

March 29, 2012

Honorable Eddie Baza Calvo
Governor of Guam

Dear Governor Calvo:

We have performed an audit of the financial statements of the Tourist Attraction Fund and of those funds related to the Government of Guam Hotel Occupancy Tax Revenue Bonds, 2011 Series A (the Funds), as of and for the year ended September 30, 2011, in accordance with auditing standards generally accepted in the United States of America (“generally accepted auditing standards”) and have issued our report thereon date March 29, 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 the Funds is responsible.

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

Our responsibility under generally accepted auditing standards 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 the Funds’ basic financial statements and the accompanying 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 the Funds’ internal control over financial reporting and on their 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 by management with the oversight of the Office of the Governor are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Office of the Governor of their responsibilities.

We considered the Funds' 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 the Funds' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Funds' 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. No significant accounting estimates are reflected in the Funds' 2011 financial statements.

AUDIT ADJUSTMENTS

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 the Funds' financial reporting process. Such adjustments, listed in Appendix A, have been recorded in the accounting records and are reflected in the 2011 financial statements.

SIGNIFICANT ACCOUNTING POLICIES

The Funds' significant accounting policies are set forth in Note 1 to the Funds' 2011 financial statements. During the year ended September 30, 2011, there were no significant changes in previously adopted accounting policies or their application.

CRITICAL ACCOUNTING POLICIES AND PRACTICES

Critical accounting policies are those that are both most important to the portrayal of the Funds' 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.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to the Funds' 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 INITIAL ENGAGEMENT OR 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 the Funds' management and staff and had unrestricted access to the Funds' senior management in the performance of our audit.

MANAGEMENT'S REPRESENTATIONS

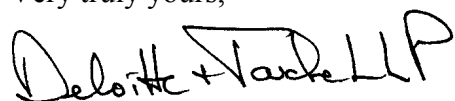
We have made specific inquiries of the Funds' management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations the Funds are required to provide to its independent auditors under generally accepted auditing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

CONTROL-RELATED MATTERS

We have issued a separate report to you, also dated March 29, 2012, containing information regarding our consideration of the Funds' internal control over financial reporting and our tests of their compliance with certain provisions of law, regulations, contracts and grant agreements.

This report is intended solely for the information and use of management, the Office of the Governor and the Office of Public Accountability of Guam and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, flowing style.

Journal Entries - AJE

#	Name	Debit	Credit
	1 AJE To eliminate interfund balances in DSF		
120614100	DUE TO/FROM GENERAL FUND	-	100,468.47
5206-9206-290	TRANSFERS TO DEBT SERVICE FUND	100,468.47	-
335450206	TRANSFER FROM TAF	-	100,468.47
135414100	DUE TO/FR GEN FUND	100,468.47	-
		<u>200,936.94</u>	<u>200,936.94</u>

To eliminate interfund balance in the debt service fund which represents recorded transfers into the debt service fund from the special revenue fund greater than actual cash transfers.

	2 AJE To correct the GASB 33 accrual		
120611110	ACCOUNTS RECEIVABLE-HOTEL TAX	-	288,210.52
320651410	OCCUPANCY TAX-HOTEL/RENTAL	102,881.57	-
320650750	GASB 33	185,328.95	-
		<u>288,210.52</u>	<u>288,210.52</u>

To correct the GASB 33 accrual based on actual GRT receipts received after year end but relating to FY 2011 totaling \$1,892,389. The initial accrual of \$2,180,600 included GRT receipts from Hotels that pertained to General Fund taxes and not TAF taxes.

	3 AJE To correct Hotel Tax revenues		
120614100	DUE TO/FROM GENERAL FUND	196,621.71	-
320651410	OCCUPANCY TAX-HOTEL/RENTAL	-	196,621.71
		<u>196,621.71</u>	<u>196,621.71</u>

To correct hotel tax revenues for GRT receipts recorded in the General Fund not adjusted to TAF, which includes Hotel taxes for one hotel for October 2010 in the amount of \$160,732.

