

**GUAM EDUCATIONAL TELECOMMUNICATIONS
CORPORATION**

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

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

SEPTEMBER 30, 2014

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

Year Ended September 30, 2014
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Guam Educational Telecommunications Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Guam Educational Telecommunications Corporation (PBS Guam), a component unit of the Government of Guam, as of and for the fiscal year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise PBS Guam's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Guam Educational Telecommunications Corporation as of September 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, 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. This supplementary information is the responsibility of PBS Guam's management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

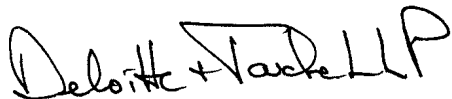
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise PBS Guam's basic financial statements. The comparative financial information on pages 23 through 25 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The comparative financial 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the comparative financial information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2015, on our consideration of PBS Guam's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PBS Guam's internal control over financial reporting and compliance.

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

February 20, 2015

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

Management's Discussion and Analysis
Year Ended September 30, 2014

This discussion and analysis of Guam Educational Telecommunications Corporation (dba PBS GUAM) is intended to give an overview of our financial performance for the year ended September 30, 2014. This analysis should be read in conjunction with the following financial statements, related footnotes and required supplementary information.

Financial Statements

PBS GUAM's financial statements are prepared in accordance with U.S. generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB). The required financial statements include a Governmental Funds Balance Sheet/Statement of Net Position that identifies the characteristics and value of an entity's available resources (assets) and as well as its obligations (liabilities) at a specific point in time. Net Position represents the amount by which an entity's assets exceed its liabilities and represent resources available to fund future operations. The Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance/Statement of Activities are an additional required statement. This particular statement provides information about the entity's sources of revenue and nature of the related expenditures/expenses during the period being reported. It reflects the entity's ability to recover costs associated with providing services.

Financial Analysis

Our analysis is based on the following condensed financial data for the years ended September 30, 2014 and 2013, as presented in the Statement of Net Position and the Statement of Activities. The nature of these statements is explained in the preceding paragraph.

Statement of Net Position

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
Capital assets	\$ 2,154,449	\$ 2,259,666
Current and other assets	<u>354,497</u>	<u>482,393</u>
Total assets	\$ <u>2,508,946</u>	\$ <u>2,742,059</u>
<u>LIABILITIES AND NET POSITION</u>		
Liabilities:		
Long-term liabilities	\$ 56,066	\$ 65,304
Other liabilities	<u>160,070</u>	<u>79,916</u>
Total liabilities	<u>225,136</u>	<u>145,220</u>
Net position:		
Net investment in capital assets	2,154,449	2,259,666
Unrestricted	<u>129,361</u>	<u>337,173</u>
Total net position	<u>2,283,810</u>	<u>2,596,839</u>
	\$ <u>2,508,946</u>	\$ <u>2,742,059</u>

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Management's Discussion and Analysis
Year Ended September 30, 2014

Capital assets marginally decreased by 4.66% or \$105,217 due to the acquisition of related assets, totaling \$63,998, less station depreciation expense of \$169,215. Current assets decreased by approximately 2.7% or \$127,896 primarily due to a decrease in cash balance. Total liabilities increased by 55% or \$79,916, attributed to an increase in deferred revenues associated with unexpended grant funds. The decrease in total net position is primarily caused by the resultant changes as reflected above.

Statement of Activities

	<u>2014</u>	<u>2013</u>
Revenues:		
Local Appropriation	\$ 620,251	\$ 541,428
Community Service Grant	628,687	809,074
Contribution and other	368,012	361,521
Interest Income	<u>3,543</u>	<u>3,543</u>
Total revenues	<u>1,620,493</u>	<u>1,715,566</u>
Expenses:		
Program service	264,595	239,780
Supporting service	1,499,712	1,533,544
Depreciation expense	<u>169,215</u>	<u>173,850</u>
Total expenses	<u>1,933,522</u>	<u>1,947,174</u>
Change in net position	(313,029)	(231,608)
Net position beginning of year	<u>2,596,839</u>	<u>2,828,447</u>
Net position at the end of the year	\$ <u>2,283,810</u>	\$ <u>2,596,839</u>

Total revenues decreased by 6% or \$95,073, which is largely attributed to not receiving a DDF/NTIA grant. Total operating expenses decreased by approximately 1% or \$13,652, which is primarily the result of a decrease in 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 from the Corporation of Public Broadcasters (CPB). At the end of the current fiscal year, the assigned fund balance amounted to \$185,427, a decrease of \$217,050 compared with the prior year fund balance.

