

GUAM MEMORIAL HOSPITAL AUTHORITY

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

YEARS ENDED SEPTEMBER 30, 1999 AND 1998



INDEPENDENT AUDITORS' REPORT

Board of Trustees
Guam Memorial Hospital Authority:

We have audited the accompanying balance sheets of the Guam Memorial Hospital Authority (GMHA), a component unit of the Government of Guam, as of September 30, 1999 and 1998, and the related statements of revenues and expenses, changes in fund balances and cash flows for the years then ended. These financial statements are the responsibility of GMHA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of GMHA as of September 30, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated January 31, 2000, on our consideration of Guam Memorial Hospital Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

January 31, 2000, except for note 12
as to which the date is June 16, 2000

GUAM MEMORIAL HOSPITAL AUTHORITY

Balance Sheets
September 30, 1999 and 1998

<u>ASSETS (note 5)</u>	<u>1999</u>	<u>1998</u>
Current assets:		
Cash	\$ 3,303,654	\$ 4,417,585
Restricted cash	<u>527,013</u>	<u>577,029</u>
Total cash	<u>3,830,667</u>	<u>4,994,614</u>
Patient accounts receivable, net (note 8)	29,271,315	25,650,429
Other receivables (note 10)	230,834	1,354,108
Inventories 1,542,473	2,328,058	
Prepaid expenses	<u>21,146</u>	<u>89,057</u>
Total current assets	34,896,435	34,416,266
Property, plant and equipment, net (notes 2 and 6)	<u>47,646,280</u>	<u>49,125,531</u>
	\$ <u>82,542,715</u>	\$ <u>83,541,797</u>

See accompanying notes to financial statements.

GUAM MEMORIAL HOSPITAL AUTHORITY

Balance Sheets, Continued
September 30, 1999 and 1998

<u>LIABILITIES AND FUND BALANCE</u>	<u>1999</u>	<u>1998</u>
Current liabilities:		
Current portion of long-term debt (note 6)	\$ 2,745,479	\$ 2,995,624
Accounts payable - trade	6,714,998	2,856,505
Accounts payable - Government of Guam (note 9)	10,610,618	6,179,367
Accrued payroll and benefits	633,112	481,100
Current portion of accrued annual leave	1,788,701	1,276,666
Other accrued liabilities	<u>836,543</u>	<u>1,213,123</u>
Total current liabilities	23,329,451	15,002,385
Long-term debt (note 6)	30,231,619	35,904,499
Deferred retirement fund contributions (note 4)	15,250,750	16,180,353
Accrued annual leave - non-current portion	<u>1,368,854</u>	<u>1,692,325</u>
Total liabilities	<u>70,180,674</u>	<u>68,779,562</u>
Fund balance:		
Unrestricted	9,905,611	12,173,961
Restricted	<u>2,456,430</u>	<u>2,588,274</u>
Total fund balance	<u>12,362,041</u>	<u>14,762,235</u>
	\$ <u>82,542,715</u>	\$ <u>83,541,797</u>

Commitments and contingencies (notes 5 and 6)

See accompanying notes to financial statements.

GUAM MEMORIAL HOSPITAL AUTHORITY

Statements of Revenues and Expenses Years Ended September 30, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Net patient service revenue (note 6)	\$ 65,369,367	\$ 61,224,310
Other operating revenue:		
Food sales, cafeteria	557,935	709,249
Other	<u>1,120,986</u>	<u>983,394</u>
Total operating revenue	<u>67,048,288</u>	<u>62,916,953</u>
Operating expenses:		
Nursing	24,426,820	24,087,329
Ancillary	14,918,642	14,704,130
General services	7,798,916	7,834,822
Administrative support	7,235,979	7,501,754
Bad debts	6,399,187	5,955,131
Depreciation	3,267,704	3,795,316
Medical staff	2,012,384	1,957,098
Administration	<u>2,410,711</u>	<u>1,470,784</u>
Total operating expenses	<u>68,470,343</u>	<u>67,306,364</u>
Excess of operating expenses over operating revenues	<u>(1,422,055)</u>	<u>(4,389,411)</u>
Non-operating revenues (expenses):		
Contributions	79,045	133,280
Transfers from the Government of Guam (note 7)	-	528,888
Other (expense) revenues, net	(1,358,326)	(331,686)
Interest and penalties (note 9)	(2,656,511)	(4,451,734)
Forgiveness of debt (note 6)	<u>2,901,446</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>(1,034,346)</u>	<u>(4,121,252)</u>
Net excess of expenses over revenues	\$ <u>(2,456,401)</u>	\$ <u>(8,510,663)</u>

