

**GUAM EDUCATIONAL TELECOMMUNICATIONS
CORPORATION**
(A Public Corporation)

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

SEPTEMBER 30, 2007

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, 2007, 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. The financial statements of the Corporation as of September 30, 2006, before the restatement described in Note 9, were audited by other auditors whose report dated March 5, 2007, expressed an unqualified opinion on those statements.

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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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.

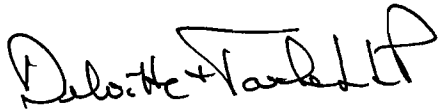
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Guam Educational Telecommunications Corporation as of September 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We also reviewed the adjustments described in Note 9 that were applied to restate beginning governmental funds fund balance and governmental activities net assets. In our opinion, such adjustments are appropriate and have been properly applied.

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 2007 information in such schedules has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are 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 6, 2008, 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, appearing to read "Deloitte + Touche LLP", is written over a faint, larger version of the same signature.

March 6, 2008

**GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION
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Management's Discussion and Analysis
Year Ended September 30, 2007

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, 2007. 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 nature and amount of an entity's available resources (assets) and obligations (liabilities) at a specific point in time. Net Assets represents the amount by which an entity's assets exceed its liabilities and represents resources available to fund future operations. The Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance/Statement of Activities is another required statement. This statement provides information about the entity's sources of revenue and nature of the related expenses during the period being reported on. 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, 2007 and 2006, 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>2007</u>	<u>2006</u>
Capital assets	\$ 463,505	\$ 432,230
Current and other assets	<u>1,249,281</u>	<u>1,549,668</u>
Total assets	\$ <u>1,712,786</u>	\$ <u>1,981,898</u>
Long-term liabilities	\$ 73,267	\$ 85,399
Other liabilities	<u>691,939</u>	<u>1,021,172</u>
Total liabilities	<u>765,206</u>	<u>1,106,571</u>
Net assets:		
Invested in capital assets	463,505	432,230
Unrestricted	<u>484,075</u>	<u>443,097</u>
Total net assets	<u>947,580</u>	<u>875,327</u>
	\$ <u>1,712,786</u>	\$ <u>1,981,898</u>

Capital assets increased by approximately \$31,275. Prior periods indicated large reductions in the carrying value of capital assets. During fiscal year 2007, capital outlays of \$181,490 exceeded depreciation expense of \$150,215 resulting in the net increase in carrying value of \$31,275. Current and other assets decreased by approximately 19% due primarily to the use of cash resources to purchase capital equipment. There was a 31% decrease in total liabilities due to the expenditure of grant proceeds previously recorded as deferred revenues. The increase in total net assets is primarily caused by the decrease in current liabilities as described above.

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<i>Statement of Activities</i>	<u>2007</u>	<u>2006</u>
Local appropriation	\$ 599,749	\$ 578,361
Community Service Grant	709,932	872,966
Contributions and other	553,981	368,527
Interest income	<u>18,006</u>	<u>2,546</u>
Total revenues	<u>1,881,668</u>	<u>1,822,400</u>
Program services	139,140	123,290
Supporting services	1,520,060	1,453,030
Depreciation expense	<u>150,215</u>	<u>152,804</u>
Total expenses	<u>1,809,415</u>	<u>1,729,124</u>
Change in net assets	<u>72,253</u>	<u>93,276</u>
Net assets beginning of year, as previously reported	973,539	880,263
Restatement	<u>(98,212)</u>	<u>-</u>
Net assets beginning of year, as restated	<u>875,327</u>	<u>880,263</u>
Net assets at end of year	\$ <u>947,580</u>	\$ <u>973,539</u>

Total revenues increased by approximately \$59,268 or 3%. Again a proper analysis of this increase should exclude the local appropriation, community service grants and in-kind contributions as these revenues and related expenses are recognized in approximately equal amounts as the expenses are incurred. As a result, the actual increase in revenues (excluding the above line items) was \$114,913 or 44% compared with prior year.

Total operating expenses increased by approximately 5%. However, as noted above, the increase in many account balances are also reflected in the revenue accounts above.

Budgetary Highlights

KGTF does not prepare a 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 only.

Capital Assets

KGTF has approximately \$463,505 invested in capital assets. This represents a net increase of approximately \$31,275, or 7% over the previous year. Once again this increase results primarily from the use of cash resources to acquire capital assets less depreciation expenses. The actual composition and the activity within these accounts are presented in more detail in the notes to the financial statements. Significant capital asset outlays in the current year were comprised primarily of upgrades to studio, transportation and broadcast equipment.

