



Financial Highlights
Government of Guam Financial Audit
Fiscal Year 2023

February 8, 2025

The Government of Guam (GovGuam)'s financial statements show an upward trend with the Primary Government's net position and the General Fund's balance. For Fiscal Year (FY) 2023, in particular, the General Fund had a surplus of \$59.76 million (M) that resulted in a fund balance of \$195.23M. Management stated that this is "a significant event since this surplus was achieved without borrowing and is the outcome of financial discipline". The Administration's "emphasis on maximizing federal revenues and reducing costs previously met by the General Fund" was "the biggest single contribution to the deficit reduction."

The General Fund's surplus of \$59.76M resulted from realizing revenues higher, and incurring expenditures lower than budgeted. Of this amount, \$14.56M was transferred to the Rainy Day Fund, a fund reserved for unexpected, substantial decline in revenues received or due to the General Fund or expenses caused by a Guam emergency. Additionally, in October 2023 (FY 2024), Public Law (P.L.) 37-43 appropriated \$30.00M of the surplus to provide emergency funds for the Guam Memorial Hospital Authority.

Audit Issuance Delayed Since FY 2021

Independent financial auditors, Ernst & Young LLP (EY), issued an unmodified or "clean" opinion on GovGuam's financial statements. However, it has been one year and five months since FY 2023 ended on September 30, 2023. The delayed issuance began in FY 2021 and continued into FY 2023. The delay in FY 2023 was due to the delayed issuance of the GovGuam FY 2022 financial audit reports, delayed issuance of the other agencies' FY 2023 financial audit reports, and lack of responsiveness from GovGuam agencies to audit requests.

The FY 2022 GovGuam financial audit reports were issued in November 2023. A week later, the Office of Public Accountability initiated the procurement of GovGuam's financial audit services. EY was contracted to perform GovGuam's financial audit in April 2024.

Part of GovGuam's financial statements are derived from other agencies' financial audit reports. The most recent FY 2023 financial audit reports issued were from the Guam Memorial Hospital Authority (October 2024), Guam Department of Education (GDOE, November 2024), and Guam Preservation Trust (January 2025). GDOE's audited financial statements, for example, are reported as a part of GovGuam's General Fund.

GovGuam agencies, challenged with lack of qualified staff, affect the quality and timeliness of information submitted to EY. Reconciliations were still on-going for leases, under the Government Accounting Standards Board Statement No. 87, in November 2024 or over a year after FY 2023. Additionally, GovGuam did not assess the impact of potential liabilities for the Medically Indigent Program and Medicaid transactions for FY 2023.

Primary Government Program Revenues Decreased

The Primary Government program revenues decreased by \$64.16M from \$996.69M in FY 2022 to \$932.53M in FY 2023. Program revenues include Charges for Services and Operating Grants and Contributions, which help offset expenses incurred from Governmental Activities. Significant decreases from three revenue sources, totaling \$159.82M, were offset by nearly the same amount of increases from five revenue sources, totaling \$160.54M, as follows.

Table 1: Changes in Revenues

↓ Decreases	↑ Increases
↓ \$97.78M in Public Welfare grants and contributions	↑ \$64.17M in Income Tax general revenues
↓ \$43.50M in Public Education program revenues	↑ \$41.50M in Gross Receipts Tax (GRT) general revenues
↓ \$18.55M in Culture and Recreation program revenues	↑ \$40.71M in General Government program revenues
	↑ \$9.14M in Transportation program revenues
	↑ \$5.02M in Environmental Protection program revenues

The \$64.16M decrease in program revenues brought down the \$133.78M increase in general revenues. The net effect (or difference) was a \$69.62M increase in total Primary Government program and general revenues, which was insufficient in offsetting the increase in total expenses of \$108.52M. As a result, the Primary Government’s Change in Net Position decreased to \$78.52M in FY 2023 in contrast with \$122.34M in FY 2022. The \$78.52M increased the Primary Government activities’ negative net position from (\$2.34 billion (B)) in FY 2022 to (\$2.26B) in FY 2023.

