

**VIRGIN ISLANDS PUBLIC  
BROADCASTING SYSTEM**  
(A Component Unit of the Government of the  
United States Virgin Islands)

***INDEPENDENT AUDITORS' REPORT  
AND  
AUDITED FINANCIAL STATEMENTS***

September 30, 2018 and 2017

**VIRGIN ISLANDS PUBLIC BROADCASTING SYSTEM**  
**(A Component Unit of the Government of the United States Virgin Islands)**  
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**SEPTEMBER 30, 2018 AND 2017**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Virgin Islands Public Broadcasting System:

### Report on the Financial Statements

We have audited the accompanying financial statements of the Virgin Islands Public Broadcasting System (the "System"), a component unit of the Government of the United States Virgin Islands, which comprise the statement of net position as of and for the years ended September 30, 2018 and 2017, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended and the related notes to the financial statements, which collectively comprise the System'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 an opinion on these financial statements based on our audits. We conducted our audits 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 audits 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 entity'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 entity'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 opinion.



To the Board of Directors of  
Virgin Islands Public Broadcasting System  
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## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the System, as of September 30, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As disclosed in Note 9, the System suffered significant losses and damages as a result of the impact of hurricanes Irma and Maria. The System's implemented remediation plans to overcome the losses and damages as disclosed in Note 9.

## **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 11, schedule of share of the net pension liability on page 34, schedule of contributions on page 35, and the notes to the required supplementary information on page 36 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. 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. The statement of revenues and expenses per division on pages 38 and 39 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The statement of revenues and expenses per division is the responsibility of management of the System and is derived from, and relate directly to, the underlying accounting 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 basic financial



To the Board of Directors of  
Virgin Islands Public Broadcasting System  
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statements in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statement of revenues and expenses per division 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 April 9, 2019, on our consideration of the System'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 the System's internal control over financial reporting and compliance.

*BDO USVI, LLC*  
Certified Public Accountants

April 9, 2019  
St. Thomas, U.S. Virgin Islands



**VIRGIN ISLANDS PUBLIC BROADCASTING SYSTEM**  
**(A Component Unit of the Government of the United States Virgin Islands)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

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The purpose of the following management's discussion and analysis of the financial performance and activity of the Virgin Islands Public Broadcasting System (the "System") is to help the readers understand the basic financial statements of the System for the years ended September 30, 2018 and 2017. This discussion has been prepared by management and should be read in conjunction with the basic financial statements, supplementary information and the notes thereto, which follow this section.

**Financial Highlights**

The assets and deferred outflows of the System exceeded liabilities and deferred inflows by \$7.1 and \$5.2 million as of September 30, 2018 and 2017, respectively. The net position increased by \$1.9 million during the year ended September 30, 2018 and decreased by \$595 thousand during the year ended September 30, 2017.

**Reporting Entity**

The System is a public corporation and an autonomous governmental instrumentality of the Government of the U.S. Virgin Islands ("GVI"). It owns and operates the public television station of the U.S. Virgin Islands with the call letters WTJX-TV, created by Act No. 2364 on November 15, 1968, to provide educational television services in the U.S. Virgin Islands, and to advance the general welfare, cultural development, and awareness of public affairs of the general population. The System is a member of the Public Broadcasting Service ("PBS"), a media foundation that provides grants and services to public and non-commercial stations.

**Overview of the Financial Statements**

The System's financial report includes three financial statements: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. In addition to the three financial statements, the System has presented the Statement of Revenues and Expenses per Division, Schedule of the Share of the Net Pension Liability and Schedule of Contributions as supplementary information. The financial statements, and supplementary information, are prepared in accordance with accounting principles generally accepted in United States of America.

The *Statement of Net Position* reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of September 30, 2018 and 2017. The System's net position is the difference between (a) assets and deferred outflows of resources, and (b) liabilities and deferred inflows of resources. Over time, the increase or decrease in net position may serve as a useful indicator of whether the financial position of the System is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the System's net position changed during the two most recent fiscal years, focusing on operating revenues and expenses, including support provided by grants from the Government of the Virgin Islands and the Corporation for Public Broadcasting ("CPB").

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The *Statement of Cash Flows* presents information related to cash inflows and outflows, summarized by operating, financing and investing activities. This Statement indicates the financial viability of the System to meet financial obligations as they occur.

**Summary of Financial Results**

Statements of Net Position-Table 1 summarizes the System's Statements of Net Position as of September 30, 2018, 2017 and 2016.

*Table 1: Summary of Statements of Net Position*

	September 30 2018	September 30 2017	(As restated) September 30 2016
Unrestricted current assets	\$ 4,340,177	\$ 3,061,455	\$ 2,600,439
Restricted current assets	728,068	108,584	251,458
Capital assets	<u>4,413,563</u>	<u>4,343,383</u>	<u>5,257,778</u>
Total assets	<u>\$ 9,481,808</u>	<u>\$ 7,513,422</u>	<u>\$ 8,109,675</u>
Deferred outflows of resources	<u>\$ 691,192</u>	<u>\$ 822,677</u>	<u>\$ 671,407</u>
Current liabilities	\$ 191,317	\$ 238,656	\$ 271,353
Noncurrent liabilities	<u>2,637,110</u>	<u>2,761,810</u>	<u>2,603,909</u>
Total liabilities	<u>\$ 2,828,427</u>	<u>\$ 3,000,466</u>	<u>\$ 2,875,262</u>
Deferred inflows of resources	<u>\$ 252,859</u>	<u>\$ 120,599</u>	<u>\$ 95,306</u>
Net position:			
Net investment in capital assets	4,413,563	4,792,512	5,257,778
Restricted	728,068	108,584	251,458
Unrestricted	<u>1,950,083</u>	<u>313,938</u>	<u>301,278</u>
Total net position	<u>\$ 7,091,714</u>	<u>\$ 5,215,034</u>	<u>\$ 5,810,514</u>

For fiscal year 2018, the System's assets amounted to \$9.5 million, of which \$3.3 million represented unrestricted cash and cash equivalents, \$728 thousand represented cash and cash equivalents restricted in purpose, \$211 thousand represented trade and other receivables, \$145 thousand was due from the Government of the Virgin Islands, \$659 thousand represented prepaid expenses and \$4.4 million represented capital assets net of accumulated depreciation. Total current assets increased in fiscal year 2018 by \$1.9 million mainly due to increases in restricted cash of \$619 thousand and a increase in cash and cash equivalents of \$1 million. Total liabilities and deferred inflows of resources amounted to \$3.1 million and decreased by \$40 thousand mainly due to decrease in the compensated absences of \$65 thousand.

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For fiscal year 2017, the System's assets amounted to \$7.5 million, of which \$2.3 million represented unrestricted cash and cash equivalents, \$108 thousand represented cash and cash equivalents restricted in purpose, \$39 thousand represented trade and other receivables, \$107 thousand was due from the GVI, \$591 thousand represented prepaid expenses and \$4.3 million represented capital assets net of accumulated depreciation. Total current assets increased in fiscal year 2017 by \$318 thousand mainly due to an increase in restricted cash of \$632 thousand offset by a decrease on due from the Government of the U.S Virgin Islands ("GVI") of \$240 and a decrease of \$83 thousand in prepaid expenses. Total liabilities and deferred inflows of resources amounted to \$3.1 million and increased by \$125 thousand mainly due to a increase in net pension liability of \$229 thousand offset by decrease in accounts payable of \$62 thousand and decrease in compensated absences of \$61.