Budgetary Highlights

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

**GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION
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Management's Discussion and Analysis
Year Ended September 30, 2014

Capital Assets and Long-Term Obligations

In fiscal year 2014, PBS Guam committed to a major upgrade to its cameras and editing suites, achieving full high-definition ("HD") remote site recording and in-studio broadcast capability. We replaced our 20-year-old studio-grade cameras with four (4) new digital 4K cameras, two PC-based and two Mac-based editing workstations with latest version software and accessories. Adapters allow us to mount our existing broadcast-quality motorized lenses to the new digital cameras. Other equipment in digital transport and transmission chains await investment in upgrades to support HD content. PBS Guam continues to press the Guam Department of Education for additional space within the adjacent E Wing, to expand our main studio by 40%, add a second entrance and provide space for a dedicated audio production facility. Arrangements were made for the donation of a used 20kW generator to support activities in PBS Guam's main building in event of extended power outage. In-house maintenance of our buildings and equipment is ongoing, for continued reliability and cost containment.

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

Economic Factors

PBS Guam enjoyed a slight increase in private source and fee-for-service revenues in 2014, tracking Guam's general economic improvement. The long-anticipated military buildup has yet to begin in earnest. We believe that our network programming service will be appreciated by new residents of Guam who relocate from other PBS markets.

Technological and market trends raised the most interesting challenges to PBS Guam in FY2014. The local rollout of 4G LTE service to personal devices capable of video downloads accelerates the obsolescence of broadcast service, in favor of broadband delivery. Migration of PBS Guam's local content, production and delivery processes toward streaming and video-on-demand services via broadband, and to match the higher quality demanded by Guam consumers, is necessary to remain relevant and valued. Broadcast services must be promoted to low-income households, especially those with pre-school children, to deliver the fullest measure of benefit from our children's network programming that occupies two thirds of our broadcast day. Exceptional effort is needed to generate original local programming for broadcast on our second channel and The Guamanian Network. PBS Guam competes for viewers with other networks on digital television and cable, direct distribution by PBS via broadband and Hulu, and competes for independent local content with Docomo/KUAM, Pacific Daily News Video Service, YouTube and Vimeo.

Institutional Factors

PBS Guam has steadily advanced its mission of providing high quality noncommercial programming for Guam residents over recent years. Improvements in digital broadcasting, physical plant and staff skills have promoted a competitive service, but technology advances even faster. Management has continued to pursue needed production equipment upgrades to complete the digital service first envisioned with the conversion of its transmitter facilities from analog to digital in 2009. Digital equipment includes greater automation of tasks. PBS Guam production staff are working hard to keep pace with production demands and current standards with new cameras and editing equipment. All positions are subject to re-specification and reorganization for more efficient work flow processes.

**GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION
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Management's Discussion and Analysis
Year Ended September 30, 2014

The governing Board of Trustees enjoyed a quorum until a resignation in May 2014. A new appointment late in the year was not heard by the Legislature before the end of its term; at least four potential nominees are currently under consideration by the Governor.

Relations between PBS Guam and the Department of Chamorro Affairs are collaborative - the governor's reorganization Advisory No. 6, which placed PBS Guam within the administrative purview of the Department, has not been effectuated except for ministerial duties. The new PBS Guam Station Manager, appointed in January 2014 and confirmed by the Legislature in March, continues to lead PBS Guam towards its new place in the Guam media market.

New management has examined strategic plans of the past several years, and adopted a similar approach to addressing the continuing requirements of PBS Guam. A strategic capital equipment plan has been implemented to upgrade studio and production capabilities for local programming in high-definition quality, per national PBS standards. The KGTF studio needs renovation. The Mangilao facility requires a complete electrical system overhaul, including segregation of administrative, air conditioning and operational circuits, reassignment of circuit's panels and installation of a permanent emergency generator. Before KGTF can lease available space on its two towers in Mangilao and Barrigada Heights adequate air-conditioning and larger emergency generators must be installed.

Also envisioned under previous management, and supported by the current station manager are activation of additional digital broadcast channels on current equipment. KGTF's Channel 12.2 can now carry additional network programming as well as a new schedule of locally produced non-commercial, educational shows. The Guamanian Network intended as a showcase for government of Guam executive branch agencies and as a public access channel, is being transferred to PBS Guam for distribution of its Channel 12.2 programming via GTA Channel 16, and hopefully via Docomo's Channel 116. Both channels 12.1 and 12.2 will broadcast in High Definition, and distribute local products via broadband links. PBS Guam continues to negotiate for broadcast translator frequencies and sites to serve viewers beyond our Barrigada transmission capability, in Agat/Santa Rita, Piti, Merizo, and The Northern Mariana Islands. Up to four separate broadcast services to island residents can be carried on current equipment, with the addition of multiplexing equipment costing less than \$20,000 per channel. Service expansion will fulfill PBS Guam's statutory and programmatic purpose, and will open new avenues for community support through corporate underwriting, sponsorship and membership.

