

*Financial Statements, Required Supplementary Information,
Supplementary and Other Information,
and Compliance and Internal Control*

**Government of Guam
Guam Highway Special Revenue Fund
and Capital Projects Fund**
(Governmental Funds of the Government of Guam)

*Year ended September 30, 2020
with Report of Independent Auditors*



Government of Guam
Guam Highway Special Revenue Fund and Capital Projects Fund
(Governmental Funds of the Government of Guam)

Financial Statements, Required Supplementary Information,
Supplementary and Other Information, and Compliance and Internal Control

Year ended September 30, 2020

Contents

Report of Independent Auditors	1
Management’s Discussion and Analysis.....	4
Financial Statements	
Balance Sheets	10
Statements of Revenues, Expenditures and Changes in Fund Balances.....	11
Notes to Financial Statements	12
Supplementary and Other Information	
Schedule 1 – Comparative Balance Sheets	19
Schedule 2 – Comparative Statements of Revenues, Expenditures by Function and Changes in Fund Balances	20
Schedule 3 – Comparative Statements of Revenues, Expenditures by Object and Changes in Fund Balances	21
Schedule 4 – Schedule of Expenditures by Department by Object	22
Schedule 5 – Schedule of Construction Project Status	24
Schedule 6 – Other Supplementary Information	25
Compliance and Internal Control	
Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	26



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Report of Independent Auditors

Honorable Lou Leon Guerrero
Governor of Guam

Report on the Financial Statements

We have audited the accompanying financial statements of the Guam Highway Special Revenue Fund and Capital Projects Fund related to the Government of Guam Limited Obligation Highway Refunding Bonds, 2001 Series A (the Funds), which comprise the balance sheet as of September 30, 2020, and the related statement of revenues, expenditures, and changes in fund balances for the year then ended, and the related notes to the financial statements, which collectively comprise the Funds' financial statements as listed in the table on contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; 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 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 of 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 Guam Highway Special Revenue Fund and Capital Projects Fund related to the Government of Guam Limited Obligation Highway Refunding Bonds, 2001 Series A, as of September 30, 2020, and the results of their operations for the year then ended in conformity with U.S. generally accepted accounting principles.

Emphasis of Matter

Reporting Entity

As discussed in Note 1 to the financial statements, the financial statements referred to above present only the Guam Highway Special Revenue Fund and Capital Projects Fund related to the Government of Guam Limited Obligation Highway Refunding Bonds, 2001 Series A and are not intended to present fairly the financial position and results of operations of the Government of Guam in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Coronavirus Pandemic Economic Uncertainty

As discussed in Note 5 to the financial statements, the coronavirus pandemic has resulted in an economic uncertainty that could have an adverse impact on the future operations of the Funds. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 4 through 9 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the 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, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Funds' financial statements. The supplementary and other information included in pages 19 through 25 is presented for purposes of additional analysis and is not a required part of the financial statements.

Supplementary and Other Information, continued

The 2020 supplementary and other information included in pages 19 through 23 is the responsibility of the Funds' management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States. In our opinion, the 2020 information on pages 19 through 23 is fairly stated, in all material respects, in relation to the financial statements as a whole.

The 2019 information on pages 19 through 23 as well as the additional information on pages 24 through 25 have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated March 31, 2021, on our consideration of the Funds' 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 the Funds' 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 the Funds' internal control over financial reporting and compliance.

Ernst + Young LLP

March 31, 2021

Government of Guam
Guam Highway Special Revenue Fund and Capital Projects Fund
(Governmental Funds of the Government of Guam)

Management's Discussion and Analysis

Our discussion and analysis of the Government of Guam (GovGuam) Guam Highway Special Revenue Fund and Capital Projects Fund related to the GovGuam Limited Obligation Highway Refunding Bonds, 2001 Series A, provides an overview of financial activities for the fiscal years ended September 30, 2020 and 2019. Please read it in conjunction with the financial statements, which follow this section.

1. Financial Highlights

For the fiscal year ended September 30, 2020, the combined fund balance decreased by \$5,231,235 (or 79%) from an ending fund balance of \$6,612,973 in 2019 to \$1,381,738 in 2020.

During the years ended September 30, 2020 and 2019, total combined expenditures for governmental fund operations were \$25,007,063 and \$20,490,049, including expenditures for GovGuam's Department of Public Works of \$11,953,350 and \$8,554,040, respectively; expenditures for the Mayors' Council of Guam operations of \$7,866,111 and \$5,449,575 respectively; expenditures associated with Guam Regional Transit Authority operations of \$2,273,455 and \$2,590,815, respectively; expenditures for the Guam Police Department of \$1,166,153 and \$1,173,569, respectively; payments for utility costs associated with the operation of public streetlights of \$0 and \$837,763, respectively; and other legislatively mandated payments to Better Public Service Fund of \$833,656 and \$1,074,070, respectively. These expenditures were funded mainly by Liquid Fuel Tax revenue collections and Vehicle Registration/Drivers' License fees collected during the years ended September 30, 2020 and 2019 of \$20,086,824 and \$25,218,795, respectively.

Total expenditures increased by \$4,517,014 (or 22%) from 2019 to 2020, which included increases of: \$3,399,310 for expenditures by Department of Public Works and \$2,416,536 for Mayors' Council of Guam operations. Decreases include public education with \$508,860, \$317,360 with Guam Regional Transit Authority, \$222,425 with the Department of Administration, and \$216,695 with the Office of the Governor. Total combined revenues decreased by \$5,130,793 (or 20%) from \$25,221,094 in 2019 to \$20,090,301 in 2020 due primarily to a decreased presence of motor traffic as a result of the coronavirus pandemic ceasing much of economic drivers in Guam.

