

**GUAM EDUCATIONAL TELECOMMUNICATIONS
CORPORATION**

**(A COMPONENT UNIT OF THE
GOVERNMENT OF GUAM)**

**FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION AND
INDEPENDENT AUDITORS' REPORT**

SEPTEMBER 30, 2011

GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION

Year Ended September 30, 2011

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Guam Educational Telecommunications Corporation:

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Guam Educational Telecommunications Corporation (PBS Guam), a component unit of the Government of Guam, as of and for the year ended September 30, 2011, which collectively comprise the Corporation's basic financial statements. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on the respective financial statements based on our audit.

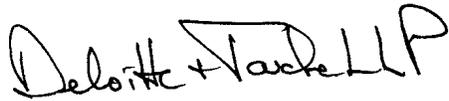
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 Corporation'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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Guam Educational Telecommunications Corporation as of September 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Corporation's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules on pages 24 through 26 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These supplemental schedules are the responsibility of the Corporation's management. The 2011 information in such schedules has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2012, on our consideration of the Corporation's 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.

February 15, 2012

**GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION
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Management's Discussion and Analysis
Year Ended September 30, 2011

This discussion and analysis of Guam Educational Telecommunications Corporation (dba PBS GUAM/KGTF) is intended to give an overview of our financial performance for the year ended September 30, 2011. This analysis should be read in conjunction with the respective financial statements, related footnotes and required supplementary information.

Financial Statements

Promulgated by U.S. Governmental Accounting Standards Board (GASB), the financial statements prepared for PBS GUAM/KGTF are in accordance with generally accepted accounting principles and standards.

Required financial statements include a Governmental Funds Balance Sheet/Statement of Net Assets that identifies the characteristics and value of an entity's available resources (assets) as well as its obligations (liabilities) for FY2011. The Net Assets represents the amount by which an entity's assets exceed its liabilities and represent resources available to fund future operations. The Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance/Statement of Activities is an additional required statement. This particular statement provides information about the entity's sources of revenue and nature of the related expenditures/expenses during the period reporting period. It reflects the entity's ability to recover costs associated with providing services.

Financial Analysis

Our analysis is based on the following condensed financial data for the years ended September 30, 2011 and 2010, as presented in the Statement of Net Assets and the Changes in Net Assets. The nature of these statements is explained in the preceding paragraph.

Statement of Net Assets

	<u>2011</u>	<u>2010</u>
Capital assets	\$ 2,431,221	\$ 2,420,404
Current and other assets	<u>791,261</u>	<u>821,387</u>
Total assets:	\$ <u>3,222,482</u>	\$ <u>3,241,791</u>
Long-term liabilities	\$ 79,899	\$ 85,102
Other liabilities	<u>300,814</u>	<u>325,486</u>
Total liabilities:	<u>380,713</u>	<u>410,588</u>
Net assets		
Invested in capital assets	\$ 2,431,221	\$ 2,420,404
Unrestricted	<u>410,548</u>	<u>410,799</u>
Total net assets:	<u>2,841,769</u>	<u>2,831,203</u>
	\$ <u>3,222,482</u>	\$ <u>3,241,791</u>

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Capital assets increased by approximately 0.45%, or \$10,817 due to the acquisition of related assets, totaling \$181,669, which is a part of the station's digital conversion less current year depreciation expense of \$170,852. Current assets decreased by approximately 3.67% or \$30,126, which is primarily the result of a decrease in accounts receivable. Total liabilities decreased by 7.28% or \$29,875, attributed to a decrease in deferred revenues associated with unexpended grant funds. The increase in total net assets is primarily caused by the decrease in current liabilities as reflected above.

Statement of Activities

	<u>2011</u>	<u>2010</u>
Revenues:		
Local appropriation	\$ 621,057	\$ 609,501
Community Service Grant	750,588	621,874
Contributions and other	434,118	360,467
NTIA Grant	140,735	-
Interest Income	<u>5,476</u>	<u>6,253</u>
Total revenues:	<u>1,951,974</u>	<u>1,598,095</u>
Expenses:		
Program service	199,745	200,349
Supporting service	1,570,811	1,409,952
Depreciation expense	<u>170,852</u>	<u>192,104</u>
Total expenses:	<u>1,941,408</u>	<u>1,802,405</u>
Change in net assets:	10,566	(204,310)
Net assets beginning of year	<u>2,831,203</u>	<u>3,035,513</u>
Net assets at the end of the year	\$ <u>2,841,769</u>	\$ <u>2,831,203</u>

Total revenues reflect a significant increase of 22.14% or \$353,879, which was primarily due to the NTIA Grant award for upgrade of station equipment and an increase in the Television Community Service Grant. This reflects an increase in contributions and other revenue generating activities such as underwriting and sponsorship that occurred over the fiscal year.

Total operating expenses increased by a smaller margin, approximately 7.71% or \$139,003, which was primarily due to an increase in supporting services expenses. Related expenses and revenues are recognized in approximate equal amounts as the expenses are incurred.

