



Deloitte & Touche LLP  
361 South Marine Corps Drive  
Tamuning, GU 96913-3973  
USA

Tel: +1 (671) 646-3884  
Fax: +1 (671) 649-4265

[www.deloitte.com](http://www.deloitte.com)

June 3, 2019

The Board of Trustees  
Guam Memorial Hospital Authority

Dear Members of the Board of Trustees:

We have performed an audit of the financial statements of the Guam Memorial Hospital Authority (the Authority) as of and for the year ended September 30, 2018, in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our report thereon dated June 3, 2019.

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 Authority is responsible.

This report is intended solely for the information and use of the Board of Trustees, management, the Office of the Public Accountability of Guam and others within the organization and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record

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

Very truly yours,

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, stylized font.

cc: The Management of Guam Memorial Hospital Authority

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

Our responsibility under generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, has been described in our engagement letter dated August 10, 2018. 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 the Authority's financial statements for the year ended September 30, 2018 (the "financial statements"), in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles") in all material respects, and to perform specified procedures on the required supplementary information for the year ended September 30, 2018;
- To express an opinion on whether the supplementary information that accompanies the financial statements, including the schedule of expenditures of federal awards, is fairly stated, in all material respects, in relation to the financial statements taken as a whole;
- To report on the Authority'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, 2018, based on an audit of financial statements performed in accordance with standards applicable to financial audits contained in generally accepted government auditing standards; and
- To report on the Authority's compliance with requirements applicable to each major program and on internal control over compliance in accordance with the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether caused by fraud or error. In making those risk assessments, we considered internal control over financial reporting relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting. Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

We also considered the Authority'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 the Uniform Guidance. Our audit does not, however, provide a legal determination of the Authority's compliance with those requirements.

## ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared with the oversight of 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 Authority's 2018 financial statements include management's estimate of the allowance for uncollectible accounts, which is determined based on management's evaluation of the collectability of current accounts and historical trends, management's estimate of the provision for inventory obsolescence, which is determined based on management's evaluation of the inventory's realizable value, 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, 2018, 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

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. 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 Authority's financial reporting process. Such proposed adjustments, listed as Appendix A to Attachment I, have been recorded in the accounting records and are reflected in the 2018 financial statements.

In addition, listed in Appendix B and Appendix C to Attachment I, are summaries of uncorrected misstatements and disclosures 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 Authority's significant accounting policies are set forth in Note 2 to the Authority's 2018 financial statements. During the year ended September 30, 2018, there were no significant changes in previously adopted accounting policies or their application, except for the following pronouncements adopted by the Authority:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The implementation of this statement had a material effect on the accompanying financial statements resulting in the restatement of GMHA's fiscal year 2017 financial statements to reflect the reporting of OPEB liability, deferred inflows of resources and deferred outflows of resources and the recognition of OPEB in accordance with the provisions of GASB Statement No. 75. The 2017 financial statements were restated as follows:

## SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

	As Previously Reported	Adjustment	As Restated
As of October 1, 2016:			
Net position	\$ <u>(78,178,324)</u>	\$ <u>(150,347,758)</u>	\$ <u>(228,526,082)</u>
For the year ended September 30, 2017:			
Operating expenses	\$ <u>119,902,495</u>	\$ <u>12,447,462</u>	\$ <u>132,349,957</u>
Change in net position	\$ <u>(1,907,847)</u>	\$ <u>(12,447,462)</u>	\$ <u>(14,355,309)</u>
As of September 30, 2017:			
Deferred outflows from OPEB	\$ <u>          -</u>	\$ <u>20,791,629</u>	\$ <u>20,791,629</u>
OPEB liability	\$ <u>          -</u>	\$ <u>(183,586,849)</u>	\$ <u>(183,586,849)</u>
Net position	\$ <u>(80,086,171)</u>	\$ <u>(162,795,220)</u>	\$ <u>(242,881,391)</u>

- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, which improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.
- GASB Statement No. 85, *Omnibus 2017*, which address practice issues that have been identified during implementation and application of certain GASB Statements including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt.

Except for GASB Statement No. 75, the implementation of these statements did not have a material effect on GMHA's financial statements.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset. The provisions in Statement No. 83 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The provisions in Statement No. 88 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions in Statement No. 89 are effective for fiscal years beginning after December 15, 2019. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

**SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The provisions in Statement No. 90 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

We have evaluated the significant qualitative aspects of the Authority's accounting practices, including accounting policies, accounting estimates and financial statement disclosures and concluded that the policies are appropriate, adequately disclosed, and consistently applied by management.

