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August 26, 2020

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, 2019 (the "financial statements"), in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our report thereon dated August 26, 2020, which includes a reference to other auditors and emphasis-of-matters paragraphs for the restatement of beginning net position of the aggregate discretely presented component units and for the impact of COVID-19.

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.

Yours truly,

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 October 28, 2019. 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, 2019 (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, 2019;
- 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, 2019, 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 2019 financial statements. During the year ended September 30, 2019, there were no significant changes in previously adopted accounting policies or their application, except for the following pronouncements implemented by GovGuam:

- GASB 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.
- GASB 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 implementation of these statements did not have a material effect on GovGuam's financial statements. However, the implementation of GASB Statement No. 88 did result in additional required disclosures surrounding debt.

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 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.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The provisions in Statement No. 91 are effective for fiscal years beginning after December 15, 2020. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective dates of GASB Statement No. 84, 89, 90 and 91 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. Management has yet to ascertain whether implementation of these statements will be postponed as provided in GASB Statement No. 95.

SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 ordinarily based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in GovGuam's 2019 financial statements include pensions and other postemployment benefits, which are actuarially determined, 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.

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 Appendices A, B and 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 a summary of disclosure items passed 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. The misstatements 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 listed in Attachment I.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to GovGuam's 2019 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 2019.

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 letters we obtained from management.

EMPHASIS-OF-MATTERS PARAGRAPHS

Subsequent to the issuance of the Guam Housing and Urban Renewal Authority (GHURA) 2018 financial statements, GHURA's management determined that capital assets were understated by \$817,423 and unearned revenue was overstated by \$4,985,444 as of September 30, 2018. As a result of this determination, the beginning net position of GovGuam's aggregate discretely presented components units has been restated from the amount previously reported of \$137,520,399 to \$143,323,266.

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. On March 13, 2020, President Donald J. Trump declared a national emergency within the United States. Following the national emergency declared by the U.S. President, on March 14, 2020, Governor Lourdes A. Leon Guerrero issued Executive Order 2020-03 declaring a public health emergency in response to the COVID-19 outbreak. Furthermore, Executive Order 2020-04 ordered the closure of all non-essential GovGuam offices, prohibited large gatherings, and restricted entry into Guam from countries with confirmed COVID-19 cases. As a result, schools and non-essential government agencies and private sector businesses temporarily closed. GovGuam closed its offices to the public and required all non-essential employees to work from home.

On March 28, 2020, the U.S. President signed a major disaster declaration for Guam and ordered federal assistance to supplement local recovery efforts in connection with the COVID-19 pandemic. Federal assistance in the form of grants from the U.S. Treasury, funding for Economic Impact Payments and Pandemic Unemployment Assistance has been made available to Guam under the provisions of the Coronavirus Aid, Relief, and Economic Security (CARES) Act and related legislation.

Because of the evolving nature of the COVID-19 pandemic and the federal and local responses thereto, GovGuam cannot predict the extent or duration of the outbreak. While the disruption is currently expected to be temporary, there is uncertainty around the duration. Therefore, GovGuam expects this emergency to negatively impact local tax collections and general economic conditions globally, nationally and locally, for which the related financial impact cannot be reasonably estimated at this time. GovGuam has resumed normal operations; however, many private sector businesses have either suspended their operations or are conducting business at reduced levels. In common with other States, tribal governments and territories, Guam is continuously evaluating the economic impact of these conditions.

EMPHASIS-OF-MATTERS PARAGRAPHS, CONTINUED

The proposed wording of the emphasis-of-matters paragraphs follows:

"Restatement

As discussed in Note 14K to the financial statements, the beginning net position of the aggregate discretely presented component units has been restated to correct an error.

COVID-19

As discussed in Note 15 to the financial statements, GovGuam determined that the COVID-19 pandemic may negatively impact its financial position. However, due to uncertainty surrounding the duration of the state of emergency, GovGuam is unable to reasonably estimate its ultimate financial impact.

Our opinions are not modified with respect to these matters."

