

April 25, 2017

The Board of Directors
Guam Economic Development Authority

Dear Members of the Board of Directors:

We have performed an audit of the financial statements of Guam Economic Development Authority (GEDA) as of and for the year ended September 30, 2016, in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our report thereon dated April 25, 2017.

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 GEDA is responsible.

This report is intended solely for the information and use of the Board of Directors, the management of Guam Economic Development Authority 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,

Deloitte & Touche LLP

cc: To Management of Guam Economic Development Authority



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

Our responsibility under auditing standards generally accepted in the United States of America 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 December 12, 2016. 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 whether the statement of net position of GEDA as of September 30, 2016 and the related statements of revenues, expenses and changes in net position and of cash flows for the year then ended (the "financial statements"), are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles") and perform specified procedures on the required supplementary information for the year ended September 30, 2016.
- To express an opinion on whether the respective statements of fiduciary net position of the Guam Development Fund Act and the Agricultural Development Fund (collectively, the "Funds"), administered by GEDA, as of September 30, 2016 and the related statements of changes in fiduciary net position for the year then ended (collectively the "Fund financial statements"), are presented fairly, in all material respects, in accordance with generally accepted accounting principles.
- 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; and
- To report on GEDA'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, 2016 based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.

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 GEDA'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 GEDA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of GEDA'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.

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 normally based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in GEDA's 2016 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, 2016, 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 GEDA's financial reporting process. Such proposed adjustments and financial statement reclassification entries, listed as Appendix A to Attachment I, have been recorded in the accounting records and are reflected in the 2016 financial statements.

In addition, listed in Appendix B Attachment I, are summaries of uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

OTHER INFORMATION IN THE ANNUAL REPORTS OF GEDA

When audited financial statements are included in documents containing other information, such as Annual Reports, we will read such other information and consider whether it, or the manner of its presentation, is materially inconsistent with the information, or the manner of its presentation, in the financial statements audited by us. In the event that GEDA issues an Annual Report or other documentation that includes the audited financial statements, we will be required to read the other information in GEDA's 2016 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 Directors.

SIGNIFICANT ACCOUNTING POLICIES

GEDA's significant accounting policies are set forth in Note 1 to GEDA's 2016 financial statements. During the year ended September 30, 2016, there were no significant changes in previously adopted accounting policies or their application, except for the adoption of the following pronouncements:

- GASB Statement No. 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurements and requires entities to expand their fair value disclosures by determining major categories of debt and equity securities within the fair value hierarchy on the basis of the nature and risk of the investment. The implementation of this statement required additional disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques.
- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which eliminates two of the four categories of authoritative GAAP that exist under the existing hierarchy prescribed by Statement No. 55. The two categories that will remain under the new standard are (1) GASB Statements and (2) GASB technical bulletins and implementation guides in addition to AICPA guidance that the GASB clears. The implementation of this statement did not have a material effect on the financial statements.
- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, which addresses for certain external investment pools and their participants the accounting and financial reporting implications that result from changes in the regulatory provisions referenced by previous accounting and financial reporting standards. Those provisions were based on the Investment Company Act of 1940, Rule 2a7. Rule 2a7 contains the Securities and Exchange Commission's regulations that apply to money market funds and were significantly amended in 2014. The implementation of this statement did not have a material effect on the financial statements.

SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*, which aligns the reporting requirements for pensions and pension plans not covered in GASB Statements No. 67 and No. 68 with the reporting requirements in Statement No. 68. The provisions in Statement No. 73 are effective for fiscal years beginning after June 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and addresses financial reporting requirements for governments whose employees are provided with postemployment benefits other than pensions (other postemployment benefits or OPEB). The provisions in Statement No. 74 are effective for fiscal years beginning after June 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2015, GASB issued 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 provisions in Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*, which requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The provisions in Statement No. 77 are effective for fiscal years beginning after December 15, 2015. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions in Statement No. 78 are effective for fiscal years beginning after December 15, 2015. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*, which improves financial reporting by clarifying the financial statement presentation requirements for certain component units. The provisions in Statement No. 80 are effective for fiscal years beginning after June 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In March 2016, GASB issued 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. The provisions in Statement No. 81 are effective for fiscal years beginning after December 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.



SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

In March 2016, GASB issued Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*, which addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The provisions in Statement No. 82 are effective for fiscal years beginning after June 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

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

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to GEDA's 2016 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 2016.

SIGNIFICANT FINDINGS OR ISSUES DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT PRIOR TO OUR RETENTION

Throughout the year, routine discussions regarding the application of accounting principles or auditing standards were held with management in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions were not held in connection with our retention as auditors.

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

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

SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

MANAGEMENT'S REPRESENTATIONS

We have made specific inquiries of GEDA's management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations GEDA 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 April 25, 2017, on GEDA'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 communicated to management, in a separate letter also dated April 25, 2017, other matters related to GEDA's internal control over financial reporting that we identified during our audit.

April 25, 2017

Deloitte & Touche LLP
361 South Marine Drive
Tamuning, Guam 96913

We are providing this letter in connection with your audits of the statements of net position of the Guam Economic Development Authority (the Authority or GEDA) (a component unit of the Government of Guam), which also include the accounts of the Tobacco Settlement Authority (TSA) and the State Small Business Credit Initiative (SSBCI) as of September 30, 2016 and 2015, and the related statements of operations and net position and of cash flows for the years ended, and the statements of fiduciary net position of the Guam Development Fund Act (GDFA) and the Agricultural Development Fund (ADF) (together, the Funds) as of September 30, 2016 and 2015, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial positions, and results of operations and/or changes in net position or cash flows of the Authority and of the Funds 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 of GEDA and the Funds, 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, accompanying schedules 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 the accounting policies generally accepted in the United States of America. Our review was based on the use of the Stand-alone Business-Type Activities Checklist by the Government Finance Officers Association. Additionally, we agreed with the adjusting and reclassification 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.

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

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

<u>Name</u>	<u>Date</u>	<u>Name</u>	<u>Date</u>
Regular Meeting	October 29, 2015	Regular Meeting	June 16, 2016
Regular Meeting	November 19, 2015	Regular Meeting	July 22, 2016
Regular Meeting	December 17, 2015	Regular Meeting	August 25, 2016
Regular Meeting	January 21, 2016	Regular Meeting	September 30, 2016
Regular Meeting	February 25, 2016	Regular Meeting	October 28, 2016
Regular Meeting	March 31, 2016	Regular Meeting	December 5, 2016
Regular Meeting	April 21, 2016	Regular Meeting	December 29, 2016
Regular Meeting	May 19 2016	Regular Meeting	January 26, 2017

Minutes of meetings subsequent to January 26, 2017 have not been approved. We represent that there were not significant matters discussed during those meetings that would affect the September 30, 2016 financial statements.

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- b. All financial records and related data for all financial transactions of GEDA and for all funds administered by GEDA. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by GEDA 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 GEDA's management that contravenes the provisions of federal laws and Guam laws and regulations, or of contracts and grants applicable to GEDA and for all funds administered by GEDA.
 - 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. 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 Authority and do not believe that the financial statements are materially misstated as a result of fraud.
7. We have no knowledge of any fraud or suspected fraud GEDA 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.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting GEDA's financial statements communicated employees, former employees, analysts, regulators, or others.
9. There are no unasserted claims or assessments that we are aware of that legal counsel has advised us are probable of assertion and must be disclosed in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards ("GASB Codification") Section C50, *Claims and Judgments*.
10. Significant assumptions used by us in making accounting estimates are reasonable.

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11. 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.

Except where otherwise stated below, matters less than \$28,000 (GEDA), \$67,000 (GDFA) and \$6,000 (ADF) collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the financial statements.

12. Except as listed in Appendix B, there are no transactions that have not been properly recorded and reflected in the financial statements.

13. GEDA has no plans or intentions that may affect the carrying value or classification of assets and liabilities.

14. Regarding related parties:

- a. We have disclosed to you the identity of GEDA'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.

15. 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.

16. 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*.

