Deloitte.

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February 15, 2011

The Board of Directors
Guam Economic Development Authority

Dear Members of the Board of Directors:

We have performed an audit of the financial statements of Guam Economic Development Authority (GEDA) as of and for the year ended September 30, 2010, in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our report thereon dated February 15, 2011.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of GEDA is responsible.

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

Our responsibility under auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, have been described in our engagement letter dated December 7, 2010. As described in that letter, the objective of a financial statement audit conducted in accordance with the aforementioned standards is:

- To express an opinion on the fairness of GEDA'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, 2010 in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), in all material respects;

- To express an opinion on whether the supplementary information that accompanies the basic financial statements is presented fairly, in all material respects, in relation to the basic financial statements taken as a whole; and

- To report on GEDA's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended September 30, 2010 based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.

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

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

## MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in GEDA's 2010 financial statements include management's estimate of the allowance for doubtful accounts, which is determined based upon past collection experience and aging of the accounts, and management's estimate of depreciation expense, which is based on estimated useful lives of the respective capital assets. During the year ended September 30, 2010, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

## AUDIT ADJUSTMENTS AND UNCORRECTED MISSTATEMENTS

As the result of our audit work, we identified matters that resulted in audit adjustments that we believe either individually or in the aggregate with others have had a significant effect on GEDA's financial reporting process. Such adjustments, listed in Appendix A to Attachment I, have been recorded in the accounting records and are reflected in the 2010 financial statements.

In addition, attached to Attachment I as Appendix B, summaries of uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest and prior period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

## SIGNIFICANT ACCOUNTING POLICIES

GEDA's significant accounting policies are set forth in Note 1 to GEDA's 2010 financial statements. During the year ended September 30, 2010, there were no significant changes in previously adopted accounting policies or their application, except for the following pronouncements adopted by GEDA:

- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which addresses whether and when intangible assets should be considered capital assets for financial reporting purposes.

- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which is intended to improve how state and local governments report information about derivative instruments - financial arrangements used by governments to manage specific risks or make investments - in their financial statements.

- GASB Technical Bulletin No. 2008-1, *Determining the Annual Required Contribution Adjustment for Postemployment Benefits*, which clarifies the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for calculating the annual required contribution (ARC) adjustment.

- GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*, which provides guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code, and establishes requirements for recognizing and measuring the effects of the bankruptcy process on assets and liabilities, and for classifying changes in those items and related costs.

Management does not believe that the implementation of these statements had a material effect on the financial statements of GEDA.

For the year ended September 30, 2011 and 2012, the following pronouncements will be adopted by GEDA:

- In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The provisions of this statement are effective for periods beginning after June 15, 2010.

- 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.

- In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*, which updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. The provisions of this statement are effective for periods beginning after June 15, 2010.

Management has not evaluated the effect that the implementation of these statements will have on the financial statements of GEDA.

## CRITICAL ACCOUNTING POLICIES AND PRACTICES

Critical accounting policies are those that are both most important to the portrayal of GEDA’s financial condition and results and require management’s most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

We had no oral discussions with management regarding critical accounting policies and practices related to the year ended September 30, 2010.

## ALTERNATIVE ACCOUNTING TREATMENTS

We had no discussions with management regarding alternative accounting treatments within generally accepted accounting principles for policies and practices related to material items, including recognition, measurement, and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, related to the year ended September 30, 2010.

## OTHER INFORMATION IN THE ANNUAL REPORTS OF GEDA

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 GEDA issues an Annual Report or other documentation that includes the audited financial statements, we will be required to read the other information in GEDA's 2010 Annual Report and will inquire as to the methods of measurement and presentation of such information. If we note a material inconsistency or if we obtain any knowledge of a material misstatement of fact in the other information, we will discuss this matter with management and, if appropriate, with the Board of Directors.

## DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to GEDA's 2010 financial statements.

## CONSULTATION WITH OTHER ACCOUNTANTS

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2010.