CONTROL-RELATED MATTERS

We have issued a separate report to you, also dated August 26, 2020, 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 August 26, 2020, 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 August 26, 2020, other 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
 SEPTEMBER 30, 2019

ATTACHMENT I

Journal Entries - AJE

#	Name	Debit	Credit
<u>GENERAL FUND</u>			
1 AJE To correct Fund 255 fund balance			
125541110	UNAPPROPRIATED SURPLUS		334,994.47
255-290PH	MISCELLANEOUS	334,994.47	
		<u>334,994.47</u>	<u>334,994.47</u>
2 AJE To correct transfer out to E911 fund			
110041110	UNAPPROPRIATED SURPLUS		3,880,716.00
110071110TOA	EXPENDITURES - TRANSFERS OUT	3,880,716.00	
110041110	UNAPPROPRIATED SURPLUS	3,880,716.00	
110021590	ACCRUED OTHER EXPENDITURES		3,880,716.00
		<u>7,761,432.00</u>	<u>7,761,432.00</u>
3 AJE To correct tax provision			
110012403	ACCTS RECBLF-FEDERAL AGENCIES	10,323,266.00	
310051199	PROVISION FOR TAX REFUND		10,000,000.00
110032110	RESERVE FOR INCOME TAX CLAIMS		323,266.00
		<u>10,323,266.00</u>	<u>10,323,266.00</u>
4 AJE To correct SWOF COI expenditures			
364-290GG	MISCELLANEOUS		9,000.00
258-290GG	MISCELLANEOUS	9,000.00	
		<u>9,000.00</u>	<u>9,000.00</u>
5 AJE To record transfer out to S30 DSF			
110071110TOA	EXPENDITURES - TRANSFERS OUT	4,098,043.17	
336350100	TRANSFER IN		4,098,043.17
		<u>4,098,043.17</u>	<u>4,098,043.17</u>
6 AJE To correct Fund 293/329 fund balance			
132941110	FUND BALANCE	680,000.00	
129341110	UNAPPROPRIATED SURPLUS		680,000.00
		<u>680,000.00</u>	<u>680,000.00</u>
7 AJE To correct Fund 100 fund balance			
110041110	UNAPPROPRIATED SURPLUS	619,905.68	
110021590	ACCRUED OTHER EXPENDITURES		619,905.68
		<u>619,905.68</u>	<u>619,905.68</u>

Journal Entries - AJE

#	Name	Debit	Credit
8 AJE To correct Fund 364 transfer			
336450100	TRANSFER IN		1,086,633.44
310050416	TRANSFER IN - SOLID WASTE	1,086,633.44	
		<u>1,086,633.44</u>	<u>1,086,633.44</u>
9 AJE To correct retiree healthcare premiums			
110071110RETIRE	RETIREE HEALTHCARE PREMIUMS	5,212,294.60	
110072201	OVERDRAWN EXPENDITURES		5,212,294.60
		<u>5,212,294.60</u>	<u>5,212,294.60</u>
10 AJE To correct Layon Landfill tax credits			
310051215	GRT CREDITS & ADJ TAKEN GF		117,988.01
320551701	R&T PROPERTY TAX	117,988.01	
		<u>117,988.01</u>	<u>117,988.01</u>

GUAM DEPARTMENT OF EDUCATION

1 AJE To GDOE prepaid deposit balance			
	DEBT SERVICE EXPENDITURES	4,896,253.00	
	PREPAYMENTS		4,896,253.00
		<u>4,896,253.00</u>	<u>4,896,253.00</u>

FEDERAL GRANTS ASSISTANCE FUND

1 AJE To properly record revenue for accruals			
310150000	Revenues	65.92	
110111100	ACCT REC.- FGIA SUSPENSE		65.92
		<u>65.92</u>	<u>65.92</u>

OTHER GOVERNMENTAL FUNDS

1 AJE To record GHF transfer to Fund 317			
331750100	TRANSFER IN		314,472.00
120871110TOF	TRANSFERS OUT	314,472.00	
		<u>314,472.00</u>	<u>314,472.00</u>
2 AJE To record TEFF transfer to Fund 657			
120571110TOF	TRANSFERS OUT	200,400.00	
365750100	TRANSFER IN		200,400.00
		<u>200,400.00</u>	<u>200,400.00</u>

