

**GOVERNMENT OF GUAM**

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**BASIC FINANCIAL STATEMENTS,  
ADDITIONAL INFORMATION AND  
INDEPENDENT AUDITORS' REPORT**

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**YEAR ENDED SEPTEMBER 30, 2010**

# GOVERNMENT OF GUAM

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## **INDEPENDENT AUDITORS' REPORT**

Honorable Eddie Baza Calvo  
Governor  
Government of Guam:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Government of Guam (GovGuam) as of and for the year ended September 30, 2010, which collectively comprise GovGuam's basic financial statements as set forth in Section II of the foregoing table of contents. These financial statements are the responsibility of the management of GovGuam. Our responsibility is to express an opinion on the respective financial statements based on our audit. We did not audit the financial statements of the GovGuam Retirement Fund, which represents 93%, 94% and 69%, respectively, of the assets, net assets/fund balances and revenues of the aggregate remaining fund information, and the Antonio B. Won Pat International Airport Authority, the Port Authority of Guam, the University of Guam, the Guam Housing and Urban Renewal Authority, the Guam Housing Corporation, and the Guam Preservation Trust, which represent 37%, 48% and 28%, respectively, of the assets, net assets and operating revenues of GovGuam's discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the GovGuam Retirement Fund, the Antonio B. Won Pat International Airport Authority, the Port Authority of Guam, the University of Guam, the Guam Housing and Urban Renewal Authority, the Guam Housing Corporation, and the Guam Preservation Trust, is based solely on the reports of the other auditors. As discussed in Note 15J, the report on the Guam Housing Corporation contains an explanatory paragraph discussing the restatement of its 2009 financial statements for the correction of an error.

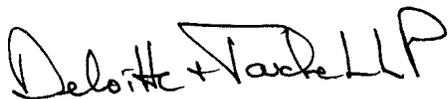
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of GovGuam's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, such financial statements, as set forth in Section II of the foregoing table of contents, present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Government of Guam as of September 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, on pages 3 through 12, as well as the Schedule of Revenues, Expenditures, and Changes in Deficit - Budget and Actual - General Fund and notes thereto, on pages 104 through 106, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the management of GovGuam. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

Our audit was conducted for the purpose of forming an opinion on GovGuam's respective financial statements that collectively comprise GovGuam's basic financial statements. The Other Supplementary Information, as set forth in Section IV of the foregoing table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements of GovGuam. This supplementary information is the responsibility of the management of GovGuam. The additional information on pages 108 through 128, 143 through 179, and 182 through 196 as well as the 2010 information on pages 180 and 181, and 197 through 199 has been subjected to the auditing procedures applied by us, and the other auditors, in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The additional information on pages 129 through 142 and on page 200 as well as the 2009 information on pages 180 and 181, and 197 through 199 has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2011, on our consideration of the Government of Guam'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

June 24, 2011

# GOVERNMENT OF GUAM

## Management's Discussion and Analysis Year Ended September 30, 2010

Our discussion and analysis of the Government of Guam ("GovGuam") financial performance provides an overview of GovGuam's financial activities for the fiscal year ended September 30, 2010. Please read it in conjunction with GovGuam's basic financial statements, which follow this section. Fiscal year 2009 comparative information has been included, where appropriate.

### FINANCIAL HIGHLIGHTS

- For the fiscal year ended September 30, 2010, GovGuam's total net assets decreased by \$77.7 million (or 49.5%) from a net assets deficiency of \$156.9 million in the prior year to a net assets deficiency of \$234.7 million.
- During fiscal year 2010, GovGuam's expenses for governmental activities were \$1,021.5 million, including expenses recorded or payments made to autonomous agencies, and were funded in part by \$394.3 million in program revenues and \$549.5 million in taxes and other general revenues. Expenses were up from fiscal year 2009 by \$12.2 million (or 1.2%) whereas revenues were up from fiscal year 2009 by \$74.4 million (or 8.6%). The overall increase in revenues consisted primarily of an increase in program revenues of \$58.4 million (or 17.4%). Program revenues increased primarily due to an increase in operating grants and contributions of \$45.5 million (or 16%) plus a increase in charges for services of \$12.9 million (or 25.3%). General revenues increased by \$16 million.
- For the fiscal year ended September 30, 2010, the General Fund reported general fund appropriations (including transfers out) of \$612.5 million, a decrease of \$24.1 million (or 3.8%) from fiscal year 2009 which was \$636.6 million.
- At September 30, 2010, the General Fund reported a total fund deficit of \$336.4 million, which is an increase of \$71 million from the prior year deficit of \$265.4 million. This change in the total fund deficit is primarily attributable to revenue collections not meeting initial estimates.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to GovGuam's basic financial statements. GovGuam's basic financial statements comprise three components: 1) governmental-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information in the form of budgetary schedules, which are prepared on the budgetary basis of accounting, and other optional supplementary information, in addition to the basic financial statements themselves, which includes combining statements for governmental funds and component units.

#### Government-Wide Financial Statements

The government-wide statements report information about GovGuam as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report GovGuam's net assets and how they have changed. Net assets - the difference between GovGuam's assets and liabilities - is one way to measure GovGuam's financial health or position.

- Over time, increases or decreases in GovGuam's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of GovGuam, additional non-financial factors such as changes in GovGuam's tax base, the condition of GovGuam's roads and infrastructure, and the quality of services need to be considered.

The government-wide financial statements of GovGuam are divided into two categories:

- Primary government - this grouping comprises governmental activities, which includes most of GovGuam's basic services such as education, public safety, health, finance, judiciary, and general administration. Local sourced tax revenues and other federal grants finance most activities of the primary government.
- Discretely presented component units - GovGuam includes numerous other entities in its report. Although legally separate, these "component units" are important because GovGuam is financially accountable for them.

# GOVERNMENT OF GUAM

## Management's Discussion and Analysis, Continued Year Ended September 30, 2010

### Fund Financial Statements

The fund financial statements provide more detailed information about GovGuam's most significant funds - not GovGuam as a whole. Funds are accounting devices that GovGuam uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by enabling legislation.
- GovGuam establishes other funds to control and manage money for particular purposes (like Solid Waste Operations Fund) or to show that it is properly using certain grants (like federal grants reported in the Federal Grants Fund).

GovGuam has two kinds of funds:

- Governmental funds - Most of GovGuam's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of GovGuam's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance GovGuam's programs.
- Fiduciary funds - GovGuam is the trustee, or fiduciary, for other assets that because of trust arrangement, can be used only for the trust beneficiaries. GovGuam is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of GovGuam's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of change in fiduciary net assets. We exclude these activities from GovGuam's government-wide financial statements because GovGuam cannot use these assets to finance its operations.

### A FINANCIAL ANALYSIS OF GOVGUAM AS A WHOLE

Net assets may serve over time as a useful indicator of a government's financial position. At the end of fiscal year 2010, GovGuam's liabilities exceeded assets by \$234.7 million. However, all these net assets are either restricted as to the purpose they can be used for or are invested in capital assets. GovGuam uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although GovGuam's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the liabilities. The summary of Net Assets (condensed) presented below, with comparable balances for fiscal year 2009, discloses this relationship:

	2010	2009
Current and other assets	\$ 435,875,839	\$ 503,699,392
Capital assets	755,195,456	717,280,512
Total assets	<u>1,191,071,295</u>	<u>1,220,979,904</u>
Long-term liabilities	846,618,146	861,526,480
Other liabilities	579,148,794	516,406,277
Total liabilities	<u>1,425,766,940</u>	<u>1,377,932,757</u>
Net assets:		
Invested in capital assets, net of related debt	382,995,557	404,336,175
Restricted net assets	137,906,356	141,660,730
Unrestricted net assets	<u>(755,597,558)</u>	<u>(702,949,758)</u>
Total net assets	<u>\$ (234,695,645)</u>	<u>\$ (156,952,853)</u>

## GOVERNMENT OF GUAM

### Management's Discussion and Analysis, Continued Year Ended September 30, 2010

At the end of fiscal year 2010, GovGuam's unrestricted net assets showed a deficiency of \$755.6 million, an increase of \$52.6 million (or 7.5%) from the prior year unrestricted net asset deficiency. This deficiency is the result of having long-term commitments that are greater than currently available resources. Specifically, GovGuam did not include in past annual budgets the full amounts needed to finance future liabilities arising from outstanding bonds payable, capital lease obligations and other loans as well as to pay for closure and post closure costs of the Ordot Dump, and unused employee leave balances. GovGuam will include these amounts in future years' budgets as they become due.

#### Changes in Net Assets

For the year ended September 30, 2010, the net asset deficiency of the primary government increased by \$77.7 million (or 49.5%) from the prior year's net assets deficiency of \$156.9 million. This result indicates that GovGuam's financial condition, as a whole, deteriorated from the prior year. For the year ended September 30, 2010, net assets of the primary government changed as follows, with comparable amounts for fiscal year 2009:

GovGuam's Changes in Net Assets For the Years Ended September 30		
	2010	2009
Revenues:		
Program revenues:		
Charges for services	\$ 63,782,819	\$ 50,907,161
Operating grants and contributions	330,501,435	284,980,570
General revenues:		
Taxes	499,797,522	485,776,070
Section 30 Federal income tax collections	39,028,136	38,869,372
Investment earnings	5,056,652	4,700,627
Other	5,592,941	4,086,865
Total revenues	943,759,505	869,320,665
Expenses:		
General government	123,250,905	106,820,032
Protection of life and property	101,708,758	107,940,355
Public health	184,881,465	168,891,420
Community services	38,215,507	37,471,030
Recreation	4,654,424	5,442,598
Individual and collective rights	53,551,394	47,451,862
Transportation	36,589,772	33,559,658
Public education	257,944,439	260,976,641
Environmental protection	11,125,333	9,320,459
Economic development	26,664,370	15,704,840
Interest expense (unallocated)	42,653,588	33,549,226
Payments to autonomous agencies	98,759,320	101,316,158
COLA interest	1,325,003	17,915,324
Interest on tax refunds	3,030,072	16,198,724
Capital projects	23,156,677	37,018,418
Other	13,991,270	9,744,896
Total expenses	1,021,502,297	1,009,321,641
Change in net assets	\$ (77,742,792)	\$ (140,000,976)

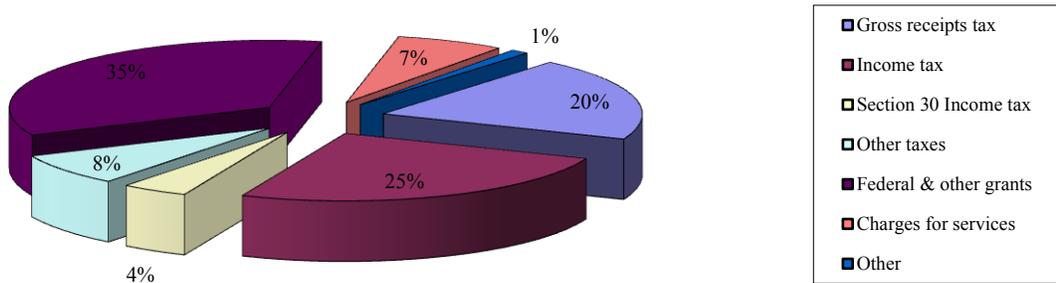
# GOVERNMENT OF GUAM

## Management's Discussion and Analysis, Continued Year Ended September 30, 2010

GovGuam's revenues from governmental activities, including local revenues, totaled \$943.8 million in fiscal year 2010. The cost of governmental activities totaled \$1,021.5 million, resulting in an overall net decrease in net assets of \$77.7 million.

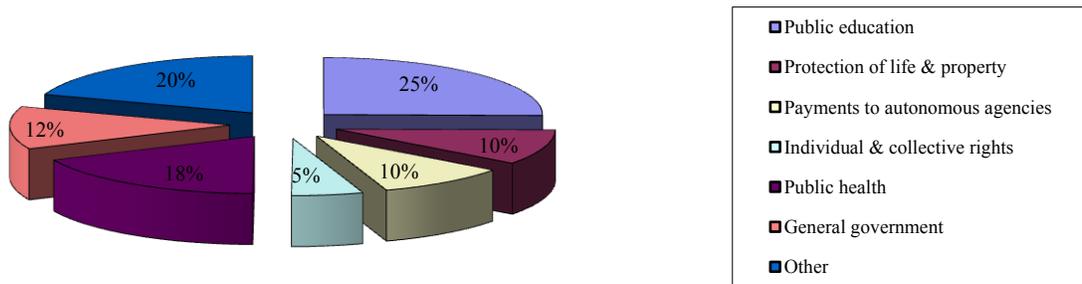
Graphs 1 and 2 below show the major components of revenues and cost of governmental activities.

Graph 1  
GovGuam's Revenue Sources  
For the Year Ended September 30, 2010



As in prior years, local sourced tax revenues and federal and other grants are the major sources of revenue for GovGuam, which comprises of 57% and 35%, respectively, of the total revenues for fiscal year 2010.

Graph 2  
GovGuam's Cost of Governmental Activities  
For the Year Ended September 30, 2010



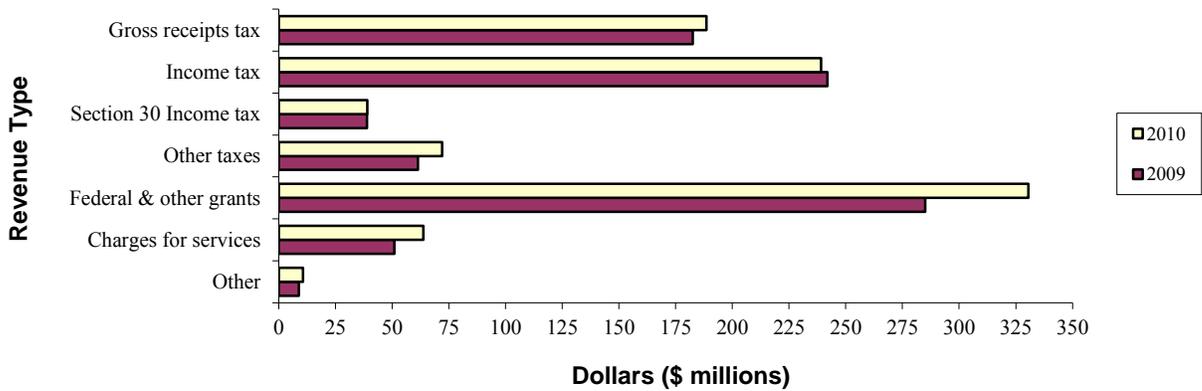
Other expenses that make up a portion of the costs of governmental activities include community services (\$38.2 million), environmental protection (\$11.1 million), economic development (\$26.7 million), unallocated interest expense (\$42.7 million), transportation expenses (\$36.6 million), COLA interest expense (\$1.3 million), recreation (\$4.7 million), capital-related expenses (\$23.2 million), interest payments on tax refunds (\$3 million), and miscellaneous payments (\$14 million).

# GOVERNMENT OF GUAM

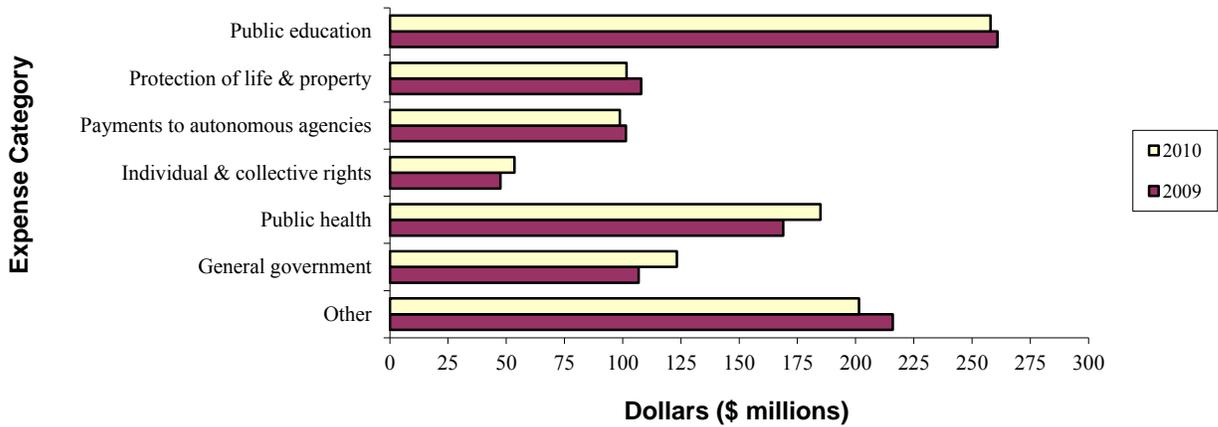
## Management's Discussion and Analysis, Continued Year Ended September 30, 2010

Graphs 3 and 4 below show a comparison of the major components of revenues and cost of governmental activities for fiscal years 2010 and 2009.

Graph 3  
GovGuam's Revenue Sources  
For the Years Ended September 30



Graph 4  
GovGuam's Cost of Governmental Activities  
For the Years Ended September 30



Other expenses in fiscal year 2010 included community services of \$38.2 million, up from \$37.5 million (or 2%) in fiscal year 2009, environmental protection of \$11.1 million, increase from \$9.3 million (or 19.4%) in fiscal year 2009, economic development expenses of \$26.7 million, up from \$15.7 million (or 70%) in fiscal year 2009, unallocated interest expense of \$42.7 million, up from \$33.5 million (or 27.1%) in fiscal year 2009, transportation expenses of \$36.6 million, up from \$33.6 million (or 9%) in fiscal year 2009, COLA interest of \$1.3 million, down from \$17.9 million (or 92.6%) in fiscal year 2009, recreation expense of \$4.7 million, down from \$5.4 million (or 14.5%) in fiscal year 2009, and capital-related expenses of \$23.2 million, down from \$37 million (or 37.4%) in fiscal year 2009.

# GOVERNMENT OF GUAM

## Management's Discussion and Analysis, Continued Year Ended September 30, 2010

### Analysis of Changes in Net Assets

During the current fiscal year, GovGuam's net assets decreased by \$77.7 million. The key elements of this decrease are a result of higher expenses for community services, interest costs, and payments to component units.

	2010	2009
General revenues and special items:		
Taxes	\$ 499,797,522	\$ 485,776,070
Section 30 Federal income tax collections	39,028,136	38,869,372
Investment earnings	5,056,652	4,700,627
Other	5,592,941	4,086,865
Total revenues	<u>549,475,251</u>	<u>533,432,934</u>
Expenses, net of program revenues:		
General government	92,359,810	88,059,117
Protection of life and property	83,811,212	91,981,486
Public health	41,484,649	44,906,782
Community services	22,388,175	15,805,980
Recreation	2,796,511	2,738,878
Individual and collective rights	38,399,377	35,117,583
Transportation	12,139,159	16,432,879
Public education	202,497,717	209,300,372
Environmental protection	(9,118,840)	(3,055,315)
Economic development	8,998,583	9,045,081
Interest expense (unallocated)	44,980,739	31,521,594
Payments to autonomous agencies	86,794,146	83,846,497
COLA interest	1,325,003	17,915,324
Interest on tax refunds	3,030,072	16,198,724
Capital projects	(14,304,465)	3,874,032
Other	13,991,270	9,744,896
Total expenses, net	<u>627,218,043</u>	<u>673,433,910</u>
Change in net assets	<u>\$ (77,742,792)</u>	<u>\$ (140,000,976)</u>

Community services net expenses increased by \$6.6 million (or 41.6%) from the previous fiscal year due to an increase in expenditures incurred under the Medically Indigent Program administered by the Department of Public Health.

Unallocated interest expense increased by \$13.5 million (or 42.7%) from the previous fiscal year due to an increase in interest payable associated with the increase in outstanding long-term debt.

Payments to component units' net expenses increased by \$11.3 million (or 15.5%) from the previous fiscal year due to a one-off appropriation to the Guam Memorial Hospital Authority for the purpose of paying down certain delinquent retirement fund contributions.

COLA interest expense decreased by \$16.6 million from the previous fiscal year due to the settlement and payment of a majority of the COLA settlement in fiscal year 2009.

### FINANCIAL ANALYSIS OF GOVGUAM'S FUNDS

As noted earlier, GovGuam uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. As of the end of fiscal year 2010, GovGuam's governmental funds reported a combined fund balance deficit of \$124.3 million, which represents an increase in deficit of \$139.2 million (or 934%) in comparison with the fiscal year 2009 combined fund surplus of \$14.9 million. This is primarily attributable to the increase in the fund deficit of the general fund of \$71 million, and a decrease in the fund balances of the special revenue funds, debt service funds and capital project funds of \$8.4 million, \$3.7 million and \$56.1 million, respectively. Of this total combined fund balance, \$316.9 million is reserved to indicate that it is not available for new spending because it has already been

## GOVERNMENT OF GUAM

### Management's Discussion and Analysis, Continued Year Ended September 30, 2010

committed: 1) to liquidate contracts and purchase orders of the prior period (\$142.9 million); 2) to fund debt service-related activities (\$110.9 million); 3) to liquidate continuing appropriation commitments (\$58.6 million); or 4) for a variety of other restricted purposes (\$4.5 million). The combined unreserved fund deficit of GovGuam's governmental funds is \$441.2 million, an increase of \$167.7 million (or 61.3%) from fiscal year 2009. This deficit will be funded through future budgetary surpluses.

The General Fund is the chief operating fund of GovGuam. At the end of the current fiscal year, the unreserved fund deficit of the General Fund was \$443.7 million as compared with the prior year ending unreserved fund deficit of \$396.9 million, an decrease in performance of \$46.8 million (or 11.8%), while total fund deficit was \$336.4 million compared with a total fund deficit of \$265.4 million at the end of the prior fiscal year, an decrease in performance of \$71 million. The increase in the overall fund deficit of the General Fund was primarily the result of the shortfall of original budgeted revenues for income tax and gross receipts taxes of \$76.6 million. This current year operational deficit was the result of the following: (1) \$76.6 million original budgeted shortfall of income tax and gross receipts taxes; and (2) \$14 million in expenditures incurred for which no appropriations were provided by the Legislature.

The Federal Grants Assistance Fund has a total fund balance of \$0.3 million, which primarily represents accumulated interest income received not yet expended at year end. Fund balance of the Federal Grants Assistance Fund increased marginally from prior year with total revenues and transfers in of \$298.2 million supporting expenditures and transfers out of the same amount, up from total revenues and transfers in of \$263.3 million (or 13.2%) in fiscal year 2009.

The Guam Department of Education (GDOE) Federal Grants Fund has a zero total fund balance at the end of the current fiscal year. Total revenues and transfers in for the GDOE Federal Grants Fund amounted to \$50.2 million, which funded various education-related federal grant programs and which was consistent with fiscal year 2009 revenues and transfers in.

The DMHSA Receiver Fund was established in fiscal year 2010 to account for all activities of the Federal Management Team associated with the Permanent Injunction requiring GovGuam to provide treatment and develop programs to mentally ill patients residing on Guam.

The Landfill CIP Fund was established in fiscal year 2009 to account for the proceeds of Section 30 backed bonds issued for the purpose of funding the construction of a new landfill and the closure of Ordot Dump.

#### **General Fund Budgetary Highlights**

During the fiscal year ended September 30, 2010, there was a \$6.2 million increase in appropriations between the original and final amended budget for Executive Branch operations, which was primarily attributable to an increase in appropriations related to debt service on the 2009 general obligation bond issue.

Actual revenues collected (including operating transfers in) of \$541.4 million were lower than budgeted amounts of \$550.8 million due primarily to lower than anticipated tax revenue collections partially offset by residual fund equity transfers in from other governmental funds. During the year ended September 30, 2010, actual tax collections amounted to \$431.4 million, which were lower by \$41.1 million (or 9.5%) from the budgeted amount of \$472.5 million.

Budgetary expenditures (including operating transfers out) of \$619.3 million were lower than authorized appropriations of \$622.2 million due primarily to continuing appropriations for GMHA capital project expenditures incurred of \$12.4 million plus miscellaneous continuing appropriations offset by \$14 million, as discussed earlier, for which no appropriations were provided by the Legislature. These non-appropriated expenditures include interest of \$1.3 million on the COLA interest, as mandated by Public Law 29-18; interest on delinquent tax refunds of \$3 million; special payments to the GovGuam Retirement Fund of \$4.6 million, as mandated by Public Law 28-38; and other miscellaneous expenditures of \$4 million relating to merchant service bank fees.

#### **CAPITAL ASSET AND DEBT ADMINISTRATION**

##### **Capital Assets**

GovGuam's investment in capital assets for its governmental activities as of September 30, 2010 amounted to \$1,138 million, net of accumulated depreciation of \$383 million, leaving a net book value of \$755 million. GovGuam's capital assets include land, infrastructure, buildings, machinery and equipment, and various projects under construction. (See table below)

## GOVERNMENT OF GUAM

### Management's Discussion and Analysis, Continued Year Ended September 30, 2010

#### Capital Assets, Continued

#### GovGuam's Capital Assets September 30, 2010 and 2009

	2010	2009
Non-depreciable:		
Land	\$ 11,454,623	\$ 11,454,623
Construction in progress	54,299,542	1,730,894
	65,754,165	13,185,517
Depreciable:		
Infrastructure	604,988,041	591,746,289
Buildings	403,208,721	403,208,721
Machinery and equipment	64,574,439	56,130,331
	1,072,771,201	1,051,085,341
Accumulated depreciation	(383,329,910)	(346,990,346)
	689,441,291	704,094,995
Total capital assets, net	\$ 755,195,456	\$ 717,280,512

Major capital asset additions for fiscal year 2010 were as follows:

- Construction work in progress associated with the Layon Landfill, totaling \$43.7 million, and the Southern Regional Health Center, totaling \$6 million.
- Additional work carried out under the Federal Highway Administration funded projects, including various roadway restoration and improvement projects street restoration and pothole repairs, at a cost of \$12.8 million.
- Acquisition of collateral equipment by the Guam Department of Education, totaling \$3.9 million, associated with the interim John F. Kennedy High School facility.

Additional information on GovGuam's capital assets can be found in note 5 to the basic financial statements.

#### Long-Term Debt

The Organic Act authorizes GovGuam to borrow for such purposes as approved by the Guam Legislature. GovGuam has entered into ten separate long-term debt obligations, as indicated below, aggregating to \$767 million at September 30, 2010. This represents a net increase of \$453.8 million (or 145%) from fiscal year 2009.

#### GovGuam's Outstanding Debt September 30, 2010 and 2009

	2010	2009
Limited Obligation (Section 30) Bonds, 2001A	\$ 18,620,000	\$ 27,210,000
Limited Obligation (Section 30) Bonds, 2009A	202,425,000	202,425,000
General Obligation Bonds, 2009 Series A	271,070,000	271,070,000
General Obligation Bonds, 1993 Series A	34,370,000	37,280,000
General Obligation Bonds, 2007 Series A	151,935,000	151,935,000
Limited Obligation Highway Refunding Bonds, 2001 Series A	11,250,000	16,510,000
Limited Obligation Infrastructure Improvement Bonds, 1997 Series	31,385,000	36,345,000
Judicial Building	10,175,434	9,514,526
General Fund - \$10 M Note	3,949,267	3,949,267
General Fund - \$13.8 M Note	7,183,280	10,746,507
	\$ 742,362,981	\$ 766,985,300

## GOVERNMENT OF GUAM

### Management's Discussion and Analysis, Continued Year Ended September 30, 2010

No major additions to long-term debt occurred for fiscal year 2010.

Additional information on GovGuam's long-term debt can be found in note 6 to the basic financial statements.

#### **ECONOMIC FACTORS AND NEXT YEAR BUDGET AND RATES**

For the most part, construction projects outlined in the Draft Environmental Impact Statement to relocate the U.S. Marines and ancillary services from Japan to Guam have not materialized. Because of that, Guam's overall economic performance remained relatively flat throughout Fiscal Year 2010 with economic growth expected to incrementally accelerate through the latter part of Fiscal Year 2011 and 2012. This anticipated growth is dependent on the timeline adjustments agreed to by the United States and Japan to finance the infrastructure requirements of the military buildup through 2014. Otherwise, growth outlook is tenuous as the ARRA funding opportunities dry up this coming year. Globally, crude oil price change volatility has increased production costs uncertainty, stymied employment opportunities and dampened consumer spending here and abroad. Guam is not immune to this phenomenon or from sequential local and national debt challenges.

Guam's civilian and military population in 2010 as projected by U.S. Census is 180,692. Of that, 131,263 were aged 16 years and older. The total number of people employed as of September 2010 was 62,180, and increase of 2,080 or 3.5 percent since September 2009. Over the same time period, private average hourly earnings were \$12.33, an increase of 18 cents; and average weekly earnings were \$450.51, an increase of \$17.99. Job gains increased the most in the Services and Construction industries. With the buildup efforts underway, Guam will see an increase in permanent and transient workers employed from abroad to fill the direct and secondary job shortfalls from local sector industries.

In 2010, overall prices increased by 2.9 percent as compared to 2009. Food prices decreased by 1.2 percent, Housing increased by 0.7 percent, Apparel and Upkeep decreased by 1.4 percent, Transportation increased by 4.7 percent, Medical Care increased by 12.2 percent, Recreation decreased by 6.1 percent, Education and Communication increased by 0.6 percent and Other Goods and Services increased by 13.0 percent from the 4<sup>th</sup> quarter 2009 to the 4<sup>th</sup> quarter 2010. Energy prices increased by 3.6 percent, and All Items Less Food and Energy increased by 5.4 percent from the 4<sup>th</sup> quarter 2009 to the 4<sup>th</sup> quarter 2010. Guam's increasing price level is in part determined by costs of imports which do exacerbate the strain on profits, investments and savings.

Construction permits continue to rise year to year. In 2008, gross construction permit valuations were \$210.9 million, and in 2010 increased to \$278.2 million. It is anticipated permits will exceed well past \$300 million in 2011 and 2012, barring further delays in the buildup phase to the U.S. Marines relocation to Guam.

Tourism arrivals have rebounded to pre 2009 levels, increasing from 1,053,248 in 2009 to 1,170,857 in 2010. The outlook remains tenuous through 2011 given sustained financial instability in world markets.

There has been consistent stable growth in General Fund revenues with annual revenues increasing from \$513.2 million in 2008, to \$540.2 million in 2010. For Fiscal Year 2011, budgeted General Fund revenues authorized by the Guam Legislature have been set at \$600.8 million, an increase of 11.2% over Fiscal Year 2010 estimates. Some adjustments may be made in Real Property Tax revenues since an overall property re-evaluation of assessments is nearly completed. The government of Guam's indebtedness poses a significant challenge to overcome despite forecasted general fund revenue increases.

Given a stable visitor industry, moderate fuel costs, a rebound in global financial markets the short to medium term economic outlook for Guam remains positive with major economic activity to be realized as the scheduled U.S. Marine relocation moves closer to fruition.

## **GOVERNMENT OF GUAM**

Management's Discussion and Analysis, Continued  
Year Ended September 30, 2010

### **CONTACTING GOVGUAM'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the Government of Guam's finances for all of Guam's citizens, taxpayers, customers, and investors and creditors. This financial report seeks to demonstrate the Island's accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional information should be addressed to: Division of Accounts, Attention: Katherine B. Kakigi, Deputy Financial Manager, P.O. Box 884, Hagatña, Guam 96932. Telephone No: (671) 475-1169/1260 Facsimile: (671) 472-8483 Website Address: [www.admin.gov.gu/da/](http://www.admin.gov.gu/da/).

**GOVERNMENT OF GUAM**

Statement of Net Assets  
September 30, 2010

	Primary Government	Component Units
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 33,399,105	\$ 83,438,885
Time certificates of deposit	205,770	9,200,600
Investments	16,678,557	4,277,671
Receivables, net	113,035,104	148,605,546
Due from primary government	-	14,492,654
Due from private purpose trusts	2,516,039	-
Due from component units	2,153,590	1,547,818
Inventories	406,896	68,252,696
Other current assets	5,470,310	2,005,628
Restricted assets:		
Cash and cash equivalents	11,795,623	219,175,362
Investments	238,381,897	20,033,024
Total current assets	424,042,891	571,029,884
Noncurrent assets:		
Investments	1,000,000	29,986,171
Receivables, net	-	12,760,529
Due from primary government	-	4,123,490
Capital assets, net of accumulated depreciation	755,195,456	1,421,415,963
Land held for development	-	14,308,726
Deferred charges	9,832,230	16,862,001
Other noncurrent assets	-	21,430,536
Restricted assets:		
Cash and cash equivalents	-	24,861,193
Time certificates of deposit	1,000,718	-
Investments	-	95,675,508
Total noncurrent assets	767,028,404	1,641,424,117
Total assets	\$ 1,191,071,295	\$ 2,212,454,001

See accompanying notes to basic financial statements.

**GOVERNMENT OF GUAM**

Statement of Net Assets, Continued  
September 30, 2010

	Primary Government	Component Units
<b>LIABILITIES</b>		
Current liabilities:		
Current portion of compensated absences payable	\$ 10,819,246	\$ 6,346,634
Current portion of capital lease obligations	3,060,000	9,064,045
Current portion of long-term obligations	29,395,338	26,864,253
Accounts payable and other current liabilities	116,917,598	53,779,159
Contracts payable	-	12,448,335
Accrued interest payable	16,890,229	19,839,354
Accrued payroll and other	21,609,720	8,796,247
Payable to federal agencies	11,894,669	554,350
Provision for tax refunds	284,868,839	-
COLA liability	23,100,732	-
Due to pension trust fund	6,562,500	8,915,769
Due to primary government	-	2,153,590
Due to component units	2,324,201	1,547,818
Deferred revenues	35,286,328	17,034,821
Deposits and other liabilities	16,419,394	22,335,281
Total current liabilities	579,148,794	189,679,656
Noncurrent liabilities:		
Compensated absences payable, net of current portion	13,915,438	6,733,562
Capital lease obligations, net of current portion	59,410,000	108,065,350
Long-term obligations, net of current portion	693,676,836	900,448,908
DCRS sick leave liability	17,764,882	8,536,854
Due to component units	4,123,490	-
Due to IRS	11,674,000	-
Other noncurrent liabilities	46,053,500	23,123,215
Total noncurrent liabilities	846,618,146	1,046,907,889
Total liabilities	1,425,766,940	1,236,587,545
Commitments and contingencies		
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	382,995,557	688,699,376
Restricted for:		
Expendable:		
Capital projects	6,204,216	16,332,665
Retirement of indebtedness	93,961,296	64,704,816
Other purposes	37,740,844	43,556,024
Nonexpendable:		
Other purposes	-	5,878,557
Unrestricted	(755,597,558)	156,695,018
Total net assets	(234,695,645)	975,866,456
Total liabilities and net assets	\$ 1,191,071,295	\$ 2,212,454,001

See accompanying notes to basic financial statements.

**GOVERNMENT OF GUAM**

Statement of Activities  
Year Ended September 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units
<b>Primary government:</b>						
<b>Governmental Activities:</b>						
General government	\$ 123,250,905	\$ 14,677,607	\$ 16,213,488	\$ -	\$ (92,359,810)	\$ -
Protection of life and property	101,708,758	10,745,171	7,152,375	-	(83,811,212)	-
Public health	184,881,465	2,066,010	141,330,806	-	(41,484,649)	-
Community services	38,215,507	199,816	15,627,516	-	(22,388,175)	-
Recreation	4,654,424	816,736	1,041,177	-	(2,796,511)	-
Individual and collective rights	53,551,394	744,020	14,407,997	-	(38,399,377)	-
Transportation	36,589,772	12,355,388	12,095,225	-	(12,139,159)	-
Public education	257,944,439	5,006,668	50,440,054	-	(202,497,717)	-
Environmental protection	11,125,333	14,470,093	5,774,080	-	9,118,840	-
Economic development	26,664,370	200,004	17,465,783	-	(8,998,583)	-
Interest (unallocated)	47,008,663	-	2,027,924	-	(44,980,739)	-
<b>Payments to:</b>						
GovGuam Retirement Fund	1,803,448	-	-	-	(1,803,448)	-
Guam Memorial Hospital Authority	19,090,827	-	5,654,511	-	(13,436,316)	-
Guam Power Authority	46,554	-	46,554	-	-	-
University of Guam	33,318,156	-	-	-	(33,318,156)	-
Guam Visitors Bureau	13,537,490	-	-	-	(13,537,490)	-
Guam Community College	16,911,221	1,742,058	642,164	-	(14,526,999)	-
Other component units	14,051,624	759,248	3,120,639	-	(10,171,737)	-
Capital	23,156,677	-	37,461,142	-	14,304,465	-
Miscellaneous	13,991,270	-	-	-	(13,991,270)	-
<b>Total primary government</b>	<b>\$ 1,021,502,297</b>	<b>\$ 63,782,819</b>	<b>\$ 330,501,435</b>	<b>\$ -</b>	<b>(627,218,043)</b>	<b>-</b>
<b>Component Units:</b>						
Antonio B. Won Pat International Airport Authority	\$ 56,828,867	\$ 46,289,169	\$ 669,848	\$ 17,348,269	-	7,478,419
Guam Memorial Hospital Authority	102,611,297	83,481,135	-	1,938,450	-	(17,191,712)
Guam Power Authority	375,043,076	364,217,988	-	97,707	-	(10,727,381)
Guam Waterworks Authority	65,008,980	64,380,781	-	5,888,510	-	5,260,311
Port Authority of Guam	34,999,547	35,417,331	-	6,076,737	-	6,494,521
University of Guam	87,620,082	15,156,642	37,624,394	-	-	(34,839,046)
Nonmajor component units	121,473,012	10,285,502	74,526,397	5,017,438	-	(31,643,675)
	<b>\$ 843,584,861</b>	<b>\$ 619,228,548</b>	<b>\$ 112,820,639</b>	<b>\$ 36,367,111</b>	<b>-</b>	<b>(75,168,563)</b>
<b>General revenues:</b>						
<b>Taxes:</b>						
Income					239,251,660	-
Gross receipts					188,621,364	-
Property					19,452,108	-
Hotel occupancy					22,233,222	-
Liquid fuel					9,777,592	-
Tobacco					14,819,622	-
Alcoholic beverages					2,151,012	-
Excise					3,490,942	-
Section 30 Federal income tax collections					39,028,136	-
Investment earnings					5,056,652	7,177,867
Contributions from primary government					-	68,027,656
Other					5,592,941	14,335,773
<b>Total general revenues</b>					<b>549,475,251</b>	<b>89,541,296</b>
Change in net assets					(77,742,792)	14,372,733
Net assets at beginning of year, as previously reported					(156,952,853)	964,315,676
Prior-period adjustment (Note 15J)					-	(2,821,953)
Net assets at beginning of year, as restated					(156,952,853)	961,493,723
Net assets at end of year					<b>\$ (234,695,645)</b>	<b>\$ 975,866,456</b>

See accompanying notes to basic financial statements.

**GOVERNMENT OF GUAM**

**Balance Sheet  
Governmental Funds  
September 30, 2010**

	General	Special Revenue			Capital Projects	Other Governmental Funds	Total
		Federal Grants Assistance	GDOE Federal Grants	DMHSA Receiver	Landfill CIP		
<b>ASSETS</b>							
Cash and cash equivalents	\$ 18,120,086	\$ 4,640,534	\$ 1,039,568	\$ -	\$ -	\$ 9,598,917	\$ 33,399,105
Time certificates of deposit	205,770	-	-	-	-	-	205,770
Investments	1,000,000	-	-	-	-	16,678,557	17,678,557
Receivables, net:							
Taxes	30,302,323	-	-	-	-	4,803,338	35,105,661
Federal agencies	15,450,000	49,793,137	6,297,254	-	-	319,103	71,859,494
Other	-	155	-	-	-	6,069,794	6,069,949
Due from other funds	37,244,223	-	-	-	-	35,007,360	72,251,583
Due from private purpose trust funds	-	-	-	-	-	2,516,039	2,516,039
Due from component units	-	-	-	-	-	2,153,590	2,153,590
Inventories	-	-	-	-	-	406,896	406,896
Prepayments	1,820,780	-	-	1,500,000	1,248,454	-	4,569,234
Deposits and other assets	-	-	-	-	-	27,837	27,837
Restricted assets:							
Cash and cash equivalents	-	-	-	-	11,795,623	-	11,795,623
Time certificates of deposit	-	-	-	-	-	1,000,718	1,000,718
Investments	82,305,935	-	-	-	131,971,935	24,104,027	238,381,897
Total assets	<u>\$ 186,449,117</u>	<u>\$ 54,433,826</u>	<u>\$ 7,336,822</u>	<u>\$ 1,500,000</u>	<u>\$ 145,016,012</u>	<u>\$ 102,686,176</u>	<u>\$ 497,421,953</u>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>							
Accounts payable	\$ 83,996,985	\$ 13,785,456	\$ 2,072,191	\$ -	9,744,039	\$ 7,318,927	\$ 116,917,598
Accrued payroll and other	18,368,199	584,977	1,430,748	-	-	1,225,796	21,609,720
Due to other funds	34,981,268	27,843,321	1,190,112	-	-	8,236,882	72,251,583
Due to pension trust funds	6,562,500	-	-	-	-	-	6,562,500
Due to component units	6,447,691	-	-	-	-	-	6,447,691
Payable to federal agencies	11,674,000	11,894,669	-	-	-	-	23,568,669
Deferred revenues	46,357,373	-	2,643,771	-	-	961,363	49,962,507
Provision for tax refunds	278,286,760	-	-	-	-	6,582,079	284,868,839
COLA liability	23,100,732	-	-	-	-	-	23,100,732
Deposits and other liabilities	13,118,472	-	-	-	-	3,300,922	16,419,394
Total liabilities	<u>522,893,980</u>	<u>54,108,423</u>	<u>7,336,822</u>	<u>-</u>	<u>9,744,039</u>	<u>27,625,969</u>	<u>621,709,233</u>
Fund balances (deficits):							
Reserved:							
Related assets	1,000,000	-	-	1,500,000	1,248,454	839,855	4,588,309
Continuing appropriations	31,547,303	-	-	-	8,906,302	18,134,334	58,587,939
Encumbrances	6,819,544	103,241,566	6,916,785	-	19,845,711	6,078,768	142,902,374
Debt service	67,876,648	-	-	-	25,122,717	17,852,160	110,851,525
Unreserved (deficits), reported in:							
General fund	(443,688,358)	-	-	-	-	-	(443,688,358)
Special revenue funds	-	(102,916,163)	(6,916,785)	-	-	26,988,173	(82,844,775)
Capital projects funds	-	-	-	-	80,148,789	5,164,954	85,313,743
Debt service funds	-	-	-	-	-	1,963	1,963
Total fund balances (deficits)	<u>(336,444,863)</u>	<u>325,403</u>	<u>-</u>	<u>1,500,000</u>	<u>135,271,973</u>	<u>75,060,207</u>	<u>(124,287,280)</u>
Total liabilities and fund balances	<u>\$ 186,449,117</u>	<u>\$ 54,433,826</u>	<u>\$ 7,336,822</u>	<u>\$ 1,500,000</u>	<u>\$ 145,016,012</u>	<u>\$ 102,686,176</u>	<u>\$ 497,421,953</u>

See accompanying notes to basic financial statements.

# GOVERNMENT OF GUAM

## Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets September 30, 2010

Total deficit - governmental funds	\$	(124,287,280)
Amounts reported for governmental activities in the statement of net assets are different because:		
Prepayment of capital lease obligations in governmental activities are not financial resources and, therefore, are not reported in the governmental funds		873,239
Borrowing costs and related maintenance costs associated with capital lease obligations in governmental activities are not financial resources and, therefore, are not reported in the governmental funds		4,472,954
Bonds issued by GovGuam have associated costs that are paid from current available resources in the funds. However, these costs are deferred on the statement of net assets		5,359,276
Certain revenues are earned but not available and therefore are deferred in the governmental funds:		
Adjustment of deferred revenue		14,676,179
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:		
Land	\$	11,454,623
Construction in progress		54,299,543
Depreciable capital assets and infrastructure		1,072,771,199
Accumulated depreciation		<u>(383,329,909)</u>
Capital assets, net of accumulated depreciation		755,195,456
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. These liabilities include:		
Bonds payable		(723,072,174)
Capital lease obligations		(62,470,000)
Accrued interest payable		(16,890,229)
Compensated absences payable		(24,734,684)
DCRS sick leave liability		(17,764,882)
Landfill closure and postclosure costs		<u>(46,053,500)</u>
Long-term liabilities		<u>(890,985,469)</u>
Net assets of governmental activities	\$	<u><u>(234,695,645)</u></u>

See accompanying notes to basic financial statements.

## GOVERNMENT OF GUAM

### Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit) Governmental Funds Year Ended September 30, 2010

	General	Special Revenue			Capital	Other Governmental Funds	Total
		Federal Grants Assistance	GDOE Federal Grants	DMHSA Receiver	Projects Landfill CIP		
<b>Revenues:</b>							
Taxes	\$ 431,363,966	\$ -	\$ -	\$ -	\$ -	\$ 68,433,556	\$ 499,797,522
Federal contributions	-	268,062,264	42,766,617	-	-	14,098,042	324,926,923
Licenses, fees and permits	4,546,349	-	-	-	-	52,247,818	56,794,167
Section 30 Federal income tax collections	39,028,136	-	-	-	-	-	39,028,136
Use of money and property	432,203	-	-	-	1,709,536	2,914,913	5,056,652
Indirect cost reimbursement	469,595	-	-	-	-	-	469,595
Contributions from component units	4,863,593	-	-	-	-	-	4,863,593
Immigration fees	1,754,678	-	-	-	-	-	1,754,678
Guam Public School System	4,272,611	-	-	-	-	-	4,272,611
Other	4,236,233	-	299,243	-	-	1,057,465	5,592,941
<b>Total revenues</b>	<b>490,967,364</b>	<b>268,062,264</b>	<b>43,065,860</b>	<b>-</b>	<b>1,709,536</b>	<b>138,751,794</b>	<b>942,556,818</b>
<b>Expenditures:</b>							
<b>Current:</b>							
General government	47,828,161	13,626,545	-	-	2,751,546	38,961,769	103,168,021
Protection of life and property	78,943,168	8,813,245	-	-	-	13,325,306	101,081,719
Public health	17,123,990	161,559,999	-	-	-	12,166,519	190,850,508
Community services	4,111,456	20,440,300	-	-	-	13,656,305	38,208,061
Recreation	2,850,817	1,041,177	-	-	-	685,116	4,577,110
Individual and collective rights	11,356,950	11,904,884	-	-	-	28,967,098	52,228,932
Transportation	-	12,095,225	-	-	-	7,079,913	19,175,138
Public education	204,166,004	332,748	43,065,860	-	-	85,486	247,650,098
Environmental protection	-	5,774,080	-	-	-	4,957,733	10,731,813
Economic development	3,201,411	8,313,937	-	-	-	9,592,677	21,108,025
Payments to:							
GovGuam Retirement Fund	1,303,448	-	-	-	-	500,000	1,803,448
Chamorro Land Trust Commission	-	-	-	-	-	564,054	564,054
Guam Community College	13,938,332	642,164	-	-	-	2,330,725	16,911,221
Guam Educational Telecommunications Corporation	521,621	-	-	-	-	-	521,621
Guam Housing and Urban Rural Authority	-	401,864	-	-	-	4,556,972	4,958,836
Guam Memorial Hospital Authority	1,006,397	5,654,511	-	-	-	12,429,919	19,090,827
Guam Preservation Trust	-	-	-	-	-	1,200,000	1,200,000
Guam Power Authority	-	46,554	-	-	-	-	46,554
Guam Regional Transit Authority	399,934	566,207	-	-	-	3,777,795	4,743,936
Guam Visitors Bureau	76,395	-	-	-	-	13,461,095	13,537,490
Port Authority of Guam	-	2,063,177	-	-	-	-	2,063,177
University of Guam	32,588,765	89,391	-	-	-	640,000	33,318,156
Miscellaneous appropriations	19,411,979	-	-	-	-	52,099	19,464,078
Interest and other charges	18,027,410	-	-	-	-	-	18,027,410
Capital projects	-	37,630,296	-	-	41,685,955	2,814,671	82,130,922
Debt service	43,041,598	-	7,100,000	-	10,668,687	13,675,955	74,486,240
<b>Total expenditures</b>	<b>499,897,836</b>	<b>290,996,304</b>	<b>50,165,860</b>	<b>-</b>	<b>55,106,188</b>	<b>185,481,207</b>	<b>1,081,647,395</b>
Deficiency of revenues under expenditures	(8,930,472)	(22,934,040)	(7,100,000)	-	(53,396,652)	(46,729,413)	(139,090,577)
<b>Other financing sources (uses):</b>							
Proceeds from issuance of long-term debt	-	-	-	-	-	991,134	991,134
Transfers in from other funds	50,421,868	30,101,322	7,100,000	1,500,000	-	93,890,220	183,013,410
Transfers out to other funds	(112,558,888)	(7,100,000)	-	-	-	(64,435,833)	(184,094,721)
<b>Total other financing sources (uses), net</b>	<b>(62,137,020)</b>	<b>23,001,322</b>	<b>7,100,000</b>	<b>1,500,000</b>	<b>-</b>	<b>30,445,521</b>	<b>(90,177)</b>
<b>Net change in fund balances (deficits)</b>	<b>(71,067,492)</b>	<b>67,282</b>	<b>-</b>	<b>1,500,000</b>	<b>(53,396,652)</b>	<b>(16,283,892)</b>	<b>(139,180,754)</b>
Fund balances (deficits) at beginning of year	(265,377,371)	258,121	-	-	188,668,625	91,344,099	14,893,474
Fund balances (deficits) at end of year	\$ (336,444,863)	\$ 325,403	\$ -	\$ 1,500,000	\$ 135,271,973	\$ 75,060,207	\$ (124,287,280)

See accompanying notes to basic financial statements.

