

*The Auditor's Communication With Those Charged
With Governance*

Department of Chamorro Affairs
Non-Appropriated Funds
(A Component Unit of the Government of Guam)

Year ended September 30, 2017



**Building a better
working world**



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October 15, 2018

The Board of Trustees
Department of Chamorro Affairs – Non-Appropriated Funds

We have performed an audit of the financial statements of the Department of Chamorro Affairs – Non-Appropriated Funds (DCANAF), a component unit of the Government of Guam, as of and for the year ended September 30, 2017, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and have issued our report thereon dated October 15, 2018.

REQUIRED COMMUNICATIONS

Professional standards require the auditor to provide the Board of Directors (the Board or those charged with governance) with additional information regarding the scope and results of the audit that may assist the Board (or those charged with governance) in overseeing the financial reporting and disclosure processes which the management of the DCANAF is responsible. We summarize these required communications as follows:

Auditors' Responsibilities under Auditing Standards Generally Accepted in the United States (US GAAS) and Generally Accepted Government Auditing Standards (GAGAS)

The financial statements are the responsibility of the DCANAF's management. Our audit was designed in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, to obtain reasonable, rather than absolute, assurance that the financial statements are free of material misstatement. We were not engaged to perform an audit of the DCANAF's internal control over financial reporting.

Auditors’ Responsibilities under US GAAS and GAGAS, continued

Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the DCANAF’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

As part of our audit, we considered the DCANAF’s internal control over financial reporting as a basis for designing audit procedures that were appropriate in the circumstances.

As described in our engagement letter dated February 18, 2017, the objective of a financial statement audit performed in accordance with US GAAS and GAGAS is as follows:

1. To express an opinion on whether the basic financial statements of the DCANAF are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. To conduct an audit in accordance with the Single Audit Act Amendments of 1996 and the provisions of Title 2 U.S Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and will include tests of accounting records, a determination of major program(s) in accordance with the Uniform Guidance, and other procedures we consider necessary to enable us to express an opinion on compliance for each major program and to render the required reports.
2. To provide a report on internal control over financial reporting related to the financial statements and compliance with laws, regulations and the provisions of contracts or grant agreements and other matters, noncompliance with which could have a material effect on the financial statements, as required by *Government Auditing Standards*. We did not perform sufficient procedures to render an opinion on internal control over financial reporting nor on compliance with provisions of laws, regulations, contracts or grant agreements and other matters, and therefore, we did not express such an opinion.
3. To report (when applicable) on the fairness of the schedule of expenditures of federal awards when considered in relation to the financial statements as a whole. We also will report on internal control related to major programs and provide an opinion on compliance with laws, regulations and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and the Uniform Guidance.

The Adoption of, or a Change in Significant Accounting Policies

We determined that the Board is informed about the initial selection of, and any changes in significant accounting principles or their application when the accounting principle or its application, including alternative methods of applying the accounting principle, has a material effect on the financial statements.

Effective October 1, 2016, the DCANAF implemented:

- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement establishes accounting and financial reporting standards for pensions that do not meet the requirements set forth in Statement No. 67, *Financial Reporting for Pension Plans* and Statement No. 68, *Accounting and Financial Reporting for Pensions*, and makes some modifications to GASB Statements No. 67 and 68.
- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for periods beginning after June 15, 2016. This Statement replaces Statement 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*.
- GASB Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose information about those agreements.
- GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.
- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized costs for financial reporting purposes.
- GASB Statement No. 80, *Blending Requirements for Certain Component Units*. The Statement is intended to provide clarity about how certain component units incorporated as not-for-profit corporations should be presented in the financial statements of the primary state or local government.

Auditor's Judgments about the Quality of the DCANAF's Accounting Principles

We discussed our judgments about the quality, not just the acceptability, of the DCANAF's accounting principles as applied in its financial reporting, including the consistency of the accounting policies and their application and the clarity and completeness of the financial statements and related disclosures.

Sensitive Accounting Estimates

Certain estimates are particularly sensitive due to their significance to the financial statements and the possibility that future events may differ significantly from management's expectations.

We determined that the Board is informed about management's process for formulating particularly sensitive estimates and about the basis to our conclusions regarding the reasonableness of those estimates.

Management's judgment is called upon in:

- Preparing budgets that are used to administer and monitor the DCANAF's operations. These budgets include determining how existing financial resources will be used in the DCANAF's operations.
- Determining the adequacy of the recorded valuation of receivables, including the need for any reserve.
- Determining useful lives in the calculation of depreciation expense.

