

June 26, 2014

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

We have performed an audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Guam Department of Education (GDOE) as of and for the year ended September 30, 2013, in accordance with auditing standards generally accepted in the United States of America (“generally accepted auditing standards”) and have issued our report thereon dated June 26, 2014.

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.

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 20, 2014. 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 each opinion unit in GDOE’s basic financial statements and the accompanying supplementary information, and to disclaim an opinion on the required supplementary information for the year ended September 30, 2013 in conformity with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”), in all material respects;
- To express an opinion on whether the supplementary information that accompanies the basic financial statements is presented fairly, in all material respects, in relation to the basic financial statements taken as a whole;
- To 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, 2013 based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*; and

- To report on GDOE 's compliance with requirements applicable to each major federal program and on internal control over compliance in accordance with the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* (OMB Circular A-133).

Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared with the oversight of management and the Office of the 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 the 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 OMB Circular A-133. Our audit does not, however, provide a legal determination of GDOE's compliance with those requirements.

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 2013 financial statements include management's estimate of the allowance for uncollectible accounts, which is determined based upon past collection experience and aging of the accounts, and management's estimate of depreciation expense, which is based on estimated useful lives of the respective capital assets. During the year ended September 30, 2013, 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 GDOE's financial reporting process. Such proposed adjustments, listed in Appendix I, have been recorded in the accounting records and are reflected in the 2013 financial statements. Those proposed adjustments that were not recorded by management are also included in the schedule described in the next paragraph.

In addition, we have attached to this letter, as Appendix II, a summary of uncorrected misstatements 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

GDOE's significant accounting policies are set forth in Note 1 to GDOE's 2013 financial statements. During the year ended September 30, 2013, there were no significant changes in previously adopted accounting policies or their application, except as follows:

During the year ended September 30, 2013, GDOE implemented the following pronouncements:

- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which addressed how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into.
- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, which improved financial reporting for governmental entities by amending the requirements of Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively.
- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which enhanced the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements issued on or before November 30, 1989, which does not conflict or contradict GASB pronouncements. GASB Statement no. 62 superceded GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*.
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which established guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. These Statements amend the net asset reporting requirements in Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. With the implementation of GASB Statement No. 63 and Statement No. 65, the Statement of Net Assets was renamed the Statement of Net Position. In addition, the Statement of Net Position includes two new classifications separate from assets and liabilities. Amounts reported as deferred outflows of resources are reported in a separate section following assets. Likewise, amounts reported as deferred inflows of resources are reported in a separate section following liabilities. The effect on the financial statements of the implementation of GASB Statement No. 65 is as follows:

Net position as of September 30, 2012, as originally reported	\$193,193,744
Reversal of deferred assets	<u>(1,573,133)</u>
Net position as of September 30, 2012, as restated	<u>\$191,620,611</u>

The implementation of these pronouncements with the exception of GASB Statement no. 63 and 65, did not have a material effect on GDOE's 2013 financial statements.

OTHER INFORMATION IN THE ANNUAL REPORTS OF GDOE

When audited financial statements are included in documents containing other information such as GDOE's 2013 Annual Report, we will read such other information and consider whether it, or the manner of its presentation, is materially inconsistent with the information, or the manner of its presentation, in the financial statements audited by us. We will read the other information in GDOE's 2013 Annual Report and will inquire as to the methods of measurement and presentation of such information. If we note a material inconsistency or if we obtain any knowledge of a material misstatement of fact in the other information, we will discuss this matter with management and, if appropriate, with the Board.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to GDOE's 2013 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 2013.

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 Appendix III, a copy of the representation letters we obtained from management.

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 GDOE.

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.

CONTROL-RELATED MATTERS

We have issued a separate report to you, dated June 26, 2014, on the 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*. We have also issued a separate report to you, also dated June 26, 2014, involving the GDOE's compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133. Within those reports, we noted certain matters that were considered to be material weaknesses and significant deficiencies under standards established by the American Institute of Certified Public Accountants and OMB Circular A-133. Although we have included management's written responses to our comments contained in those reports, such responses have not been subjected to the auditing procedures applied on 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.

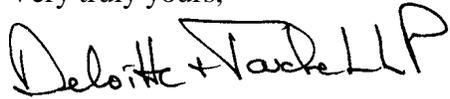
We have communicated to management, in separate letters also dated June 26, 2014, certain deficiencies and other matters related to the GDOE's internal control over financial reporting and the information technology environment that we identified during our audit.

* * * * *

This report is intended solely for the information and use of management, the Office of the Superintendent, the Office of Public Accountability of Guam, and others within the entity 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 GDOE for their cooperation and assistance during the course of this engagement.

Very truly yours,

A handwritten signature in black ink that reads "Deloitte + Tuckers LLP". The signature is written in a cursive, stylized font.

