

GUAM DEPARTMENT OF EDUCATION

**(A LINE AGENCY OF THE
GOVERNMENT OF GUAM)**

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

YEAR ENDED SEPTEMBER 30, 2020

GUAM DEPARTMENT OF EDUCATION

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INDEPENDENT AUDITORS' REPORT

Mr. Jon Fernandez
Superintendent
Guam Department of Education

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Guam Department of Education (GDOE), a line agency of the Government of Guam (GovGuam), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise GDOE's basic financial statements as set forth in Section III of the foregoing table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Guam Department of Education as of September 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

COVID-19

As discussed in Note 9 to the financial statements, GDOE determined that the COVID-19 pandemic may negatively impact its financial position. However, due to uncertainty surrounding the duration of the state of emergency, GDOE is unable to reasonably estimate its ultimate financial impact. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 17, the Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) – Budget and Actual – General Fund and notes thereto on pages 56 and 57, the Schedule of Proportionate Share of the Net Pension Liability, on pages 58 through 60, the Schedule of Pension Contributions on page 61, the Schedule of Changes in the Proportionate Share of the Total OPEB Liability and Related Ratios on page 62, the Schedule of Proportionate Share of the Total OPEB Liability on page 63, and the Schedule of OPEB Contributions on page 64, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information, comparing the information for consistency with management's responses to our inquiries of the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

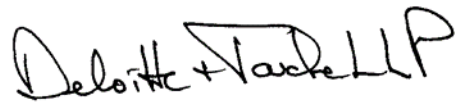
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise GDOE's basic financial statements. The Other Supplementary Information, as set forth in Section V of the foregoing table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements. The Other Supplementary Information is the responsibility of management. The 2020 information on pages 66 through 72 as well as the additional information on pages 74 through 76 was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The 2019 information on pages 66 through 72 as well as the additional information on pages 73 and 77 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 have also issued our report dated March 31, 2021, on our consideration of GDOE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 GDOE's 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 GDOE's internal control over financial reporting and compliance.

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

March 31, 2021

GUAM DEPARTMENT OF EDUCATION

Management's Discussion and Analysis
Year Ended September 30, 2020

INTRODUCTION

The Guam Department of Education (GDOE, Department) is a component of the Government of Guam (GovGuam) General Fund and is primarily funded through the GovGuam General Fund (GF). The GDOE is a single unified school district that serves just under 30,000 students (from Kindergarten to Grade 12). There are 26 elementary schools, eight middle schools, six high schools, and an alternative school for a total of 41 schools. Additionally, the Department administers Head Start, Pre-Kindergarten GATE (Gifted and Talented Education), and Pre-Kindergarten classes at selected elementary schools.

The GDOE is governed by policies established by the Guam Education Board (GEB, Board) comprised of elected and appointed board members. The Board appoints the Superintendent of Education who is the Chief Executive Officer of the Department. At the beginning of the fiscal year, Mark B. Mendiola was the GEB Chair and Maria A. Gutierrez was the Vice-Chair, having been re-elected to those positions in January 2019. In January 2020, the GEB members elected Mrs. Gutierrez as the Chair and Mr. Mendiola as Vice-Chair. In January 2021, Mr. Mendiola became the Chair and Mary Okada became the Vice-Chair, as they and the other members began the first year of their two-year term (2021-2022).

The GEB consists of 12 members: six elected members (Mark Mendiola, Mary Okada, Maria Gutierrez, Lourdes M. Benavente, Robert Crisostomo, and Peter Alexis Ada); three appointed members (Dr. Ronald L. McNinch (business representative), Carlyn R.C.G. Borja (parent representative), Felicitas "Fely" B. Angel (retired school administrator or teacher representative)); and three ex-officio, non-voting members (an alternating student representative of the Island-wide Board of Governing Students; Guam Federation of Teachers Doris A. Terlaje (collective bargaining unit representative); and Mayor Melissa B. Savares (Mayor's Council of Guam representative)).

Public Law (P.L.) 29-140 established the process to authorize charter schools on Guam through the Guam Academy Charter Schools Council. Although the charter schools are considered public schools, they operate independently from GDOE. In the 4th quarter of Fiscal Year (FY) 19 or in July 2019, amendments to the Guam Academy Charter Schools Act of 2009 were enacted under P.L. 35-28, 35-29, 35-30, and 35-40. P.L. 35-29 provided the most significant change by mandating the budgetary and organizational process(es) for charter schools established under the Act be separated from GDOE. Consequently, FY 20 marked the first fiscal year wherein charter school appropriations and expenditures were excluded from GDOE's financial statements.

The MD&A is a requirement of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. Statement No. 34 contains significant requirements that enhance financial reporting. These requirements are also designed to make annual reports easier for the public to understand and more useful to stakeholders. Specifically, Statement No. 34 establishes reporting requirements that include financial statements, expanded disclosure, and supplemental information, including the Management's Discussion and Analysis (MD&A).

This discussion was prepared by GDOE management to provide an overview of the Department's financial activities for fiscal year ending September 30, 2020. It was based on the financial statements provided in the annual audit report. The GDOE's department-wide financial statements consists of a Statement of Net Position, a Statement of Activities, and certain required and other supplementary information:

- *The Statement of Net Position* presents information on GDOE non-fiduciary assets and liabilities with the resulting difference being reported as net position. Net position is reported in three categories: Net investment in capital assets, Restricted, and Unrestricted.

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Management’s Discussion and Analysis
Year Ended September 30, 2020

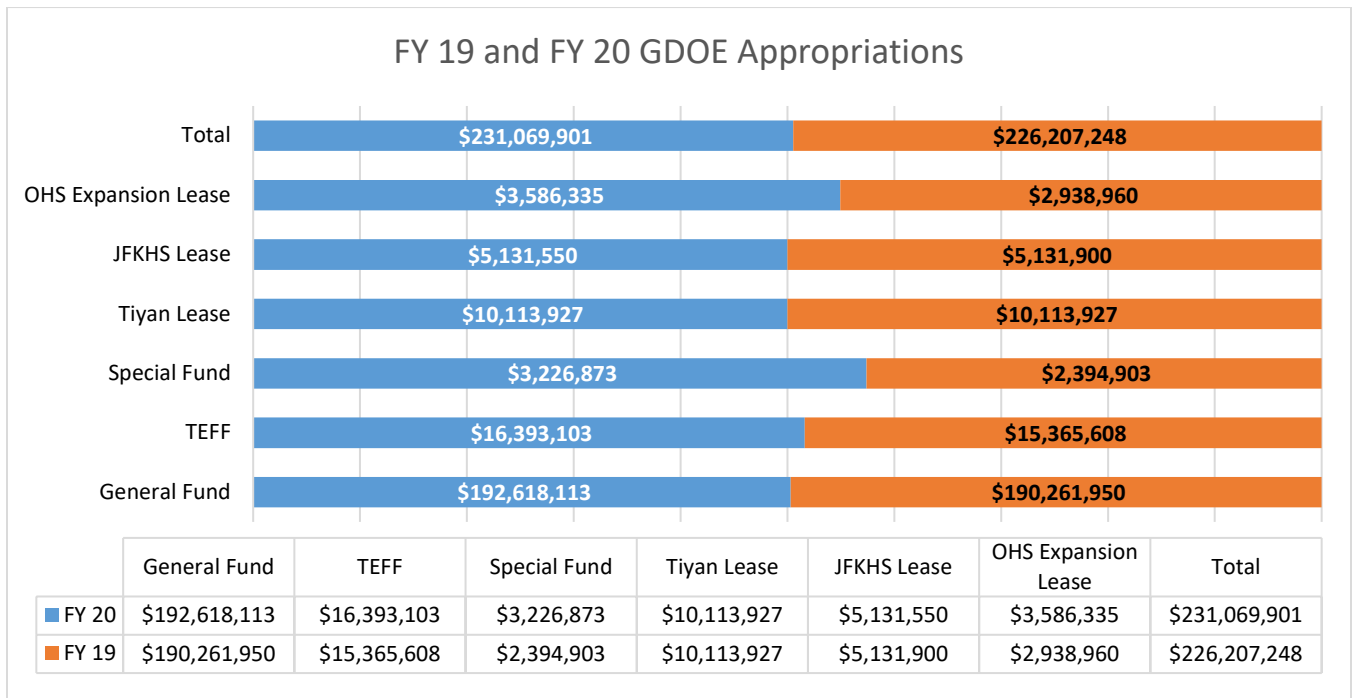
- *The Statement of Activities* presents information demonstrating the degree to which the direct expense of a given function or segment is offset by program revenues.
- *The Notes to the Financial Statements* provide information that is essential to the full understanding of the data provided in the financial statements.
- *The Other Supplementary Information* is provided for additional analysis of the financial statements.

Comparable financial data from the prior year is also provided.

The MD&A should be read in conjunction with GDOE’s basic financial statements and related notes to enhance understanding of the Department’s financial performance. Additionally, the completion of the FY 20 Single Audit represents GDOE’s commitment to, and support of, programmatic and financial accountability.

LOCAL APPROPRIATIONS

Pursuant to the FY 20 Budget Act or P.L. 35-36, GDOE appropriations totaled \$231,069,901, with a 2.1% overall increase of \$4,862,653 over FY 20 appropriation levels (\$226.2M excluding charter schools). The GDOE’s FY 20 appropriations excluded funding for charter schools. Chapter II Part II of the FY 20 Budget Act provided a separate appropriation of \$10,516,500 for charter schools’ FY 20 operations in compliance with amendments (enacted in July 2019 under P.L. 35-29) to the Guam Academy Charter Schools Act of 2009. The separate appropriation effectuated the mandate to sever charter schools’ budgetary and organizational process(es) from GDOE.



GUAM DEPARTMENT OF EDUCATION

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The \$4.8M increase in authorized spending included a total net increase of \$5M offset by \$193 thousand (K) in reduced funding from the following:

1. \$2,407,529 in increased funding for operations (\$831,825 GF, \$683,950 Territorial Educational Facilities Fund or TEFF, and \$891,754 Healthy Futures Fund).
2. \$1,328,545 in new funding for school grass cutting/grounds maintenance of \$393,545, mediation dispute services of \$50K, and school facility repairs of \$885K.
3. \$1,320,492 in increased funding for the Okkodo High School (OHS) expansion lease payment of \$647,375, the new Simon Sanchez High School (SSHS) project of \$500,000, Chamorro Studies curriculum of \$139,338 and GDOE sports facilities of \$33,779.
4. \$193K in reduced funding composed of: \$100K less for GDOE's First-Generation Trust Initiative contribution, \$86,661 less for school libraries, \$4,737 and \$2,165 less in interscholastic sports and health and physical activities' programs, and \$350 less in the John F. Kennedy High School (JFKHS) lease payments.

The \$3.2M in FY 20 special fund appropriations was designated for interscholastic sports, health and physical education activities, school libraries, GDOE sports facilities repairs, and includes the \$891,754 in new funding from the Healthy Futures Fund for GDOE operations. Excluded from the comparative table above are:

- \$12.5M in additional appropriations (Federal reimbursements and cash collections) related to the National School Lunch and Breakfast Programs. The reimbursements are provided by the U.S. Department of Agriculture (USDA)'s Food and Nutrition Services for meals served to public school students.
- \$11.2M in payments: \$10.8M in retiree healthcare benefits and \$450K in payments from the University of Guam and the Guam Community College to implement the First-Generation Trust Initiative.
- \$1.5M in FY 18 continuing appropriations for the SSHS Renovation project from FY 18 proceeds of the Guam Tax Amnesty program, as authorized under P.L. 34-117.

The FY 20 Budget Act contained a provision lifting the freeze on employee increments imposed under the FY 19 Budget Act; reinstating such entitlement beginning October 1, 2019 and no retro-active payments of any increments earned but frozen during FY 19, subject to fund availability. GDOE also received an additional \$1.1M from the U.S. Department of the Interior (DOI) Office of Insular Affairs, with the Governor's Office, to support the architectural and engineering phase for the new SSHS. The funding supplemented previous and continuous appropriations enabling GDOE to successfully issue and award Request for Proposal No. 006-2020 for design services for the new SSHS.

The novel Coronavirus Disease 2019 'COVID-19' outbreak, which was declared a global health emergency in January 2020 by the World Health Organization, caused significant changes in political and economic conditions around the world. On March 14, 2020, the Governor of Guam issued Executive Order 2020-03 declaring a State of Emergency for Guam after former President Donald J. Trump declared the COVID-19 outbreak a National Emergency. Subsequently, on March 27, 2020, former President Trump approved Guam's request for a Presidential Disaster Declaration for Guam [FEMA-4495-DR-GU] beginning January 20, 2020 and continuing, rendering the island eligible for federal grant and funding assistance in response to the pandemic.

GovGuam undertook various preventive or protective actions, such as stay-at-home orders, school closures, travel restrictions, limited business and governmental operations, and issuance of public health

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ordinances and guidelines. GovGuam also established a four-step Pandemic Condition of Readiness (PCOR) system, from maximum restrictions at Level 1 to no restrictions at Level 4. In July 2020, the Governor placed the island in PCOR 3 and relaxed several restrictions. However, a surge in positive cases resulting in an increase of COVID-19-related hospitalizations and deaths, placed the island back in PCOR 1 on August 14, 2020.

These issues impacted GDOE operations during the fiscal year ended September 30, 2020. In compliance with the Governor’s Executive Orders, GDOE required all essential employees to report to their work sites and non-essential employees to work from home while it closed its facilities to the public for the remainder of the year. Additionally:

- Schools were closed beginning on March 16, 2020 for 3 quarters of School Year (SY) 19-20.
- GDOE pursued extensions and waivers from federal granting agencies for the use of current and expiring federal grant funding.
- The District School Readiness Task Force was assembled in May 2020 which resulted in the implementation of Centers for Disease Control COVID-19 guidance and new safety protocols; and the adoption of three instruction models (home learning online instruction, home learning hard copies, and traditional school face-to-face) to help ensure safe re-opening of schools in August 2020 for SY 20-21.
- As a result of Executive Orders relative to imposing a stay-at-home order, GDOE did not implement face-to-face instruction and continued with distance learning and hard copy instruction distribution.

FEDERAL GRANTS AND PROGRAMS

Federal grant awards decreased by \$1.3M in FY 20 compared to FY 19 from the following:

<u>Grantor</u>	<u>FY 20 Amount</u>	<u>FY 19 Amount</u>	<u>Change</u>
U.S. Department of Education	\$ 48,256,747	\$ 46,824,445	\$ 1,432,032
U.S. Department of Agriculture	\$ 13,353,304	\$ 14,193,883	\$ (840,579)
U.S. Department of Health & Human Services	\$ 3,975,336	\$ 3,796,933	\$ 178,403
U.S. Department of Interior	<u>\$ 2,980,000</u>	<u>\$ *5,144,525</u>	<u>\$ (2,164,545)</u>
Total Grant Awards	\$ 68,565,387	\$ 69,959,807	\$ (1,394,420)

*Restated

Coronavirus Aid, Relief, and Economic Security Act

Not included in table above, GDOE received additional federal funding during FY 20 under the U.S. P.L. 116-136: Coronavirus Aid, Relief, and Economic Security Act (CARES Act):

<u>Grantor</u>	<u>FY 20 Amount</u>
U.S. Department Education	\$ 41,521,997
U.S. Department of Agriculture	\$ 2,916,973
U.S. Treasury	<u>\$ 1,000,000</u>
Total CARES Act Grant Awards	\$ 45,438,970

The U.S. Department of Education (ED) awarded \$41M to Guam through the Education Stabilization Fund (ESF I) to Outlying Areas. GDOE, as the State Education Agency, began administering the funding to

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Management’s Discussion and Analysis
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public, private non-profit, and charter schools. Authorized under the CARES Act, the ESF I would cover such COVID-19 impacted priorities as distance learning, health and safety, professional development, technology, and social and emotional wellness. Similarly, the \$469K in Health and Human Services (HHS) funding was to support Guam’s Head Start Program (over 500 children) with a wide range of activities in the wake of the pandemic to include health and safety, infection control, continued learning opportunities, and further strengthening a trauma-informed approach to service delivery for children, families, and staff. Meanwhile, the additional USDA and Treasury funds, totaling \$3.9M, were granted in response to the pandemic and used for the continued distribution of school meals under the Child Nutrition, the Food Distribution and the Emergency Food Assistance programs to island households administered under GDOE.

In FY 20, the following amounts were expended by GDOE through a variety of Federal grants, representing \$75.1M or 23.5% of the \$319.6M total (federal and local) expenditures:

<u>Grantor</u>	<u>FY 20 Amount</u>	<u>FY 19 Amount</u>	<u>Change</u>
U.S. Department of Education	\$ 45,931,928	\$ 38,003,067	\$ 7,928,861
U.S. Department of Agriculture	\$ 13,480,830	\$ 14,514,570	\$ (1,033,740)
U.S. Department of the Interior	\$ 6,641,424	\$ 11,262,330	\$ (4,620,906)
U.S. Department of Health & Human Services	\$ 3,635,196	\$ 3,453,514	\$ 181,682
Subtotal Grants	\$ 69,989,265	\$ 67,233,481	\$ 2,455,897
Treasury - CARES	\$ 1,000,000	\$ -	\$ 1,000,000
USDA - CARES	\$ 2,831,153	\$ -	\$ 2,831,153
ED - ESF	\$ 1,580,939	\$ -	\$ 1,580,939
Subtotal CARES Act	\$ 5,412,092	\$ -	\$ 5,412,092
Total Grant Expenditures	\$ 75,101,470	\$ 67,233,481	\$ 7,867,989

The \$7.9M overall increase or 11.7% in expenditures in FY 20 is primarily due to \$5.4M increase in CARES Act expenditures. Additionally, GDOE saw an increase of \$8.1M in ED and HHS grants expenditures, which were offset by decreases of \$5.6M in USDA and DOI grants expenditures.

FISCAL YEAR 2020 OVERVIEW

The GDOE once again received less cash than appropriated in FY 20 - \$2,960 in GF Textbook funding, and \$161,338 in Limited Gaming funding - for a combined cash shortfall total of \$164,298. In previous fiscal years, the shortages occurred in appropriations, alternatively, from the GF and TEFF: \$2.5M in FY 19 (\$472,455 in Textbook funding and \$2.1M in TEFF); \$14.8M in FY 18 (\$2.5M in excess of the \$12.3M associated with the FY 19 Fiscal Year Realignment Plan); \$2M in FY 17 GF and TEFF; \$5.1M in FY 16 GF; and \$3.2M and \$5M in FY 15 and FY 14 TEFF.

Federal and local officials issued emergency response directives and updated guidance in response to the COVID-19 pandemic, from March 2020 to September 30, 2020, which impacted GDOE personnel and operations in a variety of ways:

- School Nurses, Health Counselors, and Attendance Officers were deployed to support public health and law enforcement with island-wide COVID-19 responses such as administering COVID-19 testing, contact tracing, and quarantine protocols;
- Staff teleworking and professional development and training were conducted to ensure COVID-19 compliant classroom and instruction reforms and provide for distance learning.

