

March 29, 2019

Board of Trustees
Guam Community College:

To the Board of Trustees:

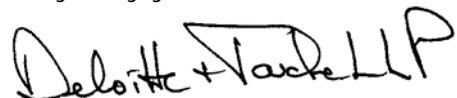
We have performed an audit of the financial statements of the Guam Community College (the College) and its discretely presented component unit, collectively a component unit of the Government of Guam, as of and for the year ended September 30, 2018, in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our report thereon dated March 29, 2019.

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

This report is intended solely for the information and use of management of the College, the Board of Trustees, 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.

We wish to thank the staff and management of the College for their cooperation and assistance during the course of this engagement.

Very truly yours,

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, stylized font.

cc: To the Management of Guam Community College

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

Our responsibility under generally accepted auditing standards and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, have been described in our engagement letter dated September 13, 2018. As described in that letter, the objective of a financial statement audit conducted in accordance with the aforementioned standards is:

- To express an opinion on the whether the College's basic financial statements and the accompanying supplementary information, in relation to the basic financial statements as a whole, for the year ended September 30, 2018, 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 to perform specified procedures on the required supplementary information for the year ended September 30, 2018.
- To express an opinion on whether the supplementary information that accompanies the basic financial statements including the schedule of expenditures of federal awards, is presented fairly, in all material respects, in relation to the financial statements as a whole;
- To report on the College's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended September 30, 2018 based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.
- To report on the College's compliance with requirements applicable to each major program and on internal control over compliance in accordance with the *U.S. Office of Management and Budget (OMB) Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared with the oversight of management and the Board of Trustees 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 Trustees of their responsibilities.

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

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

MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared with the oversight of management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in the College's 2018 financial statements include management's estimate of the allowance for uncollectible 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. The material misstatements, listed in Appendix A to Attachment I, were brought to the attention of management as a result of our audit procedures and were corrected by management in the current period.

In addition, we have attached to this letter, as Appendices B and C to Attachment I, a summary 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.

SIGNIFICANT ACCOUNTING POLICIES

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

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The implementation of this statement had a material effect on the accompanying financial statements resulting in the restatement of the College's fiscal year 2017 financial statements to reflect the reporting of net OPEB obligation, deferred inflows of resources and deferred outflows of resources for its OPEB program and the recognition of OPEB expense in accordance with the provisions of GASB Statement No. 75. The implementation of GASB Statement No. 75 results in GCC reporting deferred outflows of resources of \$1,726,628 and a net OPEB obligation of \$43,141,638 as of October 1, 2016. GCC's net position as of October 1, 2016 and GCC's statement of revenues, expenses, and changes in net position for the year ended September 30, 2017 have been restated to reflect the required adjustments as follows:

SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

	As Previously <u>Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
As of October 1, 2016:			
Net position	\$ <u>13,556,240</u>	\$ <u>(41,415,010)</u>	\$ <u>(27,858,770)</u>
For the year ended September 30, 2017:			
Change in net position	\$ <u>(2,718,807)</u>	\$ <u>(4,339,501)</u>	\$ <u>(7,058,308)</u>
As of September 30, 2017:			
Deferred outflows from OPEB	\$ <u>-</u>	\$ <u>5,571,875</u>	\$ <u>5,571,875</u>
Net OPEB liability	\$ <u>-</u>	\$ <u>(51,326,386)</u>	\$ <u>(51,326,386)</u>
Net position	\$ <u>10,837,433</u>	\$ <u>(45,754,511)</u>	\$ <u>(34,917,078)</u>

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

Except for the effects of implementing GASB 75, the implementation of these statements did not have a material effect on the 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 has not evaluated the impact that the implementation of this statement will have on the financial statements of the College.

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 of the College.

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 does not believe that the implementation of this statement will have a material effect on the financial statements of the College.

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 of the College.

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 of the College.

SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

OTHER INFORMATION IN THE ANNUAL REPORTS

When audited financial statements are included in documents containing other information such as the College’s 2018 Annual Report, we will read such other information and consider whether it, or the manner of its presentation, is materially inconsistent with the information, or the manner of its presentation, in the financial statements audited by us. We will read the other information in the College’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.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to the College’s 2018 financial statements.