Guam Department of Education
GOVERNMENT WIDE
Summary of Corrected Misstatements
For the year ended September 30, 2013

Account#	Description	Debit	Credit
1 AJE To adjust Capital Lease			
<i>JFK High School</i>			
820-380100	AMT TOBE PROVIDED-C.LEASE	-	1,650,000.00
820-380300	CAPITAL LEASE -CURRENT	-	45,000.00
820-380200	CAPITAL LEASE-LONG TERM	1,695,000.00	-
<i>Municipal Schools</i>			
820-380100	AMT TOBE PROVIDED-C.LEASE		63,441.00
820-380300	CAPITAL LEASE -CURRENT	-	145,000.00
820-380200	CAPITAL LEASE-LONG TERM	2,690,000.00	-
820-280400	DEFERRED MAINT. COST	-	881,761.00
820-280500	OTHER DEFERRED ASSETS	-	1,573,132.00
820-280300	PREPAYMENT-CAPITAL LEASE	-	26,666.00
		4,385,000.00	4,385,000.00
2 AJE To adjust leave accrual			
<i>Sick leave</i>			
820-381300	DEF.CONTRIB.RETIRE/SICK	-	109,774.00
820-381200	EMPLOYEE BENEFITS	109,774.00	-
<i>Annual leave</i>			
820-340300	ACCRUED ANNUAL LEAVE-CURR	-	36,303.00
820-340700	ACCRUED ANNUAL LEAVE-LT	36,303.00	-
		146,077.00	146,077.00
3 AJE To correct capitalized assets			
<i>To reconcile to subsidiary ledger</i>			
810-251500	ACCUM. DEPR-BUILDINGS	58,485.00	-
810-253500	ACCUM. DEPRE-OTHER EQUIPMENT	-	7,257.00
810-252500	ACCUM. DEPR-VEHICLES	1,182,810.00	-
810-255000	FIXED ASSET CONTROL	8,266,242.00	-
810-253000	FIXED ASSETS-OTHER EQUIPMENT	-	138,573.00
810-060000-GADM	DEPRECIATION-BUILDINGS	-	7,266,935.00
810-060100-GADM	DEPRECIATION-VEHICLES	-	157,685.00
810-060200-GADM	DEPRECIATION-OTHER EQUIPT	-	994,177.00
810-252000	FIXED ASSETS-VEHICLES	-	942,910.00
<i>To record uncapitalized assets</i>			
810-251500	ACCUM. DEPR-BUILDINGS	-	194,761.00
810-253500	ACCUM. DEPRE-OTHER EQUIPMENT	-	142,931.00
810-255100	CONSTRUCTION IN PROGRESS	-	1,680,090.00
810-255000	FIXED ASSET CONTROL	-	4,031,144.00
810-251000	FIXED ASSETS-BUILDINGS	4,869,003.00	-
810-253000	FIXED ASSETS-OTHER EQUIPMENT	705,186.00	-
810-254000	FIXED ASSETS-TECHNOLOGY	137,045.00	-
810-060000-GADM	DEPRECIATION-BUILDINGS	194,761.00	-
810-060200-GADM	DEPRECIATION-OTHER EQUIPT	142,931.00	-
		15,556,463.00	15,556,463.00

APPENDIX I, CONTINUED

Guam Department of Education
GENERAL FUND
Summary of Corrected Misstatements
For the year ended September 30, 2013

Account number	Description	Debit	Credit
	1 AJE To reconcile Fund balance		
110-441900	FUND BALANCE	91,881.35	-
180-441900	FUND BALANCE	6,069.96	-
181-441900	FUND BALANCE	-	6,069.96
190-441900	FUND BALANCE	-	102,611.06
110-210000	INTERFUND CASH	-	97,245.98
180-210000	INTERFUND CASH	-	6,069.96
181-210000	INTERFUND CASH	6,069.96	
190-210000	INTERFUND CASH	97,245.98	
110-340100	ACCRUAL	5,364.63	
190-200800	SAVINGS-SCHOOL MEALS/LUNCH	5,365.08	
		211,996.96	211,996.96
	2 AJE To record DOA transactions paid on behalf of GDOE and reconcile to confirmation		
	<i>GPA note payoff</i>		
110-036100-GADM	POWER	41,706.97	-
110-350100	CURR PORT LONG-TERM DEBT	1,822,750.03	-
110-110000	TRANSFERS IN FROM GF	-	1,864,457.00
	<i>Tiyan Operating Lease</i>		
110-045000-OPLS	OPERATION LEASE EXPENSE	4,493,256.00	-
110-110000	TRANSFERS IN FROM GF	-	4,493,256.00
	<i>Post-employment retirement benefits</i>		
110-110000	TRANSFERS IN FROM GF	-	8,077,260.48
110-012100-RETB	POST EMPLOYMENT BENEFITS	8,077,260.48	-
	<i>JFK Capital lease</i>		
110-045000-CAPL	CAPITAL LEASE PAYMENT	5,399,935.00	-
110-110000	TRANSFERS IN FROM GF	-	5,399,935.00
	<i>Transfers to Guahan Academy Charter Schools</i>		
110-110000	TRANSFERS IN FROM GF	-	687,500.00
110-029000-GACS	GUAHAN ACADEMY CHARTER SCHOOLS	687,500.00	-
	<i>To reconcile to DOA Confirmation</i>		
110-024200-GADM	FUEL CHARGES	44,699.18	-
110-340100	ACCRUAL	226,375.80	-
110-110000	TRANSFERS IN FROM GF	-	447,790.51
116-110500	MISCELANEOUS INCOME ACCOUNTS	-	476,429.94
117-110500	MISCELANEOUS INCOME ACCOUNTS	-	1,701,754.00
110-230100	DUE FROM GENERAL FUND	176,715.53	-
116-230100	DUE FROM GENERAL FUND	476,429.94	-
117-230100	DUE FROM GENERAL FUND	1,701,754.00	-
		23,148,382.93	23,148,382.93