# GOVERNMENT OF GUAM

## Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits) to the Statement of Activities Year Ended September 30, 2010

Total net change in fund balances (deficits) - governmental funds		\$ (139,180,754)
Amounts reported for governmental activities in the statement of activities are different because:		
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		
Adjustment of deferred revenues		1,202,687
Prepayment of capital lease obligations in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. These assets consist of:		
Prepayment-interest	\$ (15,834)	
Prepayment-maintenance	<u>175,739</u>	
		159,905
Borrowing costs are deferred and amortized in the Statement of Activities over the term of the related long-term debt. These consist of:		
Bonds payable	(628,199)	
Capital lease obligations	<u>(104,875)</u>	
		(733,074)
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. For the current year these amounts consist of:		
Capital outlay	74,254,507	
Depreciation expense	<u>(36,339,563)</u>	
		37,914,944
The incurrence of long-term debt (e.g., bonds and leases) 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 has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and deferred amounts on refundings when debt is issued, whereas these amounts are deferred and amortized in the Statement of Activities. For the current year, these amounts consist of:		
Long-term debt proceeds	(991,134)	
Repayment of bonds	25,613,453	
Repayment of capital leases	2,915,000	
Amortization of bond premium	503,544	
Amortization of deferred amount on refunding	<u>(734,445)</u>	
		27,306,418
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:		
Change in accrued interest payable	(649,900)	
Change in compensated absences payable	(1,880,878)	
Change in DCRS sick leave liability	<u>(1,882,140)</u>	
		(4,412,918)
Change in net assets of governmental activities		<u>\$ (77,742,792)</u>

See accompanying notes to basic financial statements.

**GOVERNMENT OF GUAM**

Statement of Fiduciary Net Assets  
Fiduciary Funds  
September 30, 2010

	Pension Trust	Private Purpose Trust	Agency Fund
<u>ASSETS</u>			
Cash and cash equivalents	\$ 4,595,359	\$ 7,692,869	\$ -
Time certificates of deposit	-	2,396,684	-
Investments at fair value:			
Common stocks	684,028,213	-	-
U.S. Government securities	168,578,770	-	-
Corporate bonds and notes	192,887,162	-	-
Money market funds	21,269,147	-	-
Mutual funds	330,808,439	-	-
DC plan forfeitures	5,229,966	-	-
Total investments	1,402,801,697	-	-
Accounts receivable:			
Employer contributions	10,919,006	-	-
Member contributions	5,142,148	-	-
Interest and penalties on contributions	1,097,393	-	-
Accrued investment income	4,461,187	-	-
Due from brokers for unsettled trades	74,234,246	-	-
Service credits	1,527,200	-	-
Notes receivable - ERIP	4,761,094	-	-
Receivable - ERIP employer's share	15,227	-	-
Supplemental/COLA benefits	67,636,261	-	-
Supplemental/Insurance benefits advanced	3,511,711	-	-
Other	4,335,316	-	-
Total receivables	177,640,789	-	-
Deposits and other assets	-	-	15,442,709
Capital assets	1,172,958	-	-
Total assets	1,586,210,803	10,089,553	\$ 15,442,709
<u>LIABILITIES</u>			
Deferred revenue	6,852,502	-	\$ -
Accounts payable and accrued expenses	2,120,504	-	-
Accrued payroll and other	583,036	-	-
Due to other funds	-	2,515,974	-
Deposits and other liabilities	-	7,327,066	15,442,709
Due to brokers for unsettled trades	4,787,206	-	-
Total liabilities	14,343,248	9,843,040	\$ 15,442,709
<u>NET ASSETS</u>			
Held in trust for retirement benefits	1,571,867,555	-	
Held in trust for other purposes	-	246,513	
Total net assets	\$ 1,571,867,555	\$ 246,513	

See accompanying notes to basic financial statements.

**GOVERNMENT OF GUAM**

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
Year Ended September 30, 2010

	<u>Pension Trust</u>	<u>Private Purpose Trust</u>
Additions:		
Contributions:		
Employer contributions	\$ 110,797,805	\$ -
Member contributions	31,001,048	-
Use of money and property	-	732,737
Transfers in from other funds	-	1,081,311
Total contributions and revenues	<u>141,798,853</u>	<u>1,814,048</u>
Net investment income:		
Net appreciation in fair value of investments	123,870,369	-
Interest	29,167,086	-
Dividends	12,761,512	-
Other	1,229,167	-
Total investment income	<u>167,028,134</u>	<u>-</u>
Less: investment expenses	<u>3,663,702</u>	<u>-</u>
Net investment income	<u>163,364,432</u>	<u>-</u>
Total additions	<u>305,163,285</u>	<u>1,814,048</u>
Deductions:		
Benefits	173,808,545	-
Refunds	12,071,810	-
Administrative and general expense	4,364,901	-
Individual and collective rights	-	1,524,535
Total deductions	<u>190,245,256</u>	<u>1,524,535</u>
Change in net assets	114,918,029	289,513
Net assets at beginning of year	<u>1,456,949,526</u>	<u>(43,000)</u>
Net assets at end of year	<u>\$ 1,571,867,555</u>	<u>\$ 246,513</u>

See accompanying notes to basic financial statements.

# GOVERNMENT OF GUAM

## Statement of Net Assets Component Units September 30, 2010

	Antonio B. Won Pat International Airport Authority	Guam Memorial Hospital Authority	Guam Power Authority	Guam Waterworks Authority	Port Authority of Guam	University of Guam	Nonmajor Component Units	Total
<b>ASSETS</b>								
Current assets:								
Cash and cash equivalents	\$ 1,419,799	\$ 425,948	\$ 35,726,388	\$ 7,865,765	\$ 7,574,987	\$ 5,499,629	\$ 24,926,369	\$ 83,438,885
Time certificates of deposit	-	-	-	-	-	8,900,600	300,000	9,200,600
Investments	-	-	-	-	-	-	4,277,671	4,277,671
Receivables, net	12,737,932	43,423,943	36,066,609	9,388,513	6,724,712	11,149,717	29,114,120	148,605,546
Due from primary government	-	3,294,669	2,324,201	-	-	3,931,291	4,942,493	14,492,654
Due from component units	-	-	1,547,818	-	-	-	-	1,547,818
Inventories	42,530	3,513,849	60,993,256	2,548,613	138,467	543,611	472,370	68,252,696
Prepayments	-	263,208	972,373	-	-	-	156,138	1,391,719
Deposits and other assets	-	-	380,005	-	-	233,904	-	613,909
Restricted assets:								
Cash and cash equivalents	-	-	191,083,734	15,363,277	-	-	12,728,351	219,175,362
Investments	-	-	-	-	-	7,046,348	12,986,676	20,033,024
<b>Total current assets</b>	<b>14,200,261</b>	<b>50,921,617</b>	<b>329,094,384</b>	<b>35,166,168</b>	<b>14,438,166</b>	<b>37,305,100</b>	<b>89,904,188</b>	<b>571,029,884</b>
Noncurrent assets:								
Investments	21,972,719	-	-	-	-	6,255,799	1,757,653	29,986,171
Receivables, net	-	-	-	-	-	-	12,760,529	12,760,529
Due from primary government	-	-	4,123,490	-	-	-	-	4,123,490
Capital assets, net of accumulated depreciation	413,838,006	38,236,491	492,541,815	281,605,229	61,374,710	68,795,859	65,023,853	1,421,415,963
Land held for development	-	-	-	-	-	-	14,308,726	14,308,726
Deferred bond issuance costs	6,256,409	-	9,934,791	-	-	-	670,801	16,862,001
Other assets	13,994,340	248,676	4,086,433	2,864,906	-	-	236,181	21,430,536
Restricted assets:								
Cash and cash equivalents	-	-	-	20,455,035	-	4,406,158	-	24,861,193
Investments	32,415,162	-	45,134,634	9,634,332	-	8,491,380	-	95,675,508
<b>Total noncurrent assets</b>	<b>488,476,636</b>	<b>38,485,167</b>	<b>555,821,163</b>	<b>314,559,502</b>	<b>61,374,710</b>	<b>87,949,196</b>	<b>94,757,743</b>	<b>1,641,424,117</b>
<b>Total assets</b>	<b>\$ 502,676,897</b>	<b>\$ 89,406,784</b>	<b>\$ 884,915,547</b>	<b>\$ 349,725,670</b>	<b>\$ 75,812,876</b>	<b>\$ 125,254,296</b>	<b>\$ 184,661,931</b>	<b>\$ 2,212,454,001</b>

See accompanying notes to basic financial statements.

# GOVERNMENT OF GUAM

## Statement of Net Assets, Continued Component Units September 30, 2010

	Antonio B. Won Pat International Airport Authority	Guam Memorial Hospital Authority	Guam Power Authority	Guam Waterworks Authority	Port Authority of Guam	University of Guam	Nonmajor Component Units	Total
<b>LIABILITIES AND NET ASSETS</b>								
Current liabilities:								
Current portion of long-term debt	\$ 8,625,000	\$ -	\$ 7,795,000	\$ 7,128,338	\$ -	\$ 179,606	\$ 3,136,309	\$ 26,864,253
Current obligations under capital leases	-	-	9,064,045	-	-	-	-	9,064,045
Accounts payable	2,376,085	16,522,969	15,296,897	3,136,633	5,790,316	5,857,693	4,798,566	53,779,159
Contracts payable	10,701,502	-	-	1,746,833	-	-	-	12,448,335
Accrued interest payable	4,271,634	-	13,556,572	1,412,136	-	-	599,012	19,839,354
Accrued payroll and other	1,263,143	5,960,354	511,370	315,572	508,722	-	237,086	8,796,247
Payable to federal agencies	-	-	554,350	-	-	-	-	554,350
Due to pension trust funds	-	8,915,769	-	-	-	-	-	8,915,769
Due to primary government	2,153,590	-	-	-	-	-	-	2,153,590
Due to component units	-	-	-	1,547,818	-	-	-	1,547,818
Deferred revenue	1,294,021	2,651,429	1,981,805	624,389	269,401	6,163,510	4,050,266	17,034,821
Compensated absences	292,099	1,523,346	1,838,093	459,289	870,427	920,750	442,630	6,346,634
Deposits and other liabilities	-	1,899,845	12,913,129	2,652,894	444,917	446,068	3,978,428	22,335,281
<b>Total current liabilities</b>	<b>30,977,074</b>	<b>37,473,712</b>	<b>63,511,261</b>	<b>19,023,902</b>	<b>7,883,783</b>	<b>13,567,627</b>	<b>17,242,297</b>	<b>189,679,656</b>
Noncurrent liabilities:								
Compensated absences	727,455	2,173,876	803,086	758,074	359,274	895,230	1,016,567	6,733,562
Capital lease obligations	-	-	108,065,350	-	-	-	-	108,065,350
Noncurrent portion of long-term debt	165,023,434	-	558,495,132	124,735,484	-	12,607,867	39,586,991	900,448,908
Other noncurrent liabilities	-	-	11,680,352	168,676	-	101,783	11,172,404	23,123,215
DCRS sick leave liability	131,884	2,457,555	1,722,649	762,047	889,417	1,523,317	1,049,985	8,536,854
<b>Total noncurrent liabilities</b>	<b>165,882,773</b>	<b>4,631,431</b>	<b>680,766,569</b>	<b>126,424,281</b>	<b>1,248,691</b>	<b>15,128,197</b>	<b>52,825,947</b>	<b>1,046,907,889</b>
<b>Total liabilities</b>	<b>196,859,847</b>	<b>42,105,143</b>	<b>744,277,830</b>	<b>145,448,183</b>	<b>9,132,474</b>	<b>28,695,824</b>	<b>70,068,244</b>	<b>1,236,587,545</b>
Net Assets:								
Invested in capital assets, net of related debt	260,440,321	38,236,491	16,057,294	190,678,898	61,374,710	56,008,386	65,903,276	688,699,376
Restricted:								
Expendable:								
Capital projects	-	-	16,332,665	-	-	-	-	16,332,665
Retirement of indebtedness	12,901,153	-	46,799,071	5,004,592	-	-	-	64,704,816
Other purposes	15,124,791	-	-	861,550	-	8,780,728	18,788,955	43,556,024
Nonexpendable	-	-	-	-	-	5,679,027	199,530	5,878,557
Unrestricted (deficit)	17,350,785	9,065,150	61,448,687	7,732,447	5,305,692	26,090,331	29,701,926	156,695,018
<b>Total net assets</b>	<b>305,817,050</b>	<b>47,301,641</b>	<b>140,637,717</b>	<b>204,277,487</b>	<b>66,680,402</b>	<b>96,558,472</b>	<b>114,593,687</b>	<b>975,866,456</b>
<b>Total liabilities and net assets</b>	<b>\$ 502,676,897</b>	<b>\$ 89,406,784</b>	<b>\$ 884,915,547</b>	<b>\$ 349,725,670</b>	<b>\$ 75,812,876</b>	<b>\$ 125,254,296</b>	<b>\$ 184,661,931</b>	<b>\$ 2,212,454,001</b>

See accompanying notes to basic financial statements.

## GOVERNMENT OF GUAM

### Statement of Revenues, Expenses, and Changes in Net Assets Component Units Year Ended September 30, 2010

	Antonio B. Won Pat International Airport Authority	Guam Memorial Hospital Authority	Guam Power Authority	Guam Waterworks Authority	Port Authority of Guam	University of Guam	Non-major Component Units	Total
Operating revenues:								
Charges for services	\$ 46,289,169	\$ 83,481,135	\$ 364,217,988	\$ 64,380,781	\$ 35,417,331	\$ 15,156,642	\$ 10,285,502	\$ 619,228,548
Grants and contracts	669,848	-	-	-	-	37,624,394	74,526,397	112,820,639
Other	840,907	1,145,233	1,449,273	817,683	397,278	4,434,722	5,250,677	14,335,773
Total operating revenues	<u>47,799,924</u>	<u>84,626,368</u>	<u>365,667,261</u>	<u>65,198,464</u>	<u>35,814,609</u>	<u>57,215,758</u>	<u>90,062,576</u>	<u>746,384,960</u>
Operating expenses:								
Cost of services	31,084,638	97,903,372	277,647,260	44,671,723	22,839,804	72,681,989	78,776,081	625,604,867
Depreciation and amortization	22,975,268	4,581,714	28,443,290	11,568,858	2,808,292	2,807,058	5,170,245	78,354,725
General and administrative	-	3,277,114	27,583,537	4,078,237	7,936,177	8,860,156	34,522,398	86,257,619
Total operating expenses	<u>54,059,906</u>	<u>105,762,200</u>	<u>333,674,087</u>	<u>60,318,818</u>	<u>33,584,273</u>	<u>84,349,203</u>	<u>118,468,724</u>	<u>790,217,211</u>
Operating income (loss)	<u>(6,259,982)</u>	<u>(21,135,832)</u>	<u>31,993,174</u>	<u>4,879,646</u>	<u>2,230,336</u>	<u>(27,133,445)</u>	<u>(28,406,148)</u>	<u>(43,832,251)</u>
Nonoperating revenues (expenses):								
Contributions from the primary government	60,731	3,605,048	-	-	-	33,071,907	31,289,970	68,027,656
Contributions to the primary government	-	-	-	(898,700)	-	(2,027,924)	-	(2,926,624)
Investment income	1,282,807	-	1,541,432	11,689	170,307	3,060,590	1,111,042	7,177,867
Interest expense	(7,947,785)	(960,083)	(40,622,793)	(6,516,956)	-	(607,500)	(3,169,448)	(59,824,565)
Other income (expenses), net	5,178,824	4,110,986	(746,196)	2,725,494	(1,415,274)	(635,455)	165,160	9,383,539
Total nonoperating revenues (expenses), net	<u>(1,425,423)</u>	<u>6,755,951</u>	<u>(39,827,557)</u>	<u>(4,678,473)</u>	<u>(1,244,967)</u>	<u>32,861,618</u>	<u>29,396,724</u>	<u>21,837,873</u>
Net income (loss) before capital contributions	<u>(7,685,405)</u>	<u>(14,379,881)</u>	<u>(7,834,383)</u>	<u>201,173</u>	<u>985,369</u>	<u>5,728,173</u>	<u>990,576</u>	<u>(21,994,378)</u>
Capital contributions	<u>17,348,269</u>	<u>1,938,450</u>	<u>97,707</u>	<u>5,888,510</u>	<u>6,076,737</u>	<u>-</u>	<u>5,017,438</u>	<u>36,367,111</u>
Change in net assets	<u>9,662,864</u>	<u>(12,441,431)</u>	<u>(7,736,676)</u>	<u>6,089,683</u>	<u>7,062,106</u>	<u>5,728,173</u>	<u>6,008,014</u>	<u>14,372,733</u>
Net assets at beginning of year, as previously reported	296,154,186	59,743,072	148,374,393	198,187,804	59,618,296	90,830,299	111,407,626	964,315,676
Prior-period adjustment (Note 15J)	-	-	-	-	-	-	(2,821,953)	(2,821,953)
Net assets at beginning of year, as restated	<u>296,154,186</u>	<u>59,743,072</u>	<u>148,374,393</u>	<u>198,187,804</u>	<u>59,618,296</u>	<u>90,830,299</u>	<u>108,585,673</u>	<u>961,493,723</u>
Total net assets at end of year	<u>\$ 305,817,050</u>	<u>\$ 47,301,641</u>	<u>\$ 140,637,717</u>	<u>\$ 204,277,487</u>	<u>\$ 66,680,402</u>	<u>\$ 96,558,472</u>	<u>\$ 114,593,687</u>	<u>\$ 975,866,456</u>

See accompanying notes to basic financial statements.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

## (1) Summary of Significant Accounting Policies

The accompanying basic financial statements of the Government of Guam (GovGuam) 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. GovGuam's significant accounting policies are described below:

### A. Reporting Entity

Guam is an unincorporated territory of the United States of America with policy relations between Guam and the United States under the jurisdiction of the Office of Insular Affairs, U.S. Department of the Interior. In 1950, the U.S. Congress provided Guam with an Organic Act that organized GovGuam as a constitutional government comprised of locally elected executive and legislative branches and an appointed judicial branch. In addition, Guam has an elected representative to the U.S. Congress who possesses the same powers and privileges as representatives from the various States, with the exception of voting on the House floor.

The Executive Branch consists of a popularly elected Governor and Lieutenant Governor, each serving a four-year term, with executive department heads appointed by the Governor with the consent of the Guam legislature. The Legislative Branch is a unicameral parliament consisting of 15 members elected for a term of two years. The Judicial Branch is comprised of the Supreme Court of Guam and a Territorial Superior Court with judges appointed for eight-year terms by the Governor. Under the Organic Act, GovGuam is required to submit to the U.S. Congress and the Secretary of the Interior a comprehensive annual financial report in conformance with the standards of the National Council on Governmental Accounting within 120 days after the close of the fiscal year; however, GovGuam has not complied with this requirement.

For financial reporting purposes, GovGuam has included all funds, organizations, agencies, boards, commissions and institutions, including the Guam Department of Education (GDOE), formerly known as the Guam Public School System, which is a line agency of GovGuam within GovGuam's Department of Education and is included within the General Fund. GovGuam has also considered all potential component units for which it is financially accountable as well as other entities for which the nature and significance of their relationship with GovGuam are such that exclusion would cause GovGuam's basic financial statements to be misleading or incomplete. Blended component units are entities that are legally separate from GovGuam, but are so related to GovGuam that they are, in substance, the same as GovGuam or entities providing services entirely or almost entirely to GovGuam. The net assets and results of operations of the following legally separate entities are presented as part of GovGuam's operations.

#### 1. Blended Component Units

- (a) The GovGuam Retirement Fund (GGRF) has been blended into GovGuam's financial statements. The governing body consists of a seven-member Board of Trustees. Two members are elected by active Fund members; two members are elected by GGRF members among the roster of retirees; and three members are appointed by the Governor of Guam. GGRF was enacted to provide retirement amenities and other benefits to GovGuam employees, who upon entry to service are eligible for membership. GGRF is reported as if it were part of the primary government because of the fiduciary responsibility that GovGuam retains relative to the operations of GGRF. The operations of GGRF are reported as a Fiduciary Fund Type - Pension Trust Fund.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

## (1) Summary of Significant Accounting Policies, Continued

### A. Reporting Entity, Continued

#### 1. Blended Component Units, Continued

(b) Private purpose trust funds are comprised of trust funds administered by the Superior Court and Public Defender.

#### 2. Discretely Presented Component Units

Discretely presented component units are entities which are legally separate from GovGuam, but are financially accountable to GovGuam, or whose relationships with GovGuam are such that exclusion would cause GovGuam's basic financial statements to be misleading or incomplete. The component units' column of the basic financial statements includes the financial data of the following entities:

Major Component Units:

- (a) Antonio B. Won Pat International Airport Authority (AWPIAA), formerly known as the Guam International Airport Authority, was created by Public Law 13-57 (as amended) as an autonomous instrumentality of GovGuam to own and operate the facilities of the Guam International Air Terminal. It is charged with the acquisition, construction, operation and maintenance of airports and related facilities for civil aviation on Guam. AWPIAA supports its operations through landing fees and charges for use of its facilities and through rentals under concessionaire agreements and is governed by a seven-member Board of Directors, all of whom are appointed by the Governor of Guam.
- (b) Guam Memorial Hospital Authority (GMHA) was created by Public Law 14-29 as an autonomous instrumentality of GovGuam to administer and operate the Guam Memorial Hospital. GMHA is governed by a seven-member Board of Trustees, all of whom are appointed by the Governor of Guam.
- (c) Guam Power Authority (GPA) was created by the GPA Act of 1968 and is responsible for the supervision of construction, maintenance of operations and regulations of all electrical utility services within GovGuam. It operates the power system for GovGuam and has created an Island-wide Power System Agreement with the United States Navy. GPA derives revenues from sales of electricity and is governed by the five-member Consolidated Commission on Utilities (CCU), all of whom are elected for two or four year terms.
- (d) Guam Waterworks Authority (GWA), formerly the Public Utility Agency of Guam (PUAG), was created by Public Law 23-119 and is responsible for supervising the construction, maintenance operations and regulations of all water and sewerage services within GovGuam. GWA derives its operating revenues from water and wastewater fees charged to residential, commercial and government customers, based on consumption, and is governed by the CCU.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

## (1) Summary of Significant Accounting Policies, Continued

### A. Reporting Entity, Continued

#### 2. Discretely Presented Component Units, Continued

Major Component Units, Continued:

- (e) Port Authority of Guam (PAG) was created by Public Law 13-87 as an autonomous instrumentality of GovGuam to own and operate the facilities of the Commercial Port of Guam. PAG is governed by a five-member Board of Directors, all of whom are appointed by the Governor of Guam.
- (f) The University of Guam (UOG) was created by Public Law 13-194 and is responsible for operating Guam's institution of higher education. UOG is governed by a nine-member Board of Regents, all of whom are appointed by the Governor of Guam.

Nonmajor Component Units:

Nonmajor component units are the Chamorro Land Trust Commission, the Guam Community College, the Guam Housing and Urban Renewal Authority, the Guam Housing Corporation, the Guam Economic Development Authority, the Guam Visitors Bureau, the Guam Preservation Trust, and the Guam Educational Telecommunications Corporation (PBS GUAM).

GovGuam's component units, departments, and funds that are separately audited issue their own basic financial statements, each of which has a September 30 year-end. These statements may be obtained by directly contacting the various entities' administrative offices or at the web site of the Office of Public Accountability - [www.guamopa.com](http://www.guamopa.com).

Antonio B. Won Pat International Airport Authority P.O. Box 8770 Tamuning, GU 96931	Guam Memorial Hospital Authority 850 Governor Carlos G. Camacho Rd. Tamuning, GU 96913
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Guam Power Authority P.O. Box 2977 Hagatna, GU 96932	Guam Waterworks Authority P.O. Box 3010 Hagatna, GU 96932
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Port Authority of Guam 1026 Cabras Hwy, Ste. 201 Piti, GU 96925	University of Guam University Station University Drive Mangilao, GU 96923
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Guam Community College P.O. Box 23069, GMF Barrigada, GU 96921	Guam Housing and Urban Renewal Authority 117 Bien Venida Avenue Sinajana, GU 96926
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Guam Housing Corporation P.O. Box 3457 Hagatna, GU 96932	Chamorro Land Trust Commission P.O. Box 2950 Hagatna, GU 96932
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**GOVERNMENT OF GUAM**

Notes to Financial Statements  
September 30, 2010

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

2. Discretely Presented Component Units, Continued

Guam Economic Development Authority  
Suite 511, ITC Bldg.  
590 S. Marine Drive  
Tamuning, GU 96913

Guam Preservation Trust  
Suite 211, 194 Hernan Cortes Avenue  
Hagatna, GU 96932

Guam Visitors Bureau  
401 Pale San Vitores Road  
Tamuning, GU 96913

Guam Educational Telecommunications  
Corporation  
P.O. Box 21449, GMF  
Barrigada, GU 96921

In addition to the aforementioned University of Guam (UOG) and Guam Community College (GCC) component units, the accompanying component units' column of the basic financial statements includes the University of Guam Endowment Foundation, Inc. and the Guam Community College Foundation, Inc., which are legally separate, tax-exempt, separately audited, component units of UOG and GCC, respectively. Inclusion of these component units is in accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an amendment of GASB Statement No. 14.

GASB Statement No. 39 provides additional guidance for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with the primary government and to clarify reporting requirements for those organizations. The foundations' resources can only be used by or are for the benefit of UOG and GCC to which they serve. They are presented within the respective financial statements of UOG and GCC because of their nature and significance to these entities. Complete financial statements of the foundations may be obtained at their respective offices. The foundations are not considered major component units of GovGuam under the definitions put forth under GASB Statement 34, but are blended within UOG and GCC.

3. Related Organizations

The Public Utilities Commission (PUC) is a related organization under GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39. PUC consists of seven members, all of whom are appointed by the Governor of Guam. GovGuam's accountability does not extend beyond the appointments. Accordingly, PUC is classified as another stand-alone governmental unit, not a component unit of GovGuam, and therefore is not part of these financial statements.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

## (1) Summary of Significant Accounting Policies, Continued

### B. Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities report information on all non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been eliminated from these statements except for other charges between the primary government and the discretely presented component units. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Primary government activities are defined as either governmental or business-type activities. Governmental activities, which normally are supported by taxes, intergovernmental revenues and other non-exchange revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties for goods or services. As such, business-type activities account for operations similarly to a for-profit business. GovGuam did not report any business-type activities during the year ended September 30, 2010. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. Discretely presented component unit activities are presented with their business-type focus.

The Statement of Net Assets presents all of the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

- Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.
- Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law.
- Unrestricted net assets consist of net assets, which do not meet the definition of the two preceding categories. Unrestricted net assets often are designated (for example, internally restricted), to indicate that management does not consider them to be available for general operations.

The government-wide Statement of Net Assets reports \$137,906,356 of restricted net assets, of which \$37,740,844 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 applicants who purchase, use, or directly benefit from goods, services, or privileges that are restricted to meeting the operational or capital requirements of a particular function. Taxes 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.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

## (1) Summary of Significant Accounting Policies, Continued

### C. Fund Financial Statements

The fund financial statements present a balance sheet and a statement of revenues, expenditures, and changes in fund balances for its major and aggregated non-major funds. Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements pursuant to GASB reporting standards, with nonmajor governmental funds being combined into a single column.

GovGuam reports its financial position and results of operations in funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Transactions between funds within a fund type, if any, have not been eliminated.

### D. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting, as are the fiduciary fund and component unit financial statements. 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) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. General revenue is derived from taxation, investment income and other fees that are not allocated to specific programs.

Governmental Fund Financial Statements:

Governmental fund financial statements account for the general governmental activities of GovGuam 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 and 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. For this purpose, GovGuam considers most revenues other than federal grants and assistance awards to be available if they are collected within 90 days of the end of the current fiscal period. Federal grants and assistance awards made on the basis of entitlement periods are recorded as revenue when available and entitlement occurs which is generally within 12 months of the end of the current fiscal period.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

## (1) Summary of Significant Accounting Policies, Continued

### D. Measurement Focus and Basis of Accounting, Continued

Governmental Fund Financial Statements, Continued:

Significant revenues susceptible to accrual include income and gross revenue taxes, federal grants, federal reimbursements and other reimbursements for use of materials and services are recognized in the year for which they are received or subject to accrual, grants expended or services provided. Miscellaneous revenues from other financing sources are recognized when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. 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.

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy is divided into two billings: the first billing is due February 20; the second billing is due April 20. The billings are considered past due 60 days after the respective tax payment dates, at which time the applicable property is subject to lien, and penalties and interest are assessed.

Fiduciary Funds and Component Units Financial Statements:

Discretely presented component units distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a component unit's principal ongoing operations. All other revenues are reported as nonoperating. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating expenses.

GovGuam reports the following fund types:

#### 1. Governmental Fund Types

General Fund, a governmental fund, is the primary operating fund of GovGuam. It is used to account for all governmental transactions, except those required to be accounted for in another fund.

Special Revenue Funds account for specific revenue sources that have been aggregated according to enabling legislation to support specific governmental activities.

Capital Projects Funds account for the acquisition or construction of major GovGuam capital facilities financed primarily from bonds and federal reimbursements.

Debt Service Funds account for the accumulation of resources, principally transfers from other funds, for the payment of long-term debt principal and interest.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

## (1) Summary of Significant Accounting Policies, Continued

### D. Measurement Focus and Basis of Accounting, Continued

#### 2. Fiduciary Fund Types

Pension Trust Funds report resources that are required to be held in trust for the members and beneficiaries of GovGuam's pension plans.

Private Purpose Funds are used to account for resources held in trust under which principal and income benefit certain individuals.

Agency Funds account for assets GovGuam holds on behalf of others. Agency funds are custodial in nature and do not involve measurement of operations.

GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments: Omnibus*, sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses for either fund category or the governmental and enterprise combined) for the determination of major funds. GovGuam has elected to add additional major funds that are specific public interest, namely the GDOE Federal Grants Assistance Fund and the DMHSA Receiver Fund. Major individual governmental funds are reported as separate columns in the fund financial statements. The nonmajor funds are combined in a column in the fund financial statements and detailed in the combining statements.

GovGuam reports the following major governmental funds:

Federal Grants Assistance Fund, a Governmental Fund Type - Special Revenue Fund. This fund accounts for all activities of U.S. special federal assistance grants and contracts utilized by GovGuam to finance general governmental operations.

GDOE Federal Grants Fund, a Governmental Fund Type - Special Revenue Fund. This fund accounts for all activities of U.S. special federal assistance grants and contracts utilized by GovGuam to finance public education.

DMHSA Receiver Fund, a Governmental Fund Type - Special Revenue Fund. This fund accounts for all activities of the Federal Management Team associated with the Permanent Injunction requiring GovGuam to provide treatment and develop programs to mentally ill patients residing on Guam.

Landfill CIP Fund, a Governmental Fund Type - Capital Projects Fund. This fund accounts for bond proceeds issued by GovGuam for the purpose of financing facilities of the Solid Waste Management System of Guam.

As allowed by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, GovGuam's discretely presented component units follow all GASB pronouncements and those Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins that were issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

## (1) Summary of Significant Accounting Policies, Continued

### E. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments in U.S. Treasury obligations with a maturity date within three months of the date acquired by GovGuam. Deposits maintained in time certificates of deposit with original maturity dates greater than three months are separately classified on the statement of net assets/balance sheet.

### F. Investments

Investments and related investment earnings are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale and are primarily determined based on quoted market values.

### G. Receivables

In general, tax revenue is recognized on the government-wide financial statements when assessed or levied and on the governmental financial statements to the extent that it is both measurable and available. Receivables are stated net of estimated allowances for uncollectible accounts. Reimbursements due to GovGuam for its expenditures on federally funded reimbursement and grant programs are reported as "receivables from federal agencies" in the governmental funds balance sheet.

Receivables of the primary government and the discretely presented component units are primarily due from businesses and individuals residing on the island of Guam. The allowance for uncollectible accounts primarily represents estimated uncollectible amounts that are determined based upon past collection experience and aging of the accounts.

### H. Inventories

Inventories of the primary government and the discretely presented component units are generally valued at the lower of cost (FIFO) or market.

### I. Interfund Receivables/Payables

During the course of its operations, GovGuam 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. Receivables and payables resulting from transactions between component units and the primary government are classified as "due to/from primary government" or "due to/from component units" on the governmental fund balance sheet and the statement of net assets. Interfund receivables and payables have been eliminated from the statement of net assets.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

## (1) Summary of Significant Accounting Policies, Continued

### J. Capital Assets

Capital assets, including property, plant, equipment and infrastructure (e.g. roads, bridges, ramps and other similar items), are reported in the governmental activity column of the government-wide financial statements. Such assets, whether purchased or constructed, are recorded at historical cost or estimated historical cost. Construction in progress includes all associated cumulative costs of a constructed capital asset. Construction in progress is relieved at the point at which an asset is placed in service for its intended use. 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 items exceeds \$50,000. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized.

Capital assets of the primary government are depreciated using the straight-line method with a full year's depreciation charged in the year of acquisition and disposal, regardless of date. Capital assets of the discretely presented component units are capitalized upon purchase and depreciated on a straight-line basis over the estimated useful lives of the assets.

### K. Deferred Revenues

In the government-wide financial statements, deferred revenue is recognized when cash, receivables or other assets are recorded prior to being earned. In the governmental fund financial statements, deferred revenue represents monies received or revenues accrued which have not been earned or do not meet the "available" criterion for revenue recognition under the modified accrual basis of accounting. The deferred revenue in the governmental fund types primarily relates to Section 30 federal income tax collections remitted to the trustee in accordance with the bond indentures associated with the 2001 and 2009 Series A bond issues, and federal funds received in advance of eligible expenditures. On September 24, 2010, GovGuam received Section 30 federal income tax collections from the United States Government in the amount of \$46,357,373, which pertains to revenues of the following fiscal year.

### L. Provision for Tax Refunds

During the calendar year, GovGuam collects individual and corporate income taxes through withholdings and payments from taxpayers. At September 30, GovGuam estimates the amount owed to taxpayers for overpayments during the first nine months of the calendar year. These estimated amounts and the actual tax refunds claimed for prior years but not paid at year-end are recorded as tax refunds payable and as a reduction of tax revenue. The provision for tax refunds is evaluated on a regular basis by management and is based upon management's periodic review of tax returns in light of historical experience and the nature and volume of tax returns submitted. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. Accordingly, changes to the provision for tax refunds are accounted for on a prospective basis.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

## (1) Summary of Significant Accounting Policies, Continued

### M. Long-term Debt

The liabilities reported in the government-wide financial statements include GovGuam general obligation bonds, long-term notes and capital leases, and long-term liabilities including vacation, sick leave, long-term liabilities to other governmental entities, and closure and post-closure costs associated with the Ordot Dump. Long-term obligations financed by component units are recorded as liabilities in the discretely presented component unit's column.

### N. Dedicated Revenues and Pledges

GovGuam has pledged a portion of future General Fund Section 30 revenues to repay the following debt: (i) \$76,895,000 in limited obligation bonds issued in December 2001; (ii) a \$10,000,000 note payable to a bank executed in September 2002; (iii) a \$13,800,000 note payable to a bank executed in July 2008; and (iv) \$202,425,000 in limited obligation bonds issued in June 2009. This debt is payable solely from Section 30 revenues payable to GovGuam by the United States Government pursuant to Section 30 of the Organic Act, Title 48, U.S. Code, Section 41421(h). Total principal and interest remaining on this debt is approximately \$414,441,025 payable through November 2039. For the year ended September 30, 2010, principal and interest paid and total Section 30 revenues were \$16,253,706 and \$39,028,136, respectively.

GovGuam has also pledged a portion of future hotel occupancy tax revenues, liquid fuel tax revenues and vehicle registration/license fees, and certain judicial fees, fines and building rental receipts to repay the following debt: (i) \$41,595,000 in limited obligation infrastructure improvement bonds issued in December 1997; (ii) \$21,560,000 in limited obligation highway refunding bonds issued in April 2001; and (iii) a \$11,000,000 note payable to a bank executed in September 2006. This debt is payable solely from these certain tax revenues, vehicle registration/license fees, judicial fees, fines and building rental receipts generated by GovGuam. Total principal and interest remaining on the limited obligation infrastructure improvement bonds is approximately \$38,066,294 payable through November 2017. For the year ended September 30, 2010, principal and interest paid and total hotel occupancy tax revenues were \$6,657,176 and \$22,233,222, respectively. Total principal and interest remaining on the limited obligation highway refunding bonds is approximately \$12,051,650 payable through May 2012. For the year ended September 30, 2010, principal and interest paid, total liquid fuel tax revenues and total vehicle registration/license fees were \$6,025,775, \$9,777,592 and \$8,779,133, respectively. Total principal and interest remaining on the note payable is approximately \$15,189,258 payable through September 2018. For the year ended September 30, 2010, principal and interest paid and total judicial fees, fines and building rental receipt revenues were \$993,004 and \$2,750,364, respectively.

Finally, GovGuam has entered into a municipal school lease agreement whereby GovGuam has pledged a portion of future Compact Impact grant revenues to finance annual lease payments under this agreement. This lease 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 municipal school lease agreement are approximately \$105,600,000 payable through December 2025. For the year ended September 30, 2010, lease payments made and total Compact Impact grant revenues received were \$7,100,000 and \$7,100,000, respectively.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

## (1) Summary of Significant Accounting Policies, Continued

### O. Bond Premiums, Discounts and Issuance Costs

In the government-wide financial statements, bond premiums, discounts and issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Bonds payable are reported net of bond premiums and discounts. Bond issue costs are reported as deferred charges.

In the governmental fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the period the bond proceeds are received. The face amount of the debt issued is reported as other financing sources. Premiums received and discount deducted on debt issuance are reported as other financing sources and other financing uses, respectively. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as expenditures.

### P. Fund Equity/Net Assets

GovGuam reports net assets as restricted when restrictions are externally imposed by citizens and/or public interest groups or legally segregated for a specific future use by enabling legislation in accordance with GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*. Otherwise, these balances are considered unrestricted.

Net Assets have been restricted as follows:

“Restricted for capital projects” - identifies amounts of unspent proceeds of bond issuances that can only be used for capital projects.

“Restricted for retirement of indebtedness” - identifies amounts held by fiscal agents to fund future debt service obligations as required under bond indentures. Because removal of monies from these restrictions will constitute a technical default to bondholders, the amounts are restricted.

“Restricted for other purposes” - identifies amounts held for various externally imposed restrictions either by creditors, grantors or laws and regulations of other governments. It also includes various restrictions put forth by the GovGuam enabling statutes. Included in this restriction are reserves for prior appropriations continued.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Portions of fund balances are reserved for the following:

- Encumbrances which represent outstanding commitments that generally are liquidated in the subsequent fiscal year.
- Continuing appropriations which represent amounts that have been released and made available for encumbrance or expenditure and are legally segregated for a specific future use.
- Related assets which represent certain amounts that are not currently available for expenditure.
- Debt service which represent certain amounts that are only available for bond redemption and payment.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

## (1) Summary of Significant Accounting Policies, Continued

### Q. Estimates

The preparation of financial statements in conformity with GAAP 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 financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results may differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the provision for tax refunds.

### R. Compensated Absences

Compensated absences are recorded as a long-term liability in the statement of net assets. Amounts to be paid during the next fiscal year are reported as current liabilities. For the governmental fund financial statements, vested or accumulated vacation and sick leave that is expected to be liquidated with expendable available financial resources are reported as expenditures and fund liabilities. Vacation pay is convertible to pay upon termination of employment.

In accordance with Public Law 27-5 and Public Law 28-68, employee vacation rates are credited at either 104, 156 or 208 hours per 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 (5) years of service
2. Three-fourths day (6) hours for each full bi-weekly pay period in the case of employees with more than five (5) years of service but less than fifteen (15) years of service.
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.

The statutes further amended the maximum accumulation of such vacation credits from 480 to 320 hours. Public Law 27-106 amended subsection (c) of 4 Guam Code Annotated § 4109. Employees who have accumulated annual leave in excess of 320 hours as of February 28, 2003, may carry over their excess and shall use the excess amount of leave prior to retirement or termination from service. Any unused leave over the excess shall be lost.

Public Law 26-86 allows members of the Defined Contribution Retirement System to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. GovGuam has accrued an estimated liability of \$17,878,083 at September 30, 2010 for potential future sick leave payments as a result of this law. However, this amount is an estimate and actual payout may be materially different than estimated.

### S. Total Columns

Total columns are presented primarily to facilitate financial analysis. The Management's Discussion and Analysis includes certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a full comparative presentation. Accordingly, such information should be read in conjunction with GovGuam's financial statements for the year ended September 30, 2009 from which summarized information was derived.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

## (1) Summary of Significant Accounting Policies, Continued

### T. New Accounting Standards

During fiscal year 2010, GovGuam implemented the following pronouncements:

- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which addresses whether and when intangible assets should be considered capital assets for financial reporting purposes.
- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which is intended to improve how state and local governments report information about derivative instruments - financial arrangements used by governments to manage specific risks or make investments - in their financial statements.
- GASB Technical Bulletin No. 2008-1, *Determining the Annual Required Contribution Adjustment for Postemployment Benefits*, which clarifies the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for calculating the annual required contribution (ARC) adjustment.
- GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*, which provides guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code, and establishes requirements for recognizing and measuring the effects of the bankruptcy process on assets and liabilities, and for classifying changes in those items and related costs.

The implementation of these pronouncements did not have a material effect on the accompanying financial statements.

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The provisions of this statement are effective for periods beginning after June 15, 2010. Management has not evaluated the effect that the implementation of this statement will have on the financial statements of GovGuam.

In December 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which amends Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans. The provisions of Statement 57 related to the use and reporting of the alternative measurement method are effective immediately. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in OPEB plan financial statements for periods beginning after June 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of GovGuam.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

## (1) Summary of Significant Accounting Policies, Continued

### T. New Accounting Standards, Continued

In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*, which updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. The provisions of this statement are effective for periods beginning after June 15, 2010. Management has not evaluated the effect that the implementation of this statement will have on the financial statements of GovGuam.

## (2) Deposits and Investments

GASB Statement No. 40 addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. As an element of interest rate risk, disclosure is required of investments that have fair values that are highly sensitive to changes in interest rates. GASB Statement No. 40 also requires disclosure of formal policies related to deposit and investment risks.

The deposit and investment policies of GovGuam are governed by 5 GCA 21, *Investments and Deposits*, in conjunction with applicable bond indentures. The Director of Administration is responsible for the safekeeping of all monies paid into the Treasury of Guam. The Director of Administration invests any monies of GovGuam that are deemed not necessary for immediate use. Legally authorized investments include securities issued or guaranteed by the U.S. Treasury or agencies of the United States government; demand and time deposits in or certificates of deposit of, or bankers' acceptances issued by, any eligible institution; corporate debt obligations, including commercial paper; certain money market funds; state and local government securities, including municipal bonds; and repurchase and investment agreements. With the exception of investments in U.S. government securities, which are explicitly or implicitly guaranteed by the United States government, all other investments must be rated Aa1/P-1 by Moody's.

### A. Deposits

GASB Statement No. 3 previously required government entities to present deposit risks in terms of whether the deposits fell into the following categories:

- |            |  |
|------------|--|
| Category 1 | Deposits that are federally insured or collateralized with securities held by GovGuam or its agent in GovGuam's name;  |
| Category 2 | Deposits that are uninsured but fully collateralized with securities held by the pledging financial institution's trust department or agent in GovGuam's name; or                  |
| Category 3 | Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent but not in GovGuam's name and non-collateralized deposits. |

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

## (2) Deposits and Investments, Continued

### A. Deposits, Continued

GASB Statement No. 40 amended GASB Statement No. 3 to in effect eliminate disclosure for deposits falling into categories 1 and 2 but retained disclosures for deposits falling under category 3. Category 3 deposits are those deposits that have exposure to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, GovGuam's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized, collateralized with securities held by the pledging financial institution, or held by the pledging financial institution but not in the depositor-government's name. GovGuam does not have a deposit policy for custodial credit risk.

As of September 30, 2010, the carrying amount of the primary government's total cash and cash equivalents and time certificates of deposit was \$46,401,216 and the corresponding bank balances were \$50,714,346. Of the bank balances, \$50,670,892 is maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. The remaining amount of \$43,454 represents short-term investments held and administered by GovGuam's trustees in accordance with various trust agreements and bond indentures. Based on negotiated trust and custody contracts, all of these investments were held in GovGuam's name by GovGuam's custodial financial institutions at September 30, 2010. As of September 30, 2010, bank deposits in the amount of \$3,528,672 were FDIC insured. GovGuam does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

As of September 30, 2010, cash and cash equivalents and time certificates of deposit in the amount of \$12,796,341 are restricted for capital projects. Of this amount, \$11,795,623 represents unexpended bond proceeds.

As of September 30, 2010, the carrying amount of the fiduciary fund's total cash and cash equivalents and time certificates of deposit was \$14,684,912 and the corresponding bank balances were \$16,164,352, which are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2010, bank deposits in the amount of \$1,095,572 were FDIC insured. GovGuam does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

### B. Investments

GASB Statement No. 3 previously required government entities to present investment risks in terms of whether the investments fell into the following categories:

- |            |   |
|------------|---|
| Category 1 | Investments that are insured or registered, or securities held by GovGuam or its agent in GovGuam's name;   |
| Category 2 | Investments that are uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in GovGuam's name; or   |
| Category 3 | Investments that are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in GovGuam's name. |

**GOVERNMENT OF GUAM**

Notes to Financial Statements  
September 30, 2010

(2) Deposits and Investments, Continued

B. Investments, Continued

GASB Statement No. 40 amended GASB Statement No. 3 to in effect eliminate disclosure for investments falling into categories 1 and 2, and provided for disclosure requirements addressing other common risks of investments such as credit risk, interest rate risk, concentration of credit risk, and foreign currency risk. GASB Statement No. 40 did retain and expand the element of custodial credit risk in GASB Statement No. 3.

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure by issuer and amount of investments in any one issuer that represents five percent (5%) or more of total investments for GovGuam.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, GovGuam will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. GovGuam's investments are held and administered by trustees in accordance with various bond indentures for the purpose of funding various health-related projects under a tobacco settlement agreement and future debt service requirements. Based on negotiated trust and custody contracts, all of these investments were held in GovGuam's name by GovGuam's custodial financial institutions at September 30, 2010.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. GovGuam does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

As of September 30, 2010, GovGuam's investments recorded at fair value are classified as follows:

	<u>General</u>	<u>Federal Grants Assistance</u>	<u>GDOE Federal Grants</u>	<u>Landfill CIP</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Investments:						
Money market funds	\$ 75,136,750	\$ -	\$ -	\$ 8,979,032	\$ 24,659,401	\$ 108,775,183
Mutual funds	7,169,185	-	-	122,992,903	7,778,931	137,941,019
Fixed income	-	-	-	-	8,344,252	8,344,252
	<u>\$ 82,305,935</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 131,971,935</u>	<u>\$ 40,782,584</u>	<u>\$ 255,060,454</u>

As of September 30, 2010, certain investments are restricted for capital projects and future debt service requirements in the amounts of \$128,531,090 and \$109,850,807, respectively.

# GOVERNMENT OF GUAM

## Notes to Financial Statements September 30, 2010

(2) Deposits and Investments, Continued

B. Investments, Continued

As of September 30, 2010, GovGuam's investments in debt securities were as follows:

	Moody's Credit Rating	Less Than 1	Investment Maturities (In Years)			Fair Value
			1 to 5	6 to 10	Greater Than 10	
U.S. Government agencies:						
Federal Home Loan Mortgage Corporation	Aaa	\$ 4,400,000	\$ -	\$ -	\$ -	\$ 4,400,000
Commercial paper	A1	3,135,414	-	-	-	3,135,414
Commercial paper	A2	808,838	-	-	-	808,838
		<u>\$ 8,344,252</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,344,252</u>

Additionally, as of September 30, 2010, the General Fund holds 17% of the shares of the Pacific Islands Development Bank in the amount of \$1,000,000. As the fair market value of this investment is not readily available, such has been recorded at cost.

Government of Guam Retirement Fund (GGRF):

Investments of GGRF include U.S. Federal Government and agency obligations, foreign government obligations, real estate, commercial mortgages, corporate debt, mutual funds and equity instruments. Investments are reported at fair value. Security transactions and any resulting gains or losses are accounted for on a trade date basis.

Investments other than real estate, commercial mortgages and other loans, and municipal revenue bonds are reported at market values determined by the custodial agents. The agent's determination of market values includes, among other things, using pricing services or prices quoted by independent brokers at current exchange rates.

Commercial mortgages and other loans and municipal revenue bonds have been valued on an amortized cost basis, which approximates market or fair value. No allowance for loan loss has been provided as all loans and bonds are considered by management to be fully collectible. Short-term investments are reported at cost, which approximates market value.

For investments where no readily ascertainable market value exists, management, in consultation with their investment advisor, have determined the fair values for the individual investments based on anticipated maturity dates and current interest rates commensurate with the investment's degree of risk.

## GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

### (2) Deposits and Investments, Continued

#### B. Investments, Continued

Government of Guam Retirement Fund (GGRF), Continued:

Northern Trust Company holds the investments as custodian in GGRF's name. In addition, GGRF has selected investment managers who are given authority to purchase and sell securities in accordance with the following guidelines:

- a. Cash and Cash Equivalents - Cash equivalent reserves must consist of cash instruments having a quality rating of A-2, P-2 or higher. Eurodollar Certificates of Deposit, time deposits, and repurchase agreements are also acceptable investment vehicles. All other securities will be, in the judgment of the investment managers, of credit quality equal to or superior to the standards described above. No single issue shall have a maturity of greater than two years, and the cash portfolio shall have a maturity of less than one year. Any idle cash not invested by the investment managers shall be invested daily through an automatic sweep managed by the custodian.
- b. Investment managers may invest in U.S. and non-U.S. common stocks, American Depository Receipts (ADRs), convertible bonds, preferred stocks, fixed-income securities, mutual funds and short-term securities. All fixed-income securities held in the portfolio must have a Moody's, Standard & Poor's and/or a Fitch's credit quality rating of no less than "BBB". U.S. Treasury and U.S. government agencies are qualified for inclusion in the portfolio. No more than twenty percent (20%) of the market value of the portfolio may be rated less than single "A" quality, unless the manager has specific written authorization. Eighty percent (80%) of the fixed-income portfolio must be in bonds of credit quality of no less than "A". Total portfolio quality (capitalization weighted) must maintain an "A" minimum rating. In case such bonds or other evidence of indebtedness are not so rated by two nationally recognized and published rating services, the net earnings available for fixed charges over a period of five fiscal years preceding the date of investment have averaged per year and during either of the last two years have been, after depreciation and taxes, not less than:
  - i. Two times its average annual fixed charges over the same period, in the case of any public utility company;
  - ii. One and one-half times its average annual fixed charges over the same period, in the case of any financial company; or,
  - iii. Three times its average annual fixed charges over the same period, in the case of any other company.

