

March 26, 2019

The Board of Trustees
Guam Educational Telecommunications Corporation

Dear Members of the Board of Trustees:

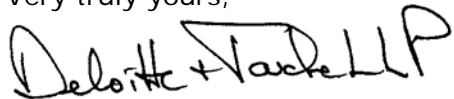
We have performed an audit of the financial statements of the governmental activities and the General Fund of the Guam Educational Telecommunications Corporation (PBS Guam) as of and for the year ended September 30, 2018, in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our report thereon dated March 26, 2019.

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.

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.

Cc: To Management of Guam Educational Telecommunications Corporation

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, has been described in our engagement letter dated October 8, 2018. 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 each opinion unit in PBS Guam's basic financial statements and the accompanying supplementary information and to disclaim an opinion on the required supplementary information for the year ended September 30, 2018 in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), in all material respects;
- To express an opinion on whether the supplementary information that accompanies the basic financial statements is presented fairly, in all material respects, in relation to the basic financial statements taken as a whole; and
- To report on 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, 2018 based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.

Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether caused by fraud or error. In making those risk assessments, we considered internal control over financial reporting relevant to PBS Guam's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of 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 was not designed to 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 ordinarily based on knowledge and experience about past and current events and on assumptions about future events. During the year ended September 30, 2018, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

SIGNIFICANT ACCOUNTING POLICIES

PBS Guam's significant accounting policies are set forth in Note 2 to PBS Guam's 2018 financial statements. During the year ended September 30, 2018, 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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The implementation of this statement has no impact on PBS Guam's governmental fund financial statements, which continue to report expenditures in the amounts statutorily required. However, the implementation of this statement had a material effect on the financial statements resulting in the restatement of beginning net position to reflect the reporting of an OPEB liability, deferred inflows of resources and deferred outflows of resources for its OPEB plan and the recognition of OPEB expense in accordance with the provisions of GASB Statement No. 75. Net position as of October 1, 2017 for the governmental activities decreased by \$2,321,434 as a result of the implementation of GASB Statement No. 75.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, which improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.
- GASB Statement No. 85, *Omnibus 2017*, which address practice issues that have been identified during implementation and application of certain GASB Statements including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt.

Except for GASB Statement No. 75, the implementation of these statements did not have a material effect on PBS Guam's financial statements.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset. The provisions in Statement No. 83 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The provisions in Statement No. 88 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions in Statement No. 89 are effective for fiscal years beginning after December 15, 2019. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The provisions in Statement No. 90 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

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

UNCORRECTED MISSTATEMENTS

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

AUDIT ADJUSTMENTS

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. 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 as Appendix A to Attachment I, have been recorded in the accounting records and are reflected in the 2018 financial statements.

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 2018 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 2018 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 2018.



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

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

SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

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 Attachment I, a copy of the representation letter we obtained from management.

CONTROL-RELATED MATTERS

We have issued a separate report to you, dated March 26, 2019, 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 also noted certain matters that we reported to management of PBS Guam in a separate letter dated March 26, 2019.

* * * * *



Guam Educational Telecommunication Corporation

March 26, 2019

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

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"), a component unit of the Government of Guam (GovGuam), as of and for the year ended September 30, 2018, 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, and cash flows 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 design, implementation, and maintenance of internal control:
 - Relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - To prevent and detect fraud.
- c. The review and approval of the financial statements and related notes and 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. Additionally, we agreed with the adjusting and reclassification entries included in Appendix A.

