

February 23, 2012

The Board of Directors
Guam Economic Development Authority

Dear Members of the Board of Directors:

We have performed an audit of the financial statements of Guam Economic Development Authority (GEDA) as of and for the year ended September 30, 2012, in accordance with auditing standards generally accepted in the United States of America (“generally accepted auditing standards”) and have issued our report thereon dated February 23, 2012.

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 GEDA is responsible.

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

Our responsibility under auditing standards generally accepted in the United States of America and 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 September 18, 2011. 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 GEDA’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, 2011 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; and
- To report on GEDA’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, 2011 based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.

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

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

MANAGEMENT JUDGMENTS AND 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 GEDA's 2011 financial statements include management's estimate of the allowance for doubtful 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, 2011, 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

As the result of our audit work, we identified matters that resulted in audit adjustments that we believe either individually or in the aggregate with others have had a significant effect on GEDA's financial reporting process. Such adjustments, listed in Appendix A to Attachment I, have been recorded in the accounting records and are reflected in the 2011 financial statements.

In addition, attached to Attachment I as Appendix B, summaries of uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest and prior 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

GEDA's significant accounting policies are set forth in Note 1 to GEDA's 2011 financial statements. During the year ended September 30, 2011, there were no significant changes in previously adopted accounting policies or their application, except for the following pronouncements adopted by GEDA:

- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.
- GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which amends Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans.

- GASB issued Statement No. 59, *Financial Instruments Omnibus*, which updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools.

Management does not believe that the implementation of these statements had a material effect on the financial statements of GEDA.

For the years ending September 30, 2012 and 2013, the following pronouncements will be adopted by GEDA:

- In December 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which addresses how to account for and report service concession arrangements (SCAs), a type of or public-public public-private partnership that state and local governments are increasingly entering into. The provisions of this statement are effective for periods beginning after December 15, 2011.
- In December 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*, which is designed to improve 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 provisions of this statement are effective for periods beginning after June 15, 2012.
- In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is intended to enhance 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. The provisions of this statement are effective for periods beginning after December 15, 2011.
- In July 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The provisions of this statement are effective for periods beginning after December 15, 2011.
- In July 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* (an amendment of GASB Statement No. 53), which will improve financial reporting by state and local governments by clarifying the circumstances in which hedge accounting continues to be applied when a swap counterparty, or a swap counterparty’s credit support provider, is replaced. The provisions of this statement are effective for periods beginning after June 15, 2011.

Management has not performed a full evaluation; however, it believes that Management does not believe that the implementation of these statements will have a material effect on the financial statements of GEDA.

CRITICAL ACCOUNTING POLICIES AND PRACTICES

Critical accounting policies are those that are both most important to the portrayal of GEDA's financial condition and results and require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

We had no oral discussions with management regarding critical accounting policies and practices related to the year ended September 30, 2011.

ALTERNATIVE ACCOUNTING TREATMENTS

We had no discussions with management regarding alternative accounting treatments within generally accepted accounting principles for policies and practices related to material items, including recognition, measurement, and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, related to the year ended September 30, 2011.

OTHER INFORMATION IN THE ANNUAL REPORTS OF GEDA

When audited financial statements are included in documents containing other information, such as Annual Reports, we will read such other information and consider whether it, or the manner of its presentation, is materially inconsistent with the information, or the manner of its presentation, in the financial statements audited by us. In the event that GEDA issues an Annual Report or other documentation that includes the audited financial statements, we will be required to read the other information in GEDA's 2011 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 GEDA's 2011 financial statements.

CONSULTATION WITH OTHER ACCOUNTANTS

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2011.

MAJOR ISSUES DISCUSSED WITH MANAGEMENT PRIOR TO OUR RETENTION

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

SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

The Board of Directors
Guam Economic Development Authority
February 23, 2012

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MANAGEMENT'S REPRESENTATIONS

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

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

Very truly yours,

Deloitte & Touche LLP



ATTACHMENT I
EDDIE BAZA CALVO
GOVERNOR OF GUAM
I MAGA' LAHEN GUAHAN
RAY TENORIO
LT. GOVERNOR OF GUAM
I SEGUNDO NA MAGA' LAHEN GUAHAN
KARL PANGELINAN
ADMINISTRATOR
ADMINISTRADOT