During the year ended September 30, 2020, the Guam Highway Special Revenue Fund generated an operating deficit of \$(4,916,762) compared with an operating surplus of \$4,731,045 for the year ended September 30, 2019.

Government of Guam
Guam Highway Special Revenue Fund and Capital Projects Fund
(Governmental Funds of the Government of Guam)

Management's Discussion and Analysis, continued

2. Overview of the Financial Statements

The financial statements include all of the activities of the Guam Highway Special Revenue Fund and Capital Projects Fund related to the GovGuam Limited Obligation Highway Refunding Bonds, 2001 Series A proceeds. The financial statements present balance sheets and statements of revenues, expenditures, and changes in fund balance. The assets, liabilities and fund balances of these funds are reported in self-balancing funds.

The financial statements have been prepared in accordance 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. The financial statements 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. Expenditures generally are recorded in the period in which the related fund liability is incurred, in compliance with accrual accounting, with the exception of debt service expenditures, which are recorded only when payment is due.

The notes to the financial statements include additional information needed to provide a further understanding of the financial statements.

In addition to the financial statements and accompanying notes, this report also presents certain other financial information to further assist the reader in understanding the financial statements.

Government of Guam
Guam Highway Special Revenue Fund and Capital Projects Fund
(Governmental Funds of the Government of Guam)

Management's Discussion and Analysis, continued

3. Financial Statement Analysis

Balance Sheets

The balance sheets present information on assets, liabilities and fund balance at year-end. A condensed summary of the balance sheets is shown below:

	September 30,	
	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$4,432,153	\$3,412,580
Tax receivables	926,952	1,104,309
Due from General Fund	<u>175,899</u>	<u>3,614,394</u>
Total assets	<u>\$5,535,004</u>	<u>\$8,131,283</u>
Liabilities		
Accounts payable and other	\$1,172,035	\$1,518,310
Due to other Government Fund	292,028	---
Due to General Fund	<u>2,689,203</u>	<u>---</u>
Total liabilities	<u>4,153,266</u>	<u>1,518,310</u>
Fund Balances		
Restricted	175,899	175,899
Committed	<u>1,205,839</u>	<u>6,437,074</u>
Total fund balances	<u>1,381,738</u>	<u>6,612,973</u>
Total liabilities and fund balances	<u>\$5,535,004</u>	<u>\$8,131,283</u>

Total assets decreased by \$2,596,279 (or 32%) from \$8,131,283 in 2019 to \$5,535,004 in 2020.

Total fund balances decreased by \$5,231,235 during 2020 from \$6,612,973 to \$1,381,738. Of the total fund balance amounts presented at each respective fiscal year end, certain restrictions limit the availability of fund resources for future use. Specifically, fund balances are restricted by the bond indenture associated with the Limited Obligation Highway Refunding Bond, 2001 Series A, wherein these funds are restricted for highway related projects.

The Limited Obligation Highway Refunding Bond, 2001 Series A, was originally set to mature on May 1, 2012. On October 28, 2011, GovGuam redeemed the \$5,765,000 of bonds outstanding. Funds were transferred to the trustee for the final payment of the bonds in May. There is a residual balance in the Capital Projects Fund. These funds will be used to complete the projects originally specified in the GovGuam Limited Obligation Highway Bonds, 1992 Series A, and the GovGuam Limited Obligation Highway Refunding Bonds, 2001 Series A.

Government of Guam
Guam Highway Special Revenue Fund and Capital Projects Fund
(Governmental Funds of the Government of Guam)

Management's Discussion and Analysis, continued

3. Financial Statement Analysis, continued

Statements of Revenues, Expenditures and Changes in Fund Balances

The statements of revenues, expenditures and changes in fund balance show the effect of revenues and expenditures on fund balance for the year. The statements of revenues, expenditures and changes in fund balances are summarized as follows:

	September 30,	
	<u>2020</u>	<u>2019</u>
Revenues:		
Liquid fuel taxes	\$ 11,680,493	\$14,428,018
License, fees and permits	8,406,331	10,790,777
Use of money and property	<u>3,477</u>	<u>2,299</u>
Total revenues	<u>20,090,301</u>	<u>25,221,094</u>
Expenditures:		
Current:		
General government	874,252	1,099,034
Individual and collective rights	7,866,111	5,449,575
Protection of life and property	1,166,153	1,173,569
Public education	40,086	548,946
Transportation	11,953,350	8,554,040
Guam Regional Transit Authority	2,273,455	2,590,815
Payments to Better Public Service Fund	<u>833,656</u>	<u>1,074,070</u>
Total expenditures	<u>25,007,063</u>	<u>20,490,049</u>
(Deficiency) excess of revenues (under) over expenditures	(4,916,762)	4,731,045
Transfers out to other Fund	<u>(314,473)</u>	<u>----</u>
Net change in fund balances	<u>\$ (5,231,235)</u>	<u>\$ 4,731,045</u>

Government of Guam
Guam Highway Special Revenue Fund and Capital Projects Fund
(Governmental Funds of the Government of Guam)

