

GUAM DEPARTMENT OF EDUCATION

(A LINE AGENCY OF THE
GOVERNMENT OF GUAM)

BASIC FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION AND
INDEPENDENT AUDITOR'S REPORT

YEAR ENDED SEPTEMBER 30, 2021

GUAM DEPARTMENT OF EDUCATION

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INDEPENDENT AUDITOR'S 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 and each major fund 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, 2021, 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.

Auditor's 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 and each major fund of the Guam Department of Education as of September 30, 2021, 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

Change in Accounting Principle

As described in Note 1X to the financial statements, GDOE adopted GASB Statement No. 84, Fiduciary Activities, in 2021.

COVID-19

As discussed in Note 9 to the financial statements, GDOE determined that the COVID-19 pandemic may negatively impact its financial position.

Our opinions are not modified with respect to these matters.

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 54 and 55, the Schedules of Proportionate Share of the Net Pension Liability, on pages 56 through 58, the Schedule of Pension Contributions on page 59, the Schedule of Changes in the Proportionate Share of the Total OPEB Liability and Related Ratios on page 60, the Schedule of Proportionate Share of the Total OPEB Liability on page 61, and the Schedule of OPEB Contributions on page 62, 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.

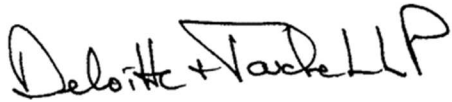
Other Information

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 2021 information on page 64 as well as the additional information on pages 65 and 66 were 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 2020 information on page 64 as well as the additional information on page 67 has 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 May 5, 2022, 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 + Tatchell LLP". The signature is written in a cursive, slightly stylized font.

May 5, 2022

GUAM DEPARTMENT OF EDUCATION

Management's Discussion and Analysis Year Ended September 30, 2021

INTRODUCTION

The Guam Department of Education (GDOE, Department) is a semi-autonomous agency within the Government of Guam (GovGuam) and is primarily funded through the GovGuam General Fund (GF). 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 (Pre-K) GATE (Gifted and Talented Education), and Pre-K classes at selected elementary schools.

GDOE is governed by policies established by the Guam Education Board (GEB, Board) composed of elected and appointed board members. The Board appoints the Superintendent of Education who is the Chief Executive Officer of the Department. The GEB consists of 12 members: six elected members (Mark B. Mendiola, Dr. Mary A.Y. Okada, Maria A. Gutierrez, Lourdes M. Benavente, Robert A. Crisostomo, and Peter Alexis D. Ada); three appointed members (Dr. Ronald L. McNinch (business representative), Karlyn 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 Timothy Fedenko (collective bargaining unit representative); and Mayor Melissa B. Savares (Mayors' Council of Guam representative)).

The MD&A is a requirement of the Governmental Accounting Standard 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 the fiscal year ending September 30, 2021. It was based on the financial statements provided in the annual audit report. 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.
- 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.

GDOE's financial statements have been restated as a result of the adoption of GASB Statement No. 84, Fiduciary Activities. Please refer to Note 1X for additional information.

Comparable financial data from the prior year is also provided.

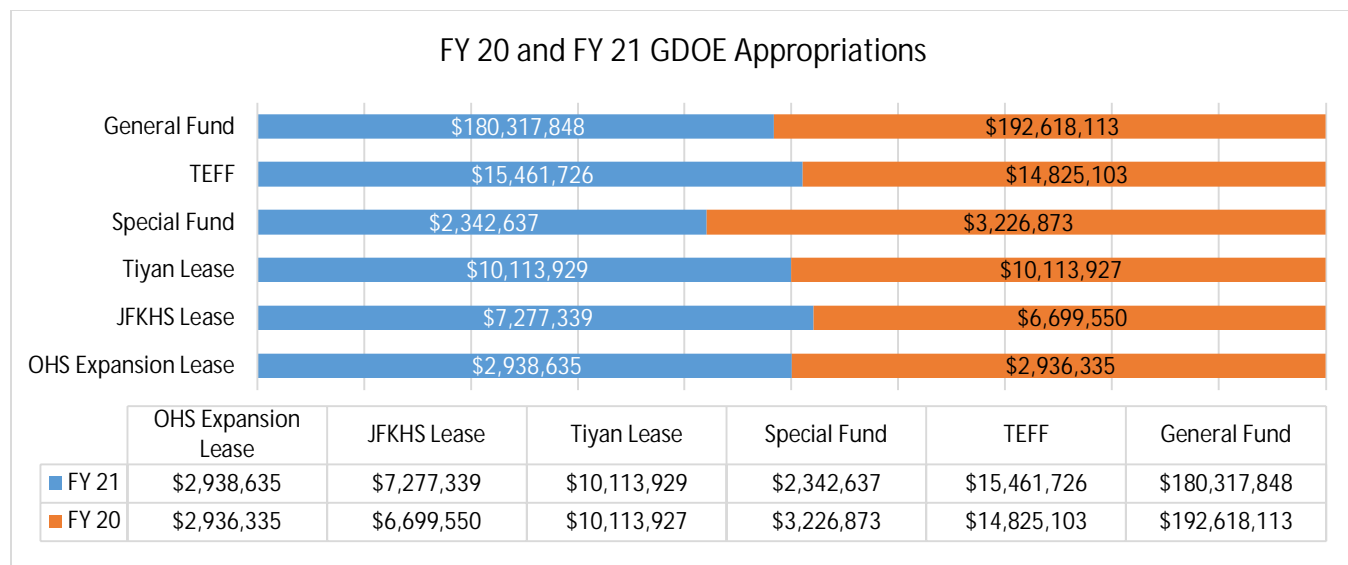
The MD&A should be read in conjunction with GDOE's basic financial statements and related notes to enhance understanding of the Department's financial performance. Additionally, the completion of the Fiscal Year (FY) 21 Single Audit represents GDOE's commitment to, and support of, programmatic and financial accountability.

GUAM DEPARTMENT OF EDUCATION

Management's Discussion and Analysis
Year Ended September 30, 2021

LOCAL APPROPRIATIONS

Pursuant to the FY 21 Budget Act or Public Law (P.L.) 35-99, GDOE appropriations totaled \$218,452,112, which was a significant decrease of -\$11.9 million (M) or -5.2% under the \$230.4M in FY 20 appropriations.



The \$11.9M decrease in authorized spending included a total of \$13.2M in reduced funding offset by a total increase of \$1.2M from the following:

- \$10.7M decreased funding for operations: \$13.4M less from General Fund (GF), offset by minimal increases from \$2M in supplemental GF appropriation, \$655K thousand (K) from Territorial Educational Facilities Fund (TEFF) and \$23K from Public School Library Resource Fund;
- \$930K decreased funding: \$885K for Capital Improvement Projects, \$27K less for Chamoru Studies, \$10K less for Alternative Dispute Resolution and Mediation Services, and \$8K less for school grounds maintenance;
- \$907K in reduced funding for Special Revenue Funds: \$607K less for Interscholastic, \$277K less for Health and Physical Activities and \$23K less for Limited Gaming Fund;
- \$577K increase for the John F. Kennedy High School (JFKHS) lease and refinancing of the Certificates of Participation Series 2010A for JFKHS; and
- \$2K increased funding for the Okkodo High School (OHS) lease payments.

Excluded from the comparative table above are:

- \$12.5M in appropriations (Federal reimbursements and cash collections) related to the National School Lunch and Breakfast Programs. Reimbursements are provided by the U.S. Department of Agriculture (USDA)'s Food and Nutrition Services for meals served to public school students;
- \$11.7M in payments: \$11.3M for retiree healthcare benefits and \$450K for the First-Generation Trust Initiative from the University of Guam and the Guam Community College;

GUAM DEPARTMENT OF EDUCATION

Management's Discussion and Analysis Year Ended September 30, 2021

LOCAL APPROPRIATIONS, CONTINUED

The FY 21 Budget Act contained provisions affecting retired GDOE teachers, former classified teachers, and employees whose Competitive Wage Act appeals were affirmed. GDOE was to employ eligible retired GDOE teachers, temporarily, to cover the absence of active GDOE teachers due to military activation or a medically certified long-term disability. GDOE was to re-employ former classified teachers at no less than the salary they earned at their former position if they apply for the same or comparable job in the same department, regardless of the timespan that the employee left their position. Additionally, executive branch departments were to use their operational budgets to adjust the pay of employees whose Competitive Wage Act appeals were affirmed by the Department of Administration. The adjustments shall be applied retroactively to January 26, 2014.

COVID-19 IMPACT

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 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. Guam utilized the COVID Area Risk score to assess the risk of COVID-19 spread. GDOE continued to monitor the public health situation and coordinate its efforts to keep schools in operation in line with guidance from the Department of Public Health and Social Services (DPHSS). GDOE issued daily COVID-19 reports to monitor confirmed positive cases of students and employees. In addition, GDOE published a weekly COVID-19 dashboard to provide information regarding transmission risk, new and active COVID-19 cases, employee and student vaccination rates, COVID-19 cases per school, key mitigation measures in place, and an updated GDOE assessment of weekly trends based on internal analysis as well as discussions with DPHSS and other experts.

GDOE operations continued to be impacted by the COVID-19 pandemic during the fiscal year ended September 30, 2021. In compliance with the Governor's executive orders, GDOE made several adjustments as COVID-19 restrictions were lifted. This transitional period in terms of school and office operations involved:

- GDOE pursued extensions and waivers from federal granting agencies for the use of current and expiring federal grant funding.
- 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.

GUAM DEPARTMENT OF EDUCATION

Management's Discussion and Analysis
Year Ended September 30, 2021

COVID-19 IMPACT, CONTINUED

- 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.
- On August 9, 2021, the Governor issued Executive Order 2021-17, which mandated all executive branch employees of GovGuam to receive COVID-19 vaccinations. GDOE hosted several vaccination clinics and testing sites to comply with the Governor's executive order.
- On August 27, 2021, the Governor issued Executive Order 2021-21, which once again suspended in-person learning for all Pre-K through 12th grade schools in response to a community COVID-19 surge.
- Executive Order 2021-23 was issued by the Governor on September 16, 2021, resuming in-person learning. GDOE students returned in cohorts for in-person instruction on September 27, 2021.

FEDERAL GRANTS AND PROGRAMS

In FY 21, there was an overall increase of \$362M in federal grants awarded to GDOE as compared to FY 20. The increase of \$356M in FY 21 federal grant awards was attributed to the Education Stabilization Fund & American Rescue Plan.

