

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

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

*Year ended September 30, 2021  
with Report of Independent Auditors*



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

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

Year ended September 30, 2021

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## Report of Independent Auditors

Honorable Lou Leon Guerrero  
Governor of Guam

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Guam Highway Special Revenue Fund and Capital Projects Fund related to the Government of Guam Limited Obligation Highway Refunding Bonds, 2021 Series A (the Funds), which comprise the balance sheet as of September 30, 2021, and the related statement of revenues, expenditures, and changes in fund balances for the year then ended, and the related notes to the financial statements, which collectively comprise the Funds' financial statements as listed in the table on contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Guam Highway Special Revenue Fund and Capital Projects Fund related to the Government of Guam Limited Obligation Highway Refunding Bonds, 2001 Series A, as of September 30, 2021, and the results of their operations for the year then ended in conformity with U.S. generally accepted accounting principles.

## ***Emphasis of Matter***

### ***Reporting Entity***

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

### ***Coronavirus Pandemic Economic Uncertainty***

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

## ***Other Matters***

### ***Required Supplementary Information***

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 4 through 8 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary and Other Information***

Our audit for the year ended September 30, 2021 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Funds' financial statements. The information for the year ended September 30, 2021 included in pages 18 through 24 is presented for purposes of additional analysis and is not a required part of the financial statements.

*Supplementary and Other Information, continued*

The 2021 information included in pages 18 through 22 is the responsibility of the Funds' management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements for the year ended September 30, 2021 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States. In our opinion, the 2021 information on pages 18 through 22 is fairly stated, in all material respects, in relation to the financial statements as a whole.

We also previously audited, in accordance with the auditing standards generally accepted in the United States, the financial statements of Funds as of and for the year ended September 30, 2020 (not presented herein), and have issued our report thereon dated March 31, 2021, which contained unmodified opinions on the respective financial statements of the governmental activities of the Funds. The supplementary and other information as of and for the year ended September 30, 2020 are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the 2020 financial statements. The supplementary information have been subjected to the auditing procedures applied in the audit of the 2020 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the supplementary information are fairly presented in all material respects in relation to the financial statements as a whole for the year ended September 30, 2020.

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we also have issued our report dated July 2, 2022, on our consideration of the Funds' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Funds' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Funds' internal control over financial reporting and compliance.

*Ernst + Young LLP*

July 2, 2022

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

**Management's Discussion and Analysis**

Our discussion and analysis of the Government of Guam's ("GovGuam") Guam Highway Fund financial performance and those funds related to the GovGuam Limited Obligation Highway Refunding Bonds, 2001 Series A, provides an overview of financial activities for the fiscal years ended September 30, 2021 and 2020. Please read it in conjunction with the financial statements, which follow this section.

**1. Financial Highlights**

- For the fiscal year ended September 30, 2021, the combined fund balance decreased by \$1,168,627 (or -97%) from an ending fund balance of \$1,381,738 in 2020 to \$213,111 in 2021.
- During the years ended September 30, 2021 and 2020, total combined expenditures for governmental fund operations were \$20,474,675 and \$24,173,407, including expenditures for GovGuam's Department of Public Works of \$8,272,340 and \$11,953,350, respectively; expenditures for the Mayors' Council of Guam operations of \$8,208,527 and \$7,866,111 respectively; expenditures associated with Guam Regional Transit Authority operations of \$2,069,438 and \$2,273,455, respectively; and expenditures for the Guam Police Department of \$1,219,979 and \$1,166,153, respectively. These expenditures were funded mainly by Liquid Fuel Tax revenue collections and Vehicle Registration/Drivers' License fees collected during the years ended September 30, 2021 and 2020 of \$20,572,669 and \$20,086,824, respectively.
- Total expenditures decreased by \$3,698,732 (or -15%) from 2020 to 2021, which included decreases of: \$3,681,010 for expenditures by Department of Public Works, \$28,380 for Department of Administration, \$204,017 for Guam Regional Transit Authority, and \$40,086 for the Department of Education. Total combined revenues increased by \$483,028 (or 1%) from \$20,090,301 in 2020 to \$20,573,329 in 2021 due primarily to an increase in licenses, fees, and permits collection.
- During the year ended September 30, 2021, the Guam Highway Fund generated an operating excess of \$98,654 compared with an operating deficit of \$(4,083,106) for the year ended September 30, 2020.

