

**Government of Guam
Liabilities**

**Assessment
October 2008 through March 2011**

**OPA Report No. 11-03
April 2011**



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EXECUTIVE SUMMARY
Government of Guam Liabilities Assessment
Report No. 11-03, April 2011

In January 2011, the Governor requested the Office of Public Accountability (OPA) to conduct an assessment of the Government of Guam's (GovGuam) liabilities, inclusive of unfunded/unbudgeted items. We found that (1) GovGuam overspent by \$83.6 million (M) for fiscal year (FY) 2010, bringing the cumulative deficit to \$349M as of September 30, 2010; (2) for FY 2011, the deficit is expected to increase by \$23.7M to \$34.1M due to the permanent injunction against the Department of Mental Health and Substance Abuse (DMHSA) to pay \$14M and the unbudgeted increases in health insurance premiums ranging from \$9.7M to \$20.1M; and (3) the Retirement Fund (GGRF) received an unintended windfall ranging from \$14.8M to \$18.1M for lost opportunity income or interest-only payments.

FY 2010 Preliminary Deficit \$83.6M

Consistent with prior years, GovGuam continues to spend more than it takes in. The preliminary over expenditure for FY 2010 was \$83.6M, bringing the cumulative deficit to \$349M. Among the factors contributing to the deficit are the over estimation of revenues by \$40.4M and unbudgeted recurring items totaling \$13.7M.

Actual revenues were \$485.1M, \$40.4M less than the anticipated \$525.5M projected for FY 2010. The largest over projections were in Income and Gross Receipts taxes, which totaled \$22.8M and \$17.2M, respectively. Unbudgeted recurring expenditures include \$3M in interest on tax refunds, \$4.6M in interest-only payments to GGRF, \$4.1M in credit card charges and other bank fees, and \$1.3M interest on the Cost of Living Allowance (COLA), among others.

However, the \$83.6M is likely to increase as the total for tax refunds, currently at \$280.3M, has yet to be reconciled. The Department of Revenue and Taxation (DRT) continues to process tax returns manually and expects to complete the processing of all 2009 tax returns by May 2011. Until then, the true liability for tax refunds will not be known. Accordingly, should the tax refund liability be greater than \$280.3M, the deficit would increase, but should the amount be less than \$280.3M, the deficit would decrease.

FY 2011 Deficit to Increase

While the initial passage of the FY 2011 budget was nearly balanced with projected revenues of \$535.2M and appropriations of \$535.5M, a deficit of \$23.7M to \$34.1M is expected due to DMHSA's court-ordered payments and the increased cost of health insurance premiums.

DMHSA Court-Ordered Payments

In November 2010, the U.S. District Court approved DMHSA Federal Management Team's plan to bring the department into compliance at a cost of \$16M. The FY 2011 Budget Act

appropriated \$2M for the implementation of the FMT's plan, leaving an unfunded liability of \$14M to be recorded in FY 2011. As of February 2011, \$4M has been remitted, leaving a balance of \$8.2M for FY 2011 and the remaining amounts to be paid in FY 2012 and 2013.

Health Insurance Increase

Health insurance premiums are expected to increase by \$9.7M to \$20.1M beyond what was appropriated. For FY 2011, \$28.9M was appropriated for health insurance premiums. Based on actual payments from the Department of Administration (DOA) to date and projecting those payments for the remainder of the fiscal year, total health insurance premiums are estimated to total \$38.6M, a shortfall of \$9.7M.

Under another methodology, using enrollment data from the Office of Finance and Budget for each corresponding health plan and projecting those payments for the remainder of the fiscal year, health insurance premiums would total \$49M, a shortfall of \$20.1M from the appropriated \$28.9M. Actual payments have not been reconciled against the enrollment data.

Retirement Fund's Unintended Windfall

Before any Department of Education (DOE) and Guam Memorial Hospital Authority (GMHA) employees can retire, DOE and GMHA are required to remit to GGRF the:

- (1) Delinquent government and employee contributions;
- (2) Amounts resulting from the average rate of return on investment during the time that such contributions were delinquent;
- (3) Late payment penalties equal to 1% per year of delinquent payments; *and*
- (4) Compounding interest of 4.5% on the outstanding employee contributions.

In addition to these penalties, Public Law (P.L.) 28-38 provided for GGRF to collect lost opportunity income on the outstanding \$34M owed by DOE and GMHA. Lost opportunity income is what GGRF could have earned if the \$34M had been timely received and invested. The law set a flat monthly payment of \$383,456 or \$4.6M annually in lost opportunity income for a total of \$24.2M over a five and a quarter year period. This methodology provided for an interest rate of 10% annually plus a "monthly loss component" of \$100,000. It did not take into account a rate of return based on an actual or an average rate of return nor of the reduction in the outstanding balances as payments were made. The annual 10% interest rate totaled \$17.9M and the \$100,000 loss component totaled \$6.3M over this period.

In September 2010, P.L. 30-196 amended P.L. 28-38, requiring DOA to remit monthly payments to GGRF based on a specified computation, instead of the fixed monthly payments of \$382,456.

Using three different methodologies: #1 P.L. 30-196's computation, #2 interest-only calculation, and #3 interest-on-interest calculation; we determined the lost opportunity income to range between \$6.1M to \$9.4M, resulting in an unintended windfall of \$14.8M to \$18.1M that instead should be applied to the outstanding balances owed by DOE and GMHA.

Other Assessments

We also reviewed other items such as the Making Work Pay Credit, Interfund Transfers, COLA Judgment Balance, Bureau of Prisons Prior Year Billing, and Merit Bonus.

Recommendations

Given the mounting deficit, the continued cash challenges, and meeting daily government operations, public officials must receive regular and accurate reports on the financial condition of our government. We made several recommendations, including: (1) the enactment of legislation to apply GGRF's unintended windfall of \$14.8M to \$18.1M to the remaining retirement liability balances of DOE and GMHA; (2) for DRT to seek technical assistance funding to fully automate and efficiently process tax returns, refunds, and collections; (3) revisit the FY 2011 budget to minimize the expected over expenditure of \$23.7M to \$34.1M; (4) the enactment of legislation to remove the word "automatic" to the merit bonus law; and (5) the posting of quarterly financial reports to include working trial balance and statement of Revenues, Expenditures, and Changes in Fund Balance, on the DOA website within 30 days after the quarter.



Doris Flores Brooks, CPA, CGFM
Public Auditor



Introduction

In response to Governor Calvo's January 2011 request for the Office of Public Accountability (OPA) to conduct an assessment of the Government of Guam's (GovGuam) liabilities, inclusive of unfunded/unbudgeted items, we reviewed:

1. Tax Refund Liabilities
2. Making Work Pay Credit
3. Health Insurance Increase
4. Department of Mental Health and Substance Abuse (DMHSA) Court Ordered Payments
5. Guam Memorial Hospital Authority (GMHA) and Department of Education (DOE) Retirement Fund Contributions
6. Interfund Transfers
7. Cost of Living Allowance (COLA) Judgment Balance
8. Bureau of Prisons Prior Year Billing
9. Deficit Reduction Prior Year Obligations
10. Merit Bonus
11. Law Enforcement 10% Salary Adjustment
12. Law Enforcement: 40 vs. 43 hours
13. Hay Study Compression Adjustment and Unclassified Positions Adjustments

This report presents the results of our assessment based on unaudited information from the departments of Administration (DOA), Education (DOE), Revenue and Taxation (DRT), the Government of Guam Retirement Fund (GGRF), and the Bureau of Budget and Management Research (BBMR), as well as on the financial information DOA provided to the Transition Committee's finance team.

During our initial meeting with Governor Calvo's Financial Advisor and the BBMR Director, we were also requested to review the Making Work Pay Credit and Interfund Transfers. We also reviewed the Tax Refund Liabilities, since it is one of the factors that annually affect the increase or decrease in the deficit.

See Governor Calvo's letter in Appendix 1. Our objective, scope, and methodology for this assessment can be found in Appendix 2.

Results of Assessment

GovGuam continues to spend more than it takes in. Over estimating revenues and the recurring unbudgeted items are among the factors contributing to the chronic over-spending. Without increasing revenues and decreasing expenditures, the pay down of the deficit remains a question that plagues our government daily.

Based on our assessment, there is a \$23.7million (M) to \$34.1M expected increase in the fiscal year (FY) 2011 deficit due to health insurance increases and DMHSA court-ordered payments. An additional \$14M is needed for DMHSA's court-ordered payments and \$9.7M to \$20.1M for health insurance increase over appropriated amounts. With this expected increase in the deficit, we recommend the Governor and Legislature revisit the FY 2011 budget to minimize this over expenditure.

We found that the \$24.2M in lost opportunity revenues provided to GGRF pursuant to Public Law (P.L.) 28-38 resulted in an unintended windfall ranging from \$14.8M to \$18.1M. Given the mounting deficit and continual cash challenges, we recommend that legislation be enacted to apply this unintended windfall against the retirement liabilities owed by DOE and GMHA.

FY 2010 Deficit

The General Fund unaudited deficit for FY 2010 is \$83.6M.¹ This means our government spent \$83.6M more than it took in. The unaudited deficit is a little less than the \$88.8M DOA reported to the Transition Team in December 2010 (Appendix 8). However, these figures are subject to change as the total amount owed for tax refunds, presently at \$280.3M, is still being manually processed. Until DRT completes the manual processing of the 2009 tax returns, which is expected in May 2011, the true liability for tax refunds will not be known. Accordingly, should the tax refund liability be greater than \$280.3M, the deficit would increase, but should the amount be less than \$280.3M, the deficit would decrease.

Add FY 2009's \$265.4M deficit and the unaudited cumulative deficit as of September 30, 2010 is \$349M.² The cumulative deficit now engulfs 72% of General Fund revenues. These figures are contained in DOA's General Fund FY 2010 Unaudited Financial Statements, Statements of Revenues and Expenditures, and Statements with Comparatives from September 30, 2009, which are attached as Appendices 3, 4, and 5.

Among the factors contributing to the deficit are the over estimation of revenues by \$40.4M and unbudgeted recurring items totaling \$13.7M. Revenues of \$525.5M were projected for FY 2010, but actual revenues amounted to only \$485.1M. The largest over projections were in Income and Gross Receipts taxes, which totaled \$22.8M and \$17.2M, respectively. Unbudgeted recurring

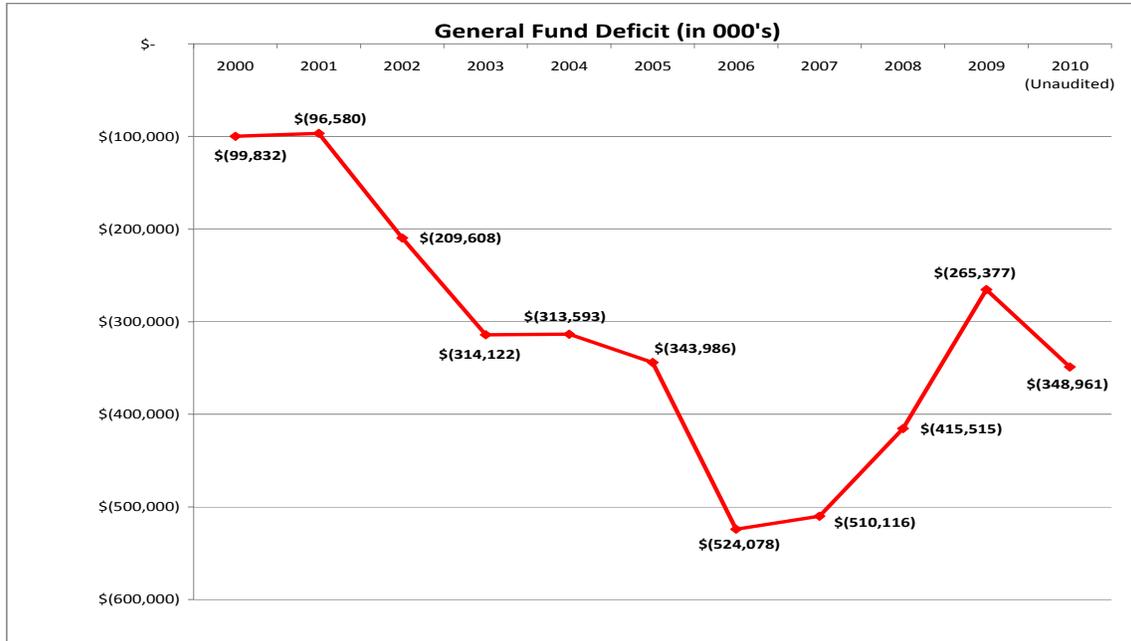
¹ The unaudited deficit prepared on a modified accrual basis takes into account such things as continuing appropriations, encumbrances, gross receipts, other tax offsets, etc.

² The financial statements obtained from DOA contain unaudited amounts. The amounts may change once the annual financial audit is complete. For example, the cumulative deficit as of September 30, 2010 is \$349M (Appendix 3), but the beginning deficit balance as of December 31, 2010 is shown as \$359.7M (Appendix 6), or a difference of \$10.7M. Therefore, the cumulative deficit as of September 30, 2010 may be understated by \$10.7M.

expenditures include \$3M in interest on tax refunds, \$4.6M in interest-only payments to the Retirement Fund, \$4.1M in credit card charges and other bank fees, and \$1.3M interest on COLA, among others.

In addition, preliminary unaudited tax refunds amounted to \$280.3M, up \$26.3M from the prior year's \$254M. Chronic overspending in GovGuam has caused long-standing cash shortages and has resulted in delaying payment to taxpayers and using tax refunds to fund day-to-day operations. In effect, taxpayers are being compelled to "lend" their money to the government.

Chart 1: General Fund Deficit FY 2000 ~ 2010



FY 2011 Deficit

For FY 2011, budgeted revenues of \$535.2M nearly match the appropriations of \$535.5M. However, DOA's unaudited General Fund financial statements reflect a \$40M deficit as of December 31, 2010 (Appendix 6). Note that there appears to be an error in this report as it does not reflect any "transfers in." The transfers in would reduce the preliminary \$40M deficit. Further, these numbers will continue to change as the year progresses.

As of February 2011, revenues for the five months were \$240.2M, which is \$6.4M or 2.8% over estimates of \$233.8M. February expenditures to date totaled \$255.7M, an over-expenditure of \$15.5M. This report does not reflect any of the federal Making Work Pay Tax Credit (MWPC) received. See Appendix 9 for the February report. While the outlook as of February 2011 appears encouraging, the recent catastrophic disaster in Japan may have a negative effect on Guam's tourism.

1. Tax Refund Liabilities

In June 2009, GovGuam issued General Obligation Bonds for \$271.1M and Limited Obligation (Section 30) Bonds for \$202.4M. Of the General Obligation Bond proceeds, \$112M was used to pay tax refunds, \$85M was used to pay liabilities for the court-ordered COLA settlement, \$21M was paid on DOE's and GMHA's past due retirement contributions, and \$35M was used to pay bond fees and capitalized interest, leaving a balance of \$18M. The \$202.4M Limited Obligation Bonds were used to pay for the construction of the new landfill, closure of Ordot Dump, prepaying a bank loan, and funding capitalized interest.

Even after paying out \$112M for tax refunds, GovGuam still owed taxpayers \$254M in refunds as of September 30, 2009. As of September 30, 2010, DOA's estimated refund liability increased to \$280.3M. As of February 10, 2011, DRT's liability figure was \$282.7M, \$2.4M more than DOA's. The difference is due to accruals and reserves that are recorded at DOA and the timing (run date) of the DRT report. See Table 1 for illustration.

Table 1: DOA and DRT Tax Refund Liabilities³

| Category | DOA (FY 2010 Unaudited) | DRT (as of 2/10/11 Unaudited) | |
|---|--|--|--|
| Income Tax Refund | \$ 13,776,882 | \$ 206,887,180 | |
| Reserve for Income Tax Claims | \$ 242,987,218 ⁴ | \$ - | |
| Reserve for Income Tax Rebates | \$ 21,392 | \$ - | |
| Reserve for Interest Tax Refunds | \$ 11,719,293 | \$ - | |
| Reserve for EITC Settlement Judgment | \$ 3,256,657 | \$ 3,200,000 | |
| Reserve for IRS Income Tax Rebate - 2007 | \$ 7,744,900 | \$ - | |
| Provision for Tax Credits | \$ 748,876 | \$ - | |
| Making Work Pay Credit (MWPC) Estimate for Tax Year 2009 | \$ - | \$ 36,300,000 ⁵ | |
| MWPC Estimate for Tax Year 2010 | \$ - | \$ 36,300,000 | |
| TOTAL: | \$ 280,255,219 | \$ 282,687,180 | Variance \$ 2,431,961 |

The tax refund liability recorded by DOA and DRT are reconciled only at year's end, during the annual financial audit. No process is in place for more frequent reconciliation of the tax refund liability due to the delays in the manual processing of tax returns. It should be noted that as DRT processes tax returns and updates its refund returns report, the liability becomes more definitive. According to the independent auditors, timelier processing by DRT will allow for more accurate estimates in determining the tax refund amount for budgetary purposes, as approved by the Legislature, and for estimating the nine-month accrual for the period January 1 through September 30 for each fiscal year.

³ DOA's refund liabilities report is as of September 30, 2010; DRT's report is as of February 10, 2011.

⁴ DOA's \$280.3M includes the \$62M in MWPC received for tax years 2009 and 2010 as of September 30, 2010.

⁵ DRT's report provides for the full application of the \$36M MWPC for tax years 2009 and 2010.

Because of the lack of timely processing by DRT of tax returns, the independent auditors made a \$14M tax audit adjustment, which increased the FY 2008 deficit accordingly. This was also the case in FY 2009, where a \$39M tax audit adjustment was made. We expect a similar process and tax audit adjustment to occur for FY 2010.

According to DRT's February 10, 2011 report, all individual income tax returns for tax years 2006 and prior were processed.⁶ For tax years 2007 through 2010, 72,612 individual returns, estimated to cost \$117.6M, remain to be processed. Similarly, all corporate tax returns for tax years 2005 and prior have been processed. DRT estimates it has yet to process 421 corporate returns valued at \$17.3M for tax years 2006 through 2010. See Table 2 for details.

Table 2: Tax Refund Returns Processed and Estimated

| Tax Year | Description | Count | Refund | Interest | TOTAL |
|--|--|----------------|-----------------------|---------------------|-----------------------|
| Individual Returns | | | | | |
| 2005 | Refund Returns Processed | 262 | \$ 924,071 | \$ 482,898 | \$ 1,406,968 |
| | Estimated Unprocessed & Unfiled Refunds | 0 | \$ - | \$ - | \$ - |
| | Total 2005 Processed & Estimated | 262 | \$ 924,071 | \$ 482,898 | \$ 1,406,968 |
| 2006 | Refund Returns Processed | 440 | \$ 741,838 | \$ 93,391 | \$ 835,229 |
| | Estimated Unprocessed & Unfiled Refunds | 0 | \$ - | \$ - | \$ - |
| | Total 2006 Processed & Estimated | 440 | \$ 741,838 | \$ 93,391 | \$ 835,229 |
| 2007 | Refund Returns Processed | 7,287 | \$ 8,230,282 | \$ 971,082 | \$ 9,201,365 |
| | Estimated Unprocessed & Unfiled Refunds | 223 | \$ 428,158 | \$ 57,517 | \$ 485,675 |
| | Total 2007 Processed & Estimated | 7,510 | \$ 8,658,441 | \$ 1,028,599 | \$ 9,687,040 |
| 2008 | Refund Returns Processed | 20,669 | \$ 27,477,887 | \$ 1,938,015 | \$ 29,415,902 |
| | Estimated Unprocessed & Unfiled Refunds | 1,307 | \$ 2,806,492 | \$ 209,095 | \$ 3,015,586 |
| | Total 2008 Processed & Estimated | 21,976 | \$ 30,284,379 | \$ 2,147,109 | \$ 32,431,488 |
| 2009 | Refund Returns Processed | 9,310 | \$ 26,315,782 | \$ 831,929 | \$ 27,147,711 |
| | Estimated Unprocessed & Unfiled Refunds | 27,082 | \$ 27,691,698 | \$ 896,498 | \$ 28,588,197 |
| | Total 2009 Processed & Estimated | 36,392 | \$ 54,007,480 | \$ 1,728,428 | \$ 55,735,908 |
| 2010 | Refund Returns Processed | 0 | \$ - | \$ - | \$ - |
| | Estimated Unprocessed & Unfiled Refunds | 44,000 | \$ 85,500,000 | \$ - | \$ 85,500,000 |
| | Total 2010 Processed & Estimated | 44,000 | \$ 85,500,000 | \$ - | \$ 85,500,000 |
| TOTAL | Refund Returns Processed | 37,968 | \$ 63,689,860 | \$ 4,317,315 | \$ 68,007,175 |
| | Estimated Unprocessed & Unfiled Refunds | 72,612 | \$ 116,426,348 | \$ 1,163,110 | \$ 117,589,458 |
| | Total Processed & Estimated: | 110,580 | \$ 180,116,209 | \$ 5,480,424 | \$ 185,596,633 |
| Non-Resident Aliens Returns | | | | | |
| 2010 & Prior Years | Refund Returns Processed | 107 | \$ 150,225 | \$ 12,995 | \$ 163,220 |
| | Total Estimated Unprocessed & Unfiled Refunds | 0 | \$ - | \$ - | \$ - |
| | Total Non-Resident Returns Processed & Estimated: | 107 | \$ 150,225 | \$ 12,995 | \$ 163,220 |
| Corporate Returns | | | | | |
| 2005 through 2010 | Refund Returns Processed | 69 | \$ 3,008,486 | \$ 822,787 | \$ 3,831,274 |
| | Estimated Unprocessed & Unfiled Refunds | 421 | \$ 16,680,536 | \$ 615,518 | \$ 17,296,053 |
| | Total Corporate Returns Processed & Estimated: | 490 | \$ 19,689,022 | \$ 1,438,305 | \$ 21,127,327 |
| TOTAL Individual and Corporate Returns | | | | | |
| Refund Processed | | 38,144 | \$ 66,848,572 | \$ 5,153,097 | \$ 72,001,669 |
| Estimated Unprocessed & Unfiled Refunds | | 73,033 | \$ 133,106,884 | \$ 1,778,628 | \$ 134,885,511 |
| MWPC Processed Amount | | 0 | \$ - | \$ - | \$ - |
| TOTAL Individual & Corporate Returns: | | 111,177 | \$ 199,955,455 | \$ 6,931,725 | \$ 206,887,180 |

⁶ Tax year is the period from January 1 to December 31 and is synonymous with calendar year.

As of February 10, 2011, 10 months after the April 15, 2010 tax deadline, only 9,310 or 26% of the estimated 36,392 2009 tax returns that are due refunds have been processed.⁷ In FY 2010, approximately \$87.8M was paid out in tax refunds. During the first four months of FY 2011, \$20.8M was paid out. See Table 3.

Table 3: DRT Tax Refunds Paid as of January 2011

| Period | Returns Refunded Count | Refund Amount | Interest Amount | Total Amount |
|---------------|-------------------------------|----------------------|------------------------|----------------------|
| October 2010 | 2,148 | \$ 7,722,921 | \$ 220,967 | \$ 7,943,889 |
| November 2010 | 1,998 | \$ 7,320,548 | \$ 221,262 | \$ 7,541,809 |
| December 2010 | 1,008 | \$ 3,231,511 | \$ 105,076 | \$ 3,336,587 |
| January 2011 | 858 | \$ 1,814,565 | \$ 127,627 | \$ 1,942,192 |
| TOTAL: | 6,012 | \$ 20,089,544 | \$ 674,932 | \$ 20,764,476 |

According to DRT's Deputy Director, a scanner to automate the processing of tax returns was purchased in 2007, but it was unreliable and did not relieve the staff of manually inputting data. Thus, DRT reverted to the time-consuming process of manually inputting each tax return filed. The manual processing is highly susceptible to errors and miscalculations and may impede the timely reconciliation of tax refunds and completion of the government-wide financial audit.

The interest rate paid on tax refunds is adjusted periodically by the Internal Revenue Service. Beginning January 1, 2011, the present interest rate on unpaid tax refunds is 3%. For the first four months of FY 2011, GovGuam paid \$675K in interest on tax refunds.

Given the staggering and still-growing deficit and the extra burden of having to pay interest, it is imperative that DRT be mechanized and staffed appropriately to handle tax returns. We recommend DRT seek technical assistance funding from the Department of the Interior's Office of Insular Affairs as well as local funding to procure the technology, system upgrades, and training necessary to fully automate the processing of tax returns, refunds, and collections. We also recommend DOA report monthly to the Governor, the Legislature, and the OPA as to the number and amounts of tax refunds and interest paid for the month and year-to-date, and to post these reports on its website. According to a DOA General Accounting Supervisor, DOA is already preparing this report and it is a matter of formal transmittal to the officials identified.

