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March 5, 2016

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, 2015, 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 5, 2016.

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.

#### **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 October 12, 2015. 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, 2015, 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, 2015.
- 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, 2015 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) Circular A-133 Compliance Supplement* (“OMB Circular A-133”).

Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared with the oversight of management and the 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 OMB Circular A-133. 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 2015 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, 2015, 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 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 Appendix A to Attachment II, a summary of uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period and prior 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 2015 financial statements. During the year ended September 30, 2015, 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. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, which revise and establish new financial reporting requirements for most governments that provide their employees with pension benefits. The implementation of these statements had a material effect on the accompanying financial statements resulting in a restatement of the College's fiscal year 2014 financial statements to reflect the reporting of net pension liabilities and deferred inflows of resources and deferred outflows of resources for its qualified pension plan and the recognition of pension expense in accordance with the provisions of GASB Statement No. 68. The implementation of GASB Statement No. 68 results in GCC reporting deferred outflows of resources of \$3,554,912 and a net pension liability of \$32,563,460 as of October 1, 2013. GCC's net position as of October 1, 2013 and GCC's statement of revenues, expenses and changes in net position for the year ended September 30, 2014 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, 2013:			
Net position	\$ <u>40,653,537</u>	\$ <u>(32,882,055)</u>	\$ <u>7,771,482</u>
For the year ended September 30:			
Salaries, wages and benefit expense	\$ <u>18,164,935</u>	\$ <u>(1,448,103)</u>	\$ <u>16,716,832</u>
Change in net position	\$ <u>3,514,210</u>	\$ <u>1,448,103</u>	\$ <u>4,962,313</u>
As of September 30:			
Deferred outflows from pensions	\$ <u>-</u>	\$ <u>3,554,912</u>	\$ <u>3,554,912</u>
Net pension liability	\$ <u>-</u>	\$ <u>(32,563,460)</u>	\$ <u>(32,563,460)</u>
Deferred inflows from pensions	\$ <u>-</u>	\$ <u>(1,973,361)</u>	\$ <u>(1,973,361)</u>
Net position	\$ <u>44,167,747</u>	\$ <u>(30,319,588)</u>	\$ <u>12,733,795</u>

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

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurements and requires entities to explain their fair value disclosures by determining major categories of debt and equity securities within the fair value hierarchy on the basis of the nature and risk of the investment. The provisions in Statement 72 are effective for fiscal years beginning after June 15, 2015. Management believes that the implementation of this statement only requires additional disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques and will not have a material effect on the financial statements.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which aligns the reporting requirements in Statement 68. The provisions in Statement No. 73 are effective for fiscal years beginning after June 15, 2015, with the exception of the provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years

beginning after June 15, 2016. Management has not evaluated the impact that the implementation of this statement will have on the financial statements.

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

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The provisions in Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Management has not evaluated the effect that the implementation of this statement will have on the financial statements.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which eliminates two of the four categories of authoritative GAAP that exist under the existing hierarchy prescribed by Statement 55. The two categories that will remain under the new standard are (1) GASB Statements and (2) GASB technical bulletins and implementation guides in addition to AICPA guidance that the GASB clears. The provisions in Statement No. 76 are effective for fiscal years beginning after June 15, 2015. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

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

## **OTHER INFORMATION IN THE ANNUAL REPORTS**

When audited financial statements are included in documents containing other information such as the College's 2015 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 2015 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 2015 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 2015.

## **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 II, 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**

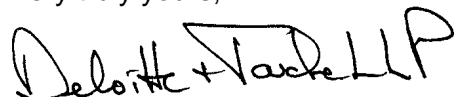
We have also issued a separate report to you, dated March 5, 2016, containing information regarding our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of law, regulations, contracts and grant agreements.


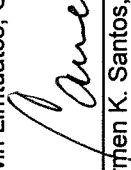
We have also issued a separate report to you, also dated March 5, 2016, regarding the College's compliance with requirements applicable to each major federal program and on internal control over compliance in accordance with OMB Circular A-133.

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.

#	Name	Debit	Credit
6	<b>AJE To record CY contributions as deferred outflow</b>		
	Deferred outflow of resources	3,622,850	
	Instructional Expenditures (Pension and Employee Benefits)		3,622,850
		3,622,850	3,622,850
	To record CY contributions as deferred outflow		
7	<b>AJE To record additional allowance</b>		
	Bad Debt Expense	52,426	
	A/R Allowance		52,426
		52,426	52,426
	To record additional allowance as of 9/30/15		
8	<b>AJE To agree net pension liability</b>		
	Net Pension Liability	1,326,986	
	Pension Expense	254,565	
	Fund Balance		1,581,551
		1,581,551	1,581,551
	To agree net pension liability		
<p><b>Concurrence:</b> I have reviewed the adjustments above and authorize that they be recorded in the general ledger as of September 30, 2015. The adjustments are results of errors and not results of fraud or illegal acts.</p>			
			
