

*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, 2023
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, 2023

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

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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, 2023, and the related notes to the financial statements, which collectively comprise GDOE’s basic financial statements as listed in the table of contents (collectively referred to as the “basic financial statements”).

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, 2023, 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 GDOE and do not purport to, and do not, present fairly the financial position of GovGuam as of September 30, 2023, 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 opinions are 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 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 21, the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund on page 61, the Schedules of Proportionate Share of the Net Pension Liability, on pages 62, the Schedule of Pension Contributions on page 63, the Schedule of Proportionate Share of the Total OPEB Liability on page 64, and the Schedule of OPEB Contributions on page 65, and notes thereto on pages 66 and 67, be presented to supplement the basic 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 GAAS, 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 accompanying supplementary information on pages 68 through 70 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 GAAS. 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 71 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic 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 6, 2024, 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 6, 2024

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

Management's Discussion and Analysis

Year ended September 30, 2023

INTRODUCTION

The Management 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 MD&A.

This discussion was prepared by the Guam Department of Education (GDOE) management to provide an overview of the Department's financial activities for the fiscal year ending September 30, 2023 and was based on the financial statements provided in the annual audit report.

The MD&A should be read in conjunction with GDOE's basic financial statements and related notes to enhance understanding of the Department's financial performance. Additionally, the completion of the Fiscal Year 2023 (FY 23) Single Audit represents 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). GDOE is a single unified school district that serves 24,322 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.

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 (Dr. Mary A.Y. Okada, Angel R. Sablan, Peter Alecxis Ada, Maria A. Gutierrez, Lourdes M. Benavente, and Dr. Ron L. McNinch); three appointed members (Christine W. Baleto (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

FISCAL YEAR 2023 OVERVIEW

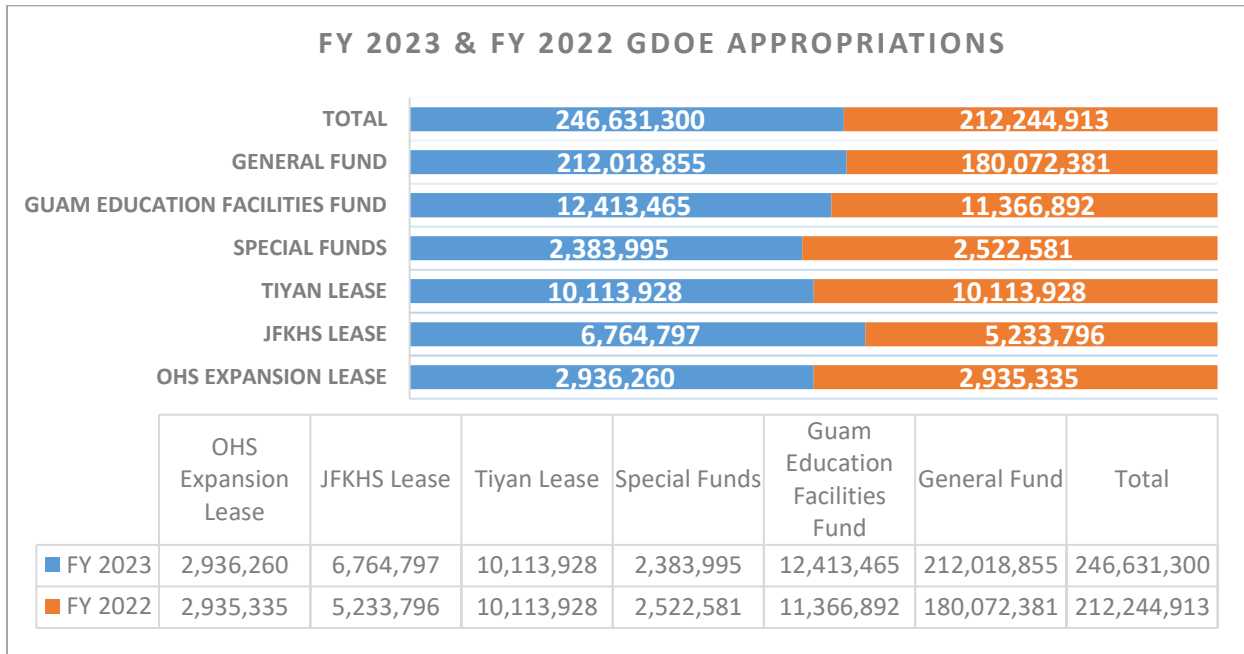
- In FY 23, despite receiving less than requested for baseline operations, GDOE realized an increase of \$35.6 million (M) or 15.6% in local appropriations compared to the previous fiscal year. As a result, GDOE ended FY 23 in an operational surplus of \$1.1M.
- In March 2023, Public Law (PL) 37-3 was enacted, adjusting the GovGuam General Pay Plan (GPP) by 22%. Funding for the implementation of the pay adjustment was contingent upon the Governor of Guam's submission of plans to pay outstanding merit bonuses, salary increments and to provide financial assistance to local businesses. Following the Governor's submission of those plans in May 2023, the Department of Administration released \$6.7M from the GF to GDOE to support the pay adjustment for the Department's eligible employees.
- In April 2023, the Governor of Guam approved PL 37-5 appropriating \$20M to GDOE from the GF for the purpose of repairing and maintaining school infrastructure and grounds in order to meet safety, sanitation, and education requirements, including but not limited to the purchase of equipment, materials and supplies and the hiring of skilled workers.
- In May 2023, Typhoon Mawar devastated the island vastly effecting the already dire state of many of the island's public school facilities. To address typhoon recovery, the Guam Legislature passed Bill 127-37 authorizing the Governor to transfer up to \$50M from the GF for emergency response expenses relative to Typhoon Mawar. The bill was signed into law as PL 37-17. With her authority, the Governor redirected the \$20M originally appropriated to GDOE through PL 37-5 from the Department. Management of typhoon related spending such as mold mitigation, fencing repairs and debris removal was shifted to Guam Homeland Security/Office of Civil Defense.
- As previously reported, GDOE was awarded funding under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which established the Education Stabilization Funds (ESF II). GDOE was awarded \$110.6M in ESF II, which expired in September of 2023.
- The design of the new Simon Sanchez High School campus was completed at the start of FY 23. In partnership with the Department of Public Works and through the support of amended legislation, GDOE continues to move forward with procuring construction and financing for the project.

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Management’s Discussion and Analysis, continued

LOCAL APPROPRIATIONS

Pursuant to the FY 23 Budget Act or PL 36-107, GDOE appropriations in FY 23 totaled \$246,631,300, with a \$34.4 million (M) or 16.2% increase over FY 22 appropriation levels.



The \$35.6M increase in authorized spending included the following:

- \$26.7M increased funding from the GF to fund operations;
- \$6.7M additional funding from the GF to fund the GPP 22% pay increase;
- \$1M increase from the Guam Educational Facilities Fund (GEFF) to fund operations;
- \$1.5M increase for the John F. Kennedy High School (JFKHS) lease and refinancing of the Certificates of Participation Series 2010A for JFKHS; and
- \$925 increase for the Okkodo High School (OHS) lease payments

Decreased funding for line item appropriations from the GF as well as for Special Funds appropriations offset the overall increase:

- \$500K less from the GF for salary increments;
- \$971K in un-renewed funding for nurse pay increases and an educator pay wage study;
- \$76K decrease in appropriation for the Public Library Resource Fund, which provides funding for school libraries for books, equipment and supplies;
- \$62K decrease in appropriation for the Limited Gaming Fund, which provides funding for the repair and constructions of GDOE sports facilities and for the procurement of sports equipment and supplies

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Management’s Discussion and Analysis, continued

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;
- \$13.3M in payments for retiree healthcare benefits;
- \$450K in payments to the University of Guam and Guam Community College for the First Generation Trust Fund Initiative, which provides tuition scholarships to GDOE graduates who elect to attend higher education institutions.

In June 2005, P.L. 28-45 established the “Every Child is Entitled to an Adequate Public Education Act” (Adequate Education Act). Pursuant to Title 1 of the Guam Code Annotated (GCA) §715(1) and 17 GCA §3126, 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 FY 23 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	\$153,482,308
2	Certified Professional Administrators	10,898,463
3	Certified Guidance Counselors	7,940,100
4	Certified School Health Counselors	4,560,264
5	Certified Allied Health Professionals	885,337
6	Air-conditioned or properly ventilated classrooms in which the sensible air temperature is no greater than 78 degrees	57,022
7	Potable water sufficient to provide each student a daily ration of drinking and washing water	-

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Management’s Discussion and Analysis, continued

LOCAL APPROPRIATIONS, continued

	Mandate	Amount
8	A reliable source of electricity	402,415
9	Proper sanitation to include flushable toilets, clean restrooms, dining areas and classrooms	243,374
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	4,694,649
12	A healthful, safe, sanitary learning environment	38,751,982
13	At least one hundred eight (180) instructional days each school year with school years ending no later than thirty (30) days following the end of the calendared school year	8,958,232
14	Regular; timely school bus transportation to and from school	246,169
	Total	\$232,620,315

The table above reflects the GDOE’s FY 23 operational spending priorities as approved by the GEB through Board Resolution 2022-12 and is inclusive of the \$12.5 M appropriation relative to federal reimbursements from the National School Lunch and Breakfast Program. \$19.8M in pass-through appropriations for GDOE leases for the JFK High School, Okkodo High School, Tiyan High School, and Tiyan Headquarters are excluded from the table above. An additional \$6.7M was also appropriated from the GF to fund the GPP 22% after the GEB passed Resolution 2022-12.

