

June 20, 2019

Honorable Lourdes A. Leon Guerrero
Governor
Government of Guam

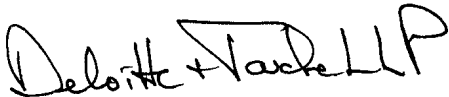
Dear Governor Leon Guerrero:

We have performed an audit of the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Government of Guam (GovGuam) 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 20, 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 GovGuam is responsible.

This report is intended solely for the information and use of the management of GovGuam, the Office of Public Accountability, federal awarding agencies, pass-through entities, and others within the GovGuam 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.

Very truly yours,

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is stylized and appears to be written in a cursive or semi-cursive font.

cc: The Management of Government of Guam

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

Our responsibility under generally accepted auditing standards, 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 September 25, 2018. As described in that letter, the objective of a financial statement audit conducted in accordance with the aforementioned standards are:

- To express an opinion on the fairness of the presentation of GovGuam’s financial statements and the accompanying supplementary information, in relation to the financial statements as a whole, for the year ended September 30, 2018 (the “financial statements”), in conformity 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 GovGuam’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 GovGuam’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 Office of the Governor 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 Office of the Governor 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 GovGuam’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 GovGuam’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of GovGuam’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 GovGuam’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 GovGuam’s compliance with those requirements.

SIGNIFICANT ACCOUNTING POLICIES

GovGuam's significant accounting policies are set forth in Note 1 to GovGuam'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 implemented by GovGuam:

- 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 has no impact on GovGuam's governmental fund financial statements, which continue to report expenditures in the amount contractually required. However, implementation has resulted in the restatement of GovGuam's fiscal year 2017 government-wide financial statements to reflect the reporting of an OPEB liability, deferred inflows of resources, and deferred outflows of resources for its qualified OPEB plan and the recognition of OPEB expense in accordance with the provisions of GASB Statement No. 75. Net position as of October 1, 2017 for governmental activities, fiduciary component units and discretely presented component units decreased by \$1,541,331,181, \$10,927,527 and \$705,149,415, respectively, as a result of the implementation 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 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 GovGuam'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 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.

SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

We have evaluated the significant qualitative aspects of the GovGuam'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.

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 GovGuam'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 tax refunds, which is determined based on periodic review of tax returns in light of historical experience and the nature and volume of tax returns submitted. During the year ended September 30, 2018, there were no significant changes in accounting estimates or in management's judgements relating to such estimates other than the effect of adopting Government Accounting Standards Board (GASB) Statement No. 75 on other post-employment benefits related estimates as stated below.

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. We have attached to this letter, as Appendix A, Appendix B and Appendix C to Attachment II, summaries of uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest and prior period presented and passed disclosures that we presented to management during the current audit engagement that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

CORRECTED 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 GovGuam's financial reporting process. Such adjustments, listed in Attachment I, were brought to the attention of management as a result of our audit procedures and were corrected by management during the current period and are reflected in the 2018 financial statements.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to the GovGuam'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 Office of the Governor.

SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

MANAGEMENT'S REPRESENTATIONS

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

EMPHASIS OF MATTER

As discussed in Note 1X to the financial statements, effective October 1, 2017, GovGuam adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which resulted in the restatement of beginning net position of governmental activities, fiduciary component units and the aggregate discretely presented component units. Our opinion is not modified with respect to this matter.

As discussed in Note 15 to the financial statements, the beginning net position of governmental activities and the aggregate discretely presented component units have been restated to correct an error. Our opinion is not modified with respect to this matter.

CONTROL-RELATED MATTERS

We have issued a separate report to you, dated June 20, 2019, on GovGuam'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 20, 2019, involving GovGuam'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 two separate letters both dated June 20, 2019, certain deficiencies and other matters related to GovGuam's internal control over financial reporting and GovGuam'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.

* * * * *

Government of Guam
Summary of Corrected Misstatements
September 30, 2018

GENERAL FUND

#	Name	Debit	Credit
	1 AJE To record permanent transfer from General Fund		
110071110TOA	EXPENDITURES - TRANSFERS OUT	11,372,974	
329350100	TRANSFER IN		680,000
361750100	TRANSFERS IN FROM GENERAL FUND		5,175,650
365950100	TRANSF IN FR GF (GMHA MEDICD)		5,517,324
		<u>11,372,974</u>	<u>11,372,974</u>
	2 AJE To record transfers from Fund 355 to Fund 363		
135571110TOF	TRANSFER OUT	2,843,990	
336350100	TRANSFER IN - GF		2,843,990
		<u>2,843,990</u>	<u>2,843,990</u>

