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March 28, 2019

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), Guam Development Fund Act (GDFA) and the Agricultural Development Fund (ADF) as of and for the year ended September 30, 2018, in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our report thereon dated March 28, 2019.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of 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 (1) generally accepted auditing standards, and (2) the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (“generally accepted government auditing standards”) (generally accepted auditing standards and generally accepted government auditing standards are collectively referred to herein as the “Auditing Standards”) has been described in our engagement letter dated November 28, 2018, a copy of which has been provided to you. As described in that letter, the objectives of an audit conducted in accordance with the Auditing Standards are:

- To express an opinion on whether the statement of net position of GEDA as of September 30, 2018 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, 2018.
- To express an opinion on whether the respective statements of fiduciary net position of the GDFA and ADF (collectively, the “Funds”), administered by GEDA, as of September 30, 2018 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 and the Funds’ internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended September 30, 2018 based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.
- Our responsibilities under the Auditing Standards include forming and expressing an opinion about whether the financial statements that have been prepared with the oversight of management and the Board of Directors are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Board of Directors 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 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 and the Funds’ internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of GEDA and the Funds’ 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 and the Funds' 2018 financial statements include management's estimate of the allowance for doubtful accounts, which is determined based upon past collection experience and aging of the accounts, and management's estimate of depreciation expense, which is based on estimated useful lives of the respective capital assets. During the year ended September 30, 2018, 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 and the Funds' 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 2018 financial statements.

In addition, listed in Appendix B to Attachment I, are summaries of uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period 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 2018 Annual Report and will inquire as to the methods of measurement and presentation of such information. If we note a material inconsistency or if we obtain any knowledge of a material misstatement of fact in the other information, we will discuss this matter with management and, if appropriate, with the Board of Directors.

SIGNIFICANT ACCOUNTING POLICIES

GEDA and the Funds' significant accounting policies are set forth in Note 1 to the 2018 financial statements. During the year ended September 30, 2018, there were no significant changes in previously adopted accounting policies or their application, except for the adoption of the following pronouncements:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The implementation of this statement had a material effect on the accompanying financial statements resulting in the restatement of GEDA's fiscal year 2017 financial statements to reflect the reporting of OPEB liability, deferred inflows of resources and deferred outflows of resources and the recognition of OPEB in accordance with the provisions of GASB Statement No. 75.

SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The 2017 financial statements were restated as follows.

	As Previously Reported	Adjustment	As Restated
As of October 1, 2016:			
Net position	\$ (27,565,042)	\$ (3,118,374)	\$ (30,683,416)
For the year ended September 30, 2017:			
Operating expenses	\$ 3,268,435	\$ 257,327	\$ 3,525,762
Change in net position	\$ 13,064,447	\$ (257,327)	\$ 12,807,120
As of September 30, 2017:			
Deferred outflows from OPEB	\$ _____	\$ 529,794	\$ 529,794
OPEB liability	\$ _____	\$ (3,905,495)	\$ (3,905,495)
Net position	\$ (14,500,595)	\$ (3,375,701)	\$ (17,876,296)

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

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

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

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

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

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

SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to GEDA and the Funds' 2018 financial statements.

OUR VIEWS ABOUT SIGNIFICANT MATTERS THAT WERE THE SUBJECT OF CONSULTATION WITH OTHER ACCOUNTANTS

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2018.

SIGNIFICANT 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 March 28, 2019, on GEDA and the Funds' 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 March 28, 2019, other matters related to GEDA and the Funds' internal control over financial reporting that we identified during our audit.

LOURDES A. LEON GUERRERO

*Governor of Guam
I Maga'Haga Guahan*

JOSHUA F. TENORIO

*Lt. Governor of Guam
I Segundo Na Maga'Lahen Guahan*



ATTACHMENT I

MELANIE MENDIOLA

*Chief Executive Officer/Administrator
Ge'helo' Ekseketibu Ofisiát*

ARTEMIO "RICKY" HERNANDEZ

*Deputy Administrator
Sigundo Ge'helo'*

March 28, 2019

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, 2018 and 2017, and the related statements of revenues, expenses and changes in net position and of cash flows for the years then 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, 2018 and 2017, 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, changes in net position, and cash flows of the Authority and of the Funds in accordance with accounting principles generally accepted in the United States of America (GAAP). We confirm that we are responsible for the following:

- a. The preparation and fair presentation in the basic financial statements of financial position, changes in net position, and cash flows of GEDA and the Funds, in accordance with GAAP.
- b. The design, implementation, and maintenance of internal control:
 - Relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
 - To prevent and detect fraud.
- c. The review and approval of the financial statements, 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 GAAP. Our review was based on the use of the stand-alone business-type activities checklist obtained from the Government Finance Officers Association. Additionally, we agree 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.