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Management’s Discussion and Analysis
Year Ended September 30, 2020

Salaries and Benefits

Salaries and benefits, including retirement and healthcare benefits, is a primary component of GDOE expenditures, accounting for \$217,698,092 or 68.12% of total (federal and local) expenditures in FY 20. In comparison to FY 19, these expenditures increased by .68% or \$1,466,278 or -\$872K in local offset by \$2,338,491 in federal funding.

The overall number of GDOE employees decreased by 71 employees or 2.0% from 3,595 (pay period ending September 28, 2019) to 3,524 (pay period ending September 26, 2020)¹.

GDOE'S Employee Count	As of PPE Sept. 26, 2020	As of PPE Sept. 28, 2019	% Change
100% Locally Funded	2,765	2,811	-1.6%
100% Federally Funded	743	762	-2.5%
Locally/Federally Funded	16	22	-27.3%
Totals	3,524	3,595	-2.0%

Critical Contracts

The costs of several critical contracts and services (listed in the table below) netted an overall decrease in these expenditures of \$229K in FY 20, largely due to the onset of the COVID-19 pandemic, subsequent closure of schools in SY 19-20, and the suspension of face-to-face classroom instruction beginning SY 20-21.

<u>Critical Contracts</u>	<u>FY 2020</u>	<u>FY 2019</u>	<u>Change</u>
Food Services	\$ 19,777,524	\$ 19,968,778	\$ (191,254)
Third-Party Fiduciary Agent	\$ 2,594,363	\$ 2,410,516	\$ 183,847
Custodial Services	\$ 2,293,220	\$ 2,563,315	\$ (270,095)
Air Conditioning Maintenance	\$ 1,926,396	\$ 1,719,249	\$ 207,147
Trash Collection	\$ 605,259	\$ 770,514	\$ (165,255)
Copier Services	\$ 518,319	\$ 518,319	\$ -
Internet	\$ 385,696	\$ 311,513	\$ 74,183
Accreditation	\$ 36,400	\$ 103,572	\$ (67,172)
Total	\$ 28,137,177	\$ 28,365,776	\$ (228,597)

Prior Year Obligations

The GDOE continues to pay for prior year obligations (PYO) with an already limited current year funding. FY 19 obligations were not fully paid due to reduced GF funding and continuous shortfall in TEFF totaling \$2.6M. Payments for these obligations carried over into FY 20, thereby reducing cash sustainability of

¹ Note that this is a count of employees at a point in time and is a function of several factors including funding availability, program start dates, staff turnover, and availability of applicants. The variance in Federally funded employees includes the turn-over in Substitute Teachers, Limited-Term Teachers (Limited-Term Full-time, Limited-Term Special Contract, and Limited-Term Part-time). Local/Federally funded employees include teachers and school aides that are locally funded and receive payment for work on Federally funded programs such as ASPIRE, an afterschool program for elementary students, with the variance reflecting delays in payments for the Summer School Program. The overall 71 Full-Time Employee variance was also impacted by personnel actions including retirement, resignation, suspensions, terminations, separations, death, leave without pay statuses, and military leave.

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Management's Discussion and Analysis
Year Ended September 30, 2020

FY 20, and consequently resulted in \$2.2M of FY 20 unpaid obligations. These obligations were again carried over into the next fiscal year's budget.

Child Nutrition Reimbursements

At the start of SY 19-20, in August 2019, GDOE retained the ratio of outsourced cafeterias to GDOE operated cafeterias at 37:4 and continued with all 41 schools participating in the federal Community Eligibility Provision (CEP) program, which enables high-poverty districts to offer school breakfast and lunch at no cost to students.

SY 2019-2020 SCHOOL LUNCH PROGRAM	LUNCH						BREAKFAST					
	FREE	PAID	REDUCED	Total Lunch Served	Average Daily Participation*	Enrollment**	FREE	PAID	REDUCED	Total B-Fast Served	Average Daily Participation*	Enrollment**
OUTSOURCED CAFETERIAS												
ELEMENTARY	1,663,848	-	-	1,663,848	9,244	11,642	1,185,949	-	-	1,185,949	6,589	11,642
MIDDLE	535,025	48,090	-	583,115	3,240	6,454	372,229	29,753	-	401,982	2,233	6,454
HIGH	581,437	103,898	-	685,335	3,807	7,525	399,855	46,977	-	446,832	2,482	7,525
TOTAL	2,780,310	151,988	-	2,932,298	16,291	25,621	1,958,033	76,730	-	2,034,763	11,304	25,621
GDOE OPERATED CAFETERIAS												
ELEMENTARY	174,409	-	-	174,409	969	1,735	107,527	-	-	107,527	597	1,735
MIDDLE												
HIGH	89,620	28,533	-	118,153	656	1,635	41,882	11,921	-	53,803	299	1,635
TOTAL	264,029	28,533	-	292,562	1,625	3,370	149,409	11,921	-	161,330	896	3,370
*Average Daily Participation: Calculated amount using the Total Meals Served divided by 180 School Days												
**ENROLLMENT: Data provided from the School Year 2019-2020 Child Nutrition Program Data as of October 31, 2019												
SY 2018-2019	2,637,715	254,100	0	2,891,815	18,419	29,028	1,547,238	126,780	0	1,674,018	10,663	29,028
SY 2019-2020	3,044,339	180,521	0	3,224,860	20,541	28,991	2,107,442	88,651	0	2,196,093	13,988	28,991
Variance between each SY	406,624	-73,579	0	333,045	2,121	-37	560,204	-38,129	0	522,075	3,325	-37
% of Variance	15.42%	-28.96%	#DIV/0!	11.52%	11.52%	-0.13%	36.21%	-30.07%	#DIV/0!	31.19%	31.19%	-0.13%

The table above reflects number of meals served for SY 18-19 and SY 19-20. SY 18-19 figures were updated to reflect reconciled activities due to audits and evaluations while SY 19-20 figures are subject to change, pending completion of reconciliations and audit. For the first three quarters of FY 19, reimbursements from the USDA for eligible meals through the National School Lunch and School Breakfast Programs were based on rates established for the 48 contiguous states. However, in July 2019, the USDA approved GDOE's request for an upward adjustment and realignment of GDOE's reimbursement rate on par with the state of Hawaii. The newly approved reimbursement rate of 17.0% was applied in the 4th quarter of FY 19, beginning August 2019 at the opening of SY 19-20; and as such, is an attributing factor for increases in GDOE's total reimbursements under the federal Child Nutrition Program.

In compliance with COVID-19 related Executive Orders and USDA waivers, from March to September 2020, GDOE continued to serve modified meals and/or pre-packaged perishable food breakfast and lunch food commodities, via a 'Grab and Go' distribution schedule at various school sites, alongside a similar 'Grab and Go' of hard copy instructional materials. Employees used in these activities included locally and federally funded school and cafeteria personnel, and temporary hires under the Federal emergency funding [FEMA-4495-DR-GUAM] provided in response to the pandemic.

High Risk Grantee Status

FY 20 marked the eighth year GDOE incurred local expenditures associated with addressing its 'high risk' grantee status by ED. ED's specific conditions required financial management functions of ED grants to be supervised by a Third-Party Fiduciary Agent (TPFA). The GDOE staff perform budget, personnel, payroll, procurement, property management, and accounts payable activities with various levels of oversight from the TPFA over transactions funded with ED grants. Financial transactions from the TPFA system are mirrored on GDOE's financial management information system.

In October 2019, GDOE renewed the TPFA's contract for the second time at \$2.25M. The amount was a \$250K decrease from the first renewal and original contract; and the lowest cost since the TPFA was first

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contracted. The decrease in cost reflects GDOE's continuous progress in reducing the TPFA's responsibilities.

Per Title 2 of the Code of Federal Regulations §200.207(b), in May 2018, GDOE officially requested reconsideration of the special (now called specific) conditions, the nature of actions needed to remove the special conditions, and the timeline for the reconsideration. On March 13, 2019, ED amended the Federal Fiscal Year 18 specific conditions to remove three conditions related to (1) prompt access, (2) program-specific conditions, and (3) compliance with program requirements. The four remaining conditions include (1) requirements for a TPFA, (2) responsibilities of GDOE and the TPFA concerning administration of ED grant funds, (3) Reconsideration Evaluation Plan (REP), and (4) single audits. In August 2019, ED acknowledged full compliance to the requirement of a timely single audit but left this condition outstanding.

From July 14 to 16, 2020, ED conducted its virtual monitoring review of GDOE's progress against the REP. As a result of GDOE's notable progress, ED removed several of its requirements relative to employee time tracking; and the TPFA's oversight of the physical inventory process for 6 months. The GDOE is currently pending ED's final review and disposition of fully meeting the requirements set forth in the REP and specific conditions.

Accreditation

Thirty-nine GDOE schools are accredited by the Western Association of Schools and Colleges (WASC). In Spring 2019, nine schools were visited by WASC teams resulting in three newly accredited elementary schools and the affirmation or renewal of accreditation statuses for six others. An accreditation plan was developed to have the remaining two elementary schools accredited in FY 2020. Due to the onset of the COVID-19 public emergency, accreditation visits were cancelled or postponed and accounts for the decrease in expenditure between FY 20 and FY 19.

Utilities

FY 20 Utilities (i.e. power, water, and telephone) accounted for 4.4% of total expenditures or \$14.1M, a decrease of \$2.8M or -16.6%. Compared to FY 2019, expenditures for power and telephone decreased by \$2.7M and \$307K, respectively, while water increased by \$244K.

The decrease in power is directly attributable to the Executive Order COVID-19 stay-at-home orders, the closures of GDOE schools, and the cancellation of face-to-face instruction during SY 19-20 and SY 20-21. In contrast, increases in water expenses in FY 20 can be attributed to water leaks in under a dozen schools, late fees, disputed and reconciled meter readings, change/replacement of faulty meters, and slight increases in water rates.

Capital Improvement Projects

During FY 20, there was limited activity for capital improvement projects due to the public health emergency.

Simon Sanchez High School Procurement

In October 2019, GDOE and the Office of the Governor pledged \$4M for the architectural and engineering expenses of the new SSSHS. The GDOE would fund \$2.9M and the DOI capital improvement funding would fund \$1.1M. The GDOE issued a Request for Proposal for design services in December 2019 and proposals were received in January 2020. In September 2020, GDOE submitted a design contract to the Office of the Attorney General for review and approval. Once approved by the Attorney General and the Governor, the design phase is expected to result in specifications for the building phase. For the building phase, GDOE plans to enter into an agreement with a contractor who will finance and

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build the school. The financing and construction will be funded by revenues already reserved through P.L. 34-116.

STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES

Net Position consists of current assets and capital assets, net of accumulated depreciation, and deferred outflows less current and noncurrent liabilities and deferred inflows. From FY 20 to FY 19, total assets and deferred outflows of resources increased by \$137.1M, total liabilities and deferred inflows increased by \$161.7M, and total net position decreased by \$24.6M.

**GDOE's Net Position
As of September 30**

	Governmental Activities <u>2020</u>	Governmental Activities <u>2019</u>	Total <u>% Change</u>
Assets:			
Current and other assets	\$ 25,172,021	\$ 24,810,281	1.5%
Capital assets	<u>316,901,185</u>	<u>327,517,427</u>	(3.2%)
Total assets	342,073,206	352,327,708	(2.9%)
Deferred outflows of resources	<u>248,432,356</u>	<u>101,071,753</u>	145.8%
Total assets and deferred outflows of resources	\$ <u>590,505,562</u>	\$ <u>453,399,461</u>	30.2%
Liabilities:			
Current and other liabilities	\$ 1,249,460,219	\$ 1,026,959,419	21.7%
Long-term debt outstanding	<u>161,541,271</u>	<u>168,895,164</u>	(4.4%)
Total liabilities	1,411,001,490	1,195,854,583	18.0%
Deferred inflows of resources	<u>192,578,928</u>	<u>246,008,583</u>	(21.7%)
Total liabilities and deferred inflows of resources	<u>1,603,580,418</u>	<u>1,441,863,166</u>	11.2%
Net Position:			
Invested in capital assets, net of related debt	155,359,914	158,622,263	(2.1%)
Restricted	1,692,998	1,658,237	2.1%
Unrestricted	<u>(1,170,127,768)</u>	<u>(1,148,744,205)</u>	1.9%
Total net position	<u>(1,013,074,856)</u>	<u>(988,463,705)</u>	2.5%
	\$ <u>590,505,562</u>	\$ <u>453,399,461</u>	30.2%

The deferred outflows and inflows of resources relate to Other Post-Employment Benefits (OPEB) and pension expenses, as explained below. The increase in liabilities was mainly due to the \$203.4M increase in OPEB liability. The \$24.6M decrease in total net position was mainly due to the \$21.4M decrease in unrestricted net position, as a result of increase in OPEB activity offset by the decrease in net pension activity.

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STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION - GOVERNMENTAL ACTIVITIES

The Statement of Activities and Changes in Net Position represents revenues and expenses for the current fiscal year. The statement reflects a decrease in net position of \$24.6M for FY 20.

**GDOE's Changes in Net Position
For the Years Ended September 30**

	Governmental Activities 2020	Governmental Activities 2019	Total % Change
Revenues:			
General revenues:			
Appropriations	\$ 248,337,827	\$ 251,830,814	(1.4%)
Program revenues:			
Federal grants and contributions	71,095,560	61,712,998	15.2%
Contributions from component units	450,000	800,801	(43.8%)
Cafeteria Sales	3,237	6,120	(47.1%)
Other	<u>578,825</u>	<u>639,467</u>	(9.5%)
Total revenues	<u>320,465,449</u>	<u>314,990,200</u>	1.7%
Expenses:			
Elementary education	85,342,486	78,764,485	8.4%
Secondary education	119,356,660	111,711,268	6.8%
Direct student support	89,537,481	72,674,224	23.2%
General administration	40,016,004	39,335,026	1.7%
Retiree healthcare benefits	10,823,969	11,539,386	(6.2%)
Charter Schools	<u>-</u>	<u>9,039,946</u>	(100.0%)
Total expenses	<u>345,076,600</u>	<u>323,064,335</u>	6.8%
Change in net position	(24,611,151)	(8,074,135)	204.8%
Net position at beginning of year	<u>(988,463,705)</u>	<u>(980,389,570)</u>	0.8%
Net position at end of year	\$ <u>(1,013,074,856)</u>	\$ <u>(988,463,705)</u>	2.5%

Total revenues increased by \$5.5M largely due to an increase in federal grant funding of \$9.4M, as discussed earlier, offset by a decrease in local appropriations of \$3.5M.

Overall total expenses increased by \$31M (excluding charter schools) when compared to FY 19 expenditures of \$314,024,389. The increase was primarily due to the \$16.9M increase in direct student support expenses.

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CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets:

The GDOE's investment in capital assets for its governmental activities as of September 30, 2020 amounted to \$509.3M net of accumulated depreciation of \$192.4M, leaving a net book value of \$316.9M. GDOE's capital assets include buildings and improvements, vehicles, furniture and equipment, and construction in progress. See table below.

GDOE's Capital Assets As of September 30

	Governmental Activities <u>2020</u>	Governmental Activities <u>2019</u>	Total <u>% Change</u>
Non-depreciable assets:			
Land	\$ 435,280	\$ 435,280	0.0%
Construction in progress	<u>1,893,788</u>	<u>1,827,062</u>	3.7%
	<u>2,329,068</u>	<u>2,262,342</u>	2.9%
Depreciable assets:			
Buildings and improvements	490,965,194	490,376,217	0.1%
Vehicles, furniture and equipment	<u>16,011,015</u>	<u>15,862,976</u>	0.9%
	<u>506,976,209</u>	<u>506,239,193</u>	0.1%
Accumulated depreciation	<u>(192,404,092)</u>	<u>(180,984,108)</u>	6.3%
Depreciable assets, net	<u>314,572,117</u>	<u>325,255,085</u>	(3.3%)
Totals	<u>\$ 316,901,185</u>	<u>\$ 327,517,427</u>	(3.2%)

The \$10.6M decrease in GDOE's total capital assets is primarily due to an \$11.4M decrease in accumulated depreciation. Of the \$11.4M, \$7.6M was from secondary education. The leased schools and the Southern High School buildings made up most of the depreciation expense. For additional information concerning capital assets, please refer to Note 1K to the financial statements.

Long-Term Debt:

Capital leases associated with GDOE leased schools totaled \$161.5M of which \$153.7M were long term and \$7.8M were current obligations. For additional information concerning long-term debt, please refer to Note 8 to the financial statements.

GOVERNMENTAL FUNDS

The focus of GDOE's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing GDOE's financing requirements, in particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, GDOE's governmental funds reported a combined fund balance deficit of \$601,195, a decrease in combined fund balance deficit of \$870,741 from the prior year. The decrease is a result of an increase in governmental fund revenues of \$5,475,249 from \$314,990,200 in the prior year to \$320,465,449 in the current year exceeding the increase in governmental fund expenditures of \$900,520 from \$318,694,188 in the prior year to \$319,594,708 in the current year. The combined fund balance deficit of \$601,195 is comprised of \$1,692,888 committed for the First Generation Trust Fund Initiative and an unassigned fund balance deficit of \$2,294,193.

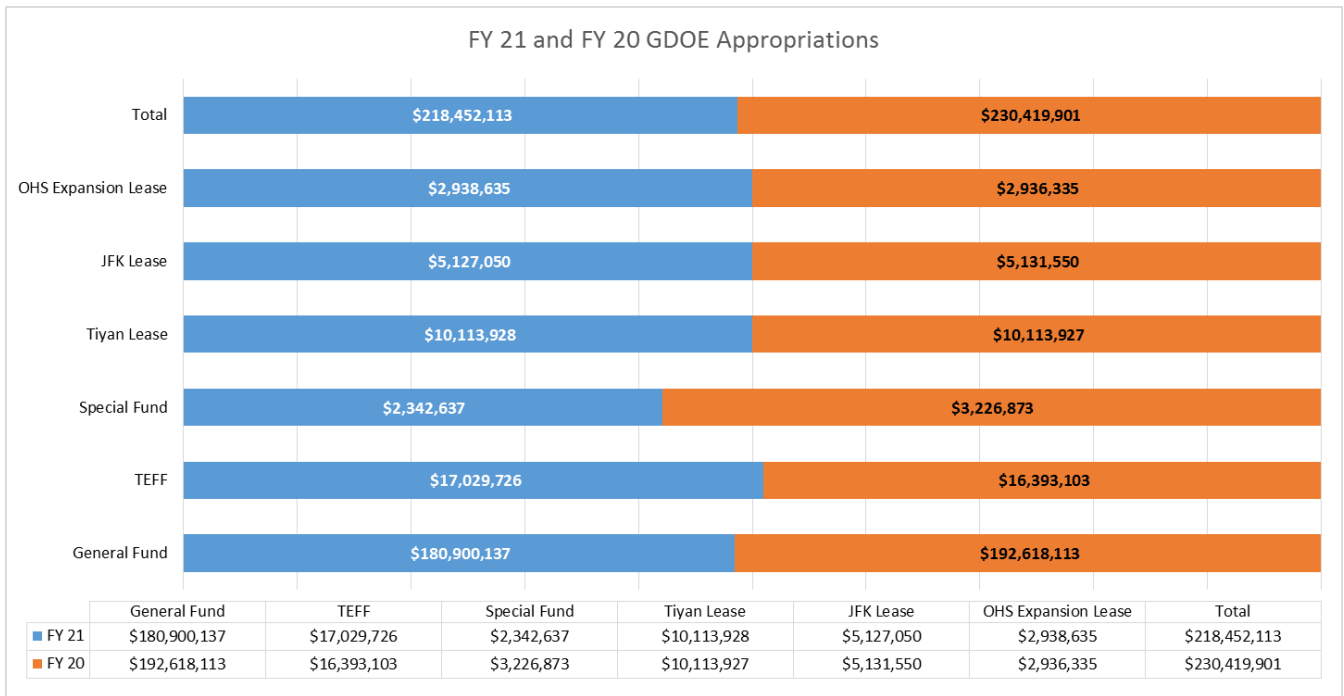
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Management’s Discussion and Analysis
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The General Fund is the primary operating fund of GDOE with an ending fund balance deficit of \$601,195. The Federal Grants Assistance Fund is a governmental fund utilized by GDOE to account for all U.S. federal assistance provided by various U.S. federal agencies.