FEDERAL GRANTS ASSISTANCE FUND

#	Name	Debit	Credit
	1 AJE To adjust GASB 18 Accrual Ordot		
310151272L	STATE OFFICE 9504GU4013	1,864	
310150000	REVENUES		88,863
110141110	FUND BALANCE	86,999	
		<u>88,863</u>	<u>88,863</u>

OTHER GOVERNMENTAL FUNDS

#	Name	Debit	Credit
	1 AJE To adjust GASB 18 Accrual Ordot		
135321165	GASB 18 LANDFILL LIABILITY		5,838,367
135315675	AMT TO BE PROVIDED FOR LANDFIL	5,838,367	
		<u>5,838,367</u>	<u>5,838,367</u>

GOVERNMENT-WIDE

#	Name	Debit	Credit
	1 AJE To adjust GDOE Capital leases		
135315672	GDOE CAPITAL LEASE PREPAYMENTS		535,833
135315673	GDOE MAINT & INSURANCE RESERVE		250,000
135315671	GDOE AMT TO BE PROV-CAP LEASES	18,903,425	
135321220	NOTES PAYABLE-TIYAN PROPERTIES		24,507,591
135321225	GDOE CAPITAL LEASES	6,389,999	
		<u>25,293,424</u>	<u>25,293,424</u>
	2 AJE To adjust GASB 68/73		
135324005	DEFERRED INFLOWS FROM PENSIONS		39,039,161
135322005	NET PENSION LIABILITY	112,632,201	
135316820	DEFERRED OUTFLOWS FR PENSIONS	3,631,486	
135316819	AMT TO BE PROV FOR PENSIONS		77,224,526
		<u>116,263,687</u>	<u>116,263,687</u>
	3 AJE To adjust capital assets		
139018339	ALWS FOR DEPN-EQPT CONDEMNATIO	10,646,904	
139042200	INVESTMENT IN FIXED ASSETS-FED		10,646,520
139018500	CONSTRUCTION IN PROGRESS		384
		<u>10,646,904</u>	<u>10,646,904</u>
	4 AJE To adjust OPEB liability		
1353156821	AMT TO BE PROV FOR OPEB	1,648,470,099	
1353156822	DEFERRED OUTFLOWS FR OPEB	166,529,765	
135322006	OPEB LIABILITY		1,669,874,024
135324006	DEFERRED INFLOWS FROM OPEB		145,125,840
		<u>1,814,999,864</u>	<u>1,814,999,864</u>

Government of Guam
 Summary of Corrected Misstatements
 September 30, 2018

GOVERNMENT-WIDE, CONTINUED

#	Name	Debit	Credit
	5 AJE To adjust GASB 18 Accrual Ordot		
135321165	GASB 18 LANDFILL LIABILITY		5,838,367
135315675	AMT TO BE PROVIDED FOR LANDFIL	5,838,367	
		<u>5,838,367</u>	<u>5,838,367</u>
	6 AJE To record bond related long-term amounts		
	DEFERRED LOSS ON REFUNDING	100,468,307	
	PREMIUM ON BONDS ISSUED		92,446,571
	DISCOUNT ON BONDS ISSUED	1,854,089	
	ACCRUED INTEREST ON BONDS PAYABLE		16,051,251
	AMOUNT TO BE PROVIDED FOR BONDS	6,175,426	
		<u>108,497,822</u>	<u>108,497,822</u>

We reviewed the above adjustments summarized above and agree that they should be presented as of September 30, 2018. These journal entries are the results of error and not the results of fraud, irregularities, or illegal acts.



Gaudencio Rosario
 Deputy Financial Manager
 Department of Administration

**Government of Guam
Summary of Corrected Misstatements
September 30, 2018**

PUBLIC DEFENDER SERVICE CORPORATION (PDSC)- OPERATIONS

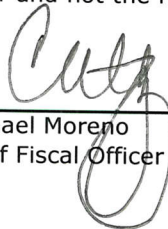
#	Name	Debit	Credit
1 AJE To reconcile opening net position			
5008-100	Miscellaneous - Operations	4,738.82	
7001-100	Beginning Fund Balance - Operations		4,738.82
		<u>4,738.82</u>	<u>4,738.82</u>
2 AJE To reconcile appropriations			
1003-100	Accounts Receivable - Operations	299,768.00	
6001-100	Transfers In - Operations (CK0656734)		299,768.00
		<u>299,768.00</u>	<u>299,768.00</u>

PDSC ALTERNATE PUBLIC DEFENDER (APD)