2. Making Work Pay Credit

The Making Work Pay Credit (MWPC) is a provision of the American Recovery and Reinvestment Act (ARRA) and is intended to provide tax relief for eligible working individuals in tax years 2009 and 2010. The credit relieves working individuals up to \$400 and married taxpayers filing jointly up to \$800 from their income taxes. Excluded from the credit are individual taxpayers who earned more than \$95,000, married joint filers who earned more than \$190,000, nonresidents, persons not employed during the year, or persons who could be claimed on someone else's return, and pensioners, retired persons and the disabled who did not receive income during the year.

⁷ Approximately 60,000 tax returns are filed in any given tax year, but not all tax returns are due refunds.

The U.S. Treasury Department (Treasury) provides advances to local governments for the cost of the MWPC. GovGuam thus far received \$67.5M: \$36.3M for tax year 2009 and \$31.2M for tax year 2010. The remaining \$5.1M for tax year 2010 is expected to be received during 2011. Any overpayments are to be returned to the Treasury by January 30, 2013 or to be off-set against future payments. See Table 4.

Table 4: MWPC Cash Receipt Schedule

| Deposit Date | Tax Year | Amount |
|---|-----------------|----------------------|
| 6/26/2009 | 2009 | \$ 16,200,000 |
| 9/22/2009 | 2009 | \$ 8,100,000 |
| 2/18/2010 | 2009 | \$ 2,400,000 |
| 3/5/2010 | 2009 | \$ 3,600,000 |
| 4/8/2010 | 2009 | \$ 2,400,000 |
| 5/6/2010 | 2009 | \$ 1,800,000 |
| 6/4/2010 | 2009 | \$ 1,800,000 |
| Subtotal, Tax Year 2009 | | \$ 36,300,000 |
| 1/6/2010 | 2010 | \$ 6,422,500 |
| 4/8/2010 | 2010 | \$ 6,422,500 |
| 7/8/2010 | 2010 | \$ 6,422,500 |
| 10/22/2010 | 2010 | \$ 6,422,500 |
| 2/4/2011 | 2010 | \$ 2,202,000 |
| 3/7/2011 | 2010 | \$ 3,303,000 |
| Subtotal, Tax Year 2010 | | \$ 31,195,000 |
| Total Payment Received as of March 2011: | | \$ 67,495,000 |

Return of Unused Amounts

According to DRT’s May 2009 memorandum to the Treasury, any unused amounts are to be returned. Specifically, the memorandum noted:

“Guam shall not allow claims for MWPC except for tax years 2009 and 2010 unless otherwise authorized by law. Guam shall reconcile all monies received from the U.S. Department of the Treasury and return any excess of the amounts received over the MWPC properly claimed to the Secretary of the Treasury by January 30, 2013. Any such excess not returned to the Secretary of the Treasury by January 30, 2013, shall be recovered by the Secretary of the Treasury by means of offset future payments to Guam or otherwise.”

Based on the amounts already received from Treasury, \$16.2M has been recorded as a liability owed to taxpayers in FY 2009 and \$45.8M in FY 2010. According to DOA, the MWPC of \$62M already received has been used to fund the daily operations of the General Fund, including the payment of tax refunds.

The FY 2011 Budget Act authorized \$100.1M for tax refund payments, which included MWPC with the following classification of return status, designations, and amounts.

Table 5: Refunds with ACTC and MWPC Claims

| Tax Year | Return Status | Amount |
|---|----------------------------|-----------------------|
| Refunds with Additional Child Tax Credit & MWPC: | | |
| 2007 | A Status Returns | \$ 5,000,000 |
| 2008 | A Status Returns | 10,000,000 |
| 2009 | A Status Returns | 65,000,000 |
| 2010 | A Status Returns | 15,000,000 |
| <i>Subtotal:</i> | | \$ 95,000,000 |
| Emergency Refunds: | | |
| 2009 | Emergency A Status Returns | \$ 2,000,000 |
| 2010 | Emergency A Status Returns | 3,062,184 |
| <i>Subtotal:</i> | | \$ 5,062,184 |
| Total Tax Refunds Authorized: | | \$ 100,062,184 |

Note: "A Status Returns" are tax returns that have been processed and accepted by DRT.

Tax Years 2009 and 2010 MWPC Estimates

Because DRT has yet to complete the processing of 2009 returns, we were unable to identify the total MWPC for 2009. According to the Deputy Director, DRT's data management division is staffed with only five full-time employees, who, as of March 8, 2011, have processed 25,295 MWPC of the 44,000 tax year 2009 returns. The remaining 18,705 tax returns are expected to be processed by May 2011.

In February and March 2011, DOA received an additional \$5.5M from the Treasury for MWPC for tax year 2010. Of this amount, \$2.2M was received on February 4, 2011 and \$3.3M on March 7, 2011. According to the Acting Director, the \$5.5M will not be used for daily operations, but will instead be set aside in anticipation of returning any unused MWPC.

3. Health Insurance Increase

The GovGuam Group Health Insurance Program is a cost-sharing plan available to both active employees and retirees. Current statutes prohibit active and retired employees from having to pay different amounts for the same coverage. The government's share of the cost is established annually upon renewal.

In FY 2010, GovGuam had three plan options from a single provider: (1) SelectCare 2000; (2) SelectCare 1500; and (3) SelectCare 1000. For FY 2011, the options were reduced to Health Savings Account Plan (HSA) 2000 and SelectCare 1500.⁸ The FY 2011 Budget Act appropriated \$28.9M for the government's contributions for active employees in the line agencies, DOE, and retirees. However, medical insurance costs to both the government and the employees for FY 2011 increased substantially over FY 2010. Under SelectCare 2000, the government's contributions in FY 2010 ranged from \$48 to \$125 for active employees and from \$146 to \$425 for retirees. For FY 2011, the government's share increased by an average of 48%

⁸ SelectCare 2000 in FY 2010 and HSA 2000 in FY 2011 were substantially the same plans, except that HSA 2000 gives its members the option to invest in a Health Savings Account.

for active employees, ranging from \$79 to \$168. Retirees' rates ranged from \$268 to \$723, an average increase of 76%. Refer to Appendix 10 for the 2011 Medical and Dental Rates.

Health insurance premiums are expected to increase by \$9.7M to \$20.1M beyond what was appropriated in the FY 2011 budget. Thus, the FY 2011 deficit will increase accordingly.

Projection Using Actual Payments

Based on actual DOA and DOE payments in March 2011 and December 2010, and projection of those payment amounts for the remainder of the fiscal year, total health insurance premiums are estimated to be \$38.6M, a shortfall of \$9.7M against the \$28.9M appropriation for FY 2011.

The projection was made by averaging DOA and DOE government contributions made as of March 2011 and December 2010, respectively, and multiplying that average by 26 pay periods. Likewise, the average government contribution made on behalf of retirees was multiplied by 24 periods.⁹ Of the \$12.7M increase from FY 2010 to FY 2011, \$10.3M is for the General Fund (active employees and retirees), and \$2.4M is for DOE employees. The largest increase is in the contribution for retirees, from \$18.1M in FY 2010 to an estimated \$26.3M.

Table 6: Health Insurance Shortfall Projection Using Actual DOA Payments

| Classification | FY 2010 (Actual - Unaudited) | FY 2011 (Projection) | Dollar Increase |
|--|---|---------------------------------|----------------------------|
| General Fund | | | |
| General Fund Active Employees | \$ 3,666,650 | \$ 5,753,969 | \$ 2,087,319 |
| Government of Guam Retirees | \$ 18,108,174 | \$ 26,312,805 | \$ 8,204,631 |
| <i>General Fund Total:</i> | \$ 21,774,824 | \$ 32,066,774 | \$ 10,291,950 |
| DOE | | | |
| Department of Education | \$ 4,143,395 | \$ 6,561,883 | \$ 2,418,488 |
| <i>DOE Total:</i> | \$ 4,143,395 | \$ 6,561,883 | \$ 2,418,488 |
| <i>Overall Increase:</i> | \$ 25,918,219 | \$ 38,628,657 | \$ 12,710,438 |
| FY 2011 Budget Act Appropriation: | | \$ 28,898,756 | |
| Shortfall: | | \$ (9,729,901) | |

Projection Using Enrollment Data

Under another methodology, using the Office of Finance and Budget's average enrollment data for January and February 2011, the projected government share of health insurance premiums are estimated to be \$49M, a shortfall of \$20.1M against the \$28.9M appropriated for FY 2011.

The projection was made by using the January and February 2011 enrollment data for each corresponding health plan and multiplying these figures by the respective plan rates for 26 pay periods for active line agency and DOE employees and 24 periods for retirees. Of the \$23.1M increase from FY 2010 to FY 2011, \$19.5M is for the General Fund (active employees and retirees), and \$3.5M is for DOE employees. Likewise, the largest increase is the \$14.3M contribution for retirees from \$18.1M in FY 2010 to an estimated \$32.4M.

⁹ Active employee health insurance contributions are made every pay period (total of 26 pay periods in one year), while retirees' contributions are made bi-monthly (total of 24 payments in one year).

Table 7: Health Insurance Shortfall Projection Using Enrollment Data

| Classification | FY 2010 (Actual - Unaudited) | FY 2011 (Projection) | Dollar Increase |
|--|---|---------------------------------|----------------------------|
| General Fund | | | |
| General Fund Active Employees | \$ 3,666,650 | \$ 8,873,384 | \$ 5,206,734 |
| Government of Guam Retirees | \$ 18,108,174 | \$ 32,447,592 ¹⁰ | \$ 14,339,418 |
| <i>General Fund Total:</i> | \$ 21,774,824 | \$ 41,320,977 | \$ 19,546,153 |
| DOE | | | |
| Department of Education | \$ 4,143,395 | \$ 7,680,229 | \$ 3,536,834 |
| <i>DOE Total:</i> | \$ 4,143,395 | \$ 7,680,229 | \$ 3,536,834 |
| <i>Overall Increase:</i> | \$ 25,918,219 | \$ 49,001,206 | \$ 23,082,987 |
| FY 2011 Budget Act Appropriation: | | \$ 28,898,756 | |
| Shortfall: | | \$ (20,102,450) | |

As there has been no reconciliation of actual payments versus enrollment data, the health insurance shortfall may range from \$9.7M to \$20.1M.

More than 600 new members signed up for health insurance in FY 2011, increasing enrollment from 10,262 in FY 2010 to 10,892 in FY 2011. Without budget lapse information, we were unable to determine which line agencies will be able to absorb the increase. According to a DOA General Accounting Supervisor, the health insurance expenditures are recorded in a cost pool account, which makes it difficult to ascertain which line agencies will be able to absorb the health insurance increase.

In FY 2009, \$18.7M was budgeted for retirees' health insurance costs, but the actual cost was \$20.4M. Unaudited figures for FY 2010 show that the \$18.3M budgeted was \$814,369 short of the actual cost of \$19.1M.

OPA and DOE Health Insurance Cost Estimates

We estimate that OPA's medical and dental insurance costs for FY 2011 increased by \$12,577 or 43% from \$29,429 last year. As of December 31, 2010, we paid \$9,694 and expect to pay \$32,312 in the remaining nine months of FY 2011, for a total of \$42,006. Personnel lapses will allow us to absorb the increase within our FY 2011 appropriation.

We estimate DOE's increase for FY 2011 to be 58% or \$2.4M based on projecting DOE's December 2010 payments for the fiscal year. DOE's monthly insurance payments totaled \$4.1M in FY 2010. As of December 31, 2010, DOE paid \$1.5M and is expected to spend another \$5M over the remaining nine months. Based on the January 2011 analysis from the Education Financial Supervisory Commission, DOE appears to be able to absorb the increase if the 3% reserve on personnel and benefits is not imposed.

¹⁰ This figure may include the enrollment for retirees from autonomous agencies, which we were unable to extract as of the issuance date of this report.

4. Department of Mental Health & Substance Abuse (DMHSA) Court-Ordered Payments¹¹

The District Court's June 2004 Permanent Injunction against DMHSA for violating the constitutional rights of the plaintiffs was amended in June 2005 and the Court appointed a Federal Management Team (FMT) in March 2010. In September 2010, the Court approved the FMT's plan to bring the department into compliance with the court orders to improve care for individuals with developmental disabilities and mental illness. In November 2010, the Court approved the FMT's \$16M request and payment schedule to implement the plan. The first payment was due on November 30, 2010. See Table 8 for payment schedule.

Table 8: DMHSA Permanent Injunction Payment Schedule

| Payment No. | Date | Amount | Status as of February 2011 |
|--------------------------------|-------------------|---------------------|-----------------------------------|
| 1 | November 30, 2010 | \$2,000,000 | Paid |
| 2 | January 3, 2011 | \$2,000,000 | Paid |
| 3 | February 1, 2011 | \$1,000,000 | Deferred until April 1, 2011 |
| 4 | March 1, 2011 | \$2,000,000 | To be paid |
| 5 | April 1, 2011 | \$500,000 | To be paid |
| 6 | May 2, 2011 | \$3,200,000 | To be paid |
| 7 | July 1, 2011 | \$1,000,000 | To be paid |
| 8 | September 1, 2011 | \$500,000 | To be paid |
| FY 2011 Total Payments: | | \$12,200,000 | |
| 9 | October 3, 2011 | \$1,500,000 | To be paid |
| 10 | January 3, 2012 | \$1,000,000 | To be paid |
| 11 | August 1, 2012 | \$1,000,000 | To be paid |
| FY 2012 Total Payments: | | \$3,500,000 | |
| 12 | May 1, 2013 | \$250,000 | To be paid |
| FY 2013 Total Payments: | | \$250,000 | |
| TOTAL: | | \$15,950,000 | |

Of the \$16M approved, \$12.2M is to be paid in FY 2011, \$3.5M in FY 2012, and \$250,000 in FY 2013. As of February 2011, \$4M has been remitted, leaving a balance of \$8.2M for FY 2011. Although \$1M was due on February 1, 2011, the court granted the administration's request for a 60-day extension and moved the deadline to April 1, 2011. We understand that the administration is negotiating with the FMT for a new payment schedule. To alleviate the cash pressure, we recommend the payments be extended over a longer period.

The FY 2011 Budget Act appropriated \$2M for the implementation of the FMT's plan. The cost of DMHSA's injunction will be footnoted as a subsequent event in the FY 2010 financial audit and will be recorded as a liability, increasing the deficit by another \$14M in FY 2011.

¹¹ Also included the Department of Integrated Services for Individuals with Disabilities.

5. DOE and GMHA Retirement Fund Contributions

DOE and GMHA owe GGRF both the employer and member contributions for various pay periods during the 1990s for GMHA and 2003 for DOE. In February 2003, the Superior Court ordered GGRF to cease processing retirement, disability, or survivor benefit applications from employees of delinquent agencies (Civil Case No. CV 1848-01). In September 2004, P.L. 27-106 required eligible employees to be granted retirement only when his or her outstanding contributions, the employer contributions, and all fees, interest, and penalties were remitted. In 2005, GGRF’s Board of Trustees directed management to stop accepting retirement applications from employees of delinquent agencies. By then, DOE and GMHA owed approximately \$34M in unremitted contributions, interest, and penalties. See Table 9.

Table 9: Delinquent Payments per P.L. 28-38

| Agency | Period | Amount |
|---------------|---------------|-----------------------------|
| DOE | 2003 | \$ 17,154,609 |
| GMHA | 1990 to 2005 | \$ 16,860,142 ¹² |
| Total: | | \$ 34,014,751 |

\$24.2M of Interest-Only Payments Made to GGRF

As a result, DOE and GMHA employees could not retire and this led to a public outcry. In order for DOE and GMHA employees to retire, the agencies are required to remit to GGRF:

1. The delinquent government and employee contributions;
2. The amounts the delinquent payments would have earned based on the average rate of return on investment during the period when the payments were delinquent;
3. A late payment penalty equal to 1% per year of delinquent payments; *and*
4. An additional compounding interest rate of 4.5% for the outstanding employee contributions.

The Governor’s Office, DOE, GMHA, GGRF, and the Legislature worked collaboratively to address the issue, resulting in the enactment of P.L. 28-38 in June 2005. P.L. 28-38 also provided for GGRF to be paid interest-only on “lost opportunity income.” The “lost opportunity income” is what GGRF could have made on investment if DOE and GMHA had paid on time. The interest-only payments were set monthly at \$190,501 for GMHA and \$192,955 for DOE, or \$4.6M annually. According to GGRF’s Director, the rate was calculated by the former controller at 10% annually plus a flat “monthly loss component” of \$100,000. This methodology did not take into account the actual or an average rate of return, or the reduced balances as payments were made. The \$100K loss component totaled \$6.3M and the annual 10% interest totaled \$17.9M over this period (See Table 10). The interest-only payments are *not applied* against the agencies’ liability, are *in addition to* other interest and penalties, and will continue until the outstanding balances are paid.

¹² This includes payments due from a 1998 Promissory Note.

Table 10: \$24.2M Interest Only Payments Components

| Fiscal Year | 10% Annual Rate of Return | Monthly \$100,000 Loss Component | Total Interest-Only Payments (P.L. 28-38) |
|-----------------------|----------------------------------|---|--|
| DOE | | | |
| 2005 | \$ 428,865 | \$ 150,000 | \$ 578,865 |
| 2006 | \$ 1,715,460 | \$ 600,000 | \$ 2,315,460 |
| 2007 | \$ 1,715,460 | \$ 600,000 | \$ 2,315,460 |
| 2008 | \$ 1,715,460 | \$ 600,000 | \$ 2,315,460 |
| 2009 | \$ 1,715,460 | \$ 600,000 | \$ 2,315,460 |
| 2010 | \$ 1,715,460 | \$ 600,000 | \$ 2,315,460 |
| GDOE Subtotal: | \$ 9,006,165 | \$ 3,150,000 | \$ 12,156,165 |
| GMHA | | | |
| 2005 | \$ 421,503 | \$ 150,000 | \$ 571,503 |
| 2006 | \$ 1,686,012 | \$ 600,000 | \$ 2,286,012 |
| 2007 | \$ 1,686,012 | \$ 600,000 | \$ 2,286,012 |
| 2008 | \$ 1,686,012 | \$ 600,000 | \$ 2,286,012 |
| 2009 | \$ 1,686,012 | \$ 600,000 | \$ 2,286,012 |
| 2010 | \$ 1,686,012 | \$ 600,000 | \$ 2,286,012 |
| GMHA Subtotal: | \$ 8,851,563 | \$ 3,150,000 | \$ 12,001,563 |
| TOTAL: | \$ 17,857,728 | \$ 6,300,000 | \$ 24,157,728 |

GMHA’s 1998 Promissory Note

In March 1998, GGRF accepted a promissory note from GMHA for outstanding contributions, interest, and penalties. According to GGRF, the outstanding balance at the time was \$9.8M. As of September 30, 2008, the balance was \$4.1M plus \$1.9M in interest and penalties.

P.L. 30-196 Interest Payments Calculation

In September 2010, P.L. 30-196 amended P.L. 28-38, requiring DOA to “compute and recognize interest owed for both the DOE and GMHA equal to the outstanding liability multiplied by one twelfth (1/12) of the most recent historical five-year average annual rate of return of the defined benefit plan investment portfolio, inclusive of performance which yielded negative returns.” The law also allowed for any liability payments from DOE or GMHA to be credited to their respective liability balances prior to calculating next month’s interest. The condition and methodology in P.L. 30-196 are reasonable and more equitable than the monthly interest-only flat rates.

Under P.L. 30-196, the General Fund has been required to remit approximately \$55,000 to GGRF monthly, a sizeable reduction from the previous payments of \$192,955 for DOE and \$190,501 for GMHA. Of the \$55,000, \$30,000 is on behalf of DOE and \$25,000 is on behalf of GMHA.

If P.L. 30-196’s computation was used to calculate the interest-only/lost opportunity rates, the payments to GGRF would have been \$6.1M instead of \$24.2M, a difference of \$18.1M. See Table 11 for illustration.

Table 11: P.L. 30-196 Computation of Interest Calculation

| Fiscal Year | Principal Balance | P.L. 30-196¹³ | P.L. 30-196 Interest | P.L. 28-38 Interest | VARIANCE |
|--|--------------------------|---------------------------------|-----------------------------|----------------------------|---------------------|
| DOE | | | | | |
| 2005 | \$ 13,713,907 | 5.12% | \$ 175,538 | \$ 578,865 | \$ 403,327 |
| 2006 | \$ 14,139,828 | 5.70% | \$ 805,970 | \$ 2,315,460 | \$ 1,509,490 |
| 2007 | \$ 12,062,349 | 7.25% | \$ 874,520 | \$ 2,315,460 | \$ 1,440,940 |
| 2008 | \$ 11,143,009 | 10.70% | \$ 1,192,302 | \$ 2,315,460 | \$ 1,123,158 |
| 2009 | \$ 7,334,916 | 5.76% | \$ 422,491 | \$ 2,315,460 | \$ 1,892,969 |
| 2010 | \$ 6,900,215 | 5.40% | \$ 372,612 | \$ 2,315,460 | \$ 1,942,848 |
| DOE Total: | | | \$ 3,843,433 | \$ 12,156,165 | \$ 8,312,732 |
| GMHA | | | | | |
| 2005 | \$ 7,632,931 | 5.12% | \$ 97,702 | \$ 571,503 | \$ 473,801 |
| 2006 | \$ 7,000,578 | 5.70% | \$ 399,033 | \$ 2,286,012 | \$ 1,886,979 |
| 2007 | \$ 6,225,704 | 7.25% | \$ 451,364 | \$ 2,286,012 | \$ 1,834,648 |
| 2008 | \$ 6,099,199 | 10.70% | \$ 652,614 | \$ 2,286,012 | \$ 1,633,398 |
| 2009 | \$ 5,420,688 | 5.76% | \$ 312,232 | \$ 2,286,012 | \$ 1,973,780 |
| 2010 | \$ 5,749,595 | 5.40% | \$ 310,478 | \$ 2,286,012 | \$ 1,975,534 |
| GMHA Total: | | | \$ 2,223,422 | \$ 12,001,563 | \$ 9,778,141 |
| Total Interest per P.L. 30-196 Calculation: | | | \$ 6,066,855 | \$ 24,157,728 | \$18,090,873 |

Double Jeopardy: Double Payment on Interest and Penalties

Pursuant to P.L. 30-07, a portion of the proceeds from the 2009 General Obligation Bonds was to pay GMHA's and DOE's past-due contributions and interest, if any, to GGRF. Upon receiving \$21M in bond proceeds, GGRF applied the first \$13.4M toward the agencies' outstanding interest and penalties, despite having received monthly interest-only payments of \$383,456 since 2005. In essence, GGRF's application of bond proceeds toward interest and penalties and its receipt of interest-only payments amount to ***double payments***.

Of the \$21M bond proceeds, \$13.4M (64%) off the top was applied to interest and penalties, \$4.2M (20%) to outstanding dues, and only the remaining \$3.4M (16%) went toward DOE's and GMHA's principal balances. Thus, the bond proceeds did very little to reduce the agencies' retirement liabilities. See Tables 12 and 13 for details.

¹³ This reflects the most recent historical five-year average annual rate of return of the defined benefit plan investment portfolio.

Table 12: \$21M Bond Proceeds Application Breakdown

| | DOE | | GMHA | | TOTAL PAYMENT | PAYMENT % |
|--|----------------------|-------------|----------------------|-------------|----------------------|-------------|
| | Payment Application | % | Payment Application | % | | |
| (1) Amount Applied to Interest & Penalties (4.5% Member Contribution & Promissory Note Interest) | \$ 7,299,682 | 70% | \$ 6,084,674 | 58% | \$13,384,356 | 64% |
| (2) Other Dues (Unfunded Liability, Promissory Note Interest, etc.) | \$ 115,584 | 1% | \$ 4,095,893 | 39% | \$ 4,211,477 | 20% |
| (3) Amount Applied to Principal (Member & Government Contributions) | \$ 3,043,589 | 29% | \$ 360,579 | 3% | \$ 3,404,168 | 16% |
| TOTAL: | \$ 10,458,855 | 100% | \$ 10,541,146 | 100% | \$ 21,000,001 | 100% |

Table 13: Bond Proceeds Application and Balance

| Bond Proceeds Payment Application Description | Balance Before Bond Proceeds | Less Bond Proceeds Applied | Balance After Bond Proceeds |
|--|------------------------------|----------------------------|-----------------------------|
| DOE | | | |
| Amount Applied to Interest & Penalties (Employer and Employee) | \$ 7,299,682 | \$ 7,299,682 | \$ - |
| Other Dues (Unfunded Liability) | \$ 115,584 | \$ 115,584 | \$ - |
| Amount Applied to Principal (Member & Government Contributions) | \$ 9,750,850 | \$ 3,043,589 | \$ 6,707,261 |
| <i>DOE Total:</i> | <i>\$ 17,166,116</i> | <i>\$ 10,458,855</i> | <i>\$ 6,707,261</i> |
| GMHA | | | |
| Amount Applied to Interest & Penalties (Employer, Employee and 1998 Promissory Note) | \$ 6,084,674 | \$ 6,084,674 | \$ - |
| Other Dues (1998 Promissory Note Balance) | \$ 5,606,284 | \$ 4,095,893 | \$ 1,510,391 |
| Amount Applied to Principal (Member & Government Contributions) | \$ 5,667,869 | \$ 360,579 | \$ 5,307,290 |
| <i>GMHA Total:</i> | <i>\$ 17,358,827</i> | <i>\$ 10,541,146</i> | <i>\$ 6,817,681</i> |
| TOTAL: | \$ 34,524,943 | \$ 21,000,001 | \$ 13,524,942 |

According to GGRF’s Director, the application of payments to interest and penalties before outstanding principal is a generally accepted business practice and accounting principle. The Director also noted that the bond proceeds were insufficient to cover all of DOE’s and GMHA’s interest, penalties, and delinquent retirement contributions

DOE and GMHA Retirement Liabilities Increase

Our review found that as of September 30, 201 and December 31, 2010, DOE’s and GMHA’s outstanding retirement contributions were \$12,234,785 and \$12,535,491, respectively, inclusive of interest and penalties. The increase of \$140,311 for DOE and \$160,394 for GMHA was due to accumulation of interest and penalties, as shown in Table 14.

