



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

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

www.deloitte.com

May 2, 2019

Board of Regents
University of Guam:

Dear Members of the Board of Regents:

We have performed an audit of the financial statements of the University of Guam (the "University") and its discretely presented component unit 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 May 2, 2019.

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

This report is intended solely for the information and use of the Board of Regents, management and the Office of Public Accountability - Guam and is not intended to be and should not be used by anyone other than these specified parties. 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 written in a cursive, stylized font.

cc: To Management of University of Guam

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

Our responsibility under generally accepted auditing standards and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, have been described in our engagement letter dated August 10, 2018. As described in that letter, the objectives of a financial statement audit conducted in accordance with the aforementioned standards are:

- To express an opinion on each opinion unit of the University's basic financial statements and the accompanying supplementary information, in relation to the basic financial statements as a whole, for the year ended September 30, 2018 (the "financial statements"), in all material respects, in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), 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 as a whole;
- To report on the University'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 the standards applicable to financial audits contained in *Government Auditing Standards*; and
- To report on the University's compliance with requirements applicable to each major program and on internal control over compliance in accordance with the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

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

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

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

MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared with the oversight of management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in the University's 2018 financial statements include management's estimate of the allowance for doubtful accounts, which is determined based upon past collection experience and aging of the accounts, and management's estimate of depreciation expense, which is based on estimated useful lives of the respective capital assets. During the year ended September 30, 2018, there were no significant changes in accounting estimates or in management's judgments relating to such estimates.

AUDIT ADJUSTMENTS AND UNCORRECTED MISSTATEMENTS

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. As the result of our audit work, we identified matters that resulted in audit adjustments that we believe, either individually or in the aggregate, would have a significant effect on the University's financial reporting process. Such proposed adjustments, listed as Appendix A to Attachment I, have been recorded in the accounting records and are reflected in the 2018 financial statements.

In addition, listed in Appendices B and C to Attachment I, is a summary of uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period and prior period presented, respectively, that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

SIGNIFICANT ACCOUNTING POLICIES

The University's significant accounting policies are set forth in Note 2 to the University's 2018 financial statements. During the year ended September 30, 2018, there were no significant changes in previously adopted accounting policies or their application, except for the following pronouncements adopted by the University:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The implementation of this statement had a material effect on the accompanying financial statements resulting in the restatement of the University's fiscal year 2017 financial statements to reflect the reporting of net OPEB obligation, deferred inflows of resources and deferred outflows of resources for its OPEB program and the recognition of OPEB expense in accordance with the provisions of GASB Statement No. 75. The implementation of GASB Statement No. 75 results in UOG reporting deferred outflows of resources of \$3,916,219 and a net OPEB obligation of \$109,724,874 as of October 1, 2016. UOG's net position as of October 1, 2016 and UOG's statement of revenues, expenses, and changes in net position for the year ended September 30, 2017 have been restated to reflect the required adjustments as follows:

SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

	As Previously <u>As Restated</u>	<u>Reported</u>	<u>Adjustment</u>
As of October 1, 2016:			
Net position	\$ <u>25,555,117</u>	\$ <u>(105,808,655)</u>	\$ <u>(80,253,538)</u>
For the year ended September 30, 2017:			
Change in net position	\$ <u>(3,441,446)</u>	\$ <u>(10,938,211)</u>	\$ <u>(14,379,657)</u>
As of September 30, 2017:			
Deferred outflows from OPEB	\$ <u> -</u>	\$ <u>13,613,303</u>	\$ <u>13,613,303</u>
Net OPEB liability	\$ <u> -</u>	\$ <u>(130,132,437)</u>	\$ <u>(130,132,437)</u>
Deferred inflows from OPEB	\$ <u> -</u>	\$ <u>(227,732)</u>	\$ <u>(227,732)</u>
Net position	\$ <u>22,113,671</u>	\$ <u>(116,746,866)</u>	\$ <u>(94,633,195)</u>

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

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

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

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

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

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

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

SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

OTHER INFORMATION IN THE ANNUAL REPORTS OF THE UNIVERSITY

When audited financial statements are included in documents containing other information, such as the University's 2018 Annual Report, we will read such other information and consider whether it, or the manner of its presentation, is materially inconsistent with the information, or the manner of its presentation, in the financial statements audited by us. In the event that the University issues an Annual Report or other documentation that includes the audited financial statements, we will be required to read the other information in the University's 2018 Annual Report and will inquire as to the methods of measurement and presentation of such information. If we note a material inconsistency or if we obtain any knowledge of a material misstatement of fact in the other information, we will discuss this matter with management and, if appropriate, with the Board of Regents.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to the University'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 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.

SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

MANAGEMENT'S REPRESENTATIONS

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



CONTROL-RELATED MATTERS

We have issued a separate report to you, dated May 2, 2019, on the University'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*. We have also issued a separate report to you, also dated May 2, 2019, concerning certain matters involving the University's compliance with requirements applicable to each major program and on internal control over compliance in accordance with the Uniform Guidance. Although we have included management's written responses to our comments contained in those reports, 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.

We also noted certain matters that we reported to management of the University in a separate letter dated May 2, 2019.

MODIFICATION TO OUR OPINION

The UOG Endowment Foundation, a discretely presented component unit, is unable to determine updated carrying values of donated land of \$4,638,352 as of December 31, 2017.



OFFICE OF THE PRESIDENT

May 2, 2019

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

We are providing this letter in connection with your audits of the financial statements of the University of Guam (the University) and its discretely presented component unit, collectively a component unit of the Government of Guam, as of and for the years ended September 30, 2018 and 2017, and which collectively comprise the University'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, and cash flows of the University in conformity with accounting principles generally accepted in the United States of America (GAAP).

We confirm that we are responsible for the following:

- a. The preparation and fair presentation in the basic financial statements of financial position, results of operations and cash flows (where applicable) of the University and its discretely presented component unit in conformity with GAAP.
- b. The design, implementation, and maintenance of internal control:
 - Relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - To prevent and detect fraud.
- c. The review and approval of the financial statements and related notes and acknowledge your role in the preparation of this information. Specifically, we acknowledge that your role in the preparation of the financial statements was a matter of convenience rather than one of necessity. We have reviewed the financial statement preparation assistance provided by you and acknowledge that the financial statements are prepared in accordance with GAAP. Our review was based on the use of the financial statement disclosure checklist for a stand-alone business-type activities governments obtained from the Government Finance Officers Association. Additionally, we agreed with the adjusting entries included in Appendix A.

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

T: +1 671.735.2990 F: +1 671.734.2296 W: www.uog.edu

Mailing Address: 303 University Drive UOG Station Mangilao, Guam 96913

The University of Guam is a U.S. Land Grant Institution accredited by the Western Association of Schools and Colleges Senior College and University Commission and is an equal opportunity provider and employer.

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

1. The basic financial statements referred to above are fairly presented in conformity with GAAP. In addition:
 - a. 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 financial statements properly classify all funds and activities, including special and extraordinary items.
 - h. 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.
 - i. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
2. The University has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.
3. The University has made available to you:
 - a. All minutes of the meetings of the Board of Regents or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - b. All financial records and related data for all financial transactions of the University and for all funds administered by the University. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by the University and provide the audit trail to be used in a review of accountability. Information presented in financial reports is supported by the books and records from which the financial statements have been prepared.
 - c. Contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies.
4. There has been no:

- a. Action taken by University management that contravenes the provisions of federal laws and Guam laws and regulations, or of contracts and grants applicable to the University.
 - b. Communication from 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 B.
 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 C.
 7. Management 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 University and do not believe that the financial statements are materially misstated as a result of fraud.
 8. We have no knowledge of any fraud or suspected fraud affecting the University involving:
 - a. Management.
 - b. Employees who have significant roles in internal control over financial reporting.
 - c. Others, where the fraud could have a material effect on the financial statements.
 9. We have no knowledge of any allegations of fraud or suspected fraud affecting the University's financial statements communicated by employees, former employees, analysts, regulators, or others.
 10. There are no unasserted claims or assessments that we are aware of or that legal counsel has advised us are probable of assertion and must be disclosed in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards ("GASB Codification") Section C50, *Claims and Judgments*, except as disclosed in Note 10 to the financial statements.
 11. Significant assumptions used by us in making accounting estimates are reasonable.