FINANCIAL STATEMENTS

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

- *The Statement of Net Position* presents information on 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 Other 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

The statement of financial position presents information on assets, liabilities and the resources remaining after liabilities are fulfilled. The statement is an indicator of overall financial condition and depicts whether the Department's financial condition has improved or declined during the fiscal year. The following table presents a summary of GDOE's net position as of the fiscal year ended September 30, 2023, as compared to September 30, 2022.

GDOE's Statements of Net Position
As of September 30

	<u>FY 2023</u>	<u>FY 2022</u>	<u>% Change</u>
Assets:			
Current assets	\$ 44,901,737	\$ 51,571,138	(12.9%)
Noncurrent assets	<u>292,440,453</u>	<u>302,016,814</u>	(3.2%)
Total assets	337,342,190	353,587,952	(4.6%)
Deferred outflows of resources	<u>301,964,619</u>	<u>225,839,325</u>	33.7%
Total assets and deferred outflows of resources	<u>639,306,809</u>	<u>579,427,277</u>	10.3%
Liabilities:			
Current Liabilities	48,098,377	55,027,046	(12.6%)
Noncurrent Liabilities	<u>1,308,450,472</u>	1,296,233,175	0.9%
Total liabilities	1,356,548,849	1,351,260,221	0.4%
Deferred inflows of resources	<u>280,662,826</u>	<u>225,930,425</u>	24.2%
Total liabilities and deferred inflows of resources	<u>1,637,211,675</u>	<u>1,577,190,646</u>	3.8%
Net Position:			
Invested in capital assets, net of related debt	155,945,400	156,548,979	(0.4%)
Restricted	1,051,483	3,035,716	(65.4%)
Unrestricted	<u>(1,154,901,749)</u>	<u>(1,157,348,064)</u>	(0.2%)
Total net position	\$ (<u>997,904,866</u>)	\$ (<u>997,763,369</u>)	0.0%

From FY 22 to FY 23, total assets and deferred outflows of resources increased by \$59.9M or 10.3%, total liabilities and deferred inflows increased by \$60M or 3.8%, and total net position decreased marginally by \$141K.

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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 \$3.3M for FY 23.

GDOE's Statements of Changes in Net Position
For the Years Ended September 30

	<u>FY 2023</u>	<u>FY 2022</u>	<u>% Change</u>
Revenues:			
Appropriations	\$ 264,114,018	\$ 228,473,572	15.6%
Federal grants and contributions	112,018,039	158,058,484	(29.1%)
Federal indirect cost reimbursements	-	1,958,180	(100.0%)
Student Activities	1,594,074	681,043	134.1%
Contributions from component units	-	450,000	(100.0%)
Cafeteria Sales	1,349	4,278	(68.5%)
Fees and other program receipts	<u>102,286</u>	<u>1,201,309</u>	(91.5%)
Total revenues	<u>377,829,766</u>	<u>390,826,866</u>	(3.3%)
Expenses:			
Elementary education	91,302,155	73,784,744	23.7%
Secondary education	114,702,691	94,594,719	21.3%
Direct student support	99,565,203	156,747,151	(36.5%)
General administration	47,607,374	20,435,895	133.0%
Retiree healthcare benefits	13,275,495	11,992,910	10.7%
Interest expense	<u>11,518,345</u>	<u>12,060,050</u>	(4.5%)
Total expenses	<u>377,971,263</u>	<u>369,615,469</u>	2.3%
Change in net position	(141,497)	21,211,397	(100.7%)
Net position at beginning of year	(997,763,369)	(1,018,974,766)	(2.1%)
Net position at end of year	<u>\$ (997,904,866)</u>	<u>\$ (997,763,369)</u>	0.0%

Total revenues decreased by \$13M largely due to a \$46M decrease in federal grant funding. The decrease in FY23 revenues is also attributed to a \$1.1M overall decrease in non-appropriated funds such as indirect cost reimbursements, cafeteria sales, and student activities. Total expenses increased by \$8.3M when compared to FY 22 expenditures. This increase was primarily due to an overall increase of \$66.1M in expenses for elementary and secondary education, general administration and retiree healthcare benefits, offset with an increase in direct student support of \$57.2M.

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Management's Discussion and Analysis, continued

CAPITAL ASSETS AND LONG-TERM DEBT

GDOE's investment in capital assets for its governmental activities as of September 30, 2023 amounted to \$514.7M net of accumulated depreciation of \$222.6M, leaving a net book value of \$292.1M. GDOE's capital assets include buildings and improvements, vehicles, furniture and equipment, and construction in progress. See table below:

GDOE Capital Assets	<u>FY 2023</u>	<u>FY 2022</u>	<u>% Change</u>
Non-depreciable assets:			
Land	\$ 435,280	\$ 435,280	0.0%
Construction in progress	<u>4,974,135</u>	<u>6,156,059</u>	(23.8%)
	<u>5,409,415</u>	<u>6,591,339</u>	(21.8%)
Depreciable assets:			
Buildings and improvements	489,896,073	492,889,777	(0.6%)
Vehicles, furniture and equipment	<u>19,389,230</u>	<u>17,281,963</u>	10.9%
	<u>509,285,303</u>	<u>510,171,740</u>	(0.2%)
Accumulated depreciation	(222,629,265)	(215,246,265)	3.3%
Depreciable assets, net	<u>286,656,038</u>	<u>294,925,475</u>	(2.9%)
Totals	<u>\$ 292,065,453</u>	<u>\$ 301,516,814</u>	(3.2%)

The \$9.4M decrease in GDOE's total capital assets is primarily due to a \$7.4M increase in accumulated depreciation. Of the \$9.4M, \$7.6M was from secondary education (see Note 1K: Notes to Financial Statements). 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.

Capital leases associated with GDOE leased schools totaled \$136.5M of which \$9.6M were long term and \$126.9M were current obligations. OPEB and pension liability of \$1.2 billion made up majority of noncurrent liabilities. The balance of noncurrent liability of \$17M are payroll-related (i.e. compensated absences and sick leave liability).

OTHER SUPPLEMENTARY INFORMATION

Salaries and Benefits

Salaries and benefits, including retirement and healthcare benefits, is a primary component of GDOE expenditures, accounting for \$251.7M or 70% of total (federal and local) expenditures in FY 23. In comparison to FY 22, these expenditures increased by 8.2% or \$18.9M.

Increases to personnel cost can be attributed to the enactment of PL 37-3 in March 2023 which adjusted the GovGuam General Pay Plan by 22%. GDOE implemented this change for eligible employees in May 2023.

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Management’s Discussion and Analysis, continued

The overall number of GDOE employees decreased by 64 employees or 1.84% from 3,471 (pay period ending September 24, 2022) to 3,407 (pay period ending September 23, 2023)¹.

Employee Count	As of PPE 09/23/2023	As of PPE 09/24/2022	% Change
100% Locally Funded	2,589	2,597	(0.31%)
100% Federally Funded	809	870	(7.01%)
Locally/Federally Funded	9	4	125.00%
Totals	3,407	3,471	(1.84%)

The overall number of GDOE employees decreased by 64 employees.

The decrease in the number of federally funded employees can be attributed to the approaching expiration of COVID-19 relief funds, specifically the American Rescue Plan (ARP), which expires September 30, 2024. GDOE utilized ARP funds to hire limited term full-time educational, professional, administrative, and technical personnel, such as teachers’ assistants and community program aides, to support the educational needs of teachers and students in addressing academic learning loss experienced during the height of the pandemic and providing outreach services to underrepresented families.

As of the year ended September 30, 2022, ARP funded employees totaled 129, which decreased to 74 as of the year ended September 30, 2023. GDOE can anticipate further decrease in overall federally funded employees as the employment terms for ARP personnel conclude with the expiration of the grant at the end of Fiscal Year 2024. As of the year ended September 30, 2023, there were 74 DOE 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 increase of \$3.2M in FY 23 compared to FY22.

Critical Contracts	FY 2023	FY 2022	Change
Food Services	\$ 17,177,858	\$ 13,364,724	\$ 3,813,134
Third-Party Fiduciary Agent	1,782,275	2,251,850	(469,575)
Custodial Services	2,029,687	2,445,022	(415,335)
Trash Collection	987,202	535,574	451,628
Copier Services	482,445	518,319	(35,874)
Internet	304,487	425,350	(120,863)
Accreditation	46,160	89,160	(43,000)
Total	\$ 22,810,114	\$ 19,629,999	\$ 3,180,115

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 23 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 23 Utilities (i.e. power, water, and telephone) accounted for 6.3% of total expenditures or \$22.7M - an increase of \$3M or 15.3% from prior fiscal year utility expenditures. Compared to FY 22, expenditures for power and water increased by \$2.7M and \$443K, respectively. Alternatively, telephone costs in FY 23 decreased by \$106K compared to the previous year.

