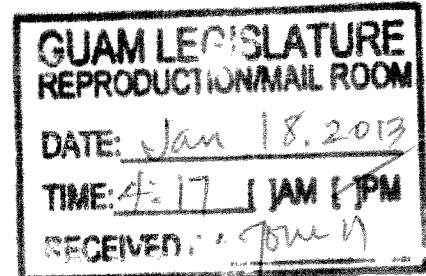


OFFICE OF PUBLIC ACCOUNTABILITY
Doris Flores Brooks, CPA, CGFM
Public Auditor

January 18, 2013

Honorable Judith T. Won Pat, Ed.D.
Speaker
I Mina' Trentai Unu Na Liheslaturan Guåhan
155 Hesler Place
Hagatna, Guam 96910



Dear Speaker Won Pat:

Hafa Adai! Transmitted herewith is the Fiscal Year (FY) 2011 Mayors' Council of Guam – Non-Appropriated Funds audited Statement of Cash Deposits and Disbursements, Report on Compliance and Internal Controls, Management Letter, and Letter to Those Charged with Governance. Separate management letters were issued to each mayor. You may view the management letter of each village mayor on our website. Attached are our highlights of the audit report.

For your convenience, you may also view and download the reports in their entirety at www.guamopa.org.

Senseramente,

Doris Flores Brooks, CPA, CGFM
Public Auditor

2013 JAN 22 AM 9:01

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Office of the Speaker
Judith T. Won Pat, Ed. D.

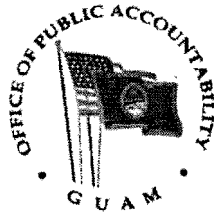
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Mayors' Council of Guam FY 2011 Financial Highlights

January 17, 2013

The Mayor's Council of Guam (MCOG) and all mayors' Non-Appropriated Funds (NAFs) ended fiscal year (FY) 2011 with a qualified opinion on its statement of cash deposits and disbursements as a result of their inability to verify the classification of \$125,614 of deposits and \$118,225 of disbursements. Separate management letters were issued to each mayor and the MCOG. The findings identified in FY 2011 were similar to those in the FY 2010 audits that were issued in April 2012. Due to the April 2012 release, there was little time to take corrective action in FY 2011. Accordingly, it is anticipated that corrections and improvements will occur in FY 2012.

Mayors' Office Non-Appropriated Receipts and Disbursements

The 19 mayors NAFs collectively totaled \$515 thousand (K) in FY 2011 with funds coming from a variety of activities held at the villages such as the flea/night markets (\$125K or 24%), program registrations (\$65K or 13%), Guam Visitors Bureau (GVB) grants (\$53K or 10%), fiesta concessions (\$51K or 10%), ticket sales (\$37K or 7%), and donations (\$32K or 6%). The mayors have great discretion over the use of these funds. Individually, the FY 2011 NAF receipts were below \$30K for 13 villages, of which six villages generated less than \$10K. The top five villages in NAF receipts were Dededo at \$144K, Agat at \$89K, Merizo at \$54K, Sinajana at \$46K, and Yigo at \$38K. One village, Agana Heights has all its village activities handled through a separate non-profit organization. In general, receipts at the village level have declined for all villages except Sinajana, whose receipts more than doubled from \$21K in FY 2010 to \$46K in FY 2011. See Chart 1 below for a comparison of cash receipts by village between FY 2011 and FY 2010.

