



Guam Department of Education FY 2014 Financial Highlights

May 5, 2015

The Guam Department of Education (GDOE) closed Fiscal Year (FY) 2014 with a \$26 million (M) decrease (deficit) in fund balance from \$11.7M in FY 2013 to negative \$14.2M in FY 2014. The decrease in fund balance was due primarily to the \$20.7M in American Recovery and Reinvestment Act (ARRA) State Fiscal Stabilization Funds project expenditures paid out during FY 2014. In FY 2011, GDOE received \$60M from the ARRA grants intended for capital projects. Due to the lack of shovel-ready projects, GDOE was authorized to first use the funds for school-based payroll in exchange for local funds to be used to pay for the originally identified projects. As a result, GDOE had surpluses of \$59M in FY 2011 and \$8.2M in FY 2012. FY 2013 reflected a deficit of \$32.8M, which was due to capital project expenditures.

While overall federal grant expenditures declined by \$7M to \$62.5M compared to \$69.6M in FY 2013, the largest reduction of \$7.5M was due to Congress' non-reauthorization of ARRA grants. On the other hand, GDOE received an increase of \$347 thousand (K) from the U.S. Department of Agriculture and \$184K from the U.S. Department of Health and Human Services.

GDOE received an unmodified (clean) opinion on its financial statements and compliance reports from its independent auditors, Deloitte & Touche, LLP. However, in order to receive the clean opinion on its financial statements, 15 audit adjustments were made that cumulatively increased GDOE's fund balance by \$4.5M. In addition, the auditors proposed audit adjustments to correct a \$1.4M overstatement of the federal grants liabilities, but GDOE determined it was immaterial and did not make the correction.

Revenues and Expenditures

GDOE's revenues totaled \$295.6M, of which \$234.1M were local funds and \$61.5M were federal funds. The original local appropriations of \$222.6M increased by \$17.7M compared to the FY 2013 original budget levels. Of the \$17.7M increase, \$9.6M was new authorized spending for:

- Okkodo High School Expansion;
- Simon Sanchez High School (SSHS) repair or replacement;
- School security;
- George Washington High School Track repair;
- Government of Guam (GovGuam) Competitive Wage Act implementation; and
- Y Kuantan Salappe Prinsepat (Principal's Fund).

GDOE's expenditures totaled \$399.6M, of which \$338.1M were local funds and \$61.5M were federal funds. Local expenditures went from \$254M to \$338.1M, an increase of \$84M due primarily to the recognition of the Tiyon Campus lease acquisition, school lease payments, and transfer of funds to the Guahan Academy Charter School.

Within the local expenditures, \$3.7M represents the operating lease of the Tiyan campus (paid via tax credits) and the \$7.2M annual debt service lease payment of John F. Kennedy High School. Meanwhile, the annual debt service lease payment of \$7.1M for Okkodo High, Astumbo Middle, Adacao Elementary, and Liguán Elementary schools was paid from U.S. Department of the Interior's Compact Impact funds. In FY 2014, total annual lease/debt service payments for these schools amounted to \$21.2M, plus additional rent costs (insurance and maintenance) of \$4M. Currently, there are discussions regarding a similar lease-back funding arrangement for the repair or replacement of SSHS.

\$87.1M Tiyan Properties

In December 2013, GovGuam exercised the option to purchase the Tiyan properties for \$87.1M in the form of tax credits over a period of 25 years, which included the original school campus and the extended facilities, such as new office buildings, warehouses, a gymnasium, collateral equipment, and land. Subsequently, the new Tiyan High School (where the temporary Untalan Middle School was housed) was opened and GDOE's central operations were relocated from Hagatna. Repayment in the form of tax credits will only apply for lease amounts due thru January 2015 to include collateral equipment. Effective February 2015, rent and additional rent due will be paid in the form of cash instead of tax credits.

No Charge for Student Meals

During school year (SY) 2013-2014, nine schools were under the Child Nutrition Program's Community Eligibility Program that served meals to all students at no charge. During SY 2014-2015, GDOE opted to increase the number of schools serving free student meals to 21. Of the 21 schools, 14 were elementary, 4 were middle, and 3 were high schools. GDOE noted an increase in Food Management Services from \$12.8M in FY 2013 to \$12.9M in FY 2014.

Charter School Funding

The Guahan Academy Charter School received \$2.8M in FY 2014 compared to \$688K in the prior year. In December 2014, the FY 2015 Budget Act (Public Law 32-219) increased the capped allotment for the Guahan Academy Charter School (from \$2.9M to \$3.3M) and provided an additional capped authorization to nearly \$2M for iLearn Charter School, totaling \$5.3M from GDOE's FY 2015 appropriations.

Governmental Accounting Statement- Pension Liability

The Government Accounting Standards Board (GASB) has issued several statements to be implemented in the next few years. The implementation of GASB Statement No. 68 related to *Accounting and Financial Reporting for Pensions* will result in significant changes in the financial statements as GDOE will be required to report its pro rata share of \$398.4M of GovGuam's pension liability of \$1.3 billion as of FY 2013.

For a more detailed discussion on GDOE's operations, see the Management's Discussion and Analysis in the audit report, as well as the reports in their entirety, at www.opaguam.org.