## MAJOR ISSUES DISCUSSED WITH MANAGEMENT PRIOR TO OUR RETENTION

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

## SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

## MANAGEMENT'S REPRESENTATIONS

We have made specific inquiries of GEDA's management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations GEDA 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.

This report is intended solely for the information and use of the Board of Directors, the management of Guam Economic Development Authority and the Office of Public Accountability - Guam and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

Very truly yours,

Deloitte & Touche LLP

GEDA
GUAM ECONOMIC DEVELOPMENT AUTHORITY
America in Asia

EDDIE BAZA CALVO
GOVERNOR OF GUAM
I MAGA' LAHEN GUAHAN

RAY TENORIO
LT. GOVERNOR OF GUAM
I SEGUNDO NA MAGA' LAHEN GUAHAN

KARL PANGELINAN
ADMINISTRATOR
ADMINASTRADOT

Aturidåd Inadilånton Ikunumihan Guahan

February 15, 2011

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

We are providing this letter in connection with your audits of the consolidated statements of net assets (deficiency) of the Guam Economic Development Authority (the Authority or GEDA) and its subsidiary (a component unit of the Government of Guam), which also include the accounts of the Tobacco Settlement Authority (TSA), and of the statements of fiduciary net assets of the Guam Development Fund Act, Agricultural Development Fund, the Microenterprise Development Program, the Guam Territorial Aquarium Foundation, the Music and Legends of Guam Fund and the U.S. Base Realignment and Closure Committee (the Funds), as of September 30, 2010 and 2009, and the related consolidated statements of operations and net assets (deficit) and cash flows, and the related Fund statements of revenues, expenditures and changes in fund balances (deficits), for the years then ended, for the purpose of expressing an opinion as to whether the consolidated financial statements and the Fund financial statements present fairly, in all material respects, the financial positions, and results of operations and/or changes in net assets and fund balances and/or cash flows of the Authority and of the Funds in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the following:

a. The fair presentation in the consolidated financial statements and in the various Fund financial statements of the financial positions, results of operations and changes in the net assets and fund balances of the various funds and cash flows in conformity with accounting principles generally accepted in the United States of America.

b. The fair presentation of the required supplementary information, including Management's Discussion and Analysis, accompanying the basic consolidated financial statements and the various Fund financial statements that are presented for the purpose of additional analysis for the basic consolidated financial statements and the various Funds financial statements.

c. Establishing and maintaining effective internal control over financial reporting.

d. The design and implementation of programs and controls to prevent and detect fraud.

e. The review and approval of the consolidated financial statements, accompanying schedules and related notes and acknowledge your role in the preparation of this information. Specifically, we acknowledge that your role in the preparation of the consolidated 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 the accounting policies generally accepted in the United States of America. Our review was based on the use of the Stand-alone Business-Type Activities Checklist by the Government Finance Officers Association. Additionally, we agreed with the adjusting and reclassification entries included in Appendix A.



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"THIS INSTITUTION IS AN EQUAL OPPORTUNITY PROVIDER AND EMPLOYER"

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

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

1. The consolidated and the Fund financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America. In addition:

   a. The financial statements properly classify all funds and activities.

   b. All funds that meet the quantitative criteria in Statement No. 34 of the Governmental Accounting Standards Board, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, 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. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.

   d. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.

   e. Required supplementary information is measured and presented within prescribed guidelines.

2. The Authority has made available to you all:

   a. Financial records and related data for all financial transactions of the Authority and for all Funds administered by the Corporation.

   b. Minutes of meetings of directors or summaries of actions of recent meetings for which minutes have not yet been prepared.

   c. Information related to federal claims for advances and reimbursements. Federal claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.

3. There has been no:

   a. Action taken by the Authority's management that contravenes the provisions of federal laws and Guam laws and regulations, or of contracts and grants applicable to the Authority and for all funds administered by the Authority.

   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.

4. We believe the effects of any uncorrected financial statement misstatements aggregated by you during the current audit engagement and pertaining to the latest period presented are immaterial, both

individually and in the aggregate, to the financial statements taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix B.