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

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Website: <http://www.pbsguam.org> www.youtube.com/pbsguam
www.facebook.com/pbsguam www.instagram.com/pbsguam

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

1. The basic financial statements referred to above are fairly presented in conformity with GAAP. In addition:
 - a. The financial statements include, where applicable, all component units as well as joint ventures with an equity interest, and properly disclose, where applicable, all other joint ventures and other related organizations.
 - b. All funds that meet the quantitative criteria in the GASB Codification of Government Accounting and Financial Reporting Standards ("GASB Codification") Section 2200.159 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
 - c. The financial statements properly classify all funds and activities, including special and extraordinary items.
 - d. Net position components (investment in capital assets; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
 - e. 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.
 - f. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
 - g. Interfund, internal, and intra-government activity and balances have been appropriately classified and reported.
 - h. Deposits are properly classified in the category of custodial credit risk.
 - i. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
 - j. Required supplementary information is measured and presented within prescribed guidelines.
 - k. Applicable laws and regulations are followed in adopting, approving, and amending budgets.
 - l. Federal awards expenditures have been charged in accordance with applicable cost principles.
 - m. Fund balance restrictions, commitments, and assignments are properly classified and, if applicable, approved.
2. The Corporation has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.

3. The Corporation has made available to you:
 - a. All minutes of the meetings of Board of Trustees or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - b. All 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) and any other correspondence that has taken place with federal agencies.
4. There has been no:
 - a. Action taken by Corporation management that contravenes the provisions of federal laws and Guam 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.
5. We believe the effects of any uncorrected financial statement misstatements aggregated by you during the current audit engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix B.
6. We believe the effects of the uncorrected financial statement misstatements detected in the current year that relate to the prior year presented, when combined with those misstatements aggregated by you during the prior-year audit engagement and pertaining to the prior year presented, are immaterial, both individually and in the aggregate, to the financial statements for the year ended September 30, 2017 taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix C.
7. 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.
8. 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.
9. We have no knowledge of any allegations of fraud or suspected fraud affecting the Corporation received in communications from employees, former employees, analysts, regulators, or others.

10. There are no unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance with GASB Codification Section C50, *Claims and Judgments*.
11. Significant assumptions used by us in making accounting estimates are reasonable.
12. 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.
13. We have adopted the provisions of GASB Codification Section 2100, *Defining the Financial Reporting Entity*. We believe that we have properly identified and reported as a component unit of the Corporation each organization that meets the criteria established in GASB Codification Section 2100, *Defining the Financial Reporting Entity*.

Except where otherwise stated below, matters less than \$9,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to, or disclosure in, the basic financial statements.

14. Except as listed in Appendices B and C, there are no transactions that have not been properly recorded in the accounting records underlying the financial statements.
15. The Corporation has no plans or intentions that may affect the carrying value or classification of assets and liabilities.
16. Regarding related parties:
 - a. We have disclosed to you the identity of the Corporation's related parties and all the related-party relationships and transactions of which we are aware.
 - b. To the extent applicable, related parties and all the related-party relationships and transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral) have been appropriately identified, properly accounted for, and disclosed in the financial statements.
17. 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.
18. Risks associated with concentrations, based on information known to management, that meet all of the following criteria have been disclosed in the financial statements:
 - a. The concentration exists at the date of the financial statements.
 - b. The concentration makes the enterprise vulnerable to the risk of a near-term severe impact.
 - c. It is at least reasonably possible that the events that could cause the severe impact will occur in the near term.

19. There are no:

- a. Instances of identified or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.
- b. Known actual or possible litigation and claims whose effects should be considered when preparing the financial statements that have not been disclosed to you and accounted for and disclosed in accordance with GAAP.
- c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Codification Section C50, *Claims and Judgments*.

20. 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.

21. The Corporation has complied with all aspects of contractual agreements that may have an effect on the financial statements in the event of noncompliance.

22. No department or agency of the Corporation has reported a material instance of noncompliance to us.

23. The Corporation has identified all derivative instruments as defined by GASB Codification Section D40, *Derivative Instruments*, and appropriately recorded and disclosed such derivatives in accordance with GASB Codification Section D40.

24. No events have occurred after September 30, 2018, but before the date of this letter, the date the financial statements were available to be issued that require consideration as adjustments to or disclosures in the financial statements.

