

August 7, 2020

Board of Commissioners
Guam Housing and Urban Renewal Authority

Dear Members of the Board of Commissioners:

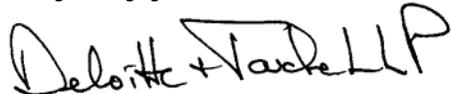
We have performed an audit of the financial statements of the Guam Housing and Urban Renewal Authority (GHURA) as of and for the year ended September 30, 2019, in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our report thereon dated August 7, 2020.

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 GHURA is responsible.

This report is intended solely for the information and use of the Board of Commissioners, management, the Office of the Public Accountability of Guam and others within the organization and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record

We wish to thank the staff and management of GHURA 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: The Management of Guam Housing and Urban Renewal Authority

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

Our responsibility under generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, has been described in our engagement letter dated December 2, 2019. 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 fairness of GHURA's financial statements for the year ended September 30, 2019 (the "financial statements"), in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles") in all material respects, and to perform specified procedures on the required supplementary information for the year ended September 30, 2019;
- To express an opinion on whether the supplementary information that accompanies the financial statements, including the schedule of expenditures of federal awards, is fairly stated, in all material respects, in relation to the financial statements taken as a whole;
- To report on GHURA'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, 2019, based on an audit of financial statements performed in accordance with standards applicable to financial audits contained in generally accepted government auditing standards; and
- To report on GHURA's compliance with requirements applicable to each major program and on internal control over compliance in accordance with the 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 Commissioners 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 Commissioners 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 GHURA'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 GHURA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of GHURA'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 GHURA'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 GHURA's compliance with those requirements.

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 GHURA's 2019 financial statements include management's estimate of the allowance for uncollectible accounts, which is determined based on management's evaluation of the collectability of current accounts and historical trends, 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, 2019, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

AUDIT ADJUSTMENTS AND UNCORRECTED MISSTATEMENTS

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. As the result of our audit work, we identified matters that resulted in audit adjustments that we believe, either individually or in the aggregate, would have a significant effect on GHURA's financial reporting process. Such proposed adjustments, listed as Appendix A to Attachment I, have been recorded in the accounting records and are reflected in the 2019 financial statements.

In addition, listed in Appendix B and Appendix C to Attachment I, are the summaries of uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest and prior periods 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

GHURA's significant accounting policies are set forth in Note 2 to GHURA's 2019 financial statements. During the year ended September 30, 2019, there were no significant changes in previously adopted accounting policies or their application, except for the following pronouncements adopted by GHURA:

- GASB 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.
- GASB 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 implementation of these statements did not have a material effect on GHURA's financial statements. However, the implementation of GASB Statement No. 88 did result in additional required disclosures surrounding debt.

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

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

SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The provisions in Statement No. 91 are effective for fiscal years beginning after December 15, 2020. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective dates of GASB Statement No. 84, 89, 90 and 91 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. Management has yet to ascertain whether implementation of these statements will be postponed as provided in GASB Statement No. 95.

OTHER INFORMATION IN THE ANNUAL REPORTS OF THE AUTHORITY

When audited financial statements are included in documents containing other information, such as Annual Reports, we will read such other information and consider whether it, or the manner of its presentation, is materially inconsistent with the information, or the manner of its presentation, in the financial statements audited by us. In the event that GHURA issues an Annual Report or other documentation that includes the audited financial statements, we will be required to read the other information in GHURA's 2019 Annual Report and will inquire as to the methods of measurement and presentation of such information. If we note a material inconsistency or if we obtain any knowledge of a material misstatement of fact in the other information, we will discuss this matter with management and, if appropriate, with the Board of Commissioners.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to GHURA's 2019 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 2019.

SIGNIFICANT FINDINGS OR 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.