See accompanying notes to financial statements.

GUAM MEMORIAL HOSPITAL AUTHORITY

Statements of Changes in Fund Balances Years Ended September 30, 1999 and 1998

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Balance at October 1, 1997	\$ 20,283,242	\$ 2,969,656	\$ 23,252,898
Assets released from restrictions, year ended September 30, 1998	401,382	(401,382)	-
Excess of expenses over revenues, year ended September 30, 1998	(8,510,663)	-	(8,510,663)
Other sources	<u>-</u>	<u>20,000</u>	<u>20,000</u>
Balance at September 30, 1998	12,173,961	2,588,274	14,762,235
Assets released from restrictions, year ended September 30, 1999	188,051	(188,051)	-
Excess of expenses over revenues, year ended September 30, 1999	(2,456,401)	-	(2,456,401)
Other sources	<u>-</u>	<u>56,207</u>	<u>56,207</u>
Balance at September 30, 1999	\$ <u>9,905,611</u>	\$ <u>2,456,430</u>	\$ <u>12,362,041</u>

See accompanying notes to financial statements.

GUAM MEMORIAL HOSPITAL AUTHORITY

Statements of Cash Flows Years Ended September 30, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Cash flows from operating activities:		
Cash received from patients	\$ 57,258,152	\$ 53,842,077
Payments to suppliers and employees for goods and services	(52,645,469)	(73,017,310)
Other operating revenues	<u>1,678,920</u>	<u>1,360,957</u>
Net cash provided by (used in) operating activities	<u>6,291,603</u>	<u>(17,814,276)</u>
Cash flows from non-capital financing activities:		
Transfers from the Government of Guam	-	528,888
Repayment of notes payable	(2,154,415)	(9,286,837)
Interest paid	(2,656,511)	(4,451,734)
Contributions	79,045	133,280
Proceeds from notes payable	-	37,346,171
Other sources	<u>56,207</u>	<u>20,000</u>
Net cash (used in) provided by non-capital financing activities	<u>(4,675,674)</u>	<u>24,289,768</u>
Cash flows from capital and related financing activities:		
Repayment of capital leases	(867,164)	(804,038)
Acquisition and construction of capital assets	(1,788,453)	(2,917,327)
(Decrease) increase in restricted payables	<u>(124,259)</u>	<u>75,610</u>
Net cash used in capital and related financing activities	<u>(2,779,876)</u>	<u>(3,645,755)</u>
Net (decrease) increase in cash	(1,163,947)	2,829,737
Cash at beginning of year	<u>4,994,614</u>	<u>2,164,877</u>
Cash at end of year	\$ <u>3,830,667</u>	\$ <u>4,994,614</u>
<u>Reconciliation of operating loss to net cash provided by (used in) operating activities:</u>		
Operating loss	\$ (1,422,055)	\$ (4,389,411)
Other expenses	(1,358,326)	(331,686)
Adjustments to reconcile operating loss and other expense to net cash provided by (used in) operating activities:		
Depreciation	3,267,704	3,795,316
Bad debts	6,399,189	5,955,130
(Increase) decrease in assets:		
Patient accounts receivable, net	(10,020,075)	(4,651,037)
Other receivables	1,123,274	(1,227,583)
Inventories	785,585	207,880
Prepaid expenses	67,911	30,858
Increase (decrease) in liabilities:		
Accounts payable	8,414,003	(14,117,501)
Accrued payroll and employee benefits	152,012	(1,980,071)
Accrued annual leave	188,564	66,949
Deferred retirement fund contributions	(929,603)	(882,630)
Deferred revenue	-	(1,503,613)
Other accrued liabilities	<u>(376,580)</u>	<u>1,213,123</u>
Net cash provided by (used in) operating activities	\$ <u>6,291,603</u>	\$ <u>(17,814,276)</u>
<u>Reconciliation of cash to balance sheet:</u>		
Unrestricted cash	\$ 3,303,654	\$ 4,417,585
Restricted cash	<u>527,013</u>	<u>577,029</u>
	\$ <u>3,830,667</u>	\$ <u>4,994,614</u>