**2. Overview of the Financial Statements**

The financial statements include all of the activities of the Guam Highway Fund and of those capital project funds related to the GovGuam Limited Obligation Highway Refunding Bonds, 2001 Series A proceeds. The financial statements present a balance sheet and a statement of revenues, expenditures, and changes in fund balance. The assets, liabilities and fund balances of these funds are reported in self-balancing funds.

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

Management's Discussion and Analysis, continued

**2. Overview of the Financial Statements, continued**

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally when they are both measureable and available. Expenditures generally are recorded in the period in which the related fund liability is incurred, in compliance with accrual accounting, with the exception of debt service expenditures, which are recorded only when payment is due.

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

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

**3. Financial Statement Analysis**

Balance Sheet

The balance sheet presents information on assets, liabilities and fund balance at year-end. A condensed summary of the balance sheets is shown below as of September 30, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Assets:		
Cash and cash equivalents	\$1,683,562	\$4,432,153
Tax receivables	532,656	926,952
Due from General Fund	<u>175,899</u>	<u>175,899</u>
Total assets	<u>\$2,392,117</u>	<u>\$5,535,004</u>
Liabilities:		
Accounts payable and other	\$ 417,025	\$442,226
Due to other Government Fund	---	292,028
Due to General Fund	899,409	2,689,203
Deposits and other liabilities	<u>862,572</u>	<u>729,809</u>
Total liabilities	<u>\$2,179,006</u>	<u>\$4,153,266</u>

Government of Guam  
 Guam Highway Special Revenue Fund and Capital Projects Fund  
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Management's Discussion and Analysis, continued

**3. Financial Statement Analysis, continued**

Balance Sheet, continued

	<u>2021</u>	<u>2020</u>
Fund balances:		
Restricted	175,899	175,899
Committed	<u>37,212</u>	<u>1,205,839</u>
 Total fund balances	 \$ <u>213,111</u>	 \$ <u>1,381,738</u>
 Total liabilities and fund balances	 \$ <u>2,392,117</u>	 \$ <u>5,535,004</u>

Total assets decreased by \$3,142,887 (or -57%) from \$5,535,004 in 2020 to \$2,392,117 in 2021.

Total fund balances decreased by \$1,168,627 during 2021 from \$1,381,738 to \$213,111. Of the total fund balance amounts presented at each respective fiscal year end, certain restrictions limit the availability of fund resources for future use. Specifically, fund balances are restricted by the bond indenture associated with the Limited Obligation Highway Refunding Bond, 2001 Series A, wherein these funds are restricted for highway related projects.

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

Statement of Revenues, Expenses and Changes in Fund Balances

The statement of revenues, expenditures and changes in fund balance show the effect of revenues and expenditures on fund balance for the year. The statements of revenues, expenditures and changes in fund balances for the years ended September 30, 2021 and 2020 are summarized as follows:

	<u>2021</u>	<u>2020</u>
Revenues:		
Liquid fuel taxes	\$ 10,100,087	\$11,680,493
License, fees and permits	10,472,582	8,406,331
Use of money and property	<u>660</u>	<u>3,477</u>
	<u>20,573,329</u>	<u>20,090,301</u>



