

**GUAM EDUCATIONAL TELECOMMUNICATIONS
CORPORATION**

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

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

SEPTEMBER 30, 2017

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

Year Ended September 30, 2017
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Guam Educational Telecommunications Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Guam Educational Telecommunications Corporation (PBS Guam), a component unit of the Government of Guam, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise PBS Guam's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the PBS Guam's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the PBS Guam's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Guam Educational Telecommunications Corporation as of September 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As discussed in Note 2 to the financial statements, PBS Guam adopted Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 6 as well as the Schedule of Proportional Share of the Net Pension Liability on pages 30 through 32 and the Schedule of Pension Contributions on page 33, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This supplementary information is the responsibility of PBS Guam's management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Schedule of Funding Progress and Actuarial Accrued Liability – Post Employment Benefits Other Than Pension that accounting principles generally accepted in the United States of America require to be presented to supplement that basic financial statements. Such missing information, although not a part of the basic financial statements, is required by GASB who considers it to be essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

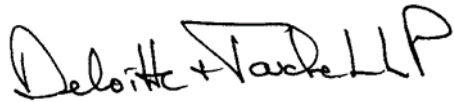
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise PBS Guam's basic financial statements. The Other Supplementary Information, as set forth in Section V of the foregoing table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Other Supplementary Information is the responsibility of management. The 2017 additional information on pages 34 and 35 was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2017 additional information on pages 34 and 35 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The 2016 information on pages 34 and 35 as well as the additional information on page 36 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2018, on our consideration of PBS Guam'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PBS Guam's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Deloitte + Tatchell LLP". The signature is written in a cursive, slightly stylized font.

April 23, 2018

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

Management's Discussion and Analysis
Year Ended September 30, 2017

This discussion and analysis of Guam Educational Telecommunications Corporation (dba PBS Guam) is intended to give an overview of our financial performance for the year ended September 30, 2017. This analysis should be read in conjunction with the following financial statements, related footnotes and required supplementary information.

Financial Statements

PBS Guam'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 Position 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 Position 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 expenditures/expenses during the period being reported. It reflects the entity's ability to recover costs associated with providing services.

Effective October 1, 2016, PBS Guam implemented GASB Statement No. 73, which resulted in the restatement of PBS Guam's beginning net position for governmental activities to reflect the reporting of net pension liability for ad hoc Cost of Living Allowances and supplemental annuity payments. Refer to Note 6 for more information regarding PBS Guam's pensions.

Statement of Net Position	2016 (As Restated)	2017
<u>ASSETS AND DEFERRED OUTFLOWS</u>		
Capital assets	\$ 1,849,678	\$ 1,742,330
Current and other assets	315,586	264,528
Deferred outflows of resources	<u>171,958</u>	<u>102,843</u>
Total assets and deferred outflows	<u>\$ 2,337,222</u>	<u>\$ 2,109,701</u>
<u>LIABILITIES AND DEFERRED INFLOWS</u>		
Long-term liabilities	\$ 1,218,447	\$ 1,120,971
Other liabilities	93,896	125,996
Deferred inflows of resources	<u>10,316</u>	<u>39,985</u>
Total liabilities and deferred inflows	<u>1,322,659</u>	<u>1,286,952</u>
<u>NET POSITION</u>		
Net position:		
Net investment in capital assets	1,849,678	1,742,330
Unrestricted	<u>(835,115)</u>	<u>(919,581)</u>
Total net position	<u>1,014,563</u>	<u>822,749</u>
Total liabilities, deferred inflows and net position	<u>\$ 2,337,222</u>	<u>\$ 2,109,701</u>

Capital assets decreased by \$107,348 due to TV station capital asset depreciation expense. Current assets decreased by 16% or \$51,058 primarily due to decrease in cash balances. Total liabilities decreased by 5% or \$65,376, attributed to decrease in pension liability of \$93,219 offset by increase in unexpended grant revenues of \$28,356. The decrease in total net position is primarily caused by the resultant changes as reflected above.

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Management's Discussion and Analysis
Year Ended September 30, 2017

Statement of Activities	2016 (As Restated)	2017
Revenues:		
Local Appropriation	\$ 579,814	\$ 581,382
Community Service Grant	695,521	588,171
Contributions and other	315,074	307,037
Interest Income	<u>746</u>	<u>685</u>
Total Revenues	<u>1,591,155</u>	<u>1,477,275</u>
Expenses:		
Program services	176,929	146,842
Supporting services	1,461,588	1,414,899
Depreciation expense	<u>180,929</u>	<u>107,348</u>
Total Expenses	<u>1,819,446</u>	<u>1,669,089</u>
Change in net position	(228,291)	(191,814)
Net position beginning of year	<u>1,242,854</u>	<u>1,014,563</u>
Net position at the end of the year	<u>\$ 1,014,563</u>	<u>\$ 822,749</u>

Total revenue decreased by 7% or \$113,880, which is largely attributed to reductions in Community Service Grant and Contributions and other. Total operating expenses decreased by approximately 8% or \$150,357, which is primarily due to decrease in employee count.

Governmental Funds

PBS Guam utilizes fund accounting practices to provide information on a near-term inflow, outflow and balances of spendable resources. Such information is useful in assessing PBS Guam's financing requirements. In particular, fund balance may serve as a useful measure of PBS Guam's net resources available for spending at the end of the fiscal year. The General Fund helps supplement funds received by The Corporation of Public Broadcaster (CPB). At the end of the current fiscal year, the assigned fund balance amounted to \$138,532, a decrease of \$83,158 compared with the prior year fund balance.

Budgetary Highlights

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

Capital Assets and Long-Term Obligations

Capital assets decreased due to station depreciation expense and no new equipment purchased in FY2017. PBS Guam remained committed to upgrading its equipment and facilities, but refocused its efforts on priority maintenance of existing assets. After FY2017, we purchased two (2) six ton air conditioners to upgrade our Barrigada Transmitter site. With the new changes in our technology, ATSC 3.0 is the next generation of Digital Television. On November 16, 2017, the FCC voted in favor of voluntary adoption of the next Gen TV Broadcast Standard (ATSC 3.0) by vote 3-2. This transition does not include financial assistance to date and therefore creates a major financial hurdle for the station to pursue this endeavor.

For additional information concerning capital assets, please refer to Note 3 to the financial statements. PBS Guam does not have long-term debt. Please refer to Note 4 to the financial statements for additional information on long-term obligations.

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Management's Discussion and Analysis
Year Ended September 30, 2017

Economic Factors

The unstable political landscape both locally and nationally continues to affect PBS Guam and its community donors and sponsors directly and indirectly. President Trump's proposal to cut funding for public broadcasting and the arts, the ongoing North Korea threat, the local Administration's proposal for a 50% increase in business privilege tax and the shortage in foreign contract workers in Guam are some of the issues and challenges PBS Guam is faced with today. These factors and threats contribute to the population's spending habits as well as the corporate communities drive in pursuing corporate social responsibility. The federal government's denial in foreign worker visa, for example, has effectuated a reduction in underwriters in the construction industry.

