

*Financial Statements, Required Supplementary
Information, and Supplementary and Other
Information*

Guam Department of Education
(A Line Agency of the Government of Guam)

*Year Ended September 30, 2022
with Report of Independent Auditors*



Guam Department of Education
(A Line Agency of the Government of Guam)

Financial Statements, Required Supplementary Information, and
Supplementary and Other Information

Year ended September 30, 2022

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Financial Statements, Required Supplementary Information, and
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Report of Independent Auditors

Guam Education Board
Guam Department of Education

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2022, and the related notes to the financial statements, which collectively comprise GDOE's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of GDOE as of September 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of GDOE, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Guam Department of Education and do not purport to, and do not, present fairly the financial position of the Government of Guam as of September 30, 2022, the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 GDOE's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the GDOE's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 25, the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund on page 68, the Schedules of Proportionate Share of the Net Pension Liability, on pages 69 through 71, the Schedule of Pension Contributions on page 72, the Schedule of Proportionate Share of the Total OPEB Liability on page 73, and the Schedule of OPEB Contributions on page 74, and notes thereto on pages 75 and 76, be presented to supplement the financial statements. Such information is the responsibility of management and, 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 and comparing the information for consistency with management's responses to our inquiries, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise GDOE's basic financial statements. The information on pages 77 through 79 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the Schedule of Full Time Employee (FTE) Count on page 80 but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

Other Information, continued

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2023, 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.

Ernst + Young LLP

November 13, 2023

Guam Department of Education
(A Line Agency of the Government of Guam)

Management's Discussion and Analysis

Year Ended September 30, 2022

INTRODUCTION

The Management's Discussion and Analysis (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 the GDOE management to provide an overview of the Department's financial activities for the fiscal year ending September 30, 2022 and was based on the financial statements provided in the annual audit report.

The MD&A should be read in conjunction with the 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) 22 Single Audit represents the GDOE's commitment to, and support of, programmatic and financial accountability. Comparable financial data from the prior year is also provided.

The Guam Department of Education

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). The GDOE is a single unified school district that serves 25,648 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.

The 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)).

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Management's Discussion and Analysis, continued

In May 2022, Mark B. Mendiola announced he would not be seeking re-election after five years of service on the GEB. On November 8, 2022, Guam held elections for the six elected seats of the GEB. Current elected members include Dr. Mary A.Y. Okada (Chairwoman), Maria A. Gutierrez (Vice Chairwoman), Lourdes M. Benavente, Dr. Ronald L. McNinch, Peter Alexis D. Ada, and Angel R. Sablan.

FISCAL YEAR 2022 FINANCIAL OVERVIEW

- The Department's FY 21 appropriation was \$218M – \$11.9M less than FY20. Appropriations to GDOE were further reduced to \$212M in FY22 representing a 2.8% *decrease* from the previous fiscal year.
- GDOE continues to experience persistent decline in local appropriations. This compounded with the absorption of prior year cash shortages significantly compromises the Department's ability to sustain operations.
- The GEB recognized the urgency to address the projected FY 22 shortfalls and through a GEB resolution, directed the Superintendent to develop a management plan to ensure the GDOE operated within its authorized funding resources, which involved cost containments and fully leveraging federal grants, including ESF and ARP funds, to supplement funding shortages.
- In May 2022 the Director of the Department of Administration (DOA) recommended increases to the Educator Pay Plan; however, no additional funds were appropriated to the Department to support this unbudgeted obligation. The Department then sought approval from USDOE to fund the additional cost with ARP Funds

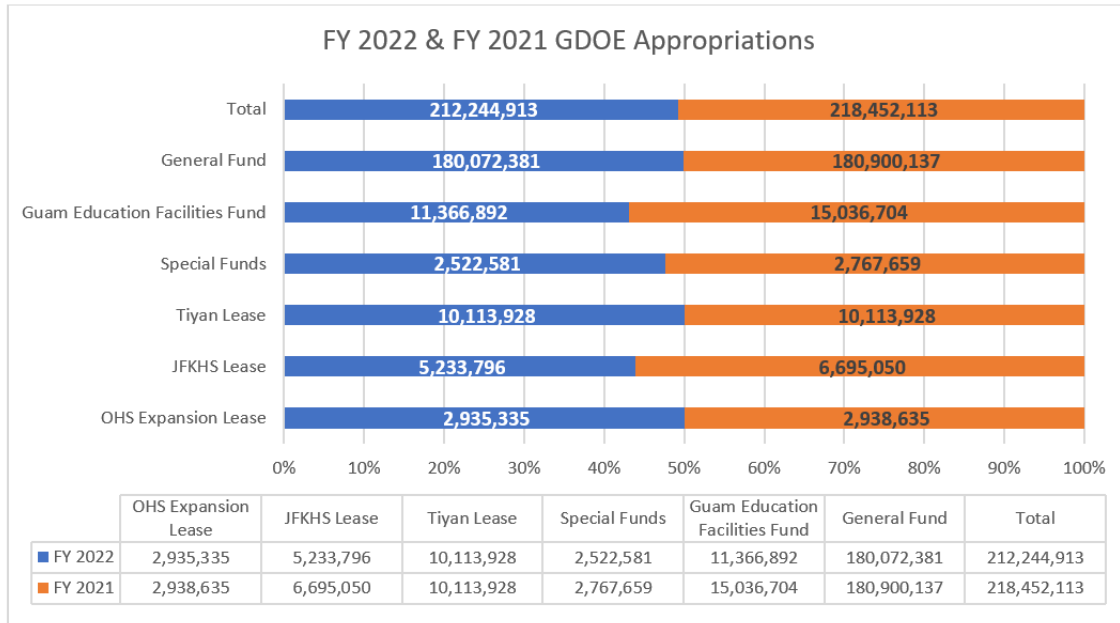
LOCAL APPROPRIATIONS

In January 2021, the GEB approved a \$373M budget request to fund FY 22 operations, but subsequently reduced that ask to an adjusted \$291M after the Department maximized its federal grants inventory. P.L. 36-54 appropriated GDOE just \$212M - \$79M less than the already reduced FY 22 budget request and \$45M less than the projected baseline cost to maintain current operational services.

Guam Department of Education
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Management’s Discussion and Analysis, continued

LOCAL APPROPRIATIONS, continued



FY 22 GDOE appropriations totaled \$212,244,913, which was a decrease of -\$6.2million (M) or -2.8% under the \$218.5M in FY 21 appropriations.

The \$6.2M decrease in authorized spending included a total of \$12.4M in reduced funding offset by a total increase of \$6.2M from the following:

- \$4.5M decreased funding for operations: \$3.7M less from the Guam Educational Facilities Fund (GEFF); \$6.9M less from the General Fund (GF) which was offset by \$6.2M in new appropriations provided for specific line items:
 - \$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 the 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, 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.
 - \$100K to fund an Educator Classification, Compensation & Benefit Study to adjust classified and unclassified educator compensation and classification for FY 22.

Guam Department of Education
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Management’s Discussion and Analysis, continued

LOCAL APPROPRIATIONS, continued

- \$245K in reduced funding for Special Revenue Funds: \$151K less from the Public School Library Resource Fund; \$93K less from the Limited Gaming Fund for capital improvement of GDOE school sports facilities;
- \$1.5M decrease for the John F. Kennedy High School (JFKHS) lease and refinancing of the Certificates of Participation Series 2010A for JFKHS; and
- \$3K reduced 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;
- \$450K in payments for the First-Generation Trust Initiative from the University of Guam and the Guam Community College

Pursuant to 17 GCA §3112(17), the GEB utilizes the 14 point mandates of the Adequate Education Act as a basis for prioritizing the Department’s operational spending in the areas curriculum, safety, and facilities. The table below illustrates how the Department prioritized its decreased FY 22 local appropriation by the 14 Points mandates.

	Mandate	Amount
1	A certified teacher for every class in a ratio established by relevant collective bargaining agreements	\$100,664,102
2	Certified Professional Administrators	7,868,855
3	Certified Guidance Counselors	4,798,890
4	Certified School Health Counselors	3,551,646
5	Certified Allied Health Professionals	737,950
6	Air Conditioned or properly ventilated classrooms in which the sensible air temperature is no greater than 78 degrees	118,568
7	Potable water sufficient to provide each student a daily ration of drinking and washing water	3,749,697
8	A reliable source of electricity	14,380,080
9	Proper sanitation to include flushable toilets, clean restrooms, dining areas and classrooms	3,065,548

Guam Department of Education
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Management’s Discussion and Analysis, continued

LOCAL APPROPRIATIONS, continued

	Mandate	Amount
10	Adopted and required textbooks and workbooks issued to each public school student for the classes in which he or she is enrolled	1,500,000
11	Libraries, which meet the standards of the American Association of School Librarians, at each school, operated by certified librarians	3,308,565
12	A healthful, safe, sanitary learning environment	47,350,863
13	At least 180 instructional days each school year with school years ending no later than 30 days following the end of the calendar school year	15,133,016
14	Regular, timely school bus transportation to and from school	238,074
	TOTAL	\$206,465,854

The FY 22 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.

FINANCIAL STATEMENTS

The GDOE MD&A contains department-wide financial statements which consist of a Statement of Net Position, a Statement of Activities, and certain required and supplementary information:

- *The Statement of Net Position* presents information on the 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 Supplementary Information* is provided for additional analysis of the financial statements.

Guam Department of Education
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Management's Discussion and Analysis, continued

STATEMENT OF NET POSITION

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 22, total assets and deferred outflows of resources decreased by \$40.5M or 6.5%, total liabilities and deferred inflows decreased by \$61.7M or 3.8%, and total net position increased by \$21.2M or 2.1%.

	FY 2022	FY 2021	% Change
Assets:			
Current assets	\$ 51,571,138	\$ 36,591,947	40.9%
Noncurrent assets	302,016,814	308,356,942	(2.1%)
Total assets	353,587,952	344,948,889	2.5%
Deferred outflows of resources	225,839,325	274,979,489	-17.9%
Total assets and deferred outflows of resources	579,427,277	619,928,378	(6.5%)
Liabilities:			
Current Liabilities	55,027,046	46,679,251	17.9%
Noncurrent Liabilities	1,296,233,175	1,320,664,422	(1.8%)
Total liabilities	1,351,260,221	1,367,343,673	(1.2%)
Deferred inflows of resources	225,930,425	271,559,471	(16.8%)
Total liabilities and deferred inflows of resources	1,577,190,646	1,638,903,144	(3.8%)
Net Position:			
Invested in capital assets, net of related debt	156,548,979	153,996,107	1.7%
Restricted	3,035,716	2,779,527	9.2%
Unrestricted	(1,157,348,064)	(1,175,750,400)	(1.6%)
Total net position	\$(997,763,369)	\$(1,018,974,766)	(2.1%)

The decrease in liabilities was due, in large part, to the \$71.4M decrease in Other Post-Employment Benefits (OPEB) liability. The \$21.2M increase in total net position was mainly due to the \$18.4M increase in unrestricted net position.

Guam Department of Education
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Management's Discussion and 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 an increase in net position of \$21.2M for FY 22.