*Statements of Revenues, Expenses and Changes in Net Position-Table 2 summarizes the activities of the System as of September 30, 2018 and 2017.*

*Table 2: Summary of Statements of Revenues, Expenses and Changes in Net Position*

	<u>September 2018</u>	<u>September 2017</u>	<u>September 2016</u>
Operating revenues	\$ 1,522,907	\$ 1,369,400	\$ 1,672,901
Operating expenses	<u>(3,726,242)</u>	<u>(5,129,315)</u>	<u>(5,470,840)</u>
Loss from operations	(2,203,335)	(3,759,915)	(3,797,939)
Non-operating revenues			
Non-capital appropriations from Government of the U.S. Virgin Islands	4,021,409	3,671,044	3,950,000
Insurance proceeds on non-hurricane related claims	56,977	47,164	-
Interest income	<u>1,629</u>	<u>1,624</u>	<u>682</u>
Income (loss) before loss on impairment of capital assets	1,876,680	(40,083)	152,743
Loss on impairment of capital assets	<u>-</u>	<u>(555,397)</u>	<u>-</u>
Change in net position	<u>\$ 1,876,680</u>	<u>\$ (595,480)</u>	<u>\$ 152,743</u>
Net position - beginning of year	\$ 5,215,034	\$ 5,810,514	\$ 4,538,612
Prior period adjustments	<u>-</u>	<u>-</u>	<u>1,119,159</u>
Net position - end of year	<u>\$ 7,091,714</u>	<u>\$ 5,215,034</u>	<u>\$ 5,810,514</u>



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For fiscal year 2018 operating revenues of \$1.5 million reflect contributions from the Corporation for Public Broadcasting of \$1.0 million, tower space rental income of \$ 63 thousand, underwriting revenue of \$52 thousand, fundraising revenue of \$43 thousand, advertising revenue of \$15 thousand, membership subscriptions and other donations of \$31 thousand, funds from Federal Emergency Management Agency of \$186 thousand, funds from Federal Communications of \$126 thousand and other revenue of \$7 thousand. Operating revenues increased by \$154 thousand from the previous year mainly due to increase in funds from the Federal Communications Commission and FEMA offset by a reduction in other categories.

For fiscal year 2018, operating expenses of \$3.7 million reflect general administration expenses of \$1.5 million, programming expenses of \$1.9 million, fundraising expenses of \$23 thousand and depreciation expense of \$309 thousand. Operating expenses decreased by \$1.4 million, mainly due to decrease in program services, depreciation and management general expenses.

For fiscal year 2017, operating revenues of \$1.4 million reflect contributions from the Corporation for Public Broadcasting and others of \$1 million, tower space rental income of \$111 thousand, underwriting revenue of \$99 thousand, fundraising revenue of \$73 thousand, advertising revenue of \$6 thousand, membership subscriptions and other donations of \$51 thousand, and other revenue of \$11 thousand. Operating revenues decreased by \$303 thousand from the previous year mainly due to a decrease in contribution from the Corporation for Public Broadcasting revenues of \$77 thousand and decrease in other contributions of \$226 thousand.

For fiscal year 2017, operating expenses of \$5.1 million reflect general administration expenses of \$1.6 million, programming expenses of \$3.0 million, fundraising expenses of \$11 thousand and depreciation expense of \$449 thousand. Operating expenses decreased by \$342 thousand, mainly due to decrease in program services, depreciation and fundraising expenses of approximately \$383 thousand, offset by an increase in management and general expenses of approximately \$41 thousand.

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**Grant Revenues**

Grant Revenues: Table 3 summarizes grant revenues received through allotments from the Government of the Virgin Islands, grants from the Corporation for Public Broadcasting, and other grant revenue.

*Table 3: Summary of Grant Revenues*

	<u>September 2018</u>	<u>September 2017</u>	<u>September 2016</u>
Non capital appropriations from Government of the Virgin Islands	\$ 4,021,409	\$ 3,671,044	\$ 3,950,000
Grant revenues - Corporation for Public Broadcasting	1,001,985	1,012,650	1,089,499
Grant revenues - USDA Rural Utilities Service	-	-	225,000
Grant revenues - Public Finance Authority	-	-	40,950
Grant revenues - Federal Communications Commission	125,993	7,000	3,500
Emergency funds - Federal Emergency Management Agency	<u>185,960</u>	<u>-</u>	<u>-</u>
Total grant revenues	<u>5,335,347</u>	<u>4,690,694</u>	<u>5,308,949</u>
Operating revenues	<u>208,969</u>	<u>349,750</u>	<u>313,952</u>
Total revenues	<u>\$ 5,544,316</u>	<u>\$ 5,040,444</u>	<u>\$ 5,622,901</u>
Grants as a percentage of operating revenue	<u>96.2 %</u>	<u>93.1 %</u>	<u>94.4 %</u>

**Capital Assets**

The System's capital assets include land, buildings, building improvements and equipment. Capital asset additions during the fiscal years ended September 30, 2018 and 2017 amounted to \$379 thousand and \$90 thousand, respectively.

During September 2017 hurricanes Irma and Maria made landfall in the Virgin Islands affecting the System's assets and operations. As a consequence, the System had a loss on damaged building infrastructure, equipment and other assets with historical cost of \$3,288,115 and net book value of \$555,397. Refer to page 10 for additional information.

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Summary of Capital Assets-Table 4 summarizes the System's capital assets as of September 30, 2018 and 2017:

*Table 4: Summary of Capital Assets*

	<u>September 2018</u>	<u>September 2017</u>
Land	\$ 1,284,996	\$ 1,284,996
Production and broadcasting equipment	6,743,368	6,539,678
Buildings and improvements	2,907,509	2,907,509
Other	<u>1,627,091</u>	<u>1,568,252</u>
Total capital assets	12,562,964	12,300,435
Less: Accumulated depreciation	<u>8,149,401</u>	<u>7,957,052</u>
Net capital assets	<u>\$ 4,413,563</u>	<u>\$ 4,343,383</u>

Note 5 to the financial statements provides detailed information regarding the capital assets of the System as of September 30, 2018 and 2017.

**Budgetary Analysis**

The System prepares an annual executive budget subject to approval by the Governor and the Legislature of the Virgin Islands. Following is a summary of the budget and actual results for the fiscal years ended September 30, 2018 and 2017:

	<u>2018 Budget</u>	<u>2018 Actual</u>	<u>Variance</u>
Total revenues	\$ 5,568,711	\$ 5,229,825	\$ (338,886)
Total operating expenses	(5,568,711)	(2,952,869)	2,615,842
Non-budgeted revenues	-	375,565	375,565
Non-budgeted expenditures	-	(775,841)	(775,841)
Operating income (loss)	<u>\$ -</u>	<u>\$ 1,876,680</u>	<u>\$ 1,876,680</u>

CPB revenue increased by \$19 thousand. Non-budgeted revenues consists of underwriting revenue of \$52 thousand, tower space rental revenue of \$63 thousand, re-packing funds from Federal Communications Commission of \$126 thousand and other revenues of \$135 thousand. The decrease in operating expenses of \$2.6 million is mainly due to decreases in salaries and related expenses of \$1.2 million, electricity expenses of \$103 thousand, PBS dues expenses of \$859 thousand and other expenses of \$482 thousand. Non-budgeted expenses consist of depreciation expense of \$309 thousand, pension expense of \$199 thousand and other expenses of \$268 thousand.