	Edwitt Lirmtuato, Controller, Business Office		
			
	Carmen K. Santos, CPA, V.P. of Finance and Administration		

<b>Guam Community College</b>			
<b>Proposed Adjustments</b>			
<b>September 30, 2015</b>			
<b>#</b>	<b>Name</b>	<b>Debit</b>	<b>Credit</b>
<b>1</b>	<b>AJE To book unaccrued unpaid interest at year end</b>		
	Interest Expense	195,244	
	Accrued Interest		195,244
	To book unaccrued unpaid interest as of 9/30/2015	195,244	195,244
<b>2</b>	<b>AJE To record beginning net pension liability</b>		
	Fund Balance	33,015,503	
	Net Pension Liability		33,015,503
	To record beginning net pension liability	33,015,503	33,015,503
<b>3</b>	<b>AJE To record deferred inflows/outflows for pension</b>		
	Net Pension Liability	930,817	
	Deferred outflow of resources	218,294	
	Deferred inflow of resources		1,149,111
	To record deferred inflows/outflows related to pensions and to reverse prior year contributions subsequent to measurement date	1,149,111	1,149,111
<b>4</b>	<b>AJE To record pension expense</b>		
	Pension Expense	505,018	
	Net Pension Liability		505,018
	To record pension expense	505,018	505,018
<b>5</b>	<b>AJE To agree to deferred inflows</b>		
	Net Pension Liability	1,839,102	
	Deferred inflow of resources		1,839,102
	To agree deferred inflows	1,839,102	1,839,102



*Kolehon Kominidat Guahan*  
Accredited by the  
Western Association of  
Schools and Colleges

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March 5, 2016

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, 2015 and 2014, 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.

We confirm that we are responsible for the following:

- a. The preparation and fair presentation in the basic financial statements of financial position of activities and the discretely presented component unit in conformity with accounting principles generally accepted in the United States of America (GAAP).
- b. The fair presentation of the required supplementary information including, Management's Discussion and Analysis, and additional information accompanying the basic financial statements that are presented for the purpose of additional analysis of the basic financial statements.
- c. The design, implementation, and maintenance 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.
- d. Establishing and maintaining effective internal control over financial reporting.
- e. The review and approval of the basic 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 basic 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 obtained from the Government Finance Officers Association.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.



We confirm, to the best of our knowledge and belief, the following representations made to you during your 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. Federal awards expenditures have been charged in accordance with applicable cost principles.
  - h. The basic financial statements properly classify all funds and activities.
  - i. 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.
  - 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.
  - k. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
  - l. Net Position restrictions, commitments, and assignments are properly classified and, if applicable, approved.
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 provided you:
  - a. Minutes of the meetings of Board of Trustees or summaries of actions of recent meetings for which minutes have not yet been prepared, as well as Public Laws enacted by the Government of Guam's Legislature.
  - 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 basic 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 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 basic 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 A.
6. 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.
7. 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, if 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 the College's financial statements communicated by employees, former employees, analysts, regulators, or others.
9. There are no unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance with GASB Codification 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.
11. We adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, which revise and establish new financial reporting requirements for most governments that provide their employees with pension benefits. The implementation of these statements had a material effect on the accompanying financial statements resulting in a restatement of the College's fiscal year 2014 financial statements to reflect the reporting of net pension liabilities and deferred inflows of resources and deferred outflows of resources for its qualified pension plan and the recognition of pension expense in accordance with the provisions of GASB Statement No. 68. The implementation of GASB Statement No. 68 results in GCC reporting deferred outflows of resources of \$3,554,912 and a net pension liability of \$32,563,460 as of October 1, 2013. GCC's net position as of October 1, 2013 and GCC's statement of revenues, expenses and changes in net position for the year

**ATTACHMENT II, CONTINUED**

ended September 30, 2014 have been restated to reflect the required adjustments as follows:

	<u>Reported</u>	<u>As Previously Adjustment</u>	<u>As Restated</u>
As of October 1, 2013:			
Net position	\$ <u>40,653,537</u>	\$ <u>(32,882,055)</u>	\$ <u>7,771,482</u>
For the year ended September 30:			
Salaries, wages and benefit expense	\$ <u>18,164,935</u>	\$ <u>(1,448,103)</u>	\$ <u>16,716,832</u>
Change in net position	\$ <u>3,514,210</u>	\$ <u>1,448,103</u>	\$ <u>4,962,313</u>
As of September 30:			
Deferred outflows from pensions	\$ <u>-</u>	\$ <u>3,554,912</u>	\$ <u>3,554,912</u>
Net pension liability	\$ <u>-</u>	\$ <u>(32,563,460)</u>	\$ <u>(32,563,460)</u>
Deferred inflows from pensions	\$ <u>-</u>	\$ <u>(1,973,361)</u>	\$ <u>(1,973,361)</u>
Net position	\$ <u>44,167,747</u>	\$ <u>(30,319,588)</u>	\$ <u>12,733,795</u>

12. We adopted GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, which improves accounting and financial reporting for state and local governments' combinations and disposals of government operations. Government combinations include mergers, acquisitions, and transfers of operations. A disposal of government operations can occur through a transfer to another government or a sale. The provisions in Statement 69 are effective for fiscal years beginning after December 15, 2013. Management has determined the effect of implementation of this statement on the financial statements of the College is not material.
  
