

**COMMUNITY HEALTH CENTERS  
DEPARTMENT OF PUBLIC HEALTH  
AND SOCIAL SERVICES**

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**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE AND  
INDEPENDENT AUDITORS' REPORT**

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**SEPTEMBER 30, 2000**

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## INDEPENDENT AUDITORS' REPORT

Director  
Community Health Centers  
Department of Public Health and Social Services:

We have audited the accompanying statement of revenues, expenditures and changes in fund balance of the Community Health Centers (Centers) for the year ended September 30, 2000. This statement is the responsibility of the management of the Centers. Our responsibility is to express an opinion on this statement based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such statement presents fairly, in all material respects, the revenues, expenditures and changes in fund balance of the Centers as of September 30, 2000 in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic statement of revenues, expenditures and changes in fund balance of the Community Health Centers, Department of Public Health and Social Services taken as a whole. The accompanying supplemental schedule on page 4 for the year ended September 30, 2000, which is also the responsibility of the management of the Centers is presented for purposes of additional analysis and is not a required part of the basic statement. The information in the schedule has been subjected to the auditing procedures applied in the audit of the basic statement and, in our opinion, is fairly stated in all material respects, in relation to the basic statement taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2001, on our consideration of the Centers' 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 in a cursive or semi-cursive script.

October 31, 2001

COMMUNITY HEALTH CENTERS  
DEPARTMENT OF PUBLIC HEALTH AND SOCIAL SERVICES

Statement of Revenues, Expenditures and Changes in Fund Balance  
Year Ended September 30, 2000

Revenues:		
Service fees revenue	\$	846,836
Federal grants		<u>11,369</u>
Total revenues		<u>858,205</u>
Expenditures:		
Federal expenditures:		
Salaries and wages		96,814
Fringe benefits		27,802
Supplies		3,244
Other		<u>1,728</u>
Total federal expenditures		129,588
Contractual		326,114
Salaries and wages		116,873
Supplies		90,938
Fringe benefits		25,590
Overtime		590
Other expenditures		<u>62,642</u>
Total expenditures		<u>752,335</u>
Net increase in fund balance		105,870
Beginning fund balance		<u>441,617</u>
Ending fund balance	\$	<u><u>547,487</u></u>

See accompanying notes to financial statement.

COMMUNITY HEALTH CENTERS  
DEPARTMENT OF PUBLIC HEALTH AND SOCIAL SERVICES

Notes to Financial Statement  
September 30, 2000

(1) Organization and Purpose

Community Health Centers (the Centers) were established by the enactment of Public Law 24-248, "the Community Health Centers Act of 1998" (the Law), which became effective on August 14, 1998. The Centers are to be supervised by the Chief Public Health Officer of the Division of Public Health operating through a Bureau of Primary Care Services.

The primary goal of the Centers shall be to provide primary health services, acute outpatient care, and preventive services to the uninsured and underserved population. The mission of the Centers is to provide primary health care services to the residents of the southern/northern regions regardless of health insurance, financial status, and/or culture/ethnicity. These services shall be rendered to residents of Piti, Agat, Santa Rita, Yona, Talofoto, Inarajan, Merizo, Umatac, Tumon, Tamuning, Dededo and Yigo.

Centers' service fees revenue are generated through fees charged for the primary health care, acute outpatient care and preventive services rendered to the uninsured and underserved residents of the southern and northern regions.

(2) Summary of Significant Accounting and Reporting Policies

Fund Accounting

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the Centers, the accounts of the Centers are maintained in accordance with the principles of "fund accounting." This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying statement of revenues, expenditures and changes in fund balance, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated to specific purposes by action of the Governing Board. Restricted funds may only be utilized in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds over which the Governing Board retains full control to use in achieving institutional purposes.

Income derived from service fees is accounted for in the fund owning such assets or most directly associated with the generation of such revenue. Restricted grants, appropriations and other restricted resources are accounted for in the appropriate restricted funds. Restricted current funds are reported as revenues and expenditures when expended for current operating purposes.

Accrual Basis

The financial statement of the Centers has been prepared on the accrual basis. The Statement of Revenues, Expenditures and Changes in Fund Balance is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenue and expenses.

COMMUNITY HEALTH CENTERS  
DEPARTMENT OF PUBLIC HEALTH AND SOCIAL SERVICES

Notes to Financial Statement  
September 30, 2000

(2) Summary of Significant Accounting and Reporting Policies, Continued

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(3) Encumbrances

There are no encumbrances representing outstanding purchase orders and other commitments for materials and services not received as of September 30, 2000.

(4) Contingency

The Government of Guam and its component units, including the Centers, 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. Prior to that date, 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 Medicare payments on salaries and wages prior to October 1998, an indeterminate liability could result. It has been the practice of the Centers and all other component units of the Government of Guam that payment of 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 statement.

(5) Significant Risks and Uncertainties

The Centers derive revenues from services provided to customers. As of September 30, 2000, the Centers have receivables of \$715,339 from customers that have not been recognized as revenue. The Centers perform credit evaluations and are uncertain as to the recoverability of this balance. Until recoverability is assured, no revenue is recognized.

COMMUNITY HEALTH CENTERS  
DEPARTMENT OF PUBLIC HEALTH AND SOCIAL SERVICES

Schedule 1  
Schedule of Salaries and Wages  
Year Ended September 30, 2000

Salaries and wages:		
Regular	\$	213,687
Fringe benefits		53,392
Overtime		<u>590</u>
Total salaries and wages		<u><u>267,669</u></u>
Full-time employees at end of year		7

See accompanying independent auditors' report.