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

Management's Discussion and Analysis, continued

**3. Financial Statement Analysis, continued**

Statement of Revenues, Expenses and Changes in Fund Balances, continued

	<u>2021</u>	<u>2020</u>
Expenditures:		
Current:		
General government	5,817,368	3,147,707
Individual and collective rights	8,208,527	7,866,111
Protection of life and property	1,256,585	1,166,153
Public education	---	40,086
Transportation	4,370,024	11,953,350
Miscellaneous	<u>822,171</u>	<u>---</u>
Total expenditures	<u>20,474,675</u>	<u>24,173,407</u>
Excess (deficiency) of revenues over (under) expenditures	98,654	( 4,083,106)
Transfers out to other funds	( <u>1,267,281</u> )	( <u>1,148,129</u> )
Net change in fund balances	\$( <u>1,168,627</u> )	\$( <u>5,231,235</u> )

Total revenues collected increased by \$483,028 (or 2%) from \$20,090,301 in 2020 to \$20,573,329 in 2021. The liquid fuel tax experienced a decrease of \$1,580,406 and use of money and property also had a decrease of \$2,817. Total expenditures decreased by \$3,698,732 (or -15%) from \$25,007,063 in 2020 to \$21,486,418 in 2021. The change was due to decreases in Guam Legislature appropriations. Appropriations authorized by the Guam Legislature from the Guam Highway Fund for 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Department of Administration (includes street light utility costs)	\$ 667,788	\$ 874,252
Department of Public Works (includes bus operations)	11,054,309	12,299,195
Guam Police Department	1,715,003	1,690,176
Mayors' Council of Guam	5,627,155	6,237,363
Guam Regional Transit Authority	2,597,148	2,853,159
Public Transit Fund	<u>313,020</u>	<u>383,571</u>
	<u>\$21,974,423</u>	<u>\$24,337,716</u>

Government of Guam  
Guam Highway Special Revenue Fund and Capital Projects Fund  
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Management's Discussion and Analysis, continued

**4. Capital Assets**

In 2014, Public Law 32-41 authorized the acquisition of property from the Guam Highway Fund for the Tiyan Parkway Project. During the year ended September 30, 2014, land acquisitions from the Guam Highway Fund amounted to \$1,760,000. Other expenditures associated with the Tiyan Parkway Project were funded in 2015 by federal grants awarded by the U.S. Department of Transportation Federal Highway Administration. No further expenditures associated with this project were incurred in 2016 through 2021.

**5. Outlook, Challenges and Opportunities**

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

The COVID-19 pandemic during fiscal year 2021 has continued to reflect a decrease with much of Guam's economy rebounding. Motorist activity is on the rise as we move into 2022 with vaccination rates increasing, pre-covid normalcy is at the forefront. People will begin to feel safe roaming about every day business, so transportation needs will drive usage of fuel. Restrictions on businesses will be lifted allowing for longer hours of operation and more occupancy. Furthermore, as Guam's tourism industry continues to improve it only helps to drive motorist activity. Henceforth, the collection of liquid fuel taxes remains hopeful as recovery from COVID-19 pandemic continues.

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

**6. Contacting Government of Guam Financial Management**

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

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

Balance Sheets

September 30, 2021

	<u>Guam Highway Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,683,562	\$ ---	\$ 1,683,562
Taxes receivable	532,656	---	532,656
Due from General Fund	<u>---</u>	<u>175,899</u>	<u>175,899</u>
Total assets	<u>\$ 2,216,218</u>	<u>\$ 175,899</u>	<u>\$ 2,392,117</u>
<b>Liabilities</b>			
Accounts payable	\$ 16,573	\$ ---	\$ 16,573
Due to General Fund	899,409	---	899,409
Accrued payroll and other	400,452	---	400,452
Deposits and other liabilities	<u>862,572</u>	<u>---</u>	<u>862,572</u>
Total liabilities	<u>2,179,006</u>	<u>---</u>	<u>2,179,006</u>
<b>Fund Balances</b>			
Fund Balances:			
Restricted for:			
Capital projects	---	175,899	175,899
Committed for:			
Highway operations	<u>37,212</u>	<u>---</u>	<u>37,212</u>
Total fund balances	<u>37,212</u>	<u>175,899</u>	<u>213,111</u>
Total liabilities and fund balances	<u>\$ 2,216,218</u>	<u>\$ 175,899</u>	<u>\$ 2,392,117</u>