PBS Guam is forging relationships with adjacent Educational institutions. It has conducted field trips for Broadcast Production students of the University of Guam, and Visual Communication students from George Washington High School attending Guam Community College classes. PBS Guam proposed to extend its production staff services to facilitate after-hours access to GCC-installed new Mac video editing workstations, if the units were installed in a GWHS classroom adjacent to PBS Guam. PBS Guam is a qualified mentor for participating Guam schools under PBS News Hour's Student Reporting Labs, a video journalism initiative for junior and high school student clubs nationwide. We currently host four GWHS student interns, assisting in production and development. It is offering to produce and broadly disseminate community educational materials in video format as an educational institution partner of the Commission on Decolonization.

A partnership was forged in 2013 with Hurao, Inc., a new FM licensee dedicated to perpetuation of the Chamorro language. PBS Guam is providing in-kind assistance to help Hurao meet FCC license requirements, and will continue to help Hurao design its production facility, train volunteers and develop a significant broadcast presence. PBS Guam's goal is to host Hurao Inc. as a paying broadcast tenant.

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Management's Discussion and Analysis
Year Ended September 30, 2014

Management informs remaining Board trustees on efforts to build upon the staff and facility assets of PBS Guam to improve and extend our broadcast and educational services. Management will recommend to the full Board the creation of a new private foundation to address donor-specific purposes, such as capital equipment replacement, program development and facility expansion.

Summary

PBS Guam continues to face challenges of rapid technological and market change with existing staff and facilities, and rollout of upgraded production and distribution capabilities. Increased community support and funding is necessary to keep pace with technology and fulfill PBS Guam's mission to serve unmet broadcast needs of the community, and PBS' national branding to "Be More".

Contacting PBS GUAM/KGTF's Financial Management

This financial report is designed to provide our community and others a general overview of PBS GUAM's finances and to demonstrate its accountability for the money it collects. If you have questions about this report or needs additional financial information, contact the General Manager at P.O. Box 21449, GMF, Guam 96921 or via email at kgtf12@teleguam.net.

GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION
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Governmental Funds Balance Sheet/Statement of Net Position
September 30, 2014

	General Fund	Adjustments (Note 2)	Statement of Net Position
<u>ASSETS</u>			
Cash and cash equivalents	\$ 249,460	\$ -	\$ 249,460
Receivables, net of allowance for uncollectible accounts of \$20,710	29,885	-	29,885
Restricted assets:			
Cash and cash equivalents	75,152	-	75,152
Capital assets:			
Nondepreciable capital assets	-	18,000	18,000
Capital assets, net of accumulated depreciation	-	2,136,449	2,136,449
Total assets	\$ 354,497	2,154,449	2,508,946
<u>LIABILITIES</u>			
Accounts payable	\$ 35,735	-	35,735
Other liabilities and accruals	39,820	-	39,820
Unexpended grant revenues	93,515	-	93,515
Long-term liabilities:			
Due within one year	-	19,921	19,921
Due after one year	-	36,145	36,145
Total liabilities	169,070	56,066	225,136
Commitments and contingencies			
<u>FUND BALANCE/NET POSITION</u>			
Fund balance:			
Assigned - supporting services	185,427	(185,427)	-
Total fund balance	185,427	(185,427)	-
Total liabilities and fund balance	\$ 354,497		
Net position:			
Net investment in capital assets		2,154,449	2,154,449
Unrestricted		129,361	129,361
Total net position		\$ 2,283,810	\$ 2,283,810

See accompanying notes to financial statements.

GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION
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Statement of Governmental Fund Revenues, Expenditures and
Changes in Fund Balance/Statement of Activities
Year Ended September 30, 2014

	General Fund	Adjustments (Note 2)	Statement of Activities
Revenues:			
Community service grant	\$ 628,687	\$ -	\$ 628,687
Government of Guam appropriation	620,251	-	620,251
In-kind contributions	121,430	-	121,430
Fundraising	90,908	-	90,908
Contributions and other income	44,594	-	44,594
Underwriting	85,588	-	85,588
Interest	3,543	-	3,543
Other	25,492	-	25,492
Total revenues	1,620,493	-	1,620,493
Expenditures/expenses:			
Program services:			
Station production	169,923	-	169,923
Station upgrade	94,672	-	94,672
Capital outlays	63,998	(63,998)	-
Supporting services:			
Program broadcasting	487,237	-	487,237
Contractual services	112,172	-	112,172
Development and promotion	154,867	-	154,867
Supplies and materials	12,993	-	12,993
Local appropriations:			
Personnel services	350,254	(9,238)	341,016
Fringe benefits	140,980	-	140,980
Utilities	101,356	-	101,356
Contractual services	27,661	-	27,661
In-kind expenditures/expenses	121,430	-	121,430
Unallocated depreciation	-	169,215	169,215
Total expenditures/expenses	1,837,543	95,979	1,933,522
Deficiency of revenues under expenditures	(217,050)	217,050	
Changes in net position		(313,029)	(313,029)
Fund balance/net position:			
Beginning of the year	402,477	-	2,596,839
End of the year	\$ 185,427	\$ -	\$ 2,283,810

See accompanying notes to financial statements.