The overall increase of utility costs in FY 23 is due in part to rate increases for power and water. The Guam Waterworks Authority’s 2023 Rate Decision, which went into effect October 1, 2022, increased water rates by 5.5%. The increase in power costs is partly attributed to the Levelized Energy Adjustment Clause (LEAC), which increased the fuel surcharge in FY 23 due to the rise in oil prices and inflation.

The decrease in phone costs was due to the lifting of a formal solicitation bid protest previously filed by GDOE’s former phone service provider. During the protest, 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 23, there was an overall decrease of \$150K in federal grant awards to GDOE as compared to FY 22. The overall decrease in FY 23 GDOE federal grant awards is due in large part to the lack of additional grant funding from the U.S. Department of the Interior. The overall decrease in FY 23 federal grant awards was offset by a \$2.5M increase in grant funding from GDOE’s other major grantors:

- U.S. Department of Education – Consolidated Grants to Insular Areas and Special Education grants.
- U.S. Department of Agriculture – Child Nutrition and Emergency Food Assistance Programs.
- U.S. Department of Health and Human Services – Personal Responsibility Education Program (PREP) and Head Start.

Grantor	FY 2023	FY 2022	Change
U.S. Department of Education	\$ 55,988,686	\$ 55,986,971	\$ 1,715
U.S. Department of Agriculture	16,089,710	15,709,756	379,954
U.S. Department of Health and Human Services	6,243,233	4,104,041	2,139,192
U.S. Department of Interior	-	2,670,965	(2,670,965)
Totals	\$ 78,321,629	\$ 78,471,733	\$(150,104)

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Management’s Discussion and Analysis, continued

The following table illustrates funds expended in FY 23 by the GDOE through a variety of federal grants, representing \$118.8M or 32% of the \$373.8M total (federal and local) expenditures:

Grantor	FY 2023	FY 2022	Change
U.S. Department of Education	\$ 45,082,327	\$ 47,543,783	\$ 2,461,456
U.S. Department of Agriculture	17,123,130	14,588,210	(2,534,920)
U.S. Department of Defense	595,896	544,712	(51,184)
U.S. Department of the Interior	6,996,972	8,030,000	1,033,028
U.S. Department of Health and Human Services	3,870,430	3,487,836	(382,594)
U.S. Department of Homeland Security	-	36,971	36,971
Subtotal Grants	<u>73,668,755</u>	<u>74,231,512</u>	<u>562,757</u>
Education Stabilization Fund - CARES/CRRSA	38,152,694	65,859,986	27,707,292
U.S. Department of Agriculture – CARES	-	-	-
U.S. Department of Health & Human Services - ARP/CRRSA	210,378	195,216	(15,162)
American Rescue Plan – ARP	4,007,182	23,212,982	19,205,800
American Rescue Plan - Individuals with Disabilities Education Act - ARP IDEA	2,802,626	2,014	(2,800,612)
Subtotal ESF/ARP	<u>45,172,880</u>	<u>89,270,198</u>	<u>44,097,318</u>
Total Grant Expenditures	<u>\$118,841,635</u>	<u>\$163,501,710</u>	<u>\$(44,660,075)</u>

The \$118.8M in FY 23 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 GF for prior year utilities), \$5.7M for equipment, \$5.7M for finance lease payments, \$24,890 for capital outlay, and \$354 for miscellaneous expenditures.

Child Nutrition Reimbursements

For SY 22-23, GDOE retained the ratio of outsourced cafeterias to 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.

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%

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Management's Discussion and Analysis, continued

The table above reflects the number of meals served for SY 22-23 as compared to SY 21-22. Overall meals served during SY22-23 increased by 10% compared to meals served during SY 21-22. 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 \$2.74 and \$4.37 in SY 21-22 to \$3.09 and \$5.10 in SY 22-23. As such reimbursements received by GDOE for school meal programs increased from \$12,285,709 in FY 22 to \$14,790,550 in FY 23.

High Risk Grantee Status

FY 23 marked the eleventh year that GDOE incurred local expenditures associated with addressing its 'high risk' grantee status by the U.S. Department of Education (ED). The high-risk designation and imposition of specific conditions only pertains to ED grants awarded to GDOE.

In December 2022, ED acknowledged GDOE's progress by informing GDOE that it could begin a six-month probationary period in which GDOE can demonstrate the readiness to transition fiscal management functions from the TPFAs back to GDOE. In March 2023, GDOE submitted a six-month Transition Plan to ED detailing the roles and responsibilities that would be assumed by GDOE during this six-month period. The probationary period was approved to begin on April 1, 2023 and to conclude on October 1, 2023.

In September 2023, GDOE successfully completed a six-month probationary period in which GDOE demonstrated its ability to perform the financial management duties being performed by a third-party fiduciary agent (TPFA). Upon completion of this probationary period, ED conducted an on-site visit for the purpose of assessing GDOE's progress in managing federal funds and to determine whether to remove the TPFA requirement that has been in place since 2010. Because of a successful six-month probationary period and on-site monitoring visit, ED removed the specific condition requirement for a TPFA resulting in saving millions of dollars in local funds.

In July 2024, ED issued GDOE's FY 24 Specific Conditions, which not only removed the TPFA requirement, but also emphasized the GDOE's Internal Audit Office structure establishing the office as an independent reviewer of all GDOE internal processes to ensure accountability, transparency, and proper oversight of GDOE internal processes.

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Management's Discussion and Analysis, continued

The FY 2024 specific conditions are relative to:

1. GDOE's IAO and Guam Office of Public Accountability (OPA) periodic audits;
2. Expending federal funds for allowable costs;
3. Charging grants for obligations within the period of availability and liquidating within 120 days after the end of the funding period or within authorized extension period;
4. Establishing and maintain an effective employee time tracking process;
5. Eithin 24 hours accept/reject goods or services and draw funds for vendor payment; and
6. Ensuring property management procedures are in compliance with federal regulations.

The requirement for the IAO and OPA to perform periodic audits is a new condition that has been added for FY 24. Moving forward, the specific conditions require for GDOE to complete the implementation of the 17 pending items within the Reconsideration Evaluation Plan relative to employee time tracking, financial management improvement system, internal controls, procurement, and property management.

Education Stabilization Fund Closeout

The initial round of ESF funding (ESF I) amounted to \$41,521,997, and was allocated for use from May 28, 2020 to September 30, 2021. All funds allocated for ESF I have been expended as of June 30, 2023.

GDOE was awarded \$110M for the ESF II grant in January 2021. GDOE's ESF II grant performance period ended September 30, 2023. GDOE was able to fully obligate the \$110M award and was granted a late liquidation period until September 30, 2024 to expend the obligated funds. The grant was used to fund three component areas: (1) Distance and Modified Learning Platforms Expansion, (2) Student and Employee Health and Safety, and (3) Mental, Social, and Behavioral Health and Wellness Support.

As of April 2024, expenditures for ESF II consisted of \$44.2M for supplies and equipment and \$20.6M for capital and contractual. GDOE has utilized most of its \$110.6M allocation, leaving a remaining balance of \$3.2M.

American Rescue Plan Grant

GDOE was awarded \$287M in American Rescue Plan (ARP) funds in April 2021. The ARP grant was established to combat learning loss and ease the return to in-person instruction. From the ARP funds, GDOE has provided evidence-based summer school, afterschool and other extended learning and enrichment programs. The funds also addressed pay adjustments to the Educator's Pay Plan and employee retention via a one-time Retention Incentive.

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Management's Discussion and Analysis, continued

As of August 31, 2024, expenditures for ARP totaled \$57.8M which consisted of \$25.3M for salaries and benefits, \$26.5 for capital and contractual, and \$6M for supplies and equipment. The performance period of the ARP grant will end on September 30, 2024, by which time GDOE will have to fully obligate funds. GDOE will then have until January 28, 2025. GDOE intends to submit a late liquidation request which will allow proper ARP obligations to be liquidated until March 31, 2026.

Accreditation and Enrollment

In May 2021, GDOE became the first school district in the nation to accredit all schools under the Western Association of Schools and Colleges (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.

In May 2023, WASC conducted an on-site visit of Guam public schools and extended GDOE's accreditation for prekindergarten through 12th grade to June 30, 2030. At that time, GDOE will need to show how schools addressed three areas: the growth areas for continuous improvement through the school wide action plan, appropriate progress on the implementation of the school wide action plan and improved student achievement - relative to the school wide learner outcomes and academic standards.