*See accompanying notes.*

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

Statements of Revenues, Expenditures and Changes in Fund Balances

Year ended September 30, 2021

	<u>Guam Highway Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<b>Revenues:</b>			
Licenses, fees and permits	\$ 10,472,582	\$ ---	\$ 10,472,582
Taxes	10,100,087	---	10,100,087
Use of money and property	<u>660</u>	<u>---</u>	<u>660</u>
Total revenues	<u>20,573,329</u>	<u>---</u>	<u>20,573,329</u>
<b>Expenditures:</b>			
Current:			
Individual and collective rights	8,208,527	---	8,208,527
General government	5,817,368	---	5,817,368
Transportation	4,370,024	---	4,370,024
Protection of Life and Property	1,256,585	---	1,256,585
Miscellaneous	<u>822,171</u>	<u>---</u>	<u>822,171</u>
Total expenditures	<u>20,474,675</u>	<u>---</u>	<u>20,474,675</u>
Excess (deficiency) of revenues over (under) expenditures	98,654	---	98,654
Transfers out to other funds	( <u>1,267,281</u> )	<u>---</u>	( <u>1,267,281</u> )
Net change in fund balances	( 1,168,627 )	---	( 1,168,627 )
Fund balances at beginning of the year	<u>1,205,839</u>	<u>175,899</u>	<u>1,381,738</u>
Fund balances at the end of the year	<u>\$ 37,212</u>	<u>\$ 175,899</u>	<u>\$ 213,111</u>

*See accompanying notes.*

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

Notes to Financial Statements

Year ended September 30, 2021

**1. Summary of Significant Accounting Policies**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the Guam Highway Special Revenue Fund and Capital Projects Fund.

**Reporting Entity**

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

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

**Fund Accounting**

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

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

Notes to Financial Statements, continued

**1. Summary of Significant Accounting Policies, continued**

**Measurement Focus and Basis of Accounting**

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

*Liquid Fuel Taxes:*

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

*Automotive Surcharges:*

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

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

Government of Guam  
Guam Highway Special Revenue Fund and Capital Projects Fund  
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Notes to Financial Statements, continued

**1. Summary of Significant Accounting Policies, continued**

**Measurement Focus and Basis of Accounting, continued**

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

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

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

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

**Appropriations**

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

**Budgetary Process**

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

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

Notes to Financial Statements, continued

**1. Summary of Significant Accounting Policies, continued**

**Budgetary Process, continued**

Encumbrances are commitments related to unperformed (executory) contracts for goods or services and are generally evidenced by outstanding purchase orders, contracts, and intradepartmental work requests. Encumbrances outstanding at year end are reported within the fund balance classifications since they do not constitute expenditures or liabilities. Unencumbered appropriations normally lapse at the end of each fiscal year unless they are designated by the Legislature as representing continuing appropriations. At September 30, 2021, significant encumbrances are summarized as follows:

Guam Highway Special Revenue <u>Fund</u>	Capital Projects <u>Fund</u>	<u>Total</u>
\$ <u>2,925,437</u>	\$ <u>---</u>	\$ <u>2,925,437</u>

**Cash and Cash Equivalents**

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

**Receivables**

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

**GovGuam General Fund Receivables/Payables**

During the course of its operations, GovGuam's General Fund records transactions between individual funds for goods provided or services rendered. These balances result from the time lag between the dates that (1) goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made, and are scheduled to be collected in the subsequent year. At September 30, 2021, outstanding balances are as follows:

	Guam Highway Special Revenue <u>Fund</u>	Capital Projects <u>Fund</u>	<u>Total</u>
Due from General Fund	\$ <u>---</u>	\$ <u>175,889</u>	\$ <u>175,889</u>
Due to General Fund	\$ <u>899,409</u>	\$ <u>---</u>	\$ <u>1,219,331</u>



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

Notes to Financial Statements, continued

**1. Summary of Significant Accounting Policies, continued**

**Fund Balance**

Governmental fund balances are classified as follows:

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

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

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

A formal minimum fund balance policy has not been adopted.