17. GEDA 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 the financial statements.

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18. GEDA has complied with all aspects of contractual agreements that may affect the financial statements, including all requirements associated with the 2007 Series bonds.
19. No department or agency GEDA has reported a material instance of noncompliance to us.
20. 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.
21. 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 methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.
22. During fiscal year 2016, GEDA implemented the following pronouncements:
 - GASB Statement No. 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurements and requires entities to expand their fair value disclosures by determining major categories of debt and equity securities within the fair value hierarchy on the basis of the nature and risk of the investment. The implementation of this statement resulted in additional disclosures made about fair value measurements, the level of fair value hierarchy, and valuation techniques.
 - GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which eliminates two of the four categories of authoritative GAAP that exist under the existing hierarchy prescribed by Statement No. 55. The two categories that will remain under the new standard are (1) GASB Statements and (2) GASB technical bulletins and implementation guides in addition to AICPA guidance that the GASB clears. The implementation of this statement did not have a material effect on the financial statements.

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- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, which addresses for certain external investment pools and their participants the accounting and financial reporting implications that result from changes in the regulatory provisions referenced by previous accounting and financial reporting standards. Those provisions were based on the Investment Company Act of 1940, Rule 2a7. Rule 2a7 contains the Securities and Exchange Commission's regulations that apply to money market funds and were significantly amended in 2014. The implementation of this statement did not have a material effect on the financial statements.

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In June 2015, GASB issued 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 provisions in Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

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In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions in Statement No. 78 are effective for fiscal years beginning after December 15, 2015. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

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In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*, which improves financial reporting by clarifying the financial statement presentation requirements for certain component units. The provisions in Statement No. 80 are effective for fiscal years beginning after June 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In March 2016, GASB issued 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. The provisions in Statement No. 81 are effective for fiscal years beginning after December 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In March 2016, GASB issued Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*, which addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The provisions in Statement No. 82 are effective for fiscal years beginning after June 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

23. With regard to the fair value measurements and disclosures of certain assets, liabilities, and specific components of equity:
 - a. The measurement methods, including the related assumptions, used in determining fair value were appropriate, consistent with market participant assumptions where available without undue cost and effort, and were consistently applied.
 - b. The completeness and adequacy of the disclosures related to fair values are in conformity with GAAP.
 - c. No events have occurred after September 30, 2015, but before April 20, 2016, the date the financial statements were available to be issued that require adjustment to the fair value measurements and disclosures included in the financial statements.
24. 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.
25. Financial instruments with significant individual or group concentration of credit risk have been appropriately identified, properly recorded, and disclosed in the financial statements.
26. 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.

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27. GEDA is responsible for determining and maintaining the adequacy of the allowance for doubtful notes, loans, interfund receivables, and accounts receivable, as well as estimates used to determine such amounts. Management believes the allowances are adequate to absorb currently estimated bad debts in the account balances.
28. GEDA is planning to establish an investor relations website (the Project) that will provide access to investors to the Government of Guam bonds information. We have an agreement with the Guam Waterworks Authority (GWA) to use the excess funds received from reimbursements for bond related costs for this Project and will reimburse the remaining balance to GWA.
29. We believe that all expenditures that have been deferred to future periods are recoverable.
30. We have no intention of terminating our participation in the Government of Guam Retirement plans or taking any other action that could result in an effective termination or reportable event for any of the plans. We are not aware of any occurrences that could result in the termination of any of our pension plans to which we contribute.
31. We agree with the findings of the expert contracted by the Government of Guam Retirement Fund for the actuarial evaluation of the Government of Guam's retirement plan. We did not give any instructions, nor cause any instructions to be given, to management's expert with respect to values or amounts derived in an attempt to bias his or her work, and we are not aware of any matters that have affected the independence or objectivity of management's expert.
32. GEDA has obligated, expended, received, and used public funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by Guam or federal law. Such obligation, expenditure, receipt, or use of public funds was in accordance with any limitations, conditions, or mandatory directions imposed by Guam or federal law.
33. Money or similar assets handled by the Authority on behalf of the Government of Guam or Federal Government have been properly and legally administered and the accounting and recordkeeping related thereto is proper, accurate, and in accordance with law.
34. No evidence of fraud or dishonesty in fiscal operations of programs administered by the Authority has been discovered.
35. In 1991, Public Law 21-59 was enacted to establish a bonus system for employees of the Government of Guam, autonomous agencies, public corporations and other public instrumentalities of the Government of Guam who earn a superior performance grade. The bonus is calculated at 3.5% of the employee's base salary beginning in 1991. GEDA has determined that it is not subject to the law as its employees are not classified and as such, has not paid or recorded any merit bonus through the date of this letter.
36. We have determined that recording of TSA receipts on a cash basis is appropriate as the annual payments are contingent on various factors and difficult to predict. Additionally, we do not believe that the net difference of recording of the receipts on a cash-basis and accrual basis is significant to GEDA's financial statements.