<u>Grantor</u>	<u>FY 2021</u>	<u>FY 2020</u>	<u>Change</u>
U.S. Department of Education	\$ 52,971,104	\$ 48,256,747	\$ 4,714,357
U.S. Department of Agriculture	15,289,706	13,353,304	1,936,402
U.S. Department of Health & Human Services	4,020,225	3,975,336	44,889
U.S. Department of Interior	<u>2,670,965</u>	<u>2,980,000</u>	<u>(309,035)</u>
Subtotal Grant Awards	<u>74,952,000</u>	<u>68,565,387</u>	<u>6,386,613</u>
ESF/ARP			
U.S. Department of Education	400,889,485	41,521,997	359,367,488
U.S. Department of Agriculture	89,289	2,916,973	(2,827,684)
U.S. Department of Health & Human Services	799,649	-	799,649
U.S. Treasury	<u>-</u>	<u>1,000,000</u>	<u>(1,000,000)</u>
Subtotal ESF/ARP Awards	<u>401,778,423</u>	<u>45,438,970</u>	<u>356,339,453</u>
Total Grant Awards	<u>\$ 476,730,423</u>	<u>\$ 114,004,357</u>	<u>\$ 362,726,066</u>

Education Stabilization Fund & American Rescue Plan

The U.S. Department of Education (ED) awarded \$401M to GDOE through the Education Stabilization Fund (ESF) to Outlying Areas. In 2020, GDOE received \$41.5M from the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act which established the Education Stabilization Fund (ESF I) to address the immediate safety needs of students and employees and support a shift to distance learning. In January 2021, a second round of ESF funding (ESF II) provided \$110.6M to GDOE to ensure the continued safety of students and employees and to aid in the transition back to in-person instruction. The \$110.6M in ESF II funding would provide support to GDOE public schools, charter schools, and private schools with \$86M comprising GDOE's share, which would prioritize preparing schools to reopen, meeting academic, social and emotional needs of students, and expanding the use of technology.

GUAM DEPARTMENT OF EDUCATION

Management's Discussion and Analysis
Year Ended September 30, 2021

FEDERAL GRANTS AND PROGRAMS, CONTINUED

Education Stabilization Fund & American Rescue Plan, Continued

In March 2021, President Biden signed into law the American Rescue Plan (ARP) in response to the economic crisis that arose as a result of the COVID-19 pandemic. GDOE was the recipient of a \$286.9M portion of ARP funding for continued recovery efforts. ARP funds are to focus on helping to return students safely to in-person instruction, maximize instructional time, and address learning loss. Also, equitable services will continue to be provided not just to GDOE schools but to charter and private non-profit schools as well. Guam must demonstrate a maintenance of effort as a condition of receiving federal funds.

In FY 21, the following amounts were expended by GDOE through a variety of Federal grants, representing \$116.8M or 33.69% of the \$346.7M total (federal and local) expenditures:

<u>Grantor</u>	<u>FY 2021</u>	<u>FY 2020</u>	<u>Change</u>
U.S. Department of Education	\$ 47,623,029	\$45,931,928	\$ 1,691,101
U.S. Department of Agriculture	14,548,376	13,480,830	1,067,546
U.S. Department of Interior	8,899,570	6,641,424	2,258,146
U.S. Department of Health & Human Services	3,309,952	3,635,196	(325,244)
U.S. Department of Homeland Security	157,441	-	157,441
Subtotal Grants	<u>74,538,368</u>	<u>69,689,378</u>	<u>4,848,990</u>
Education Stabilization Fund - CARES/CRRSA	40,550,161	1,580,939	38,969,222
U.S. Department of Treasury - CARES	-	1,000,000	(1,000,000)
U.S. Department of Agriculture - CARES	79,024	2,831,153	(2,752,129)
U.S. Department of Health & Human Services - ARP/CRRSA	183,595	-	183,595
American Rescue Plan – ARP	<u>1,447,176</u>	<u>-</u>	<u>1,447,176</u>
Subtotal ESF/ARP	<u>42,259,956</u>	<u>5,412,092</u>	<u>36,847,864</u>
Total Grant Expenditures	<u>\$116,798,324</u>	<u>\$75,101,470</u>	<u>\$41,696,854</u>

The \$116.8M in FY 21 grant expenditures is inclusive of \$37.9M for salaries and benefits, \$31.9M for contractual services, \$34.1M for supplies, \$6.1M for capital outlay, \$3.3M for equipment, \$1.6M for utilities, and \$1.6M for miscellaneous expenditures.

The \$41.6M overall increase or 55% in expenditures in FY 21 is primarily due to \$36.8M increase in CARES Act expenditures. Additionally, expenditures increased for ED grants by \$1.7M, for USDA and U.S. Department of Interior (DOI) grants by \$3.3M, and for the U.S. Homeland Security grant by \$157K.

2021 Youth Employment Internship Program

GDOE and the Department of Youth Affairs hosted the 2021 Youth Employment Internship Program between June 21 and August 13, 2021. The program provided 669 of the island's youth opportunities for positive development and valuable workforce experience needed to become responsible, productive, and contributing members of society. This \$1.3M program was administered by GDOE Federal Programs Division/Grants Office and funded by ED ARP for the State Educational Agency.

GUAM DEPARTMENT OF EDUCATION

Management's Discussion and Analysis Year Ended September 30, 2021

FISCAL YEAR 2021 OVERVIEW

GDOE once again received less cash than appropriated in FY 21: \$1,570,294 in TEFF, \$313,909 in Public Library Resource Funding, and \$233,850 in Limited Gaming funding - for a combined cash shortfall total of \$2,118,053. In previous fiscal years, the shortages occurred in appropriations, alternatively, from the GF and Special Revenue Funds: \$164,298 in FY 20 (\$2,960 in Textbook funding and \$161,338 from Limited Gaming Fund); \$2.5M in FY 19; \$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.

Due to the extension of Guam's public health emergency throughout FY 21, federal government agencies continued to provide relief to Guam to be used in response to COVID-19. GDOE received \$110.6M in additional ESF II funding as well as \$286.9M from the ARP. In FY21, the department leveraged ESF funds to address the following shortfalls in local expenditures:

- \$4.5M for 'Grab & Go' meal distribution
- \$4.0M in payroll related to personnel involved in COVID-19 -related activities
- \$3.2M for cleaning & sanitizing supplies and deep cleaning services

Salaries and Benefits

Salaries and benefits, including retirement and healthcare benefits, is a primary component of GDOE expenditures, accounting for \$224,494,238 or 65.16% of total (federal and local) expenditures in FY 21. In comparison to FY 20, these expenditures increased by 3% or \$6,796,146 as a result of \$531K reduction in local funds offset by \$7.3M in federal funding.

The overall number of GDOE employees decreased by 81 employees or 2.3% from 3,524 (pay period ending September 26, 2020) to 3,443 (pay period ending September 25, 2021)¹.

Employee Count	As of PPE 09/25/2021	As of PPE 09/26/2020	% Change
100% Locally Funded	2,693	2,765	(2.6%)
100% Federally Funded	744	743	0.1%
Locally/Federally Funded	6	16	(62.5%)
Totals	3,443	3,524	(2.3%)

Critical Contracts

The costs of several critical contracts and services (listed in the table below) netted an overall decrease of \$1.5M in FY 21. The decrease largely due to the onset of the COVID-19 pandemic, subsequent temporary closure of schools in School Year (SY) 20-21, and the suspension of face-to-face classroom instruction beginning SY 20-21.

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). The locally/federally funded employees in FY 21 include employees from the Child Nutrition Program Division, where a portion of their salaries are allocated to federally funded programs. The overall 19 full-time employee variance was also impacted by personnel actions including retirement, resignation, suspensions, terminations, separations, death, leave without pay statuses, and military leave.

GUAM DEPARTMENT OF EDUCATION

Management's Discussion and Analysis
Year Ended September 30, 2021

FISCAL YEAR 2021 OVERVIEW, CONTINUED

Critical Contracts, Continued

The costs of several critical contracts and services (listed in the table below) netted an overall decrease of \$1.5M in FY 21. The decrease largely due to the onset of the COVID-19 pandemic, subsequent temporary closure of schools in School Year (SY) 20-21, and the suspension of face-to-face classroom instruction beginning SY 20-21.

Critical Contracts	FY 2021	FY 2020 (Restated)	Change
Food Services	\$ 18,861,206	\$ 19,777,524	\$(916,318)
Third-Party Fiduciary Agent	2,250,000	3,037,000	(787,000)
Custodial Services	2,509,363	2,293,220	216,143
Air Conditioning Maintenance	1,534,507	1,921,924	(387,417)
Trash Collection	380,582	569,339	(188,757)
Copier Services	521,697	518,319	3,378
Internet	458,967	385,696	73,271
Accreditation	44,870	36,400	8,470
Total	\$ 26,561,192	\$ 28,539,422	\$(1,978,230)

Prior Year Obligations

GDOE continues to pay for prior year obligations with an already limited current year funding. FY 20 obligations were not fully paid due to reduced GF funding, continuous shortfall in TEFF totaling \$1.6M, and shortfalls in Public Library and Limited Gaming for \$314K and \$234K respectively. Payments for these obligations carried over into FY 21, thereby reducing cash sustainability of FY 21. These obligations were carried over into the next fiscal year's budget.

Child Nutrition Reimbursements

For SY 20-21, 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 program and Child and Adult Care Food Program, which enables high-poverty districts to offer school breakfast and lunch at no cost to students.

SY 2020 - 2021 School Lunch/Breakfast Program	LUNCH						BREAKFAST					
	Free	Paid	Reduced	Total Served	ADP*	Enroll **	Free	Paid	Reduced	Total Served	ADP*	Enroll **
Outsourced Cafeterias												
Elementary	1,199,408	-	-	1,199,408	6,663	11,698	1,187,166	-	-	1,187,166	6,595	11,698
Middle	460,603	-	-	460,603	2,559	5,848	454,241	-	-	454,241	2,524	5,848
High	418,215	-	-	418,215	2,323	9,073	400,461	-	-	400,461	2,225	9,073
Total	2,078,226	-	-	2,078,226	11,546	26,619	2,041,868	-	-	2,041,868	11,344	26,619
GDOE-Operated Cafeterias												
Elementary	173,017	-	-	173,017	961	1,664	188,826	-	-	188,826	1,049	1,664
Middle	-	-	-	-	-	-	-	-	-	-	-	-
High	64,015	-	-	64,015	356	1,622	65,067	-	-	65,067	361	1,622
Total	237,032	-	-	237,032	1,317	3,286	253,893	-	-	253,893	1,411	3,286

* Average Daily Participation: Calculated amount using the Total Meals Served divided by 180 School Days

** Enrollment: Data provided from the School Year 2020-2021 Child Nutrition Program Data as of September 30, 2021

SY 2019 - 2020	3,044,339	180,521.00	-	3,224,860	20,541	28,991	2,107,442	88,651.00	-	2,196,093	13,988	28,991
SY 2020 - 2021	2,315,258	-	-	2,315,258	12,863	29,905	2,295,761	-	-	2,295,761	12,754	29,905
Variance Between Years	(729,081)	(180,521)	0	(909,602)	(7,678)	914	188,319	(88,651)	0	99,668	(1,234)	914
% of Variance	-24%	-100%	0%	-28%	-37%	3%	9%	-100%	0%	5%	-9%	3%

GUAM DEPARTMENT OF EDUCATION

Management's Discussion and Analysis Year Ended September 30, 2021

FISCAL YEAR 2021 OVERVIEW, CONTINUED

Child Nutrition Reimbursements, Continued

The table above reflects the number of meals served for SY 20-21 and SY 19-20. The figures for SY 19-20 were updated to reflect reconciled activities post-audit and evaluations while the figures for SY 20-21 are subject to change, pending completion of reconciliations and audit. Due to a higher cost of living, the average payments and maximum reimbursements for Guam are now matched with Hawaii, Puerto Rico, and the Virgin Islands than those for the contiguous States. The reimbursement rates for the School Breakfast Program and the National School Lunch Program increased from \$2.57 and \$4.09 in SY 19-20 to \$2.64 and \$4.20 in SY 20-21.

