

**GUAM EDUCATIONAL TELECOMMUNICATIONS
CORPORATION**

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

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

SEPTEMBER 30, 2008

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 (the "Corporation"), a component unit of the Government of Guam, as of and for the year ended September 30, 2008, 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.

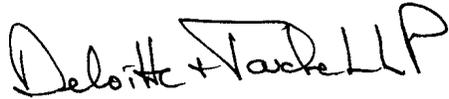
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 Guam Educational Telecommunications Corporation as of September 30, 2008, 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 8 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. 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 25 through 27 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 2008 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 March 9, 2009, 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.

March 9, 2009

GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION
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Management's Discussion and Analysis
Year Ended September 30, 2008

This discussion and analysis of Guam Educational Telecommunications Corporation (KGTF) is intended to give an overview of our financial performance for the year ended September 30, 2008. This analysis should be read in conjunction with the following financial statements, related footnotes and required supplementary information.

Financial Statements

KGTF's financial statements are prepared in accordance with U.S. generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB). The 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) and as well as its obligations (liabilities) at a specific point in time. 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 expenses during the period being reported. 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, 2008 and 2007, 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.

<i>Statement of Net Assets</i>	<u>2008</u>	<u>2007</u>
Capital assets	\$ 344,482	\$ 463,505
Current and other assets	<u>1,737,284</u>	<u>1,249,281</u>
Total assets	<u>\$ 2,081,766</u>	<u>\$ 1,712,786</u>
Long-term liabilities	\$ 103,346	\$ 73,267
Other liabilities	<u>1,234,346</u>	<u>691,939</u>
Total liabilities	<u>1,337,692</u>	<u>765,206</u>
Net assets:		
Invested in capital assets	344,482	463,505
Unrestricted	<u>399,592</u>	<u>484,075</u>
Total net assets	<u>744,074</u>	<u>947,580</u>
	<u>\$ 2,081,766</u>	<u>\$ 1,712,786</u>

Capital assets decreased by approximately 26%, or \$119,023, due to capital asset additions of \$55,111 offset by depreciation expense of \$174,134. However, current and other assets increased by approximately 39%, or \$488,003, due primarily to an increase in cash balances of \$434,378. Total liabilities increased by approximately 75%, or \$572,486, due primarily to an increase in deferred revenue balances of \$553,630. The increase in cash balances is the direct result of an increase in unexpended grant revenues, which resulted in an increase in deferred revenue balances. The decrease in total net assets is primarily caused by the increase in current liabilities as reflected above.

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<i>Statement of Activities</i>	<u>2008</u>	<u>2007</u>
Local appropriation	\$ 593,124	\$ 599,749
Community Service Grant	666,500	709,932
Contributions and other	343,763	553,981
Interest income	<u>9,237</u>	<u>18,006</u>
 Total revenues	 <u>1,612,624</u>	 <u>1,881,668</u>
 Program services	 131,330	 139,140
Supporting services	1,510,666	1,520,060
Depreciation expense	<u>174,134</u>	<u>150,215</u>
 Total expenses	 <u>1,816,130</u>	 <u>1,809,415</u>
 Change in net assets	 <u>(203,506)</u>	 <u>72,253</u>
 Net assets beginning of year, as previously reported	 947,580	 973,539
Restatement	<u>-</u>	<u>(98,212)</u>
 Net assets beginning of year, as restated	 <u>947,580</u>	 <u>875,327</u>
 Net assets at end of year	 \$ <u>744,074</u>	 \$ <u>947,580</u>

Total revenues decreased by approximately \$269,044, or 14%. This reduction primarily reflects the decrease in the expenditure of grant revenues, and the decrease in contributions and other revenues. This was primarily due to the completion of equipment purchases under a National Telecommunications and Information Administration (NTIA) grant received in the previous fiscal year.

Total operating expenses increased by a small margin, approximately 1%. Related expenses and revenues are recognized in approximate equal amounts as the expenses are incurred.

Budgetary Highlights

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

Capital Assets

KGTF has approximately \$344,482 invested in capital assets. This represents a decrease of approximately \$119,023, or 26% over the previous year. This decrease results primarily from the acquisition of capital assets of \$55,111, which is primarily represented by the acquisition of furniture, fixtures and other studio equipment offset by depreciation expense of \$174,134. The actual composition and the activity within these accounts are presented in more detail in note 3 to the financial statements.