Journal Entries - AJE

#	Name	Debit	Credit
3 AJE To record TEFF transfer to Fund 297			
120571110TOF	TRANSFERS OUT	1,374,056.00	
329750205	TRANS IN FROM TEFF - UOG		1,374,056.00
		<u>1,374,056.00</u>	<u>1,374,056.00</u>
4 AJE To correct TAF transfer to Fund 354			
335450206	TRANSFER FROM TAF	659,182.66	
120671110TOF	TRANSFERS OUT		659,182.66
		<u>659,182.66</u>	<u>659,182.66</u>
<u>GOVERNMENT-WIDE</u>			
1 AJE To correct for the new GOB Series 2019A bond issue			
135315814DT	AMOUNT TO BE PROVIDED GO 2019	27,610,000.00	
135321201DT	BOND PAYABLE GOB 2019 SERIES A		27,610,000.00
		<u>27,610,000.00</u>	<u>27,610,000.00</u>
2 AJE To correct for the bond premium associated with the new GOB Series 2019A bond issue			
135315816	AMT TO BE PROVIDED FOR BONDS	4,027,747.00	
135321219	PREMIUM ON BONDS ISSUED		4,027,747.00
		<u>4,027,747.00</u>	<u>4,027,747.00</u>
3 AJE To correct current year bond premium amortization			
135321219	PREMIUM ON BONDS ISSUED	3,896,889.00	
135315816	AMT TO BE PROVIDED FOR BONDS		3,896,889.00
		<u>3,896,889.00</u>	<u>3,896,889.00</u>
4 AJE To correct current year bond discount amortization			
135315816	AMT TO BE PROVIDED FOR BONDS	189,108.00	
135315817	DISCOUNT ON BONDS ISSUED		189,108.00
		<u>189,108.00</u>	<u>189,108.00</u>
5 AJE To correct current year deferred refunding loss amortization			
135315816	AMT TO BE PROVIDED FOR BONDS	5,349,024.00	
135316815	DEFERRED LOSS ON REFUNDING		5,349,024.00
		<u>5,349,024.00</u>	<u>5,349,024.00</u>
6 AJE To correct accrued interest payable			
135315816	AMT TO BE PROVIDED FOR BONDS	116,194.00	
135321141	ACCRUED INTEREST ON BONDS PAYB		116,194.00
		<u>116,194.00</u>	<u>116,194.00</u>

Journal Entries - AJE

#	Name	Debit	Credit
7 AJE To correct the GASB 68/73 net pension obligation			
135316820	DEFERRED OUTFLOWS FR PENSIONS	6,722,415.00	
135324005	DEFERRED INFLOWS FROM PENSIONS	7,863,767.00	
135322005	NET PENSION LIABILITY		8,402,694.00
135316819	AMT TO BE PROV FOR PENSIONS		6,183,488.00
		<u>14,586,182.00</u>	<u>14,586,182.00</u>
8 AJE To correct for FY2019 CWIP transferred to infrastructure			
139018400	INFRASTRUCTURE	47,799,423.10	
139018500	CONSTRUCTION IN PROGRESS		47,799,423.10
		<u>47,799,423.10</u>	<u>47,799,423.10</u>
9 AJE To correct GDOE capital asset classification			
139018120	EQUIPMENT/FUR/OTHERS-GEN FUND	9,130,628.02	
139018110	BLDG/STRUCTURES-GEN FUND		9,130,628.02
		<u>9,130,628.02</u>	<u>9,130,628.02</u>
10 AJE To correct GL capital asset cost			
139018500	CONSTRUCTION IN PROGRESS		30,102,076.00
139018100	LAND-GENERAL FUND		356,400.00
139018120	EQUIPMENT/FUR/OTHERS-GEN FUND		2,271,548.00
139018110	BLDG/STRUCTURES-GEN FUND		787,984.00
139018400	INFRASTRUCTURE		1,984,256.00
139042100	INVESTMENT IN FIXED ASSETS-GF	35,502,264.00	
		<u>35,502,264.00</u>	<u>35,502,264.00</u>
11 AJE To correct GL capital asset accumulated depreciation			
139042100	INVESTMENT IN FIXED ASSETS-GF		32,732,007.00
139018339	ALWS FOR DEPN-EQPT CONDEMNATIO	32,732,007.00	
		<u>32,732,007.00</u>	<u>32,732,007.00</u>
12 AJE To correct GDOE deferred capital lease maintenance and insurance			
135315673	GDOE MAINT & INSURANCE RESERVE		125,000.00
135315671	GDOE AMT TO BE PROV-CAP LEASES	125,000.00	
		<u>125,000.00</u>	<u>125,000.00</u>
13 AJE To correct net OPEB liability			
135322006	OPEB LIABILITY	394,822,997.00	
135324006	DEFERRED INFLOWS FROM OPEB		382,699,334.00
135316822	DEFERRED OUTFLOWS FR OPEB		23,370,650.00
135315101	AMT TO BE PROV FOR OPEB	11,246,987.00	
		<u>406,069,984.00</u>	<u>406,069,984.00</u>