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

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

MANAGEMENT'S REPRESENTATIONS

We have made specific inquiries of GHURA's management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations GHURA 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 DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

EMPHASIS OF MATTERS

COVID-19

As discussed in Note 15 to the financial statements, GHURA determined that the COVID-19 pandemic may negatively impact its business, results of operations and net position. However, due to uncertainty surrounding the duration of the state of emergency, GHURA is unable to reasonably estimate its ultimate financial impact.

Restatement

As discussed in Note 16 to the financial statements, subsequent to the issuance of GHURA's 2018 financial statements, GHURA's management determined that capital assets were understated by \$817,423 and unearned revenues were overstated by \$4,985,444 as of September 30, 2018. As a result of this determination, GHURA's 2019 beginning net position has been restated from the amount previously reported of \$8,847,006 to \$14,649,873.

Our opinion is not modified with respect to these matters.

CONTROL-RELATED MATTERS

We have issued a separate report to you, dated August 7, 2020, on GHURA's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, which was based upon the audit performed in accordance with *Government Auditing Standards*. Within that report, we noted certain matters that were considered to be material weaknesses under standards established by the American Institute of Certified Public Accountants. We have also issued a separate report to you, also dated August 7, 2020, involving GHURA's compliance with requirements applicable to each major program and on internal control over compliance in accordance with the Uniform Guidance.

CONTROL-RELATED MATTERS, CONTINUED

We have communicated to management, in separate letters also dated August 7, 2020, certain deficiencies and other matters related to GHURA's internal control over financial reporting and to GHURA's internal control over its information technology environment that we identified during our audit.

Although we have included management's written responses to our comments, such responses have not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we do not express an opinion or provide any form of assurance on the appropriateness of the responses or the effectiveness of any corrective actions described therein.



GHURA

Guam Housing and Urban Renewal Authority
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Phone: (671) 477-9851 · Fax: (671) 300-7565 · TTY: (671) 472-3701
Website: www.ghura.org

ATTACHMENT I



Lourdes A. Leon Guerrero
Governor of Guam

Joshua F. Tenorio
Lt. Governor of Guam

Sabino P. Flores
Chairman

Monica O. Guzman
Vice Chairwoman

Anisia S. Delia
Commissioner

Frank T. Ishizaki
Commissioner

George F. Pereda
Commissioner

Joseph M. Leon Guerrero
Resident Commissioner

Ray S. Topasna
Executive Director

Elizabeth F. Napoli
Deputy Director

August 7, 2020

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

We are providing this letter in connection with your audit of the statement of net position of the Guam Housing and Urban Renewal Authority (GHURA), a component unit of the Government of Guam (GovGuam), as of September 30, 2019, and the related statements of revenues, expenses and changes in net position and of cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise GHURA's financial statements for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, results of operations and change in net position, and cash flows of GHURA in accordance with accounting principles generally accepted in the United States of America (GAAP).

We confirm that we are responsible for the following:

- a. The preparation and fair presentation in the financial statements of financial position, results of operations, and cash flows, in accordance with GAAP.
- b. The design, implementation, and maintenance of internal control:
 - Relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - To prevent and detect fraud
- c. The review and approval of the financial statements and related notes and acknowledge your role in the preparation of this information. Specifically, we acknowledge that your role in the preparation of the financial statements was a matter of convenience rather than one of necessity. We have reviewed the financial statement preparation assistance provided by you and acknowledge that the financial statements are prepared in accordance with GAAP. Our review was based on the use of the financial statement disclosure checklist for a stand-alone business-type activities governments obtained from the Government Finance Officers Association. Additionally, we agree to the recorded adjustments 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 audit.

