



## **Government of Guam FY 2012 Financial Highlights**

July 8, 2013

For the first time in over 15 years, the Government of Guam (GovGuam) ended fiscal year (FY) 2012 with a surplus of \$30.1M due to the bond proceeds of \$352.7M and Government Accounting Standards Board Statement No. 54 (GASB 54) implementation. Record-high revenues of \$596.2M were recorded, while operating expenditures net of transfers amounted to \$615.6M. Included in these expenditures were payments to the Retirement Fund from the bond proceeds.

For the sixth consecutive year, independent auditors Deloitte & Touche, LLP issued an unqualified or “clean” opinion on GovGuam’s financial statements. However, beginning net assets of the governmental activities have been restated due to the understatement of deferred revenues and payable to federal agencies of \$14.3M. Additionally, GovGuam is involved in land condemnation proceedings relative to the Layon Landfill. The ultimate impact of this matter on the financial statements of GovGuam has not been determined. Subsequently, in December 2012, the Superior Court of Guam rendered a decision in favor of the landowners, awarding \$25.1M plus interest at 6% per annum from January 2008 until date of payment in full.

### **Bond Proceeds Reduced Unpaid Tax Refunds and Other Liabilities**

GovGuam has been incurring annual operating deficits and has sustained these deficits by delaying tax refunds or by borrowing money. In FY 2012, GovGuam issued \$352.7M in bonds. This includes proceeds from the \$235M bonds issued in December 2011 and the \$108.7M bonds issued in June 2012. Bond proceeds were primarily used to pay outstanding tax refunds (\$258M); outstanding Cost of Living Allowance (COLA) to retirees (\$13.6M); health insurance costs (\$19.9M); payments to the Retirement Fund (\$24.8M) comprised of delinquent contributions for the Guam Memorial Hospital Authority (GMHA) of \$12.3M and the Guam Department of Education (DOE) of \$6.3M, and repayment of contribution savings per Public Law 31-74 of \$6.2M; and debt service payments (\$3.3M).

As of September 30, 2012, most prior-year income tax refunds have been paid. The \$101M liability for tax refunds reflects GovGuam’s nine-month estimate for calendar year 2012 tax refunds and the residual of prior year refunds still to be paid. An additional \$21.8M is owed to the Internal Revenue Service for unused Make Work Pay Tax Credits from the American Recovery and Reinvestment Act.

### **GASB 54 Contributes to Surplus**

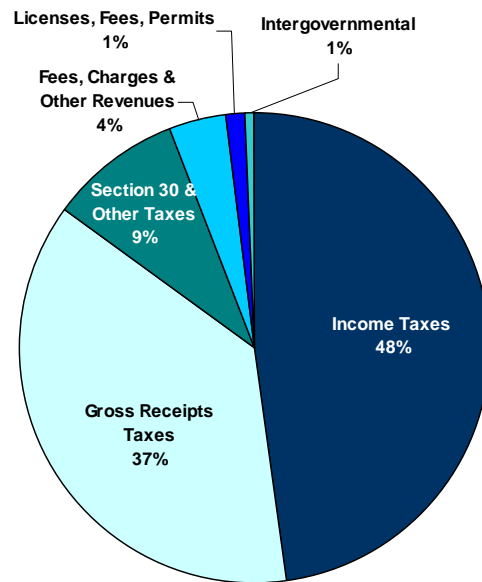
With the implementation of the GASB 54, GovGuam now includes the main operating fund plus many other funds created by legislation, DOE, and the two other branches of government (Unified Courts of Guam and the Guam Legislature).

Because of the continuing impact of GASB 54, DOE, the other branches of government, and other funds also contributed to the surplus. GovGuam is cautioned to be diligent in its spending as it may have a deficit in FY 2013.

### Record-High Revenues

Revenues were \$596.2M, a \$43.8M increase from \$552.4M in FY 2011. This is the highest recorded revenues in 15 years, which can be attributed to increased tax collections. Of the \$596.2M, income taxes comprised 48% of all revenues and increased by \$2.4M to \$284.8M. Gross receipts taxes (37%) increased by \$21.4M to \$221.4M. Other taxes increased by \$6.7M to \$55.6M. See illustration below for details.

