

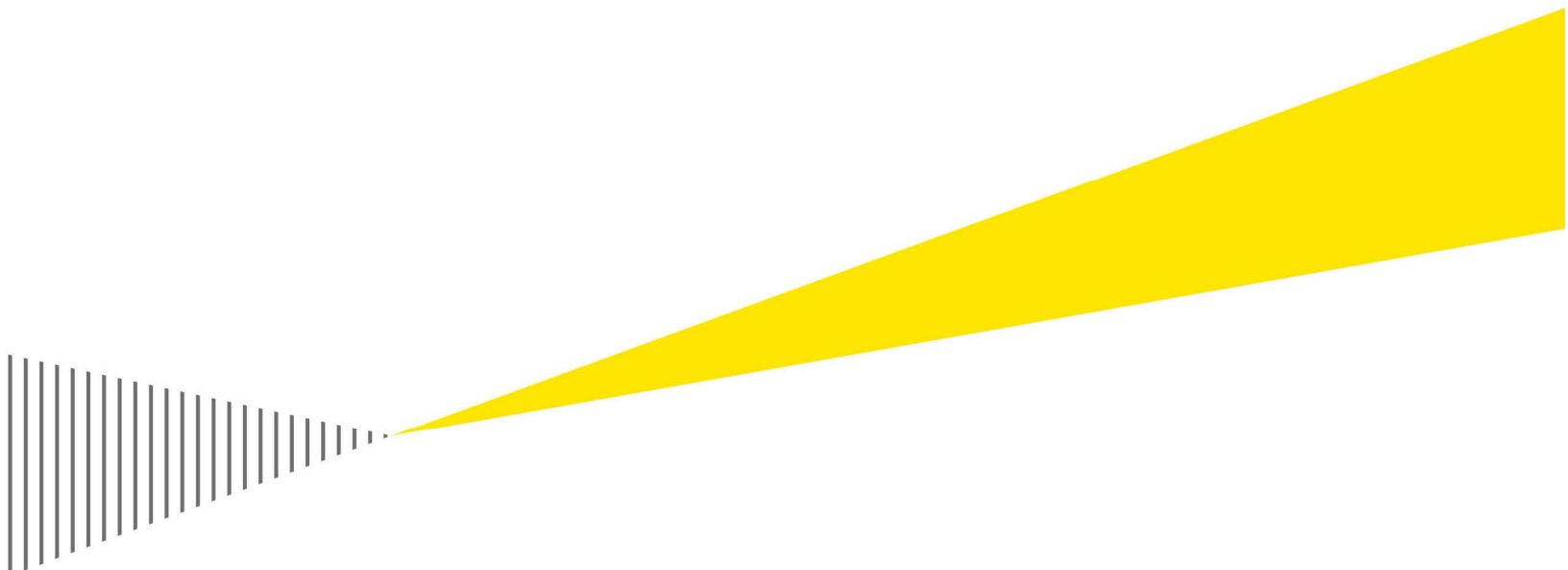
*Financial Statements, Required Supplementary Information,  
and Supplementary and Other Information*

**Government of Guam**

**Guam Highway Fund**

(A Governmental Fund of the Government of Guam)

*Year ended September 30, 2019  
with Report of Independent Auditors*



**Building a better  
working world**

Government of Guam  
Guam Highway Fund  
(A Governmental Fund of the Government of Guam)

Financial Statements, Required Supplementary Information, and  
Supplementary and Other Information

Year ended September 30, 2019

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## Report of Independent Auditors

Honorable Lou Leon Guerrero  
Governor of Guam:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Guam Highway Fund and of those funds related to the Government of Guam Limited Obligation Highway Refunding Bonds, 2001 Series A (the Funds), which comprise the balance sheet as of September 30, 2019, and the related statement of revenues, expenditures, and changes in fund balances for the year then ended, and the related notes to the financial statements, which collectively comprise the Funds' basic financial statements as listed in the table on contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Guam Highway Fund and those funds related to the Government of Guam Limited Obligation Highway Refunding Bonds, 2001 Series A, as of September 30, 2019, and the results of their operations for the year then ended in conformity with U.S. generally accepted accounting principles.

## ***Emphasis of Matter***

### *Reporting Entity*

As discussed in Note 1 to the financial statements, the financial statements referred to above present only the Guam Highway Fund and those funds related to the Government of Guam Limited Obligation Highway Refunding Bonds, 2001 Series A and are not intended to present fairly the financial position and results of operation of the Government of Guam in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 4 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Funds' basic financial statements. The supplementary and other information included in pages 18 through 22 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary and other information included in pages 18 through 22 is the responsibility of the Funds' management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States. In our opinion, the 2019 information on pages 18 through 22 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Supplementary and Other Information, continued*

The 2018 information on pages 18 through 22 as well as the additional information on pages 23 and 24 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we also have issued our report dated June 23, 2020 on our consideration of the Funds' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Funds' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Funds' internal control over financial reporting and compliance.