FACTORS AND NEXT YEAR’S BUDGET

Pursuant to the FY 21 Budget Act (P.L. 35-99), GF revenues for FY 21 were projected to decrease approximately \$28.9M, from \$803.6M to \$774.7M. The decrease in adopted revenues was in response to significant changes in political and economic conditions resulting from current and residual implications of the global COVID-19 pandemic, the size and duration of which is difficult to predict. However, while BBMR Circular 21-01 imposed a fifteen percent (15%) reserve on executive branch agency appropriations, Section 14, Chapter II of the FY 21 Budget Act mandated an exemption of any reserves imposed on GDOE’s FY 21 appropriations.



FY 21 appropriations for GDOE totaled \$218.4M, with a -5.2% or \$12M overall *decrease* over FY 20 appropriation levels. The \$12M decrease in authorized spending included a decrease of \$11.7M in GF appropriations offset by a \$637K increase in TEFF funding for operations and \$23,507 in Public School Library Resource funding for school libraries. Decreases also occurred in the following:

- \$13,482,210 less in GF funding for operations;
- \$1,769,852 less or zero funding for Interscholastic Sports / Health Physical Activities programs (\$884,852) and Capital Improvement projects at schools (\$885,000);
- \$68,135 less funding for Chamorro Studies curriculum (\$26,721), mediation dispute services (\$10K), sports facilities’ repairs (\$22,891), and school grass cutting/ground maintenance (\$8,523); and
- \$647,700 less in OHS expansion lease payments, and \$4,500 less in the JFKHS lease payments.

GUAM DEPARTMENT OF EDUCATION

Management's Discussion and Analysis Year Ended September 30, 2020

The \$2.3M in FY 21 special fund appropriations was designated for school libraries, GDOE sports facilities repairs, and same funding level or \$891,754 for operations under the Healthy Futures Fund. Notably, zero funding was provided for Interscholastic Sports / Health Physical Activities programs, which accounted for the decrease over FY 20 from \$3,226,873 to \$2,342,637.

Not included in the comparative table above, is \$13.5M and \$450K in additional appropriations:

- \$12.5M (Federal reimbursements and cash collections) related to the National School Lunch and School Breakfast Programs, reimbursements provided by the USDA's Food and Nutrition Services for meals served to students and children who attend public schools;
- \$1M (DOI Grant Funding) relative to the Office of Insular Affairs Insular Area Assessment of Buildings and Classrooms (ABCs) Initiative; and
- \$450K in appropriations to the Guam Community College and the University of Guam for the First Generation Trust Fund Initiative which provides tuition scholarships for GDOE graduates who elect to attend either higher education institutions.

The FY 21 Budget Act also authorized the refunding of the JFKHS 2010A Series Certificates of Participation and mandated the savings be appropriated to GDOE to supplement its FY 21 operations. The refunding JFKHS 2020A Series COPs was completed in October 2020, generating \$2,675,955 in savings of which provided supplemental funding for GDOE operations and increased GDOE's overall FY 21 local appropriations from \$215,776,158 to \$218,452,113. As part of the authorized refunding, under the FY 21 Budget Act, \$9M in new funding or proceeds was identified to install solar panels on the JFKHS campus. The installation is expected to be completed by the FY 21 year-end and is intended to generate future savings in power expenses.

FY 21 is a transitional period for GDOE in terms of school and office operations. During this period to date:

- The Governor declared PCOR 1 through Executive Order 2020-27 on August 14, 2020. The order required all public and private schools to remain close for in-person instruction and activities and agencies to suspend non-essential in-person customer service functions. In accordance with the order, GDOE immediately began to transition students enrolled in the face-to-face model of instruction to home learning online and hard copy instructional models. The GDOE also operated in a limited capacity with restricted or no public access.
- The GEB, on December 22, 2020, approved plans to reopen GDOE schools for face-to-face instruction. The face-to-face was scheduled for January 19, 2021 and was permitted on a limited basis using an alternate schedule to reduce the number of students on campus at any given time. Parents were provided the opportunity to have their children learn at school (face-to-face) or at home (online and hard copy).
- The Governor declared PCOR 2 through Executive Order 2021-01 on January 14, 2021. The order allowed for public and private schools to resume in-person instruction beginning January 18, 2021. It also allowed for all government agencies to recommence public operations and for employees to telework when appropriate.
- The Governor declared PCOR 3 through Executive Order 2021-04 on February 19, 2021. The order allowed for most activities to be permitted under moderate restrictions. As a result, high school sports resumed on March 1, 2021, at the end of third-quarter sports.

The GDOE continues to plan to increase the public schools' capacity to accept students waiting for face-to-face learning; and is working to reduce reliance on hard copy learning to shift the teachers' focus on face-to-face and online.

GUAM DEPARTMENT OF EDUCATION

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The extent to which the COVID-19 pandemic may continue to impact the GDOE will depend on future developments which are uncertain, such as the duration of the outbreak, additional governmental mandates issued to mitigate the spread of the disease, business closures, economic disruptions, and the effectiveness of actions taken to contain and treat the virus. The GDOE's management will continue to actively monitor the situation and may take further actions altering operations that the GDOE's management determines are in the best interests of its employees and stakeholders, or as required by federal, state, or local authorities.

Due to Guam's ongoing public health emergency, Federal government agencies continue to provide relief to Guam to be used in response to COVID-19. The GDOE received additional CARES Act funding through the ESF I – Governor Funds and ESF II. The ESF I – Governor Funds (Providing Access to Homes or PATH) grant of \$8.9M was provided by the Governor's Office on December 22, 2020; and was to be used by GDOE to administer an internet voucher program and purchase internet services for students. The ESF II grant of \$110.6M was awarded by ED on January 13, 2021. GDOE is engaged in seeking final approval for specific uses of the funds. To date, the total ESF awarded to GDOE is \$161M.

MANAGEMENT CONTACT

This financial report is designed to provide GDOE's stakeholders (citizens, taxpayers, customers, investors, and creditors) with a general overview of GDOE's finances and to demonstrate the Department's accountability for the money it receives.

For questions or additional information, please contact Zenaida T. Asuncion, Deputy Superintendent of Finance and Administrative Services, Guam Department of Education, 501 Mariner Avenue, Barrigada, Guam 96913; e-mail: ztasuncion@gdoe.net; call (671) 300-1556; or log on to our website at: www.gdoe.net.

GUAM DEPARTMENT OF EDUCATION

Statement of Net Position
September 30, 2020

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current assets:	
Cash and cash equivalents	\$ 13,221,197
Receivables from federal agencies	10,302,446
Due from primary government	119,795
Due from component units	9,608
Prepayments and other assets	<u>768,975</u>
Total current assets	<u>24,422,021</u>
Noncurrent assets:	
Deferred maintenance and insurance costs	750,000
Capital assets:	
Nondepreciable capital assets	2,329,068
Depreciable capital assets, net of accumulated depreciation	<u>314,572,117</u>
Total noncurrent assets	<u>317,651,185</u>
Total assets	<u>342,073,206</u>
Deferred outflows of resources:	
Deferred outflows from OPEB	179,310,101
Deferred outflows from pensions	<u>69,122,255</u>
Total deferred outflows of resources	<u>248,432,356</u>
	<u>\$ 590,505,562</u>

LIABILITIES

Current liabilities:	
Accounts payable	\$ 6,017,708
Accrued payroll	11,510,961
Other liabilities and accruals	7,111,285
Payable to federal agencies	383,262
Current portion of obligations under capital lease	7,805,437
Current portion of compensated absences payable	<u>499,420</u>
Total current liabilities	<u>33,328,073</u>
Noncurrent liabilities:	
OPEB liability	752,994,530
Net pension liability	457,358,525
Compensated absences payable, net of current portion	5,743,327
Accrued sick leave liability	7,841,201
Obligations under capital lease, net of current portion	<u>153,735,834</u>
Total noncurrent liabilities	<u>1,377,673,417</u>
Total liabilities	<u>1,411,001,490</u>
Deferred inflows of resources:	
Deferred inflows from OPEB	178,249,951
Deferred inflows from pensions	<u>14,328,977</u>
Total deferred inflows of resources	<u>192,578,928</u>

Commitments and contingencies

NET POSITION

Net investment in capital assets	155,359,914
Restricted for:	
First Generation Trust Fund Initiative	1,692,998
Unrestricted	<u>(1,170,127,768)</u>
Total net position	<u>(1,013,074,856)</u>
	<u>\$ 590,505,562</u>

See accompanying notes to financial statements.

GUAM DEPARTMENT OF EDUCATION

Statement of Activities
Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Elementary Education	\$ 85,342,486	\$ -	\$ -	\$ (85,342,486)
Secondary Education	119,356,660	-	-	(119,356,660)
Direct Student Support	89,537,481	582,062	68,909,529	(20,045,890)
General Administration	40,016,004	-	2,636,031	(37,379,973)
Retiree healthcare benefits	10,823,969	-	-	(10,823,969)
Total governmental activities	<u>\$ 345,076,600</u>	<u>\$ 582,062</u>	<u>\$ 71,545,560</u>	<u>(272,948,978)</u>
General revenues:				
Appropriations:				
Operations				236,016,818
Retiree healthcare benefits				10,823,969
Textbooks				<u>1,497,040</u>
Total general revenues				<u>248,337,827</u>
Change in net position				(24,611,151)
Net position at beginning of year				<u>(988,463,705)</u>
Net position at end of year				<u>\$ (1,013,074,856)</u>

See accompanying notes to financial statements.

GUAM DEPARTMENT OF EDUCATION

Balance Sheet
Governmental Funds
September 30, 2020

<u>ASSETS</u>	<u>General</u>	<u>Special Revenue</u>	
		<u>Federal Grants Assistance</u>	<u>Total</u>
Cash and cash equivalents	\$ 12,945,070	\$ 276,127	\$ 13,221,197
Receivables from federal agencies	-	10,302,446	10,302,446
Due from primary government	119,795	-	119,795
Due from component units	9,608	-	9,608
Prepayments and other assets	747,470	21,505	768,975
Due from other funds	5,830,632	-	5,830,632
Total assets	\$ 19,652,575	\$ 10,600,078	\$ 30,252,653
<u>LIABILITIES AND FUND BALANCES (DEFICIT)</u>			
Liabilities:			
Accounts payable	\$ 5,723,252	\$ 294,456	\$ 6,017,708
Accrued payroll	10,609,849	901,112	11,510,961
Other liabilities and accruals	3,920,669	3,190,616	7,111,285
Payable to federal agencies	-	383,262	383,262
Due to other funds	-	5,830,632	5,830,632
Total liabilities	20,253,770	10,600,078	30,853,848
Fund balances (deficit):			
Committed	1,692,998	-	1,692,998
Unassigned	(2,294,193)	-	(2,294,193)
Total fund balances (deficit)	(601,195)	-	(601,195)
Total liabilities and fund balances (deficit)	\$ 19,652,575	\$ 10,600,078	\$ 30,252,653

See accompanying notes to financial statements.

GUAM DEPARTMENT OF EDUCATION

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
September 30, 2020

Total fund balance (deficit)-governmental funds \$ (601,195)

Amounts reported for governmental activities in the statement of net position are different because:

Maintenance costs associated with capital lease obligations in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 750,000

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. These assets consist of:

Buildings and improvements	\$ 490,965,194	
Vehicles, furniture and equipment	16,011,015	
Land	435,280	
Construction in progress	1,893,788	
Accumulated depreciation	<u>(192,404,092)</u>	
Capital assets, net of accumulated depreciation		316,901,185

Deferred outflows are charged to future periods and are not reported in the governmental funds.

Those deferred outflows consist of:

Deferred outflows from OPEB	179,310,101	
Deferred outflows from pensions	<u>69,122,255</u>	
		248,432,356

Deferred inflows benefit future periods and are not reported in the governmental funds.

Those deferred inflows consist of:

Deferred inflows from OPEB	(178,249,951)	
Deferred inflows from pensions	<u>(14,328,977)</u>	
		(192,578,928)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. These liabilities include:

OPEB liability	(752,994,530)	
Net pension liability	(457,358,525)	
Accrued sick leave liability	(7,841,201)	
Compensated absences payable	(6,242,747)	
Obligations under capital lease	<u>(161,541,271)</u>	
Long-term liabilities		<u>(1,385,978,274)</u>
Net position of governmental activities		\$ <u><u>(1,013,074,856)</u></u>

See accompanying notes to financial statements.

GUAM DEPARTMENT OF EDUCATION

Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
 Governmental Funds
 Year Ended September 30, 2020

	General	Special Revenue Federal Grants Assistance	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Appropriations	\$ 242,596,827	\$ 5,741,000	\$ 248,337,827
Federal grants and contributions	1,844,052	69,251,508	71,095,560
Contributions from component units	450,000	-	450,000
Cafeteria sales	3,237	-	3,237
Fees and other program receipts	469,863	108,962	578,825
	<u>245,363,979</u>	<u>75,101,470</u>	<u>320,465,449</u>
Expenditures:			
Elementary Education	74,586,407	-	74,586,407
Secondary Education	85,235,155	-	85,235,155
Direct Student Support	14,232,448	68,459,529	82,691,977
General Administration	34,269,550	900,941	35,170,491
Retiree healthcare benefits	10,823,969	-	10,823,969
Debt service:			
Lease payments	25,345,709	5,741,000	31,086,709
	<u>244,493,238</u>	<u>75,101,470</u>	<u>319,594,708</u>
Net change in fund balances	870,741	-	870,741
Fund balances (deficit) at beginning of year	<u>(1,471,936)</u>	-	<u>(1,471,936)</u>
Fund balances (deficit) at end of year	<u>\$ (601,195)</u>	<u>\$ -</u>	<u>\$ (601,195)</u>

See accompanying notes to financial statements.

GUAM DEPARTMENT OF EDUCATION

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund
Balances (Deficit) to the Statement of Activities
Year Ended September 30, 2020

Total net change in fund balances (deficit) - governmental funds	\$	870,741
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. For the current year, these amounts consist of:

Capital outlays, net of disposals	\$	831,573	
Depreciation expense		<u>(11,447,815)</u>	(10,616,242)

Prepayment of capital lease obligations in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		(125,000)
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The issuance of long-term debt (eg. leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. For the current year, these amounts consist of:

Repayment of capital leases		7,353,893
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. For the current year, these activities consist of:

OPEB activity		(26,814,326)	
Net pension activity		7,229,860	
Change in compensated absences payable		(1,046,380)	
Change in accrued sick leave liability		<u>(1,463,697)</u>	<u>(22,094,543)</u>

Change in net position of governmental activities	\$	<u><u>(24,611,151)</u></u>
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See accompanying notes to financial statements.

GUAM DEPARTMENT OF EDUCATION

Statement of Fiduciary Net Position
Agency Fund
September 30, 2020

ASSETS

Cash and cash equivalents	\$ <u>1,052,431</u>
Total assets	\$ <u><u>1,052,431</u></u>

LIABILITIES

Deposits and other liabilities	\$ <u>1,052,431</u>
Total liabilities	\$ <u><u>1,052,431</u></u>

See accompanying notes to financial statements.

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2020

(1) Summary of Significant Accounting Policies

The accompanying basic financial statements of the Guam Department of Education (GDOE) have been prepared in conformity 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. GDOE's significant accounting policies are described below:

A. Reporting Entity

GDOE, formerly known as the Guam Public School System, is a line agency of the Government of Guam (GovGuam), which is the primary government, and the accompanying financial statements are included within GovGuam's financial statements. GDOE has followed the same reporting framework as utilized by GovGuam in preparation of its annual financial statements to allow combination of these financial statements with those of GovGuam. GovGuam's general fund is ultimately liable for the financial operations of GDOE.

The governance of GDOE is vested in the Guam Education Board per Title 17 of the Guam Code Annotated (GCA) Chapter 3 section § 3102.3, composed of 9 voting members (6 elected and 3 appointed) and 2 nonvoting members. GDOE operates 26 elementary schools and 15 secondary schools to provide free and appropriate education to students residing on Guam.

In 2013, the Foundation for Public Education, Inc. (the Foundation) was established. The Foundation is a legally separate, tax-exempt entity which meets the criteria set forth for component units under GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The Foundation provides financial support for the objectives, purposes and programs of GDOE. Although GDOE does not control the timing, purpose, or amount of receipts from the Foundation, the resources (and income thereon) that the Foundation holds and invests are restricted to the activities of GDOE. Because the resources held by the Foundation can only be used by, or for the benefit of GDOE, the Foundation is considered a component unit of GDOE. As of September 30, 2020, the economic resources held by the Foundation are not considered significant to the primary government and, therefore omission of the Foundation is not considered material to the accompanying financial statements.

B. Department-Wide Financial Statements

The Statement of Net Position and the Statement of Activities report financial information on all non-fiduciary activities of GDOE. For the most part, the effect of interfund activity has been eliminated from these statements. GDOE activities are governmental activities, which generally are financed through local appropriations and intergovernmental revenues.

The Statement of Net Position presents all of the reporting entity's non-fiduciary assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

- *Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for other debt that is attributed to the acquisition, construction or improvement of those assets.
- *Restricted net position* results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through enabling legislation.

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2020

(1) Summary of Significant Accounting Policies, Continued

B. Department-Wide Financial Statements, Continued

- *Unrestricted net position* consists of net position, which does not meet the definition of the two preceding categories. Unrestricted net position often is designated, to indicate that management does not consider such to be available for general operations. Such often has restrictions that are imposed by management, but can be removed or modified.

