

January 21, 2011

The Board of Trustees
Guam Educational Telecommunications Corporation

Dear Members of the Board of Trustees:

We have performed an audit of the financial statements of the Guam Educational Telecommunications Corporation (PBS Guam) as of and for the year ended September 30, 2010, 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 21, 2011.

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 PBS Guam is responsible.

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

Our responsibility under generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, has been described in our engagement letter dated July 30, 2010. 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 PBS Guam’s basic financial statements and to disclaim an opinion on the required supplementary information for the year ended September 30, 2010 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;
- To report on PBS 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, 2010 based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*; and

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 management and the Board of Trustees 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 Board of Trustees of their responsibilities.

We considered PBS Guam'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 PBS Guam's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of PBS Guam'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 with the oversight of 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, 2010, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

AUDIT ADJUSTMENTS AND UNCORRECTED MISSTATEMENTS

As the result of our audit work, we identified matters that resulted in audit adjustments that we believe, either individually or in the aggregate, would have a significant effect on PBS Guam's financial reporting process. Such proposed adjustments, listed in Appendix I, have been recorded in the accounting records and are reflected in the 2010 financial statements. Those proposed adjustments that were not recorded by management are also included in the schedule described in the next paragraph.

In addition, we have attached to this letter, as Appendix II, a summary of uncorrected misstatements and a summary of disclosure items passed 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

PBS Guam's significant accounting policies are set forth in Note 2 to PBS Guam's 2010 financial statements. During the year ended September 30, 2010, there were no significant changes in previously adopted accounting policies or their application, except for the following pronouncements adopted by PBS Guam:

- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which addresses whether and when intangible assets should be considered capital assets for financial reporting purposes.
- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which is intended to improve how state and local governments report information about derivative instruments - financial arrangements used by governments to manage specific risks or make investments - in their financial statements.
- GASB Technical Bulletin No. 2008-1, *Determining the Annual Required Contribution Adjustment for Postemployment Benefits*, which clarifies the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for calculating the annual required contribution (ARC) adjustment.
- GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*, which provides guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code, and establishes requirements for recognizing and measuring the effects of the bankruptcy process on assets and liabilities, and for classifying changes in those items and related costs.

The implementation of these pronouncements did not have a material effect on the accompanying financial statements.

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The provisions of this statement are effective for periods beginning after June 15, 2010. Management has not evaluated the effect that the implementation of this statement will have on the financial statements of PBS GUAM.

In December 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which amends Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans. The provisions of Statement 57 related to the use and reporting of the alternative measurement method are effective immediately. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in OPEB plan financial statements for periods beginning after June 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of PBS GUAM.

In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*, which updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. The provisions of this statement are effective for periods beginning after June 15, 2010. Management has not evaluated the effect that the implementation of this statement will have on the financial statements of PBS GUAM.

OTHER INFORMATION IN THE ANNUAL REPORTS OF PBS GUAM

When audited financial statements are included in documents containing other information, such as Annual Reports, we will read such other information and consider whether it, or the manner of its presentation, is materially inconsistent with the information, or the manner of its presentation, in the financial statements audited by us. In the event that PBS Guam issues an Annual Report or other documentation that includes the audited financial statements, we will be required to read the other information in PBS Guam's 2010 Annual Report and will inquire as to the methods of measurement and presentation of such information. If we note a material inconsistency or if we obtain any knowledge of a material misstatement of fact in the other information, we will discuss this matter with management and, if appropriate, with the Board of Trustees.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to PBS Guam's 2010 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 2010.

MANAGEMENT'S REPRESENTATIONS

We have made specific inquiries of PBS Guam's management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations PBS Guam 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 INITIAL ENGAGEMENT OR RETENTION

We did not have discussions regarding the application of accounting principles or auditing standards with management in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances prior to our retention as auditors.

SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

CONTROL-RELATED MATTERS

We have issued a separate report to you, dated January 21, 2011, on PBS 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*.

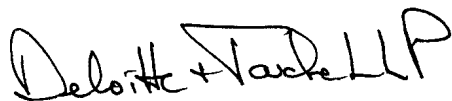
We have identified and included in Appendix IV, other matters involving PBS Guam's internal control over financial reporting as of September 30, 2010, that we wish to bring to your attention.