Material Corrected Misstatements

As a result of our audit procedures, material misstatements were brought to the attention of management and were corrected during the current period (see Appendix A – *Summary of Corrected Misstatements*). During our audit, several post-closing journal entries were recorded while we were conducting our fieldwork.

Uncorrected Misstatements Considered by Management to be Immaterial

Certain uncorrected misstatements accumulated by us (i.e. adjustments either identified by us or brought to our attention by management) were identified during the audit and pertaining to the latest period presented, which were determined by the DCANAF's management to be immaterial, both individually and in the aggregate, to the financial statements as a whole (see Appendix B – *Summary of Uncorrected Misstatements*).

Other Information in Documents Containing the Audited Financial Statements

We reviewed the Management's Discussion and Analysis and other supplementary schedules to the financial statements to ensure consistency with the audited financial statements.

Consultation with Other Accountants

We are not aware of any consultations that management may have had with other accountants regarding any significant auditing and accounting matters during the fiscal year ended September 30, 2017.

Disagreements with Management on Financial Accounting and Reporting Matters

There were no material disagreements with the DCANAF's management on financial accounting and reporting matters during the audit.

Major Issues Discussed with Management Prior to Retention

There were no major accounting issues discussed with the DCANAF's management prior to our retention.

Methods of Accounting for Significant Unusual Transactions and for Controversial or Emerging Issues

We are not aware of any significant unusual transactions recorded by the DCANAF, or of any significant accounting policies used by the DCANAF related to controversial or emerging areas for which there is lack of authoritative guidance.

Serious Difficulties Encountered in Dealing with Management in Performing the Audit

There were no serious difficulties encountered in dealing with management in performing the audit.

Fraud and Illegal Acts

We are not aware of any matters that require communication. Furthermore, the DCANAF's management has represented to us that they were not aware of any fraud or illegal acts for the period from October 1, 2016 to October 15, 2018 (see Appendix C – *Management's Representation Letter*).

Control Related Matters

We have identified a material weakness and significant deficiencies in our separately issued Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated October 15, 2018.

Management's written responses to our comments 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.

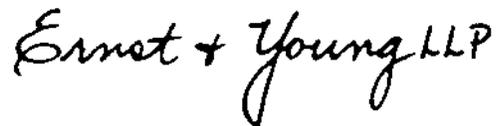
Independence

We are not aware of any relationships between Ernst & Young and our related entities, and the DCANAF, or any other matters that in our professional judgment, may reasonably be thought to bear on our independence.

We confirm that we are independent with respect to the DCANAF within the meaning of the applicable published rules and pronouncements, its interpretations and rulings.

This report is intended solely for the use of the DCANAF's board of directors and management, the Office of Public Accountability of 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 "Ernst + Young LLP". The signature is written in a cursive, flowing style.

Appendix

A – Summary of Corrected Misstatements

B – Summary of Uncorrected Misstatements

C – Management’s Representation Letter

A – Summary of Corrected Misstatements

Communication schedule for corrected misstatements

Entity: Department of Chamorro Affairs - Non-Appropriated Funds

Period ended: 30-Sep-2017

Currency: USD

Corrected misstatements			Analysis of misstatements Debit/(Credit)								
No.	W/P ref.	Account (misstatements are recorded as journal entries with a description)	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period		
			Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable	
AJE 01	C0110 DCA2	To remove deposits in transits identified in Chamorro Village's bank reconciliation as adjusting journal entries. Other Income Cash								12,474	
			(12,474)								
AJE 02	E0110 DCA2	To properly reflect the amount appropriated from Chamorro Village to the Office of the President as an appropriation in FY2017 rather than an outstanding receivable Appropriations Accounts Receivable								30,832	
			(30,832)								
AJE 03	E0110 DCA2	To properly reflect the amount received by the Office of the President from Chamorro Village as an appropriation in FY2017 rather than income and misc. expense Other revenues Appropriations Miscellaneous expense								58,832	
										(30,832)	
										(28,000)	
AJE 04	T0110 DCA1	To adjust the beginning balance of net position for the President's Office to match that of the ending balance per the audited financial statements Net position at beginning of year Miscellaneous expense					2,417				(2,417)
AJE 06	T0110 DCA3	To adjust the beginning balance of net position for RPT to match that of the ending balance per the audited financial statements Inventory Cost of goods sold Inventory: allowance for inventory obsolescence Net position at beginning of year	73,286								3,815
											(43,178)
AJE 07	T0110 DCA4	To adjust the beginning balance of net position for CAHA to match that of the ending balance per the audited financial statements Inventory Net position at beginning of year Other revenues	6,341					6,830			(13,171)