Table 14: DOE and GMHA Retirement Contributions Liabilities Comparison

| Agency | As of Sept. 30, 2010 | As of Dec. 31, 2010 | Increase |
|---------------|-----------------------------|----------------------------|-------------------|
| DOE | \$ 6,580,522 | \$ 6,720,833 | \$ 140,311 |
| GMHA | \$ 5,654,264 | \$ 5,814,658 | \$ 160,394 |
| TOTAL: | \$ 12,234,785 | \$ 12,535,491 | \$ 300,706 |

Delinquent Remittances by GMHA

In November 2010, GGRF petitioned the Superior Court for a Writ of Mandate against GMHA for nonpayment of delinquent member and employer contributions, interest, and penalties. As of February 4, 2011, GMHA’s debt totals \$5.6M -- \$4.6M is for the Defined Benefit plan and \$1M for the Defined Contribution plan. GMHA cannot pay employee contributions, much less its own employer share. As such, GMHA is exposed to both civil and criminal liability. This negatively impacts GMHA, its employees, and GGRF. Despite efforts to remedy the situation, hospital employees are unable to retire because GMHA cannot comply with the stipulations of P.L. 28-38. If eligible employees could retire, the hospital’s personnel cost would decrease.

Reassess Interest-Only Payments

Since the “interest-only” payments are in addition to the penalties set in 4 G.C.A. §8137(c), GGRF maintains that the payments are in fact recovery of lost investment opportunities. We acknowledge that GGRF has lost investment opportunities on DOE’s and GMHA’s unpaid retirement contributions, but take issue with how lost opportunities were computed.

Aside from the calculation based on P.L. 30-196, we used two other methodologies to determine lost opportunity income for GGRF: (a) interest-only and (b) interest-on-interest. See Appendix 11.

- Under interest-only, lost opportunity income would have been \$8.7M instead of \$24.2M, a difference of \$15.4M.
- Under interest-on-interest, lost opportunity income would have been \$9.4M instead of \$24.2M, a difference of \$14.8M.

Using any of the three scenarios, GGRF received an unintended windfall ranging between \$14.8M to \$18.1M. Given our critical cash shortage and mounting deficit, we recommend legislation be enacted to apply the windfall against GMHA’s and DOE’s retirement liability balances.

6. Interfund Transfers

We identified several transfers made from multiple accounts to the General Fund for operations. The December 2010 Transition Report reflected \$39.4M in interfund payables. However, as of the issue date of this report, DOA has only provided us information for \$18M in transfers. The General Fund repaid four transfers as discussed below, with the repayments of these transfers coming from current year operations. The transfer from the Tourist Attraction Fund (TAF) will not be repaid.

Permanent Transfer from the Tourist Attraction Fund (TAF)

In FY 2010, \$4.4M was transferred from the TAF to the General Fund to support operations. DOA management determined the transfer to be permanent; repayment was not expected to be made within a reasonable time.

In the FY 2009 GovGuam financial audit and in accordance GASB 34, DOA made similar “transfers in” from other funds, ranging from the Accessible Parking Fund to the Wildlife Conservation Fund, totaling \$12,243,541.¹⁴ We understand a similar review and possible transfers in will be reflected in the FY 2010 GovGuam financial audit. The transfers in will have a positive effect of reducing the deficit.

Solid Waste Management Division Withdrawals

According to DOA, the Solid Waste Management Division’s (SWMD) bank balance held \$10.1M, but withdrawals totaling \$4.6M were made to support General Fund daily operations (see Table 15). On March 3, 2011, the Federal Court ordered GovGuam to reimburse the SWMD account. According to the judge, SWMD’s funds are essential for compliance with the Consent Decree. The judge ordered payments to be made on the 25th day of each month to begin as soon as practical. The first installment of \$192,750 was paid from the General Fund on March 4, 2011. See Table 15.

Table 15: SWMD Bank Balances and Withdrawals

| Fiscal Year | Bank Balances Amount | SWMD Expenditures | Variance (Withdrawals) |
|--------------------|---------------------------------|------------------------------|-----------------------------------|
| 2010 | \$ 7,497,198 | \$ 3,964,269 | \$ 3,532,929 |
| 2011 | \$ 2,592,638 | \$ 1,499,124 | \$ 1,093,514 |
| TOTAL: | \$ 10,089,836 | \$ 5,463,393 | \$ 4,626,444 |

On March 16, 2011, the Federal Receiver repaid GovGuam \$1.5M toward the \$202.4M Limited Obligation Bonds issued in June 2009 to comply with the Consent Decree to open a new landfill and close the Ordot Dump. The bond pledged Section 30 revenues as a guarantee. GovGuam will receive \$500,000 per month for the remaining nine months of FY 2011 and \$12M annually for 23 years thereafter, or for the life of the bond. The \$1.5M was what the Receiver owed from December 2010 through February 2011. The payment was on hold until GovGuam repaid the amount withdrawn from the SWMD account. Since a payment plan has been established, the Receiver will continue monthly payments to the General Fund.

Other Transfers

In FY 2010, DOA transferred \$6M from the Guam Census and IRS Tax Rebates accounts to support General Fund operations. In FY 2011, DOA transferred \$3M from the 2009 Edward Byrne Justice Grant account. As of December 31, 2010, the General Fund owed the three accounts \$9M. In January 2011, DOA paid \$8.4M back to the respective accounts. The amounts remaining are \$187,674 to the Guam Census account and \$448,038 to the IRS Tax Rebates account. See Table 16.

¹⁴ Government Accounting Standards Board (GASB) statement number 34 defines interfund transfers as flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement of repayment.

Table 16: Other Fund/Account Transfers

| Account Name | Date of Transfer | Amount Transferred | Date Repaid | Amount Repaid | Balance |
|---------------------------------|-------------------------|----------------------------|--------------------|----------------------------|--------------------------|
| Guam Census Account | 13-Aug-10 | \$ 1,100,000 | 19-Jan-11 | \$ 912,326 | \$ 187,674 |
| IRS Tax Rebates | 6-Aug-10 | \$ 4,900,000 | 27-Jan-11 | \$ 4,451,962 | \$ 448,038 |
| 2009 Edward Byrne Justice Grant | 6-Dec-10 | \$ 3,000,000 | 18-Jan-11 | \$ 3,000,000 | \$ - |
| <u>TOTAL:</u> | | <u>\$ 9,000,000</u> | | <u>\$ 8,364,288</u> | <u>\$ 635,712</u> |

These appear to be cash transfers from federal grants that may not be in compliance with the underlying grant agreements. The independent auditors are presently reviewing these transfers and any related items.

We recommend that DOA conduct a reconciliation of interfund transfers to provide a fair presentation of their impact on operations and on the deficit.

7. Cost of Living Allowance (COLA) Judgment Balance

In October 2006, the Superior Court ordered the award of \$123.6M to 4,877 retirees and survivors for COLA pursuant to 4 G.C.A. §8137.1. COLA class members are those who retired before July 1995. In November 2007, GovGuam issued \$151.9M in General Obligation Bonds, of which \$14M was used to pay down the court-ordered COLA. In June 2009, the government again issued General Obligation Bonds for \$271.1M, of which \$85M was used to pay COLA and \$17.9M was paid in interest.

By September 30, 2009, the COLA balance was \$26.9M. This figure is reflected in the FY 2009 deficit. By September 30, 2010, the balance was reduced to \$23.1M. Of the \$23.1M, \$20.4M was principal and \$2.7M was interest. By December 31, 2010, the balance was \$23.2M, of which \$20.1M was principal and \$3M was interest, which will be paid with current year operations. GovGuam continues to make payments as cash becomes available.

Until enactment of P.L. 30-101 in March 2010, 72 retirees were excluded from the court-ordered COLA award. The retirees who opted not to participate in the class action suit (Rios v. Camacho, SP0206-93) contended that the documents presented to them were lengthy, too technical, and confusing. They opted out without realizing the full effect of their action. To remedy the issue, the Legislature mandated their inclusion as beneficiaries.

In January 2011, P.L. 30-239 authorized GGRF to use \$3M in award payments for which no beneficiaries or heirs came forward. The unclaimed awards will be disbursed as authorized COLA certificates, starting with the class action claimant with the lowest initial award, followed by the next lowest initial award and so forth until the funds are exhausted.

8. Bureau of Prisons Prior Year Billing

The Department of Corrections (DOC) owes the Federal Bureau of Prisons over \$7.5M in principal for Guam criminals in stateside prisons.¹⁵ In February 2010, the Treasury informed

¹⁵ <http://www.correctionsreporter.com/2010/02/11/guam-doc-seeking-reimbursement/>

GovGuam that the Department of Justice (DOJ) removed the debt from the Treasury Offset Program, but retained the right to reinstate it if DOC defaulted. In January 2010, GovGuam started making monthly payments of \$250,000 toward the following:

Table 17: Department of Justice Debt Breakdown as of FY 2009

| Element | Amount |
|----------------|---------------------|
| Principal | \$ 7,527,351 |
| Interest | 0 |
| Penalty | 1,237 |
| Fees | 2,108,005 |
| TOTAL: | \$ 9,636,593 |

Between fiscal years 2010 and 2011 (as of January 2011), 13 monthly payments totaling \$3.5M were made from the General Fund to the Treasury. In addition to these payments, Treasury also garnished federal reimbursements to GovGuam. To accurately reflect the balance owed, DOA recorded \$2.1M in federal garnishments received during FY 2010, which reduced the liability to \$4M as of February 2011.

As of September 30, 2010, DOA listed the balance due to DOJ at \$5M, which was \$639,486 less than our calculation below. It should be noted that the \$639,486 was subsequently recorded in FY 2011 to offset current billings paid by DOC.

Table 18: DOJ Debt Payment Schedule

| Fiscal Year | Count | Payment Date | Amount |
|---|--------------|---------------------|---------------------|
| Debt as of September 30, 2009: | | | \$ 9,636,593 |
| Less \$250,000 Monthly Payments | | | |
| 2010 | 1 | 1/14/2010 | \$ 500,000 |
| | 2 | 2/17/2010 | 250,000 |
| | 3 | 3/18/2010 | 250,000 |
| | 4 | 4/19/2010 | 250,000 |
| | 5 | 5/18/2010 | 250,000 |
| | 6 | 6/16/2010 | 250,000 |
| | 7 | 7/6/2010 | 250,000 |
| | 8 | 8/18/2010 | 250,000 |
| | 9 | 9/16/2010 | 250,000 |
| | | 2010 Total: | |
| Less Federal Offsets Adjusted in FY 2010 | | | \$ 2,098,953 |
| Debt as of September 30, 2010: | | | \$ 5,037,640 |
| Less \$250,000 Monthly Payments | | | |
| 2011 | 10 | 10/18/2010 | \$ 250,000 |
| | 11 | 11/17/2010 | 250,000 |
| | 12 | 12/17/2010 | 250,000 |
| | 13 | 1/18/2011 | 250,000 |
| | | 2011 Total: | |
| Debt as of February 2011: | | | \$ 4,037,640 |

With a balance of \$4M remaining as of February 2011 and DOA's consistent monthly payment of \$250,000, this liability should be fully paid by May 2012. Therefore, we recommend DOA continue paying down this liability out of current year funds. This liability was already recorded in FY 2009 and is part of the overall deficit.

Other Payments to DOJ

Aside from the General Fund's payments to DOJ, DOC is making average payments of \$53,000 a month for current DOJ billings. In FY 2010, DOC paid DOJ \$639,486 to continue housing Guam prisoners. The FY 2011 Budget Act appropriated \$3.3M to DOC to pay prior and current year obligations.

9. Deficit Reduction Prior Year Obligations

Public laws 30-55 and 30-196 authorized the payment of all unpaid prior year obligations, including tax refunds, vendor payables, employee back pay, and judgments or awards approved before fiscal years 2010 and 2011. Collectively, these payments are known as the deficit reduction prior year obligations. Funding was to come from the un-appropriated General Fund revenues collected in excess of appropriations and reserved for deficit reduction pursuant to 5 G.C.A. § 22436. The obligations were to be paid in the order in which they were incurred. In addition, according to Executive Order 2011-02, agency heads were required to identify unreported/unrecorded departmental obligations.

As of September 30, 2010, the deficit reduction prior year obligations balance was \$2.9M. As of December 30, 2010, the balance increased to \$3.1M due to payables not provided to DOA by September 30, 2010. These items may become problematic because they are not recorded in the AS/400 as accounts payable and are not aged, but are instead tracked separately in a spreadsheet.

However, the FY 2010 unaudited statement shows \$8.6M and represents encumbrances for supplies and equipment ordered but not received. Pursuant to the Generally Accepted Accounting Principles, these amounts are reported for budgetary purposes in the year the order is placed, but for financial reporting purposes in the year the supplies are received. This liability has been recorded and is part of the FY 2010 deficit of \$83.6M. See Appendices 3 and 4.

In March 2010, DOA received another \$25M of prior year obligations; \$13M was from DOE and \$12M were from line agencies for unpaid obligations such as vendor payables and back pay for employees. DOA is still validating these obligations; therefore we did not include them in our assessment.

10. Merit Bonus

In October 2010, a class action suit was filed in Superior Court against GovGuam for unpaid automatic merit bonuses due since 1991. The lawsuit asked the Court to compel the payment of the bonuses to employees who received superior performance evaluations pursuant to 4 G.C.A. § 6203, which states:

“Superior performance by a classified employee in Grades A through V shall be rewarded by a lump sum bonus based on an amount equivalent to 3.5% of the

employee's base salary. The merit bonus shall be automatic upon a superior rating evaluation conducted for increment purposes..."

The law applies to all classified and unclassified employees of the executive and judicial branches, autonomous and semi-autonomous agencies, and public corporations.

The suit did not cite a damage figure, but did charge that the government did not implement or enforce the merit bonus law since its enactment in 1991. If the Court rules in the employees' favor, the government will have to pay both current and retroactive bonuses. DOA's Human Resources Division estimates the bonuses to be \$5.4M for back payments between 1991 and 2010. No accrual to the financial statements has been made by DOA as DOA will be guided by the Attorney General's opinion. This estimate is unaudited and may ultimately be decided in Court.

We recommend the Governor and Legislature amend the law to remove the word "automatic."

11. Law Enforcement 10% Salary Adjustment

In August 2008, P.L. 29-105 authorized a 40% increase in the compensation of public safety and law enforcement officials in 10% increments over four years, starting October 1, 2008. The law was meant to bring compensation levels closer to national standards. Since 2008, two 10% pay increases have occurred. However, the third installment was not included in the 2011 Budget Act because the Legislature decided to adopt and provide the raise through the Hay Study. According to the DOA Chief Payroll Officer, the government's refusal to pay resulted in another class action lawsuit on behalf of law enforcement and public safety personnel in November 2010. DOA's Payroll Division estimates the third 10% pay increase to be \$6.5M. No accrual to the financial statements has been made by DOA as DOA will be guided by the Attorney General's opinion. This estimate is unaudited and may ultimately be decided in Court.

12. Law Enforcement: 40 vs. 43 hours

In September 2010, the Guam Supreme Court affirmed that law enforcement officers were due overtime pay at time-and-a-half after 40 hours of work, not 43 hours. The Court ruled that Guam's Wage and Hour Act did not exclude law enforcement officers from earning overtime for work in excess of the standard 40-hour workweek. Essentially, the decision overturned the government's long-standing policy of no overtime until after the 43rd hour of work in a week. As of February 9, 2011, DOA's Payroll Division has not calculated the additional overtime costs for law enforcement officers. No accrual to the financial statements has been made by DOA as DOA will be guided by the Attorney General's opinion and may ultimately be decided in Court.

13. Hay Study Compression Adjustment and Unclassified Positions Adjustments

In September 2010, the FY 2011 Budget Act authorized the implementation of the government-wide Position Classification, Compensation & Benefits Study, commonly known as the Hay Study. The Act appropriated \$13.1M from the General Fund to implement the salary adjustments in 2011. The funds were restricted to salary adjustments for full-time, permanent

classified personnel. The first phase of the Unified Pay Structure affects approximately 5,929 employees.

The Unified Pay Structure has not changed since its implementation in 1991. The May 2010 Hay Study showed that the market was about 59% ahead of Guam’s Unified Pay Plan and recommended six separate pay plans and an updated compensation philosophy and pay structure. Although P.L. 30-196 appropriated \$13.1M for implementation of the new compensation plan, an additional \$5.5M is needed for full implementation. In March 2011, the Office of Finance and Budget provided OPA with a draft report regarding the impact of the Hay Study, which preliminarily states that an additional \$1.4M, instead of \$5.5M, is needed for full implementation of the new compensation plan.

In December 2010, some 3,700 employees from 40 line agencies received checks totaling \$5.1M reflecting implementation of the Hay Study retroactive to October 1, 2010. The top 10 agencies that accounted for 74% of the total payments are listed below. See Table 19. Executive Order No. 2011-02 rescinded the implementation of the Hay Study effective January 30, 2011.

Table 19: GovGuam Hay Study Payment

| | Agency | Amount | Percentage |
|----|---|----------------------------|--------------------|
| 1 | Department of Public Health and Social Services | \$ 1,005,871 | 20% |
| 2 | Department of Public Works | \$ 535,659 | 10% |
| 3 | Guam Police Department | \$ 364,600 | 7% |
| 4 | Department of Mental Health and Substance Abuse | \$ 349,017 | 7% |
| 5 | Office of the Attorney General | \$ 338,850 | 7% |
| 6 | Department of Administration | \$ 318,919 | 6% |
| 7 | Department of Revenue & Taxation | \$ 259,652 | 5% |
| 8 | Guam Fire Department | \$ 249,501 | 5% |
| 9 | Department of Corrections | \$ 213,938 | 4% |
| 10 | Customs and Quarantine Agency | \$ 173,937 | 3% |
| | <i>Subtotal Top 10 Agencies:</i> | <i>\$ 3,809,943</i> | <i>74%</i> |
| | <i>Other 30 Agencies:</i> | <i>\$ 1,315,624</i> | <i>26%</i> |
| | <u>TOTAL:</u> | <u>\$ 5,125,567</u> | <u>100%</u> |

Conclusion

The unaudited General Fund Financial Statements as of September 30, 2010, which were included in the December 2010 Transition Report, were the first time OPA had an opportunity to review a year-end financial statement shortly after the fiscal year ended. From our perspective, DOA has not revealed the General Fund's condition until the independent auditors unveiled the draft annual financial statements some seven to eight months after the end of the fiscal year. What served as financial reports were the monthly Revenue and Expenditure reports prepared by DOA and signed jointly by BBMR and DRT, which were regularly transmitted to the Legislature and posted on BBMR's website.

DOA claims to have been preparing financial statements. However, the only financial reports provided to OPA were as of September 30, 2010 and December 31, 2010. Past financial reports were subsequently provided.

Based on our assessment, the General Fund unaudited deficit for FY 2010 is \$83.6M, bringing the cumulative deficit to \$349M. Similarly, there is a \$23.7M to \$34.1M shortfall due to health insurance increases and DMHSA court-ordered payments for FY 2011. We also found that the \$24.2M in lost opportunity income provided to GGRF pursuant to P.L. 28-38 resulted in an unintended windfall ranging from \$14.8M to \$18.1M.

Given the mounting deficit, the continued cash challenges and the need to meet day-to-day government operations, public officials must receive regular and accurate reports on the financial condition of our government. P.L. 30-196, Chapter I Section 6(b)(7) requires DOA to submit to the Governor and the Speaker of the Legislature quarterly (1) statement of revenues, expenditures and changes in fund balance for the major funds; (2) monthly bank statements for all major funds; (3) monthly bank reconciliation for all major funds; and (4) an explanation of any material variances resulting between revenues reported on the quarterly statement of revenues, expenditures, and fund balance and the cash reported in the bank statements. However, we recommend that these quarterly financial reports also be posted on DOA's website within 30 days after the quarter and for OPA to be added to the distribution list. We eagerly await the March 31, 2011 submission.

Deficit Commission

Bill 03-31 was introduced, an Act to Create a Guam Commission on Fiscal Responsibility and Reform. In January 2011, the Public Auditor submitted testimony in favor of the initiative, stating that an independent body not composed of government officials should be shielded from interference in order to give unbiased and objective assessments and appraisals of government programs and entitlements. As of March 2011, Bill 03-31 has not yet been reported out of committee. We recommend passage of this bill or similar type legislation.

Recommendations

We make the following recommendations.

To DRT:

1. Seek technical assistance funding from DOI's Office of Insular Affairs and/or local funding to procure the technology, system upgrades, training, etc. necessary to fully automate and effectively process tax returns, refunds, and collections.

To the Governor and the Legislature:

2. Enact legislation to apply the unintended windfall of \$14.8M to \$18.1M received by GGRF, to the remaining retirement liability balances of DOE and GMHA.
3. Amend the Merit Bonus law to remove the word "automatic."
4. Enact Bill 03-31 or similar legislation.
5. Revisit the FY 2011 budget to minimize the over expenditure ranging from \$23.7M to \$34.1M.

To the Governor:

6. Extend the payments to DMHSA's Federal Management Team over a longer period.

To DOA:

7. Post the quarterly financial reports, to include working trial balance and statement of Revenues, Expenditures, and Changes in Fund Balance, on the DOA website within 30 days after the quarter, and include OPA in the quarterly distribution of such reports.
8. Formally transmit comprehensive monthly reports on the number and amount of tax refunds and interest paid for the month and year-to-date to the Governor, the Legislature, and OPA, and post such reports on the DOA website.
9. Conduct a reconciliation of the interfund transfers and the impact on operations and on the deficit.
10. Continue the \$250,000 monthly payments to the Federal Bureau of Prisons out of current year funds.

Management Response

Throughout the months of March and April 2011, we met periodically with the Acting DOA Director and staff and provided drafts of the report for comment and feedback. The Acting DOA Director generally concurred with our assessment and recommendations. In March 2011, we also met with the Chairman of the Committee on Appropriations, Taxation, Public Debt, Banking, Insurance, Retirement and Land and OFB staff, who subsequently provided feedback and updates to the report, which were incorporated as appropriate.

We appreciate the cooperation given us by the officials of the Department of Administration; Bureau of Budget and Management Research; Department of Revenue and Taxation; Government of Guam Retirement Fund; Guam Department of Education; the Chairman of the Committee on Appropriations, Taxation, Public Debt, Banking, Insurance, Retirement and Land; and the Office of Finance and Budget.

Senseramente,



Doris Flores Brooks, CPA, CGFM
Public Auditor

EDDIE BAZA CALVO
Governor

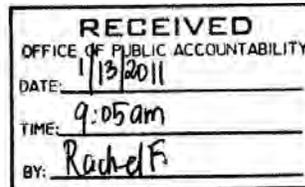


RAY TENORIO
Lieutenant Governor

Office of the Governor of Guam

January 11, 2011

Doris Flores Brooks
Office of the Public Accountability
DNA Bldg., Ste. 401
238 Archbishop Flores Street
Hagåtña, Guam 96910



Hafa Adai Ms. Brooks:

The stabilization of the government's fiscal condition continues to be a major challenge that requires a concerted effort by Island leaders and residents alike. The Department of Administration's accounting staff has provided to the Transition Committee's Finance sub-committee several fiscal briefings and the draft FY2010 General Fund financial statements. These statements disclosed certain high ticket items, particularly: \$90M of Accounts Payable, \$26.3M for the COLA/EITC settlement and \$46.3 of Deferred Section 30 Revenues. I am also concerned that the unfunded liabilities will continue to escalate as you cautioned in your briefing to the Finance Sub-committee.