FY 2012 Revenues	(in 000's)
Income Taxes	\$ 284,823
Gross Receipts Taxes	\$ 221,444
Section 30 Federal Income Tax	\$ 53,126
Other Taxes	\$ 2,460
<b>Subtotal Taxes</b>	<b>\$ 561,853</b>
Other revenues	\$ 13,710
Fees and Charges	\$ 9,103
Licenses, Fees, Permits	\$ 7,588
Intergovernmental	\$ 3,907
<b>Subtotal Other Revenues</b>	<b>\$ 34,308</b>
<b>Total Revenues</b>	<b>\$ 596,161</b>



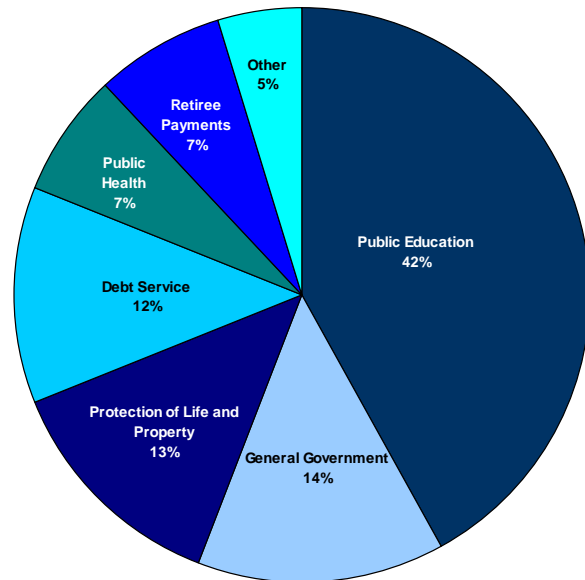
### Expenditures and Unbudgeted Items

Expenditures, net of transfers, for line agencies, the Legislature, the Judiciary, and subsidies to autonomous entities were \$615.6M.

- Public Education, representing the largest category, was \$257.9M, which was comprised of: \$213.9M to DOE, \$30.9M to the University of Guam, and \$13.2M to the Guam Community College.
- General Government is the second largest category at \$86.5M and is comprised of Department of Administration (DOA) at \$18.6M, the Department of Revenue and Taxation at \$11.6M, the Office of the Governor and Lieutenant Governor at \$6.1M and other agencies. The other branches of government are also included under General Government with the Unified Courts of Guam at \$30.9M and the Guam Legislature at \$7.7M.
- Protection of life and property is the third largest category at \$80.5M, of which the Guam Fire Department is the largest at \$28M, followed by the Guam Police Department at \$24.5M, and the Department of Corrections at \$16.5M. The Office of the Attorney General, the Department of Youth Affairs, the Chief Medical Examiner and the Public Defender are also included in this category.
- The next category is Debt Service, which was \$74M compared to \$56.6M in FY 2011.

- The fifth category was Public Health expenditures at \$44M comprised of payments to GMHA of \$23.4M, Department of Mental Health of \$15.8M, and other health-related expenditures.
- Retiree payments of \$43.7M was comprised of healthcare premiums of \$22.6M, COLA of \$18.8M, and other payments.
- Miscellaneous expenditures of \$29M were interest on tax refunds of \$11.2M, and unbudgeted expenditures, including the merit bonus payments of \$9.4M, the Lada Estate judgment of \$2.9M, and other obligations.

FY 2012 Expenditures	(in 000's)
Public Education	\$ 257,934
General Government	\$ 86,499
Protection of Life and Property	\$ 80,457
Debt Service	\$ 73,963
Public Health	\$ 44,027
Retiree Payments	\$ 43,707
Interest on Tax Refunds	\$ 11,171
Merit Bonus	\$ 9,386
Other	\$ 8,490
<b>Total Expenditures</b>	<b>\$ 615,634</b>



### Comprehensive Annual Financial Report (CAFR)

The Organic Act requires GovGuam to submit to Congress and the Interior Secretary a CAFR conforming to the standards of the National Council on Governmental Accounting within 120 days after the close of each fiscal year. GovGuam has not complied with this requirement. DOA undertook this effort in FY 2012 and began generating and compiling information for the development of the first-ever CAFR. DOA recently contracted a firm to assist them.

### Compliance

Please refer to OPA's Compliance Highlights for a separate commentary on the Single Audit Report and Management Letter. For a more detailed commentary of GovGuam's operations, refer to the Management's Discussion and Analysis in the report or visit [www.guamopa.org](http://www.guamopa.org).