

*Financial Statements, Required Supplementary Information,
Supplementary and Other Information,
and Compliance and Internal Control*

Guam Educational Telecommunications Corporation
(A Component Unit of the Government of Guam)

*Year Ended September 30, 2023
with Report of Independent Auditors*



Guam Educational Telecommunications Corporation
(A Component Unit of the Government of Guam)

Financial Statements, Required Supplementary Information,
Supplementary and Other Information, and Compliance and Internal Control

Year Ended September 30, 2023

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Report of Independent Auditors

The Board of Trustees
Guam Educational Telecommunications Corporation

Report on the Audit of the Financial Statements

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise PBS Guam’s basic financial statements as listed in the table of contents (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund activities of PBS Guam at September 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the PBS Guam, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about PBS Guam's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 PBS Guam's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about PBS Guam's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis pages 5 through 8, the Budgetary Comparison Schedule – Governmental Funds on page 38, the Schedules of PBS Guam's Proportionate Share of the Net Pension Liability on pages 39 through 41, the Schedules of PBS Guam's Contributions on pages 42 and 44, and the Schedule of PBS Guam's Proportionate Share of Collective Total Other Postemployment Benefit Liability on page 43 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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.

Supplementary 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 supplementary comparative financial statement information for the year ended September 30, 2023, and the Supplemental Schedule of Employees and Salaries for the year ended September 30, 2023, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the comparative financial statement information and the Supplemental Schedule of Employees and Salaries are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We previously audited, in accordance with the auditing standards generally accepted in the United States of America, the basic financial statements of PBS Guam for the year ended September 30, 2022 (none of which are presented herein) and expressed a qualified opinion on the governmental activities and an unmodified opinion on the General Fund of PBS Guam. The supplementary financial statement information for the year ended September 30, 2022, and the Supplemental Schedule of Employees and Salaries for the year ended September 30, 2022, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2022 financial statements. The

information has been subjected to the auditing procedures applied in the audit of the 2022 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the employee count included in the Supplemental Schedule of Employees and Salaries but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2024 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.

The logo for Ernst + Young LLP is written in a black, cursive script font. The words "Ernst + Young" are connected, and "LLP" is written separately to the right.

June 3, 2024

Guam Educational Telecommunications Corporation
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis

Year Ended September 30, 2023

Financial Analysis

Our analysis is based on the following condensed financial data for the years ended September 30, 2023 and 2022, as presented in the Statement of Net Position and the Changes in Net Position. The nature of these statements is explained in the preceding paragraph.

Statement of Net Position

	<u>2023</u>	<u>2022</u>
<u>ASSETS AND DEFERRED OUTFLOWS</u>		
Capital assets	\$1,855,182	\$1,487,079
Current and other assets	2,587,363	4,280,712
Deferred outflows of resources	<u>1,361,577</u>	<u>575,533</u>
Total assets and deferred outflows	<u>\$5,804,122</u>	<u>\$6,343,324</u>
<u>LIABILITIES AND DEFERRED INFLOWS</u>		
Liabilities:		
Long-term liabilities	\$3,064,943	\$2,273,408
Other liabilities	424,353	321,450
Deferred inflows of resources	<u>1,513,990</u>	<u>1,480,721</u>
Total liabilities and deferred inflows	<u>5,003,286</u>	<u>4,075,579</u>
<u>NET POSITION</u>		
Net position:		
Net investment in capital assets	1,855,182	1,487,079
Unrestricted	<u>(1,054,346)</u>	<u>780,666</u>
Total net position	<u>800,836</u>	<u>2,267,745</u>
Total liabilities, deferred inflows and net position	<u>\$5,804,122</u>	<u>\$6,343,324</u>

Capital assets increased by \$368,103 or 25% primarily due to the addition of Omega Broadcast Equipment in FY2023, offset by depreciation expense. Current assets decreased by \$1,693,349 or 40% due to decrease in cash balance and amounts collected from the Government of Guam. Total liabilities and deferred inflows increased by \$927,707 or 23% attributed to increase in long-term & other liability. The decrease in total net position is primarily caused by the resultant changes as reflected above.

Guam Educational Telecommunications Corporation
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Management's Discussion and Analysis, continued

Statement of Activities

	<u>2023</u>	<u>2022</u>
Revenues:		
Local Appropriation	\$ 882,624	\$ 671,634
Community Service Grant	446,292	469,612
Contribution and other	534,599	5,196,788
Interest Income	<u>715</u>	<u>283</u>
Total Revenues	<u>1,864,230</u>	<u>6,338,317</u>
Expenses:		
Program service	167,935	190,674
Supporting service	3,031,435	3,071,116
Depreciation expense	<u>131,769</u>	<u>176,741</u>
Total Expenses	<u>3,331,139</u>	<u>3,438,531</u>
Change in net position	(1,466,909)	2,899,786
Net position beginning of year	<u>2,267,745</u>	(<u>632,041</u>)
Net position at the end of the year	<u>\$ 800,836</u>	<u>\$2,267,745</u>

Total revenue decreased by \$4,474,087 or 71% which is largely attributed to contribution and production revenues. Total operating expense decreased by approximately \$107,392 or 3% which is primarily due to supporting services and depreciation expense.

Governmental Funds

PBS GUAM utilizes fund accounting practices to provide information on a near-term inflow, outflow and balances of spendable resources. Such information is useful in assessing PBS GUAM's financing requirements. In particular, fund balance may serve as a useful measure of PBS GUAM's net resources available for spending at the end of the fiscal year. The General Fund helps supplement funds received by The Corporation of Public Broadcaster (CPB). At the end of the current fiscal year, the assigned fund balance amounted to \$2,163,010 compared with the prior year fund balance of \$3,959,262.

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.

Guam Educational Telecommunications Corporation
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Management's Discussion and Analysis, continued

Capital Assets and Long-Term Obligations

In 2023, PBS Guam was focused on not only recovery but future-proofing the station and its facilities against anticipated technological changes and industry trends. This will ensure that the station remains viable and adaptable in the face of evolving consumer preferences, regulatory requirements, and technological advancements. Modernizing and renovating PBS GUAM for the future is crucial for staying competitive, engaging audiences, improving operational efficiency, and future-proofing the facility against changes in the media landscape. This will be the overall priority over the next five (5) years.

PBS Guam was awarded several grants in 2023 from the Department of Interior, the Corporation for Public Broadcasting (CPB), and the Federal Emergency Management Agency (FEMA) for disaster recovery assistance and infrastructural capital improvement in excess of \$800,000.

These funds will be invested in damages sustained from Typhoon Mawar and the refurbishment and electrical retrofit of our office to modernize and improve the electrical infrastructure of our building. This includes replacing and upgrading the electrical panel and rewiring to meet current safety standards and most importantly, accommodate the increased power demands. In addition, we have made strides to update equipment in the master control department to enhance its ability to transmit a better picture and stream our feed on our social outlets. Investments in production equipment for our production department have also been made to streamline that department.

Economic Factors & Institutional Factors

In 2023, the economic landscape of Guam faced significant challenges stemming from both natural disasters and the persistent aftermath of the COVID-19 pandemic. The devastating impact of Typhoon Mawar, which struck in the summer, left our community grappling with extensive damage and disrupted infrastructure. As citizens focused on recovery efforts, the economy experienced a slowdown, with businesses facing operational hurdles and consumers curbing spending in the face of uncertainty. Moreover, the threat of another typhoon looming overhead added to the strain, exacerbating the already delicate economic situation.

