

April 24, 2017

The Executive Officers
Mayors' Council of Guam

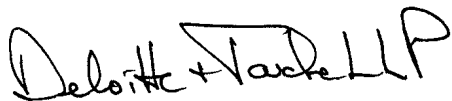
Dear Officers:

We have performed an audit of the financial statement of the Mayors' Council of Guam for the year ended September 30, 2016, in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards"), and have issued our report thereon dated April 24, 2017, which report was qualified as we were unable to verify the classification of certain deposits and disbursements.

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 Mayors' Council of Guam is responsible.

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

Very truly yours,

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

cc: To Management of the Mayors' Council of Guam



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

Our responsibility under generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, have been described in our engagement letter dated October 21, 2016. 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 Mayors' Council of Guam's financial statement and the accompanying supplementary information, in relation to the financial statement as a whole, for the year ended September 30, 2016 (the "financial statement"), in accordance with the cash basis of accounting, in all material respects;
- To express an opinion on whether the supplementary information that accompanies the financial statement is fairly stated, in all material respects, in relation to the financial statement taken as a whole; and
- To report on the Mayors' Council of Guam'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, 2016, 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 statement that has been prepared with the oversight of management is presented fairly, in all material respects, in conformity with the cash basis of accounting. The audit of the financial statement does not relieve management of their responsibilities.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statement, whether caused by fraud or error. In making those risk assessments, we considered internal control over financial reporting relevant to the Mayors' Council of Guam's preparation and fair presentation of the financial statement 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 Mayors' Council of Guam's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mayors' Council of Guam'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.

AUDIT ADJUSTMENTS AND UNCORRECTED MISSTATEMENTS

Our audit of the financial statement was designed to obtain reasonable, rather than absolute, assurance about whether the financial statement is free of material misstatement, whether caused by error or fraud. The misstatements included in Attachment I were brought to the attention of management as a result of our audit procedures and were corrected by management during the current period.



In addition, we have attached to this letter, Appendix A to Attachment II, an uncorrected misstatement identified by us during the current engagement and pertaining to the prior period presented that was determined by management to be immaterial to the financial statement taken as a whole.

SIGNIFICANT ACCOUNTING POLICIES

The Mayors' Council of Guam's significant accounting policies are set forth in Note 1 to the Mayors' Council of Guam's 2016 financial statement. During the year ended September 30, 2016, 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 Mayors' Council of Guam's financial condition and results and require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

We had no oral discussions with management regarding critical accounting policies and practices related to the year ended September 30, 2016.

ALTERNATIVE ACCOUNTING TREATMENTS

We had no discussions with management regarding alternative accounting treatments within the cash basis of accounting 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, 2016.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to the Mayors' Council of Guam's 2016 financial statement.

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 2016.

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

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

SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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



MANAGEMENT’S REPRESENTATIONS

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

CONTROL-RELATED MATTERS

We have issued a separate report to you, dated April 24, 2017, on the Mayors’ Council of Guam’s internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, which was based upon the audit performed in accordance with *Government Auditing Standards*.

We have communicated to management and the Mayors and Vice Mayors of the nineteen municipalities, in separate letters also dated April 24, 2017, certain deficiencies and other matters related to Mayors’ Council of Guam's internal control over financial reporting that we identified during our audit.

Although we have included management’s written responses to our comments contained in the reports, such responses have not been subjected to the auditing procedures applied in our audit of the basic financial statement 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.

* * * * *

Mayors' Council of Guam
Proposed Adjustments
September 30, 2016

AJE #	Particulars/Accounts	Debit	Credit
1	Agana Heights Senior Center		
	To record FY2016 deposits that were unrecorded		
	Dr. Cash	2,167.53	
	Cr. Other revenue		2,167.53
		<u>2,167.53</u>	<u>2,167.53</u>
	To record FY2016 disbursements that were unrecorded		
	Dr. Food and catering	604.00	
	Dr. Supplies and materials	636.37	
	Cr. Cash		1,240.37
		<u>1,240.37</u>	<u>1,240.37</u>
2	Merizo Mayor's Office		
	MPC Fund - To adjust for bank charges in FY2016		
	Dr. Bank Charges	317.80	
	Cr. Cash - MPC Fund		317.80
		<u>317.80</u>	<u>317.80</u>
	Cemetery Fund - To adjust for unrecorded receipts in FY2016		
	Dr. Cash - Cemetery Fund	3,200.00	
	Cr. Receipts - Maintenance services		1,000.00
	Cr. Receipts - Reimbursement		2,200.00
		<u>3,200.00</u>	<u>3,200.00</u>
3	Talofof Mayor's Office		
	To adjust ending cash balance to agree to 9/30/16 adjusted bank balance.		
	Dr. Cash	1,147.84	
	Dr. Disbursements - Bank charges	152.16	
	Cr. Sponsorships and registrations		1,300.00
		<u>1,300.00</u>	<u>1,300.00</u>
4	Yona Mayor's Office		
	To record beginning cash balance of fundraising bingo as other income		
	Dr. Cash	5,116.84	
	Cr. Other income		5,116.84
		<u>5,116.84</u>	<u>5,116.84</u>

We have reviewed the proposed audit adjustment above as of September 30, 2016 and agree that the above be recorded in the MCOG ledger. The above are not the results of fraud or illegal acts.