**OTHER INFORMATION IN THE ANNUAL REPORTS OF THE AUTHORITY**

When audited financial statements are included in documents containing other information, such as Annual Reports, 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. In the event that the Authority issues an Annual Report or other documentation that includes the audited financial statements, we will be required to read the other information in the Authority's 2018 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 of Trustees.

**DISAGREEMENTS WITH MANAGEMENT**

We have not had any disagreements with management related to matters that are material to the Authority's 2018 financial statements.

**OUR VIEWS ABOUT SIGNIFICANT MATTERS THAT WERE THE SUBJECT OF 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 2018.

**SIGNIFICANT FINDINGS OR ISSUES DISCUSSED, OR SUBJECT OF CORRESPONDENCE, 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.

**OTHER SIGNIFICANT FINDINGS OR ISSUES ARISING FROM THE AUDIT DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT**

Throughout the year, routine discussions were held, or were the subject of correspondence, with management. In our judgment, such discussions or correspondence did not involve significant findings or issues requiring communication to the Board of Trustees.

**MANAGEMENT'S REPRESENTATIONS**

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

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

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

## **CONTROL-RELATED MATTERS**

We have issued a separate report to you, dated June 3, 2019, on the Authority's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, which was based upon the audit performed in accordance with *Government Auditing Standards*. Within that report, we noted certain matters that were considered to be material weaknesses under standards established by the American Institute of Certified Public Accountants. We have also issued a separate report to you, also dated June 3, 2019, involving the Authority's compliance with requirements applicable to each major program and on internal control over compliance in accordance with the Uniform Guidance.

We have communicated to management, in separate letters also dated June 3, 2019, certain deficiencies and other matters related to the Authority's internal control over financial reporting and to the Authority's internal control over its information technology environment that we identified during our audit.

Although we have included management's written responses to our comments, such responses have not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we do not express an opinion or provide any form of assurance on the appropriateness of the responses or the effectiveness of any corrective actions described therein.



# Guam Memorial Hospital Authority Aturidåt Espetåt Mimuriåt Guåhan

850 GOV. CARLOS CAMACHO ROAD  
OKA, TAMUNING, GUAM 96913  
TEL: 647-2444 or 647-2330  
FAX: (671) 649-0145

ATTACHMENT I



June 3, 2019

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

We are providing this letter in connection with your audits of the financial statements of the Guam Memorial Hospital Authority (GMHA), a component unit of the Government of Guam (GovGuam), as of September 30, 2018 and 2017, and the related statements of revenues, expenses and changes in net position and of cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise GMHA'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 change in net position, and cash flows of GMHA in conformity with accounting principles generally accepted in the United States of America (GAAP).

We confirm that we are responsible for the following:

- a. The preparation and fair presentation in the basic financial statements of financial position, results of operations, and cash flows, in conformity with GAAP.
- b. 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
  - To prevent and detect fraud
- c. The review and approval of the 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 financial statements was a matter of convenience rather than one of necessity. We have reviewed the 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 a stand-alone business-type activities governments obtained from the Government Finance Officers Association. Additionally, we agree to the recorded adjustments included in Appendix A.

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 audits.

1. The basic financial statements referred to above are fairly presented in conformity with GAAP. In addition:
  - a. Net position components (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
  - b. Deposits are properly classified in the category of custodial credit risk.
  - c. Capital assets are properly capitalized, reported, and, if applicable, depreciated.
  - d. Required supplementary information is measured and presented within prescribed guidelines.
  - e. Other supplementary information is measured and presented within prescribed guidelines.
  - f. Applicable laws and regulations are followed in adopting, approving, and amending budgets.
  - g. Revenues and expenses are appropriately classified in the statements of revenues, expenses and changes in net position within operating revenues, non-operating revenues and expenses.
  
2. GMHA has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.
  
3. GMHA has made available to you:
  - a. All minutes of the meetings of the Board of Trustees or summaries of actions of recent meetings for which minutes have not yet been prepared. The following details the summary of minutes:
 

<u>Name</u>	<u>Date</u>	<u>Name</u>	<u>Date</u>
Regular Meeting	December 13, 2017	Regular Meeting	July 26, 2018
Regular Meeting	March 8, 2018	Regular Meeting	August 30, 2018
Regular Meeting	April 19, 2018	Regular Meeting	September 27, 2018
Regular Meeting	May 31, 2018	Regular Meeting	November 7, 2018
Regular Meeting	July 6, 2018		
  
  - b. All financial records and related data for all financial transactions of GMHA and for all funds administered by GMHA. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by GMHA and provide the audit trail to be used in a review of accountability. Information presented in financial reports is supported by the books and records from which the financial statements have been prepared.
  