In compliance with COVID-19 related issues, the USDA approved waivers for GDOE to continue to serve modified meals and/or pre-packaged perishables for breakfast and lunch via a 'Grab and Go' distribution schedule at various school sites. These directives and guidelines were used in the cafeteria operations and distribution under the emergency funding provided in response to the pandemic.

High Risk Grantee Status

FY 21 marked the ninth year GDOE incurred local expenditures associated with addressing its 'high risk' grantee status by ED. The 'high risk' designation and imposition of specific condition only pertains to ED grants awarded to GDOE. ED's specific conditions required financial management functions of ED grants to be supervised by a Third-Party Fiduciary Agent (TPFA). 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. The TPFA's responsibilities also include reviewing and approving reimbursement requests from GDOE, providing requests to GDOE for the drawdown of ED grant funds, and maintaining a separate bank account and system for ED grants. Financial transactions from the TPFA system are mirrored on GDOE's financial management information system.

In October 2020, 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 contracted. The decrease in cost reflects GDOE's continuous progress in reducing the TPFA's scope of services.

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. From July 14 to 16, 2020, ED conducted its virtual monitoring review of GDOE's progress against the Reconsideration Evaluation Plan (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 six months.

On June 29, 2021, ED continued to impose four specific conditions on ED grants awarded to GDOE: (1) requirements for a TPFA, (2) responsibilities of GDOE and the TPFA concerning administration of ED grant funds, (3) REP, and (4) single audits. GDOE is currently pending ED's final review and disposition of fully meeting the requirements set forth in the REP and specific conditions. ED's next REP monitoring review is scheduled in 2022.

Accreditation

In the Spring of 2021, 14 GDOE public schools were scheduled to be visited, but due to the disruption caused by the ongoing COVID-19 pandemic, the accreditation chairperson and members viewed seven of the 14 schools via Zoom/virtual meeting. The remaining seven schools not visited were given a 1-year extension to expire on June 20, 2021 and the next visit is scheduled in Spring 2022.

GUAM DEPARTMENT OF EDUCATION

Management's Discussion and Analysis Year Ended September 30, 2021

FISCAL YEAR 2021 OVERVIEW, CONTINUED

Accreditation, Continued

Nevertheless, in May 2021, all 41 GDOE schools achieved accreditation from the Accrediting Commission for Schools, Western Association of Schools and Colleges (WASC). This makes GDOE the first school district in the nation to accredit all schools under WASC. The WASC Accrediting Commission for Schools conducts ongoing six-year cycle evaluations in which schools must demonstrate the capacity, commitment, and competence to support quality education and continued school improvement. Accreditation requires continual self-evaluation, frequent reports, and periodic comprehensive reviews. GDOE began pursuing accreditation in 2014 and has then reached milestones such as being the first district in 2015 to receive a district-level accreditation from WASC.

Utilities

FY 21 Utilities (i.e. power, water, and telephone) accounted for 4% of total expenditures or \$13.9M, a decrease of \$205K or 1.4%. Compared to FY 20, expenditures for power decreased by \$1.2M while water and phone increased by \$978K and \$61K, respectively.

The decrease in power costs is due to the stay-at-home orders by the Governor, the closures of GDOE schools, and the cancellation of face-to-face instruction during SY 20-21 and SY 21-22. The increase in water costs is due 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. The increase in phone costs were due in part to the formal solicitation bid protest filed by GDOE's current phone service provider. As a result of the protest, price increases were imposed due to tariff rates for month-to-month services provided for the duration of the protest.

Capital Improvement Projects

During FY 21, there was limited activity for capital improvement projects due to the public health emergency. A FEMA funded project for typhoon shutters for various schools was completed in October 2021.

GDOE plans to leverage the ESF II funding to address the health and safety needs related to facility improvements. Eligible projects include air conditioning and ventilation improvements, restroom renovations, and the construction of covering for outdoor areas to promote social distancing on campus, subject to ED concurrence.

Simon Sanchez High School Procurement

The passage of P.L. 34-101 in May 2018 gave procurement authority to GDOE for any construction or renovation pertaining to SSHS. This law also provided an opportunity for GDOE to collaborate with the Department of Public Works, the Guam Economic Development Authority, and the Office of the Lt. Governor.

In October 2019, GDOE and the Office of the Governor pledged \$4M for the architectural and engineering expenses of the new SSHS. GDOE would fund \$2.9M and the DOI capital improvement funding would fund \$1.1M. 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.

GUAM DEPARTMENT OF EDUCATION

Management's Discussion and Analysis
Year Ended September 30, 2021

FISCAL YEAR 2021 OVERVIEW, CONTINUED

Simon Sanchez High School Procurement, Continued

In October 2020, GDOE awarded \$5.7M to Taniguchi Ruth Makio Architects for the architectural, engineering, and design services of SSHS. In September 2021, GDOE hosted a community meeting to share the design and progress on the new school facility. The first phase is to develop the open area surrounding the existing facility into the main facility. The second phase is to demolish the old facility and construct a sports facility in its stead. The new facility will address the needs of SSHS students and the current site's issues related to transportation and infrastructure. After the design is completed, GDOE's next step would be to procure for the construction and financing of the facility. GDOE expects to break ground by the Summer of 2022.

FINANCIAL STATEMENT ANALYSIS

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 21 to FY 20, total assets and deferred outflows of resources increased by \$28.3M, total liabilities and deferred inflows increased by \$35.3M, and total net position decreased by \$6.9M.

	<u>FY 2021</u>	<u>FY 2020</u> <u>(restated)</u>	<u>%</u> <u>Change</u>
Assets:			
Current assets	\$ 36,591,947	\$ 25,474,452	43.6%
Noncurrent assets	<u>308,356,942</u>	<u>317,651,185</u>	(2.9%)
Total assets	344,948,889	343,125,637	0.5%
Deferred outflows of resources	<u>274,979,489</u>	<u>248,432,356</u>	10.7%
Total assets and deferred outflows of resources	<u>619,928,378</u>	<u>591,557,993</u>	4.8%
Liabilities:			
Current Liabilities	46,679,251	33,328,073	40.1%
Noncurrent Liabilities	<u>1,320,664,422</u>	<u>1,377,673,417</u>	(4.1%)
Total liabilities	1,367,343,673	1,411,001,490	(3.1%)
Deferred inflows of resources	<u>271,559,471</u>	<u>192,578,928</u>	41.0%
Total liabilities and deferred inflows of resources	<u>1,638,903,144</u>	<u>1,603,580,418</u>	2.2%
Net Position:			
Invested in capital assets, net of related debt	153,996,107	155,359,914	(0.9%)
Restricted	2,779,527	2,745,429	1.2%
Unrestricted	<u>(1,175,750,400)</u>	<u>(1,170,127,768)</u>	0.5%
Total net position	\$ <u>(1,018,974,766)</u>	\$ <u>(1,012,022,425)</u>	0.7%

The deferred outflows and inflows of resources related to Other Post-Employment Benefits (OPEB) and pension expenses, are explained below. The decrease in liabilities was mainly due to the \$48.8M decrease in OPEB liability. The \$6.9M decrease in total net position was mainly due to the \$5.6M decrease in unrestricted net position, as a result of the increase in OPEB activity offset by the decrease in net pension liability.

GUAM DEPARTMENT OF EDUCATION

Management's Discussion and Analysis
Year Ended September 30, 2021

FINANCIAL STATEMENT ANALYSIS, CONTINUED

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 \$6.9M for FY 21.

	<u>FY 2021</u>	<u>FY 2020 (Restated)</u>	<u>% Change</u>
Revenues:			
Appropriations	\$ 230,345,992	\$ 248,337,827	(7.2%)
Federal grants and contributions	115,868,681	71,095,560	63.0%
Contributions from component units	450,000	450,000	0.0%
Cafeteria Sales	194	3,237	(94.0%)
Other	409,583	2,033,965	(79.9%)
Total revenues	<u>347,074,450</u>	<u>321,920,589</u>	7.8%
Expenses:			
Elementary education	76,733,944	83,362,200	(8.0%)
Secondary education	96,467,367	100,284,619	(6.8%)
Direct student support	121,744,547	89,537,481	36.0%
General administration	35,383,233	38,368,631	(7.8%)
Retiree healthcare benefits	11,308,284	10,823,969	4.5%
Interest expense	<u>15,389,416</u>	<u>23,857,816</u>	(35.5%)
Total expenses	<u>354,026,791</u>	<u>346,234,716</u>	2.3%
Change in net position	(6,952,341)	(24,314,127)	(71.4%)
Net position at beginning of year	<u>(1,012,022,425)</u>	<u>(987,708,298)</u>	2.5%
Net position at end of year	<u>\$ (1,018,974,766)</u>	<u>\$ (1,012,022,425)</u>	0.7%

Total revenues increased by \$25.1M largely due to an increase in federal grant funding of \$44.7M, as discussed earlier, offset by a decrease in local appropriations of \$18M. Overall total expenses increased by \$7.8M when compared to FY 20 expenditures of \$346,234,716. The increase was primarily due to the \$32M increase in direct student support expenses.

CAPITAL ASSETS AND LONG-TERM DEBT

GDOE's investment in capital assets for its governmental activities as of September 30, 2021 amounted to \$507M net of accumulated depreciation of \$203M, leaving a net book value of \$307M. GDOE's capital assets include buildings and improvements, vehicles, furniture and equipment, and construction in progress. See table below.

