

**GUAM MASS TRANSIT AUTHORITY**

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**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

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**YEARS ENDED SEPTEMBER 30, 2000 AND 1999**

# GUAM MASS TRANSIT AUTHORITY

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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Guam Mass Transit Authority:

We have audited the accompanying balance sheets of Guam Mass Transit Authority (GMTA), a component unit of the Government of Guam, as of September 30, 2000 and 1999, and the related statements of operations and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of GMTA'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, such financial statements present fairly, in all material respects, the financial position of GMTA as of September 30, 2000 and 1999, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit of the financial statements for the years ended September 30, 2000 and 1999, was made for the purpose of expressing our opinion on the financial statements taken as a whole. The accompanying schedule on page 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This schedule is the responsibility of GMTA's management. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and in our opinion, is fairly stated in all material respects, in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2001 on our consideration of GMTA'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.

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is stylized and appears to be written over a printed or stamped version of the firm's name.

May 24, 2001

# GUAM MASS TRANSIT AUTHORITY

## Balance Sheets September 30, 2000 and 1999

<u>ASSETS</u>	<u>2000</u>	<u>1999</u>
Current assets:		
Cash	\$ 604,312	\$ 239,823
Accounts receivable	98,544	57,052
Prepaid expenses	53,114	-
Inventory	77,559	-
	<u>833,529</u>	<u>296,875</u>
Total current assets	833,529	296,875
Property, plant and equipment, net (note 4)	<u>1,635,299</u>	<u>1,651,381</u>
	<u>\$ 2,468,828</u>	<u>\$ 1,948,256</u>
 <u>LIABILITIES AND FUND EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 186,666	\$ 309,389
Accrued annual leave	66,429	49,100
Accrued liabilities (note 5)	170,670	-
	<u>423,765</u>	<u>358,489</u>
Total current liabilities	423,765	358,489
Unfunded pension costs (note 2)	<u>122,681</u>	<u>107,436</u>
	<u>546,446</u>	<u>465,925</u>
Total liabilities	546,446	465,925
Fund equity:		
Contributed capital (note 4):		
Tourist Attraction Fund	2,660	2,660
Government of Guam General Fund	968,971	997,637
	<u>971,631</u>	<u>1,000,297</u>
Total contributed capital	971,631	1,000,297
Retained earnings	<u>950,751</u>	<u>482,034</u>
	<u>1,922,382</u>	<u>1,482,331</u>
Total fund equity	1,922,382	1,482,331
	<u>\$ 2,468,828</u>	<u>\$ 1,948,256</u>

See accompanying notes to financial statements.

# GUAM MASS TRANSIT AUTHORITY

## Statements of Operations and Retained Earnings Years Ended September 30, 2000 and 1999

	<u>2000</u>	<u>1999</u>
Operating revenues:		
Federal contributions	\$ 424,385	\$ 403,001
Fare revenues	121,435	140,514
Other	<u>74,862</u>	<u>22,346</u>
Total operating revenues	<u>620,682</u>	<u>565,861</u>
Operating expenses, local:		
Contractual, Guam Public Transit System	1,425,746	1,298,520
Personnel	483,142	502,598
Contractual, Guam Paratransit System	300,943	154,072
Depreciation	220,004	212,886
Repair and maintenance	182,935	103,967
Fuel	165,064	96,698
Benefits	114,648	106,522
Insurance	83,623	50,108
Professional services	54,437	79,072
Utilities	42,642	40,232
Contractual, other	38,350	42,912
Travel	29,001	7,335
Office	21,955	15,192
Miscellaneous	<u>-</u>	<u>52,309</u>
Total operating expenses, local	<u>3,162,490</u>	<u>2,762,423</u>
Operating expenses, federal:		
Contractual	390,435	386,721
Other	<u>33,950</u>	<u>16,280</u>
Total operating expenses, federal	<u>424,385</u>	<u>403,001</u>
Total operating expenses	<u>3,586,875</u>	<u>3,165,424</u>
Operating expenses in excess of operating revenue	<u>2,966,193</u>	<u>2,599,563</u>
Non-operating revenues:		
Grants-in-aid from Government of Guam (note 3)	3,312,244	2,800,000
Legislative appropriation	<u>94,000</u>	<u>-</u>
Total non-operating revenues	<u>3,406,244</u>	<u>2,800,000</u>
Net earnings	440,051	200,437
Add depreciation on fixed assets acquired by capital grants that reduces contributed capital from capital grants	<u>28,666</u>	<u>28,666</u>
Net increase in retained earnings	468,717	229,103
Retained earnings at beginning of year	<u>482,034</u>	<u>252,931</u>
Retained earnings at end of year	<u>\$ 950,751</u>	<u>\$ 482,034</u>

See accompanying notes to financial statements.