**Management Estimates**

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

**Total Columns**

Total columns are presented primarily to facilitate financial analysis. The Management's Discussion and Analysis includes certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a full comparative presentation. Accordingly, such information should be read in conjunction with the financial statements of the Guam Highway Special Revenue Fund and Capital Projects Fund related to the Government of Guam Limited Obligation Highway Refunding Bonds, 2001 Series A, for the year ended September 30, 2020 from which summarized information was derived.

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

Notes to Financial Statements, continued

**2. Deposits**

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

Custodial credit risk is the risk that in the event of a bank failure, the entity's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized, or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name.

As of September 30, 2021, the carrying amount of cash and cash equivalents was \$1,683,562 and the corresponding bank balance was \$1,683,562, which is maintained in a financial institution subject to insurance coverage by the Federal Deposit Insurance Corporation (FDIC). As of September 30, 2021, bank deposits in the amount of \$250,000 were FDIC insured. GovGuam does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

**3. Payments to Other Fund**

During the year ended September 30, 2021, \$1,011,740 was transferred to the Better Public Service Fund in accordance with Public Law 29-2.

**4. Commitments**

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

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

Notes to Financial Statements, continued

**4. Commitments, continued**

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

As of September 30, 2021, remaining commitments associated with these appropriations amount to \$108,302.

**5. Coronavirus Pandemic**

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

**6. Subsequent Events**

The Funds have evaluated subsequent events through July 2, 2022. It is also the date that the financial statements were available to be issued.

## Supplementary and Other Information

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

Comparative Balance Sheets

September 30, 2021 and 2020

	Guam Highway		Capital	
	Special Revenue Fund		Projects Fund	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 1,683,562	\$ 4,432,153	\$ ---	\$ ---
Taxes receivable	532,656	926,952	---	---
Due from General Fund	<u>---</u>	<u>---</u>	<u>175,899</u>	<u>175,899</u>
Total assets	<u>\$ 2,216,218</u>	<u>\$ 5,359,105</u>	<u>\$ 175,899</u>	<u>\$ 175,899</u>
<b>Liabilities</b>				
Accounts payable	\$ 16,573	\$ 290,806	\$ ---	\$ ---
Due to General Fund	899,409	2,689,203	---	---
Due to other Government Fund	---	292,028	---	---
Accrued payroll and other	400,452	151,420	---	---
Deposits and other liabilities	<u>862,572</u>	<u>729,809</u>	<u>---</u>	<u>---</u>
Total liabilities	<u>2,179,006</u>	<u>4,153,266</u>	<u>---</u>	<u>---</u>
<b>Fund Balances</b>				
Fund Balances:				
Restricted for:				
Capital projects	---	---	175,899	175,899
Committed for:				
Highway operations	<u>37,212</u>	<u>1,205,839</u>	<u>---</u>	<u>---</u>
Total fund balances	<u>37,212</u>	<u>1,205,839</u>	<u>175,899</u>	<u>175,899</u>
Total liabilities and fund balances	<u>\$ 2,216,218</u>	<u>\$ 5,359,105</u>	<u>\$ 175,899</u>	<u>\$ 175,899</u>

