



**Guam Educational Telecommunications Corporation (PBS Guam)
FY 2015 Financial Highlights**

March 6, 2016

The Guam Educational Telecommunications Corporation (dba PBS Guam) closed out its fiscal year (FY) with a decrease in net position (net loss) of \$91 thousand (K) in FY 2015. This decrease was less than its prior year decrease in net position of \$280K.

PBS Guam received an unmodified (clean) opinion from independent auditors Deloitte & Touche, LLP. In order to receive a clean opinion, nine adjusting entries with a net effect of \$99K on its current year financial statements were made. PBS Guam is to be commended for its eighth year that the auditors have not identified any material weaknesses in its report on compliance and internal control over financial reporting. A separate management letter was issued with one comment related to inadequate fixed assets monitoring.

Increase in Revenues

PBS Guam's revenues increased by 5% from \$1.6 million (M) in FY 2014 to \$1.7M in FY 2015 due to an increase in Community Service Grants (CSGs) and in-kind contributions. CSGs increased due to the deferment of the 2014 CSG. In-kind contributions increased due to greater involvement of local companies with PBS Guam. Revenue was derived mainly from grants and Government of Guam (GovGuam) appropriations which made up for 43% or \$739K in grants and 37% or \$623K in government appropriations.

Decrease in Expenses

PBS Guam's overall expenses decreased by \$104K from \$1.9M to \$1.8M in FY 2015 primarily from supporting services, program services, and local appropriations. Supporting services, which include program broadcasting and development and promotion were 37% of total expenses and decreased by \$105K, from \$767K in FY 2014 to \$663K in FY 2015. The decrease is attributed to four position vacancies and a cut in travel and training. Program services, which include station production, upgrades, and capital outlays were 12% of total expenses and decreased by \$51K, from \$265K in FY 2014 to \$214K in FY 2015. Local appropriations which include personnel services, fringe benefits, and utilities were 32% of total expenses and decreased by \$12K, from \$578K in FY 2014 to \$565K in FY 2015.

Government Accounting Statement – Pension Liability

The implementation of GASB 68 related to *Accounting and Financial Reporting for Pensions* in FY 2015 resulted in the restatement of PBS Guam's FY 2014 financial statements, recognizing PBS Guam's pro rata share of GovGuam's net pension liability. Per the Government of Guam Retirement Fund, GovGuam's pension liability of \$1.3

billion (B) in FY 2014 was reduced to \$1.2B in FY 2015. PBS Guam's pro rata share decreased by \$79K, going from \$916K in FY 2014 to \$837K in FY 2015. The restatement and the change in pension liability reduced fringe benefits expenses by \$33K in FY 2014.

Outlook for PBS Guam

Technological advancements in delivering faster data to mobile devices such as the 4G LTE and video on demand continue to be a challenge for PBS Guam. Programs from PBS Network are no longer confined to televisions. With faster data speed, viewers can conveniently go online and directly watch the programs, thus cutting the need for broadcasting services. PBS Guam struggles to appeal to viewers as PBS Network programs are now readily available online.

PBS Network is partnering with other public broadcasting networks to provide new shows. The next PBS interconnection system will allow PBS Guam to access local shows produced by other 170 stations in the PBS network. PBS Guam seeks to deliver content directly over the air to the unserved Northern Marianas market, increasing its presence in the region. Television signals will transition to ATSC 3.0 in October 2017. The shift in television signal will deliver rich contents to Ultra 4K HDTV and PBS Guam will need to upgrade its equipment to continue services. Increased community participation and funding is necessary to keep pace with technology and fulfill PBS Guam's commitment to serve unmet broadcast needs of the community.

PBS Guam Board did not have a quorum to address its issues or assist with concerns in FY 2015. After lacking a quorum for almost two years, the PBS Guam Board has since reconvened with the confirmation of two new members and met in November 2015. The Public Auditor's step son is one of the new members of the board.

For a more detailed commentary on the PBS Guam's operations, refer to the Management's Discussion and Analysis in the audit report. For more details, you may also view the reports in their entirety at www.opaguam.org or www.pbsguam.org.