Management's Discussion and Analysis, continued

3. Financial Statement Analysis, continued

Statements of Revenues, Expenditures and Changes in Fund Balances, continued

Total revenues collected decreased by \$5,130,793 (or 20%) from \$25,221,094 in 2019 to \$20,090,301 in 2020. The decreases are in liquid fuel taxes, licenses, fees and permits and show changes of \$2,747,525 and \$2,384,446, respectively. Total expenditures increased by \$4,517,014 (or 22%) from \$20,490,049 in 2019 to \$25,007,063 in 2020. The change was due to increases in Guam Legislature appropriations. Appropriations authorized by the Guam Legislature from the Guam Highway Special Revenue Fund are as follows:

	<u>2020</u>	<u>2019</u>
Department of Administration (includes street light utility costs)	\$ 874,252	\$ 856,263
Department of Public Works (includes bus operations)	12,299,195	14,227,044
Guam Police Department	1,690,176	1,196,817
Mayors' Council of Guam	6,237,363	5,443,701
Guam Regional Transit Authority	2,853,159	2,764,796
Bureau of Budget and Management Research	---	26,077
Better Public Service Fund	856,408	990,058
Public Transit Fund	<u>383,571</u>	<u>456,392</u>
	<u>\$25,194,124</u>	<u>\$25,961,148</u>

4. Capital Assets

In 2014, Public Law 32-41 authorized the acquisition of property from the Guam Highway Special Revenue Fund for the Tiyan Parkway Project. During the year ended September 30, 2014, land acquisitions from the Guam Highway Special Revenue Fund amounted to \$1,760,000. Other expenditures associated with the Tiyan Parkway Project were funded in 2015 by federal grants awarded by the U.S. Department of Transportation Federal Highway Administration. No further expenditures associated with this project were incurred in 2016 through 2020.

5. Outlook, Challenges and Opportunities

Public Law 34-44, passed on October 12, 2017, created additional revenue for village road repair and construction projects by increasing the liquid fuel tax rates by four cents (\$0.04) per gallon, effective January 1, 2018.

Government of Guam
Guam Highway Special Revenue Fund and Capital Projects Fund
(Governmental Funds of the Government of Guam)

Management's Discussion and Analysis, continued

5. Outlook, Challenges and Opportunities, continued

The COVID-19 pandemic has affected the level of revenues available to this fund. Restrictions on businesses to prevent the spread of the virus and the reduction in economic activity associated with the sudden and drastic loss of tourist revenues impacted fund income. Additionally, certain paid fees were waived for vehicle registration renewals resulting in some deferral of income. Continued reductions in revenues may be expected in the health emergency.

Since the liquid fuel tax is levied per gallon, variations in consumption driven by increases or decreases in the prices charged for liquid fuels may impact the revenues earned by Guam Highway Special Revenue Fund either adversely or favorably.

6. Contacting Government of Guam Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the finances of the Guam Highway Special Revenue Fund and Capital Projects Fund to demonstrate accountability for money received and expended. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Director's Office, Department of Administration, Attention: Edward Birn, Director, P.O. Box 884, Hagatna, Guam 96932. Telephone No.: (671) 475-1101/1250, Email: edward.birn@doa.guam.gov; Website address: www.doa.guam.gov.

Government of Guam
Guam Highway Special Revenue Fund and Capital Projects Fund
(Governmental Funds of the Government of Guam)

Balance Sheets

September 30, 2020

	<u>Guam Highway Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 4,432,153	\$ ---	\$ 4,432,153
Taxes receivable	926,952	---	926,952
Due from General Fund	---	<u>175,899</u>	<u>175,899</u>
Total assets	<u>\$ 5,359,105</u>	<u>\$ 175,899</u>	<u>\$ 5,535,004</u>
Liabilities			
Accounts payable	\$ 290,806	\$ ---	\$ 290,806
Due to General Fund	2,689,203	---	2,689,203
Due to other Government Fund	292,028	---	292,028
Accrued payroll and other	151,420	---	151,420
Deposits and other liabilities	<u>729,809</u>	<u>---</u>	<u>729,809</u>
Total liabilities	<u>4,153,266</u>	<u>---</u>	<u>4,153,266</u>
Fund Balances			
Fund Balances:			
Restricted for:			
Capital projects	---	175,899	175,899
Committed for:			
Highway operations	<u>1,205,839</u>	<u>---</u>	<u>1,205,839</u>
Total fund balances	<u>1,205,839</u>	<u>175,899</u>	<u>1,381,738</u>
Total liabilities and fund balances	<u>\$ 5,359,105</u>	<u>\$ 175,899</u>	<u>\$ 5,535,004</u>

See accompanying notes.

Government of Guam
Guam Highway Special Revenue Fund and Capital Projects Fund
(Governmental Funds of the Government of Guam)

Statements of Revenues, Expenditures and Changes in Fund Balances

Year ended September 30, 2020

	<u>Guam Highway Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Revenues:			
Taxes	\$ 11,680,493	\$ ---	\$ 11,680,493
Licenses, fees and permits	8,406,331	---	8,406,331
Use of money and property	<u>3,477</u>	<u>---</u>	<u>3,477</u>
Total revenues	<u>20,090,301</u>	<u>---</u>	<u>20,090,301</u>
Expenditures:			
Current:			
Transportation	11,953,350	---	11,953,350
Individual and collective rights	7,866,111	---	7,866,111
Guam Regional Transit Authority	2,273,455	---	2,273,455
Protection of Life and Property	1,166,153	---	1,166,153
General government	874,252	---	874,252
Payments to Better Public Service Fund	833,656	---	833,656
Public education	<u>40,086</u>	<u>---</u>	<u>40,086</u>
Total expenditures	<u>25,007,063</u>	<u>---</u>	<u>25,007,063</u>
Deficiency of revenues under expenditures	(4,916,762)	---	(4,916,762)
Transfers out to other Fund	<u>(314,473)</u>	<u>---</u>	<u>(314,473)</u>
Net change in fund balances	(5,231,235)	---	(5,231,235)
Fund balances at beginning of the year	<u>6,437,074</u>	<u>175,899</u>	<u>6,612,973</u>
Fund balances at the end of the year	<u>\$ 1,205,839</u>	<u>\$ 175,899</u>	<u>\$ 1,381,738</u>

See accompanying notes.

