

**GUAM EDUCATIONAL TELECOMMUNICATIONS  
CORPORATION**

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

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

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**SEPTEMBER 30, 2018**

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

Year Ended September 30, 2018  
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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, 2018, 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, 2018, 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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective October 1, 2017. 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 Proportionate Share of the Net Pension Liability on pages 33 through 35, the Schedule of Pension Contributions on page 36, the Schedule of Changes in the Proportionate Share of the Total OPEB Liability and Related Ratios on page 37, the Schedule of Proportionate Share of the Total OPEB Liability on page 38, and the Schedule of OPEB Contributions on page 39 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.

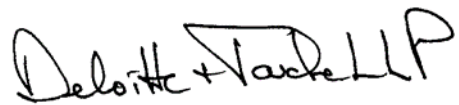
### *Other Information*

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 2018 additional information on pages 40 and 41 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 2018 additional information on pages 40 and 41 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The 2017 information on pages 40 and 41 as well as the additional information on page 42 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 March 26, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of PBS Guam's 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 slanted style.

March 26, 2019

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

Management's Discussion and Analysis  
Year Ended September 30, 2018

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, 2018. 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 identified 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 provided 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, 2017, PBS Guam implemented GASB Statement No. 75, which resulted in the restatement of PBS Guam's beginning net position for governmental activities to reflect the reporting of liability for other post-employment benefits (OPEB). Refer to Note 7 for more information regarding PBS Guam's OPEB.

<b>Statement of Net Position</b>	2017 (As Restated)	2018
<u>ASSETS AND DEFERRED OUTFLOWS</u>		
Capital assets	\$ 1,742,330	\$ 1,646,034
Current and other assets	264,528	137,982
Deferred outflows of resources	<u>367,368</u>	<u>297,246</u>
Total assets and deferred outflows	\$ <u>2,374,226</u>	\$ <u>2,081,262</u>
<u>LIABILITIES AND DEFERRED INFLOWS</u>		
Liabilities:		
Long-term liabilities	\$ 3,706,930	\$ 3,083,256
Other liabilities	125,996	96,276
Deferred inflows of resources	<u>39,985</u>	<u>269,142</u>
Total liabilities and deferred inflows	<u>3,872,911</u>	<u>3,448,674</u>
<u>NET POSITION</u>		
Net position:		
Net investment in capital assets	1,742,330	1,646,034
Unrestricted	<u>(3,241,015)</u>	<u>(3,013,446)</u>
Total net position	<u>(1,498,685)</u>	<u>(1,367,412)</u>
Total liabilities, deferred inflows and net position	\$ <u>2,374,226</u>	\$ <u>2,081,262</u>

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Year Ended September 30, 2018

Capital assets decreased by \$96,296 or 5.5% due to station depreciation expense; no new equipment purchased during the year. Current assets decreased by 47.8% or \$126,546 primarily due to decrease in cash balance. Total liabilities decreased by 16.7% or \$636,729, attributed to decrease in pension liability. The increase in total net position is primarily caused by the resultant pension benefit recognized in the current year associated with the decrease in pension liability.

<b>Statement of Activities</b>	2017 <u>(As Restated)</u>	<u>2018</u>
Revenues:		
Local Appropriation	\$ 581,382	\$ 574,578
Community Service Grant	588,171	604,324
Contributions and other	307,037	352,539
Interest Income	<u>685</u>	<u>401</u>
Total revenues	<u>1,477,275</u>	<u>1,531,842</u>
Expenses:		
Program service	146,842	163,540
Supporting service	1,618,200	1,104,182
Depreciation expense	<u>107,348</u>	<u>132,847</u>
Total expenses	<u>1,872,390</u>	<u>1,400,569</u>
Change in net position	(395,115)	131,273
Net position beginning of year	<u>(1,103,570)</u>	<u>(1,498,685)</u>
Net position at the end of the year	\$ <u>(1,498,685)</u>	\$ <u>(1,367,412)</u>

Total revenue increased by 3.7% or \$54,567, which is largely attributed to Community Service Grant and Contributions. Total operating expense decreased by approximately 25.2% or \$471,821 which is primarily due to reduction to pension liability.

**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 from The Corporation for Public Broadcasting (CPB). At the end of the current fiscal year, the assigned fund balance amounted to \$41,706, a decrease of \$96,826 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**

We have applied for a U.S. Department of the Interior Technical Assistance Program grant in order to upgrade our Capital assets. If awarded to PBS Guam, the decades-old goal of upgrading transmission and recording equipment to new state of the art equipment can finally be realized. This equipment will not only improve the stations level of production, it will increase development and underwriting as the station will be able to partner with government agencies to produce public service announcements, local sporting events and high school and college quarterly magazines and the like.

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Year Ended September 30, 2018

Capital assets have decreased for a second year in a row due to depreciation of equipment determined to be beyond economic repair and/or antiquated. The transmission tower was recently renovated due to rust and erosion, during that renovation, eight feet of excess height was removed. Also, as stated in prior audit coverage, ATSC 3.0 represents the next generation in digital tv. While the FCC has not voted to mandate these upgrades, this potential continues to represent an ongoing financial concern for the station. Please refer to Note 3 for additional information on capital assets and Note 4 for additional information on long-term obligations.

**Economic Factors**

PBS Guam continues to confront a series of unresolved factors which promote instability and hinder the success of the station absent creative management and planning. Continued scarcity in direct federal subsidies and the call for local austerity measures, challenge the station's ability to meaningfully invest in technology and manage cash flow.

Adding to the challenges faced by PBS Guam is the increasing number of online platforms that stream various media which negatively impact its viewership and therefore affects its ability to underwrite new local programming. Lack of production work for sister government agencies has been steadily declining and needs to be reinvigorated for PBS to meet its fundraising goals.

These factors coupled with the impending cut to its budget from the shortfall of the Territorial Educational Facilities Fund have the staff and management in a position of uncertainty. PBS Guam's mission to create new informative local programming must continue and capitalize on the new administrations dedication to improving the education our students are receiving.

**Institutional Factors**

The strength for PBS Guam has always been the large number of dedicated, experienced professionals that guide the day-to-day operations of the station. The lack of steady resources and the uncertainty in direction from a different leader thrust upon them every couple years or so has led to a modicum of low morale.