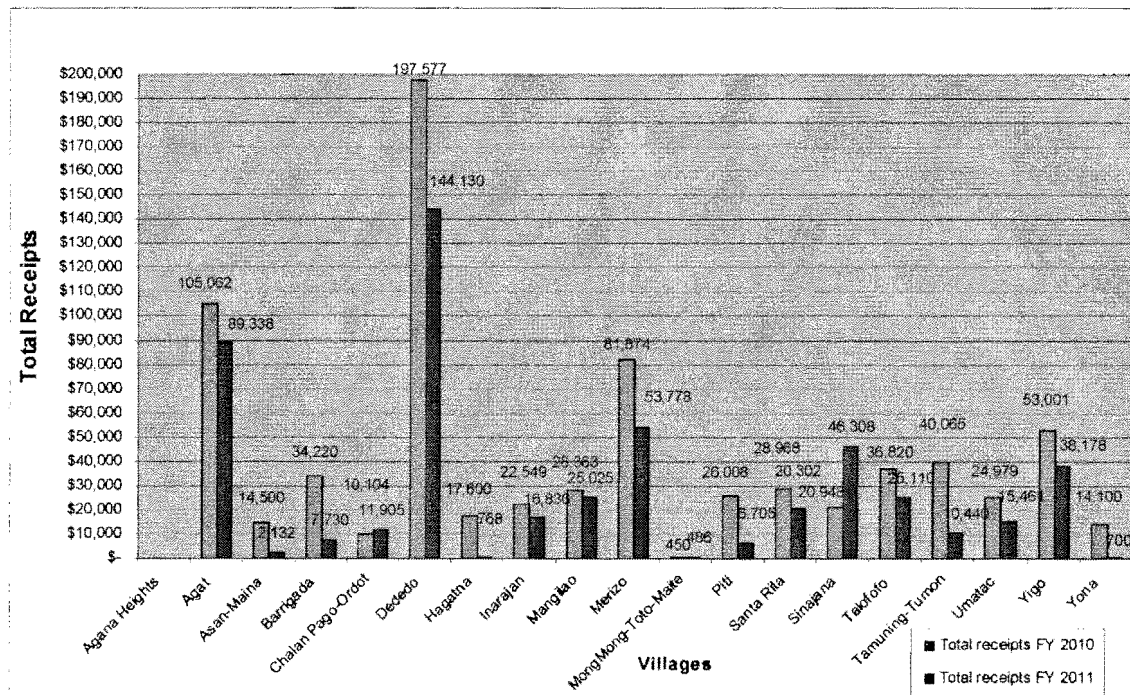


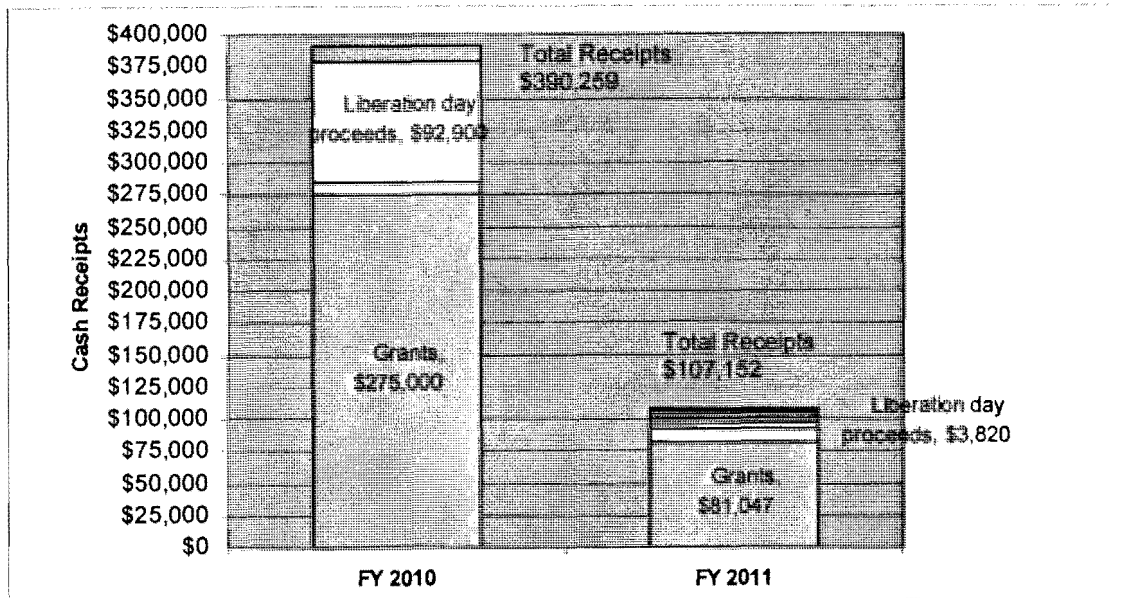
Chart 1: Mayors NAF Total Receipts (Non-Appropriated Funds)

Despite the \$242K or 32% decrease in receipts for the 19 mayors from \$757K in FY 2010 to \$515K in FY 2011, disbursements among the mayors increased by \$25K or 4% from \$649K in FY 2010 to \$674K in FY 2011. These disbursements were for various needs and activities at the village level that included community projects (\$124K or 18%), fiesta expenses (\$114K or 17%), and community programs (\$61K or 9%).

MCOG Non-Appropriated Receipts and Disbursements

The MCOG, as a body, has its own NAF and serves as the pass through agency for grants to be distributed to the different villages. For 2011, these grants totaled \$81K. Other revenue sources were from dues (\$11K or 10%), tickets sales (\$5K or 4%), and other fundraising activities (\$5K or 4%). Dues are assessed to each member of the MCOG at the rate of \$15 per pay period with an initiation fee of \$50 for all new members. Receipts declined significantly due to less grants received, specifically the GVB grant for branding initiatives. Liberation Day proceeds were not received until January 2012, therefore it will be recognized in the FY 2012 audit. See Chart 2 below for a comparison of the MCOG NAF between FY 2011 and FY 2010.

Chart 2: MCOG NAF Revolving Fund Receipts



Disbursements made from the MCOG NAF were primarily for office events, sponsorships, and donations.

Management Letters and Report on Compliance

Management letters were issued to each of the mayors along with the MCOG that identified deficiencies that were similar in FY 2010. The most common deficiencies included receipts not being issued for funds/cash received, lack of supporting documentation for deposits and disbursements, checks being made payable to "Cash," and no process in place to classify and summarize transactions to provide an accurate financial statement. While we acknowledge the skill sets of the employees at the mayors' offices vary, OPA suggests that MCOG central personnel be trained in basic bookkeeping

and accounting to assist the mayors in their financial reporting requirements. The acquisition of an accounting software program such as QuickBooks would simplify these reporting requirements.

A separate letter was issued to MCOG citing five control deficiencies, which included issues pertaining to disbursements and a formal process of summarizing transactions. Several MCOG disbursements were made payable to "Cash." A process to summarize receipts and disbursements is still not in place in order to provide accurate financial statement reporting.

Likewise with the FY 2011 Report on Compliance and Internal Control for the MCOG, the same findings remain from FY 2010 and include: 1) lack of accounting and financial reporting policies and procedures, 2) noncompliance with applicable procurement regulations, and 3) lack of monitoring non-profit organizations.

Accounting and Financial Reporting

Formal accounting and financial reporting policies and procedures were not established for FY 2011. A system is not in place that will produce accurate financial reports and it has been recommended that the Task Force created develop such policies and create a system that will govern the non-appropriated funds.

Compliance with Applicable Procurement Regulations

Procurement rules and regulations absent an established policy are applicable to the NAFs. A Task Force created by the MCOG is in the process of developing a uniform procurement policy. It has been recommended that these policies be developed first then seek legislation for approval of such policies for all NAF activities.

Monitoring of Non-Profit Organizations

Auditors continue to recommend that a standard operating policy be put in place for mayors to utilize when dealing with non-profit organizations in order to mitigate potential lawsuits. We applaud the efforts of some mayors who have taken a proactive approach by creating their own checklist to ensure that non-profit organizations are legally established.

For more details, you may view the reports in its entirety at our website at www.guamopa.org.

Deloitte

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January 4, 2013

Mayor Melissa B. Savares
President
Mayors' Council of Guam

Dear Mayor Savares:

In planning and performing our audit of the financial statements of the Mayors' Council of Guam Non-Appropriated Funds (the Fund) as of and for the year ended September 30, 2011 (on which we have issued our report dated January 4, 2013), in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the Fund's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting. However, in connection with our audit, we identified, and included in the attached Appendix I, deficiencies related to the Mayors' Council of Guam non-appropriated fund's internal control over financial reporting and other matters as of September 30, 2011 that we wish to bring to your attention.

The definition of a deficiency is also set forth in the attached Appendix I.

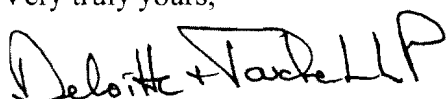
A description of the responsibility of management for establishing and maintaining internal control over financial reporting and of the objectives of and inherent limitations of internal control over financial reporting, is set forth in the attached Appendix II and should be read in conjunction with this report.

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

We will be pleased to discuss the attached comments with you and, if desired, to assist you in implementing any of the suggestions.

We wish to thank the staff and management of the Mayors' Council of Guam for their cooperation and assistance during the course of this engagement.

Very truly yours,



SECTION I – DEFICIENCIES

We identified, and have included below, deficiencies involving the Mayors' Council of Guam non-appropriated fund's internal control over financial reporting as of September 30, 2011 that we wish to bring to your attention:

1. Disbursements Payable to Cash

Forty-one disbursements totaling \$9,684 were issued payable to "Cash".

We recommend that disbursements payable to "Cash" not be utilized to the extent possible.

2. Disbursements Authorization

Only one signature is required for disbursements.

