



Deloitte & Touche LLP  
361 South Marine Corps Drive  
Tamuning, GU 96913-3973  
USA

Tel: +1 (671) 646-3884  
Fax: +1 (671) 649-4265

[www.deloitte.com](http://www.deloitte.com)

May 5, 2022

Mr. Jon Fernandez  
Superintendent  
Guam Department of Education  
P.O. Box DE  
Hagatna, GU 96932

Dear Superintendent Fernandez:

We have performed an audit of the financial statements of the governmental activities and each major fund of the Guam Department of Education (GDOE) as of and for the year ended September 30, 2021, in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our report thereon dated May 5, 2022.

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 GDOE is responsible.

This report is intended solely for the information and use of management, the Office of Superintendent, 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.

Yours truly,

cc: The Management of the Guam Department of Education

## OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS, GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS AND THE UNIFORM GUIDANCE

Our responsibility under (1) generally accepted auditing standards, (2) the standards applicable to financial audits, contained in Government Auditing Standards, issued by the Comptroller General of the United States ("generally accepted government auditing standards") (generally accepted auditing standards and generally accepted government auditing standards are collectively referred to herein as the "Auditing Standards") and (3) the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the Uniform Guidance) has been described in our engagement letter dated August 3, 2021. As described in that letter, the objectives of an audit conducted in accordance with the Auditing Standards and the Uniform Guidance are to:

- Express an opinion on the fairness of GDOE's respective financial statements and the accompanying supplementary information, in relation to the financial statements as a whole, for the year ended September 30, 2021 (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, 2021;
- 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;
- Report on GDOE'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, 2021, based on an audit of financial statements performed in accordance with generally accepted government auditing standards; and
- Express an opinion on GDOE's compliance with requirements applicable to each major program and report on GDOE's internal control over compliance in accordance with the Uniform Guidance.

Our responsibilities under the Auditing Standards and Uniform Guidance include forming and expressing an opinion about whether the financial statements that have been prepared with the oversight of management and the Office of Superintendent 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 Office of Superintendent 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 GDOE'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 GDOE's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of GDOE'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 GDOE'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 GDOE's compliance with those requirements.

## SIGNIFICANT ACCOUNTING POLICIES

GDOE's significant accounting policies are set forth in Note 1 to GDOE's 2021 financial statements. During the year ended September 30, 2021, 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, 91, 92 and 93 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. In accordance with GASB Statement No. 95, management has elected to postpone implementation of these statements.

During the year ended September 30, 2021, GDOE implemented the following pronouncements:

- GASB Statement No. 84, Fiduciary Activities, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Certain assets and liabilities previously reported as part of the agency fund classification of the statement of fiduciary net position are now reported in the governmental funds financial statements. The adoption of Statement No. 84 established the School Activities Fund and resulted in the restatement of GDOE's governmental activities and governmental funds for the year ended September 30, 2020 to reflect assets and liabilities of nonfiduciary activities from net position and fund balance for governmental activities to governmental funds of \$1,052,431.
- GASB Statement No. 90, Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The implementation of this statement did not have a material effect on the financial statements.
- GASB Statement No. 93, Replacement of Interbank Offered Rates, which establishes accounting and reporting requirements related to the replacement of Interbank Offered Rates such as the London Interbank Offered Rate (LIBOR) for hedging derivative instruments. The provision removing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of derivative instruments is effective for the year ended September 30, 2022. The implementation of this statement did not have a material effect on the financial statements.

In June 2017, GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. Management believes that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 87 will be effective for fiscal year ending September 30, 2022.

In June 2018, GASB issued Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 89 will be effective for fiscal year ending September 30, 2022.

In May 2019, GASB issued Statement No. 91, Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying 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. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 91 will be effective for fiscal year ending September 30, 2023.

## SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

In January 2020, GASB issued statement No. 92, Omnibus 2020. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports, the terminology used to refer to derivative instruments and the applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefits. The requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reissuance recoveries and terminology used to refer to derivative instruments are effective upon issuance. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, the remaining requirements of GASB Statement No. 92 is effective for the fiscal year ending September 30, 2022.

In March 2020, GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This statement also provides guidance for accounting and financial reporting for availability payment arrangements. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 94 will be effective for fiscal year ending September 30, 2023.

In May 2020, GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 96 will be effective for fiscal year ending September 30, 2023.

In June 2020, GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 97 will be effective for fiscal year ending September 30, 2022.

## SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

In October 2021, GASB issued Statement No. 98, The Annual Comprehensive Financial Report. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 98 will be effective for fiscal year ending September 30, 2022.

We have evaluated the significant qualitative aspects of GDOE's accounting practices, including accounting policies, accounting estimates and financial statement disclosures and concluded that the policies are appropriate, adequately disclosed, and consistently applied by management.

## 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.

Significant accounting estimates reflected in GDOE's 2021 financial statements include management's estimate of depreciation expense, which is based on estimated useful lives of the respective capital assets. During the year ended September 30, 2021, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

## 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. We have attached to this letter, as Appendix A to Attachment I, a summary of uncorrected misstatements that we presented to management during the current audit engagement that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Uncorrected misstatements or matters underlying these uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even if we have concluded that the uncorrected misstatements are immaterial to the financial statements for the year ended September 30, 2021.

## MATERIAL CORRECTED MISSTATEMENTS

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement, whether cause by error or fraud. Such adjustments, listed in Attachment II, were brought to the attention of management as a result of our audit procedures and were corrected by management during the current period and are reflected in the 2021 financial statements.

## OTHER INFORMATION IN THE ANNUAL REPORTS OF GDOE

When audited financial statements are included in documents containing other information such as the GDOE's Annual Report, we will read such other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. In the event that GDOE issues an Annual Report or other documentation that includes the audited financial statements, we will be required to read the other information in GDOE's 2021 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 Directors.

## DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to GDOE's 2021 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 2021.

## 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 Office of Superintendent.

## SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

## EMPHASIS OF MATTER

### COVID-19

As discussed in Note 9 to the financial statements, GDOE determined that the COVID-19 pandemic may negatively impact its financial position. However, due to uncertainty surrounding the duration of the state of emergency, GDOE is unable to reasonably estimate its ultimate financial impact.

Our opinion is not modified with respect to this matter.

## MANAGEMENT'S REPRESENTATIONS

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

## CONTROL-RELATED MATTERS

We have issued a separate report to you, dated May 5, 2022, on GDOE'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 May 5, 2022, involving GDOE'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 May 5, 2022, certain deficiencies and other matters related to GDOE's internal control over financial reporting 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.



**DEPARTMENT OF EDUCATION  
OFFICE OF THE SUPERINTENDENT**

www.gdoe.net  
501 Mariner Avenue  
Barrigada, Guam 96913  
Telephone: (671) 300-1547 / 1536 • Fax: (671) 472-5001  
Email: jonfernandez@gdoe.net



**JON J.P. FERNANDEZ**  
Superintendent of Education

May 5, 2022

Deloitte & Touche LLP  
361 South Marine Corps Drive  
Tamuning, GU 96913-3973

We are providing this letter in connection with your audit of the financial statements of the governmental activities and each major fund of the Guam Department of Education (GDOE), a line agency of the Government of Guam (GovGuam), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the 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, and results of operations or changes in fund balances, as applicable, of GDOE in accordance with accounting principles generally accepted in the United States of America (GAAP) and single audit of GDOE for the year ended September 30, 2021.

We confirm that we are responsible for the following:

- a. The preparation and fair presentation in the basic financial statements of financial position of the governmental activities, and each major fund, 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 we acknowledge your role in the preparation of this information.

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 basic financial statements referred to above are fairly presented in accordance with GAAP. In addition:
  - a. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.



- b. The financial statements include all fiduciary activities as required by GASB Statement No. 84, *Fiduciary Activities*, as amended.
  - c. Majority equity interests in legally separate organizations are properly accounted for in accordance with GASB Statement No. 90, *Majority Equity Interests*.
  - d. Net position components (net investment in capital assets, restricted, and unrestricted) are properly classified and, if applicable, approved.
  - e. Deposits are properly classified in the category of custodial credit risk.
  - f. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
  - g. Required supplementary information is measured and presented within prescribed guidelines.
  - h. Applicable laws and regulations are followed in adopting, approving, and amending budgets.
  - i. GDOE'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 is appropriately disclosed and the related net position is properly recognized under the policy.
  - j. The financial statements properly classify all funds and activities, including special and extraordinary items.
  - k. All funds that meet the quantitative criteria in the GASB Codification Section 2200.159 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
  - l. 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.
  - m. 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.
  - n. GDOE has followed GASB Codification Section 1800.178 regarding which resources (restricted, committed, assigned, or unassigned) are considered to be spent for expenditures to determine the fund balance classifications for financial reporting purposes.
  - o. Interfund, internal, and intra-GDOE activity and balances have been appropriately classified and reported.
  - p. Fund balance restrictions, commitments, and assignments are properly classified and, if applicable, approved.
2. GDOE has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.