Government of Guam
Guam Highway Special Revenue Fund and Capital Projects Fund
(Governmental Funds of the Government of Guam)

Notes to Financial Statements

Year ended September 30, 2020

1. Summary of Significant Accounting Policies

The accompanying financial statements have been prepared in accordance 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. The following is a summary of the significant accounting policies used by the Guam Highway Special Revenue Fund and Capital Projects Fund.

Reporting Entity

The Government of Guam (GovGuam) Guam Highway Special Revenue Fund, created by 5 GCA 54102, was established for the purpose of performing maintenance of Guam's highways and roadways, and implementing highway safety plans, programs and projects. Revenues are derived from liquid fuel taxes, vehicle registration fees and certain licenses. On April 1, 2001, Limited Obligation Highway Refunding Bonds, 2001 Series A, were issued to refund Limited Obligation Highway Bonds, 1992 Series A, which were issued on June 1, 1992. The Capital Projects Fund is used to account for the construction of highway projects from bond proceeds. The Limited Obligation Highway Refunding Bond, 2001 Series A, matured on May 1, 2012.

These funds are considered to be governmental funds and are presented as blended component units of GovGuam.

Fund Accounting

The accompanying financial statements present a balance sheet and a statement of revenues, expenditures, and changes in fund balances. The assets, liabilities and fund balances of the Guam Highway Special Revenue Fund and Capital Projects Fund related to the Limited Obligation Highway Refunding Bonds, 2001 Series A, are reported in self-balancing funds. Transactions between funds, if any, have not been eliminated.

Government of Guam
Guam Highway Special Revenue Fund and Capital Projects Fund
(Governmental Funds of the Government of Guam)

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Measurement Focus and Basis of Accounting

The accompanying financial statements 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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are considered available if they are collected within 90 days of the end of the current fiscal period. Revenues susceptible to accrual include liquid fuel taxes and automotive surcharges. Miscellaneous revenues from other financing sources, including motor vehicle license and registration fees, are recognized when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures generally are recorded in the period in which the related fund liability is incurred, as under accrual accounting, with the exception of debt service expenditures, which are recorded only when payment is due. Tax rates levied and fees imposed are as follows:

Liquid Fuel Taxes:

Aviation Fuel Tax	\$0.08 per gallon
Diesel Fuel Tax	\$0.14 per gallon
All Other Fuel Tax	\$0.15 per gallon

Automotive Surcharges:

Automotive Surcharge (all fuel except diesel and fuel used for aviation)	\$0.04 per gallon
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Motor Vehicle Registration Fees/Driver's Licenses:

Taxi Drivers - Identification Card	\$25.00
Endorsement	<u>3.50</u>
Total for Taxi Drivers	<u>\$28.50</u>
Driver's License (and all others)	<u>\$25.00</u>
Driver's License Renewal:	
Three-Year license	<u>\$25.00</u>
Five-Year license	<u>\$45.00</u>

Government of Guam
Guam Highway Special Revenue Fund and Capital Projects Fund
(Governmental Funds of the Government of Guam)

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Measurement Focus and Basis of Accounting, continued

The amount of the annual vehicle registration fee shall be determined based on vehicle gross weight with fees ranging from \$20 to \$58 for vehicles weighing under 1,000 pounds to 8,000 pounds and over plus three dollars and fifty cents (\$3.50) for each 500 pounds or fraction thereof in excess of 7,999 pounds. Additionally, fees are subject to percentage adjustments based on vehicle model year with respect to vehicles whose gross weight is not in excess of 7,999 pounds, as follows:

<u>Model Year</u>	<u>Percent of Fees</u>
1949 and earlier	50%
1950 through 1953	75%
1954 and subsequent	100%

Vehicles having a gross weight of one hundred forty thousand (140,000) pounds or more, and which are used temporarily or intermittently, may be issued a permit, in lieu of the annual license and registration, for a period not to exceed thirty (30) consecutive days. The fee for each thirty (30) consecutive day period or any fraction thereof shall be two hundred dollars (\$200).

In lieu of all other license and registration fees, implements of husbandry and road building and construction equipment other than motor trucks, trailers, semi-trailers and pole or pipe dollies, operated on highways only in moving from one site to another, shall be subject to annual registration. The fee for such registration shall be Five Dollars (\$5) for each one thousand (1,000) pounds of gross weight of said vehicles.

Appropriations

The Attorney General of Guam has opined that legislative appropriations sufficient to cover debt service and operating and maintenance costs are consciously provided for under Public Law 18-2 and Resolution 75, adopted on April 23, 1985.

Budgetary Process

Legislation requires the Governor to present a proposed budget to the Legislature at the beginning of each annual session. The Legislature enacts the budget through passage of specific departmental appropriations. Before signing the Appropriations Act, the Governor may veto or reduce any specific appropriation, subject to legislative override. Once passed and signed, the budget becomes the financial plan for the ensuing fiscal year. Supplemental appropriations for specific purposes are made throughout the year.

