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March 31, 2021

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

Dear Superintendent Fernandez:

We have performed an audit of the financial statements of the governmental activities, 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, 2020, in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our report thereon dated March 31, 2021.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of GDOE is responsible.

This report is intended solely for the information and use of management, the Office of Superintendent, the Office of the Public Accountability of Guam and others within the organization and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

Yours truly,

cc: The Management of the Guam Department of Education

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

Our responsibility under (1) generally accepted auditing standards, (2) the standards applicable to financial audits, contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("generally accepted government auditing standards") (generally accepted auditing standards and generally accepted government auditing standards are collectively referred to herein as the "Auditing Standards") and (3) the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance) has been described in our engagement letter dated September 14, 2020. As described in that letter, the objectives of an audit conducted in accordance with the Auditing Standards and the Uniform Guidance are to:

- Express an opinion on the fairness of GDOE's respective financial statements and the accompanying supplementary information, in relation to the financial statements as a whole, for the year ended September 30, 2020 (the "financial statements"), in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles") in all material respects, and to perform specified procedures on the required supplementary information for the year ended September 30, 2020;
- Express an opinion on whether the supplementary information that accompanies the financial statements, including the schedule of expenditures of federal awards, is fairly stated, in all material respects, in relation to the financial statements taken as a whole;
- Report on GDOE's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended September 30, 2020, based on an audit of financial statements performed in accordance with generally accepted government auditing standards; and
- Express an opinion on GDOE's compliance with requirements applicable to each major program and report on GDOE's internal control over compliance in accordance with the Uniform Guidance.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether caused by fraud or error. In making those risk assessments, we considered internal control over financial reporting relevant to GDOE's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of GDOE's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of GDOE's internal control over financial reporting. Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

We also considered GDOE's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance. Our audit does not, however, provide a legal determination of GDOE's compliance with those requirements.

**SIGNIFICANT ACCOUNTING POLICIES**

GDOE's significant accounting policies are set forth in Note 1 to GDOE's 2020 financial statements. During the year ended September 30, 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective dates of GASB Statement No. 84, 89, 90, 91, 92 and 93 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. In accordance with GASB Statement No. 95, management has elected to postpone implementation of these statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 84 will be effective for fiscal year ending September 30, 2021.

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

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

In March 2018, GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 90 will be effective for fiscal year ending September 30, 2021.

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

**SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

In January 2020, GASB issued statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports, the terminology used to refer to derivative instruments and the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefits. The requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reissuance recoveries and terminology used to refer to derivative instruments are effective upon issuance. The remaining requirements of GASB Statement No. 92 is effective for the fiscal year ending September 30, 2022.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The primary objective of this statement is to address those and other accounting and financial reporting implications of the replacement of an IBOR. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 93 will be effective for fiscal year ending September 30, 2022.

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

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

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

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

## **ACCOUNTING ESTIMATES**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and on assumptions about future events.

Significant accounting estimates reflected in GDOE's 2020 financial statements include management's estimate of depreciation expense, which is based on estimated useful lives of the respective capital assets. During the year ended September 30, 2020, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

## **UNCORRECTED MISSTATEMENTS**

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. We have attached to this letter, as Appendix A to Attachment I, a summary of uncorrected misstatements passed that we presented to management during the current audit engagement that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

## **MATERIAL CORRECTED 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, would have a significant effect on GDOE's financial reporting process. Such adjustments, listed in Attachment II, were brought to the attention of management as a result of our audit procedures and were corrected by management during the current period and are reflected in the 2020 financial statements.

## **OTHER INFORMATION IN THE ANNUAL REPORTS OF GDOE**

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 GDOE issues an Annual Report or other documentation that includes the audited financial statements, we will be required to read the other information in GDOE's 2020 Annual Report and will inquire as to the methods of measurement and presentation of such information. If we note a material inconsistency or if we obtain any knowledge of a material misstatement of fact in the other information, we will discuss this matter with management and, if appropriate, with the Board of Directors.

## **DISAGREEMENTS WITH MANAGEMENT**

We have not had any disagreements with management related to matters that are material to GDOE's 2020 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 2020.

## **SIGNIFICANT FINDINGS OR ISSUES DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT PRIOR TO OUR RETENTION**

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

## **OTHER SIGNIFICANT FINDINGS OR ISSUES ARISING FROM THE AUDIT DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT**

Throughout the year, routine discussions were held, or were the subject of correspondence, with management. In our judgment, such discussions or correspondence did not involve significant findings or issues requiring communication to the Office of Superintendent.

## **SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT**

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

## **EMPHASIS OF MATTER**

### *COVID-19*

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

Our opinion is not modified with respect to this matter.