  - c. Contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies.
  
  - d. Third-party payor reports and information.



4. There have been no:
  - a. Action taken by GMHA management that contravenes the provisions of federal laws and Guam laws and regulations, or of contracts and grants applicable to GMHA except as discussed in the Schedule of Findings and Questioned Costs section of your Independent Auditors' Reports on Internal Control and on Compliance.
  - b. Communication from regulatory agencies concerning noncompliance with laws and regulations (including those related to the Medicare and Medicaid antifraud and abuse statutes) or deficiencies in financial reporting practices or other matters that could have a material effect on the 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 financial statements taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix B.
6. We have completed our procedures to evaluate the accuracy and completeness of the disclosures in our financial statements. As a result of the evaluation process, we identified certain disclosures that, although required GAAP, have been omitted from our financial statements. Those omitted disclosures that are regarded as more than clearly trivial are attached as Appendix C. We believe the effects of the omitted disclosures are quantitatively and qualitatively immaterial, both individually and in the aggregate, to the financial statements as a whole.
7. GMHA has not performed a formal 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 GMHA and do not believe that the financial statements are materially misstated as a result of fraud.
8. We have no knowledge of any fraud or suspected fraud affecting GMHA involving:
  - a. Management.
  - b. Employees who have significant roles in internal control over financial reporting.
  - c. Others, where the fraud could have a material effect on the financial statements.
9. We have no knowledge of any allegations of fraud or suspected fraud affecting GMHA's financial statements communicated by employees, former employees, analysts, regulators, or others.
10. There are no unasserted claims or assessments that we are aware of that legal counsel has advised us are probable of assertion and must be disclosed in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards ("GASB Codification") Section C50, *Claims and Judgments*. Management is of the opinion, based on discussions with applicable legal counsel, that adequate provision has been made in the financial statements for unasserted claims or assessments and we do not believe that resolution of these matters will have material impact on the financial statements.
11. Significant assumptions used by us in making accounting estimates are reasonable.

12. We are responsible for the preparation of the Schedule of Expenditures of Federal Awards in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("OMB Uniform Guidance"). We have identified and disclosed all of GMHA's government programs and related activities subject to the OMB Uniform Guidance compliance audit. In addition, we have accurately completed the appropriate sections of the data collection form.
13. We are responsible for compliance with local, state, and federal laws, rules, and regulations, including compliance with the requirements of OMB Uniform Guidance, and provisions of grants and contracts relating to GMHA'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. GMHA is responsible for maintaining accounting and administrative control over revenues, obligations, expenditures, assets, and liabilities.
14. 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 federal statutes, regulations, and the terms and conditions of the federal awards that could have a material effect on its federal programs.
15. We have disclosed to you all deficiencies in the design or operation of internal control over financial reporting identified as part of our evaluation, including separately disclosing to you all such deficiencies that are significant deficiencies or material weaknesses in internal control over financial reporting.
16. No events have occurred subsequent to September 30, 2018 that require consideration as adjustments to or disclosures in the schedule of federal awards and related notes or that existed at the end of the reporting period that affect noncompliance during the reporting period.
17. We have disclosed all known noncompliance with direct and material compliance requirements occurring subsequent to September 30, 2018.
18. There have been no changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by the Authority with regard to significant deficiencies and material weaknesses in internal control over compliance, subsequent to September 30, 2018.
19. Federal awards expenditures have been charged in accordance with applicable cost principles.
20. The Reporting Package submitted to the Federal Audit Clearinghouse (FAC) as defined by the OMB Uniform Guidance section 2CFR200.512(3)(c) does not contain protected personally identifiable information.
21. GMHA has obligated, expended, received, and used public funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by local, state, or federal law. Such obligation, expenditure, receipt, or use of public funds was in accordance with any limitations, conditions, or mandatory directions imposed by local, state, or federal law.