#	Name	Debit	Credit
1 AJE To reconcile opening net position			
7001-103	Beginning Fund Balance - APD	436.42	
5008-103	Miscellaneous - APD		436.42
		<u>436.42</u>	<u>436.42</u>
1 CAJE To reconcile opening net position*			
6002-103	Transfers in -Guam Judicial - APD	181,848.63	
7001-103	Beginning Fund Balance - APD		181,848.63
		<u>181,848.63</u>	<u>181,848.63</u>

*Recorded by PDSC/APD

We reviewed the proposed audit adjustments and reclassifications summarized above and agree that they should be presented as of September 30, 2018. These adjusting journal entries are the results of error and not the results of fraud, irregularities, or illegal acts.

for 
Michael Moreno
Chief Fiscal Officer

3.24.19


Government of Guam
 Unified Courts
 Fiscal year ended September 30, 2018

Fiduciary Fund			
#	Name	Debit	Credit
1 AJE To reconcile beginning fund balance			
25-EXP	Expenditures	1,845.00	
25-2613	Fund Balance - Beginning		1,845.00
		<u>1,845.00</u>	<u>1,845.00</u>
1 RJE To reclass expense to PDSC APD Fund			
25-5293	Court Appointed Fees / Pro Temp		928,652.37
25-2801	Transfer In/Out Other Funds	928,652.37	
		<u>928,652.37</u>	<u>928,652.37</u>

We reviewed the proposed audit adjustments and reclassifications summarized above and agree that they should be presented as of September 30, 2018. These adjusting journal entries are the results of error and not results of fraud, irregularities, or illegal acts.

 5/28/2019

 Dianne Ollet, Finance Administrator

 05/28/2019

 Charmaine Quichocho, Deputy Administrator, Financial Affairs



LOURDES A. LEON GUERRERO, Governor (*Maga'hága*)
 JOSHUA F. TENORIO, Lt. Governor (*Sigundo Maga'láhi*)



EDWARD M. BIRN
 Director (*Direktot*)
 EDITH C. PANGELINAN
 Deputy Director (*Sigundo Direktot*)

DIRECTOR'S OFFICE (*Ufisinan Direktot*)

June 20, 2019

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

We are providing this letter in connection with your audit of the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Government of Guam (the "Government"), as of and for the year ended September 30, 2018, which collectively comprise the Government'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, as applicable, of the Government in accordance 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 of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, in accordance 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 general purpose financial statements obtained from the Government Finance Officers Association.

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 accordance with GAAP. In addition:
 - a. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
 - b. Net position components (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
 - c. Deposits and investment securities are properly classified in the category of custodial credit risk.
 - d. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
 - e. Required supplementary information is measured and presented within prescribed guidelines.
 - f. Applicable laws and regulations are followed in adopting, approving, and amending budgets.
 - g. The Government's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and appropriately disclosed and that net position is properly recognized under the policy.
 - h. The financial statements properly classify all funds and activities, including special and extraordinary items.
 - i. All funds that meet the quantitative criteria in the GASB Codification of Government Accounting and Financial Reporting Standards ("GASB Codification) Section 2200.159 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
 - j. 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.
 - k. 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.
 - l. The Government has followed GASB Codification Section 1800.178 regarding which resources (restricted, committed, assigned, or unassigned) are considered to be spent for expenditures to determine the fund balance classifications for financial reporting purposes.
 - m. Interfund, internal, and intra-Government activity and balances have been appropriately classified and reported.
 - n. Fund balance restrictions, commitments, and assignments are properly classified and, if applicable, approved.

2. The Government has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.
3. The Government has made available to you:
 - a. All financial records and related data for all financial transactions of the Government and for all funds administered by the Government. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by the Government 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.
 - b. Contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies.
4. There has been no:
 - a. Action taken by Government management that contravenes the provisions of federal laws, or Guam law, and laws and regulations, or of contracts and grants applicable to the Government.
 - b. Communication with other regulatory agencies concerning noncompliance with 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 A.
6. We believe the effects of the uncorrected financial statement misstatements detected in the current year that relate to the prior year presented, when combined with those misstatements aggregated by you during the prior-year audit engagement and pertaining to the prior year presented, are immaterial, both individually and in the aggregate, to the financial statements for the year ended September 30, 2017 taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix B.
7. 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 by 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.
8. The Government 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 the Government and do not believe that the financial statements are materially misstated as a result of fraud.