Aturidã Inadilãnton Ikunumihan Guahan

February 23, 2012

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

We are providing this letter in connection with your audits of the consolidated statements of net assets (deficiency) of the Guam Economic Development Authority (the Authority or GEDA) and its subsidiary (a component unit of the Government of Guam), which also include the accounts of the Tobacco Settlement Authority (TSA), State Small Business Credit Initiative (SSBCI) and of the statements of fiduciary net assets of the Guam Development Fund Act, Agricultural Development Fund, the Microenterprise Development Program, the Guam Territorial Aquarium Foundation, and the Music and Legends of Guam Fund, as of September 30, 2011 and 2010, and the related consolidated statements of operations and net assets (deficit) and cash flows, and the related Fund statements of revenues, expenditures and changes in fund balances (deficits), for the years then ended, for the purpose of expressing an opinion as to whether the consolidated financial statements and the Fund financial statements present fairly, in all material respects, the financial positions, and results of operations and/or changes in net assets and fund balances and/or cash flows of the Authority and of the Funds 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 consolidated financial statements and in the various Fund financial statements of the financial positions, results of operations and changes in the net assets and fund balances of the various funds and cash flows in conformity with accounting principles generally accepted in the United States of America.
- b. The fair presentation of the required supplementary information, including Management's Discussion and Analysis, accompanying the basic consolidated financial statements and the various Fund financial statements that are presented for the purpose of additional analysis for the basic consolidated financial statements and the various Funds financial statements.
- c. Establishing and maintaining effective internal control over financial reporting.
- d. The design and implementation of programs and controls to prevent and detect fraud.
- e. The review and approval of the consolidated financial statements, accompanying schedules and related notes and acknowledge your role in the preparation of this information. Specifically, we acknowledge that your role in the preparation of the consolidated financial statements was a matter of convenience rather than one of necessity. We have reviewed the financial statement preparation assistance provided by you and acknowledge that the financial statements are prepared in accordance with the accounting policies generally accepted in the United States of America. Our review was based on the use of the Stand-alone Business-Type Activities Checklist by the Government Finance Officers Association. Additionally, we agreed with the adjusting and reclassification entries included in Appendix A.

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"THIS INSTITUTION IS AN EQUAL OPPORTUNITY PROVIDER AND EMPLOYER".

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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 audits.

1. The consolidated and the Fund 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 classify all funds and activities.
 - b. All funds that meet the quantitative criteria in Statement No. 34 of the Governmental Accounting Standards Board, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, 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.
 - c. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
 - d. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
 - e. Required supplementary information is measured and presented within prescribed guidelines.
2. The Authority has made available to you all relevant information and access as agreed in the terms of the audit engagement letter.
3. The Authority has provided you:
 - a. Financial records and related data.
 - b. Minutes of the meetings of stockholders, directors, and committees of directors or summaries of actions of recent meetings for which minutes have not yet been prepared as follows:

<u>Name</u>	<u>Date</u>	<u>Name</u>	<u>Date</u>
Regular Meeting	October 26, 2010	Regular Meeting	November 27, 2010
Regular Meeting	March 10/14, 2011	Special Meeting	April 8, 2011
Regular Meeting	April 21, 2011	Regular Meeting	May 26/June 1, 2011
Regular Meeting	July 15, 2011	Regular Meeting	August 15, 2011
Regular Meeting	September 15/19, 2011	Regular Meeting	October 31, 2011
Regular Meeting	December 15, 2011	Regular Meeting	January 20, 2012
Regular Meeting	February 23, 2012		

4. There has been no:
 - a. Action taken by the Authority's management that contravenes the provisions of federal laws and Guam laws and regulations, or of contracts and grants applicable to the Authority and for all funds administered by the Authority.

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- 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.
 5. We believe the effects of any uncorrected financial statement misstatements aggregated by you during the current audit engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix B.
 6. The Authority has not performed a formal risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud. However, management has made available to you their understanding about the risks of fraud in the Authority 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 the Authority 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.
 8. We have no knowledge of any allegations of fraud or suspected fraud affecting the Authority received in communications from employees, former employees, analysts, regulators, or others.
 9. There are no unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification (ASC) Topic No. 450 *Contingencies*. Additionally, we further represent to you that there are no pending cases with our former conflicts counsel Lujan, Aguigui and Perez.
 10. 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.
 11. No changes in internal control over financial reporting or other factors that might significantly affect internal control over financial reporting, including any corrective actions taken by management with regard to significant deficiencies and material weaknesses, have occurred subsequent to September 30, 2011.
 12. Significant assumptions used by us in making accounting estimates are reasonable.
- Except where otherwise stated below, matters less than \$12,400 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.
13. Except as listed in Appendix B, there are no transactions that have not been properly recorded in the accounting records underlying the financial statements.
 14. The Authority has no plans or intentions that may affect the carrying value or classification of assets and liabilities.