*Ernst + Young LLP*

June 23, 2020

Government of Guam  
Guam Highway Fund  
(A Governmental Fund of the Government of Guam)

Management's Discussion and Analysis

Our discussion and analysis of the Government of Guam's ("GovGuam") Guam Highway Fund financial performance and those funds related to the GovGuam Limited Obligation Highway Refunding Bonds, 2001 Series A, provides an overview of financial activities for the fiscal years ended September 30, 2019 and 2018. Please read it in conjunction with the financial statements, which follow this section.

**1. Financial Highlights**

- For the fiscal year ended September 30, 2019, the combined fund balance increased by \$4,731,045 (or 251%) from an ending fund balance of \$1,881,928 in 2018 to \$6,612,973 in 2019.
- During the years ended September 30, 2019 and 2018, total combined expenditures for governmental fund operations were \$20,490,049 and \$22,799,303, respectively, including expenditures for GovGuam's Department of Public Works of \$8,554,040 and \$9,788,531, respectively; expenditures for the Mayors' Council of Guam operations of \$5,449,575 and \$5,801,201 respectively; expenditures associated with Guam Regional Transit Authority operations of \$2,590,815 and \$2,992,694, respectively; expenditures for the Guam Police Department of \$1,173,569 and \$1,488,283, respectively; payments for utility costs associated with the operation of public streetlights of \$837,763 and \$1,351,753, respectively; and other legislatively mandated transfers out to other various GovGuam funds of \$1,074,070 and \$1,228,914, respectively. These expenditures were funded mainly by Liquid Fuel Tax revenue collections and Vehicle Registration/Drivers' License fees collected during the years ended September 30, 2019 and 2018 of \$25,218,795 and \$23,119,208, respectively.
- Total combined expenditures decreased by \$2,309,254 (or 10%) from 2018 to 2019, which included decreases of: \$1,197,991 for GovGuam's Department of Public Works, \$401,879 for Guam Regional Transit Authority operations, \$351,626 for Mayors' Council of Guam operations, and \$314,714 for Guam Police Department operations. Increases include mandated transfers out to various GovGuam funds of \$352,938 and public education of \$548,946. Total combined revenues increased by \$2,100,416 (or 9%) from \$23,120,678 in 2018 to \$25,221,094 in 2019 due primarily to an increase in liquid fuel taxes and vehicle registration fees which became effective on January 1, 2018.
- During the year ended September 30, 2019, the Guam Highway Fund generated an operating surplus of \$4,731,045 compared with an operating surplus of \$321,375 for the year ended September 30, 2018.

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Management's Discussion and Analysis

**2. Overview of the Financial Statements**

The financial statements include all of the activities of the Guam Highway Fund and of those funds related to the GovGuam Limited Obligation Highway Refunding Bonds, 2001 Series A. The financial statements present a balance sheet and a statement of revenues, expenditures, and changes in fund balance. The assets, liabilities and fund balances of these funds are reported in self-balancing funds.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally, when they are both measureable and available. Expenditures generally are recorded in the period in which the related fund liability is incurred, in compliance with accrual accounting, with the exception of debt service expenditures, which are recorded only when payment is due.

The notes to the financial statements include additional information needed to provide a further understanding of the basic financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents certain other financial information to further assist the reader in understanding the financial statements.

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Management's Discussion and Analysis, continued

**3. Financial Statement Analysis**

Balance Sheet

The balance sheet presents information on assets, liabilities and fund balance at year-end. A condensed summary of the balance sheets is shown below as of September 30, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Assets:		
Cash and cash equivalents	\$3,412,580	\$ 885,648
Tax receivables	1,104,309	1,163,115
Due from General Fund	<u>3,614,394</u>	<u>1,190,175</u>
Total assets	<u>\$8,131,283</u>	<u>\$3,238,938</u>
Liabilities:		
Accounts payable and other	<u>\$1,518,310</u>	<u>\$1,357,010</u>
Fund balances:		
Restricted	175,899	175,899
Committed	<u>6,437,074</u>	<u>1,706,029</u>
Total fund balances	<u>6,612,973</u>	<u>1,881,928</u>
Total liabilities and fund balances	<u>\$8,131,283</u>	<u>\$3,238,938</u>

Total assets increased by \$4,892,345 (or 151%) from \$3,238,938 in 2018 to \$8,131,283 in 2019.

Total fund balances increased by \$4,731,045 during 2019 from \$1,881,928 to \$6,612,973. Of the total fund balance amounts presented at each respective fiscal year end, certain restrictions limit the availability of fund resources for future use. Specifically, fund balances are restricted by the bond indenture associated with the Limited Obligation Highway Refunding Bond, 2001 Series A, wherein these funds are restricted for highway related projects.