Governmental Funds

PBS GUAM/KGTF utilizes fund accounting practices to provide information on a near-term inflow, outflow and balances of spendable resources. Such information is useful in assessing PBS GUAM/KGTF's financing requirements. In particular, fund balance may serve as a useful measure of PBS GUAM/KGTF's net resources available for spending at the end of the fiscal year. The General Fund helps supplement funds received by the Corporation of Public Broadcasters (CPB). Under new requirements set by GASB Statement 54, starting in FY 2011 ending fund balance is required to be classified as nonspendable, restricted and unrestricted, and within the unrestricted category, as nonspendable, committed, assigned, and unassigned. PBS GUAM/KGTF's 2011 ending fund balance reflects \$490,447 as assigned for supporting services, a decrease of \$5,454 compared with the prior year fund balance.

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Budgetary Highlights

PBS GUAM/KGTF does not prepare a total operating budget and actual analysis as only certain items are funded by the Government of Guam and a legally adopted budget is not required for the entity as a whole. PBS GUAM/KGTF utilizes a budget for internal purposes and benchmarks for future projections, forecasting, and strategic planning.

Capital Assets

As a result of the Digital Television Transition and Public Safety Act of 2005, PBS GUAM/KGTF's capital assets increased in the prior fiscal year to over \$2.4 million. The station's new equipment upgrades has provided other opportunities for broadcasting services for private and public sector entities; which include the emergency responder services.

With the digital transmission equipment upgrades at Barrigada Heights, PBS GUAM/KGTF has had correlating upgrades to the Master Control Operations (MCO). Last summer, we replaced equipment in the MCO section, allowing for better flow of the programming process of the station. Additionally, we installed a satellite dish that now provides all programming received by PBS national. The slight change in capital assets, resulting from the MCO upgrades and the addition of the satellite, represents an increase of approximately 0.45% over the previous year. The actual composition and the activity within these accounts are presented in more detail in the notes to the financial statements.

Upgrades to the MCO section of PBS GUAM/KGTF was funded by a CPB and NTIA grant. Today, that station has state-of the art digital broadcast switcher, monitor, and all required software and applications to provide a crisper broadcast feed to viewers.

Economic Factors

Like other rural PBS stations in the nation, PBS GUAM/KGTF continues to face challenges in providing services to the community. The station operates with limited financial resources from GovGuam and CPB. A bulk of the GovGuam budget pays for salary and benefits for ten (10) employees at the station. The remaining eighteen (18) employees are funded by CPB. Recognizing the limited resources afforded to the station, PBS GUAM/KGTF seeks other funding sources, which includes grants outside of CPB, underwriting and sponsorship support, that helps with station upgrades as well as enhancements.

In seeking underwriting or sponsorship support in the community, efforts to raise funds have come with its share of challenges. Over the past year, Guam's two major economic engines – tourism and the military – showed less promise than projected. While preliminary reports in 2011 reflected a positive upturn in tourism, Japan's catastrophic tsunami in Sendai resulted in the total number of inbound visitors to the island at a 3% decline over the previous year.

Tourism officials expect 2012 to show better results at year end as efforts are made to grow visitor numbers out of China and Russia. The increase in visitors will provide the needed injection of businesses to reinvest their money on island. As most businesses have seen a decrease in sales over the past several years, one of the first business expenses that is either reduced or eliminated is a company's advertising budget. Consequently, selling underwriting or seeking sponsorship for PBS GUAM/KGTF has come with its share of opportunities.

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Also, the activities surrounding the uncertainty of the U.S. military build-up on Guam has taken its toll on non-profits seeking community support. Over the past three years, the glitz and glamor of the buildup has subsided in 2011, with fewer companies less enthusiastic of the buildup. Consequently, businesses remain cautious of investing any more dollars in the community. That being said, construction businesses have infused far less money compared to the previous year. Non-profit support for organizations, such as PBS GUAM/KGTF, has been far less copious.

Lastly, the Government of Guam's financial posture has definitely placed a damper on activities at the station. With new leadership and re-shaping of GovGuam in 2011, PBS GUAM/KGTF has re-shifted its operations budget to counter cuts or proposed cuts provided by Bureau of Budget and Management Resources. The station has streamlined its traditional way of doing business to maximize resources and ensure that we are using equipment/assets to its fullest potential. PBS GUAM/KGTF will continue to operate within the parameters that provide greater efficiency with its limited resources.

Institutional Factors

The changes made to upgrade equipment at the station have provided viewers with a greater television experience through the digital transmission. Additionally, the station has opportunities for other broadcasting services to include emergency responder services and an additional channel (12.2) that will be filled with local content. As the station moves forward to improve services within the community, further financial support for new technology and skill sets will be required. Consequently, the station continues its submittal of grant applications to diverse grantors that support public television, education and/or the preservation of culture.

With the reorganization of PBS GUAM/KGTF as a division of the Department of Chamorro Affairs (DCA), there are opportunities to increase the station's source of funding by way of Qualifying Certificates (QCs) as well as the establishment of partnerships with the Guam Public Library System (GPLS) and the Council of the Arts & Humanities (CAHA); both entities are divisions of DCA.

Since including PBS GUAM/KGTF as a division of DCA, there is more collaboration of the divisions to seek grants that benefit more than one entity. For example, CAHA grants can now include line item funding for PBS GUAM/KGTF to document the preservation of culture as well as include the GPLS or Guam Museum as the repository.