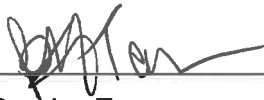
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37. No events have occurred after September 30, 2016, but before April 25, 2017, the date the financial statements were available to be issued that require consideration as adjustments to or disclosures in the financial statements.



Mana Silva Taijeron
Acting Administrator



Bernice Torres
Administrative Services Division (ASD) Manager

APPENDIX A - POSTED ADJUSTMENTS AND FINANCIAL STATEMENTS RECLASSIFICATION ENTRIES

Audit Adjustments and Reclassifications

GEDA OPERATING FUND			
#	Name	Debit	Credit
	1 CAJE To adjust PY adjustment.		
1506	DUE TO/FROM SSBCI	31,762.44	
2011	Accounts Payable		31,762.44
		<u>31,762.44</u>	<u>31,762.44</u>
	To adjust PY adjustment		
	1 AJE To record unbilled bond fees relating to GEFF Refu.		
1401	DUE TO FROM GOVGUAM AGENCIES	33,504.00	
5160	Bond Fees		33,504.00
		<u>33,504.00</u>	<u>33,504.00</u>
	To record unbilled bond fees relating to GEFF Refunding		
	3 AJE To adjust refundable SSBCI guarantee fee.		
1506	DUE TO/FROM SSBCI	7,387.80	
2011	Accounts Payable		7,387.80
		<u>7,387.80</u>	<u>7,387.80</u>
	To adjust refundable SSBCI guarantee fee		
	4 AJE To agree deferred outflows.		
1911	Deferred Outflows - Pensions		45,100.95
7121	Employee Benefit - Retirement	45,100.95	
		<u>45,100.95</u>	<u>45,100.95</u>
	To agree deferred outflows		
	5 AJE To adjust voided check.		
1030	CASH IN BANK - CHECKING (BOG)	72,000.00	
2017	Deposits due to GALC		72,000.00
		<u>72,000.00</u>	<u>72,000.00</u>
	To adjust voided check		
	1 RJE To correct deposits - GALC.		
2016	Security Deposit - Lease		72,000.00
2017	Deposits due to GALC	72,000.00	
		<u>72,000.00</u>	<u>72,000.00</u>
	To separately present deposits due to GALC.		
	2 RJE To offset GPA's AP and Reimbursable expenses.		
1455	Reimbursable Expense		16,015.41
2011	Accounts Payable	16,015.41	
		<u>16,015.41</u>	<u>16,015.41</u>
	To offset GPA's AP and Reimbursable expenses		
	3 RJE To reclass reimbursable expense accounts with credit balances.		
1455	Reimbursable Expense	71,887.58	
2011	Accounts Payable		71,887.58
		<u>71,887.58</u>	<u>71,887.58</u>
	To reclass reimbursable expense accounts with credit balances		
	4 RJE To reclass custodial fees.		
7717	Investment Custodial Fees	9,827.08	
5140	Interest - Investments		9,827.08
		<u>9,827.08</u>	<u>9,827.08</u>
	To reclass custodial fees		
	5 RJE To reclass change in investment value. .		
5140	Interest - Investments	66,883.36	
5400	Net change in fair value of Investments		66,883.36
		<u>66,883.36</u>	<u>66,883.36</u>
	To reclass change in investment value and separately present from interest and dividends from investment.		