22. Money or similar assets handled by GMHA on behalf of the Federal Government have been properly and legally administered, and the accounting and record keeping related thereto is proper, accurate, and in accordance with law.
23. We have disclosed to you all communications from service organizations relating to noncompliance with the requirements of federal statutes, regulations, and terms and conditions of federal awards at those organizations.
24. We have:
  - a. Identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program under audit.
  - b. Complied, in all material respects, with the direct and material compliance requirements identified above in connection with federal awards except as disclosed in the Schedule of Findings and Questioned Costs.
  - c. Identified and disclosed interpretations of any compliance requirements that have varying interpretations.
  - d. Made available all federal awards (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities. Management has made available all documentation related to compliance with the direct and material compliance requirements, including information related to federal program 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. The copies of federal program financial reports provided are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through Entity, as applicable.
  - e. Identified and disclosed all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards, including the results of other audits, program reviews, or any communications from federal awarding agencies and pass-through entities concerning possible noncompliance related to the objectives of the audit.
  - f. Identified previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit and the corrective actions taken to address significant findings and recommendations, including the status of follow-up on prior audit findings (and information about all management decisions) by federal awarding agencies and pass-through entities.
  - g. Provided to you our views on the reported findings, conclusions, and recommendations for your report.
25. We are responsible for follow-up on all prior-year findings. We have prepared a summary schedule of prior-year findings by federal awarding agency and pass-through entity, including all management decisions, to report the status of our efforts in implementation of the prior-year's corrective action plan. The summary schedule of prior audit findings includes all findings required to be included in accordance with OMB Uniform Guidance.

26. We are responsible for taking corrective action on audit findings and have developed a corrective action plan that meets the requirements of OMB Uniform Guidance. We have included in the corrective action plan for current-year findings, the name of the person in our organization responsible for implementation of the actions, the best actions to be taken, and the estimate of a completion date. We have taken timely and appropriate steps to remedy fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that you report.
27. 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.
28. No organizations were identified that meet the criteria established in GASB Codification Section 2100, *Defining the Financial Reporting Entity*.

Except where otherwise stated below, matters less than \$294,000 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.

29. Except as listed in Appendices B and C, there are no transactions that have not been properly recorded in the accounting records underlying the financial statements.
30. GMHA has no plans or intentions that may affect the carrying value or classification of assets and liabilities.
31. Regarding related parties:
  - a. We have disclosed to you the identity of GMHA's related parties and all the related party relationships and transactions of which we are aware.
  - b. To the extent applicable, related parties and all the related-party relationships and transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral) have been appropriately identified, properly accounted for, and disclosed in the financial statements.
32. 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.
33. Risks associated with concentrations, based on information known to management, that meet all of the following criteria have been disclosed in the financial statements:
  - a. The concentration exists at the date of the financial statements.
  - b. The concentration makes the enterprise 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.

34. There are no:
- a. Instances of identified or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements, such as those related to the Medicare and Medicaid antifraud and abuse statutes, including but not limited to the Anti-Kickback Act, Limitation on Certain Physician Referrals (commonly referred to as the "Stark Law", and the False Claims Act), in any jurisdiction, whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
  - b. Known actual or possible litigation and claims whose effects should be considered when preparing the financial statements that have not been disclosed to you and accounted for and disclosed in accordance with GAAP.
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Codification Section C50, *Claims and Judgments*, except as disclosed in Note 16 to the financial statements.
35. GMHA 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.
36. GMHA has complied with all aspects of contractual agreements that may have an effect on the financial statements except for instances of noncompliance included in the Schedule of Findings and Questioned Costs.
37. No department or agency of GMHA has reported a material instance of noncompliance to us except for instances of noncompliance included in the Schedule of Findings and Questioned Costs.
38. Except for matters disclosed in Note 18 to the financial statements, no events have occurred after September 30, 2018, but before June 3, 2019, the date the financial statements were available to be issued that require consideration as adjustments to or disclosures in the financial statements.
39. Regarding required supplementary information:
- a. We confirm that we are responsible for the required supplementary information.
  - b. The required supplementary information is measured and presented in accordance with the requirements of the Governmental Accounting Standards Board.
  - c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.
40. Regarding supplementary information:
- a. We are responsible for the fair presentation of the supplementary information in accordance with GAAP.
  - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP.
  - c. The method of measurement and presentation of the supplementary information has not changed from those used in the prior period.

41. During fiscal year 2018, GMHA implemented the following pronouncements:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The implementation of this statement had a material effect on the financial statements resulting in the restatement of GMHA's fiscal year 2017 financial statements to reflect the reporting of OPEB liability, deferred inflows of resources and deferred outflows of resources and the recognition of OPEB in accordance with the provisions of GASB Statement No. 75.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, which improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.
- GASB Statement No. 85, *Omnibus 2017*, which addresses practice issues that have been identified during implementation and application of certain GASB Statements including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt.