5. The Authority has not performed a formal risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud. However, management has made available to you their understanding about the risks of fraud in the Authority and do not believe that the financial statements are materially misstated as a result of fraud.

6. We have no knowledge of any fraud or suspected fraud affecting the Authority involving:

   a. Management.

   b. Employees who have significant roles in internal control over financial reporting.

   c. Others if the fraud could have a material effect on the financial statements.

7. We have no knowledge of any allegations of fraud or suspected fraud affecting the Authority received in communications from employees, former employees, analysts, regulators, or others.

8. There are no unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification (ASC) Topic No. 450 Contingencies (formerly FASB Statement No. 5, *Accounting for Contingencies*.).

9. We have disclosed to you all deficiencies in the design or operation of internal control over financial reporting identified as part of our evaluation, including separately disclosing to you all such deficiencies that are significant deficiencies or material weaknesses in internal control over financial reporting.

10. No changes in internal control over financial reporting or other factors that might significantly affect internal control over financial reporting, including any corrective actions taken by management with regard to significant deficiencies and material weaknesses, have occurred subsequent to September 30, 2010.

Except where otherwise stated below, matters less than $16,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the financial statements.

11. Except as listed in Appendix B, there are no transactions that have not been properly recorded in the accounting records underlying the financial statements.

12. The Authority has no plans or intentions that may affect the carrying value or classification of assets and liabilities.

13. The following, to the extent applicable, have been appropriately identified, properly recorded, and disclosed in the financial statements:

    a. Related-party transactions and associated amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral).

    b. Guarantees, whether written or oral, under which the Authority is contingently liable.

c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements.

d. All impaired loans receivable.

e. Loans that have been restructured to provide a reduction or deferral of interest or principal payments because of borrower financial difficulties.

14. In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, 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.

15. 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.

16. There are no:

    a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

    b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by ASC Topic No. 450 *Contingencies* except as disclosed and/or recorded in the financial statements.

17. The Authority 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, except as disclosed in the financial statements.

18. The Authority has complied with all aspects of contractual agreements that would have an effect on the financial statements in the event of noncompliance, including all requirements associated with the 2007 Series bonds.

19. There are no control deficiencies in the design or operation of internal control over financial reporting that could adversely affect the Authority's ability to initiate, record, process, and report financial information.

20. We have disclosed to you any change in the Authority's internal control over financial reporting that occurred during the Authority's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, the Authority's internal control over financial reporting.

21. No Authority or agency of the Federal Government or Government of Guam has reported a material instance of noncompliance to us.

22. With regard to the fair value measurements and disclosures of certain assets, we believe that:

    a. The measurement methods, including the related assumptions, used in determining fair value were appropriate and were consistently applied.

    b. The completeness and adequacy of the disclosures related to fair values are in conformity with accounting principles generally accepted in the United States of America.

    c. No events have occurred subsequent to September 30, 2010 that require adjustment to the fair value measurements and disclosures included in the financial statements.

23. During fiscal year 2010, GEDA implemented the following pronouncements:

    - GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which addresses whether and when intangible assets should be considered capital assets for financial reporting purposes.

    - GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, which is intended to improve how state and local governments report information about derivative instruments - financial arrangements used by governments to manage specific risks or make investments - in their financial statements.

    - GASB Technical Bulletin No. 2008-1, *Determining the Annual Required Contribution Adjustment for Postemployment Benefits*, which clarifies the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* for calculating the annual required contribution (ARC) adjustment.

    - GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*, which provides guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code, and establishes requirements for recognizing and measuring the effects of the bankruptcy process on assets and liabilities, and for classifying changes in those items and related costs.

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

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

    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 GEDA.

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

24. 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.

25. The Authority is responsible for determining and maintaining the adequacy of the allowance for doubtful notes, loans, interfund receivables, and accounts receivable, as well as estimates used to determine such amounts. Management believes the allowances are adequate to absorb currently estimated bad debts in the account balances.

