



## **OFFICE OF PUBLIC ACCOUNTABILITY**

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### **Guam Educational Telecommunications Corporation (PBS Guam) – FY 2019 Financial Highlights**

**April 27, 2020**

Hagåtña, Guam – The Office of Public Accountability (OPA) has released the Guam Educational Telecommunications Corporations’ (dba PBS Guam) financial statements, Internal Control over Financial Reporting and Compliance, Management Letter, and the auditor’s communication with those charged with governance for fiscal year (FY) 2019.

PBS Guam closed FY 2019 with a net loss of \$202 thousand (K), which increased its negative net position from \$1.37 million (M) to \$1.57M. Independent auditors, Deloitte & Touche, LLP, issued an unmodified (clean) opinion on PBS Guam’s financial statements. OPA commends PBS Guam for its 12th consecutive year without any material weaknesses and significant deficiencies in its Internal Control over Financial Reporting and Compliance.

#### **Dedication to Improve Local Programming**

Beginning in 2019, PBS Guam was re-established as a separate autonomous agency from the Department of Chamorro Affairs. With re-organization and under management of a new General Manager, the station is capitalizing on this new direction to improve its local programming. To date, PBS Guam hired several positions and provided training to increase the quality of its team.

#### **\$500K U.S. DOI Grant Earmarked to Upgrade Equipment**

The U.S. Department of Interior (U.S. DOI) Technical Assistance awarded PBS Guam \$500K grant in 2019. The station has long been operating with antiquated equipment to deliver programs. It will use the grant to upgrade aging equipment and thereby expand the level of production and increase development and underwriting with government agencies to produce public service announcements, local sporting events, and quarterly magazines. Upon the approval of the Memorandum of Understanding (MOU) by the Attorney General and the Lieutenant Governor, procurement to upgrade the equipment can begin.

#### **Increased in Revenues and Expenditures**

PBS Guam’s total revenues increased by 9%, or \$141K, from \$1.53M in FY 2018 to \$1.67M in FY 2019. Its most significant revenue sources, the Corporation for Public Broadcasting grants at \$645K and the Government of Guam (GovGuam) appropriations at \$570K, did not significantly change. However, Underwriting, Fundraising, and Contributions, which collectively made up 16% of the total revenues, increased, ranging from \$21K to \$68K. PBS Guam marketed to existing and new corporate partners, worked with several GovGuam entities, and created annual signature fundraising events, which all contributed to the uptick in revenues.

Overall expenses increased by 34%, or \$474K, from \$1.40M in FY 2018 to \$1.87M in FY 2019. Program Broadcasting (\$374K), Personnel Services (\$289K), Station Production (\$127K) were some of its biggest expenses. PBS Guam paid for the removal of an old tower in the prior year which reduced Contractual Services by \$33K from \$156K in FY 2018.

### **Other Post-Employment Benefits (OPEB) Liability at \$2.27M**

Under the OPEB Plan, GovGuam provides medical, dental, and life insurance benefits to retirees, spouses, children, and survivors. As of FY 2019, PBS Guam's OPEB liability stood at \$2.27M, which includes its proportionate share in GovGuam's OPEB liability of \$1.87 billion. It also recognized a total OPEB expense of \$151K for FY 2019.

### **Two Deficiencies Concerning Fixed Assets**

The independent auditors did not identify any material weaknesses or significant deficiencies in PBS Guam's report on Internal Control over Financial Reporting and Compliance. However, in a separate Management Letter issued, the independent auditors identified two deficiencies concerning (1) five fixed assets totaling \$38K were either not in use, obsolete, or non-existent, and (2) non-specific recording of fixed asset descriptions.

### **Summary of Adjustments and Uncorrected Misstatements**

In FY 2019, the auditors proposed 13 adjustments that decreased the net position by \$162K and two passed adjustments that increased net position by \$5K.

### **Old Challenges and Promising Outlook**

PBS Guam continues to face declining viewership over online media platforms. As a result, creating meaningful programs with local producers proved unsuccessful. This affected the station's ability to underwrite new local programming, which similar national PBS counterparts face. However, PBS Guam focused instead on creating signature fundraising events that obtained underwriting sponsorship rather than through traditional underwriting.

With a new executive director, a new line-up of local programming is set to launch. Among these include the Academic Challenge Bowl, shows featuring a movie submission from the Guam Film Festival, and three new shows, which are now on hold. PBS Guam looks ahead with confidence as key individuals and qualified personnel create new informative local programs, sustained underwriting with novel ideas materialize, and upgrade to its capital assets will improve its level of production.

For a more detailed discussion on PBS Guam's operations, refer to the Management's Discussion and Analysis in the audit report at [opaguam.org](http://opaguam.org) or [pbsguam.org](http://pbsguam.org). You may also visit our website for PBS Guam's financial operation visual summary.