A – Summary of Corrected Misstatements, continued

Communication schedule for corrected misstatements

Entity: Department of Chamorro Affairs - Non-Appropriated Funds

Period ended: 30-Sep-2017

Currency: USD

Corrected misstatements			Analysis of misstatements Debit/(Credit)							
No.	W/P ref.	Account (misstatements are recorded as journal entries with a description)	Assets	Assets	Liabilities	Liabilities	Equity	Effect on the	Income statement effect	
			Current	Non-current	Current	Non-current	components	current period OCI	of the current period	
			Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable
AJE 08	T0110 DCA5	To adjust the beginning balance of net position for FestPac to match that of the ending balance per the audited financial statements								
		Net position at beginning of year					211,561			
		Miscellaneous expense							7,889	
		Accounts payable			(219,450)					
AJE 09	UA0100 DCA1	To recognize amounts received from GEDA related to the Guam Museum and paid to Galaide for construction as passthrough rather than as donation and expense								
		Donations							28,105	
		Contractual expense							(28,105)	
AJE 10	Vd0100 DCA2	To accrue for contractual and utility services received by Chamorro Villiage for months within Fiscal Year 2017								
		Contractual							3,000	
		Utilities							20,866	
		Accounts payable			(23,866)					
AJE 05	T0110 DCA2	To adjust the beginning balance of net position for the Chamorro Villiage to match that of the ending balance per the audited financial statements								
		Net position at beginning of year					28,560			
		Other Revenues							28,914	
		Cash	(12,474)							
		Other assets		(45,000)						
AJE 11	VD0140 DCA2	To accrue water service received from GWA by Chamorro Villiage for September 2017 as of fiscal year end								
		Utilities							9,021	
		Accounts payable			(9,021)					
AJE 12	F0101 DCA3	To reconcile the inventory balance per audit to the inventory balance per books								
		Inventory	4,161							
		Cost of goods sold							(4,161)	

A – Summary of Corrected Misstatements, continued

Communication schedule for corrected misstatements

Entity: Department of Chamorro Affairs - Non-Appropriated Funds

Period ended: 30-Sep-2017

Currency: USD

Corrected misstatements			Analysis of misstatements Debit/(Credit)							
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period	
		(misstatements are recorded as journal entries with a description)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable
AJE 13	F0102	To provide a 100% valuation allowance for all books with less than 10% movement in its inventory subsequent to year end								
	DCA3	Provision for inventory obsolescence							33,923	
		Inventory: allowance for inventory obsolescence	(33,923)							
AJE 14	UA0100	To record the gross revenues related to admissions, events and net revenues from Café and Gift Shop operations for FY17								
	DCA7	Accounts receivable	94,836							
		Other Income							(94,836)	
AJE 15	UA0100	To provide an allowance for receivables in dispute for FY17								
	DCA7	Other Income							66,386	
		Accounts receivable: Allowance for doubtful account	(66,386)							
Total of corrected misstatements before income tax			(11,388)	(45,000)	(252,337)	0	206,190	0	102,535	
Financial statement amounts			1,077,524	0	(316,159)	0	(761,365)		(88,294)	
Effect of corrected misstatements on F/S amounts			-1.1%	0.0%	79.8%	0.0%	-27.1%		-116.1%	