Government of Guam
 Guam Highway Special Revenue Fund and Capital Projects Fund
 (Governmental Funds of the Government of Guam)

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Budgetary Process, continued

Encumbrances are commitments related to unperformed (executory) contracts for goods or services and are generally evidenced by outstanding purchase orders, contracts, and intradepartmental work requests. Encumbrances outstanding at year end are reported within the fund balance classifications since they do not constitute expenditures or liabilities. Unencumbered appropriations normally lapse at the end of each fiscal year unless they are designated by the Legislature as representing continuing appropriations. At September 30, 2020, significant encumbrances are summarized as follows:

Guam Highway Special Revenue <u>Fund</u>	Capital Projects <u>Fund</u>	<u>Total</u>
\$ <u>2,492,412</u>	\$ <u>---</u>	\$ <u>2,492,412</u>

Cash and Cash Equivalents

Cash and cash equivalents includes cash held in demand deposit accounts.

Receivables

Receivables are due from businesses residing on the island of Guam and are uncollateralized and non-interest bearing.

GovGuam General Fund Receivables/Payables

During the course of its operations, GovGuam's General Fund records transactions between individual funds for goods provided or services rendered. These balances result from the time lag between the dates that (1) 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. At September 30, 2020, outstanding balances are as follows:

	Guam Highway Special Revenue <u>Fund</u>	Capital Projects <u>Fund</u>	<u>Total</u>
Due from General Fund	\$ <u>---</u>	\$ <u>175,899</u>	\$ <u>175,899</u>
Due to General Fund	\$ <u>2,689,203</u>	\$ <u>---</u>	\$ <u>2,689,203</u>

Government of Guam
Guam Highway Special Revenue Fund and Capital Projects Fund
(Governmental Funds of the Government of Guam)

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Fund Balance

Governmental fund balances are classified as follows:

Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and do not lapse at year-end.

Restricted/committed amounts are spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this.

A formal minimum fund balance policy has not been adopted.

Management Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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 the financial statements of the Guam Highway Special Revenue Fund and Capital Projects Fund related to the Government of Guam Limited Obligation Highway Refunding Bonds, 2001 Series A, for the year ended September 30, 2019 from which summarized information was derived.

Government of Guam
Guam Highway Special Revenue Fund and Capital Projects Fund
(Governmental Funds of the Government of Guam)

Notes to Financial Statements, continued

2. Deposits

The deposit and investment policies of GovGuam are governed by 5 GCA 21, *Investments and Deposits*, in conjunction with applicable bond indentures. The Director of Administration is responsible for the safekeeping of all monies paid into the Treasury of Guam. The Director of Administration invests any monies of GovGuam that are deemed not necessary for immediate use. Legally authorized investments include securities issued or guaranteed by the U.S. Treasury or agencies of the United States government; demand and time deposits in or certificates of deposit of, or bankers' acceptances issued by, any eligible institution; corporate debt obligations, including commercial paper; certain money market funds; state and local government securities, including municipal bonds; and repurchase and investment agreements. With the exception of investments in U.S. government securities, which are explicitly or implicitly guaranteed by the United States government, all other investments must be rated Aa1/P-1 by Moody's.

Custodial credit risk is the risk that in the event of a bank failure, the entity'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 financial institution but not in the depositor-government's name.

As of September 30, 2020, the carrying amount of cash and cash equivalents was \$4,432,153 and the corresponding bank balance was \$3,412,580, which is maintained in a financial institution subject to insurance coverage by the Federal Deposit Insurance Corporation (FDIC). As of September 30, 2020, bank deposits in the amount of \$250,000 were FDIC insured. GovGuam does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

3. Payments to Other Fund

During the year ended September 30, 2020, \$833,656 was transferred to the Better Public Service Fund in accordance with Public Law 29-2.

4. Commitments

The Guam Legislature appropriated \$2,254,413 from the Capital Projects Fund in accordance with Public Law 30-216 for the purpose of refurbishing Department of Public Works buses requiring major repairs, performing overdue preventative maintenance services, purchasing maintenance tools and equipment needed to effectively maintain the buses, repair bus stations, build bus shelters, and to repair public safety vehicles as specified in the Public Law 30-216.

Government of Guam
Guam Highway Special Revenue Fund and Capital Projects Fund
(Governmental Funds of the Government of Guam)

Notes to Financial Statements, continued

4. Commitments, continued

Furthermore, the Guam Legislature reprogrammed the sum of \$1,050,000 from the Capital Projects Fund in accordance with Public Law 30-217 to the Department of Public Works for the paving of village streets and the repair of damages to village streets as a result of traffic diversions related to road constructions projects.

As of September 30, 2020, remaining commitments associated with these appropriations amount to \$108,302.

5. Coronavirus Pandemic

On March 11, 2020, the World Health Organization (WHO) categorized the novel coronavirus (COVID-19) as a global pandemic, prompting many national, regional, and local governments, including those of Guam's main tourism markets, to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact on Guam's tourism industry and the operations of the Funds. There continues to be a significant uncertainty around the breadth and duration of disruptions related to COVID-19 as well as its impact on the tourism-based economy of Guam. Accordingly, the Funds are unable at this time to reasonably estimate the potential future impact on the Funds' financial statements.

6. Subsequent Events

The Funds have evaluated subsequent events through March 31, 2021. It is also the date that the financial statements were available to be issued.

