from whom you determined it necessary to obtain evidence

We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

"Department of Chamorro Affairs is an Equal Opportunity Provider and Employer"

238 Archbishop F.C. Flores St. • DNA Building, Ste. 408 Hagåtña, Guam 96910 • P.O. Box 2950 Hagåtña, Guam 96932 • Phone: (671)475-4278/9 • Fax: (671) 475-4227

Appendix A – Management Representations Letter, continued

Management's responsibilities, continued

We recognize that we are responsible for the DCANAF's compliance with the laws, regulations, grant agreements and contracts that are applicable to it. We have identified and disclosed to your representatives all laws and regulations that have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

We have identified to your representatives all previous audits, attestation engagements, and other studies related to the audit objectives and whether the related recommendations have been implemented.

There has been no noncompliance or possible noncompliance with provisions of contracts or grant agreements in any jurisdiction whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

We have a process to track the status of audit findings and recommendations.

We have provided views on your reported findings, conclusions, and recommendations, as well as management's planned corrective actions, for the report.

We have taken timely and appropriate steps to remedy fraud, and noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse that you have reported.

Uncorrected misstatements

We believe that the effects of any uncorrected misstatements, summarized in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements as a whole.

Internal control

There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

We are not aware of any significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting

Minutes and contracts

The dates of meetings of shareholders, directors, committees of directors and important management committees are as follows:

November 18, 2014	December 1, 2015	December 9, 2015
January 6, 2015	February 3, 2016	March 3, 2015
April 7, 2015	May 5, 2015	June 2, 2015
July 7, 2015	August 19, 2015	October 20, 2015
November 9, 2015	January 5, 2016	

We have made available to you all minutes of the meetings of shareholders, directors and committees of directors or summaries of actions of recent meetings for which minutes have not yet been prepared.

Appendix A – Management Representations Letter, continued

Minutes and contracts, continued

We also have made available to you all significant contracts, including amendments, and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.

Significant assumptions

Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and supportable.

Ownership and pledging of assets

Except for properties capitalized under capital leases, DCANAF has satisfactory title to all assets appearing in the statements of net position. No security agreements have been executed under the provisions of the Uniform Commercial Code, and there are no liens or encumbrances on assets, nor has any asset been pledged. All assets to which the DCANAF has satisfactory title appear in the statements of net position.

Receivables and revenues

Receivables represent valid claims against the debtors indicated and do not include amounts for goods shipped or services provided subsequent to the statements of net position dates, goods shipped on consignment, or other types of arrangements not constituting sales. Receivables have been determined in accordance with all relevant GASB Statements, including GASB Statements No. 33 and 62.

Adequate provision has been made for losses, costs and expenses that may be incurred subsequent to the statement of net position dates in respect of sales and services rendered prior to those dates and for uncollectible accounts, discounts, returns and allowances, etc., that may be incurred in the collection of receivables at those dates.

We have disclosed to you all sales terms (both expressed and implied), including all rights of return or price adjustments and warranty provisions. We have made available to you all significant contracts, communications (either written or oral), and other relevant information pertaining to arrangements with our customers, including distributors and resellers.

Inventories

Physical counts and measurements of inventories were made by competent employees under the supervision of management and book records were appropriately adjusted after giving recognition to cut-off for materials received and products shipped.

Adequate provision has been made for losses under firm purchase commitments for goods or inventory. There have been no reductions of the selling prices of finished goods subsequent to September 30, 2015 and none are contemplated.

Appendix A – Management Representations Letter, continued

Contingent liabilities

There are no unasserted claims or assessments, including those our lawyers have advised us of, that are probable of assertion and must be disclosed in accordance with GASB 62.

There have been no violations or possible violations of laws or regulations in any jurisdiction whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

There have been no internal investigations or communications from regulatory agencies or government representatives concerning investigations or allegations of noncompliance with laws or regulations in any jurisdiction, noncompliance with or deficiencies in financial reporting practices, or other matters that could have a material effect on the financial statements.

There are no other liabilities or gain or loss contingencies considered material, individually or in the aggregate, that are required to be accrued or disclosed by generally accepted accounting principles other than those accrued or disclosed in the financial statements, nor are there any accruals for loss contingencies included in the statements of net position or gain contingencies reflected in earnings that are not in conformity with the provisions of GASB 62.

We have not consulted legal counsel concerning litigation, claims or assessments.

