

October 23, 2013

The Executive Officers
Mayors' Council of Guam

Dear Sir/Madam:

We have performed an audit of the financial statements of the Mayors' Council of Guam Non-Appropriated Funds (the Fund) as of and for the year ended September 30, 2012, in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our report thereon dated October 23, 2013, which report was qualified as we were unable to verify the classification of certain deposits and disbursements.

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 Fund is responsible.

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, have been described in our engagement letter dated January 3, 2013. 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 the Fund's financial statements for the year ended September 30, 2012 in conformity with the cash basis of accounting;
- To express an opinion on whether the supplementary information that accompanies the financial statements is presented fairly, in all material respects, in relation to the financial statements as a whole;
- To report on the Fund'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, 2012 based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*

Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared by management are presented fairly, in all material respects, in conformity with the cash basis of accounting. The audit of the financial statements does not relieve management of their responsibilities.

We considered the Fund's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and on assumptions about future events. During the year ended September 30, 2012, we are not aware of any significant accounting estimates reflected in the Fund's financial statements.

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 misstatements included in Appendix I were brought to the attention of management as a result of our audit procedures and were corrected by management during the current period.

In addition, we have attached to this letter, as Appendix II, a summary of uncorrected misstatements (regardless of whether they have a significant effect on the financial reporting process) aggregated by us during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

SIGNIFICANT ACCOUNTING POLICIES

The Fund's significant accounting policies are set forth in Note 1 to the Fund's 2012 financial statements.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to the Fund's 2012 financial statements.

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 2012.

MANAGEMENT'S REPRESENTATIONS

We have made specific inquiries of the Fund's management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations the Fund is required to provide to its independent auditors under generally accepted auditing standards. We have attached to this letter, as Appendix III, a copy of the representation letter we obtained from management.

MAJOR ISSUES DISCUSSED WITH MANAGEMENT PRIOR TO OUR RETENTION

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

SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

CONTROL-RELATED MATTERS

We have issued a separate report to you, dated October 23, 2013, on the Fund'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*.

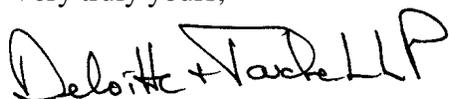
We have communicated to management, in a separate letter also dated October 23, 2013, deficiencies and other matters that we identified during our audit.

* * * * *

This report is intended solely for the information and use of the management of Mayors' Council of Guam 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 Fund 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.

Mayors' Council of Guam Non-Appropriated Funds
 Summary of Uncorrected Misstatements
 September 30, 2012

	Assets	Liabilities	Beginning Fund Balance	Income Statement
	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
1. Dededo	4,203.00		(3,643.00)	(560.00)
Total Uncorrected Misstatements	4,203.00	-	(3,643.00)	(560.00)

Mayors' Council of Guam Non-appropriated Funds
Proposed Audit Adjustments
September 30, 2012

District	AJE #	Accounts	Debit	Credit
Mangilao	1.	To adjust receipts.		
		Donations (cash)	-	(100.00)
		Donations (in-kind)	500.00	
		Facility use donations	575.00	
		Fiesta concessions	3,273.50	
		Flea market/night markets	-	(715.88)
		Fundraising activities	-	(1,784.00)
		Liberation day proceeds	-	(3,252.00)
		Grants	-	(5,000.00)
		Civil weddings	-	(1,800.00)
		Others	1,050.00	
		Cash	7,253.38	
			<u>12,651.88</u>	<u>(12,651.88)</u>
	2.	To adjust disbursements.		
		Contractual services	-	(6,000.00)
		Supplies and materials	-	(135.27)
		Equipment	965.61	-
		Concessions refund	1,500.00	-
		Repairs and maintenance	3,929.37	-
		Flea market expenses	950.00	-
		Community projects	3,595.39	-
		Fiesta expenses	5,180.00	-
		Food items	-	(767.88)
		Humanitarian assistance	-	(212.00)
		Liberation day expenses	626.86	-
		Sponsorships	-	(159.00)
		Civil wedding fees	1,000.00	-
		Others	-	(2,865.42)
		Cash	-	(7,607.66)
			<u>17,747.23</u>	<u>(17,747.23)</u>
Umatac	1.	To adjust receipts.		
		Grants - GVB		(2,500.00)
		Fundraising activities	3,000.00	
		UMPC Bid Payments	2,085.00	
		UMPC Bid Payments		(2,565.00)
		Cash		(20.00)
			<u>5,085.00</u>	<u>(5,085.00)</u>
	2.	To adjust disbursements.		
		Supplies and materials	598.00	
		Entertainment/Advertisement		(3,535.00)
		Unclassified	2,900.00	
		Cash	37.00	
			<u>3,535.00</u>	<u>(3,535.00)</u>