With the written petition and subsequent written approval of the Trustees, opportunistic investment bonds issued by national governments other than the United States or foreign corporations may comprise up to six percent (6%) of each fixed-income manager's portfolio. In no case shall these investments exceed three and one-half percent (3.5%) of the total GGRF investments. All non-U.S. securities will be, in the judgment of the investment managers, of credit quality equal to or superior to the standards described above.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

(2) Deposits and Investments, Continued

B. Investments, Continued

Government of Guam Retirement Fund (GGRF), Continued:

- c. No investment management organization shall have more than twenty-five percent (25%) of the GGRF's assets under its direction.
- d. No individual security of any issuer, other than that of the United States government or GovGuam, shall constitute more than five percent (5%), at cost, of the total GGRF or of any investment manager's portfolio.
- e. Holdings of any issuer must constitute no more than five percent (5%) of the outstanding securities of such issuer.
- f. Investments in a registered mutual fund managed by the investment manager are subject to prior approval of the Board of Trustees.
- g. The following securities and transactions are not authorized: letter stock and other unregistered securities; non-negotiable securities; commodities or other commodity contracts; and short sales origin transactions. Options and futures are restricted, except by petition to the Trustees for approval.

Investments of GGRF as of September 30, 2010 are classified as follows:

Common stocks	\$ 684,028,213
Fixed income	361,465,932
Money market funds	21,269,147
Mutual funds	<u>336,038,405</u>
	<u>\$ 1,402,801,697</u>

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer is the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that GGRF manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

As of September 30, 2010, GGRF's investments in debt securities were as follows:

	<u>Investment Maturities (In Years)</u>				<u>Fair Value</u>
	<u>Less Than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>Greater Than 10</u>	
U.S. Treasury notes	\$ -	\$ 7,352,832	\$ -	\$ 196,789	\$ 7,549,621
U.S. government agencies	15,681,692	37,719,499	21,467,858	77,467,223	152,336,272
Corporate notes and bonds	<u>9,488,009</u>	<u>56,120,781</u>	<u>77,421,900</u>	<u>58,549,349</u>	<u>201,580,039</u>
	<u>\$ 25,169,701</u>	<u>\$ 101,193,112</u>	<u>\$ 98,889,758</u>	<u>\$ 136,213,361</u>	<u>\$ 361,465,932</u>

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

(2) Deposits and Investments, Continued

B. Investments, Continued

Government of Guam Retirement Fund (GGRF), Continued:

GGRF's investments are typically made in corporate equities, U.S. Treasury obligations, and commercial paper. These types of investments are not more sensitive to interest rate fluctuations than as already indicated above. Investments that are highly sensitive to interest rate fluctuations include Federal agency securities with coupon multipliers that are reset frequently, mortgage-backed securities, and Federal agency securities with interest rates that vary inversely to a benchmark set quarterly.

GGRF has invested in mortgage backed securities, which are more sensitive to fluctuations in interest rates than already indicated in the information provided above. Such securities are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows affects the fair value of these securities and makes the fair values of these securities highly sensitive to changes in interest rates. At September 30, 2010, GGRF held mortgage-backed securities valued at approximately \$80,000,000.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Presented below is the minimum rating required by (where applicable) the Guam Code Annotated and GGRF's investment policy, and the actual rating as of September 30, 2010:

<u>Investment Type</u>	<u>Minimum Legal Rating</u>	<u>Amount</u>	<u>Rating as of Year End</u>
U.S. Treasury notes	N/A	\$ 72,112,154	Exempt from disclosure
Federal agency securities	N/A	96,466,616	Exempt from disclosure
Money market funds	A-2	21,269,147	AAAm
Corporate medium term notes and U.S. municipal obligations	BBB	27,423,637	Aaa
		33,348,292	Aa1-Aa3
		87,029,507	A1-A3
		19,042,598	Baa1-Baa3
		<u>26,043,128</u>	Not rated
		<u>\$ 382,735,079</u>	

GGRF's investment policy contains limits on the amount that can be invested in any one issuer. At September 30, 2010, the Fund did not hold any investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total GGRF investments.

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair values of an investment or deposit. At September 30, 2010, GGRF held approximately \$5,079,000 in corporate bonds issued by companies organized in various foreign countries. Of this amount, approximately \$1,985,000 was issued by Canadian companies, \$1,777,000 by British companies, and \$1,317,000 by Dutch companies.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

## (2) Deposits and Investments, Continued

### B. Investments, Continued

Government of Guam Retirement Fund (GGRF), Continued:

At September 30, 2010, GGRF held investments (generally U.S. dollar denominated ADRs) in corporate stocks issued by companies organized in various foreign countries. These ADRs are indirectly affected by fluctuations in currency exchange rates. The market value of these investments at September 30, 2010 was approximately \$74,000,000. Of this total, approximately \$32,000,000 relates to companies whose functional currency is the Euro, \$13,000,000 relates to companies whose functional currency is the Japanese yen, \$7,000,000 relates to companies whose functional currency is the Swiss Franc, \$8,000,000 relates to companies whose functional currency is the British pound, and the remaining \$14,000,000 relates to companies representing nine separate functional currencies.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The Guam Code Annotated and GGRF's investment policy contain legal requirements that limit the exposure to custodial credit risk for deposits and investments. The Guam Code Annotated requires that a financial institution secure deposits made by GovGuam agencies by pledging securities in: "(a) Treasury notes or bonds of the United States, or those for which the faith and credit of the United States are pledged for the payment of principal and in interest, (b) any evidence of indebtedness of the Government of Guam, (c) Investment certificates of the Federal Home Loan Bank, or (d) such other securities as may be ... approved by the Director of Administration and the Governor of Guam." The fair market value of the pledged securities must be at least ten percent (10%) in excess of the amount of monies deposited with the bank.

Further, to address custodial risk, the Guam Code Annotated requires the custodian to have been in the business of rendering trust custody services for ten or more years, to be organized under the laws of the United States or a state or territory thereof, to have capital and surplus in excess of Ten Million Dollars (\$10,000,000), and to be a member of the Federal Reserve System whose deposits are insured by the Federal Deposit Insurance Corporation. Regardless of the above, any locally chartered bank may act as custodian for GGRF.

# GOVERNMENT OF GUAM

## Notes to Financial Statements September 30, 2010

### (3) Receivables

Receivables as of September 30, 2010, for the primary government's individual major governmental funds, nonmajor governmental funds in the aggregate, and fiduciary funds, including allowances for uncollectible accounts, are as follows:

	General	Federal Grants Assistance	GDOE Federal Grants	Landfill CIP	Nonmajor Governmental Funds	Fiduciary Funds	Total
Receivables:							
Taxes	\$ 30,302,323	\$ -	\$ -	\$ -	\$ 4,803,339	\$ -	\$ 35,105,662
Federal grants	15,450,000	49,793,137	6,297,254	-	319,103	-	71,859,494
Contributions	-	-	-	-	-	16,061,154	16,061,154
Notes	-	-	-	-	-	4,761,094	4,761,094
Interest	-	-	-	-	-	1,097,393	1,097,393
COLA benefits	-	-	-	-	-	67,636,261	67,636,261
Other	<u>6,115,918</u>	<u>155</u>	<u>-</u>	<u>-</u>	<u>18,911,790</u>	<u>88,084,887</u>	<u>113,112,750</u>
	51,868,241	49,793,292	6,297,254	-	24,034,232	117,640,789	309,633,808
Allowance for uncollectible accounts	<u>(6,115,918)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,841,997)</u>	<u>-</u>	<u>(18,957,915)</u>
Net receivables	<u>\$ 45,752,323</u>	<u>\$ 49,793,292</u>	<u>\$ 6,297,254</u>	<u>\$ -</u>	<u>\$ 11,192,235</u>	<u>\$ 177,640,789</u>	<u>\$ 290,675,893</u>

Contributions receivable recorded by the fiduciary funds represent amounts owed to the GovGuam Retirement Fund (GGRF) for employer and member contributions from various GovGuam agencies for various pay periods during the fiscal years ended September 30, 1988 through 2006. As of September 30, 2010, employer contributions receivable totaled \$10,919,006; member contributions receivable totaled \$5,142,148; and interest and penalties receivable totaled \$1,097,393. A significant portion of the employer and member contributions receivable represent Defined Benefit Plan contributions from the Guam Department of Education (GDOE), formerly the Guam Public School System, a line agency of the primary government, and the Guam Memorial Hospital Authority (GMHA). As of September 30, 2010, receivables from GDOE and GMHA totaled \$7,352,148 and \$6,155,522, respectively.

Interest and penalties continue to accrue on these receivables based on the provisions set forth in Section 8137(c) of 4 GCA 8, *Retirement of Public Employees*, which states that GGRF will impose interest at a rate equivalent to the average rate of return on its investments from the previous fiscal year and a 1% penalty for delinquent payments.

Public Law 28-38, as amended by Public Law 29-19, requires GovGuam's General Fund to remit interest only payments monthly to GGRF for the aforementioned receivables from GDOE and GMHA. The law indicates that monthly payments, totaling \$192,955 and \$190,501, respectively, for GDOE and GMHA, will continue until the outstanding balances for these agencies are fully paid from a general obligation bond or other means. However, if the obligations are not paid within ten years, payments for GDOE and GMHA will resume per 4 GCA Section 8137. During the fiscal year ended September 30, 2010, GGRF received payments totaling \$2,315,460 and \$2,286,012 for GDOE and GMHA, respectively.

**GOVERNMENT OF GUAM**

Notes to Financial Statements  
September 30, 2010

(3) Receivables, Continued

Public Law 24-327, as amended, became effective December 30, 1998 relative to GovGuam's Early Retirement Incentive Program (ERIP). This law allowed GGRF members with at least twenty years of creditable service to retire and to purchase up to five years of creditable service. Those electing to participate in the ERIP must pay the members' share of the required contribution, plus interest, based on their salary at the time they made the election; the time period in which the member was required to make the election being December 30, 1998 to January 7, 2000. Payments can be made in full or can be financed through deductions from annuities over a period not to exceed fifteen years.

Approximately 800 members elected to participate in the ERIP and signed promissory notes totaling nearly \$15,000,000. At September 30, 2010, the amount owed under these notes was \$4,761,094. There is a corresponding deferred revenue account to offset these notes receivable, since contribution income is recognized on a cash basis as amounts are collected from retirees. GovGuam's share of these contributions has been recognized in the amount of \$269,915 at September 30, 2010. This receivable has also been offset by deferred revenue in the same amount.

Public Law 25-72, passed in September 1999, required the payment of supplemental annuity and cost of living allowance benefits to retirees, and specified that these payments were vested, limited-duration benefits to be provided by GGRF. Such benefits were to be actuarially funded over a twenty-year amortization period through an increase in contributions. GGRF initially recorded these benefit payments as a receivable in the amount of \$137,200,000 and has reduced this receivable by a portion of employer contributions received. The percentage used for the year ended September 30, 2010 was 1.2016% of covered payroll. As of September 30, 2010, the receivable recorded by GGRF amounted to \$67,636,261.

(4) Interfund Receivables/Payables

Receivables and payables between funds reflected as due to/from other funds in the combined balance sheet at September 30, 2010, are summarized as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Federal Grants Assistance	\$ 27,843,321
General	GDOE Federal Grants	1,190,112
Nonmajor governmental funds	General	34,981,268
General	Nonmajor governmental funds	8,210,790
Nonmajor governmental funds	Nonmajor governmental funds	<u>26,092</u>
		<u>\$ 72,251,583</u>

These balances result from the time lag between the dates that 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.

## GOVERNMENT OF GUAM

### Notes to Financial Statements September 30, 2010

(4) Interfund Receivables/Payables, Continued

Balances reflected as due to component units of the primary government at September 30, 2010, are summarized as follows:

General Fund:  
Guam Power Authority \$ 6,477,691

Balances reflected as due from component units of the primary government in the statement of net assets/balance sheet at September 30, 2010, are summarized as follows:

Nonmajor governmental funds:  
Antonio B. Won Pat International Airport Authority \$ 2,153,590

(5) Capital Assets

Capital asset activities of the primary government for the year ended September 30, 2010, are as follows:

	Estimated Useful Lives	Balance October 1, 2009	Additions	Retirements	Balance September 30, 2010
Governmental activities:					
Nondepreciable capital assets:					
Land		\$ 11,454,623	\$ -	\$ -	\$ 11,454,623
Construction in progress		<u>1,730,894</u>	<u>53,385,284</u>	<u>(816,636)</u>	<u>54,299,542</u>
		<u>13,185,517</u>	<u>53,385,284</u>	<u>(816,636)</u>	<u>65,754,165</u>
Depreciable capital assets:					
Buildings	40 - 60 yrs	403,208,721	-	-	403,208,721
Machinery, equipment and Furniture	5 - 20 yrs	56,130,331	8,444,108	-	64,574,439
Infrastructure	25 yrs	<u>591,746,289</u>	<u>13,241,752</u>	-	<u>604,988,041</u>
		<u>1,051,085,341</u>	<u>21,685,860</u>	-	<u>1,072,771,201</u>
Less accumulated depreciation:					
Buildings		(119,935,172)	(9,273,387)	-	(129,208,559)
Machinery, equipment and Furniture		(46,795,274)	(3,460,579)	-	(50,255,853)
Infrastructure		<u>(180,259,900)</u>	<u>(23,605,598)</u>	-	<u>(203,865,498)</u>
		<u>(346,990,346)</u>	<u>(36,339,564)</u>	-	<u>(383,329,910)</u>
Depreciable capital assets, net		<u>704,094,995</u>	<u>(14,653,704)</u>	-	<u>689,441,291</u>
		<u>\$ 717,280,512</u>	<u>\$ 38,731,580</u>	<u>\$ (816,636)</u>	<u>\$ 755,195,456</u>

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

## (5) Capital Assets, Continued

Depreciation expense was charged to functions/programs of the primary government's governmental activities as follows:

General government	\$ 2,564,601
Protection of life and property	627,039
Public health	79,534
Community services	7,446
Recreation	77,314
Individual and collective rights	680,722
Transportation	18,202,214
Public education	8,095,829
Environmental protection	393,520
Economic development	<u>5,611,345</u>
	<u>\$ 36,339,564</u>

## (6) Long-Term Obligations

As of September 30, 2010, the primary government had the following long-term debt outstanding:

### General Obligation Bonds:

General Obligation Bonds, 1993 Series A (original issue of \$175,000,000, dated September 15, 1993), varying interest rates at 5.375% - 5.4% per annum, payable semiannually on May 5 and November 5, partially refunded in 2008 with principal fund payments due in varying annual installments commencing with an initial payment of \$2,910,000 on November 5, 2009 and increasing to a final payment of \$4,670,000 on November 5, 2018. The bonds were issued for the purpose of implementing certain capital projects comprised principally of new or renovated educational facilities and related equipment and are backed solely by a pledge of full faith and credit of GovGuam.

\$ 34,370,000

General Obligation Bonds, 2007 Series A (original issue of \$151,935,000, dated November 1, 2007), varying interest rates at 5% - 5.25% per annum, payable semiannually on May 5 and November 5, principal fund payments due in varying annual installments commencing with a payment of \$4,920,000 on November 5, 2019 and increasing to a final payment of \$12,155,000 on November 1, 2037. The bonds were issued for the purpose of advance refunding a portion of the 1993 General Obligation Bonds and to provide additional proceeds to fund certain capital improvement projects and other GovGuam obligations, including past due tax refunds and outstanding COLA settlement payments and are backed solely by a pledge of full faith and credit of GovGuam.

151,935,000

Less net unamortized discount on refunded bonds

(5,075,321)

146,859,679

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

## (6) Long-Term Obligations, Continued

### General Obligation Bonds, Continued:

General Obligation Bonds, 2009 Series A (original issue of \$271,070,000, dated June 18, 2009), varying interest rates at 5.75% - 7% per annum, payable semiannually on May 1 and November 1, principal fund payments due in varying semiannual installments commencing with a payment of \$3,220,000 on November 15, 2010 and increasing to a final payment of \$20,125,000 on November 15, 2039. The bonds were issued for the purpose of providing proceeds to fund certain capital improvement projects and other GovGuam obligations, including past due tax refunds and outstanding COLA settlement payments and are backed solely by a pledge of full faith and credit of GovGuam.

271,070,000

Less net unamortized discount on bonds

(9,301,741)

261,768,259

### Limited Obligation Bonds:

Limited Obligation Infrastructure Improvement Bonds, 1997 Series A (original issue of \$76,275,000, dated December 1, 1997), varying interest rates at 4.8% - 5.125% per annum, payable semiannually on May 1 and November 1, principal fund payments due in varying annual installments commencing with an initial payment of \$900,000 on November 1, 1999 and increasing to a final payment of \$4,625,000 on November 1, 2017. The bonds were issued for the purpose of advance refunding 1989 Infrastructure Improvement Bonds and prepaying a bank loan, and are backed by the full faith and credit of GovGuam payable solely from and collateralized by a pledge of hotel occupancy tax revenues.

31,385,000

Limited Obligation Highway Refunding Bonds, 2001 Series A (original issue of \$51,705,000, dated April 1, 2001), varying interest rates at 4.375% - 5.25% per annum, payable semiannually on May 1 and November 1, principal fund payments due in varying annual installments commencing with a payment of \$3,830,000 on May 1, 2002 and increasing to a final payment of \$5,765,000 on May 1, 2012. The bonds were issued for the purpose of refunding 1992 Highway Bonds and paying expenses incurred in relation to the issuance of the 2001 Section 30 Bonds, and are backed by the full faith and credit of GovGuam payable solely from and collateralized by a pledge of liquid fuel taxes, vehicle registration and licensing fees revenues.

11,250,000

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

## (6) Long-Term Obligations, Continued

### Limited Obligation Bonds, Continued:

Limited Obligation (Section 30) Bonds, 2001 Series A (original issue of \$76,895,000, dated December 1, 2001), varying interest rates at 4.25% - 5.5% per annum, payable semiannually on June 1 and December 1, principal fund payments due in varying annual installments commencing with a payment of \$6,220,000 on December 1, 2002 and increasing to a final payment of \$9,565,000 on December 1, 2011. The bonds were issued for the purpose of refunding 1989 Water System Revenue Bonds, prepaying two bank loans, funding capital improvements to the water system, funding capitalized interest, and purchasing a surety bond for the debt service reserve account, and are backed by the full faith and credit of GovGuam payable solely from and collateralized by a pledge of Section 30 federal income tax collections.

18,620,000

Add net unamortized premium on bonds

503,539

19,123,539

Limited Obligation (Section 30) Bonds, 2009 Series A (original issue of \$202,425,000, dated June 18, 2009), varying interest rates at 5% - 5.75% per annum, payable semiannually on June 1 and December 1, principal fund payments due in varying annual installments commencing with a payment of \$4,590,000 on June 30, 2013 and increasing to a final payment of \$15,235,000 on June 30, 2035. The bonds were issued for the purpose of constructing a new landfill, closure of Ordot Dump, prepaying a bank loan and funding capitalized interest, and are backed by the full faith and credit of GovGuam payable solely from and collateralized by a pledge of Section 30 federal income tax collections.

202,425,000

Less net unamortized discount on bonds

(5,417,284)

197,007,716

### Loans Payable:

Note payable to a local bank in the amount of \$10,000,000, dated September 20, 2002, interest rate is based on the bank's index rate and varies from 4.75% - 8% per annum, principal and interest payable commencing October 1, 2003 in annual installments of \$1,281,818, fully due October 1, 2012. This loan was used to fund public assistance programs and for the payment of the GovGuam Department of Education's monthly allotment backlog. The note is collateralized by a subordinate pledge and assignment of Section 30 federal income tax collections.

3,949,267

**GOVERNMENT OF GUAM**

Notes to Financial Statements  
September 30, 2010

(6) Long-Term Obligations, Continued

Loans Payable, Continued:

Note payable to a local bank in the amount of \$11,000,000, dated September 15, 2006, interest at 6.49% per annum, payable quarterly commencing December 1, 2006, with principal and interest payable commencing December 1, 2009 in quarterly installments of \$248,251, fully due on September 1, 2018. This loan was used to fund the construction a Judicial Building and a Forensic Science Laboratory. The note is collateralized by the pledge and assignment of Judicial Building Fund revenues. 10,175,434

Note payable to a local bank in the amount of \$13,800,000, dated July 17, 2008, interest at 7% per annum, payable monthly commencing August 1, 2008, with principal and interest payable commencing November 1, 2008 in monthly installments of \$350,184, fully due on July 1, 2012. This loan was used to retire certain delinquent utility billings owed to the Guam Power Authority. The note is collateralized by a subordinate pledge and assignment of Section 30 federal income tax collections. 7,183,280

\$ 723,072,174

Annual debt service requirements to maturity for principal and interest are as follows:

<u>Year ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 29,395,338	\$ 43,066,769	\$ 72,462,107
2012	30,298,190	41,407,565	71,705,755
2013	17,255,030	40,033,894	57,288,924
2014	16,427,972	39,119,944	55,547,916
2015	17,305,149	38,226,603	55,531,752
2016 – 2020	97,396,302	175,750,783	273,147,085
2021 – 2025	100,040,000	148,143,347	248,183,347
2026 – 2030	133,010,000	114,518,283	247,528,283
2031 – 2035	178,260,000	68,307,238	246,567,238
2036 – 2040	<u>122,975,000</u>	<u>19,079,025</u>	<u>142,054,025</u>
	<u>\$ 742,362,981</u>	<u>\$ 727,653,451</u>	<u>\$ 1,470,016,432</u>

On November 1, 2007, GovGuam issued \$151,935,000 in General Obligation Bonds, 2007 Series A, with varying interest rates of 5% - 5.25% to advance refund \$73,695,000 of outstanding 1993 Series A bonds. Of the net proceeds of \$146,295,794 (after payment of \$2,020,476 in underwriting fees, insurance, and other issuance costs), \$73,664,587 were placed in escrow, of which \$66,819,577 were used to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the 1993 Series A general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the government-wide financial statements of GovGuam. This advance refunding was undertaken to extend the maturity date of outstanding debt and to provide additional proceeds to fund certain capital improvement projects, Cost of Living Allowance payments, tax refund payments, and other court mandated payments and resulted in an economic loss of \$2,564,997.

## GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

### (6) Long-Term Obligations, Continued

As of September 30, 2010, \$110,851,525 has been accumulated within the General Fund and other governmental funds in the form of restricted time certificates of deposit and investments to service the General Obligation and Limited Obligation Bonds. There are a number of limitations and restrictions placed on the bonds as specified below:

General Obligation Bonds - 1993 Series A, 2007 Series A, 2009 Series A:

On or before the fifth day of each calendar month, GovGuam shall deposit into the Bond Fund held by the Trustee an amount equal to the amount necessary to increase the amount in the Bond Fund to the aggregate amount for all outstanding Bonds of all unpaid interest, principal and Mandatory Sinking Account Payments which shall be required to have been transferred to the Bond Fund under the following transfer requirement rules: (i) the amount of interest payable on each Bond on a current un compounded basis on any Interest Payment Date shall be transferred in equal monthly amounts over the Interest Accrual Period for such Bond ending on such Interest Payment Date; (ii) the amount of interest payable on each Bond on a deferred compounded basis on any Interest Payment Date shall be transferred in equal monthly amounts over the Principal Payment Period for such Bond ending on the maturity date for such Bond; (iii) the amount of the principal of each Bond shall be transferred in equal monthly amounts over the Principal Payment Period for such Bond ending on the maturity date for such Bond; and (iv) the amount of each Mandatory Sinking Account Payment for Bonds shall be transferred in equal monthly amounts over the Principal Payment Period for such Bonds ending on the date such Mandatory Sinking Account Payment is due.

Public Law 22-19 has authorized the creation of the Territorial Education Facilities Fund that requires that all real property tax revenues received shall be deposited into this fund. While such deposits are not pledged, these shall be used to pay the principal and interest on bonds issued for Capital Improvement Projects provided for under the General Obligation Bonds 1993 Series A indenture.

Limited Obligation Infrastructure Improvement Bonds, 1997 Series A:

The 1997 Series A bonds are limited obligations of GovGuam payable entirely from a first lien and pledge of revenues. Revenues are defined in the bond indenture as all amounts received from the imposition of hotel occupancy taxes. GovGuam has pledged to maintain these revenues at a level sufficient to equal the sum of 1.25 times the aggregate debt service becoming due within the next fiscal year; plus amounts required to be deposited pursuant to the tax certificate for the bonds and amounts required to meet the bond reserve fund requirement.

In accordance with the bond indenture, the depository has created a trust account known as the "Construction Fund." Amounts deposited therein are to be used to (1) implement capital improvement projects prescribed in Public Law 29-137, adopted on January 2, 1997, (2) pay the cost of bond issuance and letter of credit fees, and (3) pay the principal and interest on the bonds should other sources be insufficient. The "Construction Fund" account is accounted for within the Limited Obligation Infrastructure Improvement Bonds Capital Projects Fund.

## GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

### (6) Long-Term Obligations, Continued

Limited Obligation Infrastructure Improvement Bonds, 1997 Series A, Continued:

All pledged revenues are to be deposited into a special account entitled the "Revenue Fund." In addition, all interest and other profit derived from investments, except those in the "Construction Fund," are to be transferred monthly to the "Revenue Fund." Transactions of the "Revenue Fund" account are accounted for in the Tourist Attraction Fund. On the twentieth day of each month following the month the revenues are deposited, the depository is to deposit into the following funds (all of which are accounted for in the Limited Obligation Infrastructure Improvement Bonds Debt Service Fund) the specified amounts in the following order of priority:

- Bond Fund - an amount equal to the sum of (1) the aggregate amount of interest to accrue on the bonds during the next succeeding calendar month upon all bonds then outstanding, plus (2) an amount which, if paid in equal monthly installments in each month over the semiannual or annual period prior to the next principal date, would aggregate to the amount of principal then becoming due and payable on the outstanding serial bonds on such principal payment date, plus (3) an amount which, if paid in equal monthly installments in each month over the semiannual or annual period prior to the next principal date, would aggregate to the amount of the mandatory sinking fund payments required to be paid for the outstanding term bonds on such principal payment date.
- Rebate Fund - an amount, if any, needed to be deposited therein pursuant to the rebate certificate with respect to the 1997 Series A Bond.
- Bond Reserve Fund - an amount, if any, needed to equal to the lesser of (1) the maximum annual debt service, (2) 10% of the proceeds received from the sale of the bonds and (3) 125% of average annual debt service on the bonds or an amount as may be specified by supplemental indentures providing for the issuance of a series of bonds. The maximum annual debt service is defined as the sum of (1) the interest falling due on the then outstanding bonds, (2) the principal amount of the outstanding serial bonds falling due by their terms, and (3) the aggregate amount of all mandatory sinking payments required; all as computed for the bond year in which such sum shall be the largest. Amounts in the Bond Reserve Fund are to be used for the purpose of making up any deficiency in the Bond Fund.
- Bond Expense Fund - an amount equal to the amount of bond expenses estimated by the trustee to be due and payable during the next succeeding calendar month.

Limited Obligation Highway Refunding Bonds, 2001 Series A:

The 2001 Series A bonds are limited obligations of GovGuam payable entirely from a first lien and pledge of revenues. Revenues are defined in the bond indenture as all amounts received from the imposition of vehicle registration fees, license fees and certain penalties, and from taxes on the sale of gasoline, aviation and diesel fuels. GovGuam has pledged to maintain these revenues at a level sufficient to equal annual budgeted highway maintenance and operating expenses plus 1.2 times the aggregate debt service becoming due within the next fiscal year.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

## (6) Long-Term Obligations, Continued

### Limited Obligation Highway Refunding Bonds, 2001 Series A, Continued:

In accordance with the bond indenture, the depository has created a trust account to be known as the "Construction Fund". Amounts deposited therein are to be used to (1) implement highway capital improvement projects based on Public Law 21-110 signed by the Governor on June 1, 1992, (2) pay the costs of bond issuance, and (3) pay the principal and interest on the bonds should other sources be insufficient. The "Construction Fund" account is accounted for within the Limited Obligation Highway Improvement Bonds Capital Projects Fund.

All pledged revenues are to be deposited into a special account entitled the "Revenue Fund". In addition, all interest and other profit derived from investments, except those in the "Construction Fund," are to be transferred monthly to the "Revenue Fund". Transactions of the "Revenue Fund" account are accounted for in the Territorial Highway Fund. On the fifth day of each month following the month the revenues are deposited, the depository/trustee is to deposit into the following funds the specified amounts in the following order of priority:

- Bond Fund - an amount equal to the sum of (1) the aggregate amount of interest to accrue on the bonds during the next succeeding calendar month upon all then outstanding bonds, plus (2) an amount which, if paid in equal monthly installments in each month prior to the next May 1, would aggregate to the amount of principal then becoming due and payable on the outstanding serial bonds on such May 1, plus (3) an amount which, if paid in equal monthly installments in each month prior to the next May 1, would aggregate to the amount of the mandatory sinking fund payments required to be paid for outstanding term bonds on such May 1. Amounts in the Bond Fund are to be used to pay bond interest and the principal of the serial and term bonds. Funds in this account are accounted for within the Limited Obligation Highway Improvement Bonds Debt Service Fund.
- Maintenance and Operation Fund - the amount of maintenance and operation expenses budgeted by GovGuam to be paid during the next succeeding calendar month. Amounts in the Maintenance and Operation Fund are to be used for the purpose of paying GovGuam highway maintenance and operation costs. This account is a component of the Territorial Highway Fund.
- Maintenance and Operation Reserve Fund - an amount to increase the balance therein equal to 1.5% of the original aggregate principal amount of bonds of each series having bonds outstanding. Amounts in the Maintenance and Operation Reserve Fund are to be used to pay GovGuam highway maintenance and operation expenses should amounts in the Maintenance and Operation Fund be insufficient. Accounting for this Fund is performed within the Territorial Highway Fund.
- Bond Reserve Fund - an amount, if any, needed to equal the maximum annual debt service. The maximum annual debt service is defined as the sum of (1) the interest falling due on the then outstanding bonds, (2) the principal amount of the outstanding serial bonds falling due by their terms, and (3) the aggregate amount of all mandatory sinking fund payments required; all as computed for the bond year in which such sum shall be the largest. Amounts in the Bond Reserve Fund are to be used for the purpose of making up any deficiency in the Bond Fund. Funds in this account are accounted for within the Limited Obligation Highway Improvement Bonds Debt Service Fund.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

## (6) Long-Term Obligations, Continued

Limited Obligation Highway Refunding Bonds, 2001 Series A, Continued:

- Surplus Fund - the amount remaining in the revenue fund after all of the foregoing deposits. Amounts in the Surplus Fund are to be used for the purpose of paying other costs and expenses budgeted by GovGuam. Transactions to and from the Surplus Fund are accounted for in the Territorial Highway Fund.

Limited Obligation (Section 30) Bonds, 2001 Series A:

The 2001 Series A bonds are limited obligations of GovGuam payable entirely from a first lien and pledge of Section 30 revenues. Section 30 revenues are amounts received by or on behalf of GovGuam or the Trustee from the United States as proceeds of custom duties, federal income taxes and any other taxes derived from Guam.

As defined by the terms of the bond indenture, these revenues include the following: (1) all amounts received by GovGuam as proceeds of Federal income taxes derived from Guam ("Section 30" monies); (2) customs duties collected by GovGuam derived from Guam; (3) the proceeds of all taxes collected under the internal revenue laws of the United States on articles produced in Guam and transported to the United States, its Territories or possessions, or consumed in Guam; and (4) the proceeds of any other taxes which may be levied by Congress on the inhabitants of Guam. "Revenue" further includes all interest, profits or other income derived from investments in any fund or account created pursuant to the bond indenture.

In accordance with the bond indenture, the depository has created the following trust accounts to be known as the "Bond Expense Fund", "Bond Fund" and "Reserve Fund". Amounts deposited therein are to be used to (1) implement water systems and wastewater systems capital improvement projects based on Public Law 26-58 signed by the Governor on November 20, 2001, (2) pay the costs of bond issuance, and (3) pay the principal and interest on the bonds should other sources be insufficient. The "Bond Expense Fund", "Bond Fund" and "Reserve Fund" accounts are accounted for within the General Fund.

All pledged revenues are to be deposited into a special account entitled the "Section 30 Revenue Fund". Upon receipt of the annual payment of Section 30 revenues from the United States of America (customarily expected to be on or about October 1 of each year), and on the business day preceding each interest payment date, the depository/trustee shall transfer from the "Section 30 Revenues Fund" for deposit into the following funds the specified amounts in the following order of priority:

- Bond Fund - an amount necessary to (1) pay interest on the bonds as it becomes due and payable, (2) pay principal of bonds when due and payable and (3) purchase or redeem or pay maturity term bonds as provided in the indenture. Funds in this account are accounted for within the General Fund.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

## (6) Long-Term Obligations, Continued

Limited Obligation (Section 30) Bonds, 2001 Series A, Continued:

- Reserve Fund - an amount, if any, needed to equal the maximum annual debt service. The maximum annual debt service is defined as the sum of (1) the interest falling due on the then outstanding bonds, (2) the principal amount of the outstanding serial bonds falling due by their terms, and (3) the aggregate amount of all mandatory sinking fund payments required; all as computed for the bond year in which such sum shall be the largest. Amounts in the Reserve Fund are to be used for the purpose of making up any deficiency in the Bond Fund. Funds in this account are accounted for within the General Fund.
- Construction Fund - an amount of the proceeds are to be used to pay GovGuam water system and wastewater system capital projects. Funds in this account are accounted for within the General Fund.
- Bond Expense Fund - an amount, if any, needed to pay fees and expenditures for (1) water system and wastewater system capital projects, (2) any bond insurance policy. Funds in this account are accounted for within the General Fund.
- Surplus Fund - this is the balance that remains in the "Section 30 Revenue Fund" after all of the foregoing deposits. Amounts in the "Section 30 Revenue Fund" are to be used for the purpose of paying other costs and expenses budgeted by GovGuam. Funds in this account are accounted for within the General Fund.

Limited Obligation (Section 30) Bonds, 2009 Series A:

The 2009 Series A bonds are limited obligations of GovGuam payable entirely from a pledge of Section 30 revenues and to be secured by a first lien upon final maturity of the 2001 Series A Bonds. In accordance with a subordination agreement, dated June 18, 2009, between GovGuam and a local bank, the local bank agreed to subordinate the pledges of Section 30 revenues securing the \$10,000,000 and \$13,800,000 notes payable to a pledge of Section 30 revenues to be provided as security solely for the 2009 Series A bonds until these notes payable are both fully and completely repaid and discharged.

In accordance with the bond indenture, the depository has created the following trust accounts to be known as the "Bond Expense Fund", "Bond Fund" and "Reserve Fund". Amounts deposited therein are to be used to (1) pay costs associated with acquiring, constructing, improving and equipping a new municipal solid waste disposal facility in the Layon area near the Village of Inarajan (the "New Landfill") and with acquiring and constructing the closure of the Ordot Dump, (2) prepay a \$20.1 million loan incurred on January 2, 2009 to fund certain costs of the New Landfill; (3) make a deposit to the Bond Reserve Fund; (4) capitalize a portion of the interest on the 2009 Series A Bonds to and including June 1, 2012; and (5) pay the cost of bond issuance. The "Bond Expense Fund", "Bond Fund" and "Reserve Fund" accounts are accounted for within the General Fund.

Management of GovGuam believes that it is in compliance with all significant limitations and restrictions of the bond indentures as of September 30, 2010.

# GOVERNMENT OF GUAM

## Notes to Financial Statements September 30, 2010

### (7) Changes in Long-Term Liabilities

Other long-term liabilities will be liquidated in the future from governmental funds. During the year ended September 30, 2010, the following changes occurred in liabilities reported as part of the primary government's long-term liabilities in the statement of net assets:

	Balance October 1, <u>2009</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, 2010	Due Within <u>One Year</u>
Bonds payable:					
General obligation bonds	\$ 460,285,000	\$ -	\$ (2,910,000)	\$ 457,375,000	\$ 6,290,000
Limited obligation bonds	<u>282,490,000</u>	<u>-</u>	<u>(18,810,000)</u>	<u>263,680,000</u>	<u>17,830,000</u>
	742,775,000	-	(21,720,000)	721,055,000	24,120,000
Unamortized premium on bonds issued	1,007,083	-	(503,544)	503,539	-
Unamortized discount on bonds issued	(15,265,495)	546,470	-	(14,719,025)	-
Unamortized discount on refunding	<u>(5,263,296)</u>	<u>187,975</u>	<u>-</u>	<u>(5,075,321)</u>	<u>-</u>
	723,253,292	734,445	(22,223,544)	701,764,193	24,120,000
Loans payable	<u>24,210,300</u>	<u>991,134</u>	<u>(3,893,453)</u>	<u>21,307,981</u>	<u>5,275,338</u>
	<u>747,463,592</u>	<u>1,725,579</u>	<u>(26,116,997)</u>	<u>723,072,174</u>	<u>29,395,338</u>
Other liabilities:					
Compensated absences	22,853,806	11,733,438	(9,852,560)	24,734,684	10,819,246
Capital lease obligations	65,385,000	-	(2,915,000)	62,470,000	3,060,000
DCRS sick leave liability	15,882,742	4,403,917	(2,521,777)	17,764,882	-
Due to component units	18,339,707	-	(11,892,016)	6,447,691	2,324,201
Due to IRS	-	55,567,500	(43,893,500)	11,674,000	-
Landfill closure	<u>46,053,500</u>	<u>-</u>	<u>-</u>	<u>46,053,500</u>	<u>-</u>
	<u>168,514,755</u>	<u>71,704,855</u>	<u>(71,074,853)</u>	<u>169,144,757</u>	<u>16,203,447</u>
	<u>\$ 915,978,347</u>	<u>\$ 73,430,434</u>	<u>\$ (97,191,850)</u>	<u>\$ 892,216,931</u>	<u>\$ 45,598,785</u>

Other long-term liabilities include an amount due to the Internal Revenue Service (IRS) for excess Make Work Pay Credit (MWPC) payments received under the American Recovery and Reinvestment Act of 2009. In accordance with the agreement between GovGuam and the IRS, this amount is due and payable by January 1, 2013. A summary of the application of MWPC is as follows:

Due to IRS at October 1, 2009	\$	-
MWPC payments received by GovGuam through September 30, 2010:		
Tax Year 2009	\$	36,300,000
Tax Year 2010		<u>19,267,500</u>
		55,567,500
Application of MWPC made by GovGuam through September 30, 2010:		
Included in the provision for tax refunds		(38,993,500)
Included as income tax revenues for tax credits		<u>(4,900,000)</u>
		(43,893,500)
	\$	<u>11,674,000</u>

### (8) Provision for Tax Refunds

As of September 30, 2010, GovGuam recorded a provision for unpaid tax refunds in the amount of \$284,868,839, which includes \$3,256,657 in unpaid Earned Income Tax Credit (EITC) refunds and \$14,349,813 relating to interest payable to taxpayers for unpaid prior year tax refunds.

**GOVERNMENT OF GUAM**

Notes to Financial Statements  
September 30, 2010

(8) Provision for Tax Refunds, Continued

In June 2004, GovGuam agreed to pay \$60,000,000 over nine years in settlement of unpaid EITC refunds from 1996. The settlement plan allowed for non-interest bearing tax credit refunds amounting to \$20,000,000 over the next year, of which \$3,000,000 shall be paid into the EITC Fund within thirty days from the approval of the settlement agreement, and approximately \$1,500,000 per month for eleven months following the first installment. The remaining balance is to be paid at approximately \$5,000,000 over the next eight years, beginning June 30, 2007. During the year ended September 30, 2006, GovGuam reached a new settlement agreement replacing the June 2004 agreement whereby GovGuam agreed to pay up to \$90,000,000. According to the agreement, GovGuam will be required, subject to final determination by the U.S. District Court, to set aside up to \$15,000,000 each into the following six categories:

Tax years 1995, 1996, 1999, 2000  
Tax year 1998  
Tax year 2001  
Tax year 2002  
Tax year 2003  
Tax year 2004

On April 10, 2008, the U.S. District Court approved the settlement agreement reducing the EITC tax liability from \$90,000,000 to \$72,845,303.

During the year ended September 30, 2010, the following changes occurred in the provision for tax refund liability relating to EITC refunds:

EITC liability at October 1, 2009	\$ 24,952,208
Payments made during the year	<u>(21,695,551)</u>
EITC liability at September 30, 2010	\$ <u>3,256,657</u>

(9) Cost of Living Adjustment (COLA) Liability

In August 1988, Public Law 19-19, as codified in 4 G.C.A. § 8137.1, required GovGuam to pay an annual lump sum COLA to retirees and survivors on the first retirement payday after July 1 of each year. In October 1993, a GovGuam retiree filed a class action suit on behalf of 4,877 retirees and survivors, alleging that they were being denied the COLA benefits prescribed by 4 G.C.A. § 8137.1. The “COLA class” consisted of all GovGuam retirees and survivors that were entitled to retirement benefits during COLA years 1990 through 1994 (payout years July 1991 through July 1995). The Petitioner alleged that GovGuam did not implement 4 G.C.A. § 8137.1. The Governor and the GovGuam Retirement Fund subsequently submitted to the Court their respective calculations of the COLA owed under seal. In October 2006, the Superior Court of Guam, pursuant to 4 G.C.A. § 8137.1, ordered the GovGuam Retirement Fund to revise its initial August 2006 COLA calculation of \$96 million, which resulted in the award of \$123,580,231 to the COLA class.

**GOVERNMENT OF GUAM**

Notes to Financial Statements  
September 30, 2010

(9) Cost of Living Adjustment (COLA) Liability, Continued

During the year ended September 30, 2010, the following changes occurred in the COLA liability:

COLA liability at October 1, 2009	\$ 26,932,491
Assessment of interest	1,144,597
Payments made during the year	<u>( 4,976,356)</u>
COLA liability at September 30, 2010	\$ <u>23,100,732</u>

As of September 30, 2010, the COLA liability of \$23,100,732 is comprised of \$20,366,938 in outstanding awards payable and \$2,733,794 in accrued interest payable. Total payments made of \$4,976,356 during the year ended September 30, 2010, is comprised of \$1,391,586 in awards and \$3,584,770 in interest.

(10) Fund Equity

The unreserved fund balances for the governmental funds represent the amount available for budgeting future operations. The reserves for related assets for the primary government's individual major governmental funds and nonmajor governmental funds in the aggregate as of September 30, 2010, are as follows:

	General	Federal Grants Assistance	GDOE Federal Grants	DMHSA Receiver	Landfill CIP	Nonmajor Government Funds	Total
Investments	\$ 1,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,000,000
Receivables:							
Other	-	-	-	-	-	413,862	413,862
Prepayments	-	-	-	1,500,000	1,248,454	-	2,748,454
Inventories	-	-	-	-	-	425,993	425,993
	<u>\$ 1,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,500,000</u>	<u>\$ 1,248,454</u>	<u>\$ 839,855</u>	<u>\$ 4,588,309</u>

(11) Interfund/Intrafund Transactions

Operating transfers in/out for each major governmental fund and nonmajor governmental funds in the aggregate, for the year ended September 30, 2010, are as follows:

	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund:		
Federal Grants Assistance Fund	\$ 30,041,783	\$ -
DMHSA Receiver Fund	1,500,000	-
Nonmajor governmental funds	<u>81,017,105</u>	<u>50,421,868</u>
	<u>112,558,888</u>	<u>50,421,868</u>
Federal Grants Assistance Fund:		
General Fund	-	30,041,783
GDOE Federal Grants Fund	7,100,000	-
Nonmajor governmental funds	-	59,539
	<u>7,100,000</u>	<u>30,101,322</u>

**GOVERNMENT OF GUAM**

Notes to Financial Statements  
September 30, 2010

(11) Interfund/Intrafund Transactions, Continued

	<u>Transfers Out</u>	<u>Transfers In</u>
GDOE Federal Grants Fund:		
Federal Grants Assistance Fund	-	7,100,000
DMHSA Receiver Fund:		
General Fund	-	1,500,000
Nonmajor Governmental Funds:		
General Fund	50,421,868	81,017,105
Federal Grants Assistance Fund	59,539	-
Nonmajor governmental funds	12,873,115	12,873,115
Fiduciary funds	1,081,311	-
	<u>64,435,833</u>	<u>93,890,220</u>
Fiduciary Funds:		
Nonmajor governmental funds	-	1,081,311
	<u>\$ 184,094,721</u>	<u>\$ 184,094,721</u>

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.

During the year ended September 30, 2010, GovGuam made a one-time transfer in the amount of \$24,833,216 from the nonmajor governmental funds to the General Fund representing the transfer of residual fund equity.

(12) Retirement Plans

Defined Benefit Plan

Plan Description:

GovGuam participates in the GovGuam Defined Benefit (DB) Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the GovGuam Retirement Fund (GGRF). The DB Plan provides retirement, disability, and survivor benefits to plan members who enrolled in the plan prior to October 1, 1995. Cost-of-living adjustments are provided to members and beneficiaries at the discretion of the Guam Legislature. Article 1 of 4 GCA 8, Section 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, 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, are required to participate in the Defined Contribution Retirement System (DCRS). Hence, the DB Plan became a closed group.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

## (12) Retirement Plans, Continued

### Defined Benefit Plan, Continued

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](http://www.ggrf.com).

#### Funding Policy:

As a result of actuarial valuations performed as of September 30, 2008, 2007, and 2006, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2010, 2009 and 2008, respectively, have been determined by the Guam Legislature as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Normal costs (% of DB Plan payroll)	18.34%	17.36%	17.94%
Employee contributions (DB Plan employees)	<u>9.50%</u>	<u>9.50%</u>	<u>9.50%</u>
Employer portion of normal costs (% of DB Plan payroll)	<u>8.84%</u>	<u>7.86%</u>	<u>8.44%</u>
Employer portion of normal costs (% of total payroll)	3.73%	3.70%	3.99%
Unfunded liability cost (% of total payroll)	<u>22.69%</u>	<u>19.68%</u>	<u>20.75%</u>
Government contribution as a % of total payroll	<u>26.42%</u>	<u>23.38%</u>	<u>24.74%</u>
Statutory contribution rates as a % of DB Plan payroll:			
Employer	<u>26.04%</u>	<u>25.20%</u>	<u>24.07%</u>
Employee	<u>9.50%</u>	<u>9.50%</u>	<u>9.50%</u>

GovGuam's contributions to the DB Plan for the years ending September 30, 2010, 2009 and 2008 were \$39,564,433, \$43,401,895 and \$44,427,513, respectively, equal to the statutorily required contributions for each year.

### Defined Contribution Retirement System (DCRS)

Contributions into the DCRS plan 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 investment account within the DCRS. Employees are afforded the opportunity to select from different investment options available under the DCRS.

Statutory employer contributions into the DCRS plan for the year ended September 30, 2010 are determined using the same rates as the DB Plan. Of the amount contributed by the employer, only 5% of the member's regular pay is deposited into the member's individual investment account. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

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.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

## (12) Retirement Plans, Continued

### Defined Contribution Retirement System (DCRS), Continued

GovGuam's contributions to the DCRS plan for the years ended September 30, 2010, 2009 and 2008 were \$38,632,203, \$25,791,438 and \$24,419,938, respectively, equal to the statutorily required contributions for each year.

### Other Post Employment Benefits

GovGuam, through its substantive commitment to provide other post-employment benefits (OPEB), maintains a cost-sharing multiple-employer defined benefit plan to provide certain postretirement healthcare benefits to retirees who are members of the GovGuam Retirement Fund. Under the Plan, known as the GovGuam Group Health Insurance Program, GovGuam provides medical, dental, and life insurance coverage. The retiree medical and dental plans are fully-insured products provided through insurance companies. GovGuam shares in the cost of these plans, with GovGuam's contribution amount set each year at renewal. Current statutes prohibit active and retired employees from contributing different amounts for the same coverage. As such, GovGuam contributes substantially more to the cost of retiree healthcare than to active healthcare. For the life insurance plan, GovGuam provides retirees with \$10,000 of life insurance coverage through an insurance company. Retirees do not share in the cost of this coverage.

Because the Plan consists solely of GovGuam's firm commitment to provide OPEB through the payment of premiums to insurance companies on behalf of its eligible retirees, no stand-alone financial report is either available or generated.

For the years ended September 30, 2010, 2009 and 2008, GovGuam's contributions to this Plan amounted to \$19,145,143, \$20,398,115 and \$19,769,458, respectively, equal to the statutorily required contributions for each year.

## (13) Commitments and Contingencies

### A. Ordot Dump

On February 11, 2004, the U.S. Environmental Protection Agency and the U.S. Department of Justice filed a Consent Decree in the United States District Court of Guam. The consent decree included deadlines for the opening of a new landfill and implementing an Ordot Dump closure plan. Within a period of forty-five months, GovGuam was required to complete an environmental impact statement analyzing at least three potential new landfill locations; complete design, permitting, and construction for the selected landfill location; begin operations at the new landfill; and properly and permanently close the Ordot Dump. In the event that GovGuam failed to meet any of the stipulated deadlines under the consent decree, GovGuam would be liable for civil penalties. Although closure and post closure care costs will be paid only near or after the date that Ordot Dump stops accepting waste, GovGuam's governmental activities reports a portion of these closure and post closure care costs as an expense in each period based on landfill capacity used as of each balance sheet date. The \$46,053,500 reported as landfill closure and post closure care liability at September 30, 2010 within the accompanying financial statements, represents the cumulative amount reported based on 100 percent capacity. This amount is based on what it would cost to perform all closure and post closure care in 2010. Actual cost may be higher due to inflation, changes in technology or changes in regulations.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

## (13) Commitments and Contingencies, Continued

### A. Ordot Dump, Continued

On March 17, 2008, the United States District Court of Guam issued a Court Order that placed the Solid Waste Division of the Department of Public Works (DPW) in Guam in Receivership. After receiving and reviewing qualifications information on firms presented by GovGuam and the U.S. Environmental Protection Agency, and conducting interviews and reference checks, the District Court Judge selected and appointed a receiver. The Receiver was given full power and authority to enforce the terms of the Consent Decree, including closure of the Ordot Dump and opening of a new landfill, and assume all of the responsibilities for the operations of DPW's Solid Waste Division.

On February 13, 2009, the United States District Court of Guam issued a Court Order associated with the DPW Solid Waste Division Receivership requiring GovGuam to provide for costs of the new landfill. On June 4, 2009, GovGuam issued \$202,425,000 in Limited Obligation Revenue Bonds for the purpose of financing facilities of the Solid Waste Management System of Guam.

