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June 29, 2015

Honorable Edward Baza Calvo
Governor
Government of Guam

Dear Governor Calvo:

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, 2014, in accordance with auditing standards generally accepted in the United States of America (“generally accepted auditing standards”) and have issued our report thereon dated June 29, 2015, which report included an emphasis of matter paragraph regarding a change in accounting principle and included a reference to other auditors.

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.

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, has been described in our engagement letter dated September 26, 2014. As described in that letter, the objective of a financial statement audit conducted in accordance with the aforementioned standards is:

- To express an opinion on the fairness of each opinion unit in GovGuam’s basic financial statements, and to disclaim an opinion on the required supplementary information for the year ended September 30, 2014 in conformity with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”), in all material respects;
- To express an opinion on whether the supplementary information that accompanies the basic financial statements is presented fairly, in all material respects, in relation to the basic 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, 2014 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 GovGuam's compliance with requirements applicable to each major federal program and on internal control over compliance in accordance with the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* (OMB Circular A-133).

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 OMB Circular A-133. Our audit does not, however, provide a legal determination of GovGuam's compliance with those requirements.

ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by 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 2014 financial statements include: 1) management's estimate of the allowance for uncollectible accounts, which is determined based upon past collection experience and aging of the accounts; and 2) management's estimate of the provision for tax refunds, which is determined based on periodic review of tax returns in light of historical experience and the nature and volume of tax returns submitted. During the year ended September 30, 2014, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

AUDIT ADJUSTMENTS AND UNCORRECTED MISSTATEMENTS

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. As the result of our audit work, we identified matters that resulted in audit adjustments that we believe, either individually or in the aggregate, would have a significant effect on GovGuam's financial reporting process. Such adjustments, listed in Attachment I, have been recorded in the accounting records and are reflected in the 2014 financial statements.

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

SIGNIFICANT ACCOUNTING POLICIES

GovGuam's significant accounting policies are set forth in Note 1 to GovGuam's 2014 financial statements. During the year ended September 30, 2014, there were no significant changes in previously adopted accounting policies or their application, except for the following pronouncements adopted by GovGuam:

- GASB Statement No. 66, *Technical Corrections - 2012*, which enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting.
- GASB Statement No. 67, *Financial Reporting for Pension Plans*, which revises existing guidance for the financial reports of most pension plans.
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement.

The implementation of these statements did not have a material effect on the accompanying financial statements.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The provisions in Statement 68 are effective for fiscal years beginning after June 15, 2014. The implementation of this statement will have a material effect on the financial statements of the governmental activities, the fiduciary component units, and the discretely presented component unit columns and will require a restatement disclosure upon implementation. As of October 1, 2014, the net pension liability that the governmental activities, the fiduciary component units, and the discretely presented component units will record upon implementation of Statement 68 is \$872,913,616, \$4,403,458 and \$451,911,893, respectively.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, which improves accounting and financial reporting for state and local governments' combinations and disposals of government operations. Government combinations include mergers, acquisitions, and transfers of operations. A disposal of government operations can occur through a transfer to another government or a sale. The provisions in Statement 69 are effective for fiscal years beginning after December 15, 2013. Management has not yet determined the effect of implementation of this statement on the financial statements of GovGuam.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, which addresses an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions in Statement 71 are effective for fiscal years beginning after June 15, 2014. Management has not yet determined the effect of implementation of this statement on the financial statements of GovGuam.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to GovGuam's 2014 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 2014.

MANAGEMENT’S REPRESENTATIONS

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

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 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.

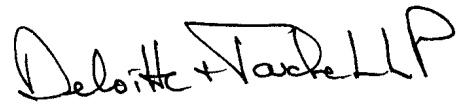
CONTROL-RELATED MATTERS

We have issued a separate report to you, also dated June 29, 2015, containing certain matters involving GovGuam’s internal control over financial reporting that we consider to be material weaknesses or significant deficiencies under standards established by the American Institute of Certified Public Accountants, and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. We have also issued a separate report to you, also dated June 29, 2015, containing certain matters involving GovGuam's compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133. 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 have communicated to management, in a separate letter also dated June 29, 2015, other matters that we identified during our audit.

This report is intended solely for the information and use of the management of the Government of Guam, others within the entity, the Office of Public Accountability, federal awarding agencies, and pass-through entities 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, slightly stylized font. The word "Deloitte" is on the left, followed by a plus sign, and "Touche LLP" is on the right. The "T" in "Touche" is particularly large and loops back.