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The Digital Television Transition and Public Safety Act of 2005 required KGTF to stop broadcasting in analog and to broadcast in digital after February 17, 2009. The digital transition will provide a better viewing experience for consumers, and offers opportunities for emergency responders to enhance their efforts to protect the community. Hence, KGTF secured a 20-year term lease with the Government of Guam's Chamorro Land Trust Commission (CLTC) for 6,000 square meters in Barrigada Heights for the new tower, transmitter building and antennae site. This site was considered a superior site for the construction of the new tower and transmitter facility. Various approvals were required and accomplished in the previous fiscal year, including the Federal Communications Commission (FCC) approval to move the existing Digital Television (DTV) Channel 5 authorizations to Barrigada Heights, an FCC Construction Permit (CP) Extension Application to KGTF-DT to February 17, 2009, and an Federal Aviation Administration (FAA) approval for a 157-foot AGL (Above Ground Level) tower. The property was cleared and inspected accordingly in preparation for the construction project.

In 2004, KGTF was awarded grants from the Digital Distribution Fund (DDF) from the DDF Round 3 and in 2005 from the DDF Round 7. Subsequently, the station received another award from the DDF Round 10 application, to further support the rechannelization and final DTV transition process. The combined DDF grants provided the necessary funding to build the new tower and transmission facility. Under the guidance and assistance from the Procurement Officer (Department of Public Works Director) and other agencies, an extensive and diligent procurement process was conducted and completed. On September 5, 2008, KGTF and Harris Corporation executed a contract for Turnkey Engineer-Furnish-Install/Design-Build of a new transmitting facility for digital television. The lengthy procurement process did require delays and modifications in the final project schedule. However, by mid-September, the contractor was able to place orders for the tower, antenna rework, and other necessary equipment. Based on the timeline presented in the KGTF/Harris contract and on teleconferences and correspondences to date with Harris Corporation, KGTF DTV Channel 12 project anticipates meeting the DDF project schedule and complete digital transition by February 17, 2009.

Overall, and in consideration of the many delays encountered in moving forward the DTV transition project, progress was made through the diligence and cooperation between the station, agencies involved in the procurement process, and finally with Harris Corporation. The station was confident that every aspect of the contract work will address the schedule of work items (per the DDF Grant) in order to meet the February 17, 2009 milestone end, conducted in the most efficient and effective manner. On February 14, 2009, three days in advance of the transition deadline, KGTF Channel 12 met the DDF project schedule and began its digital transmission on Guam.

Economic Factors

Guam's economy continues to show signs of recovery, though slow. Growth from the two major economic industries on Guam, tourism and the military, offer continued optimism. However, a global economic downturn during 2008 affected local businesses and individual income capacity. Private marketing funds from corporations that would support non-profit organizations, such as KGTF who depend on public support, remain somewhat stable and low. However, patrons of public television continue to show support through pledge drives or educational community outreach activities. In fiscal year 2008, the following programs reflect public support of the station, despite economic challenges in the community:

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Institutional Factors

Change in administration of the station occurred in June 2008, replacing the Acting General Manager with a new General Manager possessing previous public administration, financial and grant management experience. The new General Manager also had experience in education administration, career and technical education, and multimedia development. Upon review of the station operations, strategic plans and new directions were developed. Overall goals initially developed by the new General Manager included: (1) ensuring station's success during the digital television transition; (2) distributing content on multiple platforms; (3) growing public television's audience (membership; new local programs, and program enhancements such as Educational Initiative Programs); and (4) increasing public television's resources (grant writer). These are discussed further as they played out in fiscal years 2007 and 2008:

Goal 1: To ensure the station's success during the digital television transition, the DDF Round 10 Grant was sought and awarded to KGTF. As discussed above, the project to get the digital television transition underway occurred towards the latter part of fiscal year 2008. By September 5, 2008, KGTF contracted with Harris Corporation to conduct the Turnkey Engineer-Furnish-Install/Design-Build of a new transmitting facility for digital television in Barrigada Heights.

Goal 2: Efforts were underway to explore options for the content distribution on multiple platforms. A new computer system for the graphics and web design was procured to help meet this goal. The Technical Resources/MCO Supervisor was tasked to lead this effort, beginning with upgrades to the KGTF website. In addition, research to find resources to further develop the website as an alternate platform to deliver programming content began. Finally, the General Manager sought assistance from college interns from Guam Community College and the University of Guam to serve as technical support.

Goal 3: To further increase KGTF's audience base, efforts were underway to identify improvements to the organization of national programming, as well as local programs. Local programs that continued to be produced and offered by the station included the following: (1) "Academic Challenge Bowl", which was an unfunded partnership with the Gifted and Talented Educational Program (GATE) of the Guam Public School System (GPSS); (2) "Hafa Adai Guam USA", a cultural program hosted by Chamorro Artist Johnny Sablan. This program supported local culture celebrating the Chamorro language and cultural events; and (3) "Mabuhay Show with Andy Padilla" was the local Filipino program, which combined public affairs and the celebration of the Philippine culture and events.