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The Federal Communications Commission (FCC) mandate stipulates that KGTF transmit a digital signal by February 9, 2009. KGTF secured a long-term lease with the Government of Guam's Chamorro Land Trust Commission (CLTC) for 6,000 square meters in Barrigada Heights for our new tower, transmitter building and antenna site for a period of twenty one (21) years.

We sought FCC approval to move the existing Digital Television (DTV) Channel 5 authorizations to Barrigada Heights as a superior site for the construction of the new tower and transmitter facility. FCC granted a Construction Permit Extension Application to KGTF to February 17, 2009 as requested in October 2007. We now have Federal Aviation Administration approval for a 157-foot above ground level tower height. With the approval of CLTC, KGTF contracted land clearing and debris removal to prepare the tower site for a subsurface soil investigation. Furthermore, KGTF recently submitted an application for additional funding support with the Corporation for Public Broadcasting (CPB) Digital Distribution Fund (DDF) Round 10 to assist the rechannelization and final DTV transition process. The station now awaits the outcome of its application with CPB. To date we are still waiting for DDF Round 10 awards.

Economic Factors

Guam's economy continues to show signs of recovery. The tourism industry has shown growth in visitor arrivals. Optimism within the business community continues to grow with respect to the overall economy and the anticipation of increased military presence. KGTF TV-12 continues to grow its operational strength and fund-raising capability with the intent of increasing its reach and fulfill its mission as a public broadcasting entity. The following information is the latest in programs and outreach whose outcomes were realized in fiscal year 2007.

Strategy I: Position KGTF-TV-12 as the source for positive, public information and education about government services and community activities through our locally produced Public Affairs program and local TV Specials by working closely with Government of Guam Agencies and the Governor's communications office and the local community.

1) KGTF continues its monthly public affairs program entitled "Viewpoint" that addresses in-depth news and entertainment, as well as Local TV Specials about specific government and/or community services. Most notable in October 2006 were the local community panel discussions on the "Gambling Initiative" and the "Coalition 21 – Raising the Drinking Age Initiative".

2) KGTF continues to produce the "Academic Challenge Bowl" in partnership with the Gifted and Talented Educational Program (GATE) with the Guam Public School System (GPSS); The "Buhay Pinoy" Filipino program continued up to July 2007.

3) KGTF continues to broadcast the "Hafa Adai Guam USA" cultural program featuring Chamorro Artist Johnny Sablan as its host. This program has continued to grow in support of the Chamorro language and culture and has participated in events where the Chamorro language is promoted i.e. the 2007 University of Guam Charter Day Chamorro Language Competition and the Chamorro Soap Opera short video production in collaboration with UOG's Chamorro language class. On a cultural note, KGTF through our Hafa Adai program has engaged in producing a mini-documentary on the Chamorro Veterans' "Vietnam Odyssey", a healing story currently in final production.

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4) KGTF continues to revive its video production services for educational and informational videos by re-establishing its relationships with all the agencies they have done work with in the past, agencies like 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, and Guam Preservation Trust among others.

5) KGTF redesigned and enhanced its website development on September 2007. The content and delivery are basic with gradual input in design development and links to Public Broadcasting Service (PBS) contents as KGTF continues to grow. This has offered greater access to the community about our local and national PBS programs and to bring the world closer to Guam through this technology. KGTF initial feature on the website is "The War: Guam's Story", an interactive about Guam's History of World War Two that focuses on three chapters of the war: Invasion, Occupation, and Liberation. It includes maps, pictures, and video stream.

6) KGTF continues to perpetuate the Chamorro language and culture through partnership with the Community-Based Marianas Islands Steering Committee in the "Mina Dos Na Konferensian Chamorro" in the island of Rota, CNMI by taping the historical event for archive and as a documentary program for broadcast in Guam and CNMI.

Strategy II: Magnify our presence in the Guam community as the source for smart, intellectual television with and through strategic relationships built with GPSS, Guam Community College, UOG and the Guam Public Library System (GPLS), as well as nationwide with PBS.