Government of Guam
 Summary of Corrected Misstatements
 Fiscal year ended September 30, 2014

GENERAL FUND

GL Reference	Name	Debit	Credit
1 AJE To correct J14PC0006 and correct Section 30 deferred revenue			
110024310	DEFERRED SEC 30 REVENUE	10,422,989	-
110032110	RESERVE FOR INCOME TAX CLAIMS	-	9,264,311
110012403	ACCTS RECBL-EDERAL AGENCIES	-	1,158,678
		<u>10,422,989</u>	<u>10,422,989</u>
2 AJE To eliminate SAR fund deficit			
110071110TOA	EXPENDITURES - TRANSFERS OUT	2,357,855	-
164514100	DUE TO/FR GENERAL FUND	2,357,855	-
110014645	DUE TO/FR SUPPLMNT APPROP REV	-	2,357,855
364550100	TRANSFER IN FROM GENERAL FUND	-	2,357,855
		<u>4,715,710</u>	<u>4,715,710</u>
3 AJE To record SWOF adjustment			
110014254	DUE TO/FR LANDFILL CLOSE/OPEN	68,417	-
110014363	DUE TO/FR LANDFILL LOAN FUND	-	68,417
		<u>68,417</u>	<u>68,417</u>
4 AJE To record CLTC adjustment			
310057390	ADJUST PRIOR YRS EXPN/REV	4,561	-
110014624	DUE TO/FR CHAMORRO LAND TRUST	-	4,561
		<u>4,561</u>	<u>4,561</u>

OTHER GOVERNMENTAL FUNDS

GL Reference	Name	Debit	Credit
1 AJE To record TAF adjustment			
365850206	TRANSFERS IN FROM TOURIST ATTRACTION FUND	89,334	-
165814100	DUE TO/FR GENERAL FUND	-	89,334
		<u>89,334</u>	<u>89,334</u>
2 AJE To reverse PY GASB 33 entries			
331154103	GAIN (LOSS) ON INVESTMENT	91,165	-
327054103	GAIN (LOSS) ON INVESTMENT	20,172	-
327654103	GAIN (LOSS) ON INVESTMENT	19,838	-
127011900	GASB 31 MARKET VALUE ADJ	-	20,172
127611900	GASB 31 MARKET VALUE ADJ	-	19,838
131111900	GASB 31 MARKET VALUE ADJ	-	91,165
		<u>131,176</u>	<u>131,176</u>
3 AJE To record THF adjustment			
131714100	DUE TO/FROM GENERAL FUND	333,227	-
331750208	TRANSFER FROM THF	-	333,227
		<u>333,227</u>	<u>333,227</u>

Government of Guam
 Summary of Corrected Misstatements
 Fiscal year ended September 30, 2014

OTHER GOVERNMENTAL FUNDS, Continued

GL Reference	Name	Debit	Credit
	4 AJE To record CLTC adjustment		
120514100	DUE TO/FR GENERAL FUND	1,614,406	-
320557390	ADJUST PRIOR YRS EXPN/REV	-	1,614,406
		<u>1,614,406</u>	<u>1,614,406</u>
	5 AJE To reconcile fund balance		
160219150	PREPAYMENTS	9,275	-
160241110	UNAPPROPRIATED SURPLUS	-	9,275
		<u>9,275</u>	<u>9,275</u>

GOVERNMENT WIDE

GL Reference	Name	Debit	Credit
	1 AJE To record GDOE related capital assets		
139018110	BLDG/STRUCTURES-GEN FUND	21,933,385	-
139018120	EQUIPMENT/FUR/OTHERS-GEN FUND	360,056	-
139018220	EQUIPMENT - FEDERAL FUND	232,039	-
139018339	ALWS FOR DEPN-EQPT CONDEMNATIO	-	1,486,888
139018500	CONSTRUCTION IN PROGRESS	-	12,659,756
139042100	INVESTMENT IN FIXED ASSETS-GF	-	8,274,237
139042200	INVESTMENT IN FIXED ASSETS-FED	-	104,598
		<u>22,525,480</u>	<u>22,525,480</u>
	2 To adjust capital assets-Unified Courts		
	A) To record depreciation for the JBF Building		
139042100	INVESTMENT IN FIXED ASSETS-GF	597,651	-
139018339	ALWS FOR DEPN-EQPT CONDEMNATIO	-	597,651
	B) To record equipment/computer related capital assets		
139042100	INVESTMENT IN FIXED ASSETS-GF	273,682	-
139018339	ALWS FOR DEPN-EQPT CONDEMNATIO	-	273,682
		<u>871,333</u>	<u>871,333</u>
	3 AJE To adjust Landfill liability		
135315815	AMT PROV FOR LAND-LANDFILL CON	1,184,907	-
135321215	NOTES PAYABLE LAND LANDFILL	-	1,184,907
		<u>1,184,907</u>	<u>1,184,907</u>
	4 AJE To record TAF adjustments - CIP		
139018500	CONSTRUCTION IN PROGRESS	137,279	-
139042100	INVESTMENT IN FIXED ASSETS-GF	-	137,279
		<u>137,279</u>	<u>137,279</u>