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15. 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 Authority is contingently liable.
 - c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements.
 - d. All impaired loans receivable.
 - e. Loans that have been restructured to provide a reduction or deferral of interest or principal payments because of borrower financial difficulties.
16. 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.
17. 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.
18. 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 ASC Topic No. 450 *Contingencies* except as disclosed and/or recorded in the financial statements.
19. The Authority 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 as disclosed in the financial statements.
20. The Authority has complied with all aspects of contractual agreements that would have an effect on the financial statements in the event of noncompliance, including all requirements associated with the 2007 Series bonds.

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21. There are no control deficiencies in the design or operation of internal control over financial reporting that could adversely affect the Authority's ability to initiate, record, process, and report financial information.
22. We have disclosed to you any change in the Authority's internal control over financial reporting that occurred during the Authority's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, the Authority's internal control over financial reporting.
23. No Authority or agency of the Federal Government or Government of Guam has reported a material instance of noncompliance to us.
24. With regard to the fair value measurements and disclosures of certain assets, we believe that:
 - a. The measurement methods, including the related assumptions, used in determining fair value were appropriate and were consistently applied.
 - b. The completeness and adequacy of the disclosures related to fair values are in conformity with accounting principles generally accepted in the United States of America.
25. During fiscal year 2011, GEDA implemented the following pronouncements:

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which amends Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans.

GASB issued Statement No. 59, *Financial Instruments Omnibus*, which updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools.

The implementation of these pronouncements did not have a material effect on the Authority's financial statements.

In December 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which addresses how to account for and report service concession arrangements (SCAs), a type of or public-public public-private partnership that state and local governments are increasingly entering into. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of GEDA.

In December 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*, which is designed to improve 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 provisions of this

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statement are effective for periods beginning after June 15, 2012. Management does not believe that the implementation of this statement will have a material effect on the financial statements of GEDA.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is intended to enhance 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. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of GEDA.

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In July 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* (an amendment of GASB Statement No. 53), which will improve financial reporting by state and local governments by clarifying the circumstances in which hedge accounting continues to be applied when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The provisions of this statement are effective for periods beginning after June 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of GEDA.

26. Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the balance-sheet date and have been appropriately reduced to their estimated net realizable value.
27. The Authority is responsible for determining and maintaining the adequacy of the allowance for doubtful notes, loans, interfund receivables, and accounts receivable, as well as estimates used to determine such amounts. Management believes the allowances are adequate to absorb currently estimated bad debts in the account balances.
28. We believe that all expenditures that have been deferred to future periods are recoverable.
29. We have no intention of terminating 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. We believe that the actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purposes are appropriate in the circumstances.
30. The Authority has obligated, expended, received, and used public funds of the Authority in accordance with the purpose for which such funds have been appropriated or otherwise authorized by Guam or federal law. Such obligation, expenditure, receipt, or use of public funds was in accordance with any limitations, conditions, or mandatory directions imposed by Guam or federal law.
31. Money or similar assets handled by the Authority on behalf of the Government of Guam or Federal Government have been properly and legally administered and the accounting and recordkeeping related thereto is proper, accurate, and in accordance with law.

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- 32. No evidence of fraud or dishonesty in fiscal operations of programs administered by the Authority has been discovered.
- 33. No events have occurred subsequent to September 30, 2011 to the date of this letter that require consideration as adjustments to or disclosures in the financial statements