## **MANAGEMENT'S REPRESENTATIONS**

We have made specific inquiries of GDOE's management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations GDOE is required to provide to its independent auditors under generally accepted auditing standards. We have attached to this letter, as Attachment I, a copy of the representation letter we obtained from management.

## **CONTROL-RELATED MATTERS**

We have issued a separate report to you, dated March 31, 2021, on GDOE's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, which was based upon the audit performed in accordance with *Government Auditing Standards*. Within that report, we noted certain matters that were considered to be material weaknesses under standards established by the American Institute of Certified Public Accountants. We have also issued a separate report to you, also dated March 31, 2021, involving GDOE's compliance with requirements applicable to each major program and on internal control over compliance in accordance with the Uniform Guidance.

We have communicated to management, in separate letters also dated March 31, 2021, certain deficiencies and other matters related to GDOE's internal control over financial reporting that we identified during our audit.

Although we have included management's written responses to our comments, such responses have not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we do not express an opinion or provide any form of assurance on the appropriateness of the responses or the effectiveness of any corrective actions described therein.



# DEPARTMENT OF EDUCATION OFFICE OF THE SUPERINTENDENT

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

March 31, 2021

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

We are providing this letter in connection with your audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Guam Department of Education (the "GDOE"), as of and for the year ended September 30, 2020, 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, as applicable, of GDOE in accordance with accounting principles generally accepted in the United States of America (GAAP).

We confirm that we are responsible for the following:

- a. The preparation and fair presentation in the basic financial statements of financial position of the governmental activities, each major fund, and the aggregate remaining fund information, in accordance with GAAP.
- b. The design, implementation, and maintenance of internal control:
  - Relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
  - To prevent and detect fraud.
- c. The review and approval of the financial statements and related notes, and we acknowledge your role in the preparation of this information. 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 financial statements 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[s].

1. The basic financial statements referred to above are fairly presented in accordance with GAAP. In addition:
  - a. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
  - b. The financial statements include all fiduciary activities as required by GASB Statement No. 84, *Fiduciary Activities, as amended*.
  - c. Net position components (net investment in capital assets, restricted, and unrestricted) are properly classified and, if applicable, approved.
  - d. Deposits and investment securities are properly classified in the category of custodial credit risk.
  - e. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
  - f. Required supplementary information is measured and presented within prescribed guidelines.
  - g. Applicable laws and regulations are followed in adopting, approving, and amending budgets.
  - h. GDOE's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available is appropriately disclosed and the related net position is properly recognized under the policy.
  - i. The financial statements properly classify all funds and activities, including special and extraordinary items.
  - k. All funds that meet the quantitative criteria in the GASB Codification Section 2200.159 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
  - l. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
  - m. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
  - n. GDOE has followed GASB Codification Section 1800.178 regarding which resources (restricted, committed, assigned, or unassigned) are considered to be spent for expenditures to determine the fund balance classifications for financial reporting purposes.
  - o. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

- p. Fund balance restrictions, commitments, and assignments are properly classified and, if applicable, approved.
2. GDOE has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.
  3. GDOE has made available to you:
    - a. All minutes of the meetings of the Guam Education Board (GEB) from October 2019 through the date of this letter, or summaries of actions of recent meetings for which minutes have not yet been prepared.
    - b. All minutes of the meetings of the Education Finance Support Commission (EFSC) from October 2020 through the date of this letter, or summaries of actions of recent meetings for which minutes have not yet been prepared.
    - c. Public laws enacted by the Guam Legislature directly related to GDOE and GDOE operations.
    - d. All financial records and related data for all financial transactions of GDOE and for all funds administered by GDOE. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by GDOE and provide the audit trail to be used in a review of accountability. Information presented in financial reports is supported by the books and records from which the financial statements have been prepared.
    - e. Contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies.
  4. There has been no:
    - a. Action taken by GDOE management that contravenes the provisions of federal laws and Guam laws and regulations, or of contracts and grants applicable to GDOE.
    - b. Communications with other regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the financial statements.
  5. We believe the effects of any uncorrected financial statement misstatements aggregated by you during the current audit engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix A.
  6. Management has not performed a risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud. However, management has made available to you their understanding about the risks of fraud in GDOE and do not believe that the financial statements are materially misstated as a result of fraud.
  7. We have no knowledge of any fraud or suspected fraud affecting GDOE involving:
    - a. Management.