1. The financial statements referred to above are fairly presented in accordance with GAAP. In addition:
 - a. Net position components (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
 - b. Deposits are properly classified in the category of custodial credit risk.
 - c. Capital assets are properly capitalized, reported, and, if applicable, depreciated.
 - d. Required supplementary information is measured and presented within prescribed guidelines.
 - e. Other supplementary information is measured and presented within prescribed guidelines.
 - f. Applicable laws and regulations are followed in adopting, approving, and amending budgets.
 - g. Revenues and expenses are appropriately classified in the statements of revenues, expenses and changes in net position within operating revenues, non-operating revenues and expenses.
 - h. GHURA's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and appropriately disclosed and that net position is properly recognized under the policy.
2. GHURA has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.
3. GHURA has made available to you:
 - a. All minutes of the meetings of the Board of Commissioners or summaries of actions of recent meetings for which minutes have not yet been prepared. The following details the summary of minutes:

<u>Name</u>	<u>Date</u>	<u>Name</u>	<u>Date</u>
Regular Meeting	October 11, 2018	Regular Meeting	July 8, 2019
Regular Meeting	October 26, 2018	Regular Meeting	July 29, 2019
Regular Meeting	November 9, 2018	Regular Meeting	August 26, 2019
Regular Meeting	November 20, 2018	Regular Meeting	September 26, 2019
Regular Meeting	December 21, 2018	Regular Meeting	October 11, 2019
Regular Meeting	January 11, 2019	Regular Meeting	October 25, 2019
Regular Meeting	January 25, 2019	Regular Meeting	November 15, 2019
Regular Meeting	February 8, 2019	Regular Meeting	November 22, 2019
Regular Meeting	February 22, 2019	Regular Meeting	December 13, 2019
Regular Meeting	March 28, 2019	Regular Meeting	January 10, 2020
Regular Meeting	May 3, 2019	Regular Meeting	January 24, 2020
Regular Meeting	June 7, 2019	Regular Meeting	February 14, 2020
Regular Meeting	June 21, 2019		



- b. All financial records and related data for all financial transactions of GHURA and for all funds administered by GHURA. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by GHURA and provide the audit trail to be used in a review of accountability. Information presented in financial reports is supported by the books and records from which the financial statements have been prepared.
 - c. Contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies.
4. There has been no:
 - a. Action taken by GHURA management that contravenes the provisions of federal laws and Guam laws and regulations, or of contracts and grants applicable to GHURA except as discussed in the Schedule of Findings and Questioned Costs section of your Independent Auditors' Reports on Internal Control and on Compliance.
 - b. Communication from regulatory agencies concerning noncompliance with laws and regulations (including those related to the antifraud and abuse statutes) or deficiencies in financial reporting practices or other matters that could have a material effect on the financial statements.
5. We believe the effects of any uncorrected financial statement misstatements aggregated by you during the current audit engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix B.
6. We believe the effects of any uncorrected financial statement misstatements aggregated by you during the current audit engagement and pertaining to the prior period are immaterial, both individually and in the aggregate, to the financial statements for the year ended September 30, 2018 taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix C.
7. GHURA has not performed a formal risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud. However, management has made available to you their understanding about the risks of fraud in GHURA and do not believe that the financial statements are materially misstated as a result of fraud.
8. We have no knowledge of any fraud or suspected fraud affecting GHURA involving:
 - a. Management.
 - b. Employees who have significant roles in internal control.
 - 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 GHURA's financial statements communicated by employees, former employees, analysts, regulators, or others.
10. There are no unasserted claims or assessments that we are aware of or that legal counsel has advised us are probable of assertion and must be disclosed in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards ("GASB Codification") Section C50, *Claims and Judgments*. Management is of the opinion, based on discussions with applicable legal counsel, that adequate provision has been made in the financial statements for unasserted claims or assessments and we do not believe that resolution of these matters will have material impact on the financial statements.