SSBCI			
#	Name	Debit	Credit
	1 CAJE To reconcile GEDA/SSBCI.		
8015	PRIOR YEAR ADJUSTMENT	31,762.44	
1501	DUE TO/FROM GEDA GENERAL		31,762.44
		<u>31,762.44</u>	<u>31,762.44</u>
	To reconcile GEDA/SSBCI		
	2 CAJE To reconcile investment JV#1661181.		
1101	INVESTMENTS-BANK OF GUAM		2,915.73
5140	Interest - Investments		9,098.11
5400	Net change in fair value of investments	12,013.84	
		<u>12,013.84</u>	<u>12,013.84</u>
	Investment reconciliation - September 2016		
	3 CAJE To correct recorded guaranteed default/loss loan J.		
1300	DIRECT LOANS RECEIVABLE	40,989.00	
2399	A/R Suspense - Industrial Park		40,989.00
		<u>40,989.00</u>	<u>40,989.00</u>
	To correct recorded guaranteed loss/default loan JV#1661183		
	1 AJE To adjust SSBCI guarantee fee.		
5300	OTHER REVENUE	7,387.80	
1501	DUE TO/FROM GEDA GENERAL		7,387.80
		<u>7,387.80</u>	<u>7,387.80</u>
	To adjust SSBCI guarantee fee		
	2 AJE To record revenue for payouts made.		
2325	Unearned Grants Revenue	26,028.00	
DT 1001	Grants Revenue		26,028.00
		<u>26,028.00</u>	<u>26,028.00</u>
	To record revenue for payouts made		
	3 AJE To adjust unearned revenue.		
2325	Unearned Grants Revenue	63,043.00	
DT 1001	Grants Revenue		63,043.00
		<u>63,043.00</u>	<u>63,043.00</u>
	To adjust unearned revenue		
	4 AJE To agree investment balance to confirmation.		
1101	INVESTMENTS-BANK OF GUAM	5,466.07	
5140	Interest - Investments		5,466.07
		<u>5,466.07</u>	<u>5,466.07</u>
	To agree investment balance to confirmation.		
	1 RJE To reclass change in investment value and separate.		
5140	Interest - Investments		29,949.28
5400	Net change in fair value of investments	29,949.28	
		<u>29,949.28</u>	<u>29,949.28</u>
	To reclass change in investment value and separately present from interest and dividends from investment.		

TSA			
#	Name	Debit	Credit
1 AJE To record FY2016 activities .			
8100	Tobacco Settlement Revenue - Receipts		2,441,208.93
7240	Other Prof Svc/BRAC Related Ex	21,500.00	
8300	Interest Expense - Semi-Annual Payment	1,424,868.75	
6310A	Series 2007 A Bond Payable	1,005,000.00	
5100	Cash and Cash Equivalent		45,502.55
8310	Trustee fees	10,231.21	
8110	Interest Income		9.69
6110	Accounts Payable	25,121.21	
		<u>2,486,721.17</u>	<u>2,486,721.17</u>
To record FY2016 transactions in 2007 series funds.			
2 AJE To amortize 2001 bond defease cost.			
8305	Interest Expense - Bond Defeasance Cost Amortization	194,277.74	
6322	Bond defeasance cost		194,277.74
		<u>194,277.74</u>	<u>194,277.74</u>
To record amortization of series 2001 bond defeasance cost.			
3 AJE To amortize 2007 bond dis.			
8303	Interest Expense - Issuance Discount Amortization	119,610.78	
6320	Discount on Bond Issuance		119,610.78
		<u>119,610.78</u>	<u>119,610.78</u>
To amortize 2007 bond issuance discount.			
4 AJE To adjust accrued interest.			
6120	Interest Payable	17,000.00	
8301	Interest Expense - Accrual Adjustment		17,000.00
		<u>17,000.00</u>	<u>17,000.00</u>
To adjust accrued interest payable.			
5 AJE To amortize CAB discount.			
8306	Interest Expense - Series B CAB Accretion	435,265.35	
6321	Discount on Bond Issuance - Capital Appreciation Bond		435,265.35
		<u>435,265.35</u>	<u>435,265.35</u>
To Accret Series B CAB.			
6 AJE To adjust TSA expenses and other receipts.			
6110	Accounts Payable		15,042.97
7801	Other expenses	15,042.97	
		<u>15,042.97</u>	<u>15,042.97</u>
To adjust TSA expenses and other receipts for TSA received by GEDA.			
1 RJE To reclassify current portion of A term bond.			
6310A	Series 2007 A Bond Payable	160,000.00	
6110A	Current Portion of Series 2007 A		160,000.00
		<u>160,000.00</u>	<u>160,000.00</u>
To adjust current portion.			