1) KGTF continues its direct participation in curriculum enhancement with quality, educational TV programming by working with teachers, professors, and administrators to push what PBS has to offer the educational system, not only with children but also for continuous "Life-Long Learning". In 2007, KGTF, as the main sponsor, continued activities around the 13th Annual Reading Rainbow Young Writers & Illustrators Contest. KGTF completed four workshops, at different elementary schools. Each workshop event was facilitated by a project coordinator who led the story writing exercises and was supported by a local artist who assisted children in developing their story illustrations. During each workshop presentation, story writing techniques, ideas and various illustrative expressions were introduced to the children. After which, a hands-on writing and illustrating brainstorm took place that led each child to create the beginnings of his very own picture book. Each workshop site was presented with an ample supply of various art tools, including crayons, coloring pencils, paint and paint brushes, color markers and art papers in order to encourage children to complete their stories, and to provide continuing opportunities for teachers to foster children's creative imaginations and story telling skills in their own learning environments. When contest winners were determined, each one was invited to the KGTF studio to tape a read aloud that was edited with the child's illustrations into a Channel 12 promo. All twelve winners are currently featured in Channel 12, to last until December 2007. In the end, KGTF saw consistent contest entries compared to all previous contest years but not as much as last year of 419 entries. Twenty (20) schools submitted contest entries to KGTF at a total of 382 entries. These schools included Home School, private and Catholic schools, DODEA, GPSS and daycare centers with kindergarten-aged children.

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2) The Citigroup Children's Learning Center at the Guam Public Library (GPLS) continues to be a successful outreach in 2007. The children and young adults are utilizing the computers and so as the Manamko (elderly) are benefiting thru a weekly program arranged by GPLS at the center. The \$25,000 grant project enabled KGTF to establish a partnership with the GPLS and Citibank Guam to create a new children's computer center and develop programs specific to reading and financial literacy. A total of eight computer systems complete with operating software, UPS systems, and headphones were purchased through the grant money, along with adjustable computer tables and chairs for children. The center is now open to the general public and is utilized daily.

3) Earth Day – Island Pride Festival in Ypao where KGTF participated at the Festival as an educational outreach by setting-up a booth, giving away crayons coloring books and campaign brochures. KGTF also promoted the Ocean Adventure PBS Documentary of Jean-Michel Cousteau as well as Nature and Nova programs. KGTF community partners were National Oceanic and Atmospheric Administration, GPSS, Environmental Protection Agency, Guam Coastal Management Programs and UOG Marine Lab.

4) Again on December 2006, KGTF teamed up with the Pacific Islanders in Communications (PIC) organization from Hawaii and hosted a "Producers Academy Part 1 and Part 2" where KGTF staff and local producers were trained to highlight the Guam and Pacific Region story in all aspects of life from socio-economic and cultural aspects, to spiritual and political development. In developing our producing skills, KGTF can then push to get Guam documentaries aired nationally through PIC on all PBS stations to further educate the nation of Guam's unique place in the American family.

Strategy III: Grow our viewing and donor audience through a concerted effort to build and expand our "Friends of KGTF" membership.

1) KGTF has executed a strategic Public Awareness Campaign for Public Television that is ongoing year round utilizing radio, print, and direct mail to communicate with viewers in addition to on-air public service announcements. KGTF continued throughout fiscal year 2007 the monthly Program Guide, falling under the Direct Mail Campaign. In an effort to boost up awareness of Public Television, KGTF has been sending the monthly Program Guide to various professional organizations such as the Guam Medical Society, the Guam Bar Association and the Chamber of Commerce memberships. Additionally, monthly Program Guides are sent out to new members who call in during Pledge Night to make a donation.

2) KGTF has also tapped into events in the community focusing around PBS programming such as the production of Hagatna City Jams June 2007 in which sponsors of the event were also underwriting programming schedules airing of Great Performances and Austin City Limits.

3) Pledge Night also focused in the area of program awareness through the production of the content of Pledge Night in which local bands/musicians were filmed performing, respectively, and asked to select their favorite episode/artist of Austin City Limits and/or Great Performances.

4) In Partnership with Soroptimist International of the Marianas, KGTF Public Awareness was also achieved in the Soroptimist International and KGTF Charity Golf Tournament held on July 14th at Leo Palace Resort Country Club with a Who's Who of local Golfers, professionals in their respective fields and with the business communities participating in the event. The theme was the "Legendary Women of Guam". Sponsors such as the Bank of Guam, Nissan, Pacsports, and DFS Galleria, also became underwriters for the Legendary Women of Guam Golf TV show put together in honor of successful women i.e. former First Lady Lourdes Camacho, U.S. District Court Chief Justice Francis Tydingco-Gatewood and Chairman and CEO Lou Leon Guerrero of Bank of Guam on the Charity Golf Tournament.