	FY 2022	FY 2021	% Change
Revenues:			
Appropriations	\$ 228,473,572	\$ 230,345,992	(0.8%)
Federal grants and contributions	158,058,484	114,228,184	38.4%
Federal indirect cost reimbursements	1,958,180	1,640,497	19.4%
Contributions from component units	450,000	450,000	0.0%
Cafeteria Sales	4,278	194	2,105.2%
Student Activities	681,043	202,372	236.5%
Other	1,201,309	207,211	479.8%
Total revenues	390,826,866	347,074,450	12.6%
Expenses:			
Elementary education	73,784,744	76,733,944	(3.8%)
Secondary education	94,594,719	96,467,367	(1.9%)
Direct student support	156,747,151	121,744,547	28.8%
General administration	20,435,895	35,383,233	(42.2%)
Retiree healthcare benefits	11,992,910	11,308,284	6.1%
Interest expense	12,060,050	15,389,416	(21.6%)
Total expenses	369,615,469	357,026,791	3.5%
Change in net position	21,211,397	(6,952,341)	(405.1%)
Net position at beginning of year	(1,018,974,766)	(1,012,022,425)	0.7%
Net position at end of year	\$(997,763,369)	\$(1,018,974,766)	(2.1%)

Total revenues increased by \$43.7M largely due to a \$43.8M increase in federal grant funding. The increase in FY22 revenues is also attributed to a \$1.8M overall increase in non-appropriated funds such as indirect cost reimbursements, cafeteria sales, student activities and other revenues. Total expenses increased by \$12.6M when compared to FY 21 expenditures of \$357M. This increase was primarily due to the \$35M increase in direct student support expenses.

Guam Department of Education
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Management's Discussion and Analysis, continued

CAPITAL ASSETS AND LONG-TERM DEBT

The GDOE's investment in capital assets for its governmental activities as of September 30, 2022 amounted to \$510.2M with accumulated depreciation of \$215.2M, leaving a net book value of \$301.5M. GDOE's capital assets include buildings and improvements, vehicles, furniture and equipment, and construction in progress. See table below.

GDOE Capital Assets	FY 2022	FY 2021	% Change
Non-depreciable assets:			
Land	\$ 435,280	\$ 435,280	0.0%
Construction in progress	6,156,059	3,101,444	98.5%
	<u>6,591,339</u>	<u>3,536,724</u>	86.4%
Depreciable assets:			
Buildings and improvements	492,889,777	491,792,618	0.2%
Vehicles, furniture and equipment	17,281,963	16,119,222	7.2%
	<u>510,171,740</u>	<u>507,911,840</u>	0.4%
Accumulated depreciation	(215,246,265)	(203,716,622)	5.7%
Depreciable assets, net	<u>294,925,475</u>	<u>304,195,218</u>	(3.0%)
Totals	<u>\$301,516,814</u>	<u>\$307,731,942</u>	(2.0%)

The \$6.2M decrease in the GDOE's total capital assets is primarily due to an \$11.5M increase in accumulated depreciation. Of the \$11.5M, \$7.6M was from secondary education. 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.

Finance leases associated with GDOE leased schools totaled \$145.4M of which \$136.5M were long term and \$8.9M were current obligations. OPEB and pension liability of \$1.1 billion made up the lion's share of noncurrent liabilities. The balance of noncurrent liabilities of \$12.3M are payroll-related (i.e. compensated absences and sick leave liability).

Salaries and Benefits

Salaries and benefits, including retirement and healthcare benefits, is a primary component of the GDOE expenditures, accounting for \$232,789,472 or 60.8% of total (federal and local) expenditures in FY 22. In comparison to FY 21, these expenditures increased by 9.2% or \$19.6M.

Increases to personnel cost can be attributed to the pay adjustments to the Educator Pay Plan (EDU). In May 2022, the Director of the Department of Administration recommended a 16% across the board increase to the EDU in order to bring GDOE educator wages in competition with national teacher wages and to address teacher recruitment difficulty. The Governor of Guam then approved the immediate implementation of a 20% across the board increase to EDU pay along with an administrator differential pay of 10% and 15% for assistant principals and school principals respectively.

Guam Department of Education
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Management’s Discussion and Analysis, continued

Salaries and Benefits, continued

The overall number of GDOE employees increased by 28 employees or 0.8% from 3,443 (pay period ending September 25, 2021) to 3,471 (pay period ending September 24, 2022)¹.

Employee Count	As of PPE 09/24/2022	As of PPE 09/25/2021	% Change
100% Locally Funded	2,597	2,693	(3.6%)
100% Federally Funded	870	744	16.9%
Locally/Federally Funded	4	6	(33.3%)
Totals	3,471	3,443	0.8%

The availability of COVID-19 relief funding is a major factor in the increase of federally funded employees. ESF II and ARP funds were utilized to hire limited term, full-time educational, professional, administrative, and technical personnel to support the educational needs of teachers and students in addressing academic learning loss due to pandemic restrictions and providing outreach services to underrepresented families. As of the year ended September 30, 2022, there were 137 GDOE employees funded by federal pandemic relief grants.

Critical Contracts

The costs of several critical contracts and services (listed in the table below) netted an overall decrease of \$5.2M in FY 22.

Critical Contracts	FY 2022	FY 2021	Change
Food Services	\$ 13,364,724	\$ 18,668,808	\$(5,304,084)
Third-Party Fiduciary Agent	2,251,850	2,275,511	(23,661)
Custodial Services	2,445,022	2,428,992	16,030
Trash Collection	535,574	398,222	137,352
Copier Services	518,319	521,697	(3,378)
Internet	425,350	458,967	(33,617)
Accreditation	89,160	44,870	44,290
Total	\$ 19,629,999	\$ 24,797,067	\$(5,167,068)

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 22 include employees from the Child Nutrition Program Division, a portion of their salaries are allocated to federally funded programs.

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Management’s Discussion and Analysis, continued

Utilities

FY 22 Utilities (i.e. power, water, and telephone) accounted for 5.2% of total expenditures or \$19.7M - an increase of \$5.8M or 41.3% from prior fiscal year utility expenditures. Compared to FY 21, expenditures for power increased by \$4.7M while water and phone increased by \$946K and \$75K, respectively.

The overall increase in utility costs in FY 22 is attributed to the complete return to in-person learning in FY 22. In November 2021, the GEB voted for public school students to return to five days a week of in-person learning and full utilization of school and central office facilities. The increase in power costs are also attributed to the Levelized Energy Adjustment Clause (LEAC), which increased the fuel surcharge in FY 22 by 13%.

The increase in water costs is due increased consumption from the return of in-person instruction as well as 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 the GDOE’s current phone service provider. As a result, price increases were imposed due to tariff rates for month-to-month services provided for the duration of the protest.

FEDERAL GRANTS AND PROGRAMS

In FY 22, there was an overall *increase* of \$848.8K in federal grant awards to GDOE as compared to FY 21. The increase in FY 22 GDOE federal grant awards is due to additional grants awarded from the U.S. Department of Education, Agriculture, and supplemental awards for Head Start projects.

Grantor	FY 2022	FY 2021	Change
U.S. Department of Education	\$ 55,986,971	\$ 52,971,104	\$ 3,015,867
U.S. Department of Agriculture	15,709,756	15,289,706	420,050
U.S. Department of Health & Human Services	4,104,041	4,020,225	83,816
U.S. Department of Interior	-	2,670,965	(2,670,965)
Subtotal Grant Awards	\$ 75,800,768	\$ 74,952,000	848,768
ESF/ARP			
U.S. Department of Education	\$ -	\$ 400,889,485	\$ -
U.S. Department of Agriculture	-	89,289	-
U.S. Department of Health & Human Services	-	799,649	-
Subtotal ESF/ARP Awards	\$ -	\$ 401,778,423	\$ -
Total Grant Awards	\$ -	\$ 476,730,423	\$ -

In FY 22, the following table illustrates funds expended by the GDOE through a variety of Federal grants, representing \$162.3M or 44% of the \$373.4M total (federal and local) expenditures:

Guam Department of Education
(A Line Agency of the Government of Guam)

Management’s Discussion and Analysis, continued

Grantor	FY 2022	FY 2021	Change
U.S. Department of Education	\$ 47,543,783	\$ 47,623,029	\$ (79,246)
U.S. Department of Agriculture	14,588,210	14,548,376	39,834
U.S. Department of Interior	8,030,000	8,899,570	(869,570)
U.S. Department of Health & Human Services	3,487,836	3,309,952	177,884
U.S. Department of Homeland Security	-	157,441	(157,441)
Subtotal Grants	73,649,829	74,538,368	(888,539)
Education Stabilization Fund - CARES/CRRSA	44,547,123	40,550,161	3,996,962
U.S. Department of Agriculture - CARES	-	79,024	(79,024)
U.S. Department of Health & Human Services - ARP/CRRSA	195,216	183,595	11,621
American Rescue Plan - ARP	44,527,858	1,447,176	43,080,682
Subtotal ESF/ARP	89,270,197	42,259,956	47,010,241
Total Grant Expenditures	\$162,920,026	\$116,798,324	\$46,121,702
Transfers out	2,450,637	-	2,450,637
Total Federal Grant Assistance Fund Expenditures	\$160,469,389	\$116,798,324	\$43,671,065

The \$162.9M in FY 22 grant expenditures is inclusive of \$52.2M for salaries and benefits, \$45.3M for supplies, \$30M for contractual services, \$21.3M for utilities (includes \$2.4M transferred to the General Fund for prior year utilities), \$5.7M for equipment, \$5.7M for finance lease payments, \$24,890 for capital outlay, and \$354 for miscellaneous expenditures.

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.

Guam Department of Education
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Management's Discussion and Analysis, continued

COVID-19 IMPACT, continued

By FY 22, GDOE was in receipt of \$439M in COVID-19 relief funding:

- \$41.5M from the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act, which established the Education Stabilization Funds (ESF I) to address the immediate safety needs of students and employees and support a shift to distance learning. With ESF I funds, the Department procured personal protective equipment for students and staff as well as the necessary equipment and supplies to support distance learning such as student laptops, MiFi devices, and hard copy instructional materials. ESF I funds were also utilized to provide access to resources for mental, social, and behavioral health and wellness support for students and Department employees.
- \$110.6M of a second round of ESF funding (ESF II) to ensure the continued safety of students and employees and to aid in the transition back to in-person instruction. In line with grant objectives, GDOE utilized ESF II funds to: provide support for the expansion of distance and modified learning platforms through the upgrading of the Department's wireless infrastructure and providing needed technology equipment to students and school staff; support mental, social and behavioral health and wellness through professional services and staff training; and support student and employee health and safety by providing personal protective equipment and the necessary supplies and equipment to create safe learning and working environments as well as providing meals through the Grab N Go student meal service.
- \$286.9M of American Rescue Plan (ARP) funding to return students safely to in-person instruction, maximize instructional time, and address learning loss. ARP funds have been utilized to prioritize capital improvement at GDOE schools in order to sustain safe operations of schools with the full implementation of in-person instruction. ARP funding has also allowed the Department to address learning loss as a result of COVID-19 and offer evidence-based summer, afterschool, and other extended learning and enrichment programs. ARP funds have also been utilized to address pay adjustments to the Educator's Pay Plan and employee retention through a one-time Retention Incentive.

Evidenced-Based Enrichment Programs

During the academic year 2021-2022, GDOE offered crucial evidence-based extended learning and enrichment programs in line with ARP grant objectives in order to address the learning loss experienced by students as a result of the COVID-19 pandemic.