Eddie Baza Calvo
Governor
Ray Tenorio
Lt. Governor

Government of Guam
(*Gubetnomention Guahan*)
Department of Administration
(*Dipattamenton Atmenestration*)
DIRECTOR'S OFFICE
(*Ufisinan Direktot*)

Post Office Box 884 Hagatña, Guam 96932



Anthony C. Blaz
Acting Director
Vacant
Deputy Director

June 29, 2015

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, 2014, 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 of the Government 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 of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, 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. Establishing and maintaining effective internal control over financial reporting.
- d. 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 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. Federal awards expenditures have been charged in accordance with applicable cost principles.
 - 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.

8. 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.
9. 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.
10. Significant assumptions used by us in making accounting estimates are reasonable.
11. The Schedule of Expenditures of Federal Awards was prepared in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. We have identified in that schedule all awards provided by federal agencies in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, or direct appropriations. We have also properly identified subrecipient expenditures. In addition, we have accurately completed the appropriate sections of the data collection form.
12. We are responsible for compliance with local, state, and federal laws, rules, and regulations, including compliance with the requirements of OMB Circular A-133, and provisions of grants and contracts relating to the Government's operations. We are responsible for establishing and maintaining the components of internal control relating to our activities in order to achieve the objectives of providing reliable financial reports, effective and efficient operations, and compliance with laws and regulations. The Government is responsible for maintaining accounting and administrative control over revenues, obligations, expenditures, assets, and liabilities.
13. 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.
14. 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.
15. We have:
 - a. Identified the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each federal program as identified in Part 3 of the relevant Compliance Supplement related to the year under audit.
 - b. Complied, in all material respects, with the 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 information related to federal 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 requirements of federal awards, including the results of other audits or program reviews 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 pass-through assistance in accordance with applicable laws and regulations and have met the requirements of Circular A-133.
 - i. Taken appropriate corrective action on a timely basis after receipt of a subrecipient's auditor's report that identifies noncompliance with laws, regulations, or the provisions of contracts or grant agreements.
 - j. Considered the results of the subrecipient's audits and made any necessary adjustments to the auditee's own books and records.
16. 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.
17. 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.
18. 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.
19. We have adopted the provisions of GASB Codification Section 2100, *Defining the Financial Reporting Government*. We believe that we have properly identified and reported as a component unit of the Government each organization that meets the criteria established in GASB Codification Section 2100, *Defining the Financial Reporting Government*.

Except where otherwise stated below, matters less than \$900,000 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.

20. Except as listed in Appendix A, there are no transactions that have not been recorded and reflected in the financial statements.
21. The Government has no plans or intentions that may affect the carrying value or classification of assets and liabilities.
22. The following, to the extent applicable, have been appropriately identified, properly recorded, and disclosed in the financial statements:
 - a. Related-party transactions and associated amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral).
 - b. Guarantees, whether written or oral, under which the Government is contingently liable.
23. In preparing the financial statements in conformity with GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:
 - a. It is reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events.
 - b. The effect of the change would be material to the financial statements.
24. 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.
25. There are no:
 - a. Instances of identified or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.
 - b. Known actual or possible litigation and claims whose effects should be considered when preparing the financial statements that have not been disclosed to you and accounted for and disclosed in accordance with GAAP.

- c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Codification Section C50, *Claims and Judgments*, except as discussed in Note 13 to the financial statements.
26. 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 1Q, 2 and 6 to the financial statements.
27. The Government has complied with aspects of contractual agreements that may affect the financial statements.
28. No department or agency of the Government has reported a material instance of noncompliance to us.
29. 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.
30. Except as disclosed in Note 14 to the financial statements, no events have occurred after September 30, 2014, but before June 29, 2015, the date the financial statements were issued that requires consideration as adjustments to or disclosures in the financial statements.
31. 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
32. 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
33. 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.

34. During the year ended September 30, 2014, the Government implemented the following pronouncements:

- GASB Statement No. 66, *Technical Corrections - 2012*, which enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting.
- GASB Statement No. 67, *Financial Reporting for Pension Plans*, which revises existing guidance for the financial reports of most pension plans.
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement.

The implementation of this statement did not have a material effect on the financial statements of the Government.

35. In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The provisions in Statement 68 are effective for fiscal years beginning after June 15, 2014. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Government.