A challenge last year, PBS GUAM/KGTF securing the 20-year term lease with the Government of Guam's Chamorro Land Trust Commission (CLTC) for 6,000 square meters in Barrigada Heights property, has been resolved with a commitment for CLTC to provide a 4-year in-kind lease from 2011 to 2014. Prior to the expiration of this MOU between both organizations, renewal of the terms will be requested for the remaining lease agreement so that no monetary obligation by PBS GUAM/KGTF will be paid out to CLTC.

Moving forward, the goals of the station continue as follows: (1) Integration of DCA divisions to better enhance programs and services at the station; (2) Refine distribution of content on multiple platforms; (3) Growing public television's awareness and audience – highlighting the educational value PBS GUAM/KGTF brings to the community; and (4) Continue to increase and enhance the station's resources through new funding sources and diversified grantors.

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Emphasis for the new fiscal year is to provide quality programming that demonstrates to the station's viewers and potential sponsors/underwriters that PBS GUAM/KGTF is a source of education for a cross section of viewers in the community. The station wants to shift the mindset that PBS GUAM/KGTF is more than just a children's television station. There are programs for teens and adults alike that further the educational experience outside a traditional classroom setting and across geographic areas that can be explored in the comfort of their living rooms. PBS GUAM/KGTF strives to achieve its mission of providing the people of Guam with programming and services of the highest quality, using media to educate, inspire, entertain and express the diversity of perspectives. Through quality programming, PBS GUAM/KGTF strives to empower individuals to achieve their potential and strengthen the social, democratic and cultural health of Guam and Micronesia.

Summary

PBS GUAM/KGTF has the responsibility to provide programming which allows the opportunity for people of diverse ethnic and cultural backgrounds to share in the accomplishments and sorrows of mankind in general, and to further understand how great achievement and tragedies occur. Public television harnesses the power of the new media in ways that will improve the quality of life and learning for the community. Additionally, PBS GUAM/KGTF is committed to maintaining an honest, professional and open relationship with the community – providing programming content that will inspire viewers to “Be More.”

Finally, the station seeks the means to aggressively inform the public of the importance of public television and to secure the support, both financially and morally, from the public PBS GUAM/KGTF serves. The station's mission of education, culture and citizenship is essential to the people of Guam.

Contacting PBS GUAM/KGTF's Financial Management

This financial report is designed to provide our community and others a general overview of PBS GUAM'S finances and to demonstrate its accountability for the money it collects. If you have questions about this report or needs additional financial information, contact the General Manager at P. O. Box 21449, GMF, Guam 96921 or via email at PBS KGTF12@teleguam.net.

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Governmental Funds Balance Sheet/Statement of Net Assets
September 30, 2011

	General Fund	Adjustments (Note 2)	Statement of Net Assets
<u>ASSETS</u>			
Cash and cash equivalents	\$ 461,006	\$ -	\$ 461,006
Cash and cash equivalents - restricted	291,415	-	291,415
Receivables, net of allowance for uncollectible accounts of \$20,710	38,840	-	38,840
Capital assets, net of accumulated depreciation	-	2,431,221	2,431,221
Total assets	\$ 791,261	2,431,221	3,222,482
 <u>LIABILITIES</u>			
Accounts payable	\$ 58,040	-	58,040
Other liabilities and accruals	8,569	-	8,569
Deferred revenue - unexpended grant funds	234,205	-	234,205
Long-term liabilities:			
Due within one year	-	24,162	24,162
Due after one year	-	55,737	55,737
Total liabilities	300,814	79,899	380,713
Commitments and contingencies			
 <u>FUND BALANCES/NET ASSETS</u>			
Fund balances:			
Assigned - supporting services	490,447	(490,447)	-
Total fund balances	490,447	(490,447)	-
Total liabilities and fund balances	\$ 791,261		
Net assets:			
Invested in capital assets		2,431,221	2,431,221
Unrestricted		410,548	410,548
Total net assets		\$ 2,841,769	\$ 2,841,769

See accompanying notes to financial statements.

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Statement of Governmental Fund Revenues, Expenditures and
Changes in Fund Balance/Statement of Activities
Year Ended September 30, 2011

	General Fund	Adjustments (Note 2)	Statement of Activities
Revenues:			
Community service grant	\$ 750,588	\$ -	\$ 750,588
Government of Guam appropriation	621,057	-	621,057
Fundraising	174,937	-	174,937
NTIA grant	140,735	-	140,735
In-kind contributions	123,410	-	123,410
Underwriting	77,542	-	77,542
Contributions and other income	55,855	-	55,855
Interest	5,476	-	5,476
Other	2,374	-	2,374
Total revenues	1,951,974	-	1,951,974
Expenditures/expenses:			
Program services:			
Station production	133,245	-	133,245
Station upgrade	59,631	-	59,631
Capital outlays	188,538	(181,669)	6,869
Supporting services:			
Program broadcasting	533,628	-	533,628
Contractual services	116,609	-	116,609
Development and promotion	91,603	-	91,603
Fundraising	80,238	-	80,238
Supplies and materials	9,469	-	9,469
Local appropriations:			
Personnel services	373,978	(794)	373,184
Fringe benefits	105,052	(4,409)	100,643
Contractual services	51,029	-	51,029
Utilities	90,998	-	90,998
In-kind expenditures/expenses	123,410	-	123,410
Unallocated depreciation	-	170,852	170,852
Total expenditures/expenses	1,957,428	(16,020)	1,941,408
Deficiency of revenues under expenditures	(5,454)	5,454	
Changes in net assets		10,566	10,566
Fund balance/net assets:			
Beginning of the year	495,901	-	2,831,203
End of the year	\$ 490,447	\$ -	\$ 2,841,769

See accompanying notes to financial statements.