Non-cash transaction:

During the year ended September 30, 1999, GMHA recorded forgiveness of debt and a corresponding reduction of notes payable of \$2,901,446 (note 6).

See accompanying notes to financial statements.

GUAM MEMORIAL HOSPITAL AUTHORITY

Notes to Financial Statements
September 30, 1999 and 1998

(1) Summary of Significant Accounting Policies

General. Guam Memorial Hospital Authority (GMHA) was created by Public Law 14-29 as an autonomous instrumentality (component unit) of the Government of Guam on July 26, 1977. The law provides for control of GMHA to be vested with the Board of Trustees of the Hospital. GMHA is a component unit of the Government of Guam.

Restricted Funds. Restricted funds are used to differentiate the use of funds which may be designated by a particular donor from funds on which the donor places no restriction or which arise as a result of normal operations of the Hospital.

Funds which are restricted for plant replacement and expansion are recorded as "assets released from restrictions" and are transferred from Restricted to Unrestricted Funds to the extent expended within the period.

Grants, Donations and Contributions. Restricted grants, donations and contributions are directly credited to the applicable fund balance. Unrestricted grants, donations and contributions are recorded as non-operating revenue in the Unrestricted Funds.

Net Patient Service Revenue. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Cash. For the purpose of the balance sheets and the statements of cash flows, cash is defined as cash on hand and cash on deposit in banks.

At September 30, 1999, cash balances in banks of \$300,000 are covered by the Federal Deposit Insurance Corporation. The remaining balances are not insured.

Patient Accounts Receivable. Patient accounts receivable are primarily due from individuals and businesses located within Guam, the Federated States of Micronesia and from Medicare.

The allowance for uncollectible accounts receivable is determined based on past collection history for different classes of patient receivables. This allowance is based on estimates and, while management believes the amount is adequate, the ultimate uncollectible balance may be in excess or less than the amounts provided. The methods for making such estimates and for establishing the resulting allowance are continually reviewed, and any adjustments are reflected in earnings currently.

Inventories. Inventories are recorded at the lower of cost or market value, with cost being derived through an average historical cost.

Accrued Annual Leave. Employees are credited with vacation leave at rates depending on their length of service. Accumulation of vacation leave is limited to 480 hours at fiscal year end and is convertible to pay upon termination of employment.

GUAM MEMORIAL HOSPITAL AUTHORITY

Notes to Financial Statements
September 30, 1999 and 1998

(1) Summary of Significant Accounting Policies, Continued

Property, Plant and Equipment. Property, plant and equipment acquired prior to June 30, 1978, are recorded at their appraised value as of that date. Subsequent additions are primarily valued at cost. Major renewals and betterments are charged to the property accounts while maintenance and repairs which do not improve or extend the life of an asset are charged to expense. Depreciation is provided over the estimated useful lives of the respective assets through use of the straight-line method. Useful lives for property, plant and equipment are based on the American Hospital Association Guide "Estimated Useful Lives of Depreciable Hospital Assets" and are as follows:

Building and land improvements	10-40 years
Equipment	3-20 years

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

Accounting Standards. Pursuant to Government Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Facilities that use Proprietary Fund Accounting*, GMHA has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Risk Management. GMHA is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries and illnesses; natural disasters and employee health, dental and accident benefits. Commercial insurance coverage is provided for claims arising from such matters. GMHA is self insured for medical malpractice claims and judgements, as discussed in note 5.