The Limited Obligation Highway Refunding Bond, 2001 Series A, was originally set to mature on May 1, 2012. On October 28, 2011, GovGuam redeemed the \$5,765,000 of bonds outstanding. Funds were transferred to the trustee for the final payment of the bonds in May. There is a residual balance in the Capital Projects Fund. These funds will be used to complete the projects originally specified in the GovGuam Limited Obligation Highway Bonds, 1992 Series A, and the GovGuam Limited Obligation Highway Refunding Bonds, 2001 Series A.



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Management's Discussion and Analysis, continued

**3. Financial Statement Analysis, continued**

Statement of Revenues, Expenses and Changes in Fund Balances

The statement of revenues, expenditures and changes in fund balance show the effect of revenues and expenditures on fund balance for the year. The statements of revenues, expenditures and changes in fund balances for the years ended September 30, 2019 and 2018 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Revenues:		
Liquid fuel taxes	\$14,428,018	\$13,297,415
License, fees and permits	10,790,777	9,821,893
Use of money and property	<u>2,299</u>	<u>1,370</u>
	<u>25,221,094</u>	<u>23,120,678</u>
Expenditures:		
Current:		
General government	1,099,034	1,499,680
Individual and collective rights	5,449,575	5,801,201
Protection of life and property	1,173,569	1,488,283
Public education	548,946	---
Transportation	8,554,040	9,752,031
Guam Regional Transit Authority	2,590,815	2,992,694
Payments to Public Transit Fund	---	253,891
Payments to Better Public Service Fund	1,074,070	975,023
Capital projects	<u>---</u>	<u>36,500</u>
	<u>20,490,049</u>	<u>22,799,303</u>
Net change in fund balances	<u>\$ 4,731,045</u>	<u>\$ 321,375</u>

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Management's Discussion and Analysis, continued

**3. Financial Statement Analysis, continued**

Total revenues collected increased by \$2,100,416 (or 9%) from \$23,120,678 in 2018 to \$25,221,094 in 2019. The increases reflected are in liquid fuel taxes, licenses, fees, permits and use of money and property show changes of \$1,130,603, \$968,884, and \$929 in the respective order. Total expenditures decreased by \$2,309,254 (or 10%) from \$22,799,303 in 2018 to \$20,490,049 in 2019 despite the increases in authorized Guam Legislature appropriations. Appropriations authorized by the Guam Legislature from the Guam Highway Fund for 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Department of Administration (includes utility costs) (1) (2)	\$ 856,263	\$ 1,683,776
Department of Public Works (includes bus operations) (1) (2)	14,227,044	11,169,101
Guam Police Department	1,196,817	1,510,063
Mayors' Council of Guam	5,443,701	5,800,648
Guam Regional Transit Authority	2,764,796	3,211,082
Bureau of Budget and Management Research	26,077	---
Typhoon Mangkhut (3)	---	500,000
Better Public Service Fund	990,058	1,177,711
Public Transit Fund	<u>456,392</u>	<u>455,481</u>
	<u>\$25,961,148</u>	<u>\$25,507,862</u>

(1) In 2019, Public Law 34-116 appropriated \$837,763 and \$9,566,389, respectively, to the Department of Administration and the Department of Public Works from the unappropriated fund balance of the Guam Highway Fund.

(2) In 2018, Public Law 34-42 appropriated \$1,665,276 and \$572,468, respectively, to the Department of Administration and the Department of Public Works from the unappropriated fund balance of the Guam Highway Fund.

(3) In 2018, Public Law 34-124 appropriated \$500,000 for the purpose of funding emergency expenditures associated with Typhoon Mangkhut.

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Management's Discussion and Analysis, continued

**4. Capital Assets**

In 2014, Public Law 32-41 authorized the acquisition of property from the Guam Highway Fund for the Tiyan Parkway Project. During the year ended September 30, 2014, land acquisitions from the Guam Highway Fund amounted to \$1,760,000. Other expenditures associated with the Tiyan Parkway Project were funded in 2015 by federal grants awarded by the U.S. Department of Transportation Federal Highway Administration. No further expenditures associated with this project were incurred in 2016 through 2019.

**5. Outlook, Challenges and Opportunities**

Public Law 34-44, passed on October 12, 2017, created additional revenue for village road repair and construction projects by increasing the liquid fuel tax rates by four cents (\$0.04) per gallon, effective January 1, 2018.

In 2017, the Guam Legislature introduced Bill 36-34 to authorize the issuance of \$50 million in Limited Obligation Highway Bonds. The Bill was not progressed and has lapsed. Access to funding, therefore, for village road repair and improvement remains limited to fiscal year receipt of liquid fuel taxes.