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Notes to Financial Statements
September 30, 2011

(1) Organization

Guam Educational Telecommunications Corporation (PBS GUAM), a component unit of the Government of Guam, currently operates Guam's Public Broadcasting Service (PBS) station (PBS GUAM Channel 12). PBS GUAM was established as a public corporation by Public Law 12-194 as approved on January 2, 1975. The purpose of PBS GUAM is to present educational television to the people of Guam and to involve the people of Guam in its activities to the maximum extent possible.

PBS GUAM's license with the Federal Communications Commission was renewed through February 1, 2015 with the condition that the station will only broadcast digital television.

PBS GUAM is governed by a seven-member Board of Trustees, who shall be appointed by the Governor of Guam with the advice and consent of the Guam Legislature. Accordingly, PBS GUAM is a component unit of the Government of Guam.

(2) Summary of Significant Accounting Policies

The accompanying basic financial statements of PBS GUAM have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles.

Government-wide and Fund Financial Statements

Government-wide Financial Statements:

The Statement of Net Assets presents PBS GUAM's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

- Invested in capital assets consist of capital assets, net of accumulated depreciation, plus construction or improvement of those assets.
- Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through enabling legislation.
- Unrestricted net assets consist of net assets, which do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them to be available for general operations. They often have restrictions that are imposed by management, but can be removed or modified.

The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of PBS GUAM's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function.

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Notes to Financial Statements
September 30, 2011

(2) Summary of Significant Accounting Policies, Continued

Government-wide and Fund Financial Statements, Continued

Government-wide Financial Statements, Continued:

Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of PBS GUAM.

Fund Financial Statements:

PBS GUAM uses one governmental fund to report on its financial position and results of operations. The operations of this fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures.

Separate financial statements are provided for governmental funds. PBS GUAM presents a balance sheet and a statement of revenues, expenditures and changes in fund balances for its governmental fund. The ending fund balance on the balance sheet is then reconciled to the ending governmental net assets.

Adjustments required to reconcile total governmental fund balance to net assets of governmental activities in the Statement of Net Assets are as follows:

Total fund balance - governmental funds		\$ <u>490,447</u>
Add:		
Capital assets	4,470,038	
Accumulated depreciation	<u>(2,038,817)</u>	
		<u>2,431,221</u>
Less:		
Compensated absences payable	(71,335)	
DCRS sick leave liability	<u>(8,564)</u>	
		<u>(79,899)</u>
Total net assets - governmental activities		\$ <u><u>2,841,769</u></u>

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Notes to Financial Statements
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(2) Summary of Significant Accounting Policies, Continued

Government-wide and Fund Financial Statements, Continued

Fund Financial Statements, Continued:

Adjustments required to reconcile net change in total governmental fund balance to change in net assets of governmental activities in the Statement of Activities are as follows:

Net change in fund balance - governmental funds	\$ (5,454)
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Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. For the current year, these amounts consist of:

Capital outlays	\$ 181,669	
Depreciation expense	<u>(170,852)</u>	
		10,817

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. For the current year, these activities consist of:

Decrease in compensated absences	794	
Decrease in unfunded pension costs	<u>4,409</u>	
		<u>5,203</u>

Change in net assets - governmental activities	\$ <u>10,566</u>
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Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements account for the general governmental activities of PBS GUAM and are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, PBS GUAM considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

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Notes to Financial Statements
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(2) Summary of Significant Accounting Policies, Continued

Measurement Focus and Basis of Accounting, Continued

Amounts reported as program revenue include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. General revenue is derived from investment income and other items that are not allocated to specific programs.

Unrestricted contributions and grants are recorded as revenue in the statement of revenues, expenditures, and changes in fund balances when received (in the case of contributions) or when approved by the grantor agency (in the case of grants).

Restricted grants received are initially recorded as deferred revenue until funds are expended. Revenues are then recognized equal to expenditures incurred during the period in the statement of governmental fund revenues, expenditures and changes in fund balances/net assets.

Budget

An annual appropriated budget has not been formally adopted on a legal basis or a basis consistent with GAAP. Accordingly, a budget to actual presentation is not required or presented.

Cash and Cash Equivalents

Custodial credit risk is the risk that in the event of a bank failure, PBS GUAM's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. PBS GUAM does not have a deposit policy for custodial credit risk.

For purposes of the balance sheet/statement of net assets, cash and cash equivalents is defined as cash on hand, and cash held in demand accounts. As of September 30, 2011, cash and cash equivalents is \$752,421 and the corresponding bank balance is \$765,330. Of the bank balance amount, \$332,484 is maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance and \$432,846 is maintained in credit unions subject to National Credit Union Administration (NCUA) insurance. Noninterest-bearing bank deposits in financial institutions subject to FDIC insurance coverage are temporarily fully insured until December 31, 2012. Interest-bearing bank accounts subject to FDIC insurance coverage and bank deposits subject to NCUA insurance coverage are insured for \$250,000 each. As of September 30, 2011, all bank deposits are fully insured.