26. We believe that all expenditures that have been deferred to future periods are recoverable.

27. We have no intention of terminating our participation in the Government of Guam Retirement plans or taking any other action that could result in an effective termination or reportable event for any of the plans. We are not aware of any occurrences that could result in the termination of any of our pension plans to which we contribute. We believe that the actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purposes are appropriate in the circumstances.

28. The Authority has obligated, expended, received, and used public funds of the Authority in accordance with the purpose for which such funds have been appropriated or otherwise authorized by Guam or federal law. Such obligation, expenditure, receipt, or use of public funds was in accordance with any limitations, conditions, or mandatory directions imposed by Guam or federal law.

29. Money or similar assets handled by the Authority on behalf of the Government of Guam or Federal Government have been properly and legally administered and the accounting and recordkeeping related thereto is proper, accurate, and in accordance with law.

30. No evidence of fraud or dishonesty in fiscal operations of programs administered by the Authority has been discovered.

31. No events have occurred subsequent to September 30, 2010 to the dates of our signatures below that require consideration as adjustments to or disclosures in the financial statements

Deloitte & Touche LLP
February 15, 2011

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2/23/11

Ricardo C. Duenas
Chairperson of the Board

Date

2/23/11

Karl A. Pangelinan
Administrator

Date

2/23/11

Christina Garcia
Deputy Administrator

Date

**GEDA**
**APPENDIX A - POSTED ADJUSTMENTS**
**SEPTEMBER 30, 2010**

| Number | Type | Description | Assets | Liabilities | Fund Equity | Net Income |
|---|---|---|---|---|---|---|
| | | **GEDA** | | | | |
| 1 | AJE | To adjust beginning fund balances | - | - | ( 144.00) | 144.00 |
| 2 | AJE | To adjust investment balances | 13,654.61 | - | - | ( 13,654.61) |
| 3 | AJE | To adjust for capitalized maintenance expense | ( 6,397.03) | - | - | 6,397.03 |
| 4 | AJE | To adjust for salaries and wages accrual | - | ( 9,368.00) | - | 9,368.00 |
| 5 | AJE | To adjust for deferred rental income | - | 3,607.00 | - | ( 3,607.00) |
| 6 | AJE | To adjust for untransferred sick leave | - | 10,470.00 | - | ( 10,470.00) |
| 7 | AJE | To adjust for DC sick leave | - | ( 15,000.00) | - | 15,000.00 |
| | | | 7,257.58 | ( 10,291.00) | ( 144.00) | 3,177.42 |
| | | **TSA** | | | | |
| 1 | AJE | To record FY10 activities | ( 55,963.93) | 832,255.12 | - | ( 776,291.19) |
| 2 | AJE | To amortize 2001 bond defease cost | - | ( 310,842.00) | - | 310,842.00 |
| 3 | AJE | To amortize 2007 bond dis. | - | ( 119,611.00) | - | 119,611.00 |
| 4 | AJE | To amortize 2007 issue cost | ( 55,059.00) | - | - | 55,059.00 |
| 5 | AJE | To amortize CAB discount | - | ( 284,019.00) | - | 284,019.00 |
| 6 | AJE | To adjust accrued interest | - | 14,000.00 | - | ( 14,000.00) |
| 1 | RJE | To reclassify current portion of A term bond | - | - | - | - |
| | | | ( 111,022.93) | 131,783.12 | 0.00 | ( 20,760.19) |
| | | **GDFA** | | | | |
| 1 | AJE | Immaterial difference in fund balances | - | - | ( 47.00) | 47.00 |
| 2 | AJE | To adjust for investment balances | 25,711.05 | - | - | ( 25,711.05) |
| 3 | AJE | To adjust allowance for loan losses | ( 332,684.00) | - | - | 332,684.00 |
| | | Total Posted | ( 306,972.95) | 0.00 | ( 47.00) | 307,019.95 |
| | | **ADF** | | | | |
| 1 | AJE | To adjust interest income | 1,845.10 | - | - | ( 1,845.10) |
| | | Total Posted | 1,845.10 | 0.00 | 0.00 | ( 1,845.10) |
| | | **GTAF** | | | | |
| 1 | AJE | To adjust investment income | 56.68 | - | - | ( 56.68) |
| | | Total Posted | 56.68 | 0.00 | 0.00 | ( 56.68) |