36. In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, which improves accounting and financial reporting for state and local governments' combinations and disposals of government operations. Government combinations include mergers, acquisitions, and transfers of operations. A disposal of government operations can occur through a transfer to another government or a sale. The provisions in Statement 69 are effective for fiscal years beginning after December 15, 2013. Management has not yet determined the effect of implementation of this statement on the financial statements of the Government.

37. In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, which addresses an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions in Statement 71 are effective for fiscal years beginning after June 15, 2014. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Government.

38. Management of the Government believes that it is in compliance with all significant limitations and restrictions of the 2007 and 2009 Series A General Obligation Bonds, the 2009 Series A Limited Obligation (Section 30) Bonds, the 2011 Hotel Occupancy Tax Revenue Bonds, and the 2011, 2012 and 2013 Business Privilege Tax Revenue Bonds indentures, and the 2006 loan agreement covenants as of September 30, 2014.

39. 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.
40. Tax-exempt bonds issued have retained their tax-exempt status.
41. We have disclosed to you all additions or changes to the existing pension and other postretirement benefit plans.
42. We do not plan to make frequent amendments to our pension or other postretirement benefit plans.
43. 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.
44. 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. 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.
45. 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.
46. We have appropriately identified and properly recorded and disclosed in the financial statements, where applicable, all interfund transactions, including repayment terms.
47. No evidence of fraud, possible irregularities, or dishonesty in fiscal operations of federal programs administered by the Government has been discovered.

Very truly yours,



ANTHONY C. BLAZ
Director
Department of Administration



KATHRINE B. KAKIGI, CPA
Financial Manager
Department of Administration

**Government of Guam
General Fund
Appendix A
Summary of Uncorrected Misstatements
September 30, 2014**

	Assets		Liabilities		Equity		Income	
	Dr.	(Cr.)	Dr.	(Cr.)	Dr.	(Cr.)	Dr.	(Cr.)
To correct understatement of prepayments	2,600,000							(2,600,000)
To correct understatement of accrued overtime costs				(1,625,305)			1,625,305	
To correct understatement of Unified Court law enforcement liabilities				(1,426,593)			1,426,593	
To correct understatement of tax refunds payable				(8,607,327)			8,607,327	
To correct understatement of cash and accounts payable	4,077,257			(4,077,257)				
	6,677,257	-	-	(15,736,482)	-	-	11,659,225	(2,600,000)

Government of Guam
 Federal Grants Fund
 Appendix A, Continued
 Summary of Uncorrected Misstatements
 September 30, 2014

	Assets		Liabilities		Equity		Income	
	Dr.	(Cr.)	Dr.	(Cr.)	Dr.	(Cr.)	Dr.	(Cr.)
To correct understatement of retention payable				(2,700,000)			2,700,000	
To correct understatement of due from federal agencies	2,700,000							(2,700,000)
	2,700,000	-	-	(2,700,000)	-	-	2,700,000	(2,700,000)

Government of Guam
 Other Governmental Funds
 Appendix A, Continued
 Summary of Uncorrected Misstatements
 September 30, 2014

	Assets		Liabilities		Equity		Income	
	Dr.	(Cr.)	Dr.	(Cr.)	Dr.	(Cr.)	Dr.	(Cr.)
To correct overstatement of taxes receivable		(585,380)					585,380	
	-	(585,380)	-	-	-	-	585,380	-

**Government of Guam
Government-wide
Appendix A, Continued
Summary of Uncorrected Misstatements
September 30, 2014**

	Assets		Liabilities		Equity		Income	
	Dr.	(Cr.)	Dr.	(Cr.)	Dr.	(Cr.)	Dr.	(Cr.)
To correct understatement of prepayments	2,600,000							(2,600,000)
To correct understatement of accrued overtime costs				(1,625,305)			1,625,305	
To correct understatement of Unified Court law enforcement liabilities				(1,426,593)			1,426,593	
To correct understatement of tax refunds payable				(8,607,327)			8,607,327	
To correct understatement of cash and accounts payable	4,077,257			(4,077,257)				
To correct understatement of retention payable				(2,700,000)			2,700,000	
To correct understatement of due from federal agencies	2,700,000							(2,700,000)
To correct overstatement of taxes receivable		(585,380)					585,380	
To correct understatement of VA capital assets	3,131,844							(3,131,844)
To correct overstatement of tax credit liability			1,455,649					(1,455,649)
To correct sick leave accrual				(2,868,872)			2,868,872	
To correct understatement of Guam Police Department overtime pay claims				(1,500,000)			1,500,000	
	12,509,101	(585,380)	1,455,649	(22,805,354)	-	-	19,313,477	(9,887,493)