APPENDIX I, CONTINUED

Guam Department of Education
GENERAL FUND
Summary of Corrected Misstatements
For the year ended September 30, 2013

Account number	Description	Debit	Credit
	3 AJE To write off milk purchases		
190-023037-DTSS	FOOD MANAGEMENT CONTRACT	423,556.39	-
190-230500	A/R-IOU MEALS PROGRAM	-	423,556.39
		423,556.39	423,556.39
	4 AJE To adjust liabilities		
	<i>To record PPE 10/05/13 Accrual</i>		
110-011100-GADM	REGULAR SALARIES	2,027,422.25	-
110-012100-GADM	BENEFITS	748,743.75	-
110-340100-DTT	PAYROLL ACCRUAL	-	1,215,051.25
110-340100-DTT	PAYROLL ACCRUAL	-	2,776,166.00
110-340100	ACCRUAL	1,215,051.25	-
	<i>To reconcile claims and prior year unpaid obligations to subsidiary ledger</i>		
110-011100-GADM	REGULAR SALARIES	-	4,445,027.00
110-029002-GADM	PENALTIES	68,405.00	-
110-029003-GADM	PRIOR YEAR OBLIGATION	-	114,999.70
116-029003-GADM	PRIOR YEAR OBLIGATION	-	111,095.30
110-310100	ACCOUNTS PAYABLE OTHER	4,602,717.00	-
	<i>To record additional liabilities</i>		
180-045001-GADM	BUILDING IMPROVEMENT	570,452.78	-
180-045000-GADM	CAPITAL IMPROVEMENT	364,032.63	-
110-023012-GADM	CUSTODIAL SERVICES	8,730.00	-
110-023020-GADM	MAINTENANCE-AIRCON	10,476.50	-
110-023024-GADM	MAINTENANCE-TECHNOLOGY	781.97	-
110-405000	RESERVE FOR ENCUMBRANCE	19,988.47	-
180-405000	RESERVE FOR ENCUMBRANCE	934,485.41	-
110-441900	FUND BALANCE	-	19,988.47
180-441900	FUND BALANCE	-	934,485.41
110-340100	ACCRUAL	-	19,988.47
180-340100	ACCRUAL	-	934,485.41
	<i>To record additional claims</i>		
110-011100-GADM	REGULAR SALARIES	224,934.92	-
110-310100	ACCRUAL	-	224,934.92
	<i>To reconcile accounts payable</i>		
110-210000	INTERFUND CASH	856,582.92	
110-300000	ACCOUNTS PAYABLE		856,582.92
		11,652,804.85	11,652,804.85
	5 AJE To transfer Non-Fed expenditures from Federal Grants Assistance Fund		
180-024000-DTSS	SUPPLIES	4,745.48	-
180-011100-DTSS	REGULAR SALARIES	30,254.00	-
180-110500	REVENUE	-	34,999.48
		34,999.48	34,999.48

APPENDIX I, CONTINUED

Guam Department of Education
FEDERAL GRANTS ASSISTANCE FUND
 Summary of Corrected Misstatements
 For the year ended September 30, 2013

Account number	Description	Debit	Credit
	1 AJE To reconcile Fund balance		
200-210000	INTERFUND CASH	545.00	-
210-210000	INTERFUND CASH	-	413,669.94
211-210000	INTERFUND CASH	46,553.05	-
215-210000	INTERFUND CASH	-	154,837.41
216-210000	INTERFUND CASH	17,385.37	-
220-210000	INTERFUND CASH	98,395.65	-
221-210000	INTERFUND CASH	405,628.28	-
221-340100	ACCRUAL	646,890.87	-
200-441900	FUND BALANCE	-	545.00
210-441900	FUND BALANCE	1,851,951.14	
211-441900	FUND BALANCE	-	51,584.26
215-441900	FUND BALANCE	-	40,352.48
216-441900	FUND BALANCE	-	27,533.77
220-441900	FUND BALANCE	-	537,243.40
221-441900	FUND BALANCE	-	1,052,519.15
210-120000	REVENUE	-	1,438,281.20
211-120000	REVENUE	5,031.21	-
215-120000	REVENUE	195,189.89	-
216-120000	REVENUE	10,148.40	-
220-120000	REVENUE	438,847.75	-
		<u>3,716,566.61</u>	<u>3,716,566.61</u>
	2 AJE To correct CFDA 84.394A		
221-120000	REVENUE	445,918.05	-
221-023000-GADM	CONTRACTUAL	-	445,918.05
		<u>445,918.05</u>	<u>445,918.05</u>
	3 AJE To transfer Non-Fed Exp to General Fund		
210-120000	REVENUE	34,999.48	-
210-023000-DTSS	CONTRACTUAL	-	30,254.00
210-024000-DTSS	SUPPLIES	-	4,745.48
		<u>34,999.48</u>	<u>34,999.48</u>
	4 AJE To reconcile interfund		
220-210000	INTERFUND CASH	-	2,322,068.62
221-210000	INTERFUND CASH	-	3,500.00
230-210000	INTERFUND CASH	-	561,916.59
220-310200	DUE TO FEDERAL AGENCIES	2,322,068.62	-
221-310200	DUE TO FEDERAL AGENCIES	3,500.00	-
230-310200	DUE TO FEDERAL AGENCIES	561,916.59	-
		<u>2,887,485.21</u>	<u>2,887,485.21</u>