- b. Employees who have significant roles in GDOE's internal control.
  - c. Others, where the fraud could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting GDOE's financial statements communicated by employees, former employees, analysts, regulators, or others.
  9. There are no unasserted claims or assessments that we are aware of or that legal counsel has advised us are probable of assertion and must be disclosed in accordance with GASB Codification Section C50, *Claims and Judgments*, except as discussed in Note 4F to the financial statements.
  10. The methods, significant assumptions, and the data used by us in making the accounting estimates and the related disclosures are appropriate to achieve recognition, measurement, or disclosure that is in accordance with GAAP.
  11. We are responsible for the preparation of the Schedule of Expenditures of Federal Awards in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("OMB Uniform Guidance"). We have identified and disclosed all of GDOE's government programs and related activities subject to the OMB Uniform Guidance compliance audit. In addition, we have accurately completed the appropriate sections of the data collection form.
  12. We are responsible for compliance with local, state, and federal laws, rules, and regulations, including compliance with the requirements of OMB Uniform Guidance and the provisions of grants and contracts relating to GDOE's operations. We are responsible for understanding and complying with the requirements of the federal statutes and regulations, and the terms and conditions of federal awards related to each of GDOE's federal programs. We are responsible for establishing and maintaining the components of internal control relating to our activities in order to achieve the objectives of providing reliable financial reports, effective and efficient operations, and compliance with laws and regulations. We are responsible for maintaining accounting and administrative control over revenues, obligations, expenditures, assets, and liabilities.
  13. We have informed you of all investigations or legal proceedings that have been initiated during the year ended September 30, 2020 or are in process as of September 30, 2020.
  14. We are responsible for all non-audit services performed by you during the year ended September 30, 2020 and through March 31, 2021.
  15. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal awards that could have a material effect on its federal programs.
  16. We have disclosed to you all deficiencies in the design or operation of internal control over financial reporting identified as part of our evaluation, including separately disclosing to you all such deficiencies that are significant deficiencies or material weaknesses in internal control over financial reporting.

17. No events have occurred subsequent to March 11, 2021, that require consideration as adjustments to or disclosures in the schedule of federal awards and related notes or that existed at the end of the reporting period that affect noncompliance during the reporting period.
18. We have disclosed all known noncompliance with direct and material compliance requirements occurring subsequent to September 30, 2020.
19. No changes in internal control over compliance or other factors that might significantly affect internal control over financial reporting, including any corrective actions taken by GDOE with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to September 30, 2020.
20. Federal awards expenditures have been charged in accordance with applicable cost principles.
21. The Reporting Package submitted to the Federal Audit Clearinghouse (FAC) as defined by the OMB Uniform Guidance section 2CFR200.512(3)(c) does not contain protected personally identifiable information.
22. We have disclosed all contracts or other agreements with service organizations.
23. We have disclosed to you all communications from service organizations relating to noncompliance with the requirements of federal statutes, regulations, and terms and conditions of federal awards at those organizations.
24. We have:
  - a. Identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program under audit.
  - b. Complied, in all material respects, with the direct and material compliance requirements identified above in connection with federal awards, except as disclosed in the Schedule of Findings and Questioned Costs.
  - c. Identified and disclosed interpretations of any compliance requirements that have varying interpretations.
  - d. Made available all federal awards (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities. Management has made available all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements. Federal financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared and are prepared on a basis consistent with that presented in the Schedule of Expenditures of Federal Awards. The copies of federal program financial reports provided are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through Entity, as applicable.

- e. Identified and disclosed all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards, including the results of other audits, program reviews, or any communications from federal awarding agencies and pass-through entities concerning possible noncompliance related to the objectives of the audit.
  - f. 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.
  - g. Provided to you our views on the reported findings, conclusions, and recommendations for your report.
  - h. Monitored subrecipients to determine that they have expended subawards in compliance with federal statutes, regulations, and terms and conditions of the subaward and have met the other pass-through entity requirements of OMB Uniform Guidance.
  - i. Issued management decisions for audit findings that relate to federal awards made to subrecipients. Such management decisions were issued within six months of acceptance of the audit report by the FAC. Additionally, we have followed up to determine whether the subrecipient has taken timely and appropriate action on all deficiencies detected through audits, on-site reviews, and other means that pertain to the federal award provided to the subrecipient from GDOE.
  - j. Considered the results of the subrecipient's audits and made any necessary adjustments to GDOE's own books and records.
26. We are responsible for follow-up on all prior-year(s) findings. We have prepared a summary schedule of prior-year findings by federal awarding agency and pass-through entity, including all management decisions, to report the status of our efforts in implementation of the prior-year's corrective action plan. The summary schedule of prior audit findings includes all findings required to be included in accordance with OMB Uniform Guidance.
27. We are responsible for taking corrective action on audit findings and have developed a corrective action plan that meets the requirements of OMB Uniform Guidance. We have included in the corrective action plan for current-year findings the name of the person in our organization responsible for implementation of the actions, the best actions to be taken, and the estimate of a completion date. We have taken timely and appropriate steps to remedy fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that you report.
28. 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.
29. We believe that we have properly identified, reported, and classified each component unit of GDOE and each organization that meets the criteria established in GASB Codification Section 2100, *Defining the Financial Reporting Entity*. No organizations were identified that meet the criteria established in GASB Codification Section 2100, *Defining the Financial Reporting Entity*, except as follows:

- In 2013, a legally separate, tax-exempt entity was established, which meets the criteria set forth for component units under GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This entity provides financial support as a Foundation of the objectives, purpose and programs of GDOE. Although GDOE does not control the timing, purpose, or amount of receipts from the Foundation, the resources (and income thereon) that the Foundation holds and invests are restricted to the activities of GDOE. As the resources held by the Foundation can only be used by, or for the benefit of GDOE, the Foundation is considered a component unit of GDOE. As of September 30, 2020, the Foundation reported minimal collections below \$100,000 therefore omission of the Foundation is not considered material to the financial statements of GDOE.
30. GDOE has separately presented its financial assets and financial liabilities by (a) measurement category and (b) form of financial asset on the balance sheet or in the notes to the financial statements.
  31. We believe the effects of the uncorrected financial statement misstatements detected in the current year that relate to the prior fiscal year presented, when combined with those misstatements aggregated by you during the prior year audit engagement and pertaining to the prior year presented, are immaterial, both individually and in the aggregate, to the financial statements for the year ended September 30, 2020 taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix B.
  32. During the year ended September 30, 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective dates of GASB Statement No. 84, 89, 90, 91, 92 and 93 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. In accordance with GASB Statement No. 95, management has elected to postpone implementation of these statements.
  33. In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 84 will be effective for fiscal year ending September 30, 2021.
  34. In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. Management believes that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 87 will be effective for fiscal year ending September 30, 2022.
  35. In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and

comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 89 will be effective for fiscal year ending September 30, 2022.

36. In March 2018, GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 90 will be effective for fiscal year ending September 30, 2021.
37. In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 91 will be effective for fiscal year ending *September 30, 2023*.
38. In January 2020, GASB issued statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports, the terminology used to refer to derivative instruments and the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefits. The requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reissuance recoveries and terminology used to refer to derivative instruments are effective upon issuance. The remaining requirements of GASB Statement No. 92 is effective for the fiscal year ending September 30, 2022.
39. In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The primary objective of this statement is to address those and other accounting and financial reporting implications of the replacement of an IBOR. Management does not believe that this statement, upon

implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 93 will be effective for fiscal year ending September 30, 2022.

40. In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This statement also provides guidance for accounting and financial reporting for availability payment arrangements. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 94 will be effective for fiscal year ending *September 30, 2023*.
41. In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 96 will be effective for fiscal year ending September 30, 2023.
42. In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 97 will be effective for fiscal year ending September 30, 2022.
43. We have disclosed to you all significant cyber security incidents and/or breaches in which an actual or potentially adverse effect on an information system, network, or the information residing therein occurred or there was a loss of assets. We considered the cyber incident or breach to be significant if such incident or breach merited the attention of those charged with governance. As of September 30, 2020, and through the date of this letter, March 31, 2021, none occurred to our knowledge that were considered significant.

Except where otherwise stated below, immaterial matters less than \$3,060,000 collectively for governmental activities, \$1,380,000 collectively for the General Fund, \$1,080,000 collectively for the Federal Grants Assistance Fund, and \$3,200 collectively for the aggregate remaining fund information 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.

44. Except as listed in Appendix A and Appendix B, there are no transactions that have not been properly recorded and reflected in the financial statements.
45. GDOE has no plans or intentions that may affect the carrying value or classification of assets and liabilities.
46. Regarding related parties:
  - a. We have disclosed to you the identity of GDOE's related parties and all the related-party relationships and transactions of which we are aware.
  - b. To the extent applicable, related parties and all the related-party relationships and transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral) have been appropriately identified, properly accounted for, and disclosed in the financial statements.
47. In preparing the financial statements in accordance with GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:
  - a. It is reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events.
  - b. The effect of the change would be material to the financial statements.
48. There are no:
  - a. Instances of identified or suspected noncompliance with laws, regulations, or provisions of contracts or grant agreements whose effects should be considered when preparing the financial statements, or other instances that warrant the attention of those charged with governance.
  - b. Known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and that have not been disclosed to you and accounted for and disclosed in accordance with GAAP.
  - c. Known actual or likely instances of abuse that have occurred that could be quantitatively or qualitatively material to the financial statements.
  - d. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Codification Section C50, *Claims and Judgments*, except as discussed in Note 4F to the financial statements.
49. 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.