The department-wide Statement of Net Position reports \$1,692,998 of restricted net position, which is restricted by enabling legislation.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include charges to customers or students who purchase, use, or directly benefit from goods or services provided by a particular function. Program revenues also include grants and contributions that are restricted to meeting the operational requirements of a particular function. Local appropriations and other items not meeting the definition of program revenues are, instead, reported as general revenue and offset or supplant the net operating deficit or surplus from governmental operations.

C. Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the department-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements pursuant to GASB reporting standards. GDOE presents a balance sheet and a statement of revenues, expenditures and changes in fund balances for its governmental funds. The ending fund balance on the balance sheet is then reconciled to the ending governmental activities net position.

GDOE reports its financial position and results of operations in funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. Transactions between funds within a fund type, if any, have not been eliminated.

D. Fund Balance

Fund balance classifications are based on the extent to which GDOE is bound to honor constraints on the specific purposes for which amounts in those funds can be spent and are reported under the following fund balance classifications:

Non-spendable – Balances that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – Balances that are restricted for specific purposes by external parties such as creditors, grantors or other governments.

Committed – Balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Guam Legislature.

Assigned – Balances that are constrained by management to be used for specific purposes, but are neither restricted nor committed.

Unassigned – Residual balances that are not contained in the other classifications.

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2020

(1) Summary of Significant Accounting Policies, Continued

D. Fund Balance, Continued

GDOE has a general policy to first use restricted resources for expenditures incurred for which both restricted and unrestricted (committed, assigned, and unassigned) resources are available. When expenditures are incurred for which only unrestricted resources are available, the general policy of GDOE is to use committed resources first, followed by assigned, and then unassigned. The use of restricted/committed resources may be deferred based on a review of the specific transaction.

A formal minimum fund balance policy has not been adopted.

E. Measurement Focus and Basis of Accounting

Department -Wide Financial Statements:

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

Amounts reported as program revenue include 1) changes to customers or applicants for goods, services, or privileges provided; and 2) operating grants and contributions. Internally generated resources are reported as general revenues rather than as program revenues. General revenues are derived from legislative appropriations.

Governmental Funds Financial Statements:

Governmental funds financial statements account for the general governmental activities of GDOE and are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally, when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. Significant revenues susceptible to accrual include local appropriations, federal grants, federal reimbursements and other reimbursements for use of materials and services. Revenues from other financing sources are recognized when received. Expenditures are recorded in the period in which the related fund liability is incurred. Principal and interest on general long-term obligations are recorded as fund liabilities when due. Compensated absences, claims and judgments, termination benefits and similar activities are recognized to the extent that they are normally expected to be liquidated with expendable available financial resources.

Fund Accounting:

GDOE uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain GDOE functions or activities.

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2020

(1) Summary of Significant Accounting Policies, Continued

E. Measurement Focus and Basis of Accounting, Continued

GDOE reports the following major governmental funds:

General Fund - This fund is the primary operating fund of GDOE. It is used to account for all governmental transactions, except those required to be accounted for in another fund.

Federal Grants Assistance Fund – This fund is used to account for federally funded programs for GDOE’s major activities. This fund is made up entirely by special revenue funds which account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. In this case, the expenditures are for activities authorized by the federal agency grantor.

In addition, GDOE reports the following fiduciary fund types:

Agency Fund - This fiduciary fund is used to account for student activities at the school level, such as student organization fund raisings and after-school programs.

F. Encumbrances

Encumbrances are commitments related to unperformed (executory) contracts for goods or services and are generally evidenced by outstanding purchase orders, contracts and interdepartmental work requests. At September 30, 2020, GDOE has significant encumbrances summarized as follows:

General Fund	\$ 4,264,153
Federal Grants Assistance Fund	<u>9,406,161</u>
	<u>\$ 13,670,314</u>

G. Cash and Cash Equivalents

Cash and cash equivalents include deposits with financial institutions on Guam in interest and non-interest bearing accounts as well as short-term investments in time certificates of deposit with a maturity date within three months of the date acquired.

H. Receivables

Receivables primarily consist of federal grants due from U.S. federal grantor agencies.

I. Prepaid Items

Certain payments made to vendors or persons for services reflect costs applicable to future accounting periods and are recorded as prepaid items in both department-wide and fund financial statements.

J. Interfund Receivable/Payables

As a general rule, the effect of interfund activity has been eliminated in the department-wide financial statements. Interfund receivables and payables have been eliminated from the Statement of Net Position. Interfund balances account for general fund payments for Federal programs that are expected to be repaid within one year by the special revenue fund with Federal fund reimbursements.

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2020

(1) Summary of Significant Accounting Policies, Continued

J. Interfund Receivable/Payables, Continued

During the course of its operations, GDOE records transactions between individual funds for goods provided or services rendered. Receivables and payables resulting from transactions between funds are classified as “due from other funds” or “due to other funds” on the governmental fund balance sheet. These balances result from a time lag between the dates the 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.

K. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure (e.g. roads, sidewalks, and other similar items), are reported in the applicable governmental activity column of the department-wide financial statements. Such assets, whether purchased or constructed, are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are capitalized when the cost of the individual item generally exceeds \$50,000 for financial statement purposes. All vehicles are capitalized for financial statement purposes. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Applicable capital assets are depreciated using the straight-line method with a full year’s depreciation charged in the year of acquisition and disposal, regardless of date. Estimated useful lives are as follows:

<u>Type of Assets</u>	<u>Estimated Useful Life (in years)</u>
Buildings	40 to 60
Furniture	7
Equipment, office equipment and specialized equipment.....	5 to 20
Computer hardware and software	5 to 7
Vehicles	5 to 20

Capital asset activities for the year ended September 30, 2020 are as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>Ending Balance</u>
Non-depreciable capital assets:				
Land	\$ 435,280	\$ -	\$ -	\$ 435,280
Construction in progress	<u>1,827,062</u>	<u>624,038</u>	<u>(557,312)</u>	<u>1,893,788</u>
	<u>2,262,342</u>	<u>624,038</u>	<u>(557,312)</u>	<u>2,329,068</u>
Depreciable capital assets:				
Buildings and improvements	490,376,217	89,400	499,577	490,965,194
Vehicles, furniture and equipment	<u>15,862,976</u>	<u>118,135</u>	<u>29,904</u>	<u>16,011,015</u>
	506,239,193	207,535	529,481	506,976,209
Less: accumulated depreciation	<u>(180,984,108)</u>	<u>(11,447,815)</u>	<u>27,831</u>	<u>(192,404,092)</u>
Depreciable capital assets, net	<u>325,255,085</u>	<u>(11,240,280)</u>	<u>557,312</u>	<u>314,572,117</u>
	<u>\$ 327,517,427</u>	<u>\$ (10,616,242)</u>	<u>\$ -</u>	<u>\$ 316,901,185</u>

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2020

(1) Summary of Significant Accounting Policies, Continued

K. Capital Assets, Continued

Depreciation expense was charged to functions/programs of GDOE as follows:

Governmental activities:	
Elementary Education	\$ 2,722,085
Secondary Education	7,603,880
Direct Student Support	265,934
General Administration	<u>855,916</u>
	<u>\$ 11,447,815</u>

L. Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (deduction of net position) until then.

M. Long-Term Debt

The liabilities reported in the department-wide financial statements include GDOE's capital leases, and long-term liabilities including vacation, sick leave, pension and OPEB.

N. Net Position

GDOE reports net position as restricted where legally segregated for a specific future use. Otherwise, these balances are considered unrestricted.

Net Position has been restricted as follows:

First Generation Trust Fund Initiative – identifies amounts from the University of Guam, Guam Community College and General Fund per Public Law 33-07 created to establish a scholarship fund for students. During the year ended September 30, 2020, GDOE received \$450,000 from component units (\$250,000 from University of Guam and \$200,000 from Guam Community College) for the purpose of providing scholarship fund to students.

O. Deferred Inflows of Resources

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (additions to net position) until then.

P. Compensated Absences

Non-teacher employees are credited with vacation at rates of 104 or 156 hours per fiscal year, depending upon their length of service.

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

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2020

(1) Summary of Significant Accounting Policies, Continued

P. Compensated Absences, Continued

Accumulation of such vacation credits is limited to 320 hours at fiscal year-end and is convertible to pay upon termination of employment. Compensated absences are recorded as a long-term liability in the statement of net position. Amounts to be paid during the next fiscal year are reported as current. For the governmental fund statements, vested or accumulated vacation and sick leave expected to be liquidated with expendable available financial resources are reported as expenditures and fund liabilities.

Q. Payable to Federal Agencies

Payable to federal agencies represents federal funds received in advance of eligible expenditures which have not been earned or do not meet the "available" criterion for revenue recognition under the modified accrual basis of accounting.

R. Interfund Transactions

Transfers are used to 1) move revenues from the fund that enabling legislation or budget requires to collect them to the fund that enabling legislation or budget requires to expend them, 2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and 3) record reductions in interfund loans for amounts that are not expected to be repaid.

S. Dedicated Revenues and Pledges

GDOE has entered into a municipal school lease agreement for certain leased schools and facilities whereby GovGuam, on behalf of GDOE, has pledged a portion of future Compact Impact grant funds to finance annual lease payments under this agreement. This lease obligation is payable solely from Compact Impact grant revenues payable to GovGuam by the United States Government pursuant to the Compact of Free Association Act, U.S. Public Law 108-188. Total payments remaining on this municipal school lease agreement, to include additional rentals, are \$34,430,250 payable through October 1, 2026. For the year ended September 30, 2020, lease payments made and total Compact Impact grant revenues received were \$5,741,000.

GovGuam, on behalf of GDOE, has also pledged a portion of future Section 30 revenues to finance annual lease payments for the Okkodo High School Expansion lease agreement. Total payments remaining on this lease, to include additional rentals, are \$31,336,120 payable through December 1, 2030. For the year ended September 30, 2020, lease payments made and total Section 30 revenues received were \$2,936,335 and \$82,309,451, respectively.

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2020

(1) Summary of Significant Accounting Policies, Continued

T. Pensions

Pensions are required to be recognized and disclosed using the accrual basis of accounting. GDOE recognizes a net pension liability for the defined benefit pension plan in which it participates, which represents GDOE's proportionate share of excess total pension liability over the pension plan assets – actuarially calculated – of a single employer defined benefit plan, measured one year prior to fiscal year-end and rolled forward. The total pension liability also includes GDOE's proportionate share of the liability for ad hoc cost-of-living adjustments (COLA) and supplemental annuity payments that are anticipated to be made to defined benefit plan members and for anticipated future COLA payments to DCRS members. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and are amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

U. Other Postemployment Benefits (OPEB)

OPEB is required to be recognized and disclosed using the accrual basis of accounting. GDOE recognizes a net OPEB liability for the defined benefit OPEB plan in which it participates, which represents GDOE's proportionate share of total OPEB liability - actuarially calculated - of a single-employer defined benefit plan, measured one year prior to fiscal year-end and rolled forward. An OPEB trust has not been established, thus the OPEB plan does not presently report OPEB plan fiduciary net position. Instead, the OPEB plan is financed on a substantially "pay-as-you-go" basis.

Changes in the net OPEB liability during the period are recorded as OPEB expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net OPEB liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the qualified OPEB plan and recorded as a component of OPEB expense beginning with the period in which they are incurred.

V. Estimates

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

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2020

(1) Summary of Significant Accounting Policies, Continued

W. 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 GDOE's financial statements for the year ended September 30, 2019 from which summarized information was derived.

X. New Accounting Standards

During the year ended September 30, 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective dates of GASB Statement No. 84, 89, 90, 91, 92 and 93 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. In accordance with GASB Statement No. 95, management has elected to postpone implementation of these statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 84 will be effective for fiscal year ending September 30, 2021.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. Management believes that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 87 will be effective for fiscal year ending September 30, 2022.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 89 will be effective for fiscal year ending September 30, 2022.

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2020

(1) Summary of Significant Accounting Policies, Continued

X. New Accounting Standards, Continued

In March 2018, GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 90 will be effective for fiscal year ending September 30, 2021.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 91 will be effective for fiscal year ending *September 30, 2023*.

In January 2020, GASB issued statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports, the terminology used to refer to derivative instruments and the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefits. The requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reissuance recoveries and terminology used to refer to derivative instruments are effective upon issuance. The remaining requirements of GASB Statement No. 92 is effective for the fiscal year ending September 30, 2022.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The primary objective of this statement is to address those and other accounting and financial reporting implications of the replacement of an IBOR. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 93 will be effective for fiscal year ending September 30, 2022.

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2020

(1) Summary of Significant Accounting Policies, Continued

X. New Accounting Standards, Continued

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This statement also provides guidance for accounting and financial reporting for availability payment arrangements. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 94 will be effective for fiscal year ending *September 30, 2023*.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 96 will be effective for fiscal year ending September 30, 2023.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 97 will be effective for fiscal year ending September 30, 2022.

(2) Deposits

Custodial credit risk is the risk that in the event of a bank failure, GDOE'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 institution but not in the depositor-government's name. GDOE does not have a deposit policy for custodial credit risk.

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2020

(2) Deposits, Continued

As of September 30, 2020, the carrying amount of GDOE’s total cash and cash equivalents was \$13,221,197 and the corresponding bank balances were \$13,988,254. Of the bank balances, \$12,438,232 is maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. The remaining amount of \$1,550,022 represents short-term investments held and administered by GDOE’s trustees in accordance with various trust agreements and are subject to Securities Investor Protection Corporation (SIPC) insurance. Based on negotiated trust and custody contracts, all of the investments were held in GDOE’s name by GDOE’s custodial financial institutions at September 30, 2020. As of September 30, 2020, bank deposits in the amount of \$750,000 were FDIC or SIPC insured. In accordance with 5 GCA 21, *Investments and Deposits*, GovGuam requires collateralization of deposits in excess of depository insurance limits in an amount in value at least ten percent in excess of the amount of monies deposited with the financial institution. Such collateralization shall be in securities in U.S. treasury notes or bonds or in U.S. government agencies for which the faith and credit of the United States are pledged for the payment of principal and interest; evidence of indebtedness of GovGuam; investment certificates of the Federal Home Loan Bank; or such other securities as may be approved by the Director of Administration and the Governor of Guam. As of September 30, 2020, substantially all of GovGuam’s bank deposits in excess of depository insurance limits are collateralized with securities held by the pledging financial institution but not in GovGuam’s name.

(3) Changes in Long-Term Liabilities

Changes in long-term liabilities for the year ended September 30, 2020, are as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due Within <u>One Year</u>
Accrued sick leave liability	\$ 6,794,821	\$ 1,177,169	\$ (130,789)	\$ 7,841,201	\$ -
Compensated absences	4,779,050	1,865,808	(402,111)	6,242,747	499,420
Net pension liability	440,389,510	34,614,941	(17,645,926)	457,358,525	-
OPEB liability	549,588,821	241,846,012	(38,440,303)	752,994,530	-
Obligations under capital lease	<u>168,895,164</u>	<u>-</u>	<u>(7,353,893)</u>	<u>161,541,271</u>	<u>7,805,437</u>
	<u>\$ 1,170,447,366</u>	<u>\$ 279,503,930</u>	<u>\$ (63,973,022)</u>	<u>\$ 1,385,978,274</u>	<u>\$ 8,304,857</u>

(4) Commitments and Contingencies

A. Sick Leave

It is the policy of GDOE to record the cost of sick leave when leave is actually taken and a liability is actually incurred. Generally, sick leave is paid only when an employee is absent due to illness, injury or related-family illness. Under the Defined Contribution Retirement System (DCRS), an employee may convert into cash up to 50% of the accrued sick leave liability. For this reason, a sick leave liability is recorded at September 30, 2020. The accumulated amount of unused sick leave at September 30, 2020, is \$43,361,359, of which \$7,841,201 may be convertible by DCRS employees upon retirement.

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2020

(4) Commitments and Contingencies, Continued

B. Federal Grants

GDOE has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. If the audit results in cost disallowances, the general fund may be liable. However, management does not believe this matter will result in a material liability. Therefore, no liability for any amount, which may ultimately arise from these matters, has been recorded in the accompanying financial statements.

Fines and penalties may also be imposed by various federal agencies for violations of certain regulations. However, no provision for any amount has been recorded in the accompanying financial statements, as it is not possible to predict a reasonable estimation of these fines and penalties.

GDOE is designated a high-risk grantee by the U.S. Department of Education.

C. Non-Appropriated Funds

Non-appropriated funds are maintained at the individual schools. While certain matters have been or are expected to be referred to the GovGuam's Attorney General, no provision has been recorded in the accompanying financial statements for any liability that may arise from these funds held in trust by GDOE.

D. Self-Insurance

GDOE does not purchase insurance covering potential risks; it is substantially self-insured against claims for negligence and catastrophic losses. In the event that losses arise from such claims or disasters, GovGuam's General Fund would be required to pay the majority of these losses. An annual appropriation is made to the Government Claims Fund (a governmental fund of GovGuam) and then valid claims are paid out against the appropriated amount. No material losses have occurred as a result of the policy in the past three years.

E. Public Law 28-45

Under Public Law 28-45, entitled "Every Child is Entitled to an Adequate Public Education Act," effective October 1, 2007, a public school student shall have a claim and standing to sue GovGuam and any officer of the Executive Branch of GovGuam in his or her official capacity only for the purpose of enjoining such officer from failing to provide an adequate public education to that public school student but *not* for money damages. Given the lack of adequate funding to meet all of the requirements of Public Law 28-45, it is reasonably possible that law suits will be filed against GDOE and legal costs will be incurred.

F. Litigation

GDOE is party to several legal proceedings arising from governmental operations, however, the Legal Counsel and Attorney General of Guam is unable to assess the likelihood of potential liabilities related to claims outstanding as of September 30, 2020. Hence, it is not possible to predict a reasonable estimation of these claims to be paid through the claims process. No provision that may result has been made in the accompanying financial statements.

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2020

(5) Pensions

GDOE is statutorily responsible for providing pension benefits for GDOE employees through the GovGuam Retirement Fund (GGRF).

A. General Information About the Pension Plans:

Plan Description: GGRF administers the GovGuam Defined Benefit (DB) Plan, a single-employer defined benefit pension plan, and the Defined Contribution Retirement System (DCRS). The DB Plan provides retirement, disability, and survivor benefits to plan members who enrolled in the plan prior to October 1, 1995. Article 1 of 4 GCA 8, Section 8105, requires that all employees of GovGuam, regardless of age or length of service, become members of the DB Plan prior to the operative date. Employees of a public corporation of GovGuam, which includes GDOE, have the option of becoming members of the DB Plan prior to the operative date. All employees of GovGuam, including employees of GovGuam public corporations, whose employment commences on or after October 1, 1995, and prior to January 1, 2018 are required to participate in the Defined Contribution Retirement System (DCRS) Plan. Hence, the DB Plan became a closed group.

Members of the DB Plan who retired prior to October 1, 1995, or their survivors, are eligible to receive annual supplemental annuity payments. In addition, retirees under the DB and DCRS Plans who retired prior to September 30, 2019 are eligible to receive an annual ad hoc cost of living allowance (COLA).