Partnerships with local public agencies and non-governmental organizations (NGOs) continued as KGTF provided production services for educational and informational videos. Productions were for broadcast on KGTF or for other distributions such as commercial stations or for purchase. Agencies that utilized KGTF services included the Department of Public Health and Social Services, GPSS, Department of Public Works, Guam Council on the Arts and Humanities Agency (CAHA), Guam Police Department, Department of Vocational Rehabilitation, Department of Parks and Recreation, Guam Environmental Protection Agency, Guam Energy Office, Department of Agriculture, Superior Court of Guam, Guam International Airport Authority, University of Guam, Civil Defense/Homeland Security, Guam Preservation Trust, Guam Museum, Guam Public Library System, and the Governor's Office among many other agencies.

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The Citigroup Children's Learning Center at the Guam Public Library System (GPLS) continues to be a successful outreach effort in 2008. The Center is located in the main branch in Hagatna, where eight computers, furniture, and equipment are available for patrons both young and old to use. GPLS expanded the project by offering free computer classes, in collaboration with volunteers from the Guam Community College.

As in previous years, KGTF also covered the 2008 Liberation Day Parade, offering Guam live broadcast of this large island-wide event. Rebroadcast was also offered, and DVD copies of the coverage were offered for private purchase. Upon request, a copy of the DVD was also provided to the Mayor of Rota, who receives limited over-the-air transmission of KGTF Channel 12.

Supporting educational initiatives continue to help broaden the audience base of KGTF. The 14th Annual Reading Rainbow Young Writers and Illustrators Contest was conducted for K-3 grade levels. The contest builds on Reading Rainbow's mission to encourage a child's love of books and reading. Participating schools included GPSS, DODEA, and home schools. Young winners of the contest were featured on KGTF Channel 12, where children's illustrations were shown along with their narration of the winning stories. A total of 11 schools and 95 participants joined this year's event.

Goal 4: To help increase public television resources, changes in the Development department included the hiring of a new Development Director to lead the department. The Development Director was tasked to lead the daily internal coordination of the development division as it pertains to corporate support, and provide leadership and direction. The Development Director presented to the Board of Trustees and Acting General Manager a strategic plan to increase financial resources from individuals, agencies, business, foundations and corporations. During his tenure, he led a successful underwriting and sponsorship plan for the July 21, 2008 Liberation Day Parade and successfully exceeded the previous year's financial goals.

Partnerships with local public agencies and non-governmental organizations (NGOs) continued to serve as a revenue source. KGTF provided various production services, including the development of educational or informational Public Service Announcements or videos. Productions were for broadcast on KGTF, or for other distributions such as commercial stations or for purchase. Examples of agencies that utilized KGTF services are also listed above under Goal 3.

Staff roles and responsibilities were reviewed, and plans for reorganization were implemented. The reorganization was to help improve the efficiency and effectiveness of the station operations. In addition, with department heads' input, a manual for Standard Operating Procedures for all departments was developed.

Increasing resources also included the implementation of cost reduction measures. Procurement of supplies and equipment were reviewed by the General Manager, which resulted in changes in purchasing practices such as a more diligent requisition process and bulk purchasing of necessary supplies. Also, supervisors and staff were advised to begin identify ways to reduce utility costs, such as turning off equipment, air conditioners, and lights when unnecessary. Reduce and recycling measures were implemented, in response to local mandates and efforts to "Go Green". Recycling of paper, cardboard, cans, and plastic was adopted by the station.

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Plans were developed to budget for the position of a grant writer/community outreach. The Board of Trustees and management discussed this needed position. In agreement, the position was developed and was to be subsequently filled in the following fiscal year.

Summary

Aligning with its mission and with its existing resources, KGTF continues to provide 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, KGTF strives to empower individuals to achieve their potential and strengthen the social, democratic, and cultural health of Guam and the nation. In order to accomplish this, plans are being developed to further attain public and individual support. Furthermore, with the anticipated digital transmission capabilities, KGTF will continue to bring free and accessible programming and services of the highest quality to everyone.

Contacting KGTF's Financial Management

This financial report is designed to provide our community and others a general overview of KGTF's finances and to demonstrate its accountability for the money it collects. If you have questions about this report or need additional financial information, contact the General Manager, P.O. Box 21449, GMF, Guam 96921 or via email at kgtf12@ite.net.

GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION
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Governmental Funds Balance Sheet/Statement of Net Assets
September 30, 2008

	General Fund	Adjustments (Note 2)	Statement of Net Assets
<u>ASSETS</u>			
Cash and cash equivalents	\$ 377,077	\$ -	\$ 377,077
Cash and cash equivalents - restricted	1,280,465	-	1,280,465
Receivables, net of allowance for uncollectible accounts of \$54,706	79,742	-	79,742
Prepaid items	-	-	-
Capital assets, net of accumulated depreciation	-	344,482	344,482
Total assets	\$ 1,737,284	344,482	2,081,766
<u>LIABILITIES</u>			
Accounts payable	\$ 46,699	-	46,699
Other liabilities and accruals	16,294	-	16,294
Deferred revenue - unexpended DDF grant funds	890,635	-	890,635
Deferred revenue - unexpended grant funds	280,718	-	280,718
Long-term liabilities:			
Due within one year	-	23,867	23,867
Due after one year	-	79,479	79,479
Total liabilities	1,234,346	103,346	1,337,692
Commitments and contingencies			
<u>FUND BALANCES/NET ASSETS</u>			
Fund balances:			
Unreserved	502,938	(502,938)	-
Total fund balances	502,938	(502,938)	-
Total liabilities and fund balances	\$ 1,737,284		
Net assets:			
Invested in capital assets		344,482	344,482
Unrestricted		399,592	399,592
Total net assets		\$ 744,074	\$ 744,074

See accompanying notes to financial statements.

GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION
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Statement of Governmental Fund Revenues, Expenditures and
Changes in Fund Balance/Statement of Activities
Year Ended September 30, 2008

	General Fund	Adjustments (Note 2)	Statement of Activities
Revenues:			
Community service grant	\$ 666,500	\$ -	\$ 666,500
Government of Guam appropriation	593,124	-	593,124
Contributions and other grants	164,108	-	164,108
In-kind contributions	172,191	-	172,191
Interest	9,237	-	9,237
Other	7,464	-	7,464
	<u>1,612,624</u>	<u>-</u>	<u>1,612,624</u>
Expenditures/expenses:			
Program services:			
Station production	101,659	(6,832)	94,827
Station upgrade	27,536	152	27,688
Capital outlays	63,926	(55,111)	8,815
Supporting services:			
Program broadcasting	500,073	(709)	499,364
Development and promotion	83,718	1,809	85,527
Contractual services	112,371	-	112,371
Supplies and materials	12,430	-	12,430
Local appropriations:			
Personnel services	367,255	35,659	402,914
Fringe benefits	110,173	-	110,173
Contractual services	63,913	-	63,913
Utilities	51,783	-	51,783
In-kind expenditures/expenses	172,191	-	172,191
Unallocated depreciation	-	174,134	174,134
	<u>1,667,028</u>	<u>149,102</u>	<u>1,816,130</u>
Deficiency of revenues under expenditures	(54,404)	54,404	-
Changes in net assets	-	(203,506)	(203,506)
Fund balance/net assets:			
Beginning of the year	557,342	-	947,580
End of the year	<u>\$ 502,938</u>	<u>\$ -</u>	<u>\$ 744,074</u>

See accompanying notes to financial statements.

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Notes to Financial Statements
September 30, 2008

(1) Organization

Guam Educational Telecommunications Corporation (KGTF), a component unit of the Government of Guam, currently operates one television station under the call letters KGTF-TV. KGTF was established as a public corporation by Public Law 12-194 as approved on January 2, 1975. The purpose of KGTF 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.

KGTF's license with the Federal Communications Commission was renewed through February 1, 2015. KGTF is subject to the condition that beginning in the year 2009, the station will only broadcast digital television.

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

(2) Summary of Significant Accounting Policies

The accompanying basic financial statements of KGTF 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 KGTF'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 KGTF'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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(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 KGTF.