In 2018, PBS Guam experienced a noticeable loss of underwriting sponsorships and kid's memberships, and had very minimal new developments. The lack of a reliable development team, which is responsible for retaining and increasing financial support, has left underwriters and supporters with low quality events and incomplete fundraising activities. Without local programming, it is challenging to generate new underwriters or maintain existing ones.

The current fiscal year looks to be much more fruitful. With a newly hired award-winning Executive Producer, a full Development staff and a new General Manager, PBS Guam is positioned to reach its full potential. We have brought on a top-flight executive producer in Don Muna whose feature film credits included "Shiro's Head" and "Talent Town". His fresh, unique perspective, and love for Guam is clear in his hand on approach seek out new local ideas and recreate some already established ones as well.

A plan to rebrand the station, an aggressive fundraising strategy, an increase community and educational outreach efforts and developing long-term and short-term strategic goals and objectives, all while adhering to the all components of existing SOP.

**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, 2018

	General Fund	Adjustments (Note 2)	Statement of Net Position
<b><u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Cash and cash equivalents	\$ 123,479	\$ -	\$ 123,479
Receivables, net of allowance for uncollectible accounts of \$40,515	13,587	-	13,587
Prepaid items	-	-	-
Restricted assets:			
Cash and cash equivalents	916	-	916
Capital assets:			
Nondepreciable capital assets	-	18,000	18,000
Capital assets, net of accumulated depreciation	-	<u>1,628,034</u>	<u>1,628,034</u>
Total assets	<u>137,982</u>	<u>1,646,034</u>	<u>1,784,016</u>
Deferred outflows of resources:			
Deferred outflows from pension	-	95,329	95,329
Deferred outflows from OPEB	-	<u>201,917</u>	<u>201,917</u>
Total assets and deferred outflows of resources	<u>\$ 137,982</u>	<u>1,943,280</u>	<u>2,081,262</u>
<b><u>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u></b>			
Accounts payable	\$ 2,631	-	2,631
Other liabilities and accruals	11,376	-	11,376
Unexpended grant revenues	82,269	-	82,269
Long-term liabilities:			
Due within one year	-	13,592	13,592
Due after one year	-	<u>3,069,664</u>	<u>3,069,664</u>
Total liabilities	<u>96,276</u>	<u>3,083,256</u>	<u>3,179,532</u>
Deferred inflows of resources:			
Deferred inflows from pension	-	55,350	55,350
Deferred inflows from OPEB	-	<u>213,792</u>	<u>213,792</u>
Total liabilities and deferred inflows of resources	<u>96,276</u>	<u>3,352,398</u>	<u>3,448,674</u>
Commitments and contingencies			
<b><u>FUND BALANCE/NET POSITION</u></b>			
Fund balance:			
Assigned - supporting services	<u>41,706</u>	<u>(41,706)</u>	<u>-</u>
Total fund balance	<u>41,706</u>	<u>(41,706)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 137,982</u>		
Net position:			
Net investment in capital assets		1,646,034	1,646,034
Unrestricted		<u>(3,013,446)</u>	<u>(3,013,446)</u>
Total net position		<u>\$ (1,367,412)</u>	<u>\$ (1,367,412)</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, 2018

	General Fund	Adjustments (Note 2)	Statement of Activities
Revenues:			
Corporation for Public Broadcasting grants	\$ 604,323	\$ -	\$ 604,323
Government of Guam appropriation	574,578	-	574,578
In-kind contributions	212,490	-	212,490
Underwriting	54,077	-	54,077
Fundraising	34,678	-	34,678
Contributions	27,633	-	27,633
Interest	401	-	401
Other	23,662	-	23,662
	<u>1,531,842</u>	<u>-</u>	<u>1,531,842</u>
Total revenues			
Expenditures/expenses:			
Program services:			
Station production	128,772	-	128,772
Station upgrade	34,768	-	34,768
Capital outlays	36,551	(36,551)	-
Supporting services:			
Program broadcasting	373,230	-	373,230
Contractual services	155,580	-	155,580
Development and promotion	105,883	-	105,883
Supplies and materials	6,815	-	6,815
OPEB expense	-	201,413	201,413
Pension benefit	-	(493,786)	(493,786)
Local appropriations:			
Personnel services	280,513	(15,933)	264,580
Fringe benefits	127,689	(16,089)	111,600
Utilities	78,100	-	78,100
Contractual services	88,277	-	88,277
In-kind expenditures/expenses	212,490	-	212,490
Unallocated depreciation	-	132,847	132,847
	<u>1,628,668</u>	<u>(228,099)</u>	<u>1,400,569</u>
Total expenditures/expenses			
Deficiency of revenues under expenditures	(96,826)	96,826	
Changes in net position		131,273	131,273
Fund balance/net position:			
Beginning of the year	138,532	-	(1,498,685)
End of the year	<u>\$ 41,706</u>	<u>\$ -</u>	<u>\$ (1,367,412)</u>

See accompanying notes to financial statements.

**GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION  
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Notes to Financial Statements  
September 30, 2018

(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  
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(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		\$ 41,706
Add:		
Land improvements	18,000	
Depreciable capital assets	4,159,091	
Accumulated depreciation	(2,531,057)	
Deferred outflow of resources	<u>297,246</u>	
		1,943,280
Less:		
Compensated absences payable	(36,338)	
DCRS sick leave liability	(5,210)	
Net pension liability	(546,825)	
OPEB liability	(2,494,883)	
Deferred inflow of resources	<u>(269,142)</u>	
		<u>(3,352,398)</u>
Total net position - governmental activities		\$ <u>(1,367,412)</u>

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Notes to Financial Statements  
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(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	\$ (96,826)
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Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. For the current year, these amounts consist of:

Capital outlays	36,551	
Depreciation expense	<u>(132,847)</u>	(96,296)

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 compensated absences	13,740	
Change in DCRS sick leave liability	2,193	
Net pension and OPEB activity	<u>308,462</u>	<u>324,395</u>

Change in net position - governmental activities	\$ <u>131,273</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.

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Notes to Financial Statements  
September 30, 2018

(2) Summary of Significant Accounting Policies, Continued

Measurement Focus and Basis of Accounting, Continued

Unrestricted contributions and grants are recorded as revenue in the statement of revenues, expenditures, and changes in fund balances when received (in the case of contributions) or when approved by the grantor agency (in the case of grants).