The Council should consider requiring two signatures for disbursements in excess of \$100.

3. Formal Process of Summarizing Transactions

A process of summarizing receipt and disbursement transactions to provide accurate financial statement reporting is not in place.

We recommend that a process be established for summarizing receipts and disbursements for financial statement reporting purposes. Further, we recommend that a formal chart of accounts be established.

4. Compliance with Applicable Procurement Rules and Regulations

Of seven disbursements tested aggregating \$75,095, two items (ref. check #s 341 and 348) totaling \$13,600 were not supported by comparative prices. While, the Mayors' Council of Guam seeks to obtain comparative prices for NAF disbursements, a formal procurement policy has not been established.

We recommend the Council clarify with the Guam Legislature the applicability of Guam procurement rules and regulations to NAF disbursements. We further recommend that the Council establish a procurement policy governing NAF that will be consistently and uniformly used by all nineteen districts.

5. Monitoring of Non-Profit Organizations

A formal process to monitor non-profit organizations utilizing the Council's facility is not in place.

We recommend that the Council establish formal procedures to ensure that non-profit organizations utilizing the Council and Mayoral facilities are in compliance with Division of Revenue and Taxation filings.

SECTION II – OTHER MATTERS

We also identified, and have included below, other matters involving the Mayor's Council of Guam Revolving Funds internal control over financial reporting as of September 30, 2011, that we wish to bring to your attention.

1. Receipts

During tests of receipts, the following were noted:

- a. Receipts are not consistently issued for all funds/cash received.
- b. The cash receipts log does not include the receipt date.
- c. Relevant supporting documents evidencing monitoring raffle and guest ticket proceeds of \$1,981 for two transactions (ref. transactions dated 10/20/10 & 04/18/11) were not provided.

We recommend that receipts be issued for all funds received, regardless of activity or amount. In the event that this process becomes impracticable, we recommend that a cash receipts log or an equivalent record be maintained to track funds received. The log/record should contain information as to the source, date of receipt, nature and amount of funds received.

SECTION III – DEFINITIONS

The definition of a deficiency that is established in AU 325, *Communicating Internal Control Related Matters Identified in an Audit*, is as follows:

A *deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when (a) a properly designed control does not operate as designed, or (b) the person performing the control does not possess the necessary authority or competence to perform the control effectively.

MANAGEMENT'S RESPONSIBILITY FOR, AND THE OBJECTIVES AND LIMITATIONS OF, INTERNAL CONTROL OVER FINANCIAL REPORTING

The following comments concerning management's responsibility for internal control over financial reporting and the objectives and inherent limitations of internal control over financial reporting are adapted from auditing standards generally accepted in the United States of America.

Management's Responsibility

Management is responsible for the overall accuracy of the financial statements and their conformity with accounting principles used to prepare the financial statements. In this regard, management is also responsible for establishing and maintaining effective internal control over financial reporting.

Objectives of Internal Control over Financial Reporting

Internal control over financial reporting is a process affected by those charged with governance, management, and other personnel and designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Internal control over the safeguarding of assets against unauthorized acquisition, use, or disposition may include controls related to financial reporting and operations objectives. Generally, controls that are relevant to an audit of financial statements are those that pertain to the entity's objective of reliable financial reporting (i.e., the preparation of reliable financial statements that are fairly presented in conformity with accounting principles used to prepare the financial statements).

Inherent Limitations of Internal Control over Financial Reporting

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.



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January 4, 2013

The Executive Officers
Mayors' Council of Guam

Dear Sir/Madam:

We have performed an audit of the financial statement of Mayors' Council of Guam Non-Appropriated Funds (the Fund) 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 dated January 4, 2013.

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 Fund is responsible.

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 June 20, 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 Fund's financial statements and the accompanying supplementary information, and to disclaim an opinion on the required supplementary information for the year ended September 30, 2011 in conformity with the cash basis of accounting;
- 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;
- To report on the Fund's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended September 30, 2011 based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*

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

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

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. During the year ended September 30, 2011, we are not aware of any significant accounting estimates or management's judgments reflected in the Fund's financial statement.

AUDIT ADJUSTMENTS AND 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. The misstatements included in Appendix 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, as Appendix II, a summary of uncorrected misstatements (regardless of whether they have a significant effect on the financial reporting process) aggregated by us during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

SIGNIFICANT ACCOUNTING POLICIES

The Fund's significant accounting policies are set forth in Note 1 to the Fund's 2011 financial statement.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to the Fund's 2011 financial statement.

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.

MANAGEMENT'S REPRESENTATIONS

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

MAJOR ISSUES DISCUSSED WITH MANAGEMENT PRIOR TO OUR RETENTION

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

SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

CONTROL-RELATED MATTERS

We have issued a separate report to you, dated January 4, 2013, on the Fund'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*.

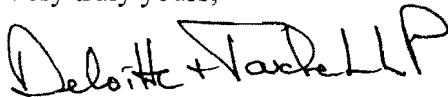
We have communicated to management, in a separate letter also dated January 4, 2013, deficiencies and other matters that we identified during our audit.

* * * * *

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.

We wish to thank the staff and management of the Fund for their cooperation and assistance during the course of this engagement.

Very truly yours,

Handwritten signature of Deloitte + Stark LLP in cursive script.

APPENDIX I

Mayors' Council of Guam Non-appropriated Funds
 Summary of Proposed Audit Adjustments
 September 30, 2011

Village	AJE #	Accounts	Debit	Credit
Mangilao	1. To adjust GL balance to reflect disbursement made per bank statements	Dr. Disbursements	5,149.00	
		Cr. Cash		(5,149.00)
	2. To adjust GL balance to reflect receipts per bank statement	Dr. Cash	2,920.00	
		Cr. Receipts		(2,920.00)
			<u>8,069.00</u>	<u>(8,069.00)</u>
	Merizo	1. To adjust balances per NAF report to agree to audited balances	Dr. Cash	43,232.62
Cr. Receipts				(43,232.62)
2. To adjust 9/30/11 balances per financial report for transfers to and from different bank accounts		Dr. Receipts	11,386.25	
		Cr. Disbursements		(11,386.25)
			<u>54,618.87</u>	<u>(54,618.87)</u>
Santa Rita		1. To adjust balances per NAF report to agree to audited balances	Dr. Disbursements	3,645.71
	Dr. Receipts		1,200.00	
	Cr. Cash			(4,845.71)
			<u>4,845.71</u>	<u>(4,845.71)</u>
Sinajana	1. To adjust balances per NAF report to agree to audited balances	Dr. Cash	146.39	
		Cr. Receipts		(146.39)
			<u>146.39</u>	<u>(146.39)</u>
	2. To record proceeds from fiesta concession charges and purchase of equipment	Dr. Equipment	600.00	
		Cr. Fiesta Concessions		(600.00)
			<u>600.00</u>	<u>(600.00)</u>
Talafofo	1. To adjust balances per NAF report to agree to audited balances for Talafofo NAF.	Dr. Cash	8,440.33	
		Cr. Receipts		(8,440.33)
			<u>8,440.33</u>	<u>(8,440.33)</u>