We have reviewed the audit adjustments summarized above and agree that they should be recorded to the general ledger as of September 30, 2011. These adjusting journal entries are the result of errors and not the result of fraud, irregularities or illegal acts


 Kathy Kakigi
 Finance Manager



Eddie Baza Calvo
Governor
Ray Tenorio
Lieutenant Governor

Department of Administration
(DIPATTAMENTON ATEMENSTRASION)
DIRECTOR'S OFFICE
(UFISINAN DIREKTOT)

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Benita A. Manglona
Director
Anthony C. Blaz
Deputy Director

March 29, 2012

Deloitte & Touche LLP
361 SOUTH MARINE CORPS DRIVE
TAMUNING GU, 96913

We are providing this letter in connection with your audit of the balance sheet of the Tourist Attraction Fund and of those funds related to the Government of Guam Hotel Occupancy Tax Revenue Bonds, 2011 Series A (the Funds), as of September 30, 2011, and the related statement of revenues, expenditures, and changes in fund balances for the year ended September 30, 2011, which collectively comprise the Funds' basic financial statements for the purpose of expressing an opinion as to whether the basic financial statements present fairly, in all material respects, the financial position, results of operations or changes in fund balances, and cash flows of the Funds' in conformity with accounting principles generally accepted in the United States of America (GAAP).

We confirm that we are responsible for the following:

- a. The fair presentation in the basic financial statements of financial position of the balance sheet and the related statement of revenues, expenditures, and changes in fund balances, in conformity with GAAP.
- b. The fair presentation of the additional information accompanying the basic financial statements that is presented for the purpose of additional analysis of the basic financial statements.
- c. The design and implementation of programs and controls to prevent and detect fraud, including fraud related to federal awards.
- d. Establishing and maintaining effective internal control over financial reporting.
- e. The review and approval of the financial statements and related notes and acknowledge your role in the preparation of this information. Specifically, we acknowledge that your role in the preparation of the financial statements was a matter of convenience rather than one of necessity. We have reviewed the financial statement 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 a general-purpose government obtained from the Government Finance Officers Association.

Deloitte & Touche LLP
RE: FY'2011 TAF Audit
March 29, 2012
Page 2 of 6.

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

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

1. The basic financial statements referred to above are fairly presented in conformity with GAAP. In addition:
 - a. The financial statements present only the Tourist Attraction Fund and those funds related to the Government of Guam Hotel Occupancy Tax Revenue Bonds, 2011 Series A. They are not intended to present the financial position and results of operations of the Government of Guam in conformity with GAAP.
 - b. The financial statements properly classify all funds and activities.
 - c. Deposits are properly classified in the category of custodial credit risk.
 - d. Applicable laws and regulations are followed in adopting, approving and amending budgets.
 - e. Costs to federal awards have been charged in accordance with applicable cost principles.
2. Management has provided to you all relevant information and access as agreed in the terms of the audit engagement letter, including:
 - a. Public Laws as enacted by the Guam Legislature.
 - b. Financial records and related data for all financial transactions of the Tourist Attraction Fund and those funds related to the Government of Guam Hotel Occupancy Tax Revenue Bonds, 2011 Series A and for all funds administered by the Government of Guam relating to the Tourist Attraction Fund and those funds related to the Government of Guam Hotel Occupancy Tax Revenue Bonds, 2011 Series A. The records, books, and accounts, as provided to you, record the financial and fiscal operations of the Tourist Attraction Fund and those funds related to the Government of Guam Hotel Occupancy Tax Revenue Bonds, 2011 Series A 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.
 - c. Contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies.

Deloitte & Touche LLP
RE: FY'2011 TAF Audit
March 29, 2012
Page 3 of 6.