The total student enrollment as of September 29, 2023 was 24,322 – a 1,326 decrease from the prior school year's enrollment of 25,648 students. The decreases were significant for grades 1, 3, and 5. 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 decreased in SY 22-23 to 1,739 from 1,872 in SY 21-22. Because of the decrease in student enrollment, the overall graduation rate increased slightly from 90 % to 90.7%. GDOE graduation rates have shown gradual increases since SY 13-14, with SY 22-23 yielding the highest rate of graduates in at least a decade.

Facilities Master Plan (FMP)

In June 2022, GDOE School Facility Master Plan (FMP) 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. The ten-year plan serves as guide for investing \$100 million of ARP funds to address much-needed maintenance and modernization needs throughout Guam's public school system.

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Management's Discussion and Analysis, continued

However, after Typhoon Mawar struck Guam in May 2023, causing further damage to Guam's already fragile school facilities infrastructure, the capital improvement needs of Guam public schools have changed as have construction costs, which have increased exponentially. To accommodate these changes, the Superintendent of Education will be working with the community and the GEB to identify the needed adjustments.

Simon Sanchez High School Procurement

On May 1, 2018, the Guam Legislature passed 34-101 giving procurement authority to GDOE for any construction or renovation pertaining to Simon Sanchez High School (SSHS). This legislation also provided an opportunity for GDOE to collaborate with the Department of Public Works (DPW), the Guam Economic Development Authority, and the Office of the Lt. Governor in executing this project.

In October 2019, GDOE and the Office of the Governor pledged \$4M for the architectural and engineering expenses of the new SSHS. GDOE would fund \$2.9M and the DOI capital improvement funding would fund \$1.1M. In 2019, GDOE issued a Request for Proposal for design services and by October 2020 GDOE awarded \$5.7M to Taniguchi Ruth Makio Architects (TRMA) for the architectural, engineering, and design services of SSHS. As of the end of 2022, TRMA has completed the design for the school facility and GDOE's next steps would be to procure for the construction and financing of the new school.

Previous attempts by the Department to procure construction management for the project were unsuccessful due to a lengthy procurement process and procurement protests. On July 5, 2023, the Governor of Guam signed Bill 94-37 into law, simplifying the procurement process for the construction and financing of the new school campus. The law authorizes GDOE to solicit, through DPW, financing, construction, and installing fixtures, furniture and equipment (FF&E services), insurance, and maintenance for the new school campus. The law also authorizes GDOE and DPW to enter into a leaseback agreement to build the new facility at a financing cap of \$166.36M over the course of 30 years.

Solicitations for a contractor began in January 2024, but the procurement process was delayed due to a protest. However, the process began to make headway again by August 2024 with DPW finalizing negotiations with contractor, SSFM International Inc. To facilitate the award, GDOE transferred \$7.9M in local appropriation to DPW and the contract is now going through the approval process. The forward momentum of the procurement process brings the island one step closer to completing the long awaited school campus that will provide a permanent and safe learning environment for hundreds of Guam's public school students.

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Management’s Discussion and Analysis, continued

FACTORS AND NEXT YEAR’S BUDGET

FY 24 Local Appropriations

FY 2024 & FY 2023 GDOE APPROPRIATIONS

	FY 2024		FY 2023	
TOTAL	266,785,630		246,631,300	
GENERAL FUND	232,295,530		212,018,855	
GUAM EDUCATION FACILITIES FUND	10,993,896		12,413,465	
SPECIAL FUNDS	2,614,522		2,383,995	
TIYAN LEASE	10,113,928		10,113,928	
JFKHS LEASE	7,674,669		6,764,797	
OHS EXPANSION LEASE	3,093,085		2,936,260	

	OHS Expansion Lease	JFKHS Lease	Tiyan Lease	Special Funds	Guam Education Facilities Fund	General Fund	Total
■ FY 2024	3,093,085	7,674,669	10,113,928	2,614,522	10,993,896	232,295,530	266,785,630
■ FY 2023	2,936,260	6,764,797	10,113,928	2,383,995	12,413,465	212,018,855	246,631,300

FY 24 appropriations for GDOE totaled \$266,785,630, a \$20.2M or 8.2% increase compared to FY 23 appropriation levels. The \$20.2M overall increase in authorized spending included the following:

- \$27M increase in GF appropriations
 - \$17M increase in GF operational budget
 - PL 37-42 appropriated \$10M in FY23 excess GF revenue to the GDOE for additional operations in FY24 and to fund the CHamoru Language Program
- \$264k increase to the Public Library Resource Fund

FY24 overall increases to local appropriation were offset by the following decreases:

- \$75K decrease in GF appropriation for Menstrual Hygiene products;
- \$1.4M decrease in GEF operational budget;
- \$34K decrease in Limited Gaming Fund appropriations;

PL 37-42 also identified continued appropriations for the following:

- \$1M from the GF for the payout of the Bonuses, Rewards and Incentives Program to eligible employees;
- \$3.1M from the GF to fund the payout to GDOE employees who are eligible to receive merit bonuses pursuant to 4 GCA 6203;
- \$500K from the GF to fund salary increments;
- \$891K from the Healthy Futures Fund to fund interscholastic sports and health and physical activities

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Management's Discussion and Analysis, continued

Not included in the comparative table above is additional appropriation of \$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

GDOE FY 24 local appropriations continue to reflect an upward trend, which was also evident in the increase of appropriation in FY 23 from FY 22. Even with an 8.2% overall increase from the prior year, FY 24 appropriations still came in \$27.8M or 9% less than GDOE's approved \$294.6M budget request.

GDOE Management Team

In just one fiscal year, GDOE has experienced increased turnover and instability of its management team. In July 2023, the Department transitioned into new leadership under Superintendent Dr. K. Erik Swanson after ten years of leadership under former Superintendent Jon Fernandez. Then, in October 2023, GDOE filled its Deputy Superintendent of Finance and Administrative Services (DFAS) position, which had been vacant since 2021. The position was vacated just six months later in April of 2024 and a new DFAS appointed in July 2024.

The Department's other leadership positions such as the Comptroller and Deputy Superintendent of Educational Support and Community Learning (ESCL) have seen the same instability. The Comptroller position was vacated in October of 2023, filled in January 2024 and vacated once again in April 2024. As of September 2024, this position remains vacant. The Deputy Superintendent of ESCL was filled in October 2023, was vacated in March 2024 and is currently filled through detailed appointment.

MANAGEMENT CONTACT

This financial report is designed to provide GDOE's stakeholders (citizens, taxpayers, customers, investors, and creditors) with a general overview of GDOE's finances and to demonstrate the Department's accountability for the money it receives.

This fiscal year, the audit was delayed and was assigned to the Internal Audit Division.

For questions or additional information, please contact Franklin J.T. Cooper-Nurse, Chief Internal Auditor, Guam Department of Education, 500 Mariner Avenue, Barrigada, Guam 96913; e-mail: fjtcooper-nurse@gdoe.net; call (671) 300-1336; or log on to our website at: www.gdoe.net.

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Statement of Net Position

September 30, 2023

ASSETS

Current assets:

Cash and cash equivalents	\$ 18,699,147
Receivables from federal agencies	24,434,877
Due from primary government	493,035
Due from GovGuam component units	209,600
Prepayments and other assets	13,595
Restricted assets:	
Cash and cash equivalents	<u>1,051,483</u>
Total current assets	<u>44,901,737</u>

Noncurrent assets:

Deferred maintenance and insurance costs	375,000
Capital assets:	
Nondepreciable capital assets	5,409,415
Depreciable capital assets, net of accumulated depreciation	<u>286,656,038</u>
Total noncurrent assets	<u>292,440,453</u>
Total assets	<u>337,342,190</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows from OPEB	130,792,277
Deferred outflows from pensions	<u>171,172,342</u>
Total deferred outflows of resources	<u>301,964,619</u>

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Statement of Net Position, continued

LIABILITIES

Current liabilities:

Accounts payable	24,624,882
Accrued payroll	6,693,493
Other liabilities and accruals	3,913,206
Current portion of compensated absences payable	3,273,968
Current portion of school financed purchase obligations	<u>9,592,828</u>
Total current liabilities	<u>48,098,377</u>

Noncurrent liabilities:

OPEB liability	649,857,650
Net pension liability	517,047,357
Accrued sick leave liability	11,515,032
Claims payable	915,083
Compensated absences payable, net of current portion	2,213,125
School financed purchase obligations, net of current portion	<u>126,902,225</u>
Total noncurrent liabilities	<u>1,308,450,472</u>
Total liabilities	<u>1,356,548,849</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows from OPEB	263,767,243
Deferred inflows from pensions	<u>16,895,583</u>
Total deferred inflows of resources	<u>280,662,826</u>

Commitments and contingencies

NET POSITION

Net investment in capital assets	155,945,400
Restricted for:	
School Activities	1,051,483
Unrestricted	<u>(1,154,901,749)</u>
Total net position	<u>\$ (997,904,866)</u>

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Statement of Activities

Year Ended September 30, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Elementary Education	91,302,155	\$ 141,274	\$ -	\$ (91,160,881)
Secondary Education	114,702,691	1,452,800	-	(113,249,891)
Direct Student Support	99,565,203	-	100,488,176	922,973
General Administration	47,607,374	103,635	11,529,863	(35,973,876)
Retiree healthcare benefits	13,275,495	-	-	(13,275,495)
Interest expense	<u>11,518,345</u>	<u>-</u>	<u>-</u>	<u>(11,518,345)</u>
Total governmental activities	<u>\$ 377,971,263</u>	<u>\$ 1,697,709</u>	<u>\$ 112,018,039</u>	<u>(264,255,515)</u>
General revenues:				
Appropriations:				
				250,838,523
				<u>13,275,495</u>
				264,114,018
				<u>(141,497)</u>
				<u>(997,763,369)</u>
				<u>\$ (997,904,866)</u>

See accompanying notes.