50. GDOE has complied with all aspects of contractual agreements that may affect the financial statements.
51. No department, division or agency of GDOE has reported a material instance of noncompliance to us.
52. GDOE has identified all derivative instruments as defined by GASB Codification Section D40, *Derivative Instruments*, and appropriately recorded and disclosed such derivatives in accordance with GASB Codification Section D40.
53. Other than those described in Note 10 to the financial statements, as noted below, no events have occurred after September 30, 2020, but before March 31, 2021, the date the financial statements were issued, that require consideration as adjustments to, or disclosures in, the financial statements.

On October 6, 2020, CaPFA issued \$65,420,000 in 2020 Series A COPS to refinance and prepay the rental payments of the outstanding 2010A Certificates, to finance the acquisition, construction and installation of energy improvements to the Guam John F. Kennedy High School, to fund capitalized interest for a portion of the Certificates and pay certain delivery costs of the Certificates.

54. 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 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.
55. Regarding supplementary information:
  - a. We are responsible for the preparation and fair presentation of the supplementary information in accordance with GASB Codification Section 2200, *Comprehensive Annual Financial Report*.
  - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with GASB Codification 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, except for the reclassification of retiree healthcare benefits from program revenues to general revenues as presented on the Statement of Activities – Governmental Activities.
56. Financial instruments with significant individual or group concentration of credit risk have been appropriately identified, properly recorded, and disclosed in the financial statements.
57. We have appropriately identified and properly recorded and disclosed in the financial statements all interfund transactions, including repayment terms.

58. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed in the financial statements.
59. Quantitative and qualitative information regarding the allowance for doubtful accounts has been properly disclosed in the financial statements.
60. GDOE has properly recognized and classified all leases and provided disclosures in accordance with FASB ASC 842, *Leases*.
61. We have disclosed to you all new or changes to the existing pension and other postretirement benefit plans.
62. We believe that the actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purposes are appropriate in the circumstances. These amounts have been appropriately recognized and displayed as assets, liabilities, and, where applicable, deferred inflows, deferred outflows, net position and changes in net position in the *financial statements* in accordance with GASB Codification Section P20, *Pension Activities — Reporting for Benefits Provided through Trusts That Meet Specified Criteria* and GASB Codification Section P22, *Pension Activities — Reporting for Benefits Not Provided through Trusts That Meet Specified Criteria — Defined Benefit*.
63. We believe that the actuarial assumptions and methods used to measure postretirement liabilities and costs for financial accounting purposes are appropriate in the circumstances. These amounts have been appropriately recognized and displayed as assets, liabilities, and, where applicable, net position and changes in net position in the *financial statements* in accordance with GASB Codification Section P52, *Postemployment Benefits Other than Pensions — Reporting for Benefits Not Provided through Trusts That Meet Specified Criteria — Defined Benefit*.
64. We do not plan to make frequent amendments to our pension or other postretirement benefit plans.
65. We have no intention of terminating any of our pension 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.
66. No evidence of fraud, possible irregularities, or dishonesty in fiscal operations of programs administered by GDOE has been discovered.
67. GDOE has obligated, expended, received, and used public funds of the Government of Guam in accordance with the purpose for which such funds have been appropriated or otherwise authorized by local, state, or federal law. Such obligation, expenditure, receipt, or use of public funds was in accordance with any limitations, conditions, or mandatory directions imposed by local, state, or federal law.
68. GDOE is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors or 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, GDOE management believes it is more economical to manage its risks internally. In the event of claim settlements and judgements, 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 risk in the past four years.

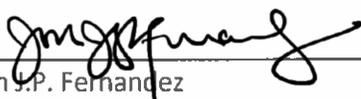
- 69. GDOE has evaluated the effects of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and determined that the related financial reporting considerations are accounted for and reported appropriately under the applicable financial accounting reporting framework.

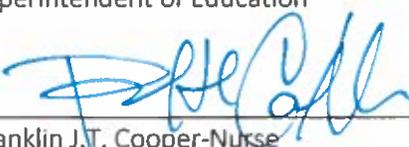
On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommend containment and mitigation measures worldwide. On March 13, 2010, President Donald J. Trump declared a national emergency within the United States. In response to the national emergency declared by the U.S. President, on March 14, 2020, Governor Lourdes A. Leon Guerrero issued Executive Order 2020-03 declaring a state of emergency in response to COVID-19. Further, Executive Order 2020-04 ordered the closure of all non-essential Government of Guam offices, prohibited large gatherings, and restricted entry into Guam from countries with confirmed COVID-19 cases. As a result, schools and non-essential government agencies and businesses have closed. GDOE has closed its offices to the public and has required all non-essential employees to work from home.