**GEDA**
**APPENDIX A - POSTED ADJUSTMENTS**
**SEPTEMBER 30, 2010**

| # | Name | Debit | Credit |
|---|---|---|---|
| | **GEDA** | | |
| | **1 AJE To adjust beginning fund balances** | | |
| 4500 | FUND BALANCE | - | 144.00 |
| 8100 | NON-OPERATION REVENUES/EXPENSE | 144.00 | - |
| | | 144.00 | 144.00 |
| | **2 AJE To adjust investment balances** | | |
| 1100 | INVESTMENTS | 5,562.91 | - |
| 1100 | INVESTMENTS | 3,658.62 | - |
| 1102 | INVESTMENT-BANK OF HAWAII | 4,433.08 | - |
| 5140 | Interest - Investments | - | 9,995.99 |
| 5140 | Interest - Investments | - | 3,658.62 |
| | | 13,654.61 | 13,654.61 |
| | **3 AJE To adjust for capitalized maintenance expense** | | |
| 1760 | OTHER EQUIPMENT | - | 6,397.03 |
| 7402 | Software < $500 | 6,397.03 | - |
| | | 6,397.03 | 6,397.03 |
| | **4 AJE To adjust for salaries and wages accrual** | | |
| 7110 | Regular Salary | 9,368.00 | - |
| 2100 | ACCRUED PAYROLL | - | 9,368.00 |
| | | 9,368.00 | 9,368.00 |
| | **5 AJE To adjust for deferred rental income** | | |
| 2300 | Deferred Revenue - Indust Park | 3,607.00 | - |
| 5110 | Industrial Park Rental Income | - | 3,607.00 |
| | | 3,607.00 | 3,607.00 |
| | **6 AJE To adjust for untransferred sick leave** | | |
| 2200 | RESERVE FOR ANNUAL LEAVE | 14,958.00 | - |
| 7111 | Annual Leave Earned | - | 14,958.00 |
| 2220 | RESERVE FOR OTHER LEAVE | - | 4,488.00 |
| 7127 | Employee Benefit-DC Sick Leave | 4,488.00 | - |
| | | 19,446.00 | 19,446.00 |
| | **7 AJE To adjust for DC sick leave** | | |
| 2220 | RESERVE FOR OTHER LEAVE | - | 20,267.00 |
| 7127 | Employee Benefit-DC Sick Leave | 20,267.00 | - |
| | | 20,267.00 | 20,267.00 |
| | **TSA** | | |
| | **1 AJE To record FY10 activities** | | |
| 5100 | Cash and Cash Equivalent | - | 55,963.93 |
| 8100 | Tobacco Settlement Revenue - Receipts | - | 2,518,458.33 |
| 8110 | Interest Income | - | 36.90 |
| 8310 | Trustee fees | 11,381.21 | - |
| 8300 | Interest Expense - Semi-Annual Payment | 1,699,050.00 | - |
| 7240 | Other professional services | 22,750.00 | - |
| 6310A | Series 2007 A Bond Payable | 800,000.00 | - |
| 7202 | Legal Services | 3,645.16 | - |
| 7801 | Travel - Off Island | 5,377.67 | - |
| 6110 | Accounts Payable | 32,255.12 | - |
| | | 2,574,459.16 | 2,574,459.16 |
| | **2 AJE To amortize 2001 bond defease cost** | | |
| 6322 | Bond defeasance cost | - | 310,842.00 |
| 8305 | Interest Expense - Bond Defeasance Cost Amortization | 310,842.00 | - |