<u>GDOE Capital Assets</u>	<u>FY 2021</u>	<u>FY 2020</u>	<u>% Change</u>
Non-depreciable assets:			
Land	\$ 435,280	\$ 435,280	0.0%
Construction in progress	<u>3,101,444</u>	<u>1,893,788</u>	63.8%
	<u>3,536,724</u>	<u>2,329,068</u>	51.9%
Depreciable assets:			
Buildings and improvements	491,792,618	490,965,194	0.2%
Vehicles, furniture and equipment	<u>16,119,222</u>	<u>16,011,015</u>	0.7%
	<u>507,911,840</u>	<u>506,976,209</u>	0.2%
Accumulated depreciation	<u>(203,716,622)</u>	<u>(192,404,092)</u>	5.9%
Depreciable assets, net	<u>304,195,218</u>	<u>314,572,117</u>	(3.3%)
Totals	<u>\$ 307,731,942</u>	<u>\$ 316,901,185</u>	(2.9%)

GUAM DEPARTMENT OF EDUCATION

Management’s Discussion and Analysis
Year Ended September 30, 2021

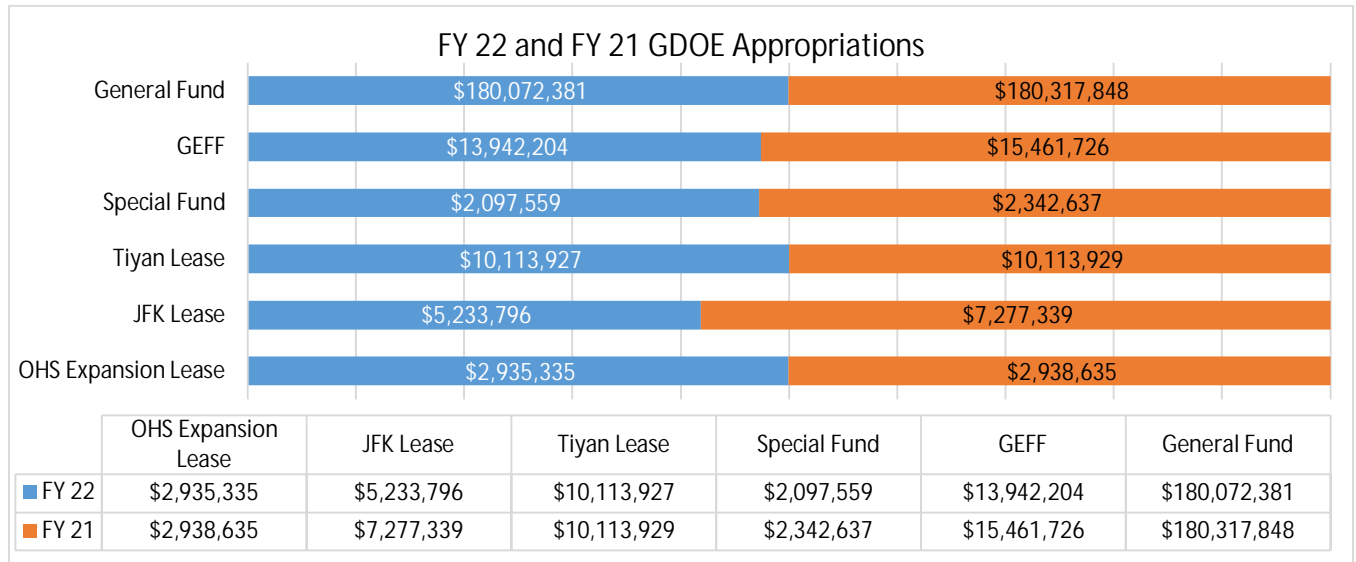
CAPITAL ASSETS AND LONG-TERM DEBT, CONTINUED

The \$9.2M decrease in GDOE’s total capital assets is primarily due to an \$10.3M increase in accumulated depreciation. Of the \$10.3M, \$7.6M was from secondary education (see Note 1K: Notes to Financial Statements). The leased schools and 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.

Capital leases associated with GDOE leased schools totaled \$154M of which \$146.4M were long term and \$7.3M were current obligations. OPEB and pension liability of \$1.1 billion made up the lion’s share of noncurrent liabilities. The balance of noncurrent liability of \$11M are payroll-related (i.e. compensated absences and sick leave liability).

FACTORS AND NEXT YEAR’S BUDGET

Pursuant to the FY 22 Budget Act (P.L. 36-54), GF revenues were projected to decrease by approximately \$67.8M, from \$774.7M to \$706.9M. The decrease in adopted revenues was in response to significant changes in political and economic conditions resulting from current and residual implications of the COVID-19 pandemic, the size and duration of which is difficult to predict. However, while BBMR Circular 22-01 imposed a fifteen percent (15%) reserve on executive branch agency appropriations, Section 15, Chapter II of the FY 22 Budget Act mandated an exemption of any reserves imposed on GDOE’s FY 22 appropriations.



FY 22 appropriations for GDOE totaled \$214,395,202, with a 2% or \$4M overall decrease over FY 21 appropriation levels. The \$4M decrease in authorized spending included a decrease of \$245K in GF appropriations and a significant decrease of \$1.5M in TEFF (now called Guam Educational Facilities Fund or GEFF) funding. Decreases also occurred in the following:

- \$2,043,543 less in JFKHS lease payments
- \$151,888 less funding for Public Service Library Resource Fund
- \$93,190 less funding for Limited Gaming Fund for sports facilities’ repairs and construction
- \$3,300 less in OHS lease payments

GUAM DEPARTMENT OF EDUCATION

Management's Discussion and Analysis Year Ended September 30, 2021

FACTORS AND NEXT YEAR'S BUDGET, CONTINUED

The \$2M in FY 22 special fund appropriations was designated for school libraries, GDOE sports facilities repairs, and the same funding level of \$891,754 for operations under the Healthy Futures Fund.

Not included in the comparative table above are \$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 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 to GDOE graduates who elect to attend either higher education institutions.

P.L. 34-56 also identified GF appropriations for the following:

- \$1M for the payout of the Bonuses, Rewards and Incentives Program to eligible teachers, school administrators, licensed healthcare professionals, and employees in critical positions under Special Education who are employed with GDOE.
- \$3.1M to fund the payout to GDOE employees who are eligible to receive merit bonuses pursuant to § 6203 of Article 2, Chapter 6, Title 4 of the Guam Code Annotated.
- \$1M to fund the payout to GDOE employees for salary increments.
- \$871K to fund the adjustments Nurse Professional Pay Structure, which were approved by the Governor in June 2021. These adjustments provided a 15% base pay increase in addition to a 10% differential rate for GDOE nurses.
- \$100K to purchase menstrual hygiene products to supply schools to provide to GDOE students free of charge.

Since FY 2018, GDOE has experienced a steady decline in local appropriations as well as continued cash shortfalls. This is apparent still in the FY 22 \$214.4M appropriations, which is \$75.6M less than the department's already reduced \$290M FY 22 budget request, even after attempting to maximize the department's federal funding (including the ESF I and II and the ARP) and \$45M less than what the GEB determined was needed to operate current services. This reduction in operations funding further compounds a persistent decline in annual appropriations along with having to absorb perennial cash shortfalls against GDOE's previous fiscal years' appropriations, which significantly compromises the department's ability to sustain its operations.

In its Resolution No. 2021-10, the GEB recognized the urgency to address these shortfalls and the need for immediate austerity measures and budgetary cuts including a cross-leveling of all staffing to reduce personnel, a hiring freeze, reducing the scale and scope of essential contracts and services, and further maximizing federal funding to supplement the needs of students, teachers, and classroom instruction to alleviate local cash pressures. In this resolution, GEB also directed the Superintendent to devise a management plan to ensure that the department operates within its FY 22 authorized funding sources.

GUAM DEPARTMENT OF EDUCATION

Management's Discussion and Analysis
Year Ended September 30, 2021

FACTORS AND NEXT YEAR'S BUDGET, CONTINUED

In this management plan, GDOE committed to sustaining cost containments, seeking additional revenue from the Governor and Guam Legislature, and fully leveraging its federal grants inventory in order to supplement the \$45M shortfall. The FY 22 Management Plan implemented the following:

1. Utilizing GDOE's approved ARP budget to address \$8.8M in contractual services and supplies previously funded by the local budget, and upon further review, deemed allowable by federal programs.
2. Reducing the ARP investment in capital improvement projects by \$25.3M, subject to ED's concurrence, to address local operational shortfalls in school-based utilities, contractual services, and supplies.

Operational Costs to ARP (ED Concurrence)	Amount
Utilities (school-based)	\$ 16,718,285
Contractual Services	7,304,086
Supplies & Materials	1,300,000
Total	\$ 25,322,371

3. Reducing local spending by at least \$10.5M with a hiring freeze on all locally-funded vacant positions, cross leveling of personnel, reduced utility consumption, and other efforts to ensure that GDOE operates within its current resources.

Vacancies (non-substitutes)	Amount
Salaries	\$ 7,671,551
Benefits	4,095,745
Total	\$ 11,767,296

4. Requesting additional funding of at least \$5.1M from the Governor and Guam Legislature to allow for the hiring of critical school-based positions and to assist in covering key priorities. Supplemental funding will ensure that these priorities are addressed and will provide relief to GDOE schools.

While leveraging federal grants bridges the gap created between GDOE's budget request and reduced appropriation levels, this only temporarily mitigates the effects of perpetual insufficient funding. It is imperative that GDOE receive sufficient funding in order to, at minimum, maintain its baseline operations and meet the evolving safety requirements of COVID-19 mandates as well as those mandates set forth in the 'Every Child is Entitled to An Adequate Education Act'.

Despite decreases in the numbers of COVID-19 cases in the community, vaccinations, and the easing of COVID-19 restrictions, the extent to which the COVID-19 pandemic may continue to impact the District remains uncertain. The District's management will continue to actively monitor the situation and may take further actions altering operations that the District's management determines are in the best interests of its employees and stakeholders, or as required by federal, state, or local authorities.

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 Franklin Cooper-Nurse, Acting Deputy Superintendent of Finance and Administrative Services, Guam Department of Education, 500 Mariner Avenue, Barrigada, Guam 96913; e-mail: fjtcooper-nurse@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, 2021

ASSETS

Current assets:	
Cash and cash equivalents	\$ 10,052,608
Receivables from federal agencies	24,954,818
Due from primary government	511,380
Due from component units	219,216
Prepayments and other assets	46,412
Restricted assets:	
Cash and cash equivalents	807,513
Total current assets	<u>36,591,947</u>
Noncurrent assets:	
Deferred maintenance and insurance costs	625,000
Capital assets:	
Nondepreciable capital assets	3,536,724
Depreciable capital assets, net of accumulated depreciation	304,195,218
Total noncurrent assets	<u>308,356,942</u>
Total assets	<u>344,948,889</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows from OPEB	193,387,139
Deferred outflows from pensions	81,592,350
Total deferred outflows of resources	<u>274,979,489</u>

LIABILITIES

Current liabilities:	
Accounts payable	19,865,333
Accrued payroll	7,896,811
Other liabilities and accruals	7,978,077
Payable to federal agencies	30,322
Current portion of obligations under capital lease	8,268,001
Current portion of compensated absences payable	2,640,707
Total current liabilities	<u>46,679,251</u>
Noncurrent liabilities:	
OPEB liability	704,157,441
Net pension liability	459,969,737
Compensated absences payable, net of current portion	2,509,996
Accrued sick leave liability	8,559,414
Obligations under capital lease, net of current portion	145,467,834
Total noncurrent liabilities	<u>1,320,664,422</u>
Total liabilities	<u>1,367,343,673</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows from OPEB	258,705,800
Deferred inflows from pensions	12,853,671
Total deferred inflows of resources	<u>271,559,471</u>

Commitments and contingencies

NET POSITION

Net investment in capital assets	153,996,107
Restricted for:	
First Generation Trust Fund Initiative	1,972,014
School Activities	807,513
Unrestricted	(1,175,750,400)
Total net position	<u>\$ (1,018,974,766)</u>

See accompanying notes to financial statements.