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Balance Sheet
Governmental Funds

September 30, 2023

<u>ASSETS</u>	<u>General</u>	<u>Special Revenue Federal Grants Assistance</u>	<u>Total</u>
Cash and cash equivalents	\$ 14,295,320	\$ 4,403,827	\$ 18,699,147
Receivables from federal agencies	606,188	23,828,689	24,434,877
Due from primary government	493,035	-	493,035
Due from GovGuam component units	209,600	-	209,600
Prepayments and other assets	13,595	-	13,595
Due from other funds	15,816,423	-	15,816,423
Restricted assets:			
Cash and cash equivalents	1,051,483	-	1,051,483
Total assets	\$ 32,485,644	\$ 28,232,516	\$ 60,718,160
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 15,720,598	\$ 8,904,284	\$ 24,624,882
Accrued payroll	5,244,157	1,449,336	6,693,493
Other liabilities and accruals	1,850,733	2,062,473	3,913,206
Due to other funds	-	15,816,423	15,816,423
Total liabilities	22,815,488	28,232,516	51,048,004
Fund balances:			
Restricted	1,051,483	-	1,051,483
Unassigned	8,618,673	-	8,618,673
Total fund balances	9,670,156	-	9,670,156
Total liabilities and fund balances	\$ 32,485,644	\$ 28,232,516	\$ 60,718,160

See accompanying notes.

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

September 30, 2023

Total fund balance - governmental funds	\$	9,670,156
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.		
		375,000
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	\$ 489,896,073	
Vehicles, furniture and equipment	19,389,230	
Land	435,280	
Construction in progress	4,974,135	
Accumulated depreciation	<u>(222,629,265)</u>	
Capital assets, net of accumulated depreciation		292,065,453
Deferred outflows are charged to future periods and are not reported in the governmental funds. Those deferred outflows consist of:		
Deferred outflows from OPEB	130,792,277	
Deferred outflows from pensions	<u>171,172,342</u>	
		301,964,619
Deferred inflows benefit future periods and are not reported in the governmental funds. Those deferred inflows consist of:		
Deferred inflows from OPEB	(263,767,243)	
Deferred inflows from pensions	<u>(16,895,583)</u>	
		(280,662,826)
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	(649,857,650)	
Net pension liability	(517,047,357)	
Accrued sick leave liability	(11,515,032)	
Compensated absences payable	(5,487,093)	
Obligations under finance lease	(136,495,053)	
Claims liability	<u>(915,083)</u>	
Long-term liabilities		<u>(1,321,317,268)</u>
Net position of governmental activities	\$	<u><u>(997,904,866)</u></u>

See accompanying notes.

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

Year Ended September 30, 2023

	General	Special Revenue Federal Grants Assistance	Total
Revenues:			
Appropriations	\$ 258,373,768	\$ 5,740,250	\$ 264,114,018
Federal grants and contributions	522,202	111,495,837	112,018,039
School activities	1,594,074	-	1,594,074
Cafeteria sales	1,349	-	1,349
Fees and other program receipts	102,286	-	102,286
	<u>260,593,679</u>	<u>117,236,087</u>	<u>377,829,766</u>
Expenditures:			
Elementary Education	87,147,677	-	87,147,677
Secondary Education	103,866,409	116,646	103,983,055
Direct Student Support	14,781,987	85,706,189	100,488,176
General Administration	20,334,869	24,742,992	45,077,861
Retiree healthcare benefits	13,275,495	-	13,275,495
Contributions to GovGuam component units:			
Guam Community College	625,588	-	625,588
University of Guam	1,174,370	-	1,174,370
Debt service:			
Principal	8,458,812	4,928,077	13,386,889
Interest	10,706,172	812,173	11,518,345
	<u>260,371,379</u>	<u>116,306,077</u>	<u>376,677,456</u>
Excess of revenues over expenditures	<u>222,300</u>	<u>930,010</u>	<u>1,152,310</u>
Other financing sources (uses):			
Transfers in	930,010	-	930,010
Transfers out	-	(930,010)	(930,010)
Total other financing sources (uses)	<u>930,010</u>	<u>(930,010)</u>	<u>-</u>
Net change in fund balances	1,152,310	-	1,152,310
Fund balance at beginning of year	<u>8,517,846</u>	<u>-</u>	<u>8,517,846</u>
Fund balances at end of year	<u>\$ 9,670,156</u>	<u>\$ -</u>	<u>\$ 9,670,156</u>

See accompanying notes.

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

Year Ended September 30, 2023

Total net change in fund balances - governmental funds	\$	1,152,310
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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 and impairment	\$ 3,091,424		
Depreciation expense and impairment loss	<u>(12,542,785)</u>		(9,451,361)

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	8,972,782
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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	387,667		
Net pension activity	1,547,793		
Claims liability	(915,083)		
Change in compensated absences payable	(870,216)		
Change in accrued sick leave liability	<u>(840,389)</u>		<u>(690,228)</u>

Change in net position of governmental activities	\$	<u><u>(141,497)</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, 2023

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 17 GCA 3102, 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 \$1,051,483 of restricted net position, of which no amount 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
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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
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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
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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, 2023, GDOE has significant encumbrances summarized as follows:

General Fund	\$ 4,165,480
Federal Grants Assistance Fund	<u>23,175,718</u>
	<u>\$27,341,198</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
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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, 2023 are as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers and Impairments</u>	<u>Ending Balance</u>
Non-depreciable capital assets:				
Land	\$ 435,280	\$ ---	\$ ---	\$ 435,280
Construction in progress	<u>6,156,059</u>	<u>984,157</u>	<u>(2,166,081)</u>	<u>4,974,135</u>
	<u>6,591,339</u>	<u>984,157</u>	<u>(2,166,081)</u>	<u>5,409,415</u>
Depreciable capital assets:				
Buildings and improvements	492,889,777	---	(2,993,704)	489,896,073
Vehicles, furniture and equipment	<u>17,281,963</u>	<u>2,107,267</u>	<u>---</u>	<u>19,389,230</u>
	510,171,740	2,107,267	(2,993,704)	509,285,303
Less: accumulated depreciation	<u>(215,246,265)</u>	<u>(11,468,053)</u>	<u>4,085,053</u>	<u>(222,629,265)</u>
Depreciable capital assets, net	<u>294,925,475</u>	<u>(9,360,786)</u>	<u>1,091,349</u>	<u>286,656,038</u>
	<u>\$301,516,814</u>	<u>\$(- 8,376,629)</u>	<u>\$(1,074,732)</u>	<u>\$292,065,453</u>

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

Governmental activities:	
Elementary Education	\$ 2,686,562
Secondary Education	7,628,902
Direct Student Support	86,102
General Administration	<u>1,066,487</u>
	<u>\$11,468,053</u>

As of September 30, 2023, GDOE reported an impairment loss of \$1,074,732, the remaining net book value for Simon Sanchez High School and F.B. Leon Guerrero Middle School.

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.

Guam Department of Education
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Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

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.

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
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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, 2023, 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, 2023, receivables from component units associated with this initiative amounted to \$209,600 (\$9,600 from University of Guam and \$200,000 from Guam Community College).

The Teaching and Learning Communities Act and First Generation Trust Fund Initiative, per 17 GCA 14208, states that the fund shall come to end by the eighth year from its enactment in 2015. As of September 30, 2023, GDOE reported the net amount due to the Guam Community College and University of Guam of \$625,588 and \$1,174,370 respectively, with a residual balance transferred to the GDOE operations fund of \$468,094.

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 entered 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 \$17,216,750 payable through October 1, 2026. For the year ended September 30, 2023, payments made and total Compact Impact grant revenues received were \$5,740,250.

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 \$17,975,890 payable through December 1, 2030. For the year ended September 30, 2023, payments made and total Section 30 revenues received were \$2,936,260 and \$70,398,471, respectively.

Guam Department of Education
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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. Recently Adopted Accounting Pronouncements

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. The adoption of this GASB Statement No. 91, did not have an effect on GDOE's financial statements.

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. The adoption of this GASB Statement No. 94, did not have an effect on GDOE's financial statements.