Guam Department of Education
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Management's Discussion and Analysis, continued

COVID-19 IMPACT, continued

Such evidence-based programs include:

- The After-School Program for Instructional Remediation & Enrichment (ASPIRE) program is designed for remediation and enrichment for students grades Pre-K through 8. The program offers additional classroom instruction, support and time on skills taught during regular instructional hours. ASPIRE also offers student the opportunity to participate in activities that cannot be provided during regular instructional time.
- Eskuelan Puengi (Night School) is designed as a course by conference credit recovery program for students in grades 9 through 12 lacking credits. This program assists students in earning credits in order to remain on track to graduation.
- Summer School for School Year 21-22 was intended to provide additional support to elementary and middle school students needing remediation and enrichment. Summer School for high school students served as credit recover program. The summer school program for SY21-22 received over 5,000 participants and gave the Department an opportunity to re-introduce students to face-to-face instruction once again.

Evidenced-Based Enrichment Programs, continued

- Early Bird Tutoring Program provides before-school intensive tutoring services for students at-risk of failing core content areas such as English Language Arts and Mathematics.

Child Nutrition Reimbursements

For SY 21-22, the GDOE retained the ratio of outsourced cafeterias to the 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.

Guam Department of Education
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Management's Discussion and Analysis, continued

COVID-19 IMPACT, continued

SY 2021-2022 SCHOOL LUNCH PROGRAM	LUNCH						BREAKFAST					
	Free	Paid	Reduced	Total Served	ADP*	Enroll**	Free	Paid	Reduced	Total Served	ADP*	Enroll**
OUTSOURCED CAFETERIAS												
ELEMENTARY	819,456	-	-	819,456	4,553	9,630	460,637	-	-	460,637	2,559	9,630
MIDDLE	370,746	-	-	370,746	2,060	5,813	167,102	-	-	167,102	928	5,813
HIGH	288,733	-	-	288,733	1,604	7,402	120,825	-	-	120,825	671	7,402
TOTAL	1,478,935	-	-	1,478,935	8,216	22,845	748,564	-	-	748,564	4,159	22,845
GDOE OPERATED CAFETERIAS												
ELEMENTARY	133,100	-	-	133,100	739	1,570	83,791	-	-	83,791	466	1,570
MIDDLE							19,724			19,724		
HIGH	88,768	-	-	88,768	493	1,573	103,515	-	-	103,515	575	1,573
TOTAL	221,868	-	-	221,868	1,233	3,143	207,030	-	-	207,030	1,041	3,143
GRAND TOTAL	1,700,803	-	-	1,700,803	9,449	25,988	955,594	-	-	955,594	5,199	25,988
*Average Daily Participation: Calculated amount using the Total Meals Served divided by 180 School Days												
**ENROLLMENT: Data provided from the School Year 2021-2022 Child Nutrition Program Data as of October 31, 2021												
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	(614,455)	-	-	(614,455)	(3,414)	(3,917)	(1,340,167)	-	-	(1,340,167)	(7,555)	(3,917)
% of Variance	-27%	0%	0%	-27%	-27%	-13%	-58%	0%	0%	-58%	-59%	-13%

The table above reflects the number of meals served for SY 21-22 as compared to SY 20-21. Due to a higher cost of living than that of the contiguous States, the average payments and maximum reimbursements for Guam are now matched with Hawaii, Puerto Rico, and the Virgin Islands. 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 the 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.

Guam Department of Education
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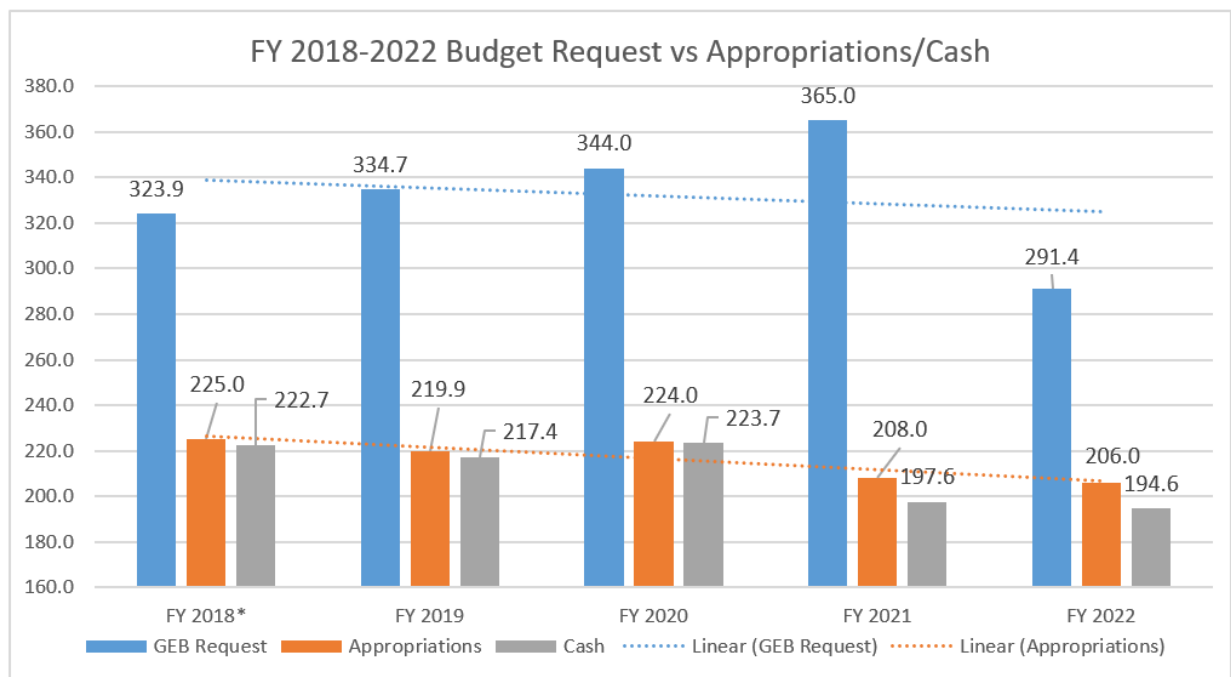
Management’s Discussion and Analysis, continued

COVID-19 IMPACT, continued

Cash Shortages

GDOE has experienced a persistent decline in operation funding since FY 2018. This decline in local funding levels coupled with reduced cash allotments compromises the Department’s ability to sustain operations. Because of perennial cash shortages in annual appropriations, in each succeeding fiscal year, GDOE has had to carryover outstanding obligations.

The table below compares GDOE’s budget requests against local appropriations and cash allotments received each fiscal year.



Prior Year Obligations

The GDOE continues to pay for prior year obligations with limited current year funding as a result of reduced local funding and cash allotment shortages. FY 21 obligations were not fully paid due to reduced GF funding, continuous shortfall in GEFf totaling \$16M and shortfalls in Public Library and Limited Gaming for \$313,909 and \$233,850, respectively. Payments for these obligations carried over into FY 22 thereby reducing cash sustainability. These obligations were carried over into the next fiscal year’s budget.

Guam Department of Education
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Management's Discussion and Analysis, continued

COVID-19 IMPACT, continued

High Risk Grantee Status

FY22 marked the tenth year GDOE incurred local expenditures associated with addressing its 'high risk' grantee status by ED. The 'high risk' designation and imposition of specific conditions only pertains to ED grants awarded to GDOE. ED's specific conditions required financial management of ED grants to be supervised by a Third-Party Fiduciary Agent (TPFA).

In May 2022, ED conducted an onsite visit to respond to GDOE Superintendent Jon Fernandez's direct request to ED leadership to conduct an onsite visit to inform ED's determination of whether to remove the GDOE high-risk designation and requirement for a TPFA. The intent of the request was to have ED staff validate the status of GDOE's Reconsideration Evaluation Plan (REP) implementation to coincide with the release of the FY2022 program grant awards and the accompanying Department-wide specific conditions issued on July 1, 2022.

As a result of significant progress the GDOE has made to strengthen internal controls and establish an effective financial management system, 18 of the 22 TPFA responsibilities were removed in the Federal Fiscal Year 2022 Specific Conditions. Additionally, ED required that the TPFA return the responsibility to process and issue all purchase order functions to the GDOE and be completed on GDOE MUNIS.

As such, the Federal FY22 Specific Conditions only consisted of five TPFA responsibilities, which is a 77% decrease in scope. The remaining five responsibilities are relative to:

1. Determining allowable costs
2. Researching allowable pre-award costs
3. Reviewing backup information and prepare payroll reimbursement
4. Disbursing funds in a timely manner
5. Reviewing purchase order workflow in the GDOE MUNIS

The remaining specific conditions imposed on ED grants awarded to GDOE for FY 22 are: (1) requirements for a TPFA, (2) responsibilities of GDOE and TPFA concerning administration of ED grant funds, and (3) continuation to work towards completing the REP.

Extension of TPFA Contract

On January 30, 2023, the GDOE extended its contract with Alvarez & Marsal Public Section Services, LLC for TPFA services. The contract was extended to October 31, 2023 for \$110K a month, or a total of \$990K.

Guam Department of Education
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Management's Discussion and Analysis, continued

COVID-19 IMPACT, continued

Transition Plan and Probationary Period

In December 2022, ED acknowledged GDOE's progress by allowing GDOE to conduct all fiscal management and operational roles within GDOE's Munis financial system; and to gradually retire the TPFA Munis system as functions are assumed in GDOE's system. ED also agreed that GDOE will begin, when it indicates readiness to do so, on a probationary period of six months during which it will have the opportunity to demonstrate readiness to fully or partially transition fiscal management functions from the oversight of the TPFA back to GDOE. The probationary period was conditioned on the submission and approval of a detailed plan on the proposed organizational structure for GDOE to successfully manage ED funds.

GDOE submitted its Transition Plan for ED's review and approval on March 10, 2023. On March 30, 2023 ED approved GDOE's Transition Plan to begin a 6-month probationary period beginning April 1, 2023. ED conducted an on-site validation in September 2023 to validate GDOE's progress in addressing the high-risk designation. Based on the result of the on-site visit, ED will determine the extent to which specific conditions may be removed, to include the removal of a TPFA.

Accreditation

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.

The total student enrollment for SY 21-22 was 26,619 – a 878 decrease from the SY 20-21 enrollment of 27,497 students. The decreases were significant for grades 3,5,7,10, & 11. Along with decreases in overall enrollment were corresponding decreases in enrollment for Special Programs such as GATE, SPED, ELL, and Head Start.

The number of high school graduates increased in SY 21-22 from the prior school year to 1,872 from 1,621. However, the overall graduation rate decreased slightly from 90.35% to 90%. Graduation rates have shown gradual increases since SY 13-14.

Guam Department of Education
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Management's Discussion and Analysis, continued

Facilities Master Plan (FMP)

In June 2022, the Superintendent of Education officially transmitted the GDOE School Facility Master Plan (FMP) for the GEB's approval. The ten-year facilities plan, which was completed with funding and support from the U.S. Department of the Interior (Office of Insular Affairs), the U.S. Army Corps of Engineers, and HHF Planners, will be used as a guide for investing \$100 million of ARP funds to address much-needed maintenance and modernization needs throughout Guam's public school system. The GEB's endorsement of the plan will ensure that the Department utilizes the plan as its primary tool for prioritizing capital improvement projects as well as justifying request for local funding once federal funds are exhausted.