### B. Permanent Injunction

On June 8, 2004, the United States District Court of Guam issued a Permanent Injunction, which was subsequently amended on June 30, 2005, requiring GovGuam's Department of Mental Health and Substance Abuse and Department of Integrated Services for Individuals with Disabilities to provide treatment and develop programs to mentally ill patients residing on Guam. Fines and penalties may be imposed by the Court for noncompliance with this Permanent Injunction. However, no provision for any amount has been recorded in the accompanying basic financial statements, as it is not possible to reasonably estimate these fines and penalties.

On March 2, 2010, the Court issued a Court Order appointing a Federal Management Team (FMT) in order to achieve compliance with the amended Permanent Injunction. The Court Order also required the payment of \$1,500,000 to be deposited with the Court for the purpose of funding the activities of the FMT. On September 8, 2010, the Court approved the FMT's Plan of Action.

### C. Federal Grants

GovGuam has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Questioned costs for the 2010 and prior year audits aggregated to a material amount. If the questioned costs were ultimately disallowed, the General Fund would be liable for the return of such funds. However, no liability, which may arise from the ultimate outcome of this matter, has been provided for in the accompanying basic financial statements. Audits of federal program funds are also performed by various federal agencies. If audits result in cost disallowances, the general fund may be liable. However, management does not believe that resolution of 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 basic 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 basic financial statements, as it is not possible to reasonably estimate these fines and penalties.

**GOVERNMENT OF GUAM**

Notes to Financial Statements  
September 30, 2010

(13) Commitments and Contingencies, Continued

D. Land Management Building

On December 24, 2008, the Guam Legislature enacted Public Law 29-135 authorizing the design and construction of a Land Resources Public Facility in the amount of \$15,750,000. The financing of this facility is to be funded by entering into a financing arrangement with the U.S. Department of Agriculture or other financing source, with lower cost of funds, for a term not to exceed forty (40) years. As of September 30, 2010, no commitment has been entered into with respect to the construction of this facility.

E. Municipal School Lease Agreements

On October 19, 2006, GovGuam issued on behalf of the Guam Department of Education (GDOE), formerly the Guam Public School System, \$50,880,000 in 2006 Series A Certificates of Participation (COPS) and \$14,015,000 in 2006 Series B COPS to finance the design, construction, insurance and maintenance of four new schools (the "Leased Schools") on Guam. The proceeds of the COPS were remitted to a trustee, who then remitted the amounts to a developer as construction progressed.

On November 12, 2008, GovGuam issued on behalf of GDOE \$7,520,000 in 2008 Series A COPS to finance the off-site infrastructure improvements, equipment and athletic field lighting (the "Leased Facilities") for the use of the Leased Schools.

The holders of the COPS are the current owners of the Leased Schools. Accordingly, GovGuam's rental payments for the use of the Leased Schools and Facilities are paid to a trustee, who then remits those amounts to the holders of the COPS, with annual rental payments to be 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. Payments commenced on December 1, 2006 in the amount of \$6,100,000 and continue through December 1, 2025 (with incremental increases on December 1, 2008 through December 1, 2018), with varying interest rates at 4.5% - 5.875%. Title to the Leased Schools and Facilities will transfer to GovGuam upon the payment of all required rents.

The assets acquired through capital leases are as follows:

Asset:	
Buildings	\$ 88,529,866
Less accumulated depreciation	<u>(5,545,263)</u>
	<u>\$ 82,984,603</u>

These buildings are summarized as follows:

Liguan Elementary School	\$ 13,082,080
Adacao Elementary School	14,482,938
Astumbo Middle School	18,383,500
Ukudo High School	<u>42,581,348</u>
	<u>\$ 88,529,866</u>

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

## (13) Commitments and Contingencies, Continued

### E. Municipal School Lease Agreements, Continued

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2010, were as follows:

<u>Year Ending</u> <u>September 30,</u>	
2011	\$ 6,184,167
2012	6,185,000
2013	6,186,667
2014	6,184,167
2015	6,190,000
2016 - 2020	28,853,333
2021 - 2025	25,665,833
2026 - 2027	<u>5,171,666</u>
Total minimum lease payments	90,620,833
Less amount representing interest	<u>(28,150,833)</u>
Present value of net minimum lease payments	62,470,000
Less current portion	<u>3,060,000</u>
Noncurrent portion	\$ <u><u>59,410,000</u></u>

Commencing in 2010, \$7,100,000 of Compact Impact grant revenues will be received annually for a ten year period. Of this amount, \$1,000,000 will be allocated for rental, principal and interest, to fund additional equipment requirements, as defined. Subsequent to that ten year period, the annual grant returns to \$6,100,000.

On September 16, 2010, GovGuam issued on behalf of GDOE \$65,735,000 in 2010 Series A COPS to finance the demolition, acquisition, construction, renovation and installation of facilities comprising the new John F. Kennedy High School to be located in Guam and to be leased to Lessee by Lessor pursuant to the Lease. The proceeds of the COPS were remitted to a trustee, who then remitted the amounts to a developer as construction progressed. GovGuam is of the opinion that this arrangement represents a capital lease and will accordingly account for such in that manner when construction is completed.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

## (13) Commitments and Contingencies, Continued

### E. Municipal School Lease Agreements, Continued

The future minimum lease payments as of September 30, 2010, were as follows:

<u>Year Ending</u> <u>September 30,</u>	
2011	\$ -
2012	2,950,038
2013	5,131,938
2014	5,131,012
2015	5,127,612
2016 - 2020	25,650,100
2021 - 2025	25,642,858
2026 - 2030	25,644,750
2031 - 2035	25,637,115
2036 - 2040	25,642,406
2041	<u>5,130,500</u>
	\$ <u>151,688,329</u>

### F. Sick Leave

It is the policy of GovGuam 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 death. For this reason, no sick leave liability is recorded at September 30, 2010. The estimated accumulated amount of unused sick leave at September 30, 2010, is \$64,155,133, of which \$17,878,083 may be convertible by the GovGuam Retirement Fund Defined Contribution Retirement System (DCRS) employees upon retirement.

### G. Litigation

GovGuam is party to several legal proceedings arising from governmental operations; however, the Attorney General of Guam is unable to assess the likelihood of potential liabilities related to claims outstanding as of September 30, 2010. Hence, it is not possible to predict a reasonable estimation of these claims to be paid through the claims process, as set forth in footnote 13H below and, therefore, no provision for any liability that may result has been made in the accompanying financial statements.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

## (13) Commitments and Contingencies, Continued

### H. Self-Insurance

GovGuam 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, the General Fund would be required to pay the majority of these losses. An annual appropriation is made to the Government Claims Fund and then valid claims are paid out against the appropriated amount. During the year ended September 30, 2010, claims in the amount of \$97,000 were made from the Government Claims Fund. GovGuam has not experienced material prior year losses as a result of this policy. Virtually all discretely presented component units have some form of commercial insurance to insure against risk of loss such as property, liability and typhoon.

### I. Deposits with Treasurer

Insurance companies doing business on Guam are required under sections 43102 and 43202 of the Government Code of Guam, to deposit with the Commissioner of Insurance an amount equal to the minimum amount of paid-in-capital required under Article III of Title 39 of the Government Code. The deposit requirement is met with any good and sufficient bond as set by the Commissioner. Bonds currently take various forms and range from a surety bond to bank certificates of deposit. Deposits are likewise required of foreign banks and foreign exchanges. At September 30, 2010, \$15,442,709 was held by GovGuam in bonds as security against possible claims.

### J. Medicare

GovGuam did not withhold or remit funds to the U.S. Social Security System for the health insurance component. GovGuam has since reevaluated this position and has commenced withholding such amount from its employees beginning in October 1998. If GovGuam is found to be liable for prior year nonpayment an indeterminate liability could result. Therefore, no liability for any amount, which may ultimately arise from this matter, has been recorded in the accompanying financial statements.

### K. Other Commitments

GovGuam and its discretely presented component units have commitments under contracts at September 30, 2010. On September 30, 2005, the Guam Legislature appropriated \$24,042,000 in accordance with Public Law 28-68 for the purpose of funding various islandwide capital improvement road projects. As of September 30, 2010, continuing appropriations associated with this appropriation amount to \$1,584,508.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

## (13) Commitments and Contingencies, Continued

### L. General Fund Financial Position

GovGuam's General Fund has previously sustained recurring operating deficits and has an unreserved fund deficit of \$443,688,358 at September 30, 2010.

The 2% cap on appropriations is already mandated in 5GCA, §22436 and was in effect beginning in FY 2010. In FY2011, an additional 3% appropriation/allotment reserve was imposed on Executive Agencies which is projected to net between \$3 -\$5 million in savings. Moreover, in January of FY11, Executive Order 2011-02 rescinded the implementation of the new Hay Pay Plan. The implementation was estimated to cost \$13 million annually.

The administration has submitted a biennial budget for FY12 and FY13 which incorporates the 98% cap on appropriations as mandated by 5GCA, §22436. Administration management represents that the forecasted revenues for these two fiscal years are conservative and a proposal to finance the payout of pending tax refunds was presented in the budget request. The administration is currently working on a Fiscal Stabilization Strategic Plan, which includes initiatives on revenue enhancement, cost-containment, cost reduction and economic development. The objective of the foregoing plan of action is deficit elimination and fiscal recovery and sustainability.

Management acknowledges that the General Fund deficit increased by \$71.1 million during the year ended September 30, 2010. Such was primarily the result of the shortfall of original budgeted revenues for income tax and gross receipts taxes of \$76.6 million and \$14 million of expenditures incurred for which no appropriations were provided by the Legislature. Additionally, these shortfalls were offset by fund equity transfers in from other governmental funds.

## (14) Subsequent Events

On October 22, 2010, the U.S. Department of Agriculture awarded a \$54,500,000 appropriation to the Port Authority of Guam, in three loans, to complete the funding of the first phase of the Port Modernization Program.

On November 9, 2010, the U.S. District Court of Guam issued a Court Order requiring the deposit of \$15,950,000 be made to the Court for the purpose of funding the cost of implementation of the Amended Permanent Injunction and Plan of Action.

On November 23, 2010, the Guam Waterworks Authority issued Water and Wastewater System Revenue Bonds in the amount of \$118,825,000 for the purpose of funding various infrastructure projects and satisfying certain requirements of the U.S. Environmental Protection Agency's 2003 Stipulated Order.

On April 28, 2011, GovGuam issued Hotel Occupancy Tax Revenue Bonds in the amount of \$90,665,000 for the purpose of refunding the 1997 Series Limited Obligation Infrastructure Improvement Bonds and funding various tourism related projects.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

## (15) Discretely Presented Component Unit Disclosures

### A. Restricted Cash and Cash Equivalents and Time Certificates of Deposit

#### Guam Power Authority (GPA):

The bond indenture agreements for GPA's 1993 and 1999 series revenue bonds require the establishment of special funds and accounts to be held and administered by GPA's trustees. At September 30, 2010, restricted cash and cash equivalents held by the trustees, in trust for GPA, in these funds and accounts are as follows:

Construction Funds	\$ 120,656,062
Interest and Principal Funds	20,643,782
Bond Funds	22,303,416
Working Capital Funds	<u>27,480,474</u>
	\$ <u>191,083,734</u>

#### Guam Waterworks Authority (GWA):

Public Law 19-47 authorized GWA to establish a water and sewer development charge schedule, which assesses a charge on each user who connects for the first time from any property onto the island's water or wastewater system, or to each builder if the density of development connected to the system is increased. These funds shall be expended only for expanding, upgrading or repairing water and wastewater systems on Guam. At September 30, 2010, restricted cash and cash equivalents held for this purpose amounted to \$172,602.

Furthermore, GWA maintained restricted cash and cash equivalents for bond indenture related accounts. At September 30, 2010, these consisted of the following:

Operation and Maintenance Fund	\$ 3,106,792
Navy Surcharge Fund	184,906
Meter Reserve Fund	38,515
Sewer Hook-up Revolving Fund	71,880
Revenue Fund	4,819,686
Capital Projects and Improvement Fund	187,036
Debt Service Fund	1,203,307
Moratorium Project	5,000,000
Island Water and Sewer Infrastructure Development Fund	<u>751,155</u>
	<u>15,363,277</u>
Operations, Maintenance, Renewal and Replacement Fund	11,315,739
Construction Fund	<u>9,139,296</u>
	<u>20,455,035</u>
	\$ <u>35,818,312</u>

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

## (15) Discretely Presented Component Unit Disclosures, Continued

### A. Restricted Cash and Cash Equivalents and Time Certificates of Deposit, Continued

University of Guam (UOG):

At September 30, 2010, UOG maintained restricted cash and cash equivalents for debt service related accounts in the amount of \$2,419,540. In addition, pursuant to Public Law 25-187, UOG is the recipient of tobacco settlement bond proceeds issued by the Guam Economic Development Authority. Public Law 25-187 requires the establishment of a separate account to be administered by UOG to be expended exclusively for enhancement of learning resources and technology. At September 30, 2010, restricted cash and cash equivalents held for this purpose amounted to \$1,986,618.

Guam Community College (GCC):

Pursuant to Public Law 25-187, GCC is the recipient of tobacco settlement bond proceeds issued by the Guam Economic Development and Commerce Authority. Public Law 25-187 requires the establishment of a separate account to be administered by GCC to be expended exclusively for enhancement of learning resources and technology. At September 30, 2010, restricted cash and cash equivalents held for this purpose amounted to \$288,504.

Guam Housing and Urban Renewal Authority (GHURA):

Cash and cash equivalents are classified as restricted due to the specific nature and purpose of their existence. At September 30, 2010, cash and cash equivalents and time certificates of deposits held by GHURA in these funds and accounts are as follows:

Supportive Housing for the Elderly	\$ 594,789
Section 8 HCV	3,472,123
Central Office Cost Center	1,160,060
Low Rent Housing	183,196
Revolving Fund	<u>100,371</u>
	\$ <u>5,510,539</u>

Guam Housing Corporation (GHC):

Cash and cash equivalents are classified as restricted due to the specific nature and purpose of their existence. At September 30, 2010, cash and cash equivalents held by GHC in these funds and accounts are as follows:

Revolving Loan Fund	\$ 1,517,528
Community Affordable Housing Action Trust	351,827
Trust fund and borrower's deposit	434,763
Building renovation contract	<u>66,253</u>
	\$ <u>2,370,371</u>

Furthermore, GHC self-insures for all risks relating to Lada Gardens and Guma As-Atdas. A separate cash account was established to fund any damages that may arise in the future. At September 30, 2010, restricted cash set aside to fund these damages amounted to \$1,382,692.

**GOVERNMENT OF GUAM**

Notes to Financial Statements  
September 30, 2010

(15) Discretely Presented Component Unit Disclosures, Continued

A. Restricted Cash and Cash Equivalents and Time Certificates of Deposit, Continued

Guam Economic Development Authority (GEDA):

The bond indenture for GEDA requires the establishment of special debt service funds and accounts to be held and administered by GEDA's trustees for the accounting of the monies. At September 30, 2010, restricted short-term money market fund investments held for this purpose amounted to \$3,672,436.

Guam Visitors Bureau (GVB):

Cash and cash equivalent balances are classified as restricted due to the specific nature and purpose of their existence. At September 30, 2010, cash and cash equivalents held by GVB in these funds and accounts are as follows:

Tourist Attraction Fund Projects	\$ <u>500,892</u>
----------------------------------	-------------------

Guam Educational Telecommunications Corporation (GETC):

Cash and cash equivalent balances are classified as restricted due to the specific nature and purpose of their existence. At September 30, 2010, cash and cash equivalents held by GETC for this purpose amounted to \$385,609.

B. Deposits and Investments

GASB Statement No. 3 previously required government entities to present investment risks in terms of whether the investments fell into the following categories:

- Category 1 Investments that are insured or registered, or securities held by the component units' or their agent in the component units' name;
- Category 2 Investments that are uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the component units' name; or
- Category 3 Investments that are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the component units' name.

GASB Statement No. 40 amended GASB Statement No. 3 to in effect eliminate disclosure for investments falling into categories 1 and 2, and provided for disclosure requirements addressing other common risks of investments such as credit risk, interest rate risk, concentration of credit risk, and foreign currency risk. GASB Statement No. 40 did retain and expand the element of custodial credit risk in GASB Statement No. 3.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

## (15) Discretely Presented Component Unit Disclosures, Continued

### B. Deposits and Investments, Continued

Antonio B. Won Pat International Airport Authority (AWPIAA):

AWPIAA maintains cash deposits in banks, which at times may exceed federal depository insurance limits. At September 30, 2010, \$250,000 of bank deposits was covered by federal depository insurance, with the remainder being uninsured and uncollateralized.

The bond indentures for AWPIAA require the establishment of special funds and accounts to be held and administered by AWPIAA's trustees for the accounting of the monies. At September 30, 2010, investments held by the trustees, in trust for AWPIAA, in these funds and accounts are as follows:

#### Unrestricted:

Federal Grants Fund	\$ 7,928,646
Operations and Maintenance Reserve Fund	8,452,036
Operations and Maintenance Fund	11,081
General Revenue Fund	80,370
Self-Insurance Fund	5,112,952
Capital Improvement Fund	<u>387,634</u>
	<u>21,972,719</u>

#### Restricted:

Cash with trustees	449,777
Bond Reserve Funds	18,063,978
Debt Service Funds	12,901,153
Renewal and Replacement Fund	<u>1,000,254</u>
	<u>32,415,162</u>
	<u>\$ 54,387,881</u>

Investments held by AWPIAA consist of money market funds, U.S. Treasury and agency obligations, and corporate notes. The carrying value of investments is as follows:

Cash with trustees	\$ 4,718
Money market funds	30,281,505
Fixed income securities	24,043,043
Other	<u>58,615</u>
	<u>\$ 54,387,881</u>

**GOVERNMENT OF GUAM**

Notes to Financial Statements  
September 30, 2010

(15) Discretely Presented Component Unit Disclosures, Continued

B. Deposits and Investments, Continued

Antonio B. Won Pat International Airport Authority (AWPIAA), Continued:

As of September 30, 2010, AWPIAA's investments in debt securities were as follows:

	Moody's Credit Rating	Investment Maturities (In Years)				Total
		Less Than 1	1 to 5	6 to 10	Greater Than 10	
U.S. treasury obligations	Aaa	\$ -	\$ 86,750	\$ -	\$ -	\$ 86,750
U.S. government agencies:						
Federal Home Loan Mortgage Corporation	Aaa	50,672	1,204,986	-	-	1,255,658
Federal National Mortgage Association	Aaa	-	2,412,440	29,437	-	2,441,877
Other guaranteed by FDIC	Aaa	65,259	336,558	-	-	401,817
Corporate notes:						
CDC Funding Corporation	Aa	-	-	-	18,045,950	18,045,950
Other	Aaa	-	65,844	-	-	65,844
Other	Aa	213,870	391,652	-	-	605,522
Other	A	20,868	884,696	-	-	905,564
Other	Baa	-	246,018	-	-	246,018
Money market funds	Aaa	<u>30,269,548</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,269,548</u>
		<u>\$30,620,217</u>	<u>\$ 5,628,944</u>	<u>\$ 29,437</u>	<u>\$18,045,950</u>	54,324,548
Cash with trustees						4,718
Accrued interest						<u>58,615</u>
						<u>\$54,387,881</u>

At September 30, 2010, AWPIAA's investments are held and administered by trustees in accordance with bond indentures for the purpose of funding various capital projects and future debt service requirements. Based on negotiated trust and custody contracts, all of these investments were held in AWPIAA's name by AWPIAA's custodial financial institutions at September 30, 2010.

Guam Memorial Hospital Authority (GMHA):

As of September 30, 2010, the carrying amount of GMHA's total cash and cash equivalents was \$425,948 and the corresponding bank balances were \$620,171, which are maintained in financial institutions subject to FDIC insurance. As of September 30, 2010, bank deposits in the amount of \$250,000 were FDIC insured. GMHA does not have a deposit policy for custodial credit risk and does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

**GOVERNMENT OF GUAM**

Notes to Financial Statements  
September 30, 2010

(15) Discretely Presented Component Unit Disclosures, Continued

B. Deposits and Investments, Continued

Guam Power Authority (GPA):

As of September 30, 2010, the carrying amount of GPA's total cash and cash equivalents was \$226,810,122 and the corresponding bank balances were \$227,465,041. Of the bank balance amount, \$12,572,849 is maintained in financial institutions subject to FDIC insurance. The remaining amount represents short-term investments held and administered by GPA's trustees and cash on hand. Based on negotiated trust and custody agreements, all of these investments were held by GPA's trustees in GPA's name in accordance with various trust agreements and bond indentures. As of September 30, 2010, bank deposits in the amount of \$1,387,171 were FDIC insured. GPA does not have a deposit policy for custodial credit risk and does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

The bond indentures for GPA require the establishment of special funds and accounts to be held and administered by GPA's trustees for the accounting of the monies. At September 30, 2010, investments held by the trustees, in trust for GPA, in these funds and accounts are as follows:

Restricted:

Bond Reserve Funds \$ 45,134,634

As of September 30, 2010, GPA's investments in debt securities were as follows:

	Moody's Credit Rating	Less Than 1	Investment Maturities (In Years)			Total
			1 to 5	6 to 10	Greater Than 10	
U.S. treasury obligations	Aaa	\$ 17,649,634	\$ -	\$ -	\$ -	\$ 17,649,634
Commercial paper:						
General Electric Cap. Corporation	A1	13,743,000	-	-	-	13,743,000
Natixis U.S. Finance Company	A1	<u>13,742,000</u>	-	-	-	<u>13,742,000</u>
		<u>\$ 45,134,634</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,134,634</u>

Guam Waterworks Authority (GWA):

As of September 30, 2010, the carrying amount of GWA's total cash and cash equivalents was \$43,684,077 and the corresponding bank balances were \$44,573,266. Of the bank balance amount, \$16,349,062 is maintained in financial institutions subject to FDIC insurance. The remaining amount of \$28,224,204 represents short-term investments held and administered by GWA's trustees. Based on negotiated trust and custody agreements, all of these investments were held by GWA's trustees in GWA's name in accordance with various trust agreements and bond indentures. As of September 30, 2010, bank deposits in the amount of \$805,065 were FDIC insured. GWA does not have a deposit policy for custodial credit risk and does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

**GOVERNMENT OF GUAM**

Notes to Financial Statements  
September 30, 2010

(15) Discretely Presented Component Unit Disclosures, Continued

B. Deposits and Investments, Continued

Guam Waterworks Authority (GWA), Continued:

The bond indentures for GWA require the establishment of special funds and accounts to be held and administered by GWA's trustees for the accounting of the monies. At September 30, 2010, investments held by the trustees, in trust for GWA, in these funds and accounts are as follows:

Restricted:

Bond Reserve Funds	\$ 7,707,871
Debt Service Funds	<u>1,926,461</u>
	<u>\$ 9,634,332</u>

As of September 30, 2010, GWA's investments in debt securities were as follows:

	Moody's Credit Rating	Less Than 1	Investment Maturities (In Years)			Total
			1 to 5	6 to 10	Greater Than 10	
U.S. treasury obligations	Aaa	<u>\$ 9,634,332</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,634,332</u>

Port Authority of Guam (PAG):

As of September 30, 2010, the carrying amount of PAG's total cash and cash equivalents was \$7,574,987, all of which were maintained in financial institutions subject to FDIC insurance. As of September 30, 2010, bank deposits in the amount of \$750,000 were FDIC insured. PAG does not have a deposit policy for custodial credit risk and does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

University of Guam (UOG):

As of September 30, 2010, the carrying amount of UOG's total cash and cash equivalents and time certificates of deposit was \$18,299,418 (excluding the legally separate tax-exempt foundation) and the corresponding bank balance was \$17,558,957. Of the bank balance amount, \$15,214,686 is maintained in financial institutions subject to FDIC insurance, or collateralized by securities held by a trustee in the name of the financial institution. UOG does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

**GOVERNMENT OF GUAM**

Notes to Financial Statements  
September 30, 2010

(15) Discretely Presented Component Unit Disclosures, Continued

B. Deposits and Investments, Continued

University of Guam (UOG), Continued:

Investments held by UOG (excluding the legally separate tax-exempt foundation) consist of money market funds, U.S. Treasury and agency obligations, and common stock. The carrying value of investments is as follows:

Money market funds	\$ 6,055,876
Fixed income securities	4,492,720
Domestic equities	<u>4,198,583</u>
	<u>\$ 14,747,179</u>

As of September 30, 2010, UOG's investments in debt securities were as follows:

	<u>Investment Maturities (In Years)</u>				<u>Total</u>
	<u>Less Than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>Greater Than 10</u>	
U.S. treasury notes	\$ -	\$ 41,894	\$ -	\$ -	\$ 41,894
U.S. government agencies:					
Federal Home Loan Mortgage Corporation	-	445,695	7,895	283,345	736,935
Federal National Mortgage Association	-	-	292,915	569,645	862,560
Mortgage and asset-backed securities	-	-	101,903	232,465	334,368
Corporate notes and bonds	<u>-</u>	<u>307,917</u>	<u>2,209,046</u>	<u>-</u>	<u>2,516,963</u>
	<u>\$ -</u>	<u>\$ 795,506</u>	<u>\$ 2,611,759</u>	<u>\$ 1,085,455</u>	<u>\$ 4,492,720</u>

UOG's exposure to credit risk at September 30, 2010, was as follows:

<u>Moody's Rating</u>	<u>Total</u>	<u>Domestic</u>	<u>International</u>
AAA	\$ 1,898,313	\$ 1,898,313	\$ -
AA	739,205	739,205	-
A	1,539,054	1,539,054	-
BAA	<u>316,148</u>	<u>285,691</u>	<u>30,457</u>
Total credit risk debt securities	<u>\$ 4,492,720</u>	<u>\$ 4,462,263</u>	<u>\$ 30,457</u>

Investments held by the University of Guam Endowment Foundation, Inc., a legally separate tax-exempt foundation of UOG, consist of money market funds, U.S. Treasury and agency obligations, and common stock.

The carrying value of investments held by the Foundation is as follows:

Restricted for endowments:	
Money market funds	\$ 312,047
U.S. Government notes and bonds	1,107,538
Domestic equities	<u>5,626,763</u>
	<u>\$ 7,046,348</u>

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

## (15) Discretely Presented Component Unit Disclosures, Continued

### B. Deposits and Investments, Continued

#### Guam Community College (GCC):

As of September 30, 2010, the carrying amount of GCC's cash and cash equivalents was \$1,193,135 (excluding the legally separate tax-exempt foundation) and the corresponding bank balance was \$1,735,860. Of the bank balance amount, \$1,084,390 is maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2010, bank deposits in the amount of \$651,470 were FDIC insured. GCC does not have a deposit policy for custodial credit risk and does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

Pursuant to Public Law 25-187, GCC is the recipient of tobacco settlement bond proceeds issued by the Guam Economic Development and Commerce Authority. Public Law 25-187 requires the establishment of a separate account to be administered by GCC to be expended exclusively for enhancement of learning resources and technology. At September 30, 2010, GCC had one fixed income corporate note in the amount of \$1,757,653, with interest at 6.25% per annum, and which matures on June 1, 2057, and is rated BB+ by Fitch.

Investments held by the Guam Community College Endowment Foundation, Inc., a legally separate tax-exempt foundation of GCC, consist of money market funds, U.S. Treasury and agency obligations, and common stock. The carrying value of investments is as follows:

Restricted for endowments:	
Money market funds	\$ 518,780
U.S. Government notes and bonds	1,432,679
Common stocks	<u>5,541,336</u>
	\$ <u>7,492,795</u>

#### Guam Housing and Urban Renewal Authority (GHURA):

As of September 30, 2010, the carrying amount of GHURA's total cash and cash equivalents was \$15,620,129 and the corresponding bank balances were \$15,617,729, which is maintained in financial institutions subject to FDIC insurance or fully collateralized by securities held by a trustee in the name of the financial institution. As of September 30, 2010, bank deposits in the amount of \$10,370,129 were FDIC insured or collateralized by U.S. securities. GHURA does not have a deposit policy for custodial credit risk and does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

#### Guam Preservation Trust (GPT):

As of September 30, 2010, the carrying amount of GPT's total cash and cash equivalents and time certificates of deposit was \$1,292,148, of which \$1,062,124 is maintained in a financial institution subject to FDIC insurance. As of September 30, 2010, bank deposits in the amount of \$595,108 were FDIC insured with the remaining amounts subject to collateralization. Accordingly, these deposits are exposed to custodial credit risk.

**GOVERNMENT OF GUAM**

Notes to Financial Statements  
September 30, 2010

(15) Discretely Presented Component Unit Disclosures, Continued

B. Deposits and Investments, Continued

Guam Preservation Trust (GPT), Continued:

Investments of GPT as of September 30, 2010 are classified as follows:

Common stock	\$ <u>504,722</u>
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Guam Housing Corporation (GHC):

As of September 30, 2010, the carrying amount of GHC's total cash and cash equivalents was \$8,320,842, which is maintained in financial institutions subject to FDIC insurance. As of September 30, 2010, bank deposits in the approximate amount of \$250,000 were FDIC insured. GHC does not have a deposit policy for custodial credit risk and does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

The bond indenture for GHC requires the establishment of special funds and accounts to be held and administered by GHC's trustees for the accounting of the monies. At September 30, 2010, investments held by the trustees, in trust for GHC, in these funds and accounts are as follows:

Restricted:	
Foreclosure Protection Fund	\$ 500,000
Capitalized Interest Fund	258
Revenue Fund	<u>4,993,623</u>
	<u>\$ 5,493,881</u>

Investments of GHC as of September 30, 2010, are classified as follows:

Restricted:	
Money market funds	\$ 2,248,893
Fixed income	<u>3,244,988</u>
	<u>\$ 5,493,881</u>

As of September 30, 2010, GHC's investments in debt securities were as follows:

	Moody's Credit Rating	Investment Maturities (In Years)				Total
		Less Than 1	1 to 5	6 to 10	Greater Than 10	
U.S. government agencies:						
Federal Home Loan Mortgage Corporation	Aaa	\$ _____ -	\$ _____ -	\$ _____ -	\$ 3,244,988	\$ 3,244,988

**GOVERNMENT OF GUAM**

Notes to Financial Statements  
September 30, 2010

(15) Discretely Presented Component Unit Disclosures, Continued

B. Deposits and Investments, Continued

Chamorro Land Trust Commission (CLTC):

As of September 30, 2010, the carrying amount of CLTC's total cash and cash equivalents was \$507,767, which approximated bank balances that were maintained in financial institutions subject to FDIC insurance. As of September 30, 2010, bank deposits in the amount of \$250,000 were FDIC insured. CLTC does not have a deposit policy for custodial credit risk and does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

Guam Economic Development Authority (GEDA):

At September 30, 2010, the carrying amount of GEDA's cash and cash equivalents was \$3,732,482 and the corresponding bank balance was \$3,801,617. Of the bank balance amount, \$129,181 is maintained in financial institutions subject to FDIC insurance. The remaining amount of \$3,672,436 represents short-term investments held and administered by GEDA's trustees in accordance with a tobacco settlement agreement. Based on a negotiated trust and custody contract, these investments were held in GEDA's name by GEDA's custodial financial institution at September 30, 2010. As of September 30, 2010, bank deposits in the amount of \$129,181 were FDIC insured. GEDA does not have a deposit policy for custodial credit risk and does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

As of September 30, 2010, GEDA's investments are as follows:

Unrestricted:

Mutual funds	\$ 2,193,707
U.S. Government obligations	<u>1,579,242</u>
	<u>\$ 3,772,949</u>

As of September 30, 2010, GEDA's investments in debt securities were as follows:

	Moody's Credit Rating	Less Than 1	Investment Maturities (In Years)			Total
			1 to 5	6 to 10	Greater Than 10	
U.S. treasury notes	Aaa	\$ 43,458	\$ 88,478	\$ -	\$ -	\$ 131,936
U.S. government agencies:						
Federal Home Loan Mortgage Corporation	Aaa	482,451	-	-	-	482,451
Federal National Mortgage Association	Aaa	<u>964,855</u>	-	-	-	<u>964,855</u>
		<u>\$ 1,490,764</u>	<u>\$ 88,478</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,579,242</u>

# GOVERNMENT OF GUAM

## Notes to Financial Statements September 30, 2010

### (15) Discretely Presented Component Unit Disclosures, Continued

#### B. Deposits and Investments, Continued

##### Guam Visitors Bureau (GVB):

At September 30, 2010, the carrying amount of GVB's cash and cash equivalents was \$6,478,543 and the corresponding bank balance was \$6,973,171. Of the bank balance amount, \$6,657,844 is maintained in financial institutions subject to FDIC insurance. As of September 30, 2010, bank deposits in the amount of \$533,563 were FDIC insured. GVB does not have a deposit policy for custodial credit risk and does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

##### Guam Educational Telecommunications Corporation (GETC):

At September 30, 2010, the carrying amount of GETC's cash and cash equivalents was \$760,516 and the corresponding bank balance was \$767,387, which is maintained in financial institutions subject to FDIC insurance or credit unions subject to National Credit Union Administration (NCUA) insurance. As of September 30, 2010, bank deposits in the amount of \$340,332 were FDIC insured and bank deposits in the amount of \$427,055 were NCUA insured. GETC does not have a deposit policy for custodial credit risk and does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC or NCUA insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

#### C. Receivables

Receivables as of September 30, 2010, for the discretely presented component units, including allowances for uncollectible accounts, are as follows:

	Antonio B. Won Pat International Airport Authority	Guam Memorial Hospital Authority	Guam Power Authority	Guam Waterworks Authority	Port Authority of Guam	University of Guam	Nonmajor Component Units	Total
Receivables:								
Trade	\$ 7,939,308	\$ 182,532,241	\$ 33,269,200	\$ 23,879,844	\$ 8,588,189	\$ 10,217,633	\$ 5,970,603	\$ 272,397,018
Federal grants	3,277,661	-	3,947,281	924,160	-	5,402,901	3,974,131	17,526,134
Loans	-	-	390,377	-	-	-	30,526,060	30,916,437
Interest	-	-	372,330	-	-	-	99,314	471,644
Other	<u>1,878,718</u>	<u>1,360,500</u>	<u>2,159,915</u>	<u>57,511</u>	<u>-</u>	<u>2,133,156</u>	<u>10,374,956</u>	<u>17,964,762</u>
	13,095,687	183,892,741	40,139,103	24,861,515	8,588,189	17,753,690	50,945,070	339,275,995
Allowance for uncollectible accounts	<u>(357,755)</u>	<u>(140,468,798)</u>	<u>(4,072,494)</u>	<u>(15,473,002)</u>	<u>(1,863,477)</u>	<u>(6,603,973)</u>	<u>(9,070,421)</u>	<u>(177,909,920)</u>
Net receivables	<u>\$ 12,737,932</u>	<u>\$ 43,423,943</u>	<u>\$ 36,066,609</u>	<u>\$ 9,388,513</u>	<u>\$ 6,724,712</u>	<u>\$ 11,149,717</u>	<u>\$ 41,874,649</u>	<u>\$ 161,366,075</u>

**GOVERNMENT OF GUAM**

Notes to Financial Statements  
September 30, 2010

(15) Discretely Presented Component Unit Disclosures, Continued

C. Receivables, Continued

University of Guam (UOG):

The Guam Legislature appropriates funds for the student loan program available to residents of Guam who attend institutions of higher education. UOG is responsible for awarding loans and monitoring compliance with respect to repayment. Due to the uncertainty of collection and due to recipient ability to repay the loans through work credits, student loan receivables are fully reserved for in the year granted, and payments are reflected as recoveries in the year received. As of September 30, 2010, loan receivables are reserved in the amount of \$10,847,349.

Nonmajor Component Units:

Guam Housing and Urban Renewal Authority (GHURA):

Loans receivable from first time homebuyers under GHURA's Down Payment and Closing Cost Assistance Program, due in varying monthly installments, interest free and with a maximum loan amount of \$18,000 or 18% of the purchase price, with maturities to 2026, collateralized by second mortgages on real estate. \$ 1,006,607

Guam Housing Corporation (GHC):

Loans receivable from first time homebuyers under GHC's Low Cost Housing Assistance Program, due in varying monthly installments, interest free, with maturities to 2024, collateralized by first mortgages on real estate. 29,519,199

Loans receivable from first time homebuyers under the Community Affordable Housing Action Trust, Hazard Mitigation, Down Payment and Closing Assistance, and the Sagan Linayan Project programs, due in varying monthly installments, interest free. 2,134,202

\$ 32,660,008

D. Due from/due to Primary Government

Receivables and payables reflected as due to/due from primary government at September 30, 2010, are summarized as follows:

	Antonio B. Won Pat International Airport Authority	Guam Memorial Hospital Authority	Guam Power Authority	Guam Waterworks Authority	Port Authority of Guam	University of Guam	Nonmajor Component Units	Total
Due from Primary Government:								
General Fund	\$ _____	\$ <u>3,294,669</u>	\$ <u>6,447,691</u>	\$ _____	\$ _____	\$ <u>3,931,291</u>	\$ <u>4,942,493</u>	\$ <u>18,616,144</u>
Due to Primary Government:								
Nonmajor governmental funds	\$ <u>2,153,590</u>	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ <u>2,153,590</u>

**GOVERNMENT OF GUAM**

Notes to Financial Statements  
September 30, 2010

(15) Discretely Presented Component Unit Disclosures, Continued

D. Due from/due to Primary Government, Continued

Guam Power Authority (GPA):

GPA has entered into a payment agreement with the primary government. Details of this payment agreement is as follows:

Receivable from the Guam Department of Education, a line agency of the primary government, due in 109 monthly installments, inclusive of interest at 4.47% per annum (\$500,000 per month for the first three months, then \$100,000 per month escalating at intervals to \$200,000 per month), beginning July 20, 2004, with the final installment payment due in July 2013, uncollateralized. \$ 6,447,691

Future repayments under this payment agreement are scheduled as follows:

<u>Year Ending</u> <u>September 30,</u>		
2011	\$	2,324,201
2012		2,261,642
2013		<u>1,861,848</u>
	\$	<u>6,447,691</u>

E. Due from/due to Component Units

Receivables and payables reflected as due to/due from component units at September 30, 2010, are summarized as follows:

	<u>Due From</u>	<u>Due To</u>
Guam Power Authority:		
Guam Waterworks Authority	\$ 1,547,818	\$ -
Guam Waterworks Authority:		
Guam Power Authority	-	<u>1,547,818</u>
	<u>\$ 1,547,818</u>	<u>\$ 1,547,818</u>

Guam Power Authority has entered into a payment agreement with Guam Waterworks Authority. Details of this payment agreement are as follows:

Receivable from Guam Waterworks Authority, due in monthly installments from an 11.5% water rate surcharge, interest at 4.3% per annum, uncollateralized. \$ 1,547,818

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

## (15) Discretely Presented Component Unit Disclosures, Continued

### E. Due from/due to Component Units, Continued

Future repayments under this payment agreement are estimated as follows:

Year Ending  
September 30,

2011

\$ 1,547,818

### F. Long-Term Debt

As of September 30, 2010, the discretely presented component units had the following long-term debt outstanding:

Antonio B. Won Pat International Airport Authority (AWPIAA):

General Revenue Bonds, Series 2003 (original issue of \$216,250,000, dated December 1, 2003), varying interest rates at 1.45% - 5.375% per annum, payable semiannually on October 1 and April 1, principal fund payments due in varying annual installments, commencing on October 1, 2004 of \$5,600,000 and increasing to a final payment of \$17,175,000 on October 1, 2023.

\$ 172,725,000

Add net unamortized premium on bonds

4,743,128

Less deferred difference on refunding of 1993 bonds

(3,819,694)

\$ 173,648,434

The 2003 General Revenue Bonds, including interest, are payable solely from and are secured by a pledge of revenues under the indenture. The bonds are collateralized by a lien upon and pledge of revenues to be received by AWPIAA, the trustees and the depository. Neither the payment of the principal of the bonds, nor any interest thereon, is a debt, liability or obligation of GovGuam.

The bond indentures include certain debt service and reserve requirements including the requirement that net revenues as defined in the bond indentures equal at least 125% of the annual debt service.

The aforementioned bond indentures also require the establishment of special funds and accounts to be held and administered by AWPIAA's trustees for the accounting of the bond proceeds.

**GOVERNMENT OF GUAM**

Notes to Financial Statements  
September 30, 2010

(15) Discretely Presented Component Unit Disclosures, Continued

F. Long-Term Debt, Continued

Antonio B. Won Pat International Airport Authority (AWPIAA), Continued:

Annual debt service requirements to maturity for principal and interest are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 8,625,000	\$ 8,333,000	\$ 16,958,000
2012	9,095,000	7,901,000	16,996,000
2013	9,590,000	7,482,000	17,072,000
2014	10,030,000	7,076,000	17,106,000
2015	10,510,000	6,621,000	17,131,000
2016 – 2020	61,645,000	24,685,000	86,330,000
2021 – 2024	63,230,000	6,773,000	70,003,000
	<u>\$ 172,725,000</u>	<u>\$ 68,871,000</u>	<u>\$ 241,596,000</u>

On September 30, 2003, AWPIAA issued \$216,250,000 in Series 2003 General Revenue Bonds to retire \$216,185,000 of outstanding 1993 Series bonds. The net proceeds of \$192,699,547 (after payment of \$11,007,710 in underwriting fees, insurance and other issuance costs) plus an additional \$30,969,034 from the Series 1993 funds were deposited in an irrevocable trust with an escrow agent to provide for the future service of the Series 1993 bonds through May 15, 2016. Except to the extent of any excess which is to be released upon termination (when all transfers and payments required are satisfied), AWPIAA has no interest in the funds or investments held in the escrow fund and as a result, the Series 1993 bonds indenture was satisfied and discharged. Additionally, the transaction meets the requirement of an in-substance defeasance and as a result, the Series 1993 bonds and the related funds held by the escrow agent have been removed from the accompanying financial statements.

Additionally, the defeasance resulted in a loss of \$7,937,352, representing the difference between the reacquisition price and the carrying amount of the Series 1993 bonds. The loss has been deferred and amortized over the remaining life the Series 1993 bonds and is reflected as a reduction of the bond liability.

Guam Power Authority (GPA):

General Revenue Bonds, Series 2010 (original issue of \$150,440,000, dated July 1, 2010), varying interest rates at 5% - 5.5% per annum, payable semiannually on October 1 and April 1, principal and mandatory sinking fund payments due in varying annual installments commencing with a payment of \$225,000 in October 2022, increasing to \$17,215,000 in October 2040. The bonds have been issued to finance a new administration building and various generation, transmission, and distribution facilities.

\$ 150,440,000

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

## (15) Discretely Presented Component Unit Disclosures, Continued

### F. Long-Term Debt, Continued

Guam Power Authority (GPA), Continued:

Subordinated General Revenue Bonds, Series 2010 (original issue of \$56,115,000, dated July 1, 2010), varying interest rates at 6% - 7.5% per annum, payable semiannually on October 1 and April 1, principal and mandatory sinking fund payments due in varying annual installments commencing with a payment of \$4,435,000 in October 2011, increasing to \$14,155,000 in October 2015. The bonds have been issued to fund the Working Capital Fund and to refinance existing subordinate lien obligations.

56,115,000

General Revenue Bonds, Series 1999 (original issue of \$349,178,601, dated May 1, 1999 and June 3, 1999), varying interest rates at 3.9% - 5.25% per annum, payable semiannually on October 1 and April 1, principal and mandatory sinking fund payments due in varying annual installments commencing with a payment of \$2,950,000 on October 1, 2000, and increasing to a final payment of \$26,110,000 on October 1, 2034. The bonds have been issued to finance new projects as specified in the bond indenture and to retire certain outstanding bonds and the commercial paper issued for the purpose of financing certain commercial paper projects.

\$ 313,700,000

General Revenue Bonds, Series 1993 (original issue of \$100,000,000, dated October 1, 1993), varying interest rates at 3.9% - 5.25% per annum, payable semiannually on October 1 and April 1, principal and mandatory sinking fund payments due in varying annual installments commencing with a payment of \$1,725,000 on October 1, 1996, and increasing to a final payment of \$6,535,000 on October 1, 2023. The bonds have been issued to finance acquisitions of additional generating capacity, to construct additional transmission facilities, and to upgrade and refurbish existing equipment.

66,985,000

587,240,000

Less discount on bonds

(8,488,896)

Less deferred loss on defeasance

(12,460,972)

\$ 566,290,132

All gross revenues of GPA have been pledged to repay the 1993, 1999 and 2010 series bond principal and interest. Discounts associated with 1993, 1999 and 2010 bond series are being amortized using the effective interest method over the lives of the bonds. On September 28, 2000, GPA entered into a Bond Reserve Fund Forward Delivery Agreement (the agreement) with the U.S. Bank Trust National Association and Bank of America. In connection with the agreement, GPA received cash totaling \$13,500,000 in October 2000 representing the present value amount of interest income on certain bond proceeds invested by GPA.

## GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

(15) Discretely Presented Component Unit Disclosures, Continued

F. Long-Term Debt, Continued

Guam Power Authority (GPA), Continued:

Based on the terms of the agreement, gross proceeds totaled \$17,521,029 while GPA incurred termination fees and closing costs totaling \$3,530,000 and \$1,250,529, respectively. The \$13,500,000 in net proceeds received included \$759,500 of interest income earned as of the closing date of the agreement. The gross proceeds, termination fees and closing costs will be deferred and amortized on a straight line basis over the average remaining life of the 1993 and 1999 bonds.

The bond indentures require the establishment of special funds and accounts to be held and administered by GPA's trustees for the accounting of the bond proceeds.

Annual debt service requirements to maturity for principal and interest are as follows:

<u>Year ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 7,795,000	\$ 22,283,450	\$ 30,078,450
2012	12,640,000	30,867,313	43,507,313
2013	20,815,000	30,147,875	50,962,875
2014	21,290,000	28,878,950	50,168,950
2015	22,710,000	27,461,788	50,171,788
2016 – 2020	69,965,000	119,794,388	189,759,388
2021 – 2025	80,050,000	101,905,675	181,955,675
2026 – 2030	116,555,000	75,997,088	192,552,088
2031 – 2035	150,310,000	40,740,238	191,050,238
2036 – 2040	67,895,000	16,709,775	84,604,775
2041	17,215,000	946,825	18,161,825
	<u>\$ 587,240,000</u>	<u>\$ 495,733,365</u>	<u>\$ 1,082,973,365</u>

On May 1, 1999, GPA issued the 1999 Series bonds of \$349,178,601 to finance 1999 projects; to retire \$45 million in tax exempt commercial paper notes; to retire GPA's 1992 and 1994 series bonds with a total principal outstanding of \$143,660,000 and \$99,820,000, respectively; and to pay the amount currently due on the 1993 bonds totaling \$1,950,000. The proceeds for the refunding of the aforementioned bonds were transferred to an escrow agent who used the proceeds to purchase U.S. Government securities which are to be held by the escrow agent in an irrevocable trust to provide debt service payments until maturity or earlier redemption of the 1992 and 1994 bonds. The advance refunding met the requirements of an in-substance defeasance and the 1992 and 1994 bonds were removed from the accompanying financial statements.

Additionally, the defeasance resulted in a loss of \$21,989,949 representing the difference between the reacquisition price and the carrying amount of the Series 1992 and 1994 bonds. The loss has been deferred and amortized over the remaining life the Series 1992 and 1994 bonds and is reflected as a reduction of the bond liability.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

## (15) Discretely Presented Component Unit Disclosures, Continued

### F. Long-Term Debt, Continued

Guam Waterworks Authority (GWA):

Water and Wastewater System Revenue Bonds, Series 2005 (original issue of \$101,175,000, dated November 1, 2005), varying interest rates at 5% - 5.875% per annum, payable semiannually on January 1 and July 1, principal and mandatory sinking fund payments due in varying annual installments commencing with a payment of \$1,865,000 on July 1, 2008, and increasing to a final payment of \$6,810,000 on July 1, 2035. The bonds have been issued to finance capital improvements to GWA's water and wastewater systems, refinancing certain outstanding obligations, and financing new water meters.	\$ 95,295,000
Note payable to a bank, interest at 7.75%, due in monthly installments of principal and interest of \$300,027 through June 15, 2020.	24,590,570
Note payable to a bank, interest at 7.75%, due in monthly installments of principal and interest of \$100,785 through June 2015.	4,794,934
Note payable to the U.S. Navy, with interest at 1.25% per annum, payable in monthly installments of \$45,833, including interest, through March 2009, \$132,545 through March 2011, and \$264,853 through June 2012, collateralized by real property of GWA.	<u>4,159,524</u>
	128,840,028
Add net unamortized premium on bonds	<u>3,023,794</u>
	<u>\$ 131,863,822</u>

All gross revenues of GWA have been pledged to repay the 2005 series bond principal and interest. A premium associated with the 2005 bond series is being amortized using the effective interest method over the lives of the bonds.

Based on the terms of the agreement, gross proceeds totaled \$104,779,522, including a bond premium of \$3,604,522 while GWA incurred closing costs totaling \$3,128,108. The gross proceeds and closing costs will be deferred and amortized on a straight line basis over the average remaining life of the 2005 bonds. The bond indentures require the establishment of special funds and accounts to be held and administered by GWA's trustees for the accounting of the bond proceeds.

On June 15, 2010, GWA entered into a \$30 million loan agreement with a bank for the purpose of: (a) funding a portion of the cost of a moratorium project, (b) funding the Operation, Maintenance, Renewal and Replacement Reserve Fund and Operations and Maintenance Fund as defined in the bond indenture agreements for the 2005 series revenue bonds and (c) payments of accounts payable and other purposes. The loan is guaranteed by GovGuam and entitled to the full faith and credit of GovGuam. Pursuant to the loan agreement, GWA pledged all revenues but subject first, to a consent decree, and second, to the prior pledge and lien and other provisions of the bond indenture agreements for the 2005 series revenue bonds.

## GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

(15) Discretely Presented Component Unit Disclosures, Continued

F. Long-Term Debt, Continued

Guam Waterworks Authority (GWA), Continued:

Annual debt service requirements to maturity for principal and interest are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 7,128,338	\$ 7,771,582	\$ 14,899,920
2012	6,923,820	7,418,786	14,342,606
2013	5,444,590	7,069,440	12,514,030
2014	5,810,716	6,704,312	12,515,028
2015	20,182,564	9,130,600	29,313,164
2016 – 2020	12,830,000	23,208,645	36,038,645
2021 – 2025	17,155,000	18,883,269	36,038,269
2026 – 2030	22,895,000	13,139,437	36,034,437
2031 – 2035	30,470,000	5,574,493	36,044,493
	<u>\$ 128,840,028</u>	<u>\$ 98,900,564</u>	<u>\$ 227,740,592</u>

University of Guam (UOG):

Rural development loan payable to the U.S. Department of Agriculture, dated June 12, 2003, in the amount of \$13,500,000, interest at 4.5% per annum, principal and interest payable commencing on July 12, 2006 in monthly installments of \$62,505, and collateralized by real property. Loan proceeds were used to finance the construction of the Business and Public Administration Building.