3. GDOE has made available to you:
  - a. All minutes of the meetings of the Guam Education Board (GEB) or summaries of actions of recent meetings for which minutes have not yet been prepared.
  - b. All minutes of the meetings of the Guam Department of Education Financial Supervisory Commission or summaries of actions of recent meetings for which minutes have not yet been prepared.
  - c. All financial records and related data for all financial transactions of GDOE and for all funds administered by GDOE. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by GDOE 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.
  - d. 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 GDOE management that contravenes the provisions of federal laws and Guam laws and regulations, or of contracts and grants applicable to GDOE.
  - b. Communications with other regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the financial statements.
5. We believe the effects of any uncorrected financial statement misstatements aggregated by you during the current audit engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole, for each opinion unit. 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, management has made available to you their understanding about the risks of fraud in GDOE and do not believe that the financial statements are materially misstated as a result of fraud.
7. We have no knowledge of any fraud or suspected fraud affecting GDOE involving:
  - a. Management.
  - b. Employees who have significant roles in GDOE's internal control.
  - c. Others, where 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 GDOE's financial statements communicated by employees, former employees, analysts, regulators, or others, except for those listed on the GOE Internal Audit Office letter dated March 25, 2022.
9. 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 Section C50, *Claims and Judgments*, except for those listed from legal counsel dated April 15, 2022.

10. The methods, significant assumptions, and the data used by us in making the accounting estimates and the related disclosures are appropriate to achieve recognition, measurement, or disclosure that is in accordance with GAAP.
11. 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 GDOE's government programs and related activities subject to the OMB Uniform Guidance compliance audit. The Schedule of Expenditures of Federal Awards is a complete list of all federal awards required to be presented for the year ended September 30, 2021. In addition, we have accurately completed the appropriate sections of the data collection form.
12. We are responsible for compliance with local, state, and federal laws, rules, and regulations, including compliance with the provisions of grants and contracts relating to GDOE's operations. We are responsible for understanding and complying with the requirements of the federal statutes and regulations. 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. We are responsible for maintaining accounting and administrative control over revenues, obligations, expenditures, assets, and liabilities.
13. We have informed you of all investigations or legal proceedings that have been initiated during the year ended September 30, 2021 or are in process as of September 30, 2021.
14. We are responsible for all nonaudit services performed by you during the year ended September 30, 2021 and through May 5, 2022. We assume all management responsibilities for those services, including overseeing those services by designating an individual who possesses suitable skills, knowledge, or experience. We have evaluated the adequacy and results of the services performed and accept responsibility for the results of the services.
15. 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.
16. 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.
17. No events have occurred subsequent to May 5, 2022, 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.
18. We have disclosed all known noncompliance with direct and material compliance requirements occurring subsequent to September 30, 2021.
19. No changes in internal control over compliance or other factors that might significantly affect internal control over financial reporting, including any corrective actions taken by GDOE with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to September 30, 2021.

20. Federal awards expenditures have been charged in accordance with applicable cost principles, as applicable.
21. The Reporting Package submitted to the Federal Audit Clearinghouse (FAC) as defined by the OMB Uniform Guidance section 2CFR200.512(3)(c) does not contain protected personally identifiable information.
22. We have disclosed all contracts or other agreements with service organizations.
23. 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.
24. We have:
  - a. 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. We have also provided the status of the follow-up on prior audit findings (and information about all management decisions) by federal awarding agencies and pass-through entities.
  - b. Provided to you our views on the reported findings, conclusions, and recommendations, as well as management's planned corrective actions, for your report.
  - c. 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.
  - d. 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.
  - e. Identified and disclosed interpretations of any compliance requirements that have varying interpretations.
  - f. 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.
  - g. 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.