These political factors, coupled with external competing elements such as the convenient availability of streaming PBS programming digitally on the web such as YouTube, Hulu, PBS Kids app and other streaming devices, are a hindrance in PBS Guam's ability in generating program underwriting, which is one of the major funding revenues for PBS Guam. Quality local programming, not found on mainstream media that engages and enriches the community, is needed more than ever in order to generate more corporate community support.

PBS Guam continues to leverage on its mission to provide the community with quality educational programming. Since the population is headed towards alternative non-cable, non-commercial telecommunication wireless outlets, PBS Guam's major demographic are parents with young children who watch PBS Kids programming on television who may not have subscription to digital cable network. Nationally, PBS Kids is still one of the top rated kids network and is the preferred network by moms. This remains important to low-income households with elementary school age children. Our children's network programming content comprises two thirds of our broadcast day, and accomplishes a major part of our overall mission. PBS Guam should focus on the opportunities in this demographic.

Institutional Factors

In 2017, PBS Guam has seen erosion in underwriters, sponsorships, kid's memberships, regular memberships and new developments. The imbalance of workforce to workload in the Development Department, which is responsible for retaining and increasing financial support, affected the overall relationship within the community thus losing a large percentage of the organization's underwriters, sponsors and members. Fundamentally, the decline in financial performance, which essentially affected PBS Guam's positioning, was due largely to the lack of a sales team, accountability and vision. Furthermore, the lack of local programming also contributed to the challenge in generating new underwriters or retaining existing ones.

The current fiscal year will be a steep climb in terms of financial performance, considering all staff in the Development Department (one Development Director and possibly two Development Associates) and the Producer, are all new hires. A reasonable restructure of the development department must first take place, which includes reorganizing active and inactive files, updating media kits, increasing community and educational outreach efforts and developing long-term & short-term strategic goals and objectives, all while adhering to all components of existing SOP. With the Producer's plan to develop new local content coupled with the Development Director's marketing vision and strategic goals, PBS Guam can reposition itself as Guam's recognized leader in high quality children's programming, reliable non-biased national news outlet, drama and informative series and local programming by leveraging on the PBS brand as well as utilizing PBS Guam's production team and their cutting edge production resource at its fullest potential.

Summary

With new personnel and fresh minds coming in, there is opportunity for PBS Guam's revival and growth. Goals and objectives have been set into motion to include restoring and renewing inactive accounts, developing quality local programming, enhancing educational and community outreach and investing in social media marketing with the purpose of increasing community support.

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Governmental Funds Balance Sheet/Statement of Net Position
September 30, 2017

	General Fund	Adjustments (Note 2)	Statement of Net Position
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>			
Cash and cash equivalents	\$ 221,204	\$ -	\$ 221,204
Receivables, net of allowance for uncollectible accounts of \$36,587	25,911	-	25,911
Prepaid items	16,497	-	16,497
Restricted assets:			
Cash and cash equivalents	916	-	916
Capital assets:			
Nondepreciable capital assets	-	18,000	18,000
Capital assets, net of accumulated depreciation	-	<u>1,724,330</u>	<u>1,724,330</u>
Total assets	<u>264,528</u>	<u>1,742,330</u>	<u>2,006,858</u>
Deferred outflows of resources:			
Deferred outflows from pension	-	<u>102,843</u>	<u>102,843</u>
Total assets and deferred outflows of resources	<u>\$ 264,528</u>	<u>1,845,173</u>	<u>2,109,701</u>
<u>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u>			
Accounts payable	\$ 27,476	-	27,476
Other liabilities and accruals	10,076	-	10,076
Unexpended grant revenues	88,444	-	88,444
Long-term liabilities:			
Due within one year	-	16,665	16,665
Due after one year	-	<u>1,104,306</u>	<u>1,104,306</u>
Total liabilities	<u>125,996</u>	<u>1,120,971</u>	<u>1,246,967</u>
Deferred inflows of resources:			
Deferred inflows from pension	-	<u>39,985</u>	<u>39,985</u>
Total liabilities and deferred inflows of resources	<u>125,996</u>	<u>1,160,956</u>	<u>1,286,952</u>
Commitments and contingencies			
<u>FUND BALANCE/NET POSITION</u>			
Fund balance:			
Assigned - supporting services	<u>138,532</u>	<u>(138,532)</u>	<u>-</u>
Total fund balance	<u>138,532</u>	<u>(138,532)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 264,528</u>		
Net position:			
Net investment in capital assets		1,742,330	1,742,330
Unrestricted		<u>(919,581)</u>	<u>(919,581)</u>
Total net position		<u>\$ 822,749</u>	<u>\$ 822,749</u>

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, 2017

	General Fund	Adjustments (Note 2)	Statement of Activities
Revenues:			
Corporation for Public Broadcasting grants	\$ 588,171	\$ -	\$ 588,171
Government of Guam appropriation	581,382	-	581,382
In-kind contributions	167,228	-	167,228
Fundraising	52,603	-	52,603
Contributions and other income	34,193	-	34,193
Underwriting	32,675	-	32,675
Interest	685	-	685
Other	20,338	-	20,338
Total revenues	1,477,275	-	1,477,275
Expenditures/expenses:			
Program services:			
Station production	125,286	-	125,286
Station upgrade	21,556	-	21,556
Supporting services:			
Program broadcasting	475,049	-	475,049
Contractual services	118,178	-	118,178
Development and promotion	61,101	-	61,101
Supplies and materials	10,653	-	10,653
Local appropriations:			
Personnel services	329,651	(4,257)	325,394
Fringe benefits	135,479	5,565	141,044
Utilities	68,174	-	68,174
Contractual services	48,078	-	48,078
In-kind expenditures/expenses	167,228	-	167,228
Unallocated depreciation	-	107,348	107,348
Total expenditures/expenses	1,560,433	108,656	1,669,089
Deficiency of revenues under expenditures	(83,158)	83,158	
Changes in net position		(191,814)	(191,814)
Fund balance/net position:			
Beginning of the year, as previously reported	221,690	-	1,147,895
Implementation of GASB Statement No. 73 (Note 2)	-	-	(133,332)
Beginning of the year, as restated	221,690	-	1,014,563
End of the year	\$ 138,532	\$ -	\$ 822,749

See accompanying notes to financial statements.

**GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION
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Notes to Financial Statements
September 30, 2017

(1) Organization

Guam Educational Telecommunications Corporation (PBS Guam), a component unit of the Government of Guam, currently operates Guam's Public Broadcasting Service (PBS) station (PBS Guam Channel 12). PBS Guam was established as a public corporation by Public Law 12-194 as approved on January 2, 1975. The purpose of PBS Guam 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.