Because of the conflicting balances of the government's liabilities being reported in the media, there is confusion among the Island's policy makers and citizens, who are questioning the integrity of the numbers provided. This has also resulted in a lack of transparency on the severity of the government's financial situation.

In order to provide the necessary transparency, and as an initial step into stabilizing the government's finances, I am asking your office to conduct an assessment of the Government of Guam's liabilities, inclusive of the unfunded/unbudgeted items below, and to validate the obligations and assess their impact on the government's cash flow projection. Tax Refund liabilities will not be required in this assessment as this balance has already been validated by the Department of Revenue and Taxation.

Unfunded Liabilities:
COLA Judgment balance
Merit Bonus
Law Enforcement 10% Salary Adjustment
Law Enforcement: 40 vs. 43 hrs.
Health Insurance Increase
Deficit Reduction Prior Year Obligations
GMH Retirement Fund Contribution

EDDIE BAZA CALVO
Governor



RAY TENORIO
Lieutenant Governor

Office of the Governor of Guam

Hay Study Compression Adjustment and
Unclassified Positions adjustments
Bureau of Prisons Prior Year billing
DMHSA Court Ordered Payments

Because of the urgent nature of this request, I am asking that your assessment and recommendations be submitted by January 31, 2010.

Sincerely,

A handwritten signature in black ink, appearing to read "Eddie Baza Calvo".

EDDIE BAZA CALVO

APPENDIX 2:
Assessment Objective, Scope, and Methodology

The objective of this review was to assess the Government of Guam's liabilities, to include unfunded and unbudgeted items, in response to the Governor's request.

The scope of this engagement is from October 2009 to March 2011, and other periods deemed necessary.

The methodology included a review of the Government of Guam's audited and unaudited Financial Statements, applicable budget laws, Finance Committee Transition Report, and other relevant information; interviewing officials from DOA, DRT, GGRF, DOE, and BBMR, and a review of applicable accounting standards and pertinent reports and data. Source documents were obtained from pertinent parties relative to the assessment. We did not audit the accuracy or completeness of the data and reports provided. Most of the work was performed at DOA's Division of Accounts.

We conducted this assessment in accordance with the standards for performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. These standards require that we plan and perform the assessment to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. The evidence obtained provides a reasonable basis for our assessment and conclusions based on our objectives. However, we did not review internal controls as part of our assessment.

APPENDIX 3:

FY 2010 Unaudited Financial Statements with \$83.6M Deficit

| General Fund Working Trial Balance September 30, 2010 Unaudited | |
|--|------------------------|
| Account Title | 401 Amount |
| ASSETS | |
| Cash & Equivalent | |
| Cash | 4,771,134.00 |
| Time certificates of deposits | 205,770.00 |
| Investments | 1,000,000.00 |
| Tax receivables | 33,610,842.00 |
| Est. Uncol. Tax Receivables | |
| Income tax | 0.00 |
| Gross receipt tax | 0.00 |
| Real property tax | 0.00 |
| | 0.00 |
| Net tax receivables | 33,610,842.00 |
| Interfund receivables | 43,445,844.00 |
| A/R Federal agencies | 0.00 |
| Other receivables, net | 0.00 |
| Inventories | 0.00 |
| Prepayments | 538,962.00 |
| Deposits & other assets | 82,216,677.00 |
| TOTAL ASSETS | 165,789,229.00 |
| LIABILITIES & FUND BALANCE | |
| LIABILITIES | |
| Cash Overdraft | 0.00 |
| Current portion of debt & related interest | 0.00 |
| Accounts payable | 75,905,349.00 |
| Accrued payroll & other | 11,478,065.00 |
| Interfund payables | 64,403,930.00 |
| Due to Guam Public School System | 0.00 |
| A/P Federal agencies | 0.00 |
| Deferred Revenues | 46,536,383.00 |
| Section 30 | 0.00 |
| Taxes | 0.00 |
| Estimated tax refunds | 280,255,219.00 |
| COLA liability | 23,100,732.00 |
| Deposits & other liabilities | 13,070,750.00 |
| Estimated Accrual of Leave | 0.00 |
| TOTAL LIABILITIES | 514,750,428.00 |
| FUND BALANCE | |
| Reserved for | |
| Debt service | 77,144,055.00 |
| Related assets | 1,000,000.00 |
| Encumbrance | 8,648,751.00 |
| Continuing appropriations | 38,244,364.00 |
| Unreserved | -473,998,369.00 |
| FUND BALANCE | -348,961,199.00 |
| TOTAL LIABILITIES & FUND BALANCE | 165,789,229.00 |

APPENDIX 3:

FY 2010 Unaudited Financial Statements with \$83.6M Deficit

Statement of Revenues, Expenditures
& Changes in Fund Balance
September 30, 2010

| | ----- Per 401 ----- |
|---|---------------------------------|
| REVENUES: | |
| Taxes | 432,144,735.00 |
| Licenses, fees & permits | 4,546,349.00 |
| Use of money & properties | 342,944.00 |
| Federal contributions | 41,164,135.00 |
| Guam Public School System | 1,231,464.00 |
| Component Units contributions | 2,027,924.00 |
| Other | 3,656,508.00 |
| Suspense | 0.00 |
| | ----- |
| Total Revenues | 485,114,059.00 ----- |
| | |
| EXPENDITURES: | |
| General government | 45,005,696.00 |
| Protection of Life & property | 77,798,491.00 |
| Public health | 18,543,773.00 |
| Community service | 4,111,456.00 |
| Recreation | 2,850,817.00 |
| Individual & collective rights | 11,329,718.00 |
| Transportation | 0.00 |
| Education | 199,189,485.00 |
| Protection of environment & res | 0.00 |
| Economic development | 3,163,127.00 |
| Transfer to persons | 0.00 |
| Principal | 15,858,968.00 |
| Interest | 28,464,448.00 |
| Other charges | 13,723,793.00 |
| | ----- |
| Total Expenditures | 420,039,772.00 ----- |
| REVENUE OVER(UNDER) EXPENDITURES | 65,074,287.00 ----- |
| | |
| OTHER SOURCES (USES): | |
| Addn to long term debt | 0.00 |
| Transfer in | 29,447,176.00 |
| Transfer out | -178,105,291.00 |
| Other sources | 0.00 |
| Other uses | 0.00 |
| | ----- |
| Total sources (uses) | -148,658,115.00 ----- |
| | |
| Special Items: | |
| COLA Settlement | 0.00 |
| EITC Settlement | 0.00 |
| | ----- 0.00 ----- |
| | |
| REVENUE & OTHER SOURCES OVER (UNDER) EXPEND & OTHERS USES AND SPECIAL ITEMS: | -83,583,828.00 0.00 |
| BEGINNING FUND BALANCE (DEFICIT) | -265,377,371.00 ----- |
| ADJUSTMENTS TO FUND BALANCE | 0.00 |
| ENDING FUND BALANCE (DEFICIT) | -348,961,199.00 ===== |

GOVERNMENT OF GUAM

Statement of Revenues, Expenditures by Department, and
Changes in Deficit - Budget and Actual
General Fund
Year Ended September 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance with |
|--|------------------|------------------|-----------------------------------|---------------------------------------|
| | Original | Final | (Budgetary Basis) (See Note 1) | Final Budget - Positive (Negative) |
| Revenues: | | | | |
| Taxes: | | | | |
| Income | \$ 292,479,706 | \$ 260,079,706 | \$ 237,281,858 | \$ (22,797,848) |
| Gross receipts | 211,923,867 | 208,483,867 | 191,272,644 | (17,211,223) |
| Income - COLA | - | - | 99,291 | 99,291 |
| Excise | 3,925,264 | 3,925,264 | 3,490,942 | (434,322) |
| Section 30 Federal income tax collections | 38,567,761 | 38,567,761 | 39,028,136 | 460,375 |
| Immigration fees | 2,100,075 | 2,100,075 | 1,754,678 | (345,397) |
| Indirect cost reimbursement | 1,811,510 | 1,811,510 | 381,321 | (1,430,189) |
| Guam Public School System | 700,000 | 700,000 | 1,231,464 | 531,464 |
| Contributions from component units | 2,028,008 | 2,028,008 | 2,027,924 | (84) |
| Other | 7,792,048 | 7,792,048 | 8,545,801 | 753,753 |
| Total revenues | 561,328,239 | 525,488,239 | 485,114,059 | (40,374,180) |
| Expenditures by Department: | | | | |
| Executive Branch: | | | | |
| Office of I Maga'lahaen Guahan | 10,554,502 | 10,554,502 | 10,494,058 | 60,444 |
| Office of I Segundu Na Maga'lahaen Guahan | 1,372,426 | 1,372,426 | 1,342,140 | 30,286 |
| Bureau of Budget and Management Research | 1,301,296 | 1,301,296 | 1,288,251 | 13,045 |
| Civil Service Commission | 503,602 | 503,602 | 502,792 | 810 |
| Department of Administration | 28,516,696 | 28,509,984 | 25,497,791 | 3,012,193 |
| Guam Election Commission | 806,163 | 806,163 | 751,329 | 54,834 |
| Department of Revenue and Taxation | 10,188,433 | 9,722,756 | 9,584,237 | 138,519 |
| Bureau of Statistics and Plans | 1,058,225 | 1,030,523 | 1,030,486 | 37 |
| Department of Public Health | 10,518,950 | 10,518,950 | 9,755,046 | 763,904 |
| Office of the Attorney General | 7,089,626 | 7,089,626 | 6,918,025 | 171,601 |
| Guam Police Department | 24,092,404 | 23,751,458 | 23,555,047 | 196,411 |
| Department of Corrections | 15,752,878 | 15,752,878 | 15,977,024 | (224,146) |
| Department of Agriculture | 2,218,387 | 2,218,387 | 2,156,743 | 61,644 |
| Department of Public Health and Social Services | 8,283,242 | 8,283,242 | 7,686,596 | 596,646 |
| Department of Education | 197,826,817 | 197,575,533 | 193,807,767 | 3,767,766 |
| Department of Youth Affairs | 3,951,069 | 3,951,069 | 3,822,885 | 128,184 |
| Department of Mental Health and Substance Abuse | 18,127,242 | 18,126,221 | 13,906,925 | 4,219,296 |
| Department of Labor | 1,229,539 | 1,229,539 | 1,202,077 | 27,462 |
| Department of Parks and Recreation | 2,861,263 | 2,861,263 | 2,860,314 | 949 |
| Department of Integrated Services for Individuals with Disabilities | 664,917 | 664,917 | 658,921 | 5,996 |
| Mayors' Council of Guam | 9,979,972 | 9,979,972 | 8,717,094 | 1,262,878 |
| Chief Medical Examiner | 400,949 | 400,949 | 381,549 | 19,400 |
| Department of Chamorro Affairs | 817,452 | 817,452 | 817,312 | 140 |
| Department of Military Affairs | 277,507 | 277,507 | 125,420 | 152,087 |
| Guam Fire Department | 27,543,396 | 27,543,396 | 27,556,728 | (13,332) |
| Payments to Component Units | 61,226,928 | 61,185,800 | 48,548,276 | 12,637,524 |
| GovGuam Retirement Fund appropriations | 3,898,178 | 3,898,178 | 1,303,448 | 2,594,730 |
| Miscellaneous appropriations | 18,797,242 | 18,797,242 | 19,568,574 | (771,332) |
| Interest and other charges | - | - | 13,723,793 | (13,723,793) |
| Debt service | 38,214,544 | 47,371,957 | 44,323,416 | 3,048,541 |
| Total expenditures | 508,073,845 | 516,096,788 | 497,864,064 | 18,232,724 |
| Excess (deficiency) of revenues over (under) expenditures | 53,254,394 | 9,391,451 | (12,750,005) | (22,141,456) |
| Other financing sources (uses): | | | | |
| Transfers in from other funds | 21,826,459 | 25,266,459 | 29,447,176 | 4,180,717 |
| Transfers out to other funds | (109,170,702) | (107,370,699) | (108,929,750) | (1,559,051) |
| Total other financing sources (uses), net | (87,344,243) | (82,104,240) | (79,482,574) | 2,621,666 |
| Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes | - | - | 8,648,751 | 8,648,751 |
| Net change in fund deficit | (34,089,849) | (72,712,789) | (83,583,828) | (10,871,039) |
| Fund deficit at beginning of year | (265,377,371) | (265,377,371) | (265,377,371) | - |
| Fund deficit at end of year | \$ (299,467,220) | \$ (338,090,160) | \$ (348,961,199) | \$ (10,871,039) |

Prepared by: Department of Administration

Unaudited and Subject to Change

APPENDIX 4:**FY 2010 Unaudited Statement of Revenues & Expenditures****Page 2 of 8****GOVERNMENT OF GUAM**

Statement of Revenues, Expenditures by Department, and
 Changes in Deficit - Budget and Actual - General Fund
 Year Ended September 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance |
|--|--------------------|--------------------|--------------------|---------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes: | | | | |
| Income | \$ 292,479,706 | \$ 260,079,706 | \$ 237,281,858 | \$ (22,797,848) |
| Gross receipts | 211,923,867 | 208,483,867 | 191,272,644 | (17,211,223) |
| Income - COLA | - | - | 99,291 | 99,291 |
| Excise | 3,925,264 | 3,925,264 | 3,490,942 | (434,322) |
| Section 30 Federal income tax collections | 38,567,761 | 38,567,761 | 39,028,136 | 460,375 |
| Immigration fees | 2,100,075 | 2,100,075 | 1,754,678 | (345,397) |
| Indirect cost reimbursement | 1,811,510 | 1,811,510 | 381,321 | (1,430,189) |
| Guam Public School System | 700,000 | 700,000 | 1,231,464 | 531,464 |
| Contributions from component units | 2,028,008 | 2,028,008 | 2,027,924 | (84) |
| Other | 7,792,048 | 7,792,048 | 8,545,801 | 753,753 |
| Total revenues | 561,328,239 | 525,488,239 | 485,114,059 | (40,374,180) |
| Expenditures by Department: | | | | |
| Executive Branch: | | | | |
| Office of I Maga'lahren Guahan: | | | | |
| Office of the Governor | 4,039,864 | 4,039,864 | 4,016,496 | 23,368 |
| Office of the Governor - Guam Liaison Office | 218,241 | 218,241 | 214,302 | 3,939 |
| Office of the Governor - JFK School Lease | 4,494,000 | 4,494,000 | 4,494,000 | - |
| Commission on Decolonization | 61,795 | 61,795 | 61,795 | - |
| Ancestral Land Trust Commission | 206,483 | 206,483 | 206,483 | - |
| Government House | 714,778 | 714,778 | 716,022 | (1,244) |
| Bureau of Information Technology | 174,205 | 174,205 | 174,205 | - |
| Medical Referral Offices | 65,755 | 65,755 | 65,755 | - |
| Office of Civil Defense | 315,298 | 315,298 | 281,020 | 34,278 |
| Office of Veteran's Affairs | 264,083 | 264,083 | 263,980 | 103 |
| | 10,554,502 | 10,554,502 | 10,494,058 | 60,444 |
| Office of I Segundu Na Maga'lahren Guahan: | | | | |
| Office of the Lieutenant Governor | 1,174,673 | 1,174,673 | 1,144,389 | 30,284 |
| Guam State Clearinghouse | 197,753 | 197,753 | 197,751 | 2 |
| | 1,372,426 | 1,372,426 | 1,342,140 | 30,286 |
| Bureau of Budget and Management Research: | | | | |
| Office of the Director | 302,487 | 302,487 | 295,043 | 7,444 |
| Internal Audit Division | 998,809 | 998,809 | 993,208 | 5,601 |
| | 1,301,296 | 1,301,296 | 1,288,251 | 13,045 |
| Civil Service Commission: | | | | |
| Office of the Director | 257,420 | 257,420 | 256,931 | 489 |
| Board of Commissioners | 57,579 | 57,579 | 57,648 | (69) |
| Legal Office | 7,021 | 7,021 | 7,021 | - |
| Personnel Management | 181,582 | 181,582 | 181,192 | 390 |
| | 503,602 | 503,602 | 502,792 | 810 |

Prepared by: Department of Administration

Unaudited and Subject to Change

APPENDIX 4:**FY 2010 Unaudited Statement of Revenues & Expenditures****Page 3 of 8****GOVERNMENT OF GUAM**Statement of Revenues, Expenditures by Department, and
Changes in Deficit - Budget and Actual - General Fund, Continued
Year Ended September 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance |
|--|-------------------|-------------------|-------------------|------------------|
| | Original | Final | | |
| Expenditures by Department, continued: | | | | |
| Executive Branch, continued: | | | | |
| Department of Administration: | | | | |
| Office of the Director | 2,964,377 | 2,957,665 | 2,850,609 | 107,056 |
| Office of the Director - COLA | 6,490,000 | 6,490,000 | 3,929,598 | 2,560,402 |
| Office of the Director - Child Support | 608,750 | 608,750 | 608,750 | - |
| Office of the Director - Streetlights | 1,229,388 | 1,229,388 | 1,229,388 | - |
| Office of the Director - Health insurance benefits | 4,204,995 | 4,204,995 | 3,870,026 | 334,969 |
| Office of the Director - Power and Water | 6,999,610 | 6,999,610 | 6,988,747 | 10,863 |
| Personnel Management | 1,676,903 | 1,676,903 | 1,676,903 | - |
| Financial Management | 624,296 | 624,296 | 624,296 | - |
| Data Processing | 539,489 | 539,489 | 545,066 | (5,577) |
| General Services Agency | 825,939 | 825,939 | 825,939 | - |
| Division of Accounts | 2,352,949 | 2,352,949 | 2,348,469 | 4,480 |
| | <u>28,516,696</u> | <u>28,509,984</u> | <u>25,497,791</u> | <u>3,012,193</u> |
| Guam Election Commission | <u>806,163</u> | <u>806,163</u> | <u>751,329</u> | <u>54,834</u> |
| Department of Revenue and Taxation: | | | | |
| Office of the Director | 2,694,352 | 2,394,352 | 2,290,943 | 103,409 |
| Office of the Director - Computer System Upgrade | 47 | 47 | - | 47 |
| Office of the Director - Stimulus Tax Rebate | 245,383 | 180,000 | 193,870 | (13,870) |
| Office of the Director - Real Property Assessment Bond | 1,000,000 | 899,706 | 899,706 | - |
| Tax Enforcement Division | 2,062,564 | 2,062,564 | 2,035,693 | 26,871 |
| Real Property Tax Division | 557,748 | 557,748 | 557,791 | (43) |
| Taxpayer Services Division | 1,725,620 | 1,725,620 | 1,725,911 | (291) |
| Regulatory Division | 1,113,495 | 1,113,495 | 1,090,993 | 22,502 |
| Motor Vehicle Division | 789,224 | 789,224 | 789,330 | (106) |
| | <u>10,188,433</u> | <u>9,722,756</u> | <u>9,584,237</u> | <u>138,519</u> |
| Bureau of Statistics and Plans: | | | | |
| Administration | 364,533 | 364,520 | 364,483 | 37 |
| Chief Economist's Office | 35,517 | 7,828 | 7,828 | - |
| Planning Information | 191,547 | 191,547 | 191,547 | - |
| Socio-Economic Planning | 136,448 | 136,448 | 136,448 | - |
| Business and Economic Statistics Division | 330,180 | 330,180 | 330,180 | - |
| | <u>1,058,225</u> | <u>1,030,523</u> | <u>1,030,486</u> | <u>37</u> |
| Department of Public Works: | | | | |
| Office of the Director | 1,449,787 | 1,449,787 | 1,444,045 | 5,742 |
| Office of the Director - Consent Decree | 1,211,353 | 1,211,353 | 454,141 | 757,212 |
| Office of the Director - Streetlights | 553,481 | 553,481 | 553,481 | - |
| Public Cemeteries | 58,982 | 58,982 | 58,982 | - |
| Transportation Maintenance Division | 763,941 | 763,941 | 763,932 | 9 |
| Bus Operations Division | 6,481,406 | 6,481,406 | 6,480,465 | 941 |
| | <u>10,518,950</u> | <u>10,518,950</u> | <u>9,755,046</u> | <u>763,904</u> |
| Office of the Attorney-General: | | | | |
| Attorney-General's Office | <u>7,089,626</u> | <u>7,089,626</u> | <u>6,918,025</u> | <u>171,601</u> |

Prepared by: Department of Administration

Unaudited and Subject to Change

APPENDIX 4:**FY 2010 Unaudited Statement of Revenues & Expenditures**

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GOVERNMENT OF GUAM

Statement of Revenues, Expenditures by Department, and
Changes in Deficit - Budget and Actual - General Fund, Continued
Year Ended September 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance |
|--|-------------------|-------------------|-------------------|------------------|
| | Original | Final | | |
| Expenditures by Department, continued: | | | | |
| Executive Branch, continued: | | | | |
| Guam Police Department: | | | | |
| Office of the Chief | 2,062,782 | 2,062,782 | 1,997,942 | 64,840 |
| Office of the Chief - Police Commander | 2,621,800 | 2,621,800 | 2,622,247 | (447) |
| Office of the Chief - Administration Division | 1,196,144 | 1,196,144 | 1,196,143 | 1 |
| Office of the Chief - Overtime | 666,980 | 666,980 | 522,877 | 144,103 |
| Office of the Chief - Crime Lab | 340,946 | - | - | - |
| Office of the Chief - Fuel | 404,023 | 404,023 | 398,998 | 5,025 |
| Criminal Investigation Division | 2,728,277 | 2,728,277 | 2,728,265 | 12 |
| Neighborhood Patrol Division | 9,383,231 | 9,383,231 | 9,395,207 | (11,976) |
| Support Division | 2,139,032 | 2,139,032 | 2,143,413 | (4,381) |
| Forensic Science Division | 1,157,825 | 1,157,825 | 1,158,591 | (766) |
| Highway Patrol Division | 1,391,364 | 1,391,364 | 1,391,364 | - |
| | <u>24,092,404</u> | <u>23,751,458</u> | <u>23,555,047</u> | <u>196,411</u> |
| Department of Corrections: | | | | |
| Office of the Director | 3,058,744 | 3,058,744 | 2,990,193 | 68,551 |
| Office of the Director - Rent | 114,000 | 114,000 | 114,000 | - |
| Adult Correctional Facility | 9,319,295 | 9,319,295 | 9,493,564 | (174,269) |
| Rosario Detention Center | 2,069,233 | 2,069,233 | 2,153,151 | (83,918) |
| Off-island Detention | 1,490 | 1,490 | 1,490 | - |
| Casework and Counseling Service Division | 312,585 | 312,585 | 321,843 | (9,258) |
| Forensic Division | 333,800 | 333,800 | 343,235 | (9,435) |
| Parole Service Division | 543,731 | 543,731 | 559,548 | (15,817) |
| | <u>15,752,878</u> | <u>15,752,878</u> | <u>15,977,024</u> | <u>(224,146)</u> |
| Department of Agriculture: | | | | |
| Office of the Director | 906,397 | 906,397 | 859,753 | 46,644 |
| Fire Protection | 18,852 | 18,852 | 18,852 | - |
| Aquatic and Wildlife Resources Division | 127,537 | 127,537 | 127,537 | - |
| Animal and Plant Industry Division | 786,304 | 786,304 | 786,304 | - |
| Animal Health Section | 379,297 | 379,297 | 364,297 | 15,000 |
| | <u>2,218,387</u> | <u>2,218,387</u> | <u>2,156,743</u> | <u>61,644</u> |
| Department of Public Health and Social Services: | | | | |
| Office of the Director | 3,121,044 | 3,121,044 | 2,546,673 | 574,371 |
| Chief Public Health Office | 211,338 | 211,338 | 211,330 | 8 |
| Community Health Services | 106,982 | 106,982 | 106,982 | - |
| Communicable Disease Control | 16,375 | 16,375 | 16,375 | - |
| Professional Social Services | 4,800 | 4,800 | 4,800 | - |
| Primary Care Services | 178,412 | 178,412 | 178,412 | - |
| Family Health and Nursing | 74,230 | 74,230 | 74,230 | - |
| Medically Indigent Program | 94,870 | 94,870 | 93,647 | 1,223 |
| Foster Care | 1,524,892 | 1,524,892 | 1,524,618 | 274 |
| Division of Senior Citizens | 186,686 | 186,686 | 186,682 | 4 |
| Adult Protective Services | 496,443 | 496,443 | 473,456 | 22,987 |
| Division of Environmental Health | 507,240 | 507,240 | 507,585 | (345) |
| Financial Management Services | 164,713 | 164,713 | 164,713 | - |
| Supply Section | 86,856 | 86,856 | 86,993 | (137) |