Except for GASB Statement No. 75, the implementation of these statements did not have a material effect on GMHA's financial statements.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset. The provisions in Statement No. 83 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The provisions in Statement No. 88 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions in Statement No. 89 are effective for fiscal years beginning after December 15, 2019. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61*, which improves the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The provisions in Statement No. 90 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

42. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed in the financial statements.
43. Financial instruments with significant individual or group concentration credit risk have been appropriately identified, properly recorded, and disclosed in the financial statements.
44. GMHA has disclosed whether, subsequent to September 30, 2018, any changes in internal control or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses, have occurred.
45. No evidence of fraud, possible irregularities, or dishonesty in fiscal operations of programs administered by GMHA has been discovered.
46. In 1991, Public Law 21-59 was enacted to establish a bonus system for employees of GovGuam, autonomous and semi-autonomous agencies, public corporations and other public instrumentalities of GovGuam who earn a superior performances grade. The bonus is calculated at 3.5% of the employee’s base salary beginning 1991. GMHA did not pay any bonuses pursuant to the law from 1991 through 2002. In 2003, GMHA adopted a merit system similar to the GovGuam merit system. GMHA has assessed the impact of the requirements of the law for fiscal years 1991 through 2018.
47. GMHA has incurred losses from operations of \$33,309,206 and \$40,144,429 and negative cash flows from operations of \$18,952,770 and \$22,309,763 for the years ended September 30, 2018 and 2017, respectively. At September 30, 2018 and 2017, GMHA’s deficiencies on delinquent and unpaid retirement contributions, including interest and penalties, with the GovGuam Retirement Fund were \$1,234,753 and \$715,559, respectively. GMHA recorded contractual adjustments and provisions for uncollectible accounts of \$62,835,996 and \$62,874,694 for the fiscal years ended September 30, 2018 and 2017, respectively.

GMHA management has taken the following actions and measures to address losses from operations and negative cash flows from operations:

- The Board approved Official Resolution No.15-19 raising the hospital fees by 5% effective April 1, 2015 and another 5% automatically every subsequent year.
- Management is reviewing its pricing methodology to adequately cover the costs of care in each servicing department. Upon completion of the review, it will be presented to the Board for approval.
- Application for Tax Equity and Fiscal Responsibility Act (TEFRA) was approved on January 12, 2019, and the Rebasing retroactively applied to October 1, 2013 netting GMHA \$10.7M in additional Medicare reimbursements as of April 2019.
- Management is pursuing additional adjustment requests of over \$12 million for fiscal years 2009 through 2012 and will submit same request for fiscal years 2014 through 2018.
- Management has requested for Rebasing to cover the current cost of care.
- Management has communicated with Department of Public Health and Social Services (DPHSS) regarding amendment of the Medicaid State Plan to truly reimburse GMHA the cost of care whenever Medicare approves adjustments to its rates retroactively.
- Management has entered into an arrangement with the Attorney General's office to assist GMHA in aggressively collecting from self-pay patients.
- Management has terminated the FY2016 insurance provider agreements and is in negotiation for new provider agreements to be effective June 1, 2019, to strengthen and reduce provider insurance denials.
- Management is critically evaluating staffing patterns to ensure that quality and patient safety goals are met with prudent staffing.
- Management, in coordination with DPHSS, has hired an Eligibility Specialist to help identify and assist patients obtain Medicaid or MIP coverage.
- Management is in the exploration phase of attaining a cost-efficient Electronic Healthcare Record (EHR) that will enhance accuracy and reliability of patient data.

Management believes that the continuation of the Hospital's operations is dependent upon the future payment of medical services underwritten by the Government of Guam, continued compensation by the Government of Guam for the cost of services provided under the Medicaid and Medically Indigent Program, the collection of long outstanding patient receivables, and/or improvements in operations.

48. Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the balance-sheet date and have been appropriately reduced to their estimated net realizable value.
49. GMHA is responsible for determining and maintaining the adequacy of the allowance for accounts receivable, as well as estimates used to determine such amounts. Management believes that allowances are adequate to absorb currently estimated bad debts in the account balances.

