



**Government of Guam
FY 2016 General Fund Highlights**

June 8, 2017

The Government of Guam (GovGuam) has issued its fiscal year (FY) 2016 financial audit three weeks earlier than its FY 2015 audit. This marks the earliest GovGuam audit issuance in history. The Office of Public Accountability has advocated a March 31st deadline to issue all GovGuam financial audits. This early issuance demonstrates good governance by providing more timely information to decision makers. These highlights focus on GovGuam’s governmental funds, which includes the General Fund, and other significant funds, and not GovGuam as a whole.

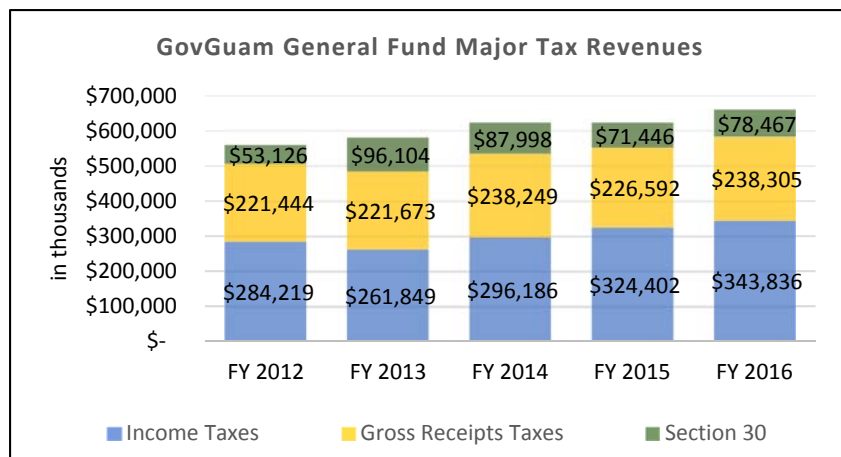
The GovGuam General Fund ended FY 2016 with a \$13.4 million (M) surplus. This is a \$72.9M increase from the \$59.5M deficit in FY 2015 and reduces the cumulative General Fund deficit to \$105.7M from \$119.1M. The FY 2016 surplus attributed mainly to operating revenues exceeding operating expenditures by \$1.2M and a \$12.1M net surplus from bond activities. The balance of bond proceeds were subsequently distributed to the Guam Memorial Hospital Authority in FY 2017.

Independent auditors Deloitte & Touche, LLP issued an unmodified or “clean” opinion on GovGuam’s financial statements. Ten audit adjustments were made that increased GovGuam’s fund balance by \$9,980. There were also 14 uncorrected misstatements that GovGuam management deemed immaterial to the financial statements that would have decreased the fund balance by \$10,047.

Growth in GovGuam General Fund Revenues

FY 2016 General Fund revenues of \$685.7M increased by \$38.0M from FY 2015 primarily due to growth in income tax collections of \$19.4M, gross receipts taxes of \$11.7M, hotel occupancy taxes of \$3.9M, Section 30 Federal income taxes of \$7.0M. This was offset by a decrease in other revenues of \$5.0M and real property taxes of \$1.7M.

FY 2016 General Fund expenditures, net of transfers, were \$746.2M. Expenditures



include \$49.9M in 2016 Limited Obligation (Section 30) Bond proceeds distributed to the Guam Memorial Hospital Authority, \$3.4M for bond issuance costs, and \$2.4M interest for 2015 Series D Business Privilege Tax Revenue Bonds.

General Fund Budget and Actuals

Actual revenues in comparison to the FY 2016 budget were \$26.9M less than the \$702.0M projected. This was primarily due to overestimating collections for individual income taxes by \$24.5M, gross receipts taxes by \$9.4M, and the provision for tax refunds by \$5.7M. However, actual corporate income tax collections were \$13.4M over projections.

General Fund budgetary expenditures (including operating transfers out) of \$747.7M were \$35.4M lower than authorized appropriations of \$783.1M. The net decrease is mainly due to austerity measures by line agencies of \$19.7M, unexpended Business Privilege Tax 2016 bond proceeds of \$15.5M, unreleased subsidies to autonomous agencies of \$10.9M, and unexpended balance of GMHA Medicaid local share of \$4.9M. However, the net decrease was offset by under-budgeted retirees' health premiums of \$14.9M.

During FY 2016, the Bureau of Budget and Management Research placed a 15% reserve on line agency appropriations as well as enforcing the deficit reduction program mandated in Title 5 of the Guam Code Annotated §22436, placing a 2% reserve on projected revenues to be used towards reducing the deficit. The Department of Administration required line agencies to exhaust current appropriations before carry-over funds could be expended. These measures are indicative of the combined efforts of both the Legislative and Executive Branch to recover from the deficit and continue strengthening the fiscal stability of GovGuam.

Earned Income Tax Credit (EITC) Increases

The EITC has grown exponentially from \$6.2M in 2000, or 11% of tax refunds, to \$58.8M in 2015, or 45% of tax refunds. EITC increased \$2.0M from \$56.8M in 2014. The GovGuam tax liability continues to increase due to EITC, an unfunded federal mandate. The Guam Legislature appropriated \$125M for tax refund payments for FY 2016, which includes EITC payments.

Because the EITC continues to represent a substantial amount of tax refunds, EITC tax returns should be closely examined by the Department of Revenue and Taxation to ensure that filers who claim this tax credit are duly entitled and without duplicate dependents. The EITC is for low to mid income filers who meet certain criteria and who usually do not contribute or have any taxes withheld. This allows opportunities to receive tax refunds in excess of taxes paid.

Compliance

OPA's Compliance Highlights offers a separate commentary on the Single Audit Report and Management Letter. For details of GovGuam's operations, refer to the Management's Discussion and Analysis in the audit report or visit www.opaguam.org.