The aftermath of Typhoon Mawar compounded existing economic struggles wrought by the pandemic, as Guam continued to grapple with lingering negative effects. Supply chain disruptions, reduced tourism, and ongoing restrictions hampered economic recovery efforts, prolonging the challenges faced by businesses and households alike. PBS Guam sustained major infrastructure damage to our transmitter site, microwave equipment, building air conditioning, and more. Despite concerted efforts to rebuild and revitalize affected areas, the slow pace of recovery underscored the resilience required to navigate through such turbulent times. The convergence of natural disasters and the pandemic underscored the importance of robust contingency planning and community resilience in safeguarding Guam's economic stability. In the face of adversity, PBS Guam demonstrated remarkable resilience to overcome the challenges posed by Typhoon Mawar and the lingering economic fallout from COVID-19. Community-led initiatives, coupled with government support programs, played a crucial role in facilitating recovery efforts and fostering a sense of unity amidst adversity.

Guam Educational Telecommunications Corporation
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Management's Discussion and Analysis, continued

In 2023, institutional dynamics on Guam underwent a significant transformation, driven by the evolving needs of PBS Guam as it expanded its operations. As the station experienced growth, there emerged a pressing requirement for a more modernized and updated staff roster. Specifically, there was a critical need for additional technical expertise to support the station's enhanced capabilities and technological advancements. However, navigating the staffing landscape posed challenges, particularly concerning the ability to fill positions that were not accounted for within the FY2023 approved budget and its budget constraints.

Summary

PBS Guam faced institutional hurdles in securing adequate funding and support from the legislature to sustain its operations effectively. Despite the station's pivotal role in serving the community with educational programming, it struggled to garner full financial backing from legislative channels. This shortfall became particularly pronounced concerning utility expenses, with PBS Guam receiving only partial coverage for its power and utility bills. The station operated under the strain of a skeleton crew funding model, allowing only warm bodies to be funded from the legislature, which highlights the urgent need for increased support and resources from legislative bodies to ensure its long-term sustainability and service to the community.

Amidst these institutional challenges, PBS Guam remained committed to its mission of providing informative and engaging content to the citizens of Guam. However, the station's ability to fulfill this mandate was contingent upon addressing the staffing shortages and securing adequate funding support. Collaborative efforts between PBS Guam and legislative stakeholders were imperative to overcome these obstacles and pave the way for a more robust and resilient public broadcasting service that could effectively meet the evolving needs of the community.

In addition, we were able to launch meaningful local content with a few seasons of PBS University Higher Learning, Saina, Manamko to Manhoben, PBS Passport, UNINCORPORATED: ART & SOVEREIGNTY, ARCHAEOLOGY AND ANCIENT SITES OF THE MARIANA ISLANDS, Guam International Film Festival (GIFF) Showcase, and so much more for our community.

Guam Educational Telecommunications Corporation
(A Component Unit of the Government of Guam)

Governmental Funds Balance Sheet/Statement of Net Position

September 30, 2023

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets and deferred outflows of resources:			
Cash and cash equivalents	\$ 2,401,005	\$ ---	\$ 2,401,005
Receivables, net of allowance for uncollectible	147,604	---	147,604
Due from Government of Guam	38,754	---	38,754
Capital assets:			
Nondepreciable capital assets	---	18,000	18,000
Capital assets, net of accumulated depreciation	<u>---</u>	<u>1,837,182</u>	<u>1,837,182</u>
Total assets	<u>2,587,363</u>	<u>1,855,182</u>	<u>4,442,545</u>
Deferred outflows of resources:			
Deferred outflows from pension	---	490,004	490,004
Deferred outflows from OPEB	<u>---</u>	<u>871,573</u>	<u>871,573</u>
Total assets and deferred outflows of resources	<u>\$ 2,587,363</u>	<u>\$ 3,216,759</u>	<u>\$ 5,804,122</u>
Liabilities and deferred inflows of resources:			
Accounts payable	\$ 17,941	\$ ---	\$ 17,941
Other liabilities and accruals	20,492	---	20,492
Unearned revenues	385,920	---	385,920
Long-term liabilities:			
Due within one year	---	124,856	124,856
Due after one year	<u>---</u>	<u>2,940,087</u>	<u>2,940,087</u>
Total liabilities	<u>424,353</u>	<u>3,064,943</u>	<u>3,489,296</u>
Deferred inflows of resources:			
Deferred inflows from pension	---	67,628	67,628
Deferred inflows from OPEB	<u>---</u>	<u>1,446,362</u>	<u>1,446,362</u>
Total liabilities and deferred inflows of resources	<u>424,353</u>	<u>4,578,933</u>	<u>5,003,286</u>
Fund balance/Net position			
Fund balance:			
Assigned - supporting services	<u>2,163,010</u>	<u>(2,163,010)</u>	<u>---</u>
Total fund balance	<u>2,163,010</u>	<u>(2,163,010)</u>	<u>---</u>
Total liabilities and fund balance	<u>\$ 2,587,363</u>		
Net position:			
Net investment in capital assets		1,855,182	1,855,182
Unrestricted		<u>(1,054,346)</u>	<u>(1,054,346)</u>
Total net position		<u>\$ 800,836</u>	<u>\$ 800,836</u>

See accompanying notes.

Guam Educational Telecommunications Corporation
(A Component Unit of the Government of Guam)

Statement of Governmental Fund Revenues, Expenditures and Changes in Fund
Balance/Statement of Activities

Year Ended September 30, 2023

	<u>General</u> <u>Fund</u>	<u>Adjustments</u>	<u>Statement of</u> <u>Activities</u>
Expenditures/expenses:			
Program services:			
Capital outlays	\$ 499,872	\$(499,872)	\$ ---
Station production	99,711	---	99,711
Station upgrade	68,224	---	68,224
Supporting services:			
Program broadcasting	521,869	---	521,869
Contractual services	1,127,926	---	1,127,926
Development and promotion	165,791	---	165,791
Supplies and materials	175,735	---	175,735
OPEB expense	---	(62,160)	(62,160)
Pension expense	---	194,141	194,141
Local appropriations:			
Personnel services	497,548	31,635	529,183
Fringe benefits	245,001	(124,856)	120,145
Utilities	81,487	---	81,487
In-kind expenditures/expenses	177,318	---	177,318
Unallocated depreciation	---	131,769	131,769
Total expenditures/expenses	<u>3,660,482</u>	<u>(329,343)</u>	<u>3,331,139</u>
Revenues:			
Corporation for Public Broadcasting grants	446,292	---	446,292
Contributions and production	21,170	---	21,170
Government of Guam appropriation	882,624	---	882,624
Underwriting	179,017	---	179,017
In-kind contributions	177,318	---	177,318
Fundraising	109,290	---	109,290
Other	47,804	---	47,804
Interest	715	---	715
Total revenues	<u>1,864,230</u>	<u>---</u>	<u>1,864,230</u>
Changes in net position	<u>(1,796,252)</u>	<u>329,343</u>	<u>(1,466,909)</u>
Fund balance/net position:			
Beginning of year	<u>3,959,262</u>	<u>(1,691,517)</u>	<u>2,267,745</u>
End of year	<u>\$ 2,163,010</u>	<u>\$(1,362,174)</u>	<u>\$ 800,836</u>

See accompanying notes.

Guam Educational Telecommunications Corporation
(A Component Unit of the Government of Guam)

Notes to Financial Statements

Year Ended September 30, 2023

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 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.

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

2. Summary of Significant Accounting Policies

The accompanying basic financial statement of PBS Guam have been prepared in accordance with U.S. generally accepted accounting principles (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.

Guam Educational Telecommunications Corporation
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Government-wide and Fund Financial Statements, continued

Government-wide Financial Statements, continued

- Restricted net position results when constraints placed on net position use that 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.

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.