GUAM DEPARTMENT OF EDUCATION

Statement of Activities
Year Ended September 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Elementary Education	\$ 76,733,944	\$ 49,812	\$ -	\$ (76,684,132)
Secondary Education	93,467,367	152,560	-	(93,314,807)
Direct Student Support	121,744,547	-	113,670,919	(8,073,628)
General Administration	35,383,233	207,405	2,647,762	(32,528,066)
Retiree healthcare benefits	11,308,284	-	-	(11,308,284)
Interest expense	15,389,416	-	-	(15,389,416)
Total governmental activities	\$ 354,026,791	\$ 409,777	\$ 116,318,681	(237,298,333)
General revenues:				
Appropriations:				
				217,537,708
				11,308,284
				1,500,000
				<u>230,345,992</u>
				Change in net position <u>(6,952,341)</u>
				Net position at beginning of year, as previously stated (1,013,074,856)
				Restatement (Note 1X) <u>1,052,431</u>
				Net position at beginning of year, as restated <u>(1,012,022,425)</u>
				Net position at end of year \$ <u>(1,018,974,766)</u>

See accompanying notes to financial statements.

GUAM DEPARTMENT OF EDUCATION

Balance Sheet
Governmental Funds
September 30, 2021

<u>ASSETS</u>	<u>General</u>	<u>Special Revenue</u>		<u>Total</u>
		<u>Federal Grants Assistance</u>	<u>School Activities</u>	
Cash and cash equivalents	\$ 9,992,594	\$ 60,014	\$ -	\$ 10,052,608
Receivables from federal agencies	586,572	24,368,246	-	24,954,818
Due from primary government	511,380	-	-	511,380
Due from component units	219,216	-	-	219,216
Prepayments and other assets	44,337	2,075	-	46,412
Due from other funds	17,183,369	-	-	17,183,369
Restricted assets:				
Cash and cash equivalents	-	-	807,513	807,513
Total assets	\$ 28,537,468	\$ 24,430,335	\$ 807,513	\$ 53,775,316
<u>LIABILITIES AND FUND BALANCES (DEFICIT)</u>				
Liabilities:				
Accounts payable	\$ 18,456,900	\$ 1,408,433	\$ -	\$ 19,865,333
Accrued payroll	6,837,601	1,059,210	-	7,896,811
Other liabilities and accruals	3,229,076	4,749,001	-	7,978,077
Payable to federal agencies	-	30,322	-	30,322
Due to other funds	-	17,183,369	-	17,183,369
Total liabilities	28,523,577	24,430,335	-	52,953,912
Fund balances (deficit):				
Restricted	-	-	807,513	807,513
Committed	1,972,014	-	-	1,972,014
Unassigned	(1,958,123)	-	-	(1,958,123)
Total fund balances	13,891	-	807,513	821,404
Total liabilities and fund balances	\$ 28,537,468	\$ 24,430,335	\$ 807,513	\$ 53,775,316

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, 2021

Total fund balance (deficit)-governmental funds	\$	821,404
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Amounts reported for governmental activities in the statement of net position are different because:

Deferred maintenance costs associated with capital lease obligations in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		625,000
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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	\$ 491,792,618		
Vehicles, furniture and equipment	16,119,222		
Land	435,280		
Construction in progress	3,101,444		
Accumulated depreciation	<u>(203,716,622)</u>		
Capital assets, net of accumulated depreciation			307,731,942

Deferred outflows are charged to future periods and are not reported in the governmental funds. Those deferred outflows consist of:

Deferred outflows from OPEB	193,387,139		
Deferred outflows from pensions	<u>81,592,350</u>		
			274,979,489

Deferred inflows benefit future periods and are not reported in the governmental funds. Those deferred inflows consist of:

Deferred inflows from OPEB	(258,705,800)		
Deferred inflows from pensions	<u>(12,853,671)</u>		
			(271,559,471)

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	(704,157,441)		
Net pension liability	(459,969,737)		
Accrued sick leave liability	(8,559,414)		
Compensated absences payable	(5,150,703)		
Obligations under capital lease	<u>(153,735,835)</u>		
Long-term liabilities			<u>(1,331,573,130)</u>
Net position of governmental activities			\$ <u><u>(1,018,974,766)</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, 2021

	General	Special Revenue		Total
		Federal Grants Assistance	School Activities	
Revenues:				
Appropriations	\$ 224,608,492	\$ 5,737,500	\$ -	\$ 230,345,992
Federal grants and contributions	4,807,857	111,060,824	-	115,868,681
Contributions from component units	450,000	-	-	450,000
Cafeteria sales	194	-	-	194
Fees and other program receipts	207,211	-	202,372	409,583
Total revenues	230,073,754	116,798,324	202,372	347,074,450
Expenditures:				
Elementary Education	73,073,488	-	153,769	73,227,257
Secondary Education	85,393,605	-	293,521	85,687,126
Direct Student Support	11,837,625	107,672,364	-	119,509,989
General Administration	30,513,314	3,388,460	-	33,901,774
Retiree healthcare benefits	11,308,284	-	-	11,308,284
Debt service:				
Lease payments	17,332,352	5,737,500	-	23,069,852
Total expenditures	229,458,668	116,798,324	447,290	346,704,282
Net change in fund balances	615,086	-	(244,918)	370,168
Fund balances (deficit) at beginning of year, as previously reported	(601,195)	-	-	(601,195)
Restatement (Note 1X)	-	-	1,052,431	1,052,431
Fund balances (deficit) at beginning of year, as restated	(601,195)	-	1,052,431	451,236
Fund balances at end of year	\$ 13,891	\$ -	\$ 807,513	\$ 821,404

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, 2021

Total net change in fund balances (deficit) - governmental funds \$ 370,168

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	\$ 2,411,707	
Depreciation expense	<u>(11,580,950)</u>	(9,169,243)

Prepayment of capital lease obligations in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. (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. For the current year, these amounts consist of:

Repayment of capital leases		7,805,436
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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	(17,541,722)	
Net pension activity	11,334,189	
Change in compensated absences payable	1,092,044	
Change in accrued sick leave liability	<u>(718,213)</u>	<u>(5,833,702)</u>

Change in net position of governmental activities \$ (6,952,341)

See accompanying notes to financial statements.

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements September 30, 2021

(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.

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. Specifically, GDOE reports restricted net position associated with Public Law 33-07, the First Generation Trust Fund Initiative, and School Activities associated with extra classroom activities.
- 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 \$5,371,051 of restricted net position, of which \$4,563,538 is restricted by enabling legislation.

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2021

(1) Summary of Significant Accounting Policies, Continued

B. Department-Wide Financial Statements, Continued

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

The financial reporting entity includes all funds, functions and organizations over which GDOE officials exercise oversight responsibility, which is determined on the basis of financial interdependency ability to significantly influence operations and accountability for fiscal matters. Separate financial statements are provided for governmental funds. 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:

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.

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

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.

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2021

(1) Summary of Significant Accounting Policies, Continued

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. 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.

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.

School Activities Fund - This fund is used to account for extra classroom transactions relating to GDOE student activities at the school level, such as student organization fund raisings and after-school programs. GDOE exercises administrative control over these funds.

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2021

(1) Summary of Significant Accounting Policies, Continued

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. As of September 30, 2021, GDOE has significant encumbrances summarized as follows:

General Fund	\$ 11,970,025
Federal Grants Assistance Fund	<u>58,180,269</u>
	\$ <u>70,150,294</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.

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.

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2021

(1) Summary of Significant Accounting Policies, Continued

K. Capital Assets, Continued

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, 2021 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>1,893,788</u>	<u>1,951,299</u>	<u>(743,643)</u>	<u>3,101,444</u>
	<u>2,329,068</u>	<u>1,951,299</u>	<u>(743,643)</u>	<u>3,536,724</u>
Depreciable capital assets:				
Buildings and improvements	490,965,194	83,781	743,643	491,792,618
Vehicles, furniture and equipment	<u>16,011,015</u>	<u>376,627</u>	<u>(268,420)</u>	<u>16,119,222</u>
	506,976,209	460,408	475,223	507,911,840
Less: accumulated depreciation	<u>(192,404,092)</u>	<u>(11,580,950)</u>	<u>268,420</u>	<u>(203,716,622)</u>
Depreciable capital assets, net	<u>314,572,117</u>	<u>(11,120,542)</u>	<u>743,643</u>	<u>304,195,218</u>
	<u>\$ 316,901,185</u>	<u>\$ (9,169,243)</u>	<u>\$ -</u>	<u>\$ 307,731,942</u>

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

Governmental activities:	
Elementary Education	\$ 2,651,664
Secondary Education	7,618,322
Direct Student Support	86,102
General Administration	<u>1,224,862</u>
	<u>\$ 11,580,950</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.

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2021

(1) Summary of Significant Accounting Policies, Continued

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. 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.

O. 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.

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.

P. 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.

Q. Contributions From Component Units

The First Generation Trust Fund Initiative identifies contribution amounts from the University of Guam and the Guam Community College. This fund was created by Public Law 33-07, which established a scholarship fund for students. During the year ended September 30, 2021, GDOE reported \$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.

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.

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2021

(1) Summary of Significant Accounting Policies, Continued

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, 2021, lease payments made and total Compact Impact grant revenues received were \$5,737,500.

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 \$27,747,485 payable through December 1, 2030. For the year ended September 30, 2021, lease payments made and total Section 30 revenues received were \$2,938,635 and \$65,109,936, respectively.

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.

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2021

(1) Summary of Significant Accounting Policies, Continued

U. Other Postemployment Benefits (OPEB), Continued

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.

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, 2020 from which summarized information was derived.

X. New Accounting Standards

In 2020, GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance, which postponed 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.

During the year ended September 30, 2021, GDOE implemented the following pronouncements:

- GASB Statement No. 84, Fiduciary Activities, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Certain assets and liabilities previously reported as part of the agency fund classification of the statement of fiduciary net position are now reported in the governmental funds financial statements. The adoption of Statement No. 84 established the School Activities Fund and resulted in the restatement of GDOE's governmental activities and governmental funds for the year ended September 30, 2020 to reflect assets and liabilities of nonfiduciary activities from net position and fund balance for governmental activities to governmental funds of \$1,052,431.