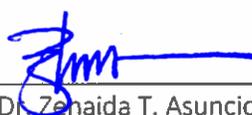
On March 28, 2020, the U.S. President signed a major disaster declaration for Guam and ordered federal assistance to supplement local recovery efforts in connection with the COVID-19 pandemic. As a result, GovGuam received direct aid under the Coronavirus Act Relief, and Economic Security ("CARES") Act of \$117,968,258, of which \$1,000,000 was made available during the year ended September 30, 2020 to GDOE to fund food distributions. Additionally, GDOE was awarded COVID-19 direct aid from the U.S. Department of Education and the U.S. Department of Agriculture totaling \$44,908,253, of which \$4,412,092 was expended as of September 30, 2020.

Due to the evolving nature of the COVID-19 pandemic and the federal and local responses thereto, GDOE is not able to predict the extent or duration of the outbreak. While the disruption is currently expected to be temporary, the duration of this pandemic is uncertain. Therefore, GDOE expects this matter to negatively impact general economic conditions globally, nationally and locally, and the departments results of operations for which the related financial impact cannot be reasonably estimated at this time.

Subsequent to fiscal year ended September 30, 2020, GDOE received additional direct aid from the U.S. Department of Education of \$110,563,287. GovGuam also received direct aid from the U.S. Department of Education of \$12,499,963 of which \$8,932,000 was made available to GDOE.

  
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Jon J.P. Fernandez  
Superintendent of Education

  
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Franklin J.T. Cooper-Nurse  
Chief Internal Auditor

  
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Dr. Zenaida T. Asuncion  
Deputy Superintendent, Finance and Admin. Services

## APPENDIX A

Guam Department of Education

## SUMMARY OF UNCORRECTED FINANCIAL STATEMENT MISSTATEMENTS

Year Ended September 30, 2020

General Fund		Balance Sheet			Income Statement
Entry Description	Type of Entry	Assets	Liabilities	Net Position at Beg of Year	Expenditures (Income)
		Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
1) To correct overstatement of accounts payable	Judgmental		780,433		(780,433)
2) To correct overstatement of accounts payable	Factual		742,948		(742,948)
3) To adjust prepayment	Factual	(637,373)	146,232		491,141
		(637,373)	1,669,613		(1,032,240)

Federal Grants Assistance Fund		Balance Sheet			Income Statement
Entry Description	Type of Entry	Assets	Liabilities	Net Position at Beg of Year	Expenditures (Income)
		Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
To record accruals	Extrapolated	298,890			(298,890)
			(298,890)		298,890
		298,890	(298,890)		-

Department-wide		Balance Sheet			Income Statement
Entry Description	Type of Entry	Assets	Liabilities	Net Position at Beg of Year	Expenditures (Income)
		Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
General Fund	Factual	(637,373)	889,180		(251,807)
General Fund	Judgmental		780,433		(780,433)
Federal Grants Assistance Fund	Extrapolated	298,890	(298,890)		
1. To correct overstatement of accumulated depreciation	Factual	1,920,804			(1,920,804)
		1,582,321	1,370,723		(2,953,044)

APPENDIX B

Guam Department of Education  
 SUMMARY OF UNCORRECTED FINANCIAL STATEMENT MISSTATEMENTS  
 Year Ended September 30, 2019

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



# DEPARTMENT OF EDUCATION OFFICE OF THE SUPERINTENDENT

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Email: jonfernandez@gdoe.net



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

March 31, 2021

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

We are providing this letter in connection with your audit of the compliance requirements of the federal award programs of Guam GDOE of Education (GDOE) for the year ended September 30, 2020, namely the following major programs:

10.553/10.555	Child Nutrition Cluster
15.875	Economic, Social, and Political Development of the Territories
84.027/84.173	Special Education Cluster (IDEA)
84.403	Consolidated Grant to the Outlying Areas
93.600	Head Start Cluster

1. We are responsible for the preparation and fair presentation of the Schedule of Expenditures of Federal Awards in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("OMB Uniform Guidance"). We believe the Schedule of Expenditures of Federal Awards, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement and presentation of the Schedule of Expenditures of Federal Awards have not changed from those used in the prior period. We have identified and disclosed all of GDOE's government programs and related activities subject to the OMB Uniform Guidance compliance audit. In addition, we will accurately complete the appropriate sections of the data collection form.
2. We confirm that when the Schedule of Expenditures of Federal Awards is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the Schedule of Expenditures of Federal Awards and our audit report thereon.
3. We are responsible for the compliance with Guam and federal laws, rules, and regulations, including compliance with the requirements of the OMB Uniform Guidance and the provisions of grants and contracts relating to GDOE's operations. We are

responsible for understanding and complying with the requirements of the federal statutes, regulations, and the terms and conditions of federal awards related to each of GDOE's federal programs. 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.