(2) Property, Plant and Equipment

A summary of property, plant and equipment at September 30, 1999 and 1998, follows:

	<u>1999</u>	<u>1998</u>
Depreciable assets:		
Building and land improvements	\$ 60,058,726	\$ 59,751,040
Equipment	17,868,986	16,805,957
Equipment under capital lease	<u>3,159,030</u>	<u>3,159,028</u>
	81,086,742	79,716,025
Less accumulated depreciation and amortization	<u>(34,188,361)</u>	<u>(31,256,287)</u>
	46,898,381	48,459,738
Construction-in-progress	<u>747,899</u>	<u>665,793</u>
	\$ <u>47,646,280</u>	\$ <u>49,125,531</u>

GUAM MEMORIAL HOSPITAL AUTHORITY

Notes to Financial Statements
September 30, 1999 and 1998

(3) Contracts with Government Agencies

GMHA is reimbursed for the cost of patient services rendered under certain programs administered by government agencies (primarily Medicare). During the year, the agencies reimburse GMHA on the basis of interim rates. Final settlements are based on annual cost reports prepared in accordance with agency requirements.

(4) Employees' Retirement Plan

Employees of GMHA hired before September 30, 1995 are under the Government of Guam Employees' Retirement System (a defined benefit, contributory pension plan). Employees hired after September 30, 1995, are members of the new Defined Contribution Retirement System (DCRS). Through 1998, those employees who are members of the defined benefit plan with less than 20 years of service at September 30, 1995, have the option to switch to the Defined Contribution Retirement System. Otherwise, they remain under the old plan.

The Defined Benefit Plan and DCRS are administered by the Government of Guam Retirement Fund, to which GMHA contributes based upon a fixed percentage of the payroll for those employees who are members of the Plan.

As a result of most recent actuarial valuation performed as of September 30, 1998, it has been determined that for the fiscal year ended September 30, 1999, a minimum combined employer and employee contribution rate of 25.87% of covered Defined Benefit payroll, is required to appropriately fund current retirement costs, to amortize prior service costs and to provide for interest on the unfunded accrued liability. Statutory contribution rates for employer and employee contributions were 18.6% and 9.5%, respectively, for the year ended September 30, 1999. The effect of GMHA's prior year accruals for its share of pension underfunding reduces the actuarially determined employer contribution rate from 16.37% to an effective rate of 13.73% for the year ended September 30, 1999. In recognition of the above, an accrual reduction of 4.87% is necessary to reduce the unfunded liability based on the difference between 13.73% and the employer's statutory rate of 18.6%. The effective employer's accrual rate for the year ended September 30, 1998 was 15.91%.

Retirement expense for the years ended September 30, 1999 and 1998 is as follows:

	<u>1999</u>	<u>1998</u>
Current contributions	\$ 4,736,989	\$ 4,573,606
Reduction of unfunded retirement liability	<u>(929,603)</u>	<u>(882,630)</u>
	\$ <u>3,807,386</u>	\$ <u>3,690,976</u>

The plan utilizes the actuarial cost method termed "entry age normal" with an assumed rate of return of 8% and an assumed salary scale increase of 5½% per annum. The most recent actuarial valuation performed as of September 30, 1998, did not provide a breakdown of actuarial present value of vested and non-vested accumulated plan benefits by sponsor or net assets available for benefits by sponsor. If the actuarial valuation were performed for GMHA as a separate entity, the accrual unfunded liability at September 30, 1999 and 1998, may be materially different than that recorded in the accompanying financial statements.

GUAM MEMORIAL HOSPITAL AUTHORITY

Notes to Financial Statements
September 30, 1999 and 1998

(4) Employees' Retirement Plan, Continued

Contributions into the DCRS by members are based on an automatic deduction of 5% 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.