APPENDIX I, CONTINUED

Mayors' Council of Guam Non-appropriated Funds
 Summary of Proposed Audit Adjustments
 September 30, 2011

Village	AJE #	Accounts	Debit	Credit
Yigo	1. To adjust balances per NAF report to agree to audited balances.	Dr. Cash	7,000.00	
		Cr. Receipts		(7,000.00)
	2. To adjust beginning fund balance to agree w/ prior year audited ending balance	Dr. Beginning Fund Balance	377.52	
		Cr. Cash		(377.52)
			<u>7,377.52</u>	<u>(7,377.52)</u>
	Umatac	1. To adjust 9/30/11 cash balance per financial statements to agree to bank statement balance.	Dr. Disbursements	3,386.00
Cr. Cash				(3,386.00)
		<u>3,386.00</u>	<u>(3,386.00)</u>	
2. To take up unrecorded transactions		Dr. Disbursements	5,950.00	
		Cr. Revenues		(1,500.00)
		Cr. Cash		(4,450.00)
	<u>5,950.00</u>	<u>(5,950.00)</u>		

Mayors' Council of Guam Non-Appropriated Funds
Summary of Uncorrected Misstatements
September 30, 2011

	STATEMENT OF CONDITION			
	Assets	Liabilities	Beginning Fund Balance	Income Statement
	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
1. Dededo	3,704		(2,076)	(1,628)
Total Uncorrected Misstatements	<u>3,704</u>	<u>-</u>	<u>(2,076)</u>	<u>(1,628)</u>



Mayors' Council of Guam

Konschelon Mahot Guahan

January 4, 2013

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 of the Mayors' Council of Guam Non-appropriated Funds (the Fund) for the years ended September 30, 2011 and 2010 for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the results of operations of the Fund prepared on the basis of cash deposits and disbursements, 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 results of operations of the Fund prepared on the basis of cash deposits and disbursements, which is a comprehensive basis of accounting other than GAAP.
- b. The design and implementation of programs and controls to prevent and detect fraud.
- c. Establishing and maintaining effective internal control over financial reporting.

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. Except for the effect of adjustments, if any, as might have been determined to be necessary had you been able to determine the classification of certain deposits of \$125,614 and disbursements of \$118,225 for the year ended September 30, 2011 and of certain deposits of \$204,952 and disbursements of \$86,048 for the year ended September 30, 2010, the financial statements referred to above are fairly presented on the basis of cash deposits and disbursements, which is a comprehensive basis of accounting other than GAAP.
2. The Fund has provided to you all relevant information and access as agreed in the terms of the audit engagement letter, including:



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E-mail: mcogadmin@teleguam.net

- a. Financial records and related data for all financial transactions of the Fund. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by the Fund 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 statement has been prepared.
3. The Fund 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 Fund and do not believe that the financial statements are materially misstated as a result of fraud.
4. We have no knowledge of any fraud or suspected fraud affecting the Fund involving (1) management, (2) employees who have significant roles in the Fund's internal control over financial reporting, or (3) others where the fraud could have a material effect on the financial statements.
5. We have no knowledge of any allegations of fraud or suspected fraud affecting the Fund received in communications from employees, former employees or others.
6. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
7. There are no unasserted claims or assessments that are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification (ASC) 450, Contingencies (formerly FASB Statement No. 5, Accounting for Contingencies).
8. The Fund did not utilize legal services for any purpose during the fiscal years ended September 30, 2011 and 2010 and to the date of this letter.

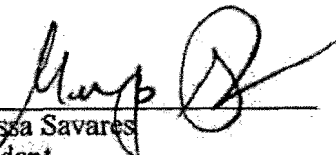
Except where otherwise stated below, matters less than \$5,700 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to, or disclosure in, the financial statements.

9. Except as listed in Appendix A, there are no transactions that have not been properly recorded in the accounting records underlying the financial statement.
10. The following, to the extent applicable, have been appropriately identified, properly recorded, and disclosed in the financial statements:
 - a. Related-party transactions and associated amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral).
 - b. Guarantees, whether written or oral, under which the Fund is contingently liable.
11. The Fund has no plans or intentions that may affect the carrying value or classification of assets and liabilities.
12. There are no:

Deloitte & Touche LLP
January 4, 2013
Page 3

- 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*
13. The Fund 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.
14. We have complied with all aspects of contractual agreements that would have an effect on the financial statements in the event of noncompliance.
15. No events have occurred after September 30, 2011 but before January 4, 2013, the date the financial statement was available to be issued that require adjustment to, or disclosure in, the financial statement.

Very truly yours,



Melissa Savares
President

1/4/13
Date



Angel Sablan
Executive Director

1-4-13
Date

**MAYORS' COUNCIL OF GUAM
NON-APPROPRIATED FUNDS**

**STATEMENTS OF CASH DEPOSITS AND
DISBURSEMENTS
AND INDEPENDENT AUDITORS' REPORT**

FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010



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Independent Auditors' Report

The Executive Officers
Mayors' Council of Guam

We have audited the accompanying statements of cash deposits and disbursements and changes in cash of the Mayors' Council of Guam Non-Appropriated Funds (the Fund) for the years ended September 30, 2011 and 2010. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of 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 Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

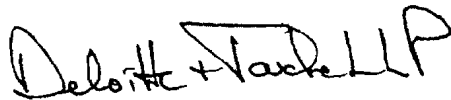
We were unable to verify the classification of \$125,614 of deposits and \$118,225 of disbursements for the year ended September 30, 2011 and the classification of \$204,952 of deposits and \$86,048 of disbursements for the year ended September 30, 2010.

As discussed in Note 1 to the financial statement, the financial statements referred to above were prepared on the basis of cash deposits and disbursements of the Fund, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America and is not intended to present fairly the financial position and results of operations of the Fund in conformity with accounting principles generally accepted in the United States of America.

In our opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary had we been able to determine the classification of certain deposits and disbursements for the years ended September 30, 2011 and 2010, such financial statements present fairly, in all material respects, the cash deposits and disbursements of the Mayors' Council of Guam Non-Appropriated Funds for the years ended September 30, 2011 and 2010, on the basis of accounting described in note 1.