B – Summary of Uncorrected Misstatements

Communication schedule for uncorrected misstatements

Entity: Department of Chamorro Affairs - Non-Appropriated Funds

Period Ended: 30-Sep-2017

Currency: USD

Uncorrected misstatements		Analysis of misstatements Debit/(Credit)										Income statement effect of the prior period	
No.	W/P ref.	Account (Note 1) <small>(misstatements are recorded as journal entries with a description)</small>	Assets	Assets	Liabilities	Liabilities	Equity	Effect on the current period OCI	Income statement effect of the current period		Prior period Debit/(Credit)	Non taxable	
			Current	Non-current	Current	Non-current	components		Debit/(Credit)	Non taxable			
			Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable			
Factual misstatements:													
SAD 01	N0120	To reconcile the general ledger balance with the AP Summary (Chamorro Village).											
	DCA2	Accounts payable											
		Other income								898			
SAD 02	C0110	To reconcile the general ledger balance with the Bank Recon Summary (Chamorro Village).											
	DCA2	Cash		(505)									
		Lease revenue								505			
SAD 03	C0100	To zero out the GL balance of CAHA's account 101 for which no transaction has been recorded since 2008 and the account remain is unused.											
	DCA4	Cash		830									
		Other income								(830)	(830)		
SAD 04	E0110	To record amounts not collected as of July 2018 from outstanding receivables as of September 2017 as a correction on recorded revenues.											
		Lease revenue								1,759			
		Accounts receivable		(1,759)									
SAD 07	N0110	To reflect Artwork purchases made on September 2017 but only recorded as expense when paid as expense for FY2017											
	DCA4	Cost of goods sold								1,984			
		Accounts payable								(1,984)			
Projected misstatements:													
SAD 06	E0120	To adjust the balance for allowance for doubtful accounts based on accounts with over 90 day balance with certain adjustments											
	DCA2	Lease revenue								900			
		Accounts receivable: allowance for doubtful accounts		(900)									



B – Summary of Uncorrected Misstatements, continued

Communication schedule for uncorrected misstatements

Entity: Department of Chamorro Affairs - Non-Appropriated Funds

Period Ended: 30-Sep-2017

Currency: USD

Uncorrected misstatements			Analysis of misstatements Debit/(Credit)							Income statement effect of the prior period	
No.	W/P ref.	Account (Note 1)	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period		
		(misstatements are recorded as journal entries with a description)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable
										Prior period Debit/(Credit)	Non taxable
Judgmental misstatements:											
		None identified									
Reclassification misstatements:											
SAD 05	E0120	To reclassify accounts receivable credit balances to accounts payable									
	DCA2	Accounts receivable	3,946								
		Accounts payable			(3,946)						
SAD 08	VD0100	To reclassify water usage charged to Chamorro Village Food tenants as CV does not have a principal/agent relationship with GWA.									
	DCA2	Utilities							23,180		
		Lease revenue							(23,180)		
Total of uncorrected misstatements before income tax			1,612	0	(6,828)	0	0	0	5,216		(830)
Total of uncorrected misstatements			1,612	0	(6,828)	0	0	0	5,216		(830)
Financial statement amounts			1,077,524	0	(316,159)	0	(761,365)		(88,294)		(419,891)
Effect of uncorrected misstatements on F/S amounts			0.1%	0.0%	2.2%	0.0%	0.0%		-5.9%		0.2%
Memo: Total of non-taxable items (marked 'X' above)									0		0
Uncorrected misstatements before income tax								-5.9%	5,216		(830)
Less: Tax effect of misstatements at current year marginal rate								0%	0		0
Uncorrected misstatements in income tax									0		0
Cumulative effect of uncorrected misstatements after tax but before turnaround								-5.9%	5,216		(830)
Turnaround effect of prior period uncorrected misstatements											
All factual and projected misstatements:									830		830
Judgmental misstatements (Note 3):									0		0
Cumulative effect of uncorrected misstatements, after turnaround effect								-6.8%	6,046		





DIPATTAMENTON I KAOHAO GUINAHAN CHAMORRO
DEPARTMENT OF CHAMORRO AFFAIRS

Honorable Edward J.B. Calvo
Governor of Guam

Johany G. Sablan
President, DCA

Raymond S. Tesoro
Lieutenant Governor of Guam



October 15, 2018



Ernst & Young LLP
231 Ypao Road
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GUAM MUSEUM

Håfa Adai! In connection with your audits of the financial statements of Department of Chamorro Affairs – Non-Appropriated Funds (DCANAF), a component unit of the Government of Guam as of September 30, 2017 and 2016 and for years then ended, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the financial statements present fairly, in all material respects, the financial position, change in financial position and cash flows of DCANAF in conformity with US generally accepted accounting principles.



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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Accordingly, we make the following representations, which are true to the best of our knowledge and belief:

Management’s responsibilities



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We have fulfilled our responsibilities, as set forth in the terms of the audit engagement agreement dated February 18, 2017, for the preparation and fair presentation of the financial statements (including disclosures) in conformity with US generally accepted accounting principles (US GAAP) applied on a basis consistent with that of the preceding years.