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

Notes to Financial Statements
September 30, 2014

(1) Organization

Guam Educational Telecommunications Corporation (PBS GUAM), a component unit of the Government of Guam, currently operates Guam's Public Broadcasting Service (PBS) station (PBS GUAM Channel 12). PBS GUAM was established as a public corporation by Public Law 12-194 as approved on January 2, 1975. The purpose of PBS GUAM is to present educational television to the people of Guam and to involve the people of Guam in its activities to the maximum extent possible.

PBS GUAM's license with the Federal Communications Commission was renewed through February 1, 2015 with the condition that the station will only broadcast digital television.

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

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

(2) Summary of Significant Accounting Policies

The accompanying basic financial statements of PBS GUAM have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles.

Government-wide and Fund Financial Statements

Government-wide Financial Statements:

The Statement of Net Position presents PBS GUAM's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

- Net investment in capital assets consist of capital assets, net of accumulated depreciation, plus construction or improvement of those assets.
- Restricted net position results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through enabling legislation.
- Unrestricted net position consists of net position, which does not meet the definition of the two preceding categories. Unrestricted net position often is designated, to indicate that management does not consider them to be available for general operations. They often have restrictions that are imposed by management, but can be removed or modified.

**GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION
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Notes to Financial Statements
September 30, 2014

(2) Summary of Significant Accounting Policies, Continued

Government-wide and Fund Financial Statements, Continued

Government-wide Financial Statements, Continued:

The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of PBS GUAM's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of PBS GUAM.

Fund Financial Statements:

PBS GUAM uses one governmental fund to report on its financial position and results of operations. The operations of this fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures.

Separate financial statements are provided for governmental funds. PBS GUAM presents a balance sheet and a statement of revenues, expenditures and changes in fund balances for its governmental fund. The ending fund balance on the balance sheet is then reconciled to the ending governmental net position.

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

Total fund balance - governmental funds		\$ <u>185,427</u>
Add:		
Capital assets	4,655,910	
Accumulated depreciation	<u>(2,501,461)</u>	
		<u>2,154,449</u>
Less:		
Compensated absences payable	(44,901)	
DCRS sick leave liability	<u>(11,165)</u>	
		<u>(56,066)</u>
Total net position - governmental activities		\$ <u><u>2,283,810</u></u>

**GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION
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Notes to Financial Statements
September 30, 2014

(2) Summary of Significant Accounting Policies, Continued

Government-wide and Fund Financial Statements, Continued

Fund Financial Statements, Continued:

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

Net change in fund balance - governmental funds	\$ (217,050)
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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	\$ 63,998	
Depreciation expense	<u>(169,215)</u>	
		(105,217)

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:

Decrease in compensated absences	16,240	
Increase in DCRS sick leave liability	<u>(7,002)</u>	
		<u>9,238</u>

Change in net position - governmental activities	\$ <u>(313,029)</u>
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Measurement Focus and Basis of Accounting

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

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

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

**GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION
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Notes to Financial Statements
September 30, 2014

(2) Summary of Significant Accounting Policies, Continued

Measurement Focus and Basis of Accounting, Continued

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

Restricted grants received are initially recorded as unexpended grant revenues until funds are expended. Revenues are then recognized equal to expenditures incurred during the period in the statement of governmental fund revenues, expenditures and changes in fund balances/net position.

Budget

An annual appropriated budget has not been formally adopted on a legal basis or a basis consistent with GAAP. Accordingly, a budget to actual presentation is not required or presented.

Cash and Cash Equivalents

Custodial credit risk is the risk that in the event of a bank failure, PBS GUAM's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. PBS GUAM does not have a deposit policy for custodial credit risk.

For purposes of the balance sheet/statement of net position, cash and cash equivalents is defined as cash on hand and cash held in demand accounts. As of September 30, 2014, the carrying amount of cash and cash equivalents was \$324,612 and the corresponding bank balance was \$349,911. Of the bank balance amount, \$172,439 is maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance and \$177,472 is maintained in credit unions subject to National Credit Union Administration (NCUA) insurance. As of September 30, 2014, all bank deposits are fully insured.

Receivables

Receivables are stated net of estimated allowances for uncollectible accounts and are primarily due from businesses and individuals residing on the island of Guam. The allowance for uncollectible accounts primarily represents estimated uncollectible amounts that are determined based upon past collection experience and aging of the accounts.