Restricted grants received are initially recorded as 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, 2018, the carrying amount of cash and cash equivalents was \$124,395 and the corresponding bank balance was \$131,929. Of the bank balance, \$99,342 is maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance and \$32,587 is maintained in credit unions subject to National Credit Union Administration (NCUA) insurance. As of September 30, 2018, 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.

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September 30, 2018

(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 OPEB contributions made subsequent to the measurement date and changes in proportion and differences between PBS Guam pension and OPEB 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.

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(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 \$5,210 at September 30, 2018 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.



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(2) Summary of Significant Accounting Policies, Continued

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, changes in actuarial assumptions or other inputs, and changes in proportion and differences between PBS Guam pension and OPEB contributions and proportionate share of contributions qualify for reporting in this category.

Pensions and Other Postemployment Benefits (OPEB)

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.

OPEB is required to be recognized and disclosed using the accrual basis of accounting. PBS Guam recognizes an OPEB liability for the defined benefit OPEB plan in which it participates, which represents PBS Guam's proportionate share of total OPEB liability - actuarially calculated - of an agent multiple employer defined benefit plan, measured one year prior to fiscal year-end and rolled forward. An OPEB trust has not been established thus the OPEB plan does not presently report OPEB plan fiduciary net position. Instead, the OPEB plan is financed on a substantially "pay-as-you-go" basis.

Changes in the total OPEB liability during the period are recorded as OPEB 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 total OPEB 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 OPEB plan and recorded as a component of OPEB expense beginning with the period in which they are incurred.

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(2) Summary of Significant Accounting Policies, Continued

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.

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, 2018, PBS Guam implemented the following pronouncements:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements 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 implementation of this statement has no impact on PBS Guam's governmental fund financial statements, which continue to report expenditures in the amounts statutorily required. However, the implementation of this statement had a material effect on the accompanying financial statements resulting in the restatement of beginning net position to reflect the reporting of an OPEB liability, deferred inflows of resources and deferred outflows of resources for its OPEB plan and the recognition of OPEB expense in accordance with the provisions of GASB Statement No. 75. Net position as of October 1, 2017 for the governmental activities decreased by \$2,321,434 as a result of the implementation of GASB Statement No. 75. Refer to Note 7 for more information regarding PBS Guam's OPEB.

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(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

- GASB 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.
- GASB 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).
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt.

Except for GASB Statement No. 75, the implementation of these statements did not have a material effect on PBS Guam's 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 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.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The provisions in Statement No. 88 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 June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions in Statement No. 89 are effective for fiscal years beginning after December 15, 2019. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

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(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The provisions in Statement No. 90 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.

(3) Capital Assets

Capital asset activity for the year ended September 30, 2018, was as follows:

	October 1, <u>2017</u>	<u>Additions</u>	<u>Transfers and Deletions</u>	September 30, <u>2018</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	2,916,203	-	-	2,916,203
Studio, antenna, transmitter, and other equipment	283,574	-	(12,078)	271,496
Furniture and fixtures	174,932	36,551	1,382	212,865
Transportation equipment	<u>424,818</u>	_____	<u>(12,900)</u>	<u>411,918</u>
	4,146,136	36,551	(23,596)	4,159,091
Less accumulated depreciation	<u>(2,421,806)</u>	<u>(132,847)</u>	<u>23,596</u>	<u>(2,531,057)</u>
	<u>1,724,330</u>	<u>(96,296)</u>	_____	<u>1,628,034</u>
	\$ <u>1,742,330</u>	\$ <u>(96,296)</u>	\$ _____	\$ <u>1,646,034</u>

(4) Long-term Obligations

Other long-term liabilities will be liquidated in the future from governmental funds. During the year ended September 30, 2018, 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, 2017	<u>Additions</u>	<u>Reductions</u>	Balance September 30, 2018	Due Within One Year
Compensated absences	\$ 50,078	\$ -	\$ (13,740)	\$ 36,338	\$ 13,592
DCRS sick leave liability	7,403	-	(2,193)	5,210	-
OPEB liability	2,585,959	-	(91,076)	2,494,883	-
Net pension liability	<u>1,063,490</u>	_____	<u>(516,665)</u>	<u>546,825</u>	_____
	<u>\$ 3,706,930</u>	\$ _____	\$ <u>(623,674)</u>	<u>\$ 3,083,256</u>	<u>\$ 13,592</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, 2018, the total appropriation was \$574,578.

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, 2018 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>
2017	CSG	\$ -	\$ 88,444	\$ 88,444	\$ -
2018	CSG	580,579	-	498,310	82,269
2018	LSG	9,858	-	9,858	-
2018	Interconnection	<u>7,711</u>	<u>-</u>	<u>7,711</u>	<u>-</u>
	Total	<u>\$ 598,148</u>	<u>\$ 88,444</u>	<u>\$ 604,323</u>	<u>\$ 82,269</u>

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(6) Pensions

PBS Guam is statutorily responsible for providing pension benefits for certain PBS Guam employees through the GovGuam Retirement Fund (GGRF).

A. General Information About the Pension Plans:

*Plan Description:* GGRF administers the GovGuam Defined Benefit (DB) Plan, a single-employer defined benefit pension plan, and the Defined Contribution Retirement System (DCRS). 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 commences on or after October 1, 1995, are required to participate in the Defined Contribution Retirement System (DCRS) Plan. Hence, the DB Plan became a closed group.

Members of the DB Plan who retired prior to October 1, 1995, or their survivors, are eligible to receive annual supplemental annuity payments. In addition, members of the DB Plan and the DCRS Plan who retired prior to September 30, 2017 are eligible to receive an annual ad hoc cost of living allowance (COLA).

A single actuarial valuation 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](http://www.ggrf.com).

*Plan Membership:* As of September 30, 2017 (the measurement date), plan membership consisted of the following:

DB members:	
Inactive employees or beneficiaries currently receiving benefits	7,279
Inactive employees entitled to but not yet receiving benefits	4,289
Active employees	<u>2,058</u>
	13,626
DCRS members:	
Active employees	<u>9,027</u>
	<u>22,653</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.

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(6) Pensions, Continued

A. General Information About the Pension Plans, Continued:

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. 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.