\$ 12,787,473

Annual debt service requirements to maturity for principal and interest are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 179,606	\$ 570,454	\$ 750,060
2012	187,857	562,203	750,060
2013	196,487	553,573	750,060
2014	205,514	544,546	750,060
2015	214,955	535,105	750,060
2016 – 2020	1,232,292	2,518,008	3,750,300
2021 – 2025	1,542,578	2,207,722	3,750,300
2026 – 2030	1,930,993	1,819,307	3,750,300
2031 – 2035	2,417,209	1,333,091	3,750,300
2036 – 2040	3,025,852	724,448	3,750,300
2041 – 2043	1,654,130	59,738	1,713,868
	<u>\$ 12,787,473</u>	<u>\$ 11,428,195</u>	<u>\$ 24,215,668</u>

**GOVERNMENT OF GUAM**

Notes to Financial Statements  
September 30, 2010

(15) Discretely Presented Component Unit Disclosures, Continued

F. Long-Term Debt, Continued

Guam Community College (GCC):

Due to U.S. Department of Education, with interest at 5.5% per annum, payable in semi-annual installments of \$342,620, including interest, through December 2010. \$ 333,449

Due to U.S. Department of Agriculture, with interest at 4.375% per annum, payable in monthly installments of \$2,755, including interest, through April 2024, collateralized by certain revenues and fixed assets of GCC. 298,428

\$ 631,877

Annual debt service requirements to maturity for principal and interest are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 353,859	\$ 21,819	\$ 375,678
2012	21,322	11,738	33,060
2013	22,273	10,787	33,060
2014	23,268	9,792	33,060
2015	24,306	8,754	33,060
2016 – 2020	138,807	26,493	165,300
2021 – 2023	<u>48,042</u>	<u>1,536</u>	<u>49,578</u>
	<u>\$ 631,877</u>	<u>\$ 90,919</u>	<u>\$ 722,796</u>

Guam Housing and Urban Renewal Authority:

Due to Farmers' Home Administration, with interest at 6% per annum, payable in equal monthly installments of \$10,540, including interest, through April 2030, collateralized by restricted cash balances. \$ 1,400,541

Annual debt service requirements to maturity for principal and interest are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 44,000	\$ 82,480	\$ 126,480
2012	46,000	80,480	126,480
2013	49,000	77,480	126,480
2014	52,000	74,480	126,480
2015	55,000	71,480	126,480
2016 – 2020	332,000	300,400	632,400
2021 – 2025	448,000	184,400	632,400
2026 – 2030	<u>374,541</u>	<u>38,078</u>	<u>412,619</u>
	<u>\$ 1,400,541</u>	<u>\$ 909,278</u>	<u>\$ 2,309,819</u>

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

## (15) Discretely Presented Component Unit Disclosures, Continued

### F. Long-Term Debt, Continued

Guam Housing Corporation (GHC):

Mortgage-Backed Revenue Bonds, Series 1998, (original issue of \$50,000,000, dated April 15, 1998), varying interest rates at 4.45% - 5.75% per annum, payable semiannually on March 1 and September 1, principal fund payments due in varying semiannual installments commencing with a payment of \$25,000 on March 1, 2002, and increasing to a final payment of \$194,201 on September 1, 2031. \$ 4,980,000

Note payable to Federal Home Loan Bank of Seattle, interest rate at 6.49% per annum, interest payable monthly, principal due in 2014, collateralized by proceeds received from mortgage loans made by GHC. As of September 30, 2010, GHC has pledged as security for this loan approximately \$9,721,152 of related outstanding mortgage loans. 4,351,620

\$ 9,331,620

The bonds are limited obligations of GHC payable from the revenues and other assets pledged for the payment thereof and are not a lien or charge upon the funds of GHC, except to the extent of the pledge and assignment set forth in the Indenture and in the bonds. The bonds do not constitute indebtedness or a loan of credit of GovGuam or the United States of America, within the meaning of the Organic Act of Guam or statutory provisions. Neither the faith and credit nor the taxing power of GovGuam is pledged to the payment of the principal of, or interest on the bonds. GHC has no taxing authority. The bonds are not debts, liabilities or obligations of GovGuam, and GovGuam is not liable for the payment should GHC default on the loan.

The bonds maturing in September 2031 are not subject to optional redemption prior to maturity. The bonds maturing after September 2009 but before September 2021 are subject to redemption on any date on or after September 2009, at the option of GHC, in whole, or in part from such maturities as are determined by GHC, from any source of available monies, at the redemption prices set forth in the Indenture. The bonds maturing in September 2018, in September 2021, and in September 2031 are subject to mandatory redemption prior to maturity at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest thereon to the date fixed for redemption, from sinking fund installments which are required to be made in amounts sufficient to redeem on dates set forth in the Indenture.

The bond indenture contains certain restrictive covenants, including restrictions on the use of bond funds. Management of GHC is of the opinion that GHC was in compliance with all significant covenants as of September 30, 2010.

**GOVERNMENT OF GUAM**

Notes to Financial Statements  
September 30, 2010

(15) Discretely Presented Component Unit Disclosures, Continued

F. Long-Term Debt, Continued

Guam Housing Corporation (GHC), Continued:

Annual debt service requirements to maturity for principal and interest are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,138,450	\$ 524,450	\$ 1,662,900
2012	1,215,881	450,738	1,666,619
2013	1,292,820	370,952	1,663,772
2014	1,271,673	286,444	1,558,117
2015	160,985	241,622	402,607
2016 – 2020	984,539	1,067,984	2,052,523
2021 – 2025	1,246,882	782,239	2,029,121
2026 – 2030	1,634,914	380,520	2,015,434
2031	385,476	16,666	402,142
	<u>\$ 9,331,620</u>	<u>\$ 4,121,615</u>	<u>\$ 13,453,235</u>

Guam Economic Development Authority (GEDA):

Tobacco Settlement Asset-Backed Bonds, 2007 Series A, (original issue of \$33,575,000, dated December 1, 2007), varying interest rates at 5.25% - 5.625% per annum, payable semiannually on June 1 and December 1, principal fund payments due in varying annual installments commencing with a payment of \$1,025,000 on June 1, 2008 and increasing to a final payment of \$3,840,000 on June 1, 2026. These bonds are payable solely from and secured by certain revenues. The bonds have been issued for deposit to trust and endowment funds.

\$ 30,430,000

Tobacco Settlement Asset-Backed Capital Appreciation Bonds, 2007 Series B (original issue of \$3,407,077, dated December 1, 2007), interest not paid currently, compounded annually on December 1 based on an imputed interest rate of 7.25% to become part of the accreted value until the maturity date or earlier redemptions. The bonds bear an original maturity value of \$115,455,000 with final maturity date of June 1, 2057. The projected turbo redemption date, however, is June 1, 2034 with a total projected principal amount of \$16,773,618. Under the Turbo Redemption assumption, principal fund payments are due in varying annual installments commencing with a payment of \$917,533 on June 1, 2008 and increasing to a final payment of \$1,191,488 on June 1, 2034. The Series B bonds are also secured by certain revenues with the Series A bonds; however, they are subordinate to the Series 2007A Bonds.

16,773,618

47,203,618

Less discount on Series B capital appreciation turbo term bonds (12,638,598)

Less discount on issuance (1,457,270)

Less deferred difference on defeasance of 2001 bonds (1,748,488)

\$ 31,359,262

## GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

(15) Discretely Presented Component Unit Disclosures, Continued

F. Long-Term Debt, Continued

Guam Economic Development Authority (GEDA), Continued:

Annual debt service requirements to maturity for principal and interest are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,600,000	\$ 1,603,566	\$ 3,203,566
2012	1,720,000	1,519,435	3,239,435
2013	1,850,000	1,429,004	3,279,004
2014	1,980,000	1,331,879	3,311,879
2015	2,120,000	1,227,732	3,347,732
2016 – 2020	8,300,000	4,541,507	12,841,507
2021 – 2025	7,975,000	2,489,977	10,464,977
2026 – 2030	14,025,268	242,578	14,267,846
2031 – 2034	7,633,350	-	7,633,350
	<u>\$ 47,203,618</u>	<u>\$ 14,385,678</u>	<u>\$ 61,589,296</u>

On December 13, 2007, GEDA issued \$36,982,077 in Series 2007 Tobacco Settlement Asset-Backed Bonds to retire \$25,040,000 of outstanding 2001 Series bonds. The net proceeds were \$35,478,149 (\$34,359,109 of original principal after issuance discount, underwriter discount and other issuance costs, plus an additional \$794,040 from the Series 2001 funds plus \$325,000 received in connection with the termination of Series 2001 Reserve Fund Agreement). Of this amount, \$8,345,278 was transferred into a custodial account for the benefit of GovGuam. The remaining \$27,132,871 was deposited in an irrevocable trust with an escrow agent to provide for the future service of the Series 2001 bonds through May 15, 2016. Except to the extent of any excess which is to be released upon termination (when all transfers and payments required are satisfied), GEDA has no interest in the funds or investments held in the escrow fund and as a result, the Series 2001 bonds indenture was satisfied and discharged. Additionally, the transaction meets the requirement of an in-substance defeasance and as a result, the Series 2001 bonds and the related funds held by the escrow agent have been removed from the accompanying financial statements.

Additionally, the defeasance resulted in a loss of \$2,628,344, representing the difference between the reacquisition price and the carrying amount of the Series 2001 bonds. The loss has been deferred and amortized over the remaining life the Series 2001 bonds and is reflected as a reduction of the bond liability.

The defeasance of the bonds resulted in an increase of GEDA's aggregate debt service payment by approximately \$36 million over the life of the new Series 2007 bonds and an economic loss (difference between the present value of the old and new debt service payments, plus the \$8,345,278 received) of approximately \$455,000.

The difference between the original principal amount of \$3,407,077 and the projected turbo redemption projected value of \$16,773,618 represents discount that is amortizing into interest expense using the straight-line method through the weighted average life of the Series 2007 bonds.

# GOVERNMENT OF GUAM

## Notes to Financial Statements September 30, 2010

### (15) Discretely Presented Component Unit Disclosures, Continued

#### F. Long-Term Debt, Continued

Guam Economic Development Authority (GEDA), Continued:

The Series 2007 bonds are subject to mandatory redemption, in whole or in part, prior to their stated maturity dates from amounts on deposit in the Turbo Redemption Account on each Distribution Date (December 1). Due to a number of factors, including actual shipment of cigarettes in the United States and the actual level of payments received by the settling states under the Master Settlement Agreement, the amount available to pay the principal or accredited value of and interest on the Series 2007 bonds may fluctuate from year to year.

#### G. Changes in Long-Term Liabilities

During the year ended September 30, 2010, the following changes occurred in liabilities reported as part of the discretely presented component units' long-term liabilities in the statement of net assets:

	Balance October 1, <u>2009</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, 2010	Due Within <u>One Year</u>
Bonds and notes payable:					
Antonio B. Won Pat International					
Airport Authority	\$ 180,960,000	\$ -	\$ (8,235,000)	\$ 172,725,000	\$ 8,625,000
Guam Power Authority	388,058,601	206,555,000	(7,373,601)	587,240,000	7,795,000
Guam Waterworks Authority	103,039,122	30,000,000	(4,199,094)	128,840,028	7,128,338
University of Guam	12,930,123	-	(142,650)	12,787,473	179,606
Guam Community College	1,280,494	-	(648,617)	631,877	353,859
Guam Housing and Urban Renewal Authority	1,442,123	-	(41,582)	1,400,54	44,000
Guam Housing Corporation	10,401,866	-	(1,070,246)	9,331,620	1,138,450
Guam Economic Development Authority	48,003,618	-	(800,000)	47,203,618	1,600,000
	<u>746,115,947</u>	<u>236,555,000</u>	<u>(22,510,790)</u>	<u>960,160,157</u>	<u>26,864,253</u>
Deferred amounts:					
Unamortized premiums	8,532,082	-	(765,160)	7,766,922	-
Unamortized discounts	(19,097,288)	(4,240,661)	753,185	(22,584,764)	-
Unamortized difference on bond defeasance	(19,739,039)	-	1,709,885	(18,029,154)	-
	<u>715,811,702</u>	<u>232,314,339</u>	<u>(20,812,880)</u>	<u>927,313,161</u>	<u>26,864,253</u>
Other:					
Compensated absences	12,904,718	7,509,547	(7,334,069)	13,080,196	6,346,634
Capital lease obligations	125,157,707	-	(8,028,312)	117,129,395	9,064,045
Due to component units	3,998,968	-	(2,451,150)	1,547,818	1,547,815
DCRS sick leave	7,214,565	2,521,979	(1,199,690)	8,536,854	-
Other noncurrent liabilities	23,743,682	52,623	(673,090)	23,123,215	-
	<u>173,019,640</u>	<u>10,084,149</u>	<u>(19,686,311)</u>	<u>163,107,156</u>	<u>16,958,497</u>
	<u>\$ 888,831,342</u>	<u>\$ 242,398,488</u>	<u>\$ (40,499,191)</u>	<u>\$ 1,090,730,639</u>	<u>\$ 43,822,750</u>

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

## (15) Discretely Presented Component Unit Disclosures, Continued

### H. Capital Lease Financing

Guam Power Authority (GPA):

In September 1996, GPA entered into agreements to purchase electricity produced by generating plants constructed or refurbished and operated by three companies. The agreements have twenty year terms. At the end of the agreements, ownership of the plants and the plant improvements reverts to GPA. Under each of the agreements, GPA pays capacity and operation and maintenance costs.

GPA has determined that the agreements to purchase electricity were in fact capital leases to acquire the plants and that the capacity payments made under the agreements were lease payments.

The leases have effective interest rates ranging from 8.6% to 14.2%. Future capacity payments under these agreements are as follows:

<u>Year ending September 30,</u>	<u>Amount</u>
2011	\$ 23,084,304
2012	23,084,304
2013	23,084,304
2014	23,084,304
2015	23,084,304
2016 - 2019	<u>71,131,775</u>
	186,553,295
Less amounts representing interest	<u>(69,423,900)</u>
	\$ <u>117,129,395</u>

### I. Commitments and Contingencies

#### Guam Economic Development Authority (GEDA) Tobacco Settlement Reserve Fund

In connection with the Series 2007 Tobacco Settlement Bonds, GEDA entered into a Reserve Fund Agreement (the "Agreement") with Lehman Brothers Special Financing, Inc. ("LBSF"), which requires LBSF to cause Lehman Brothers, Inc., as qualified dealer, to deliver securities that mature on or before the next interest payment date, at a price designed to produce a rate of return of at least 4.365%. The contractual termination date for the Reserve Fund Agreement is June 1, 2047. LBSF's obligation under the Agreement was guaranteed by Lehman Brothers Holdings Inc. ("LBHI"). On September 15, 2008, LBSF and LBHI filed for Chapter 11 bankruptcy protection, LBSF failed to deliver new Qualified Securities under the Agreement on the next scheduled delivery date of December 1, 2008, and, as a result, Co-Trustee U.S. Bank National Association declared an event of default under the Agreement and invested the amount on deposit in the Reserve Fund in short-term securities as required under the Agreement.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

## (15) Discretely Presented Component Unit Disclosures, Continued

### I. Commitments and Contingencies, Continued

#### Guam Economic Development Authority (GEDA) Tobacco Settlement Reserve Fund, Continued

On September 22, 2009, GEDA filed claims with the United States Bankruptcy Court against LBSF and LBHI, each for approximately \$1.8 million, as the estimated replacement market value of the Reserve Fund Agreement. Such replacement value represents the present value of the difference between the guaranteed rate and the market interest rate over the remaining term of the Agreement, i.e. through June 1, 2047. If the termination claim is not favorably resolved, GEDA's earnings from the investment of the Reserve Fund could be lower than originally expected, but no loss of principal has occurred or would occur. These events are not expected to have an adverse impact on the timely repayment of the Series 2007 Tobacco Settlement Bonds.

#### Performance Management Contracts (PMCs)

During the year ended September 30, 2010, the Guam Power Authority entered into two new PMCs with two companies for the operation and maintenance of Cabras 1 and 2 and Cabras 3 and 4 generators, which became effective on October 1, 2010 and July 1, 2010, respectively. These PMCs are for a period of five years with an option to extend for another five-year term.

The future minimum annual management fee payments for commitments under these contracts are as follows:

<u>Year Ending</u> <u>September 30,</u>	
2011	\$ 2,516,930
2012	2,587,404
2013	2,659,801
2014	2,734,177
2015	<u>2,526,743</u>
	\$ <u>13,025,055</u>

On December 5, 2006, Guam Waterworks Authority entered into a three year PMC with a company for the operation and maintenance of its Wastewater Treatment Plants, Collection System, and Lift Stations, which were extended to mature on December 31, 2012.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

## (15) Discretely Presented Component Unit Disclosures, Continued

### I. Commitments and Contingencies, Continued

#### Performance Management Contracts (PMCs), Continued

The future minimum annual management fee payments for commitments under these contracts are as follows:

<u>Year Ending</u> <u>September 30,</u>	
2011	\$ 1,047,912
2012	1,077,254
2013	1,386,169
2014	<u>278,752</u>
	\$ <u>3,790,087</u>

#### Lease Obligations as Lessor

In November 2002, the DFS Group L.P. (DFS) was selected as the primary concessionaire and was awarded a ten year concession agreement by Antonio B. Won Pat International Airport Authority (AWPIAA) commencing on January 1, 2003 and terminating on December 31, 2012. On March 17, 2006, AWPIAA entered into a concession agreement for additional space for a five year term. The concession agreements provide for a minimum annual guarantee rent as well as percentage rent on gross revenues exceeding certain levels.

The future minimum lease receipts for the aforementioned concession agreements are as follows:

<u>Year Ending</u> <u>September 30,</u>	
2011	\$ 4,615,000
2012	4,500,000
2013	<u>1,379,000</u>
	\$ <u>10,494,000</u>

AWPIAA has lease agreements with scheduled air carriers, various other concessionaires and airport users. The agreements provide the lessees with the use of AWPIAA's system facilities, equipment and services. The signatory airline operating agreement and terminal building lease are in effect from October 1, 2006 through September 30, 2011. The two ground lease agreements will expire in August 2023. The lease agreements with six rent-a-car companies will expire in June 2011.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

## (15) Discretely Presented Component Unit Disclosures, Continued

### I. Commitments and Contingencies, Continued

#### Lease Obligations as Lessor, Continued

The future minimum rental receipts for the aforementioned noncancellable operating leases (excluding the DFS lease) are as follows:

<u>Year Ending</u> <u>September 30,</u>	
2011	\$ 6,660,000
2012	2,833,000
2013	1,470,000
2014	972,000
2015	754,000
Thereafter	<u>6,866,000</u>
	<u>\$ 19,555,000</u>

#### Lease Obligations as Lessee

On December 31, 2002, Guam Power Authority (GPA) entered into a lease agreement for its office building for an initial term of two years with a monthly rental of \$25,000. On January 1, 2010, GPA renewed the lease agreement for an additional term of three years with a monthly rental of \$45,000, expiring on December 31, 2012.

GPA also leases fuel storage tanks for a monthly fee of \$100,000 beginning September 1998, increasing to \$107,500 in March 2003. The initial term of the lease is for a period of 10 years with an option to renew for an additional 5-year period, expiring on September 2013, at an increased monthly lease fee of \$115,650. On February 8, 2008, GPA renewed the agreement for an additional five year term from March 1, 2008 through February 28, 2013.

GPA entered into a commercial space lease beginning July 1, 2010, with monthly rentals of \$4,495. The lease has an option to renew for an additional term of five years.

The future minimum lease payments for the aforementioned leases are as follows:

<u>Year Ending</u> <u>September 30,</u>	
2011	\$ 1,636,196
2012	1,501,196
2013	752,040
2014	53,935
2015	<u>40,451</u>
	<u>\$ 3,983,818</u>

On January 2010, Guam Housing and Urban Rural Authority (GHURA) entered into a lease agreement for office space for an initial term of two years with a monthly rental of \$6,216.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

## (15) Discretely Presented Component Unit Disclosures, Continued

### I. Commitments and Contingencies, Continued

#### Lease Obligations as Lessee, Continued

The future minimum lease payments for the aforementioned lease is as follows:

<u>Year Ending</u> <u>September 30,</u>	
2011	\$ 74,598
2012	<u>24,866</u>
	\$ <u>99,464</u>

On February 2003, Guam Housing Corporation (GHC) entered into a Memorandum of Understanding (MOU) with Guam Economic Development Authority (GEDA) to provide support services to GHC. Such services were for network and computer administration for a fee of \$21,696 per annum. GHC also sub-leases office space from GEDA under its operating lease, which expires February 28, 2011.

#### Derivatives

Guam Power Authority (GPA) is exposed to market price fluctuations on its purchases of fuel oil. GPA uses derivatives such as commodity swaps to protect itself from increases in market prices. GPA has an outstanding commodity swap for fiscal year 2010 fuel requirements based on a notional amount of 59,814 metric tons of low sulfur and high sulfur fuel oil. Payment is based on current spot prices at the settlement date. At September 30, 2010, the commodity swaps had a positive fair value of approximately \$156,000. Accordingly, GPA was exposed to credit risk on the amount of their fair value. At September 30, 2010, there are three counterparties, rated as A-1 and A-1+ by S&P.

#### Fuel Purchase Contract

In March 2010, the Guam Power Authority has entered into an agreement to purchase residual fuel oil and low sulfur fuel oil. The agreement is for three years with an option to extend for two additional one year terms, renewable annually.

#### Environmental Monitoring

In September 2000, the United States Navy (the Navy) transferred 1,417 acres of property to the Antonio B. Won Pat International Airport Authority (AWPIAA) and GovGuam at no cost. In November 2000, the Navy paid AWPIAA \$10,000,000. In exchange for the payment, AWPIAA and GovGuam agreed to complete certain environmental monitoring work on the property even if the cost of the environmental monitoring work exceeds the \$10,000,000 remitted by the Navy. AWPIAA management has been made aware that in accordance with the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, a decision document or record of decision requires execution by AWPIAA, the Navy and the Guam Environmental Protection Agency with the concurrence of the U.S. EPA. The decision document would codify the responsibilities of each party for the environmental response actions.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

## (15) Discretely Presented Component Unit Disclosures, Continued

### I. Commitments and Contingencies, Continued

#### Environmental Monitoring, Continued

Although the primary remediation action is natural attenuation, AWPIAA has substantially completed a water system project as part of the military airport program, which concurrently satisfies, in part, certain response actions contemplated under the Environmental Services Cooperative Agreement. AWPIAA will continue the voluntary monitoring until such time the decision document is executed and AWPIAA's remediation responsibilities are specified. The long-term obligation to operate and maintain the facilities built under the remedial construction as well as the required sampling will be handled through a water system commercial agreement. As of September 30, 2010, AWPIAA estimated, based upon a weighted average probability of future cash flows, that its pollution remediation obligations amounted to \$671,044.

#### Stipulated Order

In 2002, the U.S. Government filed a complaint against the Guam Waterworks Authority (GWA) and GovGuam for alleged violations under the Federal Clean Water Act (CWA) and the Safe Drinking Water Act (SDWA). Because of GWA's non-compliance with the National Primary Drinking Water Regulations, the U.S. Government is seeking both civil penalties and injunctive relief to address such non-compliance. Both GWA and the U.S. Government of Justice, Environmental and Natural Resources Division mutually agreed in the form of a Stipulated Order to resolve the violation issues.

On June 5, 2003, a Stipulated Order for Preliminary Relief was filed before the District Court of Guam. The Stipulation requires implementation of short-term projects and initial planning measures by GWA. GWA is required to submit a final financial plan in the Master Plan that generates sufficient revenue to cover the cost of all compliance activities and deliverables required by the Stipulated Order for Preliminary Relief, as well as any other anticipated expenses, including any measures necessary to ensure compliance with the CWA and the SDWA and costs related to the infrastructure improvements identified in the Master Plan.

#### Construction Contracts

Antonio B. Won Pat International Airport Authority has commitments of approximately \$7,900,000 under several construction contracts as of September 30, 2010 and approximately \$16,700,000 under other various contracts as of September 30, 2010.

Guam Waterworks Authority has commitments of \$3,304,587 under several capital projects as of September 30, 2010.

#### Loans

Guam Housing Corporation has commitments of \$1,407,245 in loan commitments as of September 30, 2010.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2010

## (15) Discretely Presented Component Unit Disclosures, Continued

### I. Commitments and Contingencies, Continued

#### Land Held for Development

Public Law 20-225 authorized the transfer of land under the Lada Estates Project from GovGuam to the Guam Housing Corporation (GHC) for the development of affordable housing units for sale to first-time homeowners. In addition to the initial cost of \$392,385, subsequent capitalized development costs were incurred of \$15,721,953, which included \$10,555,000 for improvement for off-site and on-site infrastructure incurred by a contractor. Subsequent economic conditions prevented the completion of the project and, as a result, GHC halted further development. The contractor has subsequently sued GHC and GovGuam for the amount of development costs incurred. GHC is awaiting ultimate adjudication by the Court to determine the validity of the claim, including accrued interest of \$7,117,176. A liability has been recorded by GHC in the amount of \$10,555,000 associated with the development costs; however, no liability has been recorded for accrued interest. GHC and GovGuam are disputing the liability, including the accrued interest, and believe that the contractor's claim may not be payable pursuant to the terms of the contract and under Guam law. Accordingly, it is not possible to determine the ultimate outcome of this matter and hence no provision for any liability that may result from the accrued interest claim by the contractor has been made in the accompanying financial statements.

Prior to October 1, 2009, the improvements on land held for development had a carrying value of \$15,721,953. Lada Estates experienced recurring theft and damage to its infrastructure and incurred illegal dumping of trash and refuse. Due to the physical damage and construction stoppage, GHC believes that the carrying amount of Lada Estates improvements is no longer recoverable and was written down to its estimated fair value of \$10,555,000. Accordingly, an impairment loss of \$5,166,953 was recognized as an adjustment to the beginning balance of net assets in prior years (see Note 15J).

### J. Restatement

Subsequent to the issuance of the Guam Housing Corporation (GHC) 2009 financial statements, GHC determined that the allowance for loan losses was overstated by \$2,345,000 and that an impairment loss of \$5,166,953 should have been recognized in earlier years relating to the Lada Estates (see Note 15I). This correction is not considered material by GovGuam. The effect of this restatement on net assets is a decrease in net assets as of October 1, 2009 of the component units' column of \$2,821,953 from \$964,315,676 to \$961,493,723.

**GOVERNMENT OF GUAM**

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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**YEAR ENDED SEPTEMBER 30, 2010**

**GOVERNMENT OF GUAM**

Statement of Revenues, Expenditures by Department, and  
Changes in Deficit - Budget and Actual  
General Fund  
Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final	(See Note 1)	
<b>Revenues:</b>				
<b>Taxes:</b>				
Income	\$ 292,479,706	\$ 260,079,706	\$ 239,152,369	\$ (20,927,337)
Gross receipts	211,923,867	208,483,867	188,621,364	(19,862,503)
Income - COLA	-	-	99,291	99,291
Excise	3,925,264	3,925,264	3,490,942	(434,322)
Section 30 Federal income tax collections	38,567,761	38,567,761	39,028,136	460,375
Immigration fees	2,100,075	2,100,075	1,754,678	(345,397)
Indirect cost reimbursement	1,811,510	1,811,510	469,595	(1,341,915)
Guam Public School System	700,000	700,000	4,272,611	3,572,611
Contributions from component units	2,028,008	2,028,008	4,863,593	2,835,585
Other	7,792,048	7,792,048	9,214,785	1,422,737
<b>Total revenues</b>	<b>561,328,239</b>	<b>525,488,239</b>	<b>490,967,364</b>	<b>(34,520,875)</b>
<b>Expenditures by Department:</b>				
<b>Executive Branch:</b>				
Office of I Maga'lahaen Guahan	10,554,502	10,554,502	10,419,087	135,415
Office of I Segundu Na Maga'lahaen Guahan	1,372,426	1,372,426	1,340,495	31,931
Bureau of Budget and Management Research	1,301,296	1,301,296	1,288,251	13,045
Civil Service Commission	503,602	503,602	502,792	810
Department of Administration	28,516,696	28,509,984	28,332,828	177,156
Guam Election Commission	806,163	806,163	751,329	54,834
Department of Revenue and Taxation	10,188,433	9,722,756	9,630,172	92,584
Bureau of Statistics and Plans	1,058,225	1,030,523	1,030,052	471
Department of Public Works	10,518,950	10,518,950	9,142,426	1,376,524
Office of the Attorney General	7,089,626	7,089,626	6,914,318	175,308
Guam Police Department	24,092,404	23,751,458	23,681,798	69,660
Department of Corrections	15,752,878	15,752,878	16,214,747	(461,869)
Department of Agriculture	2,218,387	2,218,387	2,177,675	40,712
Department of Public Health and Social Services	7,869,919	7,869,919	7,677,944	191,975
Department of Education	196,986,011	196,734,727	197,686,238	(951,511)
Department of Youth Affairs	3,951,069	3,951,069	3,811,835	139,234
Department of Mental Health and Substance Abuse	12,627,242	12,626,221	12,365,378	260,843
Department of Labor	1,229,539	1,229,539	1,202,619	26,920
Department of Parks and Recreation	2,861,263	2,861,263	2,858,655	2,608
Department of Integrated Services for Individuals with Disabilities	664,917	664,917	658,921	5,996
Mayors' Council of Guam	9,979,972	9,979,972	8,707,005	1,272,967
Chief Medical Examiner	400,949	400,949	381,549	19,400
Department of Chamorro Affairs	817,452	817,452	844,002	(26,550)
Department of Military Affairs	277,507	277,507	125,420	152,087
Guam Fire Department	27,543,396	27,543,396	28,285,126	(741,730)
Payments to Component Units	61,226,928	61,185,800	48,544,644	12,641,156
GovGuam Retirement Fund appropriations	3,898,178	3,898,178	1,303,448	2,594,730
Miscellaneous appropriations	18,797,242	18,797,242	19,759,363	(962,121)
Interest and other charges	-	-	18,027,410	(18,027,410)
Debt service	38,214,544	47,371,957	43,041,598	4,330,359
<b>Total expenditures</b>	<b>501,319,716</b>	<b>509,342,659</b>	<b>506,707,125</b>	<b>2,635,534</b>
Excess (deficiency) of revenues over (under) expenditures	60,008,523	16,145,580	(15,739,761)	(31,885,341)
<b>Other financing sources (uses):</b>				
Transfers in from other funds	21,826,459	25,266,459	50,421,868	25,155,409
Transfers out to other funds	(114,670,702)	(112,870,699)	(112,569,143)	301,556
<b>Total other financing sources (uses), net</b>	<b>(92,844,243)</b>	<b>(87,604,240)</b>	<b>(62,147,275)</b>	<b>25,456,965</b>
<b>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 supplies are received for financial reporting purposes</b>				
	-	-	6,819,544	6,819,544
	-	-	6,819,544	6,819,544
<b>Net change in fund deficit</b>	<b>(32,835,720)</b>	<b>(71,458,660)</b>	<b>(71,067,492)</b>	<b>391,168</b>
Fund deficit at beginning of year	(265,377,371)	(265,377,371)	(265,377,371)	-
Fund deficit at end of year	\$ (298,213,091)	\$ (336,836,031)	\$ (336,444,863)	\$ 391,168

See accompanying notes to required supplementary information - budgetary reporting.

## GOVERNMENT OF GUAM

### Notes to Required Supplementary Information – Budgetary Reporting September 30, 2010

#### (1) Budgetary Process

As required under law (5 GCA §4103 and §4106), the Governor directs the preparation and administration of the Executive Budget for GovGuam on an annual basis. The Executive Budget represents the Governor's financial proposal with recommended priorities for allocating resources. The budget process is important and necessary for the enactment of a budget and review of government operations. The Budget Process occurs in four (4) phases: formulation, adoption, execution, and audit.

During the *formulation phase*, the economic forecast and the program and financial plans are prepared for the various departments. Economic data and statistics are utilized in developing projected revenues for the upcoming fiscal year. Once revenues have been projected, a budget call is distributed to all the line agencies. This process starts when the Bureau of Budget and Management Research (BBMR) issues guidelines to each line agency in the preparation and development of their respective budgets. The formulation phase culminates in the transmittal of the Program and Financial Plan (Executive Budget) with the Governor's Budget Message to the Legislature for its consideration.

The *adoption phase* is the process in which the Legislature considers the Governor's proposal and passes the overall revenue and spending plan under a General Appropriations Bill. The Bill usually receives more detailed hearings within the auspices of the applicable legislative committees. Usually, a series of hearings will be called during which department heads and staff members give an overview of the Governor's proposed budget and are expected to provide explanations when their department's/agency's appropriations are considered. Finally, the Legislature may pass a General Appropriations Bill. The Bill is then transmitted to the Governor for approval. Other bills to include amendments during the fiscal year may be introduced for enactment into law.

The *execution phase* involves the release of funds appropriated per the General Appropriations Act. Each department prepares allotment of appropriations and may request revisions, legislative or administrative transfers, or supplemental appropriations. BBMR must approve such revisions to allotments. The Bureau also monitors and assists agencies in carrying out the approved budget in line with the established policies of the Governor.

The *audit phase* involves the evaluation of departments/agencies to identify areas in need of improving compliance procedures with applicable laws and regulations. During the audit phase, financial transactions, accounts and reports are assessed and analyzed to improve accountability, effectiveness, and efficiency in the achievement of goals and objectives. This phase is also to assure economic use of resources to enhance achievement of public services.

Budgetary control is maintained within the departmental level. Budget revisions during the year, reflecting program changes or intradepartmental transfers of an administrative nature, may be effective with certain executive and legislative branch approval. Unencumbered appropriations normally lapse at the end of each fiscal year unless they are designated by the Legislature as representing continuing appropriations.

See Accompanying Independent Auditors' Report.

## GOVERNMENT OF GUAM

### Notes to Required Supplementary Information – Budgetary Reporting September 30, 2010

(1) Budgetary Process, Continued

The Budget Act for fiscal year 2010, Public Law No. 30-55, was approved for the Executive branch and the Legislative branch. 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 reappropriated and honored during the subsequent fiscal year.

See Accompanying Independent Auditors' Report.

**GOVERNMENT OF GUAM**

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**OTHER SUPPLEMENTARY  
INFORMATION**

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**YEAR ENDED SEPTEMBER 30, 2010**

**GOVERNMENT OF GUAM**

All Governmental Funds  
Combining Schedule of Expenditures By Object  
Year Ended September 30, 2010

	Special Revenue				Capital Projects	Other Governmental Funds	Total
	General	Federal Grants Assistance	GDOE Federal Grants	DMHSA Receiver	Landfill CIP		
Expenditures by Object:							
Salaries and wages:							
Regular	\$ 216,993,484	\$ 26,075,666	\$ 21,392,719	\$ -	\$ -	\$ 52,533,786	\$ 316,995,655
Overtime	4,367,481	708,546	-	-	-	1,287,086	6,363,113
Fringe benefits	66,022,950	7,931,379	6,296,605	-	-	14,750,913	95,001,847
Travel	1,269,470	2,306,328	525,572	-	-	1,013,298	5,114,668
Contractual services	26,571,484	55,793,455	11,410,204	-	43,012,383	21,224,126	158,011,652
Building rent	7,782,861	1,718,252	-	-	-	4,529,458	14,030,571
Supplies	6,942,486	1,777,252	2,631,753	-	1,093,052	4,103,621	16,548,164
Equipment	800,300	2,357,651	495,066	-	-	1,184,698	4,837,715
Utilities - power and water	22,045,786	1,711,217	-	-	-	5,565,334	29,322,337
Communications	2,235,952	563,701	-	-	-	681,244	3,480,897
Capital outlays	3,151,395	20,023,393	166,101	-	332,066	1,884,042	25,556,997
Grants and subsidies	49,834,891	118,013,750	-	-	-	35,682,765	203,531,406
Supplemental annuity benefits	6,765,267	-	-	-	-	11,736,120	18,501,387
Retiree healthcare benefits	19,145,143	-	-	-	-	-	19,145,143
Principal retirement	14,794,069	-	2,915,000	-	-	10,220,000	27,929,069
Interest and fiscal charges	43,887,188	-	4,185,000	-	10,668,687	3,455,955	62,196,830
Miscellaneous	7,287,629	52,015,714	147,840	-	-	15,628,761	75,079,944
	<u>\$ 499,897,836</u>	<u>\$ 290,996,304</u>	<u>\$ 50,165,860</u>	<u>\$ -</u>	<u>\$ 55,106,188</u>	<u>\$ 185,481,207</u>	<u>\$ 1,081,647,395</u>

See Accompanying Independent Auditors' Report.

## GOVERNMENT OF GUAM

### Statement of Revenues, Expenditures by Department, and Changes in Deficit - General Fund Year Ended September 30, 2010 (With comparatives for the year ended September 30, 2009)

	2010	2009
Revenues:		
Taxes:		
Income	\$ 239,152,369	\$ 232,828,945
Gross receipts	188,621,364	182,583,996
Income - COLA	99,291	9,048,216
Excise	3,490,942	3,411,533
Licenses, fees and permits	4,546,349	4,470,091
Use of money and property	432,203	871,525
Section 30 Federal income tax collections	39,028,136	38,869,372
Immigration fees	1,754,678	1,612,140
Indirect cost reimbursement	469,595	4,551,926
Guam Public School System	4,272,611	1,175,560
Contributions from component units	4,863,593	2,027,632
Other	4,236,233	1,699,247
	490,967,364	483,150,183
Total revenues		
Expenditures by Department:		
General Government:		
Office of I Maga'lahaen Guahan:		
Office of the Governor	3,889,870	4,762,982
Office of the Governor - Guam Liaison Office	206,943	115,848
Ancestral Land Trust Commission	203,197	211,326
Government House	644,792	644,788
Bureau of Information Technology	172,723	153,217
Medical Referral Offices	65,755	714,660
Bureau of Women's Affairs	205,888	16,753
Office of Veteran's Affairs	240,024	237,629
	5,629,192	6,857,203
Office of I Segundu Na Maga'lahaen Guahan:		
Office of the Lieutenant Governor	1,141,155	1,082,726
Guam State Clearinghouse	196,746	231,243
	1,337,901	1,313,969
Bureau of Budget and Management Research:		
Office of the Director	293,371	319,510
Internal Audit Division	993,208	1,052,680
	1,286,579	1,372,190
Civil Service Commission:		
Office of the Director	235,535	222,376
Board of Commissioners	57,648	64,647
Legal Office	7,021	149,600
Personnel Management	181,192	235,045
	481,396	671,668
Department of Administration:		
Office of the Director	2,672,290	3,073,970
Office of the Director - COLA	6,765,267	6,670,000

See Accompanying Independent Auditors' Report.

**GOVERNMENT OF GUAM**

Statement of Revenues, Expenditures by Department, and  
Changes in Deficit - General Fund, Continued  
Year Ended September 30, 2010  
(With comparatives for the year ended September 30, 2009)

	2010	2009
Expenditures by Department, continued:		
General Government, continued:		
Department of Administration, continued:		
Office of the Director - Child Support	607,791	658,178
Office of the Director - Streetlights	1,229,387	-
Office of the Director - Health insurance benefits	3,870,026	-
Office of the Director - Power and Water	6,988,618	-
Personnel Management	1,676,903	1,753,016
Financial Management	624,296	633,807
Data Processing	545,066	563,840
General Services Agency	825,939	802,001
Division of Accounts	2,348,469	2,386,350
	28,154,052	16,541,162
Department of Land Management:		
Land Planning Division	-	48,304
Land Records Division	-	13,296
Geographic Information System Division	-	19,674
	-	81,274
Department of Public Works:		
Office of the Director	1,366,732	2,496,308
Office of the Director - Consent Decree	38,432	786,366
Office of the Director - Streetlights	-	1,518,869
Public Cemeteries	58,982	-
Transportation Maintenance Division	763,107	768,481
	2,227,253	5,570,024
Department of Revenue and Taxation:		
Office of the Director	2,318,200	2,473,539
Office of the Director - Computer System Upgrade	-	4,200
Office of the Director - Stimulus Tax Rebates	193,870	172,679
Tax Enforcement Division	2,035,693	1,929,150
Real Property Tax Division	557,791	455,578
Taxpayer Services Division	1,725,911	1,782,351
Regulatory Division	1,090,993	1,011,169
Motor Vehicle Division	789,330	659,283
	8,711,788	8,487,949
Total General Government	47,828,161	40,895,439
Protection of Life and Property		
Department of Corrections:		
Office of the Director	3,121,065	4,067,926
Office of the Director - Rent	114,000	114,000
Adult Correctional Facility	9,493,564	9,432,087
Rosario Detention Center	2,153,151	2,277,261
Off-island Detention	1,490	9,638,304
Casework and Counseling Service Division	321,843	359,160

See Accompanying Independent Auditors' Report.

**GOVERNMENT OF GUAM**

Statement of Revenues, Expenditures by Department, and  
Changes in Deficit - General Fund, Continued  
Year Ended September 30, 2010  
(With comparatives for the year ended September 30, 2009)

	2010	2009
Expenditures by Department, continued:		
Protection of Life and Property, continued:		
Department of Corrections, continued:		
Forensic Division	343,235	385,014
Parole Service Division	559,548	523,932
	16,107,896	26,797,684
Department of Youth Affairs:		
Office of the Director	101,385	112,024
Office of the Director - Nursing and Medication	10,601	-
Division of Youth Development	491,354	619,373
Division of Youth Corrections	2,577,933	2,466,764
Division of Vocational Rehabilitation and Support Services	576,244	780,486
	3,757,517	3,978,647
Guam Fire Department:		
Office of the Fire Chief	1,002,220	355,772
Administrative and Logistical Support	941,842	1,335,164
Emergency Medical Service/Rescue Operations Bureau	9,088,863	8,478,041
Fire Suppression Bureau	17,181,698	15,952,738
	28,214,623	26,121,715
Guam Police Department:		
Office of the Chief	2,100,965	2,595,811
Office of the Chief - Police Commander	2,622,247	2,410,499
Office of the Chief - Administration Division	1,196,143	1,277,938
Office of the Chief - Overtime	522,877	1,055,251
Office of the Chief - Fuel	390,435	321,548
Criminal Investigation Division	2,728,265	2,313,961
Neighborhood Patrol Division	9,395,207	9,018,306
Support Division	2,142,756	1,962,174
Forensic Science Division	1,157,811	1,040,598
Highway Patrol Division	1,391,364	1,163,981
	23,648,070	23,160,067
Office of the Attorney-General:		
Attorney-General's Office	6,833,516	6,425,118
Chief Medical Examiner:		
Medical Examiner's Office	381,546	376,200
Total Protection of Life and Property	78,943,168	86,859,431
Public Health:		
Department of Mental Health and Substance Abuse:		
Office of the Director	5,488,847	2,504,249
Office of the Director - Permanent Injunction	2,761,997	1,969,159
Clinical Services Division	799,590	940,189
Youth Drug and Alcohol Program	11,156	205,426
Child and Adolescent Services Division	759,877	986,890

See Accompanying Independent Auditors' Report.

## GOVERNMENT OF GUAM

### Statement of Revenues, Expenditures by Department, and Changes in Deficit - General Fund, Continued Year Ended September 30, 2010 (With comparatives for the year ended September 30, 2009)

	2010	2009
Expenditures by Department, continued:		
Public Health, continued:		
Department of Mental Health and Substance Abuse, continued:		
Service Contracts	-	1,620,951
Nursing Services Division	1,974,216	2,186,528
	11,795,683	10,413,392
Department of Public Health and Social Services:		
Office of the Director	2,575,154	1,846,606
Chief Public Health Office	183,528	36,275
Community Health Services	104,072	298,328
Communicable Disease Control	12,402	38,873
Professional Social Services	4,228	139,522
Primary Care Services	154,948	62,414
Family Health and Nursing	72,614	-
Division of Environmental Health	502,973	67,377
Financial Management Services	163,836	190,528
Supply Section	84,928	106,068
Management Support Services	149,556	134,609
Facilities and Maintenance	946,119	348,493
Systems Group	373,949	335,179
	5,328,307	3,604,272
Total Public Health	17,123,990	14,017,664
Community Services:		
Department of Public Health and Social Services:		
Medically Indigent Program	91,242	101,147
Foster Care	1,519,219	1,725,039
Division of Senior Citizens	177,630	219,151
Adult Protective Services	455,434	472,801
	2,243,525	2,518,138
Department of Integrated Services for Individuals with Disabilities:		
Service Contracts	284,236	216,717
Office of the Director	341,086	596,633
Basic Support 110	32,754	42,371
	658,076	855,721
Guam Public Library System:		
Office of the Director	850,611	1,102,859
Hagatna-Dededo Library	186,851	210,293
Barrigada Library	48,643	51,365
Agat Library	34,827	25,305
Yona Library	32,445	24,882
Merizo Library	56,478	49,036
	1,209,855	1,463,740
Total Community Services	4,111,456	4,837,599

See Accompanying Independent Auditors' Report.

**GOVERNMENT OF GUAM**

Statement of Revenues, Expenditures by Department, and  
Changes in Deficit - General Fund, Continued  
Year Ended September 30, 2010  
(With comparatives for the year ended September 30, 2009)

	2010	2009
	<hr/>	<hr/>
Expenditures by Department, continued:		
Recreation:		
Department of Parks and Recreation:		
Office of the Director	368,800	445,501
Memorial Services	114,228	115,076
Community Programs	312,360	329,334
Pool and Beach Programs	420,794	414,505
Paseo Stadium	146,168	165,608
Parks Administration and Planning	139,214	113,699
Historic Preservation Division	196,767	132,127
Parks Maintenance	976,069	1,520,745
Territorial Park Protection	176,417	146,251
Total Recreation	<hr/> 2,850,817 <hr/>	<hr/> 3,382,846 <hr/>
Individual and Collective Rights:		
Office of I Maga'lahaen Guahan:		
Commission on Decolonization	61,795	177,227
Department of Chamorro Affairs:		
Office of the Director	424,859	468,104
Language and Culture Division	48,812	49,623
Research Publication and Training	70,796	19,905
Guam Museum	299,046	386,691
	<hr/> 843,513 <hr/>	<hr/> 924,323 <hr/>
Department of Labor:		
Office of the Director	547,356	572,098
Occupational Safety and Health Agency	49,059	8,999
Wage and Hour Division	203,862	204,174
Bureau of Labor Statistics	213,833	215,987
Fair Employment Practice Office	-	174
Worker's Compensation Commission	93,088	121,587
Fiscal and Support Office	89,671	86,032
	<hr/> 1,196,869 <hr/>	<hr/> 1,209,051 <hr/>
Department of Military Affairs:		
Office of the Adjutant General	125,310	118,740
Other:		
Guam Election Commission	691,649	789,481
Mayor's Council of Guam	8,437,814	9,000,789
	<hr/> 9,129,463 <hr/>	<hr/> 9,790,270 <hr/>
Total Individual and Collective Rights	<hr/> 11,356,950 <hr/>	<hr/> 12,219,611 <hr/>
Public Education:		
Education Suruhanu	129,714	-
Guam Commission for Educator Certification	214,475	144,480
Office of I Maga'lahaen Guahan:		
Office of the Governor - JFK School Lease	4,494,000	-

See Accompanying Independent Auditors' Report.

## GOVERNMENT OF GUAM

### Statement of Revenues, Expenditures by Department, and Changes in Deficit - General Fund, Continued Year Ended September 30, 2010 (With comparatives for the year ended September 30, 2009)

	2010	2009
Expenditures by Department, continued:		
Public Education, continued:		
Department of Education:		
Guam Public School System	192,868,497	200,340,413
Department of Public Works:		
Bus Operations	6,459,318	6,663,602
Total Public Education	204,166,004	207,148,495
Economic Development:		
Bureau of Statistics and Plans:		
Administration	364,384	312,015
Chief Economist's Office	2,205	6,993
Planning Information	191,547	240,090
Socio-Economic Planning	136,448	132,094
Business and Economic Statistics Division	330,180	350,661
	1,024,764	1,041,853
Department of Agriculture:		
Office of the Director	879,657	1,063,710
Fire Protection	18,852	-
Aquatic and Wildlife Resources Division	127,537	123,093
Animal and Plant Industry Division	786,304	856,964
Animal Health Section	364,297	360,243
	2,176,647	2,404,010
Total Economic Development	3,201,411	3,445,863
Payments to Component Units:		
Government of Guam Retirement Fund:		
Medicare Reimbursement	700,000	684,000
Governor and Lieutenant Governor Pension Contributions	145,000	145,000
Judge and Justice Retirement Annuities	458,448	454,200
	1,303,448	1,283,200
Guam Community College	13,938,332	13,922,708
Guam Educational Telecommunications Corporation	521,621	596,280
Guam Visitors Bureau	76,395	-
Guam Regional Transit Authority	399,934	-
Guam Memorial Hospital Authority	1,006,397	10,564,012
University of Guam	32,588,765	32,172,690
Total Payments to Component Units	49,834,892	58,538,890
Miscellaneous Appropriations:		
Retiree Healthcare Premiums	19,145,143	20,398,115
Guam Council on the Arts and Humanities Council	3,138	-
Sanctuary, Inc.	190,789	-
Hagatna Restoration and Redevelopment	72,909	54,069
Total Miscellaneous Appropriations	19,411,979	20,452,184

See Accompanying Independent Auditors' Report.