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Management's Discussion and Analysis
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5) In April 2007, KGTF's Chief Engineer attended the National Association of Broadcasters (NAB) Conference in Las Vegas, NV where he learned more of the digital transition and conversion details and integral broadcast equipment to meet the mandate of DTV February 17, 2009.

Strategy IV: Grow the Plant by completing the tower upgrade and digital signal to broadcast island-wide. Expand our production capabilities by moving into a larger capacity upgraded facility, and beef up our creative output by continuing to upgrade our equipment with the needed appropriate staff training.

1) KGTF continues work to complete the station tower upgrade and new digital antenna in order to broadcast a digital signal by February 17, 2009. We are now awaiting the results for the latest in DDF Round 10 Grant applications from the Corporation for Public Broadcasting.

2) In September 2007, KGTF initiated discussion with Lew Zegar of PBS Strategic Services and Dane Erickson P.E. of Hamett and Edison, Inc. consulting engineers to begin the Request for Proposal (RFP) for a turnkey construction project bid on the new tower, transmitter and antenna.

3) KGTF requested funding support from the Department of Commerce/National Telecommunications and Information Administration (NTIA) to purchase and replace the station's worn analog studio/control room equipment with new digital systems. As of September 30, 2007 most all of the equipment requested on the grant proposal has been received by KGTF. Items include eight Sony DVCAMS, tripods, Sony LCD monitor and video displays, lighting kits, audio and intercom devices.

4) By upgrading our plant, KGTF can better provide services based on availability, to outside productions that need to rent out our studio.

5) In August 2007, the CPB Board of Governors invited KGTF management and Board representatives to attend a CPB Board meeting in Honolulu, Hawaii. This marks the first time that KGTF was invited to attend and indicate a management style of CPB that bodes well for Guam and our Pacific neighbors. It was characterized as the "If you don't go, you don't know", management style. The Board of Governors wanted the PBS member stations to report on our challenges, grants successes, mission and future strategic goals. The invitation was a rare opportunity to make a strong positive first impression and KGTF presented power point, video clips, maps of our station challenges and solutions. The majority of the Board had no idea that we are thousands of miles from United States and the other side of the world, closer to Asia Pacific. We've made friends and created consciousness.

In conclusion, KGTF Channel 12 has the capability of reaching the vast population of Guam. Our station's mission is to serve our community with programming and outreach services that advance education, culture and citizenship skills among an ethnically diverse population. As we continue building a fully digital infrastructure for KGTF, we remain focused on ensuring the delivery of programming and services that are targeted for all members of our community so that they have the resources and tools they will need to become productive and successful citizens.

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 Acting 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, 2007

	General Fund	Adjustments (Note 2)	Statement of Net Assets
<u>ASSETS</u>			
Cash and cash equivalents	\$ 706,159	\$ -	\$ 706,159
Cash and cash equivalents - restricted	517,005	-	517,005
Receivables, net of allowance for uncollectible accounts of \$54,706	7,653	-	7,653
Prepaid items	18,464	-	18,464
Capital assets, net of accumulated depreciation	-	463,505	463,505
Total assets	\$ 1,249,281	463,505	1,712,786
<u>LIABILITIES</u>			
Accounts payable	\$ 60,685	-	60,685
Other liabilities and accruals	13,531	-	13,531
Deferred revenue - unexpended DDF grant funds	288,349	-	288,349
Deferred revenue - unexpended grant funds	329,374	-	329,374
Long-term liabilities:			
Due within one year	-	19,785	19,785
Due after one year	-	53,482	53,482
Total liabilities	691,939	73,267	765,206
Contingency			
<u>FUND BALANCES/NET ASSETS</u>			
Fund balances:			
Unreserved	557,342	(557,342)	-
Total fund balances	557,342	(557,342)	-
Total liabilities and fund balances	\$ 1,249,281		
Net assets:			
Invested in capital assets		463,505	463,505
Unrestricted		484,075	484,075
Total net assets		\$ 947,580	\$ 947,580