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

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

Years ended September 30, 2021 and 2020

	Guam Highway Special Revenue Fund		Capital Projects Fund	
	2021	2020	2021	2020
<b>Revenues:</b>				
Licenses, fees and permits	\$ 10,472,582	\$ 8,406,331	\$ ---	\$ ---
Taxes	10,100,087	11,680,493	---	---
Use of money and property	660	3,477	---	---
Total revenues	20,573,329	20,090,301	---	---
<b>Expenditures:</b>				
Current:				
Individual and collective rights	8,208,527	7,866,111	---	---
General government	5,817,368	3,147,707	---	---
Transportation	4,370,024	11,953,350	---	---
Protection of life and property	1,256,585	1,166,153	---	---
Miscellaneous	822,171	---	---	---
Public education	---	40,086	---	---
Total expenditures	20,474,675	24,173,407	---	---
Excess (deficiencies) of revenues over (under) expenditures	98,654	( 4,083,106 )	---	---
Transfers out to other Fund	( 1,267,281 )	( 1,148,129 )	---	---
Net change in fund balances	( 1,168,627 )	( 5,231,235 )	---	---
Fund balances at beginning of the year	1,205,839	6,437,074	175,899	175,899
Fund balances at the end of the year	\$ 37,212	\$ 1,205,839	\$ 175,899	\$ 175,899

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

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

Years ended September 30, 2021 and 2020

	Guam Highway Special Revenue Fund		Capital Projects Fund	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<b>Revenues:</b>				
Licenses, fees and permits	\$ 10,472,582	\$ 8,406,331	\$ ---	\$ ---
Taxes	10,100,087	11,680,493	---	---
Use of money and property	<u>660</u>	<u>3,477</u>	<u>---</u>	<u>---</u>
Total revenues	<u>20,573,329</u>	<u>20,090,301</u>	<u>---</u>	<u>---</u>
<b>Expenditures:</b>				
Salaries and wages - regular	10,765,363	11,520,914	---	---
Salaries and wages - overtime	318,560	593,097	---	---
Salaries and wages - fringe benefits	4,241,719	4,062,423	---	---
Travel	---	14,817	---	---
Contractual services	1,993,406	5,423,254	---	---
Supplies	698,666	915,676	---	---
Equipment	75,330	46,359	---	---
Utilities - power and water	1,338,128	1,477,103	---	---
Communications	42,853	42,316	---	---
Grants and subsidies	2,900	---	---	---
Capital outlays	168,997	71,497	---	---
Miscellaneous	<u>798,065</u>	<u>5,951</u>	<u>---</u>	<u>---</u>
Total expenditures	<u>20,443,987</u>	<u>24,173,407</u>	<u>---</u>	<u>---</u>
Deficiencies of revenues under expenditures	129,342	( 4,083,106 )	---	---
Transfers out to other Fund	( <u>1,297,969</u> )	( <u>1,148,129</u> )	<u>---</u>	<u>---</u>
Net change in fund balances	( 1,168,627 )	( 5,231,235 )	---	---
Fund balances at beginning of the year	<u>1,205,839</u>	<u>6,437,074</u>	<u>175,899</u>	<u>175,899</u>
Fund balances at the end of the year	<u>\$ 37,212</u>	<u>\$ 1,205,839</u>	<u>\$ 175,899</u>	<u>\$ 175,899</u>