Restricted Assets

Certain assets are classified as restricted assets because their use is completely restricted through grant agreements or enabling legislation. Specifically, cash and cash equivalents are restricted in that they are not available to be used in current operations.

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

Notes to Financial Statements
September 30, 2014

(2) Summary of Significant Accounting Policies, Continued

Capital Assets

Capital assets, which includes all property, facilities and equipment pertaining to television production transferred from the Learning Resource Center of the Government of Guam's Department of Education and the University of Guam as required under Public Law 12-194, are reported in the government-wide financial statements. Such assets, whether purchased or constructed, are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

Title to the land on which the station facilities and equipment are located has not been perfected in the name of PBS GUAM and is still held in the name of GovGuam. Fair market rental value related to this property in the amount of \$73,400 is included in in-kind revenues in the accompanying financial statements.

Capital assets are capitalized when the cost of the individual items exceeds \$1,000. The costs of normal maintenance and repairs that do not add to the value of asset or materially extend assets lives are not capitalized. Capital assets are depreciated using the straight-line method over their estimated useful lives with a full year's depreciation charged in the year of acquisition and disposal, regardless of date. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in the statement of activities.

Estimated useful lives for depreciable assets are as follows:

Buildings and improvements	5 - 15 years
Broadcasting equipment	3 - 10 years
Studio, antenna, transmitter, and other equipment	3 - 5 years
Furniture and fixtures	3 - 13 years
Transportation equipment	3 - 20 years

Deferred Outflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, 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 (deduction of net position) until then. PBS GUAM has no items that 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
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)**

Notes to Financial Statements
September 30, 2014

(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 and retirements.

In accordance with Public Law 27-5 and Public Law 28-68, employee vacation rates are credited at either 104, 156 or 208 hours per year, depending upon their length of service.

1. One-half day (4 hours) for each full bi-weekly pay period in the case of employees with less than five (5) years of service
2. Three-fourths day (6) hours for each full bi-weekly pay period in the case of employees with more than five (5) years of service but less than fifteen (15) years of service.
3. One (1) day (8 hours) for each full bi-weekly pay period in the case of employees with more than fifteen (15) years of service.

Public Law 27-106 further amended the maximum accumulation of such vacation credits from 480 to 320 hours. Employees who have accumulated annual leave in excess of 320 hours as of February 28, 2003, may carry over their excess and shall use the excess amount of leave prior to retirement or termination from service. Any unused leave over the excess at termination or retirement shall be lost.

Public Law 26-86 allows members of the Defined Contribution Retirement System to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. PBS GUAM has accrued an estimated liability of \$11,165 at September 30, 2014 for potential future sick leave payments as a result of this law. However, this amount is an estimate and actual payout may be materially different than estimated.

Unexpended Grant Revenues

In the government-wide financial statements, unexpended grant revenue is recognized as a liability when cash, receivables or other assets are recorded prior to being earned. In the governmental fund financial statements, unexpended grant revenue represents monies received or revenues accrued which have not been earned or do not meet the "available" criterion for revenue recognition under the modified accrual basis of accounting. The unexpended grant revenue in the governmental fund has primarily resulted from grant funds received in advance of eligible expenditures.

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

Notes to Financial Statements
September 30, 2014

(2) Summary of Significant Accounting Policies, Continued

Deferred Inflows of Resources

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (additions to net position) until then. PBS GUAM has no items that qualify for reporting in this category.

Fund Balance

Governmental fund balances are classified as follows:

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

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

A formal minimum fund balance policy has not been adopted.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results may differ from those estimates.

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

Notes to Financial Statements
September 30, 2014

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards

During the fiscal year ended September 30, 2014, PBS GUAM implemented the following pronouncements:

- GASB Statement No. 66, *Technical Corrections - 2012*, which enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 67, *Financial Reporting for Pension Plans*, which revises existing guidance for the financial reports of most pension plans. The implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. The implementation of this statement did not have a material effect on the accompanying financial statements.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The provisions in Statement 68 are effective for fiscal years beginning after June 15, 2014. The implementation of this statement will have a material effect on the financial statements of PBS GUAM and will require a restatement upon implementation. As of October 1, 2014, the net pension liability that PBS GUAM will record upon implementation of this statement is approximately \$934,021.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, which improves accounting and financial reporting for state and local governments' combinations and disposals of government operations. Government combinations include mergers, acquisitions, and transfers of operations. A disposal of government operations can occur through a transfer to another government or a sale. The provisions in Statement 69 are effective for fiscal years beginning after December 15, 2013. Management has not yet determined the effect of implementation of this statement on the financial statements of PBS GUAM.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68, Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions in Statement 71 are effective for fiscal years beginning after June 15, 2014. Management does not believe that the implementation of this statement will have a material effect on the financial statements of PBS GUAM.