Supplementary and Other Information

Government of Guam
Guam Highway Special Revenue Fund and Capital Projects Fund
(Governmental Funds of the Government of Guam)

Comparative Balance Sheets

September 30, 2020 and 2019

	Guam Highway Special Revenue Fund		Capital Projects Fund	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Assets				
Cash and cash equivalents	\$ 4,432,153	\$ 3,412,580	\$ ---	\$ ---
Taxes receivable	926,952	1,104,309	---	---
Due from General Fund	<u>---</u>	<u>3,438,495</u>	<u>175,899</u>	<u>175,899</u>
Total assets	<u>\$ 5,359,105</u>	<u>\$ 7,955,384</u>	<u>\$ 175,899</u>	<u>\$ 175,899</u>
Liabilities				
Accounts payable	\$ 290,806	\$ 63,564	\$ ---	\$ ---
Due to General Fund	2,689,203	---	---	---
Due to other Government Fund	292,028	---	---	---
Accrued payroll and other	151,420	624,960	---	---
Deposits and other liabilities	<u>729,809</u>	<u>829,786</u>	<u>---</u>	<u>---</u>
Total liabilities	<u>4,153,266</u>	<u>1,518,310</u>	<u>---</u>	<u>---</u>
Fund Balances				
Fund Balances:				
Restricted for:				
Capital projects	---	---	175,899	175,899
Committed for:				
Highway operations	<u>1,205,839</u>	<u>6,437,074</u>	<u>---</u>	<u>---</u>
Total fund balances	<u>1,205,839</u>	<u>6,437,074</u>	<u>175,899</u>	<u>175,899</u>
Total liabilities and fund balances	<u>\$ 5,359,105</u>	<u>\$ 7,955,384</u>	<u>\$ 175,899</u>	<u>\$ 175,899</u>

Government of Guam
Guam Highway Special Revenue Fund and Capital Projects Fund
(Governmental Funds of the Government of Guam)

Comparative Statements of Revenues, Expenditures by Function
and Changes in Fund Balances

Years ended September 30, 2020 and 2019

	Guam Highway Special Revenue Fund		Capital Projects Fund	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues:				
Taxes	\$ 11,680,493	\$ 14,428,018	\$ ---	\$ ---
Licenses, fees and permits	8,406,331	10,790,777	---	---
Use of money and property	<u>3,477</u>	<u>2,299</u>	<u>---</u>	<u>---</u>
Total revenues	<u>20,090,301</u>	<u>25,221,094</u>	<u>---</u>	<u>---</u>
Expenditures:				
Current:				
Transportation	11,953,350	8,554,040	---	---
Individual and collective rights	7,866,111	5,449,575	---	---
Guam Regional Transit Authority	2,273,455	2,590,815	---	---
Protection of life and property	1,166,153	1,173,569	---	---
General government	874,252	1,099,034	---	---
Payments to Better Public Service Fund	833,656	1,074,070	---	---
Public education	<u>40,086</u>	<u>548,946</u>	<u>---</u>	<u>---</u>
Total expenditures	<u>25,007,063</u>	<u>20,490,049</u>	<u>---</u>	<u>---</u>
(Deficiency) excess of revenues (under) over expenditures	(4,916,762)	4,731,045	---	---
Transfers out to other Fund	(<u>314,473</u>)	<u>---</u>	<u>---</u>	<u>---</u>
Net change in fund balances	(5,231,235)	4,731,045	---	---
Fund balances at beginning of the year	<u>6,437,074</u>	<u>1,706,029</u>	<u>175,899</u>	<u>175,899</u>
Fund balances at the end of the year	<u>\$ 1,205,839</u>	<u>\$ 6,437,074</u>	<u>\$ 175,899</u>	<u>\$ 175,899</u>

Government of Guam
Guam Highway Special Revenue Fund and Capital Projects Fund
(Governmental Funds of the Government of Guam)

Comparative Statements of Revenues, Expenditures by Object
and Changes in Fund Balances

Years ended September 30, 2020 and 2019

	Guam Highway		Capital	
	Special Revenue Fund		Projects Fund	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues:				
Taxes	\$ 11,680,493	\$ 14,428,018	\$ ---	\$ ---
Licenses, fees and permits	8,406,331	10,790,777	---	---
Use of money and property	<u>3,477</u>	<u>2,299</u>	<u>---</u>	<u>---</u>
Total revenues	<u>20,090,301</u>	<u>25,221,094</u>	<u>---</u>	<u>---</u>
Expenditures:				
Salaries and wages - regular	11,520,914	10,122,240	---	---
Salaries and wages - overtime	593,097	234,751	---	---
Salaries and wages - fringe benefits	4,062,423	3,276,956	---	---
Travel	14,817	10,785	---	---
Contractual services	5,423,254	3,241,102	---	---
Supplies	915,676	901,796	---	---
Equipment	46,359	52,889	---	---
Utilities - power and water	1,477,103	1,424,063	---	---
Communications	42,316	43,889	---	---
Grants and subsidies	833,656	1,074,070	---	---
Capital outlays	71,497	105,772	---	---
Miscellaneous	<u>5,951</u>	<u>1,736</u>	<u>---</u>	<u>---</u>
Total expenditures	<u>25,007,063</u>	<u>20,490,049</u>	<u>---</u>	<u>---</u>
(Deficiency) excess of revenues (under) over expenditures	(4,916,762)	4,731,045	---	---
Transfers out to other Fund	(<u>314,473</u>)	<u>---</u>	<u>---</u>	<u>---</u>
Net change in fund balances	(5,231,235)	4,731,045	---	---
Fund balances at beginning of the year	<u>6,437,074</u>	<u>1,706,029</u>	<u>175,899</u>	<u>175,899</u>
Fund balances at the end of the year	<u>\$ 1,205,839</u>	<u>\$ 6,437,074</u>	<u>\$ 175,899</u>	<u>\$ 175,899</u>