We acknowledge our responsibility for 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. We have provided you with:

- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, data, documentation and other matters
- Additional information that you have requested from us for the purpose of the audit
- Unrestricted access to persons within DCANAF from whom you determined it necessary to obtain evidence

We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

"Department of Chamorro Affairs is an Equal Opportunity Provider and Employer"

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C – Management’s Representation Letter, continued

Ernst & Young - Letter of Representation for Fiscal Year 2017
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Uncorrected misstatements

We believe that the effects of any uncorrected misstatements, summarized in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Internal control

There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

We are not aware of any significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting.

Minutes and contracts

The dates of meetings of shareholders, directors, committees of directors and important management committees are as follows:

Department of Chamorro Affairs

October 27, 2016
December 12, 2016
January 26, 2017
March 23, 2017
May 9, 2017
August 10, 2017
November 9, 2017
December 12, 2017
January 30, 2018
March 15, 2018
April 4, 2018
May 14, 2018
July 10, 2018

We have made available to you all minutes of the meetings of shareholders, directors and committees of directors or summaries of actions of recent meetings for which minutes have not yet been prepared.

We also have made available to you all significant contracts, including amendments, and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.

Significant assumptions

Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and supportable.

C – Management’s Representation Letter, continued

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Ownership and pledging of assets

Except for properties capitalized under capital leases, DCANAF has satisfactory title to all assets appearing in the balance sheets. No security agreements have been executed under the provisions of the Uniform Commercial Code, and there are no liens or encumbrances on assets, nor has any asset been pledged. All assets to which DCANAF has satisfactory title appear in the balance sheets (except assets leased to others under sales-type leases).

Receivables and revenues

Receivables represent valid claims against the debtors indicated and do not include amounts for goods shipped or services provided subsequent to the statement of net position dates, goods shipped on consignment, or other types of arrangements not constituting sales. Receivables have been determined in accordance with all relevant GASB Statements, including GASB Statements No. 33 and 62—as amended.

Adequate provision has been made for losses, costs and expenses that may be incurred subsequent to the statement of net position dates in respect of any sales and services rendered prior to those dates and for uncollectible accounts, discounts, returns and allowances, etc., that may be incurred in the collection of receivables at those dates.

We have disclosed to you all sales terms (both expressed and implied), including all rights of return or price adjustments and warranty provisions. We have made available to you all significant contracts, communications (either written or oral), and other relevant information pertaining to arrangements with our customers, including distributors and resellers.

Inventories

Inventories, including goods that are defective, slow-moving, obsolete or unusable, are stated at amounts not in excess of their estimated net realizable values.

Physical counts and measurements of inventories were made by competent employees under the supervision of management and book records were appropriately adjusted after giving recognition to cut-off for materials received and products shipped.

Adequate provision has been made for losses under firm purchase commitments for goods or inventory. There have been no reductions of the selling prices of finished goods subsequent to September 30, 2017 and none are contemplated.

Related party relationships and transactions

We have made available to you the names of all related parties and all relationships and transactions with related parties.

The substance of transactions with related parties as defined in GASB Statement No. 56—as amended, has been considered and appropriate adjustments or disclosures are made in the basic financial statements, and information concerning these transactions and amounts have been made available to you.

Side agreements and other arrangements

There have been no side agreements or other arrangements (either written or oral) that have not been disclosed to you.

C – Management’s Representation Letter, continued

Ernst & Young - Letter of Representation for Fiscal Year 2017
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Contingent liabilities

There are no unasserted claims or assessments, including those our lawyers have advised us of, that are probable of assertion and must be disclosed in accordance with GASB *Statement* No. 62—as amended.

There have been no violations or possible violations of laws or regulations in any jurisdiction whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

There have been no internal investigations or communications from regulatory agencies or government representatives concerning investigations or allegations of noncompliance with laws or regulations in any jurisdiction, noncompliance with or deficiencies in financial reporting practices, or other matters that could have a material effect on the financial statements.

There are no other liabilities or gain or loss contingencies considered material, individually or in the aggregate, that are required to be accrued or disclosed by ASC 450, *Contingencies*, nor are there any accruals for loss contingencies included in the balance sheets or gain contingencies reflected in earnings that are not in conformity with the provisions of ASC 450.

We have not consulted legal counsel concerning litigation, claims or assessments.

Oral or written guarantees

There are no oral or written guarantees, including guarantees of the debt of others.