Guam Educational Telecommunications Corporation
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Government-wide and Fund Financial Statements, continued

Fund Financial Statements, continued

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		\$ 2,163,010
Add:		
Land improvements	18,000	
Depreciable capital assets	5,107,645	
Accumulated depreciation	(3,270,463)	
Deferred outflow of resources	<u>1,361,577</u>	<u>3,216,759</u>
Less:		
Compensated absences payable	(28,698)	
DCRS sick leave liability	(2,088)	
Net pension liability	(1,173,047)	
OPEB liability	(1,861,110)	
Deferred inflow of resources	<u>(1,513,990)</u>	<u>(4,578,933)</u>
Total net position - governmental activities		<u>\$ 800,836</u>

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		\$(1,796,252)
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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	499,872	
Depreciation expense	<u>(131,769)</u>	<u>368,103</u>

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:

Net pension and OPEB activity	(38,760)	(38,760)
Change in net position - governmental activities		<u>\$(1,466,909)</u>

Guam Educational Telecommunications Corporation
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements account for the general governmental activities of PBS Guam and are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally, when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, PBS Guam considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. General revenue is derived from investment income and other items that are not allocated to specific programs.

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

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

A budget request is prepared annually by the management of PBS Guam that contains the quantitative budget for the fiscal year and a narrative of related activities. The budget request for GovGuam appropriations is submitted to Bureau of Budget and Management Research for review, approval, and certification. The budget certification is subject to review of the Guam Legislative and included in the General Appropriations once approved.

Cash and Cash Equivalents

For the purpose of presentation in the Governmental Funds balance sheet/statement of net position, cash consists of cash balances deposited in banks.

Guam Educational Telecommunications Corporation
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Cash and Cash Equivalents, continued

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 depository policy for custodial credit risk.

PBS Guam maintains banks account with financial institutions. PBS Guam maintains its cash in bank accounts, which at times may exceed federal depository insurance limits. At September 30, 2023, \$703,786 out of PBS Guam's bank deposits totaling \$2,401,005 is covered by federal depository insurance. \$67,559 is maintained in credit unions subject to National Credit Union Administration (NCUA) insurance, with the remainder being uninsured and uncollateralized.

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.

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 up to the value of assets or materially extend the asset's life 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.

Guam Educational Telecommunications Corporation
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Capital Assets, continued

Estimated useful lives for depreciable assets are as follows:

Buildings and improvements	5 to 15 years
Broadcasting equipment	3 to 10 years
Studio, antenna, transmitter, and other equipment	3 to 5 years
Furniture and fixtures	3 to 9 years
Transportation equipment	5 to 20 years

Impairment of Capital Assets

In accordance with GASB Statement No. 42 *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, PBS Guam evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred.

A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used are reported at the lower of carrying value or fair value.

Deferred Outflows of Resources

In addition to assets, the statement 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 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 of actuarial assumptions or other inputs, pension and 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.

Guam Educational Telecommunications Corporation
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Income Taxes

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

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 or 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 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 (DCRS) to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. PBS Guam has accrued an estimated liability of \$2,088 at September 30, 2023 for potential future sick leave payments as a result of this law. However, this amount is an estimate and actual payout may be materially different than estimated.

Guam Educational Telecommunications Corporation
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Unearned Revenues

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. As required by GASB Statements No. 68, 71, 73 and 75, PBS Guam reports deferred outflows of resources for pension-related and OPEB related amounts: payments since the measurement date, changes in assumptions, and for difference between projected and actual earnings.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources until then. As required by GASB Statement No. 68 and 75, PBS Guam reports deferred inflows of resources for pension-related and OPEB-related amounts: for its share of the difference between expected and actual earnings, for its share of the difference between its contributions and its proportionate share of contributions, and for the difference between expected and actual experience.

Pensions

Pensions are required to be recognized and disclosed using the accrual basis of accounting. PBS Guam recognizes a net pension liability for the pension plan in which it participates, which represents PBS Guam’s proportionate share of total pension liability (actuarially calculated) over the pension plan assets, measured as of the fiscal year end. 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. 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 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.

Guam Educational Telecommunications Corporation
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Other Post-employment Benefits

Other post-employment benefits (OPEB) are required to be recognized and disclosed using the accrual basis of accounting. PBS Guam recognizes a total collective OPEB liability for the OPEB plan in which it participates, which represents PBS Guam's proportionate share of total collective OPEB liability (actuarially calculated) measured as of the fiscal year end. Changes in the total collective 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.

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 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.

Guam Educational Telecommunications Corporation
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncement

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. This statement provides clarification guidance on several of its recent statements that addresses different accounting and financial reporting issues identified during implementation of the new standards and during the GASB's review of recent pronouncements. GASB Statement No. 99:

Guam Educational Telecommunications Corporation
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncement, continued

- Provides clarification of provisions in GASB Statement No. 87 related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Provides clarification of provisions in GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Provides clarification of provisions in GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
- Modifies accounting and reporting guidance in GASB Statement No. 53 related to termination of hedge.

These recently adopted accounting pronouncements have no effect on the Company's financial statements.

Upcoming Accounting Pronouncements

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. This Statement contains guidance whose effective dates are in future periods:

- Modifies guidance in GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, to bring all guarantees under the same financial reporting requirements and disclosures effective for fiscal year ending September 30, 2024.
- Provides guidance on classification and reporting of derivative instruments within the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for fiscal year ending September 30, 2024.

Guam Educational Telecommunications Corporation
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In June 2022, GASB issues Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections. GASB Statement No. 100 will be effective for fiscal year ending September 30, 2024.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences. GASB Statement No. 101 will be effective for fiscal year ending September 30, 2025.

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. GASB Statement No. 102 will be effective for fiscal years ending September 30, 2025.

PBS Guam is currently evaluating the effects the above upcoming accounting pronouncements might have on its financial statements.

Guam Educational Telecommunications Corporation
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Notes to Financial Statements, continued

3. Capital Assets

Capital asset activity for the year ended September 30, 2023, was as follows:

	<u>October 1, 2022</u>	<u>Additions</u>	<u>Transfers and Deletions</u>	<u>September 30, 2023</u>
Non-depreciable capital assets:				
Land improvements	\$ 18,000	\$ ---	\$ ---	\$ 18,000
Depreciable capital assets:				
Broadcasting equipment	2,885,842	487,583	---	3,373,425
Transportation and equipment	487,776	18,600	---	506,376
Studio equipment	565,129	51,321	---	616,450
Buildings and improvements	372,116	---	---	372,116
Furniture and fixtures	239,278	---	---	239,278
	4,550,141	557,504	---	5,107,645
Less accumulated depreciation	(3,081,062)	(189,401)	---	(3,270,463)
	<u>1,469,079</u>	<u>(368,103)</u>	<u>---</u>	<u>1,837,182</u>
	<u>\$ 1,487,079</u>	<u>\$ (368,103)</u>	<u>\$ ---</u>	<u>\$ 1,855,182</u>

4. Long-term Obligations

Other long-term liabilities will be liquidated in the future from governmental funds. During the year ended September 30, 2023, the following changes occurred in liabilities reported as part of PBS Guam's long-term liabilities in the statement of net position:

	<u>Balance October 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>September 30, 2023</u>	<u>Due Within One Year</u>
OPEB liability	\$ 1,536,413	\$ 324,697	\$ ---	\$ 1,861,110	\$ 19,625
Net pension liability	706,209	466,838	---	1,173,047	105,231
Compensated absences	30,786	---	---	30,786	---
	<u>\$ 2,273,408</u>	<u>\$ 791,535</u>	<u>\$ ---</u>	<u>\$ 3,064,943</u>	<u>\$ 124,856</u>

Guam Educational Telecommunications Corporation
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Notes to Financial Statements, continued

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, 2023, \$824,036 was expended out of the total appropriated amount of \$878,209.

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 Universal Service Support Grants (USSGs) to qualifying public telecommunications entities based on budget submissions. CSGs and USSGs 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 USSG 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 (IC), 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.