13. In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurements and requires entities to explain their fair value disclosures by determining major categories of debt and equity securities within the fair value hierarchy on the basis of the nature and risk of the investment. The provisions in Statement 72 are effective for fiscal years beginning after June 15, 2015. Management believes that the implementation of this statement only requires additional disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques and will not have a material effect on the financial statements.
  
14. In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which aligns the reporting requirements in Statement 68. The provisions in Statement No. 73 are effective for fiscal years beginning after June 15, 2015, with the exception of the provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. Management has not evaluated the impact that the implementation of this statement will have on the financial statements.
  
15. In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and addresses financial reporting requirements for governments whose employees are provided with postemployment benefits other than pensions (other postemployment

benefits or OPEB). The provisions in Statement No. 74 are effective for fiscal years beginning after June 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

16. In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The provisions in Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Management has not evaluated the impact that the implementation of this statement will have on the financial statements.
17. In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which eliminates two of the four categories of authoritative GAAP that exist under the existing hierarchy prescribed by Statement 55. The two categories that will remain under the new standard are (1) GASB Statements and (2) GASB technical bulletins and implementation guides in addition to AICPA guidance that the GASB clears. The provisions in Statement No. 76 are effective for fiscal years beginning after June 15, 2015. Management does not believe that the implementation of this statement will have a material effect on the financial statements.
18. In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*, which requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The provisions in Statement No. 77 are effective for fiscal years beginning after December 15, 2015. Management does not believe that the implementation of this statement will have a material effect on the financial statements.
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 the requirements of the Governmental Accounting Standards Board.
  - 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 in the prior period
21. The Schedule of Expenditures of Federal Awards was prepared in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have identified in that schedule all awards provided by federal agencies in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, or direct appropriations. We did not incur any Research & Development costs during the fiscal year. We did not incur subrecipient expenditures

during the fiscal year. In addition, we have accurately completed the appropriate sections of the data collection form.

22. We are responsible for compliance with Guam and federal laws, rules and regulations, including compliance with the requirements of OMB Circular A-133, and provisions of grants and contracts relating to the 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.
23. 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.
24. 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.
25. We have:
  - a. Identified the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each federal program as identified in Part 3 of the relevant Compliance Supplement related to the year under audit.
  - b. Complied, in all material respects, with the requirements identified above and with Circular A-133 in connection with federal awards.
  - c. Identified and disclosed interpretations of any compliance requirements that have varying interpretations.
  - d. Made available all information related to federal financial reports and claims for advances and reimbursements. Federal financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared and are prepared on a basis consistent with that presented in the Schedule of Expenditures of Federal Awards. The copies of federal program financial reports provided are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
  - e. Identified and disclosed all amounts questioned and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews related to the objectives of the audit.
  - f. Identified previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit and the corrective actions taken to address significant findings and recommendations, including the status of follow-up on prior audit findings (and information about all management decisions) by federal awarding agencies and pass-through Entities.
  - g. Disclosed the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the

objectives of the compliance audit, including findings received and corrective actions taken from September 30, 2015, to the date of the auditors' report.

- h. Identified in the Schedule of Expenditures of Federal Awards all awards provided by federal agencies in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance or direct appropriations.
26. 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.
  27. 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.
  28. 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.
  29. 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.
  30. We have adopted the provisions of 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, *Defining the Financial Reporting Entity*.
  31. We believe that internal control over the receipt and recording of contributions is adequate.
  32. We have included in the financial statements all assets and liabilities under the College's control.
  33. The College has maintained an appropriate composition of assets in amounts needed to comply with all donor restrictions.
  34. We believe that any reclassification between net asset (or net position) classes is correct.

Except where otherwise stated below, matters less than \$124,560 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.

