



February 17, 2011

To the Board of Regents
The University of Guam
Mangilao, Guam

We have audited the financial statements of the University of Guam (the University) for the year ended September 30, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 23, 2010. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the University of Guam are described in Note 3 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2010. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements were:

Collectability of receivables and student loans are based on past history and current market conditions. We reviewed the underlying assumptions and past history to determine that the estimate appears reasonable.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

Note 3: Restricted cash and cash equivalents have been separately presented as long-term assets on the face of the statement of financial position.

Note 3: Employee's retirement plan policies disclosed.

Note 10: The details of all contingent liabilities are disclosed.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 17, 2011.

Management Consultations with Other Independent Accountants

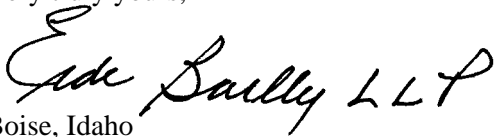
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the University's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the University's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Regents and management of The University of Guam and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,


Boise, Idaho

Effect Debit (Credit) of misstatements and classification errors on:

Description	Asset	Liability	Revenue	Expense	Net Income	Equity
Reversed prior year misstatements						
To adjust certificate of deposit for Fund 43 to market value.	-	-	-	56,161	(56,161)	(56,161)
To record additional allowance for dorm receivable.	-	-	-	(111,322)	111,322	111,322
To correct accounts receivable balance for the local match portion that was incorrectly included in receivables as of year end.	-	-	(49,750)	-	(49,750)	49,750
Current year misstatements						
To pass on recording an AJE to remove accumulated depreciation from the books as of prior year end.	-	-	-	254,841	(254,841)	(254,841)
To correct accumulated depreciation on library books as of prior year end.	-	-	-	(80,152)	80,152	80,152
To reverse a miskey in the accounts payable as of the year ended 9/30/10.	-	100,000	-	(100,000)	100,000	-
To record capital leases from 2006 through 2010	224,282	(169,201)	-	134,846	(134,846)	(189,927)
Total	224,282	(69,201)	(49,750)	154,374	(204,124)	(259,705)
						(204,124)
				Cumulative Misstatement Errors		<u><u>(463,829)</u></u>