PBS Guam's license with the Federal Communications Commission was renewed through February 1, 2023 with the condition that the station will only broadcast digital television.

On October 6, 2011, the Governor of Guam issued Reorganization Advisory No. 6 whereby PBS Guam was merged into the Department of Chamorro Affairs along with the Hagatna Restoration and Development Authority, Guam Council on the Arts and Humanities Agency, and Guam Public Library System. The accompanying financial statements relate solely to those accounting records maintained by PBS Guam, and do not incorporate any accounts related to other departments or agencies within the Department of Chamorro Affairs.

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

(2) Summary of Significant Accounting Policies

The accompanying basic financial statements of PBS Guam 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 Position presents PBS Guam's non-fiduciary assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

- Net investment in capital assets consist of capital assets, net of accumulated depreciation, plus construction or improvement of those assets.
- Restricted net position results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through enabling legislation.
- Unrestricted net position consists of net position, which does not meet the definition of the two preceding categories. Unrestricted net position often is 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.

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Notes to Financial Statements
September 30, 2017

(2) Summary of Significant Accounting Policies, Continued

Government-wide and Fund Financial Statements, Continued

Government-wide Financial Statements, Continued:

The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of PBS Guam'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.

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 PBS Guam.

Fund Financial Statements:

PBS Guam 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. PBS Guam 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 position.

Adjustments required to reconcile total governmental fund balance to net position of governmental activities in the Statement of Net Position are as follows:

Total fund balance - governmental funds		\$ 138,532
Add:		
Capital assets	4,164,136	
Accumulated depreciation	(2,421,806)	
Deferred outflow of resources	<u>102,843</u>	
		1,845,173
Less:		
Compensated absences payable	(50,078)	
DCRS sick leave liability	(7,403)	
Net pension liability	(1,063,490)	
Deferred inflow of resources	<u>(39,985)</u>	
		(1,160,956)
Total net position - governmental activities		\$ <u>822,749</u>

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Notes to Financial Statements
September 30, 2017

(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 position of governmental activities in the Statement of Activities are as follows:

Net change in fund balance - governmental funds	\$ (83,158)
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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:

Depreciation expense	(107,348)
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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 the governmental funds. For the current year, these activities consist of:

Change in DCRS sick leave liability	4,257	
Net pension liability	<u>(5,565)</u>	<u>(1,308)</u>

Change in net position - governmental activities	\$ <u>(191,814)</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 PBS Guam 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, PBS Guam considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

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).

GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION
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Notes to Financial Statements
September 30, 2017

(2) Summary of Significant Accounting Policies, Continued

Measurement Focus and Basis of Accounting, Continued

Restricted grants received are initially recorded as unexpended grant revenues 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 position.

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, PBS Guam'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. PBS Guam does not have a deposit policy for custodial credit risk.

For purposes of the balance sheet/statement of net position, cash and cash equivalents is defined as cash on hand and cash held in demand accounts. As of September 30, 2017, the carrying amount of cash and cash equivalents was \$222,120 and the corresponding bank balance was \$224,021. Of the bank balance, \$105,390 is maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance and \$118,631 is maintained in credit unions subject to National Credit Union Administration (NCUA) insurance. As of September 30, 2017, all bank deposits are fully insured.

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.

Prepaid Items

Certain payments made to vendors or persons for services reflect costs applicable to future accounting periods and are recorded as prepaid items 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.

GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION
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Notes to Financial Statements
September 30, 2017

(2) Summary of Significant Accounting Policies, Continued

Capital Assets

Capital assets, which includes all property, facilities and equipment pertaining to television production transferred from the Learning Resource Center of the 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 PBS Guam and is still held in the name of GovGuam. Fair market rental value related to this property in the amount of \$79,200 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 over their estimated useful lives with a full year's depreciation charged in the year of acquisition and disposal, regardless of date. 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

Deferred Outflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (deduction of net position) until then. PBS Guam has determined the differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability, changes in actuarial assumptions or other inputs, pension contributions made subsequent to the measurement date and changes in proportion and differences between PBS Guam pension contributions and proportionate share of contributions qualify for reporting in this category.

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

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

GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION
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Notes to Financial Statements
September 30, 2017

(2) Summary of Significant Accounting Policies, Continued

Compensated Absences

It is PBS Guam'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 PBS Guam does not have a policy to pay any amounts when employees separate from service with PBS Guam. 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. PBS Guam has accrued an estimated liability of \$7,403 at September 30, 2017 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.

Unexpended Grant Revenues

In the government-wide financial statements, unexpended grant revenue is recognized as a liability when cash, receivables or other assets are recorded prior to being earned. In the governmental fund financial statements, unexpended grant 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 unexpended grant revenue in the governmental fund has primarily resulted from grant funds received in advance of eligible expenditures.

Deferred Inflows of Resources

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (additions to net position) until then. PBS Guam has determined the differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability, net difference between projected and actual earnings on pension plan investments, and changes in proportion and differences between PBS Guam pension contributions and proportionate share of contributions qualify for reporting in this category.

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Notes to Financial Statements
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(2) Summary of Significant Accounting Policies, Continued

Pensions

Pensions are required to be recognized and disclosed using the accrual basis of accounting. PBS GUAM recognizes a net pension liability for the defined benefit pension plan in which it participates, which represents PBS GUAM's proportional share of excess total pension liability over the pension plan assets – actuarially calculated – of a single employer defined benefit plan, measured one year prior to fiscal year-end and rolled forward. The total pension liability also includes PBS GUAM's proportionate share of the liability for ad hoc cost-of-living adjustments (COLA) and supplemental annuity payments that are anticipated to be made to defined benefit plan members and for anticipated future COLA to DCRS members. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and are amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

Fund Balance

Governmental fund balances are classified as follows:

- Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed.
- Unassigned includes negative fund balances in other governmental funds.

Restricted/committed amounts are spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this. In addition, committed, then assigned, and lastly unassigned amounts of unrestricted fund balance are expended in that order.

A formal minimum fund balance policy has not been adopted.

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Notes to Financial Statements
September 30, 2017

(2) Summary of Significant Accounting Policies, Continued

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 the year ended September 30, 2017, PBS Guam implemented the following pronouncements:

- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*, which aligns the reporting requirements for pensions and pension plans not covered in GASB Statements No. 67 and No. 68 with the reporting requirements in Statement No. 68. The implementation of this statement has no impact on PBS Guam's governmental fund financial statements, which continue to report expenditures in the amount statutorily required. However, implementation has resulted in the restatement of PBS Guam's government-wide financial statements to reflect the reporting of net pension liabilities and deferred inflows of resources and deferred outflows of resources for certain supplemental annuity and adhoc Cost of Living Allowance payments and the recognition of pension expense in accordance with the provisions of GASB Statement No. 73. The government-wide financial statements were also restated due to changes in actuarial assumptions and other inputs used to determine net pension liabilities, deferred inflows of resources and deferred outflows of resources for the qualified defined benefit plan. Net position as of October 1, 2016 for governmental activities decreased by \$133,332 as a result of the implementation of GASB Statement No. 73 and the change in actuarial assumptions and other inputs. Refer to Note 6 for more information regarding PBS Guam's pensions.
- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and addresses financial reporting requirements for governments whose employees are provided with postemployment benefits other than pensions (other postemployment benefits or OPEB).
- GASB Statement No. 77, *Tax Abatement Disclosures*, which requires governments that enter into tax abatement agreements to disclose certain information about the agreements.
- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*.
- GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*, which improves financial reporting by clarifying the financial statement presentation requirements for certain component units.