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	<u>2017 Budget</u>	<u>2017 Actual</u>	<u>Variance</u>
Total revenues	\$ 5,502,170	\$ 4,683,694	\$ (818,476)
Total operating expenses	(5,502,170)	(4,576,919)	925,251
Non-budgeted revenues	-	356,750	356,750
Non-budgeted expenditures	-	(552,396)	(552,396)
Operating income	<u>\$ -</u>	<u>\$ (88,871)</u>	<u>\$ (88,871)</u>

The decrease in GVI and CPB support is mainly due to the GVI's reduced funding of \$356 thousand. Insufficient GVI revenue collections and natural disasters contributed to an allotment reduction and withholding of the September 2017 allotment. CPB revenue decreased by \$77 thousand. Non-budgeted revenues consists of underwriting revenue of \$99 thousand, tower space rental revenue of \$111 thousand, fundraising revenue of \$73 thousand and other revenues of \$74 thousand. The decrease in operating expenses of \$925 thousand is mainly due to decreases in salaries and related expenses of \$663 thousand, electricity expenses of \$107 thousand, advertising and promotion expenses of \$155 thousand. Non-budgeted expenses mainly consist of depreciation expense of \$449 thousand, pension expense of \$103 thousand and other expenses of \$140 thousand.

**Significant Currently-Known Facts**

*Budgetary Appropriations*

The ability of the System to continue as a going concern and providing public television services is dependent on grant allotments and other funds received from the Government of the Virgin Islands and the Corporation for Public Broadcasting.

*Hurricanes Irma and Maria*

During September 2017, hurricanes Irma and Maria made landfall in the Virgin Islands affecting the System's assets and operations. In particular, the main office and television studio located at Haypiece Hill on the island of St. Thomas were totally destroyed, including severe damages to communication towers, equipment and vehicles. To overcome the damages, the System received \$30,000 emergency grant from CPB, \$156,950 from FEMA, along with several project worksheets that are yet to be approved, and \$52,212 from vehicles insurance companies. At the date of this report the System has \$139,826 approved and available from FEMA for damaged building and equipment. The amount of \$29,010 has not been collected as of the date of this report.

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*FCC Repack Project*

The System was included in the Federal Communications Commission ("FCC") Repack Project. The project consists of certain realignment on the broadcasting frequency by which WTJX would change its broadcasting from channel 44 to channel 36, pursuant to a Transition Plan and Budget approved by the FCC (the "Plan"). As part of the Plan, the FCC will provide all the funding, which is estimated at \$3.4 million, for the building of new tower and the purchase of new transmitters and underlying equipment. As of September 30, 2018, repacking funds received amounted to \$125,993.

As of the date of issuing these financial statements, the System has paid \$45,498 for engineering and design services, which should be reimbursed by the FCC. WTJX also signed agreements with vendors for new antenna and transmitter for \$221,485; and has also awarded a bid for the tower work in the amount of \$1,076,017.

**Contacting the Corporation**

This financial report is designed to provide a general overview of the System's finances. If you have any questions about this report, or need additional information, contact the System at: Virgin Islands Public Broadcasting System - WTJX, P. O. Box 7879, Charlotte Amalie, St. Thomas, U.S. Virgin Islands 00801.

**VIRGIN ISLANDS PUBLIC BROADCASTING SYSTEM**  
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**STATEMENTS OF NET POSITION**  
**SEPTEMBER 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 3,325,259	\$ 2,324,195
Accounts and other receivable	211,240	38,989
Due from the Government of the U.S. Virgin Islands	144,852	107,202
Prepaid expenses	658,826	591,069
Restricted cash	<u>728,068</u>	<u>108,584</u>
Total current assets	5,068,245	3,170,039
<b>NONCURRENT ASSETS -</b>		
Capital assets, net of accumulated depreciation	<u>4,413,563</u>	<u>4,343,383</u>
Total assets	<u>\$ 9,481,808</u>	<u>\$ 7,513,422</u>
<b>DEFERRED OUTFLOW OF RESOURCES -</b>		
Deferred amounts related to pension	<u>\$ 691,192</u>	<u>\$ 822,677</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 80,264	\$ 76,436
Accrued liabilities	71,833	103,599
Unearned revenue	20,490	34,785
Compensated absences - current portion	<u>18,730</u>	<u>21,703</u>
Total current liabilities	191,317	236,523
<b>NONCURRENT LIABILITIES:</b>		
Compensated absences	149,896	211,792
Net pension liability	<u>2,487,214</u>	<u>2,552,151</u>
Total liabilities	<u>\$ 2,828,427</u>	<u>\$ 3,000,466</u>
<b>DEFERRED INFLOW OF RESOURCES -</b>		
Deferred amounts related to pension	<u>\$ 252,859</u>	<u>\$ 120,599</u>
<b>NET POSITION:</b>		
Net investment in capital assets	\$ 4,413,563	\$ 4,343,383
Restricted	728,068	108,584
Unrestricted	<u>1,950,083</u>	<u>763,067</u>
Total net position	<u>\$ 7,091,714</u>	<u>\$ 5,215,034</u>

The accompanying notes are an integral part of these financial statements.



**VIRGIN ISLANDS PUBLIC BROADCASTING SYSTEM**  
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**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES:		
Grants from Corporation for Public Broadcasting	\$ 1,001,985	\$ 1,012,650
Funds from Federal Emergency Management Agency	185,960	-
Funds from Federal Communications Commission	125,993	-
Tower space rental	62,855	110,739
Underwriting	51,715	98,852
Fundraising	43,100	72,825
Advertising	14,726	5,919
Membership subscriptions and other donations	31,420	50,622
Other operating revenue	<u>5,153</u>	<u>17,793</u>
Total operating revenues	<u>1,522,907</u>	<u>1,369,400</u>
OPERATING EXPENSES:		
Program services	1,849,309	3,028,499
Management and general	1,545,126	1,640,037
Fundraising	22,874	11,649
Depreciation	<u>308,933</u>	<u>449,130</u>
Total operating expenses	<u>3,726,242</u>	<u>5,129,315</u>
LOSS FROM OPERATIONS	<u>(2,203,335)</u>	<u>(3,759,915)</u>
NON-OPERATING REVENUES & EXPENSES		
Non-capital appropriations from Government of the U.S. Virgin Islands	4,021,409	3,671,044
Interest income	1,629	1,624
Insurance recoveries, including hurricane related claims of \$52,212	<u>56,977</u>	<u>47,164</u>
INCOME/ (LOSS) BEFORE EXTRAORDINARY ITEM	<u>1,876,680</u>	<u>(40,083)</u>
EXTRAORDINARY ITEM		
Loss on impairment of capital assets	<u>-</u>	<u>555,397</u>
INCREASE/(DECREASE) IN NET POSITION	1,876,680	(595,480)
NET POSITION, at beginning of year	<u>5,215,034</u>	<u>5,810,514</u>
NET POSITION, at end of year	<u>\$ 7,091,714</u>	<u>\$ 5,215,034</u>

The accompanying notes are an integral part of these financial statements.