Our audit was conducted for the purpose of forming an opinion on the statement of cash deposits and disbursements of the Fund taken as a whole. The accompanying schedule on pages 4 through 6 is presented for purposes of additional analysis and is not a required part of the financial statements of the Fund. This schedule is the responsibility of the Fund's management. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, except for the effects of such adjustments, if any, that might have been found to be necessary had we been able to determine the classification of certain deposits and disbursements, is fairly stated in all material respects when considered in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2013, on our consideration of the Mayors' Council of Guam Non-appropriated Funds' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

January 4, 2013

MAYORS' COUNCIL OF GUAM NON-APPROPRIATED FUNDS

Statements of Cash Deposits and Disbursements and Changes in Cash Years Ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Deposits:		
Grants:		
GVB branding initiatives	\$ -	\$ 275,000
GVB other grants	52,500	5,750
GovGuam	81,047	53,259
Other sources	2,000	500
Flea and night markets	124,654	108,595
Program registrations	64,910	54,418
Ticket sales	42,210	46,751
Liberation day proceeds	6,032	92,900
Others	195,985	99,322
Unclassified	-	204,952
Total deposits	<u>569,338</u>	<u>941,447</u>
Disbursements:		
Community programs and projects	189,817	137,865
Fiesta expenses	114,472	129,917
Equipment, supplies and materials	53,623	56,835
Contractual services	47,740	30,077
Sponsorships	44,930	38,253
Flea and night markets expenses	33,053	18,286
Community and office events	29,015	27,332
Food	28,582	27,906
Repairs and maintenance	27,919	25,062
Humanitarian assistance	25,868	37,035
Grants	24,000	38,000
Office expenses	23,015	-
Others	139,699	104,599
Unclassified	-	86,048
Total disbursements	<u>781,733</u>	<u>757,215</u>
Excess (deficiency) of deposits over (under) disbursements	(212,395)	184,232
Cash at beginning of year	<u>354,378</u>	<u>170,146</u>
Cash at end of year	<u>\$ 141,983</u>	<u>\$ 354,378</u>

See accompanying notes to statements of cash deposits and disbursements and changes in cash.

MAYORS' COUNCIL OF GUAM NON-APPROPRIATED FUNDS

Notes to Statements of Cash Deposits and Disbursements and Changes in Cash
Years Ended September 30, 2011 and 2010

(1) Summary of Significant Accounting Policies

Organization

The Mayors' Council of Guam (the Council) was established through the enactment of Public Law 14-27, signed into law on May 26, 1977. The Council is comprised of the nineteen (19) Mayors and the five (5) Vice Mayors of the following municipalities: Agat, Asan-Maina, Barrigada, Chalan Pago-Ordot, Dededo, Hagatna, Inarajan, Mangilao, Merizo, Mongmong-Toto-Maite, Piti, Santa Rita, Sinajana, Talofoto, Tamuning-Tumon-Harmon, Umatac, Yigo and Yona.

Public Law 30-68 granted individual Mayors the authority to sponsor and approve concessions, festivals, fiestas, or other village events associated with the promotion of the Chamorro culture, tradition, heritage and tourism. The Mayor and the Municipal Planning Council (MPC) of each village are authorized to raise funds through advertising by commercial enterprises on the walls of their sports facilities, raising funds through fund-raising efforts, to include approving concessionaire activities within each Municipality as approved by its MPC, soliciting corporate sponsorships and to accept contributions that are solely beneficial to the sports facilities or village. Funds generated will be deposited in the MPC Funds of each village and will be used for the operation and maintenance of village facilities and to fund special projects identified by the MPCs. Authority to establish the non-appropriated funds is granted through the 5 GCA § 40135.

The accompanying financial statement relates solely to the activities of the Mayors' Council of Guam and the nineteen (19) municipalities' non-appropriated funds (the Fund) and do not incorporate any other activities of the Council and the nineteen municipalities.

Accounting Policies

The accompanying statement of cash deposits and disbursements is prepared on a cash basis of accounting. Revenues are recognized when cash is received and expenses are recorded when cash is disbursed.

Cash

The Fund considers cash to represent cash in banks. At September 30, 2011 and 2010, the carrying amount of the Fund's cash balances were \$141,983 and \$354,378, respectively, and the corresponding bank balances were \$147,106 and \$359,526, respectively. The Fund's cash balance in bank of \$147,106 and \$359,526 as of September 30, 2011 and 2010, respectively, is maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2011 and 2010, bank deposits in the amount of \$147,106 and \$359,526, respectively, were FDIC insured.

Grant Support

The Fund receives grants from the Guam Visitors Bureau (GVB) and the Government of Guam (GovGuam) to support village mayors in their various community programs, projects and events.

MAYORS' COUNCIL OF GUAM NON-APPROPRIATED FUNDS

Notes to Statements of Cash Deposits and Disbursements and Changes in Cash
Years Ended September 30, 2011 and 2010

(1) Summary of Significant Accounting Policies, Continued

Grant Support, Continued

The following information summarizes the Fund's grant activity during the years ended September 30, 2011 and 2010:

<u>Source</u>	<u>2011</u>	<u>2010</u>
GVB:		
Village fiestas/festivals	\$ 52,500	\$ 5,750
Branding initiatives	-	275,000
GovGuam – Department of Youth Affairs:		
Summer camp programs	47,047	53,259
Liberation day festivities	34,000	-
Others	<u>2,000</u>	<u>500</u>
	<u>\$135,547</u>	<u>\$334,509</u>

For the year ended September 30, 2010, the Council received \$275,000 from GVB, pursuant to Public Law 30-22, to support village mayors in the various community brand-building initiatives, and in appreciation for their important role in facilitating these initiatives. As of September 30, 2011, the remaining balance from the branding initiative grant is \$23,000.

Reclassifications

Certain 2010 balances have been reclassified to conform to the 2011 financial statement presentation.

Subsequent Events

The Fund has considered subsequent events through January 4, 2013, the date on which the financial statements are available to be issued. The Fund has not identified any subsequent events that required adjustment to or disclosure in the financial statement as of September 30, 2011.