25. Regarding required supplementary information:

- a. We confirm that we are responsible for the required supplementary information.
- b. The required supplementary information is measured and presented in accordance with GASB Codification Section 2200, *Comprehensive Annual Financial Report*.
- c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.

26. Regarding supplementary information:

- a. We are responsible for the fair presentation of the supplementary information in accordance with GASB Codification Section 2200, *Comprehensive Annual Financial Report*.
- b. We believe the supplementary information, including its form and content, is fairly presented in accordance with GASB Codification Section 2200, *Comprehensive Annual Financial Report*.
- c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.

27. During fiscal year 2018, the Corporation implemented the following pronouncements:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The implementation of this statement has no impact on the Corporation's governmental fund financial statements, which continue to report expenditures in the amounts statutorily required. However, the implementation of this statement had a material effect on the governmental activities financial statements resulting in the restatement of beginning net position to reflect the reporting of an OPEB liability, deferred inflows of resources and deferred outflows of resources for its OPEB plan and the recognition of OPEB expense in accordance with the provisions of GASB Statement No. 75. Net position as of October 1, 2017 for governmental activities decreased by \$2,321,434 as a result of the implementation of GASB Statement No. 75.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, which improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.
- GASB Statement No. 85, *Omnibus 2017*, which address practice issues that have been identified during implementation and application of certain GASB Statements including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt.

Except for GASB Statement No. 75, the implementation of these statements did not have a material effect on the Corporation's financial statements.

28. In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset. The provisions in Statement No. 83 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

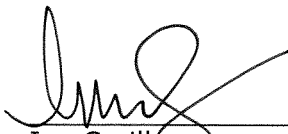
29. In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

30. In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

31. In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The provisions in Statement No. 88 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.
32. In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions in Statement No. 89 are effective for fiscal years beginning after December 15, 2019. Management does not believe that the implementation of this statement will have a material effect on the financial statements.
33. In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61*, which improves the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The provisions in Statement No. 90 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.
34. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed in the financial statements.
35. The Corporation is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the primary government not to purchase commercial insurance for the risks of loss to which it is exposed. Instead, the Corporation management believes it is more economical to manage its risks internally. In the event of claim settlements and judgments, the Corporation reports all of its risk management activities in its General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. No losses have occurred as a result of these risks in any of the past three fiscal years.
36. We have appropriately identified and properly recorded and disclosed in the financial statements, where applicable, all interfund transactions, including repayment terms.
37. Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the balance-sheet date and have been appropriately reduced to their estimated net realizable value.
38. No evidence of fraud, possible irregularities, or dishonesty in fiscal operations of federal programs administered by the Corporation has been discovered.

39. Except for the remaining service life used to amortize change in proportionate share for Defined Benefit Plan and the non-inclusion of Define Contribution Plan's FY2016 change in proportionate share from the 2016 actuarial report, we agree with the findings of the expert contracted by the Government of Guam Retirement Fund for the actuarial evaluation of the Government of Guam's retirement plan, postretirement liabilities and other post-employment benefits (OPEB). We did not give any instructions, nor cause any instructions to be given, to management's expert with respect to values or amounts derived in an attempt to bias his or her work, and we are not aware of any matters that have affected the independence or objectivity of management's expert. The effect of differences in calculation of change in proportionate is recognized in the 2018 financial statements.
40. Except for the remaining service life used to amortize change in proportionate share for Defined Benefit Plan and the non-inclusion of Define Contribution Plan's FY2016 change in proportionate share from the 2016 actuarial report, we believe that the actuarial assumptions and methods used to measure pension and postretirement liabilities and costs for financial accounting purposes are appropriate in the circumstances. These amounts have been appropriately recognized and displayed as assets, liabilities, deferred inflows, deferred outflows, net position and changes in net position in the financial statements in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*.
41. We believe that the actuarial assumptions and methods used to measure other post-employment benefit liabilities are appropriate in the circumstances. These amounts have been appropriately recognized and displayed as assets, liabilities, deferred inflows, deferred outflows, net position and changes in net position in the financial statements in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*