Employer contributions into the DCRS are based on a statutory amount of 18.6% of the member's regular base pay. Of the amount contributed by the employer, only 5% of the member's regular base pay is deposited into the member's individual annuity account. The remaining 13.6% is contributed towards the unfunded liability of the defined benefit plan.

Members of the DCRS who have completed five years of government service, and have attained the age of 55 years at termination, have a vested balance of 100% of both member and employer contributions plus any earnings thereon. Members who have completed five years of service, but have not attained the age of 55, are eligible only for the amount of member contributions plus any earnings thereon.

(5) Commitments and Contingencies

Litigation - GMHA is the defendant in several malpractice claims and has received several claims which are pending review or are expected to go to litigation. While GMHA intends to pursue an aggressive defense of these cases and claims, the possibility exists that some may result in material monetary damages being awarded to claimants or plaintiffs. At September 30, 1999, GMHA's maximum exposure under these claims is approximately \$4.8 million. However, GMHA is unable to estimate the actual monetary damages from these self-insured malpractice claims. Accordingly, no provision has been recorded in the financial statements for any loss that may result from these claims.

Reserve for Encumbrances - As of September 30, 1999, GMHA had material purchase commitments under outstanding encumbrances.

Self-Insurance - GMHA is self-insured for malpractice. GMHA's exposure under malpractice claims is limited to \$300,000 per claim by the Government Claims Act.

Medicare - The Government of Guam and its component units, including GMHA, began withholding and remitting funds to the U.S. Social Security System for the health insurance component of its salaries and wages effective October 1998 for employees hired after March 31, 1986. Prior to October 1998, the Government of Guam did not withhold or remit Medicare payments to the U.S. Social Security System. If the Government is found to be liable for such amounts, an indeterminate liability could result. It is the opinion of GMHA and all other component units of the Government of Guam that this health insurance component is optional prior to October 1998. Therefore, no liability for any amount which may ultimately arise from this matter has been recorded in the accompanying financial statements.

Lien - The Government of Guam Department of Revenue and Taxation has placed a lien against essentially all assets of GMHA for unpaid withholding taxes.

GUAM MEMORIAL HOSPITAL AUTHORITY

Notes to Financial Statements September 30, 1999 and 1998

(6) Long-Term Debt

At September 30, 1999 and 1998, long-term debt consists of the following:

	<u>1999</u>	<u>1998</u>
Promissory note payable to a bank in monthly installments of \$292,260 including interest at a variable rate based on the bank's index rate less one half percentage point (8.25% at September 30, 1999), due in 2002 with an extension of the promissory note for seven additional years, collateralized by a pledge and assignment of medical services revenue and a property mortgage on the hospital facility and guaranteed by the Government of Guam and a pledge of Government of Guam Section 30 revenues, subordinate to certain Government of Guam bond issuances.	\$ 24,104,103	\$ 25,749,644
Balance due on several capital leases of computer hardware and software with a computer manufacturer, payable in total monthly installments of \$87,869 including interest at effective rates ranging from 6.2% to 7.8%, collateralized by the computer hardware and software, with a bargain purchase option at the end of the lease of \$1 in 1999.	183,787	835,929
Promissory note payable to a medical equipment vendor, payable in quarterly installments of \$60,195 including interest at the prime rate plus 2% (10.25% and 10% at September 30, 1999 and 1998), due December 18, 2001.	252,111	467,124
Promissory note payable to a medical equipment vendor, payable in monthly installments of \$7,026 including interest at the rate of 11.5%, due June 15, 2001.	140,474	-
Non-interest bearing, uncollateralized advance from the Government of Guam, to be repaid by endorsing back to the Government of Guam, 50% of the payments received by GMHA for approved and adjudicated Medically Indigent Program charges. At September 30, 1999, GMHA wrote off this liability to the Government of Guam (see below).	-	2,901,446
Promissory note payable to the Government of Guam Retirement Fund in equal quarterly installments of \$366,064 including interest at the bank's prime rate plus 1% (9.25% at September 30, 1999 and 1998) starting March 1998 with a balloon payment in March 2003.	<u>8,296,623</u>	<u>8,945,980</u>
Total long-term debt	32,977,098	38,900,123
Current portion	<u>2,745,479</u>	<u>2,995,624</u>
	\$ <u>30,231,619</u>	\$ <u>35,904,499</u>