**GOVERNMENT OF GUAM**

Statement of Revenues, Expenditures by Department, and  
Changes in Deficit - General Fund, Continued  
Year Ended September 30, 2010  
(With comparatives for the year ended September 30, 2009)

	2010	2009
Expenditures by Department, continued:		
Interest and other charges:		
Interest on tax refunds	3,030,072	16,198,724
Public Law 28-38 Special Retirement payments	4,601,475	4,601,475
Credit card charge fees and other bank fees	4,052,949	5,769,704
COLA interest	1,325,003	17,915,324
Bond issuance costs	-	1,906,137
Other	5,017,911	218,025
Total Interest and other charges	18,027,410	46,609,389
Debt service:		
Principal retirement	14,794,069	12,297,839
Interest and fiscal charges	28,247,529	13,805,645
Total Debt Service	43,041,598	26,103,484
Total expenditures	499,897,836	524,510,895
Deficiency of revenues under expenditures	(8,930,472)	(41,360,712)
Other financing sources (uses):		
Proceeds from bonds issued	-	271,070,000
Discount on bonds issued	-	(9,622,491)
	-	261,447,509
Transfers in from other funds:		
Accessible Parking Fund	-	411,767
Agana Fractional Lots Program Fund	-	229,020
Air Pollution Fund	268,198	-
Autonomous Agency Infrastructure Collections Fund	460	-
Banking and Insurance Enforcement Fund	-	29,545
Board of Accountancy Fund	14,781	-
CAHA, OET and CEF Fund	-	266
Carrier Off-duty Services Revolving Fund	165,505	133,766
Chamorro Commercial Loan Fund	26,233	-
Community Development Fund	108,579	-
Consumer Protection Fund	-	135
Contractors' License Board Fund	435,950	1,248,483
Controlled Substance Diversion Fund	97,720	31,110
Criminal Injuries Compensation Fund	253,673	382,034
Dededo Buffer Strip Revolving Fund	50,241	120,352
D.O.D Contract Fund	400,671	-
DPHSS Sanitary Inspection Revolving Fund	43,574	-
DPW Building and Design Fund	162,201	2,643,219
Drivers' Education Fund	546,257	-
Enhanced 911 Emergency Reporting System Fund	2,236,556	325,718
Environmental Health Fund	260,558	413,884
Examiner Off-Duty Services Fund	1,925	-
GDOE Federal Grants Fund	-	1,456,752
GFD Capital Revolving Fund	63,119	15,277
General Services Agency Fund	1,608	232
GSA Inventory Revolving Fund	219,589	-

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## GOVERNMENT OF GUAM

Statement of Revenues, Expenditures by Department, and  
Changes in Deficit - General Fund, Continued  
Year Ended September 30, 2010  
(With comparatives for the year ended September 30, 2009)

	2010	2009
Other financing sources (uses), continued:		
Transfers in from other funds, continued:		
Government Claims Fund	7,655	-
Government House Revolving Fund	10,305	60
Guam Environmental Trust Fund	552,060	-
Guam Housing Corporation Revolving Fund	-	88,777
Guam Plant Inspection and Permit Fund	193,311	10,884
Guam Preservation Trust Fund	448,249	-
Guam Telephone Authority Privatization Proceeds Fund	856,153	-
Guam Unarmed Combat Commission Fund	1,964	-
Health Professional Licensure Fund	365,986	180,382
Healthy Futures Fund	4,094,360	642,504
Individuals With Disabilities Disaster Recovery Fund	-	100,000
Land Survey Revolving Fund	4,196,176	3,747,398
Landfill CIP Fund	-	830,692
Livestock Fund	-	4,385
Mental Health and Substance Abuse Fund	200,969	-
Notary Public Revolving Fund	11,930	-
Off-Island Sports Travel Fund	-	20,560
Off-Island Treatment Fund	54,165	-
Pesticide Management Fund	12,713	-
Plant Nursery Revolving Fund	50,011	7,792
Police Services Fund	16,657	-
Printing Revolving Fund	11,682	-
Professional Engineers', Architects' and Surveyors Fund	110,703	-
Program Development Fund	480	-
Public Library System Fund	1,315,069	718,000
Public Recreation Services Fund	38,838	25,223
Public Transit Fund	146,347	-
Rabies Prevention Fund	100,794	20,978
Recycling Revolving Fund	5,010,806	-
Safe Homes, Safe Streets Fund	-	1,191
Safe Streets Fund	365,586	-
Solid Waste Management Plan Fund	28,991	119,954
Street Light Fund	-	99,424
State Agency for Surplus Property Fund	31,760	-
StripperWell Overcharge Fund	44,370	-
Tax Collection Fund	4,382	47,523
Territorial Education Facilities Fund	20,179,223	27,665,692
Tourist Attraction Fund	4,418,111	-
Typhoon Chataan and Halong Fund	7,515	92,928
Underground Storage Tank Management Fund	52,450	-
Unreserved Fund Balance Fund	207,353	157,567
Village Streets Fund	248,851	-
Water Protection Fund	214,399	-
Water Research and Development Fund	344,647	-
Wildlife Conservation Fund	131,809	76,955
PUAG Capital Projects Fund	977,640	-
	50,421,868	42,100,429

See Accompanying Independent Auditors' Report.

## GOVERNMENT OF GUAM

Statement of Revenues, Expenditures by Department, and  
Changes in Deficit - General Fund, Continued  
Year Ended September 30, 2010  
(With comparatives for the year ended September 30, 2009)

	2010	2009
Other financing sources (uses), continued:		
Transfers out to other funds:		
DMHSA Receiver Fund	1,500,000	-
Accessible Parking Fund	411,767	-
Better Public Service Fund	402,130	519,557
Community Development Fund	380,656	169,850
Customs, Agriculture and Quarantine Inspection Services Fund	2,195,448	2,257,142
DOC Inmates Revolving Fund	-	527,110
Federal Grants Assistance Fund	30,041,783	30,359,251
GMHA Pharmaceuticals Fund	11,214,816	11,989,207
Government Claims Fund	-	94,176
GSA Inventory Revolving Fund	62,927	-
Guam Legislature Fund	7,713,567	7,703,567
Health and Human Services Fund	-	8,601,943
Land Survey Revolving Fund	3,747,398	-
MIP Payment Revolving Fund	13,199,578	10,578,894
Office of the Public Auditor	1,046,342	1,018,822
Off-island Treatment Fund	1,079,291	1,298,276
Public Defender Service Corporation Fund	3,150,194	2,750,753
Supplemental Annuity Benefits Fund	11,736,120	11,924,030
Unified Courts of Guam Operations Fund	23,823,305	22,257,084
Wildlife Conservation Fund	76,955	-
Worker's Compensation Fund	776,611	-
	112,558,888	112,049,662
Total other financing sources (uses), net	(62,137,020)	191,498,276
Net change in fund deficit	(71,067,492)	150,137,564
Deficit at the beginning of the year	(265,377,371)	(415,514,935)
Deficit at the end of the year	\$ (336,444,863)	\$ (265,377,371)

See Accompanying Independent Auditors' Report.

## GOVERNMENT OF GUAM

### Statement of Revenues, Expenditures by Department, and Changes in Deficit - Budget and Actual - General Fund Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
<b>Revenues:</b>				
<b>Taxes:</b>				
Income	\$ 292,479,706	\$ 260,079,706	\$ 239,152,369	\$ (20,927,337)
Gross receipts	211,923,867	208,483,867	188,621,364	(19,862,503)
Income - COLA	-	-	99,291	99,291
Excise	3,925,264	3,925,264	3,490,942	(434,322)
Section 30 Federal income tax collections	38,567,761	38,567,761	39,028,136	460,375
Immigration fees	2,100,075	2,100,075	1,754,678	(345,397)
Indirect cost reimbursement	1,811,510	1,811,510	469,595	(1,341,915)
Guam Public School System	700,000	700,000	4,272,611	3,572,611
Contributions from component units	2,028,008	2,028,008	4,863,593	2,835,585
Other	7,792,048	7,792,048	9,214,785	1,422,737
<b>Total revenues</b>	<b>561,328,239</b>	<b>525,488,239</b>	<b>490,967,364</b>	<b>(34,520,875)</b>
<b>Expenditures by Department:</b>				
<b>Executive Branch:</b>				
<b>Office of I Maga'lahaen Guahan:</b>				
Office of the Governor	4,039,864	4,039,864	3,989,987	49,877
Office of the Governor - Guam Liaison Office	218,241	218,241	206,943	11,298
Office of the Governor - JFK School Lease	4,494,000	4,494,000	4,494,000	-
Commission on Decolonization	61,795	61,795	61,795	-
Ancestral Land Trust Commission	206,483	206,483	204,512	1,971
Government House	714,778	714,778	686,528	28,250
Bureau of Information Technology	174,205	174,205	174,205	-
Medical Referral Offices	65,755	65,755	65,755	-
Office of Civil Defense	315,298	315,298	279,535	35,763
Office of Veteran's Affairs	264,083	264,083	255,827	8,256
	<u>10,554,502</u>	<u>10,554,502</u>	<u>10,419,087</u>	<u>135,415</u>
<b>Office of I Segundu Na Maga'lahaen Guahan:</b>				
Office of the Lieutenant Governor	1,174,673	1,174,673	1,142,744	31,929
Guam State Clearinghouse	197,753	197,753	197,751	2
	<u>1,372,426</u>	<u>1,372,426</u>	<u>1,340,495</u>	<u>31,931</u>
<b>Bureau of Budget and Management Research:</b>				
Office of the Director	302,487	302,487	295,043	7,444
Internal Audit Division	998,809	998,809	993,208	5,601
	<u>1,301,296</u>	<u>1,301,296</u>	<u>1,288,251</u>	<u>13,045</u>
<b>Civil Service Commission:</b>				
Office of the Director	257,420	257,420	256,931	489
Board of Commissioners	57,579	57,579	57,648	(69)
Legal Office	7,021	7,021	7,021	-
Personnel Management	181,582	181,582	181,192	390
	<u>503,602</u>	<u>503,602</u>	<u>502,792</u>	<u>810</u>
<b>Department of Administration:</b>				
Office of the Director	2,964,377	2,957,665	2,851,066	106,599
Office of the Director - COLA	6,490,000	6,490,000	6,765,267	(275,267)
Office of the Director - Child Support	608,750	608,750	607,791	959
Office of the Director - Streetlights	1,229,388	1,229,388	1,229,387	1

See Accompanying Independent Auditors' Report.

**GOVERNMENT OF GUAM**

Statement of Revenues, Expenditures by Department, and  
Changes in Deficit - Budget and Actual - General Fund, Continued  
Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Expenditures by Department, continued:				
Executive Branch, continued:				
Department of Administration, continued:				
Office of the Director - Health insurance benefits	4,204,995	4,204,995	3,870,026	334,969
Office of the Director - Power and Water	6,999,610	6,999,610	6,988,618	10,992
Personnel Management	1,676,903	1,676,903	1,676,903	-
Financial Management	624,296	624,296	624,296	-
Data Processing	539,489	539,489	545,066	(5,577)
General Services Agency	825,939	825,939	825,939	-
Division of Accounts	2,352,949	2,352,949	2,348,469	4,480
	<u>28,516,696</u>	<u>28,509,984</u>	<u>28,332,828</u>	<u>177,156</u>
Guam Election Commission	<u>806,163</u>	<u>806,163</u>	<u>751,329</u>	<u>54,834</u>
Department of Revenue and Taxation:				
Office of the Director	2,694,352	2,394,352	2,336,878	57,474
Office of the Director - Computer System Upgrade	47	47	-	47
Office of the Director - Stimulus Tax Rebate	245,383	180,000	193,870	(13,870)
Office of the Director - Real Property Assessment Bonc	1,000,000	899,706	899,706	-
Tax Enforcement Division	2,062,564	2,062,564	2,035,693	26,871
Real Property Tax Division	557,748	557,748	557,791	(43)
Taxpayer Services Division	1,725,620	1,725,620	1,725,911	(291)
Regulatory Division	1,113,495	1,113,495	1,090,993	22,502
Motor Vehicle Division	789,224	789,224	789,330	(106)
	<u>10,188,433</u>	<u>9,722,756</u>	<u>9,630,172</u>	<u>92,584</u>
Bureau of Statistics and Plans:				
Administration	364,533	364,520	364,483	37
Chief Economist's Office	35,517	7,828	7,394	434
Planning Information	191,547	191,547	191,547	-
Socio-Economic Planning	136,448	136,448	136,448	-
Business and Economic Statistics Division	330,180	330,180	330,180	-
	<u>1,058,225</u>	<u>1,030,523</u>	<u>1,030,052</u>	<u>471</u>
Department of Public Works:				
Office of the Director	1,449,787	1,449,787	1,384,906	64,881
Office of the Director - Consent Decree	1,211,353	1,211,353	454,141	757,212
Office of the Director - Streetlights	553,481	553,481	-	553,481
Public Cemeteries	58,982	58,982	58,982	-
Transportation Maintenance Division	763,941	763,941	763,932	9
Bus Operations Division	6,481,406	6,481,406	6,480,465	941
	<u>10,518,950</u>	<u>10,518,950</u>	<u>9,142,426</u>	<u>1,376,524</u>
Office of the Attorney-General:				
Attorney-General's Office	<u>7,089,626</u>	<u>7,089,626</u>	<u>6,914,318</u>	<u>175,308</u>
Guam Police Department:				
Office of the Chief	2,062,782	2,062,782	2,133,256	(70,474)
Office of the Chief - Police Commander	2,621,800	2,621,800	2,622,247	(447)
Office of the Chief - Administration Division	1,196,144	1,196,144	1,196,143	1
Office of the Chief - Overtime	666,980	666,980	522,877	144,103
Office of the Chief - Crime Lab	340,946	-	-	-

See Accompanying Independent Auditors' Report.

**GOVERNMENT OF GUAM**

Statement of Revenues, Expenditures by Department, and  
Changes in Deficit - Budget and Actual - General Fund, Continued  
Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Expenditures by Department, continued:				
Executive Branch, continued:				
Guam Police Department, continued:				
Office of the Chief - Fuel	404,023	404,023	390,435	13,588
Criminal Investigation Division	2,728,277	2,728,277	2,728,265	12
Neighborhood Patrol Division	9,383,231	9,383,231	9,395,207	(11,976)
Support Division	2,139,032	2,139,032	2,143,413	(4,381)
Forensic Science Division	1,157,825	1,157,825	1,158,591	(766)
Highway Patrol Division	1,391,364	1,391,364	1,391,364	-
	<u>24,092,404</u>	<u>23,751,458</u>	<u>23,681,798</u>	<u>69,660</u>
Department of Corrections:				
Office of the Director	3,058,744	3,058,744	3,227,916	(169,172)
Office of the Director - Rent	114,000	114,000	114,000	-
Adult Correctional Facility	9,319,295	9,319,295	9,493,564	(174,269)
Rosario Detention Center	2,069,233	2,069,233	2,153,151	(83,918)
Off-island Detention	1,490	1,490	1,490	-
Casework and Counseling Service Division	312,585	312,585	321,843	(9,258)
Forensic Division	333,800	333,800	343,235	(9,435)
Parole Service Division	543,731	543,731	559,548	(15,817)
	<u>15,752,878</u>	<u>15,752,878</u>	<u>16,214,747</u>	<u>(461,869)</u>
Department of Agriculture:				
Office of the Director	906,397	906,397	880,685	25,712
Fire Protection	18,852	18,852	18,852	-
Aquatic and Wildlife Resources Division	127,537	127,537	127,537	-
Animal and Plant Industry Division	786,304	786,304	786,304	-
Animal Health Section	379,297	379,297	364,297	15,000
	<u>2,218,387</u>	<u>2,218,387</u>	<u>2,177,675</u>	<u>40,712</u>
Department of Public Health and Social Services:				
Office of the Director	2,707,721	2,707,721	2,591,180	116,541
Chief Public Health Office	211,338	211,338	195,786	15,552
Community Health Services	106,982	106,982	104,072	2,910
Communicable Disease Control	16,375	16,375	12,402	3,973
Professional Social Services	4,800	4,800	4,228	572
Primary Care Services	178,412	178,412	178,136	276
Family Health and Nursing	74,230	74,230	74,230	-
Medically Indigent Program	94,870	94,870	93,647	1,223
Foster Care	1,524,892	1,524,892	1,524,332	560
Division of Senior Citizens	186,686	186,686	184,171	2,515
Adult Protective Services	496,443	496,443	473,456	22,987
Division of Environmental Health	507,240	507,240	502,973	4,267
Financial Management Services	164,713	164,713	164,713	-
Supply Section	86,856	86,856	86,993	(137)
Management Support Services	155,239	155,239	155,239	-
Facilities and Maintenance	948,851	948,851	950,594	(1,743)
Systems Group	404,271	404,271	381,792	22,479
	<u>7,869,919</u>	<u>7,869,919</u>	<u>7,677,944</u>	<u>191,975</u>

See Accompanying Independent Auditors' Report.

## GOVERNMENT OF GUAM

### Statement of Revenues, Expenditures by Department, and Changes in Deficit - Budget and Actual - General Fund, Continued Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Expenditures by Department, continued:				
Executive Branch, continued:				
Department of Education:				
Guam Public School System	195,653,230	195,403,230	196,456,649	(1,053,419)
Guam Public Library System:				
Office of the Director	892,237	891,166	868,953	22,213
Hagatna-Dededo Library	267,585	267,585	187,890	79,695
Barrigada Library	48,823	48,823	48,823	-
Agat Library	34,935	34,935	34,935	-
Yona Library	32,489	32,489	32,489	-
Merizo Library	56,712	56,499	56,499	-
	<u>196,986,011</u>	<u>196,734,727</u>	<u>197,686,238</u>	<u>(951,511)</u>
Department of Youth Affairs:				
Office of the Director	101,385	101,385	101,385	-
Office of the Director - Nursing and Medication	145,500	145,500	24,860	120,640
Division of Youth Development	491,354	491,354	491,354	-
Division of Youth Corrections	2,577,934	2,577,934	2,577,933	1
Division of Vocational Rehabilitation and Support Services	634,896	634,896	616,303	18,593
	<u>3,951,069</u>	<u>3,951,069</u>	<u>3,811,835</u>	<u>139,234</u>
Department of Mental Health and Substance Abuse:				
Office of the Director	6,101,924	6,101,924	5,919,694	182,230
Office of the Director - Permanent Injunction	2,789,571	2,789,571	2,865,007	(75,436)
Clinical Services Division	822,978	822,978	801,590	21,388
Youth Drug and Alcohol Program	11,156	11,156	11,156	-
Child and Adolescent Services Division	763,934	762,913	760,903	2,010
Nursing Services Division	2,137,679	2,137,679	2,007,028	130,651
	<u>12,627,242</u>	<u>12,626,221</u>	<u>12,365,378</u>	<u>260,843</u>
Department of Labor:				
Office of the Director	580,026	580,026	553,106	26,920
Occupational Safety and Health Agency	49,059	49,059	49,059	-
Wage and Hour Division	203,862	203,862	203,862	-
Bureau of Labor Statistics	213,833	213,833	213,833	-
Worker's Compensation Commission	93,088	93,088	93,088	-
Fiscal and Support Office	89,671	89,671	89,671	-
	<u>1,229,539</u>	<u>1,229,539</u>	<u>1,202,619</u>	<u>26,920</u>
Department of Parks and Recreation:				
Office of the Director	378,679	378,679	376,638	2,041
Memorial Services	114,091	114,091	114,228	(137)
Community Programs	312,360	312,360	312,360	-
Pool and Beach Programs	419,549	419,549	420,794	(1,245)
Paseo Stadium	145,901	145,901	146,168	(267)
Parks Administration and Planning	139,214	139,214	139,214	-
Historic Preservation Division	196,767	196,767	196,767	-
Parks Maintenance	978,285	978,285	976,069	2,216
Territorial Park Protection	176,417	176,417	176,417	-
	<u>2,861,263</u>	<u>2,861,263</u>	<u>2,858,655</u>	<u>2,608</u>

See Accompanying Independent Auditors' Report.

## GOVERNMENT OF GUAM

### Statement of Revenues, Expenditures by Department, and Changes in Deficit - Budget and Actual - General Fund, Continued Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Expenditures by Department, continued:				
Executive Branch, continued:				
Department of Integrated Services for Individuals with Disabilities:				
Service Contracts	284,236	284,236	284,236	-
Permanent Injunction	4,011	4,011	-	4,011
Office of the Director	343,916	343,916	341,931	1,985
Fiscal Support	32,754	32,754	32,754	-
	<u>664,917</u>	<u>664,917</u>	<u>658,921</u>	<u>5,996</u>
Mayor's Council of Guam:				
Mayor's Council Consolidated Accounts	9,979,972	9,979,972	8,707,005	1,272,967
Chief Medical Examiner:				
Medical Examiner's Office	400,949	400,949	381,549	19,400
Department of Chamorro Affairs:				
Office of the Director	398,798	398,798	425,348	(26,550)
Language and Culture Division	48,812	48,812	48,812	-
Research Publication and Training	70,796	70,796	70,796	-
Guam Museum	299,046	299,046	299,046	-
	<u>817,452</u>	<u>817,452</u>	<u>844,002</u>	<u>(26,550)</u>
Department of Military Affairs:				
Office of the Adjutant General	125,424	125,424	125,420	4
Office of Civil Defense	152,083	152,083	-	152,083
	<u>277,507</u>	<u>277,507</u>	<u>125,420</u>	<u>152,087</u>
Guam Fire Department:				
Office of the Fire Chief	298,713	298,713	1,020,147	(721,434)
Administrative and Logistical Support	1,042,747	1,042,747	994,418	48,329
Emergency Medical Service/Rescue Operations Bureau	9,069,338	9,069,338	9,088,863	(19,525)
Fire Suppression Bureau	17,132,598	17,132,598	17,181,698	(49,100)
	<u>27,543,396</u>	<u>27,543,396</u>	<u>28,285,126</u>	<u>(741,730)</u>
Payments to Component Units:				
Guam Educational Telecommunications Corporation	525,253	525,253	521,621	3,632
Guam Memorial Hospital Authority	13,617,138	13,579,010	1,006,397	12,572,613
Guam Visitors Bureau	100,000	97,000	76,395	20,605
University of Guam	32,633,071	32,633,071	32,588,765	44,306
Guam Regional Transit Authority	413,134	413,134	413,134	-
Guam Community College	13,938,332	13,938,332	13,938,332	-
	<u>61,226,928</u>	<u>61,185,800</u>	<u>48,544,644</u>	<u>12,641,156</u>

See Accompanying Independent Auditors' Report.

## GOVERNMENT OF GUAM

### Statement of Revenues, Expenditures by Department, and Changes in Deficit - Budget and Actual - General Fund, Continued Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Expenditures by Department, continued:				
Executive Branch, continued:				
Government of Guam Retirement Fund Appropriations:				
Medicare Reimbursement	700,000	700,000	700,000	-
Governor and Lieutenant Governor Pension Contributions	145,000	145,000	145,000	-
COLA	2,594,730	2,594,730	-	2,594,730
Judge and Justice Retirement Annuities	458,448	458,448	458,448	-
	<u>3,898,178</u>	<u>3,898,178</u>	<u>1,303,448</u>	<u>2,594,730</u>
Total Executive Branch	<u>444,307,930</u>	<u>443,173,460</u>	<u>425,878,754</u>	<u>17,294,706</u>
Miscellaneous Appropriations:				
Retiree Healthcare Premiums	18,330,774	18,330,774	19,145,143	(814,369)
Guam Council on the Arts and Humanities Agency	3,138	3,138	3,138	-
Education Suruhanu	129,803	129,803	129,803	-
Guam Commission for Educator Certification	218,890	218,890	217,581	1,309
Guam Legal Services Corporation	19,520	19,520	-	19,520
Sanctuary, Inc.	-	-	190,789	(190,789)
Hagatna Restoration and Redevelopment	95,117	95,117	72,909	22,208
Total Miscellaneous Appropriations	<u>18,797,242</u>	<u>18,797,242</u>	<u>19,759,363</u>	<u>(962,121)</u>
Interest and other charges:				
Interest on tax refunds	-	-	3,030,072	(3,030,072)
Public Law 28-38 Special Retirement payments	-	-	4,601,475	(4,601,475)
Credit card charge fees and other bank fees	-	-	4,052,949	(4,052,949)
COLA interest	-	-	1,325,003	(1,325,003)
Other	-	-	5,017,911	(5,017,911)
Total Interest and other charges	<u>-</u>	<u>-</u>	<u>18,027,410</u>	<u>(18,027,410)</u>
Debt Service:				
Principal retirement	16,117,770	16,117,770	14,794,069	1,323,701
Interest and fiscal charges	22,096,774	31,254,187	28,247,529	3,006,658
	<u>38,214,544</u>	<u>47,371,957</u>	<u>43,041,598</u>	<u>4,330,359</u>
Total expenditures	<u>501,319,716</u>	<u>509,342,659</u>	<u>506,707,125</u>	<u>2,635,534</u>
Excess (deficiency) of revenues over (under) expenditures	<u>60,008,523</u>	<u>16,145,580</u>	<u>(15,739,761)</u>	<u>(31,885,341)</u>
Other financing sources (uses):				
Transfers in from other funds:				
Air Pollution Fund	-	-	268,198	268,198
Autonomous Agency Infrastructure Collections Fund	-	-	460	460
Board of Accountancy Fund	-	-	14,781	14,781
Carrier Off-Duty Services Revolving Fund	-	-	165,505	165,505
Chamorro Commercial Loan Fund	-	-	26,233	26,233
Community Development Fund	-	-	108,579	108,579
Contractors' License Board Fund	-	-	435,950	435,950
Controlled Substance Diversion Fund	-	-	97,720	97,720
Criminal Injuries Compensation Fund	-	-	253,673	253,673
Dededo Buffer Strip Revolving Fund	-	-	50,241	50,241
D.O.D Contract Fund	-	-	400,671	400,671
DPHSS Sanitary Inspection Revolving Fund	-	-	43,574	43,574
DPW Building and Design Fund	-	-	162,201	162,201

See Accompanying Independent Auditors' Report.

## GOVERNMENT OF GUAM

### Statement of Revenues, Expenditures by Department, and Changes in Deficit - Budget and Actual - General Fund, Continued Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Other financing sources (uses), Continued:				
Transfers in from other funds, Continued:				
Drivers' Education Fund	-	-	546,257	546,257
Enhanced 911 Emergency Reporting System Fund	-	-	2,236,556	2,236,556
Environmental Health Fund	-	-	260,558	260,558
Examiner Off-Duty Services Fund	-	-	1,925	1,925
GFD Capital Revolving Fund	-	-	63,119	63,119
General Services Agency Fund	-	-	1,608	1,608
GSA Inventory Revolving Fund	-	-	219,589	219,589
Government Claims Fund	-	-	7,655	7,655
Government House Revolving Fund	-	-	10,305	10,305
Guam Environmental Trust Fund	-	-	552,060	552,060
Guam Plant Inspection and Permit Fund	-	-	193,311	193,311
Guam Preservation Trust Fund	-	-	448,249	448,249
Guam Telephone Authority Privatization Proceeds Fund	-	-	856,153	856,153
Guam Unarmed Combat Commission Fund	-	-	1,964	1,964
Health Professional Licensure Fund	-	-	365,986	365,986
Healthy Futures Fund	891,754	4,331,754	4,094,360	(237,394)
Land Survey Revolving Fund	-	-	4,196,176	4,196,176
Mental Health and Substance Abuse Fund	-	-	200,969	200,969
Notary Public Revolving Fund	-	-	11,930	11,930
Off-Island Treatment Fund	-	-	54,165	54,165
Pesticide Management Fund	-	-	12,713	12,713
Plant Nursery Revolving Fund	-	-	50,011	50,011
Police Services Fund	-	-	16,657	16,657
Printing Revolving Fund	-	-	11,682	11,682
Professional Engineers', Architects' and Surveyors Fund	-	-	110,703	110,703
Program Development Fund	-	-	480	480
Public Library System Fund	755,482	755,482	1,315,069	559,587
Public Recreation Services Fund	-	-	38,838	38,838
Public Transit Fund	-	-	146,347	146,347
Rabies Prevention Fund	-	-	100,794	100,794
Recycling Revolving Fund	-	-	5,010,806	5,010,806
Safe Streets Fund	-	-	365,586	365,586
Solid Waste Management Plan Fund	-	-	28,991	28,991
State Agency for Surplus Property Fund	-	-	31,760	31,760
StripperWell Overcharge Fund	-	-	44,370	44,370
Tax Collection Fund	-	-	4,382	4,382
Territorial Education Facilities Fund	20,179,223	20,179,223	20,179,223	-
Tourist Attraction Fund	-	-	4,418,111	4,418,111
Typhoon Chataan and Halong Fund	-	-	7,515	7,515
Underground Storage Tank Management Fund	-	-	52,450	52,450
Unreserved Fund Balance Fund	-	-	207,353	207,353
Village Streets Fund	-	-	248,851	248,851
Water Protection Fund	-	-	214,399	214,399
Water Research and Development Fund	-	-	344,647	344,647
Wildlife Conservation Fund	-	-	131,809	131,809
PUAG Capital Projects Fund	-	-	977,640	977,640
	<u>21,826,459</u>	<u>25,266,459</u>	<u>50,421,868</u>	<u>25,155,409</u>

See Accompanying Independent Auditors' Report.

**GOVERNMENT OF GUAM**

Statement of Revenues, Expenditures by Department, and  
Changes in Deficit - Budget and Actual - General Fund, Continued  
Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Other financing sources (uses), continued:				
Transfers out to other funds:				
DMHSA Receiver Fund	5,500,000	5,500,000	1,500,000	4,000,000
Accessible Parking Fund	-	-	411,767	(411,767)
Better Public Service Fund	588,508	588,508	402,130	186,378
Community Development Fund	480,647	480,647	380,656	99,991
Customs, Agriculture and Quarantine Inspection Fund	-	-	2,195,448	(2,195,448)
Federal Grants Assistance Fund	31,873,835	31,861,773	30,052,038	1,809,735
GMHA Pharmaceuticals Fund	12,839,909	11,526,655	11,214,816	311,839
Government Claims Fund	97,000	97,000	-	97,000
GSA Inventory Revolving Fund	-	-	62,927	(62,927)
Guam Legislature Fund	7,713,567	7,713,567	7,713,567	-
Land Survey Revolving Fund	-	-	3,747,398	(3,747,398)
MIP Payment Revolving Fund	13,678,675	13,203,988	13,199,578	4,410
Office of the Public Auditor	1,226,349	1,226,349	1,046,342	180,007
Off-island Treatment Fund	1,164,000	1,164,000	1,079,291	84,709
Public Defender Service Corporation Fund	3,150,194	3,150,194	3,150,194	-
Supplemental Annuity Benefits Fund	11,736,120	11,736,120	11,736,120	-
Unified Courts of Guam Fund	23,823,305	23,823,305	23,823,305	-
Wildlife Conservation Fund	-	-	76,955	(76,955)
Worker's Compensation Fund	798,593	798,593	776,611	21,982
	<u>114,670,702</u>	<u>112,870,699</u>	<u>112,569,143</u>	<u>301,556</u>
Total other financing sources (uses), net	<u>(92,844,243)</u>	<u>(87,604,240)</u>	<u>(62,147,275)</u>	<u>25,456,965</u>
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 supplies are received for financial reporting purposes	-	-	6,819,544	6,819,544
	-	-	6,819,544	6,819,544
Net change in fund deficit	(32,835,720)	(71,458,660)	(71,067,492)	391,168
Fund deficit beginning of the year	<u>(265,377,371)</u>	<u>(265,377,371)</u>	<u>(265,377,371)</u>	-
Fund deficit end of the year	<u>\$ (298,213,091)</u>	<u>\$ (336,836,031)</u>	<u>\$ (336,444,863)</u>	<u>\$ 391,168</u>

See Accompanying Independent Auditors' Report.

# GOVERNMENT OF GUAM

## Nonmajor Governmental Funds Combining Balance Sheet September 30, 2010

<u>ASSETS</u>	Other <u>Special Revenue</u>	Other <u>Capital Project</u>	Other <u>Debt Service</u>	<u>Total</u>
Cash and cash equivalents	\$ 7,361,816	\$ 2,235,138	\$ 1,963	\$ 9,598,917
Investments	16,678,557	-	-	16,678,557
Receivables, net:				
Taxes	4,803,338	-	-	4,803,338
Federal agencies	319,103	-	-	319,103
Other	6,069,794	-	-	6,069,794
Due from other funds	34,233,158	774,202	-	35,007,360
Due from private purpose trust funds	2,516,039	-	-	2,516,039
Due from component units	2,153,590	-	-	2,153,590
Inventories	406,896	-	-	406,896
Deposits and other assets	27,837	-	-	27,837
Restricted assets:				
Time certificates of deposit	-	1,000,718	-	1,000,718
Investments	-	7,252,585	16,851,442	24,104,027
Total assets	\$ 74,570,128	\$ 11,262,643	\$ 16,853,405	\$ 102,686,176
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 7,025,545	\$ 293,382	\$ -	\$ 7,318,927
Accrued payroll and other	1,225,796	-	-	1,225,796
Due to other funds	8,210,790	26,092	-	8,236,882
Deferred revenue	961,363	-	-	961,363
Provision for tax refunds	6,582,079	-	-	6,582,079
Deposits and other liabilities	3,300,922	-	-	3,300,922
Total liabilities	27,306,495	319,474	-	27,625,969
Fund balances:				
Reserved:				
Related assets	839,855	-	-	839,855
Continuing appropriations	14,527,613	3,606,721	-	18,134,334
Encumbrances	4,907,992	1,170,776	-	6,078,768
Debt service	-	1,000,718	16,851,442	17,852,160
Unreserved:				
Special revenue funds	26,988,173	-	-	26,988,173
Capital projects funds	-	5,164,954	-	5,164,954
Debt service funds	-	-	1,963	1,963
Total fund balances	47,263,633	10,943,169	16,853,405	75,060,207
Total liabilities and fund balances	\$ 74,570,128	\$ 11,262,643	\$ 16,853,405	\$ 102,686,176

See Accompanying Independent Auditors' Report.

# GOVERNMENT OF GUAM

## Nonmajor Governmental Funds Combining Statement of Revenues, Expenditures by Function, and Changes in Fund Balances Year Ended September 30, 2010

	Other Special Revenue	Other Capital Project	Other Debt Service	Total
Revenues:				
Taxes:				
Property	\$ 19,452,108	\$ -	\$ -	\$ 19,452,108
Hotel	22,233,222	-	-	22,233,222
Liquid fuel	9,777,592	-	-	9,777,592
Tobacco	14,819,622	-	-	14,819,622
Alcoholic beverages	2,151,012	-	-	2,151,012
Licenses, fees and permits	52,247,818	-	-	52,247,818
Use of money and property	160,782	2,751,669	2,462	2,914,913
Federal contributions	14,098,042	-	-	14,098,042
Other	1,057,465	-	-	1,057,465
Total revenues	135,997,663	2,751,669	2,462	138,751,794
Expenditures by Function:				
Current:				
General government	38,953,147	8,622	-	38,961,769
Protection of life and property	13,325,306	-	-	13,325,306
Public health	12,166,519	-	-	12,166,519
Community services	13,656,305	-	-	13,656,305
Recreation	685,116	-	-	685,116
Individual and collective rights	27,370,064	1,597,034	-	28,967,098
Transportation	7,079,913	-	-	7,079,913
Public education	85,486	-	-	85,486
Environmental protection	4,957,733	-	-	4,957,733
Economic development	9,592,677	-	-	9,592,677
Payments to:				
GovGuam Retirement Fund	500,000	-	-	500,000
Chamorro Land Trust Commission	564,054	-	-	564,054
Guam Community College	2,330,725	-	-	2,330,725
Guam Housing and Urban Renewal	4,556,972	-	-	4,556,972
Guam Memorial Hospital Authority	12,429,919	-	-	12,429,919
Guam Preservation Trust	1,200,000	-	-	1,200,000
Guam Regional Transit Authority	3,777,795	-	-	3,777,795
Guam Visitors Bureau	13,461,095	-	-	13,461,095
University of Guam	640,000	-	-	640,000
Miscellaneous appropriations	52,099	-	-	52,099
Capital projects	-	2,814,671	-	2,814,671
Debt service	-	993,004	12,682,951	13,675,955
Total expenditures	167,384,925	5,413,331	12,682,951	185,481,207
Deficiency of revenues under expenditures	(31,387,262)	(2,661,662)	(12,680,489)	(46,729,413)
Other financing sources (uses):				
Proceeds from issuance of long-term debt	-	991,134	-	991,134
Transfers in from other funds	84,923,617	-	8,966,603	93,890,220
Transfers out to other funds	(63,458,193)	(977,640)	-	(64,435,833)
Total other financing sources (uses), net	21,465,424	13,494	8,966,603	30,445,521
Net change in fund balances	(9,921,838)	(2,648,168)	(3,713,886)	(16,283,892)
Fund balances at beginning of year	57,185,471	13,591,337	20,567,291	91,344,099
Fund balances at end of year	\$ 47,263,633	\$ 10,943,169	\$ 16,853,405	\$ 75,060,207

See Accompanying Independent Auditors' Report.

# GOVERNMENT OF GUAM

## Nonmajor Governmental Funds Combining Statement of Revenues, Expenditures by Object, and Changes in Fund Balances Year Ended September 30, 2010

	Other <u>Special Revenue</u>	Other <u>Capital Project</u>	Other <u>Debt Service</u>	<u>Total</u>
Revenues:				
Taxes:				
Property	\$ 19,452,108	\$ -	\$ -	\$ 19,452,108
Hotel	22,233,222	-	-	22,233,222
Liquid fuel	9,777,592	-	-	9,777,592
Tobacco	14,819,622	-	-	14,819,622
Alcoholic beverages	2,151,012	-	-	2,151,012
Licenses, fees and permits	52,247,818	-	-	52,247,818
Use of money and property	160,782	2,751,669	2,462	2,914,913
Federal contributions	14,098,042	-	-	14,098,042
Other	1,057,465	-	-	1,057,465
<b>Total revenues</b>	<b>135,997,663</b>	<b>2,751,669</b>	<b>2,462</b>	<b>138,751,794</b>
Expenditures by Object:				
Salaries and wages - regular	52,533,786	-	-	52,533,786
Salaries and wages - overtime	1,287,086	-	-	1,287,086
Salaries and wages - fringe benefits	14,750,913	-	-	14,750,913
Travel	1,013,298	-	-	1,013,298
Contractual services	18,091,543	3,132,583	-	21,224,126
Building rent	4,529,458	-	-	4,529,458
Supplies	4,103,621	-	-	4,103,621
Equipment	1,184,698	-	-	1,184,698
Utilities - power and water	5,565,334	-	-	5,565,334
Communications	681,244	-	-	681,244
Capital outlays	892,908	991,134	-	1,884,042
Grants and subsidies	35,682,765	-	-	35,682,765
Supplemental annuity benefits	11,736,120	-	-	11,736,120
Principal retirement	-	-	10,220,000	10,220,000
Interest and fiscal charges	-	993,004	2,462,951	3,455,955
Other	15,332,151	296,610	-	15,628,761
<b>Total expenditures</b>	<b>167,384,925</b>	<b>5,413,331</b>	<b>12,682,951</b>	<b>185,481,207</b>
Deficiency of revenues under expenditures	(31,387,262)	(2,661,662)	(12,680,489)	(46,729,413)
Other financing sources (uses):				
Proceeds from issuance of long-term debt	-	991,134	-	991,134
Transfers in from other funds	84,923,617	-	8,966,603	93,890,220
Transfers out to other funds	(63,458,193)	(977,640)	-	(64,435,833)
<b>Total other financing sources (uses), net</b>	<b>21,465,424</b>	<b>13,494</b>	<b>8,966,603</b>	<b>30,445,521</b>
Net change in fund balances	(9,921,838)	(2,648,168)	(3,713,886)	(16,283,892)
Fund balances at beginning of year	57,185,471	13,591,337	20,567,291	91,344,099
Fund balances at end of year	<u>\$ 47,263,633</u>	<u>\$ 10,943,169</u>	<u>\$ 16,853,405</u>	<u>\$ 75,060,207</u>

See Accompanying Independent Auditors' Report.

## GOVERNMENT OF GUAM

### Nonmajor Governmental Funds - Special Revenue Funds September 30, 2010

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes. A brief discussion of GovGuam's nonmajor governmental funds - special revenue funds as of September 30, 2010, follows.

Accessible Parking Fund - The fund was created by Public Law 18-28 to ensure that disabled persons are given equal access to government offices and services. Revenues are generated from fines collected from those parked illegally in handicapped parking spaces. Expenditures are authorized for maintenance of disabled parking areas.

Agana Fractional Lots Program Fund - The Agana Fractional Lots Program Fund was initially established to account for transactions relevant to the Agana Fractional Lot Program dating back to the 1960s. Such transactions may involve the condemnation and seizure of lands from property owners by GovGuam and the compensation of those seized lands to the property owners.

Air Pollution Control Fund - This fund was created by Public Law 24-40 to provide a coordinated Territory-wide program of air pollution prevention, abatement, and control. Revenues are derived primarily from permit application fees and annual emission fees.

Autonomous Agency Infrastructure Collections Fund - This fund, created by Public Law 24-14, was created to ensure the health and public safety of the people of Guam and public works. The revenues are derived from the operating surpluses generated by autonomous agencies.

Better Public Service Fund - This fund was created by Public Law 29-002 to account for 10% of all fees and license revenues received by the Department of Revenue and Taxation (DRT) for the purpose of improving and modernizing systems used to provide DRT services, including on-line filing of taxes, renewal of licenses and permits, upgrades of computer hardware/software to improve record retrieval by members of the public, and the training of DRT staff in technical skills and customer service.

Board of Accountancy Fund - This fund was created for the purpose of regulating aspects of the practice of public accountancy. The Guam Code Annotated Title 22, Subsection 35104(d) states, "all monies collected by the Board ... shall be deposited with the Treasurer of Guam to the credit of the Board." Sources of revenues are from the issuance of certificates and permit fees collected from public accountants and firms practicing public accountancy. Monies shall be expended for administering the Public Accountancy Act of 1990.

Carrier Off-Duty Services Revolving Fund - This fund was created by Public Law 25-138. Charges from this fund are from services performed by Customs and Quarantine Officers, in the performance of their duties on any day of the week upon special request by the Director of Customs and Quarantine outside of normal working hours.

Census 2010 Fund - This fund was created by Public Law 30-58, which authorizes the temporary recruitment and employment of personnel, consistent with the U.S. Census Bureau guidelines, and to conduct necessary activities related to the Guam Decennial 2010 Census.

Chamorro Commercial Loan Fund - Established in 1993 by Public Law 21-148, the Chamorro Commercial Loan Fund is created through the authority of the Chamorro Land Trust Commission. Loans are to be made available to Chamorro Land Trust lessees or by organizations formed and controlled by lessees for the development of theaters, garages, service stations, markets, stores and other mercantile establishments.

See Accompanying Independent Auditors' Report.

## GOVERNMENT OF GUAM

### Nonmajor Governmental Funds - Special Revenue Funds, Continued September 30, 2010

Chamorro Land Trust Operations Fund - This fund was created by Public Law 28-68 to account for the proceeds from all land use permits, monetary contributions and fees for the benefit of the Chamorro Land Trust Commission.

Community Development Fund - This fund was created to account for funds allocated by the Mayor's Council of Guam to Mayors for payment of salaries of employees performing minor repairs and maintenance and for purchase of equipment and supplies necessary for performing minor repairs and maintenance.

Community Health Centers Fund - This fund was created to provide for the Southern Community Health Center. Revenues are derived from fees charged to health service recipients utilizing the Center. Revenues are applied to expenditures applicable to the operation of the Center.

Contractors' License Board Fund - This fund was created to protect the public by licensing the contractors of Guam. Revenues are derived from both license fees and local appropriations.

Controlled Substance Diversion Fund - This fund was created by Public Law 24-149 for use by the Department of Public Health for programs to monitor controlled substances, to identify and detect its diversion, equipment, supplies and contracts necessary to monitor controlled substances, and training of employees tasked with administering the Act. Revenues for this fund are provided for by fees assessed in relation to the registration and control of the manufacture, distribution and dispensing of controlled substances in Guam.

Criminal Injuries Compensation Fund - The Criminal Injuries Compensation Fund was enacted under Public Law 20-155. The fund was created for the purpose of compensating victims injured through criminal mischief. Public Law 20-155 created the Criminal Injuries Commission which was created to determine, on a case by case basis, who is worthy of compensation. Sources of funding are prosecuted criminals (offenders) and Government appropriations. Per Public Law 20-155, compensation must be made within 18 months of date of injury. In addition, no claim will be awarded in excess of \$10,000.

Customs, Agriculture, and Quarantine Inspection Services Fund - This fund was created by Public Law 23-45 and amended by Public Law 23-96 Section 73145 of the Government Code of Guam. The law requires that each aircraft landing at the Guam International Airport Terminal (GIAT) shall be levied a customs, agriculture, and quarantine inspection service charge reasonably related to the cost incurred by the Customs and Quarantine Agency and the Department of Agriculture in providing, maintaining and operating the service charge facilities, and shall be allocated among air carriers in such a manner reasonably related to the relative demand for such services attributable to each carrier. All expenditures of the Fund shall be made exclusively by appropriation of the Guam Legislature. The Fund shall not be commingled with the General Fund and shall be kept in a separate bank account.

Dededo Buffer Strip Revolving Fund - This fund was created as a result of the re-enactment of Section 68901(1) of Title 21 of the Guam Code Annotated as amended by Public Law 24-59. This authorizes the Department of Land Management to enter into commercial leases, not exceeding ten (10) years, for the use of the Dededo and Yigo Municipal Planning Councils (two-thirds to Dededo and one-third to Yigo) for the upkeep and maintenance of sports and recreational facilities.

DLM Building Construction Fund - This fund was created by Public Law 29-46 to account for all monies received from FEMA for the construction of the Department of Land Management building.

See Accompanying Independent Auditors' Report.

## GOVERNMENT OF GUAM

### Nonmajor Governmental Funds - Special Revenue Funds, Continued September 30, 2010

DOC Inmates Revolving Fund - The fund was created by Executive Order 94-17 and is administered by the Department of Corrections. Revenues are generated from funds collected for housing U.S. prisoners and detainees, meals charged to DOC employees, and sale of wet garbage to private persons. Expenditures are for purchases of clothing, food, equipment, medical supplies and medicines for prisoners and detainees.

D.O.D. Contract Fund - This fund was created by the Department of Administration to account for funds from the United States Department of Defense to the Department of Education (D.O.E.) specifically to provide for fixed tuition payment per eligible D.O.D. student enrolled in the Guam D.O.E. system and for the recruitment of qualified teachers. This fund is not subject to the provisions of OMB Circular A-133.

DPHSS Sanitary Inspection Revolving Fund - This fund was created by the Department of Public Health and Social Services to account for the overall cost of conducting sanitary inspections of temporary workforce housing and other required inspections.

DPW Building and Design Fund - This fund was created by Public Law 20-221 to be used for review and building inspection operational expenditures. Any fees collected from plan review and building inspection shall be deposited to the special fund.

Drivers' Education Fund - This fund was created by Public Law 22-20 to be expended on personnel, travel, purchase of vehicles, insurance, fuel and maintenance, textbooks and materials, driving simulators, a consultant and for teachers' stipends.

Enhanced 911 Emergency Reporting System Fund - This fund was created by Public Law 25-55. The fund is created to provide a source of funding for cost associated with the "911" Emergency Reporting System by charging a monthly surcharge known as the "911 Surcharge" paid by Local Exchange Telephone and Commercial Mobil Radio Service subscribers. All money and interest earned by this fund will be used by the Guam Fire Department solely for enhanced "911" equipment and systems.

Environmental Health Fund - This fund was created by Public Law 25-120 to account for all fees and penalties collected pursuant to laws enforced by the Division of Environmental Health of the Department of Public Health and Social Services.

Examiner Off-Duty Services Fund - This fund was created by Public Law 30-140 to account for hourly charges for services required by Department of Revenue and Taxation examiners outside of normal working hours.

Exxon Fuel Overcharge Fund - This fund was created based on a federal court decision against the Exxon Corporation. Guam was allocated some three million dollars as its share of the settlement. Expenditures are limited to Federal Energy Programs. Revenues are from interest earned on this fund's interest bearing account. This fund is administered by the Guam Energy Office.

Financial Management Revolving Fund - This fund was created by Executive Order No. 2002-12 for costs associated with the handling and accounting for monies and deposits to be charged for treasury services related to the Financial Management Division.

See Accompanying Independent Auditors' Report.

## GOVERNMENT OF GUAM

### Nonmajor Governmental Funds - Special Revenue Funds, Continued September 30, 2010

General Services Agency (GSA) Fund - GSA is maintained within the Department of Administration as the centralized procurement and warehousing for departments and agencies of GovGuam. Additionally, GSA oversees the delegation of procurement authority of approximately eleven departments and agencies.

GSA Inventory Revolving Fund - This fund was created for the purchase and replenishment of items to be carried in the supplies inventory maintained in the warehouse operated by GSA.

GFD Capital Revolving Fund - This fund was created by Public Law 22-52 to establish a capital outlay revolving fund within the Guam Fire Department to purchase essential emergency rescue and firefighting vehicles and emergency and life support equipment.

Government Claims Fund - This fund was created by Public Law 17-029 in order to pay for claims against any line agency of GovGuam. The sources of revenue are obtained from legislative appropriations. The Attorney General administers this fund and designates which claims shall be paid.

Guam Cancer Trust Fund - This fund was created to provide financial assistance to organizations that provide patient directed services for the prevention of cancers, its treatment, diagnosis, and other services that *may* be required to access treatment, including, but *not limited to*, off-island transportation and temporary housing.

Government House Revolving Fund - This fund was created by Executive Order 87-008. Its purpose is to account for the fees charged and related expenditures made for the use of the Government House for public functions held.

Guam Environmental Trust Fund - This fund was created through Public Law 21-10. The fund is administered by the Guam Environmental Protection Agency and was created to clean up hazardous materials and to restore and repair damage to the environment. Revenues are generated through collection of a 2% assessment fee on all commercial and industrial liability insurance premiums which will be collected by the Department of Revenue and Taxation.

Guam Memorial Hospital Authority Pharmaceuticals Fund - This fund was created by Public Law 28-68 for the purpose of accounting for 5.61% of all gross receipts taxes collected in Guam for appropriation by *I Liheslaturan Guahan* to fund all pharmaceutical, drug and medicine requirements for Guam Memorial Hospital.

Guam Plant Inspection and Permit Fund - This fund was created by Public Law 27-29 for the administration, operation, maintenance and improvement of the Plant Inspection Station of the Department of Agriculture.

Guam Preservation Trust Fund - This fund was created by Public Law 20-151 as a non-profit public corporation, for the purpose of the preservation of the island's many historical and cultural locations. Revenues are derived from building permit fees assessed to contractors before the issuance of any type of building permit. Expenditures are limited to costs involved in the acquisition of threatened Guam properties for the preservation of their historical value, and to support other activities directly related to increasing the public appreciation of the benefit from historical places.