4. 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 federal statutes, regulations, and the terms and conditions of the federal awards that could have a material effect on its federal programs.
5. No subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period have occurred subsequent to September 30, 2020.
6. No instances of noncompliance with direct and material compliance requirements have occurred subsequent to September 30, 2020.
7. No changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by GDOE with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to September 30, 2020.
8. GDOE management has charged costs to federal awards in accordance with applicable cost principles.
9. The reporting package submitted to the Federal Audit Clearinghouse (FAC) as defined by the OMB Uniform Guidance section 2CFR200.512(3)(c) does not contain protected personally identifiable information.
10. 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.
11. GDOE has made available to you all financial records and related data for all financial transactions of 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 in federal financial reports and claims for advances and reimbursements is supported by the books and records from which the financial statements have been prepared.
12. GDOE has obligated, expended, received, and used public funds of GDOE 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, except as disclosed in the Schedule of Findings and Questioned Costs.

13. 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.
14. GDOE has identified and disclosed all of GDOE's government programs and related activities subject to the OMB Uniform Guidance compliance audit and has included expenditures made during the period being audited for all awards provided by federal agencies or pass-through entities in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
15. GDOE has identified and disclosed to you the requirements of federal statutes, regulations, and terms and conditions of federal awards that are considered to have a direct and material effect on each major federal program under audit.
16. 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.
17. GDOE has complied, in all material respects, with the direct and material requirements identified above in connection with federal awards, except as disclosed in the Schedule of Findings and Questioned Costs.
18. We have identified and disclosed interpretations of any compliance requirements that have varying interpretations.
19. Made available all federal awards (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities. GDOE has made available all documentation related to compliance with direct and material requirements, including information related to federal program financial reports and claims for advances and reimbursements. Federal financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared and are prepared on a basis consistent with that presented in the Schedule of Expenditures of Federal Awards. The copies of federal program financial reports provided are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.

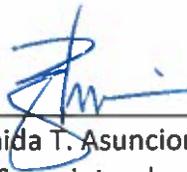
20. GDOE has monitored subrecipients to determine that they have expended subawards in compliance with federal statutes, regulations, and terms and conditions of the subaward and have met the other pass-through entity requirements of OMB Uniform Guidance.
21. GDOE has issued management decisions for audit findings that relate to federal awards made to subrecipients. Such management decisions were issued within six months of acceptance of the audit report by the FAC. Additionally, we have followed up by determining whether the subrecipient has taken timely and appropriate action on all deficiencies detected through audits, on-site reviews, and other means that pertain to the federal award provided to the subrecipient from GDOE.
22. GDOE has considered the results of subrecipients' audits and made any necessary adjustments to GDOE's own books and records.
23. GDOE has identified and disclosed all amounts questioned and all known noncompliance with direct and material compliance requirements of federal awards, including the results of other audits, program reviews, or any communications from federal awarding agencies or pass-through entities concerning possible noncompliance related to the objectives of the audit.
24. GDOE is responsible for follow-up on all prior-year(s) findings. We have prepared a summary schedule of prior-year findings by federal awarding agencies and pass-through entities, including all management decisions, to report the status of our efforts in implementation of the prior-year's corrective action plan. The summary schedule of prior audit findings includes all findings required to be included in accordance with OMB Uniform Guidance.
25. GDOE is responsible for taking corrective action on audit findings and has developed a corrective action plan that meets the requirements of OMB Uniform Guidance. We have included in the corrective action plan for current-year findings the name of the person in GDOE 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.

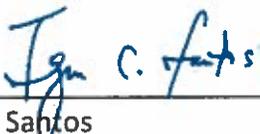
Except where otherwise stated below, matters less than \$25,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to, or disclosure in, the financial statements.

26. No changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective actions taken by management with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to September 30, 2020.

- 27. No evidence of fraud, possible irregularities, or dishonesty in fiscal operations of programs administered by GDOE has been discovered.
- 28. No events have occurred subsequent to September 30, 2020, that require consideration as adjustments to or disclosures in the schedule of federal awards and related notes or that existed at the end of the reporting period that affect noncompliance during the reporting period.
- 29. GDOE has disclosed all contracts or other agreements with GDOE's third-party fiduciary agent.
- 30. GDOE has disclosed all communications from GDOE's third-party fiduciary agent relating to noncompliance with the auditee's operations at that service organization.