**VIRGIN ISLANDS PUBLIC BROADCASTING SYSTEM**  
**(A Component Unit of the Government of the United States Virgin Islands)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS USED IN OPERATING ACTIVITIES:		
Receipts from grants, customers and others	\$ 1,315,128	\$ 1,625,327
Payments to suppliers and employees	<u>(3,395,481)</u>	<u>(4,622,866)</u>
Net cash used in operating activities	<u>(2,080,353)</u>	<u>(2,997,539)</u>
CASH FLOWS PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES -		
Non-capital appropriations from primary government	4,021,409	3,671,044
Insurance recoveries on non-hurricane related claims	<u>56,977</u>	<u>47,164</u>
Net cash provided by non-capital financing activities	<u>4,078,386</u>	<u>3,718,208</u>
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES -		
Interest received on cash and cash equivalents	<u>1,629</u>	<u>1,624</u>
CASH FLOWS USED IN CAPITAL AND RELATED FINANCING ACTIVITIES -		
Purchase of capital assets	<u>(379,114)</u>	<u>(90,132)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,620,548	632,161
CASH AND CASH EQUIVALENTS, at beginning of year	<u>2,432,779</u>	<u>1,800,618</u>
CASH AND CASH EQUIVALENTS, at end of year	<u>\$ 4,053,327</u>	<u>\$ 2,432,779</u>
CASH AND CASH EQUIVALENTS INCLUDE:		
Unrestricted cash and cash equivalents	\$ 3,325,259	\$ 2,324,195
Restricted cash and cash equivalents	<u>728,068</u>	<u>108,584</u>
Total cash and cash equivalents	<u>\$ 4,053,327</u>	<u>\$ 2,432,779</u>
RECONCILIATION TO NET CASH USED IN OPERATING ACTIVITIES:		
Loss from operation	\$ (2,203,335)	\$ (3,759,915)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	308,933	449,130
Change in assets and liabilities:		
Accounts and other receivable	(172,250)	(8,968)
Due from the Government of the U.S. Virgin Islands	(37,650)	239,607
Prepaid expenses	(67,757)	83,380
Accounts payable	3,828	(61,790)
Accrued liabilities	(31,766)	1,994
Unearned revenue	(14,295)	16,765
Compensated absences	(64,869)	(60,958)
Deferred outflows of resources	131,485	(151,270)
Deferred inflows of resources	132,260	25,293
Net pension liability	<u>(64,937)</u>	<u>229,243</u>
Total adjustments	<u>122,982</u>	<u>762,376</u>
Net cash used in operating activities	<u>\$ (2,080,353)</u>	<u>\$ (2,997,539)</u>

*Continues*

The accompanying notes are an integral part of these financial statements.

**VIRGIN ISLANDS PUBLIC BROADCASTING SYSTEM**  
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*Continued*

**Non-cash transactions disclosures:**

**SUPPLEMENTARY DISCLOSURES OF CASH FLOWS INFORMATION:**

Salaries paid by the Government of Virgin Islands in the form of grant	\$ 1,797,509	\$ 2,269,304
Donated services	\$ 5,940	\$ 9,939
Impairment of capital assets:		
Cost	\$ -	\$ 3,288,115
Accumulated depreciation	\$ -	\$ 2,732,718

The accompanying notes are an integral part of these financial statements.

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**1. REPORTING ENTITY**

The Virgin Islands Public Broadcasting System (the "System") was created by Act No. 2364 on November 15, 1968, to provide educational television services in the United States Virgin Islands, and to advance the general welfare, cultural development, and awareness of public affairs of the general population. In December 2014, the System expanded operations to include a public education radio station, WTJX-FM. The radio station promotes educational, general welfare and cultural programming including National Public Radio programming. On July 30, 2015 but effective November 2015, the Legislature of the Virgin Islands through Act 7748 officially changed the name of the Virgin Islands Public Television System to the Virgin Islands Public Broadcasting System.

The System was formed as a public corporation, and is an autonomous component unit of the Government of the U.S. Virgin Islands (the "GVI") and, therefore, the financial statements of the System are not intended to present fairly the financial position and results of operations of the GVI. Only the accounts of the System are included in the reporting entity.

The System's Board of Directors consists of the Commissioner of the Department of Education, the Chairman of the Board of Education, the President of the University of the Virgin Islands, the Director of the Office of Management and Budget, three members appointed by the President of the Legislature, and four other members appointed by the Governor. The call letters of the System are WTJX, and it is a member of the Public Broadcasting Service ("PBS"), a media foundation that provides programs and services to public and non-commercial television stations. Also, it is a member of the National Public Radio ("NPR").

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The System prepares its financial statements in conformity with accounting principles generally accepted in the United States of America for governmental enterprise funds as prescribed by the Government Accounting Standards Board ("GASB").

The financial statements of the System have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

**Basic Financial Statements** - Standards for external financial reporting require that resources be classified for accounting and reporting purposes into net position categories and to report the change in net position. Net position is the residual of all other elements presented in the statements of net position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources and consists of the following categories:

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***Net Investment in Capital Assets*** - This category of net position consists of capital assets, net of accumulated depreciation, reduced by any outstanding balances of mortgages or notes attributable to the acquisition, construction or improvement of those assets.

***Restricted Component of Net Position*** - This category consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

***Unrestricted Component of Net Position*** - This category consists of the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets, or the restricted component of net position.

The System distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from services provided in connection with the System's community and education based television system. The principal revenues of the System are grants, including grants from the Government of the U.S. Virgin Islands and grants from the Corporation for Public Broadcasting ("CPB"), underwriting, fundraising, tower space rental and advertising. Operating expenses mainly include programming services, management and general expenses, and depreciation.

When both restricted and unrestricted resources are available for use, it is the System's policy to use restricted resources first, and then unrestricted resources as they are needed.

***Cash and Cash Equivalents*** - All deposits of the System are made in board-designated official depositories. The System may designate, as an official depository, any bank or savings association whose principal office is located in the United States Virgin Islands. Also, the System may establish time deposit accounts such as certificates of deposits.

The System's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The System receives periodic cash allotments from the CPB, which are held in a separate bank account and are reported as restricted cash and cash equivalents.

Under Virgin Islands law, government public funds are required to be deposited into accounts that are collateralized by security bond collateral that is satisfactory to the Commissioner of Finance. As of September 30, 2018, cash and cash equivalents held at banks were fully collateralized.

***Accounts and Other Receivable*** - All trade and grant receivables are reported as assets of the System. These accounts receivable mainly consist of underwriting, grants and rent from tower space.

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**Allowance for Doubtful Accounts** - The allowance for doubtful accounts is an amount that management believes will be adequate to absorb possible losses on existing accounts receivable that may become uncollectible based on evaluations of collectability of accounts receivable and prior credit loss experience. Because of uncertainties inherent in the estimation process, management's estimate of credit losses inherent in the existing accounts receivable and related allowance may change in the future. Balance of the allowance for doubtful accounts at September 30, 2018 and 2017 amounted to \$0.

**Prepaid Expenses** - Certain cash outlays to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the statement of net position and are expensed as the items are used or the expense is realized. These prepaid expenses mainly consist of unamortized PBS dues, memberships and insurance.

**Capital Assets** - Capital assets, which include property, plant, and equipment assets, are reported in the financial statements at the time of acquisition or donation. Acquired capital assets are reported at cost at the date of purchase or construction, and donated assets are reported at acquisition value at the date of donation. Only assets with an initial, individual cost, or fair market value, of more than \$5,000 are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets, or materially extend the life of assets are not capitalized. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method by groups or classes over the following expected service lives:

	<u>Years</u>
Production and broadcasting equipment	5-7
Buildings and improvements	5-40
Other	5-15

When capital assets are retired, the cost and related accumulated depreciation is removed from the accounts and any gain or loss is recognized as non-operating revenue or expense.

Accounting standards require management to disclose and report the impairment of capital assets, and any related insurance recoveries. The organization periodically evaluates whether there has been an impairment of capital assets. As a result of this calculation, an impairment loss amounting to \$555,397 was recognized for the year ended September 30, 2017, related to the aftermath of the hurricanes Irma and Maria. No impairment was deemed required to be recognized for the year ended September 30, 2018.



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**Compensated Absences** - Employees are eligible under personnel policies established by the Government of the Virgin Islands to accrue annual leave (up to 480 hours) if not used during the fiscal year. Unpaid annual leave is accrued as a liability of the System, as well as the System's share of related social security taxes and retirement system contributions, if the compensated absence is attributable to past service and it is probable that the System will compensate the employee for the benefits. The amount of compensated absences is computed using salary rates in effect at September 30th. As of September 30, 2018 and 2017, the System reported accrued compensated absences amounting to \$168,626 and \$233,495, respectively.