MAYORS' COUNCIL OF GUAM NON-APPROPRIATED FUNDS

Supplementary Combining Statements of Cash Deposits
and Disbursements and Changes in Cash
Years Ended September 30, 2011 and 2010

	MCOG Revolving Fund	Agana Heights	Agat	Asan- Maina	Barrigada	Chalan Pago- Ordot	Dededo
Deposits:							
Civil weddings	\$ 2,000	\$ -	\$ 250	\$ -	\$ -	\$ -	\$ 1,000
Commission	-	-	5,863	-	1,085	-	-
Donations	-	-	3,703	2,000	1,200	50	100
Dues	10,844	-	-	-	-	-	-
Facility use	-	-	1,000	-	-	750	13,700
Fiesta concessions	-	-	22,220	-	5,212	-	849
Flea and night markets	-	-	12,201	-	-	-	106,275
Fundraisings	4,543	-	-	-	-	-	-
Grants:							
GVB branding initiatives	-	-	-	-	-	-	-
GVB other grants	-	-	25,000	-	-	-	-
GovGuam	81,047	-	14,151	-	-	-	17,896
Others	-	-	-	-	-	-	-
Liberation day proceeds	3,820	-	-	-	-	-	-
Maintenance services	-	-	-	-	-	-	-
Others	100	-	820	132	233	-	35
Program registrations	-	-	4,130	-	-	11,105	4,275
Reimbursements	-	-	-	-	-	-	-
Ticket sales	4,799	-	-	-	-	-	-
Unclassified	-	-	-	-	-	-	-
Total deposits	107,153	-	89,338	2,132	7,730	11,905	144,130
Disbursements:							
Bank charges	-	-	15	36	-	-	36
Civil weddings	2,100	-	-	-	-	-	-
Commission	-	-	-	-	-	-	-
Communication	-	-	-	-	-	-	-
Community events	-	-	-	-	-	184	5,139
Community programs	-	-	9,273	-	-	7,120	12,160
Community projects	4,408	-	930	400	70	-	97,276
Contractual services	-	-	1,450	-	-	-	7,530
Donations	12,099	-	692	-	-	1,050	246
Equipment	-	-	150	-	2,247	-	22,160
Flea market expenses	-	-	-	-	-	-	27,678
Fiesta expenses	-	-	39,929	-	1,456	-	300
Food	6,688	-	55	-	217	-	3,204
Grants:							
Municipalities - GovGuam grants	47,047	-	-	-	-	-	-
Municipalities - GVB branding initiatives	4,000	-	-	-	-	-	-
Liberation Day Committee Fund	20,000	-	-	-	-	-	-
Others - GVB branding initiatives	4,000	-	-	-	-	-	-
Humanitarian assistance	773	-	3,400	-	-	-	15,200
Liberation day proceeds expenses	-	-	-	-	-	-	-
Liberation day expenses	-	-	1,338	-	269	-	2,596
Office events	15,590	-	-	-	-	-	-
Office expenses	-	-	-	-	-	-	23,015
Others	4,926	-	25,024	205	559	2,606	18,429
Prizes	-	-	-	-	-	-	-
Reimbursements	-	-	-	-	-	-	-
Rental	-	-	-	-	-	-	3,661
Repairs and maintenance	-	-	3,312	-	918	-	7,255
Salaries and wages	-	-	-	-	-	-	-
Sponsorships	15,194	-	3,771	200	220	-	13,798
Sports activities	-	-	-	-	-	-	17,015
Supplies and materials	-	-	465	2,240	812	-	2,266
Ticket sales remittance	-	-	-	-	-	-	-
Travel	-	-	-	-	285	-	-
Unclassified	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-
Total disbursements	136,825	-	89,804	3,081	7,053	10,960	278,964
Excess (deficiency) of deposits over (under) disbursements	(29,672)	-	(466)	(949)	677	945	(134,834)
Cash at beginning of year	78,396	-	5,501	1,929	5,562	3,040	142,142
Cash at end of year	\$ 48,724	\$ -	\$ 5,035	\$ 980	\$ 6,239	\$ 3,985	\$ 7,308

See accompanying independent auditors' report.

MAYORS' COUNCIL OF GUAM NON-APPROPRIATED FUNDS

Supplementary Combining Statements of Cash Deposits
and Disbursements and Changes in Cash, Continued
Years Ended September 30, 2011 and 2010

	Hagatna	Inarajan	Mangilao	Merizo	MongMong- Toto-Maite	Piti	Santa Rita
Deposits:							
Civil weddings	\$ -	\$ -	\$ 300	\$ 50	\$ -	\$ -	\$ 100
Commission	-	-	-	-	-	-	-
Donations	-	100	350	-	-	2,400	2,450
Dues	-	-	-	-	-	-	-
Facility use	768	-	-	-	-	50	670
Fiesta concessions	-	1,800	-	7,957	-	-	6,200
Flea and night markets	-	-	6,178	-	-	-	-
Fundraisings	-	4,077	-	4,503	-	-	-
Grants:							
GVB branding initiatives	-	-	-	-	-	-	-
GVB other grants	-	3,750	5,000	10,000	-	-	5,000
GovGuam	-	-	-	-	-	-	-
Others	-	2,000	-	-	-	-	-
Liberation day proceeds	-	-	-	-	-	-	2,212
Maintenance services	-	-	-	3,900	-	-	-
Others	-	697	13,197	5,678	486	3,804	1,370
Program registrations	-	-	-	-	-	-	2,300
Reimbursements	-	4,412	-	-	-	-	-
Ticket sales	-	-	-	21,690	-	451	-
Unclassified	-	-	-	-	-	-	-
Total deposits	768	16,836	25,025	53,778	486	6,705	20,302
Disbursements:							
Bank charges	36	124	-	-	-	-	-
Civil weddings	-	-	-	-	-	-	-
Commission	-	-	-	-	-	-	-
Communication	-	-	657	-	-	-	-
Community events	-	838	-	-	-	-	-
Community programs	-	5,088	-	5,300	-	700	-
Community projects	10,667	-	5,850	2,194	-	-	3,449
Contractual services	-	-	-	-	-	2,000	-
Donations	-	-	-	2,125	486	-	200
Equipment	-	-	1,250	519	-	-	1,523
Flea market expenses	-	-	5,375	-	-	-	-
Fiesta expenses	-	4,651	7,715	40,655	-	-	7,076
Food	-	-	1,140	6,126	-	401	513
Grants:							
Municipalities - GovGuam grants	-	-	-	-	-	-	-
Municipalities - GVB branding initiatives	-	-	-	-	-	-	-
Liberation Day Committee Fund	-	-	-	-	-	-	-
Others - GVB branding initiatives	-	-	-	-	-	-	-
Humanitarian assistance	-	1,181	500	2,100	-	-	-
Liberation day proceeds expenses	-	-	-	-	-	-	-
Liberation day expenses	-	-	100	-	-	-	-
Office events	-	-	1,970	-	-	-	-
Office expenses	-	-	-	-	-	-	-
Others	-	2,617	1,888	410	-	495	5,906
Prizes	-	-	214	-	-	-	-
Reimbursements	-	-	-	-	-	-	670
Rental	-	-	-	-	-	-	-
Repairs and maintenance	-	-	600	1,560	-	-	1,328
Salaries and wages	-	-	-	-	-	-	-
Sponsorships	-	1,700	2,060	1,162	-	-	280
Sports activities	-	-	-	-	-	-	-
Supplies and materials	-	-	3,348	818	-	111	1,596
Ticket sales remittance	-	-	-	-	-	-	-
Travel	-	-	-	-	-	-	-
Unclassified	-	-	-	-	-	-	-
Utilities	-	-	409	581	-	-	-
Total disbursements	10,703	16,199	33,076	63,550	486	3,707	22,541
Excess (deficiency) of deposits over (under) disbursements	(9,935)	637	(8,051)	(9,772)	-	2,998	(2,239)
Cash at beginning of year	19,849	5,297	20,084	24,140	-	1,008	3,988
Cash at end of year	\$ 9,914	\$ 5,934	\$ 12,033	\$ 14,368	\$ -	\$ 4,006	\$ 1,749