Fund Financial Statements:

KGTF 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. KGTF 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>502,938</u>
Add:		
Capital assets	2,410,679	
Accumulated depreciation	<u>(2,066,197)</u>	
		<u>344,482</u>
Less:		
Compensated absences payable	(66,717)	
DCSL liability	(12,973)	
Unfunded pension liability	<u>(23,656)</u>	
		<u>(103,346)</u>
Total net assets - governmental activities		\$ <u><u>744,074</u></u>

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Notes to Financial Statements
September 30, 2008

(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	\$ (54,404)
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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	\$ 55,111	
Depreciation expense	<u>(174,134)</u>	
		(119,023)

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 governmental funds. For the current year, these activities consist of:

Increase in compensated absences	(7,079)	
Increase in DCRS sick leave	(3,024)	
Increase in unfunded pension costs	<u>(19,976)</u>	
		<u>(30,079)</u>

Change in net assets - governmental activities	\$ <u>(203,506)</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 KGTF 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, KGTF 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
September 30, 2008

(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, KGTF'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. KGTF 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, 2008, cash and cash equivalents is \$1,657,542 and the corresponding bank balance is \$1,732,320. Of the bank balance amount, \$1,213,646 is maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance and \$518,674 is maintained in credit unions subject to National Credit Union Administration (NCUA) insurance. As of September 30, 2008, bank deposits in the amount of \$100,000 are FDIC insured and bank deposits in the amount of \$200,000 are NCUA insured. KGTF does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC or NCUA coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

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.

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

Notes to Financial Statements
September 30, 2008

(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 Guam Public School System (GPSS, formerly 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 KGTF and is still held in the name of GovGuam. Fair market rental value related to this property in the amount of \$67,356 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. 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

Impairment of Assets

Federal legislation has been passed which requires the public broadcasting industry to use digital broadcasting equipment by the year 2009. Based on this requirement, there is a potential impairment of KGTF assets. The extent of the impairment, if any, cannot be determined at this time; consequently any potential losses to KGTF have not been presented in the accompanying financial statements and will be accounted for, if occurring, in the year that such becomes determinable.

GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION
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Notes to Financial Statements
September 30, 2008

(2) Summary of Significant Accounting Policies, Continued

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.

Income Taxes

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

Compensated Absences

It is KGTF'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 KGTF does not have a policy to pay any amounts when employees separate from service with KGTF. 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. KGTF has accrued an estimated liability of \$12,973 at September 30, 2008 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.

GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION
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Notes to Financial Statements
September 30, 2008

(2) Summary of Significant Accounting Policies, Continued

Accounting for Pension Costs

For the purpose of applying the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*, the amount reported as the unfunded pension liability of \$23,656 represents the cumulative amount owed by GovGuam for the unfunded prior years' actuarially required pension contributions to the GovGuam Retirement Fund. The unfunded pension liability has been recorded as a liability in the governmental activity in the accompanying government-wide statement of net assets.

For the purpose of the basic financial statements, KGTF's annual pension cost, measured on the accrual basis of accounting, for the year ended September 30, 2008 amounted to \$106,291. However, the amount recognized as pension expenditure in the governmental funds was recorded under the modified accrual basis, and amounted to \$86,315.

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.

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 2008, KGTF implemented the following pronouncements:

- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which establishes standards for the measurement, recognition, and display of other postemployment benefits expense/expenditures and related liabilities, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers.
- GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfer of Assets and Future Revenues*, which establishes criteria that governments will use to ascertain whether certain transactions should be regarded as a sale or a collateralized borrowing. The statement also includes a provision that stipulates that governments should not revalue assets that are transferred between financial reporting entity components.

GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION
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Notes to Financial Statements
September 30, 2008

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

- GASB Statement No. 50, *Pension Disclosures an amendment of GASB Statements No. 25 and 27*, which more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits.

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

In December 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. GASB Statement No. 49 provides guidance and consistency under which a governmental entity would be required to report a liability related to pollution remediation. The provisions of this statement are effective for periods beginning after December 15, 2007. Management does not believe that the implementation of this statement will have a material effect on the financial statements of KGTF.

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. GASB Statement No. 51 addresses whether and when intangible assets should be considered capital assets for financial reporting purposes. The provisions of this statement are effective for periods beginning after June 15, 2009. Management does not believe that the implementation of this statement will have a material effect on the financial statements of KGTF.

In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The provisions of this statement are effective for periods beginning after June 15, 2008. Management does not believe that the implementation of this statement will have a material effect on the financial statements of KGTF.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB Statement No. 53 is intended to improve how state and local governments report information about derivative instruments - financial arrangements used by governments to manage specific risks or make investments - in their financial statements. The provisions of this statement are effective for periods beginning after June 15, 2009. Management does not believe that the implementation of this statement will have a material effect on the financial statements of KGTF.