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Notes to Financial Statements
September 30, 2017

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

- GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*, which addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Except for GASB Statement No. 73, the implementation of these statements did not have a material effect on PBS Guam's financial statements.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The provisions in Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, which improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions in Statement No. 81 are effective for fiscal years beginning after December 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset. The provisions in Statement No. 83 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*, which address practice issues that have been identified during implementation and application of certain GASB Statements including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The provisions in Statement No. 85 are effective for fiscal years beginning after June 15, 2017. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

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Notes to Financial Statements
September 30, 2017

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt. The provisions in Statement No. 86 are effective for fiscal years beginning after June 15, 2017. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

(3) Capital Assets

Capital asset activity for the year ended September 30, 2017, was as follows:

	October 1, <u>2016</u>	<u>Additions</u>	<u>Deletions</u>	September 30, <u>2017</u>
Non-depreciable capital assets:				
Land improvements	\$ <u>18,000</u>	\$ _____ -	\$ _____ -	\$ <u>18,000</u>
Depreciable capital assets:				
Buildings and improvements	346,609	-	-	346,609
Broadcasting equipment	3,063,963	-	(147,760)	2,916,203
Studio, antenna, transmitter, and other equipment	353,383	-	(69,809)	283,574
Furniture and fixtures	197,746	-	(22,814)	174,932
Transportation equipment	<u>424,818</u>	_____ -	_____ -	<u>424,818</u>
	4,386,519	-	(240,383)	4,146,136
Less accumulated depreciation	<u>(2,554,841)</u>	<u>(107,348)</u>	<u>240,383</u>	<u>(2,421,806)</u>
	<u>1,831,678</u>	<u>(107,348)</u>	_____ -	<u>1,724,330</u>
	\$ <u>1,849,678</u>	\$ <u>(107,348)</u>	\$ _____ -	\$ <u>1,742,330</u>

(4) Long-term Obligations

Other long-term liabilities will be liquidated in the future from governmental funds. During the year ended September 30, 2017, the following changes occurred in liabilities reported as part of PBS Guam's long-term liabilities in the statement of net position:

	Balance October 1, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance September <u>30, 2017</u>	Due Within <u>One Year</u>
Compensated absences	\$ 50,078	\$ -	\$ -	\$ 50,078	\$ 16,665
DCRS sick leave liability	11,660	-	(4,257)	7,403	-
Net pension liability	<u>1,156,709</u>	_____ -	<u>(93,219)</u>	<u>1,063,490</u>	_____ -
	<u>\$ 1,218,447</u>	\$ _____ -	\$ <u>(97,476)</u>	\$ <u>1,120,971</u>	\$ <u>16,665</u>

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(5) Funding Sources

Government of Guam (GovGuam) Appropriation

PBS Guam receives an annual appropriation from the Guam Legislature to defray the cost of salaries and related benefits, contractual services and utilities. PBS Guam submits an annual budget for these items. This appropriation is contingent upon PBS Guam 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, 2017, the total appropriation was \$581,382.

Corporation for Public Broadcasting (CPB) Grants

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) and Local Service Grants (LSGs) to qualifying public telecommunications entities based on budget submissions. CSGs and LSGs 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 and LSG 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 addition, CPB distributes other funding, including Interconnection Grants, which are used to pay for interconnection and/or program distribution costs.

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 CPB grants awarded in prior years.

PBS Guam's CPB grants are 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.

CPB grants received and expended during the year ended September 30, 2017 were as follows:

<u>Grant Year</u>	<u>Grant Name</u>	<u>Grants Received</u>	<u>Beginning Unexpended Portion</u>	<u>Grants Expended</u>	<u>Ending Unexpended Portion</u>
2016	CSG	\$ -	\$ 60,088	\$ 60,088	\$ -
2017	CSG	434,533	-	346,089	88,444
2017	LSG	178,616	-	178,616	-
2017	Interconnection	<u>3,378</u>	<u>-</u>	<u>3,378</u>	<u>-</u>
	Total	<u>\$ 616,527</u>	<u>\$ 60,088</u>	<u>\$ 588,171</u>	<u>\$ 88,444</u>

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Notes to Financial Statements
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(6) Employee Retirement Plans

A. General Information About the Pension Plans:

Defined Benefit Plan

Plan Description: PBS Guam participates in the GovGuam Defined Benefit (DB) Plan, a single-employer defined benefit pension plan administered by the GovGuam Retirement Fund (GGRF). The DB Plan provides retirement, disability, and survivor benefits to plan members who enrolled in the plan prior to October 1, 1995. Article 1 of 4 GCA 8, Section 8105, requires that all employees of GovGuam, regardless of age or length of service, become members of the DB Plan prior to the operative date. Employees of a public corporation of GovGuam, which includes PBS Guam, have the option of becoming members of the DB Plan prior to the operative date. All employees of GovGuam, including employees of GovGuam public corporations, whose employment commenced 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.

A single actuarial calculation is performed annually covering all plan members and the same contribution rate applies to each employer. 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.

Plan Membership: As of September 30, 2016, the most recent measurement date, plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	7,298
Terminated employees entitled to benefits but not yet receiving them	4,463
Current members	<u>2,208</u>
	<u>13,969</u>

Benefits Provided: The DB Plan provides pension benefits to retired employees generally based on age and/or years of credited service and an average of the three highest annual salaries received by a member during years of credited service, or \$6,000, whichever is greater.

Members who joined the DB Plan prior to October 1, 1981 may retire with 10 years of service at age 60 (age 55 for uniformed personnel); or with 20 to 24 years of service regardless of age with a reduced benefit if the member is under age 60; or upon completion of 25 years of service at any age.

Members who joined the DB Plan on or after October 1, 1981 and prior to August 22, 1984 may retire with 15 years of service at age 60 (age 55 for uniformed personnel); or with 25 to 29 years of service regardless of age with a reduced benefit if the member is under age 60; or upon completion of 30 years of service at any age.

Members who joined the DB Plan after August 22, 1984 and prior to October 1, 1995 may retire with 15 years of service at age 65 (age 60 for uniformed personnel); or with 25 to 29 years of service regardless of age with a reduced benefit if the member is under age 65; or upon completion of 30 years of service at any age.