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. The adoption of this GASB Statement No. 96, did have an effect on GDOE's financial statements noting the following changes:

Guam Department of Education
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Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

W. Recently Adopted Accounting Pronouncements, continued

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:

- 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.
- 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.
- 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.
- Modifies accounting and reporting guidance in GASB Statement No. 53 related to termination of hedge.

The adoption of this GASB Statement No. 99, guidance for the respective Statements, with the exception of GASB Statement 96, did not have an effect on GDOE's financial statements.

X. Upcoming Accounting Pronouncements

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:

- 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.
- 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.

Guam Department of Education
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Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

X. Upcoming Accounting Pronouncements, continued

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.

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The primary objective of this Statement is to provide users of the government financial statements with essential information about risks related to a government’s vulnerabilities due to ascertain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 102 will be effective for fiscal year ending September 30, 2025.

Guam Department of Education
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Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

X. Upcoming Accounting Pronouncements, continued

GDOE is currently evaluating the effects the above upcoming accounting pronouncements might have on its financial statements.

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, 2023, the carrying amount of GDOE's total cash and cash equivalents was \$19,750,630 and the corresponding bank balances were \$22,319,651. Of the bank balances, \$20,705,596 is maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. The remaining amount of \$1,614,055 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, 2023. As of September 30, 2023, 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, 2023, restricted cash held by GDOE in the General Fund is \$1,051,483, which are restricted by various student organizations for student activities.

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Notes to Financial Statements, continued

3. Changes in Long-Term Liabilities

Changes in long-term liabilities for the year ended September 30, 2023, are as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due Within <u>One Year</u>
Accrued sick leave liability	\$ 10,674,643	\$ 840,389	\$ ---	\$ 11,515,032	\$ ---
Claims payable	---	915,083	---	915,083	---
Compensated absences	4,616,877	870,216	---	5,487,093	3,273,968
Net pension liability	371,909,459	145,137,898	---	517,047,357	---
OPEB liability	775,538,115	---	(125,680,465)	649,857,650	---
School financed purchase obligations	<u>145,467,835</u>	<u>---</u>	<u>(8,972,782)</u>	<u>136,495,053</u>	<u>9,592,828</u>
	<u>\$1,308,206,929</u>	<u>\$147,763,586</u>	<u>\$(134,653,247)</u>	<u>\$1,321,317,268</u>	<u>\$12,866,796</u>

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, 2023. The accumulated amount of unused sick leave as of September 30, 2023, is \$56,441,388, of which \$11,515,032 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.

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Notes to Financial Statements, continued

4. Commitments and Contingencies, continued

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 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, 2023. 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.

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Notes to Financial Statements, continued

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. 4 GCA 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).

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.

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Notes to Financial Statements, continued

5. Pensions, continued

A. General Information About the Pension Plans, continued

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.

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.

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Notes to Financial Statements, continued

5. Pensions, continued

A. General Information About the Pension Plans, continued

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.

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 28.43% for the year ended September 30, 2023. Employees are required to contribute 9.5% of their annual pay for the year ended September 30, 2023.

GDOE's contributions to the DB Plan for the year ended September 30, 2023 were \$20,542,611, 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, 2023 were \$7,257,619, 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, 2023 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, 2023, were \$29,914,491, which was equal to the required contributions. Of these amounts, \$23,329,373 was contributed toward the unfunded liability of the DB Plan for the year ended September 30, 2023.

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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, 2023, GDOE reported a net pension liability for its proportionate share of the net pension liabilities measured as of September 30, 2022, which is comprised of the following:

Defined Benefit Plan	\$428,428,027
Ad Hoc COLA/supplemental annuity Plan for DB retirees	72,051,636
Ad Hoc COLA Plan for DCRS retirees	<u>16,567,694</u>
	<u>\$517,047,357</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, 2023, GDOE's proportionate shares of the GovGuam net pension liabilities were as follows:

Defined Benefit Plan	28.24%
Ad Hoc COLA/supplemental annuity Plan for DB retirees	27.53%
Ad Hoc COLA Plan for DCRS retirees	27.00%

Pension Expense: For the year ended September 30, 2023, GDOE recognized pension expense for its proportionate share of plan pension expense from the above pension plans as follows:

Defined Benefit Plan	\$ 47,258,824
Ad Hoc COLA/supplemental annuity Plan for DB retirees	540,601
Ad Hoc COLA Plan for DCRS retirees	<u>1,646,373</u>
	<u>\$ 49,445,798</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, 2023, 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	\$ 8,139,352	\$(1,122,665)	\$ ---	\$(603,422)	\$2,007,876	\$(321,558)
Net difference between projected and actual earnings on pension plan investments	94,615,947	---	---	---	---	---
Changes of assumptions	6,875,986	---	1,271,626	(7,661,302)	3,641,692	(4,348,878)
Contributions subsequent to the measurement date	43,871,983	---	6,439,219	---	818,400	---
Changes in proportion and difference GDOE contributions and proportionate share of contributions	<u>2,328,603</u>	<u>(2,113,525)</u>	<u>---</u>	<u>(286,599)</u>	<u>1,161,658</u>	<u>(437,634)</u>
	<u>\$155,831,871</u>	<u>\$(3,236,190)</u>	<u>\$7,710,845</u>	<u>\$(8,551,323)</u>	<u>\$7,629,626</u>	<u>\$(5,108,070)</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>
2024	\$30,162,957	\$(4,027,656)	\$ 484,734
2025	26,584,716	(3,734,699)	484,734
2026	19,369,010	193,562	484,734
2027	32,607,015	289,096	243,392
2028	---	---	176,918
Thereafter	<u>---</u>	<u>---</u>	<u>(171,356)</u>
	<u>\$108,723,698</u>	<u>\$(7,279,697)</u>	<u>\$1,703,156</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: Actuarially determined contribution rates for the DB Plan are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported. The methods and assumptions used to determine contribution rates are as follows.

Actuarial Cost Method:	Entry age normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	May 1, 2033 (11.58 years remaining as of September 30, 2021)
Asset valuation method:	3-year smoothed market value (effective September 30, 2009)
Inflation:	2.50% per year
Total payroll growth:	2.75% per year
Salary increases:	4% to 7.5%
Retirement age:	50% probability of retirement upon first eligibility for unreduced retirement. Thereafter, the probability of retirement is 20% for each year until age 75, and increases to 100% at age 75.
Mortality:	RP-2000 healthy mortality table (males +3, females +2). Mortality for disabled lives is the RP 2000 disability mortality (males +6, females +4). Both tables are projected generationally from 2016 using 30% of Scale BB.

The actuarial assumptions used in the September 30, 2021 valuation were based on the results of an actuarial experience study for the period October 1, 2011 to September 30, 2015. The rationale for each significant assumption is provided in the experience study. To the extent that actual experience differs from the assumptions, future pension costs will differ.

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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>Expected Nominal Return</u>	<u>Component Return</u>
U.S. Equities (large cap)	26%	8.14%	2.12%
U.S. Equities (small cap)	4%	9.75%	0.39%
Non-U.S. Equities	17%	10.15%	1.73%
Non-U.S. Equities (emerging markets)	3%	12.08%	0.36%
U.S. Fixed Income (aggregate)	22%	4.77%	1.05%
Risk Parity	8%	6.65%	0.53%
High Yield Bonds	8%	6.90%	0.55%
Global Real Estate (REITs)	2.5%	9.62%	0.24%
Global Equity	7%	8.93%	0.67%
Global Infrastructure	2.5%	8.08%	0.16%
Expected average return for one year			7.80%
Expected geometric mean (50 years)			7.09%

Discount Rate: The discount rate used to measure the total pension liability for the DB Plan as of September 30, 2022 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 as of September 30, 2022 was 4.02%, 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>\$502,279,292</u>	<u>\$428,428,027</u>	<u>\$336,892,250</u>

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees:

	1% Decrease in Discount Rate <u>3.02%</u>	Current Discount Rate <u>4.02%</u>	1% Increase in Discount Rate <u>5.02%</u>
Net Pension Liability	<u>\$78,178,778</u>	<u>\$72,051,636</u>	<u>\$66,639,321</u>

Ad Hoc COLA Plan for DCRS Retirees:

	1% Decrease in Discount Rate <u>3.02%</u>	Current Discount Rate <u>4.02%</u>	1% Increase in Discount Rate <u>5.02%</u>
Net Pension Liability	<u>\$18,812,657</u>	<u>\$16,567,694</u>	<u>\$14,876,695</u>

C. Payables to the Pension Plans

As of September 30, 2022, GDOE recorded a payable to GGRF of \$2,578,438, representing unremitted required contributions.

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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, 2023
Measurement date:	September 30, 2022
Valuation date:	September 30, 2022

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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, 2023 is \$649,857,650.

Proportionate share of total OPEB liability at September 30, 2023 is 28.3%.

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

Inflation:	2.50%.
Healthcare cost trend rates:	8% for FY2023 through FY2030, decreasing 0.5% per year to an ultimate rate of 4.01% for FY2031 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.
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 Retiree 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 4.02%. 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 municipal bond rate was applied to all periods to determine the total OPEB liability.