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Notes to Financial Statements
September 30, 2008

(3) Capital Assets

Capital asset activity for the year ended September 30, 2008, was as follows:

	October 1, <u>2007</u>	<u>Additions</u>	<u>Deletions</u>	September 30, <u>2008</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	351,797	2,583	-	354,380
Broadcasting equipment	923,242	13,722	-	936,964
Studio, antenna, transmitter, and other equipment	429,954	18,464	-	448,418
Furniture and fixtures	184,060	20,342	-	204,402
Transportation equipment	<u>448,516</u>	<u>-</u>	<u>-</u>	<u>448,516</u>
	2,337,569	55,111	-	2,392,680
Less accumulated depreciation	<u>(1,892,064)</u>	<u>(174,134)</u>	<u>-</u>	<u>(2,066,198)</u>
	<u>445,505</u>	<u>(119,023)</u>	<u>-</u>	<u>326,482</u>
	<u>\$ 463,505</u>	<u>\$ (119,023)</u>	<u>\$ -</u>	<u>\$ 344,482</u>

(4) Long-term Obligations

Other long-term liabilities will be liquidated in the future from governmental funds. During the year ended September 30, 2008, the following changes occurred in liabilities reported as part of KGTF's long-term liabilities in the statement of net assets:

	Balance October 1, <u>2007</u>			Balance September <u>30, 2008</u>		Due Within <u>One Year</u>
	<u>2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>30, 2008</u>		<u>One Year</u>
Compensated absences	\$ 59,638	\$ 26,864	\$ (19,785)	\$ 66,717	\$ 23,867	\$ 23,867
Unfunded pension liability	3,680	19,976	-	23,656	-	-
DCRS sick leave liability	<u>9,949</u>	<u>3,024</u>	<u>-</u>	<u>12,973</u>	<u>-</u>	<u>-</u>
	<u>\$ 73,267</u>	<u>\$ 49,864</u>	<u>\$ (19,785)</u>	<u>\$ 103,346</u>	<u>\$ 23,867</u>	<u>\$ 23,867</u>

(5) Funding Sources

Government of Guam (GovGuam) Appropriation

KGTF receives an annual appropriation from the Guam Legislature to defray the cost of salaries and related benefits, contractual services and utilities. KGTF submits an annual budget for these items. This appropriation is contingent upon KGTF 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, 2008, the total appropriation was \$593,124.

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Notes to Financial Statements
September 30, 2008

(5) Funding Sources, Continued

United States Department of Commerce Grant

During the year ended September 30, 2006, KGTF was awarded a \$196,961 grant from the United States Department of Commerce through the National Institute for Standards and Technology to upgrade broadcast equipment at the station. During the year ended September 30, 2008, KGTF expended \$20,753 under the grant, which is reflected as a component of other grants in the accompanying statement of activities, and completed the project.

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.

The Federal Communications Commission (FCC) has mandated that KGTF transmit a digital signal by the year 2009. KGTF has continued to move forward to meet this mandate by securing a \$1,851,908 Digital Distribution Grant (DDF) from CPB to cover the purchase and installation of a new digital antenna and transmitter system. As of September 30, 2008, KGTF had cumulatively received \$941,060 and had cumulatively expended \$50,425 of the grant monies for soil testing, legal fees and engineering fees, with the remaining amount of \$890,635 reflected as a component of deferred support in the accompanying financial statements. Cash received related to this grant is reflected as restricted cash in the accompanying financial statements.

KGTF'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.

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Notes to Financial Statements
September 30, 2008

(5) Funding Sources, Continued

Community Service Grants, Continued

The Community Service Grants received and expended during the year ended September 30, 2008 were as follows:

<u>Grant Year</u>	<u>Grant Name</u>	<u>Grants Received</u>	<u>Beginning Deferred Portion</u>	<u>Grants Expended</u>	<u>Ending Deferred Portion</u>
2007	CSG	\$ 549,757	\$ 308,620	\$ 308,620	\$ -
2008	CSG	535,226	-	254,508	280,718
2008	Interconnection	11,437	-	11,437	-
2008	TV SAG	68,902	-	68,902	-
2004	DDF Grant	329,960	288,349	8,814	279,535
2008	DDF Grant	<u>611,100</u>	<u>-</u>	<u>-</u>	<u>611,100</u>
	Total	<u>\$ 2,106,382</u>	<u>\$ 596,969</u>	<u>\$ 652,281</u>	<u>\$ 1,171,353</u>

(6) Employee Retirement Plans

Employees of KGTF 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:

The DB Plan is single-employer defined benefit, contributory pension plan administered by the GovGuam Retirement Fund (GGRF) to which all funds and agencies, including component units, as well as employees who are members of the DB Plan, contribute a fixed percentage of the payroll. The DB Plan provides retirement, disability, and survivor benefits to members and beneficiaries 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. All new employees 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
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Notes to Financial Statements
September 30, 2008

(6) Employee Retirement Plans, Continued

Defined Benefit Plan, Continued

Plan Description, Continued:

Membership in the DB Plan was mandatory for all full-time employees, except for those compensated on a fee basis, independent contractors, and persons aged 60 or over upon employment. Most employees may retire with full benefits at age 60 with at least 10 years of service, or after 25 years of service, regardless of age. Vesting of benefits is optional for employees with 3 to 19 years of service, but is mandatory for employees with 20 or more years of service. 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, 2006, 2005, and 2004, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2008, 2007 and 2006, respectively, have been determined by the Guam Legislature as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Normal costs (% of DB Plan payroll)	17.94%	18.21%	17.83%
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>8.44%</u>	<u>8.71%</u>	<u>8.33%</u>
Employer portion of normal costs (% of total payroll)	3.99%	4.26%	4.64%
Unfunded liability cost (% of total payroll)	<u>20.75%</u>	<u>20.66%</u>	<u>21.36%</u>
Government contribution as a % of total payroll	<u>24.74%</u>	<u>24.92%</u>	<u>26.00%</u>
Statutory contribution rates as a % of DB Plan payroll:			
Employer	<u>24.07%</u>	<u>22.94%</u>	<u>21.81%</u>
Employee	<u>9.50%</u>	<u>9.50%</u>	<u>9.50%</u>

GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION
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Notes to Financial Statements
September 30, 2008

(6) Employee Retirement Plans, Continued

Defined Benefit Plan, Continued

Annual Pension Cost and Net Pension Obligation:

KGTF's annual pension cost and net pension obligation to the DB Plan for the years ended September 30, 2008, 2007 and 2006 were as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Annual Required Contribution	\$ 106,330	\$ 94,690	\$ 128,013
Interest on Net Pension Obligation	258	248	326
Adjustment to Annual Required Contribution	<u>(297)</u>	<u>(285)</u>	<u>(375)</u>
Annual pension cost	106,291	94,653	127,964
Contributions made	<u>(86,315)</u>	<u>(102,197)</u>	<u>(116,740)</u>
Change in Net Pension Obligation	19,976	(7,544)	11,224
Net Pension Obligation, beginning of year	<u>3,680</u>	<u>11,224</u>	<u>-</u>
Net Pension Obligation, end of year	\$ <u>23,656</u>	\$ <u>3,680</u>	\$ <u>11,224</u>

The Annual Required Contribution for the years ended September 30, 2008, 2007 and 2006 were determined as part of the September 30, 2006, 2005 and 2004 actuarial valuations using the entry age normal actuarial cost method. The actuarial assumptions included the following:

Interest rate and rate of return	7.0%
Payroll growth	3.5%
Salary increases	4.0% - 8.5%

The assumptions did not include cost-of-living adjustments, which are funded by KGTF when required by legislation by the Guam Legislature. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of total payroll through May 1, 2031. The remaining amortization period at September 30, 2008 was 22.58 years.

The actuarial valuations performed as of September 30, 2006, 2005 and 2004, did not provide a breakdown of actuarial present value of vested and non-vested accumulated plan benefits by sponsor or net assets available for benefits by sponsor. If the actuarial valuation were performed for KGTF as a separate sponsor, the accrued unfunded liability at September 30, 2008 may be materially different than that recorded in the accompanying financial statements.

The actuarial valuations and contribution rates are based on estimates and assumptions. Changes in estimates and actuarial assumptions may result in revisions in actuarial valuations and contributions rates. The effects of such revisions are recognized in the period in which the revisions are determined.

GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION
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Notes to Financial Statements
September 30, 2008

(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, 2008 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.

(7) Lease Commitments

On January 1, 2007, KGTF 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; however, monthly lease payments are deferred until July 1, 2009. For the year ended September 30, 2008, deferred lease payments in the amount of \$10,200 are included in in-kind revenues in the accompanying financial statements.

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

<u>Year Ending</u> <u>September 30,</u>	
2009	\$ 2,550
2010	10,200
2011	10,200
2012	10,200
2013	10,200
2014 – 2018	51,000
2019 – 2023	51,000
2024 – 2028	<u>43,350</u>
	\$ <u>188,700</u>

(8) Risk Management

KGTF 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. KGTF 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
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Governmental Funds Balance Sheet/Schedule of Net Assets

September 30, 2008

(With comparative totals as of September 30, 2007)