  
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Jon J.P. Fernandez  
Superintendent of Education

  
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Dr. Zenaida T. Asuncion  
Deputy Superintendent for Finance and  
Administrative Services

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\_\_\_\_\_  
Ignacio C. Santos  
Federal Programs Administrator

  
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Franklin J.T. Cooper-Nurse  
Chief Internal Auditor

Guam Department of Education  
 Summary of Corrected Misstatements  
 September 30, 2020

DEPARTMENT-WIDE			
#	Name	Debit	Credit
	1 AJE To adjust pension liability		
820-370000	NET PENSION LIABILITY		16,969,015
820-270000	DEFERRED OUTFLOWS OF RESOURCES	18,650,780	
820-371500	DEFERRED INFLOWS OF RESOURCES	2,920,707	
820-370200	PENSION EXPENSE		4,602,472
		<u>21,571,487</u>	<u>21,571,487</u>
	2 AJE To adjust OPEB liability		
820-371400	OTHER POST-EMPLOYMENT BENEFITS		203,405,709
820-371402	OPEB EXPENSE	26,814,326	
820-271401	OPEB DEFERRED OUTFLOW OF RESOURCE	127,966,169	
820-371401	OPEB DEF. INFLOWS OF RESOURCE	48,625,214	
		<u>203,405,709</u>	<u>203,405,709</u>
	3 AJE To correct capital lease		
820-280400	DEFERRED MAINT. COST		125,000
820-380200	CAPITAL LEASE-LONG TERM	7,805,437	
820-380300	CAPITAL LEASE -CURRENT		451,544
820-380100	AMT TO BE PROVIDED-C.LEASE		7,228,893
		<u>7,805,437</u>	<u>7,805,437</u>
	4 AJE To correct sick and compensated absences		
820-340700	ACCRUED ANNUAL LEAVE-LT		1,346,601
820-381200	EMPLOYEE BENEFITS	2,510,077	
820-381300	DEF.CONTRIB.RETIRE/SICK		1,046,380
820-340300	ACCRUED ANNUAL LEAVE-CURR		117,096
		<u>2,510,077</u>	<u>2,510,077</u>
GENERAL FUND			
#	Name	Debit	Credit
	1 AJE To reconcile opening net position		
110-441900	FUND BALANCE	865,150	
121-441900	FUND BALANCE	393,685	
180-441900	FUND BALANCE		393,685
110-210000	INTERFUND CASH		865,150
121-210000	INTERFUND CASH		393,685
180-210000	INTERFUND CASH	393,685	
		<u>1,652,520</u>	<u>1,652,520</u>
	2 AJE To transfer cash from Federal Grants to General Fund		
110-200800	SAVINGS-SCHOOL MEALS/LUNCH	154,094	
110-200000	CHECKING-OPERATIONS CHECKING	3,000	
110-201200	CHECKING-PAYROLL ACCOUNT	95,120	
110-210000	INTERFUND CASH		252,214
		<u>252,214</u>	<u>252,214</u>

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## GENERAL FUND, CONTINUED

#	Name	Debit	Credit
	3 AJE To adjust deposit		
110-240300	PREPAID LEASE		60,478
110-045100-GADM	CAPITAL LEASE PAYMENTS	60,478	
		<u>60,478</u>	<u>60,478</u>
	4 AJE To record OPEB		
110-110000	TRANSFERS IN FROM GF		10,823,969
110-012100-RETB	POST EMPLOYMENT BENEFITS	10,823,969	
		<u>10,823,969</u>	<u>10,823,969</u>
	5 AJE To record reimbursement of expenditures funded by USDA		
110-110500	MISCELANEOUS INCOME ACCOUNTS		529,733
110-210000	INTERFUND CASH	529,733	
		<u>529,733</u>	<u>529,733</u>

## FEDERAL GRANTS ASSISTANCE FUND

#	Name	Debit	Credit
	1 AJE To reconcile opening net position		
210-210000	INTERFUND CASH	865,150	
210-441900	FUND BALANCE		865,150
211-441900	FUND BALANCE		202
211-032100	FEDERAL TAX PAYABLE	202	
		<u>865,352</u>	<u>865,352</u>
	2 AJE To transfer cash to general fund		
211-200800	SAVINGS-SCHOOL MEALS/LUNCH		154,094
220-200000	CHECKING-OPERATIONS CHECKING		3,000
220-201200	CHECKING-PAYROLL ACCOUNT		95,120
211-210000	INTERFUND CASH	154,094	
220-210000	INTERFUND CASH	98,120	
		<u>252,214</u>	<u>252,214</u>
	3 AJE To correct reimbursement to the General Fund		
211-441900	FUND BALANCE	529,733	
211-210000	INTERFUND CASH		529,733
		<u>529,733</u>	<u>529,733</u>