On April 15, 2021, the CSG awarded PBS Guam its share of the American Rescue Plan Act (ARPA), which was signed into law on March 11, 2021. The funds are to be used to maintain the Grantee's public media station's programming and services impacted by the coronavirus. PBS received its share of the \$175 million grant on April 16, 2021.

Guam Educational Telecommunications Corporation
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Notes to Financial Statements, continued

5. Funding Sources, continued

Corporation for Public Broadcasting (CPB) Grants, continued

CPB grants received and expended during the year ended September 30, 2023 were as follows:

<u>Grant Name</u>	<u>Grants Received</u>	<u>Beginning Unexpected Portion</u>	<u>Grants Expended</u>	<u>Ending Unexpended Portion</u>
CARES Act	\$ ---	\$ 260,204	\$ ---	\$ 260,204
CSG	---	234,308	234,308	---
ARPA	---	119,643	119,643	---
CSG	664,393	---	281,064	383,329
IC	11,954	---	11,954	---
USSG	153,274	---	153,274	---
Total	\$ 829,621	\$ 614,155	\$ 800,243	\$ 643,533

6. Pensions

General Pension Plan Descriptions

Defined Benefit (DB) Plan

The DB Plan is a single-employer plan. A single actuarial valuation is performed annually covering all plan members and the same contribution rate applies to each employer. The Government of Guam Retirement Fund (GGRF or the Fund) 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.

In accordance with Public Law 33-186, the DB 1.75 Plan became effective January 1, 2018. Members of the DB 1.75 Plan also 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.

The DB Plan is administered by the GGRF, to which PBS Guam contributes based upon a fixed percentage of the payroll for those employees who are members of the Plan.

Membership: Employees of PBS Guam hired before September 30, 1995 are under the Government of Guam Employees Retirement System, the DB Plan. Until December 31, 1999, and for several limited periods after December 31, 1999, those employees who are members of the defined benefit plan with less than 20 years of service at September 30, 1995, had the option to switch to the DCRS. Otherwise, they remained under the old plan.

Guam Educational Telecommunications Corporation
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Notes to Financial Statements, continued

6. Pensions, continued

General Pension Plan Descriptions, continued

Defined Benefit (DB) Plan, continued

The DB 1.75 Plan is open for participation by certain existing employees, new employees and reemployed employees who would otherwise participate in the DCRS and who make election on a voluntary basis to participate in the DB 1.75 plan by December 31, 2017.

Contributions: Plan members of the DB Plan are required to contribute a certain percentage of their annual covered salary. The contribution requirements of the plan members and PBS Guam are established and may be amended by the GGRF.

PBS Guam's statutory contribution rate was 28.43% for the year ended September 30, 2023. Employees are required to contribute 9.5% of their annual pay for the year ended September 30, 2023.

Benefits: 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.

Actuarial Assumptions: The actuarial assumptions used are based upon recommendations from the actuarial experience study for the period September 30, 2011 through September 30, 2015. A summary of actuarial assumptions applied to all periods included in the measurement is shown below.

Actuarial cost method:	Entry age normal
Valuation of assets:	3-year phase in of gain/losses relative to interest rate assumption.
Investment income:	7.0% per year
Total payroll growth:	2.75% per year
Salary increases:	Graduated based on service with the GovGuam ranging from 4.0% for service in excess of 15 years to 7.5% for service from zero to five years.
Disability:	1974-78 SOA LTD Non-Jumbo, with rates reduced by 50% for males and 75% for females.
Retirement age:	50% of probability of retirement at earliest age of eligibility for unreduced retirement benefits; 20% per year thereafter until age 75, 100% at age 75.
Return of contributions:	100% withdrawing before retirement with less than 20 years of service assumed to elect a return of contributions. All those who have previously withdrawn assumed to elect a return of contributions. Contributions earn 4.5% interest.
Mortality:	Based on the RP-2000 combined mortality table, set forward 3 years for males and 2 years for females.

Guam Educational Telecommunications Corporation
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Notes to Financial Statements, continued

6. Pensions, continued

General Pension Plan Descriptions, continued

Defined Benefit (DB) Plan, continued

Discount Rate: The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Nominal Return</u>	<u>Component Return</u>
U.S. Equities (large cap)	26.0%	8.14%	2.12%
U.S. Equities (small cap)	4.0%	9.75%	0.39%
Non-U.S. Equities	17.0%	10.15%	1.73%
Non-U.S. Equities (emerging markets)	3.0%	12.08%	0.36%
U.S. Fixed Income (aggregate)	22.0%	4.77%	1.05%
Risk Parity	8.0%	6.65%	0.53%
High Yield Bonds	8.0%	6.90%	0.55%
Global Real Estate (REITs)	2.5%	9.62%	0.24%
Global Equity	7.0%	8.93%	0.67%
Global Infrastructure	2.5%	8.08%	0.16%
Expected arithmetic mean (1 year)			7.80%
Expected geometric mean (30 years)			7.09%

The investment rate of return assumption of 7.0% is about equal to the geometric mean over 30 years, but lower than the average arithmetic return for one year. The geometric mean is lower than the arithmetic mean due to the expected volatility of investments. If investments fail to achieve the assumed interest rate, future required contributions will increase.

Guam Educational Telecommunications Corporation
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Notes to Financial Statements, continued

6. Pensions, continued

General Pension Plan Descriptions, continued

Ad Hoc COLA/Supplemental Annuity (COLA/SA) Plan for DB Participants

Members of the DB Plan also receive ad hoc cost of living allowance and supplemental annuity benefits that are appropriated yearly by the Guam Legislature. Those benefits are deemed to be substantively automatic, requiring reporting under GASB Statement No. 73. The Ad Hoc COLA/SA Plan for DB Participants is a single-employer plan. A single actuarial valuation is performed annually covering all plan members. GGRF issues a publicly available financial report that includes financial statements and required supplementary information for the Ad Hoc COLA/SA Plan for DB Participants. 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.

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

Benefits: The supplemental annuity is an amount which, when added to a retiree's annuity, increases the annual annuity up to \$40,000. The COLA payment is \$2,000 per DB retiree.

Contributions: PBS Guam's contribution to the supplemental annuity portion of the Plan, when added to a retiree's annuity, increases the annual annuity to \$40,000. PBS Guam's contribution to the COLA payment of the Plan is \$2,200 per DB retiree for the year ended September 30, 2023.

Actuarial Assumptions: The actuarial assumptions used are based upon recommendations from the actuarial experience study for the period October 1, 2011 through September 30, 2015. A summary of actuarial assumptions applied to all periods included in the measurement is shown below.

Actuarial cost method:	Entry age normal
Total payroll growth:	2.75%
Salary increases:	Graduated based on service with the GovGuam ranging from 4.0% for service in excess of 15 years to 7.5% for service from zero to five years.
Disability:	1974-78 SOA LTD Non-Jumbo, with rates reduced by 50% for males and 75% for females.
Retirement age:	50% of probability of retirement at earliest age of eligibility for unreduced retirement benefits; 20% per year thereafter until age 75, 100% at age 75.
Mortality:	Based on the RP-2000 combined mortality table, set forward 3 years for males and 2 years for females.
Amortization method:	Level percentage of payroll, closed.

Guam Educational Telecommunications Corporation
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Notes to Financial Statements, continued

6. Pensions, continued

General Pension Plan Descriptions, continued

Ad Hoc COLA/Supplemental Annuity (COLA/SA) Plan for DB Participants, continued

Discount Rate: The discount rate used to measure the Ad Hoc COLA/SA was a municipal bond rate of 4.02% for the year ended September 30, 2023. This rate was used as the benefits are not funded with the accumulation of assets; they have been funded historically through appropriations from the Government of Guam.