Oral or written guarantees

There are no oral or written guarantees, including guarantees of the debt of others.

Purchase commitments

At September 30, 2015 and 2014, DCANAF had no purchase commitments for inventories in excess of normal requirements or at prices that were in excess of market at those dates.

There were no agreements or commitments to repurchase assets previously sold. There were no material commitments outstanding at September 30, 2015 and 2014 as a result of being a party to futures or forwards contracts, short sales or hedge transactions.

Fraud

We acknowledge our responsibility for the design, implementation and maintenance of programs and internal control to prevent and detect fraud.

Appendix A – Management Representations Letter, continued

Fraud, continued

We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the DCANAF's internal control over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees where the fraud could have a material effect on the financial statements.

We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud. We have disclosed to you all allegations of financial improprieties, including fraud or suspected fraud, coming to our attention (regardless of the source or form and including, without limitation, allegations by "whistle-blowers") where such allegations could result in a misstatement of the financial statements or otherwise affect the financial reporting of the DCANAF.

Independence

We are not aware of any capital lease, material cooperative arrangement or other business relationship between the DCANAF and Ernst & Young LLP or any other member firm of the global Ernst & Young organization.

We are not aware of any reason that Ernst & Young LLP would not be considered to be independent for purposes of the DCANAF's audit.

Conflicts of interest

There are no instances where any officer or employee of the DCANAF has an interest in a DCANAF with which the DCANAF does business that would be considered a "conflict of interest." Such an interest would be contrary to DCANAF policy.

Subsequent events

Subsequent to September 30, 2015, no events or transactions have occurred or are pending that would have a material effect on the financial statements at that date or for the period then ended, or that are of such significance in relation to the DCANAF's affairs to require mention in a note to the financial statements in order to make them not misleading regarding the financial position, results of operations or cash flows of the DCANAF.

Required supplementary information

We acknowledge our responsibility for the required supplementary information on management's discussion and analysis, which have been measured and presented in conformity with the guidelines established by the Governmental Accounting Standards Board. There have been no changes in the methods of measurement or presentation of the required supplementary information from those used in the prior period. We are responsible for the significant assumptions and interpretations underlying the measurement and presentation of the required supplementary information. We believe that the significant assumptions and interpretations used are reasonable.

Appendix A – Management Representations Letter, continued

Supplementary information

We are responsible for the preparation and fair presentation of the following schedules (the “supplementary information”).

- Combining Statement of Net Position
- Combining Statement of Revenues, Expenses and Changes in Net Position

We believe the supplementary information, including its form and content, is fairly stated in all material respects in relation to the basic financial statements as a whole.

There have been no changes in the methods of measurement or presentation of the supplementary information from those used in the prior period.

There are no significant assumptions or interpretations underlying the measurement or presentation of the information.

Effects of new accounting principles

As discussed in Note 1 to the financial statements, we have not completed the process of evaluating the effects that will result from adopting the amendments to the following codification provided in Governmental Accounting Standards Board (GASB):

- GASB Statement No.72
- GASB Statement No. 76
- GASB Statement No. 79
- GASB Statement No. 80
- GASB Statement No. 81

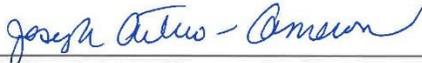
DCANAF is therefore unable to disclose the effects that adopting the amendments in the aforementioned GASB Statements will have on its financial position and the changes in its financial position when such statements are adopted.

Appendix A – Management Representations Letter, continued

* * * * *

We understand that your audits were conducted in accordance with auditing standards generally accepted in the United States as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and were, therefore, designed primarily for the purpose of expressing an opinion on the financial statements of the DCANAF as a whole, and that your tests of the accounting records and other auditing procedures were limited to those that you considered necessary for that purpose.