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 GHURA'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 provisions of grants and contracts relating to GHURA'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. GHURA 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 subsequent to September 30, 2019 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. We have disclosed all known noncompliance with direct and material compliance requirements occurring subsequent to September 30, 2019.
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 Authority with regard to significant deficiencies and material weaknesses in internal control over compliance, subsequent to September 30, 2019.
19. Federal awards expenditures have been charged in accordance with applicable cost principles.
20. GHURA has obligated, expended, received, and used public funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by local, state, or federal law. Such obligation, expenditure, receipt, or use of public funds was in accordance with any limitations, conditions, or mandatory directions imposed by local, state, or federal law.
21. Money or similar assets handled by GHURA on behalf of the Federal Government have been properly and legally administered, and the accounting and record keeping related thereto is proper, accurate, and in accordance with law.
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. 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 except as disclosed in the Schedule of Findings and Questioned Costs.
 - 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.
 - g. Provided to you our views on the reported findings, conclusions, and recommendations for your report.
24. We are responsible for follow-up on all prior-year findings. We have prepared a summary schedule of prior-year findings by federal awarding agency and pass-through entity, including all management decisions, to report the status of our efforts in implementation of the prior-year's corrective action plan. The summary schedule of prior audit findings includes all findings required to be included in accordance with OMB Uniform Guidance.
25. We are responsible for taking corrective action on audit findings and have developed a corrective action plan that meets the requirements of OMB Uniform Guidance. We have included in the corrective action plan for current-year findings, the name of the person in our organization responsible for implementation of the actions, the best actions to be taken, and the estimate of a completion date. We have taken timely and appropriate steps to remedy fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that you report.
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. No organizations were identified that meet the criteria established in GASB Codification Section 2100, *Defining the Financial Reporting Entity*.

Except where otherwise stated below, matters less than \$360,000 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.

28. Except as listed in Appendices B and C, there are no transactions that have not been properly recorded in the accounting records underlying the financial statements.
29. GHURA has no plans or intentions that may affect the carrying value or classification of assets and liabilities.
30. Regarding related parties:
- a. We have disclosed to you the identity of GHURA'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.
31. In preparing the financial statements in accordance with GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:
- a. It is at least 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.
32. Risks associated with concentrations, based on information known to management, that meet all of the following criteria have been disclosed in the financial statements:
- a. The concentration exists at the date of the financial statements.
 - b. The concentration makes the enterprise 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.
33. There are no:
- a. Instances of identified or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements, such as those related to the antifraud and abuse statutes, in any jurisdiction, whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - b. Known actual or possible litigation and claims whose effects should be considered when preparing the financial statements that have not been disclosed to you and accounted for and disclosed in accordance with GAAP.



- c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Codification Section C50, *Claims and Judgments*, except as disclosed in the notes to the financial statements.
34. GHURA 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.
35. GHURA has complied with all aspects of contractual agreements that may have an effect on the financial statements except for instances of noncompliance included in the Schedule of Findings and Questioned Costs.
36. No department or agency of GHURA has reported a material instance of noncompliance to us except for instances of noncompliance included in the Schedule of Findings and Questioned Costs.
37. 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.
38. 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 method of measurement and presentation of the supplementary information has not changed from those used in the prior period.
39. During fiscal year 2019, GHURA implemented the following pronouncements:
- GASB 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.
 - GASB 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 implementation of these statements did not have a material effect on GHURA's financial statements. However, the implementation of GASB Statement No. 88 did result in additional required disclosures surrounding debt.

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

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

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

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The provisions in Statement No. 91 are effective for fiscal years beginning after December 15, 2020. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective dates of GASB Statement No. 84, 89, 90 and 91 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. Management has yet to ascertain whether implementation of these statements will be postponed as provided in GASB Statement No. 95.

40. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed in the financial statements.
41. Financial instruments with significant individual or group concentration credit risk have been appropriately identified, properly recorded, and disclosed in the financial statements.
42. GHURA has disclosed whether, subsequent to September 30, 2019, 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.
43. No evidence of fraud, possible irregularities, or dishonesty in fiscal operations of programs administered by GHURA has been discovered.
44. Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the balance-sheet date and have been appropriately reduced to their estimated net realizable value.