12. We are responsible for the preparation of the Schedule of Expenditures of Federal Awards in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("OMB Uniform Guidance"). We have identified and disclosed all of the University's government programs and related activities subject to the OMB Uniform Guidance compliance audit. In addition, we have accurately completed the appropriate sections of the data collection form.
13. We are responsible for compliance with local, state, and federal laws, rules, and regulations, including compliance with the requirements of OMB Uniform Guidance, and the provisions of grants and contracts relating to the University'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 University is responsible for maintaining accounting and administrative control over revenues, obligations, expenditures, assets, and liabilities.
14. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal awards that could have a material effect on its federal programs.
15. We have disclosed to you all deficiencies in the design or operation of internal control over financial reporting identified as part of our evaluation, including separately disclosing to you all such deficiencies that are significant deficiencies or material weaknesses in internal control over financial reporting.
16. No events have occurred subsequent to September 30, 2018 that require consideration as adjustments to or disclosures in the schedule of federal awards and related notes or that existed at the end of the reporting period that affect noncompliance during the reporting period.
17. There are no instances of known noncompliance with direct and material compliance requirements occurring subsequent to September 30, 2018.
18. There have been no changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by the University with regard to significant deficiencies and material weaknesses in internal control over compliance, subsequent to September 30, 2018.
19. Federal awards expenditures have been charged in accordance with applicable cost principles.
20. The Reporting Package submitted to the Federal Audit Clearinghouse (FAC) as defined by the Uniform Grant Guidance section 2CFR200.512(3)(c) does not contain protected personally identifiable information.
21. We have disclosed all contracts or other agreements with service organizations.
22. 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.
23. 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.
 - c. Identified and disclosed interpretations of any compliance requirements that have varying interpretations.
 - d. Made available all federal awards (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities. Management has made available all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements. Federal financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared and are prepared on a basis consistent with that presented in the Schedule of Expenditures of Federal Awards. The copies of federal program financial reports provided are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
 - e. Identified and disclosed all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards, including the results of other audits, program reviews, or any communications from federal awarding agencies and pass-through entities concerning possible noncompliance related to the objectives of the audit.
 - f. Identified previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit and the corrective actions taken to address significant findings and recommendations, including the status of follow-up on prior audit findings (and information about all management decisions) by federal awarding agencies and pass-through entities.
 - g. Provided to you our views on the reported findings, conclusions, and recommendations for your report.
 - 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 University.
 - j. Considered the results of the subrecipient's audits and made any necessary adjustments to the University's own books and records.
24. We are responsible for follow-up on all prior-year findings. We have prepared a summary schedule of prior-year findings by federal awarding agency and pass-through entity, including all management decisions, to report the status of our efforts in implementation of the prior-

year's corrective action plan. The summary schedule of prior audit findings includes all findings required to be included in accordance with OMB Uniform Guidance.

25. 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.
26. Other than those identified in the Schedule of Expenditure of Federal Awards, there are no subgrants made during the year ended September 30, 2018.
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 the GASB Codification Section 2100, *Defining the Financial Reporting Entity*. We believe that we have properly identified and reported as a component unit of the University each organization that meets the criteria established in GASB Codification Section 2100.
29. We believe that internal control over the receipt and recording of contributions is adequate.
30. We have included in the financial statements all assets and liabilities under the University's control.
31. The University has maintained an appropriate composition of assets in amounts needed to comply with all donor restrictions.

Except where otherwise stated below, immaterial matters less than \$198,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to, or disclosure in, the basic financial statements.

32. Except as listed in Appendices B and C, there are no transactions that have not been properly recorded in the accounting records underlying the financial statements.
33. The University has no plans or intentions that may affect the carrying value or classification of assets and liabilities.
34. Regarding related parties:
 - a. We have disclosed to you the identity of the University's related parties and all the related party relationships and transactions of which we are aware.

- b. To the extent applicable, related parties and all the related-party relationships and transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral) have been appropriately identified, properly accounted for, and disclosed in the financial statements.
35. In preparing the financial statements in conformity with GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:
- a. It is at 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.
36. There are no:
- a. Instances of identified or suspected noncompliance with laws or 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 disclosed in Note 11 to the financial statements.
37. The University 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 disclosed in Note 6 to the financial statements.
38. The University has complied with all aspects of contractual agreements that may have an effect on the financial statements.
39. No department or agency of the University has reported a material instance of noncompliance to us.
40. The University 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.
41. We do not plan to make frequent amendments to our pension or other postretirement benefit plans.
42. 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.
43. Management believes that it is in compliance with all significant loan agreement covenants associated with the U.S. Department of Agriculture loan as of September 30, 2018.