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, 2007

	General Fund	Adjustments (Note 2)	Statement of Activities
Revenues:			
Community service grant	\$ 709,932	\$ -	\$ 709,932
Government of Guam appropriation	599,749	-	599,749
Contributions and other grants	346,589	-	346,589
In-kind contributions	198,520	-	198,520
Interest	18,006	-	18,006
Other	8,872	-	8,872
Total revenues	1,881,668	-	1,881,668
Expenditures/expenses:			
Program services:			
Station production	99,551	(117)	99,434
Station upgrade	28,623	946	29,569
Capital outlays	191,627	(181,490)	10,137
Supporting services:			
Program broadcasting	462,986	(6,037)	456,949
Development and promotion	130,792	(5,362)	125,430
Contractual services	125,085	-	125,085
Supplies and materials	15,889	-	15,889
Local appropriations:			
Personnel services	364,011	4,531	368,542
Fringe benefits	115,199	(6,093)	109,106
Contractual services	72,816	-	72,816
Utilities	47,723	-	47,723
In-kind expenditures/expenses	198,520	-	198,520
Unallocated depreciation	-	150,215	150,215
Total expenditures/expenses	1,852,822	(43,407)	1,809,415
Excess of revenues over expenditures	28,846	(28,846)	-
Changes in net assets	-	72,253	72,253
Fund balance/net assets:			
Beginning of the year, as restated	528,496	-	875,327
End of the year	\$ 557,342	\$ -	\$ 947,580

See accompanying notes to financial statements.

GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION
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Notes to Financial Statements
September 30, 2007

(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 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 with the advice and consent of the 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 resources 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>557,342</u>
Add:		
Capital assets	2,355,569	
Accumulated depreciation	<u>(1,892,064)</u>	
		<u>463,505</u>
Less:		
Compensated absences payable	(59,638)	
DCSL liability	(9,949)	
Unfunded pension liability	<u>(3,680)</u>	
		<u>(73,267)</u>
Total net assets - governmental activities		\$ <u>947,580</u>

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Notes to Financial Statements
September 30, 2007

(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	\$	28,846
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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	\$	181,490	
Depreciation expense		<u>(150,215)</u>	
			31,275

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:

Decrease in compensated absences	6,039	
Increase in DCRS sick leave	(1,451)	
Decrease in unfunded pension costs	<u>7,544</u>	
		<u>12,132</u>

Change in net assets - governmental activities	\$	<u>72,253</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.

GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION
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Notes to Financial Statements
September 30, 2007

(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, 2007, cash and cash equivalents is \$1,223,164 and the corresponding bank balance is \$1,237,568. Of the bank balance amount, \$824,754 is maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance and \$412,814 is maintained in credit unions subject to National Credit Union Administration (NCUA) insurance. As of September 30, 2007, bank deposits in the amount of \$100,000 are FDIC insured and bank deposits in the amount of \$100,226 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
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Notes to Financial Statements
September 30, 2007

(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 \$64,374 is included in in-kind revenues in the accompanying financial statements.

Capital assets are capitalized when the cost of the individual items exceeds \$100. 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, 2007

(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 \$9,949 at September 30, 2007 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, 2007

(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 \$3,680 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, 2007 amounted to \$107,655. However, the amount recognized as pension expenditure in the governmental funds was recorded under the modified accrual basis, and amounted to \$115,199.

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 2007, KGTF implemented GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which establishes uniform financial reporting for other postemployment benefit plans by state and local governments. The implementation of this Statement did not have a material impact on the accompanying financial statements.

For fiscal year 2008, KGTF will be implementing 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. 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, 2007

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

- 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. Management does not believe that the implementation of this Statement will 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 May 2007, GASB issued Statement No. 50, *Pension Disclosures an amendment of GASB Statements No. 25 and 27*. GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits. The provisions of this Statement are effective for periods beginning after June 15, 2007. Management does not believe 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.