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Notes to Financial Statements
September 30, 2017

(6) Employee Retirement Plans, Continued

A. General Information About the Pension Plans, Continued:

Defined Benefit Plan, Continued

Upon termination of employment before attaining at least 25 years of total service, a member is entitled to receive a refund of total contributions including interest. A member who terminates after completing at least 5 years of service has the option of leaving contributions in the GGRF and receiving a service retirement benefit upon attainment of the age of 60 years. In the event of disability during employment, members under the age of 65 with six or more years of credited service who are not entitled to receive disability payments from the United States Government are eligible to receive sixty-six and two-thirds of the average of their three highest annual salaries received during years of credited service. The DB Plan also provides death benefits.

Contributions and Funding Policy: Contribution requirements of participating employers and active members are determined in accordance with Guam law. Employer contributions are actuarially determined under the One-Year Lag Methodology. Under this methodology, the actuarial valuation date is used for calculating the employer contributions for the second following fiscal year. For example, the September 30, 2015 actuarial valuation was used for determining the year ended September 30, 2017 statutory contributions. Member contributions are required at 9.55% of base pay.

As a result of actuarial valuations performed as of September 30, 2015, 2014, and 2013, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2017, 2016 and 2015, respectively, have been determined as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Normal costs (% of DB Plan payroll)	16.27%	15.86%	15.92%
Employee contributions (DB Plan employees)	<u>9.55%</u>	<u>9.54%</u>	<u>9.55%</u>
Employer portion of normal costs (% of DB Plan payroll)	<u>6.72%</u>	<u>6.32%</u>	<u>6.37%</u>
Employer portion of normal costs (% of total payroll)	1.87%	1.94%	2.05%
Unfunded liability cost (% of total payroll)	<u>21.60%</u>	<u>22.42%</u>	<u>24.09%</u>
Government contribution as a % of total payroll	<u>23.47%</u>	<u>24.36%</u>	<u>26.14%</u>
Statutory contribution rates as a % of DB Plan payroll:			
Employer	<u>27.41%</u>	<u>28.16%</u>	<u>29.85%</u>
Employee	<u>9.55%</u>	<u>9.54%</u>	<u>9.55%</u>

PBS Guam's contributions to the DB Plan for the years ended September 30, 2017, 2016 and 2015 were \$50,149, \$50,145 and \$53,396, respectively, which were equal to the statutorily required contributions for each year.

**GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION
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Notes to Financial Statements
September 30, 2017

(6) Employee Retirement Plans, Continued

A. General Information About the Pension Plans, Continued:

Defined Benefit Plan, Continued

Actuarial Assumptions: Actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported. The methods and assumptions used to determine contribution rates are as follows:

Valuation Date:	September 30, 2015
Actuarial Cost Method:	Entry age normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	14.58 years
Asset Valuation Method:	3-year smoothed market value
Inflation:	2.75%
Total payroll growth:	3.00% per year
Salary Increases:	4.50% to 7.50%
Expected Rate of Return:	7.00%
Discount Rate:	7.00%
Retirement age:	40% are assumed to retire upon first eligibility for unreduced retirement. Thereafter, the probabilities of retirement are 15% until age 65, 20% from 65-69, and 100% at age 70.
Mortality:	RP-2000 healthy mortality table set forward by 4 years for males and 1 year for females. Mortality for disabled lives is the RP 2000 disability mortality table with no set forwards.
Other information:	Actuarial assumptions are based upon periodic experience studies. The last experience study reviewed experience from 2007-2011, and was first reflected in the actuarial valuation as of September 30, 2012.

Discount Rate: The total pension liability is calculated using a discount rate of 7.00% that is a blend of the expected investment rate of return and a high quality bond index rate. There was no change in the discount rate since the previous year. The expected investment rate of return applies for as long as the plan assets (including future contributions) are projected to be sufficient to make the projected benefit payments. If plan assets are projected to be depleted at some point in the future, the rate of return of a high quality bond index is used for the period after the depletion date.

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(6) Employee Retirement Plans, Continued

A. General Information About the Pension Plans, Continued:

Defined Benefit Plan, Continued

Discount Rate Sensitivity Analysis: The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.00%) in measuring the 2016 Net Pension Liability.

	1% Decrease in Discount Rate <u>6.00%</u>	Current Discount Rate <u>7.00%</u>	1% Increase in Discount Rate <u>8.00%</u>
Net Pension Liability	\$ <u>1,129,946</u>	\$ <u>926,733</u>	\$ <u>751,821</u>

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees

Plan Description: PBS Guam participates in the GovGuam ad hoc COLA/supplemental annuity plan for DB retirees, a single-employer defined benefit pension plan administered by the GGRF. PBS Guam considers this as a separate pension plan for DB retirees. A single actuarial calculation is performed annually covering all plan members and the same contribution rate applies to each employer. GGRF issues a publicly available financial report that includes financial statements and required supplementary information for this 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.

Plan Membership: The plan membership is the same as the DB plan described above.

Benefits Provided, Contributions and Funding Policy: Ad hoc COLA and supplemental annuity benefits are provided to members and beneficiaries at the discretion of the Guam Legislature, but are funded on a "pay-as-you-go" basis so there is no plan trust. Ad hoc COLAs are made through annual allocations to provide DB Plan retired members and spouse survivors with COLA payments of \$2,000 per year. In addition, DB Plan retired members and survivors whose benefits commenced prior to October 1, 1995, have received supplemental annuity payments in the amount of \$4,238 per year, but not to exceed \$40,000 per year when combined with their regular annual retirement annuity. It is anticipated that ad hoc COLA and supplemental annuity payments will continue to be made for future years at the same level currently being paid.

PBS Guam's contributions to the Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees for the years ended September 30, 2017, 2016 and 2015 were \$4,000, \$4,000 and \$4,000, respectively, which were equal to the statutorily required contributions.

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Notes to Financial Statements
September 30, 2017

(6) Employee Retirement Plans, Continued

A. General Information About the Pension Plans, Continued:

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees, Continued

Actuarial Assumptions: The methods and assumptions used to determine contribution rates are as follows:

Valuation Date:	September 30, 2015
Actuarial Cost Method:	Entry age normal
Amortization Method:	Level percentage of payroll, closed
Inflation:	2.75%
Total payroll growth:	3.00% per year
Salary Increases:	4.50% to 7.50%
Discount Rate:	3.058%
Retirement age:	40% are assumed to retire upon first eligibility for unreduced retirement. Thereafter, the probabilities of retirement are 15% until age 65, 20% from 65-69, and 100% at age 70.
Mortality:	RP-2000 healthy mortality table set forward by 4 years for males and 1 year for females. Mortality for disabled lives is the RP 2000 disability mortality table with no set forwards.
Other information:	Actuarial assumptions are based upon periodic experience studies. The last experience study reviewed experience from 2007-2011, and was first reflected in the actuarial valuation as of September 30, 2012.