- h. Monitored subrecipients to determine that they have expended subawards in compliance with federal statutes, regulations, and terms and conditions of the subaward and have met the other pass-through entity requirements of OMB Uniform Guidance.
  - i. Issued management decisions for audit findings that relate to federal awards made to subrecipients. Such management decisions were issued within six months of acceptance of the audit report by the FAC. In addition, we have followed up to determine whether the subrecipient has taken timely and appropriate action on all deficiencies detected through audits, on-site reviews, and other means that pertain to the federal award provided to the subrecipient from GDOE.
  - j. Considered the results of the subrecipient's audits and made any necessary adjustments to GDOE's own books and records.
25. We are responsible for follow-up on all prior-year(s) 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 *Government Auditing Standards* and OMB Uniform Guidance.
26. 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, or violations of provisions of contracts or grant agreements that you report.
27. 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.
28. We believe that we have properly identified, reported, and classified each component unit of GDOE and each activity that meets the criteria established in GASB Codification Section 2100, *Defining the Financial Reporting GDOE*, and GASB Statement No. 84, *Fiduciary Activities*, as amended.

In 2013, a legally separate, tax-exempt entity was established, which meets the criteria set forth for component units under GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This entity provides financial support as a Foundation of the objectives, purpose and programs of GDOE. Although GDOE does not control the timing, purpose, or amounts of receipts from the Foundation, the resources (and income thereon) that the Foundation holds and invests are restricted to the activities of GDOE. As the resources held by the Foundation can only be used by, or for the benefit of GDOE, the Foundation is considered a component unit of GDOE. As of September 30, 2021, the economic resources received or held by the Foundation that GDOE is entitled to, or has the ability to otherwise access, are not significant to GDOE.

29. GDOE has informed you that the Annual State of Public Education Report (the "annual report") includes references or snips of the audit report. GDOE's final version of the annual report will be provided to you when available and prior to its issuance.

30. In 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the effective dates of GASB Statement No. 84, 89, 90, 91, 92 and 93 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. In accordance with GASB Statement No. 95, management has elected to postpone implementation of these statements.
31. During the year ended September 30, 2021, GDOE implemented the following pronouncements:
- GASB Statement No. 84, *Fiduciary Activities*, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Certain assets and liabilities previously reported as part of the agency fund classification of the statement of fiduciary net position are now reported in the governmental funds financial statements. The adoption of Statement No. 84 established the School Activities Fund and resulted in the restatement of GDOE's governmental activities and governmental funds for the year ended September 30, 2020 to reflect assets and liabilities of nonfiduciary activities from net position and fund balance for governmental activities to governmental funds of \$1,052,431.
  - GASB Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The implementation of this statement did not have a material effect on the financial statements.
  - GASB Statement No. 93, *Replacement of Interbank Offered Rates*, which establishes accounting and reporting requirements related to the replacement of Interbank Offered Rates such as the London Interbank Offered Rate (LIBOR) for hedging derivative instruments. The provision removing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of derivative instruments is effective for the year ended September 30, 2022. The implementation of this statement did not have a material effect on the financial statements.
32. Regarding the future implementation of GASB Statements effective for the years ending September 30, 2022 and after, as detailed in Note 1 of the financial statements, GDOE does not believe the implementation will have a material affect on its financial statements with the exception of Statement No. 87, *Leases*. GDOE has not completed the process of evaluating the impact that will result from adopting GASB 87, *Leases* as discussed in Note 1. GDOE is therefore unable to disclose the impact that adopting GASB Statement 87 will have on its financial position and results of operation or changes in fund balances, as applicable, when such statement is adopted.
33. We have disclosed to you all significant cyber security incidents and/or breaches in which an actual or potentially adverse effect on an information system, network, or the information residing therein occurred or there was a loss of assets. We considered the cyber incident or breach to be significant if such incident or breach merited the attention of those charged with governance. For the year ended September 30, 2021 and through the date of this letter, May 5, 2022, none occurred to our knowledge that were considered significant.

Except where otherwise stated below, immaterial matters less than \$3,000,000 collectively for governmental activities, \$1,300,000 collectively for the General Fund, \$1,100,000 collectively for the Federal Grants Assistance Fund, and \$8,000 collectively for the School Activities Fund 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.

34. Except as listed in Appendix A, there are no transactions that have not been properly recorded and reflected in the financial statements.
35. GDOE has no plans or intentions that may affect the carrying value or classification of assets and liabilities.
36. Regarding related parties:
  - a. We have disclosed to you the identity of all GDOE'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.
37. 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 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.
38. There are no:
  - a. Instances of identified or suspected noncompliance with laws, regulations, or provisions of contracts or grant agreements whose effects should be considered when preparing the financial statements, or other instances that warrant the attention of those charged with governance, except as disclosed in the Schedule of Findings and Questioned Costs Section of your Independent Auditor's Reports on Internal Control and on Compliance.
  - 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. Known actual or likely instances of abuse that have occurred that could be quantitatively or qualitatively material to the financial statements.
  - d. 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 discussed in Note 4 to the financial statements.