(3) Capital Assets

Capital asset activity for the year ended September 30, 2007, was as follows:

	October 1, <u>2006</u>	<u>Additions</u>	<u>Deletions</u>	September 30, <u>2007</u>
Nondepreciable capital assets:				
Land improvements	\$ 18,000	\$ -	\$ -	\$ 18,000
Depreciable capital assets:				
Buildings and improvements	351,797	-	-	351,797
Broadcasting equipment	923,242	-	-	923,242
Studio, antenna, transmitter, and other equipment	253,746	176,208	-	429,954
Furniture and fixtures	178,778	5,282	-	184,060
Transportation equipment	448,516	-	-	448,516
	<u>2,156,079</u>	<u>181,490</u>	<u>-</u>	<u>2,337,569</u>
Less accumulated depreciation	(1,741,849)	(150,215)	-	(1,892,064)
	<u>414,230</u>	<u>31,275</u>	<u>-</u>	<u>445,505</u>
	<u>\$ 432,230</u>	<u>\$ 31,275</u>	<u>\$ -</u>	<u>\$ 463,505</u>

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(4) Long-term Obligations

Other long-term liabilities will be liquidated in the future from governmental funds. During the year ended September 30, 2007, 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>2006</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, 2007	Due Within <u>One Year</u>
Compensated absences	\$ 65,677	\$ 9,131	\$ 15,170	\$ 59,638	\$ 19,785
Unfunded pension liability	11,224	-	7,544	3,680	-
DCRS sick leave liability	<u>8,498</u>	<u>1,451</u>	<u>-</u>	<u>9,949</u>	<u>-</u>
	<u>\$ 85,399</u>	<u>\$ 10,582</u>	<u>\$ 22,714</u>	<u>\$ 73,267</u>	<u>\$ 19,785</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, 2007, the total appropriation was \$599,749.

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, 2007, KGTF expended \$176,207 under the grant, which is reflected as a component of other grants in the accompanying statement of activities, with the remaining amount of \$20,754 reflected as a component of deferred revenue in the accompanying financial statements.

Guam Council on the Arts and Humanities Agency Grants

During the year ended September 30, 2005, KGTF was awarded an \$8,000 grant from the Guam Council on the Arts and Humanities Agency for a project related to strengthening televised promotion and program of the arts. KGTF received \$1,975 during the year ended September 30, 2007 (\$6,025 during the year ended September 30, 2005) of the total grant funds and completed the project. This amount is reflected as a component of other grants in the accompanying financial statements.

During the year ended September 30, 2006, KGTF was awarded a \$2,900 grant from the Guam Council on the Arts and Humanities Agency for the production of a Chamorro Soap Opera. KGTF received \$2,205 during the year ended September 30, 2007 of the total grant funds and completed the project. This amount is reflected as a component of other grants in the accompanying financial statements.

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Notes to Financial Statements
September 30, 2007

(5) Funding Sources, Continued

Washington Educational Television Association (WETA) Grant

During the year ended September 30, 2007, KGTF was awarded, received and completed a \$10,000 grant from WETA to fund a documentary regarding World War II and how this conflict affected Guam and the island culture. This amount is reflected as a component of other grants in the accompanying financial statements.

KQED, Inc. Grant

During the year ended September 30, 2006, KGTF was awarded a \$10,000 grant from KQED, Inc. to fund an outreach program to educate communities with respect to the need to better understand and manage the ocean's natural resources. KGTF received \$2,500 during the year ended September 30, 2007 (\$7,500 during the year ended September 30, 2006) of the total grant funds and completed the project. This amount is reflected as a component of other grants in the accompanying financial statements along with \$4,999 in grant revenues previously deferred.

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 \$500,000 Digital Distribution Grant (DDF) from CPB to cover the purchase and installation of a new digital antenna and transmitter system. As of September 30, 2007, KGTF had cumulatively received \$329,960 and had cumulatively expended \$41,611 of the grant monies for soil testing, legal fees and engineering fees, with the remaining amount of \$288,349 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.

GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION
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Notes to Financial Statements
September 30, 2007

(5) Funding Sources, Continued

The Community Service Grants received and expended during the year ended September 30, 2007 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>
2006	CSG	\$ 558,342	\$ 377,858	\$ 377,858	\$ -
2007	CSG	549,757	-	241,137	308,620
2007	Interconnection	11,345	-	11,345	-
2007	TV SAG	69,455	-	69,455	-
2004	DDF Grant	<u>329,960</u>	<u>298,486</u>	<u>10,137</u>	<u>288,349</u>
	Total	\$ <u>1,518,859</u>	\$ <u>676,344</u>	\$ <u>709,932</u>	\$ <u>596,969</u>

(6) Unfunded Retirement Fund Contributions

As of the fiscal year ended September 30, 1994, the GovGuam Retirement Plan was a defined benefit, single-employer contributory pension plan created and administered by GovGuam. Membership in the 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. The Plan is administered by the GovGuam Retirement Fund to which all funds and agencies, including component units, as well as employees who are members of the Plan, contribute a fixed percentage of the payroll. 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.