Purchase commitments

At September 30, 2017 and 2016, DCANAF had no purchase commitments for inventories in excess of normal requirements or at prices that were in excess of market at those dates.

There were no agreements or commitments to repurchase assets previously sold. There were no material commitments outstanding at September 30, 2017 and 2016 as a result of being a party to futures or forwards contracts, short sales or hedge transactions.

Fraud

We acknowledge our responsibility for the design, implementation and maintenance of programs and internal control to prevent and detect fraud.

We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in DCANAF’s internal control over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees where the fraud could have a material effect on the financial statements.

We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud. We have disclosed to you all allegations of financial improprieties, including fraud or suspected fraud, coming to our attention (regardless of the source or form and including, without limitation, allegations by “whistle-blowers”) where such allegations could result in a misstatement of the financial statements or otherwise affect the financial reporting of DCANAF.

Independence

We are not aware of any capital lease, material cooperative arrangement or other business relationship between DCANAF and Ernst & Young LLP or any other member firm of the global Ernst & Young organization.

C – Management’s Representation Letter, continued

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We are not aware of any reason that Ernst & Young LLP would not be considered to be independent for purposes of DCANAF’s audits.

Conflicts of interest

There are no instances where any officer or employee of DCANAF has an interest in a company with which DCANAF does business that would be considered a “conflict of interest.” Such an interest would be contrary to DCANAF’s policy.

Required supplementary information

We acknowledge our responsibility for the required supplementary information on management’s discussion and analysis, which have been measured and presented in conformity with the guidelines established by the Governmental Accounting Standards Board. There have been no changes in the methods of measurement or presentation of the required supplementary information from those used in the prior period. We are responsible for the significant assumptions and interpretations underlying the measurement and presentation of the required supplementary information. We believe that the significant assumptions and interpretations used are reasonable.

Supplementary information

We are responsible for the preparation and fair presentation of the following schedules (the “supplementary information”).

- Combining Statement of Net Position
- Combining Statement of Revenues, Expenses and Changes in Net Position

We believe the supplementary information, including its form and content, is fairly stated in all material respects in relation to the basic financial statements as a whole.

There have been no changes in the methods of measurement or presentation of the supplementary information from those used in the prior period.

There are no significant assumptions or interpretations underlying the measurement or presentation of the information.

Effects of new accounting principles

As discussed in Note 1 to the financial statements, we have not completed the process of evaluating the effects that will result from adopting the amendments to the following codification provided in Governmental Accounting Standards Board (GASB):

- GASB Statement No. 75
- GASB Statement No. 81
- GASB Statement No. 82
- GASB Statement No. 83
- GASB Statement No. 84
- GASB Statement No. 85
- GASB Statement No. 86
- GASB Statement No. 87
- GASB Statement No. 88
- GASB Statement No. 89
- GASB Statement No. 90

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DCANAF is therefore unable to disclose the effects that adopting the amendments in the aforementioned GASB Statements will have on its financial position and the changes in its financial position when such statements are adopted.

Other

We have identified and disclosed to you, all provisions of laws and regulations that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.

Provisions for uncollectible receivables have been properly identified and recorded. We believe that the amount recorded as receivable related to the operations of Guam Museum is supported by the facts outlined in written agreements with Galaide Group, LLC. We believe that the allowance provided to the difference between the recorded receivable and the amount received from Galaide Group, LLC is reasonable based on the current uncertainty of collection and ongoing dispute with Galaide Group, LLC.

Interfund, internal and intra-entity activity and balances have been appropriately classified and reported.

Subsequent events

Subsequent to September 30, 2017, no events or transactions have occurred or are pending that would have a material effect on the basic financial statements at that date or for the period then ended, or that are of such significance in relation to the DCANAF’s affairs to require mention in a note to the basic financial statements in order to make them not misleading regarding the financial position, changes in financial position or cash flows of the DCANAF.

* * * * *

We understand that your audits were conducted in accordance with auditing standards generally accepted in the United States as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and were, therefore, designed primarily for the purpose of expressing an opinion on the basic financial statements of DCANAF as a whole, and that your tests of the accounting records and other auditing procedures were limited to those that you considered necessary for that purpose.

Si Yu’os Ma’åse!



Johnny Sablan
DCA President



Sherrie Barcinas
CAHA Administrative Officer



Marilyn Reyes
DCA Administrative Officer



Jeffrey San Nicolas
Chamorro Village Manager