39. GDOE 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 municipal schools leased as discussed in Note 8 to the financial statements.
40. GDOE has complied with all aspects of contractual agreements that may affect the financial statements.
41. No department or agency of GDOE has reported a material instance of noncompliance to us.
42. DOE has identified all derivative instruments as defined by GASB Codification Section D40, *Derivative Instruments*, and appropriately recorded and disclosed such derivatives in accordance with GASB Codification Section D40. As of September 30, 2021, no derivative instruments were identified.
43. 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 Government Accounting Standards Board.
  - c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.
44. 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 used in the prior period.
45. Financial instruments with significant individual or group concentration of credit risk have been appropriately identified, properly recorded, and disclosed in the financial statements.
46. GDOE has determined whether a capital asset has been impaired in accordance with GASB Codification Section 1400.181 – 1400.201, *Impairment of Capital Assets*. In making this determination, GDOE considered the following factors:
  - a. The magnitude of the decline in service utility is significant.
  - b. The decline in service utility is unexpected.
47. We agree with the findings of the experts contracted by the Government of Guam Retirement Fund and the Government of Guam Department of Administration for the actuarial evaluations of the Government of Guam'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 expert 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 expert.



48. We have appropriately identified and properly recorded and disclosed in the financial statements all interfund transactions, including repayment terms.
49. 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.
50. GDOE 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. GDOE has not experienced any losses on such accounts and management believes it is not exposed to credit risk on its deposits.
51. Provisions for uncollectible receivables have been properly identified and recorded.
52. GDOE will adopt the provisions of GASB Statement No. 87, *Leases*, on October 1, 2021. GDOE has evaluated its leases and has properly classified, recognized, and reported all leases in accordance with the recognition, measurement, financial reporting, and disclosure requirements set forth in GASB Codification Section L20, *Leases*.
53. We have disclosed to you all new or changes to the existing pension plans and other postretirement benefits.
54. 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, and, where applicable, 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 Assts That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*.
55. We have no intention of terminating any of our participation in the Government of Guam 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.
56. GDOE has obligated, expended, received, and used public funds of the Government of Guam 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.
57. GDOE has evaluated the effects of the COVID-19 Preparedness and Response Appropriations Act; Families First Coronavirus Response Act; Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"); Coronavirus Response and Relief Supplemental Appropriations Act; and the American Rescue Plan Act (collectively, the "COVID-19 Acts") and determined that the related financial reporting considerations are accounted for and reported appropriately under the applicable financial accounting reporting framework.
58. On October 6, 2020, CaPFA issued \$65,420,000 in 2020 Series A COPS to refinance and prepay the rental payments of the outstanding 2010A Certificates, to finance the acquisition, construction and installation of energy improvements to the Guam John F. Kennedy High School, to fund capitalized interest for a portion of the Certificates and pay certain delivery costs of the Certificates. As of September 30, 2021, energy improvements have not been recorded and will be accordingly accounted for when construction is complete.

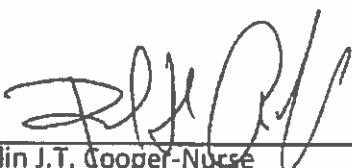
59. As of September 30, 2021, the U.S. Department of Education awarded a total of \$400.8M in Education Stabilization Fund (ESF) and American Rescue Plan (ARP) grants to GDOE. GDOE received \$152,085,284 and expended \$40,348,883 in ESF funds to respond to the COVID-19 pandemic. GDOE also received \$290,326,198 and expended \$1,447,176 in ARP funds to help safely reopen and sustain the safe operation of schools and address the impact of the COVID-19 pandemic on the nation's students.

Additionally, the U.S. Department of Agriculture and the U.S. Department of Health and Human Services awarded a total of \$888,938 in grant funds to GDOE. GDOE expended \$79,024 of The Emergency Food Assistance Program grant from Agriculture and expended \$183,595 of the Head Start Supplement grant from Health and Human Services.

Due to the evolving nature of the COVID-19 pandemic, and the federal and local responses thereto, GDOE cannot predict the extent or duration of the pandemic and reasonably estimate its financial impact at this time.

60. No events have occurred after September 30, 2021, but before May 5, 2022, the date the financial statements were issued, that require consideration as adjustments to, or disclosures in, the financial statements.