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

Plan Membership: As of September 30, 2019 (the measurement date), plan membership consisted of the following:

DB members:

Inactive employees or beneficiaries currently receiving benefits	7,360
Inactive employees entitled to but not yet receiving benefits	3,162
Active employees	<u>4,850</u>
	15,372

DCRS members:

Active employees	<u>6,286</u>
	<u>21,658</u>

Benefits Provided: The DB Plan provides pension benefits to retired employees generally based on age and/or years of credited service and an average of the three highest annual salaries received by a member during years of credited service, or \$6,000, whichever is greater. Members who joined the DB Plan prior to October 1, 1981 may retire with 10 years of service at age 60 (age 55 for uniformed personnel); or with 20 to 24 years of service regardless of age with a reduced benefit if the member is under age 60; or upon completion of 25 years of service at any age. Members who joined the DB Plan on or after October 1, 1981 and prior to August 22, 1984 may retire with 15 years of service at age 60 (age 55 for uniformed personnel); or with 25 to 29 years of service regardless of age with a reduced benefit if the member is under age 60; or upon completion of 30 years of service at any age.

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2020

(5) Pensions, Continued

A. General Information About the Pension Plans, Continued:

Members who joined the DB Plan after August 22, 1984 and prior to October 1, 1995 may retire with 15 years of service at age 65 (age 60 for uniformed personnel); or with 25 to 29 years of service regardless of age with a reduced benefit if the member is under age 65; or upon completion of 30 years of service at any age. Upon termination of employment before attaining at least 25 years of total service, a member is entitled to receive a refund of total contributions including interest. A member who terminates after completing at least 5 years of service has the option of leaving contributions in the GGRF and receiving a service retirement benefit upon attainment of the age of 60 years. In the event of disability during employment, members under the age of 65 with six or more years of credited service who are not entitled to receive disability payments from the United States Government are eligible to receive sixty six and two-thirds of the average of their three highest annual salaries received during years of credited service. The DB Plan also provides death benefits.

Supplemental annuity benefit payments are provided to DB retirees in the amount of \$4,238 per year, but not to exceed \$40,000 per year when combined with their regular annual retirement annuity. Annual COLA payments are provided to DB and DCRS retirees in a lump sum amount of \$2,000. Both supplemental annuity benefit payments and COLA payments are made at the discretion of the Guam Legislature, but are funded on a “pay-as-you-go” basis so there is no plan trust. It is anticipated that ad hoc COLA and supplemental annuity payments will continue to be made for future years at the same level currently being paid.

On September 20, 2016, the Guam Legislature enacted Public Law 33-186, which created two new government retirement plans; the DB 1.75 Plan and the Guam Retirement Security Plan (GRSP). On February 4, 2020, the Guam Legislature terminated the GRSP. Commencing April 1, 2017, eligible employees elected, during the “election window”, to participate in the DB 1.75 Plan with an effective date of January 1, 2018.

The DB 1.75 Plan is open for participation by certain existing employees, new employees, and reemployed employees who would otherwise participate in the DCRS Plan and who make election on a voluntary basis to participate in the DB 1.75 Plan by December 31, 2017. Employee contributions are made by mandatory pre-tax payroll deduction at the rate of 9.5% of the employee’s base salary while employer contributions are actuarially determined. Members of the DB 1.75 Plan automatically participate in the GovGuam deferred compensation plan, pursuant to which employees are required to contribute 1% of base salary as a pre-tax mandatory contribution. Benefits are fully vested upon attaining 5 years of credited service.

Members of the DB 1.75 Plan may retire at age 62 with 5 years of credited service, or at age 60 with 5 years of credited service without survivor benefits, or at age 55 with 25 years of credited service but the retirement annuity shall be reduced $\frac{1}{2}$ of 1% for each month that the age of the member is less than 62 years (6% per year). Credited service is earned for each year of actual employment by the GovGuam as an employee. Upon retirement, a retired member is entitled to a basic retirement annuity equal to an annual payment of 1.75% of average annual salary multiplied by years of credited service. Average annual salary means the average of annual base salary for the three years of service that produce the highest average.

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2020

(5) Pensions, Continued

A. General Information About the Pension Plans, Continued:

Contributions and Funding Policy: Contribution requirements of participating employers and active members to the DB Plan are determined in accordance with Guam law. Employer contributions are actuarially determined under the One-Year Lag Methodology. Under this methodology, the actuarial valuation date is used for calculating the employer contributions for the second following fiscal year. For example the September 30, 2018 actuarial valuation was used for determining the year ended September 30, 2020 statutory contributions. Member contributions are required at 9.52% of base pay.

As a result of actuarial valuations performed as of September 30, 2018, 2017 and 2016, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2020, 2019 and 2018, respectively, have been determined as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Normal costs (% of DB Plan payroll)	13.86%	13.54%	15.97%
Employee contributions (DB Plan employees)	<u>9.52%</u>	<u>9.52%</u>	<u>9.55%</u>
Employer portion of normal costs (% of DB Plan payroll)	<u>4.34%</u>	<u>4.02%</u>	<u>6.42%</u>
Employer portion of normal costs (% of total payroll)	2.39%	2.29%	1.60%
Unfunded liability cost (% of total payroll)	<u>20.70%</u>	<u>21.29%</u>	<u>22.12%</u>
Government contribution as a % of total payroll	<u>23.09%</u>	<u>23.58%</u>	<u>23.72%</u>
Statutory contribution rates as a % of DB Plan payroll:			
Employer	<u>26.28%</u>	<u>26.56%</u>	<u>27.83%</u>
Employee	<u>9.52%</u>	<u>9.52%</u>	<u>9.55%</u>

GDOE's contributions to the DB Plan for the years ended September 30, 2020, 2019 and 2018 were \$17,981,289, \$19,322,785 and \$18,562,514, respectively, which were equal to the statutorily required contributions for the respective years then ended.

GDOE's contributions to the supplemental annuity benefit payments and the COLA payments for the years ended September 30, 2020, 2019 and 2018 were \$7,056,454, \$6,612,716 and \$7,161,773, respectively, which were equal to the statutorily required contributions for the respective years then ended.

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

Contributions into the DCRS plan by members are based on an automatic deduction of 5% of the member's regular base pay, which increased to 6.2% effective January 1, 2018. The contribution is periodically deposited into an individual annuity account within the DCRS. Employees are afforded the opportunity to select from different annuity accounts available under the DCRS.

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2020

(5) Pensions, Continued

A. General Information About the Pension Plans, Continued:

Statutory employer contributions for the DCRS plan for the year ended September 30, 2020 are determined using the same rates as the DB Plan. Of the amount contributed by the employer, only 5% of the member's regular pay is deposited into the DCRS, which increased to 6.2% effective January 1, 2018. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

GDOE's contributions to the DCRS Plan for the years ended September 30, 2020, 2019 and 2018 were \$21,268,163, \$20,140,458 and \$23,612,660, respectively, which were equal to the required contributions for the respective years then ended. Of these amounts, \$16,252,705, \$15,438,741 and \$18,706,470 were contributed toward the unfunded liability of the DB Plan for the years ended September 30, 2020, 2019 and 2018, respectively.

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

Pension Liability: At September 30, 2020, GDOE reported a net pension liability for its proportionate share of the net pension liabilities measured as of September 30, 2019, which is comprised of the following:

Defined Benefit Plan	\$ 351,067,002
Ad Hoc COLA/supplemental annuity Plan for DB retirees	90,768,342
Ad Hoc COLA Plan for DCRS retirees	<u>15,523,181</u>
	<u>\$ 457,358,525</u>

GDOE's proportion of the GovGuam net pension liabilities was based on GDOE's expected plan contributions relative to the total expected contributions received by the respective pension plans for GovGuam and GovGuam's component units. At September 30, 2020, GDOE's proportionate shares of the GovGuam net pension liabilities were as follows:

Defined Benefit Plan	28.91%
Ad Hoc COLA/supplemental annuity Plan for DB retirees	28.00%
Ad Hoc COLA Plan for DCRS retirees	25.92%

Pension Expense: For the year ended September 30, 2020, GDOE recognized pension expense for its proportionate share of plan pension expense from the above pension plans as follows:

Defined Benefit Plan	\$ 26,455,865
Ad Hoc COLA/supplemental annuity Plan for DB retirees	6,813,382
Ad Hoc COLA Plan for DCRS retirees	<u>1,345,694</u>
	<u>\$ 34,614,941</u>

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2020

(5) Pensions, Continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued:

Deferred Outflows and Inflows of Resources: At September 30, 2020, GDOE reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Defined Benefit Plan</u>		<u>Ad Hoc COLA/ Supplemental Annuity Plan for DB Retirees</u>		<u>Ad Hoc COLA Plan for DCRS Retirees</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 503,903	\$ 3,112,086	\$ 628,976	\$ 279,109	\$ 1,634,845	\$ 450,876
Net difference between projected and actual earnings on pension plan investments	12,344,638	-	-	-	-	-
Changes of assumptions	-	-	8,149,342	1,411,020	3,737,246	1,505,970
Contributions subsequent to the measurement date	34,233,994	-	6,456,454	-	600,000	-
Changes in proportion and difference between GDOE contributions and proportionate share of contributions	-	6,319,753	-	685,071	832,857	565,092
	<u>\$ 47,082,535</u>	<u>\$ 9,431,839</u>	<u>\$ 15,234,772</u>	<u>\$ 2,375,200</u>	<u>\$ 6,804,948</u>	<u>\$ 2,521,938</u>

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as reduction of the net pension liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at September 30, 2020 will be recognized in pension expense as follows:

<u>Year Ending September 30</u>	<u>Defined Benefit Plan</u>	<u>Ad Hoc COLA/ Supplemental Annuity Plan for DB Retirees</u>	<u>Ad Hoc COLA Plan for DCRS Retirees</u>
2021	\$(5,391,227)	\$ 2,185,006	\$ 365,036
2022	(1,434,101)	3,218,209	365,036
2023	5,470,309	999,903	365,036
2024	4,771,721	-	365,036
2025	-	-	365,036
Thereafter	-	-	1,857,830
	<u>\$ 3,416,702</u>	<u>\$ 6,403,118</u>	<u>\$ 3,683,010</u>

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2020

(5) Pensions, Continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued:

Actuarial Assumptions: Actuarially determined contribution rates for the DB Plan are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported. The methods and assumptions used to determine contribution rates are as follows:

Valuation Date:	September 30, 2018
Actuarial Cost Method:	Entry age normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	May 1, 2033 (14.58 years remaining as of September 30, 2018)
Asset valuation method:	3-year smoothed market value (effective September 30, 2009)
Inflation:	2.50% per year
Total payroll growth:	2.75% per year
Salary increases:	4% to 7.5%
Retirement age:	50% probability of retirement upon first eligibility for unreduced retirement. Thereafter, the probability of retirement is 20% for each year until age 75, and increases to 100% at age 75.
Mortality:	RP-2000 healthy mortality table (males +3, females +2). Mortality for disabled lives is the RP 2000 disability mortality (males +6, females +4). Both tables are projected generationally from 2016 using 30% of Scale BB.

The actuarial assumptions used in the September 30, 2018 valuation were based on the results of an actuarial experience study for the period October 1, 2011 to September 30, 2015. The rationale for each significant assumption is provided in the experience study. To the extent that actual experience differs from the assumptions, future pension costs will differ. The next experience study for the period October 1, 2015 to September 30, 2019 is scheduled to be performed prior the next year's valuation.

The investment rate assumption as of September 30, 2018 was 7%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of the expected nominal return for each major asset class are summarized in the following table:

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2020

(5) Pensions, Continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Nominal Return</u>
U.S. Equities (large cap)	26.0%	6.81%
U.S. Equities (small cap)	4.0%	8.12%
Non-U.S. Equities	17.0%	8.33%
Non-U.S. Equities (emerging markets)	3.0%	10.28%
U.S. Fixed Income (aggregate)	24.0%	3.87%
Risk Parity	8.0%	5.56%
High Yield Bonds	8.0%	5.45%
Global Real Estate (REITs)	5.0%	8.01%
Master Limited Partnerships	5.0%	7.44%

Discount Rate: The discount rate used to measure the total pension liability for the DB Plan as of September 30, 2019 was 7.0%, which is equal to the expected investment rate of return. The expected investment rate of return applies to benefit payments that are funded by plan assets (including future contributions), which includes all plan benefits except supplemental annuity payments to DB retirees and ad hoc COLA to both DB and DCRS retirees. The discount rate used to measure the total pension liability for the supplemental annuity and ad hoc COLA payments as of September 30, 2019 was 4.18%, which is equal to the rate of return of a high quality bond index.

Discount Rate Sensitivity Analysis: The following presents the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to GDOE's proportionate share of the net pension liability if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Defined Benefit Plan:

	1% Decrease in Discount Rate <u>6.0%</u>	Current Discount Rate <u>7.0%</u>	1% Increase in Discount Rate <u>8.0%</u>
Net Pension Liability	\$ <u>434,648,202</u>	\$ <u>351,067,002</u>	\$ <u>260,374,837</u>

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees:

	1% Decrease in Discount Rate <u>1.66%</u>	Current Discount Rate <u>2.66%</u>	1% Increase in Discount Rate <u>3.66%</u>
Net Pension Liability	\$ <u>88,786,322</u>	\$ <u>90,768,342</u>	\$ <u>74,568,906</u>

Ad Hoc COLA Plan for DCRS Retirees:

	1% Decrease in Discount Rate <u>1.66%</u>	Current Discount Rate <u>2.66%</u>	1% Increase in Discount Rate <u>3.66%</u>
Net Pension Liability	\$ <u>14,389,004</u>	\$ <u>15,523,181</u>	\$ <u>11,425,183</u>

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2020

(5) Pensions, Continued

C. Payables to the Pension Plans:

As of September 30, 2020, GDOE recorded a payable to GGRF of \$3,568,932, representing statutorily required contributions unremitted as of the year-end.

(6) Other Post-Employment Benefits (OPEB)

GDOE participates in the retiree health care benefits program. GovGuam's Department of Administration is responsible for administering the GovGuam Group Health Insurance Program, which provides medical, dental, and life insurance benefits to retirees, spouses, children and survivors. Active employees and retirees who waive medical and dental coverage are considered eligible for the life insurance benefit only. The program covers retirees and is considered an OPEB plan.

A. General Information About the OPEB Plan:

Plan Description: The OPEB plan is a single-employer defined benefit plan that provides healthcare benefits to eligible employees and retirees who are members of the GovGuam Retirement Fund. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Governor's recommended budget and the annual General Appropriations Act enacted by the Guam Legislature provide for a premium level necessary for funding the program each year on a "pay-as-you-go" basis. Because the OPEB Plan consists solely of GovGuam's firm commitment to provide OPEB through the payment of premiums to insurance companies on behalf of its eligible retirees, no stand-alone financial report is either available or generated.

Plan Membership: As of September 30, 2019, the date of the most recent valuation (the actuarial valuation date), plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	7,462
Active plan members	<u>10,832</u>
	<u>18,294</u>

Benefits Provided: GDOE provides post-employment medical, dental and life insurance benefits to GDOE retirees, spouses, children and survivors, which are the same benefits as provided to active employees. Active employees and retirees who waive medical and dental coverage are considered eligible for the life insurance benefit only. GDOE contributes a portion of the medical and dental premiums, based on a schedule of semi-monthly rates, and reimburses certain Medicare premiums to eligible retirees. Retirees are also required to pay a portion of the medical and dental insurance premiums. Three types of health plans are offered to eligible participants:

- Standard island wide Preferred Provider Organization (PPO) Plan
- High Deductible (Health Savings Account - HSA) PPO Plan
- Retiree Supplement Plan (RSP)

The PPO and HSA Plans apply to both active employees and retirees and work with set deductible amounts whereas the RSP Plan is an added option for retirees only.

Contributions: No employer contributions are assumed to be made since an OPEB trust has not been established. Instead, the OPEB Plan is financed on a substantially "pay-as-you-go" basis whereby contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2020

(6) Other Post-Employment Benefits (OPEB), Continued

B. Total OPEB Liability:

As of September 30, 2020, GDOE reported a total OPEB liability of \$752,994,530 for its proportionate share of the GovGuam total OPEB liability measured as of September 30, 2019. The following presents GDOE's proportion change in proportion since the prior measurement date:

Proportion at prior measurement date, September 30, 2018	29.31%
Proportion at measurement date, September 30, 2019	<u>29.49%</u>
Increase in proportion	<u>0.18%</u>

Actuarial Assumptions: The total OPEB liability for the OPEB Plan was determined by an actuarial valuation as of September 30, 2019 (the measurement date) using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.75%.
Amortization method:	Level dollar amount over 30 years on an open amortization period for pay-as-you-go funding.
Salary increases:	7.5% per year for the first 5 years of service, 6% for 6-10 years, 5% for 11-15 years and 4% for service over 15 years.
Healthcare cost trend rates:	For 2019, Non-Medicare 13.5%; Medicare -25%; and Part B 5.33%. For the second year, 6.75% then reducing 0.25% annually to an ultimate rate of 4.25% for 2029 and later years. Health care trend assumptions begin at current levels and grade down over a period of years to a lower level equal to some real rate plus inflation. The principal components of health trend are medical inflation, deductible erosion, cost shifting, utilization, technology and catastrophic claims. The overall effect of these components are expected to decline year by year. Medical trend rates are applied to retiree contributions, Medicare Part B and Medicare Part D premium reimbursements.
Dental trend rates:	3.8% in year one, 3.75% per year thereafter, based on a blend of historical retiree premium rate increases as well as observed U.S. national trends.
Participation rates:	Medical - 100% of active employees covered under a GovGuam medical plan will elect to participate at retirement. Dental - 100% of active employees under a GovGuam dental plan will elect to participate at retirement. Life - 100% of eligible retirees will elect to participate at retirement. Current retirees will continue in the GovGuam plan as provided in the data, and upon attainment of age 65, will remain in that plan or enroll in a Retiree Supplemental Plan per Medicare Enrollment assumption below.