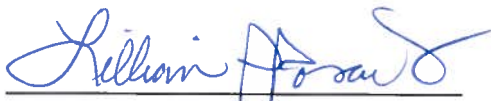


50. The recorded valuation allowances for accounts receivable and settlements with third parties are necessary, appropriate, and properly supported. Provision has been made for estimated retroactive adjustments by third-party payors under reimbursement agreements.
51. Provision has been made to reduce excess or obsolete inventories to their estimated net realizable value. All inventories are the property of GMHA and do not include any items consigned to it or any items billed to customers.
52. We believe that all expenditures that have been deferred to future periods are recoverable.
53. We have disclosed to you all additions or changes to the existing pension plan.
54. We agree with the findings of the experts contracted by the Government of Guam Retirement Fund and the Government of Guam Department of Administration for the actuarial evaluations of the Government of Guam's retirement plan, postretirement liabilities and other post-employment benefits (OPEB). We did not give any instructions, nor cause any instructions to be given, to management's experts with respect to values or amounts derived in an attempt to bias his or her work, and we are not aware of any matters that have affected the independence or objectivity of management's experts.
55. We believe that the actuarial assumptions and methods used to measure pension and postretirement liabilities and costs for financial accounting purposes are appropriate in the circumstances. These amounts have been appropriately recognized and displayed as assets, liabilities, deferred inflows, deferred outflows, net position and changes in net position in the financial statements in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*.
56. We believe that the actuarial assumptions and methods used to measure other post-employment benefit liabilities are appropriate in the circumstances. These amounts have been appropriately recognized and displayed as assets, liabilities, deferred inflows, deferred outflows, net position and changes in net position in the financial statements in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*.
57. We have no intention of terminating our participation in the Government of Guam Retirement plans or taking any other action that could result in an effective termination or reportable event for any of the plans. We are not aware of any occurrences that could result in the termination of any of our pension plans to which we contribute.
58. All additions to GMHA's property accounts consist of replacements or additions that are properly capitalizable.
59. There were no items of physical property contained in the property accounts of GMHA that were either (a) abandoned or (b) out of service and not regarded as either (i) standby property or equipment or (ii) property held for use only temporarily out of service.

60. We do not plan to make frequent amendments to our pension or other postretirement benefit plans.
61. Accrual for losses from malpractice, workers compensation, and other types of self-insured risk, including accruals for claims incurred but not reported have been properly recorded and disclosed in the financial statements.
62. We have estimated the potential impact of failure to timely update professional fees effective January 1, 2018. The total estimated gross patient revenues lost was approximately at \$272,000.
63. In February and April 2019, GMHA was re-surveyed by the Centers for Medicare and Medicaid Services (CMS) as a follow up to the April 2018 re-certification survey. The Hospital is awaiting the survey report from CMS and is expected to submit a response within 10 calendar days from the receipt of such report. GMHA is optimistic it will maintain certification from CMS.

Due to uncertainty, the accompanying financial statements do not reflect any adjustments which may ultimately arise from these matters.

Very truly yours,



Ms. Lillian Perez-Posadas  
Hospital Administrator/CEO



Ms. Benita Manglona  
Chief Financial Officer

APPENDIX A - POSTED ADJUSTMENTS AND FINANCIAL STATEMENTS RECLASSIFICATION ENTRIES

Audit Adjustments and Reclassifications			
Journal Entries - CAJE			
CO-Dept-Acct	Name	Debit	Credit
<b>1 CAJE To correct sick leave accrual</b>			
1.08812.00000	SICK LEAVE EXPENSE	8,080.97	
1.02032.00010	ACCRUED SICK LEAVE		8,080.97
		<u>8,080.97</u>	<u>8,080.97</u>
<b>2 CAJE To record FY14-16 Medicare Receivable</b>			
1.01023.01000	A/R - MEDICARE/PALMETTO	1,956,255.45	
1.05810.00010	CONTRACTUAL ADJUSTMENTS-MEDICARE		1,943,308.00
1.05789.00000	MEDICARE INCENTIVE / INTEREST		12,947.45
		<u>1,956,255.45</u>	<u>1,956,255.45</u>
<b>3 CAJE To record FY17 Medicare Receivable</b>			
1.01023.01000	A/R - MEDICARE/PALMETTO	2,812,271.00	
1.05810.00010	CONTRACTUAL ADJUSTMENTS-MEDICARE		2,812,271.00
		<u>2,812,271.00</u>	<u>2,812,271.00</u>
<b>4 CAJE To reconcile AR SL and GL</b>			
1.01021.00000	CURRENT ACCOUNTS RECEIVABLE	52,859,141.33	
1.01022.00000	LONG TERM A/R	198,473,101.65	
1.01048.00000	ALLOW FOR CONTRACTUAL ADJ-SELF P		251,332,242.98
		<u>251,332,242.98</u>	<u>251,332,242.98</u>
<b>5 CAJE To adjust appropriations</b>			
1.01023.00500	DUE FROM GOV GUAM	462,370.66	
1.02920.00103	GOVGUAM SUBSIDY		462,370.66
1.01082.00000	INV-PHARMACY IN MATERIALS -1330	328,586.75	
1.02920.00103	GOVGUAM SUBSIDY		328,586.75
1.01023.00500	DUE FROM GOV GUAM	321,870.74	
1.02920.00108	PL 32-60 URGENT HEALTH CARE CTR		321,870.74
		<u>1,112,828.15</u>	<u>1,112,828.15</u>
<b>6 CAJE To write-off subledger accounts</b>			
1.01048.00000	ALLOW FOR CONTRACTUAL ADJ-SELF P	148,948,814.33	
1.01021.00000	CURRENT ACCOUNTS RECEIVABLE		19,844,744.40
1.01022.00000	LONG TERM A/R		129,104,069.93
		<u>148,948,814.33</u>	<u>148,948,814.33</u>
<b>7 CAJE To correct JE 09-35</b>			
1.09000.00998	INV ADJ PHARMACY	328,586.75	
1.01082.00000	INV-PHARMACY IN MATERIALS -1330		328,586.75
		<u>328,586.75</u>	<u>328,586.75</u>
<b>8 CAJE To record additional write-off of S/L accounts</b>			
1.01048.00000	ALLOW FOR CONTRACTUAL ADJ-SELF P	71,627,120.39	
1.01021.00000	CURRENT ACCOUNTS RECEIVABLE		26,259,492.92
1.01022.00000	LONG TERM A/R		45,367,627.47
		<u>71,627,120.39</u>	<u>71,627,120.39</u>
<b>9 CAJE To record amended FY17 Medicare receivable</b>			
1.01023.01000	A/R - MEDICARE/PALMETTO	1,898,234.00	
1.05810.00010	CONTRACTUAL ADJUSTMENTS-MEDICARE		1,898,234.00
		<u>1,898,234.00</u>	<u>1,898,234.00</u>