Guam Telephone Authority Privatization Proceeds Fund - This fund was created by Public Law 26-70 to account for the proceeds realized from the sale of the Guam Telephone Authority.

See Accompanying Independent Auditors' Report.

## GOVERNMENT OF GUAM

### Nonmajor Governmental Funds - Special Revenue Funds, Continued September 30, 2010

Guam Unarmed Combat Commission Fund – This fund was created by Public Law 30-045 to account for the operations of the Guam Unarmed Combat Commission.

Health and Human Services Fund - This fund was created by Public Law 24-174 to account for 10% of proceeds from the sale and securitization of the allocation under the Master Settlement Agreement for settlements received from the tobacco industry.

Healthy Futures Fund – This fund was created by Public Law 27-05 to account for 50% of proceeds received on alcoholic beverages excise taxes and all tobacco-related taxes to be expended for health and education programs relating to tobacco and alcohol prevention, cessation, treatment and control, and to improving overall health and well-being.

Health Professional Licensure Fund - This fund was created by Public Law 21-33 to defray the cost of obtaining standardized examination materials and services for the healing arts and cosmetology licensure and the cost of proctoring examination at the testing site.

Health and Security Trust Fund - This fund was created by Public Law 24-174 to account for 50% of proceeds from the sale and securitization of the allocation under the Master Settlement Agreement to be expended for the operations and capital expenditures of the Guam Memorial Hospital Authority.

Housing Revolving Fund - This fund is maintained to account for the leasing of Government of Guam housing units to both private individuals and public organizations. Funding of this program is provided by both rental fees and Government contributions.

Human Resource Services Revolving Fund – This fund was created by Executive Order No. 2002-01 for administrative costs and supplies and equipment costs associated within the areas of classification and pay, recruitment, records, employee benefits, test development, employee management relations, training and development, as well as the Drug-Free Workplace Program of the Human Resources Division.

Income Tax Refund Reserve Fund - This fund was created by Public Law 22-140 for the purpose of receiving General Fund revenues reserved for income tax refund payments. This fund is not subject to any transfer authority of the Governor of Guam.

Income Tax Efficiency Payment Fund – This fund was created by Public Law 26-74 for the purpose of improving the efficiency of tax refund payments by hiring temporary income tax return processors, training of Department of Revenue and Taxation employees, and the purchase of computer and other equipment to quickly process income tax returns.

Indirect Cost Fund - This fund was created by Public Law 29-113 to account for appropriations for the following purposes: (a) training such as Continuing Professional Education Credits, CPE; (b) negotiating and administering GovGuam's indirect cost rate; (c) purchasing of supplies and equipment associated with negotiating and administering GovGuam's indirect cost rate; and (d) automated budget development and maintenance.

Land Survey Revolving Fund - This fund was created in order to administer the surveying, mapping, and registration of all government-owned properties. Revenues are derived from certain documentary fees and proceeds from leases of government land. Funds are expended after allotments authorizing their expenditure are created by the Bureau of Budget and Management Research.

See Accompanying Independent Auditors' Report.

## GOVERNMENT OF GUAM

### Nonmajor Governmental Funds - Special Revenue Funds, Continued September 30, 2010

Legislature Operations Fund - The Guam Legislature was created by the Organic Act of Guam, as amended. It is a unicameral body of 15 members elected bi-annually. It meets in two regular year-round sessions. Funding is provided through General Fund appropriations.

Manpower Development Fund - This fund was created by Public Law 18-48 to enhance manpower training programs. The fund receives revenues from registration fees of non-immigrant workers.

Medically Indigent Program Payment Revolving Fund – This fund was created by Public Law 25-164 to be used for the payment of any authorized Medically Indigent Program obligation, regardless of when the obligation was incurred.

Mental Health and Substance Abuse Fund – This fund was created by Public Law 26-68 to account for all proceeds received by the Youth Tobacco Education and Prevention Fund to be expended for youth compliance monitoring and tobacco and drug prevention and education programs.

Notary Public Revolving Fund – This fund was created by Public Law 21-106 to account for revenues received under the Model Notary Law.

Off-Island Treatment Fund - This fund was created by Public Law 20-220 to be administered by the Director of Administration. Monies from the fund shall be expended upon order of the Superior Court of Guam to send a person under the jurisdiction of the court off-island for residential care arising from a physical, mental or emotional handicap or a severe emotional disturbance. Monies shall be expended for diagnosis, evaluation and treatment fees, medical and incidental expenses, room and board and transportation costs.

Office of Public Accountability Fund – The Office of Public Accountability was created by Public Law 21-122 as an instrumentality of GovGuam, independent of the executive, legislative and judicial branches.

Parks and Recreation Revolving Fund - This fund was created by Public Law 16-44 for the development, improvement and maintenance of the Guam Territorial Park System. Expenditures are authorized and made by appropriations from the Legislature.

Peace Officer Standards and Training Fund - This fund was created by Public Law 24-145 to account for funds received by the Peace Officer Standards and Training Commission in the administration, operation, training costs of peace officers, management surveys, research, management assistance, and other operating expenses.

Pesticide Management Fund - This fund was created by Public Law 29-46 to account for fees collected by the Guam Environmental Protection Agency to be used for the purchase of equipment, payment of personnel costs, public outreach, training, contracts, and disposal of confiscated pesticides and devices associated with the Pesticide Enforcement program.

Plant Nursery Revolving Fund - This fund was created by Public Law 26-140 to account for fees collected under the Department of Agriculture's Fee Schedule for plant nursery services and activities.

Plant Protection and Quarantine Revolving Fund - This fund was created to account for all fees collected under the Department of Agriculture's fee schedule for agricultural quarantine activities.

See Accompanying Independent Auditors' Report.

## GOVERNMENT OF GUAM

### Nonmajor Governmental Funds - Special Revenue Funds, Continued September 30, 2010

Police Services Fund - This fund was created by Public Law 24-23 for the purpose of funding the general operational needs of the Guam Police Department. Revenues are derived mainly from miscellaneous services and fees provided by the department.

Printing Revolving Fund - This fund is maintained to collect all monies received as payment for publications and publication services provided by the compiler of laws and to pay all costs associated with the printing and publishing of local laws. Funding was provided by local appropriation, however; when activities begin, funding will also be provided from publication charges.

Professional Engineers', Architects' and Surveyors' Fund - This fund was created to receive fees from licenses and license renewals and to use those funds to administer and enforce the laws relating to professional engineers, architects and land surveyors.

Program Development Fund – This fund was created by Public Law 18-20 to account for fees levied by the Guam Economic Development Authority (GEDA) in conjunction with revenue bonds issued by GEDA for loans to developing of multi-family housing.

Public Defender Service Corporation Fund – This fund was created by Public Law 13-51 to provide effective legal aid and assistance to those persons on Guam who are unable to afford counsel.

Public Library System Fund – This fund accounts for the operations of all libraries in the Library System on Guam in accordance with the rules and regulations promulgated by the Library Board.

Public Recreation Services Fund – This fund was created by Public Law 27-106 to account for the maintenance, upgrade and upkeep of all parks and recreational facilities within the jurisdiction of the Department of Parks and Recreation, and the creation and continuance of existing community related programs and activities for the benefit of the island.

Public Transit Fund – This fund was created by Public Law 26-76 under the authority of the Department of Administration to operate Guam's mass transit system.

Rabies Prevention Fund – This fund was created by Public Law 24-216 to maintain, enhance and secure the prevention of rabies on Guam. Revenues are derived from issuance of entry permits for any dog or cat imported into Guam.

Recycling Revolving Fund – This fund was created by Public Law 28-171 to account for recycling fees levied upon the registered owner of a motor vehicle to assist in the recycling and disposal of motor vehicles and other recyclable materials.

Safe Streets Fund - This fund was created by Public Law 22-41 to account for fines collected for certain offenses involving alcohol and controlled substances, convictions involving children, vehicular negligence and homicide, and drinking while driving a motor vehicle. So much of the Fund as is required is appropriated to the Department of Corrections to be used to compensate staff and provide supplies or facilities to house incarcerated persons convicted of misdemeanors and persons convicted of abovementioned offenses.

Solid Waste Management Plan – This fund was created by Public Law 25-175 to be administered by the Guam Environmental Protection Agency to deal with solid waste management.

See Accompanying Independent Auditors' Report.

## GOVERNMENT OF GUAM

### Nonmajor Governmental Funds - Special Revenue Funds, Continued September 30, 2010

Solid Waste Operations Fund – This fund was created by Public Law 24-272 to provide a financing source for GovGuam's costs and expenses directly related to the closure and post-closure of the solid waste landfill.

Special Assets Forfeiture Fund – This fund was created by Public Law 26-120 to account for property that is forfeited under any local law enforced or administered by the Guam Police Department.

State Agency for Surplus Property Fund – This fund was created for the disposal of salvage and surplus personal property from GovGuam agencies and departments.

Street Light Fund - This fund was created by Public Law 27-38 to pay for the installation and operation of public street lights.

Stripperwell Overcharge Fund - This fund was created based on a federal court decision against Stripperwell. As with the Exxon Overcharge Fund, Guam was allocated a share of the settlement. Expenditures are limited to Federal Energy Programs. Revenues are from interest earned on this fund's interest bearing account. This fund is administered by the Guam Energy Office.

Supplemental Annuity Benefits Fund - This fund was created by Public Law 27-29 for the purpose of accounting for the payment of retiree supplemental annuity benefits by the Department of Administration.

Tax Collection Fund – This fund was created by Public Law 27-05. Fifty percent (50%) of the fund is earmarked for the purposes of employing tax technicians, revenue agents, revenue officers, and for other related expenses in order to increase collection of taxes and for the salaries of employees serving as Passport Acceptance Agents. The remaining fifty percent (50%) is to be deposited in the Public School Library Resources Fund.

Territorial Educational Facilities Fund (TEF) - TEF was created by Public Law 22-19 (as amended by Public Law 23-14) to account for all real property tax revenues received by or on behalf of GovGuam. These revenues are used for the debt service payments of the General Obligation Bonds, 1993 Series A and 1995 Series A.

Territorial Highway Fund - This fund was created for the purpose of obtaining proper maintenance and construction of highways and for the implementation of Highway Safety plans, programs and projects. Revenues are derived from Federal grants, certain liquid fuels taxes, vehicle registration fees and local appropriations.

Tourist Attraction Fund - This fund was created to finance the improvement of the physical facilities of Guam's parks and recreation areas. Financing is provided by the imposition of an 11 percent tax on lodging provided to transients.

Typhoon Chata'an and Halong Fund – This fund was created by Public Law 26-116 to account for appropriations made by the Legislature to cover the emergency recovery needs of Guam resulting from Typhoons Chata'an and Halong.

Underground Storage Tank Management Fund – This fund was created by Public Law 20-106 to account for collections received under the Underground Storage of Regulated Substances Act.

See Accompanying Independent Auditors' Report.

## GOVERNMENT OF GUAM

### Nonmajor Governmental Funds - Special Revenue Funds, Continued September 30, 2010

Unified Courts of Guam Fund - The fund was created as an independent judicial branch of GovGuam to account for the operations of the Supreme Court of Guam and the Superior Court of Guam. Funding is provided primarily through Government of Guam General Fund appropriations.

UOG Capital Improvements Fund - This fund was created by Public Law 26-48 to account for the design, construction and collateral equipment of the College of Business and Public Administration, and for the replacement of the roof of the Fine Arts Building.

Unreserved Fund Balance Fund - This fund was created by Public Law 28-68 to account for the transfer of funds equal to the amounts in the unreserved fund balances of the Corrections Revolving Fund, the Dededo Buffer Strip Revolving Fund, the DPW Building and Design Fee Account Fund, the Enhanced 911 Emergency Reporting System Fund, the Guam Plant Inspection and Permit Fund, the Healthy Futures Fund, the Housing Revolving Fund, the Police Services Fund, and Parks & Recreation Services Fund at September 30, 2004.

Village Streets Fund - This fund was created by Public Law 23-128. This Fund shall be used exclusively for the purpose of payment to vendors for village road planning, design, construction, reconstruction, improvement, repair and maintenance services, the acquisition of rights of way, or to service debt payments of revenue bonds which may be issued to fund the construction, repair and maintenance of secondary and tertiary roads.

Water Protection Fund - This fund was created by Public Law 22-47 to provide funding for the administration and implementation and enforcement of the Water Pollution Control Act and regulations promulgated from said Act, for educational programs and grants for research and development, advertisement promotions, and inspections of facilities to prevent or minimize erosion that contributes to pollution of the waters.

Water Research and Development Fund - This fund was created by Public Law 22-47 to conduct water resource research which will contribute to the effective planning and management of Guam's underground and surface water, and to the development of programs which promote the best use of these resources.

Wildlife Conservation Fund - This fund was created to preserve, manage, enhance and protect the Government's wildlife resources and their environment. Revenues are derived principally from the sale of hunting, fishing and harvesting licenses, fees and permits.

Workmen's Compensation Fund - This fund was authorized to be created by Public Law 1-88. Section 37042 of the Government Code of Guam requires a fund sufficient to secure compensation payments under Title XXXIII of the Government Code in respect to employees of GovGuam, its agencies and instrumentalities, including any public corporation. Funds are disbursed upon the order of the Workers Compensation Commission, of which the Director of Labor is the Commissioner.

Youth Tobacco Education and Prevention Fund - This fund was created by Public Law 25-187 to account for 10% of proceeds from the sale and securitization of the allocation under the Master Settlement Agreement to be utilized by the Department of Mental Health and Substance Abuse, for youth compliance monitoring and tobacco and drug prevention and education programs.

See Accompanying Independent Auditors' Report.

## GOVERNMENT OF GUAM

### Nonmajor Governmental Funds - Capital Project Funds September 30, 2010

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds. A brief discussion of GovGuam's nonmajor governmental funds - capital projects funds as of September 30, 2010, follows:

Limited Obligation Highway Improvement Bonds Fund – This fund is used to account for the construction of highway improvement projects from Limited Obligation Highway Improvement bond proceeds.

Limited Obligation Infrastructure Improvement Bonds Fund – This fund is used to account for the construction of capital improvement projects from Limited Obligation Infrastructure Improvement bond proceeds.

Water System Revenue Bond Fund – This fund is used to account for the repayment of certain debt, including the 1989 Water System Revenue Bonds, the debt of the Guam Memorial Hospital Authority, the voluntary service debt and for expanding and improving the existing water system of GovGuam operated by the Public Utility Agency of Guam, now the Guam Waterworks Authority.

PUAG Capital Projects Fund– This fund is used to account for expanding and improving the existing water system of GovGuam operated by the Public Utility Agency of Guam, now the Guam Waterworks Authority.

General Obligation Bond Series A 1993 Fund – This fund is used to account for the construction of new or renovated educational facilities from General Obligation Bond Series A 1993 bond proceeds.

Judicial Building Fund – This fund is used to account for the construction of miscellaneous capital improvements of the Superior Court of Guam and to redeem loan principal and to pay loan interest as such becomes due.

See Accompanying Independent Auditors' Report.

## GOVERNMENT OF GUAM

### Nonmajor Governmental Funds - Debt Service Funds September 30, 2010

Debt service funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources when the government is obligated in some manner for the payment. A brief discussion of GovGuam's nonmajor governmental funds - debt service funds as of September 30, 2010, follows:

Limited Obligation Highway Improvement Bonds Fund – This fund is used to account for funds required by the Limited Obligation Highway Improvement bond indenture to redeem bond principal and to pay bond interest as such becomes due.

Limited Obligation Infrastructure Improvement Bonds Fund – This fund is used to account for funds required by the Limited Obligation Infrastructure Improvement bond indenture to redeem bond principal and to pay bond interest as such becomes due.

See Accompanying Independent Auditors' Report.

## GOVERNMENT OF GUAM

### Nonmajor Component Units September 30, 2010

Component units are legally separate organizations for which the elected officials of GovGuam are financially accountable. Nonmajor component units are defined as those component units whose activities are not significant or material to that of the primary government or to all component units as a whole. Proprietary funds are used to account for a government's ongoing organizations and activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business and quasi - business activities - where net income and capital maintenance are measured - are accounted for through proprietary funds. The generally accepted accounting principles here are generally those applicable to similar businesses in the private sector: the measurement focus is on determination of the change in net assets, financial position and cash flows. A brief discussion of GovGuam's nonmajor component units as of September 30, 2010, follows:

Guam Community College (GCC) - GCC was created by the enactment of Public Law 14-77, "The Community College Act of 1977," which became effective on November 11, 1977. Administration and operation of GCC is under the control of a nine-member Board of Trustees appointed by the Governor of Guam with the advice and consent of the Guam Legislature. Two of the nine members have no voting and participation rights as they represent the faculty and staff union.

Guam Housing and Urban Renewal Authority (GHURA) - GHURA was created by Government Code, Vol. II, Title XIV, Chapter X, 13902. GHURA's purpose is to promote the health, safety and welfare of the people of Guam by eliminating slum and blight conditions, by the orderly redevelopment and renewal of communities, by proper planning of community development and by provision of safe, decent and sanitary dwellings for low-income families, through all available Federal and local governmental programs. The Board of Commissioners of GHURA is appointed by the Governor of Guam with the advice and consent of the Guam Legislature. Revenues are derived from Federal financial assistance and rentals or charges for dwelling accommodations.

Guam Housing Corporation (GHC) - GHC was organized under the authority of Public Law 8-80 to promote the general welfare of GovGuam by encouraging investment in and development of low-cost housing. GHC provides for its operating needs by charging points on its low cost loans. Interest rates are determined by its Board of Directors.

Guam Economic Development Authority (GEDA) - GEDA was created to assist in the implementation of an integrated program for the economic development of Guam. Enabling legislation set forth several specific purposes for the establishment of GEDA to include:

- a) Aiding private enterprise without competing with it;
- b) Expansion of the money supply to finance housing facilities; and
- c) Providing the means necessary for acquisition of hospital facilities.

To accomplish the stated purposes, GEDA is authorized to conduct research, invest in, provide loans, operate and provide technical assistance to industries and/or agricultural projects; issue revenue bonds; obtain GovGuam land; purchase mortgages; and recommend to the Governor of Guam businesses qualifying for tax rebates and abatements. GEDA utilizes various Trust Funds to accomplish its stated purposes.

See Accompanying Independent Auditors' Report.

## GOVERNMENT OF GUAM

Nonmajor Component Units, Continued  
September 30, 2010

Chamorro Land Trust Commission (CLTC) - CLTC was organized under the authority of Public Law 12-226 to protect and ensure trust lands are efficiently and effectively awarded to native Chamorro through residential, agricultural, and commercial leases. CLTC's objectives are to act in the interest of beneficiaries, maintain and uphold fiduciary responsibilities for the beneficiaries, and to exercise due diligence in the management of Chamorro homelands. CLTC currently has a trust land inventory of 12,731 acres or 51,520,529 square meters.

Guam Preservation Trust (GPT) - This fund was created by Public Law 20-151 to establish a program for historic preservation at all levels of government and to promote the use and conservation of such preservations for education, inspiration, pleasure and enrichment of the residents of the Territory.

Guam Visitors Bureau (GVB) - GVB is a public corporation created for the purpose of promoting the visitor industry in Guam. Funding is provided from transfers of appropriations from the Tourist Attraction Fund and interest income.

Guam Educational Telecommunications Corporation (GETC) - GETC, also known as KGTF-TV, was created as a public corporation by Public Law 12-194, as approved on January 2, 1975. The law sets forth the purpose of the Corporation to present educational television to the people of Guam and involve the people of Guam in its activities to the maximum extent possible. Funding is primarily derived from appropriations from the General Fund, community service grants and contributions from the public.

See Accompanying Independent Auditors' Report.

## GOVERNMENT OF GUAM

Fiduciary Funds  
September 30, 2010

Fiduciary funds are used to account for assets held by GovGuam in a fiduciary capacity. A brief description of each fund follows.

### Pension Trust Fund

Government of Guam Retirement Fund - Public Law 1-88 and Public Law 9-251 (Section 4201 of the Government Code of Guam) created the Retirement Fund to provide retirement annuities and other benefits to employees of the Government who became aged or incapacitated or to dependents or survivors of these employees. The Retirement Fund is administered by a Board of Trustees who bears responsibility for the direction and operation of the affairs and business of the retirement system.

### Private Purpose Trust Funds

Superior Court Trust Funds - The Superior Court is responsible for maintaining five trust funds which were primarily created through judicial decree. These Trusts are:

- Land Condemnation Fund - an escrow account for governmental land acquisitions.
- Guardianship Fund - to account for the financial affairs of individuals for whom the Court has been petitioned to act as a guardian.
- Trust Fund - to account for judgments compelling individuals to award payments arising from various civil and criminal cases.
- Traffic Court - to account for deposits made by accused traffic offenders who are contesting charges against them.
- Jury Fund - to account for funds awarded and to be awarded to citizens who serve on juries. Funding is derived from local appropriations.

Supreme Court Trust Fund - This fund was created to hold the assets in conjunction with an embezzlement judgment brought against a local attorney and to pay valid claims in accordance with any rulings.

### Agency Fund

Agency funds are normally used to account for assets held by a government as an agent for individuals, private organizations or other governments and/or other funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

See Accompanying Independent Auditors' Report.

**GOVERNMENT OF GUAM**  
**Nonmajor Governmental Funds - Special Revenue Funds**  
**Combining Balance Sheet**  
**September 30, 2010**

AS/400 Fund Number	236	309	265	262	628	266	282	633	411	624	319
	Accessible Parking	Agana Fractional Lots Program	Air Pollution Control	Autonomous Agency Infrastructure Collections	Better Public Service	Board of Accountancy	Carrier Off-duty Services Revolving	Census 2010	Chamorro Commercial Loan	Chamorro Land Trust Operations	Community Development
<b>ASSETS</b>											
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,582,267	\$ -	\$ 370,314	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-	-	-	-	-	-
Receivables, net:											
Taxes	-	-	-	-	-	-	-	-	-	-	-
Federal agencies	-	-	-	-	-	-	-	-	-	-	-
Other	-	90,169	-	-	-	54,450	-	-	-	-	-
Due from other funds	486,867	-	-	-	204,795	-	-	719,398	-	473,547	-
Due from private purpose trust funds	-	-	-	-	-	-	-	-	-	-	-
Due from component units	-	-	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	-	-
Deposits and other assets	-	-	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 486,867</u>	<u>\$ 90,169</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 204,795</u>	<u>\$ 1,636,717</u>	<u>\$ -</u>	<u>\$ 1,089,712</u>	<u>\$ -</u>	<u>\$ 473,547</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCES</b>											
<b>(DEFICIT)</b>											
Liabilities:											
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,779	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll and other	-	-	-	-	-	-	53,136	30,894	-	7,547	-
Due to other funds	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-
Provision for tax refunds	-	-	-	-	-	-	-	-	-	-	-
Deposits and other liabilities	-	-	-	-	-	-	-	1,058,818	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,779</u>	<u>53,136</u>	<u>1,089,712</u>	<u>-</u>	<u>7,547</u>	<u>-</u>
Fund balances (deficit):											
Reserved for:											
Related assets	-	90,169	-	-	-	-	-	-	-	-	-
Continuing appropriations	148,652	-	51,804	-	233	-	1,362	964,803	-	43,433	259,810
Encumbrances	51,575	-	21,053	-	86,851	261,348	-	94,015	-	5,876	108,329
Unreserved (deficit)	<u>286,640</u>	<u>-</u>	<u>(72,857)</u>	<u>-</u>	<u>117,711</u>	<u>1,350,590</u>	<u>(54,498)</u>	<u>(1,058,818)</u>	<u>-</u>	<u>416,691</u>	<u>(368,139)</u>
Total fund balances (deficit)	<u>486,867</u>	<u>90,169</u>	<u>-</u>	<u>-</u>	<u>204,795</u>	<u>1,611,938</u>	<u>(53,136)</u>	<u>-</u>	<u>-</u>	<u>466,000</u>	<u>-</u>
Total liabilities and fund balances (deficit)	<u>\$ 486,867</u>	<u>\$ 90,169</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 204,795</u>	<u>\$ 1,636,717</u>	<u>\$ -</u>	<u>\$ 1,089,712</u>	<u>\$ -</u>	<u>\$ 473,547</u>	<u>\$ -</u>

(continued)

**GOVERNMENT OF GUAM**  
**Nonmajor Governmental Funds - Special Revenue Funds**  
**Combining Balance Sheet**  
**September 30, 2010**

AS/400 Fund Number	105	213	272	325	209	267	630	214	106	638	235
	Community Health Centers	Contractors' License Board	Controlled Substance Diversion	Criminal Injuries Compensation	Customs, Agriculture and Quarantine Inspection Services	Dededo Buffer Strip Revolving	DLM Building Construction	DOC Inmates Revolving	D.O.D. Contract	DPHSS Sanitary Inspection Revolving	DPW Building and Design
<b>ASSETS</b>											
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 26,929	\$ -	\$ 1,402	\$ -	\$ 1,917	\$ -	\$ -
Investments	-	-	-	-	-	-	-	-	-	-	-
Receivables, net:											
Taxes	-	-	-	-	-	-	-	-	-	-	-
Federal agencies	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	23,203	-	-	-	-	-	-
Due from other funds	1,827,193	-	-	-	-	-	600,000	-	-	-	-
Due from private purpose trust funds	-	-	-	-	-	-	-	-	-	-	-
Due from component units	-	-	-	-	2,153,590	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	-	-
Deposits and other assets	-	-	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 1,827,193</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,203,722</u>	<u>\$ -</u>	<u>\$ 601,402</u>	<u>\$ -</u>	<u>\$ 1,917</u>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>											
Liabilities:											
Accounts payable	\$ -	\$ -	\$ -	\$ 169	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll and other	22,884	7,079	-	-	112,337	-	-	-	-	-	-
Due to other funds	-	-	-	-	2,091,385	-	-	312,359	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-
Provision for tax refunds	-	-	-	-	-	-	-	-	-	-	-
Deposits and other liabilities	-	-	-	160,925	-	-	-	-	403,354	-	-
Total liabilities	<u>22,884</u>	<u>7,079</u>	<u>-</u>	<u>161,094</u>	<u>2,203,722</u>	<u>-</u>	<u>-</u>	<u>312,359</u>	<u>403,354</u>	<u>-</u>	<u>-</u>
Fund balances (deficit):											
Reserved for:											
Related assets	-	-	-	-	-	-	-	-	-	-	-
Continuing appropriations	1,315,571	76,832	53,629	-	844,439	-	593,792	196	-	-	-
Encumbrances	589,186	19,779	9,531	-	37,714	-	-	2,049	-	-	-
Unreserved (deficit)	<u>(100,448)</u>	<u>(103,690)</u>	<u>(63,160)</u>	<u>(161,094)</u>	<u>(882,153)</u>	<u>-</u>	<u>7,610</u>	<u>(314,604)</u>	<u>(401,437)</u>	<u>-</u>	<u>-</u>
Total fund balances (deficit)	<u>1,804,309</u>	<u>(7,079)</u>	<u>-</u>	<u>(161,094)</u>	<u>-</u>	<u>-</u>	<u>601,402</u>	<u>(312,359)</u>	<u>(401,437)</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances (deficit)	<u>\$ 1,827,193</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,203,722</u>	<u>\$ -</u>	<u>\$ 601,402</u>	<u>\$ -</u>	<u>\$ 1,917</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

**GOVERNMENT OF GUAM**  
**Nonmajor Governmental Funds - Special Revenue Funds**  
**Combining Balance Sheet**  
**September 30, 2010**

AS/400 Fund Number	246	281	600	640	104	299	229	404	231	239	237
	Drivers' Education	Enhanced 911 Emergency Reporting System	Environmental Health	Examiner Off-Duty Services	Exxon Fuel Overcharge	Financial Management Revolving	General Services Agency	GSA Inventory Revolving	GFD Capital Revolving	Government Claims	Government House Revolving
<b>ASSETS</b>											
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	234,980	-	-	-	-	-	-
Receivables, net:											
Taxes	-	-	-	-	-	-	-	-	-	-	-
Federal agencies	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	28,738	19,661	-	-	-	-	-
Due from other funds	-	-	-	-	101,693	61,782	-	82,024	-	-	-
Due from private purpose trust funds	-	-	-	-	-	-	-	-	-	-	-
Due from component units	-	-	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	241,484	-	-	-
Deposits and other assets	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ -	\$ -	\$ -	\$ -	\$ 365,411	\$ 81,443	\$ -	\$ 323,508	\$ -	\$ -	\$ -
<b>LIABILITIES AND FUND BALANCES</b>											
<b>(DEFICIT)</b>											
Liabilities:											
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll and other	-	9,349	6,443	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-
Provision for tax refunds	-	-	-	-	-	-	-	-	-	-	-
Deposits and other liabilities	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	-	9,349	6,443	-	-	-	-	-	-	-	-
Fund balances (deficit):											
Reserved for:											
Related assets	-	-	-	-	-	-	-	260,581	-	-	-
Continuing appropriations	-	1,454,059	206,045	-	3,000	32,146	1,608	-	19,428	-	10,305
Encumbrances	-	124,413	151,359	-	-	9,834	-	-	16,517	-	-
Unreserved (deficit)	-	(1,587,821)	(363,847)	-	362,411	39,463	(1,608)	62,927	(35,945)	-	(10,305)
Total fund balances (deficit)	-	(9,349)	(6,443)	-	365,411	81,443	-	323,508	-	-	-
Total liabilities and fund balances (deficit)	\$ -	\$ -	\$ -	\$ -	\$ 365,411	\$ 81,443	\$ -	\$ 323,508	\$ -	\$ -	\$ -

(continued)

**GOVERNMENT OF GUAM**  
**Nonmajor Governmental Funds - Special Revenue Funds**  
**Combining Balance Sheet**  
**September 30, 2010**

AS/400 Fund Number	641	245	617 Guam Memorial Hospital Authority Pharmaceuticals	608	326	616 Guam Telephone Authority Privatization Proceeds	635	270	602	241	311
	Guam Cancer Trust	Guam Environmental Trust		Guam Plant Inspection and Permit	Guam Preservation Trust		Guam Unarmed Combat Commission	Health and Human Services	Healthy Futures	Health Professional Licensure	Health and Security Trust
<b>ASSETS</b>											
Cash and cash equivalents	\$ -	\$ -	\$ 1,400	\$ -	\$ 143,194	\$ 106,130	\$ -	\$ 1,534	\$ 34,795	\$ -	\$ 6,956
Investments	-	-	-	-	-	-	-	5,472,264	-	-	5,655,920
Receivables, net:											
Taxes	-	-	-	-	-	-	-	-	542,479	-	-
Federal agencies	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	693,609	-	-	-	-	-
Due from other funds	1,409,878	-	-	-	-	-	-	151,024	2,725,429	-	-
Due from private purpose trust funds	-	-	-	-	-	-	-	-	-	-	-
Due from component units	-	-	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	-	-
Deposits and other assets	-	-	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 1,409,878</u>	<u>\$ -</u>	<u>\$ 1,400</u>	<u>\$ -</u>	<u>\$ 143,194</u>	<u>\$ 799,739</u>	<u>\$ -</u>	<u>\$ 5,624,822</u>	<u>\$ 3,302,703</u>	<u>\$ -</u>	<u>\$ 5,662,876</u>
<b>LIABILITIES AND FUND BALANCES</b>											
<b>(DEFICIT)</b>											
Liabilities:											
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 103,612	\$ -	\$ -
Accrued payroll and other	-	940	-	-	-	-	-	-	112,660	-	-
Due to other funds	-	-	1,397	-	-	-	-	-	-	-	100,000
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-
Provision for tax refunds	-	-	-	-	-	-	-	-	-	-	-
Deposits and other liabilities	-	-	-	-	-	-	-	911,033	-	-	-
Total liabilities	<u>-</u>	<u>940</u>	<u>1,397</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>911,033</u>	<u>216,272</u>	<u>-</u>	<u>100,000</u>
Fund balances (deficit):											
Reserved for:											
Related assets	-	-	-	-	-	-	-	-	-	-	-
Continuing appropriations	-	102,615	311,839	14,665	-	-	1,964	616,712	850,747	294,789	-
Encumbrances	-	78,155	-	3,574	-	-	-	588,685	398,862	26,754	-
Unreserved (deficit)	<u>1,409,878</u>	<u>(181,710)</u>	<u>(311,836)</u>	<u>(18,239)</u>	<u>143,194</u>	<u>799,739</u>	<u>(1,964)</u>	<u>3,508,392</u>	<u>1,836,822</u>	<u>(321,543)</u>	<u>5,562,876</u>
Total fund balances (deficit)	<u>1,409,878</u>	<u>(940)</u>	<u>3</u>	<u>-</u>	<u>143,194</u>	<u>799,739</u>	<u>-</u>	<u>4,713,789</u>	<u>3,086,431</u>	<u>-</u>	<u>5,562,876</u>
Total liabilities and fund balances (deficit)	<u>\$ 1,409,878</u>	<u>\$ -</u>	<u>\$ 1,400</u>	<u>\$ -</u>	<u>\$ 143,194</u>	<u>\$ 799,739</u>	<u>\$ -</u>	<u>\$ 5,624,822</u>	<u>\$ 3,302,703</u>	<u>\$ -</u>	<u>\$ 5,662,876</u>

(continued)

**GOVERNMENT OF GUAM**  
**Nonmajor Governmental Funds - Special Revenue Funds**  
**Combining Balance Sheet**  
**September 30, 2010**

AS/400 Fund Number	201	298	303	321	632	222	232	293	294	261	
	Housing Revolving	Human Resources Services Revolving	Income Tax Refund Reserve	Income Tax Efficiency Payment	Indirect Cost	Land Survey Revolving	Legislature Operations	Manpower Development	Medically Indigent Program Payment Revolving	Mental Health and Substance Abuse	Notary Public Revolving
<b>ASSETS</b>											
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 1,046	\$ 69,176	\$ -	\$ 1,498,037	\$ 113,028	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-	-	-	-	-	-
Receivables, net:											
Taxes	-	-	-	-	-	-	-	-	-	-	-
Federal agencies	-	-	-	-	-	-	-	-	-	-	-
Other	304,178	-	-	-	-	-	403,542	-	-	-	-
Due from other funds	-	20,144	7,100,291	231,840	2,230,111	-	-	1,207,120	6,234,778	-	-
Due from private purpose trust funds	-	-	-	-	-	-	-	-	-	-	-
Due from component units	-	-	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	-	-
Deposits and other assets	-	-	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 304,178</u>	<u>\$ 20,144</u>	<u>\$ 7,100,291</u>	<u>\$ 232,886</u>	<u>\$ 2,299,287</u>	<u>\$ -</u>	<u>\$ 1,901,579</u>	<u>\$ 1,320,148</u>	<u>\$ 6,234,778</u>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCES</b>											
<b>(DEFICIT)</b>											
Liabilities:											
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,137	\$ -	\$ 6,234,778	\$ -	\$ -
Accrued payroll and other	-	-	-	-	957	40,313	98,601	5,843	-	-	-
Due to other funds	330	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-
Provision for tax refunds	-	-	6,582,079	-	-	-	-	-	-	-	-
Deposits and other liabilities	8,894	-	-	-	-	-	-	736,721	-	-	-
Total liabilities	<u>9,224</u>	<u>-</u>	<u>6,582,079</u>	<u>-</u>	<u>957</u>	<u>40,313</u>	<u>148,738</u>	<u>742,564</u>	<u>6,234,778</u>	<u>-</u>	<u>-</u>
Fund balances (deficit):											
Reserved for:											
Related assets	304,178	-	-	-	-	-	-	-	-	-	-
Continuing appropriations	-	18,614	-	-	18,806	168,359	-	364,468	961,312	20,934	-
Encumbrances	-	1,095	-	-	36,178	106,465	-	7,171	4,398	-	-
Unreserved (deficit)	(9,224)	435	518,212	232,886	2,243,346	(315,137)	1,752,841	205,945	(965,710)	(20,934)	-
Total fund balances (deficit)	<u>294,954</u>	<u>20,144</u>	<u>518,212</u>	<u>232,886</u>	<u>2,298,330</u>	<u>(40,313)</u>	<u>1,752,841</u>	<u>577,584</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances (deficit)	<u>\$ 304,178</u>	<u>\$ 20,144</u>	<u>\$ 7,100,291</u>	<u>\$ 232,886</u>	<u>\$ 2,299,287</u>	<u>\$ -</u>	<u>\$ 1,901,579</u>	<u>\$ 1,320,148</u>	<u>\$ 6,234,778</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

**GOVERNMENT OF GUAM**  
**Nonmajor Governmental Funds - Special Revenue Funds**  
**Combining Balance Sheet**  
**September 30, 2010**

AS/400 Fund Number	329	212/225	107	629	211	504	263	221	215	238	
	Off-Island Treatment	Office of Public Accountability	Parks and Recreation Revolving	Peace Officer Standards and Training	Pesticide Management	Plant Nursery Revolving	Plant Protection and Quarantine Revolving	Police Services	Printing Revolving	Professional Engineers', Architects' and Surveyors'	Program Development
<b>ASSETS</b>											
Cash and cash equivalents	\$ -	\$ 431,132	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-	-	-	-	-	-
Receivables, net:											
Taxes	-	-	-	-	-	-	-	-	-	-	-
Federal agencies	-	3,575	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-	-	-
Due from private purpose trust funds	-	-	-	-	-	-	-	-	-	-	-
Due from component units	-	-	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	-	-
Deposits and other assets	-	-	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 434,707</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCES</b>											
<b>(DEFICIT)</b>											
Liabilities:											
Accounts payable	\$ -	\$ 20,469	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll and other	2,028	-	-	-	-	-	-	-	-	1,476	-
Due to other funds	-	-	4,808	-	-	-	3,548	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-
Provision for tax refunds	-	-	-	-	-	-	-	-	-	-	-
Deposits and other liabilities	13,213	-	-	-	-	-	-	-	-	-	-
Total liabilities	<u>15,241</u>	<u>20,469</u>	<u>4,808</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,548</u>	<u>-</u>	<u>-</u>	<u>1,476</u>	<u>-</u>
Fund balances (deficit):											
Reserved for:											
Related assets	-	-	-	-	-	-	-	-	-	-	-
Continuing appropriations	72,564	-	305	-	2,679	26,827	6,468	6,268	-	7,661	-
Encumbrances	32,445	-	48	-	1,789	416	2,005	35,510	-	1,375	-
Unreserved (deficit)	<u>(120,250)</u>	<u>414,238</u>	<u>(5,161)</u>	<u>-</u>	<u>(4,468)</u>	<u>(27,243)</u>	<u>(12,021)</u>	<u>(41,778)</u>	<u>-</u>	<u>(10,512)</u>	<u>-</u>
Total fund balances (deficit)	<u>(15,241)</u>	<u>414,238</u>	<u>(4,808)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,548)</u>	<u>-</u>	<u>-</u>	<u>(1,476)</u>	<u>-</u>
Total liabilities and fund balances (deficit)	<u>\$ -</u>	<u>\$ 434,707</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

**GOVERNMENT OF GUAM**  
**Nonmajor Governmental Funds - Special Revenue Funds**  
**Combining Balance Sheet**  
**September 30, 2010**

AS/400 Fund Number	604	620	317	285	619	217	284	416	417	605	
	Public Defender Service Corporation	Public Library System	Public Recreation Services	Public Transit	Rabies Prevention	Recycling Revolving	Safe Streets	Solid Waste Management Plan	Solid Waste Operations	Solid Waste Operations	Special Assets Forfeiture
<b>ASSETS</b>											
Cash and cash equivalents	\$ 895,468	\$ 124,504	\$ -	\$ -	\$ -	\$ 20,823	\$ -	\$ -	\$ 675,530	\$ 314,365	\$ 332,820
Investments	-	-	-	-	-	-	-	-	-	-	-
Receivables, net:											
Taxes	-	-	-	-	-	-	-	-	-	-	-
Federal agencies	-	-	-	-	-	-	-	-	-	-	-
Other	327,006	-	-	-	-	-	-	-	1,392,152	2,602,775	-
Due from other funds	-	-	-	-	-	-	-	-	337,993	1,886,310	386,283
Due from private purpose trust funds	-	-	-	-	-	-	-	-	-	-	-
Due from component units	-	-	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	-	-
Deposits and other assets	-	-	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 1,222,474</u>	<u>\$ 124,504</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,823</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,405,675</u>	<u>\$ 4,803,450</u>	<u>\$ 719,103</u>
<b>LIABILITIES AND FUND BALANCES</b>											
<b>(DEFICIT)</b>											
Liabilities:											
Accounts payable	\$ 5,413	\$ -	\$ -	\$ -	\$ -	\$ 175,410	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll and other	183,488	-	-	-	-	894	-	-	18,746	-	-
Due to other funds	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	962,829	-	-
Provision for tax refunds	-	-	-	-	-	-	-	-	-	-	-
Deposits and other liabilities	7,964	-	-	-	-	-	-	-	-	-	-
Total liabilities	<u>196,865</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>176,304</u>	<u>-</u>	<u>-</u>	<u>981,575</u>	<u>-</u>	<u>-</u>
Fund balances (deficit):											
Reserved for:											
Related assets	-	-	-	-	-	-	-	-	-	-	-
Continuing appropriations	-	666,895	4,977	1,412	45,954	989,231	2,011	491	1,457,678	-	162,363
Encumbrances	3,432	-	28,259	2,967	5,934	156,766	23,573	-	1,035,694	-	5,464
Unreserved (deficit)	<u>1,022,177</u>	<u>(542,391)</u>	<u>(33,236)</u>	<u>(4,379)</u>	<u>(51,888)</u>	<u>(1,301,478)</u>	<u>(25,584)</u>	<u>(491)</u>	<u>(1,069,272)</u>	<u>4,803,450</u>	<u>551,276</u>
Total fund balances (deficit)	<u>1,025,609</u>	<u>124,504</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(155,481)</u>	<u>-</u>	<u>-</u>	<u>1,424,100</u>	<u>4,803,450</u>	<u>719,103</u>
Total liabilities and fund balances (deficit)	<u>\$ 1,222,474</u>	<u>\$ 124,504</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,823</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,405,675</u>	<u>\$ 4,803,450</u>	<u>\$ 719,103</u>

(continued)

**GOVERNMENT OF GUAM**  
**Nonmajor Governmental Funds - Special Revenue Funds**  
**Combining Balance Sheet**  
**September 30, 2010**

AS/400 Fund Number	314	202	103	607	603	205	208	206	501	636	
	State Agency for Surplus Property	Street Light	StripperWell Overcharge	Supplemental Annuity Benefits	Tax Collection	Territorial Educational Facilities	Territorial Highway	Tourist Attraction	Typhoon Chataan & Halong	Underground Storage Tank Management	Unified Courts of Guam
<b>ASSETS</b>											
Cash and cash equivalents	\$ 26	\$ -	\$ -	\$ -	\$ -	\$ 51,018	\$ 16	\$ -	\$ -	\$ -	\$ 556,489
Investments	-	-	20,980	-	-	-	3,064,841	832,274	-	-	-
Receivables, net:											
Taxes	-	-	-	-	-	1,466,263	799,325	1,995,271	-	-	-
Federal agencies	-	-	-	-	-	-	-	-	-	-	315,528
Other	19,515	-	-	-	-	-	-	-	-	-	110,796
Due from other funds	-	391,991	-	-	-	-	-	-	-	-	5,362,667
Due from private purpose trust funds	-	-	-	-	-	-	-	-	-	-	2,516,039
Due from component units	-	-	-	-	-	-	-	-	-	-	-
Inventories	165,412	-	-	-	-	-	-	-	-	-	-
Deposits and other assets	-	-	-	-	-	-	-	-	-	-	27,837
Total assets	<u>\$ 184,953</u>	<u>\$ 391,991</u>	<u>\$ 20,980</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,517,281</u>	<u>\$ 3,864,182</u>	<u>\$ 2,827,545</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,889,356</u>
<b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>											
Liabilities:											
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 410,778
Accrued payroll and other	11,190	-	-	-	9,854	-	84,908	-	-	-	404,229
Due to other funds	27,811	-	-	-	-	2,412,551	2,956,145	-	-	-	-
Deferred revenue	-	-	-	-	-	(1,466)	-	-	-	-	-
Provision for tax refunds	-	-	-	-	-	-	-	-	-	-	-
Deposits and other liabilities	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	<u>39,001</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,854</u>	<u>2,411,085</u>	<u>3,041,053</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>815,007</u>
Fund balances (deficit):											
Reserved for:											
Related assets	184,927	-	-	-	-	-	-	-	-	-	-
Continuing appropriations	15,090	8,207	11,583	-	67,546	-	-	114,184	140,815	-	-
Encumbrances	6,422	143,566	-	-	5,597	-	455,611	23,267	-	-	-
Unreserved (deficit)	<u>(60,487)</u>	<u>240,218</u>	<u>9,397</u>	<u>-</u>	<u>(82,997)</u>	<u>(893,804)</u>	<u>367,518</u>	<u>2,690,094</u>	<u>(140,815)</u>	<u>-</u>	<u>8,074,349</u>
Total fund balances (deficit)	<u>145,952</u>	<u>391,991</u>	<u>20,980</u>	<u>-</u>	<u>(9,854)</u>	<u>(893,804)</u>	<u>823,129</u>	<u>2,827,545</u>	<u>-</u>	<u>-</u>	<u>8,074,349</u>
Total liabilities and fund balances (deficit)	<u>\$ 184,953</u>	<u>\$ 391,991</u>	<u>\$ 20,980</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,517,281</u>	<u>\$ 3,864,182</u>	<u>\$ 2,827,545</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,889,356</u>

(continued)

**GOVERNMENT OF GUAM**  
**Nonmajor Governmental Funds - Special Revenue Funds**  
**Combining Balance Sheet**  
**September 30, 2010**

AS/400 Fund Number	297	621	247	283	300	203	310	276	
	University of Guam Capital Improvements	Unreserved Fund Balance	Village Streets	Water Protection	Water Research and Development	Wildlife Conservation	Workman's Compensation	Youth Tobacco Education and Prevention	Total
<b>ASSETS</b>									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,500	\$ 7,361,816
Investments	-	-	-	-	-	-	-	1,397,298	16,678,557
Receivables, net:									
Taxes	-	-	-	-	-	-	-	-	4,803,338
Federal agencies	-	-	-	-	-	-	-	-	319,103
Other	-	-	-	-	-	-	-	-	6,069,794
Due from other funds	-	-	-	-	-	-	-	-	34,233,158
Due from private purpose trust funds	-	-	-	-	-	-	-	-	2,516,039
Due from component units	-	-	-	-	-	-	-	-	2,153,590
Inventories	-	-	-	-	-	-	-	-	406,896
Deposits and other assets	-	-	-	-	-	-	-	-	27,837
Total assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,398,798	\$ 74,570,128
<b>LIABILITIES AND FUND BALANCES</b>									
<b>(DEFICIT)</b>									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,025,545
Accrued payroll and other	-	-	-	-	-	-	-	-	1,225,796
Due to other funds	-	-	-	-	-	-	-	300,456	8,210,790
Deferred revenue	-	-	-	-	-	-	-	-	961,363
Provision for tax refunds	-	-	-	-	-	-	-	-	6,582,079
Deposits and other liabilities	-	-	-	-	-	-	-	-	3,300,922
Total liabilities	-	-	-	-	-	-	-	300,456	27,306,495
Fund balances (deficit):									
Reserved for:									
Related assets	-	-	-	-	-	-	-	-	839,855
Continuing appropriations	-	167,494	572,120	58,499	52,974	33,396	4,950	-	14,527,613
Encumbrances	-	9,967	66,042	6,001	3,294	10,607	1,175	-	4,907,992
Unreserved (deficit)	-	(177,461)	(638,162)	(64,500)	(56,268)	(44,003)	(6,125)	1,098,342	26,988,173
Total fund balances (deficit)	-	-	-	-	-	-	-	1,098,342	47,263,633
Total liabilities and fund balances (deficit)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,398,798	\$ 74,570,128

GOVERNMENT OF GUAM  
 Nonmajor Governmental Funds - Special Revenue Funds  
 Combining Statement of Revenues, Expenditures by Function, and Changes in Fund Balances (Deficits)  
 Year Ended September 30, 2010

AS/400 Fund Number	236	309	265	262	628	266	282	633	411	624	319
	Accessible Parking	Agana Fractional Lots Program	Air Pollution Control	Autonomous Agency Infrastructure Collections	Better Public Service	Board of Accountancy	Carrier Off-duty Services Revolving	Census 2010	Chamorro Commercial Loan	Chamorro Land Trust Operations	Community Development
<b>Revenues:</b>											
<b>Taxes:</b>											
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel	-	-	-	-	-	-	-	-	-	-	-
Liquid fuel	-	-	-	-	-	-	-	-	-	-	-
Tobacco	-	-	-	-	-	-	-	-	-	-	-
Alcoholic beverages	-	-	-	-	-	-	-	-	-	-	-
Sales, licenses, fees and permits	158,839	-	189,561	-	-	1,961,490	597,239	-	-	759,248	150
Use of money and property	-	-	-	-	-	4,606	-	-	-	-	-
Federal contributions	-	-	-	-	-	-	-	9,363,988	-	-	-
Other	-	-	-	-	-	-	133,766	-	-	(8,590)	-
Total revenues	158,839	-	189,561	-	-	1,966,096	731,005	9,363,988	-	750,658	150
<b>Expenditures by Function:</b>											
<b>Current:</b>											
General government	-	-	-	-	1,669,851	354,158	-	-	-	18,206	-
Protection of life and property	168,766	-	-	-	-	-	631,020	-	-	-	-
Public health	-	-	-	-	-	-	-	-	-	-	-
Community services	-	-	-	-	-	-	-	-	-	-	-
Recreation	-	-	-	-	-	-	-	-	-	-	-
Individual and collective rights	-	-	-	-	-	-	-	-	-	-	272,327
Transportation	-	-	-	-	-	-	-	-	-	-	-
Public education	-	-	-	-	-	-	-	-	-	-	-
Environmental protection	-	-	431,923	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	9,354,081	-	-	-
Payments to GovGuam Retirement Fund	-	-	-	-	-	-	-	-	-	-	-
Payments to Chamorro Land Trust Commission	-	-	-	-	-	-	-	-	-	564,054	-
Payments to Guam Community College	-	-	-	-	-	-	-	-	-	-	-
Payments to Guam Housing and Urban Renewal	-	-	-	-	-	-	-	-	-	-	-
Payments to Guam Memorial Hospital Authority	-	-	-	-	-	-	-	-	-	-	-
Payments to Guam Preservation Trust	-	-	-	-	-	-	-	-	-	-	-
Payments to Guam Regional Transit Authority	-	-	-	-	-	-	-	-	-	-	-
Payments to Guam Visitors Bureau	-	-	-	-	-	-	-	-	-	-	-
Payments to University of Guam	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous appropriations	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	168,766	-	431,923	-	1,669,851	354,158	631,020	9,354,081	-	582,260	272,327
Excess (deficiency) of revenues over (under) expenditures	(9,927)	-	(242,362)	-	(1,669,851)	1,611,938	99,985	9,907	-	168,398	(272,177)
<b>Other financing sources (uses):</b>											
Transfers in from other funds	411,767	-	-	-	1,280,043	-	-	-	-	-	380,656
Transfers out to other funds	-	-	(268,198)	(460)	-	(14,781)	(165,505)	-	(26,233)	-	(108,579)
Total other financing sources (uses), net	411,767	-	(268,198)	(460)	1,280,043	(14,781)	(165,505)	-	(26,233)	-	272,077
Net change in fund balances (deficits)	401,840	-	(510,560)	(460)	(389,808)	1,597,157	(65,520)	9,907	(26,233)	168,398	(100)
Fund balances (deficits) at beginning of year	85,027	90,169	510,560	460	594,603	14,781	12,384	(9,907)	26,233	297,602	100
Fund balances (deficits) at end of year	\$ 486,867	\$ 90,169	\$ -	\$ -	\$ 204,795	\$ 1,611,938	\$ (53,136)	\$ -	\$ -	\$ 466,000	\$ -