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2020

(6) Other Post-Employment Benefits (OPEB), Continued

B. Total OPEB Liability, Continued:

Medicare enrollment:	15% of current and future retirees are assumed to enroll in Medicare and will enroll in a Retiree Supplemental Plan upon attainment of age 65. All employees retired prior to September 30, 2008 are assumed ineligible for Medicare upon attainment of age 65 and therefore will not enroll in a Medicare Supplemental Plan.
Dependent status:	Male spouses are assumed to be three years older and female spouses are assumed to be three years younger than the retired employee. Medical - 100% of spouses of active employees covered under a GovGuam medical plan will elect to participate at the active employee's retirement. Dental - 100% of spouses of active employees covered under a GovGuam dental plan will elect to participate at the active employee's retirement. Life - 100% of spouses of active employees will elect to participate at the active employee's retirement. For current retired employees, the actual census information is used.
Actuarial cost method:	Entry Age Normal. The costs of each employee's post-employment benefits are allocated as a level basis over the earnings of the employee between the employee's date of hire and the assumed exit ages.
Healthy Retiree mortality rates:	RP-2000 Combined Healthy Mortality Table, set forward 3 years and 2 years for males and females, respectively, projected generationally using 30% of Scale BB.
Disabled Retiree mortality rates:	RP-2000 Disabled Mortality Table, set forward 6 years and 4 years for males and females, respectively, projected generationally using 30% of Scale BB.
Withdrawal rates:	15% for less than 1 year of service, decreasing 1% for each additional year of service up to 10 years, further decreasing 0.5% for each additional year of service up to 15 years, and 2% for service over 15 years.
Disability rates:	1974-78 SOA LTD Non-Jumbo, with rates reduced by 50% for males and 75% for females as follows: 0.05% for males aged 20-39 years (0.03% for females); 0.10% - 0.18% for males aged 40-49 years (0.05% - 0.09% for females); 0.32% - 0.53% for males aged 50-59 years (0.16% - 0.27% for females); and 0.76% for males aged 60-64 years (0.38% for females).
Retirement rates:	50% of employees are assumed to retire at first eligibility for unreduced benefits under the GovGuam Retirement Fund, 20% per year thereafter until age 75, and 100% at age 75.

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2020

(6) Other Post-Employment Benefits (OPEB), Continued

B. Total OPEB Liability, Continued:

Discount rate: The discount rate used to measure the total OPEB liability was 2.66% as of September 30, 2019. The projection of cash flows used to determine the discount rate assumed that contributions from GDOE will be made in accordance with the plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments of current plan members. Therefore, the 2.66% municipal bond rate as of September 30, 2019 was applied to all periods to determine the total OPEB liability.

OPEB plan fiduciary net position: As of September 30, 2020, an OPEB trust has not been established, thus the OPEB Plan does not presently report OPEB plan fiduciary net position.

C. Change in the Total OPEB Liability:

Change in GDOE's proportionate share of the total OPEB liability for the year ended September 30, 2020 is as follows:

Balance at beginning of the year	\$ <u>549,588,821</u>
Changes for the year:	
Service cost	21,663,116
Interest	23,620,396
Change in proportionate share	3,054,911
Change of assumptions	167,408,680
Benefit payments	<u>(12,341,394)</u>
Net change	<u>203,405,709</u>
Balance at end of the year	\$ <u>752,994,530</u>

Sensitivity of the total OPEB liability to changes in the discount rate: The following presents the sensitivity of the total OPEB liability to changes in the discount rate. The sensitivity analysis shows the impact to GDOE's proportionate share of the total OPEB liability if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease in Discount Rate <u>1.66%</u>	Current Discount Rate <u>2.66%</u>	1% Increase in Discount Rate <u>3.66%</u>
Total OPEB Liability	\$ <u>899,441,544</u>	\$ <u>752,994,530</u>	\$ <u>636,598,526</u>

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates: The following presents the sensitivity of the total OPEB liability to changes in the healthcare cost trend rate. The sensitivity analysis shows the impact to GDOE's proportionate share of the total OPEB liability if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	<u>1% Decrease</u>	Healthcare Cost Trend Rates	<u>1% Increase</u>
Total OPEB Liability	\$ <u>611,890,783</u>	\$ <u>752,994,530</u>	\$ <u>939,956,800</u>

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2020

(6) Other Post-Employment Benefits (OPEB), Continued

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

For the year ended September 30, 2020, GDOE reported total OPEB expense of \$38,440,303, for its proportionate share of the GovGuam Total OPEB expense measured for the year ended September 30, 2019. GDOE reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 164,137,888	\$ 70,209,696
Difference between expected and actual experience	-	98,726,369
Contributions subsequent to the measurement date	10,823,969	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	<u>4,348,244</u>	<u>9,313,886</u>
	<u>\$ 179,310,101</u>	<u>\$ 178,249,951</u>

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as reduction of the total OPEB liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB at September 30, 2020 will be recognized in OPEB expense as follows:

<u>Year Ending September 30</u>	
2021	\$ (7,207,486)
2022	(7,207,485)
2023	(20,790,995)
2024	7,926,076
2025	<u>17,516,071</u>
	<u>\$ (9,763,819)</u>

(7) Appropriations

During the year ended September 30, 2020, appropriations provided to GDOE were as follows:

General Fund:

Public Law 35-36:

GovGuam General Fund:

Operations	\$ 189,192,568
Retiree healthcare benefits	10,823,969
Textbooks	1,497,040
Capital improvement project	885,000
Simon Sanchez Procurement	500,000
Chamorro Studies Division	540,545
Lease Agreements:	
Okkodo Expansion lease	2,286,335
JFK High School lease	5,131,550

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2020

(7) Appropriations, Continued

General Fund, Continued:

Territorial Education Facilities Fund:	
Operations	13,681,914
School grounds maintenance	393,545
Alternative dispute resolution/Mediation services	50,000
Lease Agreements:	
Tiyán lease	10,113,927
JFK High School lease	2,267,644
Okkodo Expansion lease	650,000
Healthy Futures Fund:	
Operations	891,754
Interscholastic Sports	607,263
Health and Physical Education Activities	277,589
Public Library System Fund	891,575
Limited Gaming Fund	397,354
Public Law 34-117:	
Simon Sanchez High School Construction	1,500,000
Public Law 33-185:	
GovGuam General Fund:	
Secure Our School Acts	17,255
Public Law 28-47:	
Guam Public School Facilities Project Lease	<u>5,741,000</u>
	<u>\$ 248,337,827</u>

In addition, Public Law 35-36 appropriates \$12,504,000 of all monies collected by GDOE from Federal funds paid to GDOE for reimbursement under the National School Lunch Program and Breakfast Program and the State Administrative Expenses for Child Nutrition Program to GDOE for non-personnel operating expenditures. The total of such reimbursements from the U.S. Department of Agriculture during the year ended September 30, 2020 is \$16,408,903, which is accounted for within GDOE's Federal Grants Assistance Fund.

(8) Municipal School Lease Agreements

GovGuam, on behalf of GDOE, has entered into capital leases that are, in substance, a purchase. At the date of acquisition, the assets are valued at the present value of the future minimum lease payments. Capital lease assets and obligations are recorded and reported in the governmental activity column of the government-wide financial statements. Interest expense for capital leases is not capitalized. Amortization of assets acquired under capital lease is included with depreciation expense. Details are as follows:

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2020

(8) Municipal School Lease Agreements, Continued

Guam Public School Facilities Project:

Guam Education Financing Foundation, Inc. (GEFF) was incorporated in Guam as a not-for-profit corporation for the purpose of financing the construction of four new schools to be leased to GDOE upon completion. In 2006, GEFF issued \$50,880,000 in 2006 Series A, Certificates of Participation (COPS) and \$14,015,000 in 2006 Series B, COPS to finance the design, construction, insurance and maintenance of four new schools (the "Leased Schools") on Guam, Okkodo High School, Astumbo Middle School, Adacao Elementary School and Ligan Elementary School. The proceeds of the COPS were remitted to a trustee, who then remitted the amounts to a developer as construction progressed. In 2008, GEFF issued \$7,520,000 in 2008 Series A, COPS to finance the off-site infrastructure improvements, equipment and athletic field lighting (the "Leased Facilities") for the use of the Leased Schools. The holders of the COPS are the current owners of the Leased Schools. On May 25, 2005, GovGuam, on behalf of GDOE, entered into a twenty-year lease agreement with GEFF for the use of the four new schools, which commenced in October 2006. In 2016, GEFF issued \$25,665,000 in 2016 Series A, COPS and \$12,905,000 in 2016 Series B, COPS. The proceeds of the COPS were remitted to a trustee, who then used the funds to provide a portion necessary to defease the lien of the Trust indenture dated September 1, 2006 and supplement dated October 1, 2008, by and between the trustee and holders of the COPS. Proceeds were also used to refund and redeem the 2006 Series A, COPS and 2006 Series B, COPS on October 1, 2026 and to refund the 2008 Series A, COPS as they become due. Accordingly, the lease agreement was amended effective August 1, 2016.

Annual rental payments for the use of the Leased Schools and Facilities commenced on December 1, 2006 and are funded by a pledge of U.S. Compact Impact grant revenues through December 1, 2022, which are paid to a trustee, who then remits those amounts to the holders of the COPS, with the remaining payments subject to future appropriations by the Guam Legislature. After a period of twenty years and after all lease payments have been made, title to the Leased Schools and Facilities will transfer to GDOE upon the payment of all required rents.

Rental payments made under the lease include a base rent and additional rent. The base rent is equal to the required principal and interest payment due under the COPS. The additional rent of \$1,000,000 per year of the lease is used by GEFF for the payment of certain ongoing costs, including maintenance and insurance.

John F. Kennedy High School Project:

CaPFA Capital Corp. 2010A (CaPFA) was incorporated in the State of Florida as a not-for-profit corporation for the purpose of financing the new John F. Kennedy (JFK) High School to be leased to GDOE upon completion. In 2010, CaPFA issued \$65,735,000 in 2010 Series A, COPS to finance the demolition, acquisition, construction, renovation and installation of facilities comprising the new JFK High School (the "new High School"). The proceeds of the COPS were remitted to a trustee, who then remitted the amounts to a developer as construction progressed. The holders of the COPS are the owners of the new High School. On August 1, 2010, GovGuam, on behalf of GDOE, entered into a thirty-year lease agreement with CaPFA for the use of the new High School, which commenced in August 2011.

Annual rental payments for the use of the new High School commenced on December 1, 2010, which are paid to a trustee, who then remits those amounts to the holders of the COPS, and are funded by annual appropriations by the Guam Legislature. After a period of thirty years and after all lease payments have been made, title to the new High School will transfer to GDOE upon the payment of all required rents.

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2020

(8) Municipal School Lease Agreements, Continued

John F. Kennedy High School Project, Continued:

Rental payments made under the lease include a base rent and additional rent. The base rent is equal to the required principal and interest payment due under the COPS. The additional rent of \$1,568,000 per year of the lease is used by CaPFA for the payment of certain ongoing costs, including maintenance and insurance.

Okkodo High School Expansion Project:

Guam Education Financing Foundation II, Inc. (GEFF II) was incorporated in Guam as a not-for-profit corporation for the purpose of financing the expansion of Okkodo High School to be leased to GDOE upon completion. In 2013, GEFF II issued \$21,818,000 in 2013 Series A, COPS and \$1,000,000 in 2013 Series B, COPS to finance the expansion. The proceeds of the COPS were remitted to a trustee, who then remitted the amounts to a developer as construction progressed. The holders of the COPS are the current owners of Okkodo High School. On March 1, 2013, GovGuam, on behalf of GDOE, entered into an eighteen-year lease agreement with GEFF II for the use of the expansion, which commenced in July 2014. In 2016, the 2013 Series B, COPS were refunded through the issuance of the Limited Obligation (Section 30) 2016 Series A, bonds.

Annual rental payments for the use of the expansion commenced on June 1, 2013, which are paid to a trustee, who then remits those amounts to the holders of the COPS, and are funded by annual appropriations by the Guam Legislature. After a period of eighteen years and after all lease payments have been made, title to the expansion will transfer to GDOE upon the payment of all required rents.

Rental payments made under the lease include a base rent and additional rent. The base rent is equal to the required principal and interest payment due under the COPS. The additional rent of \$650,000 per year of the lease is used by GEFF II for the payment of certain ongoing costs, including maintenance and insurance.

Tiyan Lease:

In 2009, GovGuam, on behalf of GDOE, entered into a lease agreement with an option to purchase for certain property located in Tiyan to temporarily house the JFK High School. The facility was vacated by JFK High School in 2011 and subsequently occupied by Untalan Middle School in 2013. The lease, which is renewable annually, had a fixed annual rent of \$4,493,256 for the first five years payable in cash or by transferable tax credits. Rent commenced in August 2009 with a term through June 30, 2024. Other tenants include the Guahan Academy Charter School and the Guam Police Department, representing a small portion of the total Tiyan property under lease.

In 2011, GovGuam entered into an amendment extending the initial term to October 31, 2024 with a four-month rent abatement from October 1, 2011 through, January 31, 2012 due to non-occupancy of the property.

In 2013, GovGuam, on behalf of GDOE, exercised the option to purchase the leased Tiyan property. In addition to the purchase price of \$43,500,000 that comprises the Tiyan High School premises, the Guam Legislature enacted Public Law 31-229, authorizing GovGuam, on behalf of GDOE, to purchase additional property and the construction of new buildings and facilities for the Tiyan High School and GDOE administration in the amount of \$43,648,970. Title to the Tiyan properties under the lease will transfer to GDOE upon the payment of all required rents. Tiyan 3 lot is owned by the Guam International Airport Authority under lease with the lessor and will be up for renewal in December 2041.

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2020

(8) Municipal School Lease Agreements, Continued

Tiyan Lease, Continued:

In 2014, the Tiyan Lease Purchase Agreement was amended to extend the lease term through December 31, 2041 plus \$7,499,090 of collateral equipment for the buildings to be constructed. Repayment in the form of tax credits only apply for lease amounts due through January 2015 and included the aforementioned collateral equipment. Effective February 2015, rent and additional rent (insurance and maintenance) due are to be paid in the form of cash.

Annual rent includes principal, interest at 10% per annum of outstanding principal balance, insurance and maintenance costs.

Future minimum lease obligations to maturity for the municipal school lease agreements are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 7,805,437	\$ 12,570,227	\$ 20,375,664
2022	8,268,000	12,060,050	20,328,050
2023	8,972,783	11,518,345	20,491,128
2024	9,592,828	10,926,680	20,519,508
2025	10,133,086	10,294,128	20,427,214
2026 - 2030	36,187,044	42,061,380	78,248,424
2031 - 2035	35,775,077	28,473,056	64,248,133
2036 - 2040	42,885,110	10,919,960	53,805,070
2041	<u>1,921,906</u>	<u>192,191</u>	<u>2,114,097</u>
	<u>\$ 161,541,271</u>	<u>\$ 139,016,017</u>	<u>\$ 300,557,288</u>

Assets acquired through the aforementioned capital leases are as follows:

Assets:	
Buildings and leasehold improvements	\$ 239,159,248
Less accumulated depreciation	<u>(46,116,686)</u>
	193,042,562
Land	<u>435,280</u>
	<u>\$ 193,477,842</u>

9) COVID-19

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommend containment and mitigation measures worldwide. On March 13, 2010, President Donald J. Trump declared a national emergency within the United States. In response to the national emergency declared by the U.S. President, on March 14, 2020, Governor Lourdes A. Leon Guerrero issued Executive Order 2020-03 declaring a state of emergency in response to COVID-19. Further, Executive Order 2020-04 ordered the closure of all non-essential Government of Guam offices, prohibited large gatherings, and restricted entry into Guam from countries with confirmed COVID-19 cases. As a result, schools and non-essential government agencies and businesses have closed. GDOE has closed its offices to the public and has required all non-essential employees to work from home.

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2020

9) COVID-19, Continued

On March 28, 2020, the U.S. President signed a major disaster declaration for Guam and ordered federal assistance to supplement local recovery efforts in connection with the COVID-19 pandemic. As a result, GovGuam received direct aid under the Coronavirus Act Relief, and Economic Security ("CARES") Act of \$117,968,258, of which \$1,000,000 was made available during the year ended September 30, 2020 to GDOE to fund food distributions. Additionally, GDOE was awarded COVID-19 direct aid from the U.S. Department of Education and the U.S. Department of Agriculture totaling \$44,908,253, of which \$4,412,092 was expended as of September 30, 2020.

Due to the evolving nature of the COVID-19 pandemic and the federal and local responses thereto, GDOE is not able to predict the extent or duration of the outbreak. While the disruption is currently expected to be temporary, the duration of this pandemic is uncertain. Therefore, GDOE expects this matter to negatively impact general economic conditions globally, nationally and locally, and the departments results of operations for which the related financial impact cannot be reasonably estimated at this time.

Subsequent to fiscal year ended September 30, 2020, GDOE received additional direct aid from the U.S. Department of Education of \$110,563,287. GovGuam also received direct aid from the U.S. Department of Education of \$12,499,963 of which \$8,932,000 was made available to GDOE.

10) Subsequent Event

John F. Kennedy High School Project:

On October 6, 2020, CaPFA issued \$65,420,000 in 2020 Series A COPS to refinance and prepay the rental payments of the outstanding 2010A Certificates, to finance the acquisition, construction and installation of energy improvements to the Guam John F. Kennedy High School, to fund capitalized interest for a portion of the Certificates and pay certain delivery costs of the Certificates.

GUAM DEPARTMENT OF EDUCATION

**REQUIRED SUPPLEMENTARY
INFORMATION**

YEAR ENDED SEPTEMBER 30, 2020

GUAM DEPARTMENT OF EDUCATION

Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) - Budget and Actual
General Fund (Unaudited)
Year Ended September 30, 2020

	Original Budget	Final Budget	Actual - Budgetary Basis	Variance with Final Budget - Positive (Negative)
Revenues:				
Local appropriations:				
Government of Guam General Fund:				
Operations	\$ 189,192,568	\$ 189,192,568	\$ 189,192,568	\$ -
Retiree healthcare benefits	10,823,969	10,823,969	10,823,969	-
JFK High School Lease	5,131,550	5,131,550	5,131,550	-
Okkodo High School Expansion Project Lease	2,936,335	2,936,335	2,286,335	(650,000)
Textbooks	1,500,000	1,500,000	1,497,040	(2,960)
Simon Sanchez High School Construction	-	-	1,500,000	1,500,000
Capital improvement project	885,000	885,000	885,000	-
Chamorro Studies Division	540,545	540,545	540,545	-
Simon Sanchez High School procurement	500,000	500,000	500,000	-
Secure Our Schools Act	-	-	17,255	17,255
Territorial Educational Facilities Fund:				
Operations	14,381,558	14,381,558	13,681,914	(699,644)
Tiyan Lease	10,113,927	10,113,927	10,113,927	-
JFK High School Lease-Additional rental and GRT	1,568,000	1,568,000	2,267,644	699,644
Okkodo High School Expansion Project Lease	650,000	650,000	650,000	-
School grounds maintenance	393,545	393,545	393,545	-
Alterantive dispute resolution/Mediation services	50,000	50,000	50,000	-
Healthy Futures Fund:				
Operations	891,754	891,754	891,754	-
Interscholastic sports	607,263	607,263	607,263	-
Health and Physical Education Activities	277,589	277,589	277,589	-
Public Library System Fund	891,575	891,575	891,575	-
Limited Gaming Fund	558,692	558,692	397,354	(161,338)
Contributions from component units	450,000	450,000	450,000	-
Federal grants and contributions	-	-	1,844,052	1,844,052
Fees and other program receipts	-	-	469,863	469,863
Cafeteria sales	-	-	3,237	3,237
Total revenues	<u>242,343,870</u>	<u>242,343,870</u>	<u>245,363,979</u>	<u>3,020,109</u>
Expenditures - Budgetary Basis:				
Elementary Education	72,609,091	72,609,091	74,941,730	(2,332,639)
Secondary Education	85,075,652	85,075,652	85,852,369	(776,717)
Direct Student Support	16,746,644	16,746,644	15,343,773	1,402,871
General Administration	42,611,623	42,611,623	36,449,841	6,161,782
Retiree healthcare benefits	10,823,969	10,823,969	10,823,969	-
Debt service:				
Tiyan Lease	10,113,927	10,113,927	10,113,927	-
JFK High School Lease	7,399,194	7,399,194	7,399,194	-
Guam Public School Facilities Project Lease	4,896,253	4,896,253	4,896,253	-
Okkodo High School Expansion Project Lease	2,936,335	2,936,335	2,936,335	-
Total expenditures	<u>253,212,688</u>	<u>253,212,688</u>	<u>248,757,391</u>	<u>4,455,297</u>
Deficiency of revenues under expenditures	<u>(10,868,818)</u>	<u>(10,868,818)</u>	<u>(3,393,412)</u>	<u>7,475,406</u>
Other changes in fund balance (deficit):				
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 items are received for financial reporting purposes	1,753,894	1,753,894	4,264,153	2,510,259
Net change in fund balance (deficit)	<u>\$ (9,114,924)</u>	<u>\$ (9,114,924)</u>	<u>\$ 870,741</u>	<u>\$ 9,985,665</u>

See accompanying notes to the required supplementary information.
See Accompanying Independent Auditors' Report.