# GUAM MASS TRANSIT AUTHORITY

## Statements of Cash Flows Years Ended September 30, 2000 and 1999

	<u>2000</u>	<u>1999</u>
Increase (decrease) in cash:		
Cash flows from operating activities:		
Cash received from Federal contributions	\$ 339,000	\$ 403,001
Cash received from fare revenues	121,435	83,462
Cash received from other sources	119,878	22,346
Cash paid to employees and suppliers	<u>(3,418,146)</u>	<u>(3,071,942)</u>
Net cash used for operating activities	<u>(2,837,833)</u>	<u>(2,563,133)</u>
Cash flows from capital and related financing activities:		
Acquisition of fixed assets	<u>(203,922)</u>	<u>(12,634)</u>
Cash flows from noncapital financing activities:		
Cash received from grants-in-aid from Government of Guam	<u>3,406,244</u>	<u>2,800,000</u>
Net increase in cash	364,489	224,233
Cash at beginning of year	<u>239,823</u>	<u>15,590</u>
Cash at end of year	<u><u>\$ 604,312</u></u>	<u><u>\$ 239,823</u></u>
Reconciliation of operating deficiency to net cash used for operating activities:		
Operating deficiency	\$ (2,966,193)	\$ (2,599,563)
Adjustments to reconcile operating deficiency to net cash used for operating activities:		
Depreciation	220,004	212,886
Decrease in accounts payable	(122,723)	(165,096)
(Decrease) increase in accrued liabilities	187,999	(11,005)
Decrease (increase) in accounts receivable	(41,492)	18,299
Increase in prepaid expenses	(53,114)	-
(Decrease) increase in unfunded pension costs	15,245	(18,654)
Increase in inventory	<u>(77,559)</u>	<u>-</u>
Net cash used for operating activities	<u><u>\$ (2,837,833)</u></u>	<u><u>\$ (2,563,133)</u></u>

See accompanying notes to financial statements.

# **GUAM MASS TRANSIT AUTHORITY**

Notes to Financial Statements  
September 30, 2000 and 1999

## **(1) Organization and Summary of Significant Accounting Policies**

### **Organization**

The Guam Mass Transit Authority ("GMTA") was created by Public Law 15-92 for the purposes of establishing, developing, promoting and/or operating public transportation systems together with incidental and related facilities and services, in order to provide adequate public transportation for persons residing in, working, or visiting the island of Guam. GMTA oversees the operations of the Guam Public Transit System (GPTS), which includes fixed route services, demand response services and paratransit services. The daily operations of the GPT is subcontracted to a private contractor. GMTA is a component unit of the Government of Guam.

### **Fund Structure, Measurement Focus, and Basis of Accounting**

The accounts of GMTA are organized as a proprietary fund-component unit of the Government of Guam. Proprietary funds are used by governmental units to account for operations that are financed and operated in a manner similar to private business enterprises. The purpose of proprietary funds is to provide periodic determination of revenues, expenses and net income, with maintenance of capital.

Proprietary funds are accounted for on a flow of economic resources measurement focus, whereby all assets and liabilities associated with the operations of the funds are included on the balance sheet. Fund equity (i.e. net total assets) is segregated into contributed capital and retained earnings components. Operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in net total assets. This is in contrast to "governmental" fund type accounting, which are accounted for using a current financial resources measurement focus whereby only current assets and current liabilities generally are included on the balance sheet.

Basis of accounting refers to when revenues and expenses are recorded in the accounts and reported in the financial statements. GMTA utilizes the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when cash is received or payment is made.