**Pension Plan** - The Employees' Retirement System of the government (the "GERS") is the administrator of a cost-sharing multiple-employer, defined benefit pension plan (the "plan") established as of October 1, 1959 by the Government to provide retirement, death, and disability benefits to its employees, and includes employees of Judicial, Executive and Legislative Branches of government and outside agencies. The plan covers all employees of the Government except employees compensated on a contract fee basis, casual, per diem or provisional and part-time employees who work less than 20 hours per week. Persons over the age of 55 may opt out of the plan by providing formal notification to the plan. Vesting of benefits occurs after 10 years of service. Benefits may be extended to beneficiaries of plan members.

**Other Post-Employment Benefits ("OPEB")** - All employees who are eligible for service retirement with GERS are eligible for certain other post-employment benefits ("OPEB") including retiree health care, dental and life insurance benefits under Title 3, Chapter 25, Subchapter VIII of the Virgin Islands Code. These benefits are provided in accordance with Virgin Islands law as part of a cost-sharing, multiple employer defined benefit OPEB plan, in which all component units of the primary government participate and contribute. All employees of the System who retire from government service after attaining age 55 with at least 30 years of service are eligible for benefits. Participants in the plan may elect coverage for their spouses and dependent children. Participants are required to contribute 35% of medical, prescription and dental premiums. The plan is a non-funded pay-as-you-go plan, and expenditures are paid by the GVI as they become due.

**Deferred Outflows of Resources** - In addition to assets, the statement of net position reports a separate section of deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that time. The deferred amounts related to pension consists of the unamortized portion of the net difference between projected and actual earnings on pension plan investments, changes in assumptions and other differences between expected and actual experience.

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***Deferred Inflows of Resources*** - In addition to liabilities and net position, the statement of net position reports a separate section of deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The deferred amounts related to pension consists of the unamortized portion of the net difference between projected and actual earnings on pension plan investments, changes in assumptions and other differences between expected and actual experience.

***Revenue Recognition*** - The System distinguishes operating revenues and expenses from non-operating items. Revenues associated with the Contributions from Corporation for Public Broadcasting are recorded as operating revenues when cash is received. Expenses related to the program services, and management and general expenses are recorded as operating expenses.

Non-operating revenues consist principally of non-capital appropriations from government of the US Virgin Islands. These appropriations are recorded as non-operating revenues when the government informs the System.

***Operating Revenues and Expenses*** - Operating revenues and expenses generally result from providing services in connection with the System's principal ongoing operations, mainly the production of educational and cultural programs. The System also recognizes grants received as operating revenue. Operating expenses for the System include cost of services, administrative expenses, and depreciation on capital assets.

***Use of Estimates in the Preparation of Financial Statements*** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, deferred inflows, liabilities, deferred outflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

**3. CASH AND CASH EQUIVALENTS**

The System maintains unrestricted cash and cash equivalents including: (i) allotments from the Government of the Virgin Islands, (ii) Special Productions including underwriting, donations, and other fundraising activities, (iii) Emergency Maintenance funded from rental income of an up-link television broadcasting tower located in St. Thomas, (iv) Certificate of Deposit held as a reserve and (v) a petty cash account.

Restricted cash consist of CPB funding. These funds will be used for the operation of the System, in compliance with the purposes and restrictions set forth in the CPB General Provisions and Eligibility criteria guidelines.

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As of September 30, 2018 and 2017, cash and cash equivalents consisted of the following deposits in banks and certificate of deposit:

	<u>September 30,</u> <u>2018</u>	<u>September 30,</u> <u>2017</u>
Restricted -		
Corporation for Public Broadcasting	<u>\$ 728,068</u>	<u>\$ 108,584</u>
Unrestricted:		
Government of the U.S. Virgin Islands	2,410,408	1,278,480
Special productions	250,421	313,625
Emergency maintenance	336,044	405,708
Petty cash	1,300	925
Certificate of deposit	<u>327,086</u>	<u>325,457</u>
Unrestricted cash and cash equivalents	<u>3,325,259</u>	<u>2,324,195</u>
Total cash and cash equivalents	<u>\$ 4,053,327</u>	<u>\$ 2,432,779</u>

**Concentration of Credit Risk** - The System utilizes one financial institution located in the United States Virgin Islands.

**Credit Risk** - Depository balances are fully collateralized with collateral satisfactory to the U.S.V.I Commissioner of Finance.

**4. ACCOUNTS AND OTHER RECEIVABLES**

Accounts and other receivables at September 30, 2018 and 2017, consisted of the following:

	<u>September 30,</u> <u>2018</u>	<u>September 30,</u> <u>2017</u>
Underwriting	\$ 34,913	\$ 17,377
Rent	5,033	8,406
Fundraising	26,865	365
Advertisement	2,330	3,470
Employees	1,557	3,179
FEMA	139,826	-
Other	<u>716</u>	<u>6,192</u>
	<u>\$ 211,240</u>	<u>\$ 38,989</u>

As of September 30, 2018 and 2017, the System had an outstanding receivable due from the GVI, a related party, amounting to \$144,852 and \$107,202, to cover operating expenditures.

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**5. CAPITAL ASSETS**

Capital assets at September 30, 2018 and 2017, are comprised of the following:

	Balance at September 30, 2017	Additions	Disposals	Balance at September 30, 2018
Non-depreciable assets:				
Land	\$ 1,284,996	\$ -	\$ -	\$ 1,284,996
Depreciable assets:				
Production and broadcasting equipment	6,558,570	184,798	-	6,743,368
Buildings and improvements	2,907,509	-	-	2,907,509
Other	1,549,356	194,316	(116,584)	1,627,088
Total depreciable assets	11,015,435	379,114	(116,584)	11,277,965
Less: accumulated depreciation	(7,957,049)	308,933	(116,584)	(8,149,398)
Total depreciable assets, net	3,058,387	70,181	-	3,128,567
Total capital assets, net	\$ 4,343,383	\$ 70,181	\$ -	\$ 4,413,563

  

	Balance at September 30, 2016	Additions	Disposals	Balance at September 30, 2017
Non-depreciable assets:				
Land	\$ 1,284,996	\$ -	\$ -	\$ 1,284,996
Depreciable assets:				
Production and broadcasting equipment	8,106,508	90,132	(1,656,964)	6,539,676
Buildings and improvements	3,592,242	-	(684,732)	2,907,510
Other	2,514,672	-	(946,419)	1,568,253
Total depreciable assets	14,213,422	90,132	(3,288,115)	11,015,439
Less: accumulated depreciation	10,240,640	449,130	(2,732,718)	7,957,052
Total depreciable assets, net	3,972,782	(358,998)	(555,397)	3,058,387
Total capital assets, net	\$ 5,257,778	\$ (358,998)	\$ (555,397)	\$ 4,343,383

Depreciation expense for the years ended September 30, 2018 and 2017 amounted to \$308,933 and \$449,130, respectively.

During September 2017, hurricanes Irma and Maria made landfall in the Virgin Islands affecting the System's assets and operations. In particular, the main office and television studio located at Haypiece Hill on the island of St. Thomas was totally destroyed, including severe damages to communication towers, equipment and vehicles.

As a consequence, the System had a loss of damaged building infrastructure, equipment and other assets with historical cost of \$3,288,115 and net book value of \$555,397.

During September 2017 the System received a \$30,000 emergency grant from CPB. As of September 30, 2017, the System was in the process of interacting with the United States Department of Homeland Security Federal Emergency Management Agency ("FEMA"). At the date of this report the Station has four approved FEMA's project worksheets for damaged building and equipment. During the fiscal year 2018, the Station received vehicles insurance proceeds amounting to \$52,213. On June 13, 2018, the Station

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received notification from the VI Government of an initial allocation of insurance proceeds in the amount of \$792,461. FEMA will deduct the insurance proceeds from their award to the station. The System is making all necessary efforts to recover losses, however final amount to be received is uncertain. See Note 9 for additional details.