The School Facility Master Plan gives GDOE the opportunity to leverage ARP dollars to support identified priorities across the school system, including roofing repairs, canopy repairs, restroom renovations, HVAC improvements and other initiatives. The plan also anticipates the need to address attendance areas and to make better use of underutilized school facilities in our community. As part of the planning process, GDOE and HHFF Planners engaged the Governor, Lieutenant Governor, key legislators, executive branch agency representatives, mayors, school administrators, and other GDOE stakeholders to gather input and share ideas.

Simon Sanchez High School Procurement

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

In October of 2019, funding totaling \$8M was earmarked from the Office of the Governor, GDOE, and DOI capital improvement funds to cover architectural and engineering (A&E) expenses of the new SSHS. By October of the following year, GDOE awarded a \$5.7M contract to Taniguchi Ruth Makio Architects for the architectural, engineering, and design services of SSHS. In September 2021, the school's partial design was shared with the community with a projected completion date of Summer 2024.

Ground breaking for the new campus was initially anticipated for Summer 2022, however, procurement protests halted construction plans. In response to the delays in construction and public outcry, legislation was introduced in February 2023 aimed at getting the construction of the new SSHS campus underway by streamlining the procurement process.

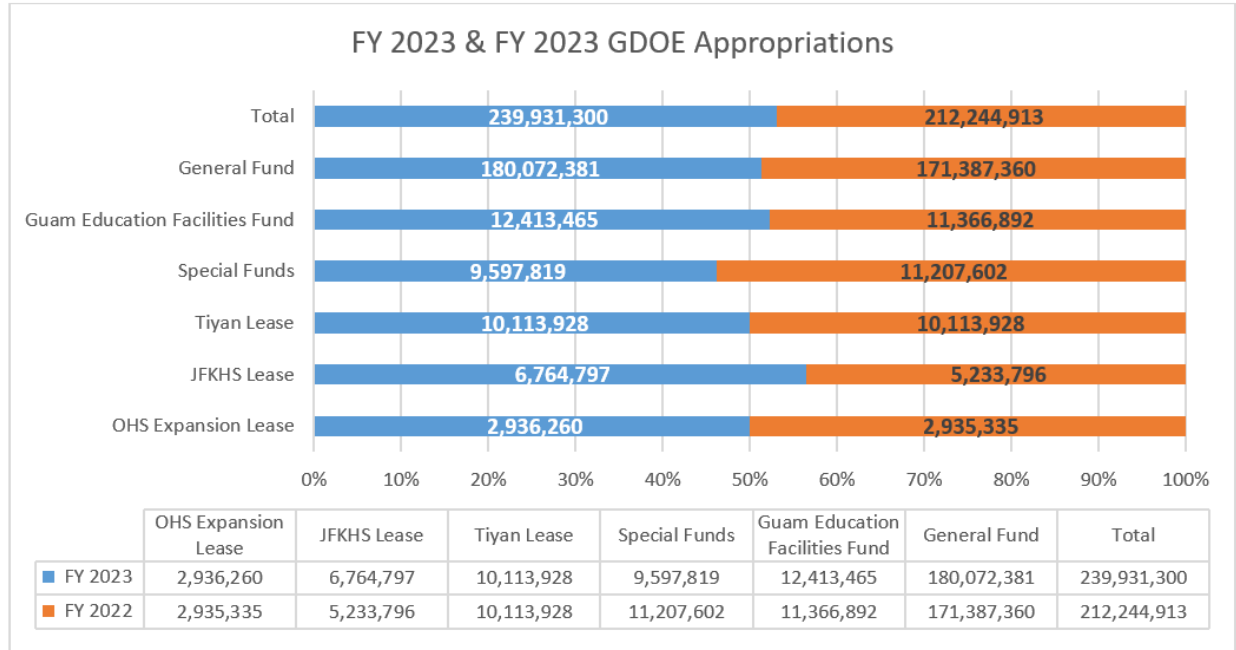
Bill 94-37 authorizes the Government of Guam to hand over the new school property to a contractor, which will finance, build and maintain the facility. The government will lease the property from the contractor for a term of up to 30 years, with annual payments as high as \$16.3 million.

Guam Department of Education
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Management’s Discussion and Analysis, continued

FACTORS AND NEXT YEAR’S BUDGET

FY 23 Local Appropriations



FY 23 appropriations for GDOE totaled \$239,931,300, with a 13% or \$27.7M overall increase over FY 22 appropriation levels. The \$27.7M increase in authorized spending included an increase of \$26.7M in GF appropriations and an increase of \$1M in GEFF funding. Decreases also occurred in the following:

- \$500,000 less for Salary Increments
- \$76,200 less funding for Public Service Library Resource Fund
- \$62,386 less funding for Limited Gaming Fund for sports facilities’ repairs and construction

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

PL 36-107 also identified continued GF appropriations for the following:

- \$1M for the payout of the Bonuses, Rewards and Incentives Program to eligible employees.
- \$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.
- \$100K to purchase menstrual hygiene products to supply schools to provide to GDOE students free of charge.

Guam Department of Education
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Management's Discussion and Analysis, continued

FACTORS AND NEXT YEAR'S BUDGET, continued

FY 23 Local Appropriations, continued

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;
- \$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.

GDOE FY 23 local appropriations have increased since FY 22 – a trend the Department has not experienced since 2018. Even with a 13% overall increase from FY 22, FY 23 appropriations still came in \$65.7M less than its approved budget request and 19% less than what the GEB determined necessary to operate at current levels.

GDOE School Facilities

Despite local funding shortages, the GDOE continues to prioritize the safety of its students and school employees by focusing on improving school facilities. With the completion of the FMP, GDOE has taken the opportunity to leverage its ARP funds to support the recommended steps to address major capital improvement projects at Guam's public schools. On April 29, 2023, the US Department of Education approved GDOE's request to reprogram its ARP funding, which included increasing the budget dedicated to capital improvement projects to 45% of the overall Public School ARP allotment.

The island community and legislative body share concerns regarding the current state of GDOE's public school facilities and the plan for their improvement. Several pieces of legislation have been introduced, some becoming public law, aimed at upgrading school facilities:

- Public Law 37-4 was passed to bring GDOE in compliance with Department of Public Health and Social Services' sanitation rules and regulations
- Public Law 35-5 appropriates \$20 million to GDOE for school infrastructure repairs and maintenance
- Public Law 37-6 provides temporary expedited procurement protest procedures for acquisitions funded with ARP, ESF, and Head Start grant funds in order to address impending deadlines for expending federal dollars dedicated to large Department projects such as capital improvements to school facilities.

Guam Department of Education
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Management's Discussion and Analysis, continued

FACTORS AND NEXT YEAR'S BUDGET, continued

GDOE Superintendent

After leading the GDOE for 10 years, Superintendent Jon Fernandez submitted intent to terminate employment in May 2022 and resigned from his position on July 15, 2022. Mr. Fernandez became superintendent in July 2012 and is the longest-serving superintendent in the Department's history as well as the longest serving chief state school officer in the nation. Under Superintendent Fernandez's leadership, GDOE has improved academic standards, increased parent stakeholder engagement, launched an educator wage study, and guided the Department through the impacts of the COVID-19 pandemic.

The GEB announced in June 2022 that the Department was seeking to employ a dynamic professional for the position of Superintendent of Education to lead and manage the strategic direction and development of Guam's public school system. The announcement concluded September 19, 2022 with eight qualified applicants.

On December 27, 2022, during a GEB meeting, Dr. Kenneth Swanson received six affirmative votes for the superintendent position. Dr. Swanson takes the helm as GDOE's Superintendent of Education July 1, 2023 bringing with him 50 years of education experience.

MANAGEMENT CONTACT

This financial report is designed to provide GDOE's stakeholders (citizens, taxpayers, customers, investors, and creditors) with a general overview of the 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
(A Line Agency of the Government of Guam)

Statement of Net Position

September 30, 2022

ASSETS

Current assets:	
Cash and cash equivalents	\$ 10,125,423
Receivables from federal agencies	40,244,975
Due from primary government	151,292
Due from GovGuam component units	214,408
Prepayments and other assets	10,850
Restricted assets:	
Cash and cash equivalents	<u>824,190</u>
Total current assets	<u>51,571,138</u>
Noncurrent assets:	
Deferred maintenance and insurance costs	500,000
Capital assets:	
Nondepreciable capital assets	6,591,339
Depreciable capital assets, net of accumulated depreciation	<u>294,925,475</u>
Total noncurrent assets	<u>302,016,814</u>
Total assets	<u>353,587,952</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows from OPEB	172,148,299
Deferred outflows from pensions	<u>53,691,026</u>
Total deferred outflows of resources	<u>225,839,325</u>

Guam Department of Education
(A Line Agency of the Government of Guam)

Statement of Net Position, continued

LIABILITIES

Current liabilities:	
Accounts payable	18,841,816
Accrued payroll	9,333,941
Other liabilities and accruals	14,847,213
Payable to federal agencies	30,322
Current portion of compensated absences payable	3,000,970
Current portion of school financed purchase obligations	<u>8,972,784</u>
Total current liabilities	<u>55,027,046</u>
Noncurrent liabilities:	
OPEB liability	775,538,115
Net pension liability	371,909,459
Accrued sick leave liability	10,674,643
Compensated absences payable, net of current portion	1,615,907
School financed purchase obligations, net of current portion	<u>136,495,051</u>
Total noncurrent liabilities	<u>1,296,233,175</u>
Total liabilities	<u>1,351,260,221</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows from OPEB	179,830,467
Deferred inflows from pensions	<u>46,099,958</u>
Total deferred inflows of resources	<u>225,930,425</u>

Commitments and contingencies

NET POSITION

Net investment in capital assets	156,548,979
Restricted for:	
First Generation Trust Fund Initiative	2,211,526
School Activities	824,190
Unrestricted	<u>(1,157,348,064)</u>
Total net position	<u>\$ (997,763,369)</u>

Guam Department of Education
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Statement of Activities

Year Ended September 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Elementary Education	\$ 73,784,744	\$ 82,555	\$ 300,000	\$ (73,402,189)
Secondary Education	94,594,719	581,811	700,000	(93,312,908)
Direct Student Support	156,747,151	---	152,543,471	(4,203,680)
General Administration	20,435,895	1,222,264	6,923,193	(12,290,438)
Retiree healthcare benefits	11,992,910	---	---	(11,992,910)
Interest expense	12,060,050	---	---	(12,060,050)
Total governmental activities	<u>\$ 369,615,469</u>	<u>\$ 1,886,630</u>	<u>\$ 160,466,664</u>	<u>(207,262,175)</u>
General revenues:				
Appropriations:				
				216,480,662
				<u>11,992,910</u>
				<u>228,473,572</u>
				21,211,397
				<u>(1,018,974,766)</u>
				<u>\$ (997,763,369)</u>

Guam Department of Education
(A Line Agency of the Government of Guam)