45. GHURA is responsible for determining and maintaining the adequacy of the allowance for accounts receivable, as well as estimates used to determine such amounts. Management believes that allowances are adequate to absorb currently estimated bad debts in the account balances.
46. Provision has been made to reduce excess or obsolete inventories to their estimated net realizable value. All inventories are the property of GHURA and do not include any items consigned to it or any items billed to customers.
47. GHURA, using its best estimates based on reasonable and supportable assumptions and projections, reviews long-lived assets for impairment.
48. We believe that all expenditures that have been deferred to future periods are recoverable.
49. We have disclosed to you all additions or changes to the existing pension plan.
50. We agree with the findings of the experts contracted by the GovGuam Retirement Fund and the GovGuam Department of Administration for the actuarial evaluations of GovGuam's retirement plan, postretirement liabilities and other post-employment benefits (OPEB). We did not give any instructions, nor cause any instructions to be given, to management's experts with respect to values or amounts derived in an attempt to bias his or her work, and we are not aware of any matters that have affected the independence or objectivity of management's experts.
51. We believe that the actuarial assumptions and methods used to measure pension and postretirement liabilities and costs for financial accounting purposes are appropriate in the circumstances. These amounts have been appropriately recognized and displayed as assets, liabilities, deferred inflows, deferred outflows, net position and changes in net position in the financial statements in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*.
52. We believe that the actuarial assumptions and methods used to measure other post-employment benefit liabilities are appropriate in the circumstances. These amounts have been appropriately recognized and displayed as assets, liabilities, deferred inflows, deferred outflows, net position and changes in net position in the financial statements in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*.
53. We have no intention of terminating our participation in the GovGuam Retirement plans or taking any other action that could result in an effective termination or reportable event for any of the plans. We are not aware of any occurrences that could result in the termination of any of our pension plans to which we contribute.
54. All additions to GHURA's property accounts consist of replacements or additions that are properly capitalizable.
55. There were no items of physical property contained in the property accounts of GHURA that were either (a) abandoned or (b) out of service and not regarded as either (i) standby property or equipment or (ii) property held for use only temporarily out of service.
56. We do not plan to make frequent amendments to our pension or other postretirement benefit plans.



57. As disclosed in Note 16 to the financial statements, subsequent to the issuance of GHURA's 2018 financial statements, GHURA's management determined that capital assets were understated by \$817,423 and unearned revenues were overstated by \$4,985,444 as of September 30, 2018. As a result of this determination, GHURA's 2019 beginning net position has been restated from the amount previously reported of \$8,847,006 to \$14,649,873.
58. On March 11, 2020, the World Health Organization declared the disease resulting from a novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. On March 13, 2020, President Donald J. Trump declared a national emergency within the United States. In response to the national emergency declared by the U.S. President, on March 14, 2020, Guam Governor Lourdes A. Leon Guerrero issued Executive Order 2020-03 declaring a state of emergency in response to COVID-19. Further, Executive Order 2020-04 ordered the closure of all non-essential Government of Guam offices, prohibited large gatherings, and restricted entry into Guam from countries with confirmed COVID-19 cases. As a result, schools and non-essential government agencies and businesses have closed. GHURA, being a non-essential component, has closed its office to visitors and has implemented staggered staffing to address social distancing.

As of report date, GHURA received direct Coronavirus Aid, Relief, and Economic Securities Act (CARES Act) funds through the HUD's Office of Community Planning and Development in two separate allocations of \$2,678,702 and \$3,519,238 for CDBG and ESG, respectively. Funds are intended to prevent, prepare, and respond to the community's needs as a result of the pandemic. GHURA also received \$508,288 for its Section 8 HCV program and is authorized to disburse \$745,204 for its Public Housing programs.

While the disruption is currently expected to be temporary, there is uncertainty around the duration. Due to uncertainty, the accompanying financial statements do not reflect any adjustments that may ultimately arise from these matters.