The financial statements of GMTA have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Government Accounting Standards Board (GASB) Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting", requires that proprietary activities apply all applicable GASB pronouncements as well as Statements and Interpretations issued by the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989. GMTA has implemented GASB 20 and elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

### **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 may differ from those estimates.

# **GUAM MASS TRANSIT AUTHORITY**

Notes to Financial Statements  
September 30, 2000 and 1999

## **(1) Organization and Summary of Significant Accounting Policies, Continued**

### **Inventory**

Inventory is carried at the lower of cost (first-in, first-out) or market (net realizable value).

### **Depreciation**

Depreciation of vehicles and equipment, which are recorded at cost, are provided over the estimated useful lives of the respective assets on a straight-line basis.

### **Annual Leave**

Annual leave is accrued in the period earned. Unused leave is payable to employees upon termination of employment.

### **Contributed Capital**

GMTA has adopted the generally accepted accounting principle of reducing contributed capital for depreciation on related assets acquired through capital grants.

### **Cash**

For the purpose of the balance sheet and the statement of cash flows, cash is defined as cash on hand and cash on deposit in banks. As of September 30, 2000 and 1999, cash balances of \$100,000 are insured by the Federal Deposit Insurance Corporation. The remaining balances are not insured.

### **Risk Management**

GMTA 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 accidental benefits. Commercial insurance coverage is provided for claims arising from such matters. GMTA is substantially self-insured for all other risks. Management is of the opinion that no material losses have been sustained as a result of this practice.

## **(2) Employees' Retirement Plan**

Employees of GMTA 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). Until December 31, 1999, those employees who are members of the defined benefit plan with less than 20 years of service at September 30, 1995, had the option to switch to the Defined Contribution Retirement System. Otherwise, they remained under the old plan.

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



# **GUAM MASS TRANSIT AUTHORITY**

Notes to Financial Statements  
September 30, 2000 and 1999

## **(2) Employees' Retirement Plan, Continued**

As a result of the most recent actuarial valuation performed as of September 30, 1999, it has been determined that for the year ended September 30, 2000, a minimum combined employer and employee contribution rate of 33.41% of covered Defined Benefit Plan payroll is required to appropriately fund the current cost, amortize prior service costs and provide for interest on the unfunded accrued liability. Statutory contribution rates for employee and employer contributions were 9.5% and 18.6%, respectively, for the year ended September 30, 2000. The effect of GMTA's prior year accruals for its share of pension underfunding reduces the actuarially determined employer contribution rate from 23.91% to an effective rate of 22.15% for the year ended September 30, 2000. In recognition of the above, an accrual increase of 3.55% of covered payroll is necessary to adjust the unfunded liability based on the difference between the effective rate of 22.15% and the employer's statutory rate of 18.6%. The effective employer accrual rate for the year ended September 30, 1999 was 14.60%.

The plan utilized the actuarial cost method termed "entry age normal" with an assumed rate of return of 8% and an assumed salary scale increase of 5.5% per annum. The most recent actuarial valuation performed as of September 30, 1999, 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 GMTA as a separate sponsor, the accrued unfunded liability at September 30, 2000 and 1999, may be materially different than that recorded in the accompanying financial statements.

The Guam Legislature enacted legislation during the year ended September 30, 2000 which offered retirement incentives for employees to retire or voluntarily separate from service with the Government of Guam and also required the Retirement Fund to incur the costs of providing certain supplemental retiree benefits. This legislation resulted in a significant increase in the Retirement Fund's unfunded accrued liability and is the primary reason for the increase in the employer's contribution rate for the year ended September 30, 2000.

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.

# GUAM MASS TRANSIT AUTHORITY

Notes to Financial Statements  
September 30, 2000 and 1999

## (2) Employees' Retirement Plan, Continued

Retirement expense for the years ended September 30, 2000 and 1999 is as follows:

	<u>2000</u>	<u>1999</u>
Cash contributions	\$ 86,814	\$ 112,698
Increase in (reduction of) accrued unfunded liability	<u>15,245</u>	<u>(18,654)</u>
	\$ <u>102,059</u>	\$ <u>94,044</u>

## (3) Grant-In-Aid from Government of Guam

A significant portion of GMTA's operations are provided by annual legislative appropriations which are funded through the proceeds of a four (4) cents per gallon surcharge on all liquid fuels as mandated by Public Law 18-33.