Very truly yours,



Mr. Joseph Artero-Cameron, President



Ms. Sherrie Barcinas, Administrative Services Officer



Mr. Jeffrey San Nicolas, General Manager (Chamorro Village)

Appendix A – Management Representations Letter, continued

Communication schedule for uncorrected misstatements

Entity: Department of Chamorro Affairs		Period End: 30-Sep-2013	Currency: USD	Income statement effect of the prior period	
No.	YIP ref.	Account	Analysis of misstatements Debit(Credit)		Income statement effect of the current period
			Assets Current	Liabilities Current	
(misstatements are recorded as journal entries with a description)			Debit(Credit)	Debit(Credit)	Debit(Credit)
Projected misstatements:			Debit(Credit)	Debit(Credit)	Debit(Credit)
SAD 03	FO158	To write-down inventory to net realizable value. Dr. Provision for inventory obsolescence Cr. Allowance for inventory obsolescence	(2,800)		2,800
Judgmental misstatements:					
SAD 02	EO120	To provide an allowance for bad debts Dr. Provision for bad debts Cr. Allowance for bad debts	(3,877)		3,877
Reclassification misstatements:					
SAD 01	EO120	To reclassify credit balances in accounts receivable as accounts payable Dr. Accounts Receivable Cr. Accounts Payable	2,472	(2,472)	
Total of uncorrected misstatements before income tax			(4,208)	(2,472)	6,680
Total of uncorrected misstatements			(4,208)	(2,472)	6,680
Financial statement amounts			343,611	(90,431)	95,301
Effect of uncorrected misstatements on FTS amounts			-1.2%	0.0%	0.2%
Memo: Total of non-issuable items (marked "X" above)				(253,180)	13.3%
Uncorrected misstatements before income tax				0.0%	0.0%
Less: Tax effect of misstatements at current year marginal rate					
Uncorrected misstatements in income tax					
Cumulative effect of uncorrected misstatements after tax on prior period					
Turnaround effect of prior period uncorrected misstatements					
All factual and projected misstatements: Judgmental misstatements:					
Cumulative effect of uncorrected misstatements, after turnaround effect					
Current year income before tax					
Current year income after tax					

Do not remove any categories of misstatements above, even if there are no misstatements; removing these categories may adversely affect the formulas or template functionality.

Management representation:
 The foregoing uncorrected misstatements have been reviewed and approved.

We believe that the effects of the foregoing uncorrected misstatements accumulated by you during the audit and pertaining to the latest period presented are immaterial both individually and in the aggregate to the financial statements as a whole.

Joseph Antonio-Cameron
 Mr. Joseph Antonio-Cameron, President
 Department of Chamorro Affairs

Mr. Jeffrey Shimizu
 Mr. Jeffrey Shimizu, General Manager
 Chamorro Village



EY Form U223

19 February 2014

The Board of Trustees
 Department of Chamorro Affairs – Non-Appropriated Funds

Appendix B – Schedule of Corrected Misstatements

Department of Chamorro Affairs
 Year End: September 30, 2015
 Adjusting Journal Entries
 Date: 10/1/2014 To 9/30/2015

Prepared by	Reviewed by

AJ

Number	Date	Name	Account No	Reference	Debit	Credit	Net Income (Loss)	Amount Chg	Recurrent
Net Income (Loss) Before Adjustments							95,515.00		
AJE 01	9/30/2015	Retained Earnings	3040 DCA2	T0110	5,893.00				
AJE 01	9/30/2015	Bal: Debt Expense	6010 DCA2	T0110		5,893.00			
To reconcile retained earnings beginning (CV).					5,893.00	5,893.00	101,408.00	5,893.00	
AJE 02	9/30/2015	Retained earnings	39000 DCA3	T0110	70.00				
AJE 02	9/30/2015	Other income	60100 DCA3	T0110		70.00			
To reconcile retained earnings beginning (RPT).					70.00	70.00	101,478.00	70.00	
AJE 03	9/30/2015	Retained earnings	501 DCA4	T0110		3,769.00			
AJE 03	9/30/2015	Miscellaneous expense	EY2014-02 DCA4	T0110	3,769.00				
To correct retained earnings, beginning (CAHA).					3,769.00	3,769.00	\$7,709.00	(3,769.00)	
AJE 04	9/30/2015	Retained earnings	39000 DCA6	T0100		112,000.00			
AJE 04	9/30/2015	Contractual	40100 DCA6	T0100	112,000.00				
To properly classify contractual expense credits as beginning net assets (Percent for the Arts).					112,000.00	112,000.00	(14,291.00)	(112,000.00)	
AJE 05	9/30/2015	Inventory	300 DCA4	DCA 3	6,341.00				
AJE 05	9/30/2015	Miscellaneous income	604 DCA4	DCA 3		6,341.00			
To record the 2011 adjusting entry relating to inventory and accounts payable (CAHA).					6,341.00	6,341.00	(7,950.00)	6,341.00	
AJE 06	9/30/2015	Accounts Payable	1808 DCA2	N0110 DCA2		27,780.00			
AJE 06	9/30/2015	Security	6058 DCA2	N0110 DCA2	9,848.00				
AJE 06	9/30/2015	Power	60171 DCA2	N0110 DCA2	6,678.00				
AJE 06	9/30/2015	Water	60172 DCA2	N0110 DCA2	11,254.00				
To record security, power and water in the proper period (Chamorro Village).					27,780.00	27,780.00	(35,730.00)	(27,780.00)	
AJE 07	9/30/2015	Security Deposits	1860 DCA2	N0130 DCA2	4,809.00				
AJE 07	9/30/2015	Other income	4080 DCA2	N0130 DCA2		4,809.00			
To reverse the security deposits of nonactive tenants (Chamorro Village).					4,809.00	4,809.00	(50,921.00)	4,809.00	
AJE 08	9/30/2015	Inventory	14200 DCA3	F0102 DCA2		9,460.00			
AJE 08	9/30/2015	Cost of goods sold	41000A DCA3	F0102 DCA2	9,460.00				
To record book inventory losses/transfers (RPT).					9,460.00	9,460.00	(40,381.00)	(9,460.00)	
AJE 09	9/30/2015	Prepaid Expenses	1320 DCA2	DCA2		10,000.00			
AJE 09	9/30/2015	Janitorial Services	6056 DCA2	DCA2	10,000.00				
To reclassify prepaid janitorial expense.					10,000.00	10,000.00	(50,381.00)	(10,000.00)	
					180,122.00	180,122.00	(50,381.00)	(145,895.00)	