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

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

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

Very truly yours,

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

APPENDIX I

GETC			
Appendix B			
Journal Entries - AJE			
#	Name	Debit	Credit
	1 AJE to reverse Dep expense		
5999-3880	Retained Earnings	192,106.00	-
5640-5101	Depreciation Expense	-	192,106.00
	To reverse Dep expense		
	2 AJE To correct Beg balance RE		
5999-3880	Retained Earnings	2,062.00	-
Blank (216)	Other income	-	2,062.00
	To correct beg balance RE		
	3 AJE To reverse PY salaries accrual		
2010-2013	Accrued Wages Payable	13,747.31	-
5000-5001	CSG-Productions Salaries	-	4,327.68
5000-5002	CSG-Production FICA Expens	-	331.05
5010-5011	CSG-Station Upgrade Salary	-	1,882.88
5010-5012	CSG -Stat pgrade FICA Exp.	-	144.05
5030-5021	CSG-Programming Wages	-	3,886.64
5030-5022	CSG-Programming-FICA Expense	-	297.34
5030-5025	CSG-Medical Insurance	-	531.60
5040-5031	CSG - Development Salaries	-	2,179.34
5040-5032	CSG - Development FICA Expense	-	166.73
	To reverse PY salaries accrual		
	4 AJE To correct CSG Deferred revenue		
2200-2021	CSG Deferred revenue	5,000.00	-
4020-4019	PF-Miscellaneous Income	-	5,000.00
	To correct CSG Deferred revenue		
	5 AJE To record Barrigada lease		
2000-2001	Accounts Payable - PF	-	10,200.00
5050-5055	PF-Other General Expense	10,200.00	-
	To record Barrigada lease		

APPENDIX II

**GETC
FY2010
Appendix A**

Description	Assets	Liabilities	Fund Balance	P&L
<p style="text-align: center;">PAJE(1)</p> DR Bad expense CR Allowance To correct allowance	(8,497)			8,497
<p style="text-align: center;">PAJE(2)</p> DR Annual leave CR Accrued AL		(3,155)		3,155
<p style="text-align: center;">PAJE(3)</p> DR Wages DR: Payroll tax CR: Accrued wages		(3,049)		1,550 1,499
	(8,497)	(6,204)	0	14,701



Guam Educational Telecommunication Corporation

January 21, 2011

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

Dear Sir or Madam:

We are providing this letter in connection with your audit of the financial statements of the governmental activities and the General Fund of the Guam Educational Telecommunications Corporation (the Corporation) as of and for the year ended September 30, 2010, which collectively comprise the Corporation's basic financial statements for the purpose of expressing an opinion as to whether the basic financial statements present fairly, in all material respects, the financial position, results of operations or changes in fund balances of the Corporation 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 governmental activities and the General Fund in conformity with GAAP.
- B. The fair presentation of the required supplementary information, including Management's Discussion and Analysis, and additional information accompanying the basic financial statements that are 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.
- 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.

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.



Guam Educational Telecommunication Corporation

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 accounting principles generally accepted in the United States of America. In addition:
 - a. The financial statements properly classify all funds and activities.
 - b. Net assets components (invested in capital assets; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
 - c. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
 - d. Revenues are appropriately classified in the statement of activities.
 - e. Deposits are properly classified in category of custodial credit risk.
 - f. Capital assets are properly capitalized, reported and, if applicable, depreciated.
 - g. Required supplementary information is measured and presented within prescribed guidelines.
2. The Corporation has made available to you all:
 - a. Public Laws enacted by the Government of Guam's (GovGuam's) Legislature as well as minutes of meetings of the Corporation's Board of Trustees.
 - b. Financial records and related data for all financial transactions of the Corporation and for all funds administered by the Corporation. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by the Corporation 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).
3. There has been no:
 - a. Action taken by the Corporation's management that contravenes the provision of federal laws and local laws and regulations or of contracts and grants applicable to the Corporation.
 - 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.