APPENDIX I, CONTINUED

**Guam Department of Education
FEDERAL GRANTS ASSISTANCE FUND
Summary of Corrected Misstatements
For the year ended September 30, 2013**

Account number	Description	Debit	Credit
	5 AJE To reconcile Due to/fr federal agencies		
210-230300	ACCOUNTS RECEIVABLE	-	252,130.00
210-310200	DUE TO FEDERAL AGENCIES	1,021,658.00	-
210-340100	ACCRUAL	-	769,528.00
211-230000	ACCOUNTS RECEIVABLE	-	55,109.00
211-310700	DUE TO OTHER FED AGENCY	453,399.00	-
211-340100	ACCRUAL	-	398,290.00
215-230100	ACCT RECEIVABLE-PAYROLL	-	42,006.03
215-230300	ACCT RECEIVABLE-OTHER	-	54,064.21
215-310200	DUE TO FEDERAL AGENCIES	-	99,120.00
215-340100	ACCRUAL	195,190.24	-
216-230300	ACCT RECEIVABLE-OTHER	-	7,361.00
216-310700	DUE TO OTHER FED AGENCY	15,055.00	-
216-340100	ACCRUAL	-	7,694.00
220-230000	ACCOUNTS RECEIVABLE	3,513,822.00	-
220-310700	DUE TO OTHER FED AGENCY	285,159.00	-
220-340100	ACCRUAL	-	3,798,981.00
221-230000	ACCOUNTS RECEIVABLE	-	31,922.00
221-340100	ACCRUAL	31,922.00	-
		<u>5,516,205.24</u>	<u>5,516,205.24</u>
	6 AJE To correct CFDA 84.402A		
221-120000	REVENUE	98,009.18	-
221-025003-DTSS	COMPUTERS & ELECTRONICS	-	98,009.18
		<u>98,009.18</u>	<u>98,009.18</u>
	7 AJE To reconcile liabilities		
220-210000	INTERFUND CASH	-	856,582.92
220-340100	ACCRUAL	856,582.92	-
		<u>856,582.92</u>	<u>856,582.92</u>

**Guam Department of Education
Summary of Uncorrected Misstatements
For the year ended September 30, 2013**

<i>General Fund</i>	Correcting Entry			
	Assets	Liabilities	Fund Balance	Income Statement
	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Current-Year Known Misstatements				
To correct overstated liabilities		192,842		(192,842)
TOTAL	0	192,842		(192,842)

<i>Federal Grants Fund</i>	Correcting Entry			
	Assets	Liabilities	Fund Balance	Income Statement
	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Current-Year Known Misstatements				
To record accrued payroll	64,172	(64,172)		64,172 (64,172)
TOTAL	64,172	(64,172)		0



DEPARTMENT OF EDUCATION OFFICE OF THE SUPERINTENDENT

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JON J. P. FERNANDEZ
Superintendent of Education

June 26, 2014

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

We are providing this letter in connection with your audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Guam Department of Education (GDOE), as of and for the year ended September 30, 2013, which collectively comprise the GDOE's basic financial statements for the purpose of expressing an opinion as to whether the basic financial statements present fairly, in all material respects, the financial position, results of operations or changes in fund balances, and cash flows of the GDOE in conformity with accounting principles generally accepted in the United States of America.

We confirm that we are responsible for the following:

- a. The fair presentation in the basic financial statements of financial position of the governmental activities, each major fund, and the aggregate remaining fund information, in conformity with accounting principles generally accepted in the United States of America.
- b. The design, implementation, and maintenance of programs and controls to prevent and detect fraud, including fraud related to federal awards.
- c. Establishing and maintaining effective internal control over financial reporting.
- d. 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 statements 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 general-purpose governments obtained from the Government Finance Officers Association.