Ad Hoc COLA Plan for Defined Contribution Retirement System (DCRS) Participants

The DCRS is administered by the GGRF. Members of DCRS receive ad hoc cost of living allowance (COLA) that are appropriated yearly by the Guam Legislature. Those benefits are deemed to be substantively automatic, requiring reporting under GASB Statement No. 73. The Ad Hoc COLA Plan for DCRS Participants is a single-employer plan. A single actuarial valuation is performed annually covering all plan members. GGRF issues a publicly available financial report that includes financial statements and required supplementary information for the Ad Hoc COLA Plan for DCRS Participants. 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.

Membership: Employees hired after September 30, 1995, are members of the DCRS.

Benefits: Ad Hoc COLA Plan for DCRS participants are the same as those for DB Participants.

Contributions: PBS Guam's contribution to the COLA payment of the Plan is \$2,000 per DCRS retiree.

Actuarial Assumptions: The actuarial assumptions used are based upon recommendations from the actuarial experience study for the period October 1, 2011 through September 30, 2015. A summary of actuarial assumptions applied to all periods included in the measurement is shown below.

Actuarial cost method:	Entry age normal
Total payroll growth:	2.75%
Salary increases:	Graduated based on service with the GovGuam ranging from 4.0% for service in excess of 15 years to 7.5% for service from zero to five years.
Disability:	1974-78 SOA LTD Non-Jumbo, with rates reduced by 50% for males and 75% for females.
Retirement age:	5% per year from age 55 to 64, 10% per year from age 65 to 74, 100% at age 75.
Mortality:	Based on the RP-2000 combined mortality table, set forward 3 years for males and 2 years for females.

Guam Educational Telecommunications Corporation
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Notes to Financial Statements, continued

6. Pensions, continued

General Pension Plan Descriptions, continued

Ad Hoc COLA Plan for Defined Contribution Retirement System (DCRS) Participants, continued

Discount Rate: The discount rate is the same as that used in the Ad Hoc COLA/SA Plan for DB Participants.

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

Net pension liability at the fiscal year presented for the aforementioned plans was measured on and was determined by actuarial valuations as of the following dates:

Reporting Date:	September 30, 2023
Measurement Date:	September 30, 2022
Valuation Date:	September 30, 2021

Net pension liability as of September 30, 2023 for the aforementioned plans are as follows:

DB Plan	\$ 984,901
Ad hoc COLA/SA Plan for DB Participants	141,493
Ad hoc COLA Plan for DCRS Participants	<u>46,653</u>
	<u>\$1,173,047</u>

Proportionate share of net pension liability at September 30, 2023 for the aforementioned plans are as follows:

DB Plan	0.07%
Ad hoc COLA/SA Plan for DB Participants	0.06%
Ad hoc COLA Plan for DCRS Participants	0.08%

Pension expense for the year ended September 30, 2023 for the aforementioned Plans are as follows:

DB Plan	\$156,715
Ad hoc COLA/SA Plan for DB Participants	37,874
Ad hoc COLA Plan for DCRS Participants	<u>(448)</u>
	<u>\$194,141</u>

Guam Educational Telecommunications Corporation
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Notes to Financial Statements, continued

6. Pensions, continued

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions, continued

As of September 30, 2023, PBS Guam reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	September 30, 2023					
	DB Plan		COLA/SA Plan for DB Participants		COLA Plan for DCRS Participants	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 19,094	\$(2,634)	\$ ---	\$(1,209)	\$ 5,770	\$(924)
Net difference between projected and actual earnings on pension plan investments	221,963	---	---	---	---	---
PBS Guam's contributions subsequent to the measurement date	91,231	---	12,000	---	2,000	---
Changes in assumption	---	---	231	(15,353)	9,701	(12,497)
Changes in proportion and difference between the PBS Guam's contributions and proportionate share of contributions	119,785	(2,373)	7,779	---	450	(32,638)
	<u>\$ 452,073</u>	<u>\$(5,007)</u>	<u>\$ 20,010</u>	<u>\$(16,562)</u>	<u>\$ 17,921</u>	<u>\$(46,059)</u>

Deferred outflows of resources at September 30, 2023 resulting from PBS Guam's employer contributions for the following plans are as follows:

DB Plan	\$ 91,231
Ad hoc COLA/SA Plan for DB Participants	12,000
Ad hoc COLA Plan for DCRS Participants	<u>2,000</u>
	<u>\$105,231</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2023	\$106,595
2024	95,660
2025	41,733
2026	72,955
2027	1,534
Thereafter	<u>(1,332)</u>
	<u>\$317,145</u>

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Guam Educational Telecommunications Corporation
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

6. Pensions, continued

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions, continued

Sensitivity analysis: The following presents the net pension liability calculated using a discount rate that is one percentage point (1.0%) lower or 1% higher than the current rate:

DB Plan

	1% Decrease <u>6.00%</u>	Current Discount <u>7.00%</u>	1% Increase <u>8.00%</u>
Net pension liability	\$ <u>1,158,189</u>	\$ <u>984,901</u>	\$ <u>770,18</u>

Ad Hoc COLA/SA for DB Participants

	1% Decrease <u>3.02%</u>	Current Discount <u>4.02%</u>	1% Increase <u>5.02%</u>
Total collective pension liability	\$ <u>153,772</u>	\$ <u>141,493</u>	\$ <u>130,647</u>

Ad Hoc COLA for DCRS Participants

	1% Decrease <u>3.02%</u>	Current Discount <u>4.02%</u>	1% Increase <u>5.02%</u>
Total collective pension liability	\$ <u>53,104</u>	\$ <u>46,653</u>	\$ <u>41,794</u>

Detailed information about the DB Plan's fiduciary net position is available in the separately issued GGRF financial report.

DCRS

The DCRS was created by Public Law 23-42:3 to provide an individual account retirement system for any person who is employed by the Government of Guam on or after October 1, 1995. Contributions into the DCRS, by members are based on an automatic deduction of 6.2% of the member's regular base pay. The contribution is periodically deposited into an individual annuity account within the DCRS. Employees are afforded the opportunity to select from different annuity accounts available under the DCRS.

Statutory employer contributions into the DCRS for the year ended September 30, 2023 are determined using the same rates as the DB plan. Of the amount contributed by the employer, only 6.2% of the member's regular base pay is deposited into the member's individual annuity account. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

Members of the DCRS who have completed five years of government service, have a vested balance of 100% of both member and employer contributions plus any earnings thereon.

Guam Educational Telecommunications Corporation
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Notes to Financial Statements, continued

6. Pensions, continued

DCRS, continued

For the year ended September 30, 2023, contributions made and amounts accrued under the DCRS amounted to \$87,678.

Employee contributions are made by mandatory pre-tax payroll deduction at the rate of 6.2% of the employee's base salary while employer contributions are actuarially determined.

Membership of CSG Funded Employees

Employees whose salaries and benefits are funded via the Community Service Grant do not participate in the aforementioned Pension Plans. PBS Guam provides these employees with a private, defined contribution 401(k) plan.

7. Other Postemployment Benefits (OPEB)

Other post-employment benefits (OPEB) are required to be recognized and disclosed using the accrual basis of accounting. PBS Guam recognizes a total collective OPEB liability for the OPEB plan in which it participates, which represents PBS Guam's proportionate share of total collective OPEB liability (actuarially calculated) measured as of the fiscal year end. Changes in the total collective 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.

OPEB Plan Description

GovGuam, through its substantive commitment to provide OPEB benefits, maintains a single-employer defined benefit plan to provide certain post-retirement healthcare benefits to retirees who are members of the GGRF known as the GovGuam Group Health Insurance Program. GovGuam issues a publicly available financial report that includes financial statements and required supplementary information for the OPEB Plan. That report may be obtained by writing to the Government of Guam Department of Administration, Suite 224, 2nd Floor, ITC Building, 590 South Marine Corps Drive, or by visiting PBS Guam website – <https://pbsguam.org>

Membership: All employees of PBS Guam who are members of the GGRF are members of the OPEB Plan.