Prepared by: Department of Administration

Unaudited and Subject to Change

APPENDIX 4:**FY 2010 Unaudited Statement of Revenues & Expenditures****Page 5 of 8****GOVERNMENT OF GUAM**Statement of Revenues, Expenditures by Department, and
Changes in Deficit - Budget and Actual - General Fund, Continued
Year Ended September 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance |
|--|--------------------|--------------------|--------------------|------------------|
| | Original | Final | | |
| Expenditures by Department, continued: | | | | |
| Executive Branch, continued: | | | | |
| Department of Public Health and Social Services, continued: | | | | |
| Management Support Services | 155,239 | 155,239 | 155,239 | - |
| Facilities and Maintenance | 948,851 | 948,851 | 950,594 | (1,743) |
| Systems Group | 404,271 | 404,271 | 404,267 | 4 |
| | <u>8,283,242</u> | <u>8,283,242</u> | <u>7,686,596</u> | <u>596,646</u> |
| Department of Education: | | | | |
| Guam Public School System | <u>196,494,036</u> | <u>196,244,036</u> | <u>192,495,024</u> | <u>3,749,012</u> |
| Guam Public Library System: | | | | |
| Office of the Director | 892,237 | 891,166 | 877,107 | 14,059 |
| Hagatna-Dededo Library | 267,585 | 267,585 | 262,890 | 4,695 |
| Barrigada Library | 48,823 | 48,823 | 48,823 | - |
| Agat Library | 34,935 | 34,935 | 34,935 | - |
| Yona Library | 32,489 | 32,489 | 32,489 | - |
| Merizo Library | 56,712 | 56,499 | 56,499 | - |
| | <u>197,826,817</u> | <u>197,575,533</u> | <u>193,807,767</u> | <u>3,767,766</u> |
| Department of Youth Affairs: | | | | |
| Office of the Director | 101,385 | 101,385 | 101,385 | - |
| Office of the Director - Nursing and Medication | 145,500 | 145,500 | 24,860 | 120,640 |
| Division of Youth Development | 491,354 | 491,354 | 491,354 | - |
| Division of Youth Corrections | 2,577,934 | 2,577,934 | 2,577,933 | 1 |
| Division of Vocational Rehabilitation and Support Services | 634,896 | 634,896 | 627,353 | 7,543 |
| | <u>3,951,069</u> | <u>3,951,069</u> | <u>3,822,885</u> | <u>128,184</u> |
| Department of Mental Health and Substance Abuse: | | | | |
| Office of the Director | 6,026,023 | 6,026,023 | 5,961,241 | 64,782 |
| Office of the Director - Permanent Injunction | 8,365,472 | 8,365,472 | 4,365,007 | 4,000,465 |
| Clinical Services Division | 822,978 | 822,978 | 801,590 | 21,388 |
| Youth Drug and Alcohol Program | 11,156 | 11,156 | 11,156 | - |
| Child and Adolescent Services Division | 763,934 | 762,913 | 760,903 | 2,010 |
| Nursing Services Division | 2,137,679 | 2,137,679 | 2,007,028 | 130,651 |
| | <u>18,127,242</u> | <u>18,126,221</u> | <u>13,906,925</u> | <u>4,219,296</u> |
| Department of Labor: | | | | |
| Office of the Director | 580,026 | 580,026 | 552,564 | 27,462 |
| Occupational Safety and Health Agency | 49,059 | 49,059 | 49,059 | - |
| Wage and Hour Division | 203,862 | 203,862 | 203,862 | - |
| Bureau of Labor Statistics | 213,833 | 213,833 | 213,833 | - |
| Worker's Compensation Commission | 93,088 | 93,088 | 93,088 | - |
| Fiscal and Support Office | 89,671 | 89,671 | 89,671 | - |
| | <u>1,229,539</u> | <u>1,229,539</u> | <u>1,202,077</u> | <u>27,462</u> |

Prepared by: Department of Administration

Unaudited and Subject to Change

APPENDIX 4:**FY 2010 Unaudited Statement of Revenues & Expenditures****Page 6 of 8****GOVERNMENT OF GUAM**

Statement of Revenues, Expenditures by Department, and
 Changes in Deficit - Budget and Actual - General Fund, Continued
 Year Ended September 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance |
|---|-------------------|-------------------|-------------------|------------------|
| | Original | Final | | |
| Expenditures by Department, continued: | | | | |
| Executive Branch, continued: | | | | |
| Department of Parks and Recreation: | | | | |
| Office of the Director | 378,679 | 378,679 | 376,638 | 2,041 |
| Memorial Services | 114,091 | 114,091 | 114,228 | (137) |
| Community Programs | 312,360 | 312,360 | 312,360 | - |
| Pool and Beach Programs | 419,549 | 419,549 | 420,794 | (1,245) |
| Paseo Stadium | 145,901 | 145,901 | 146,168 | (267) |
| Parks Administration and Planning | 139,214 | 139,214 | 139,214 | - |
| Historic Preservation Division | 196,767 | 196,767 | 196,767 | - |
| Parks Maintenance | 978,285 | 978,285 | 977,728 | 557 |
| Territorial Park Protection | 176,417 | 176,417 | 176,417 | - |
| | <u>2,861,263</u> | <u>2,861,263</u> | <u>2,860,314</u> | <u>949</u> |
| Department of Integrated Services for Individuals with Disabilities: | | | | |
| Service Contracts | 284,236 | 284,236 | 284,236 | - |
| Permanent Injunction | 4,011 | 4,011 | - | 4,011 |
| Office of the Director | 343,916 | 343,916 | 341,931 | 1,985 |
| Fiscal Support | 32,754 | 32,754 | 32,754 | - |
| | <u>664,917</u> | <u>664,917</u> | <u>658,921</u> | <u>5,996</u> |
| Mayor's Council of Guam: | | | | |
| Mayors' Council Consolidated Accounts | <u>9,979,972</u> | <u>9,979,972</u> | <u>8,717,094</u> | <u>1,262,878</u> |
| Chief Medical Examiner: | | | | |
| Medical Examiner's Office | <u>400,949</u> | <u>400,949</u> | <u>381,549</u> | <u>19,400</u> |
| Department of Chamorro Affairs: | | | | |
| Office of the Director | 398,798 | 398,798 | 398,658 | 140 |
| Language and Culture Division | 48,812 | 48,812 | 48,812 | - |
| Research Publication and Training | 70,796 | 70,796 | 70,796 | - |
| Guam Museum | 299,046 | 299,046 | 299,046 | - |
| | <u>817,452</u> | <u>817,452</u> | <u>817,312</u> | <u>140</u> |
| Department of Military Affairs: | | | | |
| Office of the Adjutant General | 125,424 | 125,424 | 125,420 | 4 |
| Office of Civil Defense | <u>152,083</u> | <u>152,083</u> | <u>-</u> | <u>152,083</u> |
| | <u>277,507</u> | <u>277,507</u> | <u>125,420</u> | <u>152,087</u> |
| Guam Fire Department: | | | | |
| Office of the Fire Chief | 298,713 | 298,713 | 284,379 | 14,334 |
| Administrative and Logistical Support | 1,042,747 | 1,042,747 | 1,001,788 | 40,959 |
| Emergency Medical Service/Rescue Operations Bureau | 9,069,338 | 9,069,338 | 9,088,863 | (19,525) |
| Fire Suppression Bureau | <u>17,132,598</u> | <u>17,132,598</u> | <u>17,181,698</u> | <u>(49,100)</u> |
| | <u>27,543,396</u> | <u>27,543,396</u> | <u>27,556,728</u> | <u>(13,332)</u> |

Prepared by: Department of Administration

Unaudited and Subject to Change

APPENDIX 4:**FY 2010 Unaudited Statement of Revenues & Expenditures****Page 7 of 8****GOVERNMENT OF GUAM**

Statement of Revenues, Expenditures by Department, and
 Changes in Deficit - Budget and Actual - General Fund, Continued
 Year Ended September 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance |
|---|--------------------|--------------------|---------------------|---------------------|
| | Original | Final | | |
| Expenditures by Department, continued: | | | | |
| Executive Branch, continued: | | | | |
| Payments to Component Units: | | | | |
| Guam Educational Telecommunications Corporation | 525,253 | 525,253 | 525,253 | - |
| Guam Memorial Hospital Authority | 13,617,138 | 13,579,010 | 1,006,397 | 12,572,613 |
| Guam Visitors Bureau | 100,000 | 97,000 | 76,395 | 20,605 |
| University of Guam | 32,633,071 | 32,633,071 | 32,588,765 | 44,306 |
| Guam Regional Transit Authority | 413,134 | 413,134 | 413,134 | - |
| Guam Community College | 13,938,332 | 13,938,332 | 13,938,332 | - |
| | <u>61,226,928</u> | <u>61,185,800</u> | <u>48,548,276</u> | <u>12,637,524</u> |
| Government of Guam Retirement Fund Appropriations: | | | | |
| Medicare Reimbursement | 700,000 | 700,000 | 700,000 | - |
| Governor and Lieutenant Governor Pension Contributions | 145,000 | 145,000 | 145,000 | - |
| COLA | 2,594,730 | 2,594,730 | - | 2,594,730 |
| Judge and Justice Retirement Annuities | 458,448 | 458,448 | 458,448 | - |
| | <u>3,898,178</u> | <u>3,898,178</u> | <u>1,303,448</u> | <u>2,594,730</u> |
| Total Executive Branch | <u>451,062,059</u> | <u>449,927,589</u> | <u>420,248,281</u> | <u>29,679,308</u> |
| Miscellaneous Appropriations: | | | | |
| Retiree Healthcare Premiums | 18,330,774 | 18,330,774 | 19,145,143 | (814,369) |
| Guam Council on the Arts and Humanities Agency | 3,138 | 3,138 | 3,138 | - |
| Education Suruhanu | 129,803 | 129,803 | 129,803 | - |
| Guam Commission for Educator Certification | 218,890 | 218,890 | 217,581 | 1,309 |
| Guam Legal Services Corporation | 19,520 | 19,520 | - | 19,520 |
| Hagatna Restoration and Redevelopment | 95,117 | 95,117 | 72,909 | 22,208 |
| Total Miscellaneous Appropriations | <u>18,797,242</u> | <u>18,797,242</u> | <u>19,568,574</u> | <u>(771,332)</u> |
| Interest and other charges: | | | | |
| Interest on tax refunds | - | - | 3,030,072 | (3,030,072) |
| Public Law 28-38 Special Retirement payments | - | - | 4,601,475 | (4,601,475) |
| Credit card charge fees and other bank fees | - | - | 4,052,949 | (4,052,949) |
| COLA interest | - | - | 1,325,003 | (1,325,003) |
| Other | - | - | 714,294 | (714,294) |
| Total Interest and other charges | <u>-</u> | <u>-</u> | <u>13,723,793</u> | <u>(13,723,793)</u> |
| Debt Service: | | | | |
| Principal retirement | 16,117,770 | 16,117,770 | 15,858,968 | 258,802 |
| Interest and fiscal charges | 22,096,774 | 31,254,187 | 28,464,448 | 2,789,739 |
| | <u>38,214,544</u> | <u>47,371,957</u> | <u>44,323,416</u> | <u>3,048,541</u> |
| Total expenditures | <u>508,073,845</u> | <u>516,096,788</u> | <u>497,864,064</u> | <u>18,232,724</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>53,254,394</u> | <u>9,391,451</u> | <u>(12,750,005)</u> | <u>(22,141,456)</u> |

Prepared by: Department of Administration

Unaudited and Subject to Change

GOVERNMENT OF GUAM

Statement of Revenues, Expenditures by Department, and
Changes in Deficit - Budget and Actual - General Fund, Continued
Year Ended September 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance |
|---|-------------------------|-------------------------|-------------------------|------------------------|
| | Original | Final | | |
| Other financing sources (uses): | | | | |
| Transfers in from other funds: | | | | |
| Healthy Futures Fund | 891,754 | 4,331,754 | 4,094,360 | (237,394) |
| Public Library System Fund | 755,482 | 755,482 | 755,482 | - |
| Tourist Attraction Fund | - | - | 4,418,111 | 4,418,111 |
| Territorial Education Facilities Fund | 20,179,223 | 20,179,223 | 20,179,223 | - |
| | <u>21,826,459</u> | <u>25,266,459</u> | <u>29,447,176</u> | <u>4,180,717</u> |
| Transfers out to other funds: | | | | |
| Accessible Parking Fund | - | - | 411,767 | (411,767) |
| Better Public Service Fund | 588,508 | 588,508 | 402,130 | 186,378 |
| Community Development Fund | 480,647 | 480,647 | 380,656 | 99,991 |
| Federal Grants Assistance Fund | 31,873,835 | 31,861,773 | 30,052,038 | 1,809,735 |
| GMHA Pharmaceuticals Fund | 12,839,909 | 11,526,655 | 11,214,816 | 311,839 |
| Government Claims Fund | 97,000 | 97,000 | 97,000 | - |
| Guam Legislature Fund | 7,713,567 | 7,713,567 | 7,713,567 | - |
| Land Survey Revolving Fund | - | - | 3,747,398 | (3,747,398) |
| MIP Payment Revolving Fund | 13,678,675 | 13,203,988 | 13,199,578 | 4,410 |
| Office of the Public Auditor | 1,226,349 | 1,226,349 | 1,046,342 | 180,007 |
| Off-island Treatment Fund | 1,164,000 | 1,164,000 | 1,079,291 | 84,709 |
| Public Defender Service Corporation Fund | 3,150,194 | 3,150,194 | 3,150,194 | - |
| Supplemental Annuity Benefits Fund | 11,736,120 | 11,736,120 | 11,736,120 | - |
| Unified Courts of Guam Fund | 23,823,305 | 23,823,305 | 23,823,305 | - |
| Wildlife Conservation Fund | - | - | 76,955 | (76,955) |
| Worker's Compensation Fund | 798,593 | 798,593 | 798,593 | - |
| | <u>109,170,702</u> | <u>107,370,699</u> | <u>108,929,750</u> | <u>(1,559,051)</u> |
| Total other financing sources (uses), net | <u>(87,344,243)</u> | <u>(82,104,240)</u> | <u>(79,482,574)</u> | <u>5,739,768</u> |
| Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes | - | - | 8,648,751 | 8,648,751 |
| | - | - | 8,648,751 | 8,648,751 |
| Net change in fund deficit | (34,089,849) | (72,712,789) | (83,583,828) | (10,871,039) |
| Fund deficit beginning of the year | <u>(265,377,371)</u> | <u>(265,377,371)</u> | <u>(265,377,371)</u> | - |
| Fund deficit end of the year | <u>\$ (299,467,220)</u> | <u>\$ (338,090,160)</u> | <u>\$ (348,961,199)</u> | <u>\$ (10,871,039)</u> |

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Unaudited and Subject to Change

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GOVERNMENT OF GUAM

Statement of Revenues, Expenditures by Department, and
Changes in Deficit - General Fund, Continued
Year Ended September 30, 2010
(With comparatives for the year ended September 30, 2009)

| | 2010 | 2009 |
|--|-------------------|-------------------|
| Expenditures by Department, continued: | | |
| General Government, continued: | | |
| Department of Administration: | | |
| Office of the Director | 2,672,290 | 3,073,970 |
| Office of the Director - COLA | 3,929,598 | 6,670,000 |
| Office of the Director - Child Support | 607,791 | 658,178 |
| Office of the Director - Streetlights | 1,229,387 | - |
| Office of the Director - Health insurance benefits | 3,870,026 | - |
| Office of the Director - Power and Water | 6,988,618 | - |
| Personnel Management | 1,676,903 | 1,753,016 |
| Financial Management | 624,296 | 633,807 |
| Data Processing | 545,066 | 563,840 |
| General Services Agency | 825,939 | 802,001 |
| Division of Accounts | 2,348,469 | 2,386,350 |
| | <u>25,318,383</u> | <u>16,541,162</u> |
| Department of Land Management: | | |
| Land Planning Division | - | 48,304 |
| Land Records Division | - | 13,296 |
| Geographic Information System Division | - | 19,674 |
| | <u>-</u> | <u>81,274</u> |
| Department of Public Works: | | |
| Office of the Director | 1,425,871 | 2,496,308 |
| Office of the Director - Consent Decree | 38,432 | 786,366 |
| Office of the Director - Streetlights | - | 1,518,869 |
| Public Cemeteries | 58,982 | - |
| Transportation Maintenance Division | 763,107 | 768,481 |
| | <u>2,286,392</u> | <u>5,570,024</u> |
| Department of Revenue and Taxation: | | |
| Office of the Director | 2,272,265 | 2,473,539 |
| Office of the Director - Computer System Upgrade | - | 4,200 |
| Office of the Director - Stimulus Tax Rebates | 193,870 | 172,679 |
| Tax Enforcement Division | 2,035,693 | 1,929,150 |
| Real Property Tax Division | 557,791 | 455,578 |
| Taxpayer Services Division | 1,725,911 | 1,782,351 |
| Regulatory Division | 1,090,993 | 1,011,169 |
| Motor Vehicle Division | 789,330 | 659,283 |
| | <u>8,665,853</u> | <u>8,487,949</u> |
| Total General Government | <u>45,005,696</u> | <u>40,895,439</u> |
| Protection of Life and Property | | |
| Department of Corrections: | | |
| Office of the Director | 2,864,617 | 4,067,926 |
| Office of the Director - Rent | 114,000 | 114,000 |
| Adult Correctional Facility | 9,493,564 | 9,432,087 |

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Changes in Deficit - General Fund, Continued
Year Ended September 30, 2010
(With comparatives for the year ended September 30, 2009)

| | 2010 | 2009 |
|--|-------------------|-------------------|
| Expenditures by Department, continued: | | |
| Protection of Life and Property, continued: | | |
| Department of Corrections, continued: | | |
| Rosario Detention Center | 2,153,151 | 2,277,261 |
| Off-island Detention | 1,490 | 9,638,304 |
| Casework and Counseling Service Division | 321,843 | 359,160 |
| Forensic Division | 343,235 | 385,014 |
| Parole Service Division | 559,548 | 523,932 |
| | <u>15,851,448</u> | <u>26,797,684</u> |
| Department of Youth Affairs: | | |
| Office of the Director | 101,385 | 112,024 |
| Office of the Director - Nursing and Medication | 10,601 | - |
| Division of Youth Development | 491,354 | 619,373 |
| Division of Youth Corrections | 2,577,933 | 2,466,764 |
| Division of Vocational Rehabilitation and Support Services | 576,244 | 780,486 |
| | <u>3,757,517</u> | <u>3,978,647</u> |
| Guam Fire Department: | | |
| Office of the Fire Chief | 266,452 | 355,772 |
| Administrative and Logistical Support | 941,842 | 1,335,164 |
| Emergency Medical Service/Rescue Operations Bureau | 9,088,863 | 8,478,041 |
| Fire Suppression Bureau | 17,181,698 | 15,952,738 |
| | <u>27,478,855</u> | <u>26,121,715</u> |
| Guam Police Department: | | |
| Office of the Chief | 1,948,504 | 2,595,811 |
| Office of the Chief - Police Commander | 2,622,247 | 2,410,499 |
| Office of the Chief - Administration Division | 1,196,143 | 1,277,938 |
| Office of the Chief - Overtime | 522,877 | 1,055,251 |
| Office of the Chief - Fuel | 390,435 | 321,548 |
| Criminal Investigation Division | 2,728,265 | 2,313,961 |
| Neighborhood Patrol Division | 9,395,207 | 9,018,306 |
| Support Division | 2,142,756 | 1,962,174 |
| Forensic Science Division | 1,157,811 | 1,040,598 |
| Highway Patrol Division | 1,391,364 | 1,163,981 |
| | <u>23,495,609</u> | <u>23,160,067</u> |
| Office of the Attorney-General: | | |
| Attorney-General's Office | 6,833,516 | 6,425,118 |
| Chief Medical Examiner: | | |
| Medical Examiner's Office | 381,546 | 376,200 |
| Total Protection of Life and Property | <u>77,798,491</u> | <u>86,859,431</u> |
| Public Health: | | |
| Department of Mental Health and Substance Abuse: | | |
| Office of the Director | 5,488,847 | 2,504,249 |
| Office of the Director - Permanent Injunction | 4,261,997 | 1,969,159 |

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Unaudited and Subject to Change

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GOVERNMENT OF GUAM

Statement of Revenues, Expenditures by Department, and
Changes in Deficit - General Fund, Continued
Year Ended September 30, 2010
(With comparatives for the year ended September 30, 2009)

| | 2010 | 2009 |
|--|-------------------|-------------------|
| Expenditures by Department, continued: | | |
| Public Health, continued: | | |
| Department of Mental Health and Substance Abuse, continued: | | |
| Clinical Services Division | 799,590 | 940,189 |
| Youth Drug and Alcohol Program | 11,156 | 205,426 |
| Child and Adolescent Services Division | 759,877 | 986,890 |
| Service Contracts | - | 1,620,951 |
| Nursing Services Division | 1,974,216 | 2,186,528 |
| | <u>13,295,683</u> | <u>10,413,392</u> |
| Department of Public Health and Social Services: | | |
| Office of the Director | 2,494,937 | 1,846,606 |
| Chief Public Health Office | 183,528 | 36,275 |
| Community Health Services | 104,072 | 298,328 |
| Communicable Disease Control | 12,402 | 38,873 |
| Professional Social Services | 4,228 | 139,522 |
| Primary Care Services | 154,948 | 62,414 |
| Family Health and Nursing | 72,614 | - |
| Division of Environmental Health | 502,973 | 67,377 |
| Financial Management Services | 163,836 | 190,528 |
| Supply Section | 84,928 | 106,068 |
| Management Support Services | 149,556 | 134,609 |
| Facilities and Maintenance | 946,119 | 348,493 |
| Systems Group | 373,949 | 335,179 |
| | <u>5,248,090</u> | <u>3,604,272</u> |
| Total Public Health | <u>18,543,773</u> | <u>14,017,664</u> |
| Community Services: | | |
| Department of Public Health and Social Services: | | |
| Medically Indigent Program | 91,242 | 101,147 |
| Foster Care | 1,519,219 | 1,725,039 |
| Division of Senior Citizens | 177,630 | 219,151 |
| Adult Protective Services | 455,434 | 472,801 |
| | <u>2,243,525</u> | <u>2,518,138</u> |
| Department of Integrated Services for Individuals with Disabilities: | | |
| Service Contracts | 284,236 | 216,717 |
| Office of the Director | 341,086 | 596,633 |
| Basic Support 110 | 32,754 | 42,371 |
| | <u>658,076</u> | <u>855,721</u> |
| Guam Public Library System: | | |
| Office of the Director | 850,611 | 1,102,859 |
| Hagatna-Dededo Library | 186,851 | 210,293 |
| Barrigada Library | 48,643 | 51,365 |
| Agat Library | 34,827 | 25,305 |
| Yona Library | 32,445 | 24,882 |

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GOVERNMENT OF GUAM

Statement of Revenues, Expenditures by Department, and
Changes in Deficit - General Fund, Continued
Year Ended September 30, 2010
(With comparatives for the year ended September 30, 2009)

| | 2010 | 2009 |
|--|-------------------|-------------------|
| Expenditures by Department, continued: | | |
| Community Services, Continued: | | |
| Guam Public Library System, continued: | | |
| Merizo Library | 56,478 | 49,036 |
| | <u>1,209,855</u> | <u>1,463,740</u> |
| Total Community Services | <u>4,111,456</u> | <u>4,837,599</u> |
| Recreation: | | |
| Department of Parks and Recreation: | | |
| Office of the Director | 368,800 | 445,501 |
| Mermorial Services | 114,228 | 115,076 |
| Community Programs | 312,360 | 329,334 |
| Pool and Beach Programs | 420,794 | 414,505 |
| Paseo Stadium | 146,168 | 165,608 |
| Parks Administration and Planning | 139,214 | 113,699 |
| Historic Preservation Division | 196,767 | 132,127 |
| Parks Maintenance | 976,069 | 1,520,745 |
| Territorial Park Protection | 176,417 | 146,251 |
| Total Recreation | <u>2,850,817</u> | <u>3,382,846</u> |
| Individual and Collective Rights: | | |
| Office of I Maga'lahaen Guahan: | | |
| Commission on Decolonization | 61,795 | 177,227 |
| Department of Chamorro Affairs: | | |
| Office of the Director | 398,169 | 468,104 |
| Language and Culture Division | 48,812 | 49,623 |
| Research Publication and Training | 70,796 | 19,905 |
| Guam Museum | 299,046 | 386,691 |
| | <u>816,823</u> | <u>924,323</u> |
| Department of Labor: | | |
| Office of the Director | 546,814 | 572,098 |
| Occupational Safety and Health Agency | 49,059 | 8,999 |
| Wage and Hour Division | 203,862 | 204,174 |
| Bureau of Labor Statistics | 213,833 | 215,987 |
| Fair Employment Practice Office | - | 174 |
| Worker's Compensation Commission | 93,088 | 121,587 |
| Fiscal and Support Office | 89,671 | 86,032 |
| | <u>1,196,327</u> | <u>1,209,051</u> |
| Department of Military Affairs: | | |
| Office of the Adjutant General | 125,310 | 118,740 |
| Other: | | |
| Guam Election Commission | 691,649 | 789,481 |
| Mayor's Council of Guam | 8,437,814 | 9,000,789 |
| | <u>9,129,463</u> | <u>9,790,270</u> |
| Total Individual and Collective Rights | <u>11,329,718</u> | <u>12,219,611</u> |