Discount Rate: The total pension liability is calculated using a discount rate of 3.058% that is the high quality bond index rate. The rate of return of a high quality bond index applies to benefit payments that are not funded by plan assets.

Discount Rate Sensitivity Analysis: The following schedule shows the impact on the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.058%) in measuring the 2016 Net Pension Liability.

	1% Decrease in Discount Rate <u>2.058%</u>	Current Discount Rate <u>3.058%</u>	1% Increase in Discount Rate <u>4.058%</u>
Net Pension Liability	\$ <u>53,763</u>	\$ <u>49,964</u>	\$ <u>46,602</u>

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

Notes to Financial Statements
September 30, 2017

(6) Employee Retirement Plans, Continued

A. General Information About the Pension Plans, Continued:

Ad Hoc COLA Plan for DCRS Retirees

Plan Description: PBS Guam participates in the GovGuam ad hoc COLA plan for DCRS retirees, a single-employer defined benefit pension plan administered by the GGRF. PBS Guam considers this as a separate pension plan for DCRS retirees. A single actuarial calculation is performed annually covering all plan members and the same contribution rate applies to each employer. GGRF issues a publicly available financial report that includes financial statements and required supplementary information for this 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.

Plan Membership: As of September 30, 2016, the most recent measurement date, plan membership consisted of 8,858 active DCRS participants.

Benefits Provided, Contributions and Funding Policy: Ad hoc COLA benefits, contributions and funding policy are the same as those for DB retirees.

PBS Guam's contributions to the Ad Hoc COLA Plan for DCRS Retirees for the years ended September 30, 2017, 2016 and 2015 were \$2,000, \$2,000 and \$2,000, respectively, which were equal to the statutorily required contributions.

Actuarial Assumptions: The methods and assumptions used to determine contribution rates are as follows:

Valuation Date:	September 30, 2015
Actuarial Cost Method:	Entry age normal
Amortization Method:	Level percentage of payroll
Inflation:	2.75%
Total payroll growth:	3.00% per year
Salary Increases:	4.50% to 7.50%
Discount Rate:	3.058%
Retirement age:	5% per year from age 55 to 64, 10% per year from age 65 to age 74, 100% at age 75.
Mortality:	RP-2000 healthy mortality table set forward by 4 years for males and 1 year for females. Mortality for disabled lives is the RP 2000 disability mortality table with no set forwards.
Other information:	Actuarial assumptions are based upon periodic experience studies. The last experience study reviewed experience from 2007-2011, and was first reflected in the actuarial valuation as of September 30, 2012.

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

Notes to Financial Statements
September 30, 2017

(6) Employee Retirement Plans, Continued

A. General Information About the Pension Plans, Continued:

Ad Hoc COLA Plan for DCRS Retirees, Continued

Discount Rate: The total pension liability is calculated using a discount rate of 3.058% that is the high quality bond index rate. The rate of return of a high quality bond index applies to benefit payments that are not funded by plan assets.

Discount Rate Sensitivity Analysis: The following schedule shows the impact on the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.058%) in measuring the 2016 Net Pension Liability.

	1% Decrease in Discount Rate <u>2.058%</u>	Current Discount Rate <u>3.058%</u>	1% Increase in Discount Rate <u>4.058%</u>
Net Pension Liability	\$ <u>99,142</u>	\$ <u>86,793</u>	\$ <u>76,285</u>

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

Pension Liability: At September 30, 2017, PBS Guam reported a net pension liability for its proportionate shares of the GovGuam net pension liabilities which comprised of the following:

Defined benefit plan	\$ 926,733
Ad hoc COLA/supplemental annuity plan for DB retirees	49,964
Ad hoc COLA plan for DCRS retirees	<u>86,793</u>
	<u>\$ 1,063,490</u>

PBS Guam's proportion of the GovGuam net pension liabilities was based on projection of PBS Guam's long-term share of contributions to the pension plans relative to the projected contributions of GovGuam and GovGuam's component units, actuarially determined. At September 30, 2017, PBS Guam's proportionate shares of the GovGuam net pension liabilities were as follows:

Defined benefit plan	0.07%
Ad hoc COLA/supplemental annuity plan for DB retirees	0.02%
Ad hoc COLA plan for DCRS retirees	0.14%

Pension Expense: For the year ended September 30, 2017, PBS Guam recognized pension expense from the above pension plans as follows:

Defined benefit plan	\$ 80,688
Ad hoc COLA/supplemental annuity plan for DB retirees	4,416
Ad hoc COLA plan for DCRS retirees	<u>6,238</u>
	<u>\$ 91,342</u>

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

Notes to Financial Statements
September 30, 2017

(6) Employee Retirement Plans, Continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued:

Deferred Outflows and Inflows of Resources: At September 30, 2017, PBS Guam reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Defined Benefit Plan</u>		<u>Ad Hoc COLA/SA Plan for DB Retirees</u>		<u>Ad Hoc COLA Plan for DCRS Retirees</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 3,243	\$ 3	\$ -	\$ 1,675	\$ 731
Net difference between projected and actual earnings on pension plan investments	-	5,148	-	-	-	-
Changes of assumptions	2,802	-	39	-	9,479	-
Contributions subsequent to the measurement date	82,635	-	4,000	-	2,000	-
Changes in proportion and difference between PBS Guam contributions and proportionate share of contributions	-	9,734	210	-	-	21,129
	<u>\$ 85,437</u>	<u>\$ 18,125</u>	<u>\$ 4,252</u>	<u>\$ -</u>	<u>\$ 13,154</u>	<u>\$ 21,860</u>

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as reduction of the net pension liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at September 30, 2017 will be recognized in pension expense as follows:

<u>Year Ending September 30</u>	<u>Defined Benefit Plan</u>	<u>Ad Hoc COLA/SA Plan for DB Retirees</u>	<u>Ad Hoc COLA Plan for DCRS Retirees</u>
2018	\$ (21,566)	\$ 252	\$ (693)
2019	2,612	-	(693)
2020	9,162	-	(693)
2021	(5,531)	-	(693)
2022	-	-	(693)
Thereafter	-	-	(7,241)
	<u>\$ (15,323)</u>	<u>\$ 252</u>	<u>\$ (10,706)</u>

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, 2017 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.

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

Notes to Financial Statements
September 30, 2017

(6) Employee Retirement Plans, Continued

Defined Contribution Retirement System (DCRS), Continued

PBS Guam's contributions to the DCRS Plan for the years ended September 30, 2017, 2016 and 2015 were \$39,734, \$51,398 and \$63,215, respectively, which were equal to the required contributions for the respective years then ended. Of these amounts, \$32,486, \$42,292 and \$52,628 were contributed toward the unfunded liability of the DB Plan for the years ended September 30, 2017, 2016 and 2015, respectively.

