



## **Guam Department of Education FY 2015 Financial Highlights**

June 09, 2016

The Guam Department of Education (GDOE) closed Fiscal Year (FY) 2015 with a \$332 thousand (K) increase in fund balance compared to a \$26M decrease in FY 2014. This was primarily due to capital expenditures of \$20.7M in FY 2014 for projects funded by the American Recovery and Reinvestment Act funds. In FY 2015, capital expenditures were only \$1.3M.

Independent auditors Deloitte & Touche, LLP issued an unmodified (clean) opinion on GDOE's financial statements. However, in order to receive the clean opinion on its financial statements, three audit adjustments were made that cumulatively decreased GDOE's fund balance by \$762K. In addition, there were 12 audit adjustments on a government wide level. GDOE remains a high-risk grantee with the U.S. Department of Education (USDOE) for the past 13 consecutive years, which will be discussed further in the compliance report that will be issued separately.

### **GDOE Hires 216 Employees**

The number of employees increased by 192, from 3,705 as of pay period ending October 4, 2014 to 3,897 as of pay period ending October 3, 2015. Locally funded employees increased by 151 and federally funded employees increased by 65. These increases were offset by the decrease in locally/federally funded employees of 24. Employees counted as locally/federally funded were primarily locally funded elementary teachers who also participated in the federally funded after-school program, ASPIRE.

Salaries and benefits, including retirement and retiree healthcare benefits, represent a primary component of GDOE expenditures, accounting for \$226.2M or 71.5% of total (federal and local) expenditures in FY 2015. Of the total salaries and benefits expenditures, 85% or \$191.5M was locally funded and \$34.7M was federally funded. In comparison to FY 2014, these expenditures increased by 4% or \$8.7M (\$7M local and \$1.7M federal).

### **School Leases**

GDOE has several capital lease agreements for schools and properties that total \$232.3M. The top three lease agreements are John F. Kennedy High School at \$65.7M, followed by Okkodo High School and Expansion of \$65.4M, and Tiyan High School and GDOE's Tiyan properties of \$55.2M. The remaining lease agreements include Astumbo Middle School (\$18.4M), Adacao Elementary School (\$14.5M), and Liguán Elementary School (\$13.1M). Total annual lease payments are \$24.5M and is expected to decrease to \$23.5M in FY 2016. However, annual lease payments for Tiyan is expected to increase from \$6.4M to \$7.3M.

### **Third Party Fiduciary Agent (TPFA) Transition Out**

FY 2015 marked the third year GDOE incurred local expenditures associated with addressing its high risk status by USDOE. Special Conditions required the financial management functions of USDOE grants to be supervised by the TPFA. USDOE's Risk Management's visit in the summer

of 2015, affirmed continued improvement has been made and encouraged GDOE to consider requesting the Special Conditions be amended. During FY 2015, GDOE and the TPFA developed transition plans to determine what resources and activities are necessary should the requirement for the TPFA be reduced in scope or removed.

### **Governmental Accounting Statement- Pension Liability**

The implementation of GASB 68 related to Accounting and Financial Reporting for Pensions in FY 2015 resulted in the restatement of GDOE's financial statements for FY 2014, recognizing GDOE's pro rata share of the Government of Guam's (GovGuam) net pension liability. Per the Government of Guam Retirement Fund, GovGuam's pension liability of \$1.3 billion (B) in FY 2014 was reduced to \$1.2B in FY 2015. GDOE's pro rata share decreased by \$38.1M, going from \$400.4M in FY 2014 to \$362.3M in FY 2015. The pension liability net effect for FY2014 and FY2015 is \$13.7M and \$30.5M respectively.

### **Management Letter**

Independent auditors issued a management letter containing six findings relating to: (1) differences between GDOE and GovGuam procurement policy for bidding time; (2) the review and approval of final budget balances; (3) controls needed to verify that disposals and construction in progress are timely reported; (4) personnel action forms need to be processed in a timely manner; (5) general ledger reconciliation; and (6) providing education relative to competitive procurement, adequacy of disbursement documentation, receipt preparation, timely bank deposits and performance of periodic bank reconciliations for non-appropriated funds. Finding number (6) was a prior year compliance finding, but was downgraded in FY 2015 to a management letter comment because of the improved monitoring of non-appropriated funds.

### **Compliance Report**

The 2015 Single Audit report will be issued at a later date.

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](http://www.opaguam.org).