	General Fund		Schedule of Net Assets	
	2008	2007	2008	2007
<u>ASSETS</u>				
Cash and cash equivalents	\$ 377,077	\$ 706,159	\$ 377,077	\$ 706,159
Cash and cash equivalents - restricted	1,280,465	517,005	1,280,465	517,005
Receivables, net	79,742	7,653	79,742	7,653
Prepaid items	-	18,464	-	18,464
Capital assets, net of accumulated depreciation	-	-	344,482	463,505
Total assets	\$ 1,737,284	\$ 1,249,281	2,081,766	1,712,786
<u>LIABILITIES</u>				
Accounts payable	\$ 46,699	\$ 60,685	46,699	60,685
Other liabilities and accruals	16,294	13,531	16,294	13,531
Deferred revenue - unexpended DDF grant funds	890,635	288,349	890,635	288,349
Deferred revenue - unexpended grant funds	280,718	329,374	280,718	329,374
Long-term liabilities:				
Due within one year	-	-	23,867	19,785
Due after one year	-	-	79,479	53,482
Total liabilities	1,234,346	691,939	1,337,692	765,206
<u>FUND BALANCES/NET ASSETS</u>				
Fund balances:				
Unreserved	502,938	557,342	-	-
Total fund balances	502,938	557,342	-	-
Total liabilities and fund balances	\$ 1,737,284	\$ 1,249,281		
Net assets:				
Invested in capital assets			344,482	463,505
Unrestricted			399,592	484,075
Total net assets			\$ 744,074	\$ 947,580

See Accompanying Independent Auditors' Report.

GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION
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Schedule of Governmental Fund Revenues, Expenditures and
Changes in Fund Balance/Schedule of Activities
Year Ended September 30, 2008
(With comparative totals for the year ended September 30, 2007)

	<u>General Fund</u>		<u>Schedule of Activities</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues:				
Community service grant	\$ 666,500	\$ 709,932	\$ 666,500	\$ 709,932
Government of Guam appropriation	593,124	599,749	593,124	599,749
Contributions and other grants	164,108	346,589	164,108	346,589
In-kind contributions	172,191	198,520	172,191	198,520
Interest	9,237	18,006	9,237	18,006
Other	<u>7,464</u>	<u>8,872</u>	<u>7,464</u>	<u>8,872</u>
Total revenues	<u>1,612,624</u>	<u>1,881,668</u>	<u>1,612,624</u>	<u>1,881,668</u>
Expenditures/expenses:				
Program services:				
Station production	101,659	99,551	94,827	99,434
Station upgrade	27,536	28,623	27,688	29,569
Capital outlays	63,926	191,627	8,815	10,137
Supporting services:				
Program broadcasting	500,073	462,986	499,364	456,949
Development and promotion	83,718	130,792	85,527	125,430
Contractual services	112,371	125,085	112,371	125,085
Supplies and materials	12,430	15,889	12,430	15,889
Local appropriations:				
Personnel services	367,255	364,011	402,914	368,542
Fringe benefits	110,173	115,199	110,173	109,106
Contractual services	63,913	72,816	63,913	72,816
Utilities	51,783	47,723	51,783	47,723
In-kind expenditures/expenses	172,191	198,520	172,191	198,520
Unallocated depreciation	<u>-</u>	<u>-</u>	<u>174,134</u>	<u>150,215</u>
Total expenditures/expenses	<u>1,667,028</u>	<u>1,852,822</u>	<u>1,816,130</u>	<u>1,809,415</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(54,404)</u>	<u>28,846</u>		
Changes in net assets			<u>(203,506)</u>	<u>72,253</u>
Fund balance/net assets:				
Beginning of the year, as previously reported	557,342	492,198	947,580	973,539
Restatement	<u>-</u>	<u>36,298</u>	<u>-</u>	<u>(98,212)</u>
Beginning of the year, as restated	<u>557,342</u>	<u>528,496</u>	<u>947,580</u>	<u>875,327</u>
End of the year	<u>\$ 502,938</u>	<u>\$ 557,342</u>	<u>\$ 744,074</u>	<u>\$ 947,580</u>

See Accompanying Independent Auditors' Report.

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

Supplemental Schedule of Employees and Salaries
Year Ended September 30, 2008
(With comparative totals for the year ended September 30, 2007)

	2008		2007	
	Annual Payroll	Number of Employees	Annual Payroll	Number of Employees
Expenditures:				
Community Service Grant:				
Program services:				
Station production	\$ 94,435	3	\$ 90,820	3
Station upgrade	24,148	1	25,221	1
Supporting services:				
Program broadcasting	122,465	6	121,469	6
Development and promotion	68,721	2	89,177	3
	\$ 309,769	12	\$ 326,687	13
Government of Guam:				
Local appropriations	\$ 367,255	9	\$ 364,011	9

See Accompanying Independent Auditors' Report.