Supplemental annuity benefit payments are provided to DB retiree members in the amount of \$4,238 per year, but not to exceed \$40,000 per year when combined with their regular annual retirement annuity. Annual COLA payments are provided to DB retiree and DCRS members in a lump sum amount of \$2,000. Both supplemental annuity benefit payments and COLA payments are made at the discretion of the Guam Legislature, but are funded on a "pay-as-you-go" basis so there is no plan trust. 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.

On September 20, 2016, the Guam Legislature enacted Public Law 33-186, which created two new government retirement plans; the DB 1.75 Plan and the GRSP. Commencing April 1, 2017 through September 30, 2018, eligible employees may elect, during the "election window", to participate in the DB 1.75 Plan or the GRSP with an effective date of January 1, 2018. Beginning January 1, 2018, all new employees shall be automatically enrolled in the GRSP. New employees have sixty (60) days from the date of hire to elect to participate in the DCRS.

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.

*Contributions and Funding Policy:* Contribution requirements of participating employers and active members to the DB Plan 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, 2016 actuarial valuation was used for determining the year ended September 30, 2018 statutory contributions. Member contributions are required at 9.55% of base pay.

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Notes to Financial Statements  
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(6) Pensions, Continued

A. General Information About the Pension Plans, Continued:

As a result of actuarial valuations performed as of September 30, 2016, 2015 and 2014, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2018, 2017 and 2016, respectively, have been determined as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Normal costs (% of DB Plan payroll)	15.97%	16.27%	15.86%
Employee contributions (DB Plan employees)	<u>9.55%</u>	<u>9.55%</u>	<u>9.54%</u>
Employer portion of normal costs (% of DB Plan payroll)	<u>6.42%</u>	<u>6.72%</u>	<u>6.32%</u>
Employer portion of normal costs (% of total payroll)	1.60%	1.87%	1.94%
Unfunded liability cost (% of total payroll)	<u>22.12%</u>	<u>21.60%</u>	<u>22.42%</u>
Government contribution as a % of total payroll	<u>23.72%</u>	<u>23.47%</u>	<u>24.36%</u>
Statutory contribution rates as a % of DB Plan payroll:			
Employer	<u>27.83%</u>	<u>27.41%</u>	<u>28.16%</u>
Employee	<u>9.55%</u>	<u>9.55%</u>	<u>9.54%</u>

PBS Guam's contributions to the DB Plan for the years ended September 30, 2018, 2017 and 2016 were \$60,432, \$50,149 and \$50,145, respectively, which were equal to the statutorily required contributions for the respective years then ended.

PBS Guam's contributions for supplemental annuity benefit and COLA payments were \$6,000 for each of the years ended September 30, 2018, 2017 and 2016, which were equal to the statutorily required contributions for the respective years then ended.

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.

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, 2018 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.

PBS Guam's contributions to the DCRS Plan for the years ended September 30, 2018, 2017 and 2016 were \$22,241, \$39,734 and \$51,398, respectively, which were equal to the required contributions for the respective years then ended. Of these amounts, \$17,687, \$32,486 and \$42,292 were contributed toward the unfunded liability of the DB Plan for the years ended September 30, 2018, 2017 and 2016, respectively.



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(6) Pensions, Continued

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

*Pension Liability:* At September 30, 2018, PBS Guam reported a net pension liability for its proportionate share of the net pension liabilities measured as of September 30, 2017, which is comprised of the following:

Defined benefit plan	\$ 422,331
Ad hoc COLA/supplemental annuity plan for DB retirees	48,619
Ad hoc COLA plan for DCRS retirees	<u>75,875</u>
	<b>\$ <u>546,825</u></b>

PBS Guam's proportion of the GovGuam net pension liabilities was based on PBS Guam's expected plan contributions relative to the total expected contributions received by the respective pension plans for GovGuam and GovGuam's component units. At September 30, 2018, PBS Guam's proportionate shares of the GovGuam net pension liabilities were as follows:

Defined benefit plan	0.04%
Ad hoc COLA/supplemental annuity plan for DB retirees	0.02%
Ad hoc COLA plan for DCRS retirees	0.12%

*Pension Expense (Benefit):* For the year ended September 30, 2018, PBS Guam recognized pension expense (benefit) for its proportionate share of plan pension expense from the above pension plans as follows:

Defined benefit plan	\$ (506,362)
Ad hoc COLA/supplemental annuity plan for DB retirees	10,485
Ad hoc COLA plan for DCRS retirees	<u>2,091</u>
	<b>\$ <u>(493,786)</u></b>

*Deferred Outflows and Inflows of Resources:* At September 30, 2018, PBS Guam reported total 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/ Supplemental Annuity 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	\$ -	\$ -	\$ -	\$ -	\$ 3,447	\$ 589
Net difference between projected and actual earnings on pension plan investments	-	20,525	-	-	-	-
Changes of assumptions	-	-	-	-	7,663	5,046
Contributions subsequent to the measurement date	78,119	-	4,000	-	2,000	-
Changes in proportion and difference between PBS Guam contributions and proportionate share of contributions	<u>-</u>	<u>-</u>	<u>100</u>	<u>-</u>	<u>-</u>	<u>29,190</u>
	<b>\$ <u>78,119</u></b>	<b>\$ <u>20,525</u></b>	<b>\$ <u>4,100</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>13,110</u></b>	<b>\$ <u>34,825</u></b>

**GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION  
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Notes to Financial Statements  
September 30, 2018

(6) Pensions, Continued

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

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, 2018 will be recognized in pension expense as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Defined</u> <u>Benefit Plan</u>	<u>Ad Hoc COLA/SA</u> <u>Plan for DB Retirees</u>	<u>Ad Hoc COLA Plan</u> <u>for DCRS Retirees</u>
2019	\$ (4,592)	\$ 100	\$ (2,100)
2020	(1,223)	-	(2,100)
2021	(8,776)	-	(2,100)
2022	(5,934)	-	(2,100)
2023	-	-	(2,100)
Thereafter	_____	_____	(13,215)
	<u>\$ (20,525)</u>	<u>\$ 100</u>	<u>\$ (23,715)</u>

*Actuarial Assumptions:* Actuarially determined contribution rates for the DB Plan 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, 2016
Actuarial Cost Method:	Entry age normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	May 1, 2031 (14.58 years remaining as of September 30, 2016)
Asset Valuation Method:	3-year smoothed market value (effective September 30, 2009)
Inflation:	2.75% per year
Total payroll growth:	2.75% per year
Salary Increases:	4.50% to 7.50%
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.