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

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

MANAGEMENT’S REPRESENTATIONS

We have made specific inquiries of the College’s management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations the College 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.

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

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

SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

CONTROL-RELATED MATTERS

We have also issued a separate report to you, dated March 29, 2019, containing information regarding our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of law, regulations, contracts and grant agreements.

We have also issued a separate report to you, also dated March 29, 2019, regarding the College's compliance with requirements applicable to each major federal program and on internal control over compliance in accordance with the Uniform Guidance.



March 29, 2019

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

We are providing this letter in connection with your audits of the financial statements of Guam Community College (the College) and its discretely presented component unit as of and for the years ended September 30, 2018 and 2017, which collectively comprise the College's basic financial statements for the purpose of expressing an opinion as to whether the basic financial statements present fairly, in all material respects, the financial position, results of operations or changes in net position, and cash flows, as applicable, of the College in conformity with accounting principles generally accepted in the United States of America (GAAP).

We confirm that we are responsible for the following:

- a. The preparation and fair presentation in the basic financial statements of financial position of the College and its discretely presented component unit in conformity with GAAP.
- b. The design, implementation, and maintenance of internal control:
 - Relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - To prevent and detect fraud.
- c. The review and approval of the financial statements and related notes and acknowledge your role in the preparation of this information. Specifically, we acknowledge that your role in the preparation of the basic financial statements was a matter of convenience rather than one of necessity. We have reviewed the financial statement preparation assistance provided by you and acknowledge that the financial statements are prepared in accordance with GAAP. Our review was based on the use of the financial statement disclosure checklist for stand-alone business-type activities government obtained from 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.

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 accounting principles generally accepted in the United States of America. In addition:
 - a. The financial statements include all component units and properly disclose all other related organizations.
 - b. Net position components (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
 - c. Deposits and investment securities are properly classified in category of custodial credit risk.
 - d. Capital assets are properly capitalized, reported and, if applicable, depreciated.
 - e. Required supplementary information is measured and presented within prescribed guidelines.
 - f. Applicable laws and regulations are followed in adopting, approving, and amending budgets.
 - g. The financial statements properly classify all funds and activities, including special and extraordinary items.
 - h. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
 - i. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
 - j. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
2. The College has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.
3. The College has made available to you:
 - a. All minutes of the meetings of the Board of Trustees or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - b. Financial records and related data for all financial transactions of the College and for all funds administered by the College. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by the College and provide the audit trail to be used in a review of accountability. Information presented in the 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 the College management that contravenes the provision of federal laws and Guam laws and regulations, or of contracts and grants applicable to the College.
 - 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 basic financial statements taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix B.
6. We believe the effects of any uncorrected financial statement misstatements aggregated by you during the current audit engagement and pertaining to the prior period presented are immaterial, both individually and in the aggregate, to the basic financial statements taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix C.
7. Management has not performed a risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud. However, we have made available to you our understanding about the risks of fraud in the College and do not believe that the basic financial statements are materially misstated as a result of fraud.
8. We have no knowledge of any fraud or suspected fraud affecting the College involving:
 - a. Management.
 - b. Employees who have significant roles in internal control over financial reporting.
 - c. Others, where the fraud could have a material effect on the financial statements.
9. We have no knowledge of any allegations of fraud or suspected fraud affecting the College's financial statements communicated by employees, former employees, analysts, regulators, or others.
10. There are no unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards ("GASB Codification") Section C50, *Claims and Judgments*
11. Significant assumptions used by us in making accounting estimates are reasonable.
12. We are responsible for the preparation of the Schedule of Expenditures of Federal Awards in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("OMB Uniform Guidance"). We have identified and disclosed all of the College's government programs and related activities subject to the OMB Uniform Guidance compliance audit. In addition, we have accurately completed the appropriate sections of the data collection form.