44. No events have occurred after September 30, 2018, but before May 2, 2019, the date the financial statements were available to be issued that require consideration as adjustments to or disclosures in the financial statements.
45. 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.
46. Regarding supplementary information:
 - a. We are responsible for the fair presentation of the supplementary information in accordance with GAAP.
 - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP.
 - c. The method of measurement and presentation of the supplementary information has not changed from those used in the prior period except for the effects of adopting GASB 75.
47. 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.
48. Construction in progress includes \$1,795,250 costs incurred for the construction of Student Success Center and Engineering Annex. The construction has been put on hold as of September 30, 2018 but the University has the intention of completing construction as the funds for the construction will come from the UOG Endowment Foundation loan from USDA.
49. During the year ended September 30, 2018, the University implemented the following pronouncements:
 - GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The implementation of this statement had a material effect on the accompanying financial statements resulting in the restatement of the University's fiscal year 2017 financial statements to reflect the reporting of net OPEB obligation, deferred inflows of resources and deferred outflows of resources for its OPEB program and the recognition of OPEB expense in accordance with the provisions of GASB Statement No. 75. The implementation of GASB Statement No. 75 results in UOG reporting deferred outflows of resources of \$3,916,219 and a net OPEB obligation of \$109,724,874 as of October 1, 2016. UOG's net position as of October 1, 2016 and UOG's statement of revenues, expenses, and changes in net position for the year ended September 30, 2017 have been restated to reflect the required adjustments as follows:

	As Previously Reported	Adjustment	As Restated
As of October 1, 2016:			
Net position	\$ 25,555,117	\$ (105,808,655)	\$ (80,253,538)
For the year ended September 30, 2017:			
Change in net position	\$ (3,441,446)	\$ (10,938,211)	\$ (14,379,657)
As of September 30, 2017:			
Deferred outflows from OPEB	\$ -	\$ 13,613,303	\$ 13,613,303
Net OPEB liability	\$ -	\$(130,132,437)	\$(130,132,437)
Deferred inflows from OPEB	\$ -	\$ (227,732)	\$ (227,732)
Net position	\$ 22,113,671	\$ (116,746,866)	\$ (94,633,195)

- 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.

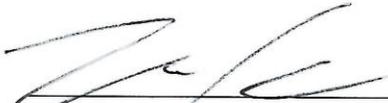
Except for GASB Statement No. 75, the implementation of these statements did not have a material effect on the University's financial statements.

50. 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.
51. 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.
52. 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.
53. 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.
54. In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the*

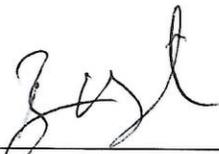
End of a Construction Period, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions in Statement No. 89 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.

55. 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.