**6. PROGRAMMING DUES**

The System is a member station of the Public Broadcasting Services of the U.S. ("PBS"). PBS offers programming designed to expand the minds of children, documentaries, non-commercial news programs, and programs designed to expose listeners to music, theatre, dance and art.

Dues for the member year of July 1, 2018 through June 30, 2019 amounted to \$751,987, paid as of September 30, 2018. Unamortized portion amounting to \$563,990 in 2018 is included as part of prepaid expenses in the accompanying statement of net position. During the fiscal year 2018, membership dues amounting to \$738,276 were reimbursed from PBS. Programming expense for the fiscal year ended September 30, 2018 amounted to \$1,849,309.

Dues for the member year of July 1, 2017 through June 30, 2018 amounted to \$738,276, paid as of September 30, 2017. Unamortized portion amounting to \$553,407 in 2017 is included as part of prepaid expenses in the accompanying statement of net position. Programming expense for the fiscal year ending September 30, 2017 amounted to \$3,028,499.

**7. NON CAPITAL APPROPRIATIONS AND GRANTS REVENUE**

The System receives two main sources of revenues: (i) non capital appropriations from the Government of the U.S. Virgin Islands to pay salaries and related expenses and operating expenditures, and (ii) grants from the Corporation for Public Broadcasting ("CPB") to provide funding for the System's member dues to the Public Broadcasting Service, salaries and related benefits and operating expenses.

For the fiscal years ended September 30, 2018 and 2017, the System received the following grant revenue from these organizations:

	September 30, 2018	September 30, 2017
Government of the Virgin Islands	\$ 4,021,409	\$ 3,671,044
Corporation for Public Broadcasting	1,001,985	1,012,650
Re-Packing Funds-FCC	125,993	-
	<u>\$ 5,149,387</u>	<u>\$ 4,683,694</u>

During the years ended September 30, 2018 and 2017, the GVI supported \$1,797,509 and \$2,269,304 in salary and related costs through its appropriations to the System.

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**8. TOWER SPACE RENTAL**

The System leases certain tower facilities to tenants under the terms requiring the payment of minimum annual rentals. Future income under the annual minimum rentals under noncancelable operating leases in effect at September 30, 2018, are as follows:

<u>Year Ending September 30.</u>	<u>Amount</u>
2019	\$ 61,602
2020	49,539
2021	32,036
2022	32,997
Thereafter	<u>33,987</u>
	<u>\$ 210,161</u>

Tower space rental income for the years ended September 30, 2018 and 2017 amounted to \$62,855 and \$110,739, respectively.

**9. COMMITMENTS AND CONTINGENCIES**

The System derives most of its operating revenue from appropriations provided by the local Government and the Corporation for Public Broadcasting. The continuing operation of the System is dependent on a continuation of grants for sustainable operations.

The Government of the Virgin Islands Department of Property and Procurement provides casualty insurance on System assets under a blanket insurance policy covering both the primary Government and certain autonomous agencies.

During September 2017, Hurricanes Irma and Maria hit the U.S. Virgin Islands causing enormous losses and devastation. The System suffered damages to equipment and property with historical cost of approximately \$3,288,115 and net book value of \$555,397. The System's headquarter and its main broadcasting facility were severely damaged.

The Board of Directors, the System's Management and the Government of USVI developed the following plan to bring the System to normal operations:

1. The System received \$52,212 from the insurance company to cover damages to vehicles
2. The System received \$30,000 emergency grant from CPB
3. A potential total allocation of \$792,461 was notified from the insurance settlement with the Central US Virgin Islands Government
4. Awards obligated from FEMA amounted to \$185,960 as of September 30, 2018
5. The System received FCC Repack Project funds amounting to \$125,993 during the fiscal year ended September 30, 2018
6. The System received a reimbursement from the Public Broadcasting Service ("PBS") for programming dues paid amounting to \$738,276



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As of the date of issuance of the 2018 financial statements, consultant's preliminary estimates of damages subject to further engineering and specialists assessment was in the range of \$6 million. In addition to the grants outlined above, management will continue all further required procedures under FEMA guidelines and under other programs, such as the Community Development Block Grant ("CDBG"), to complete the rebuilding procedures over the next fiscal years.

In addition, the System is part of the FCC Re-Packing Project that will allow for significant equipment acquisition related to a global repositioning of the FCC's broadcasting spectrum. Total estimated costs of the project amount to \$3.4 million, of which \$125,993 has been disbursed as of September 30, 2018. The Re-Packing Project will continue simultaneous to the System's recovery efforts previously explained.

**10. NET PENSION LIABILITY**

***Plan Description***

The Employees' Retirement System of the Government of the U.S. Virgin Islands (GERS) Pension Plan (the "Plan") is a cost-sharing multi-employer defined benefit pension plan. The Plan was established on October 1, 1959 by the Government of the U.S. Virgin Islands (the "Government" or "Employer") to provide pension benefits to its employees, and includes Judicial, Executive, Legislative Branches and outside agencies.

Separately issued financial statements for the Plan are available from GERS Office located at:

Government Employees' Retirement System  
3438 Kronprindsens Gade  
Saint Thomas, U.S. Virgin Islands 00802

***Eligibility***

The Plan covers all employees of the Government of the U.S. Virgin Islands except casual, provisional, or any part time employee who does not regularly work at least 20 hours per week. The plan also covers employees whose services are compensated on a contractual fee or per diem basis who work exclusively for the Government at least 40 hours per week. Employees are classified as Tier I and Tier II. Tier I employees were hired on or before September 30, 2005 and Tier II employees were hired on or after October 1, 2005. Tier 1 members with age over 55 years may opt out of the Plan by providing formal notification to the plan. Tier 2 members cannot opt out of the plan. The Plan provides retirement, death, and disability benefits to Plan members. Benefits may be extended to beneficiaries of plan members.

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***Retirement***

Regular employees are eligible for a full-service retirement annuity when they have completed 30 years of credited service or have attained the age of 60 with at least 10 years of credited service. Members who are considered "safety employees", as defined in the V.I. Code, are eligible for full retirement benefits when they have earned at least 20 years of government service or have reached the age of 55 with at least 10 years of credited service. Regular employees who have attained the age of 50 with at least 10 years of credited service can elect to retire early with a reduced benefit. Senators and members of the Legislature may receive a retirement annuity when they have attained the age of 50 and upon the completion of 6 years of credited service as a member of the Legislature.

The Early Retirement Act as subsequently amended in 1995, allows a member who has a combined aggregate number of years of service plus number of years of age equal to at least 75 years as of the date of the legislation to retire without reduction of annuity. Members who have attained the age of 50 with at least 10 years, but less than 30 years, of service may add an additional three years to their age for this computation. Members with 30 years of service or members who can retire without penalty under the Code shall have their average compensation increased by 4 percentage points.

The monthly annuity benefit payment is determined by applying a stipulated benefit ratio to the member's average compensation. Average compensation for Tier I members is determined by averaging the five highest years of salary the member earned within the last ten years of service, subject to the maximum salary limitation in effect during such service. Average compensation for Tier II members is determined by averaging the most recent five years of service, subject to the maximum salary limitations in effect during the service. The maximum annual salary that can be used in this computation is \$65,000, except for senators and judges, whose annual salary is used.

During the fiscal year ended September 30, 2017, the System implemented Governmental Accounting Standard Board Statement 68, "*Accounting and Financial Reporting for Pensions*" ("GASB 68"), as amended by Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date*". This standard requires the System to report its allocable share of net pension liability related to the Government's defined benefit pension plan, to report pension expense based on actuarial computations, to report deferred outflows of resources, and to restate opening net position for the liability as of September 30, 2017.