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

Notes to Financial Statements
September 30, 2014

(3) Capital Assets

Capital asset activity for the year ended September 30, 2014, was as follows:

	October 1, <u>2013</u>	<u>Additions</u>	<u>Deletions</u>	September 30, <u>2014</u>
Non-depreciable capital assets:				
Land improvements	\$ <u>18,000</u>	\$ _____ -	\$ _____ -	\$ <u>18,000</u>
Depreciable capital assets:				
Buildings and improvements	346,609	-	-	346,609
Broadcasting equipment	3,230,615	-	(45,498)	3,185,117
Studio, antenna, transmitter, and other equipment	421,883	63,998	(6,103)	479,778
Furniture and fixtures	205,805	-	(4,217)	201,588
Transportation equipment	<u>424,818</u>	_____ -	_____ -	<u>424,818</u>
	4,629,730	63,998	(55,818)	4,637,910
Less accumulated depreciation	<u>(2,388,064)</u>	<u>(169,215)</u>	<u>55,818</u>	<u>(2,501,461)</u>
	<u>2,241,666</u>	<u>(105,217)</u>	_____ -	<u>2,136,449</u>
	\$ <u>2,259,666</u>	\$ <u>(105,217)</u>	\$ _____ -	\$ <u>2,154,449</u>

(4) Long-term Obligations

Other long-term liabilities will be liquidated in the future from governmental funds. During the year ended September 30, 2014, the following changes occurred in liabilities reported as part of PBS GUAM's long-term liabilities in the statement of net position:

	Balance			Balance	
	October 1,			September	Due Within
	<u>2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>30, 2014</u>	<u>One Year</u>
Compensated absences	\$ 61,141	\$ -	\$ (16,240)	\$ 44,901	\$ 19,921
DCRS sick leave liability	<u>4,163</u>	_____ -	<u>7,002</u>	<u>11,165</u>	_____ -
	<u>\$ 65,304</u>	\$ _____ -	<u>\$ (9,238)</u>	<u>\$ 56,066</u>	<u>\$ 19,921</u>

(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, 2014, the total appropriation was \$620,251.

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

Notes to Financial Statements
September 30, 2014

(5) Funding Sources, Continued

Community Service Grants

The Corporation for Public Broadcasting (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) to qualifying public telecommunications entities based on budget submissions. CSGs 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 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 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 CSGs awarded in prior years.

PBS GUAM's CSG is 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.

The Community Service Grants received and expended during the year ended September 30, 2014 were as follows:

<u>Grant Year</u>	<u>Grant Name</u>	<u>Grants Received</u>	<u>Beginning Unexpended Portion</u>	<u>Grants Expended</u>	<u>Ending Unexpended Portion</u>
2013	CSG	\$ -	\$ 26,867	\$ 26,867	\$ -
2014	CSG	616,599	-	523,084	93,515
2014	LSG	66,916	-	66,916	-
2014	Interconnection	<u>11,820</u>	<u>-</u>	<u>11,820</u>	<u>-</u>
	Total	<u>\$ 695,335</u>	<u>\$ 26,867</u>	<u>\$ 628,687</u>	<u>\$ 93,515</u>

(6) Employee Retirement Plans

Employees of PBS GUAM hired on or before September 30, 1995 are under the Government of Guam Employees' Retirement System (a defined benefit, contributory pension plan). Employees hired after September 30, 1995, are members of the Defined Contribution Retirement System (DCRS). Until December 31, 1999 and for several limited periods after December 31, 1999, those employees who were members of the Defined Benefit (DB) 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
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)**

Notes to Financial Statements
September 30, 2014

(6) Employee Retirement Plans, Continued

Defined Benefit Plan

Plan Description:

PBS GUAM participates in the GovGuam Defined Benefit (DB) Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the GovGuam Retirement Fund (GGRF). The DB Plan provides retirement, disability, and survivor benefits to plan members who enrolled in the plan prior to October 1, 1995. Cost-of-living adjustments are provided to members and beneficiaries at the discretion of the Guam Legislature. Article 1 of 4 GCA 8, Section 8105, requires that all employees of GovGuam, regardless of age or length of service, become members of the DB Plan prior to the operative date. Employees of a public corporation of GovGuam, which includes PBS GUAM, have the option of becoming members of the DB Plan prior to the operative date. All employees of GovGuam, including employees of GovGuam public corporations, whose employment commences on or after October 1, 1995, are required to participate in the Defined Contribution Retirement System (DCRS). Hence, the DB Plan became a closed group.

A single actuarial valuation is performed annually covering all plan members and the same contribution rate applies to each employer. GGRF issues a publicly available financial report that includes financial statements and required supplementary information for the DB Plan. That report may be obtained by writing to the Government of Guam Retirement Fund, 424 A Route 8, Maite, Guam 96910, or by visiting GGRF's website – www.ggrf.com.