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

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

1. The basic financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America. In addition:

- a. The financial statements properly disclose all other related organizations.
 - b. The financial statements properly classify all funds and activities, including special and extraordinary items.
 - c. All funds that meet the quantitative criteria in the GASB Codification of Government Accounting and Financial Reporting Standards section 2200.153 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.
 - d. Net asset components (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
 - e. 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.
 - f. 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.
 - g. Interfund, internal, and intra-GDOE activity and balances have been appropriately classified and reported.
 - h. Fund balance restrictions, commitments, and assignments are properly classified and, if applicable, approved,
 - i. Deposits and investment securities are properly classified in the category of custodial credit risk.
 - j. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
 - k. Required supplementary information is measured and presented within prescribed guidelines.
 - l. Applicable laws and regulations are followed in adopting, approving, and amending budgets.
 - m. Federal awards expenditures have been charged in accordance with applicable cost principles.
2. 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 GASB Codification of Government Accounting and Financial Reporting Standards Section 2200, *Comprehensive Annual Financial Report*.
 - c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.
 3. Regarding supplementary information:

- a. We are responsible for the fair presentation of the supplementary information in accordance with GASB Codification of Government Accounting and Financial Reporting Standards 2200, *Comprehensive Annual Financial Report*.
 - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with GASB Codification of Government Accounting and Financial Reporting Standards Section 2200, *Comprehensive Annual Financial Report*.
 - c. The methods of measurement and presentation of the supplementary information has not changed from those used in the prior period.
4. The GDOE has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.
5. The GDOE has provided you:
- a. Public Laws as enacted by the Guam Legislature.
 - b. Minutes of the meetings of the Guam Education Board (GEB) from October 2012 through the date of this letter, which meetings were held on the following dates:

October 25, 2012	September 24, 2013
November 21, 2012	October 29, 2013
December 20, 2012	November 26, 2013
January 4, 2013	December 17, 2013
January 31, 2013	January 21, 2014
February 27, 2013	January 29, 2014
March 19, 2013	February 18, 2014
April 23, 2013	February 28, 2014
May 21, 2013	March 25, 2014
June 18, 2013	April 7, 2014
August 6, 2013	April 22, 2014
August 13, 2013	May 20, 2014
August 26, 2013	May 28, 2014
 - c. Minutes of the meetings of Education Financial Support Commission (EFSC) from October 2012 through the date of this letter, which meetings were held on the following dates:

October 31, 2012	November 26, 2013
December 21, 2012	December 12, 2013
January 23, 2013	January 31, 2014
February 27, 2013	February 4, 2014
March 26, 2013	February 26, 2014
April 24, 2013	February 27, 2014
May 22, 2013	March 27, 2014
July 31, 2013	April 30, 2014
September 30, 2013	June 5, 2014
October 30, 2013	
 - d. Financial records and related data for all financial transactions of the GDOE and for all funds administered by the GDOE. The records, books, and accounts, as provided to you, record the

- financial and fiscal operations of all funds administered by the 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.
- e. Contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies.
6. 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 the GDOE, 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. Communication from other regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the financial statements, except for the United States of Department of Education Federal Fiscal year (FFY) 2012 Special Conditions dated June 10, 2013.
 7. 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.
 8. We understand accounts payable was tested using statistical or other sampling techniques and that certain errors in recording liabilities and expenditures as of September 30, 2013, were found by you in the sample items selected. The effect of the factual errors identified has been included in the summary of uncorrected misstatements attached to this letter as Appendix A. Based on our judgment of materiality of understatement, we believe the effects of such potential unrecorded errors in Appendix A, are immaterial to the financial statements taken as a whole.
 9. The GDOE 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.
 10. We have no knowledge of any fraud or suspected fraud affecting the GDOE involving:
 - a. Management.
 - b. Employees who have significant roles in internal control over financial reporting.
 - c. Others if the fraud could have a material effect on the financial statements.
 11. We have no knowledge of any allegations of fraud or suspected fraud affecting the GDOE received in communications from employees, former employees, analysts, regulators, or others except for communications from GDOE's internal auditors that have been provided you concerning NAF activities.
 12. There are no unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance with GASB Codification of Governmental

Accounting and Financial Reporting Standards (“GASB Codification”) Section C50, *Claims and Judgments*, except as disclosed in Note 4 to the financial statements.

