



## **Guam Department of Education FY 2013 Financial Highlights**

June 28, 2014

The Guam Department of Education (GDOE) closed Fiscal Year (FY) 2013 with a \$32.8 million (M) decrease (deficit) in fund balance from \$44.5M in FY 2012 to \$11.7M in FY 2013. The \$32.8M deficit was a result of GDOE's American Recovery and Reinvestment Act (ARRA) State Fiscal Stabilization Funds expenditures paid out during FY 2013. In FY 2011, GDOE had a surplus of \$59M when GDOE received \$60M from the ARRA grants. In FY 2012, GDOE again had a surplus of \$8.2M due to ARRA. FY 2013 represents the first year of completion of these projects of \$32M. Similarly, GDOE will likely incur a deficit in FY 2014 due to the completion and payment of the remaining ARRA projects.

GDOE received an unmodified (clean) opinion on its financial statements from its independent auditors, Deloitte & Touche, LLP. However, in order to receive the clean opinion, 15 audit adjustments were made that cumulatively increased GDOE's fund balance by \$5.4M.

### **\$15M Decrease in Revenues**

GDOE's revenues totaled \$290.4M, of which \$221.3M were local funds and \$69.1M were federal funds. The local appropriations of \$221.3M declined by \$9.2M compared to prior year's \$230.6M. The decline was primarily due to an \$8.3M decreased allotment from the Territorial Education Facilities Fund. Likewise, federal grants also declined to \$69.1M compared to \$74.9M in the prior year, with the largest reduction due to USDOE's non-reauthorization of ARRA grants.

### **\$26M Increase in Expenditures**

GDOE's expenditures totaled \$323.2M, of which \$254M were local funds and \$69.2M were federal funds. Local expenditures went from \$222.3M to \$254M, an increase of \$31.7M primarily due to the Adequate Education Trust Fund (Trust) expenditures. Otherwise, local operations essentially remained the same.

In FY 2012, USDOE approved \$60M of the ARRA funds to be used towards school based salaries to meet obligation timelines and in exchange, funds were placed in the local Trust to continue to fund projects originally identified.

Within the local expenditures, \$4.5M represents the operating lease of the Tiyan campus (paid via tax credits) and the annual debt service lease payment of JFK of \$7M. Meanwhile, Okkodo High, Astumbo Middle, Adacao Elementary and Liguan Elementary schools' annual debt service lease payment of \$7.1M was paid from federal Compact Impact funds from the U.S. Department of the Interior (DOI).

While overall federal grant expenditures declined by \$5.7M to \$69.2M compared to \$74.9M in FY 2012, USDOE expenditures represented the largest decline or \$8.1M. On the other hand, GDOE received an increase in the US Department of Agriculture of \$1.2M, and an increase in funding from Compact Impact grants funded by the US DOI of \$1.3M.

The \$32.4M ARRA related expenditures were spent on the following:

- Roof and structural repairs (\$12M);
- Southern High School renovations (\$7.1M);
- Fire alarms, electrical repairs and air-conditioning upgrades (\$4.1M);
- Science, Technology, Engineering, and Math renovations and equipment (\$3.5M);
- Project design and construction management and administration (\$2.8M); and
- Technology, software, and equipment (\$2.6M).

### **Financial Management Information System (FMIS)**

In FY 2013, GDOE fully implemented its FMIS to process financial, procurement, payroll, human resources, maintenance, self-service, and fixed assets transactions. The new FMIS cost \$4.9M and was mainly funded with SFSF funding. Annual maintenance and support cost for the new FMIS was \$290K in FY 2013. As this was the first year of full implementation, staff are still adjusting to the system and have yet to capitalize on its full capabilities and potential.

### **Merit Bonus Payments and Employee Compensation**

In 1991, Public Law 21-59 established a bonus system for GovGuam employees who earned a superior performance grade. The bonus is calculated at 3.5% of the employee's base salary beginning in 1991. In June 2013, the Governor issued Executive Order 2013-005, ordering GDOE to pay past due merit bonuses, promised compensation, and civil service and court-ordered legal claims. GDOE received \$1.3M for merit bonuses incurred since October 2009. In FY 2013, GDOE paid \$1.1M of merit bonuses and had \$500K outstanding.

In May 2013, Executive order 2013-004 lifted the freeze on salary increments for classified employees and raises for unclassified employees since October 2011. As of FY 2013, GDOE had yet to pay \$3.2M in salary increments, but these were fully paid in June 2014.

### **Compliance**

Please refer to the Compliance Highlights for a separate commentary on the Single Audit Report and Management Letter. For a more detailed discussion on GDOE's operations, see the Management's Discussion and Analysis in the audit report at [www.guamopa.org](http://www.guamopa.org).