  
\_\_\_\_\_  
Jon Fernandez  
Superintendent of Education

  
\_\_\_\_\_  
Franklin J.T. Cooper-Nurse  
Acting Deputy Superintendent of Finance and Administrative Services

  
\_\_\_\_\_  
Joy Bulatao,  
Acting Chief Internal Auditor

## APPENDIX A

Guam Department of Education  
SUMMARY OF UNCORRECTED FINANCIAL STATEMENT MISSTATEMENTS  
Year Ended September 30, 2021

General Fund	Type of Entry	Balance Sheet			Income Statement
		Assets	Liabilities	Net Position at Beg of Year	Expenditures (Income)
		Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Entry Description					
1) To correct overstatement of accounts payable	Factual	-	1,216,704	-	(1,216,704)
2) To correct overstatement of accounts payable	Judgmental	-	323,110	-	(323,110)
3) To correct understatement of accounts payable	Judgmental	-	(453,583)	-	453,583
4) To correct understatement of accounts payable	Judgmental	-	(953,885)	-	953,885
		-	132,346	-	(132,346)

Federal Grants Assistance Fund	Type of Entry	Balance Sheet			Income Statement
		Assets	Liabilities	Net Position at Beg of Year	Expenditures (Income)
		Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Entry Description					
1) To correct understatement of grants receivable	Extrapolated	2,680,112	-	-	(2,680,112)
2) To correct understatement of accounts payable		-	(2,680,112)	-	2,680,112
3) To correct overstatement of grants receivable	Judgmental	(953,885)	-	-	953,885
4) To correct overstatement of accounts payable		-	953,885	-	(953,885)
		1,726,227	(1,726,227)	-	-

Department-wide	Type of Entry	Balance Sheet			Income Statement
		Assets	Liabilities	Net Position at Beg of Year	Expenditures (Income)
		Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Entry Description					
1) To correct understatement of capital assets	Factual	1,920,804	-	-	(1,920,804)
		1,920,804	-	-	(1,920,804)

Guam Department of Education  
 Summary of Corrected Misstatements  
 September 30, 2021

**Proposed Audit Adjustments**

**DEPARTMENT-WIDE**

#	Name	Debit	Credit
	<b>1 AJE To adjust capital leases</b>		
820-280400	DEFERRED MAINT. COST		125,000.00
820-380200	CAPITAL LEASE-LONG TERM	8,267,999.00	
820-380100	AMT TOBE PROVIDED-C.LEASE		7,680,436.00
820-380300	CAPITAL LEASE -CURRENT		462,563.00
		<u>8,267,999.00</u>	<u>8,267,999.00</u>
	<b>2 AJE To adjust leave accrual</b>		
820-381300	DEF.CONTRIB.RETIRE/SICK		718,213.00
820-381200	EMPLOYEE BENEFITS		373,831.00
820-340300	ACCRUED ANNUAL LEAVE-CURR		2,141,287.00
820-340700	ACCRUED ANNUAL LEAVE-LT	3,233,331.00	
		<u>3,233,331.00</u>	<u>3,233,331.00</u>
	<b>3 AJE To adjust net pension liability</b>		
820-270000	DEFERRED OUTFLOWS OF RESOURCES	12,470,095.00	
820-370000	NET PENSION LIABILITY		2,611,212.00
820-371500	DEFERRED INFLOWS OF RESOURCES	1,475,306.00	
820-370100	AMT TO BE PROVIDED-NET PENSION		11,334,189.00
		<u>13,945,401.00</u>	<u>13,945,401.00</u>
	<b>4 AJE To adjust OPEB liability</b>		
820-271401	OPEB DEFERRED OUTFLOW OF RESOURCE	14,077,038.00	
820-371400	OTHER POST-EMPLOYMENT BENEFITS	48,837,089.00	
820-371401	OPEB DEF. INFLOWS OF RESOURCE		80,455,849.00
820-371403	OPEB AMT TO BE PROVIDED	17,541,722.00	
		<u>80,455,849.00</u>	<u>80,455,849.00</u>

**FEDERAL GRANTS FUND**

#	Name	Debit	Credit
	<b>1 AJE To record additional expenditures</b>		
	EXPENDITURES - SUPPLIES (DTSS)	2,167,972.66	
	EXPENDITURES - CONTRACTUAL (DTSS)	5,393.75	
	FEDERAL GRANT INCOME		2,173,366.41
	ACCOUNTS RECEIVABLE	2,173,366.41	
	ACCRUAL		2,173,366.41
		<u>4,346,732.82</u>	<u>4,346,732.82</u>