3. There has been no:
 - a. Action taken by the Government of Guam or management of the Funds' that contravenes the provisions of federal laws and local laws and regulations, or of contracts and grants applicable to the Tourist Attraction Fund and those funds related to the Government of Guam Hotel Occupancy Tax Revenue Bonds, 2011 Series A.
 - 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 of the Tourist Attraction Fund and those funds related to the Government of Guam Hotel Occupancy Tax Revenue Bonds, 2011 Series A.
4. The Government of Guam has not performed a risk assessment, including the assessment of the risk that the financial statements of the Tourist Attraction Fund and those funds related to the Government of Guam Hotel Occupancy Tax Revenue Bonds, 2011 Series A 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 Government of Guam and do not believe that the financial statements of the Tourist Attraction Fund and those funds related to the Government of Guam Hotel Occupancy Tax Revenue Bonds, 2011 Series A are materially misstated as a result of fraud.
5. We have no knowledge of any fraud or suspected fraud affecting the Government of Guam 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 of the Tourist Attraction Fund and those funds related to the Government of Guam Hotel Occupancy Tax Revenue Bonds, 2011 Series A.
6. We have no knowledge of any allegations of fraud or suspected fraud affecting the Funds' received in communications from employees, former employees, analysts, regulators, or others.
7. 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) 450, *Contingencies*.
8. Significant assumptions used by us in making accounting estimates are reasonable.
9. 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.

Deloitte & Touche LLP
RE: FY'2011 TAF Audit
March 29, 2012
Page 4 of 6.

10. We are responsible for the fair presentation of the additional information accompanying the basic financial statements of the Tourist Attraction Fund and those funds related to the Government of Guam Hotel Occupancy Tax Revenue Bonds, 2011 Series A that is presented for the purpose of additional analysis of the basic financial statements.

Except where otherwise stated below, matters less than \$80,000 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 of the Tourist Attraction Fund and those funds related to the Government of Guam Hotel Occupancy Tax Revenue Bonds, 2011 Series A.

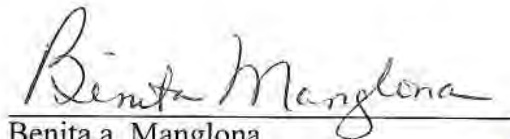
11. There are no transactions that have not been properly recorded in the accounting records underlying the financial statements.
12. Management of the Funds' has no plans or intentions that may affect the carrying value or classification of assets and liabilities.
13. The following, to the extent applicable, 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 management of the Funds' is contingently liable.
14. In preparing the financial statements in conformity 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 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.
15. 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.

Deloitte & Touche LLP
RE: FY'2011 TAF Audit
March 29, 2012
Page 5 of 6.

16. 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 FASB ASC 450, *Contingencies*.
17. The Government of Guam 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 Notes 4 to the financial statements.
18. The Government of Guam has complied with all aspects of contractual agreements that may have an effect on the financial statements of the Tourist Attraction Fund and those funds related to the Government of Guam Hotel Occupancy Tax Revenue Bonds, 2011 Series A in the event of noncompliance.
19. No department or agency of the Government of Guam has reported a material instance of noncompliance to us.
20. No events have occurred after September 30, 2011 but before March 29, 2012, the date the financial statements were available to be issued that require consideration as adjustments to or disclosures in the financial statements.
21. Management has disclosed whether, subsequent to September 30, 2011, any changes in internal control or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses, have occurred.
22. With regard to the fair value measurements and disclosures of certain assets, liabilities, and specific components of equity, such as investments, 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 the fair values are in conformity with accounting principles generally accepted in the United States of America.
 - c. No events have occurred subsequent to September 30, 2011 and before March 29, 2011, that requires adjustment to the fair value measurements and disclosures included in the financial statements.
23. During fiscal year 2011, the Government of Guam implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, implementation of which did not have a material effect on the financial statements of the Tourist Attraction Fund and those funds related to the Government of Guam Hotel Occupancy Tax Revenue Bonds, 2011 Series A.

Deloitte & Touche LLP
RE: FY'2011 TAF Audit
March 29, 2012
Page 6 of 6.

24. Management of the Funds' believes that it is in compliance with all significant limitations and restrictions of Hotel Occupancy Tax Revenue Bonds, 2011 Series A, bond covenants as of September 30, 2011.
25. We have appropriately identified and properly recorded and disclosed in the financial statements, where applicable, all interfund transactions, including repayment terms.
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.



Benita a. Manglona
DOA Director



Kathrine B. Kakigi
DOA Financial Manager