Contributions: PBS Guam is invoiced a portion of the medical and dental premiums. Retirees are required to pay a portion of the medical and dental insurance premiums.

Benefits: GovGuam provides postemployment medical, dental and life insurance benefits to retirees, spouses, children and survivors. Active employees and retirees who waive medical and dental coverage are considered eligible for the life insurance benefit only.

Guam Educational Telecommunications Corporation
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Notes to Financial Statements, continued

7. Other Postemployment Benefits (OPEB), continued

OPEB Plan Description, continued

Actuarial Assumptions: A summary of actuarial assumptions applied to all periods included in the measurement is shown below:

Inflation:	2.50%
Healthcare cost trend rate:	Non-Medicare and Medicare – 8% for Year 1, then reducing 0.5% annually to an ultimate rate of 4.1%. Part B is at 4.25%. 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. Medical trend rates are applied to claims cost and retiree contributions. The trend rates for Medicare Part B and Part D reimbursements are assumed to be 4.25% per year.
Dental trend rates:	4.25% per year, based on a blend of historical retiree premium rate increases as well as observed U.S. national trends.
Healthy retiree mortality rates:	Head-count weighted PUB-2010 Table, set forward 4 years and 2 years for males and females, respectively, projected generationally using 50% of MP-2020.
Disabled retiree mortality rates:	PUB-2010 Disabled Retiree Amount Weighted mortality table set forward 4 years and 2 years for males and females, respectively, using 130% of the rates before age 80 and projected generationally from 2010 using 50% of mortality improvement scale MP-2020.

Discount Rate: The discount rate used to measure the total OPEB liability was 4.02% as of September 30, 2022. 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, tax-exempt, high quality municipal bond rate at each year was applied respectively to all periods to determine the total OPEB liability.

Guam Educational Telecommunications Corporation
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

7. Other Postemployment Benefits (OPEB), continued

OPEB liabilities, OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB, continued

Total OPEB liability at the fiscal year presented for the OPEB Plan was measured on and was determined by actuarial valuations as of the following dates:

Reporting Date:	September 30, 2023
Measurement Date:	September 30, 2022
Valuation Date:	September 30, 2022

Total OPEB liability as of September 30, 2023 is \$1,861,110. Proportionate share of total OPEB liability at September 30, 2023 is 0.08%. OPEB benefit for the year ended September 30, 2023 is \$62,160.

As of September 30, 2023 PBS Guam reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 145,140	\$(85,583)
PBS Guam contributions subsequent to the measurement date	19,625	---
Changes in assumption	157,707	(615,534)
Changes in proportion and difference between PBS Guam contributions and proportionate share of contributions	<u>549,101</u>	<u>(745,245)</u>
	<u>\$ 871,573</u>	<u>\$(1,446,362)</u>

Deferred outflows of resources at September 30, 2023 resulting from PBS Guam's employer contributions totaled \$19,625.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2024	\$(214,775)
2025	(229,010)
2026	(173,415)
2027	9,293
2028	6,712
Thereafter	<u>6,781</u>
	<u>\$(594,414)</u>

In the table above, positive amounts will increase OPEB expense, while negative amounts will decrease pension OPEB.

Guam Educational Telecommunications Corporation
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

7. Other Postemployment Benefits (OPEB), continued

OPEB liabilities, OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB, continued

Sensitivity analysis: The following presents the total OPEB liability calculated using a discount rate that is one percentage point (1.0%) lower or 1% higher than the current rate:

	1% Decrease	Current Discount	1% Increase
	<u>3.02%</u>	<u>4.02%</u>	<u>5.02%</u>
Total OPEB liability	<u>\$2,161,730</u>	<u>\$1,861,110</u>	<u>\$1,617,412</u>

The following presents the total OPEB liability calculated using a healthcare cost trend rate that is one percentage point (1.0%) lower or 1% higher than the current rate:

	1% Decrease	Current Discount	1% Increase
Total OPEB liability	<u>\$1,595,330</u>	<u>\$1,861,110</u>	<u>\$2,200,114</u>

8. Commitments

On January 1, 2007, PBS Guam entered into a twenty-one-year license agreement with the Chamorro Land Trust Commission for property located in Barrigada, Guam for the purposes of constructing and operating an antennae site with transmitter building facilities. The terms of the agreement require a payment of \$850 per month. Total future minimum payments for subsequent years ending September 30, are as follows:

<u>Year Ending September 30,</u>	
2024	\$10,200
2025	10,200
2026	10,200
2026	10,200
2027	<u>10,200</u>
	<u>\$51,000</u>

9. Risk and Uncertainties

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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Notes to Financial Statements, continued

10. Related Party Transactions

GovGuam

On January 29, 2021, PBS Guam entered into a Memorandum of Understanding (MOU) with the Office of the Governor of Guam (OGG) for the purpose of utilizing Education Stabilization Funds – Governor Funds to promote and support the use of remote distance learning for elementary and secondary education students in public, charter, private schools and post-secondary education students in Institutions of Higher Education through what is known as the PBS University Program.

On June 14, 2022, PBS Guam entered into a Memorandum of Understanding (MOU) with the Department of Health and Social Services (DPHSS) for the purpose of utilizing federal funds to promote parental choice to empower working parents to make their own decisions regarding the child care services that best suits their family needs, to encourage States to provide consumer education information to help parents make informed choices about child care services, and to promote involvement of parents and family members in the development of their children in child care settings.

At September 30, 2023, receivables amounted to \$38,754 is recorded as due from Government of Guam.

Required Supplementary Information

Guam Educational Telecommunications Corporation
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Required Supplementary Information
Budgetary Comparison Schedule – Governmental Funds

Year Ended September 30, 2023

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Approved Budget Positive</u>
	<u>Proposed</u>	<u>Approved</u>		
Expenditures:				
Supporting services:				
Local appropriations:				
Personnel services	\$ 396,470	\$ 552,955	\$ 497,548	\$ 55,407
Fringe benefits	201,698	243,767	245,001	(1,234)
Utilities	40,181	81,487	81,487	---
	<u>638,349</u>	<u>878,209</u>	<u>824,036</u>	<u>54,173</u>
Revenue:				
Government of Guam appropriation	<u>638,349</u>	<u>878,209</u>	<u>878,209</u>	<u>---</u>
Excess of expenditures over revenue	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 54,173</u>	<u>\$ 54,173</u>

Guam Educational Telecommunications Corporation
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Required Supplementary Information
Schedule of PBS Guam's Proportionate Share of the Net Pension Liability
(Unaudited)

Defined Benefit Plan

Last 10 Fiscal Years*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
PBS Guam proportion of the net pension liability	0.07%	0.05%	0.05%	0.06%	0.05%	0.04%	0.07%	0.07%	0.07%	0.07%
PBS Guam proportionate share of the net pension liability	\$ 984,901	\$ 483,266	\$ 616,451	\$ 676,378	\$ 613,313	\$ 422,331	\$ 926,733	\$ 1,019,630	\$ 837,016	\$ 915,805
PBS Guam's covered payroll**	\$ 367,983	\$ 389,256	\$ 283,289	\$ 267,268	\$ 267,268	\$ 187,937	\$ 364,123	\$ 383,365	\$ 339,118	\$ 323,477
PBS Guam's proportionate share of the net pension liability as percentage of its covered payroll	267.65%	124.15%	217.60%	253.07%	229.47%	224.72%	254.51%	265.97%	246.82%	283.11%
Plan fiduciary net position as a percentage of the total pension liability	54.45%	70.14%	61.48%	62.25%	63.28%	60.63%	54.62%	52.32%	56.60%	53.94%