13. Significant assumptions used by us in making accounting estimates are reasonable.
14. The Schedule of Expenditures of Federal Awards was prepared in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have identified in that schedule all awards provided by federal agencies in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, or direct appropriations. We have also properly identified subrecipient expenditures. In addition, we have accurately completed the appropriate sections of the data collection form.
15. We are responsible for compliance with local, state, and federal laws, rules, and regulations, including compliance with the requirements of OMB Circular A-133, and provisions of grants and contracts relating to the GDOE’s operations. We are responsible for establishing and maintaining the components of internal control relating to our activities in order to achieve the objectives of providing reliable financial reports, effective and efficient operations, and compliance with laws and regulations. The GDOE is responsible for maintaining accounting and administrative control over revenues, obligations, expenditures, assets, and liabilities.
16. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on its federal programs, except as disclosed in the Schedule of Findings and Questioned Costs Section of your Independent Auditor’s Reports on Internal Control and on Compliance.
17. 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.
18. We have:
 - a. Identified the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each federal program as identified in Part 3 of the relevant Compliance Supplements related to the year under audit.
 - b. Complied, in all material respects, with the requirements identified above in connection with federal awards, except as disclosed in the Schedule of Findings and Questioned Costs Section of your Independent Auditor’s Reports on Internal Control and on Compliance.
 - c. Identified and disclosed interpretations of any compliance requirements that have varying interpretations.
 - d. Made available all information related to federal financial reports and claims for advances and reimbursements. Federal financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared and are prepared on a basis consistent with that presented in the Schedule of Expenditures of Federal Awards. The copies of federal program financial reports provided are true copies of

the reports submitted, or electronically transmitted, to the federal agency or pass-through GDOE, as applicable.

- e. Monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of OMB Circular A-133.
 - f. Taken appropriate corrective action on a timely basis after receipt of a subrecipient's auditor's report that identifies noncompliance with laws, regulations, or the provisions of contracts or grant agreements.
 - g. Considered the results of the subrecipient's audits and made any necessary adjustments to the auditee's own books and records.
 - h. Identified and disclosed all amounts questioned and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews related to the objectives of the audit.
 - i. 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
 - j. Provided to you our views on the reported findings, conclusions, and recommendations for your report.
19. We are responsible for follow-up on all prior-year(s) findings. We have prepared a summary schedule of prior-year findings reporting the status of our efforts in implementation of the prior-year's corrective action plan.
 20. 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.
 21. 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.
 22. No organizations were identified that meet the criteria established in GASB Codification of Government Accounting and Financial Reporting Standards Section 2100, *Defining the Financial Reporting GDOE*.

Except where otherwise stated below, matters less than \$620,000 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 basic financial statements.

23. Except as listed in Appendix A, there are no transactions that have not been properly recorded in the accounting records underlying the financial statements.

24. The GDOE has no plans or intentions that may affect the carrying value or classification of assets and liabilities.
25. The following, to the extent applicable, have been appropriately identified, properly recorded, and disclosed in the financial statements:
 - a. Related-party transactions and associated amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral).
 - b. Guarantees, whether written or oral, under which the Entity is contingently liable.
26. In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, 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.
27. 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.
28. 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 GASB Codification Section C50, *Claims and Judgments*, other than those disclosed in note 4 to the financial statements.
29. The 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.
30. The GDOE has complied with all aspects of contractual agreements that may have an effect on the financial statements in the event of noncompliance, except as disclosed in the Schedule of Findings and Questioned Costs Section of your Independent Auditor's Reports on Internal Control and on Compliance.
31. No division of the GDOE has reported a material instance of noncompliance to us, except as disclosed in the Schedule of Findings and Questioned Costs Section of your Independent Auditor's

Reports on Internal Control and on Compliance.

32. Management has disclosed whether, subsequent to September 30, 2013, 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.
33. The GDOE is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the primary government not to purchase commercial insurance for the risks of loss to which it is exposed. Instead, the Government management believes it is more economical to manage its risks internally. In the event of claim settlements and judgments, the GDOE reports all of its risk management activities in its General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. No losses have occurred as a result of these risks in the past three fiscal years.
34. We have appropriately identified and properly recorded and disclosed in the financial statements all interfund transactions, including repayment terms.
35. Arrangements with financial institutions involving compensating balances or other arrangements involving restriction on cash balances, line of credit, or similar arrangements have been properly disclosed in the financial statements.
36. Receivables recorded in the financial statements represent valid claims against debtors for appropriations or grants arising on or before the balance sheet date and have been appropriately reduced to their estimated net realizable value.
37. We believe that all expenditures that have been deferred for future periods are recoverable.
38. We believe that the actuarial assumptions and methods used to measure pension costs for financial accounting purposes are appropriate in the circumstances.
39. We do not plan to make frequent amendments to our pension or other post -retirement benefit plans.
40. We have no intention of terminating any of our pension 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.
41. During fiscal year 2013, GDOE implemented the following pronouncements:
 - GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which addressed how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. The implementation of this statement did not have a material effect on GDOE's 2013 financial statements.
 - GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, which improved financial reporting for governmental entities by amending the requirements of Statements No. 14, *The*

Financial Reporting Entity, and No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively. The implementation of this statement did not have a material effect on GDOE's 2013 financial statements.

- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which enhanced the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements issued on or before November 30, 1989, which does not conflict or contradict GASB pronouncements. GASB Statement No. 62 superseded GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. The implementation of this statement did not have a material effect on GDOE's 2013 financial statements.
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which established guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. These Statements amend the net asset reporting requirements in Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. With the implementation of GASB Statement No. 63 and Statement No. 65, the Statement of Net Assets was renamed the Statement of Net Position. In addition, the Statement of Net Position includes two new classifications separate from assets and liabilities. Amounts reported as deferred outflows of resources are reported in a separate section following assets. Likewise, amounts reported as deferred inflows of resources are reported in a separate section following liabilities. The effect on the financial statements of the implementation of GASB Statement No. 65 is as follows:

Net position as of September 30, 2012, as originally reported	\$193,193,744
Reversal of deferred assets	<u>(1,573,133)</u>
Net position as of September 30, 2012, as restated	<u>\$191,620,611</u>

42. GDOE will adopt the following pronouncements during the year ending September 30, 2013 and after:
- In April 2012, GASB issued Statement No. 66, *Technical Corrections - 2012*, which enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The provisions of this statement are effective for periods beginning after December 15, 2012. Management has not yet determined the effect of implementation of this statement on the financial statements of GDOE.
 - In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans*, which revises existing guidance for the financial reports of most pension plans, and Statement No. 68,

Accounting and Financial Reporting for Pensions, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The provisions in Statement 67 are effective for financial statements for periods beginning after June 15, 2013. The provisions in Statement 68 are effective for fiscal years beginning after June 15, 2014. Management has not yet determined the effect of implementation of these statements on the financial statements of GDOE.

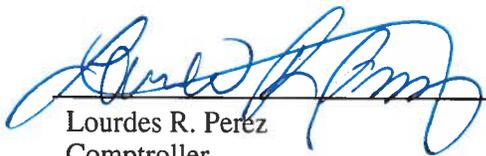
- In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, which improves accounting and financial reporting for state and local governments' combinations and disposals of government operations. Government combinations include mergers, acquisitions, and transfers of operations. A disposal of government operations can occur through a transfer to another government or a sale. The provisions in Statement 69 are effective for fiscal years beginning after December 15, 2013. Management has not yet determined the effect of implementation of this statement on the financial statements of GDOE.
 - In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. The provisions in Statement 70 are effective for fiscal years beginning after June 15, 2013. Management has not yet determined the effect of implementation of this statement on the financial statements of GDOE.
43. On June 3, 2011, the Guam Legislature enacted Public Law 31-74 authorizing the expansion of Okkodo (also referred as Ukudo) High School as authorized under Section 1521 of the American Recovery and Reinvestment Act of 2009 and the issuance of tax exempt bonds of lease certificates. Certificates of Participation were issued by GovGuam on behalf of GDOE totaling \$22,818,000 to finance the expansion. Expansion will be funded by appropriations from the Guam Legislature from available Section 30 revenues, tax credits, 2013 Series A Construction Account, 2013 Series B Construction Account, the Holding Fund and the Trust Fund established pursuant to the Trust Agreement. GovGuam management is of the opinion that this agreement represents a capital lease and will accordingly account for the expansion in that manner when construction is completed.
 44. GDOE estimated about \$3 million in merit bonus and salary increments were owed at the end of FY13. Because the lengthy and extensive review process occurred subsequent to September 30, 2013, this amount was not accrued. However, GDOE has made a concerted effort to payout nearly all merit bonuses and salary increments as of June 2014.
 45. In December 2013, GovGuam on behalf of GDOE entered into an agreement to convert the operating lease to a capital lease. Additional property, The facilities will be used to house Tiyan High School upon return of Untalan Middle to its Barrigada campus, as well as GDOE administrative offices previously located in Hagatna.
 46. Other than those disclosed in note 5 to the financial statements, as discussed in item 45 of this letter, no events have occurred after September 30, 2013, but before June 26, 2014, the date the financial statements were available to be issued that require consideration as adjustments to or disclosures in the financial statements.



Jon J.P. Fernandez
Superintendent of Education



Taling M. Taitano
Deputy Superintendent of Finance and Administrative
Services



Lourdes R. Perez
Comptroller

APPENDIX A

**Guam Department of Education
 Summary of Uncorrected Misstatements
 For the year ended September 30, 2013**

<i>General Fund</i>	Correcting Entry			
	Assets	Liabilities	Fund Balance	Income Statement
	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Current-Year Known Misstatements				
To correct overstated liabilities		192,842		(192,842)
TOTAL	0	192,842		(192,842)
<hr/>				
<i>Federal Grants Assistance Fund</i>	Correcting Entry			
	Assets	Liabilities	Fund Balance	Income Statement
	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Current-Year Known Misstatements				
To record accrued payroll	64,172	(64,172)		64,172 (64,172)
TOTAL	64,172	(64,172)		0



DEPARTMENT OF EDUCATION

OFFICE OF THE SUPERINTENDENT

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 Email: jonfernandez@gdoe.net



JON J. P. FERNANDEZ
 Superintendent of Education

June 26, 2014

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

Dear Deloitte & Touche,

We are providing this letter in connection with your audit of the compliance requirements of the federal award programs of the Guam of Education (GDOE) for the year ended September 30, 2013, namely the following major programs:

10.555	Child Nutrition Cluster
15.875	Economic, Social and Political Development of the Territories
84.027	Special Education – Grants to States (IDEA, Part B)
84.402	Consolidated Grants to the Outlying Areas, Recovery Act
84.403	Consolidated Grants to the Outlying Areas
93.600	Head Start

1. We are responsible for the compliance with local and federal laws, rules, and regulations, including compliance with the requirements of OMB Circular A-133 and provisions of grants and contracts relating to GDOE'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. We are responsible for maintaining accounting and administrative control over revenues, obligations, expenditures, assets, and liabilities.
2. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provide reasonable assurance that we are managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on its federal programs.
3. GDOE 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.
4. GDOE has made available to you all 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 federal financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared, except as disclosed in the Schedule of Findings and Questioned Costs.