**6. Contacting Government of Guam Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the finances of the Guam Highway Fund and related funds and to demonstrate accountability for money received and expended. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Director's Office, Department of Administration, Attention: Edward Birn, Director, P.O. Box 884, Hagatna, Guam 96932. Telephone No.: (671) 475-1101/1250, Email: [edward.birn@doa.guam.gov](mailto:edward.birn@doa.guam.gov); Website address: [www.doa.guam.gov](http://www.doa.guam.gov).

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Balance Sheet

September 30, 2019

	<u>Guam Highway Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 3,412,580	\$ ---	\$ 3,412,580
Taxes receivable	1,104,309	---	1,104,309
Due from General Fund	<u>3,438,495</u>	<u>175,899</u>	<u>3,614,394</u>
Total assets	<u>\$ 7,955,384</u>	<u>\$ 175,899</u>	<u>\$ 8,131,283</u>
<b>Liabilities</b>			
Accounts payable	\$ 63,564	\$ ---	\$ 63,564
Accrued payroll and other	624,960	---	624,960
Deposits and other liabilities	<u>829,786</u>	<u>---</u>	<u>829,786</u>
Total liabilities	<u>1,518,310</u>	<u>---</u>	<u>1,518,310</u>
<b>Fund Balances</b>			
Fund balances:			
Restricted for:			
Capital projects	---	175,899	175,899
Committed for:			
Highway operations	<u>6,437,074</u>	<u>---</u>	<u>6,437,074</u>
Total fund balances	<u>6,437,074</u>	<u>175,899</u>	<u>6,612,973</u>
Total liabilities and fund balances	<u>\$ 7,955,384</u>	<u>\$ 175,899</u>	<u>\$ 8,131,283</u>

*See accompanying notes to financial statements.*

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Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended September 30, 2019

	Guam Highway Fund	Capital Projects Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Revenues:</b>			
Taxes	\$ 14,428,018	\$ ---	\$ 14,428,018
Licences, fees and permits	10,790,777	---	10,790,777
Use of money and property	<u>2,299</u>	<u>---</u>	<u>2,299</u>
 Total revenues	 <u>25,221,094</u>	 <u>---</u>	 <u>25,221,094</u>
<b>Expenditures:</b>			
Current:			
Transportation	8,554,040	---	8,554,040
Individual and collective rights	5,449,575	---	5,449,575
Guam Regional Transit Authority	2,590,815	---	2,590,815
Protection of life and property	1,173,569	---	1,173,569
General government	1,099,034	---	1,099,034
Payments to Better Public Service Fund	1,074,070	---	1,074,070
Public education	<u>548,946</u>	<u>---</u>	<u>548,946</u>
 Total expenditures	 <u>20,490,049</u>	 <u>---</u>	 <u>20,490,049</u>
 Net change in fund balances	 4,731,045	 ---	 4,731,045
 Fund balances at the beginning of the year	 <u>1,706,029</u>	 <u>175,899</u>	 <u>1,881,928</u>
 Fund balances at the end of the year	 <u>\$ 6,437,074</u>	 <u>\$ 175,899</u>	 <u>\$ 6,612,973</u>

*See accompanying notes to financial statements.*

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Notes to Financial Statements

Year ended September 30, 2019

**1. Summary of Significant Accounting Policies**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the Guam Highway Fund.

**A. Reporting Entity**

The Government of Guam (GovGuam) Guam Highway Fund, created by 5 GCA 54102, was established for the purpose of performing maintenance of Guam's highways and roadways, and implementing highway safety plans, programs and projects. Revenues are derived from liquid fuel taxes, vehicle registration fees and certain licenses. On April 1, 2001, Limited Obligation Highway Refunding Bonds, 2001 Series A, were issued to refund Limited Obligation Highway Bonds, 1992 Series A, which were issued on June 1, 1992. The Capital Projects Fund is used to account for the construction of highway projects from bond proceeds. The Limited Obligation Highway Refunding Bond, 2001 Series A, matured on May 1, 2012.

These funds are considered to be governmental funds and are presented as blended component units of GovGuam.

**B. Fund Accounting**

The accompanying financial statements present a balance sheet and a statement of revenues, expenditures, and changes in fund balances. The assets, liabilities and fund balances of the Guam Highway Fund and funds related to the Limited Obligation Highway Refunding Bonds, 2001 Series A, are reported in self-balancing funds. Transactions between funds, if any, have not been eliminated.