9. We have no knowledge of any fraud or suspected fraud affecting the Government involving:
 - a. Management.
 - b. Employees who have significant roles in the Government's internal control.
 - c. Others, where the fraud could have a material effect on the financial statements.
10. We have no knowledge of any allegations of fraud or suspected fraud affecting the Government's financial statements communicated by employees, former employees, analysts, regulators, or others.
11. There are no unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance with GASB Codification Section C50, *Claims and Judgments*, except as disclosed in Note 13 to the financial statements.
12. Significant assumptions used by us in making accounting estimates are reasonable.
13. 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 the Government'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.
14. 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 the Government'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 Government is responsible for maintaining accounting and administrative control over revenues, obligations, expenditures, assets, and liabilities.
15. 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.
16. 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.
17. 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.
18. We have disclosed all known noncompliance with direct and material compliance requirements occurring subsequent to September 30, 2018.

19. 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 Government with regard to significant deficiencies and material weaknesses in internal control over compliance, subsequent to September 30, 2018.
20. Federal awards expenditures have been charged in accordance with applicable cost principles.
21. The Reporting Package submitted to the Federal Audit Clearinghouse (FAC) as defined by the Uniform Grant Guidance section 2CFR200.512(3)(c) does not contain protected personally identifiable information.
22. We have disclosed all contracts or other agreements with service organizations.
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 any 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.
 - h. Monitored subrecipients to determine that they have expended subawards in compliance with federal statutes, regulations, and terms and conditions of the sub-award and have met the other pass-through entity requirements of OMB Uniform Guidance.
 - i. Issued management decisions for audit findings that relate to federal awards made to subrecipients. Such management decisions were issued within six months of acceptance of the audit report by the FAC. Additionally, we have followed up to determine whether the subrecipient has taken timely and appropriate action on all deficiencies detected through audits, on-site reviews, and other means that pertain to the federal award provided to the subrecipient from the Government.
 - j. Considered the results of the subrecipient's audits and made any necessary adjustments to the auditee's own books and records.
25. We are responsible for follow-up on all prior-year(s) findings. We have prepared a summary schedule of prior-year findings reporting 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. We have adopted the provisions of GASB Codification Section 2100, *Defining the Financial Reporting Government*. We believe that we have properly identified and reported as a component unit of the Government each organization that meets the criteria established in GASB Codification Section 2100, *Defining the Financial Reporting Government*. The Public Utilities Commission (PUC) is a related organization under GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39. PUC consists of seven members, all of whom are appointed by the Governor of Guam. The Government's accountability does not extend beyond the appointments. Accordingly, PUC is classified as another stand-alone governmental unit, not a component unit of the Government, and therefore is not part of the financial statements of the Government.

29. During the year ended September 30, 2018, the Government 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.
 - 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, which resulted in the restatement of beginning net position of governmental activities, the implementation of these statements did not have a material effect on the financial statements of the Government. Net position as of October 1, 2017 for governmental activities decreased by \$1,541,331,181 as a result of the implementation of GASB Statement No. 75.

30. 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.
31. 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.
32. In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt. The provisions in Statement No. 86 are effective for fiscal years beginning after June 15, 2017. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

33. 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 implementation of this statement will have a material effect on the financial statements.
34. 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.
35. 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.
36. 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.

Except where otherwise stated below, matters less than \$4,000,000 collectively for the governmental activities, the General Fund, and the Chamorro Lands Fund, \$2,000,000 collectively for the Federal Grants Assistance Fund, \$1,000,000 collectively for the GDOE Federal Grants Fund, and \$1,800,000 collectively for the aggregate remaining fund information 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.

37. Except as listed in Appendix A and Appendix B, there are no transactions that have not been recorded and reflected in the financial statements.
38. The Government has no plans or intentions that may affect the carrying value or classification of assets and liabilities.
39. Regarding related parties:
 - a. We have disclosed to you the identity of the Government'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 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.

40. 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 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.
41. 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 Government 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.
42. There are no:
 - a. Instances of identified or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.
 - 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 discussed in Note 13 to the financial statements.
43. The Government 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 as discussed in Notes 2, 6, 13 and 14 to the financial statements.
44. The Government has complied with aspects of contractual agreements that may affect the financial statements.
45. No department or agency of the Government has reported a material instance of noncompliance to us.
46. The Government has identified all derivative instruments as defined by GASB Codification Section D40, *Derivative Instruments*, and appropriately recorded and disclosed such derivatives in accordance with GASB Codification Section D40.
47. No events have occurred after September 30, 2018, but before June 20, 2019, the date the financial statements were available to be issued that requires consideration as adjustments to or disclosures in the financial statements.