Mayors' Council of Guam

Konsehelon Mahot Guahan

October 23, 2013

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

Gentlemen:

We are providing this letter in connection with your audits of the statements of deposits and disbursements of the Mayors' Council of Guam Non-appropriated Funds (the Fund) for the years ended September 30, 2012 and 2011 for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the results of operations of the Fund prepared on the basis of cash deposits and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP).

We confirm that we are responsible for the following:

- a. The fair presentation in the financial statements of the results of operations of the Fund prepared on the basis of cash deposits and disbursements, which is a comprehensive basis of accounting other than GAAP.
- b. The fair presentation of the supplementary information accompanying the financial statements and additional information accompanying the financial statements that is presented for the purpose of additional analysis of the financial statements.
- b. The design and implementation of programs and controls to prevent and detect fraud.
- c. Establishing and maintaining effective internal control over financial reporting.

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. Except for the effect of adjustments, if any, as might have been determined to be necessary had you been able to determine the classification of \$59,119 of deposits and \$37,567 of disbursements for the year ended September 30, 2012 and the classification of \$125,614 of deposits and \$118,225 of disbursements for the year ended September 30, 2011, the financial statements referred to above are fairly presented on the basis of cash deposits and disbursements, which is a comprehensive basis of accounting other than GAAP.



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Deloitte & Touche LLP

October 23, 2013

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2. The Fund has provided to you all relevant information and access as agreed in the terms of the audit engagement letter, including:
 - a. Financial records and related data for all financial transactions of the Fund. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by the Fund 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 statement has been prepared.
3. 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 A.
4. The Fund has not performed a formal risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud. However, management has made available to you their understanding about the risks of fraud in the Fund and do not believe that the financial statements are materially misstated as a result of fraud.
5. We have no knowledge of any fraud or suspected fraud affecting the Fund involving (1) management, (2) employees who have significant roles in the Fund's internal control over financial reporting, or (3) others where the fraud could have a material effect on the financial statements.
6. We have no knowledge of any allegations of fraud or suspected fraud affecting the Fund received in communications from employees, former employees or others.
7. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
8. There are no unasserted claims or assessments that are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification (ASC) 450, *Contingencies* (formerly FASB Statement No. 5, *Accounting for Contingencies*).
9. The Fund did not utilize legal services for any purpose during the fiscal years ended September 30, 2012 and 2011 and to the date of this letter.

Except where otherwise stated below, matters less than \$5,140 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.

10. Except as listed in Appendix A, there are no transactions that have not been properly recorded in the accounting records underlying the financial statement.
11. The following, to the extent applicable, have been appropriately identified, properly recorded, and disclosed in the financial statements:

Deloitte & Touche LLP

October 23, 2013

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- 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 Fund is contingently liable.
12. The Fund has no plans or intentions that may affect the carrying value or classification of assets and liabilities.
13. There are no:
- a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB ASC 450, *Contingencies*.
14. The Fund 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.
15. We have complied with all aspects of contractual agreements that would have an effect on the financial statements in the event of noncompliance.
16. Regarding supplementary information:
- a. We are responsible for the fair presentation of the supplementary information in accordance with the basis of cash deposits and disbursements.
 - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with the basis of cash deposits and disbursements.
 - c. The method of measurement and presentation of the supplementary information has not changed from those used in the prior period.
17. No events have occurred after September 30, 2012 but before October 23, 2013, the date the financial statement was available to be issued that require adjustment to, or disclosure in, the financial statement.

Very truly yours,



Mayor Paul M. McDonald
President



Angel Sablan
Executive Director