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

Schedule of Expenditures by Department by Object

Years ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Office of I Maga'lahaen Guahan		
Office of Civil Defense		
Contractual services	\$ ---	\$ ---
Bureau of Budget and Management Research		
Internal Audit		
Salaries and wages - regular	---	---
Salaries and wages - fringe benefits	---	---
	<u>---</u>	<u>---</u>
Department of Administration		
Division of Accounts		
Contractual services	---	---
Utilities - power and water	---	---
	<u>---</u>	<u>---</u>
Guam Highway Audit		
Contractual Services	18,500	18,500
	<u>18,500</u>	<u>18,500</u>
Guam Highway Streetlights		
Utilities - power and water	649,288	855,752
	<u>649,288</u>	<u>855,752</u>
Total Department of Administration	<u>667,788</u>	<u>874,252</u>
Guam Regional Transit Authority		
Salaries and wages - regular	610,394	455,909
Salaries and wages - overtime	41,020	21,357
Salaries and wages - fringe benefits	207,458	158,795
Contractual services	1,168,467	1,555,712
Supplies	25,838	63,809
Equipment	---	8,496
Communication	7,361	4,307
Grants and subsidies	2,900	---
Miscellaneous	6,000	5,070
	<u>2,069,438</u>	<u>2,273,455</u>
Total Guam Regional Transit Authority	<u>2,069,438</u>	<u>2,273,455</u>
Guam Police Department		
Highway Patrol Division		
Salaries and wages - regular	917,301	896,870
Salaries and wages - fringe benefits	302,678	269,283
	<u>1,219,979</u>	<u>1,166,153</u>
Total Guam Police Department	<u>1,219,979</u>	<u>1,166,153</u>
Customs and Quarantine Agency		
Salaries and wages- regular	27,728	---
Salaries and wages- fringe benefits	8,878	---
	<u>36,606</u>	<u>---</u>
Total Customs and Quarantine Agency	<u>36,606</u>	<u>---</u>
Department of Education		
Public Education		
Salaries and wages - regular	---	20,309
Salaries and wages - fringe benefits	---	7,362
Capital outlays	---	12,415
	<u>---</u>	<u>40,086</u>
Total Department of Education	<u>---</u>	<u>40,086</u>
Department of Public Works		
Office of the Director		
Salaries and wages - regular	896,107	901,438
Salaries and wages - overtime	(496)	6,451
Salaries and wages - fringe benefits	323,941	299,857
Travel	---	6,159
Contractual services	127,159	52,451
Supplies	18,284	4,969
Utilities - power and water	433,000	351,149
Equipment	22,140	---
Communications	19,194	20,400
	<u>1,839,329</u>	<u>1,642,874</u>
Total Department of Public Works	<u>1,839,329</u>	<u>1,642,874</u>



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

Schedule of Expenditures by Department by Object, continued

Years ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Department of Public Works, continued		
Highway Maintenance Division		
Salaries and wages - regular	1,269,363	1,746,340
Salaries and wages - overtime	198,619	322,857
Salaries and wages - fringe benefits	540,433	656,462
Contractual services	422,958	3,468,978
Supplies	383,697	327,923
Equipment	30,195	1,793
Utilities - power and water	585	270,202
Communications	255,840	8,776
Capital outlays	7,070	59,082
Miscellaneous	13,998	881
	<u>3,122,758</u>	<u>6,863,294</u>
Transportation Division		
Salaries and wages - regular	698,260	641,369
Salaries and wages - overtime	46,535	110,412
Salaries and wages - fringe benefits	289,655	239,569
Travel	---	8,658
Contractual services	112,752	107,386
Supplies	255,088	496,668
Equipment	22,994	26,972
Communications	4,555	3,871
Capital outlays	154,999	---
	<u>1,584,838</u>	<u>1,634,905</u>
Building Construction and Facilities Maintenance		
Salaries and wages - regular	904,030	419,514
Salaries and wages - overtime	32,882	45,362
Salaries and wages - fringe benefits	380,698	139,188
Contractual services	22,244	23,821
Supplies	10,870	19,820
Equipment	---	9,098
Communications	865	2,276
	<u>1,351,589</u>	<u>659,079</u>
Employee Transfer		
Salaries and wages - regular	---	35,763
Salaries and wages - fringe benefits	---	11,164
	<u>---</u>	<u>46,927</u>
Capital Improvement Projects Division		
Salaries and wages - regular	180,445	673,468
Salaries and wages - fringe benefits	63,357	231,224
Contractual services	121,325	53,145
Supplies	4,888	2,487
Communications	3,808	2,686
	<u>373,823</u>	<u>963,010</u>
Highway Bonds		
Contractual services	---	143,261
	<u>---</u>	<u>143,261</u>
Total Department of Public Works	<u>8,272,337</u>	<u>11,953,350</u>
Mayors' Council of Guam		
Operations		
Salaries and wages - regular	6,083,906	5,729,934
Salaries and wages - overtime	---	86,658
Salaries and wages - fringe benefits	2,124,621	2,049,519
Total Mayors' Council of Guam	<u>8,208,527</u>	<u>7,866,111</u>
	<u>\$ 20,474,675</u>	<u>\$ 24,173,407</u>