13. We are responsible for compliance with local, state, and federal laws, rules and regulations, including compliance with the requirements of OMB Uniform Guidance, and the provisions of grants and contracts relating to the College's operations. We are responsible for establishing and maintaining the components of internal control relating to our activities in order to achieve the objectives of providing reliable financial reports, effective and efficient operations, and compliance with laws and regulations. The College is responsible for maintaining accounting and administrative control over revenues, obligations, expenditures, assets, and liabilities.
14. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal awards that could have a material effect on its federal programs.
15. We have disclosed to you all deficiencies in the design or operation of internal control over financial reporting identified as part of our evaluation, including separately disclosing to you all such deficiencies that are significant deficiencies or material weaknesses in internal control over financial reporting.
16. No events have occurred after September 30, 2018 that require consideration as adjustments to or disclosures in the schedule of federal awards and related notes or that existed at the end of the reporting period that affect noncompliance during the reporting period.
17. There are no instances of known noncompliance with direct and material compliance requirements occurring subsequent to September 30, 2018.
18. There have been no changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by the College with regard to significant deficiencies and material weaknesses in internal control over compliance subsequent to September 30, 2018.
19. Federal awards expenditures have been charged in accordance with applicable cost principles.
20. The Reporting Package submitted to the Federal Audit Clearinghouse (FAC) as defined by the Uniform Grant Guidance section 2CFR200.512(3)(c) does not contain protected personally identifiable information.
21. We have disclosed all contracts or other agreements with service organizations.
22. We have disclosed to you all communications from service organizations relating to noncompliance with the requirements of federal statutes, regulations, and terms and conditions of federal awards at those organizations.
23. 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 1200, *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.

24. Regarding supplementary information

- a. We are responsible for the preparation and 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 in the prior period.

25. The Schedule of Expenditures of Federal Awards was prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("OMB Uniform Guidance"). We have identified in that schedule all awards provided by federal agencies in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, or direct appropriations. We did not incur any Research & Development costs during the fiscal year. During the fiscal year 2018, \$69,715 was passed through to sub recipients. In addition, we have accurately completed the appropriate sections of the data collection form.

26. We are responsible for the compliance with local and federal laws, rules, and regulations, including compliance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("OMB Uniform Guidance") and the provisions of grants and contracts relating to the College's operations. We are responsible for establishing and maintaining the components of internal control relating to our activities, in order to achieve the objectives of: providing reliable financial reports, effective and efficient operations, and compliance with laws and regulations. The College is responsible for maintaining accounting and administrative control over revenues, obligations, expenditures, assets, and liabilities.

27. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on its federal programs.

28. We have disclosed to you all deficiencies in the design or operation of internal control over financial reporting identified as part of our evaluation, including separately disclosing to you all such deficiencies that are significant deficiencies or material weaknesses in internal control over financial reporting, if any.

29. We have:

- a. Identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program under audit.

- b. Complied, in all material respects, with the direct and material compliance requirements identified above in connection with federal awards.
 - c. Identified and disclosed interpretations of any compliance requirements that have varying interpretations.
 - d. Made available all federal awards (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities. Management has made available all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements. Federal financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared and are prepared on a basis consistent with that presented in the Schedule of Expenditures of Federal Awards. The copies of federal program financial reports provided are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
 - e. Identified and disclosed all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards, including the results of other audits, program reviews, or any communications from federal awarding agencies and pass-through entities concerning possible noncompliance related to the objectives of the audit.
 - f. Identified previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit and the corrective actions taken to address significant findings and recommendations, including the status of follow-up on prior audit findings (and information about all management decisions) by federal awarding agencies and pass-through entities.
30. 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.
31. We have obligated, expended, received, and used public funds of the Government of Guam and Federal Government 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.
32. Money or similar assets handled by the College on behalf of the Government of Guam or Federal Government have been properly and legally administered, and the accounting and record keeping related thereto is proper, accurate, and in accordance with law.
33. The College has certified to federal granting agencies that it has not used federal funds for lobbying for specific federal awards and that it has disclosed, or will disclose, any expenditures of nonfederal funds made for lobbying purposes.
34. We have adopted the provisions of the GASB Codification Section 2100, *Defining the Financial Reporting Entity*. We believe that we have properly identified and reported as a component unit of the College each organization that meets the criteria established in GASB Codification Section 2100.
35. We believe that internal control over the receipt and recording of contributions is adequate.