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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, 2023, 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>3.02%</u>	Current Discount Rate <u>4.02%</u>	1% Increase in Discount Rate <u>5.02%</u>
Total OPEB Liability	<u>\$754,827,419</u>	<u>\$649,857,650</u>	<u>\$564,763,776</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>\$557,053,272</u>	<u>\$649,857,650</u>	<u>\$768,230,082</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, 2023, GDOE reported total OPEB expense of \$16,132,383, for its proportionate share of the GovGuam total OPEB expense. At September 30, 2023, 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	\$ 58,640,905	\$(213,867,251)
Difference between expected and actual experience	50,679,529	(29,883,582)
Contributions subsequent to the measurement date	13,275,495	---
Changes in proportion and difference between employer contributions and proportionate share of contributions	<u>8,196,348</u>	<u>(20,016,410)</u>
	<u>\$130,792,277</u>	<u>\$(263,767,243)</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, 2023 will be recognized in OPEB expense as follows:

<u>Year Ending September 30</u>	
2024	\$(28,706,007)
2025	(19,454,740)
2026	(30,842,527)
2027	(21,182,475)
2028	(22,917,768)
Thereafter	<u>(23,146,944)</u>
	<u>\$(146,250,461)</u>

Guam Department of Education
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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 36-107:	
GovGuam General Fund:	
Operations	\$198,105,031
Retiree healthcare benefits	13,275,495
Lease Agreements:	
Okkodo Expansion lease	4,614,506
JFK High School lease	2,286,260
Merit bonus	3,100,000
Bonus, rewards and incentives program	1,000,000
Chamorro Studies Division	513,824
Simon Sanchez High School Construction	500,000
Salary increments	500,000
Menstrual hygiene products	100,000
Territorial Education Facilities Fund:	
Operations	12,413,465
School grounds maintenance	385,022
Alternative dispute resolution/Mediation services	40,000
Lease Agreements:	
Tiyon lease	10,113,928
JFK High School lease	2,150,290
Okkodo Expansion lease	650,000
Healthy Futures Fund	858,728
Public Library System Fund	686,994
Limited Gaming Fund	380,225
Public Law 37-3:	
General pay plan increase	6,700,000
Public Law 28-47:	
Guam Public School Facilities Project Lease	<u>5,740,250</u>
	<u>\$264,114,018</u>

As of September 30, 2023, receivables from the primary government associated with these appropriations amounted to \$493,035. In addition, Public Law 36-107 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, 2023 is \$14,790,550, which is accounted for within GDOE's Federal Grants Assistance Fund.

Guam Department of Education
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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>
2024	\$ 9,592,828	\$ 10,926,680	\$ 20,519,508
2025	10,133,086	10,294,128	20,427,214
2026	10,694,876	9,622,891	20,317,767
2027	6,513,451	8,911,538	15,424,989
2028	6,932,677	8,389,137	15,321,814
2029 - 2033	31,926,189	34,006,794	65,932,983
2034 - 2038	45,026,176	18,526,596	63,552,772
2039 - 2042	<u>15,675,770</u>	<u>2,189,630</u>	<u>17,865,400</u>
	<u>\$136,495,053</u>	<u>\$102,867,394</u>	<u>\$239,362,447</u>

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

Assets:	
Buildings and leasehold improvements	\$239,159,248
Less accumulated depreciation	(<u>60,420,805</u>)
	178,738,443
Land	<u>435,280</u>
	<u>\$179,173,723</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 (Unaudited)

Year Ended September 30, 2023

	Original Budget	Final Budget	Actual - Budgetary Basis	Variance with Final Budget - Positive (Negative)
Revenues:				
Local appropriations:				
Government of Guam General Fund:				
Operations	\$ 198,105,031	\$ 198,105,031	\$ 198,105,031	\$ -
Retiree healthcare benefits	13,275,495	13,275,495	13,275,495	-
General Pay Plan increase	-	6,700,000	6,700,000	-
Repairs and maintenance	-	20,000,000	-	(20,000,000)
JFK High School Lease	4,614,507	4,614,507	4,614,506	(1)
Okkodo High School Expansion Project Lease	2,286,260	2,286,260	2,286,260	-
Merit bonus	3,100,000	3,100,000	3,100,000	-
Textbooks	1,500,000	1,500,000	-	(1,500,000)
Bonuses, rewards and incentives program	1,000,000	1,000,000	1,000,000	-
Chamorro Studies Division	513,824	513,824	513,824	-
Simon Sanchez High School Construction	500,000	500,000	500,000	-
Salary increments	500,000	500,000	500,000	-
Menstrual hygiene products	100,000	100,000	100,000	-
Guam Educational Facilities Fund:				
Operations	12,413,465	12,413,465	12,413,465	-
Tiyan Lease	10,113,928	10,113,928	10,113,928	-
JFK High School Lease	2,150,290	2,150,290	2,150,290	-
Okkodo High School Expansion Project Lease	650,000	650,000	650,000	-
School grounds maintenance	385,022	385,022	385,022	-
Alternative dispute resolution/Mediation services	40,000	40,000	40,000	-
Healthy Futures Fund	891,754	891,754	858,728	(33,026)
Public Library System Fund	686,994	686,994	686,994	-
Limited Gaming Fund	380,225	380,225	380,225	-
Federal grants and contributions	346,593	416,788	522,202	105,414
School activities	1,366,781	1,366,781	1,594,074	227,293
Fees and other program receipts	-	-	102,286	102,286
Cafeteria sales	-	-	1,349	1,349
Total revenues	254,920,169	281,690,364	260,593,679	(21,096,685)
Expenditures - Budgetary Basis:				
Elementary Education	72,782,173	74,435,813	87,016,735	(12,580,922)
Secondary Education	87,429,689	89,046,643	102,711,290	(13,664,647)
Direct Student Support	19,976,747	20,441,169	17,564,350	2,876,819
General Administration	41,603,051	47,248,499	21,308,266	25,940,233
Retiree healthcare benefits	13,275,495	13,275,495	13,275,495	-
First Generation Trust Fund	1,756,718	2,268,052	2,128,958	139,094
School Activities	1,366,781	1,366,781	1,366,781	-
Debt service:				
Tiyan Lease	10,113,927	10,113,927	10,113,927	-
JFK High School Lease	6,764,797	6,764,797	6,764,797	-
Okkodo High School Expansion Project Lease	2,286,260	2,286,260	2,286,260	-
Total expenditures	257,355,638	267,247,436	264,536,859	2,710,577
Deficiency of revenues under expenditures	(2,435,469)	14,442,928	(3,943,180)	(18,386,108)
Other financing sources:				
Transfers in	-	-	930,010	930,010
Total other financing sources, net	-	-	930,010	930,010
Other changes in fund balance (deficit):				
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	3,909,785	3,909,785	4,165,480	255,695
Net change in fund balance (deficit)	\$ 1,474,316	\$ 18,352,713	\$ 1,152,310	\$ (18,130,413)

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

Defined Benefit Plan

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
GDOE's proportionate share of the net pension liability	\$ 428,428,027	\$ 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	28.24%	27.84%	28.37%	28.91%	29.35%	29.97%	30.18%	29.79%	29.07%	30.72%
GDOE's covered-employee payroll**	\$ 174,306,333	145,491,118	117,829,051	116,249,432	121,059,937	121,636,415	130,329,403	152,360,205	146,783,636	141,412,148
GDOE's proportionate share of the net pension liability as a percentage of its covered payroll	240.86%	184.37%	300.06%	301.99%	285.89%	281.41%	316.88%	280.98%	246.82%	283.11%

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
GDOE's proportionate share of the net pension liability	\$ 72,051,636	\$ 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 pension liability	27.53%	27.57%	27.76%	28.00%	28.10%	28.57%	28.44%	28.59%	*	*

Ad Hoc COLA Plan for DCRS Retirees

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
GDOE's proportionate share of the net pension liability	\$ 16,567,694	\$ 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	27.00%	26.46%	25.70%	25.92%	26.04%	26.85%	26.34%	26.72%	*	*

** Covered-employee payroll data from the actuarial valuation date with one-year lag.

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

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contribution	\$ 49,555,290	\$ 37,254,787	\$ 39,971,803	\$ 39,249,452	\$ 39,463,244	\$ 42,175,174	\$ 41,850,125	\$ 43,136,172	\$ 45,690,371	\$ 44,308,308
Contributions in relation to the statutorily required contribution	<u>\$ 49,360,693</u>	<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>	<u>\$ 44,308,308</u>
Contribution (excess) deficiency	<u>\$ 194,597</u>	<u>\$ (15,815)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,256)</u>	<u>\$ (4,132)</u>	<u>\$ -</u>	<u>\$ (6,475)</u>	<u>\$ -</u>
GDOE's covered-employee payroll **	<u>\$ 174,306,333</u>	<u>\$ 269,627,584</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>	<u>\$ -</u>
Contribution as a percentage of covered-employee payroll	28.32%	13.82%	14.60%	14.64%	14.54%	13.82%	14.35%	13.70%	31.13%	0.00%

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

** Covered-employee payroll data from the actuarial valuation date with one-year lag.

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
GDOE's proportionate share of the total OPEB liability	\$ 649,857,650	\$ 775,538,115	\$ 704,157,441	\$ 752,994,530	\$ 549,588,821	\$ 726,529,256	\$ 704,157,441	*	*	*
GDOE's proportion of the total OPEB liability	28.30%	27.98%	27.96%	29.49%	29.31%	29.89%	27.96%	*	*	*

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

Guam Department of Education
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Schedules of Required Supplemental Information
Schedule of OPEB Contributions (Unaudited)
Last 10 Fiscal Years*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 63,958,914	\$ 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>\$ 15,543,345</u>	<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>\$ 48,415,569</u>	<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.