48. 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 GASB Codification Section 2200, *Comprehensive Annual Financial Report*.
 - c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.
49. Regarding supplementary information:
- a. We are responsible for the preparation and fair presentation of the supplementary information in accordance with GASB Codification Section 2200, *Comprehensive Annual Financial Report*.
 - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with GASB Codification Section 2200, *Comprehensive Annual Financial Report*.
 - c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.
50. 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.
51. Management of the Government believes that it is in compliance with all significant limitations and restrictions of the 2009 Series A General Obligation Bonds, the 2011 Hotel Occupancy Tax Revenue Bonds, the 2011, 2012, 2013 and 2015 Business Privilege Tax Revenue Bonds indentures, the 2016 Series A Limited Obligation (Section 30) Bonds, and the 2006 and 2014 loan agreement covenants as of September 30, 2018.
52. Tax-exempt bonds issued have retained their tax-exempt status.
53. In prior years, the Government defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Government's financial statements. At September 30, 2018, \$564,180,000 of bonds outstanding are considered defeased.
54. We have disclosed to you all additions or changes to the existing pension and other postretirement benefit plans.
55. We do not plan to make frequent amendments to our pension or other postretirement benefit plans.
56. We have no intention of terminating any of our pension plans or taking any other action that could result in an effective termination or reportable event for any of the plans.

57. Estimated amounts and the actual tax refunds claimed for prior years but not paid at year-end are recorded as tax refunds payable and as a reduction of tax revenue. The provision for tax refunds is evaluated on a regular basis by management and is based upon management's periodic review of tax returns in light of historical experience and the nature and volume of tax returns submitted. In Tax Year 2018, the Tax Cuts and Jobs Act (TCJA) provided for significant changes to tax rules including changes to the Child Tax Credit, Other Dependents Credit, personal exemptions, and standard deductions. The impact of TCJA changes is currently not determinable and, therefore, this evaluation is subjective as it requires estimates that are susceptible to significant revision as more information becomes available. Accordingly, changes to the provision for tax refunds are accounted for on a prospective basis.
58. We have appropriately identified and properly recorded and disclosed in the financial statements all interfund transactions, including repayment terms.
59. 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.
60. Financial instruments with significant individual or group concentration of credit risk have been appropriately identified, properly recorded, and disclosed in the financial statements.
61. We have disclosed to you all new or changes to the existing pension, and other postretirement benefit plans.
62. We believe that the actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purposes are appropriate in the circumstances. These amounts have been appropriately recognized and displayed as assets, liabilities and, where applicable, deferred inflows, deferred outflows, net position and changes in net position in the financial statements in accordance with GASB Codification Section P20, *Pension Activities - Reporting for Benefits Provided through Trusts that Meet Specified Criteria* and GASB Codification Section P22, *Pension Activities - Reporting for Benefits Not Provided through Trusts That Meet Specified Criteria - Defined Benefit*.
63. We believe that the actuarial assumptions and methods used to measure postretirement liabilities and costs for financial accounting purposes are appropriate in the circumstances. These amounts have been appropriately recognized and displayed as assets, liabilities and, where applicable, net position and changes in net position in the financial statements in accordance with GASB Codification Section P52, *Postemployment Benefits Other than Pensions - Reporting for Benefits Not Provided through Trusts That Meet Specified Criteria - Defined Benefit*.
64. The Government is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the primary government not to purchase commercial insurance for the risks of loss to which it is exposed. Instead, the Government management believes it is more economical to manage its risks internally. In the event of claim settlements and judgments, the Government reports all of its risk management activities in its General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. No losses have occurred as a result of these risks in any of the past three fiscal years.

65. We have appropriately identified and properly recorded and disclosed in the financial statements, where applicable, all interfund transactions, including repayment terms.
66. No evidence of fraud, possible irregularities, or dishonesty in fiscal operations of federal programs administered by the Government has been discovered.
67. The Government of Guam Retirement Fund (GGRF) initially recorded certain benefit payments as a receivable in the amount of \$137,200,000 and reduced this amount each year by a portion of employer contributions received. For the year ended September 30, 2018, the statutory contribution rate for the DB Plan is 27.83% of covered payroll, of which 1.2016% was used to reduce this receivable. In the opinion of management of the Government, the corresponding liability is embodied within the governmental activities net pension obligation of \$1,005,171,481. Thus, no separate corresponding liability is required to be recorded. Accordingly, management of the Government considers that this amount represents a consumption of net position that applies to a future period and, as a result, revised the GGRF financial statements by reclassifying this receivable as a deferred outflows of resources.
68. Other long-term liabilities include an amount due to the Internal Revenue Service (IRS) for excess Make Work Pay Credit payments received under the American Recovery and Reinvestment Act of 2009. In accordance with an agreement between the Government and the IRS, the amount due was renegotiated in the amount of \$19,937,926. The Government has yet to finalize repayment terms and conditions with the IRS; however, the Government anticipates repayment to occur in three equal annual amounts of \$5,500,000 with a final payment of \$3,437,926.
69. Regarding tax revenue abatement agreements, in accordance with GASB Codification Section 2300.107, *Notes to the Financial Statements*, we have disclosed to you all:
 - a. Agreements that are entered into by the government; and
 - b. Agreements that are entered into by other governments and that reduce the government's tax revenues.