36. We have included in the financial statements all assets and liabilities under the College's control.

37. The College has maintained an appropriate composition of assets in amounts needed to comply with all donor restrictions.

38. We believe that any reclassification between net asset (or net position) classes is correct.

Except where otherwise stated below, matters less than \$150,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to, or disclosure in, the basic financial statements.

39. Except as listed in Appendices B and C, there are no transactions that have not been recorded and reflected in the basic financial statements.

40. The College has no plans or intentions that may affect the carrying value or classification of assets and liabilities.

41. Regarding related parties:

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

42. 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.

43. Risks associated with concentrations, based on information known to management, that meet all of the following criteria have been disclosed in the basic financial statements:

- a. The concentration exists at the date of the financial statements.
- b. The concentration makes the entity vulnerable to the risk of a near-term severe impact.
- c. It is at least reasonably possible that the events that could cause the severe impact will occur in the near term.

44. 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 and 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*.
45. The College 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 for the lien established by U.S. Department of Agriculture as disclosed in note 10 to the financial statements.
46. The College has complied with all aspects of contractual agreements that may affect the financial statements.
47. No department of the College has reported a material instance of noncompliance to us.
48. We do not plan to make frequent amendments to our pension or other postretirement benefit plans.
49. We have no intention of terminating any of our pension plans or taking any other action that could result in an effective termination or reportable event for any of the plans.
50. 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 realizable value.
51. Quantitative and qualitative information regarding the allowance for doubtful accounts has been properly disclosed in the financial statements.
52. There are no known related party transactions, which should be recorded or disclosed in the financial statements.
53. The College is exposed to various risks of loss; theft of, damage to, and destruction of assets; operation liability; errors and omissions; employee injuries and illnesses; natural disasters and employee health, dental and accident benefits. Commercial coverage is provided for claims arising from most of these matters.
54. The College is responsible for determining and maintaining the adequacy of the allowance for doubtful accounts, 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.
55. Provision has been made to reduce excess or obsolete inventories to their estimated net realizable value. All inventories are the property of the College and do not include any items consigned to it, any items billed to customers, or any items for which the liability has not been recorded.
56. The College does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these

deposits are exposed to custodial credit risk. The College has not experienced any losses on such accounts and management believes it is not exposed to credit risk on its deposits.

57. The College, using its best estimates based on reasonable and supportable assumptions and projections, reviews for impairment of long-lived assets in accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. The financial statements referred to above reflect all adjustments required by GASB Statement 42.
58. The Government of Guam and its component units, including the College began withholding and remitting funds to the U.S. Social Security system for the health insurance component of its salaries and wages effective October 1998. Prior to that date, the Government of Guam did not withhold or remit Medicare payments to the U.S. Social Security system. If the Government is found to be liable for Medicare payments on salaries and wages prior to October 1998, an indeterminate liability could result. It has been the practice of the College and all other component units of the Government of Guam that payment of this health insurance component is optional prior to October 1998. Therefore, no liability for any amount, which may ultimately arise from this matter, has been recorded in the financial statements.
59. The College is involved in various legal proceedings. Management believes that any losses arising from these actions will not materially affect the College's financial position.
60. No events have occurred after September 30, 2018, but before March 29, 2019, the date the financial statements were available to be issued that require consideration as adjustments to, or disclosure in the financial statements.
61. During the year ended September 30, 2018, the College implemented the following pronouncements:
 - GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The implementation of this statement had a material effect on the accompanying financial statements resulting in the restatement of the College's fiscal year 2017 financial statements to reflect the reporting of net OPEB obligation, deferred inflows of resources and deferred outflows of resources for its OPEB program and the recognition of OPEB expense in accordance with the provisions of GASB Statement No. 75. The implementation of GASB Statement No. 75 results in GCC reporting deferred outflows of resources of \$1,726,628 and a net OPEB obligation of \$43,141,638 as of October 1, 2016. GCC's net position as of October 1, 2016 and GCC's statement of revenues, expenses, and changes in net position for the year ended September 30, 2017 have been restated to reflect the required adjustments as follows:

	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
As of October 1, 2016:			
Net position	\$ <u>13,556,240</u>	\$ <u>(41,415,010)</u>	\$ <u>(27,858,770)</u>
For the year ended September 30, 2017:			
Change in net position	\$ <u>(2,718,807)</u>	\$ <u>(4,339,501)</u>	\$ <u>(7,058,308)</u>
As of September 30, 2017:			
Deferred outflows from OPEB	\$ <u>-</u>	\$ <u>5,571,875</u>	\$ <u>5,571,875</u>
Net OPEB liability	\$ <u>-</u>	\$ <u>(51,326,386)</u>	\$ <u>(51,326,386)</u>
Net position	\$ <u>10,837,433</u>	\$ <u>(45,754,511)</u>	\$ <u>(34,917,078)</u>

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


Except for the impact of GASB 75, the implementation of the above pronouncements did not have a material effect on the financial statements.

62. 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 has not evaluated the impact that the implementation of this statement will have on the financial statements of the College.
63. 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 of the College.
64. 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 does not believe that the implementation of this statement will have a material effect on the financial statements of the College.
65. 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

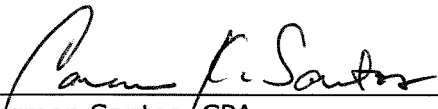
borrowings and direct placements. The provisions in Statement No. 88 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the College.

66. 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 of the College.

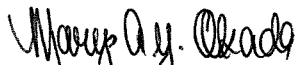
67. In August 2018, GASB issued Statement No. 90, Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61, which improves the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and the relevance of financial statement 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 of the College.



Edwin Limtuatco
Controller, Finance and Administration



Carmen Santos, CPA
V.P. of Finance and Administration



Mary A.Y. Okada, Ed.D.
President

**Guam Community College
Adjusting Journal Entries
September 30, 2018**

Appendix A

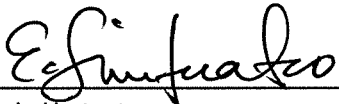
#	Name	Debit	Credit
1 AJE To record retiree healthcare costs paid by GovGuam			
Blank (3909)	Retiree healthcare costs	976,278.22	
4630	GovGuam Appropriation		976,278.22
		<u>976,278.22</u>	<u>976,278.22</u>
	To record retiree healthcare costs paid by GovGuam		
2 AJE To record other FY2018 pension benefits (COLA/SP)			
Blank(63)	COLA and Supplemental Benefits	643,310.00	
4630	GovGuam Appropriation		643,310.00
		<u>643,310.00</u>	<u>643,310.00</u>
	To record other FY2018 pension benefits (COLA/SP) paid on behalf of GCC		
3 AJE To reverse accrual of AR GovGuam			
4630	GovGuam Appropriation	2,330,000.00	
1A24	A/R GovGuam		2,330,000.00
		<u>2,330,000.00</u>	<u>2,330,000.00</u>
	To reverse accrual of AR GovGuam		
4 AJE To record GASB 68/73 adjustments at 09/30/2018			
6310	Net Pension Liability	4,615,881.00	
5550	Deferred outflow of resources	271,364.00	
6350	Deferred inflow of resources		1,264,107.00
5100	Instructional Expenditures		1,306,220.00
5900	Planning/Special Projects		107,914.00
5700	Scholarship Expenditures		762,201.00
5501	Academic Support Expenditures		238,684.00
5500	Student Services Expenditures		380,423.00
5400	Institutional Support Expenditures		447,932.00
5600	Plant Operations & Main Expenditure		291,505.00
5800	Auxiliary Ent Expenditure		88,259.00
		<u>4,887,245.00</u>	<u>4,887,245.00</u>
	To record GASB 68/73 adjustments at 09/30/2018		
5 AJE To reflect GASB 75 implementation restatement			
3F20	Fund Balance	45,754,510.90	
5551	OPEB Deferred outflow	5,571,875.10	
6311	OPEB Liability		51,326,386.00
		<u>51,326,386.00</u>	<u>51,326,386.00</u>
	To reflect GASB 75 implementation restatement impact in FY17.		