Balance Sheet
Governmental Funds

September 30, 2022

<u>ASSETS</u>	<u>General</u>	<u>Special Revenue Federal Grants Assistance</u>	<u>Total</u>
Cash and cash equivalents	\$ 9,335,302	\$ 790,121	\$ 10,125,423
Receivables from federal agencies	378,516	39,866,459	40,244,975
Due from primary government	151,292	---	151,292
Due from GovGuam component units	214,408	---	214,408
Prepayments and other assets	10,850	---	10,850
Due from other funds	25,660,705	---	25,660,705
Restricted assets:			
Cash and cash equivalents	824,190	---	824,190
Total assets	<u>\$ 36,575,263</u>	<u>\$ 40,656,580</u>	<u>\$ 77,231,843</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 17,809,960	\$ 1,031,856	\$ 18,841,816
Accrued payroll	8,608,042	725,899	9,333,941
Other liabilities and accruals	1,639,415	13,207,798	14,847,213
Payable to federal agencies	---	30,322	30,322
Due to other funds	---	25,660,705	25,660,705
Total liabilities	<u>28,057,417</u>	<u>40,656,580</u>	<u>68,713,997</u>
Fund balances:			
Restricted	824,190	---	824,190
Committed	2,211,526	---	2,211,526
Unassigned	5,482,130	---	5,482,130
Total fund balances	<u>8,517,846</u>	<u>---</u>	<u>8,517,846</u>
Total liabilities and fund balances	<u>\$ 36,575,263</u>	<u>\$ 40,656,580</u>	<u>\$ 77,231,843</u>

Guam Department of Education
(A Line Agency of the Government of Guam)

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

September 30, 2022

Total fund balance - governmental funds	\$	8,517,846
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred maintenance costs associated with school financed purchase obligations in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		500,000
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	\$ 492,889,777	
Vehicles, furniture and equipment	17,281,963	
Land	435,280	
Construction in progress	6,156,059	
Accumulated depreciation	<u>(215,246,265)</u>	
Capital assets, net of accumulated depreciation		301,516,814
Deferred outflows are charged to future periods and are not reported in the governmental funds. Those deferred outflows consist of:		
Deferred outflows from OPEB	172,148,299	
Deferred outflows from pensions	<u>53,691,026</u>	
		225,839,325
Deferred inflows benefit future periods and are not reported in the governmental funds. Those deferred inflows consist of:		
Deferred inflows from OPEB	(179,830,467)	
Deferred inflows from pensions	<u>(46,099,958)</u>	
		(225,930,425)
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	(775,538,115)	
Net pension liability	(371,909,459)	
Accrued sick leave liability	(10,674,643)	
Compensated absences payable	(4,616,877)	
School financed purchase obligations	<u>(145,467,835)</u>	
Long-term liabilities		<u>(1,308,206,929)</u>
Net position of governmental activities	\$	<u><u>(997,763,369)</u></u>

See accompanying notes.

Guam Department of Education
(A Line Agency of the Government of Guam)

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended September 30, 2022

	General	Special Revenue Federal Grants Assistance	Total
Revenues:			
Appropriations	\$ 222,737,822	\$ 5,735,750	\$ 228,473,572
Federal grants and contributions	874,207	157,184,277	158,058,484
Federal indirect cost reimbursements	1,958,180	---	1,958,180
School activities	681,043	---	681,043
Contributions from GovGuam component units	450,000	---	450,000
Cafeteria sales	4,278	---	4,278
Fees and other program receipts	1,201,309	---	1,201,309
Total revenues	<u>227,906,839</u>	<u>162,920,027</u>	<u>390,826,866</u>
Expenditures:			
Elementary Education	73,237,376	300,000	73,537,376
Secondary Education	89,099,085	700,000	89,799,085
Direct Student Support	9,982,861	152,093,471	162,076,332
General Administration	22,756,502	2,640,169	25,396,671
Retiree healthcare benefits	11,992,910	---	11,992,910
Debt service:			
Principal	4,524,551	3,743,449	8,268,000
Interest	11,067,749	992,301	12,060,050
Total expenditures	<u>222,661,034</u>	<u>160,469,390</u>	<u>383,130,424</u>
Excess of revenues over expenditures	<u>5,245,805</u>	<u>2,450,637</u>	<u>7,696,442</u>
Other financing sources (uses):			
Transfers in	2,450,637	---	2,450,637
Transfers out	---	(2,450,637)	(2,450,637)
Total other financing sources (uses)	<u>2,450,637</u>	<u>(2,450,637)</u>	<u>---</u>
Net change in fund balances	7,696,442	---	7,696,442
Fund balance at beginning of year	821,404	---	821,404
Fund balances at end of year	<u>\$ 8,517,846</u>	<u>\$ ---</u>	<u>\$ 8,517,846</u>

See accompanying notes.

Guam Department of Education
(A Line Agency of the Government of Guam)

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities

Year Ended September 30, 2022

Total net change in fund balances - governmental funds	\$	7,696,442
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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	\$	5,314,515	
Depreciation expense		<u>(11,529,643)</u>	(6,215,128)

Prepayment of school financed purchase obligations in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	(125,000)
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The issuance of long-term debt (eg. financed purchases) 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 school financed purchase obligations	8,268,000
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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	(13,744,181)		
Net pension activity		26,912,667	
Change in compensated absences payable		533,826	
Change in accrued sick leave liability		<u>(2,115,229)</u>	<u>11,587,083</u>

Change in net position of governmental activities	\$	<u><u>21,211,397</u></u>
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Guam Department of Education
(A Line Agency of the Government of Guam)

Notes to Financial Statements

Year Ended September 30, 2022

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 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 for 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.

Guam Department of Education
(A Line Agency of the Government of Guam)

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

B. Department-Wide Financial Statements, continued

- *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 \$3,035,716 of restricted net position, of which \$2,211,526 is restricted by enabling legislation.

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.

Guam Department of Education
(A Line Agency of the Government of Guam)

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

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.

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.

Guam Department of Education
(A Line Agency of the Government of Guam)

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

E. Measurement Focus and Basis of Accounting, continued

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.

Guam Department of Education
(A Line Agency of the Government of Guam)

Notes to Financial Statements, continued

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, 2022, GDOE has significant encumbrances summarized as follows:

General Fund	\$ 3,909,785
Federal Grants Assistance Fund	<u>47,617,548</u>
	<u>\$ 51,527,333</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 U.S. treasury obligations 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.

Guam Department of Education
(A Line Agency of the Government of Guam)

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

J. Interfund Receivable/Payables, continued

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.

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

Guam Department of Education
(A Line Agency of the Government of Guam)

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

K. Capital Assets, Continued

Capital asset activities for the year ended September 30, 2022 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>3,101,444</u>	<u>4,274,321</u>	<u>(1,219,706)</u>	<u>6,156,059</u>
	<u>3,536,724</u>	<u>4,274,321</u>	<u>(1,219,706)</u>	<u>6,591,339</u>
Depreciable capital assets:				
Buildings and improvements	491,792,618	335,132	762,027	492,889,777
Vehicles, furniture and equipment	<u>16,119,222</u>	<u>705,062</u>	<u>457,679</u>	<u>17,281,963</u>
	507,911,840	1,040,194	1,219,706	510,171,740
Less: accumulated depreciation	<u>(203,716,622)</u>	<u>(11,529,643)</u>	<u>---</u>	<u>(215,246,265)</u>
Depreciable capital assets, net	<u>304,195,218</u>	<u>(10,489,449)</u>	<u>1,219,706</u>	<u>294,925,475</u>
	<u>\$307,731,942</u>	<u>\$ (6,215,128)</u>	<u>\$ ---</u>	<u>\$301,516,814</u>

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

Governmental activities:	
Elementary Education	\$ 2,656,870
Secondary Education	7,596,682
Direct Student Support	86,102
General Administration	<u>1,189,989</u>
	<u>\$ 11,529,643</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.

M. Long-Term Debt

The liabilities reported in the department-wide financial statements include GDOE's finance leases, and long-term liabilities including vacation, sick leave, pension and OPEB.

Guam Department of Education
(A Line Agency of the Government of Guam)

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

N. Deferred Inflows of Resources

In addition to liabilities, the statement 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.

Guam Department of Education
(A Line Agency of the Government of Guam)

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Q. Contributions From GovGuam 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, 2022, GDOE reported contributions of \$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. As of September 30, 2022, receivables from component units associated with this initiative amounted to \$214,408 (\$14,408 from University of Guam and \$200,000 from Guam Community College).

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.

S. Dedicated Revenues and Pledges

GDOE has entered into a school financed purchase agreement for certain schools and facilities whereby GovGuam, on behalf of GDOE, has pledged a portion of future Compact Impact grant funds to finance annual payments under this agreement. This 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 school financed purchase agreement, to include additional rentals, are \$22,954,250 payable through October 1, 2026. For the year ended September 30, 2022, payments made and total Compact Impact grant revenues received were \$5,735,750.

GovGuam, on behalf of GDOE, has also pledged a portion of future Section 30 revenues to finance annual payments for the Okkodo High School Expansion school financed purchase agreement. Total payments remaining on this school financed purchase agreement, to include additional rentals, are \$20,912,150 payable through December 1, 2030. For the year ended September 30, 2022, payments made and total Section 30 revenues received were \$2,935,335 and \$76,141,259, respectively.

Guam Department of Education
(A Line Agency of the Government of Guam)

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

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.

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.

Guam Department of Education
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Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

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. 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, 2022, GDOE implemented the following pronouncements:

- 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. The implementation of this Statement did not have a material effect on the accompanying financial statements.

- 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. The implementation of this Statement did not have a material effect on the accompanying financial statements.

Guam Department of Education
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Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

W. 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. The implementation of this Statement did not have a material effect on the accompanying financial statements.
- 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. The implementation of this Statement did not have a material effect on the accompanying financial statements.
- 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. The implementation of this Statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 99, *Omnibus 2022*, which provides clarification guidance on several of its recent statements that addresses different accounting and financial reporting issues identified during implementation of the new standards and during the GASB's review of recent pronouncements. GASB Statement No. 99:

Guam Department of Education
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Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

W. New Accounting Standards, continued

- 1) Amends guidance in GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, requiring that the accounting and financial reporting of Supplemental Nutrition Assistance Program (SNAP) transactions should follow the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, as amended. These provisions were effective upon issuance and implementation did not have a material effect on the accompanying financial statements.
- 2) Requires disclosures related to nonmonetary transactions, in the notes to financial statements, of the measurement attribute(s) applied to the assets transferred rather than the basis of accounting for those assets. These provisions were effective upon issuance and implementation did not have a material effect on the accompanying financial statements.
- 3) Provides guidance on accounting for pledges of future revenues when resources are not received by the pledging government. The guidance addresses the process of blending a component unit created to issue debt on behalf of a primary government when that component unit is required to be presented as a blended component unit. This guidance was effective upon issuance and implementation did not have a material effect on the accompanying financial statements.
- 4) Provides clarification of provisions in GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended, related to the focus of the government-wide financial statements. This guidance was effective upon issuance and implementation did not have a material effect on the accompanying financial statements.
- 5) Provides terminology updates related to certain provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and terminology used in GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. These updates were effective upon issuance and implementation did not have a material effect on the accompanying financial statements.

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Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

W. New Accounting Standards, continued

- 6) GASB Statement No. 93, *Replacement of Interbank Offered Rates*, which amended GASB Statement No. 53 to address transition away from the London Interbank Offered Rate (LIBOR). GASB Statement No. 99 extends the period during which the LIBOR is considered an appropriate benchmark interest rate to when LIBOR ceases to be determined using methodology in place as of December 31, 2021. This guidance was effective upon issuance and implementation did not have a material effect on the accompanying financial statements.

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.

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.