## (4) Property, Plant and Equipment and Contributed Capital

Public Law 20-221, passed in December 1990, authorized the Governor to transfer all title, right and interest in Lot No. 87-4-R3 containing an area of 3162+ square meters to GMTA. The Governor transferred the property in February 1991 through a Grant Deed filed with the Department of Land Management. The value of the land is based on estimated fair value at the date of transfer. Public Law 20-221 states that should GMTA be dissolved or no longer need the property, then the property, inclusive of any and all improvements, shall revert to the Government of Guam. Public Law 20-221 also appropriated \$300,000 from the General Fund to GMTA to fund the construction of GMTA's administration, operations and light maintenance facility. This appropriation was subsequently increased to \$650,000. The construction of the building was completed in June 1993. Depreciation of the building is closed out to the related contributed capital equity account.

A summary of changes in contributed capital is as follows:

	<u>Government of Guam</u>	<u>Tourist Attraction Fund</u>
Contributed capital at September 30, 1999	\$ 997,637	\$ 2,660
Less:		
Current depreciation, bus shelters	(21,666)	-
Current depreciation, building	<u>(7,000)</u>	<u>-</u>
Contributed capital at September 30, 2000	\$ <u>968,971</u>	\$ <u>2,660</u>

# GUAM MASS TRANSIT AUTHORITY

Notes to Financial Statements  
September 30, 2000 and 1999

## (4) Property, Plant and Equipment and Contributed Capital, Continued

A summary of property, plant and equipment and their estimated useful lives as of September 30, 2000 and 1999, is as follows:

<u>Category</u>	<u>Estimated Useful Life</u>	<u>2000</u>	<u>1999</u>
Vehicles	5 years	\$ 2,592,332	\$ 2,532,183
Equipment	5 to 7 years	218,543	169,207
Furniture and fixtures	5 to 10 years	52,131	26,395
Building and bus shelters	15 to 30 years	<u>974,591</u>	<u>963,442</u>
		3,837,597	3,691,227
Less accumulated depreciation		<u>(2,518,498)</u>	<u>(2,356,046)</u>
		1,319,099	1,335,181
Land		<u>316,200</u>	<u>316,200</u>
Total property, plant and equipment		\$ <u>1,635,299</u>	\$ <u>1,651,381</u>

## (5) Accrued Liabilities

GMTA has accrued \$161,791 for fuel and supplies which have yet to be billed by the Government of Guam.

GUAM MASS TRANSIT AUTHORITY

Schedule 1  
Schedule of Salaries and Wages  
Years Ended September 30, 2000 and 1999

	<u>2000</u>	<u>1999</u>
Salaries and wages:		
Regular, differential and hazardous pay	\$ 483,142	\$ 502,598
Overtime pay	<u>-</u>	<u>-</u>
Total salaries and wages	<u>\$ 483,142</u>	<u>\$ 502,598</u>
Employees at end of year	12	14

See accompanying independent auditors' report.

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING BASED UPON THE AUDIT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Guam Mass Transit Authority:

We have audited the financial statements of the Guam Mass Transit Authority (GMTA), as of and for the year ended September 30, 2000, and have issued our report thereon dated May 24, 2001. We conducted our audit 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.

**Compliance**

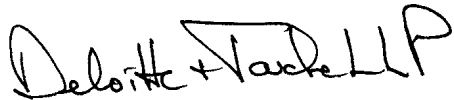
As part of obtaining reasonable assurance about whether GMTA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered GMTA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect GMTA's ability to record, process, summarize and report financial data consistent with assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs (pages 16-21) as item 00-1 through 00-5.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above are material weaknesses.

This report is intended for the information of management, the Board of Directors, federal awarding agencies, pass-through entities, the cognizant audit and other federal agencies, and is not intended to be, and should not be, used by anyone other than those specified parties.

A handwritten signature in black ink that reads "Deloitte + Tatchell LLP". The signature is written in a cursive, stylized font.

May 24, 2001



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL  
OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM  
AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Board of Directors  
Guam Mass Transit Authority:

**Compliance**

We have audited the compliance of the Guam Mass Transit Authority (GMTA) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its one major federal program for the year ended September 30, 2000. GMTA's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its one major federal program is the responsibility of GMTA's management. Our responsibility is to express an opinion on GMTA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about GMTA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on GMTA's compliance with those requirements.