General Fund Expenditures Increased

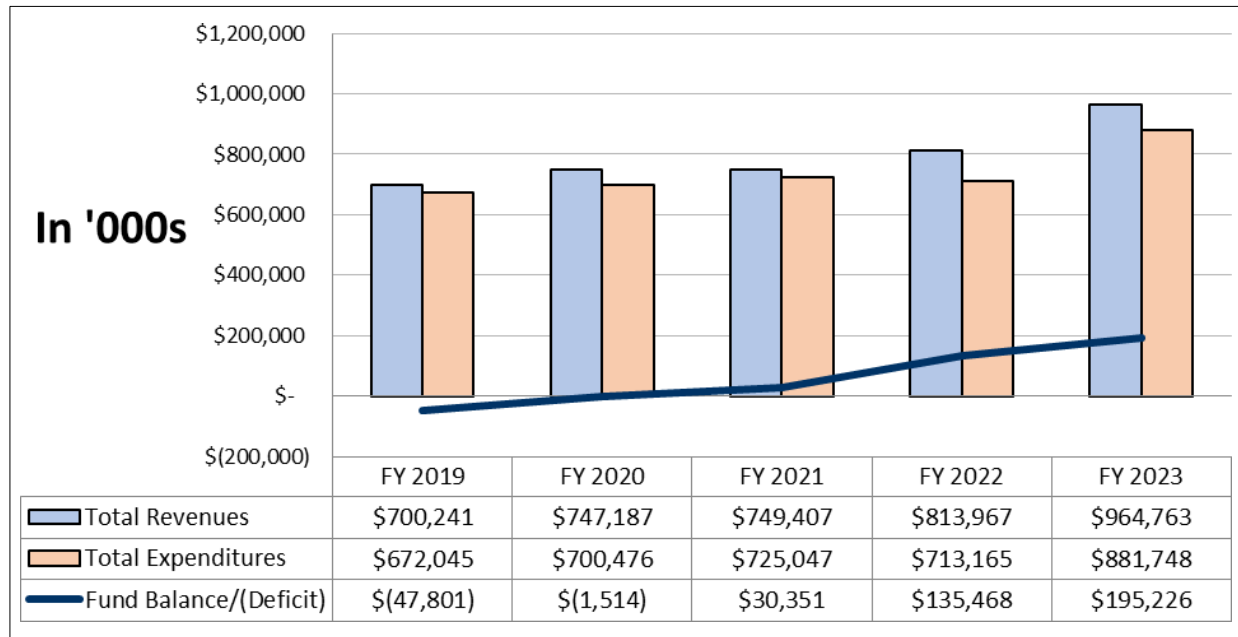
The General Fund expenditures increased by \$168.58M from \$713.17M in FY 2022 to \$881.75M in FY 2023. The General Fund is GovGuam’s primary operating fund. Most of the expenditure categories increased, with significant increases in:

- Payments to the Guam Power Authority (GPA) by \$47.39M from \$15.83M to \$63.22M. The increase was primarily due to the Energy Credit Program providing GPA residential, master-metered, and commercial customers with a total of \$1,500 credit towards their accounts to be disbursed \$100 per month from July to November 2022, December 2022 to April 2023, and May to September 2023.
- General Government expenditures by \$46.76M from \$56.01M to \$102.77M. The increase was primarily due to the addition of the \$38.48M in Medical Self Insured Fund expenditures for GovGuam’s self-insured Group Health Plan.

- Public Education expenditures by \$33.71M from \$192.24M to \$225.95M. The increase was primarily due to a \$33.47M increase in GDOE’s expenditures from \$192.06M to \$225.53M for operations and the 22% General Pay Plan pay increase.

The increase in total General Fund expenditures of \$168.58M was greater than the increase in its total revenues of \$150.80M. As a result, the General Fund’s Change in Fund Balance decreased to \$59.76M in contrast to \$105.12M in FY 2022. The \$59.76M increased the General Fund’s balance increased from \$135.47M in FY 2022 to \$195.23M in FY 2023. See Figure 1.

Figure 1: General Fund - 5 Year Trend



General Fund Actuals More Than Budget

In FY 2023, the General Fund Actual Net Change in Fund Balance was at \$42.04M or \$167.05M more than the final budgeted amount at negative (\$125.01M). Significant differences between budget and actual amounts were from:

- \$70.86M in Income Tax, with a \$365.81M final budget vs. \$436.66M actual.
- \$40.66M in GRT, with a \$327.95M final budget vs. \$368.61M actual.
- \$41.66M in Typhoon Mawar expenditures, with a \$48.03M final budget vs. \$6.37M actual.

Due to actual revenues and expenditures performing better than the budgeted amounts, and the FY 2022 financial audit report not being available at the time the General Appropriations Act of 2023, enacted in September 2022, the General Fund budget to actual statement reflects the effect of conservative budgeting.

Federal Grants Assistance Fund Increased

The Federal Grants Assistance Fund revenues increased by \$71.39M from \$507.85M in FY 2022 to \$579.24M in FY 2023. The Federal Grants Assistance Fund is a Special Revenue Fund that accounts for federal assistance grants and contracts used by GovGuam from the U.S. government

to finance general governmental operations. The increase in revenues was primarily due to the following increases in federal grant expenditures: (a) \$35.34M from the Supplemental Nutrition Assistance Program, (b) \$26.59M from the Child Care and Development Block Grant, and (c) \$16.46M from Public Assistance.

As of September 30, 2023, the Federal Grants Assistance Fund owes the General Fund \$58.51M. This is a 25.25M (or 76%) increase from \$33.26M in FY 2022. The \$58.51M receivable includes \$10.08M in uncollectible amounts due to \$6.55M in expired grants from the Homeland Security and \$3.53M in grants dated September 30, 2022 and prior. These uncollectible amounts were left uncorrected as they were immaterial to the financial statements as a whole.