APPENDIX A - POSTED ADJUSTMENTS AND FINANCIAL STATEMENTS RECLASSIFICATION ENTRIES

Audit Adjustments and Reclassifications			
Journal Entries - AJE			
CO-Dept-Acct	Name	Debit	Credit
<b>1 AJE To adjust retiree healthcare costs</b>			
1.08813.00000	RETIREE HEALTHCARE COSTS		69,430.85
1.02920.00201	TRANSFERS FROM GOVGUAM RET HEALT	69,430.85	
		<u>69,430.85</u>	<u>69,430.85</u>
<b>2 AJE To record GASB 68 and 73 at 09/30/2018</b>			
1.02150.00000	DEFERRED INFLOWS FROM PENSION		3,558,549.00
1.01500.00000	DEFERRED OUTFLOWS FROM PENSION		3,637,580.00
1.02034.00000	NET PENSION LIABILITY	16,108,322.00	
DT-4	Pension expense - Nursing		6,088,589.00
DT-5	Pension expense - Professional Support		2,632,825.00
DT-6	Pension expense - Administrative Support		1,116,921.00
DT-7	Pension expense - Fiscal Services		970,404.00
DT-8	Pension expense - Administration		461,585.00
DT-9	Pension expense - Medical Staff		152,845.00
1.08814.00000	PENSION EXP (CONTRA DEFF OUTFLOW)	2,510,976.00	
		<u>18,619,298.00</u>	<u>18,619,298.00</u>
<b>3 AJE To reverse GASB 68/73 discount rate variance impact</b>			
1.02034.00000	NET PENSION LIABILITY		2,772,763.00
DT-4	Pension expense - Nursing	2,772,763.00	
		<u>2,772,763.00</u>	<u>2,772,763.00</u>
<b>4 AJE To record ad hoc COLA and supplemental benefits</b>			
DTT .08411.00	Retiree Ad hoc COLA and supplemental benefits	1,656,365.00	
DTT .08412.00	Transfers from GovGuam - Ad hoc COLA and supplemental benefits		1,656,365.00
		<u>1,656,365.00</u>	<u>1,656,365.00</u>
<b>5 AJE To reflect PY restatement for GASB 75 implement</b>			
DT-1	Deferred Outflows of Resources - OPEB	20,791,629.00	
DT-2	OPEB Liability		183,586,849.00
1.02310.00000	FUND BALANCE	162,795,220.00	
		<u>183,586,849.00</u>	<u>183,586,849.00</u>
<b>6 AJE To record GASB 75 at 09/30/2018</b>			
DT-1	Deferred Outflows of Resources - OPEB		1,878,504.00
DT-2	OPEB Liability	5,537,534.00	
DT-3	Deferred Inflows of Resources - OPEB		15,257,429.00
DT-04	Retiree OPEB Expense	11,598,399.00	
		<u>17,135,933.00</u>	<u>17,135,933.00</u>
<b>7 AJE To correct sick leave accrual</b>			
1.02032.00010	ACCRUED SICK LEAVE	1,689,892.34	
1.08812.00000	SICK LEAVE EXPENSE		1,689,892.34
		<u>1,689,892.34</u>	<u>1,689,892.34</u>
<b>8 AJE To adjust allowance</b>			
1.01050.00000	BAD DEBTS BUCKET		5,388,000.00
1.05810.00010	CONTRACTUAL ADJUSTMENTS-MEDICARE	803,000.00	
1.05810.00020	CONTRACTUAL ADJUSTMENTS-MEDICAID		970,000.00
1.05810.00060	CONTRACTUAL ADJUSTMENTS-SELECTCA	2,400,000.00	
1.05890.00080	BAD DEBTS - SELF PAY	3,155,000.00	
		<u>6,358,000.00</u>	<u>6,358,000.00</u>
<b>9 AJE To adjust disposed fixed assets</b>			
1.01291.00000	ACCUM DEPRECIATION-MAJOR MOVABLE	1,706,294.72	
1.01241.00000	MOVABLE EQUIPMENT		1,706,294.72
		<u>1,706,294.72</u>	<u>1,706,294.72</u>
<b>10 AJE To adjust AR Suspense ledgers</b>			
1.01024.01000	A/R SUSPENSE-MEDICARE/CASH	106,520.43	
1.01024.02000	A/R SUSPENSE-MEDICAID/CASH		1,223,844.31
1.01024.03000	A/R SUSPENSE-MIP/CASH	1,115,310.42	
1.01024.07000	A/R SUSPENSE-NETCARE		983.32
1.01024.09000	A/R SUSPENSE-V A & US TREASURY	19,136.93	
1.01024.13000	A/R SUSPENSE-LOCAL CO/INS		46,543.40
1.01024.14001	A/R SUSPENSE-COLL AGENCY-CAOG	30,418.25	
1.01048.00000	ALLOW FOR CONTRACTUAL ADJ-SELF P		15.00
		<u>1,271,386.03</u>	<u>1,271,386.03</u>