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

Schedule of Construction Project Status

Year ended September 30, 2021

	<u>Total Budget</u>	<u>Expenditures Year ended September 30, 2021</u>	<u>Cumulative Expenditures</u>	<u>Outstanding Encumbrances</u>	<u>Continuing Appropriations</u>
Public Law 30-216:					
Repair, restoration and preventive maintenance of DPW school buses	\$ 1,483,033	\$ ---	\$ 1,475,803	\$ ---	\$ 7,230
Public Law 30-217:					
Barrigada village street repairs	419,634	---	419,634	---	---
R.T. Damian Street repairs	279,701	---	178,629	---	101,072
Kinney's Road repairs	227,634	---	227,634	---	---
Jagan Drive repairs	129,217	---	129,217	---	---
Jesus A. Quidachay Street repairs	32,768	---	32,768	---	---
Bill Baza access road	22,071	---	22,071	---	---
	<u>1,111,025</u>	<u>---</u>	<u>1,009,953</u>	<u>---</u>	<u>101,072</u>
	<u>\$ 2,594,058</u>	<u>\$ ---</u>	<u>\$ 2,485,756</u>	<u>\$ ---</u>	<u>\$ 108,302</u>

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

Other Supplementary Information

September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Employees at end of year:		
Mayors' Council of Guam	---	193
Department of Public Works:		
Office of the Director	16	18
Highway Maintenance Division	52	51
Transportation Division	19	19
Building Construction and Facilities Maintenance	8	10
Capital Improvement Projects Division	3	3
Guam Regional Transit Authority	10	14
Guam Police Department:		
Highway Patrol Division	12	11
Customs and Quarantine	<u>1</u>	<u>---</u>
	<u>121</u>	<u>319</u>

## Compliance and Internal Control



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

Honorable Lou Leon Guerrero  
Governor of Guam

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Guam Highway Special Revenue Fund and Capital Projects Fund related to the Government of Guam Limited Obligation Highway Refunding Bonds, 2021 Series A (the Funds), which comprise the balance sheet as of September 30, 2021, and the related statement of revenues, expenditures and changes in fund balances for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 2, 2022.

### **Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiency in internal control described in the accompanying schedule of findings and responses as item 2021-001 that we consider to be material weakness.

## **Compliance and other matters**

As part of obtaining reasonable assurance about whether Funds' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2021-001.

## **Fund's Response to Findings**

The Fund's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Fund's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

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

*Ernst + Young LLP*

July 2, 2022

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

Schedule of Findings and Responses

Findings No.: 2021-001

Criteria

Public Law (PL) 35-99 appropriated a total of \$5,677,155 from the Guam Highway Special Revenue Fund to the Mayor's Council of Guam (MCOG).

Condition

Total expenditures made for the benefit of MCOG from the Guam Highway Special Revenue Fund exceeded the amount appropriated by PL 35-99.

Cause

MCOG required the expenditures in order to pay salaries and wages. MCOG prioritized ensuring employee salaries and wages were paid over complying with the amounts appropriated in PL 35-99.

Effect or potential effect

Total expenditures made for MCOG would exceed amounts appropriated.

Recommendation

We recommend that internal controls be set in place to ensure that total expenditures are periodically compared to total appropriations. In cases where there is a need to expend amounts greater than appropriations, approvals should be obtained and documented to reflect such decisions and remain compliant with public laws.

View of responsible officials

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