Ricardo C. Duenas
Chairperson of the Board



Karl A. Pangelinan
Administrator



Christina Garcia
Acting Deputy Administrator

Appendix A-Posted Adjustments and FS Reclassification Entries

#	Name	Debit	Credit
GEDA			
	1 AJE To adjust balances to tie with PY ending balance		
4500	FUND BALANCE	619,231	-
8100	NON-OPERATION REVENUES/EXPENSE	-	619,231
		<u>619,231</u>	<u>619,231</u>
	2 AJE To adjust investment balances		
1100	INVESTMENTS	4,986	-
5140	Interest - Investments	-	4,986
		<u>4,986</u>	<u>4,986</u>
	1 RJE To adjust credit balances		
1455	Reimbursable Expense	66,202	-
2399	A/R Suspense - Industrial Park	-	66,202
		<u>66,202</u>	<u>66,202</u>
	2 RJE To reclass QC revenue		
5120	QC Application/Surv./Other Fee	-	51,115
8100	NON-OPERATION REVENUES/EXPENSE	51,115	-
		<u>51,115</u>	<u>51,115</u>
TSA			
	1 AJE To record FY11 activities		
5100	Cash and Cash Equivalent	-	12,145
8100	Tobacco Settlement Revenue - Receipts	-	2,341,023
8310	Trustee fees	11,381	-
8300	Interest Expense - Semi-Annual Payment	1,657,313	-
7240	Other professional services	10,000	-
6310A	Series 2007 A Bond Payable	655,000	-
7202	Legal Services	4,773	-
7205	Audit Services	7,509	-
7801	Travel - Off Island	7,192	-
6110	Accounts Payable	-	-
		<u>2,353,168</u>	<u>2,353,168</u>
	2 AJE To amortize 2001 bond defease cost		
6322	Bond defeasance cost	-	310,842
8305	Interest Expense - Bond Defeasance Cost Amortization	310,842	-
		<u>310,842</u>	<u>310,842</u>
	3 AJE To amortize 2007 bond discount		
6320	Discount on Bond Issuance	-	119,611
8303	Interest Expense - Issuance Discount Amortization	119,611	-
		<u>119,611</u>	<u>119,611</u>
	4 AJE To amortize 2007 issue cost		
5500	Deferred Bond Issuance Costs	-	55,059
8302	Interest Expense - Debt Issuance Costs	55,059	-
		<u>55,059</u>	<u>55,059</u>

Appendix A-Posted Adjustments and FS Reclassification Entries

#	Name	Debit	Credit
	5 AJE To amortize CAB discount		
6321	Discount on Bond Issuance - Capital Appreciation Bond	-	305,378
8306	Interest Expense - Series B CAB Accretion	305,378	-
		<u>305,378</u>	<u>305,378</u>
	6 AJE To adjust accrued interest		
6120	Interest Payable	12,000	-
8301	Interest Expense - Accrual Adjustment	-	12,000
		<u>12,000</u>	<u>12,000</u>
	1 RJE To reclassify current portion of A term bond		
6110A	Current Portion of Series 2007 A	-	120,000
6310A	Series 2007 A Bond Payable	120,000	-
		<u>120,000</u>	<u>120,000</u>
SSBCI			
	1 AJE To adjust funds received in FY2012		
1401	DUE TO FROM GOVGUAM AGENCIES	-	4,345,556
4500	FUND BALANCE	4,345,556	-
		<u>4,345,556</u>	<u>4,345,556</u>
	2 AJE To adjust for FY2011 expenditures		
DT 1000	Accounts Receivable	31,457	-
DT 1001	Revenue	-	31,457
		<u>31,457</u>	<u>31,457</u>
GDFA			
	1 AJE To adjust for investment balances		
5140	Interest - Investments	-	12,531
1101	INVESTMENTS-BANK OF GUAM	12,531	-
		<u>12,531</u>	<u>12,531</u>
ADF			
	1 AJE To adjust close out entry of MDP		
1587	DUE/TO FROM MDP	-	1,834
8100	NON-OPERATION REVENUES/EXPENSE	1,834	-
		<u>1,834</u>	<u>1,834</u>
	2 AJE To adjust investment		
1102	INVESTMENT-BANK OF HAWAII	1,061	-
5140	Interest - Investments	-	1,061
		<u>1,061</u>	<u>1,061</u>
	3 AJE To adjust loan allowance		
1330	ALLOW FOR DOUBTFUL ACCOUNTS	9,610	-
8007	PROVISION FOR BAD DEBTS	-	9,610
		<u>9,610</u>	<u>9,610</u>

Appendix A-Posted Adjustments and FS Reclassification Entries

#	Name	Debit	Credit
MDP			
	1 AJE To adjust for close out entry		
4500	FUND BALANCE	-	39,501
8100	NON-OPERATION REVENUES/EXPENSE	39,501	-
		39,501	39,501

MLG			
	1 AJE To adjust close out entry of MLG		
4500	FUND BALANCE	-	11,387
8100	Non operating revenue/expense	11,387	-
		11,387	11,387

Appendix B-Uncorrected Misstatements

Description of Misstatement	Assets Dr (Cr)	Liabilities Dr (Cr)	Income Dr (Cr)
GEDA			
1. Likely understatement of allowance for uncollectible receivables	(6,700)		6,700
2. Understatement of deferred rental income		(12,666)	12,666
3. Overaccrued S&W expense		16,987	(16,987)
4. Misposting of TSA allocated audit fees in bond revenues			7,509 (7,509)
GDFA			
1. Likely overstatement of reserve for loan losses	36,900		(36,900)