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements September 30, 2021

(1) Summary of Significant Accounting Policies, Continued

X. New Accounting Standards, Continued

- GASB Statement No. 90, Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61, which improves 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. The implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 93, Replacement of Interbank Offered Rates, which establishes accounting and reporting requirements related to the replacement of Interbank Offered Rates such as the London Interbank Offered Rate (LIBOR) for hedging derivative instruments. The provision removing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of derivative instruments is effective for the year ended September 30, 2022. The implementation of this statement did not have a material effect on the accompanying financial statements.

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.

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.

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2021

(1) Summary of Significant Accounting Policies, Continued

X. New Accounting Standards, Continued

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. 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, 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. 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.

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2021

(1) Summary of Significant Accounting Policies, Continued

X. New Accounting Standards, Continued

In October 2021, GASB issued Statement No. 98, The Annual Comprehensive Financial Report. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 98 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.

As of September 30, 2021, the carrying amount of GDOE's total cash and cash equivalents was \$10,860,121 and the corresponding bank balances were \$11,701,257. Of the bank balances, \$9,342,812 is maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. The remaining amount of \$1,549,965 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 as of September 30, 2021. As of September 30, 2021, 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 amounts 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, 2021, 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, 2021, are as follows:

	Beginning			Ending	Due Within
	Balance	Additions	Reductions	Balance	One Year
Accrued sick leave liability	\$ 7,841,201	\$ 718,213	\$ -	\$ 8,559,414	\$ -
Compensated absences	6,242,747	-	(1,092,044)	5,150,703	2,640,707
Net pension liability	457,358,525	29,788,387	(27,177,175)	459,969,737	-
OPEB liability	752,994,530	133,294,912	(182,132,001)	704,157,441	-
Obligations under capital lease	<u>161,541,271</u>	<u>-</u>	<u>(7,805,436)</u>	<u>153,735,835</u>	<u>8,268,001</u>
	<u>\$ 1,385,978,274</u>	<u>\$ 163,801,512</u>	<u>\$(218,206,656)</u>	<u>\$ 1,331,573,130</u>	<u>\$ 10,908,708</u>

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2021

(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 as of September 30, 2021. The accumulated amount of unused sick leave as of September 30, 2021, is \$43,664,664, of which \$8,559,414 may be convertible by DCRS employees upon retirement.

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. 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.

D. 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.

E. 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, 2021. 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, 2021

(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, 2020 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, 2020 (the measurement date), plan membership consisted of the following:

DB members:	
Inactive employees or beneficiaries currently receiving benefits	7,399
Inactive employees entitled to but not yet receiving benefits	3,257
Active employees	4,440
	<u>15,096</u>
DCRS members:	
Active employees	<u>6,810</u>
	<u>21,906</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, 2021

(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.

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, 2019 actuarial valuation was used for determining the year ended September 30, 2021 statutory contributions. Member contributions are required at 9.52% of base pay.

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2021

(5) Pensions, Continued

A. General Information About the Pension Plans, Continued:

As a result of actuarial valuations performed as of September 30, 2019, 2018 and 2017, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2021, 2020 and 2019, respectively, have been determined as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Normal costs (% of DB Plan payroll)	13.70%	13.86%	13.54%
Employee contributions (DB Plan employees)	<u>9.52%</u>	<u>9.52%</u>	<u>9.52%</u>
Employer portion of normal costs (% of DB Plan payroll)	<u>4.18%</u>	<u>4.34%</u>	<u>4.02%</u>
Employer portion of normal costs (% of total payroll)	2.18%	2.39%	2.29%
Unfunded liability cost (% of total payroll)	<u>21.44%</u>	<u>20.70%</u>	<u>21.29%</u>
Government contribution as a % of total payroll	<u>23.62%</u>	<u>23.09%</u>	<u>23.58%</u>
Statutory contribution rates as a % of DB Plan payroll:			
Employer	<u>26.97%</u>	<u>26.28%</u>	<u>26.56%</u>
Employee	<u>9.52%</u>	<u>9.52%</u>	<u>9.52%</u>

GDOE's contributions to the DB Plan for the years ended September 30, 2021, 2020 and 2019 were \$17,389,636, \$17,981,289 and \$19,322,785, respectively, which were equal to the statutorily required contributions for the respective years then ended.

GDOE's contributions for supplemental annuity benefits and the COLA payments for the years ended September 30, 2021, 2020 and 2019 were \$6,987,238, \$7,056,454 and \$6,612,716, 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 6.2% of the member's regular base pay. 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.

Statutory employer contributions for the DCRS plan for the year ended September 30, 2021 are determined using the same rates as the DB Plan. Of the amount contributed by the employer, only 6.2% of the member's regular pay is deposited into the DCRS. 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, 2021, 2020 and 2019 were \$22,582,167, \$21,268,163 and \$20,140,458, respectively, which were equal to the required contributions for the respective years then ended. Of these amounts, \$17,385,502, \$16,252,705 and \$15,438,741 were contributed toward the unfunded liability of the DB Plan for the years ended September 30, 2021, 2020 and 2019, respectively.

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2021

(5) Pensions, Continued

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

Pension Liability: As of September 30, 2021, GDOE reported a net pension liability for its proportionate share of the net pension liabilities measured as of September 30, 2020, which is comprised of the following:

Defined Benefit Plan	\$ 353,553,592
Ad Hoc COLA/supplemental annuity Plan for DB retirees	89,351,719
Ad Hoc COLA Plan for DCRS retirees	<u>17,064,426</u>
	<u>\$ 459,969,737</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. As of September 30, 2021, GDOE's proportionate shares of the GovGuam net pension liabilities were as follows:

Defined Benefit Plan	28.37%
Ad Hoc COLA/supplemental annuity Plan for DB retirees	27.76%
Ad Hoc COLA Plan for DCRS retirees	25.70%

Pension Expense: For the year ended September 30, 2021, GDOE recognized pension expense for its proportionate share of plan pension expense from the above pension plans as follows:

Defined Benefit Plan	\$ 21,811,553
Ad Hoc COLA/supplemental annuity Plan for DB retirees	6,435,514
Ad Hoc COLA Plan for DCRS retirees	<u>1,541,320</u>
	<u>\$ 29,788,387</u>

Deferred Outflows and Inflows of Resources: As of September 30, 2021, 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	\$ 882,532	\$ 1,726,160	\$ 56,690	\$ 1,426,812	\$ 1,645,741	\$ 400,075
Net difference between projected and actual earnings on pension plan investments	25,331,695	-	-	-	-	-
Changes of assumptions	-	-	7,007,220	127,176	4,152,073	1,293,731
Contributions subsequent to the measurement date	34,775,138	-	6,353,238	-	634,000	-
Changes in proportion and difference between GDOE contributions and proportionate share of contributions	<u>-</u>	<u>6,643,920</u>	<u>-</u>	<u>644,701</u>	<u>754,023</u>	<u>591,096</u>
	<u>\$60,989,365</u>	<u>\$8,370,080</u>	<u>\$13,417,148</u>	<u>\$2,198,689</u>	<u>\$ 7,185,837</u>	<u>\$2,284,902</u>

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2021

(5) Pensions, Continued

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

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, 2021 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>
2022	\$ 82,656	\$ 3,515,511	\$ 476,187
2023	6,883,610	1,317,113	476,187
2024	7,697,453	32,597	476,187
2025	3,180,428	-	476,187
2026	-	-	476,187
Thereafter	_____	_____	<u>1,886,000</u>
	<u>\$ 17,844,147</u>	<u>\$ 4,865,221</u>	<u>\$ 4,266,935</u>

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, 2019
Actuarial Cost Method:	Entry age normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	May 1, 2033 (13.58 years remaining as of September 30, 2019)
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.

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2021

(5) Pensions, Continued

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

The actuarial assumptions used in the September 30, 2019 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 to the next year's valuation.

The investment rate assumption as of September 30, 2020 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:

Asset Class	Target Allocation	Nominal Return
U.S. Equities (large cap)	26.0%	7.01%
U.S. Equities (small cap)	4.0%	8.61%
Non-U.S. Equities	17.0%	8.66%
Non-U.S. Equities (emerging markets)	3.0%	10.59%
U.S. Fixed Income (aggregate)	24.0%	3.33%
Risk Parity	8.0%	5.66%
High Yield Bonds	8.0%	6.11%
Global Real Estate (REITs)	2.5%	8.55%
Master Limited Partnerships	7.5%	7.74%

Discount Rate: The discount rate used to measure the total pension liability for the DB Plan as of September 30, 2020 was 7%, 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, 2020 was 2.21%, 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>426,532,227</u>	\$ <u>353,553,592</u>	\$ <u>255,512,985</u>

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2021

(5) Pensions, Continued

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

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees:

	1% Decrease in Discount Rate <u>1.21%</u>	Current Discount Rate <u>2.21%</u>	1% Increase in Discount Rate <u>3.21%</u>
Net Pension Liability	\$ <u>108,025,884</u>	\$ <u>89,351,719</u>	\$ <u>73,930,237</u>

Ad Hoc COLA Plan for DCRS Retirees:

	1% Decrease in Discount Rate <u>1.21%</u>	Current Discount Rate <u>2.21%</u>	1% Increase in Discount Rate <u>3.21%</u>
Net Pension Liability	\$ <u>24,266,914</u>	\$ <u>17,064,426</u>	\$ <u>11,328,242</u>

C. Payables to the Pension Plans:

As of September 30, 2021, GDOE recorded a payable to GGRF of \$4,453,809, 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, 2020 (the measurement date), OPEB plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	8,114
Active plan members	<u>11,080</u>
	<u>19,194</u>

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2021

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

A. General Information About the OPEB Plan, Continued:

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.

B. Total OPEB Liability:

As of September 30, 2021, GDOE reported a total OPEB liability of \$704,157,441 for its proportionate share of the GovGuam total OPEB liability measured as of September 30, 2020. The following presents GDOE's proportion change in proportion since the prior measurement date:

Proportion at prior measurement date, September 30, 2019	29.49%
Proportion at measurement date, September 30, 2020	<u>27.96%</u>
Decrease in proportion	<u>(1.53)%</u>

Actuarial Assumptions: The total OPEB liability for the OPEB Plan was determined by an actuarial valuation as of September 30, 2020 (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.

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2021

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

B. Total OPEB Liability, Continued:

Healthcare cost trend rates:	Non-Medicare and Medicare -6%; for Year 1-3 then reducing 0.25% annually to an ultimate rate of 4.25%. Part B 4.25%. 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 reimbursements are assumed to be 4.25% per year.
Dental trend rates:	4.25% per year, 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.
Medicare enrollment:	Based on current over-65 retiree data, 55% (previously 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.

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2021

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

B. Total OPEB Liability, Continued:

Actuarial cost method:	Entry Age Normal. The costs of each employee's post-employment benefits are allocated on 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.

OPEB plan fiduciary net position: As of September 30, 2021, an OPEB trust has not been established, thus the OPEB Plan does not presently report OPEB plan fiduciary net position.