Funding Policy:

As a result of actuarial valuations performed as of September 30, 2012, 2011, and 2010, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2014, 2013 and 2012, respectively, have been determined by the Guam Legislature as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Normal costs (% of DB Plan payroll)	16.61%	17.52%	17.07%
Employee contributions (DB Plan employees)	<u>9.50%</u>	<u>9.50%</u>	<u>9.50%</u>
Employer portion of normal costs (% of DB Plan payroll)	<u>7.11%</u>	<u>8.02%</u>	<u>7.57%</u>
Employer portion of normal costs (% of total payroll)	2.39%	3.00%	3.03%
Unfunded liability cost (% of total payroll)	<u>24.01%</u>	<u>24.33%</u>	<u>23.75%</u>
Government contribution as a % of total payroll	<u>26.40%</u>	<u>27.33%</u>	<u>26.78%</u>
Statutory contribution rates as a % of DB Plan payroll:			
Employer	<u>30.03%</u>	<u>30.09%</u>	<u>28.30%</u>
Employee	<u>9.50%</u>	<u>9.50%</u>	<u>9.50%</u>

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

Notes to Financial Statements
September 30, 2014

(6) Employee Retirement Plans, Continued

Defined Benefit Plan, Continued

Funding Policy: Continued

PBS GUAM's contributions to the DB Plan for the years ended September 30, 2014, 2013 and 2012 were \$54,643, \$64,997 and \$51,681, respectively, which were equal to the statutorily required contributions for each year.

Defined Contribution Retirement System (DCRS)

Contributions into the DCRS plan by members are based on an automatic deduction of 5% of the member's regular base pay. The contribution is periodically deposited into an individual annuity account within the DCRS. Employees are afforded the opportunity to select from different annuity accounts available under the DCRS.

Statutory employer contributions for the DCRS plan for the year ended September 30, 2014 are determined using the same rates as the DB Plan. Of the amount contributed by the employer, only 5% of the member's regular pay is deposited into the DCRS. The remaining amount is contributed towards the unfunded liability of the defined benefit plan. PBS GUAM's contributions to the DCRS Plan for the years ended September 30, 2014, 2013 and 2012 were \$7,690, \$4,512 and \$2,958, respectively, which were equal to the statutorily required contributions for each year.

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

Other Post Employment Benefits

GovGuam, through its substantive commitment to provide other post-employment benefits (OPEB), maintains a cost-sharing multiple employer defined benefit plan to provide certain postretirement healthcare benefits to retirees who are members of the GovGuam Retirement Fund. Under the Plan, known as the GovGuam Group Health Insurance Program, GovGuam provides medical, dental, and life insurance coverage. The retiree medical and dental plans are fully-insured products provided through insurance companies. GovGuam shares in the cost of these plans, with GovGuam's contribution amount set each year at renewal. Current statutes prohibit active and retired employees from contributing different amounts for the same coverage. As such, GovGuam contributes substantially more to the cost of retiree healthcare than to active healthcare. For the life insurance plan, GovGuam provides retirees with \$10,000 of life insurance coverage through an insurance company. Retirees do not share in the cost of this coverage. For the years ended September 30, 2014, 2013 and 2012, PBS GUAM's contributions to this Plan amounted to \$32,566, \$31,487 and \$24,289, respectively, equal to the statutorily required contributions for each year.

Because the Plan consists solely of GovGuam's firm commitment to provide OPEB through the payment of premiums to insurance companies on behalf of its eligible retirees, no stand-alone financial report is either available or generated.

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

Notes to Financial Statements
September 30, 2014

(7) Lease Commitments

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

<u>Year Ending September 30,</u>	
2015	\$ 10,200
2016	10,200
2017	10,200
2018	10,200
2019	10,200
2020 - 2024	51,000
2025 - 2028	<u>40,800</u>
	<u>\$ 142,800</u>

(8) Risk Management

PBS GUAM is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. PBS GUAM has elected to purchase commercial insurance coverage from independent third parties for the risks of loss to which it is exposed. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

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

Governmental Funds Balance Sheet/Schedule of Net Position
September 30, 2014
(With comparative totals as of September 30, 2013)