GUAM DEPARTMENT OF EDUCATION

Notes to the Required Supplementary Information – Budgetary Reporting September 30, 2020

(1) Budgetary Process

The Budget Act for fiscal year 2020, Public Law No. 35-36, was approved for the Executive branch and the Legislative branch. Supplemental appropriations were also provided through Public Law 34-117 and 33-07. Budgets for Special Revenue Funds are generally not submitted. Accordingly, a budget to actual presentation for Special Revenue Funds is not required or presented. Project length financial plans are adopted for capital projects funds.

GovGuam's annual budget has been prepared on a basis that differs from governmental GAAP. Actual amounts in the accompanying budgetary comparison statements are presented on a budgetary basis, which includes outstanding encumbrances as a budgetary expenditure.

Encumbrance accounting is employed in governmental funds. For budgetary purposes, the encumbrances (i.e., purchase orders, contracts) are considered expenditures when incurred. For GAAP reporting purposes, encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent fiscal year.

See Accompanying Independent Auditors' Report.

GUAM DEPARTMENT OF EDUCATION

Required Supplemental Information (Unaudited)
 Schedule of Proportionate Share of the Net Pension Liability
 Last 10 Fiscal Years*

Defined Benefit Plan

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total net pension liability	\$ 1,214,462,675	\$ 1,179,192,550	\$ 1,142,249,393	\$ 1,368,645,126	\$ 1,436,814,230	\$ 1,246,306,754	\$ 1,303,304,636
GDOE's proportionate share of the net pension liability	\$ 351,067,002	\$ 346,092,450	\$ 342,294,195	\$ 412,990,587	\$ 428,094,817	\$ 362,292,905	\$ 400,356,244
GDOE's proportion of the net pension liability	28.91%	29.35%	29.97%	30.18%	29.79%	29.07%	30.72%
GDOE's covered-employee payroll**	\$ 116,249,432	\$ 121,059,937	\$ 121,636,415	\$ 130,329,403	\$ 152,360,205	\$ 146,783,636	\$ 141,412,148
GDOE's proportionate share of the net pension liability as percentage of its covered-employee payroll	301.99%	285.89%	281.41%	316.88%	280.98%	246.82%	283.11%
Plan fiduciary net position as a percentage of the total pension liability	62.25%	63.28%	60.63%	54.62%	52.32%	56.60%	53.94%

* This data is presented for those years for which information is available.

** Covered-employee payroll data from the actuarial valuation date with one-year lag.

See Accompanying Independent Auditors' Report.

GUAM DEPARTMENT OF EDUCATION

Required Supplemental Information (Unaudited)
 Schedule of Proportionate Share of the Net Pension Liability
 Last 10 Fiscal Years*

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total net pension liability***	\$ 324,192,725	\$ 289,875,672	\$ 288,147,121	\$ 229,486,687	\$ 235,799,709
GDOE's proportionate share of the net pension liability	\$ 90,768,342	\$ 81,448,019	\$ 82,317,193	\$ 65,258,484	\$ 67,420,706
GDOE's proportion of the net pension liability	28.00%	28.10%	28.57%	28.44%	28.59%
GDOE's covered-employee payroll**	\$ 30,056,280	\$ 28,489,764	\$ 29,251,937	\$ 20,593,930	\$ 23,995,228
GDOE's proportionate share of the net pension liability as percentage of its covered-employee payroll	301.99%	285.89%	281.41%	316.88%	280.98%

* This data is presented for those years for which information is available.

** Covered-employee payroll data from the actuarial valuation date with one-year lag.

*** No assets accumulated in a trust to pay the benefits.

See Accompanying Independent Auditors' Report.

GUAM DEPARTMENT OF EDUCATION

Required Supplemental Information (Unaudited)
 Schedule of Proportionate Share of the Net Pension Liability
 Last 10 Fiscal Years*

Ad Hoc COLA Plan for DCRS Retirees

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total net pension liability***	\$ 59,884,407	\$ 49,342,424	\$ 62,445,490	\$ 61,688,067	\$ 52,115,736
GDOE's proportionate share of the net pension liability	\$ 15,523,181	\$ 12,849,041	\$ 16,768,473	\$ 16,247,634	\$ 13,924,782
GDOE's proportion of the net pension liability	25.92%	26.04%	26.85%	26.34%	26.72%
GDOE's covered-employee payroll**	\$ 68,557,117	\$ 68,870,908	\$ 101,178,251	\$ 96,153,385	\$ 95,091,577
GDOE's proportionate share of the net pension liability as percentage of its covered employee payroll	22.64%	18.66%	16.57%	16.90%	14.64%

* This data is presented for those years for which information is available.

** Covered-employee payroll data from the actuarial valuation date with one-year lag.

*** No assets accumulated in a trust to pay the benefits.

See Accompanying Independent Auditors' Report.

GUAM DEPARTMENT OF EDUCATION

Required Supplemental Information (Unaudited)
Schedule of Pension Contributions
Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 40,059,072	\$ 39,463,244	\$ 42,175,174	\$ 41,850,125	\$ 43,136,172	\$ 45,690,371
Contributions in relation to the statutorily required contribution	<u>40,059,072</u>	<u>39,463,244</u>	<u>42,179,430</u>	<u>41,854,257</u>	<u>43,136,172</u>	<u>45,696,846</u>
Contribution (excess) deficiency	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(4,256)</u>	\$ <u>(4,132)</u>	\$ <u>-</u>	\$ <u>(6,475)</u>
GDOE's covered-employee payroll **	\$ <u>146,305,713</u>	\$ <u>149,549,701</u>	\$ <u>150,888,353</u>	\$ <u>151,605,675</u>	\$ <u>152,360,205</u>	\$ <u>141,412,148</u>
Contribution as a percentage of covered-employee payroll	27.38%	26.39%	27.95%	27.61%	28.31%	32.31%

* This data is presented for those years for which information is available.

** Covered-employee payroll data from the actuarial valuation date with one-year lag.

See Accompanying Independent Auditors' Report.

GUAM DEPARTMENT OF EDUCATION

Schedules of Required Supplemental Information
 Schedule of Changes in the Proportionate Share of the Total OPEB Liability and Related Ratios
 Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability:				
Service cost	\$ 21,663,116	\$ 30,708,931	\$ 34,599,930	\$ 27,776,711
Interest	23,620,396	27,255,757	24,004,223	24,294,993
Change in proportionate share	3,054,911	(18,604,832)	(2,009,292)	-
Differences between expected and actual experience	-	(153,112,854)	-	-
Changes of assumptions	167,408,680	(50,405,671)	(74,661,716)	82,755,758
Benefit payments	<u>(12,341,394)</u>	<u>(12,781,766)</u>	<u>(11,537,472)</u>	<u>(11,537,472)</u>
 Net change in total OPEB liability	 203,405,709	 (176,940,435)	 (29,604,327)	 123,289,990
 Total OPEB liability - beginning	 <u>549,588,821</u>	 <u>726,529,256</u>	 <u>756,133,583</u>	 <u>632,843,593</u>
 Total OPEB liability - ending **	 \$ <u>752,994,530</u>	 \$ <u>549,588,821</u>	 \$ <u>726,529,256</u>	 \$ <u>756,133,583</u>
 Covered-employee payroll	 154,618,389	 138,949,496	 138,949,496	 138,949,496
 GDOE's total OPEB liability as a percentage of covered-employee payroll	 487%	 396%	 523%	 544%
 <u>Notes to schedule</u>				
<i>Discount rate</i>	2.66%	4.18%	3.63%	3.06%

Changes of benefit terms:

None.

Changes of assumptions:

Discount rate has changed from respective measurement dates.

* This data is presented for those years for which information is available.

** No assets accumulated in a trust to pay the benefits

See Accompanying Independent Auditors' Report.

GUAM DEPARTMENT OF EDUCATION

Schedules of Required Supplemental Information (Unaudited)
 Schedule of Proportionate Share of the Total OPEB Liability
 Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability **	\$ 2,553,523,376	\$ 1,874,970,335	\$ 2,431,048,672
GDOE's proportionate share of the total OPEB liability	\$ 752,994,530	\$ 549,588,821	\$ 726,529,256
GDOE's proportion of the total OPEB liability	29.49%	29.31%	29.89%
GDOE's covered-employee payroll	\$ 154,618,389	\$ 140,090,378	\$ 138,949,496
GDOE's proportionate share of the total OPEB liability as percentage of its covered-employee payroll	487.00%	392.31%	522.87%

* This data is presented for those years for which information is available.

** No assets accumulated in a trust to pay the benefits.

See Accompanying Independent Auditors' Report.

GUAM DEPARTMENT OF EDUCATION

Schedules of Required Supplemental Information
 Schedule of OPEB Contributions
 Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 55,045,187	\$ 71,978,453	\$ 74,523,639
Contributions in relation to the actuarially determined contribution	<u>12,341,394</u>	<u>12,781,766</u>	<u>11,537,472</u>
Contribution deficiency	\$ <u>42,703,793</u>	\$ <u>59,196,687</u>	\$ <u>62,986,167</u>
GDOE's covered-employee payroll	\$ 154,618,389	\$ 140,090,378	\$ 138,949,496
Contributions as a percentage of covered- employee payroll	7.98%	9.12%	8.30%

* This data is presented for those years for which information is available.

See Accompanying Independent Auditors' Report.

GUAM DEPARTMENT OF EDUCATION

**OTHER SUPPLEMENTARY
INFORMATION**

YEAR ENDED SEPTEMBER 30, 2020

GUAM DEPARTMENT OF EDUCATION

Statements of Net Position - Governmental Activities

September 30, 2020

(With Comparative Totals as of September 30, 2019)

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents	\$ 13,221,197	\$ 9,666,976
Receivables from federal agencies	10,302,446	8,663,646
Due from primary government	119,795	-
Due from component units	9,608	43,278
Prepayments and other assets	768,975	664,928
Deposit	-	4,896,253
Total current assets	<u>24,422,021</u>	<u>23,935,081</u>
Noncurrent assets:		
Deferred maintenance and insurance costs	750,000	875,000
Capital assets:		
Nondepreciable capital assets	2,329,068	2,262,342
Depreciable capital assets, net of accumulated depreciation	<u>314,572,117</u>	<u>325,255,085</u>
Total noncurrent assets	<u>317,651,185</u>	<u>328,392,427</u>
Total assets	<u>342,073,206</u>	<u>352,327,508</u>
Deferred outflows of resources:		
Deferred outflows from OPEB	179,310,101	53,227,666
Deferred outflows from pension	<u>69,122,255</u>	<u>47,844,087</u>
Total deferred outflows of resources	<u>248,432,356</u>	<u>101,071,753</u>
	<u>\$ 590,505,562</u>	<u>\$ 453,399,261</u>
 <u>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u>		
Current liabilities:		
Accounts payable	\$ 6,017,708	\$ 12,240,397
Accrued payroll	11,510,961	8,627,207
Other liabilities and accruals	7,111,285	4,488,918
Payable to federal agencies	383,262	50,695
Current portion of obligation under capital lease	7,805,437	7,353,893
Current portion of compensated absences payable	<u>499,420</u>	<u>382,322</u>
Total current liabilities	<u>33,328,073</u>	<u>33,143,432</u>
Noncurrent liabilities:		
OPEB liability	752,994,530	549,588,821
Net pension liability	457,358,525	440,389,510
Compensated absences payable, net of current portion	5,743,327	4,396,728
Accrued sick leave liability	7,841,201	6,794,821
Obligation under capital lease, net of current portion	<u>153,735,834</u>	<u>161,541,271</u>
Total noncurrent liabilities	<u>1,377,673,417</u>	<u>1,162,711,151</u>
Total liabilities	<u>1,411,001,490</u>	<u>1,195,854,583</u>
Deferred inflows of resources:		
Deferred inflows from OPEB	178,249,951	228,758,899
Deferred inflows from pension	<u>14,328,977</u>	<u>17,249,684</u>
Total deferred inflows of resources	<u>192,578,928</u>	<u>246,008,583</u>
Commitments and contingencies		
<u>NET POSITION</u>		
Net investment in capital assets	155,359,914	158,622,263
Restricted for:		
First Generation Trust Fund Initiative	1,692,998	1,658,237
Unrestricted	<u>(1,170,127,768)</u>	<u>(1,148,744,205)</u>
Total net position	<u>(1,013,074,856)</u>	<u>(988,463,705)</u>
	<u>\$ 590,505,562</u>	<u>\$ 453,399,461</u>

See Accompanying Independent Auditors' Report.

GUAM DEPARTMENT OF EDUCATION

Statements of Activities - Governmental Activities

Year Ended September 30, 2020

(With Comparative Totals for the Year Ended September 30, 2019)

	<u>2020</u>	<u>2019</u>
Program revenues:		
Secondary Education	\$ -	\$ 27,330
Direct Student Support	69,491,591	57,517,540
General Administration	2,636,031	5,714,516
Charter Schools	-	9,039,946
	<u>72,127,622</u>	<u>72,299,332</u>
Total program revenues		
Expenses:		
Elementary Education	85,342,486	78,764,485
Secondary Education	119,356,660	111,711,268
Direct Student Support	89,537,481	72,674,224
General Administration	40,016,004	39,335,026
Retiree healthcare benefits	10,823,969	11,539,386
Charter Schools	-	9,039,946
	<u>345,076,600</u>	<u>323,064,335</u>
Total expenses for governmental activities		
Net expense	<u>(272,948,978)</u>	<u>(250,765,003)</u>
General revenues:		
Appropriations:		
Operations	236,016,818	230,123,937
Retiree healthcare benefits	10,823,969	11,539,386
Textbooks	1,497,040	1,027,545
	<u>248,337,827</u>	<u>242,690,868</u>
Total general revenues		
Change in net position	(24,611,151)	(8,074,135)
Net position at beginning of year	<u>(988,463,705)</u>	<u>(980,389,570)</u>
Net position at end of year	<u>\$ (1,013,074,856)</u>	<u>\$ (988,463,705)</u>

See Accompanying Independent Auditors' Report.

GUAM DEPARTMENT OF EDUCATION
 Balance Sheets
 Governmental Funds
 September 30, 2020
 (With Comparative Totals as of September 30, 2019)

<u>ASSETS</u>	<u>2020</u>			<u>2019</u>		
	<u>General</u>	<u>Federal Grants Assistance</u>	<u>Total</u>	<u>General</u>	<u>Federal Grants Assistance</u>	<u>Total</u>
Cash and cash equivalents	\$ 12,945,070	\$ 276,127	\$ 13,221,197	\$ 9,485,438	\$ 181,538	\$ 9,666,976
Receivables from federal agencies	-	10,302,446	10,302,446	-	8,663,956	8,663,956
Due from primary government	119,795	-	119,795	-	-	-
Due from component units	9,608	-	9,608	43,278	-	43,278
Prepayments and other assets	747,470	21,505	768,975	664,928	-	664,928
Deposit	-	-	-	4,896,253	-	4,896,253
Due from other funds	5,830,632	-	5,830,632	5,698,364	-	5,698,364
Total assets	\$ 19,652,575	\$ 10,600,078	\$ 30,252,653	\$ 20,788,261	\$ 8,845,494	\$ 29,633,755
<u>LIABILITIES AND FUND BALANCES (DEFICIT)</u>						
Liabilities:						
Accounts payable	\$ 5,723,252	\$ 294,456	\$ 6,017,708	\$ 11,235,541	\$ 1,004,856	\$ 12,240,397
Accrued payroll	10,609,849	901,112	11,510,961	7,391,273	1,235,934	8,627,207
Other liabilities and accruals	3,920,669	3,190,616	7,111,285	3,633,383	855,535	4,488,918
Payable to federal agencies	-	383,262	383,262	-	50,695	50,695
Due to other funds	-	5,830,632	5,830,632	-	5,698,364	5,698,364
Total liabilities	20,253,770	10,600,078	30,853,848	22,260,197	8,845,384	31,105,581
Fund balances (deficit):						
Committed	1,692,998	-	1,692,998	1,658,237	-	1,658,237
Unassigned	(2,294,193)	-	(2,294,193)	(3,130,173)	-	(3,130,173)
Total fund balances (deficit)	(601,195)	-	(601,195)	(1,471,936)	-	(1,471,936)
Total liabilities and fund balances (deficit)	\$ 19,652,575	\$ 10,600,078	\$ 30,252,653	\$ 20,788,261	\$ 8,845,384	\$ 29,633,645

See Accompanying Independent Auditors' Report.