59. Except for matter discussed in item # 58 above and disclosed in Note 15 to the financial statements, no events have occurred after September 30, 2019, but before August 7, 2020, the date the financial statements were available to be issued that require consideration as adjustments to or disclosures in the financial statements.

Very truly yours,

Ray S. Topasna
Executive Director

Lucele D. Leon Guerrero
Controller

APPENDIX A - POSTED ADJUSTMENTS AND FINANCIAL STATEMENTS RECLASSIFICATION ENTRIES

Audit Adjustments and Reclassifications

Journal Entries - AJE

1 AJE To adjust allowance

Retiree Ad hoc COLA and supplemental benefits	185,570.00	
Transfers from GovGuam		185,570.00
	<u>185,570.00</u>	<u>185,570.00</u>

2 AJE To adjust Pension liability

Pension expense	126,346.00	
Deferred Outflow of Resources	968,856.00	
Accrued Pension and OPEB Liabilities		1,238,556.00
Deferred Inflow of Resources	143,354.00	
	<u>1,238,556.00</u>	<u>1,238,556.00</u>

3 AJE To record retiree healthcare costs paid on behalf of GHURA

Retiree Healthcare costs	228,999.31	
Transfers from GovGuam		228,999.31
	<u>228,999.31</u>	<u>228,999.31</u>

4 AJE To adjust OPEB liability

Retiree OPEB Expense		228.00
Deferred Outflow of Resources	16,140.00	
Accrued Pension and OPEB Liabilities	3,293,936.00	
Deferred Inflow of Resources		3,309,848.00
	<u>3,310,076.00</u>	<u>3,310,076.00</u>

5 AJE To adjust HOME and Local Fund accounts to GAAP

Unearned Revenue	478,117.29	
Non-current Liabilities - Other	4,115,377.78	
Net Position		4,985,443.82
Other Revenue	391,948.75	
	<u>4,985,443.82</u>	<u>4,985,443.82</u>

6 AJE To adjust HOME Fund's unsold assets

Assets held for transfers to persons	706,129.25	
Other Revenue	433,808.59	
Repairs and maintenance		322,514.86
Net Position		817,422.98
	<u>1,139,937.84</u>	<u>1,139,937.84</u>

Journal Entries - RJE

1 RJE To reclass current portion of notes receivable

Notes, Loans, & Mortgages Receivable - Current	182,487.79	
Notes, Loans and Mortgages Receivable - Non-Current		182,487.79
	<u>182,487.79</u>	<u>182,487.79</u>

APPENDIX B - UNPOSTED ADJUSTMENTS PERTAINING TO LATEST PERIOD PRESENTED

Misstatement Description	Type of Mistatement	Balance Sheet			Income Statement
		Assets Dr (Cr)	Liabilities Dr (Cr)	Net Position Dr (Cr)	Revenue Expenses Dr (Cr)
To clear long-outstanding prepayments	Factual	(91,726)			91,726
To clear long-outstanding accrued liabilities	Factual	(68,275)	290,357		(222,082)
To clear long-outstanding accounts payable	Factual		199,924		(199,924)
To clear long-outstanding A/R and Deferred Revenue from HUD	Factual	(379,614)	450,392		(70,778)
To record additional provisioning for A/R as of 9/30/2019	Judgmental	(479,000)			479,000
		(1,018,615)	940,673	0	77,942

APPENDIX C - UNPOSTED ADJUSTMENTS PERTAINING TO PRIOR PERIOD

Misstatement Description	Type of Misstatement	Balance Sheet			Income Statement
		Assets Dr (Cr)	Liabilities Dr (Cr)	Net Position Dr (Cr)	Revenue Expenses Dr (Cr)
To correct 2018 deferred outflows from OPEB	Factual	258,531			(258,531)
To adjust GFD retention balance as of 9/30/2018	Factual		(433,089)		433,089
To record additional provisioning for A/R as of 9/30/2018	Judgmental	(438,000)			438,000
		(179,469)	(433,089)	0	612,558