See accompanying independent auditors' report.

MAYORS' COUNCIL OF GUAM NON-APPROPRIATED FUNDS

Supplementary Combining Statements of Cash Deposits
and Disbursements and Changes in Cash, Continued
Years Ended September 30, 2011 and 2010

								Total	
	Sinajana	Talofoto	Tamuning-Turnon-Harmon	Umatac	Yigo	Yona	Eliminations	2011	2010
Deposits:									
Civil weddings	\$ -	\$ -	\$ -	\$ -	\$ 700	\$ -	\$ (2,100)	\$ 2,300	\$ -
Commission	-	-	-	-	110	-	-	7,058	5,075
Donations	-	-	-	-	19,883	-	-	32,236	22,383
Dues	-	-	-	-	-	-	-	10,844	9,945
Facility use	3,000	-	-	-	-	-	-	19,938	22,037
Fiesta concessions	-	1,050	-	6,211	-	-	-	51,499	29,298
Flea and night markets	-	-	-	-	-	-	-	124,654	108,595
Fundraisings	-	-	-	4,000	-	-	-	17,123	4,810
Grants:									
GVB branding initiatives	-	-	4,000	-	-	-	(4,000)	-	275,000
GVB other grants	-	-	-	3,750	-	-	-	52,500	5,750
GovGuam	15,000	-	-	-	-	-	(47,047)	81,047	53,259
Others	-	-	-	-	-	-	-	2,000	500
Liberation day proceeds	-	-	-	-	-	-	-	6,032	92,900
Maintenance services	-	-	-	-	-	-	-	3,900	3,850
Others	308	8,790	6,440	1,500	2,385	700	-	46,675	1,924
Program registrations	28,000	-	-	-	15,100	-	-	64,910	54,418
Reimbursements	-	-	-	-	-	-	-	4,412	-
Ticket sales	-	15,270	-	-	-	-	-	42,210	46,751
Unclassified	-	-	-	-	-	-	-	-	204,952
Total deposits	46,308	25,110	10,440	15,461	38,178	700	(53,147)	569,338	941,447
Disbursements:									
Bank charges	-	-	-	-	-	117	-	364	842
Civil weddings	-	-	-	-	-	-	(2,100)	-	-
Commission	-	8,916	-	-	-	-	-	8,916	-
Communication	-	-	-	-	-	-	-	657	395
Community events	-	294	-	-	-	-	-	6,455	11,922
Community programs	2,475	-	-	-	19,147	-	-	61,263	68,280
Community projects	-	800	2,010	-	500	-	-	128,554	69,585
Contractual services	27,350	520	2,315	6,575	-	-	-	47,740	30,077
Donations	20	830	100	-	350	-	-	18,198	19,825
Equipment	600	-	-	-	146	1,440	-	30,035	26,471
Flea market expenses	-	-	-	-	-	-	-	33,053	18,286
Fiesta expenses	-	12,690	-	-	-	-	-	114,472	129,917
Food	4,618	892	3,486	-	1,242	-	-	28,582	27,906
Grants:									
Municipalities - GovGuam grants	-	-	-	-	-	-	(47,047)	-	-
Municipalities - GVB branding initiatives	-	-	-	-	-	-	(4,000)	-	-
Liberation Day Committee Fund	-	-	-	-	-	-	-	20,000	-
Others - GVB branding initiatives	-	-	-	-	-	-	-	4,000	38,000
Humanitarian assistance	860	354	-	-	1,500	-	-	25,868	37,035
Liberation day proceeds expenses	-	-	-	-	-	-	-	-	11,120
Liberation day expenses	-	-	-	-	-	-	-	4,303	10,948
Office events	-	-	-	-	5,000	-	-	22,560	15,410
Office expenses	-	-	-	-	-	-	-	23,015	-
Others	969	3,047	658	9,336	5,480	-	-	82,555	28,167
Prizes	-	-	-	-	-	-	-	214	2,458
Reimbursements	-	-	-	-	-	-	-	670	4,031
Rental	-	-	-	-	-	-	-	3,661	705
Repairs and maintenance	665	-	4,699	-	2,225	5,357	-	27,919	25,062
Salaries and wages	-	-	-	-	1,200	-	-	1,200	-
Sponsorships	3,427	-	988	250	1,880	-	-	44,930	38,253
Sports activities	-	-	-	-	-	-	-	17,015	10,532
Supplies and materials	5,186	-	1,080	-	5,666	-	-	23,588	30,364
Ticket sales remittance	-	-	-	-	-	-	-	-	11,600
Travel	-	-	200	-	-	-	-	485	2,809
Unclassified	-	-	-	-	-	-	-	-	86,048
Utilities	-	-	471	-	-	-	-	1,461	1,167
Total disbursements	46,170	28,343	16,007	16,161	44,336	6,914	(53,147)	781,733	757,215
Excess (deficiency) of deposits over (under) disbursements	138	(3,233)	(5,567)	(700)	(6,158)	(6,214)	-	(212,395)	184,232
Cash at beginning of year	-	4,809	6,271	715	25,433	6,214	-	354,378	170,146
Cash at end of year	\$ 138	\$ 1,576	\$ 704	\$ 15	\$ 19,275	\$ -	\$ -	\$ 141,983	\$ 354,378

See accompanying independent auditors' report.

**MAYORS' COUNCIL OF GUAM
NON-APPROPRIATED FUNDS**

**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE AND ON INTERNAL CONTROL**

YEAR ENDED SEPTEMBER 30, 2011

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Executive Officers
Mayors' Council of Guam

We have audited the financial statements of the Mayors' Council of Guam Non-Appropriated Funds (the Fund) as of and for the year ended September 30, 2011, and have issued our report thereon dated January 4, 2013, which report was qualified as we were unable to verify the classification of certain deposits and disbursements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Fund is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2011-1 to be a material weakness.