Government of Guam
Guam Highway Special Revenue Fund and Capital Projects Fund
(Governmental Funds of the Government of Guam)

Schedule of Expenditures by Department by Object

Years ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Office of I Maga'lahaen Guahan		
Office of Civil Defense		
Contractual services	\$ ---	\$ <u>216,695</u>
Bureau of Budget and Management Research		
Internal Audit		
Salaries and wages - regular	---	20,021
Salaries and wages - fringe benefits	---	<u>6,055</u>
	<u>---</u>	<u>26,076</u>
Department of Administration		
Division of Accounts		
Contractual services	---	18,500
Utilities - power and water	---	<u>837,763</u>
	<u>---</u>	<u>856,263</u>
Guam Highway Audit		
Contractual Services	<u>18,500</u>	<u>---</u>
Guam Highway Streetlights		
Utilities - power and water	<u>855,752</u>	<u>---</u>
Better Public Service Fund		
Grants and subsidies	<u>833,656</u>	<u>1,074,070</u>
Total Department of Administration	<u>1,707,908</u>	<u>1,930,333</u>
Guam Regional Transit Authority		
Salaries and wages - regular	455,909	389,155
Salaries and wages - overtime	21,357	---
Salaries and wages - fringe benefits	158,795	135,573
Contractual services	1,555,712	1,798,986
Supplies	63,809	239,388
Equipment	8,496	20,753
Communication	4,307	5,302
Miscellaneous	<u>5,070</u>	<u>1,658</u>
Total Guam Regional Transit Authority	<u>2,273,455</u>	<u>2,590,815</u>
Guam Police Department		
Highway Patrol Division		
Salaries and wages - regular	896,870	892,957
Salaries and wages - fringe benefits	<u>269,283</u>	<u>280,612</u>
Total Guam Police Department	<u>1,166,153</u>	<u>1,173,569</u>
Department of Education		
Public Education		
Salaries and wages - regular	20,309	392,807
Salaries and wages - fringe benefits	7,362	156,139
Capital outlays	<u>12,415</u>	<u>---</u>
Total Department of Education	<u>40,086</u>	<u>548,946</u>
Department of Public Works		
Office of the Director		
Salaries and wages - regular	901,438	915,098
Salaries and wages - overtime	6,451	---
Salaries and wages - fringe benefits	299,857	285,327
Travel	6,159	5,065
Contractual services	52,451	51,708
Supplies	4,969	8,110
Utilities - power and water	351,149	299,375
Communications	<u>20,400</u>	<u>17,538</u>
	<u>1,642,874</u>	<u>1,582,221</u>

Government of Guam
Guam Highway Special Revenue Fund and Capital Projects Fund
(Governmental Funds of the Government of Guam)

Schedule of Expenditures by Department by Object, continued

Years ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Department of Public Works, continued		
Highway Maintenance Division		
Salaries and wages - regular	1,746,340	1,646,935
Salaries and wages - overtime	322,857	176,784
Salaries and wages - fringe benefits	656,462	585,052
Contractual services	3,468,978	671,563
Supplies	327,923	428,742
Equipment	1,793	10,485
Utilities - power and water	270,202	286,924
Communications	8,776	9,293
Capital outlays	59,082	37,782
Miscellaneous	881	80
	<u>6,863,294</u>	<u>3,853,640</u>
Transportation Division		
Salaries and wages - regular	641,369	674,599
Salaries and wages - overtime	110,412	57,967
Salaries and wages - fringe benefits	239,569	252,121
Travel	8,658	5,719
Contractual services	107,386	65,641
Supplies	496,668	203,488
Equipment	26,972	4,651
Communications	3,871	3,837
Capital outlays	---	67,990
	<u>1,634,905</u>	<u>1,336,013</u>
Building Construction and Facilities Maintenance		
Salaries and wages - regular	419,514	402,983
Salaries and wages - overtime	45,362	---
Salaries and wages - fringe benefits	139,188	134,722
Contractual services	23,821	67,178
Supplies	19,820	17,598
Equipment	9,098	17,000
Communications	2,276	2,256
	<u>659,079</u>	<u>641,737</u>
Employee Transfer		
Salaries and wages - regular	35,763	---
Salaries and wages - fringe benefits	11,164	---
	<u>46,927</u>	<u>---</u>
Capital Improvement Projects Division		
Salaries and wages - regular	673,468	569,990
Salaries and wages - fringe benefits	231,224	209,475
Contractual services	53,145	194,092
Supplies	2,487	4,470
Communications	2,686	5,663
	<u>963,010</u>	<u>983,690</u>
Highway Bonds		
Contractual services	143,261	156,739
	<u>143,261</u>	<u>156,739</u>
Total Department of Public Works	<u>11,953,350</u>	<u>8,554,040</u>
Mayors' Council of Guam		
Operations		
Salaries and wages - regular	5,729,934	4,217,695
Salaries and wages - overtime	86,658	---
Salaries and wages - fringe benefits	2,049,519	1,231,880
Total Mayors' Council of Guam	<u>7,866,111</u>	<u>5,449,575</u>
	<u>\$ 25,007,063</u>	<u>\$ 20,490,049</u>