Journal Entries - AJE

#	Name	Debit	Credit
14 AJE To correct GASB 18 postclosure liability			
135315675	AMT TO BE PROVIDED FOR LANDFIL	1,291,637.00	
135321165	GASB 18 LANDFILL LIABILITY		510,314.00
135321166	GASB18 LANDFIL LIABILITY-LAYON		781,323.00
		<u>1,291,637.00</u>	<u>1,291,637.00</u>
15 AJE To correct GDOE capital lease liabilities			
135321225	GDOE CAPITAL LEASES	8,255,215.00	
135315671	GDOE AMT TO BE PROV-CAP LEASES		8,255,215.00
		<u>8,255,215.00</u>	<u>8,255,215.00</u>
16 AJE To correct for restatement of GDOE capital lease assets			
139018200	LAND - FEDERAL FUND		1,269,758.00
139018339	ALWS FOR DEPN-EQPT CONDEMNATIO	4,988,566.00	
139018110	BLDG/STRUCTURES-GEN FUND		23,659,233.00
139042100	INVESTMENT IN FIXED ASSETS-GF	19,940,425.00	
		<u>24,928,991.00</u>	<u>24,928,991.00</u>
17 AJE To correct for restatement of GDOE capital lease liabilities			
135321225	GDOE CAPITAL LEASES	14,937,490.00	
135315671	GDOE AMT TO BE PROV-CAP LEASES		14,937,490.00
		<u>14,937,490.00</u>	<u>14,937,490.00</u>
18 AJE To correct for FY2019 capital asset additions			
139018100	LAND-GENERAL FUND	356,400.00	
139018500	CONSTRUCTION IN PROGRESS	31,012,794.00	
139018110	BLDG/STRUCTURES-GEN FUND	787,985.00	
139018120	EQUIPMENT/FUR/OTHERS-GEN FUND	2,271,548.00	
139018400	INFRASTRUCTURE	1,200,754.00	
139042100	INVESTMENT IN FIXED ASSETS-GF		35,629,481.00
		<u>35,629,481.00</u>	<u>35,629,481.00</u>
19 AJE To correct for FY2019 capital asset depreciation			
139042100	INVESTMENT IN FIXED ASSETS-GF	62,559,355.00	
139018339	ALWS FOR DEPN-EQPT CONDEMNATIO		62,559,355.00
		<u>62,559,355.00</u>	<u>62,559,355.00</u>
20 AJE To correct for FY2019 capital asset retirements			
139018500	CONSTRUCTION IN PROGRESS		783,119.00
139018120	EQUIPMENT/FUR/OTHERS-GEN FUND		1,288,752.00
139018339	ALWS FOR DEPN-EQPT CONDEMNATIO	1,936,946.00	
139042100	INVESTMENT IN FIXED ASSETS-GF	134,925.00	
		<u>2,071,871.00</u>	<u>2,071,871.00</u>

Journal Entries - AJE

#	Name	Debit	Credit
21 AJE To reverse CAJE # 1			
139018339	ALWS FOR DEPN-EQPT CONDEMNATIO	18,846,396.84	
139042500	INVEST. FIXED ASSET- FED MATCH	0.28	
139042100	INVESTMENT IN FIXED ASSETS-GF		8,963,771.74
139042200	INVESTMENT IN FIXED ASSETS-FED		9,882,625.38
		<u>18,846,397.12</u>	<u>18,846,397.12</u>

We have reviewed the adjustments summarized above and agree that they should be presented as of September 30, 2019. These journal entries are the result of error and not the result of fraud, irregularities, or illegal acts.