Very truly yours,



Edward M. Birn
Director



Gaudencio (Goody) A. Rosario
Acting Chief Financial Officer

Government of Guam
General Fund
Appendix A
Summary of Uncorrected Misstatements
September 30, 2018

GENERAL FUND Current Year Misstatements	Entry Description	Type of Entry	Balance Sheet			Income Statement
			Assets	Liabilities	Net Position at Beg of Year	Expenditures (Income)
1)	To record permanent transfers to cover special revenue fund deficits Dr. Transfer out Cr. Amounts due from other funds	Factual Factual	(1,101,273)			1,101,273
2)	To adjust COLA payments reimbursed from component units Dr. Expenditures - COLA Cr. Revenues - Contributions from component units	Factual Factual				2,470,000 (2,470,000)
3)	To adjust Medicaid Dr. Expenditures Cr. Liabilities - Accrual	Factual Factual		(1,940,561)		1,940,561
4)	To adjust HIP Dr. Expenditures Cr. Liabilities - Accrual	Factual Factual		(3,232,122)		3,232,122
5)	To correctly record Bus Service Collections Dr. Liabilities - Deposits and other liabilities Cr. Revenues	Factual Factual		1,692,842		(1,692,842)
6)	To adjust provision for tax refunds Dr. Receivables - ACTC reimbursement Cr. Liabilities - Provision for tax refunds	Factual Factual	6,705,000	(6,705,000)		
7)	To adjust amounts due from federal agencies Dr. Due to/from General Fund Cr. Revenues	Judgmental Judgmental	551,000			(551,000)
8)	To write off old accruals Dr. Liabilities - Accruals Cr. Expenditures	Factual Factual		2,668,261		(2,668,261)
9)	To reclass unreleased checks - GDOE Dr. Cash Cr. Liabilities - Accounts payable	Factual Factual	2,696,117	(2,696,117)		
10)	To correct overstatement of accounts payable - GDOE Dr. Liabilities - Accounts payable Cr. Expenditures	Factual Factual		1,079,950		(1,079,950)
			8,850,844	(9,132,747)	-	281,903

**Government of Guam
Federal Grants Assistance Fund
Appendix A
Summary of Uncorrected Misstatements
September 30, 2018**

FEDERAL GRANTS ASSISTANCE FUND Current Year Misstatements		Balance Sheet			Income Statement
Entry Description	Type of Entry	Assets	Liabilities	Net Position at Beg of Year	Expenditures (Income)
1) To record additional liabilities					
Dr. Expenditures	Factual				2,160,588
Cr. Liabilities - Actuals	Factual		(2,160,588)		
Dr. Receivables - Federal agencies	Factual	2,160,588			
Cr. Revenues - Intergovernmental	Factual				(2,160,588)
2) To adjust amounts due from federal agencies					
Dr. Amounts due from federal agencies	Judgmental	551,000			
Cr. Due to/from General Fund	Judgmental		(551,000)		
		2,711,588	(2,711,588)		

**Government of Guam
Other Governmental Funds
Appendix A
Summary of Uncorrected Misstatements
September 30, 2018**

OTHER GOVERNMENTAL FUNDS Current Year Misstatements		Balance Sheet			Income Statement
Entry Description	Type of Entry	Assets	Liabilities	Net Position at End of Year	Expenditures (Income)
1) To record permanent transfers to cover special revenue fund deficits Dr. Due to General Fund Cr. Transfer In	Factual Factual		1,101,273		(1,101,273)
2) To adjust GASB 33 accruals - Property Tax Dr. Receivables - Taxes Cr. Revenues - Taxes	Factual Factual	1,132,919			(1,132,919)
3) To record ambulance service receivables Dr. Receivables - Other Cr. Revenues	Factual Factual	1,137,937			(1,137,937)
		2,270,856	1,101,273		(2,272,129)