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Statement of Revenues, Expenditures by Department, and
Changes in Deficit - General Fund, Continued
Year Ended September 30, 2010
(With comparatives for the year ended September 30, 2009)

| | 2010 | 2009 |
|--|--------------------|--------------------|
| Expenditures by Department, continued: | | |
| Public Education: | | |
| Guam Commission for Educator Certification | 214,475 | 144,480 |
| Office of I Maga'lahaen Guahan: | | |
| Office of the Governor - JFK School Lease | 4,494,000 | - |
| Department of Education: | | |
| Guam Public School System | 188,021,692 | 200,340,413 |
| Department of Public Works: | | |
| Bus Operations | 6,459,318 | 6,663,602 |
| Total Public Education | <u>199,189,485</u> | <u>207,148,495</u> |
| Economic Development: | | |
| Bureau of Statistics and Plans: | | |
| Administration | 364,384 | 312,015 |
| Chief Economist's Office | 2,205 | 6,993 |
| Planning Information | 191,547 | 240,090 |
| Socio-Economic Planning | 136,448 | 132,094 |
| Business and Economic Statistics Division | 330,180 | 350,661 |
| | <u>1,024,764</u> | <u>1,041,853</u> |
| Department of Agriculture: | | |
| Office of the Director | 841,373 | 1,063,710 |
| Fire Protection | 18,852 | - |
| Aquatic and Wildlife Resources Division | 127,537 | 123,093 |
| Animal and Plant Industry Division | 786,304 | 856,964 |
| Animal Health Section | 364,297 | 360,243 |
| | <u>2,138,363</u> | <u>2,404,010</u> |
| Total Economic Development | <u>3,163,127</u> | <u>3,445,863</u> |
| Payments to Component Units: | | |
| Government of Guam Retirement Fund: | | |
| Medicare Reimbursement | 700,000 | 684,000 |
| Governor and Lieutenant Governor Pension Contributions | 145,000 | 145,000 |
| Judge and Justice Retirement Annuities | 458,448 | 454,200 |
| | <u>1,303,448</u> | <u>1,283,200</u> |
| Guam Community College | 13,938,332 | 13,922,708 |
| Guam Educational Telecommunications Corporation | 521,621 | 596,280 |
| Guam Visitors Bureau | 76,395 | - |
| Guam Regional Transit Authority | 399,934 | - |
| Guam Memorial Hospital Authority | 1,006,397 | 10,564,012 |
| University of Guam | 32,588,765 | 32,172,690 |
| Total Payments to Component Units | <u>49,834,892</u> | <u>58,538,890</u> |
| Miscellaneous Appropriations: | | |
| Retiree Healthcare Premiums | 19,145,143 | 20,398,115 |
| Guam Council on the Arts and Humanities Council | 3,138 | - |
| Education Suruhanu | 129,714 | - |
| Hagatna Restoration and Redevelopment | 72,909 | 54,069 |
| Total Miscellaneous Appropriations | <u>19,350,904</u> | <u>20,452,184</u> |

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Unaudited and Subject to Change

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GOVERNMENT OF GUAM

Statement of Revenues, Expenditures by Department, and
Changes in Deficit - General Fund, Continued
Year Ended September 30, 2010
(With comparatives for the year ended September 30, 2009)

| | 2010 | 2009 |
|--|--------------------|---------------------|
| Expenditures by Department, continued: | | |
| Interest and other charges: | | |
| Interest on tax refunds | 3,030,072 | 16,198,724 |
| Public Law 28-38 Special Retirement payments | 4,601,475 | 4,601,475 |
| Credit card charge fees and other bank fees | 4,052,949 | 5,769,704 |
| COLA interest | 1,325,003 | 17,915,324 |
| Bond issuance costs | - | 1,906,137 |
| Other | 714,294 | 218,025 |
| Total Interest and other charges | <u>13,723,793</u> | <u>46,609,389</u> |
| Debt service: | | |
| Principal retirement | 15,858,968 | 12,297,839 |
| Interest and fiscal charges | 28,464,448 | 13,805,645 |
| Total Debt Service | <u>44,323,416</u> | <u>26,103,484</u> |
| Total expenditures | <u>489,225,568</u> | <u>524,510,895</u> |
| Deficiency of revenues under expenditures | <u>(4,111,509)</u> | <u>(41,360,712)</u> |
| Other financing sources (uses): | | |
| Proceeds from bonds issued | - | 271,070,000 |
| Discount on bonds issued | - | (9,622,491) |
| | <u>-</u> | <u>261,447,509</u> |
| Transfers in from other funds: | | |
| Accessible Parking Fund | - | 411,767 |
| Agana Fractional Lots Program Fund | - | 229,020 |
| Banking and Insurance Enforcement Fund | - | 29,545 |
| CAHA, OET and CEF Fund | - | 266 |
| Carrier Off-duty Services Revolving Fund | - | 133,766 |
| Consumer Protection Fund | - | 135 |
| Contractors' License Board Fund | - | 1,248,483 |
| Controlled Substance Diversion Fund | - | 31,110 |
| Criminal Injuries Compensation Fund | - | 382,034 |
| Dededo Buffer Strip Revolving Fund | - | 120,352 |
| DPW Building and Design Fund | - | 2,643,219 |
| Enhanced 911 Emergency Reporting System Fund | - | 325,718 |
| Environmental Health Fund | - | 413,884 |
| GDOE Federal Grants Fund | - | 1,456,752 |
| General Services Agency Fund | - | 232 |
| GFD Capital Revolving Fund | - | 15,277 |
| Government House Revolving Fund | - | 60 |
| Guam Housing Corporation Revolving Fund | - | 88,777 |
| Guam Plant Inspection and Permit Fund | - | 10,884 |
| Health Professional Licensure Fund | - | 180,382 |
| Healthy Futures Fund | 4,094,360 | 642,504 |
| Individuals With Disabilities Disaster Recovery Fund | - | 100,000 |
| Land Survey Revolving Fund | - | 3,747,398 |
| Landfill CIP Fund | - | 830,692 |

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Unaudited and Subject to Change

**APPENDIX 5:
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Statement of Revenues, Expenditures by Department, and
Changes in Deficit - General Fund, Continued
Year Ended September 30, 2010
(With comparatives for the year ended September 30, 2009)

| | 2010 | 2009 |
|--|-------------------------|-------------------------|
| Other financing sources (uses), continued: | | |
| Transfers in from other funds, continued: | | |
| Livestock Fund | - | 4,385 |
| Off-Island Sports Travel Fund | - | 20,560 |
| Plant Nursery Revolving Fund | - | 7,792 |
| Public Library System Fund | 755,482 | 718,000 |
| Public Recreation Services Fund | - | 25,223 |
| Rabies Prevention Fund | - | 20,978 |
| Safe Homes, Safe Streets Fund | - | 1,191 |
| Solid Waste Management Plan Fund | - | 119,954 |
| Street Light Fund | - | 99,424 |
| Tax Collection Fund | - | 47,523 |
| Territorial Education Facilities Fund | 20,179,223 | 27,665,692 |
| Tourist Attraction Fund | 4,418,111 | - |
| Typhoon Chataan and Halong Fund | - | 92,928 |
| Unreserved Fund Balance Fund | - | 157,567 |
| Wildlife Conservation Fund | - | 76,955 |
| | <u>29,447,176</u> | <u>42,100,429</u> |
| Transfers out to other funds: | | |
| Accessible Parking Fund | 411,767 | - |
| Better Public Service Fund | 402,130 | 519,557 |
| Community Development Fund | 380,656 | 169,850 |
| Customs, Agriculture and Quarantine Inspection Services Fund | - | 2,257,142 |
| DOC Inmates Revolving Fund | - | 527,110 |
| Federal Grants Assistance Fund | 30,041,783 | 30,359,251 |
| GMHA Pharmaceuticals Fund | 11,214,816 | 11,989,207 |
| Government Claims Fund | 97,000 | 94,176 |
| Guam Legislature Fund | 7,713,567 | 7,703,567 |
| Health and Human Services Fund | - | 8,601,943 |
| Land Survey Revolving Fund | 3,747,398 | - |
| MIP Payment Revolving Fund | 13,199,578 | 10,578,894 |
| Office of the Public Auditor | 1,046,342 | 1,018,822 |
| Off-island Treatment Fund | 1,079,291 | 1,298,276 |
| Public Defender Service Corporation Fund | 3,150,194 | 2,750,753 |
| Supplemental Annuity Benefits Fund | 11,736,120 | 11,924,030 |
| Unified Courts of Guam Operations Fund | 23,823,305 | 22,257,084 |
| Wildlife Conservation Fund | 76,955 | - |
| Worker's Compensation Fund | 798,593 | - |
| | <u>108,919,495</u> | <u>112,049,662</u> |
| Total other financing sources (uses), net | <u>(79,472,319)</u> | <u>191,498,276</u> |
| Net change in fund deficit | (83,583,828) | 150,137,564 |
| Deficit at the beginning of the year | (265,377,371) | (415,514,935) |
| Deficit at the end of the year | <u>\$ (348,961,199)</u> | <u>\$ (265,377,371)</u> |

Prepared by: Department of Administration

Unaudited and Subject to Change

**APPENDIX 6:
General Fund 12/31/10 Unaudited Financial Statements with
\$40M Deficit**

| General Fund Working Trial Balance December 31, 2010 | | Unaudited |
|--|--|-----------------|
| Account Title | | 401 Amount |
| ASSETS | | |
| Cash & Equivalent | | |
| Cash | | 57,202,685.45 |
| Imprest fund | | 0.00 |
| Investments | | 0.00 |
| Tax receivables | | |
| Income tax | | 39,317,077.69 |
| Gross receipt tax | | 6,853,610.91 |
| Real property tax | | 0.00 |
| | | 46,170,688.60 |
| Est. Uncol. Tax Receivables | | |
| Income tax | | 0.00 |
| Gross receipt tax | | 0.00 |
| Real property tax | | 0.00 |
| | | 0.00 |
| Net tax receivables | | 46,170,688.60 |
| Interfund receivables | | 39,487,135.01 |
| A/R Federal agencies | | 0.00 |
| Other receivables, net | | 19,609,236.29 |
| Inventories | | 0.00 |
| Prepayments | | 0.00 |
| Deposits & other assets | | 16,648,316.64 |
| TOTAL ASSETS | | 179,118,061.99 |
| LIABILITIES & FUND BALANCE | | |
| LIABILITIES | | |
| Cash Overdraft | | 25,215,131.74 |
| Current portion of debt & related interest | | 0.00 |
| Accounts payable | | 72,722,070.95 |
| Accrued payroll & other | | 0.00 |
| Interfund payables | | 93,219,869.04 |
| Due to Guam Public School System | | 0.00 |
| A/P Federal agencies | | 0.00 |
| Deferred Revenues | | 0.00 |
| Section 30 | | 34,768,031.00 |
| Taxes | | 8,910,157.72 |
| Estimated tax refunds | | 281,288,075.00 |
| Reserved for COLA Settlement | | 22,862,788.73 |
| Deposits & other liabilities | | 39,833,710.27 |
| Estimated Accrual of Leave | | 0.00 |
| TOTAL LIABILITIES | | 578,819,834.45 |
| FUND BALANCE | | |
| Reserved for | | |
| Debt service | | 0.00 |
| Related assets | | 0.00 |
| Encumbrance | | 25,251,793.87 |
| Continuing appropriations | | 423,241,482.07 |
| Unreserved | | -848,195,048.40 |
| FUND BALANCE | | -399,701,772.46 |
| TOTAL LIABILITIES & FUND BALANCE | | 179,118,061.99 |

**APPENDIX 6:
General Fund 12/31/10 Unaudited Financial Statements with
\$40M Deficit**

Statement of Revenues, Expenditures
& Changes in Fund Balance
December 31, 2010

| | Per 401 |
|---|------------------------|
| REVENUES: | |
| Taxes | 110,936,733.77 |
| Licenses, fees & permits | 400,051.16 |
| Use of money & properties | 217,718.46 |
| Federal contributions | 12,216,517.45 |
| Other | 781,459.93 |
| Suspense | 0.00 |
| Total Revenues | 124,552,480.77 |
| EXPENDITURES: | |
| General government | 10,591,027.05 |
| Protection of Life & property | 17,935,395.34 |
| Public health | 6,366,792.54 |
| Community service | 1,567,833.88 |
| Recreation | 671,289.16 |
| Individual & collective rights | 2,298,755.16 |
| Transportation | 0.00 |
| Education | 38,468,162.61 |
| Protection of environment & res | 0.00 |
| Economic development | 763,213.58 |
| Transfer to persons | 32,473.70 |
| Capital projects | 36,350.00 |
| Interest | 0.00 |
| Principal | 0.00 |
| Z & X reimburseable expense | 0.00 |
| Total Expenditures | 78,731,293.02 |
| REVENUE OVER(UNDER) EXPENDITURES | 45,821,187.75 |
| OTHER SOURCES (USES): | |
| Addn to long term debt | 0.00 |
| Transfer in | 0.00 |
| Transfer out | -82,834,447.96 |
| Other sources | 0.00 |
| Other uses | -2,988,746.92 |
| Total sources (uses) | -85,823,194.88 |
| Special Items: | |
| COLA Settlement | 0.00 |
| EITC Settlement | 0.00 |
| | 0.00 |
| REVENUE & OTHER SOURCES OVER (UNDER) EXPEND & OTHERS USES AND SPECIAL ITEMS: | -40,002,007.13 |
| BEGINNING FUND BALANCE (DEFICIT) | 0.00 |
| BEGINNING FUND BALANCE (DEFICIT) | -359,699,765.33 |
| ADJUSTMENTS TO FUND BALANCE | 0.00 |
| ENDING FUND BALANCE (DEFICIT) | -399,701,772.46 |
| | ===== |

**APPENDIX 7:
Comparative Revenues Report (9/30/10)**

| Government Of Guam Combined Comparative Statement Of Revenues General Fund September 30, 2010 & 2009 | | | | | | |
|---|---------------------|---------------------|------------------------|----------------------|-------------------------------------|------------------------|
| | For the Months | | | Fiscal Year 2010 | Year-To-Date Fiscal Year 2009 | |
| | September, 2010 | September, 2009 | Increase (Decrease) | | Increase (Decrease) | Increase (Decrease) |
| Income taxes: | | | | | | |
| Individual | \$4,608,944 | \$4,080,974 | \$527,970 | \$76,014,317 | \$68,246,652 | \$7,767,665 |
| Corporation | 20,847,110 | 18,170,527 | 2,676,582 | 92,808,489 | 97,435,697 | (4,627,208) |
| Withholding | 22,823,500 | 10,939,319 | 11,884,181 | 204,938,837 | 155,101,552 | 49,838,285 |
| Withholding - COLA | 10,888 | 0 | 10,888 | 99,291 | 9,048,216 | (8,948,925) |
| Interest & penalties | 257,973 | 1,637,326 | (1,379,353) | 4,427,179 | 6,845,796 | (2,418,617) |
| Provision for refunds | (11,324,835) | (7,506,701) | (3,818,134) | (134,260,000) | (88,600,000) | (45,660,000) |
| Total Income Taxes | 37,223,579 | 27,321,448 | 9,902,131 | 244,028,114 | 248,077,913 | (4,048,799) |
| Business privilege taxes: | | | | | | |
| Gross Receipts Taxes | 18,063,017 | 14,763,372 | 3,299,645 | 189,899,180 | 184,088,063 | 5,801,117 |
| Other Taxes: | | | | | | |
| Admissions tax | 50 | 250 | (200) | 26,678 | 87,700 | (61,024) |
| Use tax | 441,804 | 236,262 | 205,543 | 3,847,453 | 3,623,136 | 224,317 |
| Total Business Privilege Taxes | 18,504,871 | 14,999,884 | 3,504,987 | 193,773,310 | 187,808,900 | 5,964,410 |
| Total Licenses, Fees & Permits | 124,740 | 135,371 | (10,632) | 4,546,323 | 4,470,061 | 76,262 |
| Total Use of Money & Property | 25,052 | 41,648 | (16,595) | 340,649 | 479,353 | (138,704) |
| Federal Sources: | | | | | | |
| Section 30 | 3,241,047 | 3,239,114 | 1,932 | 39,230,453 | 38,869,372 | 361,081 |
| Immigration fees | 175,324 | 218,895 | (43,571) | 1,756,462 | 1,612,140 | 144,322 |
| Indirect cost recovery | 0 | 117,250 | (117,250) | 0 | 325,098 | (325,098) |
| Total Federal Sources | 3,416,371 | 3,575,259 | (158,888) | 40,986,915 | 40,806,610 | 180,305 |
| Department Charges: | | | | | | |
| Agriculture | 100 | 171 | (71) | 2,158 | 2,989 | (811) |
| Police & corrections | 0 | 0 | 0 | 75 | 30 | 45 |
| Public works | 195 | 23,789 | (23,594) | 243,073 | 155,195 | 87,878 |
| Public health | 12,545 | 13,117 | (572) | 161,576 | 187,468 | (25,892) |
| Commerce | 42,742 | 14,465 | 28,277 | 306,266 | 258,485 | 47,781 |
| Other charges | 127,029 | 141,700 | (14,671) | 1,043,314 | 1,016,189 | 27,125 |
| Total Department Charges | 182,611 | 193,241 | (10,631) | 1,756,462 | 1,620,336 | 136,126 |
| TOTAL GENERAL FUND REVENUES | \$59,477,224 | \$46,266,852 | \$13,210,372 | \$485,432,773 | \$463,263,173 | \$2,169,600 |

Note:

¹Revenues are based on a modified accrual basis. During the year, revenues are recognized on a cash basis, but at year end an accrual is made for actual collections relating to prior years taxes 60 days after 09/30. (In accordance with GASB 33 - Accounting Financial Reporting for non-exchange transactions). Estimates are recorded for the provision for 2008 Refunds & Section 30 is prorated for 12 months.

²In accordance with Public Law 30-196, \$31,287,600 in receipts have been included pertaining to "Make Work Pay Credit" receipts from US Treasury with a corresponding amount included for provision for tax refund payments.

**APPENDIX 7:
Comparative Revenues Report (9/30/10)**

| Government Of Guam Actual Revenues Compared to Original Estimates General Fund Twelve Months Ended September 30, 2010 | | | | | | |
|--|---------------------|---------------------|----------------------------|----------------------|----------------------|----------------------------|
| | For the Months | | | Year-To-Date | | |
| | Estimated | Actual | Favorable (Unfavorable) | Estimated | Actual | Favorable (Unfavorable) |
| Income taxes: | | | | | | |
| Individual | \$7,496,284 | \$4,608,944 | (\$2,887,340) | \$65,574,693 | \$76,014,317 | (\$9,560,376) |
| Corporation | 17,773,208 | 20,847,110 | 3,073,902 | 103,059,690 | 92,808,489 | (10,251,201) |
| Withholding | 18,429,091 | 22,823,500 | 4,394,409 | 201,559,527 | 204,939,837 | 3,380,310 |
| Withholding - COLA | 0 | 10,888 | 10,888 | 0 | 0 | 0 |
| Interest & penalties | 637,329 | 257,973 | (379,356) | 4,145,796 | 99,291 | 99,291 |
| Provision for refunds | (11,324,835) | (11,324,835) | 0 | (134,260,000) | 4,427,179 | 281,383 |
| Total Income Taxes | 33,011,077 | 37,223,579 | 4,212,502 | 260,079,706 | 244,029,114 | (16,050,592) |
| Business privilege taxes: | | | | | | |
| Gross Receipts Taxes | 17,521,417 | 18,063,017 | 541,600 | 207,429,867 | 189,899,180 | (17,530,687) |
| Other Taxes: | | | | | | |
| Admissions tax | 250 | 50 | (200) | 3,726 | 26,676 | 22,950 |
| Use tax | 131,015 | 441,604 | 310,789 | 3,921,539 | 3,847,453 | (74,085) |
| Total Business Privilege Taxes | 17,652,682 | 18,504,871 | 852,189 | 211,355,131 | 193,773,310 | (17,581,821) |
| Total Licenses, Fees & Permits | 162,337 | 124,740 | (57,597) | 4,942,859 | 4,546,323 | (396,536) |
| Total Use of Money & Property | 191,740 | 25,052 | (166,688) | 589,690 | 340,649 | (249,041) |
| Federal Sources: | | | | | | |
| Section 30 | 3,213,984 | 3,241,047 | 27,063 | 38,567,761 | 39,230,453 | 662,692 |
| Immigration fees | 35,682 | 175,324 | 139,642 | 2,100,075 | 1,756,462 | (343,613) |
| Indirect cost recovery | 257,694 | 0 | (257,694) | 1,811,510 | 0 | (1,811,510) |
| Total Federal Sources | 3,507,360 | 3,416,371 | (90,989) | 42,479,346 | 40,986,915 | (1,492,431) |
| Department Charges: | | | | | | |
| Agriculture | 171 | 100 | (71) | 3,308 | 2,158 | (1,150) |
| Police & corrections | 10 | 0 | (10) | 140 | 75 | (65) |
| Public works | 21,353 | 195 | (21,158) | 143,272 | 243,073 | 99,801 |
| Public health | 11,117 | 12,545 | 1,428 | 185,185 | 161,576 | (23,609) |
| Commerce | 12,465 | 42,742 | 30,277 | 254,406 | 306,266 | 51,860 |
| Other charges | 122,210 | 127,029 | 4,819 | 1,074,480 | 1,043,314 | (31,166) |
| Total Department Charges | 167,326 | 182,611 | 15,285 | 1,660,791 | 1,756,462 | 95,671 |
| TOTAL GENERAL FUND REVENUES | \$54,712,522 | \$59,477,224 | \$4,764,702 | \$521,117,723 | \$485,432,773 | (\$35,684,950) |
| 2% General Fund Reserve | (1,092,297) | (1,180,544) | (97,247) | (13,107,554) | (9,708,655) | 3,398,899 |
| Appropriation | \$53,620,225 | \$58,287,679 | \$4,667,454 | \$508,010,169 | \$475,724,118 | (\$32,286,051) |

Note:

¹Revenues are based on a modified accrual basis. During the year, revenues are recognized on a cash basis, but at year end an accrual is made for actual collections relating to prior years taxes 60 days after 09/30. (In accordance with GASB 33 - Accounting Financial Reporting for non-exchange transactions). Estimates are recorded for the provision for 2008 Refunds & Section 30 is prorated for 12 months.

²Appropriations Cap of 96% of General Fund Revenue, 22436, Chapter 22 of the Title 5 GCA. No available revenues to reserve.

³In accordance with Public Law 30-196, \$31,267,600 in receipts have been included pertaining to "Make Work Pay Credit" receipts from US Treasury with a corresponding amount included for provision for tax refund payments.