Receivables

Receivables are stated net of estimated allowances for uncollectible accounts and are primarily due from businesses and individuals residing on the island of Guam. The allowance for uncollectible accounts primarily represents estimated uncollectible amounts that are determined based upon past collection experience and aging of the accounts.

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Notes to Financial Statements
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(2) Summary of Significant Accounting Policies, Continued

Prepaid Items

Certain payments made to vendors or persons for services reflect costs applicable to future accounting periods and are recorded as prepaid items using the consumption method in both government-wide and fund financial statements.

Restricted Assets

Certain assets are classified as restricted assets because their use is completely restricted through grant agreements or enabling legislation. Specifically, cash and cash equivalents are restricted in that they are not available to be used in current operations.

Capital Assets

Capital assets, which includes all property, facilities and equipment pertaining to television production transferred from the Learning Resource Center of the Government of Guam's Department of Education and the University of Guam as required under Public Law 12-194, are reported in the government-wide financial statements. Such assets, whether purchased or constructed, are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

Title to the land on which the station facilities and equipment are located has not been perfected in the name of PBS GUAM and is still held in the name of GovGuam. Fair market rental value related to this property in the amount of \$73,700 is included in in-kind revenues in the accompanying financial statements.

Capital assets are capitalized when the cost of the individual items exceeds \$1,000. The costs of normal maintenance and repairs that do not add to the value of asset or materially extend assets lives are not capitalized. Capital assets are depreciated using the straight-line method over their estimated useful lives with a full year's depreciation charged in the year of acquisition and disposal, regardless of date. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in the statement of activities.

Estimated useful lives for depreciable assets are as follows:

Buildings and improvements	5 - 15 years
Broadcasting equipment	3 - 10 years
Studio, antenna, transmitter, and other equipment	3 - 5 years
Furniture and fixtures	3 - 13 years
Transportation equipment	3 - 20 years

In-kind Contributions and Donated Volunteer Services

In-kind contributions and donated personal services of volunteers are recorded as revenue and expense in the accompanying statement of revenues and expenditures. In-kind contributions are recorded at fair value. Donated personal services of volunteers are also recorded at fair value based upon prevailing rates in the region.

GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)

Notes to Financial Statements
September 30, 2011

(2) Summary of Significant Accounting Policies, Continued

Income Taxes

PBS GUAM is exempt from Guam income taxes under Section 501(c) (3) of the Guam Territorial Income Tax Laws.

Compensated Absences

It is PBS GUAM's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since PBS GUAM does not have a policy to pay any amounts when employees separate from service with PBS GUAM. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

In accordance with Public Law 27-5 and Public Law 28-68, employee vacation rates are credited at either 104, 156 or 208 hours per year, depending upon their length of service.

1. One-half day (4 hours) for each full bi-weekly pay period in the case of employees with less than five (5) years of service
2. Three-fourths day (6) hours for each full bi-weekly pay period in the case of employees with more than five (5) years of service but less than fifteen (15) years of service.
3. One (1) day (8 hours) for each full bi-weekly pay period in the case of employees with more than fifteen (15) years of service.

Public Law 27-106 further amended the maximum accumulation of such vacation credits from 480 to 320 hours. Employees who have accumulated annual leave in excess of 320 hours as of February 28, 2003, may carry over their excess and shall use the excess amount of leave prior to retirement or termination from service. Any unused leave over the excess at termination or retirement shall be lost.

Public Law 26-86 allows members of the Defined Contribution Retirement System to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. PBS GUAM has accrued an estimated liability of \$8,564 at September 30, 2011 for potential future sick leave payments as a result of this law. However, this amount is an estimate and actual payout may be materially different than estimated.

Deferred Revenues

In the government-wide financial statements, deferred revenue is recognized when cash, receivables or other assets are recorded prior to being earned. In the governmental fund financial statements, deferred revenue represents monies received or revenues accrued which have not been earned or do not meet the "available" criterion for revenue recognition under the modified accrual basis of accounting. The deferred revenue in the governmental fund has primarily resulted from grant funds received in advance of eligible expenditures.

GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)

Notes to Financial Statements
September 30, 2011

(2) Summary of Significant Accounting Policies, Continued

Fund Balance

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, governmental fund balances are classified as follows:

- Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed.
- Unassigned includes negative fund balances in other governmental funds.

Restricted/committed amounts are spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this. In addition, committed, then assigned, and lastly unassigned amounts of unrestricted fund balance are expended in that order.

A formal minimum fund balance policy has not been adopted.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results may differ from those estimates.

New Accounting Standards

During fiscal year 2011, PBS GUAM implemented the following pronouncements:

- GASB 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.
- GASB Statement No. 59, *Financial Instruments Omnibus*, which updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools.

GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)

Notes to Financial Statements
September 30, 2011

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

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

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 December 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. The provisions of this statement are effective for periods beginning after December 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 December 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*, which is designed to improve financial reporting for governmental entities by amending the requirements of Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively. The provisions of this statement are effective for periods beginning after June 15, 2012. Management does not believe that the implementation of this statement will have a material effect on the financial statements of PBS GUAM.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of PBS GUAM.

GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION
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Notes to Financial Statements
September 30, 2011

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In July 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The provisions of this statement are effective for periods beginning after December 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 July 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* (an amendment of GASB Statement No. 53), which will improve financial reporting by state and local governments by clarifying the circumstances in which hedge accounting continues to be applied when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The provisions of this statement are effective 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.