On September 30, 1995, the DCRS Plan, a defined contribution retirement plan, was created. All employees hired after September 30, 1995 are participants in the DCRS plan. The GovGuam Retirement Fund Defined Benefit (DB) Plan will become a closed group.

As a result of actuarial valuations performed as of September 30, 2005, 2004 and 2003, contribution rates for the years ended September 30, 2007 and 2006 and 2005, respectively, have been determined as follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Normal costs (% of DB Plan payroll)	18.21%	17.83%	18.30%
Employee contributions (DB Plan employees)	<u>9.50%</u>	<u>9.50%</u>	<u>9.50%</u>
Employer portion of normal cost (% of DB Plan payroll)	<u>8.71%</u>	<u>8.33%</u>	<u>8.80%</u>
Employer portion of normal cost (% of total payroll)	4.26%	4.64%	4.96%
Unfunded liability cost (% of total payroll)	<u>20.66%</u>	<u>21.36%</u>	<u>19.93%</u>
Government contribution as a % of total payroll	<u>24.92%</u>	<u>26.00%</u>	<u>24.89%</u>

GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION
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Notes to Financial Statements
September 30, 2007

(6) Unfunded Retirement Fund Contributions, Continued

The statutory contribution as a % of DB payroll is as follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Employer	22.94%	21.81%	20.81%
Employee	9.50%	9.50%	9.50%

The Plan utilized the actuarial cost method termed "entry age normal". Significant actuarial assumptions for the 2005, 2004 and 2003 actuarial valuations were:

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

The unfunded liability is being amortized as a level percentage of total payroll through May 1, 2031.

The actuarial valuations performed as of September 30, 2005, 2004, and 2003, 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 for September 30, 2007, may be materially different than that recorded in the accompanying financial statements.

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 into the DCRS plan for the year ended September 30, 2007, are determined using the same rate as the DB plan. Of the amount contributed by the employer, only 5% of the member's regular pay is deposited into the member's individual annuity account. 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.

Retirement expense for the years ended September 30, 2007 and 2006 is as follows:

	<u>2007</u>	<u>2006</u>
Cash contributions and accruals	\$ 79,631	\$ 88,617
Increase (decrease) in accrued unfunded liability to the retirement fund	(7,544)	11,224
	<u>\$ 72,087</u>	<u>\$ 99,841</u>

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Notes to Financial Statements
September 30, 2007

(6) Unfunded Retirement Fund Contributions, Continued

The Government of Guam Retirement Fund issues an annual financial report, which includes financial statements and required supplementary information. The 2007 annual financial report may be obtained by writing to the Director of the Government of Guam Retirement Fund, 424 A Route 8, Maite, Guam 96910.

(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 requires a lease payment of \$850 per month; however, monthly lease payments are deferred until July 1, 2009. For the year ended September 30, 2007, deferred lease payments in the amount of \$7,650 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>	
2008	\$ -
2009	2,550
2010	10,200
2011	10,200
2012	10,200
2013 – 2017	51,000
2018 – 2022	51,000
2023 – 2027	51,000
2028	<u>2,550</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.

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Notes to Financial Statements
September 30, 2007

(9) Restatement

Subsequent to the issuance of KGTF's 2006 financial statements, KGTF's management determined that accounts receivable, other assets, capital assets, and accrued liabilities were overstated, and that long-term obligations were understated. As a result, these account balances have been restated from the amounts previously reported as follows:

	Governmental Funds Fund <u>Balance</u>	Government- wide <u>Net Assets</u>
Fund balance/net assets previously reported at September 30, 2006	\$ <u>492,198</u>	\$ <u>973,539</u>
Overstatement of accrued liabilities	36,298	36,298
Overstatement of receivable for annual leave	-	(56,680)
Overstatement of capital assets	-	(49,111)
Understatement of long-term obligations	<u>-</u>	<u>(28,719)</u>
	<u>36,298</u>	<u>(98,212)</u>
Fund balance/net assets as restated at October 1, 2006	\$ <u>528,496</u>	\$ <u>875,327</u>

GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION
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Governmental Funds Balance Sheet/Schedule of Net Assets
September 30, 2007
(With comparative totals as of September 30, 2006)