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Notes to Financial Statements  
September 30, 2018

(6) Pensions, Continued

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

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.

The actuarial assumptions used in the September 30, 2016 valuation were based on the results of an actuarial experience study for the period October 1, 2011 to September 30, 2015.

The investment rate assumption as of September 30, 2016 was 7%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of the expected nominal return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Nominal Return</u>
U.S. Equities (large cap)	29%	8.78%
U.S. Equities (small cap)	7%	9.45%
Non-U.S. Equities	13%	9.15%
Non-U.S. Equities (small cap)	4%	9.15%
Non-U.S. Equities (emerging markets)	1%	10.75%
U.S. Fixed Income (aggregate)	25%	4.85%
Risk parity	8%	8.36%
High yield bonds	8%	7.35%
Global Real Estate (REITs)	5%	8.71%

*Changes in Actuarial Assumptions:* The following changes in actuarial assumptions occurred from the September 30, 2015 valuation to the September 30, 2016 valuation:

**Mortality:** The mortality table used as of September 30, 2016, is the RP-2000 combined mortality table, set forward by 3 years for males and 2 years for females. The mortality table used for disabled lives is the RP-2000 disability mortality table, set forward by 6 years for males and 4 years for females. Mortality improvement is assumed to be 30% of Scale BB, projected generationally from 2016. For the prior valuation, the mortality table used was the RP-2000 combined mortality table, set forward by 4 years for males and 1 year for females. The mortality table used for disabled lives was the RP-2000 disability mortality table for males and females. No provision was made for future mortality improvement in the prior valuation.

**Salary Increases:** Salaries are assumed to increase 7.5% per year for employees in their first 5 years of service, 6.0% for service between 6 and 10 years, 5.0% for service between 11 and 15 years, and 4.0% for service after 15 years. For the prior valuation, salaries were assumed to increase 7.5% per year for employees in their first 5 years of service, 6.0% for service between 6 and 10 years, 5.0% for service between 11 and 15 years, and 4.5% for service after 15 years.

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Notes to Financial Statements  
September 30, 2018

(6) Pensions, Continued

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

Total Payroll Growth: Total payroll for defined benefit and defined contribution members is assumed to increase 2.75% per year. For the prior valuation, total payroll for defined benefit and defined contribution members was assumed to increase 3.0% per year.

Retirement Age: 50% of employees are assumed to retire when first eligible for unreduced retirement. Thereafter, 20% of employees will retire at each year until age 75, at which time all remaining employees are assumed to retire. For the prior valuation, 40% of employees are assumed to retire when first eligible for unreduced retirement. Thereafter, 15% of employees would retire at each year until age 65, and 20% of employees would retire from age 65 until age 70, at which time all remaining employees were assumed to retire.

Rates of Disability: The assumed rates of disability are based on the 1974-78 Society of Actuaries Long Term Disability Non-Jumbo table, with rates reduced by 50% for males and 75% for females. For the prior valuation, these rates were based on the 1974-78 Society of Actuaries Long Term Disability Non-Jumbo, with rates reduced by 50% for both males and females.

Leave Adjustments: Unused leave is assumed to increase a member's service by 1.5 years and increases average earnings by 5% at retirement. For the prior valuation, unused leave is assumed to increase service by 1.5 years and increased average earnings by 10% at retirement.

Survivor Benefit - Minor Children: An average of 0.2 eligible child survivors is assumed at the time of a retiree's death, with payments to the child survivor continuing for 6 years. For the prior valuation, this survivor benefit was assumed to increase the value of retirement benefits by 0.67% and survivor benefits by 20% for active members.

*Discount Rate:* The discount rate used to measure the total pension liability for the DB Plan as of September 30, 2017 was 7.0% (6.7% as of September 30, 2016), which is equal to the expected investment rate of return. The expected investment rate of return applies to benefit payments that are funded by plan assets (including future contributions), which includes all plan benefits except supplemental annuity payments to DB retirees and ad hoc COLA to both DB and DCRS retirees. The discount rate used to measure the total pension liability for the supplemental annuity and ad hoc COLA payments as of September 30, 2017 was 3.64% (3.058% as of September 30, 2016), which is equal to the rate of return of a high quality bond index.

*Discount Rate Sensitivity Analysis:* The following presents the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to PBS Guam's proportionate share of the net pension liability if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

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Notes to Financial Statements  
September 30, 2018

(6) Pensions, Continued

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

Defined Benefit Plan:

	1% Decrease in Discount Rate <u>6.0%</u>	Current Discount Rate <u>7.0%</u>	1% Increase in Discount Rate <u>8.0%</u>
Net Pension Liability	\$ <u>524,162</u>	\$ <u>422,337</u>	\$ <u>334,625</u>

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees:

	1% Decrease in Discount Rate <u>2.64%</u>	Current Discount Rate <u>3.64%</u>	1% Increase in Discount Rate <u>4.64%</u>
Net Pension Liability	\$ <u>53,048</u>	\$ <u>48,619</u>	\$ <u>44,768</u>

Ad Hoc COLA Plan for DCRS Retirees:

	1% Decrease in Discount Rate <u>2.64%</u>	Current Discount Rate <u>3.64%</u>	1% Increase in Discount Rate <u>4.64%</u>
Net Pension Liability	\$ <u>86,278</u>	\$ <u>75,875</u>	\$ <u>67,012</u>

(7) Other Post-Employment Benefits

*Plan Description:* GovGuam administers the retiree health care benefits program – an agent multiple employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible employees and retirees who are members of the GovGuam Retirement Fund. Under the OPEB Plan, known as the GovGuam Group Health Insurance Program, GovGuam provides 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 OPEB 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.

*Plan Membership:* As of September 30, 2017, the most recent measurement date, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	7,342
Active plan members	<u>10,282</u>
	<u>17,624</u>

*Benefits Provided:* GovGuam provides post employment medical, dental and life insurance benefits to GovGuam retirees, spouses, children and survivors. Active employees and retirees who waive medical and dental coverage are considered eligible for the life insurance benefit only. GovGuam contributes a portion of the medical and dental premiums, based on a schedule of semi-monthly rates, and reimburses certain Medicare premiums to eligible retirees. Retirees are also required to pay a portion of the medical and dental insurance premiums.