Additionally, EY noted deficiencies with the accounting of federal grant expenditures, such as:

- Unreconciled differences with amounts due to and from federal agencies. Variances ranged from negative (\$7.64M) for Unemployment Insurance to \$11.07M for the Emergency Rental Assistance program.
- The General Fund reported \$12.46M in accounts receivable that was not valid as of September 30, 2023. An audit adjustment was proposed to remove this receivable and reduce revenues.
- As of September 30, 2023, the Federal Grants Fund did not draw down \$12.18M of amounts due from federal agencies, for programs such as the National Guard Military Operations and Maintenance Projects, National Guard Challenge Program, and Formula Grants for Other Than Urbanized Areas.

A commentary on GovGuam's compliance report and management letter is issued separately.

ARPA Assistance Fund Decreased Significantly

The ARPA Assistance Fund intergovernmental revenues decreased by \$115.25M from \$194.44M in FY 2022 to \$79.19M in FY 2023. The ARPA Fund is a Special Revenue Fund that accounts for federal assistance grants under the American Rescue Plan Act of 2021.

As of September 30, 2023, GovGuam had \$252.88M in cash and cash equivalents from the ARPA Assistance Fund. Of the \$252.88M, 84% or \$212.69M are payable to federal agencies until the federal grant requirements are met and the amounts can then be recognized as revenues. The ARPA funding was to be obligated by December 31, 2024 and paid out by December 31, 2026. On December 31, 2024, the entire remaining ARPA balance, including \$133M, was obligated towards infrastructure for the new hospital construction site in Mangilao.

Other Special Revenue Funds

Special Revenue Funds are used to account for specific revenues for restricted purposes. The following funds had major activities in FY 2023:

Table 2: Changes in Special Revenue Funds

Fund	Revenues	Expenditures
Emergency Rental Assistance	↓ \$5.94M in Intergovernmental	↓ \$5.83M in Public Welfare
Healthy Futures Fund	↓ \$5.51M in Tobacco taxes	↑ \$3.65M in Community Services ↑ \$2.05M in General Government
Territorial Highway	↓ \$5.97M in Liquid Fuel taxes	↑ \$9.25M in Payments to the Guam International Airport Authority ↓ \$4.54M in Transportation ↓ \$2.99M in Individual and Collective Rights
Tourist Attraction	↑ \$10.35M in Hotel taxes	↑ \$6.36M in Payments to the Guam Visitors Bureau ↑ \$2.44M in General Government

Debt Under Ceiling

The Organic Act set the debt ceiling (public indebtedness or limit of how much GovGuam could borrow) at 10% of the aggregate tax value or assessed value of property in Guam. GovGuam’s total debt outstanding, subject to the debt ceiling, was at \$916.07M as of September 30, 2023. The ceiling was at \$1.38B as of October 31, 2023, when the property assessment was certified.

GFMIS Contract Awarded

In December 2022, Performa Software USA Inc. was awarded a contract to replace and maintain GovGuam’s financial management information system, the GFMIS. The five-year contract totaled \$30.65M with fixed monthly payments totaling \$8.99M in the first year. ARPA and other federal funds were used to pay for the initial costs. The contract has the option to be renewed up to five additional years. The system went live in February 2024 or FY 2024.

General Pay Plan Adjusted

In January 2023, the Department of Administration (DOA) issued its review of the compensation rates of GovGuam employees. The Governor concurred that employees under the General Pay Plan should receive a 22% increase in base pay to recognize the “deficit in equity and competitiveness suffered since the last adjustment nine years ago”. The adjustment went into effect on April 1, 2023. However, the funding for payment of the salary adjustment was contingent upon submission of plans to the Legislature by the Office of the Governor.

P.L. 37-3 required the plans to address the: (a) payment of Merit Bonuses owed to employees from 2012 to present, (b) annual increments owed to employees, and (c) financial assistance promised to Guam businesses in the 2023 State of the Island Address. The Office of the Governor submitted the required plans in May 2023. Thereafter, DOA released cash allotments to the affected entities for the payment of the adjusted compensation rates.

Typhoon Mawar Damages

In May 2023, Typhoon Mawar impacted Guam with maximum sustained winds of up to 130 mph. The Federal Emergency Management Agency (FEMA) issued a major disaster declaration, enabling Guam to request funding. In June 2023, FEMA announced that government agencies and certain non-profit organizations in Guam may be eligible for FEMA assistance. As of May 2024, 175 projects were approved for \$10.4M from the Public Assistance program that allows reimbursement for eligible work including debris removal, emergency protective measures, and structural repairs.

For more details, please refer to GovGuam's FY 2023 Financial Statements, Reports on Compliance, Management Letter, and The Auditor's Communication With Those Charged With Governance at <https://www.guamopa.org>.