 Mayor Paul M. McDonald
 MCOG President

4-6-17

 Date



 Angel R. Sablan
 MCOG Executive Director

4-6-17

 Date



Mayors' Council of Guam

Konsehelon Mahot Guahan

April 24, 2017

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

Gentlemen:

We are providing this letter in connection with your audits of the statements of deposits and disbursements and changes in cash of the Mayors' Council of Guam (MCOG) for the years ended September 30, 2016 and 2015 for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the cash receipts and disbursements of the MCOG prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than 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 financial statements of the cash receipts and disbursements of the MCOG prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than GAAP.
- b. The fair presentation of the supplementary information accompanying the financial statements and additional information accompanying the financial statements that is presented for the purpose of additional analysis of the financial statements.
- c. The design, implementation, and maintenance of internal controls:
 - 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 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 on the cash basis of accounting, which is a comprehensive basis of accounting other than GAAP.

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.



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

1. The financial statements referred to above are fairly presented in conformity with the cash basis of accounting, which is a comprehensive basis of accounting other than GAAP.
2. Such financial statements present only the activities of the Non-Appropriated Funds and the Senior Center Operations Program and are not intended to present fairly the financial position and results of operations of other activities of the MCOG in conformity with accounting principles generally accepted in the United States of America.
3. The MCOG has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.
4. The MCOG has provided you financial records and related data for all financial transactions of the Non-Appropriated Funds and the Senior Center Operations Program. The records, books, and accounts, as provided to you, record the financial and fiscal operations of the Non-Appropriated Funds and the Senior Center Operations Program administered by the MCOG and provides 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 statement has been prepared.
5. There has been no: a) action taken by entity management that contravenes the provisions of Guam laws and regulations, or of contracts and grants applicable to the MCOG; b) communication from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the financial statements; and c) action taken, resolution passed, or decision made in meetings of the MCOG that requires consideration as adjustment to, or disclosure, in the financial statements.
6. We believe the effects of any uncorrected financial statement misstatements aggregated by you during the current audit engagement and pertaining to the prior 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.
7. The MCOG has not performed a formal risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud. However, management has made available to you their understanding about the risks of fraud in the MCOG and do not believe that the financial statements are materially misstated as a result of fraud.
8. We have no knowledge of any fraud or suspected fraud affecting the MCOG involving: a) management; b) employees who have significant roles in the MCOG's internal control over financial reporting; or c) others where the fraud could have a material effect on the financial statements.

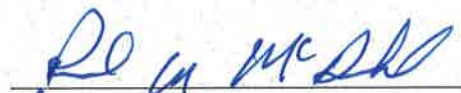
9. We have no knowledge of any allegations of fraud or suspected fraud affecting the MCOG received in communications from employees, former employees or others.
10. Management has identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.
11. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
12. There are no unasserted claims or assessments that are probable of assertion and must be disclosed in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards ("GASB Codification") Section C50, *Claims and Judgments*.
13. MCOG did not utilize legal services for any purpose during the fiscal years ended September 30, 2016 and 2015 and to the date of this letter.

Except where otherwise stated below, matters less than \$8,000 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.


14. Except as listed in Appendix A, there are no transactions that have not been properly recorded in the accounting records underlying the financial statements.
15. Regarding related parties:
 - a. We have disclosed to you the identity of the related parties and all the related party relationships and transactions of which we are aware.
 - b. To the extent applicable, related party 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.
 - c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements.
16. There are no:
 - a. Instances of identified or suspected noncompliance with laws or regulations whose effects should be considered when preparing the financial statements.
 - 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. Other liabilities or gain or loss contingencies that are required to be disclosed by GASB Codification Section C50, *Claims and Judgments*.
17. The MCOG has satisfactory title to all cash balances, and there are no liens or encumbrances on such cash balances nor have any cash balances been pledged as collateral.
18. We have complied with all aspects of contractual agreements that would have an effect on the financial statements in the event of noncompliance.
19. Regarding supplementary information:
- a. We are responsible for the fair presentation of the supplementary information in accordance with the basis of cash deposits and disbursements.
 - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with the basis of cash deposits and disbursements.
 - c. The method of measurement and presentation of the supplementary information has not changed from those used in the prior period.
20. No events have occurred after September 30, 2016 but before April 24, 2017, the date the financial statements were available to be issued that require adjustment to, or disclosure in, the financial statements.

Very truly yours,



Mayor Paul M. McDonald
President



Angel Sablan
Executive Director

APPENDIX A

Mayors' Council of Guam
 Summary of Uncorrected Financial Statement Misstatements
 Year Ended September 30, 2016

PRIOR YEAR UNCORRECTED MISSTATEMENTS			
Entry Description	Cash	Fund Balance Beg of Year	Deposits & Disbursements
	Dr (Cr)	Dr (Cr)	Dr (Cr)
YONA MAYOR'S OFFICE <1> To record net fundraising income from the bingo fundraiser account			
DR. Cash CR. Fundraising income	5,117	(5,117)	
Total Misstatements	5,117	(5,117)	-

We have reviewed the uncorrected misstatement above as of September 30, 2016. The uncorrected misstatement is not material to the financial statements. The above is not the result of fraud or illegal acts.

Very truly yours,



Mayor Paul M. McDonald
 President



Angel Sablan
 Executive Director