5. 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 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 or federal law, except as disclosed in the Schedule of Findings and Questioned Costs.
6. Money or similar assets handled by GDOE on behalf of the Government of Guam or Federal Government have been properly and legally administered, and the accounting and record keeping related thereto is proper, accurate, and in accordance with law, except as disclosed in the Schedule of Findings and Questioned Costs.
7. Regarding the Schedule of Expenditures of Federal Awards (SEFA):
 - a. We confirm that we are responsible for the SEFA.
 - b. We believe the SEFA, including its form and content, is fairly presented in relation to the basic financial statements taken as a whole and in accordance with the requirements of OMB Circular A-133.
 - c. The methods of measurement and presentation of the SEFA have not changed from those used in the prior period.
8. GDOE has identified in the Schedule of Expenditures of Federal Awards all awards provided by federal agencies in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, or direct appropriations.
9. GDOE has identified the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each federal program as identified in Part 3 of the Compliance Supplement dated March 2013.
10. We have 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.
11. GDOE has complied, in all material respects, with the requirements identified above in connection with federal awards, except as disclosed in the Schedule of Findings and Questioned Costs.
12. We have identified and disclosed interpretations of any compliance requirements that have varying interpretations.
13. GDOE has made available all information related to federal financial reports and claims for advances and reimbursements. Federal financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared and are prepared on a basis consistent with that presented in the Schedule of Expenditures of Federal Awards. The copies of federal program financial reports provided are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
14. GDOE has certified to federal granting agencies that it has not used federal funds for lobbying for specific federal awards and that it has disclosed, or will disclose, any expenditures of nonfederal funds made for

- lobbying purposes. GDOE has also required all sub-recipients of \$100,000 or more of federal funds to make the same certification.
15. GDOE has monitored sub-recipient expenditures of federal financial assistance in accordance with applicable laws and regulations.
 16. GDOE has taken appropriate corrective action on a timely basis after receipt of a sub-recipient's auditor's report that identifies noncompliance with laws, regulations, or the provisions of contracts or grant agreements.
 17. GDOE has considered the results of sub-recipients' audits and made any necessary adjustments to GDOE's own books and records.
 18. GDOE has identified and disclosed all amounts questioned and any known noncompliance with the requirements of federal awards including the results of other audits or program reviews.
 19. GDOE is responsible for complying, and has complied, with Circular A-133, except as disclosed in the Schedule of Findings and Questioned Costs.
 20. GDOE is responsible for and has accurately prepared the Summary Schedule of Prior Audit findings. The schedule contains all findings required to be included by Circular A-133.

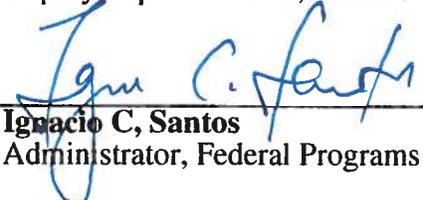
Except where otherwise stated below, matters less than \$10,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the financial statements.

21. GDOE has disclosed whether, subsequent to September 30, 2013, 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.
22. No evidence of fraud, possible irregularities, or dishonesty in fiscal operations of programs administered by GDOE has been discovered.
23. No events have occurred subsequent to September 30, 2013, that requires consideration as adjustments to or disclosures in the schedule of federal awards and related notes.
24. GDOE has disclosed all contracts or other agreements with the auditee's service organization.
25. GDOE has disclosed all communications from the auditee's third-party service organization relating to noncompliance with the auditee's operations at that service organization.
26. There is no program income in FY 2013 for all major programs listed above, except for CFDA 84.403 Consolidated Grants to the Outlying Areas
27. As of September 30, 2013, GDOE's American Recovery and Reinvestment Act (ARRA) expenditures during FY 2013 and related grant award notifications are as follows:

<u>CFDA Number</u>	<u>Grant Amount</u>	<u>FY 2013 Expenditures</u>
10.568	\$ 23,569	\$ 11,023
84.394	75,742,784	466,811
84.402	<u>12,206,153</u>	<u>4,880,968</u>
	<u>\$87,972,506</u>	<u>\$5,358,802</u>


 Jon J.P. Fernandez
 Superintendent of Education
 Date 6/26/14


 Taling M. Taitano
 Deputy Superintendent, Finance & Administrative Services
 Date 6/26/14


 Ignacio C. Santos
 Administrator, Federal Programs
 Date 6/26/14