(3) Capital Assets

Capital asset activity for the year ended September 30, 2011, was as follows:

	October 1, <u>2010</u>	<u>Additions</u>	<u>Deletions</u>	September 30, <u>2011</u>
Non-depreciable capital assets:				
Land improvements	\$ <u>18,000</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>18,000</u>
Depreciable capital assets:				
Buildings and improvements	355,603	27,219	(36,214)	346,608
Broadcasting equipment	2,995,954	139,950	(64,261)	3,071,643
Studio, antenna, transmitter, and other equipment	465,558	-	(56,281)	409,277
Furniture and fixtures	188,583	14,500	(3,391)	199,692
Transportation equipment	<u>448,516</u>	<u>-</u>	<u>(23,698)</u>	<u>424,818</u>
	4,454,214	181,669	(183,845)	4,452,038
Less accumulated depreciation	<u>(2,051,810)</u>	<u>(170,852)</u>	<u>183,845</u>	<u>(2,038,817)</u>
	<u>2,402,404</u>	<u>10,817</u>	<u>-</u>	<u>2,413,221</u>
	\$ <u>2,420,404</u>	\$ <u>10,817</u>	\$ <u>-</u>	\$ <u>2,431,221</u>

**GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION
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Notes to Financial Statements
September 30, 2011

(4) Long-term Obligations

Other long-term liabilities will be liquidated in the future from governmental funds. During the year ended September 30, 2011, the following changes occurred in liabilities reported as part of PBS GUAM's long-term liabilities in the statement of net assets:

	Balance October 1, <u>2010</u>	<u>Additions</u>	<u>Reductions</u>	Balance September <u>30, 2011</u>	Due Within <u>One Year</u>
Compensated absences	\$ 72,129	\$ 21,455	\$ (22,249)	\$ 71,335	\$ 24,162
DCRS sick leave liability	<u>12,973</u>	<u>-</u>	<u>(4,409)</u>	<u>8,564</u>	<u>-</u>
	<u>\$ 85,102</u>	<u>\$ 21,455</u>	<u>\$ (26,658)</u>	<u>\$ 79,899</u>	<u>\$ 24,162</u>

(5) Funding Sources

Government of Guam (GovGuam) Appropriation

PBS GUAM receives an annual appropriation from the Guam Legislature to defray the cost of salaries and related benefits, contractual services and utilities. PBS GUAM submits an annual budget for these items. This appropriation is contingent upon PBS GUAM having matching funds at least equal to the appropriated amount. Any unexpended funds at the end of the fiscal year revert back to GovGuam's General Fund. For the year ended September 30, 2011, the total appropriation was \$621,057.

Community Service Grants

The Corporation for Public Broadcasting (CPB) is a private nonprofit grant-making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public telecommunications entities based on budget submissions. CSGs are used to augment the financial resources of public broadcasting stations and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two fiscal years as described in the Communications Act, 47 United States Code Annotated Section 396(k)(7), (1983 Supplement). In any event, each grant must be expended within two years of the initial grant authorization.

In accordance with the Communications Act, funds may be used at the discretion of recipients. Public broadcasters use these funds for purposes relating primarily to production and acquisition of programming. In addition, the grants may be used to sustain activities begun with CSGs awarded in prior years.

PBS GUAM's CSG is reported in the accompanying financial statements under the General Fund. Certain guidelines must be satisfied in connection with application for and use of the grants to meet eligibility and compliance requirements. These guidelines pertain to the use of grant funds, recordkeeping, audits, financial reporting, and licensee status with the FCC.

GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION
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Notes to Financial Statements
September 30, 2011

(5) Funding Sources, Continued

Community Service Grants, Continued

The Community Service Grants received and expended during the year ended September 30, 2011 were as follows:

<u>Grant Year</u>	<u>Grant Name</u>	<u>Grants Received (Returned)</u>	<u>Beginning Deferred Portion</u>	<u>Grants Expended</u>	<u>Ending Deferred Portion</u>
2010	CSG	\$ -	\$ 245,690	\$ 245,690	\$ -
2010	DDF	(8,000)	8,000	-	-
2011	CSG	600,838	-	493,317	107,521
2011	DDF	54,118	-	-	54,118
2011	TV SAG	72,566	-	-	72,566
2011	Interconnection	<u>11,581</u>	<u>-</u>	<u>11,581</u>	<u>-</u>
	Total	\$ <u>731,103</u>	\$ <u>253,690</u>	\$ <u>750,588</u>	\$ <u>234,205</u>

(6) Employee Retirement Plans

Employees of PBS GUAM hired on or before September 30, 1995 are under the Government of Guam Employees' Retirement System (a defined benefit, contributory pension plan). Employees hired after September 30, 1995, are members of the Defined Contribution Retirement System (DCRS). Until December 31, 1999 and for several limited periods after December 31, 1999, those employees who were members of the Defined Benefit (DB) Plan with less than 20 years of service at September 30, 1995, had the option to switch to the DCRS. Otherwise, they remained under the old plan.