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Notes to Financial Statements, continued

**1. Summary of Significant Accounting Policies, continued**

**C. Measurement Focus and Basis of Accounting**

The accompanying financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally, when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are considered available if they are collected within 90 days of the end of the current fiscal period. Revenues susceptible to accrual include liquid fuel taxes and automotive surcharges. Miscellaneous revenues from other financing sources, including motor vehicle license and registration fees, are recognized when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures generally are recorded in the period in which the related fund liability is incurred, as under accrual accounting, with the exception of debt service expenditures, which are recorded only when payment is due. Tax rates levied and fees imposed are as follows:

**Liquid Fuel Taxes:**

Aviation Fuel Tax	\$0.08 per gallon
Diesel Fuel Tax	\$0.14 per gallon
All Other Fuel Tax	\$0.15 per gallon

On October 12, 2017, the Guam Legislature enacted Public Law 34-44, which increased the liquid fuel tax rate by \$0.04 per gallon, effective January 1, 2018, for funding village road repair and construction projects.

***Automotive Surcharges:***

Mass Transit Automotive Surcharge (Diesel Fuel)	\$0.04 per gallon
Automotive Surcharge (all other fuel except fuel used for aviation)	\$0.04 per gallon

***Motor Vehicle Registration Fees/Driver's Licenses:***

Taxi Drivers - Identification Card	\$25.00
Endorsement	<u>3.50</u>
Total for Taxi Drivers	<u>\$28.50</u>
Driver's License (and all others)	<u>\$25.00</u>
Driver's License Renewal:	
Three-Year license	<u>\$25.00</u>
Five-Year license	<u>\$45.00</u>

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Notes to Financial Statements, continued

**1. Summary of Significant Accounting Policies, continued**

C. Measurement Focus and Basis of Accounting, continued

The amount of the annual vehicle registration fee shall be determined based on vehicle gross weight with fees ranging from \$10 to \$38 for vehicles weighing under 1,000 pounds to 8,000 pounds and over plus three dollars and fifty cents (\$3.50) for each 500 pounds or fraction thereof in excess of 7,999 pounds. Additionally, fees are subject to percentage adjustments based on vehicle model year with respect to vehicles whose gross weight is not in excess of 7,999 pounds, as follows:

<u>Model Year</u>	<u>Percent of Fees</u>
1949 and earlier	50%
1950 through 1953	75%
1954 and subsequent	100%

Vehicles having a gross weight of one hundred forty thousand (140,000) pounds or more, and which are used temporarily or intermittently, may be issued a permit, in lieu of the annual license and registration, for a period not to exceed thirty (30) consecutive days. The fee for each thirty (30) consecutive day period or any fraction thereof shall be One Hundred Dollars (\$100).

In lieu of all other license and registration fees, implements of husbandry and road building and construction equipment other than motor trucks, trailers, semi-trailers and pole or pipe dollies, operated on highways only in moving from one site to another, shall be subject to annual registration. The fee for such registration shall be Five Dollars (\$5) for each one thousand pounds of gross weight of said vehicles.

D. Appropriations

The Attorney General of Guam has opined that legislative appropriations sufficient to cover debt service and operating and maintenance costs are consciously provided for under Public Law 18-2 and Resolution 75, adopted on April 23, 1985.

E. Budgetary Process

Legislation requires the Governor to present a proposed budget to the Legislature at the beginning of each annual session. The Legislature enacts the budget through passage of specific departmental appropriations. Before signing the Appropriations Act, the Governor may veto or reduce any specific appropriation, subject to legislative override. Once passed and signed, the budget becomes the financial plan for the ensuing fiscal year. Supplemental appropriations for specific purposes are made throughout the year.



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Notes to Financial Statements, continued

**1. Summary of Significant Accounting Policies, continued**

E. Budgetary Process, continued

Encumbrances are commitments related to unperformed (executory) contracts for goods or services and are generally evidenced by outstanding purchase orders, contracts, and intradepartmental work requests. Encumbrances outstanding at year end are reported within the fund balance classifications since they do not constitute expenditures or liabilities. Unencumbered appropriations normally lapse at the end of each fiscal year unless they are designated by the Legislature as representing continuing appropriations. At September 30, 2019, significant encumbrances are summarized as follows:

Guam Highway <u>Fund</u>	Capital Projects <u>Fund</u>	<u>Total</u>
\$ <u>3,514,617</u>	\$ <u>---</u>	\$ <u>3,514,617</u>

F. Cash and Cash Equivalents

Cash and cash equivalents includes cash held in demand deposit accounts.

G. Receivables

Receivables are due from businesses residing on the island of Guam and are uncollateralized and non-interest bearing.

H. Interfund Receivables/Payables

During the course of its operations, GovGuam's General Fund records transactions between individual funds for goods provided or services rendered. These balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made, and are scheduled to be collected in the subsequent year. At September 30, 2019, interfund balances are as follows:

	Guam Highway <u>Fund</u>	Capital Projects <u>Fund</u>	<u>Total</u>
Due from General Fund	\$ <u>3,438,495</u>	\$ <u>175,899</u>	\$ <u>3,614,394</u>

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Notes to Financial Statements, continued

**1. Summary of Significant Accounting Policies, continued**

I. Fund Balance

Governmental fund balances are classified as follows:

- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and do not lapse at year-end.