**VIRGIN ISLANDS PUBLIC BROADCASTING SYSTEM**  
**(A Component Unit of the Government of the United States Virgin Islands)**  
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***Funding and Contribution Policy***

Contributions to GERS are established by the Board of Trustees of GERS. Contribution rates to the retirement plan for regular employees vary based on classification as Tier I or Tier II. The GVI's employer contribution for Tier I and Tier II employees is 20.5% of the member's annual salary, effective on January 1, 2015. Employee contribution rates effective on January 1, 2018 are as follows:

	<b>Tier I</b>	<b>Tier II</b>
Regular Employees	11%	11.5%
Public Safety Employees	13%	13.625%
Legislature	12%	14%
Judges	14%	15%

Employee contribution rates effective on January 1, 2017 were 10% for all employees.

Both the Plan and the System have a September fiscal year end. GASB Statement No. 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this report, the following time frames were used:

Valuation Date:	October 1, 2017
Measurement Date:	September 30, 2017
Measurement Period:	October 1, 2016 to September 30, 2017

The pension liability reported in the System's financial statements is with regards to the payroll funded by sources other than government appropriations since the pension liability for all the employees paid by the GVI is accounted for at the GVI's financial statements. The System's proportionate share of employer contributions recognized by GERS from the payroll funded by sources other than government appropriations was \$42,715 or .0568% and \$40,181 or .0552% as of September 30, 2018 and 2017, respectively.

***Additional Information Regarding the Pension Plan***

GERS is a blended component unit of the primary Government and issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Employees' Retirement System of the Government of the Virgin Islands, 3438 Kronprindsens Gade, Saint Thomas, U.S. Virgin Islands 00802.

Following is a summary of the information provided by GERS regarding the implementation of GASBS 68 for the System:

**VIRGIN ISLANDS PUBLIC BROADCASTING SYSTEM**  
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**Allocation Percentage Methodology and Changes in Assumptions** - GASB Statement No.68, Accounting and Financial Reporting for Pensions, requires participating employers in the Plan to recognize their proportionate share of collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective pension expense excluding that attributable to employer-paid contributions. The assumptions used to calculate the employer allocations percentages presented in the Schedule of Employer Allocations and applied to amounts presented in the Schedule of Pension Amounts by Employer represent the average of each employer's contributions during the period October 1, 2013 through September 30, 2017. Employer contributions to the Plan are recognized when due pursuant to legal requirements. Employer contributions are determined by the Board of Trustees.

**Net Pension Liability** - The components of the System's net pension liability, as estimated by GERS, was as follows for the years ended September 30, 2018 and September 30, 2017, respectively:

<u>Pension Liability</u>	<u>GERS Net Pension Liability</u>	<u>System's Allocable Percentage</u>	<u>System's Estimated Pension Liability</u>
September 30, 2018	<u>\$ 4,380,440,589</u>	<u>0.0568 %</u>	<u>\$ 2,487,214</u>
<u>Pension Liability</u>	<u>GERS Net Pension Liability</u>	<u>System's Allocable Percentage</u>	<u>System's Estimated Pension Liability</u>
September 30, 2017	<u>\$ 4,626,602,268</u>	<u>0.0552 %</u>	<u>\$ 2,552,151</u>

The collective total pension liability for September 30, 2017 was determined by an actuarial valuation as of January 28, 2018. The System's proportion of the net pension liability was determined based on the change in assumptions to a three-year average of employer contributions to the pension plan, relative to the contributions of all participating reporting units, as actuarially determined. As of September 30, 2018, the System's proportion decreased 0.0016% from its proportion as of September 30, 2017.

**Deferred Outflows and Inflows of Resources** - In computing the net pension liability, consideration was given to economic and demographic factors which may cause differences between expected and actual results, and deferred outflows and inflows of resources to be amortized to future periods.

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For the year ended September 30, 2018, the System recognized \$198,808 of pension expense, inclusive of amortization of deferred outflows of pension related items. Following is a schedule of deferred outflows and deferred inflows computed by GERS to be allocated to the System in the computation of net pension liability:

<b>September 30, 2018</b>	<b>Deferred Outflows</b>	<b>Deferred Inflows</b>
Difference between expected and actual experience	\$ 75,246	\$ -
Net difference between projected and actual investment earnings on pension plan investments	14,110	-
Changes in assumptions	410,194	176,004
Changes in proportion and differences between contributions and proportionate share of contributions	151,386	76,855
Contributions made after measurement date	<u>40,256</u>	<u>-</u>
Total deferred outflows and inflows of resources	<u>\$ 691,192</u>	<u>\$ 252,859</u>

For the year ended September 30, 2017, the System recognized \$198,808 of pension expense, inclusive of amortization of deferred outflows of pension related items. Following is a schedule of deferred outflows and deferred inflows computed by GERS to be allocated to the System in the computation of net pension liability:

<b>September 30, 2017</b>	<b>Deferred Outflows</b>	<b>Deferred Inflows</b>
Difference between expected and actual experience	\$ 80,297	\$ -
Net difference between projected and actual investment earnings on pension plan investments	30,708	2,953
Changes in assumptions	526,475	-
Changes in proportion and differences between contributions and proportionate share of contributions	132,348	117,646
Amortization of deferred outflows of resources for the year	<u>52,849</u>	<u>-</u>
Total deferred outflows and inflows of resources	<u>\$ 822,677</u>	<u>\$ 120,599</u>

**VIRGIN ISLANDS PUBLIC BROADCASTING SYSTEM**  
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The cumulative amounts of collective net deferred outflows of resources and deferred inflows of resources reported as of September 30, 2018, will be recognized in pension expense as follows:

<b>Future Amortization of Deferred Net Outflows/Inflows</b>		
<b>Year Ending September 30,</b>	<b>GERS Deferred Outflows/Inflows</b>	<b>System Deferred Outflows/Inflows</b>
2019	\$ 235,750,951	\$ 164,685
2020	174,888,487	122,169
2021	159,914,770	111,709
2022	22,888,391	15,989
2023	24,502,045	17,116
Thereafter	(48,087,045)	(33,591)
Total net deferred outflows/inflows of resources	<u>\$ 569,857,599</u>	<u>\$ 398,077</u>

**Actuarial Assumptions:** Actuarial Assumptions used in the computation of pension liability and deferred outflows of resources were as follows:

Inflation:	2.50%
Salary increases:	3.25% including inflation
Discount rate:	3.74% net of pension plan investment expense, including inflation.
Mortality table:	RP-2014 Blue Collar Healthy Annuitant and Employee Mortality Tables
Actuarial cost method:	Entry Age Normal Cost Method
Municipal bond yield	3.64%

**Investment Rate of Return:** The long-term expected rate of return of 7.0% on pension plan investments was determined using the building-block method in which best-estimate ranges of expected future real rates of returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.



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Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of the measurement date of September 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	29 %	6.21 %
International equity	12 %	7.21 %
Fixed income	27 %	1.56 %
Cash	2 %	0.91 %
Alternatives	30 %	5.50 %
Total asset class	<u>100 %</u>	

**Discount Rate** - The discount rate used to measure total pension liability was 3.74% as of September 30, 2017 and 3.20% as of September 30, 2016. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate, including the future increases in the employee contribution rates legislated. Using the above assumptions, GERS fiduciary net position is not projected to be available to make all projected future benefit payments to current plan members. The plan has used a long-term expected rate of return on pension plan investments of 7.0%, applied to all periods of projected benefit payments that are covered by projected assets. For periods where projected future benefit payments are not covered by projected assets, the yield on a 20-year AA Municipal Bond Index was applied. As of September 30, 2017, that rate was 3.64%.