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Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

W. New Accounting Standards, continued

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 April 2022, GASB issued Statement No. 99, *Omnibus 2022*. This Statement contains guidance whose effective dates are in future periods. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 99:

- 1) Modifies guidance in GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, to bring all guarantees under the same financial reporting requirements and disclosures effective for fiscal year ending September 30, 2024.
- 2) Provides guidance on classification and reporting of derivative instruments within the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for fiscal year ending September 30, 2024.
- 3) Provides clarification of provisions in GASB Statement No. 87 related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives effective for fiscal year ending September 30, 2023.
- 4) Provides clarification of provisions in GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset. Effective for fiscal year ending September 30, 2023.

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Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

W. New Accounting Standards, continued

- 5) Provides clarification of provisions in GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability. Effective for fiscal year ending September 30, 2023.

- 6) Modifies accounting and reporting guidance in GASB Statement No. 53 related to termination of hedge. Guidance is effective for fiscal year ending September 30, 2023.

In June 2022, GASB issues Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections. GASB Statement No. 100 will be effective for fiscal year ending September 30, 2024.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences. GASB Statement No. 101 will be effective for fiscal years ending September 30, 2025.

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Notes to Financial Statements, continued

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, 2022, the carrying amount of GDOE’s total cash and cash equivalents was \$10,949,613 and the corresponding bank balances were \$12,409,793. Of the bank balances, \$10,852,068 is maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. The remaining amount of \$1,557,725 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, 2022. As of September 30, 2022, 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, 2022, 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.

As of September 30, 2022, restricted cash held by GDOE in the General Fund is \$824,190, which are restricted by various student organizations for student activities.

3. Changes in Long-Term Liabilities

Changes in long-term liabilities for the year ended September 30, 2022, are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Accrued sick leave liability	\$ 8,559,414	\$ 2,115,229	\$ ---	\$ 10,674,643	\$ ---
Compensated absences	5,150,703	---	(533,826)	4,616,877	3,000,970
Net pension liability	459,969,737	---	(88,060,278)	371,909,459	---
OPEB liability	704,157,441	71,380,674	---	775,538,115	---
School financed purchase obligations	<u>153,735,835</u>	<u>---</u>	<u>(8,268,000)</u>	<u>145,467,835</u>	<u>8,972,784</u>
	<u>\$1,331,573,130</u>	<u>\$73,495,903</u>	<u>\$(96,862,104)</u>	<u>\$1,308,206,929</u>	<u>\$1,973,754</u>

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Notes to Financial Statements, continued

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, 2022. The accumulated amount of unused sick leave as of September 30, 2022, is \$52,259,806, of which \$10,674,643 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

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Notes to Financial Statements, continued

4. Commitments and Contingencies, continued

D. Public Law 28-45, continued

adequate funding to meet all of the requirements of Public Law 28-45, it is reasonably possible that lawsuits 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, 2022. 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.

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, 2021 are eligible to receive an annual ad hoc cost of living allowance (COLA).

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Notes to Financial Statements, continued

5. Pensions, continued

A. General Information About the Pension Plans, continued

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.

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.

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.

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Notes to Financial Statements, continued

5. Pensions, continued

A. General Information About the Pension Plans, continued

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 DC 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 member 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.

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Notes to Financial Statements, continued

5. Pensions, continued

A. General Information About the Pension Plans, continued

Contributions: Plan members of the DB Plan are required to contribute a certain percentage of their annual covered salary. The contribution requirements of the plan members and GDOE are established and may be amended by the GGRF.

GDOE's statutory contribution rates were 28.32% for the year ended September 30, 2022. Employees are required to contribute 9.5% of their annual pay for the year ended September 30, 2022.

GDOE's contributions to the DB Plan for the year ended September 30, 2022 were \$18,007,531, which was equal to the statutorily required contributions.

GDOE's contributions for supplemental annuity benefits and the COLA payments for the year ended September 30, 2022 were \$6,826,887, which was equal to the statutorily required contributions.

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, 2022 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 year ended September 30, 2022, were \$22,654,550, which was equal to the required contributions. Of these amounts, \$19,247,256 was contributed toward the unfunded liability of the DB Plan for the year ended September 30, 2022.

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Notes to Financial Statements, continued

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, 2022, GDOE reported a net pension liability for its proportionate share of the net pension liabilities measured as of September 30, 2021, which is comprised of the following:

Defined Benefit Plan	\$268,236,314
Ad Hoc COLA/supplemental annuity Plan for DB retirees	85,005,642
Ad Hoc COLA Plan for DCRS retirees	<u>18,667,503</u>
	<u>\$371,909,459</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. At September 30, 2022, GDOE's proportionate shares of the GovGuam net pension liabilities were as follows:

Defined Benefit Plan	27.84%
Ad Hoc COLA/supplemental annuity Plan for DB retirees	27.57%
Ad Hoc COLA Plan for DCRS retirees	26.46%

Pension Expense: For the year ended September 30, 2022, GDOE recognized pension expense for its proportionate share of plan pension expense from the above pension plans as follows:

Defined Benefit Plan	\$ 9,033,006
Ad Hoc COLA/supplemental annuity Plan for DB retirees	6,510,143
Ad Hoc COLA Plan for DCRS retirees	<u>1,750,672</u>
	<u>\$ 17,293,821</u>

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Notes to Financial Statements, continued

5. Pensions, continued

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

Deferred Outflows and Inflows of Resources: At September 30, 2022, GDOE reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Defined Benefit Plan</u>		Ad Hoc COLA/SA Supplemental Annuity Plan for DB		Ad Hoc COLA Plan for DCRS	
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Difference between expected and actual experience	\$ 430,536	\$ 2,727,389	\$ ---	\$1,180,921	\$2,052,916	\$ 363,525
Net difference between projected and actual earnings on pension plan investments	---	32,402,786	---	---	---	---
Changes of assumptions	---	---	2,316,279	252,064	3,791,657	1,231,307
Contributions subsequent to the measurement date	37,254,787	---	6,132,887	---	694,000	---
Changes in proportion and difference GDOE contributions and proportionate share of contributions	---	6,771,133	---	656,468	1,017,964	514,365
	<u>\$37,685,323</u>	<u>\$41,901,308</u>	<u>\$8,449,166</u>	<u>\$2,089,453</u>	<u>\$7,556,537</u>	<u>\$2,109,197</u>

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, 2022 will be recognized in pension expense as follows:

<u>Year ending September 30</u>	<u>Defined Benefit Plan</u>	<u>Ad Hoc COLA Plan Supplemental Annuity Plan for DB Retirees</u>	<u>Ad Hoc COLA Plan for DCRS Retirees</u>
2023	\$(7,428,566)	\$952,439	\$ 694,632
2024	(8,803,613)	(520,324)	694,632
2025	(12,117,504)	(205,289)	679,057
2026	(13,121,089)	---	521,574
2027	---	---	521,574
Thereafter	---	---	<u>1,641,871</u>
	<u>\$(41,470,772)</u>	<u>\$226,826</u>	<u>\$4,753,340</u>

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Notes to Financial Statements, continued

5. Pensions, continued

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

Actuarial Assumptions: The actuarial assumptions used are based upon recommendations from the actuarial experience study for the period October 1, 2011 through September 30, 2015. A summary of actuarial assumptions applied to all periods included in the measurement is shown below.

Actuarial cost method:	Entry age normal
Total payroll growth:	2.75%
Salary increases:	Graduated based on service with the GovGuam ranging from 4.0% for service in excess of 15 years to 7.5% for service from zero to five years.
Disability:	1974-78 SOA LTD Non-Jumbo, with rates reduced by 50% for males and 75% for females.
Retirement age:	5% per year from age 55 to 64, 10% per year from age 65 to 74, 100% at age 75.
Mortality:	Based on the RP-2000 combined mortality table, set forward 3 years for males and 2 years for females.
Amortization method:	Level percentage of payroll, closed.

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Notes to Financial Statements, continued

5. Pensions, continued

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

Expected Rate of Return and Asset Allocation: The Fund has a target asset allocation based on the investment policy adopted by the GGRF Board of Trustees. The target allocation and best estimates of the expected nominal return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Nominal Return</u>	<u>Component Return</u>
U.S. Equities (large cap)	26.0%	7.44%	1.93%
U.S. Equities (small cap)	4.0%	9.23%	0.37%
Non-U.S. Equities	17.0%	9.28%	1.58%
Non-U.S. Equities (emerging markets)	3.0%	11.32%	0.34%
U.S. Fixed Income (aggregate)	22.0%	3.89%	0.86%
Risk Parity	8.0%	5.92%	0.47%
High Yield Bonds	8.0%	6.42%	0.51%
Global Real Estate (REITs)	2.5%	8.55%	0.21%
Global Equity	7.0%	8.20%	0.57%
Global Infrastructure	2.5%	7.58%	0.19%
Expected average return for one year			7.04%
Expected geometric mean (30 years)			6.36%

Discount Rate: The discount rate used to measure the total pension liability for the DB Plan was 7.0%, 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 was 2.26%, which is equal to the rate of return of a high quality bond index.

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Notes to Financial Statements, continued

5. Pensions, continued

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

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>\$338,683,551</u>	<u>\$268,236,314</u>	<u>\$180,985,145</u>

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees:

	1% Decrease in Discount Rate <u>1.26%</u>	Current Discount Rate <u>2.26%</u>	1% Increase in Discount Rate <u>3.26%</u>
Net Pension Liability	<u>\$93,221,816</u>	<u>\$85,005,642</u>	<u>\$77,832,948</u>

Ad Hoc COLA Plan for DCRS Retirees:

	1% Decrease in Discount Rate <u>1.26%</u>	Current Discount Rate <u>2.26%</u>	1% Increase in Discount Rate <u>3.26%</u>
Net Pension Liability	<u>\$21,191,369</u>	<u>\$18,667,503</u>	<u>\$16,514,245</u>

C. Payables to the Pension Plans

As of September 30, 2022, GDOE recorded a payable to GGRF of \$3,583,741, representing unremitted required contributions.

Guam Department of Education
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Notes to Financial Statements, continued

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. GovGuam issues a publicly available financial report that includes financial statements and required supplementary information for the OPEB Plan. That report may be obtained by writing to the Government of Guam Department of Administration, Suite 224, 2nd Floor, ITC Building, 590 South Marine Corps Drive, or by visiting the Guam Department of Administration website – <https://da.doa.guam.gov/reports/guam-other-post-employment-benefits-opeb-reports/>.

Benefits: GovGuam provides postemployment 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.

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:

Total OPEB liability at the fiscal year presented for the OPEB Plan was measured on and was determined by actuarial valuations as of the following dates:

Reporting date:	September 30, 2022
Measurement date:	September 30, 2021
Valuation date:	September 30, 2020

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Notes to Financial Statements, continued

6. Other Post-Employment Benefits (OPEB), continued

B. Total OPEB Liability, continued

Total OPEB liability as of September 30, 2022 is \$775,538,115.

Proportionate share of total OPEB liability at September 30, 2022 is 27.98%.

Actuarial Assumptions: A summary of actuarial assumptions applied to all periods included in the measurement is shown below:

Inflation:	2.75%
Healthcare cost trend rate:	19 percent and 31 percent for FY2021 Non-Medicare and Medicare plans, respectively. 6 percent for FY2022 through FY2023, decreasing 0.25 percent per year to an ultimate rate of 4.25 percent for FY2030 and later years.
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. Year 1 trend is assumed to be -3.11%.
Healthy retiree mortality rates:	Head-count weighted PUB-2010 Table, set forward 4 years for males and 2 years for females, respectively, projected generationally using 50% of MP-2020.
Disabled mortality rates:	PUB-2010 Disabled Retiree Amount Weighted mortality table set forward 4 years for males and 2 years for females, respectively, using 130% of the rates before age 80 and projected generationally from 2010 using 50% of mortality improvement scale MP-2020.