Restricted/committed amounts are spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this.

A formal minimum fund balance policy has not been adopted.

J. Management Estimates

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

K. Total Columns

Total columns are presented primarily to facilitate financial analysis. The Management's Discussion and Analysis includes certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a full comparative presentation. Accordingly, such information should be read in conjunction with the financial statements of the Guam Highway Fund and those funds related to the Government of Guam Limited Obligation Highway Refunding Bonds, 2001 Series A, for the year ended September 30, 2018 from which summarized information was derived.

Government of Guam  
Guam Highway Fund  
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Notes to Financial Statements, continued

**2. Deposits**

The deposit and investment policies of GovGuam are governed by 5 GCA 21, *Investments and Deposits*, in conjunction with applicable bond indentures. The Director of Administration is responsible for the safekeeping of all monies paid into the Treasury of Guam. The Director of Administration invests any monies of GovGuam that are deemed not necessary for immediate use. Legally authorized investments include securities issued or guaranteed by the U.S. Treasury or agencies of the United States government; demand and time deposits in or certificates of deposit of, or bankers' acceptances issued by, any eligible institution; corporate debt obligations, including commercial paper; certain money market funds; state and local government securities, including municipal bonds; and repurchase and investment agreements. With the exception of investments in U.S. government securities, which are explicitly or implicitly guaranteed by the United States government, all other investments must be rated Aa1/P-1 by Moody's.

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

As of September 30, 2019, the carrying amount of cash and cash equivalents was \$3,412,580 and the corresponding bank balance was \$3,412,580, which is maintained in a financial institution subject to insurance coverage by the Federal Deposit Insurance Corporation (FDIC). As of September 30, 2019, bank deposits in the amount of \$250,000 were FDIC insured. GovGuam does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

**3. Payments to Other Funds**

During the year ended September 30, 2019, \$1,074,070 was transferred to the Better Public Service Fund in accordance with Public Law 29-2.

**4. Commitments**

The Guam Legislature appropriated \$2,254,413 from the Capital Projects Fund in accordance with Public Law 30-216 for the purpose of refurbishing Department of Public Works school buses and other related matters. Furthermore, the Guam Legislature reprogrammed and appropriated \$1,050,000 from the Capital Projects Fund in accordance with Public Law 30-217 to the Department of Public Works for repair of damage to village streets associated with road reconstruction projects. As of September 30, 2019, remaining commitments associated with these appropriations amount to \$108,302.

## Supplementary and Other Information

Government of Guam  
Guam Highway Fund  
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Comparative Balance Sheets

September 30, 2019 and 2018

	Guam Highway Fund		Capital Project Fund	
	2019	2018	2019	2018
<b>Assets</b>				
Cash and cash equivalents	\$ 3,412,580	\$ 885,648	\$ ---	\$ ---
Taxes receivable	1,104,309	1,163,115	---	---
Due from General Fund	3,438,495	1,014,276	175,899	175,899
Total assets	\$ 7,955,384	\$ 3,063,039	\$ 175,899	\$ 175,899
<b>Liabilities</b>				
Accounts payable	\$ 63,564	\$ 115,511	\$ ---	\$ ---
Accrued payroll and other	624,960	668,893	---	---
Deposits and other liabilities	829,786	572,606	---	---
Total liabilities	1,518,310	1,357,010	---	---
<b>Fund Balances</b>				
Fund balances:				
Restricted for:				
Capital projects	---	---	175,899	175,899
Committed for:				
Highway operations	6,437,074	1,706,029	---	---
Total fund balances	6,437,074	1,706,029	175,899	175,899
Total liabilities and fund balances	\$ 7,955,384	\$ 3,063,039	\$ 175,899	\$ 175,899

Government of Guam  
Guam Highway Fund  
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Comparative Statements of Revenues, Expenditures by Function and Changes in  
Fund Balances