Defined Benefit Plan

Plan Description:

PBS GUAM participates in the GovGuam Defined Benefit (DB) Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the GovGuam Retirement Fund (GGRF). The DB Plan provides retirement, disability, and survivor benefits to plan members who enrolled in the plan prior to October 1, 1995. Cost-of-living adjustments are provided to members and beneficiaries at the discretion of the Guam Legislature. Article 1 of 4 GCA 8, Section 8105, requires that all employees of GovGuam, regardless of age or length of service, become members of the DB Plan prior to the operative date. Employees of a public corporation of GovGuam, which includes PBS GUAM, have the option of becoming members of the DB Plan prior to the operative date. All employees of GovGuam, including employees of GovGuam public corporations, whose employment commences on or after October 1, 1995, are required to participate in the Defined Contribution Retirement System (DCRS). Hence, the DB Plan became a closed group.

GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)

Notes to Financial Statements
September 30, 2011

(6) Employee Retirement Plans, Continued

Defined Benefit Plan, Continued

Plan Description, Continued:

A single actuarial valuation is performed annually covering all plan members and the same contribution rate applies to each employer. GGRF issues a publicly available financial report that includes financial statements and required supplementary information for the DB Plan. That report may be obtained by writing to the Government of Guam Retirement Fund, 424 A Route 8, Maite, Guam 96910, or by visiting GGRF's website – www.ggrf.com.

Funding Policy:

As a result of actuarial valuations performed as of September 30, 2009, 2008, and 2007, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2011, 2010 and 2009, respectively, have been determined by the Guam Legislature as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Normal costs (% of DB Plan payroll)	17.00%	18.34%	17.36%
Employee contributions (DB Plan employees)	<u>9.50%</u>	<u>9.50%</u>	<u>9.50%</u>
Employer portion of normal costs (% of DB Plan payroll)	<u>7.50%</u>	<u>8.84%</u>	<u>7.86%</u>
Employer portion of normal costs (% of total payroll)	3.03%	3.73%	3.70%
Unfunded liability cost (% of total payroll)	<u>21.75%</u>	<u>22.69%</u>	<u>19.68%</u>
Government contribution as a % of total payroll	<u>24.78%</u>	<u>26.42%</u>	<u>23.38%</u>
Statutory contribution rates as a % of DB Plan payroll:			
Employer	<u>27.46%</u>	<u>26.04%</u>	<u>26.33%</u>
Employee	<u>9.50%</u>	<u>9.50%</u>	<u>9.50%</u>

PBS GUAM's contributions to the DB Plan for the years ending September 30, 2011, 2010 and 2009 were \$75,350, \$64,488 and \$110,603, respectively, which were equal to the required contributions for each year.

GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)

Notes to Financial Statements
September 30, 2011

(6) Employee Retirement Plans, Continued

Defined Contribution Retirement System (DCRS)

Contributions into the DCRS plan by members are based on an automatic deduction of 5% of the member's regular base pay. The contribution is periodically deposited into an individual annuity account within the DCRS. Employees are afforded the opportunity to select from different annuity accounts available under the DCRS.

Statutory employer contributions for the DCRS plan for the year ended September 30, 2011 are determined using the same rates as the DB Plan. Of the amount contributed by the employer, only 5% of the member's regular pay is deposited into the DCRS. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

Members of the DCRS plan, who have completed five years of government service, have a vested balance of 100% of both member and employer contributions plus any earnings thereon.

Other Post Employment Benefits

GovGuam, through its substantive commitment to provide other post-employment benefits (OPEB), maintains a cost-sharing multiple employer defined benefit plan to provide certain postretirement healthcare benefits to retirees who are members of the GovGuam Retirement Fund. Under the Plan, known as the GovGuam Group Health Insurance Program, GovGuam provides medical, dental, and life insurance coverage. The retiree medical and dental plans are fully-insured products provided through insurance companies. GovGuam shares in the cost of these plans, with GovGuam's contribution amount set each year at renewal. Current statutes prohibit active and retired employees from contributing different amounts for the same coverage. As such, GovGuam contributes substantially more to the cost of retiree healthcare than to active healthcare. For the life insurance plan, GovGuam provides retirees with \$10,000 of life insurance coverage through an insurance company. Retirees do not share in the cost of this coverage.

Because the Plan consists solely of GovGuam's firm commitment to provide OPEB through the payment of premiums to insurance companies on behalf of its eligible retirees, no stand-alone financial report is either available or generated.

GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)

Notes to Financial Statements
September 30, 2011

(7) Lease Commitments

On January 1, 2007, PBS GUAM entered into a twenty-one year lease agreement with the Chamorro Land Trust Commission for property located in Barrigada for the purposes of constructing and operating an antennae site with transmitter building facilities. The terms of the lease require a lease payment of \$850 per month.

Total future minimum rentals for subsequent years ending September 30, are as follows:

<u>Year Ending</u> <u>September 30,</u>	
2012	\$ 10,200
2013	10,200
2014	10,200
2015	10,200
2016	10,200
2017 – 2021	51,000
2022 – 2026	51,000
2027 – 2028	<u>20,400</u>
	\$ <u>173,400</u>

(8) Risk Management

PBS GUAM 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. PBS GUAM has elected to purchase commercial insurance coverage from independent third parties for the risks of loss to which it is exposed. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)

Governmental Funds Balance Sheet/Schedule of Net Assets

September 30, 2011

(With comparative totals as of September 30, 2010)