**GEDA**
**APPENDIX A - POSTED ADJUSTMENTS**
**SEPTEMBER 30, 2010**

| # | Name | Debit | Credit |
|---|---|---|---|
| | | 310,842.00 | 310,842.00 |
| | **3 AJE To amortize 2007 bond dis.** | | |
| 6320 | Discount on Bond Issuance | - | 119,611.00 |
| 8303 | Interest Expense - Issuance Discount Amortization | 119,611.00 | - |
| | | 119,611.00 | 119,611.00 |
| | **4 AJE To amortize 2007 issue cost** | | |
| 5500 | Deferred Bond Issuance Costs | - | 55,059.00 |
| 8302 | Interest Expense - Debt Issuance Costs | 55,059.00 | - |
| | | 55,059.00 | 55,059.00 |
| | **5 AJE To amortize CAB discount** | | |
| 6321 | Discount on Bond Issuance - Capital Appreciation Bond | - | 284,019.00 |
| 8306 | Interest Expense - Series B CAB Accretion | 284,019.00 | - |
| | | 284,019.00 | 284,019.00 |
| | **6 AJE To adjust accrued interest** | | |
| 6120 | Interest Payable | 14,000.00 | - |
| 8301 | Interest Expense - Accrual Adjustment | - | 14,000.00 |
| | | 14,000.00 | 14,000.00 |
| | To adjust accrued interest payable. | | |
| | **1 RJE To reclassify current portion of A term bond** | | |
| 6110A | Current Portion of Series 2007 A | - | 115,000.00 |
| 6310A | Series 2007 A Bond Payable | 115,000.00 | - |
| | | 115,000.00 | 115,000.00 |
| | **GDFA** | | |
| | **1 AJE Immaterial difference in fund balances** | | |
| 4500 | FUND BALANCE | - | 47.00 |
| 8100 | NON-OPERATION REVENUES/EXPENSE | 47.00 | - |
| | | 47.00 | 47.00 |
| | **2 AJE To adjust for investment balances** | | |
| 1102 | INVESTMENT-BANK OF HAWAII | 25,630.81 | - |
| 5140 | Interest - Investments | - | 25,711.05 |
| 1105 | Allowance for Investment | 80.24 | - |
| | | 25,711.05 | 25,711.05 |
| | **3 AJE To adjust allowance for loan losses** | | |
| 1330 | ALLOW FOR DOUBTFUL ACCOUNTS | - | 325,656.00 |
| 1340 | INTEREST SUSPENSE ON D/L | - | 7,028.00 |
| 8007 | PROVISION FOR BAD DEBTS | 332,684.00 | - |
| | | 332,684.00 | 332,684.00 |
| | **ADF** | | |
| | **1 AJE To adjust interest income** | | |
| 5140 | Interest - Investments | - | 1,845.10 |
| 1105 | Allowance for Investment | 1,845.10 | - |
| | | 1,845.10 | 1,845.10 |
| | **GTAF** | | |
| | **1 AJE To adjust investment income** | | |
| 1102 | INVESTMENT-BANK OF HAWAII | 56.68 | - |
| 5140 | Interest - Investments | - | 56.68 |
| | | 56.68 | 56.68 |

**GEDA**
**APPENDIX B**
**SEPTEMBER 30, 2010**

| | BALANCE SHEET | | | |
|---|---|---|---|---|
| | ASSETS Dr (Cr) | LIABILITIES Dr (Cr) | INCOME STATEMENT Dr (Cr) | *TOTAL SHOULD EQUAL 0* |
| **KNOWN MISSTATEMENTS** | | | | |
| | | | | 0 |
| **GEDA** | | | | 0 |
| | | | | 0 |
| PAJE <1> - to accrue for sick leave payout in FY2011 (50% already accrued as part of DC SL liability at 9/30/10) | | (27,243) | 27,243 | 0 |
| | | | | 0 |
| | | | | 0 |
| ***Total known misstatements*** | 0 | (27,243) | 27,243 | 0 |
| | | | | |
| **LIKELY MISSTATEMENTS** | | | | 0 |
| | | | | 0 |
| | | | | 0 |
| ***Total likely misstatements*** | 0 | 0 | 0 | 0 |
| | | | | |
| **TOTAL KNOWN + LIKELY** | 0 | (27,243) | 27,243 | 0 |