Years ended September 30, 2019 and 2018

	Guam Highway Fund		Capital Project Fund	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>Revenues:</b>				
Taxes	\$ 14,428,018	\$ 13,297,415	\$ ---	\$ ---
Licenses, fees and permits	10,790,777	9,821,893	---	---
Use of money and property	<u>2,299</u>	<u>1,370</u>	<u>---</u>	<u>---</u>
Total revenues	<u>25,221,094</u>	<u>23,120,678</u>	<u>---</u>	<u>---</u>
<b>Expenditures:</b>				
Current:				
Transportation	8,554,040	9,752,031	---	---
Individual and collective rights	5,449,575	5,801,201	---	---
Guam Regional Transit Authority	2,590,815	2,992,694	---	---
Protection of life and property	1,173,569	1,488,283	---	---
General government	1,099,034	1,499,680	---	---
Payments to Better Public Service Fund	1,074,070	975,023	---	---
Public education	548,946	---	---	---
Payments to Public Transit Fund	---	253,891	---	---
Capital projects	<u>---</u>	<u>36,500</u>	<u>---</u>	<u>---</u>
Total expenditures	<u>20,490,049</u>	<u>22,799,303</u>	<u>---</u>	<u>---</u>
Net change in fund balances	4,731,045	321,375	---	---
Fund balances at beginning of the year	<u>1,706,029</u>	<u>1,384,654</u>	<u>175,899</u>	<u>175,899</u>
Fund balances at the end of the year	<u>\$ 6,437,074</u>	<u>\$ 1,706,029</u>	<u>\$ 175,899</u>	<u>\$ 175,899</u>

Government of Guam  
Guam Highway Fund  
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Comparative Statements of Revenues, Expenditures by Object and Changes in  
Fund Balances

Years ended September 30, 2019 and 2018

	Guam Highway Fund		Capital Project Fund	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>Revenues:</b>				
Taxes	\$ 14,428,018	\$ 13,297,415	\$ ---	\$ ---
Licenses, fees and permits	10,790,777	9,821,893	---	---
Use of money and property	<u>2,299</u>	<u>1,370</u>	<u>---</u>	<u>---</u>
Total revenues	<u>25,221,094</u>	<u>23,120,678</u>	<u>---</u>	<u>---</u>
<b>Expenditures:</b>				
Salaries and wages - regular	10,122,240	9,322,525	---	---
Salaries and wages - overtime	234,751	187,478	---	---
Salaries and wages - fringe benefits	3,276,956	4,364,069	---	---
Travel	10,785	8,253	---	---
Contractual services	3,241,102	4,784,590	---	---
Supplies	901,796	825,289	---	---
Equipment	52,889	36,972	---	---
Utilities - power and water	1,424,063	1,884,967	---	---
Communications	43,889	42,547	---	---
Grants and subsidies	1,074,070	1,228,914	---	---
Capital outlays	105,772	105,932	---	---
Miscellaneous	<u>1,736</u>	<u>7,767</u>	<u>---</u>	<u>---</u>
Total expenditures	<u>20,490,049</u>	<u>22,799,303</u>	<u>---</u>	<u>---</u>
Net change in fund balances	4,731,045	321,375	---	---
Fund balances at beginning of the year	<u>1,706,029</u>	<u>1,384,654</u>	<u>175,899</u>	<u>175,899</u>
Fund balances at the end of the year	<u>\$ 6,437,074</u>	<u>\$ 1,706,029</u>	<u>\$ 175,899</u>	<u>\$ 175,899</u>

Government of Guam  
Guam Highway Fund  
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Schedule of Expenditures by Department by Object

Years ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Office of I Maga'lahaen Guahan:		
Office of Civil Defense:		
Contractual services	\$ <u>216,695</u>	\$ <u>129,427</u>
Bureau of Budget and Management Research		
Internal Audit:		
Salaries and wages - regular	20,021	---
Salaries and wages - fringe benefits	<u>6,055</u>	<u>---</u>
	<u>26,076</u>	<u>---</u>
Department of Administration:		
Division of Accounts:		
Contractual services	18,500	18,500
Utilities - power and water	<u>837,763</u>	<u>1,351,753</u>
	<u>856,263</u>	<u>1,370,253</u>
Public Transit Fund:		
Grants and subsidies	<u>---</u>	<u>253,891</u>
Better Public Service Fund:		
Grants and subsidies	<u>1,074,070</u>	<u>975,023</u>
Total Department of Administration	<u>1,930,333</u>	<u>2,599,167</u>
Guam Regional Transit Authority:		
Salaries and wages - regular	389,155	398,049
Salaries and wages - fringe benefits	135,573	146,759
Contractual services	1,798,986	2,267,969
Supplies	239,388	172,950
Equipment	20,753	---
Communications	5,302	---
Miscellaneous	<u>1,658</u>	<u>6,967</u>
Total Guam Regional Transit Authority	<u>2,590,815</u>	<u>2,992,694</u>
Guam Police Department:		
Highway Patrol Division:		
Salaries and wages - regular	892,957	1,111,975
Salaries and wages - fringe benefits	<u>280,612</u>	<u>376,308</u>
Total Guam Police Department	<u>1,173,569</u>	<u>1,488,283</u>
Department of Education:		
Public Education:		
Salaries and wages - regular	392,807	---
Salaries and wages - fringe benefits	<u>156,139</u>	<u>---</u>
Total Department of Education	<u>548,946</u>	<u>---</u>
Department of Public Works:		
Office of the Director:		
Salaries and wages - regular	915,098	845,335
Salaries and wages - fringe benefits	285,327	287,280
Travel	5,065	280
Contractual services	51,708	91,245
Supplies	8,110	16,411
Equipment	---	418
Utilities - power and water	299,375	294,490
Communications	<u>17,538</u>	<u>19,907</u>
	<u>1,582,221</u>	<u>1,555,366</u>