The following table presents the System's net pension liability under the assumptions of an increase or decrease of 1.00% in the Plan's discount rate.

<u>Allocable Share for the System</u>	<u>1% Decrease (2.74%)</u>	<u>Current Discount Rate (3.74%)</u>	<u>1% Increase (4.74%)</u>
Net pension liability	<u>\$ 2,885,466</u>	<u>\$ 2,487,214</u>	<u>\$ 2,158,582</u>

**11. RECLASSIFICATIONS**

Certain reclassifications were made to the 2017 financial statements in order to conform them to the current year's presentation.

**12. SUBSEQUENT EVENTS**

For purposes of these financial statements, subsequent events have been evaluated through April 9, 2019, which is the date that financial statements were available to be issued. There are no additional material subsequent events that require further disclosures in the System's financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**VIRGIN ISLANDS PUBLIC BROADCASTING SYSTEM**  
**(A Component Unit of the Government of the United States Virgin Islands)**  
**SCHEDULE OF THE SHARE OF THE NET PENSION LIABILITY**  
**SEPTEMBER 30, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
System's proportion of the net pension liability	0.0568 %	0.0552 %	0.0571 %
System's proportionate share of the net pension liability	\$ 2,487,214	\$ 2,552,151	\$ 2,322,908
System's covered-employee payroll	223,583	203,205	203,050
System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	1,112.43 %	1,256.00 %	1,144.00 %
Plan fiduciary net position as percentage of the total pension liability	16.18 %	16.54 %	19.58 %

*\*The amounts presented for each fiscal year are as of the measurement date September 30, 2017, 2016 and 2015. This schedule is intended to show a 10 year trend. Information for years before 2015, are not available. Additional years will be reported as they become available.*

**VIRGIN ISLANDS PUBLIC BROADCASTING SYSTEM**  
**(A Component Unit of the Government of the United States Virgin Islands)**  
**SCHEDULE OF CONTRIBUTIONS**  
**SEPTEMBER 30, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially required contributions	\$ 142,276	\$ 136,431	\$ 114,251	\$ 95,427
Contributions in relation to the actuarially required contributions	42,715	40,208	41,276	34,354
Contribution deficiency/(excess)	99,561	96,223	72,975	61,073
Covered-employee payroll	223,583	203,205	203,050	186,176
Contributions as a percentage of covered-employee payroll	19.11 %	19.79 %	20.33 %	18.45 %

*\*The amounts presented for the fiscal year noted. This schedule is intended to show a 10 year trend. Information for years before 2015, is not available.*

**VIRGIN ISLANDS PUBLIC BROADCASTING SYSTEM**  
**(A Component Unit of the Government of the United States Virgin Islands)**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**SEPTEMBER 30, 2018 AND 2017**

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Valuation Date: October 1, 2017  
Measurement Date: September 30, 2017

Actuarially determined contribution rates are calculated as of September 30, 2017, one year prior to the end of the fiscal year in which contributions are reported, and applied to all periods included in the measurement.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Cost Method
Inflation	2.50%
Salary increases	3.25% including inflation
Discount rate	3.74%, net of pension plan investment expense, including inflation
Mortality rates	RP-2014 Blue Collar Healthy Annuitant and Employee Mortality Tables
Municipal bond yield	3.64%

## **SUPPLEMENTARY INFORMATION**

**VIRGIN ISLANDS PUBLIC BROADCASTING SYSTEM**  
**(A Component Unit of the Government of the United States Virgin Islands)**  
**STATEMENT OF REVENUES AND EXPENSES PER DIVISION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>WTJX-TV</u>	<u>WTJX-FM</u>	<u>Total</u>
Operating revenues:			
Grants and funds	\$ 1,313,938	\$ -	\$ 1,313,938
Tower space rental	62,855	-	62,855
Underwriting	17,938	33,777	51,715
Fundraising	43,100	-	43,100
Advertising	14,726	-	14,726
Membership subscriptions and other donations	12,610	18,810	31,420
Other operating revenues	<u>5,153</u>	<u>-</u>	<u>5,153</u>
Total operating revenues	<u>1,470,320</u>	<u>52,587</u>	<u>1,522,907</u>
Non-operating revenues-			
Interest income	1,629	-	1,629
Insurance proceeds	<u>56,977</u>	<u>-</u>	<u>56,977</u>
Total Non-operating revenues	<u>58,606</u>	<u>-</u>	<u>58,606</u>
Contributions from Government of the U.S. Virgin Islands	<u>4,021,409</u>	<u>-</u>	<u>4,021,409</u>
Total revenues	<u>\$ 5,550,335</u>	<u>\$ 52,587</u>	<u>\$ 5,602,922</u>
Operating expenses:			
Program services:			
Salaries	\$ 1,217,891	\$ 74,200	\$ 1,292,091
Program acquisition	3,128	34,640	37,768
Annual leave accrual	(52,370)	-	(52,370)
Employee benefits	394,332	15,233	409,565
Equipment rental and maintenance	29,479	-	29,479
Professional fees	13,132	-	13,132
Utilities	62,376	-	62,376
Travel	41,450	-	41,450
Supplies and other	21,275	-	21,275
Production	42,349	-	42,349
Advertising	360	-	360
Small equipment	1,245	-	1,245
Professional development/training	700	-	700
Total program services	<u>1,775,347</u>	<u>124,073</u>	<u>1,899,420</u>
Management and general:			
Salaries	236,659	-	236,659
Employee benefits	280,535	-	280,535
Depreciation	308,933	-	308,933
Payroll taxes and contributions	110,830	5,676	116,506
Utilities	86,174	-	86,174

**VIRGIN ISLANDS PUBLIC BROADCASTING SYSTEM**  
**(A Component Unit of the Government of the United States Virgin Islands)**  
**STATEMENT OF REVENUES AND EXPENSES PER DIVISION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>WTJX-TV</u>	<u>WTJX-FM</u>	<u>Total</u>
Professional fees	255,885	7,550	263,435
Production	32,762	-	32,762
Repairs and maintenance	60,986	-	60,986
Insurance	89,348	-	89,348
Subscriptions and memberships	9,645	-	9,645
Professional development/training	7,960	-	7,960
Supplies and other	166,779	388	167,167
Program acquisition	-	1,727	1,727
Automobile	39,269	-	39,269
Equipment rental and maintenance	3,203	-	3,203
Small equipment	66,912	-	66,912
Postage and freight	3,649	-	3,649
Advertising	17,093	-	17,093
Computer supplies	11,985	-	11,985
Total management and general	<u>1,788,607</u>	<u>15,341</u>	<u>1,803,948</u>
Fundraising expense	<u>22,874</u>	<u>-</u>	<u>22,874</u>
Total operating expenses	<u>\$ 3,586,828</u>	<u>\$ 139,414</u>	<u>\$ 3,726,242</u>



## OTHER SUPPLEMENTARY INFORMATION



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**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***

To the Board of Directors  
Virgin Islands Public Broadcasting System:

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 Virgin Islands Public Broadcasting System (the "System"), as of and for the year ended September 30, 2018 and the related notes to the financial statements, which collectively comprise the System's basic financial statements and have issued our report thereon dated April 9, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the System's internal controls over financial reporting (internal control) to determine the 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 System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System'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 a combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We considered no deficiencies to be material weaknesses.

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.



To the Board of Directors  
Virgin Islands Public Broadcasting System  
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### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free from 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 did not disclose 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 System'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 System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USVI, LLC

Certified Public Accountants

April 9, 2019  
St. Thomas, U.S. Virgin Islands