Discount rate: The discount rate used to measure the total OPEB liability was 2.21% as of September 30, 2020. 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 2.21% tax-exempt, high quality municipal bond rate as of September 30, 2020 was applied to all periods to determine the total OPEB liability.

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2021

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

C. Change in the Total OPEB Liability:

Change in GDOE's proportionate share of the total OPEB liability for the year ended September 30, 2021 is as follows:

Balance at beginning of the year	\$ <u>752,994,530</u>
Changes for the year:	
Service cost	34,205,273
Interest	20,790,986
Change in proportionate share	(42,196,046)
Change of assumptions	(128,768,367)
Benefit payments	(11,167,588)
Difference between expected and actual experience	<u>78,298,653</u>
Net change	<u>(48,837,089)</u>
Balance at end of the year	\$ <u>704,157,441</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>1.21%</u>	Current Discount Rate <u>2.21%</u>	1% Increase in Discount Rate <u>3.21%</u>
Total OPEB Liability	\$ <u>836,004,648</u>	\$ <u>704,157,441</u>	\$ <u>599,055,402</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:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability	\$ <u>586,522,752</u>	\$ <u>704,157,441</u>	\$ <u>857,121,655</u>

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2021

(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, 2021, GDOE reported total OPEB expense of \$29,193,625, for its proportionate share of the GovGuam total OPEB expense measured for the year ended September 30, 2020. GDOE reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 114,558,267	\$ 152,152,760
Difference between expected and actual experience	64,464,968	67,386,947
Contributions subsequent to the measurement date	11,308,284	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	<u>3,055,620</u>	<u>39,166,093</u>
	<u>\$ 193,387,139</u>	<u>\$ 258,705,800</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 as of September 30, 2021 will be recognized in OPEB expense as follows:

<u>Year Ending September 30</u>	
2022	\$ (22,784,855)
2023	(35,694,619)
2024	(8,409,811)
2025	745,002
2026	(10,482,662)
	<u>\$ (76,626,945)</u>

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2021

(7) Appropriations

During the year ended September 30, 2021, appropriations provided to GDOE were as follows:

General Fund:

Public Law 35-99:	
GovGuam General Fund:	
Operations	\$ 177,804,024
Retiree healthcare benefits	11,308,284
Textbooks	1,500,000
Simon Sanchez High School Construction	500,000
Chamorro Studies Division	513,824
Lease Agreements:	
Okkodo Expansion lease	2,288,635
JFK High School lease	2,711,789
Territorial Education Facilities Fund:	
Operations	13,463,497
School grounds maintenance	352,936
Alternative dispute resolution/Mediation services	35,000
Lease Agreements:	
Tiyon lease	10,113,927
JFK High School lease	1,568,000
Okkodo Expansion lease	650,000
Healthy Futures Fund	891,754
Public Library System Fund	601,173
Limited Gaming Fund	301,951
Public Law 33-185:	
GovGuam General Fund:	
Secure Our School Acts	3,698
Public Law 28-47:	
Guam Public School Facilities Project Lease	<u>5,737,500</u>
	<u>\$ 230,345,992</u>

In addition, Public Law 35-99 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, 2021 is \$13,897,048, which is accounted for within GDOE's Federal Grants Assistance Fund.

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2021

(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 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.

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2021

(8) Municipal School Lease Agreements, Continued

John F. Kennedy High School Project, Continued:

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.

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.

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. As of September 30, 2021, energy improvements have not been recorded and will be accordingly accounted for when construction is complete.

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.

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2021

(8) Municipal School Lease Agreements, Continued

Tiyan Lease, Continued:

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.

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>
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	10,694,876	9,622,891	20,317,767
2027 - 2031	31,622,644	39,263,880	70,886,524
2032 - 2036	38,608,983	25,413,724	64,022,707
2037 - 2041	<u>35,842,635</u>	<u>7,346,092</u>	<u>43,188,727</u>
	<u>\$ 153,735,835</u>	<u>\$ 126,445,790</u>	<u>\$ 280,181,625</u>

Assets acquired through the afore mentioned capital leases are as follows:

Assets:	
Buildings and leasehold improvements	\$ 239,159,248
Less accumulated depreciation	(50,950,264)
	<u>188,208,984</u>
Land	<u>435,280</u>
	<u>\$ 188,644,264</u>

GUAM DEPARTMENT OF EDUCATION

Notes to Financial Statements
September 30, 2021

9) COVID-19

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) outbreak a global pandemic, and recommended containment and mitigation measures worldwide. On March 13, 2020, former President Donald J. Trump declared a national emergency in the United States (U.S.). In response, on March 14, 2020, Governor Lourdes A. Leon Guerrero issued Executive Order 2020-03 declaring a state of public health emergency in Guam.

On March 28, 2020, former President Trump signed a major disaster declaration for Guam and ordered federal assistance to supplement local recovery efforts relative to pandemic. The President's action makes Federal funding available to the Government of Guam and certain private nonprofit organizations for emergency protective measures, including direct Federal assistance, for all areas in Guam impacted by COVID-19.

As of September 30, 2021, the U.S. Department of Education awarded a total of \$400.8M in Education Stabilization Fund (ESF) and American Rescue Plan (ARP) grants to GDOE. GDOE received \$152,085,284 and expended \$40,348,883 in ESF funds to respond to the COVID-19 pandemic. GDOE also received \$290,326,198 and expended \$1,447,176 in ARP funds to help safely reopen and sustain the safe operation of schools and address the impact of the COVID-19 pandemic on the nation's students.

Additionally, the U.S. Department of Agriculture and the U.S. Department of Health and Human Services awarded a total of \$888,938 in grant funds to GDOE. GDOE expended \$79,024 of The Emergency Food Assistance Program grant from Agriculture and expended \$183,595 of the Head Start Supplement grant from Health and Human Services.

Due to the evolving nature of the COVID-19 pandemic, and the federal and local responses thereto, GDOE cannot predict the extent or duration of the pandemic and reasonably estimate its financial impact at this time.

GUAM DEPARTMENT OF EDUCATION

REQUIRED SUPPLEMENTARY
INFORMATION

YEAR ENDED SEPTEMBER 30, 2021

GUAM DEPARTMENT OF EDUCATION

Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) - Budget and Actual
General Fund (Unaudited)
Year Ended September 30, 2021

	Original Budget	Final Budget	Actual - Budgetary Basis	Variance with Final Budget - Positive (Negative)
Revenues:				
Local appropriations:				
Government of Guam General Fund:				
Operations	\$ 175,710,358	\$ 175,710,358	\$ 175,710,358	\$ -
Operations-Supplemental	-	2,093,666	2,093,666	-
JFK High School Lease-Supplemental	-	582,289	582,289	-
Retiree healthcare benefits	11,308,284	11,308,284	11,308,284	-
JFK High School Lease	5,127,050	5,127,050	2,129,500	(2,997,550)
Okkodo High School Expansion Project Lease	2,288,635	2,288,635	2,288,635	-
Textbooks	1,500,000	1,500,000	1,500,000	-
Simon Sanchez High School Construction	500,000	500,000	500,000	-
Chamorro Studies Division	513,824	513,824	513,824	-
Secure Our Schools Act	-	-	3,698	3,698
Territorial Educational Facilities Fund:				
Operations	15,036,704	15,036,704	13,463,497	(1,573,207)
Tiyan Lease	10,113,928	10,113,928	10,113,927	(1)
JFK High School Lease-Additional rental and GRT	1,568,000	1,568,000	1,568,000	-
Okkodo High School Expansion Project Lease	650,000	650,000	650,000	-
School grounds maintenance	385,022	385,022	352,936	(32,086)
Alterantive dispute resolution/Mediation services	40,000	40,000	35,000	(5,000)
Healthy Futures Fund	891,754	891,754	891,754	-
Public Library System Fund	915,082	915,082	601,173	(313,909)
Limited Gaming Fund	535,801	535,801	301,951	(233,850)
Contributions from component units	450,000	450,000	450,000	-
Federal grants and contributions	204,000	271,560	4,807,857	4,536,297
Fees and other program receipts	-	-	207,211	207,211
Cafeteria sales	-	-	194	194
Total revenues	227,738,442	230,481,957	230,073,754	(408,203)
Expenditures - Budgetary Basis:				
Elementary Education	65,043,603	67,413,850	73,128,166	(5,714,316)
Secondary Education	75,804,351	77,668,483	85,457,668	(7,789,185)
Direct Student Support	13,944,127	14,596,353	16,205,013	(1,608,660)
General Administration	40,142,190	38,218,909	35,538,328	2,680,581
Retiree healthcare benefits	11,308,284	11,308,284	11,308,284	-
First Generation Trust Fund	2,142,998	2,142,998	171,000	1,971,998
Capital Projects	3,389,785	3,389,785	2,287,882	1,101,903
Debt service:				
Tiyan Lease	10,113,928	10,113,928	10,113,928	-
JFK High School Lease	6,695,050	7,277,339	4,279,789	2,997,550
Okkodo High School Expansion Project Lease	2,938,635	2,938,635	2,938,635	-
Total expenditures	231,522,951	235,068,564	241,428,693	(6,360,129)
Deficiency of revenues under expenditures	(3,784,509)	(4,586,607)	(11,354,939)	(6,768,332)
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	4,264,153	4,264,153	11,970,025	7,705,872
Net change in fund balance (deficit)	\$ 479,644	\$ (322,454)	\$ 615,086	\$ 937,540

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, 2021

(1) Budgetary Process

The Budget Act for fiscal year 2021, Public Law No. 35-99, was approved for the Executive branch and the Legislative branch. Supplemental appropriations were also provided through Public Law 33-185 and 28-47. 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 Auditor's 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>2021</u>	<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	\$ 1,246,336,897	\$ 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	\$ 353,553,592	\$ 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	28.37%	28.91%	29.35%	29.97%	30.18%	29.79%	29.07%	30.72%
GDOE's covered-employee payroll**	\$ 117,829,051	\$ 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	300.06%	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	61.48%	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