	General Fund		Schedule of Net Position	
	2014	2013	2014	2013
<u>ASSETS</u>				
Cash and cash equivalents	\$ 249,460	\$ 327,385	\$ 249,460	\$ 327,385
Receivables, net	29,885	33,226	29,885	33,226
Restricted assets:				
Cash and cash equivalents	75,152	121,782	75,152	121,782
Capital assets:				
Nondepreciable capital assets	-	-	18,000	18,000
Capital assets, net of accumulated depreciator	-	-	2,136,449	2,241,666
Total assets	\$ 354,497	\$ 482,393	2,508,946	2,742,059
<u>LIABILITIES</u>				
Accounts payable	\$ 35,735	\$ 26,761	35,735	26,761
Other liabilities and accruals	39,820	26,288	39,820	26,288
Unexpended grant revenues	93,515	26,867	93,515	26,867
Long-term liabilities:				
Due within one year	-	-	19,921	21,244
Due after one year	-	-	36,145	44,060
Total liabilities	169,070	79,916	225,136	145,220
<u>FUND BALANCE/NET POSITION</u>				
Fund balance:				
Assigned - supporting services	185,427	402,477		
Total fund balance	185,427	402,477		
Total liabilities and fund balance	\$ 354,497	\$ 482,393		
Net position:				
Net investment in capital assets			2,154,449	2,241,666
Unrestricted			129,361	355,173
Total net position			\$ 2,283,810	\$ 2,596,839

See Accompanying Independent Auditors' Report.

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

Governmental Funds Balance Sheet/Schedule of Net Position

Changes in Fund Balance/Schedule of Activities

Year Ended September 30, 2014

(With comparative totals for the year ended September 30, 2013)

	General Fund		Schedule of Activities	
	2014	2013	2014	2013
Revenues:				
Community service grant	\$ 628,687	\$ 809,074	\$ 628,687	\$ 809,074
Government of Guam appropriation	620,251	541,428	620,251	541,428
In-kind contributions	121,430	150,010	121,430	150,010
Fundraising	90,908	60,344	90,908	60,344
Contributions and other income	44,594	45,652	44,594	45,652
Underwriting	85,588	80,715	85,588	80,715
Interest	3,543	3,543	3,543	3,543
Other	25,492	24,800	25,492	24,800
	<u>1,620,493</u>	<u>1,715,566</u>	<u>1,620,493</u>	<u>1,715,566</u>
Total revenues				
Expenditures/expenses:				
Program services:				
Station production	169,923	154,854	169,923	154,854
Station upgrade	94,672	83,339	94,672	83,339
Capital outlays	63,998	6,197	-	1,587
Supporting services:				
Program broadcasting	487,237	554,505	487,237	554,505
Contractual services	112,172	146,759	112,172	146,759
Development and promotion	154,867	144,407	154,867	144,407
Supplies and materials	12,993	11,825	12,993	11,825
Local appropriations:				
Personnel services	350,254	310,432	341,016	295,043
Fringe benefits	140,980	127,938	140,980	127,938
Contractual services	27,661	-	27,661	-
Utilities	101,356	103,057	101,356	103,057
In-kind expenditures/expenses	121,430	150,010	121,430	150,010
Unallocated depreciation	-	-	169,215	173,850
	<u>1,837,543</u>	<u>1,793,323</u>	<u>1,933,522</u>	<u>1,947,174</u>
Deficiency of revenues under expenditures	(217,050)	(77,757)		
Change in net position			(313,029)	(231,608)
Fund balance/net position:				
Beginning of the year	402,477	480,234	2,596,839	2,828,447
End of the year	<u>\$ 185,427</u>	<u>\$ 402,477</u>	<u>\$ 2,283,810</u>	<u>\$ 2,596,839</u>

See Accompanying Independent Auditors' Report.

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

Supplemental Schedule of Employees and Salaries
Year Ended September 30, 2014
(With comparative totals for the year ended September 30, 2013)

	<u>2014</u>		<u>2013</u>	
	<u>Annual</u>	<u>Number of</u>	<u>Annual</u>	<u>Number of</u>
	<u>Payroll</u>	<u>Employees</u>	<u>Payroll</u>	<u>Employees</u>
Expenditures:				
Community Service Grant:				
Program services:				
Station production	\$ 159,196	4	\$ 144,121	5
Station upgrade	87,228	2	77,052	2
Supporting services:				
Program broadcasting	119,052	5	123,474	6
Development and promotion	104,481	3	91,032	3
	<u>\$ 469,956</u>	<u>14</u>	<u>\$ 435,680</u>	<u>16</u>
 Government of Guam:				
Local appropriations	<u>\$ 350,254</u>	<u>9</u>	<u>\$ 310,432</u>	<u>9</u>

See Accompanying Independent Auditors' Report.

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

Board of Trustees
Guam Educational Telecommunications Corporation:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the General Fund of the Guam Educational Telecommunications Corporation (PBS Guam) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise PBS Guam's basic financial statements, and have issued our report thereon dated February 20, 2015.

Internal Control Over Financial Reporting

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

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

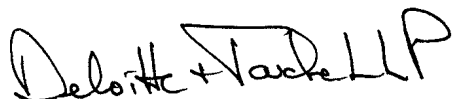
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

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

February 20, 2015