**Government of Guam
Government-wide
Appendix A
Summary of Uncorrected Misstatements
September 30, 2018**

GOVERNMENT WIDE Current Year Misstatements Entry Description	Type of Entry	Balance Sheet			Income Statement
		Assets	Liabilities	Net Position at Beg of Year	Expenditures (Income)
General Fund		8,850,844	(9,132,747)		281,903
Federal Grants Assistance Fund		2,711,588	(2,711,588)		-
Other Governmental Funds		2,278,856	1,101,273		(3,372,129)
1) To record additional construction work in progress (CWIP) Dr. Non-depreciable assets - CWIP Cr. Expenditures	Factual Factual	2,160,588			(2,160,588)
2) To transfer CWIP projects to depreciable assets Dr. Depreciable assets - Infrastructure, net of accum depr Cr. Non depreciable assets - CWIP	Judgmental Judgmental	4,976,129 (4,976,129)			
3) To record accrual for litigation liabilities Dr. Expenditures Cr. Liabilities - Accruals	Factual Factual		(1,761,304)		1,761,304
4) To record additional capital assets (Solid Waste) Dr. Depreciable capital assets Cr. Expenditures	Factual Factual	2,793,511			(2,793,511)
		15,993,876	(12,504,366)		(3,489,510)

Government of Guam
Government-wide
Appendix B
Summary of Uncorrected Misstatements
September 30, 2017

GOVERNMENT WIDE Prior-Year Misstatements	Type of Entry	Balance Sheet			Income Statement
		Assets	Liabilities	Net Position at Beg. of Year	Expenditures (Income)
		Dr. (Cr)	Dr. (Cr)	Dr. (Cr)	Dr. (Cr)
Entry Description					
General Fund		-	-	-	-
Federal Grants Assistance Fund		-	-	-	-
Other Governmental Funds		-	-	-	-
1) To adjust deferred outflows from OPEB					
Dr. Deferred inflows from OPEB	Factual		2,413,448		
Dr. OPEB expense	Factual				661,514
Cr. Deferred outflows from OPEB	Factual	(3,074,962)			
2) To depreciate assets transferred from CWIP					
Dr. Depreciation expense	Factual				10,320,343
Cr. Accumulated depreciation	Factual	(10,320,343)			
		(13,395,305)	2,413,448		10,981,857

Government of Guam
Government-wide
Appendix C
Summary of Disclosure Items Passed
September 30, 2018

Foot note Number	Footnote Title	Description of Omitted or Unclear Disclosure	Authoritative Literature Reference	Dollar Amount of Omitted or Unclear Disclosure
#13	Commitments and Contingencies	Expenditures exceeding appropriations within the General Fund and were not funded by legislative authorization. Landfill Tax Credits \$758,062 Interest on tax refunds \$1,698,593 Better Public Service Fund \$527,472 GMHA Pharmaceuticals Fund \$10,692,990	GASB Statement No. 56 Codification of Accounting and Financial Reporting, Section 2300-Notes to financial statements	\$ 13,677,117



LOURDES A. LEON GUERRERO, *Governor (Maga'håga)*
 JOSHUA F. TENORIO, *Lt. Governor (Sigundo Maga'låhl)*



EDWARD M. BIRN
Director (Direktot)
 EDITH C. PANGELINAN
Deputy Director (Sigundo Direktot)

DIRECTOR'S OFFICE (*Ufisinan Direktot*)

June 20, 2019

Deloitte & Touche LLP
 361 South Marine Corps Drive
 Tamuning, GU 96929

We are providing this letter in connection with your audit of the compliance requirements of the following federal award programs of Department of Administration (Department) of the Government of Guam (Government) for the year ended September 30, 2018:

10.551/10.561	SNAP Cluster
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children
15.875	Economic, Social, and Political Development of the Territories
20.205	Highway Planning and Construction Cluster
66.600	Environmental Protection Consolidated Grants for the Insular Areas - Program Support
93.575	CCDF Cluster
93.767	Children's Health Insurance Program
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

1. We confirm that the Department is responsible for the preparation and fair presentation of the Schedule of Expenditures of Federal Awards (SEFA) 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 the Government's government programs and related activities subject to the OMB Uniform Guidance compliance audit and have included expenditures made during the period being audited for all awards provided by federal agencies or pass-through entities in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance, if any. In addition, we have accurately completed the appropriate sections of the data collection form.
2. We believe the SEFA, including its form and content, is fairly presented in accordance with the OMB Uniform Guidance.