Very truly yours,



Ina Carillo
General Manager



Lorraine Hernandez
Administrative Officer

APPENDIX A

Guam Educational Telecommunications Corporation
 Summary of Corrected Misstatements
 Year Ended September 30, 2018

#	Name	Debit	Credit
1 AJE To provide for allowance for doubtful accounts and correct the sub-ledger accounts			
5050-5097	PF-Bad Debt Expenses	3,928.10	
1100-1019	Accounts Receivable - Guam Department of Education	12,000.00	
1100-1019	Accounts Receivable - Department of Education	12,000.00	
1100-1019	Accounts Receivable - A/R ACCRUAL		16,794.52
1100-1019	Accounts Receivable - Unknown		42,118.86
1100-1019	Accounts Receivable - Various Customers	30,985.28	
		<u>58,913.38</u>	<u>58,913.38</u>
	To provide for allowance for doubtful accounts and correct the sub-ledger accounts		
2 AJE To correct the erroneous credit to the Deferred Revenue			
2200-2024	DDF Grant (Restricted)	39,985.00	
2018-2024	Deferred Inflows of Resources		39,985.00
2200-2022	GovGuam-Deferred revenue	82,141.00	
2018-2022	Pension Liability		82,141.00
		<u>122,126.00</u>	<u>122,126.00</u>
	To correct the erroneous credit to the Deferred Revenue account related to PY AJE.		
3 AJE To correct the beginning balance of the Cash account			
1000-1001	CSG - BOG SAVINGS		17.03
3880-3880	Retained Earnings	17.03	
		<u>17.03</u>	<u>17.03</u>
	To correct the beginning balance of the Cash account		
4 AJE To reverse the entry posted after closing the books			
1200-1049	Accumulated Depreciation	24,629.12	
3881-3881	Prior Period Adjustments		24,629.12
		<u>24,629.12</u>	<u>24,629.12</u>
	To reverse the entry posted after closing the books		
5 AJE To correct the prior period adjustments			
1200-1049	Accumulated Depreciation	37,569.04	
1200-1044	Studio Equipment		37,569.04
		<u>37,569.04</u>	<u>37,569.04</u>
	To correct the prior period adjustments erroneously posted (AJE 6 in PY)		

ATTACHMENT I, CONTINUED

#	Name	Debit	Credit
6 AJE To adjust obsolete and non-operational fixed asset			
1200-1049	Accumulated Depreciation	23,596.30	
1200-1044	Studio Equipment		8,079.80
1200-1045	Furniture,Fixtures &Equip.		2,616.50
1200-1046	Vehicles		12,900.00
		<u>23,596.30</u>	<u>23,596.30</u>
	To adjust obsolete and non-operational fixed assets		
7 AJE To adjust accruals for Annual leave and DC sick leave			
1020-1104	Amount to provide DC Sick Leave		2,193.00
2018-2019	DC Sick Leave Liability	2,193.00	
2016-2016	Long Term Leave	13,740.00	
1020-1101	Amount to be Provided for Leave		13,740.00
		<u>15,933.00</u>	<u>15,933.00</u>
	To adjust accruals for Annual leave and DC sick leave liability		
8 AJE To adjust in-kind contributions			
5600-5079	In-Kind Expenses	72,662.00	
4030-4026	PF-In-Kind		72,662.00
		<u>72,662.00</u>	<u>72,662.00</u>
	To adjust in-kind contributions		
9 AJE To write off long-outstanding accounts payable			
2000-2001	Accounts Payable - Adjustments	2,285.39	
2000-2001	Accounts Payable - Advance Management Inc.	175.71	
2000-2001	Accounts Payable - AM Insurance		25.91
2000-2001	Accounts Payable - B & H Photo Video	457.91	
2000-2001	Accounts Payable - Baltazar Aguon		1.00
2000-2001	Accounts Payable - CreativiTees	886.50	
2000-2001	Accounts Payable - East-West Rental Center, Inc.	50.00	
2000-2001	Accounts Payable - Efren Cells General Contratctor	490.00	
2000-2001	Accounts Payable - Foremost Crystal Clear Water	143.75	
2000-2001	Accounts Payable - Guam Cell Communications	137.28	
2000-2001	Accounts Payable - I Radio	3.86	
2000-2001	Accounts Payable - I T & E Corp.	204.14	
2000-2001	Accounts Payable - Iconnect	85.74	
2000-2001	Accounts Payable - Johnny Sablan.	20.00	
2000-2001	Accounts Payable - MEGabyte	2,164.95	
2000-2001	Accounts Payable - Mobil, Inc.	48.50	
2000-2001	Accounts Payable - National Office Supply.		2,096.19
2000-2001	Accounts Payable - Public Broadcasting Service	20,759.45	
2000-2001	Accounts Payable - United States Postal Service	317.00	
2000-2001	Accounts Payable - Unknown Adjustment		4,097.11
4020-4019	PF-Miscellaneous Income		22,009.97
		<u>28,230.18</u>	<u>28,230.18</u>
	To write off long-outstanding accounts payable		