APPENDIX 8:
General Fund 9/30/10 Unaudited Financial Statements to
Transition Team

Statement of Revenues, Expenditures
 & Changes in Fund Balance
 September 30, 2010
 Draft as of 12/15/2010

| | Per 401 | Post-closing Adjustments | Post-closing F/S entry | AMOUNT |
|---|------------------------|-----------------------------|---------------------------|----------------------------|
| REVENUES: | | | | |
| Taxes | 437,802,423.36 | 0.00 | 0.00 | \$ 437,802,423.36 |
| Licenses, fees & permits | 4,546,323.27 | 0.00 | 0.00 | 4,546,323.27 |
| Use of money & properties | 340,649.00 | 0.00 | 0.00 | 340,649.00 |
| Federal contributions | 40,986,915.38 | 0.00 | 0.00 | 40,986,915.38 |
| Other | 1,756,462.00 | 0.00 | 0.00 | 1,756,462.00 |
| Suspense | | 0.00 | 0.00 | - |
| Total Revenues | 485,432,773.01 | 0.00 | 0.00 | \$ 485,432,773.01 |
| EXPENDITURES: | | | | |
| General government | 31,998,983.68 | 0.00 | 0.00 | \$ 31,998,983.68 |
| Protection of Life & property | 77,913,508.09 | 0.00 | 0.00 | 77,913,508.09 |
| Public health | 20,558,294.95 | 0.00 | 0.00 | 20,558,294.95 |
| Community service | 8,449,666.44 | 0.00 | 0.00 | 8,449,666.44 |
| Recreation | 2,850,816.11 | 0.00 | 0.00 | 2,850,816.11 |
| Individual & collective rights | 11,317,521.10 | 0.00 | 0.00 | 11,317,521.10 |
| Transportation | 0.00 | 0.00 | 0.00 | - |
| Education | 179,386,068.13 | 0.00 | 0.00 | 179,386,068.13 |
| Protection of environment & res | 0.00 | 0.00 | 0.00 | - |
| Economic development | 3,324,150.86 | 0.00 | 0.00 | 3,324,150.86 |
| Transfer to persons | 91,242.43 | 0.00 | 0.00 | 91,242.43 |
| Capital projects | 187,728.81 | 0.00 | 0.00 | 187,728.81 |
| Interest | 3,030,072.38 | 0.00 | 0.00 | 3,030,072.38 |
| Principal | 0.00 | 0.00 | 0.00 | - |
| Z & X reimburseable expense | 0.00 | 0.00 | 0.00 | - |
| Total Expenditures | 339,108,052.98 | 0.00 | 0.00 | \$ 339,108,052.98 |
| REVENUE OVER(UNDER) EXPENDITURES | 146,324,720.03 | 0.00 | 0.00 | \$ 146,324,720.03 |
| OTHER SOURCES (USES): | | | | |
| Addn to long term debt | 0.00 | 0.00 | 0.00 | - |
| Transfer in | 20,472,384.16 | 0.00 | 0.00 | \$ 20,472,384.16 |
| Transfer out | -236,216,604.37 | 0.00 | 0.00 | (236,216,604.37) |
| Other sources | 634,543.03 | 0.00 | 0.00 | 634,543.03 |
| Other uses | -20,032,587.56 | 0.00 | 0.00 | (20,032,587.56) |
| Total sources (uses) | -235,142,264.74 | 0.00 | 0.00 | \$ (235,142,264.74) |
| Special Items: | | | | |
| Landfill Loan Proceeds | 0.00 | 0.00 | 0.00 | - |
| Loan Proceeds \$439M | 0.00 | 0.00 | 0.00 | - |
| | 0.00 | 0.00 | 0.00 | - |
| REVENUE & OTHER SOURCES OVER (UNDER) EXPEND & OTHERS USES AND SPECIAL ITEMS: | -88,817,544.71 | 0.00 | 0.00 | \$ (88,817,544.71) |
| BEGINNING FUND BALANCE (DEFICIT) | -265,377,371.00 | 0.00 | 0.00 | \$ (265,377,371.00) |
| ADJUSTMENTS TO FUND BALANCE | 0.00 | 0.00 | 0.00 | - |
| ENDING FUND BALANCE (DEFICIT) | -354,194,915.71 | 0.00 | 0.00 | \$ (354,194,915.71) |

**APPENDIX 8:
General Fund 9/30/10 Unaudited Financial Statements to
Transition Team**

General Fund
Working Trial Balance
September 30, 2010
Draft as of 12/15/2010

| Account Title | 401 Amount | Post-closing Adjustments | Post-closing F/S entry | AMOUNT |
|---|------------------------|-----------------------------|---------------------------|----------------------------|
| ASSETS | | | | |
| Cash & Equivalent | | | | |
| Cash | 21,729,807.73 | 0.00 | 0.00 | \$ 21,729,807.73 |
| Cash - restricted | 28,647,536.78 | 0.00 | 0.00 | 28,647,536.78 |
| Imprest fund | 0.00 | 0.00 | 0.00 | - |
| Investments | 0.00 | 0.00 | 0.00 | - |
| Tax receivables | | | | |
| Income tax | 39,841,567.48 | 0.00 | 0.00 | 39,841,567.48 |
| Gross receipt tax | 0.00 | 0.00 | 0.00 | - |
| Real property tax | 0.00 | 0.00 | 0.00 | - |
| | 39,841,567.48 | 0.00 | 0.00 | 39,841,567.48 |
| Est. Uncol. Tax Receivables | | | | |
| Income tax | 0.00 | 0.00 | 0.00 | - |
| Gross receipt tax | 0.00 | 0.00 | 0.00 | - |
| Real property tax | 0.00 | 0.00 | 0.00 | - |
| | 0.00 | 0.00 | 0.00 | - |
| Net tax receivables | 39,841,567.48 | 0.00 | 0.00 | \$ 39,841,567.48 |
| Interfund receivables | | | | |
| A/R Federal agencies | 56,146,204.79 | 0.00 | 0.00 | \$ 56,146,204.79 |
| Other receivables,net | 0.00 | 0.00 | 0.00 | - |
| Inventories | 19,593,221.77 | 0.00 | 0.00 | 19,593,221.77 |
| Prepayments | 0.00 | 0.00 | 0.00 | - |
| Deposits & other assets | 0.00 | 0.00 | 0.00 | - |
| | 15,648,316.64 | 0.00 | 0.00 | 15,648,316.64 |
| TOTAL ASSETS | 181,606,655.19 | 0.00 | 0.00 | \$ 181,606,655.19 |
| LIABILITIES & FUND BALANCE | | | | |
| LIABILITIES | | | | |
| Cash Overdraft | 17,753,921.92 | 0.00 | 0.00 | \$ 17,753,921.92 |
| Current portion of debt & related interest | 0.00 | 0.00 | 0.00 | - |
| Accounts payable | 90,567,360.71 | 0.00 | 0.00 | 90,567,360.71 |
| Accrued payroll & other | 3,787,446.89 | 0.00 | 0.00 | 3,787,446.89 |
| Interfund payables | 39,370,916.05 | 0.00 | 0.00 | 39,370,916.05 |
| Due to Guam Public School System | 0.00 | 0.00 | 0.00 | - |
| A/P Federal agencies | 0.00 | 0.00 | 0.00 | - |
| Deferred Revenues | | | | |
| Section 30 | 46,357,373.00 | 0.00 | 0.00 | 46,357,373.00 |
| Taxes | 0.00 | 0.00 | 0.00 | - |
| Estimated tax refunds | 287,492,081.86 | 0.00 | 0.00 | 287,492,081.86 |
| Reserved for COLA/EITC Settlement | 26,357,389.02 | 0.00 | 0.00 | 26,357,389.02 |
| Deposits & other liabilities | 24,115,081.45 | 0.00 | 0.00 | 24,115,081.45 |
| Estimated Accrual of Leave | 0.00 | 0.00 | 0.00 | - |
| TOTAL LIABILITIES | 535,801,570.90 | 0.00 | 0.00 | \$ 535,801,570.90 |
| FUND BALANCE | | | | |
| Reserved for | | | | |
| Debt service | 0.00 | 0.00 | 0.00 | - |
| Related assets | 0.25 | 0.00 | 0.00 | 0.25 |
| Encumbrance | 5,871,204.11 | 0.00 | 0.00 | 5,871,204.11 |
| Continuing appropriations | 19,225,784.58 | 0.00 | 0.00 | 19,225,784.58 |
| Unreserved | -379,291,904.65 | 0.00 | 0.00 | (379,291,904.65) |
| FUND BALANCE | -354,194,915.71 | 0.00 | 0.00 | \$ (354,194,915.71) |
| TOTAL LIABILITIES & FUND BALANCE | 181,606,655.19 | 0.00 | 0.00 | \$ 181,606,655.19 |



BUREAU OF BUDGET & MANAGEMENT RESEARCH

OFFICE OF THE GOVERNOR
Post Office Box 2950, Hagåtña Guam 96932

EDDIE BAZA CALVO
GOVERNOR

RAY TENORIO
LIEUTENANT GOVERNOR

BENITA A. MANGLONA
DIRECTOR

STEPHEN J. GUERRERO
DEPUTY DIRECTOR

MAR 23 2011

The Honorable Judith Won Pat
Speaker
I Mina Trentai Unu Na Liheslaturan Guåhan
Thirty-First Guam Legislature
155 Hesler Place
Hagåtña, Guam 96910



Dear Speaker Won Pat:

Attached is the monthly comparative revenues and expenditures report as of February 2011 pursuant to §4109 (c) (3) of Title 5 GCA. The report includes preliminary revenue and expenditure totals for months of October 2010 through February 2011. These reports will be posted shortly on our website.

Should you have any questions, please do not hesitate to call me.

Sincerely,

Benita A. Manglona
BENITA A. MANGLONA
DIRECTOR



Attachment(s)

cc: Chairman, Committee on Appropriations, Taxation,
Banking, Insurance, Retirement, and Land
Office of Public Accountability

Office of the Speaker
Judith T. Won Pat, Ed. D.
Date: 3/23/11
Time: 10:52
Received by: [Signature]

**APPENDIX 9:
Comparative Revenues & Expenditures Report (02/28/11)**

Monthly Comparative Reporting Requirement
Pursuant to §4109 (c) (3) of Title 5 GCA
General Fund

| | A Pursuant to PL 30- 196 Chapter I Section 2* | B Actual for the Month of February 2011** | C Actual Cumulative February 2011** | (C - A) |
|---|--|--|---|---------------------------------------|
| | <u>AMOUNT</u> | <u>AMOUNT</u> | <u>AMOUNT</u> | <u>Actual to date vs. Adopted</u> |
| GENERAL FUND REVENUES | | | | |
| A. TAXES | | | | |
| Income Tax | | | | |
| Corporate | 95,238,868 | 1,171,689 | 38,127,214 | (57,111,654) |
| Individual | 107,455,121 | 1,279,224 | 21,228,386 | (86,226,735) |
| Withholding Taxes, Interest and Penalties | 188,714,052 | 15,715,329 | 77,577,663 | (111,136,389) |
| Provision for Tax Refund | (100,062,184) | (5,985,624) | (37,708,540) | 62,353,644 |
| TOTAL INCOME TAXES | 291,345,857 | 12,180,618 | 99,224,723 | (192,121,134) |
| Gross Receipts Tax | 194,643,699 | 16,692,288 | 81,711,083 | (112,932,616) |
| TOTAL TAXES | 485,989,556 | 28,872,906 | 180,935,806 | (305,053,750) |
| B. FEDERAL SOURCES | 47,978,403 | 4,016,409 | 20,226,475 | (27,751,928) |
| C. USE OF MONEY AND PROPERTY | 3,529,513 | 28,742 | 263,316 | (3,266,197) |
| D. LICENSES, FEES AND PERMITS | 6,396,890 | 80,665 | 582,661 | (5,814,229) |
| E. DEPARTMENT CHARGES | 2,259,952 | 65,964 | 477,269 | (1,782,683) |
| 2% General Fund Reserve | (10,923,086) | | | 10,923,086 |
| TOTAL GENERAL FUND REVENUE | 535,231,228 | 33,264,686 | 202,485,527 | (332,745,701) |

Certified By:

Benita A. Manglona MAR 23 2011
Benita A. Manglona, Director, BBMR Date

Benita A. Manglona MAR 23 2011
Benita A. Manglona, Acting Director, DOA Date

John P. Camacho Mar 23, 11
John P. Camacho, Director, DRT Date

*Provided by BBMR pursuant to PL 30-196.
**Preliminary numbers provided by DOA & DRT, run date as of 3/16/11

**APPENDIX 9:
Comparative Revenues & Expenditures Report (02/28/11)**

Monthly Comparative Reporting Requirement
Pursuant to §4109 (c) (3) of Title 5 GCA
General Fund

Pursuant to
PL 30-196 and
PL 30-224*

Actual Cumulative February 2011**

| GENERAL FUND EXPENDITURES & ENCUMBRANCES | Expenditures | | | Encumbrance | FUNDS AVAILABLE |
|---|--------------------|---------------------|-------------------|------------------|--------------------|
| | APPROPRIATIONS | CASH | ACCOUNTS | | |
| | | REMITTANCE AMOUNT** | PAYABLES AMOUNT | | |
| EXECUTIVE DIRECTION | | | | | |
| Office of I Maga'lahaen Guahan | 4,192,404 | 1,892,363 | 48,505 | 183,239 | 2,068,298 |
| I Segundu Na Maga'lahaen Guahan | 870,090 | 454,603 | - | 10,637 | 404,850 |
| Guam State Clearinghouse | - | 11,533 | - | - | (11,533) |
| Bureau of Budget & Management Research | 271,745 | 110,486 | 501 | 11,263 | 149,495 |
| Civil Service Commission | 838,374 | 248,206 | 2,000 | 22,844 | 565,323 |
| Bureau of Statistics & Plans | 1,183,075 | 439,159 | 3,340 | 11,822 | 728,754 |
| Military Affairs | 657,699 | 196,949 | 971 | 21,381 | 438,398 |
| Public Works | 8,781,513 | 3,280,412 | 117,807 | 77,645 | 5,305,848 |
| Department of Land Management | - | - | - | - | - |
| Guam Election Commission | 1,405,388 | 318,377 | 161,172 | 144,823 | 781,015 |
| Commission on Decolonization | - | - | - | - | - |
| Ancestral Lands Commission | 212,888 | 75,389 | 5,222 | 22,928 | 109,349 |
| Department of Veterans Affairs | 345,875 | 91,145 | 5,791 | 10,025 | 238,913 |
| Medical Referral Offices | 662,762 | 342,560 | - | 279,366 | 40,836 |
| TOTAL | 19,421,813 | 7,461,182 | 345,310 | 795,973 | 10,819,348 |
| PUBLIC SAFETY | | | | | |
| Guam Police Department | 24,281,162 | 8,857,951 | 21,467 | 207,895 | 15,193,848 |
| Guam Fire Department | 23,933,175 | 10,690,261 | 43,586 | 219,871 | 12,979,458 |
| Corrections | 15,930,405 | 6,075,325 | 131,384 | 949,141 | 8,774,556 |
| Youth Affairs | 4,089,627 | 1,289,959 | 82,278 | 423,921 | 2,293,468 |
| Chief Medical Examiner | 403,267 | 116,847 | 1,133 | 36,648 | 248,659 |
| TOTAL | 68,637,656 | 27,030,343 | 279,847 | 1,837,476 | 39,489,989 |
| HOMELAND SECURITY | | | | | |
| Customs and Quarantine | - | - | - | - | - |
| Civil Defense | - | - | - | - | - |
| TOTAL | - | - | - | - | - |
| HEALTH | | | | | |
| Dept. of Public Health & Social Services | 13,779,308 | 4,237,811 | 244,938 | 5,895,747 | 3,400,813 |
| MIP/Medicaid Program (DPH&SS) | 29,194,552 | 10,369,813 | 2,010 | 22,503 | 18,800,226 |
| Public Assistance Programs (DPH&SS) | 3,432,653 | 302,768 | - | - | 3,129,886 |
| Dept. of Public Health & Social Services Community Health Centers | - | - | - | - | - |
| Catastrophic Illness Asslt. Program (DPH&SS) | - | - | - | - | - |
| Mental Health and Substance Abuse | 6,835,283 | 2,684,271 | 235,348 | 1,036,325 | 2,879,339 |
| Mental Health and Substance Abuse Outsourcing Services Providing | - | - | - | - | - |
| Drug & Alcohol Detoxication, Rehab & Prevention | 883,200 | 78,597 | - | 804,603 | - |
| Mental Health and Substance Abuse New I Famagu'on-Ta | - | - | - | - | - |
| Wraparound Care Teams | 360,329 | 85,884 | - | - | 274,445 |
| Dept. of Integ. Services for Indiv. With Dis. | 1,200,375 | 220,214 | 20,924 | 106,774 | 852,483 |
| TOTAL | 55,685,700 | 17,979,356 | 503,220 | 7,865,952 | 29,337,172 |
| EDUCATION | | | | | |
| Department of Education Operations | 158,825,995 | 61,542,720 | - | - | 97,283,275 |
| Department of Education Textbooks | 2,000,000 | 866,668 | - | - | 1,333,332 |
| DOE Contractual Services | - | - | - | - | - |
| Department of Education Office of the Education Suruhanu | 180,112 | 53,269 | 150 | 229 | 126,464 |
| University of Guam | 27,208,620 | 2,406,030 | 9,153,717 | - | 15,648,873 |
| UOG Growth Initiatives | - | - | - | - | - |
| UOG Scholarships (SSFAP) | 2,550,670 | 637,868 | 425,112 | - | 1,487,890 |
| A.C. Yamashita Ed. Corps. | 1,238,127 | 206,354 | 309,531 | - | 722,242 |
| Guam Community College | 12,841,257 | 2,476,720 | 3,447,296 | - | 6,917,242 |
| Guam Public Library | 1,258,225 | 455,767 | 18,578 | 59,070 | 726,809 |
| PBS Guam | 557,629 | 175,279 | 51,029 | - | 331,321 |
| TOTAL | 206,660,635 | 68,620,475 | 13,403,412 | 59,300 | 124,577,448 |

**APPENDIX 9:
Comparative Revenues & Expenditures Report (02/28/11)**

Monthly Comparative Reporting Requirement
Pursuant to §4109 (c) (3) of Title 5 GCA
General Fund

| GENERAL FUND EXPENDITURES & ENCUMBRANCES | Pursuant to PL 30-198 and PL 30-224* | | | | |
|--|--|---------------------------------|--------------------------------|-----------------------|---------------------|
| | Actual Cumulative February 2011** | | | | FUNDS AVAILABLE |
| | APPROPRIATIONS | CASH REMITTANCE AMOUNT*** | ACCOUNTS PAYABLES AMOUNT | Encumbrance AMOUNT | |
| UTILITIES | | | | | |
| TOTAL | | | | | |
| FINANCE & ADMINISTRATION | | | | | |
| Department of Administration | 6,744,761 | 2,561,906 | 136,045 | 558,865 | 3,487,845 |
| Government Claims Fund | 100,000 | 84,064 | | | 15,938 |
| Government Annual Single Audit | 377,000 | | | | 377,000 |
| Bank Fees | 900,000 | 19,513,181 | | | (18,613,181) |
| CHILD IN CUSTODY - 19 GCA §5118 | 684,170 | 307,396 | | 192,503 | 184,272 |
| TOTAL | 8,805,931 | 22,466,547 | 136,045 | 751,368 | (14,548,028) |
| REVENUE & TAXATION | | | | | |
| Department of Revenue & Taxation | 9,318,618 | 3,016,352 | 312,279 | 699,078 | 5,290,909 |
| Recruitment of Critical Personnel in the Area of Tax Enforcement & Collection Operations | | | | | |
| TOTAL | 9,318,618 | 3,016,352 | 312,279 | 699,078 | 5,290,909 |
| JUSTICE | | | | | |
| Office of the Attorney General | 10,604,957 | 2,927,492 | 180,821 | 262,503 | 7,234,141 |
| TOTAL | 10,604,957 | 2,927,492 | 180,821 | 262,503 | 7,234,141 |
| NATURAL RESOURCES | | | | | |
| Guam Environmental Protection Agency | | | | | |
| Department of Agriculture | 3,025,454 | 818,528 | 5,412 | 8,386 | 2,195,128 |
| TOTAL | 3,025,454 | 818,528 | 5,412 | 8,386 | 2,195,128 |
| LABOR | | | | | |
| Worker's Compensation Fund | 798,593 | 214,117 | | | 584,476 |
| Department of Labor | 606,319 | 289,847 | 20,374 | 118,012 | 178,066 |
| Agency for Human Resources Dev. (Federal) | | | | | |
| TOTAL | 1,404,912 | 503,964 | 20,374 | 118,012 | 762,582 |
| TOURISM & CULTURE | | | | | |
| Guam Visitors Bureau | | | | | |
| Guam Council on the Arts and Humanities | 288,700 | 78,232 | | | 210,468 |
| Department of Chamorro Affairs | 1,146,109 | 269,731 | 35,604 | 196,858 | 843,916 |
| TOTAL | 1,434,809 | 347,963 | 35,604 | 196,858 | 854,384 |
| HOUSING & ECONOMIC DEVELOPMENT | | | | | |
| DOA Administration Housing | | | | | |
| TOTAL | | | | | |
| TRANSPORTATION | | | | | |
| TOTAL | | | | | |
| RECREATION | | | | | |
| Department of Parks & Recreation | 3,744,749 | 1,081,255 | 23,945 | 25,071 | 2,614,478 |
| TOTAL | 3,744,749 | 1,081,255 | 23,945 | 25,071 | 2,614,478 |

APPENDIX 9:

Comparative Revenues & Expenditures Report (02/28/11)

Monthly Comparative Reporting Requirement
Pursuant to §4109 (c) (3) of Title 5 GCA
General Fund

Pursuant to
PL 30-196 and
PL 30-224*

Actual Cumulative February 2011**

| GENERAL FUND EXPENDITURES & ENCUMBRANCES RESERVED (JUDICIAL/LEGISLATIVE/OTHER) LEVELS | Expenditures | | Encumbrance | | FUNDS AVAILABLE |
|---|-------------------|-------------------------|--------------------|------------------|--------------------|
| | APPROPRIATIONS | CASH | ACCOUNTS | AMOUNT | |
| | | REMITTANCE AMOUNT*** | PAYABLES AMOUNT | | |
| Mayor's Council of Guam | 7,455,702 | 2,537,160 | 178,270 | 801,592 | 3,938,680 |
| Guam Legislature | 7,716,450 | 4,273,950 | 103,542 | | 3,338,958 |
| Guam Legislature (Office of Finance and Budget) | 382,460 | 183,525 | 32,705 | | 196,230 |
| Unified Judiciary | 23,121,379 | 7,707,128 | 1,926,782 | | 13,487,469 |
| Public Defender | 3,708,020 | 1,477,365 | 136,331 | | 2,094,324 |
| Office of Public Accountability | 1,231,160 | 453,776 | | | 777,384 |
| Guam Regional Transit Authority | - | - | | | - |
| Retirement Fund | 19,500,000 | 9,220,844 | | | 10,279,356 |
| TOTAL | 63,125,171 | 25,833,547 | 2,377,630 | 801,592 | 34,112,401 |
| MISCELLANEOUS APPROPRIATIONS | | | | | |
| WERI (Guam Hydro. Survey) | 192,309 | 32,052 | 48,078 | | 112,179 |
| WERI (Water Resource Monitoring) | 163,817 | 27,304 | 40,956 | | 95,557 |
| Aquaculture Development and Training Center | 131,848 | 21,976 | 32,961 | | 76,909 |
| UOG - Northern & Southern Soil & Water Conservation District Programs | 157,720 | 26,288 | 39,431 | | 92,001 |
| UOG - KPRG Ops | 94,176 | | 23,544 | | 54,936 |
| UOG - Hero Scholarship Program | | | | | |
| GCC - LPN & Voc Guidance Programs | 742,166 | 119,984 | 179,976 | | 442,206 |
| GCC - Apprenticeship Programs | | | | | |
| Retirement (Medical Premiums) | 702,000 | 292,500 | | | 409,500 |
| Retirement (Judges Annuities) | 458,448 | 191,020 | | | 267,428 |
| Retirement (Gov./Lt. Gov. Pensions) | 145,000 | 75,020 | | | 69,980 |
| Judiciary - Northern Satellite Courts | | | | | |
| Judiciary - Court Appt. Fees | 800,000 | 300,000 | 200,000 | | 300,000 |
| Judiciary - Drug Courts | 698,952 | 232,984 | 58,246 | | 407,722 |
| Administration (COLA) | 6,770,500 | 7,883,425 | | | (1,112,925) |
| Administration (Supplemental Annuity Benefits Special Fund) | 11,375,000 | 5,276,130 | | | 6,098,870 |
| Administration (Government of Guam Competitive Wage Act of 2011) | 13,114,596 | | | | 13,114,596 |
| Administration (Drug Testing) | 2,000 | | | | 2,000 |
| Administration (Random Drug Testing for Testing of Designated Positions) | 13,930 | | | | 13,930 |
| Administration (Medical/Dental & Life Cost Pool) | 2,547,044 | 2,403,233 | | | 143,812 |
| Administration (Power Utility Cost Pool) | 3,978,251 | 1,732,714 | 79,660 | 2,897,162 | (731,285) |
| Administration (Water Utility Cost Pool) | 495,100 | 1,033,865 | 38,421 | 31,170 | (608,356) |
| Administration (Utility Cost Account to pay GPA for Operation of Public Streetlights) | | | | | |
| Off-Island Residential Treatment Fund (DOA) | 1,200,000 | 381,405 | | | 818,595 |
| BBMR (Vacancy Cost Pool) | | | | | |
| Mayor's Council (Expended for approved plans on public safety and social education that enforce alcohol regulations ect.) | 447,375 | 35,515 | 39,447 | 132,685 | 239,728 |
| Mayor's Council (Island-Wide Beautification) | | | | | |
| Mayor's Council (Grounds Maintenance for Schools) | 480,647 | 27,799 | 13,122 | 203,107 | 236,619 |
| DPHSS (Animal Shelter) | 100,000 | 10,000 | | | 90,000 |
| GMHA Pharmaceutical Fund | | 2,551,581 | | | (2,551,581) |
| Guam Commission for Educator Certification | 223,613 | 75,052 | 3,372 | 7,383 | 137,806 |
| TOTAL | 45,034,490 | 22,763,390 | 789,367 | 3,271,508 | 18,220,225 |

**APPENDIX 9:
Comparative Revenues & Expenditures Report (02/28/11)**

Monthly Comparative Reporting Requirement
Pursuant to §4109 (c) (3) of Title 5 GCA
General Fund

Pursuant to
PL 30-196 and
PL 30-224*

Actual Cumulative February 2011**

| GENERAL FUND EXPENDITURES & ENCUMBRANCES CONTINUING APPROPRIATIONS | APPROPRIATIONS | Expenditures | | Encumbrance | FUNDS AVAILABLE |
|---|--------------------|---------------------------------|--------------------------------|-------------------|--------------------|
| | | CASH REMITTANCE AMOUNT*** | ACCOUNTS PAYABLES AMOUNT | | |
| 1993 General Obligation Bonds Series A | - | - | - | - | - |
| Limited Obligation Highway Refunding Bond 2001 | - | - | - | - | - |
| Limited Obligation (Section 30) Bond, Series 2001A | 9,825,275 | 9,825,275 | - | - | - |
| Limited Obligation Infrastructure Improvement Bonds, 1997 Series A | - | - | - | - | - |
| 2008 SHORT TERM FINANCING (GF/SECTION 30) | 4,202,213 | 930,578 | - | - | 3,271,635 |
| LIMITED OBLIGATION (SECTION 30) BONDS SERIES 2009A | - | - | - | - | - |
| General Obligation Bonds, 2009 Series A | 23,278,492 | - | - | - | 23,278,492 |
| 2002 Short Term Financing | 1,281,818 | 1,281,818 | - | - | - |
| TOTAL | 38,587,798 | 12,037,671 | - | - | 26,550,127 |
| GRAND TOTAL | 535,492,693 | 212,878,065 | 18,413,268 | 16,691,078 | 287,510,286 |

Certified By:

Benita A. Manglona MAR 23 2011
Benita A. Manglona, Director, BBMR Date

Benita A. Manglona MAR 23 2011
Benita A. Manglona, Acting Director, DOA Date

John P. Camacho Mar 23, 11
John P. Camacho, Director, DRT Date

Footnotes:

*Provided by BBMR pursuant to PL 30-196 and amended by PL 30-224

**Preliminary numbers provided by DOA to exclude X & Z accounts, system run date as of 3/15/2011.

***Includes check writes against General Fund, but not paid and payments made pending "transfers in" to the General Fund from other fund accounts.