GDFA			
#	Name	Debit	Credit
1320	1 CAJE To reconcile GDFA/GEDA.		
1501	LEGAL FEES/COSTS ON D/L RECVBL	95.00	
	DUE TO/FROM GEDA GENERAL		95.00
		<u>95.00</u>	<u>95.00</u>
	To reconcile GDFA/GEDA		
	1 AJE To adjust allowance.		
8007	PROVISION FOR BAD DEBTS	49,000.00	
1330	ALLOW FOR DOUBTFUL ACCOUNTS		49,000.00
		<u>49,000.00</u>	<u>49,000.00</u>
	To adjust allowance		
	2 AJE To adjust investment balance.		
1104	Investment-First Hawaiian Bank	5,006.24	
5140	Interest - Investments		5,006.24
		<u>5,006.24</u>	<u>5,006.24</u>
	To agree investment balance to confirmation.		
	1 RJE To reclass custodial fees.		
7717	Investment Custodial Fees	46,864.67	
5140	Interest - Investments		46,864.67
		<u>46,864.67</u>	<u>46,864.67</u>
	To reclass custodial fees		
	2 RJE To reclass change in investment value.		
5400	Net change in fair value of investments		334,740.92
5140	Interest - Investments	334,740.92	
		<u>334,740.92</u>	<u>334,740.92</u>
	To reclass change in Investment value and separately present from interest and dividends from investment.		
	3 RJE To reclass time certificates of deposit.		
DT-2016-1	Time certificates of deposit	2,005,006.00	
1104	Investments		2,005,006.00
		<u>2,005,006.00</u>	<u>2,005,006.00</u>
	To reclass time certificates of deposit.		

ADF			
#	Name	Debit	Credit
	1 CAJE To reconcile GEDA/ADF.		
1510	DUE TO/FROM ADF	95.00	
1320	LEGAL FEES/COSTS ON D/L RECVBL		95.00
		<u>95.00</u>	<u>95.00</u>
	To reconcile GEDA/ADF		
	1 AJE To adjust allowance for ADF loan reserve.		
8007	PROVISION FOR BAD DEBTS	13,000.00	
1330	ALLOW FOR DOUBTFUL ACCOUNTS		13,000.00
		<u>13,000.00</u>	<u>13,000.00</u>
	To adjust allowance for ADF loan reserve		
	1 RJE To reclass custodial fees.		
7717	Investment Custodial Fees	3,117.20	
5140	Interest - Investments		3,117.20
		<u>3,117.20</u>	<u>3,117.20</u>
	To reclass custodial fees		
	2 RJE To reclass change in investment value.		
5400	Net change in fair value of investments		18,229.75
5140	Interest - Investments	18,229.75	
		<u>18,229.75</u>	<u>18,229.75</u>
	To reclass change in investment value and separately present from interest and dividends from investment.		

APPENDIX B - UNPOSTED ADJUSTMENTS AND FINANCIAL STATEMENT RECLASSIFICATION ENTRIES

Misstatement Description	Type of Misstatement	Balance Sheet			Income Statement
		Assets Dr (Cr)	Liabilities Dr (Cr)	Net Position Dr (Cr)	Revenue Expense Dr (Cr)
1. To record additional allowance for doubtful accounts	Judgmental	(57,000)			57,000
2. To adjust reimbursable expense from GRRP	Factual	(16,816)			16,816
3. To record income from DOL - WIOA	Factual	10,296			(10,296)
4. To write-off long-outstanding payables	Factual		4,822		(4,822)
		(63,520)	4,822	0	58,698