APPENDIX A - POSTED ADJUSTMENTS AND FINANCIAL STATEMENTS RECLASSIFICATION ENTRIES

Audit Adjustments and Reclassifications			
Journal Entries - RJE			
CO-Dept-Acct	Name	Debit	Credit
<b>1 RJE To reclassify current portion of annual leave</b>			
1.02032.00000	ACCRUED ANNUAL LEAVE	1,827,469.00	
DTT .06212.00	ACCRUED ANNUAL LEAVE - CURRENT PORTION		1,827,469.00
		<u>1,827,469.00</u>	<u>1,827,469.00</u>
<b>2 RJE To reclass retirement fund liability as of 9/30/18</b>			
1.02021.00000	TRADE PAYABLES	1,229,999.33	
1.02038.01000	RETIREMENT FUND - DBP (OLD PLAN)		212,493.64
1.02038.02000	RETIREMENT FUND - DCP (NEW PLAN)	112,198.77	
1.02038.02100	RETIREMENT FUND - DCP (457)		83,725.06
1.02038.02200	RETIREMENT FUND - DCP (457) LOAN		17,431.17
1.02038.02400	DC RET D&D	0.00	
1.02038.02000	RETIREMENT FUND - DCP (NEW PLAN)		583,346.78
1.02038.04000	DB 1.75 (HP) Plan		337,524.93
1.02038.02400	DC RET D&D		107,444.52
1.02038.03000	RETIREMENT FUND - MISC DEDUCTION		232.00
		<u>1,342,198.10</u>	<u>1,342,198.10</u>
<b>3 RJE To reclass reimbursements of expenses related to DOC</b>			
1.02920.00100	DOA SUBSIDY	2,476,131.47	
DT-2016-1	Other Revenue (DOC)		2,476,131.47
		<u>2,476,131.47</u>	<u>2,476,131.47</u>

APPENDIX B - UNPOSTED ADJUSTMENTS AND FINANCIAL STATEMENT RECLASSIFICATION ENTRIES

Misstatement Description	Type of Mistatement	Balance Sheet			Income Statement
		Assets Dr (Cr)	Liabilities Dr (Cr)	Net Position Dr (Cr)	Revenue Expenses Dr (Cr)
To adjust long-outstanding AP	Factual		93,898		(93,898)
To adjust legal reserve	Judgmental		333,372		(333,372)
To reclassify estimated valid patient credit balances	Extrapolated	488,225	(488,225)		
To adjust AR credit balances to other income	Extrapolated	409,685			(409,685)
		<u>897,910</u>	<u>(60,955)</u>	<u>0</u>	<u>(836,955)</u>

APPENDIX C - DISCLOSURE MISSTATEMENTS

Disclosure	Description of Disclosure Misstatement	Amount
Fixed assets	Obsolete fixed assets were not recorded as disposals at year-end	377,454
		<u>377,454</u>