 8/13/20

Edward M. Pirn
 Director
 Department of Administration


 Gaudencio Rosario

Digitally signed by
 Gaudencio Rosario
 Date: 2020-08-12
 16:47:10:00

Gaudencio Rosario
 Deputy Financial Manager
 Department of Administration



EDWARD M. BIRN
Director (Direktot)

EDITH C. PANGELINAN
Deputy Director (Sigunda Direktot)

**DEPARTMENT OF
ADMINISTRATION**
DIPATTAMENTON ATMENESTRASION

DIRECTOR'S OFFICE
(Ufisinan Direktot)

Telephone (Telfon): (671) 475-1101/1250



LOURDES A. LEON GUERRERO
Governor (Maga'håga)

JOSHUA F. TENORIO
Lt. Governor (Sigunda Maga'åhi)

August 26, 2020

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, 2019, 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, 2018 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 the provisions of grants and contracts relating to the Government's operations. We are responsible for understanding and complying with the requirements of the federal statutes, regulations, and the terms and conditions of federal awards related to each of the Government's federal programs. 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.
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, 2019 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, 2019.
19. 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, 2019.

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 subaward 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 believe that we have properly identified, reported, and classified each component unit of the Government and 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, 2019, the Government implemented the following pronouncements:
- GASB 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.
 - GASB 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 implementation of these statements did not have a material effect on the financial statements of the Government. However, the implementation of GASB Statement No. 88 did result in additional required disclosures surrounding debt.

30. 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.
31. 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.
32. 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.

33. 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.
34. 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.
35. In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The provisions in Statement No. 91 are effective for fiscal years beginning after December 15, 2020. Management does not believe that the implementation of this statement will have a material effect on the financial statements.
36. In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective dates of GASB Statement No. 84, 89, 90 and 91 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. Management has yet to ascertain whether implementation of these statements will be postponed as provided in GASB Statement No. 95.

Except where otherwise stated below, matters less than \$7,500,000 collectively for the governmental activities, \$3,000,000 collectively for the General Fund and the Chamorro Lands Fund, \$2,000,000 collectively for the Federal Grants Assistance Fund and the aggregate remaining fund information, and \$1,000,000 for the GDOE Federal Grants Fund 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 accordance 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, or other instances that warrant the attention of those charged with governance.
 - 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. Known actual or likely instances of abuse that have occurred that could be quantitatively or qualitatively material to the financial statements.
 - d. 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 and 13 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. Other than those described in Note 15 to the financial statements, no events have occurred after September 30, 2019, but before August 26, 2020, 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, the 2019 Series A General Obligation Bonds, and the 2006 and 2014 loan agreement covenants as of September 30, 2019.
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, 2019, \$393,865,000 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 GovGuam 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, 2019, the statutory contribution rate for the DB Plan is 26.56% 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 \$1,013,574,175. 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.
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,



Digitally signed by
Edward M Birn
Date: 2020.08.26
18:03:22 +10'00'

EDWARD M. BIRN
Director



GAUDENCIO "GOODY" A. ROSARIO
Deputy Financial Manager

Government of Guam
Appendix A
Summary of Uncorrected Misstatements
September 30, 2019

