



SENATOR JOE S. SAN AGUSTIN

I MINA'TRENTAI SINGKO NA LIHESLATURAN GUÅHAN
CHAIRMAN, COMMITTEE ON APPROPRIATIONS, GENERAL GOVERNMENT OPERATIONS & HOUSING

September 22, 2020

Honorable Lourdes A. Leon Guerrero
Maga'hågan Guahan
Ricardo J. Bordallo Complex
Adelup, Guam
governor@guam.gov

Re- Freedom of Information Act Request- Fiscal Year 2019 Surplus Revenues.

Håfa Adai Maga'håga Leon Guerrero!

As you know, the Office of Public Accountability recently issued the Fiscal Year 2019 Annual Audit and revealed a surplus in revenues of \$35.6 Million.

Immediately after the release, your office issued a statement that the surplus revenues were used to pay down the government of Guam deficit.

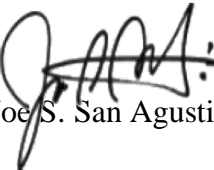
As the Chairman of the Committee on Appropriations and pursuant to the Freedom of Information Act, I kindly request your assistance to provide this Committee with detailed information on the expenditure of the surplus.

Please include the following information:

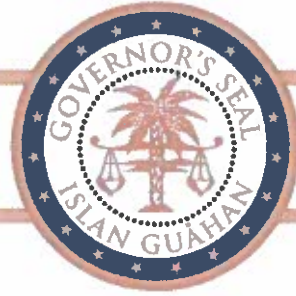
- Name of payee from FY19 surplus;
- Amount remitted to payee;
- Number of days past due; and
- Names of outstanding payees, amounts and days past due not remitted from FY19 surplus.

I look forward to receiving the information and thank you for your assistance.

Si Yu'os Ma'åse'!



Joe S. San Agustin



LOURDES A. LEON GUERRERO
MAGA'HÅGA • GOVERNOR

JOSHUA F. TENORIO
SIGUNDO MAGA'LÅHI • LIEUTENANT GOVERNOR

September 28, 2020

Senator Joe S. San Agustin
*Chairman, Committee on Appropriations,
General Government Operations & Housing*
35th Guam Legislature
Suite 3, 2nd Floor
Ran Care Bldg. CBU# 230 761
S. Marine Corps Dr.
Tamuning, Guam 96913

**Re: Response to Freedom of Information Act Request
– Fiscal Year 2019 Surplus Revenues**

Hafa Adai Senator San Agustin:

I refer to your letter dated September 22, 2020 requesting information supporting the application of revenues received in FY2019 which were greater than the budgeted revenues for that year.

In the first instance, please be advised that to the extent any documents exist in reference to your particular requests, they would be maintained by the Department of Administration, as the agency of the executive branch responsible for administering accounts for line agencies and ensuring their bills are paid. Additionally, as you know, the Sunshine Reform Act of 1999, which is commonly referred to as the Freedom of Information Act, does not require that a responding agency create a document in order to respond to a request. Rather, it requires only that the responding agency make available for inspection (or make copies when requested) documents already in existence.

Secondly, and perhaps more importantly, I believe that your request for such information pursuant to the Sunshine Act is based on a misunderstanding of the accounting principles which operate under these circumstances. Nonetheless, I recognize that despite your utilization of a perhaps unfitting vehicle to gather the information you seek, our branches must be able to discuss the important financial matters of our government from a common understanding, grounded in the basic principles of audit and public finance. To that end, I provide this response.

A reported surplus in the General Fund report of Government Funds does not arise solely by reducing or paying down vendor payables. During testimony at the Committee of the Whole on

To: Senator Joe S. San Agustin
Fr: Governor of Guam
Date: September 28, 2020
Re: Response to Freedom of Information Act Request

Page 2 of 2

Bill 282-35(LS), now P.L. 35-99, Edward Birn, Director of the Department of Administration presented a schedule, dated August 10, 2020, which demonstrated that the surplus reported in the General Fund was represented by changes in several categories of assets and liabilities, not just vendor payables. The schedule is attached hereto for ease of reference.