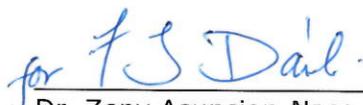
Very truly yours,



Dr. Thomas W. Krise
President



Randall V. Wiegand
Vice President
Administration and Finance



Dr. Zeny Asuncion-Nace
Comptroller
Administration and Finance

ATTACHMENT I, CONTINUED

University of Guam
 Adjusting Journal Entries
 September 30, 2018

Appendix A

#	Name	Debit	Credit
1 AJE To record retiree healthcare costs paid by DOA			
DT2016-1	Retiree healthcare costs and other pension benefits (COLA/SP)	1,742,736.19	
420	Government of guam appropriation		1,742,736.19
		<u>1,742,736.19</u>	<u>1,742,736.19</u>
	To record retiree healthcare costs paid by DOA on behalf of UOG in FY2018.		
2 AJE To record other FY2018 pension benefits (COLA/SP)			
DT2016-1	Retiree healthcare costs and other pension benefits (COLA/SP)	1,235,265.00	
420	Government of guam appropriation		1,235,265.00
		<u>1,235,265.00</u>	<u>1,235,265.00</u>
3 AJE To record GASB 67,68,73 adjustments			
200003110	A/P-UNFUNDED NET PENSION	8,531,101.00	
700202010	GENERAL : DEFERRED INFLOWS RES PEN		2,703,526.00
700101010	GENERAL : DEFERRED OUTFLOWS RES PEN		2,812,848.00
N	Instruction		804,732.00
R	Research		524,141.00
P	Public Service		383,281.00
A	Academic Support		404,990.00
S	Student Service		157,273.00
T	Institutional Support		340,539.00
M	Plant Maintenance		292,264.00
X	Auxiliary Services		107,507.00
		<u>8,531,101.00</u>	<u>8,531,101.00</u>
	To record GASB 67,68,73 adjustments		
4 AJE To record GASB 75 adjustments restating FY17 FS			
300000010	NET ASSETS	116,746,866.00	
700101011	DEFERRED OUTFLOWS FROM OPEB	13,613,303.00	
700202011	DEFERRED INFLOWS FROM OPEB		227,732.00
200003111	NET OPEB LIABILITY		130,132,437.00
		<u>130,360,169.00</u>	<u>130,360,169.00</u>
	To record GASB 75 adjustments restating FY17 FS		
5 AJE To record effect of GASB 75 in FY18			
N	Instruction	2,291,384.00	
R	Research	1,492,434.00	
P	Public Service	1,091,349.00	
A	Academic Support	1,153,164.00	
S	Student Service	379,937.00	
T	Institutional Support	969,648.00	
M	Plant Maintenance	860,925.00	
X	Auxiliary Services	306,113.00	
700101011	DEFERRED OUTFLOWS FROM OPEB		2,489,541.00
700202011	DEFERRED INFLOWS FROM OPEB		10,707,331.00
200003111	NET OPEB LIABILITY	4,651,918.00	
		<u>13,196,872.00</u>	<u>13,196,872.00</u>
	To record effect of GASB 75 in FY18		

ATTACHMENT I, CONTINUED

		6 AJE To accrue revenue from other sources	
210001542	DEFERRED-REV INVOICES	440,219.20	
490	Other Sources		<u>440,219.20</u>
		<u>440,219.20</u>	<u>440,219.20</u>
	To accrue revenue from other sources		
		7 AJE To provide allowance for non-moving receivables	
S	Student Service	433,908.00	
110604210	ALLOWANCE FOR DUE FROM GRANTOR		<u>433,908.00</u>
		<u>433,908.00</u>	<u>433,908.00</u>
	To provide allowance for non-moving receivables		

We have reviewed the above audit adjustments and authorize that they be recorded in the general ledger as of September 30, 2018. Such adjusting entries are not the result of errors and are not the result of fraud or illegal acts.

for 
 Randall V. Wiegand
 Vice President, Administration and Finance

for 
 Zeny Asuncion - Nace
 Comptroller, Administration and Finance

University of Guam
 Summary of Uncorrected Misstatements
 September 30, 2018

Appendix B

Description of Misstatement	Assets DR(CR)	Liabilities DR(CR)	Equity DR(CR)	Income DR(CR)
To provide additional allowance for AR students	(63,668)			63,668
To provide allowance for nonmoving old accounts (other receivables).	(242,998)			242,998
To adjust misstatement in OPEB liability and deferred outflows/inflows of resources	(289,772)	296,988		(7,216)
To record effect of difference in amortization period of change in proportionate share	95,243			(95,243)
To record effect of inclusion of FY16 change in proportionate share in deferred outflow	115,588	(115,588)		
	(385,608)	181,400	-	204,207

We have reviewed the above uncorrected misstatements as of September 30, 2018.
 The uncorrected misstatements are not material to the current fiscal year financial statements.
 The above is not the results of fraud or illegal acts.

for 
 Randall V. Wiegand
 Vice President, Administration and Finance

for 
 Zeny Asuncion - Nace
 Comptroller, Administration and Finance

University of Guam
 Summary of PY Uncorrected Misstatements Discovered in CY
 September 30, 2018

Appendix C

Description of Misstatement	Assets DR(CR)	Liabilities DR(CR)	Equity DR(CR)	Income DR(CR)
To adjust overstatement of deferred inflow related to GASB 75	(76,541)		95,581	(19,040)
To record CIP invoiced in FY 2017		73,206		(73,206)
	(3,335)		95,581	-
				(92,246)

We have reviewed the above uncorrected misstatements as of September 30, 2018.
 The uncorrected misstatements are not material to the current fiscal year financial statements.
 The above is not the results of fraud or illegal acts.



Randall V. Wiegand
 Vice President, Administration and Finance



Zeny Asuncion - Nace
 Comptroller, Administration and Finance