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

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

Guam Educational Telecommunications Corporation
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Required Supplementary Information
 Schedule of PBS Guam’s Proportionate Share of the Collective Total Pension Liability
 (Unaudited)

Ad Hoc COLA/Supplemental Annuity Plan for DB Participants

Last 10 Fiscal Years*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
PBS Guam proportionate share of the collective total pension liability	\$ 141,493	\$ 164,055	\$ 169,810	\$ 57,519	\$ 49,756	\$ 48,619	\$ 49,964	\$ 38,425
PBS Guam proportion of the collective total pension liability	0.06%	0.05%	0.05%	0.02%	0.02%	0.02%	0.02%	0.02%

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

Guam Educational Telecommunications Corporation
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Required Supplementary Information
 Schedule of PBS Guam’s Proportionate Share of the Collective Total Pension Liability
 (Unaudited)

Ad Hoc COLA Plan for DCRS Participants

Last 10 Fiscal Years*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
PBS Guam proportionate share of the collective total pension liability	\$ 46,653	\$ 58,888	\$ 58,440	\$ 64,951	\$ 52,660	\$ 75,875	\$ 86,793	\$ 86,976
PBS Guam proportion of the collective total pension liability	0.08%	0.08%	0.09%	0.11%	0.11%	0.12%	0.14%	0.17%

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

Guam Educational Telecommunications Corporation
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Required Supplementary Information
Schedule of PBS Guam's Pension Contributions
(Unaudited)

Last 10 Fiscal Years*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 105,231	\$ 105,129	\$ 77,634	\$ 72,012	\$ 68,558	\$ 78,119	\$ 82,635	\$ 92,437	\$ 106,024
Contribution in relation to the contractually required contribution	\$ <u>105,231</u>	\$ <u>105,129</u>	\$ <u>77,634</u>	\$ <u>72,012</u>	\$ <u>70,658</u>	\$ <u>46,319</u>	\$ <u>89,477</u>	\$ <u>100,838</u>	\$ <u>90,066</u>
Contribution excess (deficiency)	\$ <u>---</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>2,100</u>	\$ <u>(31,800)</u>	\$ <u>6,842</u>	\$ <u>8,401</u>	\$ <u>(15,958)</u>
Corporation's covered payroll	\$ 367,983	\$ 389,256	\$ 283,289	\$ 267,230	\$ 267,268	\$ 187,937	\$ 364,123	\$ 383,365	\$ 339,118
Contribution as a percentage of the covered payroll	28.60%	27.01%	27.40%	26.95%	26.44%	24.65%	24.57%	26.30%	26.56%

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

Guam Educational Telecommunications Corporation
 (A Component Unit of the Government of Guam)

Required Supplementary Information
 Schedule of PBS Guam’s Proportionate Share of the Collective Total Other Postemployment Benefit Liability
 (Unaudited)

Last 10 Fiscal Years*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
PBS Guam’s proportion of the collective total OPEB liability	0.08%	0.06%	0.06%	0.12%	0.12%	0.10%	0.10%
PBS Guam’s proportionate share of the collective total OPEB liability	\$ 1,861,110	\$ 1,536,413	\$ 1,490,771	\$ 3,049,465	\$ 2,266,732	\$ 2,494,883	\$ 2,585,959

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

Guam Educational Telecommunications Corporation
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Required Supplementary Information
 Schedule of PBS Guam's Contributions
 (Unaudited)

Other Postemployment Benefit Plan

Last 10 Fiscal Years*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 19,625	\$ 19,625	\$ 19,625	\$ 14,234	\$ 19,145	\$ 14,717	\$ 14,717
Contributions in relation to the contractually required contribution	<u>19,625</u>	<u>19,625</u>	<u>19,625</u>	<u>14,234</u>	<u>19,145</u>	<u>14,717</u>	<u>14,717</u>
Contribution deficiency	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>

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

Guam Educational Telecommunications Corporation
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Note to Required Supplementary Information
(Unaudited)

Changes in Assumptions – Pension Plans

Amounts reported in 2022 actuarial valuation reflected an assumption related to administrative expenses remained at \$6,565,000 per year.

Amounts reported in 2021 actuarial valuation reflected an assumption related to administrative expenses to decrease to \$6,565,000 per year.

Amounts reported in 2020 actuarial valuation reflected an assumption related to administrative expenses to decrease to \$6,439,000 per year.

Amounts reported in 2019 actuarial valuation reflected an assumption related to administrative expenses to decrease to \$6,860,000 per year.

Amounts reported in 2018 actuarial valuation reflected an assumption related to administrative expenses to increase to \$7,082,000 per year.

Amounts reported in the 2017 actuarial valuation reflect a change in assumption of payroll growth to 2.75% rather than 3%. The mortality, retirement age and disability assumption were changed to more closely reflect actual experience. Assumption related to administrative expense reflected an increase to \$6,344,000 per year and a revised allocation to the various pension plans to reflect actual experience.

Amounts reported in 2016 actuarial valuation reflect a change in assumption of administrative expenses to \$6,078,000 per year rather than \$5,806,000.

Amounts reported in 2015 actuarial valuation reflect a change in assumption of payroll growth to 3% rather than 3.5% which was used to determine amounts reported prior to 2015. Amounts reported in 2014 reflect an adjustment of the expectations of salary increases, disability and retirement age to more closely reflect actual experience. The amounts reported in the 2011 actuarial valuation reflect an expectation of retired life mortality based on the RP-2000 Mortality Table rather than the 1994 U.S. Uninsured Pensioners Table, which was used to determine amounts reported prior to 2011. Amounts reported in 2011 also reflect a change in assumption on valuation of assets to a 3-year phase in for gains/losses relative to interest rate assumption from market value, with fixed income investments at amortized costs which was used to determine amounts reported prior to 2011.

Supplementary Information and Other Information

Guam Educational Telecommunications Corporation
(A Component Unit of the Government of Guam)

Governmental Funds Balance Sheet/Schedule of Net Position

September 30, 2023

(With comparative totals as of September 30, 2022)

	General Fund		Schedule of Net Position	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Assets and deferred outflows of resources				
Cash and cash equivalents	\$ 2,401,005	\$ 2,458,394	\$ 2,401,005	\$ 2,458,394
Receivables, net	147,604	76,038	147,604	76,038
Due from Government of Guam	38,754	1,088,024	38,754	1,088,024
Prepaid expenses	---	658,256	---	658,256
Capital assets:				
Nondepreciable capital assets	---	---	18,000	18,000
Capital assets, net of accumulated depreciation	---	---	<u>1,837,182</u>	<u>1,469,079</u>
Total assets	<u>\$ 2,587,363</u>	<u>\$ 4,280,712</u>	<u>4,442,545</u>	<u>5,767,791</u>
Deferred outflows of resources:				
Deferred outflows from pension			490,004	176,802
Deferred outflows from OPEB			<u>871,573</u>	<u>398,731</u>
Total assets and deferred outflows of resources			<u>5,804,122</u>	<u>6,343,324</u>
Liabilities and deferred inflows of resources				
Accounts payable	\$ 17,941	\$ 11,993	17,941	11,993
Other liabilities and accruals	20,492	72,989	20,492	72,989
Unearned revenues	385,920	236,468	385,920	236,468
Long-term liabilities:				
Due within one year	---	---	124,856	124,754
Due after one year	---	---	<u>2,940,087</u>	<u>2,148,654</u>
Total liabilities	<u>424,353</u>	<u>321,450</u>	<u>3,489,296</u>	<u>2,594,858</u>
Deferred inflows of resources:				
Deferred inflows from pension			67,628	131,485
Deferred inflows from OPEB			<u>1,446,362</u>	<u>1,349,236</u>
Total liabilities and deferred inflows of resources			<u>5,003,286</u>	<u>4,075,579</u>
Fund balance/net position				
Fund balance:				
Assigned - supporting services	<u>2,163,010</u>	<u>3,959,262</u>		
Total fund balance	<u>2,163,010</u>	<u>3,959,262</u>		
Total liabilities and fund balance	<u>\$ 2,587,363</u>	<u>\$ 4,280,712</u>		
Net position:				
Net investment in capital assets			1,855,182	1,487,079
Unrestricted			<u>(1,054,346)</u>	<u>780,666</u>
Total net position			<u>\$ 800,836</u>	<u>\$ 2,267,745</u>