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Notes to Financial Statements  
September 30, 2018

(7) Other Post-Employment Benefits, Continued

*Contributions:* No employer contributions are assumed to be made since an OPEB trust has not been established. Instead, the OPEB plan is financed on a substantially “pay-as-you-go” basis whereby contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

For the years ended September 30, 2018, 2017 and 2016, PBS Guam’s contributions to this Plan amounted to \$16,089, \$18,134 and \$17,639, respectively, equal to the statutorily required contributions for each year.

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

Inflation:	3.00%
Amortization Method:	Level dollar amount over 30 years on an open amortization period for pay-as-you-go funding
Salary Increases:	7.5% per year for the first 5 years of service, 6% for 5-10 years, 5% for 11-15 years and 4.5% for service over 15 years
Healthcare cost trend rates:	8% for 2016, decreasing 0.25% per year to an ultimate rate of 4.5% for 2030 and later years. Health care trend assumptions begin at current levels and grade down over a period of years to a lower level equal to some real rate plus inflation. The principal components of health trend are medical inflation, deductible erosion, cost shifting, utilization, technology and catastrophic claims. The overall effect of these components are expected to decline year by year.
Dental trend rates:	4% per year.
Participation rates:	Medical - 100% of eligible retired employees will elect to participate. Dental - 100% of eligible retirees will elect to participate. Life - 100% of eligible retirees will elect to participate.
Medicare enrollment:	15% of current and future retirees are assumed to enroll in Medicare and will enroll in a Retiree Supplemental Plan upon attainment of age 65. All employees retired prior to September 30, 2008 are assumed ineligible for Medicare upon attainment of age 65 and therefore will not enroll in a Medicare Supplemental Plan.
Dependent status:	Male spouses are assumed to be three years older and female spouses are assumed to be three years younger than the retired employee. 60% of employees are assumed to retire with a covered spouse. For current retired employees, the actual census information is used.

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Notes to Financial Statements  
September 30, 2018

(7) Other Post-Employment Benefits, Continued

Actuarial cost method:	Entry Age Normal. The costs of each employee's post-employment benefits are allocated as a level basis over the earnings of the employee between the employee's date of hire and the assumed exit ages.
Healthy retiree mortality rate:	RP-2000 Combined Healthy Mortality Table, set forward 4 years and 1 year for males and females, respectively.
Disabled Retiree mortality rates:	RP-2000 Disabled Mortality Table for males and females.
Withdrawal rates:	15% for less than 1 year of service, decreasing 1% for each additional year of service up to 10 years, further decreasing 0.5% for each additional year of service up to 15 years, and 2% for service over 15 years.
Disability rates:	0.05% for beneficiaries aged 20-39 years, 0.1% - 0.53% for beneficiaries aged 40-59 years, and 0.76% for beneficiaries aged 60-64 years.
Retirement rates:	40% of employees are assumed to retire at earliest eligibility for unreduced benefits under the Government of Guam Retirement Fund, 15% per year thereafter until age 65, 20% per year thereafter until age 70 and 100% at age 70. Previously, 50% of employees were assumed to retire at first eligibility for postretirement health benefits, 20% per year thereafter until age 70, and 100% at age 70.

*OPEB plan fiduciary net position:* As of September 30, 2018, an OPEB trust has not been established, thus the OPEB Plan does not presently report OPEB plan fiduciary net position.

*Discount Rate:* The discount rate used to measure the total OPEB liability was 3.63% as of September 30, 2017. The projection of cash flows used to determine the discount rate assumed that contributions from GovGuam will be made in accordance with the plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments of current plan members. Therefore, the 3.63% municipal bond rate as of September 30, 2017 was applied to determine the total OPEB liability.

As of September 30, 2018, PBS Guam's proportionate share of the total OPEB liability was \$2,494,883, which is equal to the total OPEB liability multiplied by PBS Guam's proportionate share percentage of 0.10% for the year ended September 30, 2018.

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Notes to Financial Statements  
September 30, 2018

(7) Other Post-Employment Benefits, Continued

Changes in PBS Guam's proportionate share of the net OPEB liability is as follows:

At October 1, 2017	\$ <u>2,585,959</u>
Changes for the year:	
Service cost	112,265
Interest	82,287
Change of assumptions	(270,911)
Benefit payments	<u>(14,717)</u>
Net change at September 30, 2018	<u>(91,076)</u>
	\$ <u>2,494,883</u>

*Sensitivity of the total OPEB liability to changes in the discount rate:* The following schedule shows the impact on the total OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.63%) in measuring the 2017 total OPEB liability.

	1% Decrease in Discount Rate <u>2.63%</u>	Current Discount Rate <u>3.63%</u>	1% Increase in Discount Rate <u>4.63%</u>
Total OPEB Liability	\$ <u>2,965,757</u>	\$ <u>2,494,883</u>	\$ <u>2,117,200</u>

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates:* The following schedule shows the impact on the total OPEB liability if the healthcare cost trend rate used was 1% less than and 1% greater than the discount rate that was used (4.50%) in measuring the 2017 total OPEB liability.

	1% Decrease 7% Year 1 Discount Rate <u>3.50%</u>	Healthcare Cost Trend Rates 8% Year 1 Discount Rate <u>4.50%</u>	1% Increase in 9% Year 1 Discount Rate <u>5.50%</u>
Total OPEB Liability	\$ <u>2,048,298</u>	\$ <u>2,494,883</u>	\$ <u>3,077,802</u>



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(7) Other Post-Employment Benefits, Continued

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:* For the year ended September 30, 2018, PBS Guam recognized proportionate share OPEB expense of \$201,413. At September 30, 2018, PBS Guam reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 185,509	\$ 213,792
Contributions subsequent to the measurement date	16,089	-
Changes in proportion and difference between PBS Guam contributions and proportionate share of contributions	<u>319</u>	<u>-</u>
	<u>\$ 201,917</u>	<u>\$ 213,792</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to OPEB that will be recognized in OPEB expense as follows:

<u>Year Ending September 30</u>	
2019	\$ 5,307
2020	5,307
2021	5,307
2022	5,307
2023	(43,505)
Thereafter	<u>(5,687)</u>
	<u>\$ (27,964)</u>

(8) 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 September 30,</u>	
2019	\$ 10,200
2020	10,200
2021	10,200
2022	10,200
2023	10,200
2024 - 2028	<u>51,000</u>
	<u>\$ 102,000</u>

**GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION  
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(9) 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**  
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Schedules of Required Supplemental Information (Unaudited)  
Schedule of Proportionate Share of the Net Pension Liability  
Last 10 Fiscal Years\*

	<u>Defined Benefit Plan</u>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total net pension liability	\$ 1,142,249,393	\$ 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	\$ 422,331	\$ 926,733	\$ 1,019,630	\$ 837,016	\$ 915,805
PBS GUAM's proportion of the net pension liability	0.04%	0.07%	0.07%	0.07%	0.07%
PBS GUAM's covered-employee payroll**	\$ 189,116	\$ 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	223.32%	265.60%	274.35%	257.78%	302.52%
Plan fiduciary net position as a percentage of the total pension liability	60.63%	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  
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Schedules of Required Supplemental Information (Unaudited)  
Schedule of Proportionate Share of the Net Pension Liability  
Last 10 Fiscal Years\*

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees

	2018	2017	2016
Total net pension liability***	\$ 288,147,121	\$ 229,486,687	\$ 235,799,709
PBS GUAM's proportionate share of the net pension liability	\$ 48,619	\$ 49,964	\$ 38,425
PBS GUAM's proportion of the net pension liability	0.02%	0.02%	0.02%
PBS GUAM's covered-employee payroll**	\$ 85,765	\$ 84,471	\$ 83,330
PBS GUAM's proportionate share of the net pension liability as percentage of its covered-employee payroll	56.69%	59.15%	46.11%

\* 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 the benefits.

See Accompanying Independent Auditors' Report.

**GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION**  
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Schedules of Required Supplemental Information (Unaudited)  
Schedule of Proportionate Share of the Net Pension Liability  
Last 10 Fiscal Years\*

Ad Hoc COLA Plan for DCRS Retirees

	2018	2017	2016
Total net pension liability***	\$ 62,445,490	\$ 61,688,067	\$ 52,115,736
PBS GUAM's proportionate share of the net pension liability	\$ 75,875	\$ 86,793	\$ 86,976
PBS GUAM's proportion of the net pension liability	0.12%	0.14%	0.17%
PBS GUAM's covered-employee payroll**	\$ 457,817	\$ 513,640	\$ 593,954
PBS GUAM's proportionate share of the net pension liability as percentage of its covered- employee payroll	16.57%	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 the benefits.

See Accompanying Independent Auditors' Report.

**GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION**  
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Schedules of Required Supplemental Information (Unaudited)  
Schedule of Pension Contributions  
Last 10 Fiscal Years\*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 78,119	\$ 82,635	\$ 92,437	\$ 106,024	\$ 93,144
Contributions in relation to the statutorily required contribution	<u>46,319</u>	<u>89,477</u>	<u>100,838</u>	<u>90,066</u>	<u>85,685</u>
Contribution (excess) deficiency	<u>\$ 31,800</u>	<u>\$ (6,842)</u>	<u>\$ (8,401)</u>	<u>\$ 15,958</u>	<u>\$ 7,459</u>
PBS GUAM's covered-employee payroll **	<u>\$ 189,116</u>	<u>\$ 348,919</u>	<u>\$ 371,659</u>	<u>\$ 324,703</u>	<u>\$ 302,727</u>
Contributions as a percentage of covered-employee payroll	24.49%	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**  
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Schedules of Required Supplemental Information (Unaudited)  
Schedule of Changes in the Proportionate Share of the Total OPEB Liability and Related Ratios  
Last 10 Fiscal Years\*

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total OPEB liability:			
Service cost	\$ 112,265	\$ 91,079	Not Available
Interest	82,287	82,235	Not Available
Changes of assumptions	(270,911)	294,511	Not Available
Benefit payments	<u>(14,717)</u>	<u>(14,717)</u>	Not Available
Net change in total OPEB liability	(91,076)	453,108	
Total OPEB liability - beginning	<u>2,585,959</u>	<u>\$ 2,132,851</u>	Not Available
Total OPEB liability - ending	<u>\$ 2,494,883</u>	<u>\$ 2,585,959</u>	<u>\$ 2,132,851</u>
Covered-employee payroll	<u>\$ 369,825</u>	<u>\$ 369,825</u>	
PBS Guam's total OPEB liability as a percentage of covered-employee payroll	674.61%	699.24%	

Notes to schedule

<i>Discount rate</i>	3.63%	3.058%	3.71%
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*Changes of benefit terms:*

None

*Changes of assumptions:*

Discount rate has changed from respective measurement dates

\* Information for 2009 - 2015 is not available

See Accompanying Independent Auditors' Report.

**GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION  
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Schedules of Required Supplemental Information (Unaudited)  
Schedule of Proportionate Share of the Total OPEB Liability  
Last 10 Fiscal Years\*

	2018	2017
Total OPEB liability	\$ 2,431,048,672	\$ 2,532,753,040
PBS GUAM's proportionate share of the total OPEB Liability	\$ 2,494,883	\$ 2,585,959
PBS GUAM's proportion of the total OPEB Liability	0.10%	0.10%
PBS GUAM's covered-employee payroll	369,825	369,825
PBS GUAM's proportionate share of the total OPEB Liability as a percentage of its covered-employee payroll	674.61%	699.24%

\* Information for 2009 - 2015 is not available

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

See Accompanying Independent Auditors' Report.



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

Schedules of Required Supplemental Information (Unaudited)  
Schedule of OPEB Contributions  
Last 10 Fiscal Years\*

	2018	2017
Actuarially determined contribution	\$ 248,618	\$ 213,510
Contributions in relation to the actuarially determined contribution	(14,717)	(14,717)
Contribution deficiency	\$ 233,901	\$ 198,793
PBS Guam's covered payroll	\$ 369,825	\$ 369,825
Contributions as a percentage of covered-employee payroll	63.25%	53.75%

Notes to Schedule

Valuation date:

Actuarially determined contributions rates are calculated as of September 30, 2016.