The Board of Trustees
Department of Chamorro Affairs – Non-Appropriated Funds

Appendix B – Schedule of Corrected Misstatements, continued

Department of Chamorro Affairs
Year End: September 30, 2015
Adjusting Journal Entries
Date: 10/1/2014 To 9/30/2015

Prepared by	Reviewed by

AJE-

Number	Date	Name	Account No	Reference	Debit	Credit	Net Income (Loss)	Amount Chg	Recurrenc
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Approved by:


Mr. Joseph Cameron, President


Mr. Jeffrey van Nicolas
Chamorro Village, General Manager

The Board of Trustees
 Department of Chamorro Affairs – Non-Appropriated Funds

Appendix B – Schedule of Corrected Misstatements, continued

Department of Chamorro Affairs
 Year End: September 30, 2015
 Reclassifying Journal Entries - Combined
 Date: 10/1/2014 To 9/30/2015

Prepared by	Reviewed by

RJ

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence
RJE 01	9/30/2015	Other income	40001 DCA6	VD0110 DCA6			5,342.00	
RJE 01	9/30/2015	Contractual	40100 DCA6	VD0110 DCA6		5,342.00		
		To reclassify administrative fee received from Guam Power Authority.						
RJE 02	9/30/2015	Security	6058 DCA2	VD0110 DCA2		41,636.00		
RJE 02	9/30/2015	Security	6058A DCA2	VD0110 DCA2			41,636.00	
		To reclassify security expenses in 01						
RJE 03	9/30/2015	Maintenance Expense	6055 DCA2	VD0112 DCA2			33,693.00	
RJE 03	9/30/2015	Solid Waste	6060A DCA2	VD0112 DCA2		33,693.00		
		To reclassify solid waste expense to proper account.						
RJE 04	9/30/2015	Wednesday Night Market	6041 DCA2	VD0150 DCA2		21,700.00		
RJE 04	9/30/2015	Entertainment - Others	6042 DCA2	VD0150 DCA2			11,300.00	
RJE 04	9/30/2015	Entertainment	6045 DCA2	VD0150 DCA2			10,400.00	
		To reclassify Wednesday Night Market entertainment expense to proper account.						
RJE 05	9/30/2015	Cost of goods sold	41000A DCA3	RPT			1,289.00	
RJE 05	9/30/2015	Provision for inventory obsolescence	EY2015-01 DCA3	RPT		1,289.00		
		To reclassify provision for obsolescence.						
						103,660.00	103,660.00	
		Net Income (Loss)						(50,381.00)

Approved by:


 Mr. Joseph Cameron, President


 Mr. Jeffrey San Nicolas
 Chamorro Village, General Manager