

Guam Educational Telecommunications Corporation
(KGTF Channel 12)
FY 2005 Financial Highlights

April 5, 2006

The Guam Educational Telecommunications Corporation, also known as KGTF Channel 12 has consistently issued its annual audit timely before the June 30th deadline. The audited financial statements conducted by Burger and Comer show KGTF had a decrease in net assets (loss) of only \$15,000, compared to a \$198,000 loss in FY 2004. The change can be attributed to an increase in revenues and a decrease in depreciation expense, although it was offset by an increase in operating expenses.

KGTF's revenues increased \$130,000, from \$1.4 million in FY 2004 to over \$1.53 million in FY 2005. Revenues are derived from three major sources: General Fund appropriation of \$596,000 representing 39%, Community Service Grant (CSG) of \$560,000 representing 37%, and contributions of \$237,000 representing 15%. General Fund appropriation increased by \$97,000, or 20%, the Community Service Grant decreased by \$40,000 but was offset by the increase in contributions of \$66,000, or 39%.

Expenditures for FY 2005 were \$1.55 million, a slight decrease of \$50,000 compared to \$1.6 million in FY 2004. While depreciation expense decreased by \$129,000, expenditures for support services increased by \$78,000, mainly due to the \$54,000 increase in development and promotion.

In FY 2005, only \$23,000 was spent for new equipment compared to \$72,000 in FY 2004. With the digital turnover, KGTF will need to continue replacing outdated equipment as much of their equipment has been fully depreciated.

The Federal Communications Commission has extended the deadline for KGTF to broadcast digital television by three years to December 31, 2009. The existing tower and tower site was found unsuitable for the new digital antenna. The board has secured approval from the Board of Directors of the Chamorro Land Trust for a long-term lease for 6,000 square meters in Barrigada Heights, as well as 929 square meters in Merizo for the new tower and antenna sites.

KGTF's investments in time certificates of deposits (TCD) increased substantially from \$4,600 in 2004 to \$272,935 in 2005. The TCD's currently generate only 0.5% interest revenue. Improved cash management could yield higher rates on investments.

As of September 30, 2005, KGTF had 23 employees, 10 of whom are government employees funded by the General Fund appropriation. The other 13 employees are paid by the Community Service Grant and are not members of the Government of Guam retirement system.

In KGTF's report on compliance and internal controls, there were two findings cited. The first was a repeat finding from the last three years' audits and was related to KGTF's Board of Trustees meeting only ten times during the fiscal year. KGTF's board is required to meet at least once a month. The second finding cited a lost cash receipt book covering most of the first quarter of FY 2006. The chairman of the board is the stepson of the Public Auditor.

For a more detailed discussion on KGTF's operations, see the Management's Discussion and Analysis.