ATTACHMENT I, CONTINUED

#	Name	Debit	Credit
10 AJE To adjust pension liability - GASB 68 & 73			
2018-2024	Deferred Inflows of Resources		15,365.00
2018-2023	Deferred Outflows of Resources		7,514.00
1020-1105	Amount to be provided for pension		539,640.00
2018-2022	Pension Liability	562,519.00	
		<u>562,519.00</u>	<u>562,519.00</u>
	To adjust pension liability - GASB 68 & 73		
11 AJE To record DB/DC Contributions			
5070-5092	GovGuam Employee Benefits	6,000.00	
4000-4001	GovGuam Appropriations		6,000.00
		<u>6,000.00</u>	<u>6,000.00</u>
	To record DB/DC Contributions		
12 AJE To adjust pension liability - GASB75			
DT-003	Deferred Outflows of Resources - OPEB		62,608.00
DT-004	Deferred Inflows of Resources - OPEB		213,792.00
DT-001	Amount to be provided for OPEB	185,324.00	
DT-002	OPEB Liability	91,076.00	
		<u>276,400.00</u>	<u>276,400.00</u>
	To adjust pension liability - GASB75		
13 AJE To record OPEB Contributions			
5070-5092	GovGuam Employee Benefits	16,089.00	
4000-4001	GovGuam Appropriations		16,089.00
		<u>16,089.00</u>	<u>16,089.00</u>
	To record OPEB Contributions		
14 AJE To adjust the beginning balances due to GASB 75 implementation			
DT-003	Deferred Outflows of Resources - OPEB	264,525.00	
DT-002	OPEB Liability		2,585,959.00
DT-001	Amount to be provided for OPEB	2,118,133.00	
DT-001	Amount to be provided for OPEB	203,301.00	
		<u>2,585,959.00</u>	<u>2,585,959.00</u>
	To adjust the beginning balances due to GASB 75 implementation		
15 AJE To reverse the discount variance adjustment record			
2018-2018	Unfunded Liability		45,854.00
1020-1103	Amt to Provide Unfunded Pension	45,854.00	
		<u>45,854.00</u>	<u>45,854.00</u>
	To reverse the discount variance adjustment recorded in prior year.		

APPENDIX B

Guam Educational Telecommunications Corporation
 Summary of Uncorrected Misstatements
 Year Ended September 30, 2018

	Assets		Liabilities		Equity		Income	
	Dr.	(Cr.)	Dr.	(Cr.)	Dr.	(Cr.)	Dr.	(Cr.)
To correct understatement of deferred outflows arising from change in proportionate share	4,799							(4,799)
To correct OPEB liability for variance between actual and expected contributions			3,415					(3,415)
	4,799		3,415					(8,214)