35. Except as listed in Appendix A, there are no transactions that have not been recorded and reflected in the basic financial statements.
36. The College has no plans or intentions that may affect the carrying value or classification of assets and liabilities.
37. The following, to the extent applicable, have been appropriately identified, properly recorded, and disclosed in the financial statements:
  - a. Related party transactions and associated amounts, receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral)

- b. Guarantees, whether written or oral, under which the College is contingently liable.
38. 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.
39. 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.
40. 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*.
41. 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 9 to the financial statements.
42. The College has complied with all aspects of contractual agreements that may affect the financial statements.
43. No department of Guam Community College has reported a material instance of noncompliance to us.
44. We have appropriately identified and properly recorded and disclosed in the financial statements all interfund transactions, including repayment terms.
45. 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.
46. Quantitative and qualitative information regarding the allowance for doubtful accounts has been properly disclosed in the financial statements.

47. There are no known related party transactions, which should be recorded or disclosed in the financial statements.
48. 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.
49. 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.
50. 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.
51. 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.
52. 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.
53. 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.
54. 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.
55. No events have occurred after September 30, 2015, but before March 5, 2016, the date the financial statements were available to be issued that require consideration as adjustments to, or disclosures in, the financial statements.
56. 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 the requirements of the Governmental Accounting Standards Board.
  - c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.

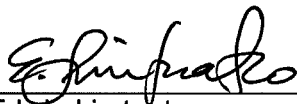


57. Regarding supplementary information:

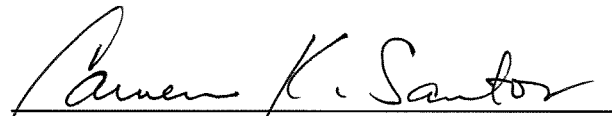
- a. We are responsible for the preparation and fair presentation of the supplementary information in accordance with GAAP.
- b. We believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP.
- c. The methods of measurement and presentation of the supplementary information have not changed from those in the prior period.

Except where otherwise stated below, matters less than \$10,000 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 financial statements.

- 59. The College has disclosed whether, subsequent to September 30, 2015, any changes in internal control or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses, have occurred.
- 60. No evidence of fraud, possible irregularities, or dishonesty in fiscal operations of programs administered by the College has been discovered.
- 61. No events have occurred subsequent to September 30, 2015, that require consideration as adjustments to or disclosures in the Schedule of Federal Awards and related notes.
- 62. No known noncompliance with direct and material compliance requirements has occurred subsequent to September 30, 2015, to the date of the auditor's report.



Edwin Limtuatco  
Controller, Finance and Administration



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



Mary Okada, Ed. D.  
President

**Guam Community College**  
**Summary of Uncorrected Misstatements**  
**September 30, 2015**

APPENDIX A

Entry Description	Assets	Liabilities	Equity	Profit and Loss
	Dr. (Cr.)	Dr. (Cr.)	Dr. (Cr.)	Dr. (Cr.)
<b>PAJE #1</b>				
Dr. Interest Expense				51,333
Cr. LT Debt		(51,333)		
<i>To record additional outstanding principal</i>				
<b>PAJE #2</b>				
Dr. CIP	51,499			
Cr. Interest Expense				(51,499)
<i>To record capitalizable interest</i>				
<b>PAJE #3</b>				
Dr. Net pension liability		388,824		
Cr. Deferred outflow of resources	(370,578)			
Cr. Pension expense				(18,246)
<i>To record difference in proportionate and actual contributions and net pension liability variance against in pension expense.</i>	(319,079)	337,491	-	(18,412)

**Concurrence:** The above misstatements have been provided and explained to me. I understand these misstatements and I believe they are considered to be immaterial to the financial statements taken as a whole. I also believe they did not result from fraud or illegal acts, rather errors.

  
 Edwin Limtuatco, Controller, Business Office

3/2/16  
 Date

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

3/2/16  
 Date

Guam Community College  
 Summary of Uncorrected Misstatements Relating to Prior Year  
 September 30, 2015

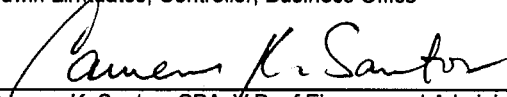
APPENDIX B

Entry Description	Assets	Liabilities	Equity	Profit and Loss
	Dr. (Cr.)	Dr. (Cr.)	Dr. (Cr.)	Dr. (Cr.)
<b>PYPAJE #1</b>				
Dr. Net pension liability		452,043		
Cr. Deferred outflow of resources	(407,064)			
Cr. Pension expense				(44,979)
<i>To record additional outstanding principal</i>				
<i>To record difference in proportionate and actual contributions and net pension liability variance against in pension expense.</i>	(407,064)	452,043	-	(44,979)

**Concurrence:** The above misstatements have been provided and explained to me. I understand these misstatements and I believe they are considered to be immaterial to the current year and prior year financial statements taken as a whole. I also believe they did not result from fraud or illegal acts, rather errors.

  
 \_\_\_\_\_  
 Edwin Limtuaco, Controller, Business Office

3/4/16  
 Date

  
 \_\_\_\_\_  
 Carmen K. Santos, CPA, V.P. of Finance and Administration

3/4/16  
 Date