Guam Educational Telecommunication Corporation

4. We believe the effects of any uncorrected financial statement misstatements aggregated by you during the current audit engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix A.
5. The Corporation has not performed a risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud. However, management has made available to you their understanding about the risks of fraud in the Corporation and do not believe that the financial statements are materially misstated as a result of fraud.
6. We have no knowledge of any fraud or suspected fraud affecting the Corporation 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.
7. We have no knowledge of any allegations of fraud or suspected fraud affecting the Corporation received in communications from employees, former employees, regulators, or others.
8. There are no unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 450, Contingencies (formerly FASB Statement No. 5, Accounting for Contingencies).
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.
10. We adopted the provisions of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which addresses whether and when intangible assets should be considered capital assets for financial reporting purposes. The implementation of this statement did not have a material effect on the financial statements of the Corporation.
11. We adopted the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which is intended to improve how state and local governments report information about derivative instruments - financial arrangements used by governments to manage specific risks or make investments - in their financial statements. The implementation of this statement did not have a material effect on the financial statements of the Corporation.
12. We adopted the provisions of GASB Technical Bulletin No. 2008-1, *Determining the Annual Required Contribution Adjustment for Postemployment Benefits*, which clarifies the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local*



Guam Educational Telecommunication Corporation

Governmental Employers, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for calculating the annual required contribution (ARC) adjustment. The implementation of this pronouncement did not have a material effect on the financial statements of the Corporation.

13. We adopted the provisions of GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*, which provides guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code, and establishes requirements for recognizing and measuring the effects of the bankruptcy process on assets and liabilities, and for classifying changes in those items and related costs. The implementation of this statement did not have a material effect on the financial statements of the Corporation.
14. In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The provisions of this statement are effective for periods beginning after June 15, 2010. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Corporation.
15. In December 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which amends Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans. The provisions of Statement 57 related to the use and reporting of the alternative measurement method are effective immediately. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in OPEB plan financial statements for periods beginning after June 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Corporation.
16. In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*, which updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. The provisions of this statement are effective for periods beginning after June 15, 2010. Management has not evaluated the effect that the implementation of this statement will have on the financial statements of the Corporation.

Except where otherwise stated below, matters less than \$7,400 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.




Guam Educational Telecommunication Corporation

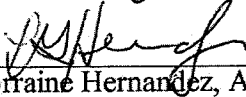
17. Except as listed in Appendix A, there are no transactions that have not been properly recorded in the accounting records underlying the financial statements.
18. The Corporation has no plans or intentions that may affect the carrying value or classification of assets and liabilities.
19. The following, 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 Corporation is contingently liable.
20. 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.
21. 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 Corporation 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.
22. 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 (formerly FASB Statement No. 5, Accounting for Contingencies),

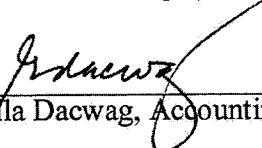


Guam Educational Telecommunication Corporation

23. The Corporation 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.
24. The Corporation has complied with all aspects of contractual agreements that may have an effect on the financial statements in the event of noncompliance.
25. No department or agency of the Corporation has reported a material instance of noncompliance to us.
26. The Corporation has identified all derivative instruments as defined by GASB Technical Bulletin 2003-1, *Disclosure Requirements for Derivatives Not Reported at Fair Value on the Statement of net Assets (TB03-1)*, and appropriately disclosed such derivatives in accordance with TB03-1.
27. No events have occurred after September 30, 2010 but before January 21, 2011, the date the financial statements were available to be issued that require consideration as adjustments to or disclosures in the financial statements.
28. Management has disclosed whether, subsequent to September 30, 2010, 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.
29. Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before September 30, 2010 and have been appropriately reduced to their estimated net realizable value.
30. The Corporation is responsible for determining and maintaining the adequacy of the allowance for uncollectible receivables, as well as estimates used to determine such amounts.


 Cathyann Gogue, General Manager


 Lorraine Hernandez, Administrative Officer


 Evilla Dacwag, Accounting

SECTION I –DEFICIENCIES

We identified, and have included below, deficiencies involving PBS Guam’s internal control over financial reporting as of September 30, 2010 that we wish to bring to your attention:

1. Accounts Receivable Subsidiary Ledger

Condition: PBS Guam’s accounts receivable subsidiary ledger comprises journal entries from prior years that have not been cleared, and other credits that approximate a net total of \$29,000 for which an allowance for uncollectible accounts has been established.

Recommendation: We recommend that the receivable subsidiary ledger be appropriately maintained and reconciled to the general ledger.

2. Bank Reconciling Items

Condition: Aged deposits that have either cleared the bank or are no longer valid but still appear in the bank reconciliation.

Recommendation: We recommend that reconciling items be reviewed for validity.

SECTION II — OTHER MATTERS

There were no other matters.

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.