6 AJE To reflect GASB 75 implementation impact in FY18

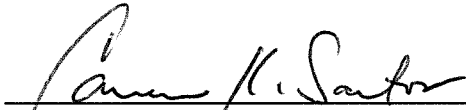
5100	Instructional Expenditures	1,056,350.17	
5200	Research Expenditures	87,270.51	
5501	Academic Support Expenditures	193,025.44	
5500	Student Services Expenditures	307,651.15	
5400	Institutional Support Expenditures	350,336.63	
5600	Plant Operations & Main Expenditure	235,742.53	
5700	Scholarship Expenditures	616,398.11	
5800	Auxiliary Ent Expenditure	71,375.56	
5551	OPEB Deferred outflow		241,835.10
6351	OPEB Deferred inflow		4,262,357.00
6311	OPEB Liability	1,586,042.00	
		<u>4,504,192.10</u>	<u>4,504,192.10</u>

To reflect GASB 75 implementation impact in FY18.

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



Edwin Limtuatco
Controller

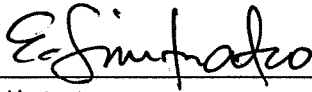


Carmen K. Santos, CPA
VP of Finance and Administration

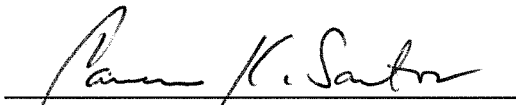
**Guam Community College
Reclassification Journal Entries
September 30, 2018**

#	Name	Debit	Credit
1 RJE To reclassify investments in TCDs recorded in cash			
1A20	Time Certificates of Deposit	2,042,000.00	
1A11	General Fund - FHB		2,042,000.00
		<u>2,042,000.00</u>	<u>2,042,000.00</u>
	TCDs account		
2 RJE To reclassify current portion of LTD			
2L17	LT Debt - USDA	53,752.08	
Blank (3948)	Current portion of loan		53,752.08
		<u>53,752.08</u>	<u>53,752.08</u>
	To reclassify current portion of LTD		
3 RJE To reclassify accrued annual leave			
2L21	Accrued Payroll		515,828.84
Blank (3937)	Current portion of annual leave		519,722.50
Blank (3968)	Accrued Liabilities	1,035,551.34	
		<u>1,035,551.34</u>	<u>1,035,551.34</u>
	To reclassify accrued annual leave from total accrued payroll and other accrued liabilities		

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



Edwin Limtuatco
Controller



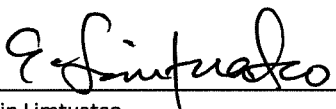
Carmen K. Santos, CPA
VP of Finance and Administration

Guam Community College
 Summary of Uncorrected Misstatements
 September 30, 2018

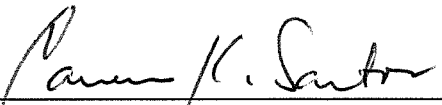
Appendix B

Description of Misstatement	Assets DR(CR)	Liabilities DR(CR)	Equity DR(CR)	Income DR(CR)
To reclassify credit to AR students to AP students	163,497	(163,497)		
To accrue credit card payable as of 9/30/2018		(37,674)		37,674
To cancel/void stale dated checks		298,009		(298,009)
To adjust misstatement in OPEB liability and deferred outflows/inflows of resources	(304,579)	237,501		67,078
To correct amortization of deferred amounts using 1 year period		144,901		(144,901)
	(141,082)	479,240	-	(338,158)

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



 Edwin Limtuatco
 Controller



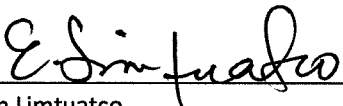
 Carmen K. Santos, CPA
 VP of Finance and Administration

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

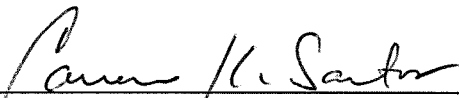
Appendix C

Description of Misstatement	Assets DR(CR)	Liabilities DR(CR)	Equity DR(CR)	Income DR(CR)
To adjust overstatement of deferred outflow related to GASB 75	161,666	(193,871)		32,205
	161,666	(193,871)	-	32,205

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



 Edwin Limtuatco
 Controller



 Carmen K. Santos, CPA
 VP of Finance and Administration