GUAM MEMORIAL HOSPITAL AUTHORITY

Notes to Financial Statements
September 30, 1999 and 1998

(6) Long-Term Debt, Continued

In fiscal year 1995, GMHA received a \$6 million advance from the Government of Guam and entered into a Memorandum of Understanding (MOU) to repay the advance by endorsing back to the Government of Guam 50% of the payments received under the Medically Indigent Program. No repayments have been made by GMHA since 1996 and GovGuam has made no attempts to collect the remaining balance. GMHA has interpreted GovGuam's inaction as a forgiveness of this debt and wrote off the outstanding balance of \$2,901,446 at September 30, 1999. However, the MOU is still in effect and it is possible that GMHA may be called upon to repay this balance at some time in the future.

The scheduled maturities of long-term debt at September 30, 1999 are as follows:

<u>Year ending</u> <u>September 30,</u>	
2000	\$ 2,745,479
2001	2,704,039
2002	2,757,916
2003	8,071,250
2004	2,245,113
Thereafter	<u>14,453,301</u>
	\$ <u>32,977,098</u>

(7) Transfers from the Government of Guam

Subsidy transfers from the Government of Guam General Fund to GMHA were \$0 and \$528,888 for the years ended September 30, 1999 and 1998, respectively.

(8) Patient Accounts Receivable, Net

As of September 30, 1999 and 1998, patient accounts receivable, net, were as follows:

	<u>1999</u>	<u>1998</u>
Total patient accounts receivable	\$ 76,081,089	\$ 48,138,568
Less allowance for doubtful receivables	<u>(46,809,774)</u>	<u>(22,488,139)</u>
Patient accounts receivable, net	\$ <u>29,271,315</u>	\$ <u>25,650,429</u>

(9) Accounts Payable - Government of Guam

Accounts payable to the Government of Guam at September 30, 1999 and 1998 include \$8,031,938 and \$5,901,470 due to the Department of Revenue and Taxation and \$2,578,680 and \$277,897 due to the Government of Guam Retirement Fund, respectively. GMHA incurred \$630,770 and \$2,757,811 in interest and penalties with these two agencies during the years ended September 30, 1999 and 1998, respectively, due to its failure to deposit income taxes withheld from employees with the Department of Revenue and Taxation and employee and employer retirement payments with the Government of Guam Retirement Fund.

GUAM MEMORIAL HOSPITAL AUTHORITY

Notes to Financial Statements September 30, 1999 and 1998

(10) Typhoon Damages

On December 16, 1997, Guam experienced the effects of a major typhoon. Estimated damage was approximately \$1,300,000. Management believes that virtually all damage costs will be recovered from insurance and Federal Emergency Management Agency (FEMA) claims.

At September 30, 1999, other receivables includes \$220,830 of receivables from estimated insurance and FEMA claims.

(11) Restricted Fund Balance

The restricted fund balance at September 30, 1999 and 1998 is temporarily restricted for use in capital improvements to renovate or expand the hospital and the long-term care facility.

(12) Subsequent Event

On June 16, 2000, the Governor of Guam declared a state of emergency to exist at GMHA because of a lack of nursing professionals and a lack of funding to provide adequate health care. As a result of this declaration, the GMHA board of trustees was dissolved and management of GMHA became the direct responsibility of the Governor of Guam. The declaration of emergency provided for significant pay increases for many health care professionals at GMHA and authorized subsidies to GMHA from the general fund of the Government of Guam.