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Guam Educational Telecommunications Corporation (dba PBS Guam) – FY 2018 Financial Highlights

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Hagåtña, Guam – The Office of Public Accountability (OPA) has released the Guam Educational Telecommunications Corporations’ (dba PBS Guam) financial statements, report on compliance and internal control, management letter, and the auditor’s communication with those charged with governance for fiscal year (FY) 2018.

PBS Guam closed FY 2018 with a \$131 thousand (K) increase in net position (net income). This increase was \$526K or 133% more than its restated decrease in net position (net loss) of \$395K in the prior year. Net position as of October 1, 2017 decreased by \$2.3 million (M) due to the implementation of Governmental Accounting Standards Board GASB Statement No. 75- Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.

Independent Auditors Deloitte & Touche, LLP, rendered an unmodified (clean) opinion on PBS Guam’s financial statements. PBS Guam is commended for its 11th consecutive year without any material weaknesses and significant deficiencies in its Report on Internal Control over Financial Reporting and Compliance. For FY 2018, PBS Guam is qualified for the OPA’s designation of a “low-risk auditee” because of the agency’s accomplishments and issuing financial audits by March 31 (with FY 2017 being the exception).

Revenues and Expenditures

PBS Guam’s revenues of \$1.5M were derived mainly from the Corporation of Public Broadcasting grants of \$604K, or 40% of total revenues, and the Government of Guam (GovGuam) appropriations of \$575K, or 38%. This local appropriation is contingent upon PBS Guam having matching funds at least equal to the appropriated amount. PBS Guam’s total revenues increased slightly by 4% or \$55K mainly from contributions and underwriting.

Overall expenses decreased by \$472K, going from \$1.9M (restated) in FY 2017 to \$1.4M in FY 2018. This was due primarily to the reductions in pension benefits (\$499K), program broadcasting (\$102K), and other personnel and fringe benefits (\$67K). The \$499K decrease in pension benefits was due primarily to a reduction in the actuarially determined pension liability associated with the DB Plan from 2016 to 2017.

Capital Assets

PBS Guam applied for a U. S. Department of Interior Technical Assistance Program grant to upgrade its decade-old broadcast equipment, if awarded, these capital assets will be upgraded into a new state of art equipment and the station will be able to collaborate with government agencies to produce public service announcements and local sporting events.

Government Accounting Statement – Other Post-Employment Benefits (OPEB)

Under the OPEB Plan, known as the GovGuam Group Health Insurance Plan, GovGuam provides medical, dental, and life insurance benefits to retirees, spouses, children, and survivors. Effective October 1, 2017, PBS Guam implemented GASB Statement No. 75, which resulted in the restatement of its beginning net position from \$823K to a net deficiency of \$1.5M to reflect the reporting of liability for OPEB.

As of FY 2018, PBS Guam's OPEB liability stood at \$2.5M, which includes its proportionate share in GovGuam's OPEB liability of \$2.43 billion (B). PBS Guam also recognized a proportionate share of OPEB expense of \$201K for FY 2018.

Report on Internal Control and Management Letter

The independent auditors did not identify any material weaknesses or significant deficiencies in PBS Guam's Report on Internal Control over Financial Reporting and Compliance. The auditors issued a Management Letter that identified three deficiencies pertaining to: (1) fixed asset monitoring wherein three fully depreciated fixed assets totaling \$9K were not in use and obsolete and one for \$1K was non-existent; (2) non-specific recording of asset description; and (3) procurement process relating to software systems maintenance contract procured in 2011, for which the basis for continuing with the same contractor needs to be documented or opening of a new bid for the service to be considered.

Summary of Adjustments and Uncorrected Misstatements

In FY 2018, the auditors proposed 15 adjustments that increased the net position by \$74K and two passed adjustments that increased net position by \$8K.

Challenges and Outlook for PBS Guam

In FY 2018, PBS Guam experienced a noticeable loss of underwriting sponsorships and kid's memberships. The lack of a reliable development team has left underwriters and supporters with low-quality events. Without local programming, it is challenging to generate new underwriters or maintain existing ones.

FY 2019 will prove to be more fruitful with the hiring of an award-winning Executive Producer, a full Development staff and a new General Manager. Through the expectations of new personnel and fresh minds, there is an opportunity for PBS Guam's revival and growth. Goals and objectives to restore and renew inactive accounts, develop quality local programming, enhance educational and community outreach, and invest in social media marketing have been set in motion.

For a more detailed discussion on PBS Guam's operations, refer to the Management's Discussion and Analysis in the audit report at www.opaguam.org or www.pbsguam.org.