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 accordance 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 20, 2017	Regular Meeting	August 16, 2018
Regular Meeting	November 22, 2017	Regular Meeting	September 20, 2018
Regular Meeting	January 18, 2018	Regular Meeting	October 18, 2018
Regular Meeting	February 28, 2018	Regular Meeting	November 15, 2018
Regular Meeting	March 26, 2018	Regular Meeting	December 19, 2018
Regular Meeting	April 12, 2018	Regular Meeting	January 10, 2019

Minutes of meetings subsequent to January 10, 2019 have not been approved. We represent that there were no significant matters discussed during those meetings that would affect the September 30, 2018 financial statements

- 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.



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 does 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 affecting GEDA involving:
 - a. Management.
 - b. Employees who have significant roles in GEDA's internal control.
 - 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 or that legal counsel has advised us are probable of assertion and must be disclosed in accordance with Government Accounting Standards Board (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.

Except where otherwise stated below, matters less than \$23,200 (GEDA), \$72,400 (GDFA) and \$6,800 (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.
11. Except as listed in Appendix B, there are no transactions that have not been properly recorded and reflected in the financial statements.
12. GEDA has no plans or intentions that may affect the carrying value or classification of assets and liabilities.



13. 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.

14. In preparing the financial statements in accordance with GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:

- a. It is reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events.
- b. The effect of the change would be material to the financial statements.

15. 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.

16. 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.

17. GEDA has complied with all aspects of contractual agreements that may affect the financial statements, including all requirements associated with the 2007 Series bonds.

18. No department or agency GEDA has reported a material instance of noncompliance to us.

19. 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.

20. 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.

21. During fiscal year 2018, GEDA implemented the following pronouncements:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The implementation of this statement had a material effect on the accompanying financial statements resulting in the restatement of GEDA's fiscal year 2017 financial statements to reflect the reporting of OPEB liability, deferred inflows of resources and deferred outflows of resources and the recognition of OPEB in accordance with the provisions of GASB Statement No. 75.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, which improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.
- GASB Statement No. 85, *Omnibus 2017*, which addresses practice issues that have been identified during implementation and application of certain GASB Statements including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt.

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

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

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84

are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

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

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

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

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

22. 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, 2018, but before March 28, 2019, 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.
23. 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.



24. Financial instruments with significant individual or group concentration of credit risk have been appropriately identified, properly recorded, and disclosed in the financial statements.
25. 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.
26. 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.
27. We believe that all expenditures that have been deferred to future periods are recoverable.
28. 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.
29. Except for the remaining service life used to amortize change in proportionate share for Defined Benefit Plan and the non-inclusion of Define Contribution Plan's FY2016 change in proportionate share from the 2018 actuarial report, 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, postretirement liabilities and other post-employment benefits (OPEB). 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. The effect of differences in calculation of change in proportionate is recognized in the 2018 financial statements.
30. Except for the remaining service life used to amortize change in proportionate share for Defined Benefit Plan and the non-inclusion of Define Contribution Plan's FY2016 change in proportionate share from the 2018 actuarial report, we believe that the actuarial assumptions and methods used to measure pension and postretirement liabilities and costs for financial accounting purposes are appropriate in the circumstances. These amounts have been appropriately recognized and displayed as assets, liabilities, deferred inflows, deferred outflows, net position and changes in net position in the financial statements in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and 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*.
31. We believe that the actuarial assumptions and methods used to measure other post-employment benefit liabilities are appropriate in the circumstances. These amounts have been appropriately recognized and displayed as assets, liabilities, deferred inflows, deferred outflows, net position and changes in net position in the financial statements in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*.
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.
37. No events have occurred after September 30, 2018, but before March 28, 2019, the date the financial statements were available to be issued that require consideration as adjustments to or disclosures in the financial statements.