Government of Guam
Guam Highway Special Revenue Fund and Capital Projects Fund
(Governmental Funds of the Government of Guam)

Schedule of Construction Project Status

Year ended September 30, 2020

	Total Budget	Expenditures Year ended September 30, 2020	Cumulative Expenditures	Outstanding Encumbrances	Continuing Appropriations
Public Law 30-216:					
Repair, restoration and preventive maintenance of DPW school buses	\$ 1,483,033	\$ ---	\$ 1,475,803	\$ ---	\$ 7,230
Public Law 30-217:					
Barrigada village street repairs	419,634	---	419,634	---	---
R.T. Damian Street repairs	279,701	---	178,629	---	101,072
Kinney's Road repairs	227,634	---	227,634	---	---
Jagan Drive repairs	129,217	---	129,217	---	---
Jesus A. Quidachay Street repairs	32,768	---	32,768	---	---
Bill Baza access road	22,071	---	22,071	---	---
	<u>1,111,025</u>	<u>---</u>	<u>1,009,953</u>	<u>---</u>	<u>101,072</u>
	<u>\$ 2,594,058</u>	<u>\$ ---</u>	<u>\$ 2,485,756</u>	<u>\$ ---</u>	<u>\$ 108,302</u>

Government of Guam
Guam Highway Special Revenue Fund and Capital Projects Fund
(Governmental Funds of the Government of Guam)

Other Supplementary Information

September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Employees at end of year:		
Mayors' Council of Guam	193	192
Department of Public Works:		
Office of the Director	18	19
Highway Maintenance Division	51	17
Transportation Division	19	16
Building Construction and Facilities Maintenance	10	9
Capital Improvement Projects Division	3	21
Bus Operations	---	131
Guam Regional Transit Authority	14	8
Guam Police Department:		
Highway Patrol Division	11	12
Bureau of Budget and Management Research	---	1
	<u>319</u>	<u>426</u>

Compliance and Internal Control



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Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Honorable Lou Leon Guerrero
Governor of Guam

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Guam Highway Special Revenue Fund and Capital Projects Fund related to the Government of Guam Limited Obligation Highway Refunding Bonds, 2001 Series A (the Funds), which comprise the balance sheet as of September 30, 2020, and the related statement of revenues, expenditures and changes in fund balances for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 31, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Funds' internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control. Accordingly, we do not express an opinion on the effectiveness of the Funds internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and responses as items 2020-001 and 2020-002 that we consider to be material weaknesses.

Compliance and other matters

As part of obtaining reasonable assurance about whether Funds' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2020-002

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst + Young LLP

March 31, 2021

Government of Guam
Guam Highway Special Revenue Fund and Capital Projects Fund
(Governmental Funds of the Government of Guam)

Schedule of Findings and Responses

Section II – Financial Statement Findings

Findings No.: 2020-001

Criteria

Government Accounting Standards Board (GASB) Codification 1500.117 requires that a government accrue a governmental fund liability and expenditure for most expenditures and transfers in the period in which the government incurs the liability.

Condition

The Guam Highway Revenue Fund did not recognize a liability owed to a vendor for construction services rendered as of September 30, 2020.

Cause

The vendor invoice was not provided to the Funds' management for recording prior to the financial statement close date. There are no systems of controls in place to ensure that services received but which have not been invoiced are timely accrued in the fund financial statements.

Effect or potential effect

An audit adjusting journal entry was recorded to the Guam Highway Special Revenue Fund to correct for the \$1 million understatement in the due to General Fund account and transportation expenditure account.

Recommendation

Fund management should implement controls to ensure timely receipt of vendor statements for services received during the period. This procedure is necessary so that accruals, especially when closing its fiscal year end financial statements, are complete and recorded in the proper accounting period.

View of responsible officials

Timely recording of liabilities is and has been a recurring issue for the Government of Guam. Much of the difficulty can be attributed to the distributed responsibility of financial personnel in the agencies. Department of Administration has advised vendors using a press release that vendor invoices should be sent to DOA/Division of Accounts. This effort will be continuously monitored.

Government of Guam
Guam Highway Special Revenue Fund and Capital Projects Fund
(Governmental Funds of the Government of Guam)

Schedule of Findings and Responses, continued

Section II – Financial Statement Findings, continued

Findings No.: 2020-002

Criteria

Public Law (PL) 35-36 appropriated a total of \$6,237,363 from the Guam Highway Special Revenue Fund to the Mayor's Council of Guam

Condition

Total expenditures from the Guam Highway Special Revenue Fund exceeded the amount appropriated by PL 35-36.

Cause

Expenditures made to the Mayors' Council of Guam that exceeded the amount appropriated pertain to salaries and wages. Expenditures pertaining to salaries and wages are reviewed by the payroll supervisor and funds available are certified by the Mayors' Council of Guam. Management was not notified by the aforementioned parties that total expenditures exceeded the amount appropriated in PL 35-36.

Effect or potential effect

The total expenditures made to the Mayors' Council of Guam exceeded the appropriations.

Recommendation

We recommend that internal controls be set in place to ensure that total expenditures are periodically compared to total appropriations to ensure that such over expenditures do not occur. In cases where there is a need to expend amounts greater than appropriations, approvals should be obtained and documented to reflect such decisions.

View of responsible officials

Overspent appropriations at Mayor's Council of Guam is a persistent issue. Expenditures exceeding appropriations relating to salaries and wages are difficult to resolve and reconcile with Personnel Rules and Regulations. Internal Controls will be reviewed to prevent recurrences of these excess expenditures.