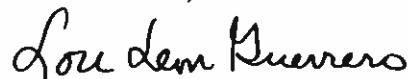
It is a well-established accounting convention that balance sheets and statements of revenues, expenditures and changes in fund balances are the accepted presentation for reporting surpluses and deficits as they disclose the entire financial picture, not simply a component part. In the case of the Government of Guam General Fund, the accumulated deficit is the result of an excess of expenditures or liabilities over income or assets over the years. The way to correct this is to reverse this deficiency. The Management Discussion and Analysis on pages 4 - 24 of the Basic Financial Statements for FY2019 contains analysis on this topic.

This issue was again raised during the Committee of the Whole on Bill 1 (3-5) and Mr. Birn reminded Senators about the nature of the surplus reported and confirmed the previously reported figures since the fiscal year 2019 audit had been released just days prior the Committee of the Whole. It is noted that the General Fund contains thirty-eight sub-funds, including self-accounting units, such as the Judiciary of Guam, the Department of Education, and your own body, the Guam Legislature. Financial reports from these units and the other fund sources were combined which produced the \$35.6 million surplus for fiscal year 2019 and the subject of your inquiry in this FOIA request. Specific vendors paid during the audited period cannot be identified as it is impossible to attach any specific vendor payment to a specific cash source flowing through the government coffers on a daily basis during any audited period. The best representation of these surpluses and deficits are reported on pages 142 – 150 of the Basic Financial Statements. It is noted that some of these units reported surpluses.

It is always good and prudent fiscal practice to reduce and eliminate deficits in any enterprise, public or private, since a deficit represents a state of affairs where liabilities exceed assets. My administration is committed to fiscal discipline and -- were it not also a legal obligation -- this unbalanced situation must be a priority to correct.

As set forth above, I must report that there are no documents responsive to your Sunshine Act request.

Senseramente,



LOURDES A. LEON GUERRERO

Maga'hāgan Guāhan

Governor of Guam

Enclosure(s): Schedule

cc via email: *Sigundo Maga'lāhen Guāhan*

Lynette O. Muna, FOIA Officer, Office of the Governor of Guam

General Fund FY2019

Summarized balance sheet	FY2019	FY2018	Change
(unaudited)	\$	\$	\$
Cash & cash equivalents	69,043,453	56,072,078	12,971,375
Investments	210,009	209,702	307
Receivables	71,024,862	59,450,095	11,574,767
Due from other funds	52,704,725	38,188,180	14,516,545
Inventories	2,941,213	5,033,990	(2,092,777)
Deposits & prepayments	6,237,567	12,891,400	(6,653,833)
Restricted assets	86,404,990	86,590,654	(185,664)
Total Assets	288,566,819	258,436,099	30,130,720
Accounts payable	66,587,922	72,080,107	(5,492,185)
Accrued liabilities	12,886,470	13,382,558	(496,088)
Due to other funds	36,147,054	36,695,727	(548,673)
Unearned revenues	69,928,937	77,046,768	(7,117,831)
Provision for tax refunds	131,049,773	123,400,041	7,649,732
Other liabilities	19,767,606	19,279,761	487,845
Total liabilities	336,367,762	341,884,962	(5,517,200)
Net assets	(\$47,800,943)	(\$83,448,863)	\$35,647,920
Restricted & committed funds	98,891,739	101,147,949	(2,256,210)
Unrestricted	(146,692,682)	(184,596,812)	37,904,130
Total fund (deficit)	(\$47,800,943)	(\$83,448,863)	\$35,647,920
Analysis of change			\$
Revenues			700,240,675
Expenditures			672,044,505
Excess of revenues over expenditures			28,196,170
Net transfers			7,451,750
Net Change in fund			\$35,647,920
Increase in assets			30,130,720
Decrease in liabilities			5,517,200
Net Change in fund			\$35,647,920
8/10/2020			