



OFFICE OF THE PUBLIC AUDITOR

**Guam Educational Telecommunications Corporation  
(KGTF Channel 12)  
FY 2008 Financial Highlights**

March 17, 2009

Independent auditors, Deloitte & Touche, LLP issued an unqualified “clean” opinion on the Guam Educational Telecommunications Corporation’s (KGTF)<sup>1</sup> Fiscal Year (FY) 2008 financial statements. KGTF ended FY 2008 with a loss of \$203,506 compared to a gain in net assets of \$72,253 in FY 2007. This was primarily due to a decrease in grant revenues, contributions, and other revenues. Despite the loss, KGTF has made significant improvements in their accounting structure and management controls. Compared to 10 material weaknesses in FY 2007, none were identified in FY 2008. A separate management letter was issued containing three reportable control deficiencies.

***Decrease in Revenues Results in Loss***

KGTF’s revenues declined by \$269,000 from \$1.9 million (M) in FY 2007 to \$1.6M in FY 2008. Although all of KGTF’s revenue sources decreased, the reduction in revenues was primarily attributed to the decrease in contributions and other grants of \$182,000, from \$347,000 to \$164,000, and from the decrease in community service grants of \$43,000, from \$710,000 to \$667,000. Expenditures slightly increased by \$6,700.

***Digital Television Transition and Custodial Risk of Grant Monies***

KGTF made the switch to digital broadcasting in February 2009 as required by the Digital Television Transition and Public Safety Act of 2005. The transition was made possible by securing a \$1.9M Digital Distribution Grant from the Corporation for Public Broadcasting. Most of the expenditures of this grant will be reflected in the FY 2009 financial statements; however, in FY 2008, \$941,000 in advances from this grant was held in KGTF’s bank accounts.

As of September 30, 2008, KGTF’s bank balances amounted to \$1.7M. Of this amount, \$1.2M was maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance and \$519,000 was maintained in credit unions subject to National Credit Union Administration (NCUA) insurance. As of September 30, 2008, \$100,000 of KGTF’s deposits are FDIC insured<sup>2</sup> and \$200,000 are NCUA insured. As a result \$1.4M is exposed to custodial credit risk, or the risk that in the event of bank failure, deposits may be lost. While most grant monies were subsequently expended in FY 2009, given the financial turmoil of the market, KGTF should be cognizant of the risk of concentrating funds under one financial institution.

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<sup>1</sup> For the purpose of this report, “KGTF” will be used in place of “PBS GUAM”, which is the official name of the entity effective FY 2009.

<sup>2</sup> FDIC insurance has increased the limit to \$250,000 in FY 2009.

***Management Letter Comments***

Three findings were reported in a separate management letter, which identified the following:

- Accumulated depreciation and prior year's depreciation was understated resulting in a proposed audit adjustment of \$19,339.
- No account analysis was performed to determine the actual amount required to be accrued for annual leave. As a result, a \$7,079 adjustment was proposed by the auditors.
- Timecards for grant funded employees were not signed by respective departmental managers.

For a more detailed discussion on KGTF's operations, see the Management's Discussion and Analysis in the audit report at [www.guamopa.org](http://www.guamopa.org).