Method and assumptions used to determine contributions rates:

Actuarial cost method:	Entry age normal.
Amortization method:	Level dollar amount on an open amortization period for pay-as-you-go funding.
Amortization period:	30 years
Inflation:	3%
Healthcare cost trend rates:	8% initial, decreasing 0.25% per year to an ultimate rate of 4.5%
Salary increase:	4.5% to 7.5%
Mortality (Healthy Retiree):	RP-2000 Combined Healthy Mortality Table, set forward 4 years and 1 year for males and females, respectively.
Mortality (Disabled Retiree):	RP-2000 Disabled Mortality Table for males and females.

\* Information for 2009 - 2016 is not available

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, 2018  
(With comparative totals as of September 30, 2017)

	General Fund		Schedule of Net Position	
	2018	2017	2018	2017
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>				
Cash and cash equivalents	\$ 123,479	\$ 221,204	\$ 123,479	\$ 221,204
Receivables, net	13,587	25,911	13,587	25,911
Prepaid items	-	16,497	-	16,497
Restricted assets:				
Cash and cash equivalents	916	916	916	916
Capital assets:				
Nondepreciable capital assets	-	-	18,000	18,000
Capital assets, net of accumulated depreciation	-	-	<u>1,628,034</u>	<u>1,724,330</u>
Total assets	<u>\$ 137,982</u>	<u>\$ 264,528</u>	<u>1,784,016</u>	<u>2,006,858</u>
Deferred outflows of resources:				
Deferred outflows from pension			95,329	102,843
Deferred outflows from OPEB			<u>201,917</u>	<u>264,525</u>
Total assets and deferred outflows of resources			<u>2,081,262</u>	<u>2,374,226</u>
<u>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u>				
Accounts payable	\$ 2,631	\$ 27,476	2,631	27,476
Other liabilities and accruals	11,376	10,076	11,376	10,076
Unexpended grant revenues	82,269	88,444	82,269	88,444
Long-term liabilities:				
Due within one year	-	-	13,592	16,665
Due after one year	-	-	<u>3,069,664</u>	<u>3,690,265</u>
Total liabilities	<u>96,276</u>	<u>125,996</u>	<u>3,179,532</u>	<u>3,832,926</u>
Deferred inflows of resources:				
Deferred inflows from pension			55,350	39,985
Deferred inflows from OPEB			<u>213,792</u>	<u>-</u>
Total liabilities and deferred inflows of resources			<u>3,448,674</u>	<u>3,872,911</u>
<u>FUND BALANCE/NET POSITION</u>				
Fund balance:				
Assigned - supporting services	<u>41,706</u>	<u>138,532</u>		
Total fund balance	<u>41,706</u>	<u>138,532</u>		
Total liabilities and fund balance	<u>\$ 137,982</u>	<u>\$ 264,528</u>		
Net position:				
Net investment in capital assets			1,646,034	1,742,330
Unrestricted			<u>(3,013,446)</u>	<u>(3,241,015)</u>
Total net position			<u>\$ (1,367,412)</u>	<u>\$ (1,498,685)</u>

See Accompanying Independent Auditors' Report.

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

Governmental Fund Revenues, Expenditures and  
Changes in Fund Balance/Schedule of Activities  
Year Ended September 30, 2018

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

	General Fund		Schedule of Activities	
	2018	2017	2018	2017
Revenues:				
Corporation for Public Broadcasting grants	\$ 604,323	\$ 588,171	\$ 604,323	\$ 588,171
Government of Guam appropriation	574,578	581,382	574,578	581,382
In-kind contributions	212,490	167,228	212,490	167,228
Underwriting	54,077	32,675	54,077	32,675
Fundraising	34,678	52,603	34,678	52,603
Contributions	27,633	34,193	27,633	34,193
Interest	401	685	401	685
Other	23,662	20,338	23,662	20,338
Total revenues	1,531,842	1,477,275	1,531,842	1,477,275
Expenditures/expenses:				
Program services:				
Station production	128,772	125,286	128,772	125,286
Station upgrade	34,768	21,556	34,768	21,556
Capital outlays	36,551	-	-	-
Supporting services:				
Program broadcasting	373,230	475,049	373,230	475,049
Contractual services	155,580	118,178	155,580	118,178
Development and promotion	105,883	61,101	105,883	61,101
Supplies and materials	6,815	10,653	6,815	10,653
OPEB expense	-	-	201,413	221,435
Pension (benefit) expense	-	-	(493,786)	5,565
Local appropriations:				
Personnel services	280,513	329,651	264,580	325,394
Fringe benefits	127,689	135,479	111,600	117,345
Utilities	78,100	68,174	78,100	68,174
Contractual services	88,277	48,078	88,277	48,078
In-kind expenditures/expenses	212,490	167,228	212,490	167,228
Unallocated depreciation	-	-	132,847	107,348
	1,628,668	1,560,433	1,400,569	1,872,390
Excess (deficiency) of revenues over (under) expenditures	(96,826)	(83,158)		
Change in net position			131,273	(395,115)
Fund balance/net position:				
Beginning of the year	138,532	221,690	(1,498,685)	(1,103,570)
End of the year	\$ 41,706	\$ 138,532	\$ (1,367,412)	\$ (1,498,685)

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, 2018  
(With comparative totals for the year ended September 30, 2017)

	<u>2018</u>		<u>2017</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	\$ 119,621	3	\$ 115,860	3
Station upgrade	32,700	1	20,540	-
Supporting services:				
Program broadcasting	99,708	3	103,304	3
Development and promotion	<u>62,616</u>	<u>2</u>	<u>29,631</u>	<u>1</u>
	<u>\$ 314,645</u>	<u>9</u>	<u>\$ 269,335</u>	<u>7</u>
Government of Guam:				
Local appropriations	<u>\$ 280,513</u>	<u>7</u>	<u>\$ 329,651</u>	<u>8</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, 2018, and the related notes to the financial statements, which collectively comprise PBS Guam's basic financial statements, and have issued our report thereon dated March 26, 2019.

### **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.

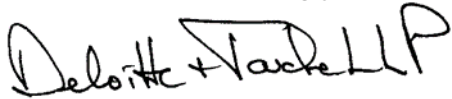
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

March 26, 2019