GENERAL FUND Current Year Misstatements		Balance Sheet			Income Statement Expenditures (Income)
Entry Description	Type of Entry	Assets	Liabilities	Net Position at End of Year	
1) To adjust for unrecorded checks DR. Cash CR. Accounts payable	Factual Factual	3,372,225	(3,372,225)		
2) To correct understatement of revenues (GPD, C&Q, DEA, NOAA) DR. Liabilities CR. Revenues	Factual Factual		2,417,405		(2,417,405)
3) To correctly record Bus Service Revenues DR. Other liabilities and accruals CR. Revenues-Charges	Factual Factual		1,874,557		(1,874,557)
4) To record permanent transfers DR. Due from other funds CR. Transfers out	Factual Factual	(1,942,000)			1,942,000
5) To adjust accrued liabilities - old balances DR. Other liabilities and accruals CR. Revenues	Factual Factual		1,354,053		(1,354,053)
6) To gross up COLA expenditures reimbursed from CUs DR. Expenditures CR. Revenues	Factual Factual				2,478,000 (2,478,000)
7) To accrue OIG liabilities for GMHA DR. Expenditures CR. Liabilities	Judgmental Judgmental		(2,374,789)		2,374,789
8) To recognize liabilities for QC Corporate income tax credits DR. Revenues CR. Liabilities	Factual Factual		(4,944,306)		4,944,306
9) To correct overstatement of tax provision DR. Liabilities CR. Revenues	Factual Factual		11,080,762		(11,080,762)
10) To correct overstatement of prepayments DR. Lease payments CR. Deposits	Factual Factual	(4,570,067)			4,570,067
11) To record receivable due from Federal Bureau of Prisons DR. Receivables CR. Revenues	Factual Factual	1,023,944			(1,023,944)
12) To record claims payable DR. Expenditures CR. Liabilities	Factual Factual		(1,979,008)		1,979,008
		(2,115,896)	6,884,449		(1,840,553)
FEDERAL GRANTS ASSISTANCE FUND Current Year Misstatements		Balance Sheet			Income Statement Expenditures (Income)
Entry Description	Type of Entry	Assets	Liabilities	Net Position at End of Year	
1) To report federal collections from Guam Election Commission DR. Cash CR. Deferred revenues	Factual Factual	541,565	(541,565)		
		541,565	(541,565)		
OTHER GOVERNMENTAL FUNDS Current Year Misstatements		Balance Sheet			Income Statement Expenditures (Income)
Entry Description	Type of Entry	Assets	Liabilities	Net Position at End of Year	
1) To adjust ambulance service receivables DR. Accounts receivable CR. Accounts payable	Factual Factual	1,194,986			(1,194,986)
2) To record permanent transfers from the General Fund DR. Due to General Fund CR. Transfers in	Factual Factual		1,942,000		(1,942,000)
3) To reverse old accruals DR. Other liabilities and accruals CR. Revenues	Factual Factual		1,521,490		(1,521,490)
		1,194,986	3,463,490		(4,658,476)
GOVERNMENT WIDE Current Year Misstatements		Balance Sheet			Income Statement Expenditures (Income)
Entry Description	Type of Entry	Assets	Liabilities	Net Position at End of Year	
General Fund Federal Grants Assistance Fund Other Governmental Funds		(2,115,896) 541,565 1,194,986	4,884,449 (541,565) 3,463,490		(1,840,553) (4,658,476)
1) To adjust net pension liability to include Gov, Lt Gov, Judges DR. Pension expense CR. Net pension liability	Factual Factual		(6,537,547)		6,537,547
2) To adjust OPEB liability and deferred outflows related to OPEB DR. Deferred outflows - OPEB DR. OPEB expense CR. OPEB liability	Judgmental Judgmental	5,705,712	(6,427,428)		721,697
		5,379,345	(6,884,563)		660,317

**Government of Guam
Appendix B
Summary of Uncorrected Misstatements
September 30, 2018**

GENERAL FUND Prior-Year Misstatements Entry Description	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)
1) To adjust deposit for lease payment (GDOE) DR. Deposit CR. Lease payment	Factual Factual	(5,761,403)			5,761,403
2) To adjust prepayments related to leases DR. Prepayment CR. Lease payment	Factual Factual	(4,572,692)			4,572,692
3) To accrue DOC liabilities for GMHA DR. Expenditures CR. Liabilities	Judgmental Judgmental		(2,261,149)		2,261,149
		(10,334,095)	(2,261,149)		12,595,244

Government of Guam
 Appendix C
 Summary of Disclosure Items Passed
 September 30, 2019

Section Number	Problem/Type	Description of Condition/Issue and Disclosure	Applicable Disclosure Reference	Dollar Amount of Condition on Section Disclosure
# 13	Commitments and Contingencies	Expenditures exceeding appropriations within the General Fund and were not funded by legislative authorization. 1) LOB (Section 30) Series 2015 Debt Service Fund \$4,098,043 2) Enhanced 911 Emergency Reporting System Fund \$3,930,716 3) Landfill Tax Credits \$938,249 4) Supplemental Annuity Benefits Fund \$782,393 5) Guam Fire Department \$477,928 6) Worker's Compensation Fund \$236,868	GASB Statement No. 36 Certification of Accounting and Financial Reporting, Section 2300-Notes to financial statements	\$ 10,411,967
# 38	Receivables and Tax Abatement	Tax credits in the amount of \$1,087,094 was not reconciled with transaction process system	GASB Statement No. 77 Tax Abatement Disclosures	\$ 1,087,094