Discount rate: The discount rate used to measure the total OPEB liability was 2.26%. The projection of cash flows used to determine the discount rate assumed that contributions from the Government 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 2.26% municipal bond rate was applied to all periods to determine the total OPEB liability.

Guam Department of Education
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Notes to Financial Statements, continued

6. Other Post-Employment Benefits (OPEB), continued

B. Total OPEB Liability, continued

OPEB plan fiduciary net position: As of September 30, 2022, an OPEB trust has not been established thus the OPEB Plan does not presently report OPEB plan fiduciary net position.

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>1.26%</u>	Current Discount Rate <u>2.26%</u>	1% Increase in Discount Rate <u>3.26%</u>
Total OPEB Liability	\$ <u>891,774,935</u>	\$ <u>775,538,115</u>	\$ <u>642,673,927</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>623,432,198</u>	\$ <u>775,538,115</u>	\$ <u>922,785,746</u>

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Notes to Financial Statements, continued

6. Other Post-Employment Benefits (OPEB), continued

C. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2022, GDOE reported total OPEB expense of \$27,271,778, for its proportionate share of the GovGuam total OPEB expense. At September 30, 2022, 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	\$ 90,548,433	\$109,044,041
Difference between expected and actual experience	67,580,687	41,195,174
Contributions subsequent to the measurement date	11,992,910	---
Changes in proportion and difference between employer contributions and proportionate share of contributions	<u>2,026,269</u>	<u>29,591,252</u>
	<u>\$172,148,299</u>	<u>\$179,830,467</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 at September 30, 2022 will be recognized in OPEB expense as follows:

<u>Year Ending September 30</u>	
2023	\$(28,377,365)
2024	(1,074,217)
2025	8,086,171
2026	(3,150,744)
2027	<u>4,841,077</u>
	<u>\$(19,675,078)</u>

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Notes to Financial Statements, continued

7. Appropriations

During the year ended September 30, 2022, appropriations provided to GDOE were as follows:

General Fund:

Public Law 36-54:	
GovGuam General Fund:	
Operations	\$171,387,360
Retiree healthcare benefits	11,992,910
Lease Agreements:	
Okkodo Expansion lease	2,285,335
JFK High School lease	3,083,506
Bonus, rewards and incentives program	1,000,000
Merit bonus	3,100,000
Salary increments	1,000,000
Nurse professional pay structure	871,197
Chamorro Studies Division	513,824
Simon Sanchez High School Construction	500,000
Menstrual hygiene products	100,000
Educator classification, compensation and benefit study	100,000
Territorial Education Facilities Fund:	
Operations	11,366,892
School grounds maintenance	385,022
Alternative dispute resolution/Mediation services	40,000
Lease Agreements:	
Tiyán lease	10,113,927
JFK High School lease	2,150,290
Okkodo Expansion lease	650,000
Healthy Futures Fund	891,754
Public Library System Fund	763,194
Limited Gaming Fund	442,611
Public Law 28-47:	
Guam Public School Facilities Project Lease	<u>5,735,750</u>
	<u><u>\$228,473,572</u></u>

As of September 30, 2022, receivables from the primary government associated with these appropriations amounted to \$151,292. In addition, Public Law 36-54 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, 2022 is \$12,285,709, which is accounted for within GDOE's Federal Grants Assistance Fund.

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Notes to Financial Statements, continued

8. School Financed Purchase Obligations

GovGuam, on behalf of GDOE, has entered into finance 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. Finance lease assets and obligations are recorded and reported in the governmental activity column of the department-wide financial statements. Interest expense for the financed purchase obligations is not capitalized. Amortization of assets acquired under these purchase agreements are 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 (the “Leased Schools”) on Guam, Okkodo High School, Astumbo Middle School, Adacao Elementary School and Ligan Elementary School. GovGuam, on behalf of GDOE, entered into a twenty-year purchase agreement with GEFF for the use of the four new schools, which commenced in October 2006.

Annual payments for the use of the Leased Schools and related facilities commenced on December 1, 2006 and are funded by a pledge of U.S. Compact Impact grant revenues through December 1, 2022, with the remaining payments subject to future appropriations by the Guam Legislature. After a period of twenty years and after all payments have been made, title to the Leased Schools and related facilities will transfer to GDOE.

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 (the “new High School”) to be leased to GDOE upon completion. GovGuam, on behalf of GDOE, entered into a thirty-year purchase agreement with CaPFA for the use of the new High School, which commenced in August 2011.

Annual payments for the use of the new High School commenced on December 1, 2010 and are funded by annual appropriations by the Guam Legislature. After a period of thirty years and after all payments have been made, title to the new High School will transfer to GDOE.

Guam Department of Education
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Notes to Financial Statements, continued

8. School Financed Purchase Obligations, continued

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. GovGuam, on behalf of GDOE, entered into an eighteen-year purchase agreement with GEFF II for the use of the expansion, which commenced in July 2014.

Annual payments for the use of the expansion commenced on June 1, 2013 and are funded by annual appropriations by the Guam Legislature. After a period of eighteen years and after all payments have been made, title to the expansion will transfer to GDOE.

Tiyan Lease

GovGuam, on behalf of GDOE, entered into an 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 agreement, which is renewable annually, had a fixed annual payment of \$4,493,256 for the first five years payable in cash or by transferable tax credits. Payments commenced in August 2009 with a term through June 30, 2024.

In 2011, GovGuam entered into an amendment extending the initial term to October 31, 2024 with a four-month payment abatement from October 1, 2011 through January 31, 2012 due to non-occupancy of the property. In 2013, GovGuam, on behalf of GDOE, exercised the option to purchase the 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 the GDOE administration in the amount of \$43,648,970. Title to the Tiyan properties will transfer to GDOE after all payments have been made.

In 2014, the Tiyan purchase agreement was amended to extend the 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 payment amounts due through January 2015 and included the aforementioned collateral equipment. Effective February 2015, payments due are to be paid in the form of cash. Annual payments include principal, interest at 10% per annum of outstanding principal balance, insurance and maintenance costs.

Guam Department of Education
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Notes to Financial Statements, continued

8. School Financed Purchase Obligations, continued

Future minimum payments to maturity for the school financed purchase obligations are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 8,972,784	\$ 11,518,345	\$ 20,491,129
2024	9,592,828	10,926,680	20,519,508
2025	10,133,086	10,294,128	20,427,214
2026	10,694,877	9,622,891	20,317,768
2027	6,513,451	8,911,538	15,424,989
2028 - 2032	31,702,880	36,655,426	68,358,306
2033 - 2037	41,681,782	22,105,483	63,787,265
2038 - 2041	<u>26,176,147</u>	<u>4,351,249</u>	<u>30,527,396</u>
	<u>\$145,467,835</u>	<u>\$114,385,740</u>	<u>\$259,853,575</u>

Assets acquired through the afore mentioned purchase agreements are as follows:

Assets:	
Buildings and leasehold improvements	\$239,159,248
Less accumulated depreciation	<u>(55,685,535)</u>
	183,473,713
Land	<u>435,280</u>
	<u>\$183,908,993</u>

Required Supplementary Information

Guam Department of Education
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Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund

Year Ended September 30, 2022

	Original Budget	Final Budget	Actual - Budgetary Basis	Variance with Final Budget - Positive (Negative)
Revenues:				
Local appropriations:				
Government of Guam General Fund:				
Operations	\$ 171,387,360	\$ 171,387,360	\$ 171,387,360	\$ ---
Retiree healthcare benefits	11,992,910	11,992,910	11,992,910	---
JFK High School purchase	3,083,506	3,083,506	3,083,506	---
Okkodo High School Expansion Project purchase	2,285,335	2,285,335	2,285,335	---
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	---
Educator classification, compensation and benefit study	100,000	100,000	100,000	---
Bonuses, rewards and incentives program	1,000,000	1,000,000	1,000,000	---
Merit bonus	3,100,000	3,100,000	3,100,000	---
Salary increments	1,000,000	1,000,000	1,000,000	---
Nurse professional pay structure	871,197	871,197	871,197	---
Menstrual hygiene products	100,000	100,000	100,000	---
Guam Educational Facilities Fund:				
Operations	11,366,892	11,366,892	11,366,892	---
Tiyan purchase	10,113,927	10,113,927	10,113,927	---
JFK High School purchase	2,150,290	2,150,290	2,150,290	---
Okkodo High School Expansion Project purchase	650,000	650,000	650,000	---
School grounds maintenance	385,022	385,022	385,022	---
Alterantive dispute resolution/Mediation services	40,000	40,000	40,000	---
Healthy Futures Fund	891,754	891,754	891,754	---
Public Library System Fund	763,194	763,194	763,194	---
Limited Gaming Fund	442,611	442,611	442,611	---
Contributions from component units	450,000	450,000	450,000	---
Federal grants and contributions	650,988	954,657	874,207	(80,450)
Federal indirect cost reimbursements	1,209,988	2,907,590	1,958,180	(949,410)
School activities	681,043	681,043	681,043	---
Fees and other program receipts	---	---	1,201,309	1,201,309
Cafeteria sales	---	---	4,278	4,278
Total revenues	227,229,841	229,231,112	227,906,839	(1,324,273)
Expenditures - Budgetary Basis:				
Elementary Education	63,869,430	66,571,776	73,160,499	(6,588,723)
Secondary Education	78,077,490	87,165,617	88,541,027	(1,375,410)
Direct Student Support	16,519,238	11,419,115	11,484,333	(65,218)
General Administration	44,359,326	35,872,874	24,914,264	10,958,610
Retiree healthcare benefits	11,992,910	11,992,910	11,992,910	---
First Generation Trust Fund	1,762,406	2,225,042	221,120	2,003,922
School activities	681,043	681,043	664,366	16,677
Debt service:				
Tiyan purchase	8,176,131	8,176,131	8,176,131	---
JFK High School purchase	5,047,263	5,047,263	5,129,909	(82,646)
Okkodo High School Expansion Project purchase	2,286,260	2,286,260	2,286,260	---
Total expenditures	232,771,497	231,438,031	226,570,819	4,867,212
Excess (deficiency) of revenues over (under) expenditures	(5,541,656)	(2,206,919)	1,336,020	3,542,939
Other financing sources:				
Transfers in	---	---	2,450,637	2,450,637
Other changes in fund balance:				
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	11,970,025	11,970,025	3,909,785	(8,060,240)
Net change in fund balance	\$ 6,428,369	\$ 9,763,106	\$ 7,696,442	\$ (2,066,664)

See accompanying notes.

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Required Supplemental Information (Unaudited)
Schedule of Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*

Defined Benefit Plan

	2022	2021	2020	2019	2018	2017	2016	2015	2014
GDOE's proportionate share of the net pension liability	\$ 268,236,314	\$ 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	27.84%	28.37%	28.91%	29.35%	29.97%	30.18%	29.79%	29.07%	30.72%
GDOE's covered payroll**	\$ 273,821,861	\$ 268,065,242	\$ 271,378,864	\$ 305,131,860	\$ 291,741,272	\$ 314,872,488	\$ 146,783,636	\$ 146,783,636	\$ 141,412,148
GDOE's proportionate share of the net pension liability as percentage of its covered-employee payroll	243.36%	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	70.14%	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 payroll data from the actuarial valuation date with one-year lag.