Government of Guam  
Guam Highway Fund  
(A Governmental Fund of the Government of Guam)

Schedule of Expenditures by Department by Object, continued

Years ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Department of Public Works, continued:		
Highway Maintenance Division:		
Salaries and wages - regular	1,646,935	1,809,647
Salaries and wages - overtime	176,784	172,902
Salaries and wages - fringe benefits	585,052	656,923
Travel	---	735
Contractual services	671,563	1,662,415
Supplies	428,742	508,925
Equipment	10,485	8,946
Utilities - power and water	286,924	273,155
Communications	9,293	11,856
Capital outlays	37,782	77,688
Miscellaneous	80	800
	<u>3,853,640</u>	<u>5,183,992</u>
Transportation Division:		
Salaries and wages - regular	674,599	414,838
Salaries and wages - overtime	57,967	14,308
Salaries and wages - fringe benefits	252,121	166,264
Travel	5,719	4,197
Contractual services	65,641	304,863
Supplies	203,488	101,817
Equipment	4,651	18,025
Communications	3,837	3,489
Capital outlays	67,990	28,244
	<u>1,336,013</u>	<u>1,056,045</u>
Building Construction and Facilities Maintenance:		
Salaries and wages - regular	402,983	520,408
Salaries and wages - fringe benefits	134,722	186,907
Contractual services	67,178	160,082
Supplies	17,598	18,894
Equipment	17,000	9,583
Communications	2,256	2,255
	<u>641,737</u>	<u>898,129</u>
Flood Mitigation Projects:		
Contractual services	---	36,500
Capital Improvement Projects Division:		
Salaries and wages - regular	569,990	716,669
Salaries and wages - fringe benefits	209,475	248,301
Travel	---	3,041
Contractual services	194,092	79,157
Supplies	4,470	6,292
Communications	5,663	5,039
	<u>983,690</u>	<u>1,058,499</u>
Highway Bonds:		
Contractual services	156,739	---
	<u>156,739</u>	<u>---</u>
Total Department of Public Works	<u>8,554,040</u>	<u>9,788,531</u>
Mayors' Council of Guam:		
Operations:		
Salaries and wages - regular	4,217,695	3,505,606
Salaries and wages - overtime	---	267
Salaries and wages - fringe benefits	1,231,880	2,295,328
	<u>5,449,575</u>	<u>5,801,201</u>
	<u>\$ 20,490,049</u>	<u>\$ 22,799,303</u>

Government of Guam  
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Schedule of Construction Project Status

Year ended September 30, 2019

	<u>Total Budget</u>	<u>Expenditures Year ended September 30, 2019</u>	<u>Cumulative Expenditures</u>	<u>Outstanding Encumbrances</u>	<u>Continuing Appropriations</u>
Public Law 30-216:					
Repair, restoration and preventive maintenance of DPW school buses	\$ 1,483,033	\$ ---	\$ 1,475,803	\$ ---	\$ 7,230
Public Law 30-217:					
Barrigada village street repairs	227,634	---	227,634	---	---
R.T. Damian Street repairs	279,701	---	178,629	---	101,072
Kinney's Road repairs	129,217	---	129,217	---	---
Jagan Drive repairs	32,768	---	32,768	---	---
Jesus A. Quidachay Street repairs	22,071	---	22,071	---	---
Bill Baza access road	419,634	---	419,634	---	---
	<u>1,111,025</u>	<u>---</u>	<u>1,009,953</u>	<u>---</u>	<u>101,072</u>
	<u>\$ 2,594,058</u>	<u>\$ ---</u>	<u>\$ 2,485,756</u>	<u>\$ ---</u>	<u>\$ 108,302</u>

Government of Guam  
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Other Supplementary Information

September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Employees at end of year:		
Bureau of Budget and Management Research	1	---
Guam Regional Transit Authority	8	7
Guam Police Department:		
Highway Patrol Division	12	22
Department of Public Works:		
Office of the Director	19	18
Highway Maintenance Division	17	52
Transportation Division	16	20
Building Construction and Facilities Maintenance	9	11
Capital Improvement Projects Division	21	12
Bus Operations	131	---
Mayors' Council of Guam	<u>192</u>	<u>209</u>
	<u>426</u>	<u>351</u>