	General Fund		Schedule of Net Assets	
	2011	2010	2011	2010
<u>ASSETS</u>				
Cash and cash equivalents	\$ 461,006	\$ 374,907	\$ 461,006	\$ 374,907
Cash and cash equivalents - restricted	291,415	385,609	291,415	385,609
Receivables, net	38,840	60,871	38,840	60,871
Capital assets, net of accumulated depreciation	-	-	2,431,221	2,420,404
Total assets	\$ 791,261	\$ 821,387	3,222,482	3,241,791
<u>LIABILITIES</u>				
Accounts payable	\$ 58,040	\$ 53,527	\$ 58,040	53,527
Other liabilities and accruals	8,569	18,269	8,569	18,269
Deferred revenue - unexpended grant funds	234,205	253,690	234,205	253,690
Long-term liabilities:				
Due within one year	-	-	24,162	24,063
Due after one year	-	-	55,737	61,039
Total liabilities	300,814	325,486	380,713	410,588
<u>FUND BALANCES/NET ASSETS</u>				
Fund balances:				
Assigned - supporting services	490,447	495,901		
Total fund balances	490,447	495,901		
Total liabilities and fund balances	\$ 791,261	\$ 821,387		
Net assets:				
Invested in capital assets			2,431,221	2,420,404
Unrestricted			410,548	410,799
Total net assets			\$ 2,841,769	\$ 2,831,203

See Accompanying Independent Auditors' Report.

GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)

Schedule of Governmental Fund Revenues, Expenditures and
Changes in Fund Balance/Schedule of Activities
Year Ended September 30, 2011
(With comparative totals for the year ended September 30, 2010)

	General Fund		Schedule of Activities	
	2011	2010	2011	2010
Revenues:				
Community service grant	\$ 750,588	\$ 621,874	\$ 750,588	\$ 621,874
Government of Guam appropriation	621,057	609,501	621,057	609,501
Fundraising	174,937	106,980	174,937	106,980
NTIA grant	140,735	-	140,735	-
In-kind contributions	123,410	103,034	123,410	103,034
Underwriting	77,542	69,100	77,542	69,100
Contributions and other income	55,855	69,745	55,855	69,745
Interest	5,476	6,253	5,476	6,253
Other	2,374	11,608	2,374	11,608
Total revenues	<u>1,951,974</u>	<u>1,598,095</u>	<u>1,951,974</u>	<u>1,598,095</u>
Expenditures/expenses:				
Program services:				
Station production	133,245	145,770	133,245	145,770
Station upgrade	59,631	54,579	59,631	54,579
Capital outlays	188,538	774	6,869	-
Supporting services:				
Program broadcasting	533,628	405,335	533,628	405,335
Contractual services	116,609	155,230	116,609	155,230
Development and promotion	91,603	81,345	91,603	81,345
Fundraising	80,238	46,108	80,238	46,108
Supplies and materials	9,469	9,399	9,469	9,399
Local appropriations:				
Personnel services	373,978	366,600	373,184	366,600
Fringe benefits	105,052	102,043	100,643	102,043
Contractual services	51,029	52,977	51,029	52,977
Utilities	90,998	87,881	90,998	87,881
In-kind expenditures/expenses	123,410	103,034	123,410	103,034
Unallocated depreciation	-	-	170,852	192,104
Total expenditures/expenses	<u>1,957,428</u>	<u>1,611,075</u>	<u>1,941,408</u>	<u>1,802,405</u>
Deficiency of revenues under expenditures	(5,454)	(12,980)		
Changes in net assets			10,566	(204,310)
Fund balance/net assets:				
Beginning of the year	<u>495,901</u>	<u>508,881</u>	<u>2,831,203</u>	<u>3,035,513</u>
End of the year	<u>\$ 490,447</u>	<u>\$ 495,901</u>	<u>\$ 2,841,769</u>	<u>\$ 2,831,203</u>

See Accompanying Independent Auditors' Report.

GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION
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Supplemental Schedule of Employees and Salaries
Year Ended September 30, 2011
(With comparative totals for the year ended September 30, 2011)

	2011		2010	
	Annual Payroll	Number of Employees	Annual Payroll	Number of Employees
Expenditures:				
Community Service Grant:				
Program services:				
Station production	\$ 122,417	5	\$ 139,395	4
Station upgrade	54,185	2	51,765	2
Supporting services:				
Program broadcasting	158,833	7	144,234	6
Development and promotion	85,468	4	70,319	3
	\$ 420,903	18	\$ 405,713	15
Government of Guam:				
Local appropriations	\$ 373,978	10	\$ 366,600	10

See Accompanying Independent Auditors' Report.

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

Board of Trustees
Guam Educational Telecommunications Corporation:

We have audited 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, 2011, which collectively comprise PBS Guam's basic financial statements and have issued our report thereon dated February 15, 2012. 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 PBS Guam is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered PBS Guam's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the respective financial statements, 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.

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 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.

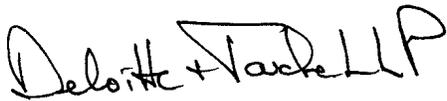
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether PBS Guam'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of PBS Guam in a separate letter dated February 15, 2012.

This report is intended solely for the information and use of management of the Guam Educational Telecommunications Corporation, the Board of Trustees, the Office of Public Accountability of Guam, federal awarding agencies, pass-through entities, the cognizant audit and other federal agencies 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 + Touche LLP". The signature is written in a cursive, stylized font.

February 15, 2012