In our opinion, GMTA complied, in all material respects, with the requirements referred to above that are applicable to its one major federal program for the year ended September 30, 2000.

**Internal Control Over Compliance**

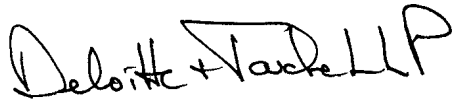
The management of GMTA is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered GMTA's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Guam Mass Transit Authority (GMTA), as of and for the year ended September 30, 2000, and have issued our report thereon dated May 24, 2001. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. This schedule is the responsibility of the management of GMTA. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated, in all material respects when considered in relation to the financial statements taken as a whole.

This report is intended for the information of management, the Board of Directors, federal awarding agencies, pass-through entities, the cognizant audit and other federal agencies, and is not intended to be, and should not be, used by anyone other than those specified parties.

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is stylized, with the "D" and "T" being particularly prominent.

May 24, 2001



# GUAM MASS TRANSIT AUTHORITY

## Schedule of Expenditures of Federal Awards Year Ended September 30, 2000

	<u>Funds Received</u>	<u>Funds Expended</u>
<u>Direct Program:</u>		
Public Transportation for Non-Urbanized Areas, Department of Transportation Grant CFDA #20.509 (Program #GU-18-X017)	\$ <u>424,385</u>	\$ <u>424,385</u>

Note: The above Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

# GUAM MASS TRANSIT AUTHORITY

## Schedule of Findings and Questioned Costs Year Ended September 30, 2000

### Part I - Summary of Auditors' Results

1. The Independent Auditors' Report on the financial statements expressed an unqualified opinion.
2. Reportable conditions in internal control over financial reporting were identified, none of which are considered to be material weaknesses.
3. No instance of noncompliance considered material to the financial statements was disclosed by the audit.
4. Reportable conditions in internal control over compliance with requirements applicable to major federal award programs were not identified.
5. The Independent Auditors' Report On Compliance with Requirements Applicable to Major Federal Award Programs expressed an unqualified opinion.
6. The audit disclosed findings required to be reported by OMB Circular A-133.
7. GMTA's major program was:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Public Transportation for Non-Urbanized Areas Grant	20.509

8. A threshold of \$300,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
9. The Organization did qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

### Part II - Financial Statement Findings Section

<u>Reference Number</u>	<u>Questioned Costs</u>	<u>Refer Page #</u>
00-1	\$ -	17
00-2	\$ -	18
00-3	\$ -	19
00-4	\$ -	20
00-5	\$ -	21

### Part III - Federal Award Findings and Questioned Cost Section

No matters are reportable.

# GUAM MASS TRANSIT AUTHORITY

## Schedule of Findings and Questioned Costs Year Ended September 30, 2000

### Internal Control Finding:

<u>Item No. 00-1</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
	Disposals of fixed assets should be properly documented.	\$ -

### Condition:

During fiscal year 2000, fixed asset disposals with a net book value of \$57,441 were not properly recorded in the general ledger.

### Cause:

It appears that GMTA did not adhere to policies pertaining to the disposal of fixed assets.

### Effect:

An adjustment through the audit process was proposed to correct this condition.

### Recommendation:

GMTA should have an independent review of the fixed asset schedule. The independent reviewer should examine supporting documents to ensure accuracy and completeness of the fixed asset schedule.

### Auditee Response Dated June 28, 2001:

Implementation Date: June 15, 2001

Responsible GMTA Personnel: Administrative Officer

Method of Compliance: The development of a standard operating procedure manual for the proper disposal of Government of Guam acquired property to the General Service Agency.

# GUAM MASS TRANSIT AUTHORITY

## Schedule of Findings and Questioned Costs Year Ended September 30, 2000

### Internal Control Finding:

<u>Item No. 00-2</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
	Prepaid expenses should be recorded when occurred.	\$ -

### Condition:

During fiscal year 2000, prepaid insurance expense in the amount of \$53,114 was not properly recorded in the general ledger.

### Cause:

It appears that GMTA did not properly record the prepaid expense.