Guam Department of Education
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Notes to the Required Supplementary Information

September 30, 2023

1. Budgetary Process

The Budget Act for fiscal year 2022, Public Law No. 36-107, 37-7 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 2022 actuarial valuation reflected an assumption related to administrative expenses to decrease to \$6,798,000 per year.

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, continued

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
(A Line Agency of the Government of Guam)

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

Year Ended September 30, 2023

	General	Federal Grants Assistance	Total
Revenues:			
Appropriations	\$ 258,373,768	\$ 5,740,250	\$ 264,114,018
Federal grants and contributions	522,202	111,495,837	112,018,039
Cafeteria sales	1,349	-	1,349
School activities	1,594,074	-	1,594,074
Fees and other program receipts	102,286	-	102,286
Total revenues	<u>260,593,679</u>	<u>117,236,087</u>	<u>377,829,766</u>
Expenditures:			
Salaries and wages	150,094,841	32,391,983	182,486,824
Benefits	57,593,253	11,686,100	69,279,353
Capital lease payments	20,440,509	6,581,067	27,021,576
Contractual	7,176,893	16,415,123	23,592,016
Food management contract	2,022,792	15,155,066	17,177,858
Power	3,512,942	13,382,451	16,895,393
Retiree healthcare benefits	13,275,495	-	13,275,495
Equipment	155,468	8,677,435	8,832,903
Supplies	67,063	6,825,116	6,892,179
Water	1,453,647	4,004,687	5,458,334
Travel	631,138 #	1,183,081	1,814,219
First Generation Trust Fund	1,799,458	-	1,799,458
School activities	1,366,782	-	1,366,782
Phone	374,281	-	374,281
Capital outlay	241,990	-	241,990
Fuel	145,582	-	145,582
Library books and equipment	(1,107)	3,455	2,348
Miscellaneous	20,352	513	20,865
Total expenditures	<u>260,371,379</u>	<u>116,306,077</u>	<u>376,677,456</u>
Excess of revenues over expenditures	<u>222,300</u>	<u>930,010</u>	<u>1,152,310</u>
Other financing sources (uses):			
Transfers in	930,010	-	930,010
Transfers out	-	(930,010)	(930,010)
Total other financing sources (uses), net	<u>930,010</u>	<u>(930,010)</u>	<u>-</u>
Net change in fund balances	1,152,310	-	1,152,310
Fund balances at beginning of year	<u>8,517,846</u>	<u>-</u>	<u>8,517,846</u>
Fund balances at end of year	<u>\$ 9,670,156</u>	<u>\$ -</u>	<u>\$ 9,670,156</u>

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

September 30, 2023

<u>ASSETS</u>	Operations	First Generation Trust Fund Initiative	School Activities	Eliminating Entries	Total
Cash and cash equivalents	\$ 11,780,064	\$ 2,515,256	\$ -	\$ -	\$ 14,295,320
Receivables from federal agencies	606,188	-	-	-	606,188
Due from primary government	493,035	-	-	-	493,035
Due from GovGuam component units	-	209,600	-	-	209,600
Prepayments and other assets	13,595	-	-	-	13,595
Due from other funds	16,415,941	-	-	(599,518)	15,816,423
Restricted assets:					
Cash and cash equivalents	-	-	1,051,483	-	1,051,483
Total assets	<u>\$ 29,308,823</u>	<u>\$ 2,724,856</u>	<u>\$ 1,051,483</u>	<u>\$ (599,518)</u>	<u>\$ 32,485,644</u>
<u>LIABILITIES AND FUND</u>					
<u>BALANCES</u>					
Liabilities:					
Accounts payable	\$ 13,595,260	\$ 2,125,338	\$ -	\$ -	\$ 15,720,598
Accrued payroll	5,244,157	-	-	-	5,244,157
Other liabilities and accruals	1,850,733	-	-	-	1,850,733
Due to other funds	-	599,518	-	(599,518)	-
Total liabilities	<u>20,690,150</u>	<u>2,724,856</u>	<u>-</u>	<u>(599,518)</u>	<u>22,815,488</u>
Fund balances:					
Restricted	-	-	1,051,483	-	1,051,483
Unassigned	8,618,673	-	-	-	8,618,673
Total fund balances	<u>8,618,673</u>	<u>-</u>	<u>1,051,483</u>	<u>-</u>	<u>9,670,156</u>
Total liabilities and fund balances	<u>\$ 29,308,823</u>	<u>\$ 2,724,856</u>	<u>\$ 1,051,483</u>	<u>\$ (599,518)</u>	<u>\$ 32,485,644</u>

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

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances Accounts
General Fund

Year Ended September 30, 2023

	Operations	First Generation Trust Fund Initiative	School Activities	Eliminating Entries	Total
Revenues:					
Appropriations	\$ 258,373,768	\$ -	\$ -	\$ -	\$ 258,373,768
Federal grants and contributions	522,202	-	-	-	522,202
Student activities	-	-	1,594,074	-	1,594,074
Cafeteria sales	1,349	-	-	-	1,349
Fees and other program receipts	45,760	56,526	-	-	102,286
	<u>258,943,079</u>	<u>56,526</u>	<u>1,594,074</u>	<u>-</u>	<u>260,593,679</u>
Total revenues					
Elementary Education	87,006,403	-	141,274	-	87,147,677
Secondary Education	102,640,902	-	1,225,507	-	103,866,409
Direct Student Support	14,781,987	-	-	-	14,781,987
General Administration	20,334,869	-	-	-	20,334,869
Retiree healthcare benefits	13,275,495	-	-	-	13,275,495
Contributions to GovGuam component units:					
Guam Community College	-	625,588	-	-	625,588
University of Guam	-	1,174,370	-	-	1,174,370
Debt service:					
Principal	8,458,812	-	-	-	8,458,812
Interest	10,706,172	-	-	-	10,706,172
	<u>257,204,640</u>	<u>1,799,958</u>	<u>1,366,781</u>	<u>-</u>	<u>260,371,379</u>
Total expenditures					
Excess of revenues over expenditures	<u>1,738,439</u>	<u>(1,743,432)</u>	<u>227,293</u>	<u>-</u>	<u>222,300</u>
Other financing uses:					
Transfers in	1,398,104	-	-	(468,094)	930,010
Transfers out	-	(468,094)	-	468,094	-
Total other financing uses	<u>1,398,104</u>	<u>(468,094)</u>	<u>-</u>	<u>-</u>	<u>930,010</u>
Net change in fund balances	3,136,543	(2,211,526)	227,293	-	1,152,310
Fund balances at beginning of year	<u>5,482,130</u>	<u>2,211,526</u>	<u>824,190</u>	<u>-</u>	<u>8,517,846</u>
Fund balances at end of year	<u>\$ 8,618,673</u>	<u>\$ -</u>	<u>\$ 1,051,483</u>	<u>\$ -</u>	<u>\$ 9,670,156</u>

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

Personnel
September 30, 2023 and 2022

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

	Employee Count as of PPE <u>September 23, 2023</u>	Employee Count as of PPE <u>September 24, 2022</u>
100% Locally Funded	2,589	2,597
100% Federally Funded	809	870
Locally/Federally Funded	<u>9</u>	<u>4</u>
 Total Employee Count	 <u>3,407</u>	 <u>3,471</u>

The overall number of GDOE employees decreased by 64 employees.

The decrease in the number of federally funded employees can be attributed to the approaching expiration of COVID-19 relief funds, specifically the American Rescue Plan (ARP), which expires September 30, 2024. GDOE utilized ARP funds to hire limited term full-time educational, professional, administrative, and technical personnel, such as teachers’ assistants and community program aides, to support the educational needs of teachers and students in addressing academic learning loss experienced during the height of the pandemic and providing outreach services to underrepresented families. As of the year ended September 30, 2022, ARP funded employees totaled 129, which decreased to 74 as of the year ended September 30, 2023. GDOE can anticipate further decrease in overall federally-funded employees as the employment terms for ARP personnel conclude with the expiration of the grant at the end of Fiscal Year 2024. As of the year ended September 30, 2023, there were 74 GDOE employees funded by federal pandemic relief grants.