GUAM DEPARTMENT OF EDUCATION

Reconciliations of the Governmental Funds Balance Sheet to the Statement of Net Position
September 30, 2020
(With Comparative Totals as of September 30, 2019)

	2020	2019
Total fund balance (deficit) - governmental funds	\$ (601,195)	\$ (1,471,936)
Amounts reported for governmental activities in the statements of net position are different because:		
Maintenance costs associated with capital lease obligations in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	750,000	875,000
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. These assets consist of:		
Buildings and improvements	\$ 490,965,194	\$ 490,376,217
Vehicles, furniture and equipment	16,011,015	15,862,976
Land	435,280	435,280
Construction in progress	1,893,788	1,827,062
Accumulated depreciation	<u>(192,404,092)</u>	<u>(180,984,108)</u>
Capital assets, net of accumulated depreciation	316,901,185	327,517,427
Deferred outflows are charged to future periods and are not reported in the governmental funds. Those deferred outflows consist of:		
Deferred outflows from pensions	69,122,255	47,844,087
Deferred outflows from OPEB	<u>179,310,101</u>	<u>53,227,666</u>
	248,432,356	101,071,753
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. These liabilities include:		
OPEB liability	(752,994,530)	(549,588,821)
Net pension liability	(457,358,525)	(440,389,510)
Accrued sick leave liability	(7,841,201)	(6,794,821)
Compensated absences payable	(6,242,747)	(4,779,050)
Obligations under capital lease	<u>(161,541,271)</u>	<u>(168,895,164)</u>
Long-term liabilities	(1,385,978,274)	(1,170,447,366)
Deferred inflows benefit future periods and are not reported in the governmental funds. Those deferred inflows consists of:		
Deferred inflows from pensions	(14,328,977)	(17,249,684)
Deferred inflows from OPEB	<u>(178,249,951)</u>	<u>(228,758,899)</u>
	<u>(192,578,928)</u>	<u>(246,008,583)</u>
Net position of governmental activities	\$ <u>(1,013,074,856)</u>	\$ <u>(988,463,705)</u>

See Accompanying Independent Auditors' Report.

GUAM DEPARTMENT OF EDUCATION

Statements of Revenues, Expenditures and Changes in Fund Balances (Deficit)
 Governmental Funds
 Year Ended September 30, 2020
 (With Comparative Totals for the Year Ended September 30, 2019)

	2020			2019		
	General	Federal Grants Assistance	Total	General	Federal Grants Assistance	Total
Revenues:						
Appropriations	\$ 242,596,827	\$ 5,741,000	\$ 248,337,827	\$ 245,229,414	\$ 6,601,400	\$ 251,830,814
Federal grants and contributions	1,844,052	69,251,508	71,095,560	1,290,615	60,422,383	61,712,998
Contributions from component units	450,000	-	450,000	800,801	-	800,801
Cafeteria sales	3,237	-	3,237	6,120	-	6,120
Fees and other program receipts	469,863	108,962	578,825	429,769	209,698	639,467
Total revenues	245,363,979	75,101,470	320,465,449	247,756,719	67,233,481	314,990,200
Expenditures:						
Current:						
Elementary Education	74,586,407	-	74,586,407	74,329,849	-	74,329,849
Secondary Education	85,235,155	-	85,235,155	85,769,546	27,330	85,796,876
Direct Student Support	14,232,448	68,459,529	82,691,977	16,614,314	55,971,152	72,585,466
General Administration	34,269,550	900,941	35,170,491	33,754,691	4,633,599	38,388,290
Retiree healthcare benefits	10,823,969	-	10,823,969	11,539,386	-	11,539,386
Guahan Academy Charter School	-	-	-	3,846,882	-	3,846,882
iLearn Academy Charter School	-	-	-	3,774,560	-	3,774,560
Science is Fun and Awesome Academy Charter School	-	-	-	1,418,504	-	1,418,504
Debt service:						
Lease payments	25,345,709	5,741,000	31,086,709	20,412,975	6,601,400	27,014,375
Total expenditures	244,493,238	75,101,470	319,594,708	251,460,707	67,233,481	318,694,188
Net change in fund balances (deficit)	870,741	-	870,741	(3,703,988)	-	(3,703,988)
Fund balances (deficit) at beginning of year	(1,471,936)	-	(1,471,936)	2,232,052	-	2,232,052
Fund (deficit) balances at end of year	\$ (601,195)	\$ -	\$ (601,195)	\$ (1,471,936)	\$ -	\$ (1,471,936)

See Accompanying Independent Auditors' Report.

GUAM DEPARTMENT OF EDUCATION

Reconciliations of the Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances (Deficit) to the Statement of Activities
Year Ended September 30, 2020
(With Comparative Totals for the Year Ended September 30, 2019)

	2020	2019
Total net change in fund balances (deficit)- governmental funds	\$ 870,741	\$ (3,703,988)
Amounts reported for governmental activities in the statements of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statements of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays.	(10,616,242)	(9,458,691)
Prepayment of capital lease obligations in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	(125,000)	(125,000)
The issuance of long-term debt (eg. leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt.	7,353,893	6,900,505
Some expenses reported in the statements of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(22,094,543)	(1,686,961)
Change in net position of governmental activities	\$ (24,611,151)	\$ (8,074,135)

See Accompanying Independent Auditors' Report.

GUAM DEPARTMENT OF EDUCATION

Combined Statements of Revenues, Expenditures by Account and Changes in Fund Balances (Deficit)
Governmental Funds
Year Ended September 30, 2020

	2020			2019		
	Federal Grants			Federal Grants		
	General	Assistance	Total	General	Assistance	Total
Revenues:						
Local appropriations	\$ 242,596,827	\$ 5,741,000	\$ 248,337,827	\$ 245,229,414	\$ 6,601,400	\$ 251,830,814
Federal grants and contributions	1,844,052	69,251,508	71,095,560	1,290,615	60,422,383	61,712,998
Contributions from component units	450,000	-	450,000	800,801	-	800,801
Cafeteria sales	3,237	-	3,237	6,120	-	6,120
Fees and other program receipts	469,863	108,962	578,825	429,769	209,698	639,467
Total revenues	245,363,979	75,101,470	320,465,449	247,756,719	67,233,481	314,990,200
Expenditures:						
Salaries and wages	131,216,818	22,928,644	154,145,462	131,769,829	21,052,731	152,822,560
Benefits	45,031,140	7,697,521	52,728,661	44,634,925	7,234,943	51,869,868
Capital lease payments	25,345,709	5,741,000	31,086,709	20,412,975	6,601,400	27,014,375
Food management contract	3,492,040	15,889,957	19,381,997	6,315,371	12,466,501	18,781,872
Contractual	10,509,132	5,622,183	16,131,315	9,620,288	7,570,585	17,190,873
Supplies	891,021	14,126,132	15,017,153	794,817	6,265,463	7,060,280
Retiree healthcare benefits	10,823,969	-	10,823,969	11,539,386	-	11,539,386
Power	10,716,526	-	10,716,526	11,166,118	2,302,657	13,468,775
Water	3,091,838	-	3,091,838	2,847,950	-	2,847,950
Equipment	993,260	1,749,362	2,742,622	1,017,458	1,183,763	2,201,221
Textbooks	981,881	-	981,881	696,462	-	696,462
Indirect costs	-	826,259	826,259	-	896,505	896,505
Travel	207,560	520,349	727,909	587,307	1,368,101	1,955,408
Phone	344,986	-	344,986	361,612	290,782	652,394
Library books and equipment	246,000	-	246,000	202,321	-	202,321
Fuel	96,410	-	96,410	171,041	-	171,041
Capital outlay	95,465	-	95,465	281,630	-	281,630
Guahan Academy Charter School	-	-	-	3,846,882	-	3,846,882
iLearn Academy Charter School	-	-	-	3,774,560	-	3,774,560
Science is Fun and Awesome Academy Charter School	-	-	-	1,418,504	-	1,418,504
Miscellaneous	409,483	63	409,546	1,271	50	1,321
Total expenditures	244,493,238	75,101,470	319,594,708	251,460,707	67,233,481	318,694,188
Net change in fund balances (deficit)	870,741	-	870,741	(3,703,988)	-	(3,703,988)
Fund balances (deficit) at beginning of year	(1,471,936)	-	(1,471,936)	2,232,052	-	2,232,052
Fund balances (deficit) at end of year	\$ (601,195)	\$ -	\$ (601,195)	\$ (1,471,936)	\$ -	\$ (1,471,936)

See Accompanying Independent Auditors' Report.

GUAM DEPARTMENT OF EDUCATION

Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) - Budget and Actual

General Fund

Year Ended September 30, 2020

(With Comparative Totals for the Year Ended September 30, 2019)

	2020				2019			
	Original	Final	Actual -	Variance with	Original	Final	Actual -	Variance with
	Budget	Budget	Budgetary	Final Budget -	Budget	Budget	Budgetary	Final Budget -
		Basis	Positive				Positive	
			(Negative)				(Negative)	
Revenues:								
Local appropriations:								
Government of Guam General Fund:								
Operations	\$ 189,192,568	\$ 189,192,568	\$ 189,192,568	\$ -	\$ 188,360,743	\$ 188,360,743	\$ 188,360,743	\$ -
Retiree healthcare benefits	10,823,969	10,823,969	10,823,969	-	11,539,386	11,539,386	11,539,386	-
JFK High School Lease	5,131,550	5,131,550	5,131,550	-	5,131,900	5,131,900	5,131,900	-
Okkodo High School Expansion	2,936,335	2,936,335	2,286,335	(650,000)	2,288,960	2,288,960	2,288,960	-
Textbooks	1,500,000	1,500,000	1,497,040	(2,960)	1,500,000	1,500,000	1,027,545	(472,455)
Simon Sanchez High School Construction	-	-	1,500,000	1,500,000	1,000,000	1,000,000	1,000,000	-
Capital improvement project	885,000	885,000	885,000	-	-	-	-	-
Chamorro studies division	540,545	540,545	540,545	-	401,207	401,207	401,207	-
Simon Sanchez High School procurement	500,000	500,000	500,000	-	-	-	-	-
Secure Our Schools Act	-	-	17,255	17,255	-	-	19,720	19,720
Guahan Academy Charter School	-	-	-	-	4,505,120	4,505,120	3,846,882	(658,238)
iLearn Academy Charter School	-	-	-	-	3,774,560	3,774,560	3,774,560	-
Science is Fun and Awesome	-	-	-	-	2,130,800	2,130,800	1,418,504	(712,296)
Academy Charter School								
Territorial Education Facilities Fund:								
Operations	14,381,558	14,381,558	13,681,914	(699,644)	13,697,608	13,697,608	10,948,242	(2,749,366)
Tiyan Lease	10,113,927	10,113,927	10,113,927	-	10,113,927	10,113,927	10,113,927	-
JFK High School Lease	1,568,000	1,568,000	2,267,644	699,644	1,568,000	1,568,000	2,228,187	660,187
Okkodo High School Expansion Project Lease	650,000	650,000	650,000	-	650,000	650,000	650,000	-
School ground maintenance	393,545	393,545	393,545	-	-	-	-	-
Alternative dispute resolution/Mediation services	50,000	50,000	50,000	-	-	-	-	-
First Generation Trust Fund	-	-	-	-	100,000	100,000	84,748	(15,252)
Healthy Futures Fund:								
Operations	891,754	891,754	891,754	-	-	-	-	-
Interscholastic Sports	607,263	607,263	607,263	-	612,000	612,000	612,000	-
Health and Physical Education Activities	277,589	277,589	277,589	-	279,754	279,754	279,754	-
Public Library System Fund	891,575	891,575	891,575	-	978,236	978,236	978,236	-
Limited Gaming Fund	558,692	558,692	397,354	(161,338)	524,913	524,913	524,913	-
Federal grants and contributions	-	-	1,844,052	1,844,052	-	-	1,290,615	1,290,615
Fees and other program receipts	-	-	469,863	469,863	-	-	429,769	429,769
Contributions from component units	450,000	450,000	450,000	-	450,000	450,000	800,801	350,801
Cafeteria sales	-	-	3,237	3,237	-	-	6,120	6,120
Total revenues	242,343,870	242,343,870	245,363,979	3,020,109	249,607,114	249,607,114	247,756,719	(1,850,395)
Expenditures - Budgetary Basis:								
Personnel	175,533,358	175,533,358	176,247,958	(714,600)	177,691,298	176,323,381	176,404,754	(81,373)
Utilities	14,171,889	14,171,889	14,171,889	-	10,686,816	14,417,554	14,377,214	40,340
Contractual	19,971,840	19,971,840	16,388,313	3,583,527	17,220,560	18,351,860	17,117,294	1,234,566
Retiree healthcare benefits	10,823,969	10,823,969	10,823,969	-	11,539,386	11,539,386	11,539,386	-
Tiyan Lease	10,113,927	10,113,927	10,113,927	-	10,113,927	10,113,927	10,113,927	-
JFK High School Lease	7,399,194	7,399,194	7,399,194	-	6,699,900	6,699,900	7,360,088	(660,188)
Guam Public Schools Facilities Project Lease	4,896,253	4,896,253	4,896,253	-	-	-	-	-
Okkodo High School Expansion Project Lease	2,936,335	2,936,335	2,936,335	-	2,938,960	2,938,960	2,938,960	-
Supplies/equipment	2,940,438	2,940,438	4,085,164	(1,144,726)	2,651,454	1,912,902	2,693,726	(780,824)
Textbooks	1,681,540	1,681,540	981,881	699,659	2,737,040	1,227,330	696,462	530,868
Capital projects	96,635	96,635	95,465	1,170	1,360,872	344,265	344,265	-
Guahan Academy Charter School	-	-	-	-	4,505,120	4,505,120	3,846,882	658,238
iLearn Academy Charter School	-	-	-	-	3,774,560	3,774,560	3,774,560	-
Science is Fun and Awesome	-	-	-	-	2,130,800	2,130,800	1,418,504	712,296
Academy Charter School	-	-	-	-	1,921,406	2,348,963	588,579	1,760,384
Other	2,647,309	2,647,309	617,043	2,030,266	-	-	-	-
Total expenditures	253,212,687	253,212,687	248,757,391	4,455,296	255,972,099	256,628,908	253,214,601	3,414,307
Excess (deficiency) of revenues over (under) expenditures	(10,868,817)	(10,868,817)	(3,393,412)	7,475,405	(6,364,985)	(7,021,794)	(5,457,882)	1,563,912
Other changes in fund balance (deficit):								
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 items are received for financial statement purposes	1,753,894	1,753,894	4,264,153	2,510,259	2,578,964	2,578,964	1,753,894	(825,070)
Net change in fund balance (deficit)	\$ (9,114,923)	\$ (9,114,923)	\$ 870,741	\$ 9,985,664	\$ (3,786,021)	\$ (4,442,830)	\$ (3,703,988)	\$ 738,842

See Accompanying Independent Auditors' Report.

GUAM DEPARTMENT OF EDUCATION

Combining Schedule of Balance Sheet Accounts

General Fund

September 30, 2020

<u>ASSETS</u>	<u>Operations</u>	<u>First Generation Trust Fund Initiative</u>	<u>Total</u>
Cash and cash equivalents	\$ 11,261,680	\$ 1,683,390	\$ 12,945,070
Due from primary government	119,795	-	119,795
Due from component units	-	9,608	9,608
Prepayments and other assets	747,470	-	747,470
Due from other funds	5,830,632	-	5,830,632
Total assets	<u>\$ 17,959,577</u>	<u>\$ 1,692,998</u>	<u>\$ 19,652,575</u>
<u>LIABILITIES AND FUND BALANCES (DEFICIT)</u>			
Liabilities:			
Accounts payable	\$ 5,723,252	\$ -	\$ 5,723,252
Accrued payroll	10,609,849	-	10,609,849
Other liabilities and accruals	3,920,669	-	3,920,669
Total liabilities	<u>20,253,770</u>	<u>-</u>	<u>20,253,770</u>
Fund balances (deficit):			
Committed	-	1,692,998	1,692,998
Unassigned	(2,294,193)	-	(2,294,193)
Total fund balances (deficit)	<u>(2,294,193)</u>	<u>1,692,998</u>	<u>(601,195)</u>
Total liabilities and fund balances (deficit)	<u>\$ 17,959,577</u>	<u>\$ 1,692,998</u>	<u>\$ 19,652,575</u>

See Accompanying Independent Auditors' Report.

GUAM DEPARTMENT OF EDUCATION

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances (Deficit) Accounts
General Fund
Year Ended September 30, 2020

	<u>Operations</u>	<u>First Generation Trust Fund Initiative</u>	<u>Total</u>
Revenues:			
Appropriations	\$ 242,596,827	\$ -	\$ 242,596,827
Federal grants and contributions	1,844,052	-	1,844,052
Contributions from component units	-	450,000	450,000
Cafeteria sales	3,237	-	3,237
Fees and other program receipts	469,863	-	469,863
	<u>244,913,979</u>	<u>450,000</u>	<u>245,363,979</u>
Expenditures:			
Elementary Education	74,586,407	-	74,586,407
Secondary Education	85,235,155	-	85,235,155
Direct Student Support	13,823,725	408,723	14,232,448
General Administration	34,263,034	6,516	34,269,550
Retiree healthcare benefits	10,823,969	-	10,823,969
Debt service:			
Lease payments	25,345,709	-	25,345,709
	<u>244,077,999</u>	<u>415,239</u>	<u>244,493,238</u>
Net change in fund balances (deficit)	835,980	34,761	870,741
Fund balances (deficit) at beginning of year	<u>(3,130,173)</u>	<u>1,658,237</u>	<u>(1,471,936)</u>
Fund balances (deficit) at end of year	\$ <u><u>(2,294,193)</u></u>	\$ <u><u>1,692,998</u></u>	\$ <u><u>(601,195)</u></u>

See Accompanying Independent Auditors' Report.

GUAM DEPARTMENT OF EDUCATION

Agency Fund
September 30, 2020

The schedule of cash receipts and cash disbursements for the agency fund during fiscal year 2020 is as follows:

	<u>NAF</u>
Cash balance at beginning of year	\$ <u>755,407</u>
Cash receipts:	
Elementary school activities	304,085
Secondary school activities	<u>1,151,055</u>
Total receipts	<u>1,455,140</u>
Cash disbursements:	
Elementary school activities	224,624
Secondary school activities	<u>933,492</u>
Total disbursements	<u>1,158,116</u>
Cash balance at end of year	\$ <u><u>1,052,431</u></u>

The number of individual funds at the schools during fiscal year 2020 is as follows:

Elementary schools	286
Secondary schools	447

See Accompanying Independent Auditors' Report.

GUAM DEPARTMENT OF EDUCATION

Personnel
September 30, 2020 and 2019

Comparative totals for GDOE’s employee count are as follows:

	Employee Count as of PPE <u>September 26, 2020</u>	Employee Count as of PPE <u>September 28, 2019</u>
100% Locally Funded	2,765	2,811
100% Federally Funded	743	762
Locally/Federally Funded	<u>16</u>	<u>22</u>
Total Employee Count	<u>3,524</u>	<u>3,595</u>

Due to the impact of the federal Tax Cut and Jobs Act of 2017 on Government of Guam revenues and the subsequent Fiscal Realignment Plan implementation, a freeze on hiring 'central office' staff as well as school administrators was implemented. The plan also called for a delay in onboarding of Substitute Teachers at the start of the school year in August until the beginning of FY19. This resulted in a reduction of locally funded employees.

"Locally / Federally Funded" employees are locally funded teachers who also participate in federally funded projects, such as GATE (Gifted and Talented Program), GIHA and T&FASEG (Territories & Freely Associated States Educational Program). Teachers are paid a stipend for work outside of their normal duty hours. Also note that the consolidated grant has chosen to expand the payment of stipends to ASPIRE, Eskuelan Puengi and Summer School projects; teachers who previously received payments based on hours worked now receive lump sum payments either at the end of the project or at milestones specified during the project.

See Accompanying Independent Auditors’ Report.