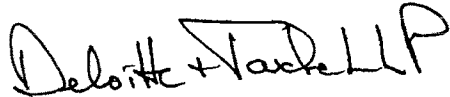
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2011-02 and 2011-03.

We noted certain matters that we reported to the management of the Fund in a separate letter dated January 4, 2013.

The Fund's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Fund's responses and, accordingly, we express no opinion on them.

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

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

January 4, 2013

**MAYORS' COUNCIL OF GUAM
NON-APPROPRIATED FUNDS**

Schedule of Findings and Responses
Year Ended September 30, 2011

Finding No.: 2011-01
Area: Accounting and Financial Reporting Policies and Procedures

Criteria: Formal accounting and financial reporting policies and procedures should be in place. The establishment and standardization of accounting and financial reporting policies and procedures can provide management with increased assurance that accounting and financial reporting policies and procedures are understood and consistently followed. In the event that there is turnover of key personnel, written financial reporting policies and procedures minimize disruption caused by turnover and also assists new employees in their job performance. Such policies and procedures should be documented and be readily accessible by relevant personnel.

Condition: Formal accounting and financial reporting policies and procedures are currently not in place. In addition, a process of classifying and summarizing receipts and disbursements transactions to provide accurate financial statement reporting is not in place. The Mayors' Council of Guam has established a Task Force to develop a non-appropriated fund policy that will be adhered to and implemented by all nineteen districts. Currently, the Task Force is in the process of developing uniform accounting and financial reporting policies and procedures.

Cause: The cause of the above condition is the absence of uniform and formal accounting and financial reporting policies and procedures governing non-appropriated funds.

Effect: The effect of the above condition is the potential negative perceptions associated with lack of accountability and transparency on non-appropriated funds.

Recommendation: We recommend the Mayors' Council of Guam continue with its initiative to develop formal accounting and financial reporting policies and procedures governing non-appropriated funds. These policies and procedures should include but not be limited to: (a) cash receipts; (b) cash disbursements; (c) document filing; (e) record-retention; and (f) financial reporting, among others.

Further, we also recommend that the Mayors' Council of Guam continue to serve as a resource center for municipalities on accounting and financial reporting non-appropriated fund related matters.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Angel R. Sablan, Executive Director, Mayors' Council of Guam

Response and Corrective Action: We agree with the findings of the audit. We further agree to continue our corrective action by finalizing and implementing a "Standard Policy" to govern the accounting and financial reporting procedures to be used by all mayoral Offices to cover (a) cash receipts, (b) cash disbursements, (c) document filing, (d) record-retention, and (e) financial reporting, at the least.

We will also procure for the use of all offices a Quickbooks accounting software Multiple-user and engage the services of University of Guam Accounting Class students to assist in the training of this system.

Proposed Completion Date: We anticipate to complete the Standard Policy and installation of the Quickbooks system by March 29, 2013.

**MAYORS' COUNCIL OF GUAM
NON-APPROPRIATED FUNDS**

Schedule of Findings and Responses
Year Ended September 30, 2011

Finding No.: 2011-02
Area: Compliance with Applicable Procurement Regulations

Criteria: Procurement rules and regulations applicable to non-appropriated funds (NAF) should be clearly defined.

Condition: Disbursements from non-appropriated funds were not subjected to procurement procedures. The Mayors' Council of Guam had established a Task Force to research and to clarify procurement regulations applicable to NAF. Currently, the Task Force is in the process of developing a uniform procurement policy.

Cause: The cause of the above condition is the absence of formal procurement rules and regulations governing non-appropriated funds.

Effect: The effect of the above condition is that NAF disbursements are not subjected to procurement rules and regulations.

Recommendation: We recommend the Mayors' Council of Guam continue with its initiative to develop a procurement policy governing NAF that will consistently and uniformly be used by all NAF activities.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Angel R. Sablan, Executive Director, Mayors' Council of Guam

Response and Corrective Action: We agree with the findings of the audit. We will continue in our efforts to have the Guam Legislature define the "Procurement Authority" of the Mayors' Council of Guam and the individual mayoral offices with regards to the Non-Appropriated Funds. We will develop a procurement policy governing the NAF that will be consistently and uniformly used for all NAF activities and funds.

Proposed Completion Date: We anticipate to complete the Procurement Policy by March 29, 2013. We will continue the dialogue with the Guam Legislature and look forward to some legislative action on this matter before June 30, 2013.

**MAYORS' COUNCIL OF GUAM
NON-APPROPRIATED FUNDS**

Schedule of Findings and Responses
Year Ended September 30, 2011

Finding No.: 2011-03
Area: Monitoring of Non-Profit Organizations

Criteria: Policies and procedures should be in place to monitor non-profit organizations or other entities utilizing the municipalities' facilities.

Condition: A formal process to monitor non-profit organizations and other entities utilizing the municipalities' facilities is not in place. The Task Force established by the Mayors' Council of Guam is also in the process of developing policies and procedures dealing with non-profit organizations that utilize facilities under the jurisdiction of the Mayors' Offices.

Cause: The cause of the above condition is the lack of associated formal policies and procedures.

Effect: The effect of the above condition is that associated risks and legal liabilities may not be minimized.

Recommendation: We recommend the Mayors' Council of Guam continue with its initiative to establish formal policies and procedures to monitor non-profit organizations or other entities utilizing municipality facilities. Such policies and procedures should include determining whether non-profit organizations are legal and are in compliance with Division of Revenue and Taxation filings. Further, we recommend that associated risks and liabilities be evaluated and legal advice be sought as deemed necessary.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Angel R. Sablan, Executive Director, Mayors' Council of Guam

Response and Corrective Action: We agree with the audit findings. We will establish a formal policy and procedures to deal with and monitor non-profit organizations and other entities who wish to utilize the facilities under the jurisdiction of the Mayors' Council of Guam or individual mayoral offices. We will coordinate with the Department of Revenue and Taxation to obtain a listing of all valid and current duly registered nonprofit organizations that will be provided to all offices for their cross-checking and references whenever such is needed.

We shall also adopt a "standard HOLD HARMLESS form" for the use of all offices that must be agreed to by facility and equipment users. We shall continue to work with the Guam Legislature to assist our office in appropriating for legal services for the Mayors' Council of Guam.

Proposed Completion Date: We anticipate to work hand in hand with the new officers of the Council and any Task Force that is organized so that all the audit findings and corrective actions can be worked on simultaneously. We therefore, anticipate to also complete this corrective action by March 29, 2013.