3. The methods of measurement and presentation of the SEFA have not changed from those used in the prior period, and there are no significant assumptions or interpretations underlying the measurement and presentation of the SEFA.
4. We confirm that when the SEFA is not presented with the audited financial statements, the Government will make the audited financial statements readily available to the intended users of the SEFA no later than June 30, 2019.
5. We are responsible for the compliance with Guam and federal laws, rules, and regulations, including compliance with the requirements of OMB Circular A-133 and OMB Uniform Guidance, and the provisions of grants and contracts relating to the Government'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. We are responsible for maintaining accounting and administrative control over revenues, obligations, expenditures, assets, and liabilities.
6. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provide reasonable assurance that we are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal awards and subawards that could have a material effect on its federal programs.
7. No subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period have occurred subsequent to September 30, 2018.
8. No instances of noncompliance with direct and material compliance requirements have occurred subsequent to September 30, 2018.
9. No changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by the Government with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to September 30, 2018.
10. Department management has charged costs to federal awards in accordance with applicable cost principles.
11. 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.
12. Department 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.
13. The Department has made available to you all financial records and related data for all financial transactions of the Department. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by the Department and provide the audit trail to be used in a review of accountability. Information in federal financial reports and claims for advances and reimbursements is supported by the books and records from which the financial statements have been prepared, except as disclosed in the Schedule of Findings and Questioned Costs.
14. The Department has obligated, expended, received, and used public funds of the Government in accordance with the purpose for which such funds have been appropriated or otherwise authorized by Guam or federal law. Such obligation, expenditure, receipt, or use of public funds was in accordance with any limitations, conditions, or mandatory directions imposed by Guam or federal law, except as disclosed in the Schedule of Findings and Questioned Costs.

15. Money or similar assets handled by the Department on behalf of the Government of Guam or Federal Government have been properly and legally administered, and the accounting and record keeping related thereto is proper, accurate, and in accordance with law, except as disclosed in the Schedule of Findings and Questioned Costs.
16. The Department has identified and disclosed to you the requirements of federal statutes, regulations, and terms and conditions of federal awards that are considered to have a direct and material effect on each major federal program under audit.
17. We have 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.
18. The Department has complied, in all material respects, with the direct and material requirements identified above in connection with federal awards, except as disclosed in the Schedule of Findings and Questioned Costs.
19. We have identified and disclosed interpretations of any compliance requirements that have varying interpretations.
20. The Department has made available all documentation related to compliance with direct and material 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.
21. The Department has monitored subrecipients to determine that they have expended subawards in compliance with federal statutes, regulations, and terms and conditions of the subaward and have met the other pass-through entity requirements of OMB Circular A-133 and OMB Uniform Guidance.
22. The Department has issued management decisions for audit findings that relate to federal awards made to subrecipients. Such management decisions were issued within six months of acceptance of the audit report by the FAC. Additionally, we have followed up by determining whether the subrecipient has taken timely and appropriate action on all deficiencies detected through audits, on-site reviews, and other means that pertain to the federal award provided to the subrecipient from the Government.
23. The Department has considered the results of subrecipients' audits and made any necessary adjustments to the Department's own books and records.
24. The Department has identified and disclosed all amounts questioned and all known noncompliance with direct and material compliance requirements of federal awards, including the results of other audits, program reviews, or any communications from federal awarding agencies or pass-through entities concerning possible noncompliance related to the objectives of the audit.
25. The Department and the Bureau of Budget and Management Research (BBMR) are responsible for follow-up on all prior-year(s) findings. We have assisted BBMR's preparation of a Summary Schedule of Prior Audit Findings by federal awarding agencies and pass-through entities, 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. The Department is responsible for taking corrective action on audit findings and has 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 Department 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.

Except where otherwise stated below, matters less than \$25,000 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 financial statements.

27. No changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective actions taken by management with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to September 30, 2018.
28. No evidence of fraud, possible irregularities, or dishonesty in fiscal operations of programs administered by the Department has been discovered.
29. 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.
30. The Department has disclosed all contracts or other agreements with the Government's service organization.
31. The Department has disclosed all communications from the Government's third-party service organization relating to noncompliance with the auditee's operations at that service organization.

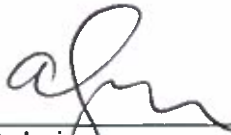
Very truly yours,



Edward M. Bijn
Director



Gaudencio (Goody) A. Rosario
Acting Chief Financial Officer



Armi Lynn R. Lujan
General Accounting Supervisor, Federal Grants