Melanie Mendiola
Chief Executive Officer/Administrator



Artemio R. Hernandez
Deputy Administrator



Bernice Torres
Administrative Services Division Manager



APPENDIX A - POSTED ADJUSTMENTS AND FINANCIAL STATEMENTS RECLASSIFICATION ENTRIES

Audit Adjustments and Reclassifications			
GEDA OPERATING FUND			
#	Name	Debit	Credit
1 AJE To adjust allowance for doubtful accounts			
8007	Provision for Bad Debts	315,620.00	
1205	Allowance for Uncollectible - Leases		315,620.00
		<u>315,620.00</u>	<u>315,620.00</u>
	To adjust allowance for doubtful accounts.		
2 AJE To record PY restatement due to GASB 75			
DT-02	OPEB Liability		3,905,495.00
DT-01	Deferred Outflows of Resources - OPEB	529,794.00	
DT-03	Deferred Inflow of Resources - OPEB	0.00	
4500	Fund Balance	3,375,701.00	
		<u>3,905,495.00</u>	<u>3,905,495.00</u>
	To record GASB 75DT implementation restatement adjustment.		
3 AJE To record GASB 75 adjustments at 9/30/2018			
DT-01	Deferred Outflows of Resources - OPEB	68,207.00	
DT-03	Deferred Inflow of Resources - OPEB		332,090.00
DT-02	OPEB Liability	30,110.00	
7126	Retiree - Supplemental/Benefits	233,773.00	
		<u>332,090.00</u>	<u>332,090.00</u>
	To record GASB 75 adjustments at 9/30/2018		
4 AJE To record GASB 68/73 adjustments at 9/30/2018			
2230	Pension Liability (GASB 68 & 73)	803,507.00	
7121	Employee Benefit - Retirement		561,989.00
2401	Deferred Inflow of Resources - Pension		197,321.00
1911	Deferred Outflows of Resources - Pension		44,197.00
		<u>803,507.00</u>	<u>803,507.00</u>
	To record GASB 68/73 adjustments at 09/30/2018.		
5 AJE To reverse the discount rate variance recorded in FY2017			
2230	Pension Liability (GASB 68 & 73)		197,420.00
7121	Employee Benefit - Retirement	197,420.00	
		<u>197,420.00</u>	<u>197,420.00</u>
	To reverse the discount rate variance recorded in FY2017		
6 AJE To adjust allowance for written off accounts			
1401	Due from GovGuam Agencies	107,140.00	
1200	Industrial Park Rent Receivables	15,696.44	
1401	Due from GovGuam Agencies	5,247.10	
1455	Reimbursable Expense	24,405.25	
1400	Other Receivables	2,934.74	
8100	Non-Operation Revenue/Expense		32,587.09
8007	Provision for Bad Debts	32,587.09	
1205	Allowance for Uncollectible - Leases		155,423.53
		<u>188,010.62</u>	<u>188,010.62</u>
	To adjust allowance for written off accounts		
1 RJE To reclassify cash equivalent			
1036	Cash Equivalent Investment	500,000.00	
1101	Investments-Bank of Guam		500,000.00
		<u>500,000.00</u>	<u>500,000.00</u>
	To reclassify cash equivalent		

ATTACHMENT I, CONTINUED

SSBCI			
#	Name	Debit	Credit
	1 AJE To adjust unearned revenue		
2325	Unearned Grants Revenue	59,561.00	
DT 1001	Grants Revenue		59,561.00
		<u>59,561.00</u>	<u>59,561.00</u>
	To adjust remaining unearned revenue to grants revenue.		
	1 RJE To reclass loan guarantee recovery.		
DT 1003	Guarantee loss		34,704.03
5300	Other Revenue	34,704.03	
		<u>34,704.03</u>	<u>34,704.03</u>
	To reclass loan guarantee recovery.		

ATTACHMENT I, CONTINUED

TSA			
#	Name	Debit	Credit
	1 RJE To reclassify current portion of A term bond.		
2191	Current Portion of Long-Term Debt	1,070,000.00	
2601	Bonds Payable		1,070,000.00
		<u>1,070,000.00</u>	<u>1,070,000.00</u>
	To adjust current portion.		

GDFA			
#	Name	Debit	Credit
	1 AJE To adjust allowance.		
8007	Provision for Bad Debts	107,210.00	
1330	Allowance for Doubtful Accounts		107,598.00
1340	Interest Suspense on Direct Loan Receivables	388.00	
		<u>107,598.00</u>	<u>107,598.00</u>
	To adjust allowance		