Other Post Employment Benefits

Plan Description: GovGuam, through its substantive commitment to provide other post-employment benefits (OPEB), maintains a cost-sharing multiple employer defined benefit plan to provide certain postretirement healthcare benefits to retirees who are members of the GovGuam Retirement Fund. Under the Plan, known as the GovGuam Group Health Insurance Program, GovGuam provides postemployment medical, dental and life insurance benefits to retirees, spouses, children and survivors. Active employees and retirees who waive medical and dental coverage are considered eligible for the life insurance benefit only. Because the Plan consists solely of GovGuam's firm commitment to provide OPEB through the payment of premiums to insurance companies on behalf of its eligible retirees, no stand-alone financial report is either available or generated.

Funding Policy: GovGuam contributes to the Plan a portion of the medical and dental premiums based on a schedule of semi-monthly rates provided through insurance companies, with GovGuam's contribution amount set each year at renewal. Retirees are also required to pay a portion of the medical and dental insurance premiums. Medical coverage continues to the spouse after the death of the retiree provided the spouse makes the required contributions. Retirees and covered spouses are eligible for a \$10,000 life insurance benefit. Retirees do not share in the cost of this benefit. Monthly life insurance premium is \$15.52 per covered life.

For the years ended September 30, 2017, 2016 and 2015, PBS Guam's contributions to this Plan amounted to \$18,134, \$17,639 and \$31,265, respectively, equal to the statutorily required contributions for each year.

Defined Benefit 1.75 Retirement System (the DB 1.75 Plan) and the Guam Retirement Security Plan (GRSP)

In September 2016, Public Law 33-186 was enacted to create two new retirement plans; the Defined Benefit 1.75 plan (DB 1.75 Plan) and the Guam Retirement Security Plan (GRSP). Beginning 2018, the DB 1.75 plan and GRSP are to become the primary retirement systems for all new hires.

The DB 1.75 Plan is open for participation by certain existing employees, new employees, and reemployed employees who would otherwise participate in the DC Plan or the new GRSP and who make election on a voluntary basis to participate in the DB 1.75 Plan by December 31, 2017. Employee contributions are made by mandatory pre-tax payroll deduction at the rate of 9.5% of the employee's base salary while employer contributions are actuarially determined. Members of the DB 1.75 Plan automatically participate in the GovGuam deferred compensation plan, pursuant to which employees are required to contribute 1% of base salary as a pre-tax mandatory contribution.

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

Notes to Financial Statements
September 30, 2017

(6) Employee Retirement Plans, Continued

Defined Benefit 1.75 Retirement System (the DB 1.75 Plan) and the Guam Retirement Security Plan (GRSP), Continued

The GRSP is going to be the primary retirement plan for new employees beginning January 1, 2018, unless the employee elects to participate in the DC Plan within 60 days of the employee's hire date. Certain existing and reemployed employees are also provided limited opportunity to participate in the GRSP. Employee contributions are made by mandatory pre-tax payroll deduction at the rate of 6.2% of the employee's base salary. The employer makes matching contributions at the same rate of 6.2% of the employee's base salary.

No actuarial valuation of the DB 1.75 Plan or the GRSP has been performed.

(7) Lease Commitments

On January 1, 2007, PBS Guam 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. Total future minimum rentals for subsequent years ending September 30, are as follows:

<u>Year Ending</u> <u>September 30,</u>	
2018	\$ 10,200
2019	10,200
2020	10,200
2021	10,200
2022	10,200
2023 - 2027	51,000
2028	<u>10,200</u>
	\$ <u>112,200</u>

(8) Risk Management

PBS Guam 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. PBS Guam 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
(A Component Unit of the Government of Guam)

Required Supplemental Information (Unaudited)
Schedule of Proportional Share of the Net Pension Liability
Last 10 Fiscal Years*

Defined Benefit Plan

	2017	2016	2015	2014
Total net pension liability	\$ 1,368,645,126	\$ 1,436,814,230	\$ 1,246,306,754	\$ 1,303,304,636
PBS GUAM's proportionate share of the net pension liability	\$ 926,733	\$ 1,019,630	\$ 837,016	\$ 915,805
PBS GUAM's proportion of the net pension liability	0.07%	0.07%	0.07%	0.07%
PBS GUAM's covered-employee payroll**	\$ 348,919	\$ 371,659	\$ 324,703	\$ 302,727
PBS GUAM's proportionate share of the net pension liability as percentage of its covered employee payroll	265.60%	274.35%	257.78%	302.52%
Plan fiduciary net position as a percentage of the total pension liability	54.62%	52.32%	56.60%	53.45%

* This data is presented for those years for which information is available.

** Covered-employee payroll data from the actuarial valuation date with one-year lag.

See Accompanying Independent Auditors' Report.

GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION
(A Component Unit of the Government of Guam)

Required Supplemental Information (Unaudited)
Schedule of Proportional Share of the Net Pension Liability
Last 10 Fiscal Years*

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees

	2017	2016
Total net pension liability***	\$ 229,486,687	\$ 235,799,709
PBS GUAM's proportionate share of the net pension liability	\$ 49,964	\$ 50,103
PBS GUAM's proportion of the net pension liability	0.02%	0.02%
PBS GUAM's covered-employee payroll**	\$ 84,471	\$ 83,330
PBS GUAM's proportionate share of the net pension liability as percentage of its covered employee payroll	59.15%	60.13%

* This data is presented for those years for which information is available.

** Covered-employee payroll data from the actuarial valuation date with one-year lag.

*** No assets accumulated in a trust to pay benefits.

See Accompanying Independent Auditors' Report.

GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION
(A Component Unit of the Government of Guam)

Required Supplemental Information (Unaudited)
Schedule of Proportional Share of the Net Pension Liability
Last 10 Fiscal Years*

Ad Hoc COLA Plan for DCRS Retirees

	2017	2016
Total net pension liability***	\$ 61,688,067	\$ 52,115,736
PBS GUAM's proportionate share of the net pension liability	\$ 86,793	\$ 86,976
PBS GUAM's proportion of the net pension liability	0.14%	0.17%
PBS GUAM's covered-employee payroll**	\$ 513,640	\$ 593,954
PBS GUAM's proportionate share of the net pension liability as percentage of its covered employee payroll	16.90%	14.64%

* This data is presented for those years for which information is available.

** Covered-employee payroll data from the actuarial valuation date with one-year lag.

*** No assets accumulated in a trust to pay benefits.

See Accompanying Independent Auditors' Report.

GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION
(A Component Unit of the Government of Guam)

Required Supplemental Information (Unaudited)
Schedule of Pension Contributions
Last 10 Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 82,635	\$ 92,437	\$ 106,024	\$ 93,144
Contributions in relation to the statutorily required contribution	<u>89,477</u>	<u>100,838</u>	<u>90,066</u>	<u>85,685</u>
Contribution (excess) deficiency	<u>\$ (6,842)</u>	<u>\$ (8,401)</u>	<u>\$ 15,958</u>	<u>\$ 7,459</u>
PBS GUAM's covered-employee payroll **	<u>\$ 348,919</u>	<u>\$ 371,659</u>	<u>\$ 324,703</u>	<u>\$ 302,727</u>
Contribution as a percentage of covered-employee payroll	25.64%	27.13%	27.74%	28.30%

* This data is presented for those years for which information is available.

** Covered-employee payroll data from the actuarial valuation date with one-year lag.

See Accompanying Independent Auditors' Report.

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

Governmental Funds Balance Sheet/Schedule of Net Position
September 30, 2017
(With comparative totals as of September 30, 2016)

	General Fund		Schedule of Net Position	
	2017	2016	2017	2016
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>				
Cash and cash equivalents	\$ 221,204	\$ 274,823	\$ 221,204	\$ 274,823
Receivables, net	25,911	40,044	25,911	40,044
Prepaid items	16,497	-	16,497	-
Restricted assets:				
Cash and cash equivalents	916	719	916	719
Capital assets:				
Nondepreciable capital assets	-	-	18,000	18,000
Capital assets, net of accumulated depreciation	-	-	<u>1,724,330</u>	<u>1,831,678</u>
Total assets	<u>\$ 264,528</u>	<u>\$ 315,586</u>	<u>2,006,858</u>	<u>2,165,264</u>
Deferred outflows of resources:				
Deferred outflows from pension			<u>102,843</u>	<u>171,958</u>
Total assets and deferred outflows of resources			<u>2,109,701</u>	<u>2,337,222</u>
<u>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u>				
Accounts payable	\$ 27,476	\$ 25,129	27,476	25,129
Other liabilities and accruals	10,076	8,679	10,076	8,679
Unexpended grant revenues	88,444	60,088	88,444	60,088
Long-term liabilities:				
Due within one year	-	-	16,665	16,222
Due after one year	-	-	<u>1,104,306</u>	<u>1,202,225</u>
Total liabilities	<u>125,996</u>	<u>93,896</u>	<u>1,246,967</u>	<u>1,312,343</u>
Deferred inflows of resources:				
Deferred inflows from pension			<u>39,985</u>	<u>10,316</u>
Total liabilities and deferred inflows of resources			<u>1,286,952</u>	<u>1,322,659</u>
<u>FUND BALANCE/NET POSITION</u>				
Fund balance:				
Assigned - supporting services	<u>138,532</u>	<u>221,690</u>		
Total fund balance	<u>138,532</u>	<u>221,690</u>		
Total liabilities and fund balance	<u>\$ 264,528</u>	<u>\$ 315,586</u>		
Net position:				
Net investment in capital assets			1,742,330	1,849,678
Unrestricted			<u>(919,581)</u>	<u>(835,115)</u>
Total net position			<u>\$ 822,749</u>	<u>\$ 1,014,563</u>

See Accompanying Independent Auditors' Report.

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

Governmental Funds Balance Sheet/Schedule of Net Position
Changes in Fund Balance/Schedule of Activities
Year Ended September 30, 2017
(With comparative totals for the year ended September 30, 2016)

	General Fund		Schedule of Activities	
	2017	2016	2017	2016
Revenues:				
Corporation for Public Broadcasting grants	\$ 588,171	\$ 695,521	\$ 588,171	\$ 695,521
Government of Guam appropriation	581,382	579,814	581,382	579,814
In-kind contributions	167,228	133,226	167,228	133,226
Fundraising	52,603	40,760	52,603	40,760
Contributions and other income	34,193	81,501	34,193	81,501
Underwriting	32,675	34,166	32,675	34,166
Interest	685	746	685	746
Other	20,338	25,421	20,338	25,421
Total revenues	1,477,275	1,591,155	1,477,275	1,591,155
Expenditures/expenses:				
Program services:				
Station production	125,286	126,509	125,286	126,509
Station upgrade	21,556	50,420	21,556	50,420
Capital outlays	-	46,822	-	-
Supporting services:				
Program broadcasting	475,049	491,385	475,049	491,385
Contractual services	118,178	92,300	118,178	92,300
Development and promotion	61,101	47,000	61,101	47,000
Supplies and materials	10,653	9,535	10,653	9,535
Local appropriations:				
Personnel services	329,651	360,030	325,394	347,499
Fringe benefits	135,479	151,300	141,044	272,159
Utilities	68,174	68,484	68,174	68,484
Contractual services	48,078	-	48,078	-
In-kind expenditures/expenses	167,228	133,226	167,228	133,226
Unallocated depreciation	-	-	107,348	180,929
Total expenditures/expenses	1,560,433	1,577,011	1,669,089	1,819,446
Excess (deficiency) of revenues over (under) expenditures	(83,158)	14,144		
Change in net position			(191,814)	(228,291)
Fund balance/net position:				
Beginning of the year	221,690	207,546	1,014,563	1,242,854
End of the year	\$ 138,532	\$ 221,690	\$ 822,749	\$ 1,014,563

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, 2017
(With comparative totals for the year ended September 30, 2015)

	<u>2017</u>		<u>2016</u>	
	<u>Annual</u>	<u>Number of</u>	<u>Annual</u>	<u>Number of</u>
	<u>Payroll</u>	<u>Employees</u>	<u>Payroll</u>	<u>Employees</u>
Expenditures:				
Community Service Grant:				
Program services:				
Station production	\$ 115,860	3	\$ 117,329	2
Station upgrade	20,540	-	47,429	1
Supporting services:				
Program broadcasting	103,304	3	111,934	4
Development and promotion	<u>29,631</u>	<u>1</u>	<u>26,655</u>	<u>1</u>
	<u>\$ 269,335</u>	<u>7</u>	<u>\$ 303,347</u>	<u>8</u>
Government of Guam:				
Local appropriations	<u>\$ 329,651</u>	<u>8</u>	<u>\$ 360,030</u>	<u>9</u>

See Accompanying Independent Auditors' Report.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Guam Educational Telecommunications Corporation:

We have audited, in accordance with the 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, the financial statements of the governmental activities and the General Fund of the Guam Educational Telecommunications Corporation (PBS Guam) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise PBS Guam's basic financial statements, and have issued our report thereon dated April 23, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered PBS Guam's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PBS Guam's internal control. Accordingly, we do not express an opinion on the effectiveness of PBS Guam's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

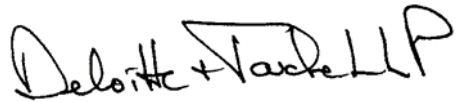
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether PBS Guam's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Deloitte + Tatchell LLP". The signature is written in a cursive, slightly stylized font.

April 23, 2018