	2021	2020	2019	2018	2017	2016
Total net pension liability***	\$ 321,889,969	\$ 324,192,725	\$ 289,875,672	\$ 288,147,121	\$ 229,486,687	\$ 235,799,709
GDOE's proportionate share of the net pension liability	\$ 89,351,719	\$ 90,768,342	\$ 81,448,019	\$ 82,317,193	\$ 65,258,484	\$ 67,420,706
GDOE's proportion of the net net pension liability	27.76%	28.00%	28.10%	28.57%	28.44%	28.59%
GDOE's covered-employee payroll**	\$ 29,778,309	\$ 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	300.06%	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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total net pension liability***	\$ 66,393,472	\$ 59,884,407	\$ 49,342,424	\$ 62,445,490	\$ 61,688,067	\$ 52,115,736
GDOE's proportionate share of the net pension liability	\$ 17,064,426	\$ 15,523,181	\$ 12,849,041	\$ 16,768,473	\$ 16,247,634	\$ 13,924,782
GDOE's proportion of the net pension liability	25.70%	25.92%	26.04%	26.85%	26.34%	26.72%
GDOE's covered-employee payroll**	\$ 66,641,091	\$ 61,047,468	\$ 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	25.61%	25.43%	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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 39,971,803	\$ 39,249,452	\$ 39,463,244	\$ 42,175,174	\$ 41,850,125	\$ 43,136,172	\$ 45,690,371
Contributions in relation to the statutorily required contribution	<u>\$ 39,971,803</u>	<u>\$ 39,249,452</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>\$ -</u>	<u>\$ (4,256)</u>	<u>\$ (4,132)</u>	<u>\$ -</u>	<u>\$ (6,475)</u>
GDOE's covered-employee payroll **	<u>\$ 273,821,861</u>	<u>\$ 268,065,242</u>	<u>\$ 271,378,864</u>	<u>\$ 305,131,860</u>	<u>\$ 291,741,272</u>	<u>\$ 314,872,488</u>	<u>\$ 146,783,636</u>
Contribution as a percentage of covered-employee payroll	26.97%	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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability:					
Service cost	\$ 34,205,273	\$ 21,663,116	\$ 30,708,931	\$ 34,599,930	\$ 27,776,711
Interest	20,790,986	23,620,396	27,255,757	24,004,223	24,294,993
Change in proportionate share	(42,196,046)	3,054,911	(18,604,832)	(2,009,292)	-
Differences between expected and actual experience	78,298,653	-	(153,112,854)	-	-
Changes of assumptions	(128,768,367)	167,408,680	(50,405,671)	(74,661,716)	82,755,758
Benefit payments	<u>(11,167,588)</u>	<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	 (48,837,089)	 203,405,709	 (176,940,435)	 (29,604,327)	 123,289,990
 Total OPEB liability - beginning	 <u>752,994,530</u>	 <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>704,157,441</u>	 \$ <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	 154,618,389	 138,949,496	 138,949,496	 138,949,496
 GDOE's total OPEB liability as a percentage of covered-employee payroll	 455%	 487%	 396%	 523%	 544%

Notes to schedule

<i>Discount rate</i>	2.21%	2.66%	4.18%	3.63%	3.63%
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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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability **	\$ 2,518,489,145	\$ 2,553,523,376	\$ 1,874,970,335	\$ 2,431,048,672	\$ 2,532,753,040
GDOE's proportionate share of the total OPEB liability	\$ 704,157,441	\$ 752,994,530	\$ 549,588,821	\$ 726,529,256	\$ 756,133,583
GDOE's proportion of the total OPEB liability	27.96%	29.49%	29.31%	29.89%	29.85%
GDOE's covered-employee payroll	\$ 155,159,429	\$ 154,618,389	\$ 140,090,378	\$ 138,949,496	\$ 138,949,496
GDOE's proportionate share of the total OPEB liability as percentage of its covered-employee payroll	453.83%	487.00%	392.31%	522.87%	544.18%

* 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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 71,855,826	\$ 55,045,187	\$ 71,978,453	\$ 74,523,639	\$ 64,131,344
Contributions in relation to the actuarially determined contribution	<u>\$ 11,167,588</u>	<u>\$ 12,341,394</u>	<u>\$ 12,781,766</u>	<u>\$ 11,537,472</u>	<u>\$ 11,537,472</u>
Contribution deficiency	<u>\$ 60,688,238</u>	<u>\$ 42,703,793</u>	<u>\$ 59,196,687</u>	<u>\$ 62,986,167</u>	<u>\$ 52,593,872</u>
GDOE's covered-employee payroll	\$ 155,159,429	\$ 154,618,389	\$ 140,090,378	\$ 138,949,496	\$ 138,949,496
Contributions as a percentage of covered-employee payroll	7.20%	7.98%	9.12%	8.30%	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, 2021

GUAM DEPARTMENT OF EDUCATION

Combined Statements of Revenues, Expenditures by Account and Changes in Fund Balances (Deficit)
Governmental Funds
Year Ended September 30, 2021

	2021				2020			
	General	Federal Grants Assistance	School Activities	Total	General	Federal Grants Assistance	School Activities	Total
Revenues:								
Local appropriations	\$ 224,608,492	\$ 5,737,500	\$ -	\$ 230,345,992	\$ 242,596,827	\$ 5,741,000	\$ -	\$ 248,337,827
Federal grants and contributions	4,807,857	111,060,824	-	115,868,681	1,844,052	69,251,508	-	71,095,560
Contributions from component units	450,000	-	-	450,000	450,000	-	-	450,000
Cafeteria sales	194	-	-	194	3,237	-	-	3,237
Fees and other program receipts	207,211	-	202,372	409,583	469,863	108,962	1,455,140	2,033,965
Total revenues	230,073,754	116,798,324	202,372	347,074,450	245,363,979	75,101,470	1,455,140	321,920,589
Expenditures:								
Salaries and wages	127,016,759	28,142,670	-	155,159,429	131,216,818	22,928,644	-	154,145,462
Benefits	48,215,766	9,810,759	-	58,026,525	45,031,140	7,697,521	-	52,728,661
Supplies	603,410	34,111,740	-	34,715,150	891,021	14,126,132	-	15,017,153
Contractual	8,271,268	14,777,729	-	23,048,997	10,509,132	5,622,183	-	16,131,315
Capital lease payments	17,332,352	5,737,500	-	23,069,852	25,345,709	5,741,000	-	31,086,709
Food management contract	1,488,258	17,180,549	-	18,668,807	3,492,040	15,889,957	-	19,381,997
Retiree healthcare benefits	11,308,284	-	-	11,308,284	10,823,969	-	-	10,823,969
Power	8,637,767	835,482	-	9,473,249	10,716,526	-	-	10,716,526
Equipment	883,249	3,287,783	-	4,171,032	993,260	1,749,362	-	2,742,622
Water	3,234,138	835,483	-	4,069,621	3,091,838	-	-	3,091,838
Textbooks	1,660,023	-	-	1,660,023	981,881	-	-	981,881
Indirect costs	-	1,640,497	-	1,640,497	-	826,259	-	826,259
Capital outlay	11,025	395,538	-	406,563	95,465	-	-	95,465
Phone	405,736	-	-	405,736	344,986	-	-	344,986
Library books and equipment	198,765	-	-	198,765	246,000	-	-	246,000
Travel	3,564	42,594	-	46,158	207,560	520,349	-	727,909
Fuel	15,712	-	-	15,712	96,410	-	-	96,410
Miscellaneous	172,592	-	447,290	619,882	409,483	63	1,158,116	1,567,662
Total expenditures	229,458,668	116,798,324	447,290	346,704,282	244,493,238	75,101,470	1,158,116	320,752,824
Net change in fund balances (deficit)	615,086	-	(244,918)	370,168	870,741	-	297,024	1,167,765
Fund balances (deficit) at beginning of year	(601,195)	-	1,052,431	451,236	(1,471,936)	-	755,407	(716,529)
Fund balances (deficit) at end of year	\$ 13,891	\$ -	\$ 807,513	\$ 821,404	\$ (601,195)	\$ -	\$ 1,052,431	\$ 451,236

See Accompanying Independent Auditors' Report.

GUAM DEPARTMENT OF EDUCATION

Combining Schedule of Balance Sheet Accounts

General Fund

September 30, 2021

<u>ASSETS</u>	<u>Operations</u>	<u>First Generation Trust Fund Initiative</u>	<u>Total</u>
Cash and cash equivalents	\$ 8,239,796	\$ 1,752,798	\$ 9,992,594
Receivables from federal agencies	586,572	-	586,572
Due from primary government	511,380	-	511,380
Due from component units	-	219,216	219,216
Prepayments and other assets	44,337	-	44,337
Due from other funds	<u>17,183,369</u>	<u>-</u>	<u>17,183,369</u>
Total assets	<u>\$ 26,565,454</u>	<u>\$ 1,972,014</u>	<u>\$ 28,537,468</u>
<u>LIABILITIES AND FUND BALANCES (DEFICIT)</u>			
Liabilities:			
Accounts payable	\$ 18,456,900	\$ -	\$ 18,456,900
Accrued payroll	6,837,601	-	6,837,601
Other liabilities and accruals	<u>3,229,076</u>	<u>-</u>	<u>3,229,076</u>
Total liabilities	<u>28,523,577</u>	<u>-</u>	<u>28,523,577</u>
Fund balances (deficit):			
Committed	-	1,972,014	1,972,014
Unassigned	<u>(1,958,123)</u>	<u>-</u>	<u>(1,958,123)</u>
Total fund balances (deficit)	<u>(1,958,123)</u>	<u>1,972,014</u>	<u>13,891</u>
Total liabilities and fund balances (deficit)	<u>\$ 26,565,454</u>	<u>\$ 1,972,014</u>	<u>\$ 28,537,468</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, 2021

	<u>Operations</u>	<u>First Generation Trust Fund Initiative</u>	<u>Total</u>
Revenues:			
Appropriations	\$ 224,608,492	\$ -	\$ 224,608,492
Federal grants and contributions	4,807,857	-	4,807,857
Contributions from component units	-	450,000	450,000
Cafeteria sales	194	-	194
Fees and other program receipts	207,195	16	207,211
	<u>229,623,738</u>	<u>450,016</u>	<u>230,073,754</u>
Expenditures:			
Elementary Education	73,073,488	-	73,073,488
Secondary Education	85,393,605	-	85,393,605
Direct Student Support	11,666,625	171,000	11,837,625
General Administration	30,513,314	-	30,513,314
Retiree healthcare benefits	11,308,284	-	11,308,284
Debt service:			
Lease payments	17,332,352	-	17,332,352
	<u>229,287,668</u>	<u>171,000</u>	<u>229,458,668</u>
Net change in fund balances (deficit)	336,070	279,016	615,086
Fund balances (deficit) at beginning of year	<u>(2,294,193)</u>	<u>1,692,998</u>	<u>(601,195)</u>
Fund balances (deficit) at end of year	\$ <u>(1,958,123)</u>	\$ <u>1,972,014</u>	\$ <u>13,891</u>

See Accompanying Independent Auditors' Report.

GUAM DEPARTMENT OF EDUCATION

Personnel
September 30, 2021 and 2020

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

	<u>Employee Count as of PPE September 25, 2021</u>	<u>Employee Count as of PPE September 26, 2020</u>
100% Locally Funded	2,693	2,765
100% Federally Funded	744	743
Locally/Federally Funded	<u>6</u>	<u>16</u>
Total Employee Count	<u>3,443</u>	<u>3,524</u>

The overall number of GDOE employees decreased by 81 employees or 2.3% from 3,524 (pay period ending September 26, 2020) to 3,443 (pay period ending September 25, 2021). The decrease was due to the hiring freeze implemented in October 2020 for locally funded employees. The freeze was an austerity measure to address the projected shortfall in local appropriations.

See Accompanying Independent Auditor’s Report.