

March 02, 2012

To the Board of Trustees
Department of Chamorro Affairs - Non-Appropriated Funds
Hagatna, Guam

We have audited the financial statements of Department of Chamorro Affairs - Non-Appropriated Funds (DCANAF) for the years ended September 30, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 30, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by DCANAF are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2011. We noted no transactions entered into by DCANAF during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period except as follows:

- The report on the Department of Chamorro Affairs - Non-Appropriated Funds was qualified because we were unable to audit the inventory book sales/cost of sales during the year ended September 30, 2010 due to insufficient support.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

- To expense equipment that did not meet the capitalization threshold of \$50,000 per the Government of Guam's capitalization policy of \$10,857.
- To record an expense that related to 2011 in the current year for \$6,535.
- To write off accounts receivable that were deemed uncollectible as of September 30, 2011 for \$4,819.
- To correct the cash balance for transactions that were incorrectly shown as outstanding items for \$5,087.
- To correct the closing entry of Ocean Night Market operations that related to prior year for \$10,225.
- To correct the inventory and retained earnings balance as of September 30, 2011 for \$16,245.
- To correct the beginning equity balance for \$1,082.
- To correct the inventory balance as of September 30, 2011 as a result of the inventory count and valuation performed during the audit for \$2,804.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 02, 2012.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of Board of Trustees and management of Department of Chamorro Affairs - Non-Appropriated Funds and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Eide Bailly LLP

Boise, Idaho

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

Description	Asset	Liability	Revenue	Expense	Net Income	Equity
Reversed prior year misstatements						
None Noted						
Current year misstatements						
To pass on recording the adjustment to inventory in the prior period.	-	-	-	(2,804)	2,804	2,804
Total	-	-	-	(2,804)	2,804	2,804
						2,804
						<u>5,608</u>
						<u><u>5,608</u></u>

Cumulative Misstatement Errors 5,608