Carry over prior year appropriations expended this year is \$4.9M

Prior Year obligations expended last year but paid with current year receipts is \$24.4M.

APPENDIX 9:

Comparative Revenues & Expenditures Report (02/28/11)

Mar-22-2011 05:37pm From-DOA DIRECTORS OFFICE +6714776788 T-011 P.002/003 F-121

Government Of Guam
 Combined Comparative Statement Of Revenues
 General Fund
 February 28, 2011 & 2010

| | For the Months | | Increase (Decrease) | Fiscal Year 2011 | Year-To-Date Fiscal Year 2010 | Increase (Decrease) |
|---|----------------------|----------------------|------------------------|-----------------------|-------------------------------------|------------------------|
| | February, 2011 | February, 2010 | | | | |
| Income taxes: | | | | | | |
| Individual | \$ 1,279,224 | \$ 1,448,750 | \$ (169,526) | \$ 21,228,386 | \$ 24,420,888 | \$ (3,192,500) |
| Corporation | \$ 1,171,689 | \$ 1,881,148 | \$ (709,459) | \$ 38,127,214 | \$ 28,716,443 | \$ 9,410,772 |
| Withholding | \$ 15,389,156 | \$ 17,053,210 | \$ (1,664,055) | \$ 74,365,603 | \$ 75,939,694 | \$ (1,574,081) |
| Withholding - COLA | \$ 61,864 | \$ 8,928 | \$ 52,936 | \$ 72,108 | \$ 56,542 | \$ 15,564 |
| Interest & penalties | \$ 264,309 | \$ 828,100 | \$ (563,792) | \$ 3,139,954 | \$ 1,758,090 | \$ 1,380,863 |
| Total Income Taxes | \$ 18,166,241 | \$ 21,220,135 | \$ (3,053,894) | \$ 136,933,263 | \$ 130,892,656 | \$ 6,040,607 |
| Business privilege taxes: | | | | | | |
| Gross Receipts Taxes | \$ 16,633,635 | \$ 14,731,443 | \$ 1,902,192 | \$ 80,500,108 | \$ 74,202,151 | \$ 6,297,956 |
| Other Taxes: | | | | | | |
| Admissions tax | \$ 0 | \$ 0 | \$ 0 | \$ 56 | \$ 368 | \$ (331) |
| Use tax | \$ 258,653 | \$ 274,789 | \$ (16,136) | \$ 1,210,919 | \$ 1,378,535 | \$ (167,616) |
| Total Business Privilege Taxes | \$ 16,892,288 | \$ 15,006,232 | \$ 1,886,056 | \$ 81,711,063 | \$ 75,581,074 | \$ 6,130,009 |
| Total Licenses, Fees & Permits | \$ 80,865 | \$ 81,749 | \$ (1,084) | \$ 582,861 | \$ 520,880 | \$ 61,781 |
| Total Use of Money & Property | \$ 28,742 | \$ 22,121 | \$ 6,621 | \$ 263,316 | \$ 116,543 | \$ 146,773 |
| Federal Sources: | | | | | | |
| Section 30 | \$ 3,663,114 | \$ 3,252,344 | \$ 610,770 | \$ 19,315,570 | \$ 16,281,720 | \$ 3,063,850 |
| Immigration fees | \$ 149,765 | \$ 118,500 | \$ 31,265 | \$ 835,880 | \$ 698,775 | \$ 137,105 |
| Recovery from individuals | \$ 0 | \$ 130 | \$ (130) | \$ 0 | \$ 469 | \$ (469) |
| Child Support AFDC Local Share | \$ 3,530 | \$ 3,826 | \$ (297) | \$ 75,025 | \$ 82,982 | \$ (7,956) |
| Total Federal Sources | \$ 4,016,409 | \$ 3,374,800 | \$ 641,609 | \$ 20,226,475 | \$ 17,043,945 | \$ 3,182,530 |
| Department Charges: | | | | | | |
| Agriculture | \$ 417 | \$ 187 | \$ 230 | \$ 1,350 | \$ 671 | \$ 679 |
| Police & corrections | \$ 10 | \$ 0 | \$ 10 | \$ 15 | \$ 30 | \$ (15) |
| Public works | \$ 1,250 | \$ 40,704 | \$ (39,454) | \$ 3,860 | \$ 161,884 | \$ (157,984) |
| Public health | \$ 10,687 | \$ 13,313 | \$ (2,626) | \$ 58,379 | \$ 66,217 | \$ (7,839) |
| Commerce | \$ 27,678 | \$ 53,670 | \$ (25,992) | \$ 162,481 | \$ 138,086 | \$ 24,395 |
| Other charges | \$ 29,922 | \$ 31,059 | \$ (1,137) | \$ 251,094 | \$ 256,736 | \$ (5,642) |
| Total Department Charges | \$ 69,964 | \$ 138,933 | \$ (72,969) | \$ 477,289 | \$ 623,624 | \$ (146,355) |
| TOTAL GENERAL FUND REVENUES | \$ 39,260,308 | \$ 39,843,970 | \$ (583,662) | \$ 240,194,067 | \$ 224,778,722 | \$ 15,415,345 |
| PROVISION FOR TAX REFUNDS | | | | | | |
| Budget | \$ (5,985,824) | \$ (7,902,218) | \$ 1,916,584 | \$ (37,708,540) | \$ (50,598,188) | \$ 12,887,648 |
| DRT Estimated (Subject to Change) | \$ (6,886,336) | \$ (5,975,593) | \$ (910,743) | \$ (44,091,717) | \$ (40,773,821) | \$ (3,317,896) |

Revenues are based on a modified accrual basis. During the year, revenues are recognized on a cash basis, but an accrual is made for actual collections relating to prior years less 60 days after 9/30. (In accordance with GASB 33 - Accounting Principles for non-exchange transactions). Estimates are recorded for the provision for 2011 Refunds & Section 30s provided for 12 months.
 *Appropriations Cap of 90% of General Fund Revenues, 24.05, Chapter 22 of the Title 5 GCA. Not available revenue for same.
 3/22/2011 Page 1 of 2

Government Of Guam
Actual Revenues Compared to Original Estimates
General Fund
Five Months Ended February 28, 2011

DRAFT

| | For the Months | | | Year-To-Date | | |
|---|----------------------|----------------------|---------------------|-----------------------|-----------------------|----------------------------|
| | Estimated | | Actual | Estimated | | Actual |
| | Estimated | Actual | Actual | Estimated | Actual | Favorable (Unfavorable) |
| Income taxes: | | | | | | |
| Individual | \$ 2,245,809 | \$ 1,279,224 | \$ (966,585) | \$ 26,550,178 | \$ 21,228,386 | \$ (5,321,793) |
| Corporation | \$ 1,162,454 | \$ 1,171,689 | \$ (20,785) | \$ 28,383,055 | \$ 38,127,214 | \$ 9,744,149 |
| Withholding | \$ 13,792,150 | \$ 15,389,156 | \$ 1,597,006 | \$ 76,387,776 | \$ 74,365,603 | \$ (2,022,173) |
| Withholding - COLA | \$ 0 | \$ 61,864 | \$ 61,864 | \$ 0 | \$ 72,106 | \$ 72,106 |
| Interest & penalties | \$ 770,133 | \$ 264,308 | \$ (505,824) | \$ 1,632,539 | \$ 3,139,854 | \$ 1,507,415 |
| Total Income Taxes | \$ 18,000,546 | \$ 18,106,241 | \$ 165,695 | \$ 132,653,559 | \$ 136,933,263 | \$ 3,978,704 |
| Business privilege taxes: | | | | | | |
| Gross Receipts Taxes | \$ 15,269,823 | \$ 16,633,635 | \$ 1,363,712 | \$ 77,692,825 | \$ 80,500,108 | \$ 2,807,283 |
| Other Taxes: | | | | | | |
| Admissions tax | \$ 0 | \$ 0 | \$ 0 | \$ 405 | \$ 56 | \$ (349) |
| Use tax | \$ 280,686 | \$ 258,653 | \$ (22,043) | \$ 1,417,951 | \$ 1,210,919 | \$ (207,032) |
| Total Business Privilege Taxes | \$ 15,550,619 | \$ 16,892,288 | \$ 1,341,669 | \$ 79,111,181 | \$ 81,711,083 | \$ 2,599,902 |
| Total Licenses, Fees & Permits | \$ 110,539 | \$ 80,665 | \$ (30,274) | \$ 672,300 | \$ 582,661 | \$ (89,639) |
| Total Use of Money & Property | \$ 57,654 | \$ 28,742 | \$ (28,812) | \$ 388,577 | \$ 263,316 | \$ (125,261) |
| Federal Sources: | | | | | | |
| Section 30 | \$ 3,852,429 | \$ 3,863,114 | \$ 10,685 | \$ 19,262,145 | \$ 19,315,570 | \$ 53,425 |
| Immigration fees | \$ 68,678 | \$ 149,765 | \$ 83,087 | \$ 615,163 | \$ 635,880 | \$ 220,717 |
| Recovery from individuals | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Child Support AFDC Local Share | \$ 6,660 | \$ 3,530 | \$ (3,130) | \$ 23,984 | \$ 75,025 | \$ 51,041 |
| Total Federal Sources | \$ 3,925,767 | \$ 4,016,409 | \$ 90,842 | \$ 19,901,292 | \$ 20,226,475 | \$ 325,183 |
| Department Charges: | | | | | | |
| Agriculture | \$ 340 | \$ 417 | \$ 77 | \$ 1,706 | \$ 1,350 | \$ (356) |
| Police & corrections | \$ 60 | \$ 10 | \$ (50) | \$ 239 | \$ 15 | \$ (224) |
| Public works | \$ 34,426 | \$ 1,250 | \$ (33,176) | \$ 117,715 | \$ 3,950 | \$ (113,765) |
| Public health | \$ 16,330 | \$ 10,887 | \$ (5,643) | \$ 84,334 | \$ 58,379 | \$ (25,955) |
| Commerce | \$ 40,322 | \$ 27,878 | \$ (12,644) | \$ 126,391 | \$ 162,481 | \$ 36,090 |
| Other charges | \$ 73,062 | \$ 25,922 | \$ (47,140) | \$ 397,269 | \$ 251,094 | \$ (146,175) |
| Total Department Charges | \$ 164,539 | \$ 65,984 | \$ (98,575) | \$ 727,654 | \$ 477,269 | \$ (250,385) |
| TOTAL GENERAL FUND REVENUES | \$ 37,809,964 | \$ 39,250,308 | \$ 1,440,344 | \$ 233,754,563 | \$ 240,194,067 | \$ 6,439,504 |
| 2% General Fund Reserve | \$ (910,257) | \$ (785,006) | \$ 125,251 | \$ (4,551,285) | \$ (4,803,881) | \$ (252,596) |
| 3 Appropriation | \$ 36,899,707 | \$ 38,465,302 | \$ 1,585,695 | \$ 229,203,278 | \$ 235,390,186 | \$ 6,186,908 |
| PROVISION FOR TAX REFUNDS | | | | | | |
| Budget | \$ (5,985,624) | \$ (5,985,624) | \$ 0 | \$ (37,708,540) | \$ (37,708,540) | \$ 0 |
| DRT Estimated (Subject to Change) | \$ (6,886,336) | \$ (6,886,336) | \$ 0 | \$ (44,091,717) | \$ (44,091,717) | \$ 0 |

Notes:
 Revenues are based on a modified accrual basis. During the year, revenues are recognized on a cash basis, but at year end an accrual is made for actual collections relating to prior years based 60 days after fiscal end. [In accordance with GASB 33 - Accounting Financial Reporting for non-exchange transactions.] Estimates are recorded for the position for 2011. Revenues & Section 30 is provided for 12 months.
 *Appropriations Cap of 88% of General Fund Revenue, 2011, Chapter 28 of the Title 5 OCA. No available revenues to estimate.
 3/22/2011

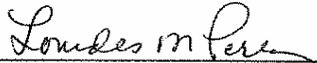
APPENDIX 10:

Government of Guam 2011 Medical and Dental Rates

| GovGuam MEDICAL RATES | | | | | | | |
|------------------------------|-------|------------------|-------|--------|-------------------------------|--------|---------|
| | | Medical 2010 | | | MEDICAL 2011 | | |
| | CLASS | GOV | EMP | TOTAL | GOV | EMP | TOTAL |
| SELECTCARE | | 2000 Plan | | | HSA2000 Plan | | |
| ACTIVE | 1 | 48.00 | 0.00 | 48.00 | 79.38 | 4.62 | 84.00 |
| BI-WEEKLY | 2 | 77.65 | 25.73 | 103.38 | 114.3 | 61.55 | 175.85 |
| | 3 | 63.92 | 21.00 | 84.92 | 96.00 | 51.69 | 147.69 |
| | 4 | 110.03 | 34.43 | 144.46 | 159.9 | 86.10 | 246.00 |
| | 5 | 125.43 | 20.88 | 146.31 | 167.92 | 80.85 | 248.77 |
| RETIREE | 1 | 146.00 | 0.00 | 146.00 | 268.00 | 5.00 | 273.00 |
| SEMI-MONTHLY | 2 | 293.12 | 27.88 | 321.00 | 515.33 | 66.67 | 582.00 |
| | 3 | 239.74 | 22.76 | 262.50 | 420.50 | 56.00 | 476.50 |
| | 4 | 407.70 | 37.30 | 445.00 | 714.73 | 93.27 | 808.00 |
| | 5 | 424.88 | 22.62 | 447.50 | 723.42 | 87.58 | 811.00 |
| SELECTCARE | | 1500 Plan | | | 1500 Plan | | |
| ACTIVE | 1 | 60.00 | 11.54 | 71.54 | 96.28 | 41.26 | 137.54 |
| BI-WEEKLY | 2 | 97.06 | 56.63 | 153.69 | 185.19 | 111.12 | 296.31 |
| | 3 | 79.89 | 48.88 | 128.77 | 155.19 | 93.12 | 248.31 |
| | 4 | 137.54 | 77.08 | 214.62 | 258.18 | 154.90 | 413.08 |
| | 5 | 156.78 | 60.14 | 216.92 | 270.00 | 145.38 | 415.38 |
| RETIREE | 1 | 216.00 | 12.50 | 228.50 | 315.30 | 44.70 | 360.00 |
| SEMI-MONTHLY | 2 | 441.15 | 61.35 | 502.50 | 673.13 | 120.38 | 793.50 |
| | 3 | 358.05 | 52.95 | 411.00 | 548.13 | 100.88 | 649.00 |
| | 4 | 613.51 | 83.49 | 697.00 | 931.69 | 167.81 | 1099.50 |
| | 5 | 634.35 | 65.15 | 699.50 | 944.50 | 157.50 | 1102.00 |
| | | 1000 Plan | | | 1000 Plan | | |
| | | | | | NOT OFFERED FOR FY2011 | | |
| GovGuam DENTAL RATES | | | | | | | |
| | | DENTAL 2010 | | | DENTAL 2011 | | |
| | CLASS | GOV | EMP | TOTAL | GOV | EMP | TOTAL |
| ACTIVE | 1 | 6.46 | 9.23 | 15.69 | 7.38 | 7.38 | 14.76 |
| BI-WEEKLY | 2 | 9.68 | 25.40 | 35.08 | 9.97 | 23.26 | 33.23 |
| | 3 | 8.29 | 20.33 | 28.62 | 8.03 | 18.74 | 26.77 |
| | 4 | 13.82 | 33.72 | 47.54 | 13.43 | 31.34 | 44.77 |
| | 5 | 14.85 | 32.69 | 47.54 | 15.67 | 29.10 | 44.77 |
| RETIREE | 1 | 7.00 | 10.00 | 17.00 | 8.00 | 8.00 | 16.00 |
| SEMI-MONTHLY | 2 | 10.49 | 27.51 | 38.00 | 10.80 | 25.20 | 36.00 |
| | 3 | 8.98 | 22.02 | 31.00 | 8.70 | 20.30 | 29.00 |
| | 4 | 14.97 | 36.53 | 51.50 | 14.55 | 33.95 | 48.50 |
| | 5 | 16.08 | 35.42 | 51.50 | 16.98 | 31.52 | 48.50 |

CLASS

- 1 - Employee/Retiree/Survivor
- 2 - Employee/Retiree/Survivor + Spouse Only
- 3 - Employee/Retiree/Survivor + Child (ren) NO SPOUSE
- 4 - Employee/Retiree/Survivor + Family (spouse or common law not employed in GovGuam)
- 5 - Employee/Retiree/Survivor + Family (both spouse or common law employed in GovGuam)


 August 16, 2010
 Lourdes M. Perez, Director
 Department of Administration

**APPENDIX 11:
OPA Calculated GGRF Lost Opportunity Income Scenarios**

Scenario #1: Interest Only Lost Opportunity

| Fiscal Year | Government Receivable | Interest Amount § 8137(c) | Penalty Amount (1% per year) | Total Calculated Interest & Penalty | Interest-Only Payments (P.L. 28-38) | Potential Overpayment |
|--------------------------|-----------------------|---------------------------|------------------------------|-------------------------------------|-------------------------------------|-----------------------|
| DDOE | | | | | | |
| 2005 | \$ 13,713,907 | \$ 318,848 | \$ 34,285 | \$ 353,133 | \$ 578,865 | \$ 225,732 |
| 2006 | \$ 14,139,828 | \$ 1,428,123 | \$ 141,398 | \$ 1,569,521 | \$ 2,315,460 | \$ 745,939 |
| 2007 | \$ 12,062,349 | \$ 964,988 | \$ 120,623 | \$ 1,085,611 | \$ 2,315,460 | \$ 1,229,849 |
| 2008 | \$ 11,143,009 | \$ 1,805,167 | \$ 111,430 | \$ 1,916,598 | \$ 2,315,460 | \$ 398,862 |
| 2009 | \$ 7,334,916 | \$ - | \$ 73,349 | \$ 73,349 | \$ 2,315,460 | \$ 2,242,111 |
| 2010 | \$ 6,900,215 | \$ 517,516 | \$ 69,002 | \$ 586,518 | \$ 2,315,460 | \$ 1,728,942 |
| <i>DOE Total:</i> | | \$ 5,034,642 | \$ 550,088 | \$ 5,584,730 | \$ 12,156,165 | \$ 6,571,435 |
| GMHA | | | | | | |
| 2005 | \$ 7,632,931 | \$ 177,466 | \$ 19,082 | \$ 196,548 | \$ 571,503 | \$ 374,955 |
| 2006 | \$ 7,000,578 | \$ 707,058 | \$ 70,006 | \$ 777,064 | \$ 2,286,012 | \$ 1,508,948 |
| 2007 | \$ 6,225,704 | \$ 498,056 | \$ 62,257 | \$ 560,313 | \$ 2,286,012 | \$ 1,725,699 |
| 2008 | \$ 6,099,199 | \$ 988,070 | \$ 60,992 | \$ 1,049,062 | \$ 2,286,012 | \$ 1,236,950 |
| 2009 | \$ 5,420,688 | \$ - | \$ 54,207 | \$ 54,207 | \$ 2,286,012 | \$ 2,231,805 |
| 2010 | \$ 5,749,595 | \$ 431,220 | \$ 57,496 | \$ 488,716 | \$ 2,286,012 | \$ 1,797,296 |
| <i>GMHATotal:</i> | | \$ 2,801,870 | \$ 324,040 | \$ 3,125,910 | \$ 12,001,563 | \$ 8,875,653 |
| TOTAL: | | | | \$ 8,710,641 | \$ 24,157,728 | \$ 15,447,087 |

Scenario #2: Interest-On-Interest Lost Opportunity

| Fiscal Year | Government Receivable | Interest Amount § 8137(c) | Penalty Amount (1% per year) | Total Calculated Interest & Penalty | Interest-Only Payments (P.L. 28-38) | Potential Overpayment |
|---------------------------|-----------------------|---------------------------|------------------------------|-------------------------------------|-------------------------------------|-----------------------|
| DOE | | | | | | |
| 2005 | \$ 13,713,907 | \$ 318,848 | \$ 34,285 | \$ 353,133 | \$ 578,865 | \$ 225,732 |
| 2006 | \$ 14,492,961 | \$ 1,463,789 | \$ 144,930 | \$ 1,608,719 | \$ 2,315,460 | \$ 706,741 |
| 2007 | \$ 13,671,068 | \$ 1,093,685 | \$ 136,711 | \$ 1,230,396 | \$ 2,315,460 | \$ 1,085,064 |
| 2008 | \$ 12,373,405 | \$ 2,004,492 | \$ 123,734 | \$ 2,128,226 | \$ 2,315,460 | \$ 187,234 |
| 2009 | \$ 9,463,142 | \$ - | \$ 94,631 | \$ 94,631 | \$ 2,315,460 | \$ 2,220,829 |
| 2010 | \$ 6,994,846 | \$ 524,613 | \$ 69,948 | \$ 594,562 | \$ 2,315,460 | \$ 1,720,898 |
| <i>GDOE Total:</i> | | \$ 5,405,428 | \$ 604,239 | \$ 6,009,667 | \$ 12,156,165 | \$ 6,146,498 |
| GMHA | | | | | | |
| 2005 | \$ 7,632,931 | \$ 177,466 | \$ 19,082 | \$ 196,548 | \$ 571,503 | \$ 374,955 |
| 2006 | \$ 7,197,126 | \$ 726,910 | \$ 71,971 | \$ 798,881 | \$ 2,286,012 | \$ 1,487,131 |
| 2007 | \$ 7,024,585 | \$ 561,967 | \$ 70,246 | \$ 632,213 | \$ 2,286,012 | \$ 1,653,799 |
| 2008 | \$ 6,731,412 | \$ 1,090,489 | \$ 67,314 | \$ 1,157,803 | \$ 2,286,012 | \$ 1,128,209 |
| 2009 | \$ 6,578,491 | \$ - | \$ 65,785 | \$ 65,785 | \$ 2,286,012 | \$ 2,220,227 |
| 2010 | \$ 5,815,380 | \$ 436,153 | \$ 58,154 | \$ 494,307 | \$ 2,286,012 | \$ 1,791,705 |
| <i>GMHATotal:</i> | | \$ 2,992,984 | \$ 352,552 | \$ 3,345,537 | \$ 12,001,563 | \$ 8,656,026 |
| TOTAL: | | | | \$ 9,355,204 | \$ 24,157,728 | \$ 14,802,524 |