Guam Educational Telecommunications Corporation
(A Component Unit of the Government of Guam)

Governmental Funds Revenues, Expenditures and
Changes in Fund Balance/Schedule of Activities

Year Ended September 30, 2023

(With comparative totals year ended September 30, 2022)

	General Fund		Schedule of Activities	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Expenditures/expenses:				
Program services:				
Capital outlays	\$ 499,872	\$ 148,122	\$ ---	\$ ---
Station production	99,711	139,132	99,711	139,132
Station upgrade	68,224	51,542	68,224	51,542
Supporting services:				
Program broadcasting	521,869	506,217	521,869	506,217
Contractual services	1,127,926	1,693,410	1,127,926	1,693,410
Development and promotion	165,791	186,037	165,791	186,037
Supplies and materials	175,735	45,969	175,735	45,969
OPEB expense	---	---	(62,160)	(148,559)
Pension expense	---	---	194,141	74,296
Local appropriations:				
Personnel services	497,548	388,503	529,183	383,619
Fringe benefits	245,001	181,061	120,145	56,307
Utilities	81,487	95,878	81,487	95,878
In-kind expenditures/expenses	177,318	177,942	177,318	177,942
Unallocated depreciation	---	---	131,769	176,741
Total expenditures/expenses	<u>3,660,482</u>	<u>3,613,813</u>	<u>3,331,139</u>	<u>3,438,531</u>
Revenues:				
Corporation for Public Broadcasting grants	446,292	469,612	446,292	469,612
Contributions and production	21,170	3,115,371	21,170	3,115,371
Government of Guam appropriation	882,624	671,634	882,624	671,634
Underwriting	179,017	890,689	179,017	890,689
In-kind contributions	177,318	177,942	177,318	177,942
Government of Guam grants	---	557,798	---	557,798
Fundraising	109,290	67,259	109,290	67,259
Other	47,804	387,729	47,804	387,729
Interest	715	283	715	283
Total revenues	<u>1,864,230</u>	<u>6,338,317</u>	<u>1,864,230</u>	<u>6,338,317</u>
Change in position	(1,796,252)	2,724,504	(1,466,909)	2,899,786
Fund balance/net position:				
Beginning of year	<u>3,959,262</u>	<u>1,234,758</u>	<u>2,267,745</u>	<u>(632,041)</u>
End of year	<u>\$ 2,163,010</u>	<u>\$ 3,959,262</u>	<u>\$ 800,836</u>	<u>\$ 2,267,745</u>

Guam Educational Telecommunications Corporation
(A Component Unit of the Government of Guam)

Supplemental Schedule of Employees and Salaries

Year Ended September 30, 2023

(With comparative totals for the year ended September 30, 2022)

	2023		2022	
	Annual Payroll	Number of Employees	Annual Payroll	Number of Employees
Expenditures:				
Community Service Grant:				
Program services:				
Station production	\$ 92,625	3	\$ 128,612	4
Station upgrade	64,100	2	48,306	1
Supporting services:				
Program broadcasting	126,539	4	130,814	5
Development and promotion	<u>105,125</u>	<u>3</u>	<u>101,035</u>	<u>3</u>
	<u>\$ 388,389</u>	<u>12</u>	<u>\$ 408,767</u>	<u>13</u>
Revenue:				
Government of Guam:				
Local appropriations	<u>\$ 552,955</u>	<u>12</u>	<u>\$ 334,570</u>	<u>10</u>

Compliance and Internal Control



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Report of Independent Auditors 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*

The Board of Trustees
Guam Educational Telecommunications Corporation

We have audited, 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 (*Government Auditing Standards*), the financial statements of the governmental activities and General Fund of the Guam Educational Telecommunications Corporation (PBS Guam), which comprise the statement of financial position as of September 30, 2023, and the statement of activities for the year then ended, and the related notes (collectively referred to as the “financial statements”), and have issued our report thereon dated June 3, 2024.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control described in the accompanying schedule of findings and responses as items 2023-001 and 2023-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. 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.

Ernst + Young LLP

June 3, 2024

Guam Educational Telecommunications Corporation
(A Component Unit of the Government of Guam)

Schedule of Findings and Responses

Year Ended September 30, 2023

Finding No. 2023-001

Area: Grant Revenues

Criteria:

Governmental Accounting Standards Board (GASB) Codification N50, *Nonexchange Transactions*, stipulates that in case of reimbursement-type or expenditure-driven grant programs, the grant provider has no liability and the grant recipient has no asset (receivable) until the recipient has met the provider's requirements by incurring costs in accordance with the provider's program.

Condition:

In fiscal year (FY) 2023, PBS Guam recorded \$1,500,000 as grants revenue and receivables in the general ledger. The grant pertains to the Education Stabilization Funds under the Governor's Education Assistance and Youth Empowerment Grant Program launched on May 8, 2021. However, no documentation was provided to substantiate that expenditures were incurred for the said program as of September 30, 2023.

Cause:

There appears to have been a lack of understanding relative to the accounting and financial reporting of grant revenues.

Effect or potential effect:

Grants revenue and receivables were materially overstated by \$1.5 million. Audit adjustment was proposed to correct the misstatement.

Recommendation:

We recommend that PBS Guam should enhance the knowledge and skills of responsible personnel through training to ensure that grant related transactions are properly monitored and recorded.

Views of responsible officials:

Management agrees with the finding. Management will seek opportunities to ensure that responsible personnel have the knowledge and skills necessary to ensure that grant related transactions are properly recorded.

Guam Educational Telecommunications Corporation
(A Component Unit of the Government of Guam)

Schedule of Findings and Responses, continued

Finding No. 2023-002

Area: Uncollectible Grant Receivable

Criteria:

(GASB) Codification N50.123, *Nonexchange Transactions – Subsequent Contravention of Eligibility Requirements or Purpose Restrictions*, states that in circumstances when it is probable that the provider will not provide the resources or will require the recipient to return all or part of the resources already received after a nonexchange transaction has been recognized in the financial statements, the recipient should recognize a decrease in assets (or an increase in liabilities) and an expense, and the provider should recognize a decrease in liabilities (or an increase in assets) and a revenue, for the amount that the provider is expected to cancel or reclaim.

Condition:

As of September 30, 2023, PBS Guam has outstanding grants receivable amounting to \$505,579 which pertains to billings for the expenditures incurred in FY 2022 for PBS University program under the Education Stabilization Funds related to the Governor’s Education Assistance and Youth Empowerment Grant Program launched on May 8, 2021. However, on November 15, 2022, the Government of Guam Department of Administration (DOA) decided to reverse said obligation on the grounds of noncompliance of PBS Guam.

Cause:

There appears to have been a lack of understanding relative to the accounting and financial reporting of grant revenues.

Effect or potential effect:

Receivables were materially overstated by approximately \$500 thousand and the corresponding contractual services expenditures materially understated by \$0.5 million. Audit adjustment was proposed to correct the misstatement.

Recommendation:

We recommend that PBS Guam should enhance the knowledge and skills of responsible personnel through training to ensure that grant related transactions are properly monitored and recorded.

Views of responsible officials:

Management agrees with the finding. Management will seek opportunities to ensure that responsible personnel have the knowledge and skills necessary to ensure that grant related transactions are properly recorded.