



OFFICE OF THE PUBLIC AUDITOR

**Guam Educational Telecommunications Corporation
(KGTF Channel 12)
FY 2004 Financial Highlights**

May 5, 2005

The Guam Educational Telecommunications Corporation, also known as KGTF Channel 12, is the fourth Government of Guam agency to issue its audited FY 2004 financial statements. KGTF Channel 12 has consistently issued its annual audit before the June 30th deadline. This is attributed to the April 30th deadline of reporting to the Corporation for Public Broadcasting.

The audited financial statements conducted by Burger and Comer show KGTF Channel 12 had a loss of \$198,000, compared to \$312,000 in FY 2003. The loss, however, was primarily due to depreciation expense of \$298,000.

KGTF's revenues went up to \$1.4 million compared to \$1.1 million FY 2003. Revenues come from three major sources: the General Fund at \$499,000 representing 36%, the Community Service Grant (CSG) at \$600,000 representing 43%, and contributions at \$170,000 representing 12%. The General Fund appropriation was increased by \$102,000, as was the CSG at \$135,000 and contributions by \$7,000.

As part of a mandate by the Federal Communications Commission, KGTF is required to broadcast digital television by December 31, 2006. In anticipation of this requirement, KGTF secured a \$500,000 Digital Distribution Grant and has received approximately \$330,000 in FY 2004. The project will begin as soon as all necessary permits for construction are obtained.

With the digital turnover, KGTF acknowledged that their equipment is outdated. In FY 2004, \$72,000 was spent for new equipment, compared to only \$16,000 in FY 2003. KGTF will need to continue to replace its antiquated broadcasting equipment.

As of September 30, 2004, KGTF had 19 employees, 10 of whom are government employees funded by the General Fund appropriation. The other 9 employees are paid by the Community Service Grant and are not members of the Government of Guam retirement system.

Expenditures for FY 2004 were \$1.6 million and rose slightly by \$171,000 compared to \$1.43 million in FY 2003. The increase was attributed to program broadcasting, personnel services, and fringe benefits. Program broadcasting went up by \$43,000, from \$387,000 to \$430,000. Personnel services and fringe benefits also went up by \$101,000, from \$427,000 in FY 2004 as compared to \$326,000 in FY 2003.

In KGTF's report on compliance and internal controls, there was one finding cited. This was a repeat finding from last years report and was related to KGTF's Board of Trustees meeting only six times during the fiscal year. KGTF's Board is required to meet at least once a month. The chairman of the board is the stepson of the Public Auditor.

In a separate management letter, Burger & Comer commented on such issues as voided cash receipts not being maintained and the implementation of the 403(b) plan for non-government employees without Board approval and where only one employee is participating. In a prior year finding, the independent auditors recommended that the Board of Trustees adopt a travel policy, which has yet to be done. For a more detailed discussion on KGTF's operations, see the Management's Discussion and Analysis.