### Effect:

The prepaid expense account was misstated by \$53,114. An adjustment was proposed in the audit process to reflect the proper balance.

### Recommendation:

GMTA should have an independent review of the prepaid expense schedule. The independent reviewer should examine supporting documents to ensure accuracy and completeness of the prepaid expense schedule.

### Auditee Response Dated June 28, 2001:

Implementation Date: June 15, 2001

Responsible GMTA Personnel: Fiscal Officer

Method of Compliance: A review of necessary year-end adjusting entries.

# GUAM MASS TRANSIT AUTHORITY

## Schedule of Findings and Questioned Costs Year Ended September 30, 2000

### Internal Control Finding:

<u>Item No. 00-3</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
	Inventory should be evaluated and monitored to ensure accuracy.	\$ -
	<u>Condition:</u>  During fiscal year 2000, inventory was not recorded.	
	<u>Cause:</u>  It appears that GMTA did not establish policies and procedures to provide overall guidance for reflecting inventory on the financial statements.	
	<u>Effect:</u>  Inventory was materially understated. However, an adjustment was proposed to record the inventory balance during the audit process.	
	<u>Recommendation:</u>  We recommend that GMTA establish and implement inventory policies to record inventory on the financial statements.	
	<u>Auditee Response Dated June 28, 2001:</u>	
	<u>Implementation Date:</u> June 15, 2001	
	<u>Responsible GMTA Personnel:</u> Administrative Officer	
	<u>Method of Compliance:</u> The development of a standard operating procedure manual for inventory.	

# GUAM MASS TRANSIT AUTHORITY

## Schedule of Findings and Questioned Costs Year Ended September 30, 2000

### Internal Control Finding:

<u>Item No. 00-4</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
	<p>Records that entail the significant history of a procurement should be maintained. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. The procurement process should be properly documented on file and procurement documents should be provided in a timely manner.</p> <p><u>Condition:</u></p> <p>While it appears that management understands the rationale for its procurement decisions, this rationale is not always fully documented at the time of purchase.</p> <p><u>Cause:</u></p> <p>It appears that GMTA did not fully document compliance with its procurement process prior to payment of goods and services.</p> <p><u>Effect:</u></p> <p>GMTA may be found to be in noncompliance with its procurement requirements.</p> <p><u>Recommendation:</u></p> <p>Management should perform an independent review of the procurement transactions prior to acquisition of goods and services. The significant rationale for the procurement should be reduced to writing, if necessary.</p> <p><u>Auditee Response Dated June 28, 2001:</u></p> <p><u>Implementation Date:</u> June 15, 2001</p> <p><u>Responsible GMTA Personnel:</u> Administrative Officer</p> <p><u>Method of Compliance:</u> The development of a standard operating procedure manual for supplies and material.</p>	\$ -

# GUAM MASS TRANSIT AUTHORITY

## Schedule of Findings and Questioned Costs Year Ended September 30, 2000

### Internal Control Finding:

<u>Item No. 00-5</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
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	Fare revenues should be recorded accurately and be subject to periodic monitoring.	\$ -
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#### Condition:

During fiscal year 2000, GMTA did not monitor fare revenues. It appears that the only means of monitoring fare revenues is through a reconciliation of fare tickets issued to the contractor versus tickets actually used. Based on tickets actually used, revenues may be recalculated.

#### Cause:

All fare revenues should be recorded by GMTA. However, the contract states that the contractor retains the fare revenues as part of the contract cost.

#### Effect:

The effect of this condition on the financial statements is not known.

#### Recommendation:

We recommend that GMTA implement and establish fare revenue monitoring. Such monitoring would include examining the number of tickets issued, cash receipts, deposit slips and bank statements.

#### Auditee Response Dated June 28, 2001:

Implementation Date: June 15, 2001

Responsible GMTA Personnel: Contract Administrator/Fiscal Officer

Method of Compliance: Contract amendment #1 redirects bus fare and marketing revenue to be deposited into GMTA's bank account. Upon verification of deposit, GMTA will relinquish revenue as per the terms of the contract.

**GUAM MASS TRANSIT AUTHORITY**

**Summary Schedule of Prior Audit Findings  
Year Ended September 30, 1999**

Prior year audit finding 99-1 was resolved during the year ended September 30, 2000.