	General Fund		Schedule of Net Assets	
	2007	2006	2007	2006
<u>ASSETS</u>				
Cash and cash equivalents	\$ 706,159	\$ 410,289	\$ 706,159	\$ 410,289
Cash and cash equivalents - restricted	517,005	500,446	517,005	500,446
Time certificates of deposit	-	571,866	-	571,866
Receivables, net	7,653	67,067	7,653	123,747
Prepaid items	18,464	-	18,464	-
Capital assets, net of accumulated depreciation	-	-	463,505	481,341
Total assets	\$ 1,249,281	\$ 1,549,668	1,712,786	2,087,689
<u>LIABILITIES</u>				
Accounts payable	\$ 60,685	\$ 98,127	60,685	98,127
Other liabilities and accruals	13,531	54,264	13,531	39,094
Deferred revenue	-	26,775	-	26,775
Deferred revenue - unexpended DDF grant funds	288,349	298,486	288,349	298,486
Deferred revenue - unexpended grant funds	329,374	579,818	329,374	579,818
Long-term liabilities:				
Due within one year	-	-	19,785	15,170
Due after one year	-	-	53,482	56,680
Total liabilities	691,939	1,057,470	765,206	1,114,150
Contingency				
<u>FUND BALANCES/NET ASSETS</u>				
Fund balances:				
Unreserved	557,342	492,198	-	-
Total fund balances	557,342	492,198	-	-
Total liabilities and fund balances	\$ 1,249,281	\$ 1,549,668		
Net assets:				
Invested in capital assets			463,505	481,341
Unrestricted			484,075	492,198
Total net assets			\$ 947,580	\$ 973,539

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, 2007

(With comparative totals for the year ended September 30, 2006)

	General Fund		Schedule of Activities	
	2007	2006	2007	2006
Revenues:				
Community service grant	\$ 709,932	\$ 872,966	\$ 709,932	\$ 872,966
Government of Guam appropriation	599,749	578,361	599,749	578,361
Contributions and other grants	346,589	256,008	346,589	256,008
In-kind contributions	198,520	112,519	198,520	112,519
Interest	18,006	2,546	18,006	2,546
Other	8,872	-	8,872	-
Total revenues	1,881,668	1,822,400	1,881,668	1,822,400
Expenditures/expenses:				
Program services:				
Station production	99,551	109,169	99,434	109,169
Station upgrade	28,623	14,121	29,569	14,121
Capital outlays	191,627	148,985	10,137	-
Supporting services:				
Program broadcasting	462,986	475,432	456,949	475,432
Development and promotion	130,792	151,034	125,430	151,034
Contractual services	125,085	118,914	125,085	118,914
Supplies and materials	15,889	25,120	15,889	25,120
Local appropriations:				
Personnel services	364,011	406,314	368,542	406,314
Fringe benefits	115,199	116,739	109,106	116,739
Contractual services	72,816	-	72,816	-
Utilities	47,723	44,930	47,723	44,930
Special projects	-	2,028	-	2,028
In-kind expenditures/expenses	198,520	112,519	198,520	112,519
Unallocated depreciation	-	-	150,215	152,804
Total expenditures/expenses	1,852,822	1,725,305	1,809,415	1,729,124
Excess of revenues over expenditures	28,846	97,095		
Changes in net assets			72,253	93,276
Fund balance/net assets:				
Beginning of the year, as previously reported	492,198	395,103	973,539	880,263
Restatement	36,298	-	(98,212)	-
Beginning of the year, as restated	528,496	395,103	875,327	880,263
End of the year	\$ 557,342	\$ 492,198	\$ 947,580	\$ 973,539

See Accompanying Independent Auditors' Report.

GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION
(A PUBLIC CORPORATION)

Supplemental Schedule of Employees and Salaries
Year Ended September 30, 2007
(With comparative totals for the year ended September 30, 2006)

	2007		2006	
	Annual Payroll	Number of Employees	Annual Payroll	Number of Employees
Expenditures:				
Community Service Grant:				
Program services:				
Station production	\$ 90,820	3	\$ 98,304	4
Station upgrade	25,221	1	11,472	1
Supporting services:				
Program broadcasting	121,469	6	121,213	6
Development and promotion	89,177	3	94,381	3
	\$ 326,687	13	\$ 325,370	14
Government of Guam:				
Local appropriations	\$ 364,011	9	\$ 406,314	11

See Accompanying Independent Auditors' Report.