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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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
GDOE's proportionate share of the net pension liability	\$ 85,005,642	\$ 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	27.57%	27.76%	28.00%	28.10%	28.57%	28.44%	28.59%

* This data is presented for those years for which information is available.

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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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
GDOE's proportionate share of the net pension liability	\$ 18,667,503	\$ 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	26.46%	25.70%	25.92%	26.04%	26.85%	26.34%	26.72%

* This data is presented for those years for which information is available.

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Required Supplemental Information (Unaudited)
Schedule of Pension Contributions
Last 10 Fiscal Years*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 37,254,787	\$ 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>\$ 37,270,602</u>	<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>\$ (15,815)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,256)</u>	<u>\$ (4,132)</u>	<u>\$ -</u>	<u>\$ (6,475)</u>
GDOE's covered payroll **	<u>\$ 263,835,094</u>	<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	28.32%	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 payroll data from the actuarial valuation date with one-year lag.

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Schedules of Required Supplemental Information (Unaudited)
Schedule of Proportionate Share of the Total OPEB Liability
Last 10 Fiscal Years*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
GDOE's proportionate share of the total OPEB liability	\$ 775,538,115	\$ 704,157,441	\$ 752,994,530	\$ 549,588,821	\$ 726,529,256	\$ 756,133,583
GDOE's proportion of the total OPEB liability	27.98%	27.96%	29.49%	29.31%	29.89%	29.85%

* This data is presented for those years for which information is available.

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Schedules of Required Supplemental Information
Schedule of OPEB Contributions
Last 10 Fiscal Years*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 60,144,829	\$ 71,855,826	\$ 55,045,187	\$ 71,978,453	\$ 74,523,639	\$ 64,131,344
Contributions in relation to the actuarially determined contribution	<u>\$ 12,842,971</u>	<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>\$ 47,301,858</u>	<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>

* This data is presented for those years for which information is available.

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Notes to the Required Supplementary Information
September 30, 2022

1. Budgetary Process

The Budget Act for fiscal year 2022, Public Law No. 36-54, was approved for the Executive branch and the Legislative branch. Supplemental appropriations were also provided through Public Law 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.

2. Changes of Assumptions – Pension Plans

Amounts reported in 2021 actuarial valuation reflected an assumption related to administrative expenses to decrease to \$6,565,000 per year.

Amounts reported in 2020 actuarial valuation reflected an assumption related to administrative expenses to decrease to \$6,439,000 per year.

Amounts reported in 2019 actuarial valuation reflected an assumption related to administrative expenses to decrease to \$6,860,000 per year.

Amounts reported in 2018 actuarial valuation reflected an assumption related to administrative expenses to increase to \$7,082,000 per year.

Amounts reported in 2017 actuarial valuation reflect a change in assumption of payroll growth to 2.75% rather than 3%. The mortality, retirement age and disability assumption were changed to more closely reflect actual experience. Assumption related to administrative expense reflected an increase to \$6,344,000 per year and a revised allocation to the various pension plans to reflect actual experience.

Amounts reported in 2016 actuarial valuation reflect a change in assumption of administrative expenses to \$6,078,000 per year rather than \$5,806,000.

Guam Department of Education
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Notes to the Required Supplementary Information
September 30, 2022

2. Changes of Assumptions – Pension Plans, Continued

Amounts reported in 2015 actuarial valuation reflect a change in assumption of payroll growth to 3% rather than 3.5% which was used to determine amounts reported prior to 2015. Amounts reported in 2014 reflect an adjustment of the expectations of salary increases, disability and retirement age to more closely reflect actual experience. The amounts reported in the 2011 actuarial valuation reflect an expectation of retired life mortality based on the RP-2000 Mortality Table rather than the 1994 U.S. Uninsured Pensioners Table, which was used to determine amounts reported prior to 2011. Amounts reported in 2011 also reflect a change in assumption on valuation of assets to a 3-year phase in for gains/losses relative to interest rate assumption from market value, with fixed income investments at amortized costs which was used to determine amounts reported prior to 2011.

Supplementary and Other Information

Guam Department of Education
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Statements of Revenues, Expenditures by Account and Changes in Fund Balances
Governmental Funds

Year Ended September 30, 2022

	General	Federal Grants Assistance	Total
Revenues:			
Appropriations	\$ 222,737,822	\$ 5,735,750	\$ 228,473,572
Federal grants and contributions	874,207	157,184,277	158,058,484
Federal indirect cost reimbursements	1,958,180	---	1,958,180
School activities	681,043	---	681,043
Contributions from GovGuam component units	450,000	---	450,000
Cafeteria sales	4,278	---	4,278
Fees and other program receipts	1,201,309	---	1,201,309
Total revenues	<u>227,906,839</u>	<u>162,920,027</u>	<u>390,826,866</u>
Expenditures:			
Salaries and wages	131,002,950	40,525,158	171,528,108
Benefits	49,563,005	11,698,359	61,261,364
Supplies	59,860	45,345,501	45,405,361
Contractual	7,936,107	17,474,693	25,410,800
Capital lease payments	18,606,953	5,741,350	24,348,303
Power	367,768	13,846,951	14,214,719
Food management contract	801,566	12,563,158	13,364,724
Retiree healthcare benefits	11,992,910	---	11,992,910
Equipment	82,182	5,743,131	5,825,313
Water	---	5,015,274	5,015,274
Indirect costs	---	1,958,180	1,958,180
Travel	589,110	532,391	1,121,501
School activities	664,366	---	664,366
Phone	481,103	---	481,103
Scholarships	221,120	---	221,120
Fuel	159,650	---	159,650
Library books and equipment	48,365	---	48,365
Capital outlay	11,995	24,890	36,885
Miscellaneous	72,024	354	72,378
Total expenditures	<u>222,661,034</u>	<u>160,469,390</u>	<u>383,130,424</u>
Excess of revenues over expenditures	<u>5,245,805</u>	<u>2,450,637</u>	<u>5,245,805</u>
Other financing sources (uses):			
Transfers in	2,450,637	---	2,450,637
Transfers out	---	(2,450,637)	(2,450,637)
Total other financing sources (uses), net	<u>2,450,637</u>	<u>(2,450,637)</u>	<u>---</u>
Net change in fund balances	7,696,442	---	7,696,442
Fund balances at beginning of year	821,404	---	821,404
Fund balances at end of year	<u>\$ 8,517,846</u>	<u>\$ ---</u>	<u>\$ 8,517,846</u>

Guam Department of Education
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Combining Schedule of Balance Sheet Accounts
General Fund

September 30, 2022

<u>ASSETS</u>	<u>Operations</u>	<u>First Generation Trust Fund Initiative</u>	<u>School Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 7,206,760	\$ 2,128,542	\$ ---	\$ 9,335,302
Receivables from federal agencies	378,516	---	---	378,516
Due from primary government	151,292	---	---	151,292
Due from GovGuam component units	---	214,408	---	214,408
Prepayments and other assets	10,850	---	---	10,850
Due from other funds	25,660,705	---	---	25,660,705
Restricted assets:				
Cash and cash equivalents	---	---	824,190	824,190
Total assets	<u>\$ 33,408,123</u>	<u>\$ 2,342,950</u>	<u>\$ 824,190</u>	<u>\$ 36,575,263</u>
<u>LIABILITIES AND FUND</u>				
<u>BALANCES</u>				
Liabilities:				
Accounts payable	\$ 17,678,536	\$ 131,424	\$ ---	\$ 17,809,960
Accrued payroll	8,608,042	---	---	8,608,042
Other liabilities and accruals	1,639,415	---	---	1,639,415
Total liabilities	<u>27,925,993</u>	<u>131,424</u>	<u>---</u>	<u>28,057,417</u>
Fund balances:				
Restricted	---	---	824,190	824,190
Committed	---	2,211,526	---	2,211,526
Unassigned	5,482,130	---	---	5,482,130
Total fund balances	<u>5,482,130</u>	<u>2,211,526</u>	<u>824,190</u>	<u>8,517,846</u>
Total liabilities and fund balances	<u>\$ 33,408,123</u>	<u>\$ 2,342,950</u>	<u>\$ 824,190</u>	<u>\$ 36,575,263</u>

Guam Department of Education
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Combining Statement of Revenues, Expenditures and
Changes in Fund Balances (Deficit) Accounts
General Fund

Year Ended September 30, 2022

	Operations	First Generation Trust Fund Initiative	School Activities	Total
Revenues:				
Appropriations	\$ 222,737,822	\$ ---	\$ ---	\$ 222,737,822
Federal grants and contributions	874,207	---	---	874,207
Federal indirect cost reimbursements	1,958,180	---	---	1,958,180
Contributions from GovGuam component units	---	450,000	---	450,000
Cafeteria sales	4,278	---	---	4,278
Student activities	---	---	681,043	681,043
Fees and other program receipts	1,190,677	10,632	---	1,201,309
Total revenues	<u>226,765,164</u>	<u>460,632</u>	<u>681,043</u>	<u>227,906,839</u>
Expenditures:				
Elementary Education	73,154,821	---	82,555	73,237,376
Secondary Education	88,517,274	---	581,811	89,099,085
Direct Student Support	9,761,741	221,120	---	9,982,861
General Administration	22,756,502	---	---	22,756,502
Retiree healthcare benefits	11,992,910	---	---	11,992,910
Debt service:				
Principal	4,524,551	---	---	4,524,551
Interest	11,067,749	---	---	11,067,749
Total expenditures	<u>221,775,548</u>	<u>221,120</u>	<u>664,366</u>	<u>222,661,034</u>
Excess of revenues over expenditures	<u>4,989,616</u>	<u>239,512</u>	<u>16,677</u>	<u>5,245,805</u>
Other financing uses:				
Transfers in	<u>2,450,637</u>	<u>---</u>	<u>---</u>	<u>2,450,637</u>
Net change in fund balances	7,440,253	239,512	16,677	7,696,442
Fund balances (deficit) at beginning of year	<u>(1,958,123)</u>	<u>1,972,014</u>	<u>807,513</u>	<u>821,404</u>
Fund balances at end of year	<u>\$ 5,482,130</u>	<u>\$ 2,211,526</u>	<u>\$ 824,190</u>	<u>\$ 8,517,846</u>

Guam Department of Education
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Personnel
September 30, 2022 and 2021

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

	<u>Employee Count as of PPE September 24, 2022</u>	<u>Employee Count as of PPE September 25, 2021</u>
100% Locally Funded	2,597	2,693
100% Federally Funded	870	744
Locally/Federally Funded	<u>4</u>	<u>6</u>
 Total Employee Count	 <u>3,471</u>	 <u>3,443</u>

The overall number of GDOE employees increased by 28 employees or 1% from 3,443 (pay period ending September 25, 2021) to 3,471 (pay period ending September 24, 2022).

The availability of COVID-19 relief funding is a major factor in the increase of federally funded employees. ESF II and ARP funds were utilized to hire limited term, full-time educational, professional, administrative, and technical personnel to support the educational needs of teachers and students in addressing academic learning loss due to pandemic restrictions and providing outreach services to underrepresented families. As of the year ended September 30, 2022, there were 137 GDOE employees funded by federal pandemic relief grants.