(continued)

GOVERNMENT OF GUAM  
 Nonmajor Governmental Funds - Special Revenue Funds  
 Combining Statement of Revenues, Expenditures by Function, and Changes in Fund Balances (Deficits)  
 Year Ended September 30, 2010

AS/400 Fund Number	105	213	272	325	209 Customs, Agriculture and Quarantine Inspection Services	267 Dededo Buffer Strip Revolving	630 DLM Building Construction	214 DOC Inmates Revolving	106 D.O.D. Contract	638 DPHSS Sanitary Inspection Revolving	235 DPW Building and Design
Revenues:											
Taxes:											
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel	-	-	-	-	-	-	-	-	-	-	-
Liquid fuel	-	-	-	-	-	-	-	-	-	-	-
Tobacco	-	-	-	-	-	-	-	-	-	-	-
Alcoholic beverages	-	-	-	-	-	-	-	-	-	-	-
Sales, licenses, fees and permits	1,090,318	917,148	34,560	82,443	7,230,809	35,651	-	922,763	-	43,574	162,201
Use of money and property	-	-	-	-	307	-	1,016	-	4	-	-
Federal contributions	1,927,172	-	-	-	-	-	(185,533)	-	-	-	-
Other	-	(1,069)	-	-	-	14,590	-	-	-	-	-
Total revenues	<u>3,017,490</u>	<u>916,079</u>	<u>34,560</u>	<u>82,443</u>	<u>7,231,116</u>	<u>50,241</u>	<u>(184,517)</u>	<u>922,763</u>	<u>4</u>	<u>43,574</u>	<u>162,201</u>
Expenditures by Function:											
Current:											
General government	-	571,492	-	-	261,177	-	98,683	-	-	-	-
Protection of life and property	-	-	-	-	9,165,387	-	-	1,235,122	-	-	-
Public health	2,976,770	-	31,664	-	-	-	-	-	-	-	-
Community services	-	-	-	-	-	-	-	-	-	-	-
Recreation	-	-	-	-	-	-	-	-	-	-	-
Individual and collective rights	-	-	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-	-
Public education	-	-	-	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-	-	-	-
Payments to GovGuam Retirement Fund	-	-	-	-	-	-	-	-	-	-	-
Payments to Chamorro Land Trust Commission	-	-	-	-	-	-	-	-	-	-	-
Payments to Guam Community College	-	-	-	-	-	-	-	-	-	-	-
Payments to Guam Housing and Urban Renewal	-	-	-	-	-	-	-	-	-	-	-
Payments to Guam Memorial Hospital Authority	-	-	-	-	-	-	-	-	-	-	-
Payments to Guam Preservation Trust	-	-	-	-	-	-	-	-	-	-	-
Payments to Guam Regional Transit Authority	-	-	-	-	-	-	-	-	-	-	-
Payments to Guam Visitors Bureau	-	-	-	-	-	-	-	-	-	-	-
Payments to University of Guam	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous appropriations	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>2,976,770</u>	<u>571,492</u>	<u>31,664</u>	<u>-</u>	<u>9,426,564</u>	<u>-</u>	<u>98,683</u>	<u>1,235,122</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>40,720</u>	<u>344,587</u>	<u>2,896</u>	<u>82,443</u>	<u>(2,195,448)</u>	<u>50,241</u>	<u>(283,200)</u>	<u>(312,359)</u>	<u>4</u>	<u>43,574</u>	<u>162,201</u>
Other financing sources (uses):											
Transfers in from other funds	-	-	-	-	2,195,448	-	-	-	-	-	-
Transfers out to other funds	-	(435,950)	(97,720)	(253,673)	-	(50,241)	-	-	(400,671)	(43,574)	(162,201)
Total other financing sources (uses), net	<u>-</u>	<u>(435,950)</u>	<u>(97,720)</u>	<u>(253,673)</u>	<u>2,195,448</u>	<u>(50,241)</u>	<u>-</u>	<u>-</u>	<u>(400,671)</u>	<u>(43,574)</u>	<u>(162,201)</u>
Net change in fund balances (deficits)	<u>40,720</u>	<u>(91,363)</u>	<u>(94,824)</u>	<u>(171,230)</u>	<u>-</u>	<u>-</u>	<u>(283,200)</u>	<u>(312,359)</u>	<u>(400,667)</u>	<u>-</u>	<u>-</u>
Fund balances (deficits) at beginning of year	<u>1,763,589</u>	<u>84,284</u>	<u>94,824</u>	<u>10,136</u>	<u>-</u>	<u>-</u>	<u>884,602</u>	<u>-</u>	<u>(770)</u>	<u>-</u>	<u>-</u>
Fund balances (deficits) at end of year	<u>1,804,309</u>	<u>\$ (7,079)</u>	<u>\$ -</u>	<u>\$ (161,094)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 601,402</u>	<u>\$ (312,359)</u>	<u>\$ (401,437)</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

GOVERNMENT OF GUAM  
 Nonmajor Governmental Funds - Special Revenue Funds  
 Combining Statement of Revenues, Expenditures by Function, and Changes in Fund Balances (Deficits)  
 Year Ended September 30, 2010

AS/400 Fund Number	246	281	600	640	104	299	229	404	231	239	237
	Drivers' Education	Enhanced 911 Emergency Reporting System	Environmental Health	Examiner Off-Duty Services	Exxon Fuel Overcharge	Financial Management Revolving	General Services Agency	GSA Inventory Revolving	GFD Capital Revolving	Government Claims	Government House Revolving
Revenues:											
Taxes:											
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel	-	-	-	-	-	-	-	-	-	-	-
Liquid fuel	-	-	-	-	-	-	-	-	-	-	-
Tobacco	-	-	-	-	-	-	-	-	-	-	-
Alcoholic beverages	-	-	-	-	-	-	-	-	-	-	-
Sales, licenses, fees and permits	70,775	1,572,823	701,935	1,925	-	84,270	-	255,390	81,277	-	-
Use of money and property	-	-	-	-	2	-	-	-	-	-	-
Federal contributions	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Total revenues	<u>70,775</u>	<u>1,572,823</u>	<u>701,935</u>	<u>1,925</u>	<u>2</u>	<u>84,270</u>	<u>-</u>	<u>255,390</u>	<u>81,277</u>	<u>-</u>	<u>-</u>
Expenditures by Function:											
Current:											
General government	-	-	-	-	1,179	85,191	522	-	-	97,000	-
Protection of life and property	-	1,041,292	-	-	-	-	-	-	81,389	-	-
Public health	-	-	646,089	-	-	-	-	-	-	-	-
Community services	-	-	-	-	-	-	-	-	-	-	-
Recreation	-	-	-	-	-	-	-	-	-	-	-
Individual and collective rights	-	-	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-	-
Public education	-	-	-	-	-	-	-	-	-	-	-
Environmental protection	-	-	87,014	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-	-	-	-
Payments to GovGuam Retirement Fund	-	-	-	-	-	-	-	-	-	-	-
Payments to Chamorro Land Trust Commission	-	-	-	-	-	-	-	-	-	-	-
Payments to Guam Community College	-	-	-	-	-	-	-	-	-	-	-
Payments to Guam Housing and Urban Renewal	-	-	-	-	-	-	-	-	-	-	-
Payments to Guam Memorial Hospital Authority	-	-	-	-	-	-	-	-	-	-	-
Payments to Guam Preservation Trust	-	-	-	-	-	-	-	-	-	-	-
Payments to Guam Regional Transit Authority	-	-	-	-	-	-	-	-	-	-	-
Payments to Guam Visitors Bureau	-	-	-	-	-	-	-	-	-	-	-
Payments to University of Guam	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous appropriations	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>1,041,292</u>	<u>733,103</u>	<u>-</u>	<u>1,179</u>	<u>85,191</u>	<u>522</u>	<u>-</u>	<u>81,389</u>	<u>97,000</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>70,775</u>	<u>531,531</u>	<u>(31,168)</u>	<u>1,925</u>	<u>(1,177)</u>	<u>(921)</u>	<u>(522)</u>	<u>255,390</u>	<u>(112)</u>	<u>(97,000)</u>	<u>-</u>
Other financing sources (uses):											
Transfers in from other funds	-	-	-	-	-	-	-	62,927	-	-	-
Transfers out to other funds	(546,257)	(2,236,556)	(260,558)	(1,925)	-	-	(1,608)	(219,589)	(63,119)	(7,655)	(10,305)
Total other financing sources (uses), net	<u>(546,257)</u>	<u>(2,236,556)</u>	<u>(260,558)</u>	<u>(1,925)</u>	<u>-</u>	<u>-</u>	<u>(1,608)</u>	<u>(156,662)</u>	<u>(63,119)</u>	<u>(7,655)</u>	<u>(10,305)</u>
Net change in fund balances (deficits)	<u>(475,482)</u>	<u>(1,705,025)</u>	<u>(291,726)</u>	<u>-</u>	<u>(1,177)</u>	<u>(921)</u>	<u>(2,130)</u>	<u>98,728</u>	<u>(63,231)</u>	<u>(104,655)</u>	<u>(10,305)</u>
Fund balances (deficits) at beginning of year	<u>475,482</u>	<u>1,695,676</u>	<u>285,283</u>	<u>-</u>	<u>366,588</u>	<u>82,364</u>	<u>2,130</u>	<u>224,780</u>	<u>63,231</u>	<u>104,655</u>	<u>10,305</u>
Fund balances (deficits) at end of year	<u>\$ -</u>	<u>\$ (9,349)</u>	<u>\$ (6,443)</u>	<u>\$ -</u>	<u>\$ 365,411</u>	<u>\$ 81,443</u>	<u>\$ -</u>	<u>\$ 323,508</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

GOVERNMENT OF GUAM  
 Nonmajor Governmental Funds - Special Revenue Funds  
 Combining Statement of Revenues, Expenditures by Function, and Changes in Fund Balances (Deficits)  
 Year Ended September 30, 2010

AS/400 Fund Number	641	245	617 Guam Memorial Hospital Authority Pharmaceuticals	608	326	616 Guam Telephone Authority Privatization Proceeds	635	270	602	241	311
	Guam Cancer Trust	Guam Environmental Trust		Guam Plant Inspection and Permit	Guam Preservation Trust		Guam Unarmed Combat Commission	Health and Human Services	Healthy Futures	Health Professional Licensure	Health and Security Trust
Revenues:											
Taxes:											
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel	-	-	-	-	-	-	-	-	-	-	-
Liquid fuel	-	-	-	-	-	-	-	-	-	-	-
Tobacco	-	-	-	-	-	-	-	-	14,819,622	-	-
Alcoholic beverages	-	-	-	-	-	-	-	-	2,151,012	-	-
Sales, licenses, fees and permits	-	286,978	-	91,146	628,052	-	1,964	14,150	-	169,094	-
Use of money and property	-	-	3	-	776	232	-	21,904	47	-	91,141
Federal contributions	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	(1,911)	-	-	-	-	-
Total revenues	-	286,978	3	91,146	628,828	(1,679)	1,964	36,054	16,970,681	169,094	91,141
Expenditures by Function:											
Current:											
General government	-	-	-	-	4,877	-	-	-	590,892	-	-
Protection of life and property	-	-	-	-	-	-	-	-	306,624	-	-
Public health	-	-	-	-	-	-	-	165,766	8,070,000	84,718	-
Community services	-	-	-	-	-	-	-	-	431,731	-	-
Recreation	-	-	-	-	-	-	-	-	-	-	-
Individual and collective rights	-	-	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-	-
Public education	-	-	-	-	-	-	-	-	-	-	-
Environmental protection	-	270,859	-	-	-	-	-	-	-	-	-
Economic development	-	-	-	73,208	-	-	-	-	-	-	-
Payments to GovGuam Retirement Fund	-	-	-	-	-	-	-	-	500,000	-	-
Payments to Chamorro Land Trust Commission	-	-	-	-	-	-	-	-	-	-	-
Payments to Guam Community College	-	-	-	-	-	-	-	-	-	-	-
Payments to Guam Housing and Urban Renewal	-	-	-	-	-	-	-	4,556,972	-	-	-
Payments to Guam Memorial Hospital Authority	-	-	11,214,816	-	-	-	-	-	1,215,103	-	-
Payments to Guam Preservation Trust	-	-	-	-	1,200,000	-	-	-	-	-	-
Payments to Guam Regional Transit Authority	-	-	-	-	-	-	-	-	-	-	-
Payments to Guam Visitors Bureau	-	-	-	-	-	-	-	-	-	-	-
Payments to University of Guam	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous appropriations	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	-	270,859	11,214,816	73,208	1,204,877	-	-	4,722,738	11,114,350	84,718	-
Excess (deficiency) of revenues over (under) expenditures	-	16,119	(11,214,813)	17,938	(576,049)	(1,679)	1,964	(4,686,684)	5,856,331	84,376	91,141
Other financing sources (uses):											
Transfers in from other funds	1,409,878	-	11,214,816	-	-	-	-	-	-	-	-
Transfers out to other funds	-	(552,060)	-	(193,311)	(448,249)	(856,153)	(1,964)	-	(5,563,777)	(365,986)	-
Total other financing sources (uses), net	1,409,878	(552,060)	11,214,816	(193,311)	(448,249)	(856,153)	(1,964)	-	(5,563,777)	(365,986)	-
Net change in fund balances (deficits)	1,409,878	(535,941)	3	(175,373)	(1,024,298)	(857,832)	-	(4,686,684)	292,554	(281,610)	91,141
Fund balances (deficits) at beginning of year	-	535,001	-	175,373	1,167,492	1,657,571	-	9,400,473	2,793,877	281,610	5,471,735
Fund balances (deficits) at end of year	\$ 1,409,878	\$ (940)	\$ 3	\$ -	\$ 143,194	\$ 799,739	\$ -	\$ 4,713,789	\$ 3,086,431	\$ -	\$ 5,562,876

(continued)

GOVERNMENT OF GUAM  
 Nonmajor Governmental Funds - Special Revenue Funds  
 Combining Statement of Revenues, Expenditures by Function, and Changes in Fund Balances (Deficits)  
 Year Ended September 30, 2010

AS/400 Fund Number	201	298	303	321	632	222	232	293	294	261	
	Housing Revolving	Human Resources Services Revolving	Income Tax Refund Reserve	Income Tax Efficiency Payment	Indirect Cost	Land Survey Revolving	Legislature Operations	Manpower Development	Medically Indigent Program Payment Revolving	Mental Health and Substance Abuse	Notary Public Revolving
Revenues:											
Taxes:											
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel	-	-	-	-	-	-	-	-	-	-	-
Liquid fuel	-	-	-	-	-	-	-	-	-	-	-
Tobacco	-	-	-	-	-	-	-	-	-	-	-
Alcoholic beverages	-	-	-	-	-	-	-	-	-	-	-
Sales, licenses, fees and permits	-	93,896	-	-	-	3,268,888	-	1,742,058	-	-	11,930
Use of money and property	-	-	1,419	5,570	1,743	-	2,882	2,375	-	-	-
Federal contributions	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	706,849	-	200,717	-	-	-	-
Total revenues	-	93,896	1,419	5,570	708,592	3,268,888	203,599	1,744,433	-	-	11,930
Expenditures by Function:											
Current:											
General government	-	101,076	-	-	353,997	3,126,918	7,780,095	7,946	-	-	-
Protection of life and property	-	-	-	-	-	-	-	-	-	-	-
Public health	-	-	-	-	-	-	-	-	-	-	-
Community services	-	-	-	-	-	-	-	-	13,199,578	-	-
Recreation	-	-	-	-	-	-	-	-	-	-	-
Individual and collective rights	-	-	-	-	-	-	-	387,410	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-	-
Public education	-	-	-	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-	-	-	-
Payments to GovGuam Retirement Fund	-	-	-	-	-	-	-	-	-	-	-
Payments to Chamorro Land Trust Commission	-	-	-	-	-	-	-	-	-	-	-
Payments to Guam Community College	-	-	-	-	-	-	-	2,308,986	-	-	-
Payments to Guam Housing and Urban Renewal	-	-	-	-	-	-	-	-	-	-	-
Payments to Guam Memorial Hospital Authority	-	-	-	-	-	-	-	-	-	-	-
Payments to Guam Preservation Trust	-	-	-	-	-	-	-	-	-	-	-
Payments to Guam Regional Transit Authority	-	-	-	-	-	-	-	-	-	-	-
Payments to Guam Visitors Bureau	-	-	-	-	-	-	-	-	-	-	-
Payments to University of Guam	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous appropriations	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	-	101,076	-	-	353,997	3,126,918	7,780,095	2,704,342	13,199,578	-	-
Excess (deficiency) of revenues over (under) expenditures	-	(7,180)	1,419	5,570	354,595	141,970	(7,576,496)	(959,909)	(13,199,578)	-	11,930
Other financing sources (uses):											
Transfers in from other funds	-	-	-	-	-	3,747,398	7,713,567	-	13,199,578	-	-
Transfers out to other funds	-	-	-	-	-	(4,196,176)	-	-	-	(200,969)	(11,930)
Total other financing sources (uses), net	-	-	-	-	-	(448,778)	7,713,567	-	13,199,578	(200,969)	(11,930)
Net change in fund balances (deficits)	-	(7,180)	1,419	5,570	354,595	(306,808)	137,071	(959,909)	-	(200,969)	-
Fund balances (deficits) at beginning of year	294,954	27,324	516,793	227,316	1,943,735	266,495	1,615,770	1,537,493	-	200,969	-
Fund balances (deficits) at end of year	\$ 294,954	\$ 20,144	\$ 518,212	\$ 232,886	\$ 2,298,330	\$ (40,313)	\$ 1,752,841	\$ 577,584	\$ -	\$ -	\$ -

(continued)

GOVERNMENT OF GUAM  
 Nonmajor Governmental Funds - Special Revenue Funds  
 Combining Statement of Revenues, Expenditures by Function, and Changes in Fund Balances (Deficits)  
 Year Ended September 30, 2010

AS/400 Fund Number	329	212/225	107	629	211	504	263	221	215	238	
	Off-Island Treatment	Office of Public Accountability	Parks and Recreation Revolving	Peace Officer Standards and Training	Pesticide Management	Plant Nursery Revolving	Plant Protection and Quarantine Revolving	Police Services	Printing Revolving	Professional Engineers', Architects' and Surveyors'	Program Development
Revenues:											
Taxes:											
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel	-	-	-	-	-	-	-	-	-	-	-
Liquid fuel	-	-	-	-	-	-	-	-	-	-	-
Tobacco	-	-	-	-	-	-	-	-	-	-	-
Alcoholic beverages	-	-	-	-	-	-	-	-	-	-	-
Sales, licenses, fees and permits	-	-	-	-	11,329	22,768	-	574,568	-	315,794	-
Use of money and property	-	1,866	-	-	-	-	-	-	-	-	480
Federal contributions	-	41,211	-	-	-	-	-	-	-	-	-
Other	-	3,730	-	(10)	-	-	-	-	-	-	-
Total revenues	-	46,807	-	(10)	11,329	22,768	-	574,568	-	315,794	480
Expenditures by Function:											
Current:											
General government	1,059,319	1,068,346	-	-	-	-	-	-	-	185,889	-
Protection of life and property	-	-	-	-	-	-	-	499,063	-	-	-
Public health	-	-	-	-	416	-	-	-	-	-	-
Community services	-	-	-	-	-	-	-	-	-	-	-
Recreation	-	-	-	-	-	-	-	-	-	-	-
Individual and collective rights	-	-	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-	-
Public education	-	-	-	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	11,568	-	-	-	-	-
Payments to GovGuam Retirement Fund	-	-	-	-	-	-	-	-	-	-	-
Payments to Chamorro Land Trust Commission	-	-	-	-	-	-	-	-	-	-	-
Payments to Guam Community College	-	-	-	-	-	-	-	-	-	-	-
Payments to Guam Housing and Urban Renewal	-	-	-	-	-	-	-	-	-	-	-
Payments to Guam Memorial Hospital Authority	-	-	-	-	-	-	-	-	-	-	-
Payments to Guam Preservation Trust	-	-	-	-	-	-	-	-	-	-	-
Payments to Guam Regional Transit Authority	-	-	-	-	-	-	-	-	-	-	-
Payments to Guam Visitors Bureau	-	-	-	-	-	-	-	-	-	-	-
Payments to University of Guam	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous appropriations	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	1,059,319	1,068,346	-	-	416	11,568	-	499,063	-	185,889	-
Excess (deficiency) of revenues over (under) expenditures	(1,059,319)	(1,021,539)	-	(10)	10,913	11,200	-	75,505	-	129,905	480
Other financing sources (uses):											
Transfers in from other funds	1,079,291	1,046,342	-	-	-	-	-	-	-	-	-
Transfers out to other funds	(54,165)	-	-	-	(12,713)	(50,011)	-	(16,657)	(11,682)	(110,703)	(480)
Total other financing sources (uses), net	1,025,126	1,046,342	-	-	(12,713)	(50,011)	-	(16,657)	(11,682)	(110,703)	(480)
Net change in fund balances (deficits)	(34,193)	24,803	-	(10)	(1,800)	(38,811)	-	58,848	(11,682)	19,202	-
Fund balances (deficits) at beginning of year	18,952	389,435	(4,808)	10	1,800	38,811	(3,548)	(58,848)	11,682	(20,678)	-
Fund balances (deficits) at end of year	\$ (15,241)	\$ 414,238	\$ (4,808)	\$ -	\$ -	\$ -	\$ (3,548)	\$ -	\$ -	\$ (1,476)	\$ -

(continued)

GOVERNMENT OF GUAM  
 Nonmajor Governmental Funds - Special Revenue Funds  
 Combining Statement of Revenues, Expenditures by Function, and Changes in Fund Balances (Deficits)  
 Year Ended September 30, 2010

AS/400 Fund Number	604	620	317	285	619	217	284	416	417	605	
	Public Defender Service Corporation	Public Library System	Public Recreation Services	Public Transit	Rabies Prevention	Recycling Revolving	Safe Streets	Solid Waste Management Plan	Solid Waste Operations	Solid Waste Operations	Special Assets Forfeiture
Revenues:											
Taxes:											
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel	-	-	-	-	-	-	-	-	-	-	-
Liquid fuel	-	-	-	-	-	-	-	-	-	-	-
Tobacco	-	-	-	-	-	-	-	-	-	-	-
Alcoholic beverages	-	-	-	-	-	-	-	-	-	-	-
Sales, licenses, fees and permits	-	663,282	188,684	185,888	48,905	2,419,281	104,450	28,500	5,570,836	4,803,450	15,274
Use of money and property	-	491	-	-	-	-	-	-	1,282	-	696
Federal contributions	47,351	-	-	-	-	-	-	-	-	-	-
Other	341	-	-	-	-	243	-	-	-	-	-
Total revenues	<u>47,692</u>	<u>663,773</u>	<u>188,684</u>	<u>185,888</u>	<u>48,905</u>	<u>2,419,524</u>	<u>104,450</u>	<u>28,500</u>	<u>5,572,118</u>	<u>4,803,450</u>	<u>15,970</u>
Expenditures by Function:											
Current:											
General government	3,797,892	-	-	-	-	314,428	-	-	134,765	-	-
Protection of life and property	-	-	-	-	-	-	38,102	-	-	-	74,975
Public health	-	-	-	-	-	-	-	-	-	-	-
Community services	-	-	-	-	-	-	-	-	-	-	-
Recreation	-	-	163,253	-	-	-	-	-	-	-	-
Individual and collective rights	-	-	-	-	-	97,956	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-	-
Public education	-	-	-	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	112,209	-	-	3,830,657	-	-
Economic development	-	-	-	-	73,203	-	-	-	-	-	-
Payments to GovGuam Retirement Fund	-	-	-	-	-	-	-	-	-	-	-
Payments to Chamorro Land Trust Commission	-	-	-	-	-	-	-	-	-	-	-
Payments to Guam Community College	-	-	-	-	-	-	-	-	-	-	-
Payments to Guam Housing and Urban Renewal	-	-	-	-	-	-	-	-	-	-	-
Payments to Guam Memorial Hospital Authority	-	-	-	-	-	-	-	-	-	-	-
Payments to Guam Preservation Trust	-	-	-	-	-	-	-	-	-	-	-
Payments to Guam Regional Transit Authority	-	-	-	619,614	-	-	-	-	-	-	-
Payments to Guam Visitors Bureau	-	-	-	-	-	-	-	-	-	-	-
Payments to University of Guam	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous appropriations	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>3,797,892</u>	<u>-</u>	<u>163,253</u>	<u>619,614</u>	<u>73,203</u>	<u>524,593</u>	<u>38,102</u>	<u>-</u>	<u>3,965,422</u>	<u>-</u>	<u>74,975</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,750,200)</u>	<u>663,773</u>	<u>25,431</u>	<u>(433,726)</u>	<u>(24,298)</u>	<u>1,894,931</u>	<u>66,348</u>	<u>28,500</u>	<u>1,606,696</u>	<u>4,803,450</u>	<u>(59,005)</u>
Other financing sources (uses):											
Transfers in from other funds	3,901,674	-	-	367,241	-	-	-	-	-	-	-
Transfers out to other funds	-	(1,315,069)	(38,838)	(146,347)	(100,794)	(5,010,806)	(365,586)	(28,991)	-	-	-
Total other financing sources (uses), net	<u>3,901,674</u>	<u>(1,315,069)</u>	<u>(38,838)</u>	<u>220,894</u>	<u>(100,794)</u>	<u>(5,010,806)</u>	<u>(365,586)</u>	<u>(28,991)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances (deficits)	<u>151,474</u>	<u>(651,296)</u>	<u>(13,407)</u>	<u>(212,832)</u>	<u>(125,092)</u>	<u>(3,115,875)</u>	<u>(299,238)</u>	<u>(491)</u>	<u>1,606,696</u>	<u>4,803,450</u>	<u>(59,005)</u>
Fund balances (deficits) at beginning of year	<u>874,135</u>	<u>775,800</u>	<u>13,407</u>	<u>212,832</u>	<u>125,092</u>	<u>2,960,394</u>	<u>299,238</u>	<u>491</u>	<u>(182,596)</u>	<u>-</u>	<u>778,108</u>
Fund balances (deficits) at end of year	<u>\$ 1,025,609</u>	<u>\$ 124,504</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (155,481)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,424,100</u>	<u>\$ 4,803,450</u>	<u>\$ 719,103</u>

(continued)

GOVERNMENT OF GUAM  
 Nonmajor Governmental Funds - Special Revenue Funds  
 Combining Statement of Revenues, Expenditures by Function, and Changes in Fund Balances (Deficits)  
 Year Ended September 30, 2010

AS/400 Fund Number	314	202	103	607	603	205	208	206	501	636	
	State Agency for Surplus Property	Street Light	StripperWell Overcharge	Supplemental Annuity Benefits	Tax Collection	Territorial Educational Facilities	Territorial Highway	Tourist Attraction	Typhoon Chataan & Halong	Underground Storage Tank Management	Unified Courts of Guam
Revenues:											
Taxes:											
Property	\$ -	\$ -	\$ -	\$ -	\$ -	19,452,108	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel	-	-	-	-	-	-	-	22,233,222	-	-	-
Liquid fuel	-	-	-	-	-	-	9,777,592	-	-	-	-
Tobacco	-	-	-	-	-	-	-	-	-	-	-
Alcoholic beverages	-	-	-	-	-	-	-	-	-	-	-
Sales, licenses, fees and permits	3,221	3,576,255	-	-	682,892	-	8,779,133	-	-	52,450	554,834
Use of money and property	-	-	-	-	-	489	1,151	-	-	-	-
Federal contributions	-	-	-	-	-	-	-	-	-	-	2,903,853
Other	5,545	-	-	-	3,264	-	-	-	-	-	-
Total revenues	8,766	3,576,255	-	-	686,156	19,452,597	18,557,876	22,233,222	-	52,450	3,458,687
Expenditures by Function:											
Current:											
General government	66,518	-	750	11,736,120	729,893	167,178	4,549,603	18,000	444	-	-
Protection of life and property	-	-	-	-	-	-	83,566	-	-	-	-
Public health	-	-	-	-	-	-	-	-	-	-	-
Community services	-	-	-	-	-	-	-	24,996	-	-	-
Recreation	-	-	-	-	-	-	-	518,393	3,470	-	-
Individual and collective rights	-	-	-	-	-	-	-	-	-	-	25,160,316
Transportation	-	3,336,037	-	-	-	-	3,743,876	-	-	-	-
Public education	-	-	-	-	-	-	85,486	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-	-	-	-
Payments to GovGuam Retirement Fund	-	-	-	-	-	-	-	-	-	-	-
Payments to Chamorro Land Trust Commission	-	-	-	-	-	-	-	-	-	-	-
Payments to Guam Community College	-	-	-	-	-	-	-	21,739	-	-	-
Payments to Guam Housing and Urban Renewal	-	-	-	-	-	-	-	-	-	-	-
Payments to Guam Memorial Hospital Authority	-	-	-	-	-	-	-	-	-	-	-
Payments to Guam Preservation Trust	-	-	-	-	-	-	-	-	-	-	-
Payments to Guam Regional Transit Authority	-	-	-	-	-	-	3,158,181	-	-	-	-
Payments to Guam Visitors Bureau	-	-	-	-	-	-	-	13,461,095	-	-	-
Payments to University of Guam	-	-	-	-	-	-	-	140,000	-	-	-
Miscellaneous appropriations	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	66,518	3,336,037	750	11,736,120	729,893	167,178	11,620,712	14,184,223	3,914	-	25,160,316
Excess (deficiency) of revenues over (under) expenditures	(57,752)	240,218	(750)	(11,736,120)	(43,737)	19,285,419	6,937,164	8,048,999	(3,914)	52,450	(21,701,629)
Other financing sources (uses):											
Transfers in from other funds	-	-	-	11,736,120	-	-	-	-	-	-	23,823,305
Transfers out to other funds	(31,760)	-	(44,370)	-	(4,382)	(20,179,223)	(7,762,703)	(7,367,165)	(7,515)	(52,450)	(1,832,791)
Total other financing sources (uses), net	(31,760)	-	(44,370)	11,736,120	(4,382)	(20,179,223)	(7,762,703)	(7,367,165)	(7,515)	(52,450)	21,990,514
Net change in fund balances (deficits)	(89,512)	240,218	(45,120)	-	(48,119)	(893,804)	(825,539)	681,834	(11,429)	-	288,885
Fund balances (deficits) at beginning of year	235,464	151,773	66,100	-	38,265	-	1,648,668	2,145,711	11,429	-	7,785,464
Fund balances (deficits) at end of year	\$ 145,952	\$ 391,991	\$ 20,980	\$ -	\$ (9,854)	\$ (893,804)	\$ 823,129	\$ 2,827,545	\$ -	\$ -	\$ 8,074,349

(continued)

GOVERNMENT OF GUAM  
 Nonmajor Governmental Funds - Special Revenue Funds  
 Combining Statement of Revenues, Expenditures by Function, and Changes in Fund Balances (Deficits)  
 Year Ended September 30, 2010

AS/400 Fund Number	297	621	247	283	300	203	310	276	
	University of Guam Capital Improvements	Unreserved Fund Balance	Village Streets	Water Protection	Water Research and Development	Wildlife Conservation	Workman's Compensation	Youth Tobacco Education and Prevention	Total
Revenues:									
Taxes:									
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	19,452,108
Hotel	-	-	-	-	-	-	-	-	22,233,222
Liquid fuel	-	-	-	-	-	-	-	-	9,777,592
Tobacco	-	-	-	-	-	-	-	-	14,819,622
Alcoholic beverages	-	-	-	-	-	-	-	-	2,151,012
Sales, licenses, fees and permits	-	-	-	80,798	75,410	37,185	189,036	1,050	52,247,818
Use of money and property	-	-	-	-	-	-	-	20,300	160,782
Federal contributions	-	-	-	-	-	-	-	-	14,098,042
Other	-	-	-	-	-	-	-	-	1,057,465
Total revenues	-	-	-	80,798	75,410	37,185	189,036	21,350	135,997,663
Expenditures by Function:									
Current:									
General government	-	-	742	-	-	-	-	-	38,953,147
Protection of life and property	-	-	-	-	-	-	-	-	13,325,306
Public health	-	-	-	-	-	-	-	191,096	12,166,519
Community services	-	-	-	-	-	-	-	-	13,656,305
Recreation	-	-	-	-	-	-	-	-	685,116
Individual and collective rights	-	-	521,983	-	-	-	930,072	-	27,370,064
Transportation	-	-	-	-	-	-	-	-	7,079,913
Public education	-	-	-	-	-	-	-	-	85,486
Environmental protection	-	-	-	180,931	44,140	-	-	-	4,957,733
Economic development	-	-	-	-	-	80,617	-	-	9,592,677
Payments to GovGuam Retirement Fund	-	-	-	-	-	-	-	-	500,000
Payments to Chamorro Land Trust Commission	-	-	-	-	-	-	-	-	564,054
Payments to Guam Community College	-	-	-	-	-	-	-	-	2,330,725
Payments to Guam Housing and Urban Renewal	-	-	-	-	-	-	-	-	4,556,972
Payments to Guam Memorial Hospital Authority	-	-	-	-	-	-	-	-	12,429,919
Payments to Guam Preservation Trust	-	-	-	-	-	-	-	-	1,200,000
Payments to Guam Regional Transit Authority	-	-	-	-	-	-	-	-	3,777,795
Payments to Guam Visitors Bureau	-	-	-	-	-	-	-	-	13,461,095
Payments to University of Guam	500,000	-	-	-	-	-	-	-	640,000
Miscellaneous appropriations	-	-	-	-	-	-	52,099	-	52,099
Total expenditures	500,000	-	522,725	180,931	44,140	80,617	982,171	191,096	167,384,925
Excess (deficiency) of revenues over (under) expenditures	(500,000)	-	(522,725)	(100,133)	31,270	(43,432)	(793,135)	(169,746)	(31,387,262)
Other financing sources (uses):									
Transfers in from other funds	500,000	-	-	-	-	76,955	776,611	-	84,923,617
Transfers out to other funds	-	(207,353)	(248,851)	(214,399)	(344,647)	(131,809)	-	-	(63,458,193)
Total other financing sources (uses), net	500,000	(207,353)	(248,851)	(214,399)	(344,647)	(54,854)	776,611	-	21,465,424
Net change in fund balances (deficits)	-	(207,353)	(771,576)	(314,532)	(313,377)	(98,286)	(16,524)	(169,746)	(9,921,838)
Fund balances (deficits) at beginning of year	-	207,353	771,576	314,532	313,377	98,286	16,524	1,268,088	57,185,471
Fund balances (deficits) at end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,098,342	\$ 47,263,633

GOVERNMENT OF GUAM  
 Nonmajor Governmental Funds - Special Revenue Funds  
 Combining Statement of Revenues, Expenditures by Object, and Changes in Fund Balances (Deficits)  
 Year Ended September 30, 2010

AS/400 Fund Number	236	309	265	262	628	266	282	633	411	624	319
	Accessible Parking	Agana Fractional Lots Program	Air Pollution Control	Autonomous Agency Infrastructure Collections	Better Public Service	Board of Accountancy	Carrier Off-duty Services Revolving	Census 2010	Chamorro Commercial Loan	Chamorro Land Trust Operations	Community Development
Revenues:											
Taxes:											
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel	-	-	-	-	-	-	-	-	-	-	-
Liquid fuel	-	-	-	-	-	-	-	-	-	-	-
Tobacco	-	-	-	-	-	-	-	-	-	-	-
Alcoholic beverages	-	-	-	-	-	-	-	-	-	-	-
Sales, licenses, fees and permits	158,839	-	189,561	-	-	1,961,490	597,239	-	-	759,248	150
Use of money and property	-	-	-	-	-	4,606	-	-	-	-	-
Federal contributions	-	-	-	-	-	-	-	9,363,988	-	-	-
Other	-	-	-	-	-	-	133,766	-	-	(8,590)	-
Total revenues	158,839	-	189,561	-	-	1,966,096	731,005	9,363,988	-	750,658	150
Expenditures by Object:											
Salaries and wages - regular	-	-	154,965	-	-	-	410,495	6,268,509	-	-	-
Salaries and wages - overtime	-	-	-	-	-	-	203,928	303,841	-	-	-
Salaries and wages - fringe benefits	-	-	51,005	-	-	-	16,597	521,076	-	18,206	-
Travel	6,537	-	-	-	586	-	-	258,440	-	-	-
Contractual services	481	-	166,391	-	1,668,689	275,038	-	478,486	-	-	125,016
Building rent	-	-	-	-	-	23,868	-	1,092,509	-	-	-
Supplies	60,477	-	6,928	-	576	6,889	-	169,872	-	-	41,850
Equipment	4,269	-	1,486	-	-	6,187	-	161,344	-	-	70,212
Utilities - power and water	-	-	51,148	-	-	-	-	-	-	-	-
Communications	1,402	-	-	-	-	-	-	22,554	-	-	-
Capital outlays	95,600	-	-	-	-	-	-	14,749	-	-	35,249
Payments to component units	-	-	-	-	-	-	-	-	-	564,054	-
Supplemental annuity benefits	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	42,176	-	62,701	-	-	-
Total expenditures	168,766	-	431,923	-	1,669,851	354,158	631,020	9,354,081	-	582,260	272,327
Excess (deficiency) of revenues over (under) expenditures	(9,927)	-	(242,362)	-	(1,669,851)	1,611,938	99,985	9,907	-	168,398	(272,177)
Other financing sources (uses):											
Transfers in from other funds	411,767	-	-	-	1,280,043	-	-	-	-	-	380,656
Transfers out to other funds	-	-	(268,198)	(460)	-	(14,781)	(165,505)	-	(26,233)	-	(108,579)
Total other financing sources (uses), net	411,767	-	(268,198)	(460)	1,280,043	(14,781)	(165,505)	-	(26,233)	-	272,077
Net change in fund balances (deficits)	401,840	-	(510,560)	(460)	(389,808)	1,597,157	(65,520)	9,907	(26,233)	168,398	(100)
Fund balances (deficits) at beginning of year	85,027	90,169	510,560	460	594,603	14,781	12,384	(9,907)	26,233	297,602	100
Fund balances (deficits) at end of year	\$ 486,867	\$ 90,169	\$ -	\$ -	\$ 204,795	\$ 1,611,938	\$ (53,136)	\$ -	\$ -	\$ 466,000	\$ -

(continued)

GOVERNMENT OF GUAM  
 Nonmajor Governmental Funds - Special Revenue Funds  
 Combining Statement of Revenues, Expenditures by Object, and Changes in Fund Balances (Deficits)  
 Year Ended September 30, 2010

AS/400 Fund Number	105	213	272	325	209 Customs, Agriculture and Quarantine Inspection Services	267	630	214	106	638	235
	Community Health Centers	Contractors' License Board	Controlled Substance Diversion	Criminal Injuries Compensation		Dededo Buffer Strip Revolving	DLM Building Construction	DOC Inmates Revolving	D.O.D. Contract	DPHSS Sanitary Inspection Revolving	DPW Building and Design
Revenues:											
Taxes:											
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel	-	-	-	-	-	-	-	-	-	-	-
Liquid fuel	-	-	-	-	-	-	-	-	-	-	-
Tobacco	-	-	-	-	-	-	-	-	-	-	-
Alcoholic beverages	-	-	-	-	-	-	-	-	-	-	-
Sales, licenses, fees and permits	1,090,318	917,148	34,560	82,443	7,230,809	35,651	-	922,763	-	43,574	162,201
Use of money and property	-	-	-	-	307	-	1,016	-	4	-	-
Federal contributions	1,927,172	-	-	-	-	-	(185,533)	-	-	-	-
Other	-	(1,069)	-	-	-	14,590	-	-	-	-	-
Total revenues	<u>3,017,490</u>	<u>916,079</u>	<u>34,560</u>	<u>82,443</u>	<u>7,231,116</u>	<u>50,241</u>	<u>(184,517)</u>	<u>922,763</u>	<u>4</u>	<u>43,574</u>	<u>162,201</u>
Expenditures by Object:											
Salaries and wages - regular	1,016,975	324,141	-	-	5,438,031	-	-	-	-	-	-
Salaries and wages - overtime	-	-	-	-	60,715	-	-	-	-	-	-
Salaries and wages - fringe benefits	312,326	115,016	-	-	1,781,290	-	-	-	-	-	-
Travel	53,867	5,888	8,071	-	-	-	-	-	-	-	-
Contractual services	1,034,746	70,459	22,756	-	155,327	-	98,683	1,235,122	-	-	-
Building rent	-	-	-	-	1,776,374	-	-	-	-	-	-
Supplies	295,689	7,747	327	-	58,838	-	-	-	-	-	-
Equipment	185,737	11,949	510	-	-	-	-	-	-	-	-
Utilities - power and water	-	-	-	-	18,148	-	-	-	-	-	-
Communications	-	9,177	-	-	78,264	-	-	-	-	-	-
Capital outlays	60,795	25,790	-	-	-	-	-	-	-	-	-
Payments to component units	-	-	-	-	-	-	-	-	-	-	-
Supplemental annuity benefits	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	16,635	1,325	-	-	59,577	-	-	-	-	-	-
Total expenditures	<u>2,976,770</u>	<u>571,492</u>	<u>31,664</u>	<u>-</u>	<u>9,426,564</u>	<u>-</u>	<u>98,683</u>	<u>1,235,122</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>40,720</u>	<u>344,587</u>	<u>2,896</u>	<u>82,443</u>	<u>(2,195,448)</u>	<u>50,241</u>	<u>(283,200)</u>	<u>(312,359)</u>	<u>4</u>	<u>43,574</u>	<u>162,201</u>
Other financing sources (uses):											
Transfers in from other funds	-	-	-	-	2,195,448	-	-	-	-	-	-
Transfers out to other funds	-	(435,950)	(97,720)	(253,673)	-	(50,241)	-	-	(400,671)	(43,574)	(162,201)
Total other financing sources (uses), net	-	<u>(435,950)</u>	<u>(97,720)</u>	<u>(253,673)</u>	<u>2,195,448</u>	<u>(50,241)</u>	<u>-</u>	<u>-</u>	<u>(400,671)</u>	<u>(43,574)</u>	<u>(162,201)</u>
Net change in fund balances (deficits)	40,720	(91,363)	(94,824)	(171,230)	-	-	(283,200)	(312,359)	(400,667)	-	-
Fund balances (deficits) at beginning of year	1,763,589	84,284	94,824	10,136	-	-	884,602	-	(770)	-	-
Fund balances (deficits) at end of year	<u>\$ 1,804,309</u>	<u>\$ (7,079)</u>	<u>\$ -</u>	<u>\$ (161,094)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 601,402</u>	<u>\$ (312,359)</u>	<u>\$ (401,437)</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

GOVERNMENT OF GUAM  
 Nonmajor Governmental Funds - Special Revenue Funds  
 Combining Statement of Revenues, Expenditures by Object, and Changes in Fund Balances (Deficits)  
 Year Ended September 30, 2010

AS/400 Fund Number	246	281	600	640	104	299	229	404	231	239	237
	Drivers' Education	Enhanced 911 Emergency Reporting System	Environmental Health	Examiner Off-Duty Services	Exxon Fuel Overcharge	Financial Management Revolving	General Services Agency	GSA Inventory Revolving	GFD Capital Revolving	Government Claims	Government House Revolving
Revenues:											
Taxes:											
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel	-	-	-	-	-	-	-	-	-	-	-
Liquid fuel	-	-	-	-	-	-	-	-	-	-	-
Tobacco	-	-	-	-	-	-	-	-	-	-	-
Alcoholic beverages	-	-	-	-	-	-	-	-	-	-	-
Sales, licenses, fees and permits	70,775	1,572,823	701,935	1,925	-	84,270	-	255,390	81,277	-	-
Use of money and property	-	-	-	-	2	-	-	-	-	-	-
Federal contributions	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Total revenues	<u>70,775</u>	<u>1,572,823</u>	<u>701,935</u>	<u>1,925</u>	<u>2</u>	<u>84,270</u>	<u>-</u>	<u>255,390</u>	<u>81,277</u>	<u>-</u>	<u>-</u>
Expenditures by Object:											
Salaries and wages - regular	-	512,886	352,409	-	-	24	-	-	-	-	-
Salaries and wages - overtime	-	4,046	-	-	-	8,260	-	-	-	-	-
Salaries and wages - fringe benefits	-	171,181	121,907	-	-	476	-	-	-	-	-
Travel	-	-	24,087	-	-	-	-	-	-	-	-
Contractual services	-	55,011	171,798	-	-	73,433	369	-	73,159	-	-
Building rent	-	-	-	-	-	-	-	-	-	-	-
Supplies	-	52,470	19,561	-	-	2,998	153	-	-	-	-
Equipment	-	107,418	11,327	-	-	-	-	-	8,230	-	-
Utilities - power and water	-	-	-	-	-	-	-	-	-	-	-
Communications	-	44,480	-	-	-	-	-	-	-	-	-
Capital outlays	-	-	31,938	-	-	-	-	-	-	-	-
Payments to component units	-	-	-	-	-	-	-	-	-	-	-
Supplemental annuity benefits	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	93,800	76	-	1,179	-	-	-	-	97,000	-
Total expenditures	<u>-</u>	<u>1,041,292</u>	<u>733,103</u>	<u>-</u>	<u>1,179</u>	<u>85,191</u>	<u>522</u>	<u>-</u>	<u>81,389</u>	<u>97,000</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>70,775</u>	<u>531,531</u>	<u>(31,168)</u>	<u>1,925</u>	<u>(1,177)</u>	<u>(921)</u>	<u>(522)</u>	<u>255,390</u>	<u>(112)</u>	<u>(97,000)</u>	<u>-</u>
Other financing sources (uses):											
Transfers in from other funds	-	-	-	-	-	-	-	62,927	-	-	-
Transfers out to other funds	(546,257)	(2,236,556)	(260,558)	(1,925)	-	-	(1,608)	(219,589)	(63,119)	(7,655)	(10,305)
Total other financing sources (uses), net	<u>(546,257)</u>	<u>(2,236,556)</u>	<u>(260,558)</u>	<u>(1,925)</u>	<u>-</u>	<u>-</u>	<u>(1,608)</u>	<u>(156,662)</u>	<u>(63,119)</u>	<u>(7,655)</u>	<u>(10,305)</u>
Net change in fund balances (deficits)	<u>(475,482)</u>	<u>(1,705,025)</u>	<u>(291,726)</u>	<u>-</u>	<u>(1,177)</u>	<u>(921)</u>	<u>(2,130)</u>	<u>98,728</u>	<u>(63,231)</u>	<u>(104,655)</u>	<u>(10,305)</u>
Fund balances (deficits) at beginning of year	475,482	1,695,676	285,283	-	366,588	82,364	2,130	224,780	63,231	104,655	10,305
Fund balances (deficits) at end of year	<u>\$ -</u>	<u>\$ (9,349)</u>	<u>\$ (6,443)</u>	<u>\$ -</u>	<u>\$ 365,411</u>	<u>\$ 81,443</u>	<u>\$ -</u>	<u>\$ 323,508</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

GOVERNMENT OF GUAM  
 Nonmajor Governmental Funds - Special Revenue Funds  
 Combining Statement of Revenues, Expenditures by Object, and Changes in Fund Balances (Deficits)  
 Year Ended September 30, 2010

AS/400 Fund Number	641	245	617 Guam Memorial Hospital Authority Pharmaceuticals	608	326	616 Guam Telephone Authority Privatization Proceeds	635	270	602	241	311
	Guam Cancer Trust	Guam Environmental Trust		Guam Plant Inspection and Permit	Guam Preservation Trust		Guam Unarmed Combat Commission	Health and Human Services	Healthy Futures	Health Professional Licensure	Health and Security Trust
Revenues:											
Taxes:											
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel	-	-	-	-	-	-	-	-	-	-	-
Liquid fuel	-	-	-	-	-	-	-	-	-	-	-
Tobacco	-	-	-	-	-	-	-	-	14,819,622	-	-
Alcoholic beverages	-	-	-	-	-	-	-	-	2,151,012	-	-
Sales, licenses, fees and permits	-	286,978	-	91,146	628,052	-	1,964	14,150	-	169,094	-
Use of money and property	-	-	3	-	776	232	-	21,904	47	-	91,141
Federal contributions	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	(1,911)	-	-	-	-	-
Total revenues	-	286,978	3	91,146	628,828	(1,679)	1,964	36,054	16,970,681	169,094	91,141
Expenditures by Object:											
Salaries and wages - regular	-	69,372	-	16,933	-	-	-	-	4,924,287	9,994	-
Salaries and wages - overtime	-	-	-	-	-	-	-	-	19,854	-	-
Salaries and wages - fringe benefits	-	24,433	-	4,410	-	-	-	-	1,493,338	3,769	-
Travel	-	-	-	-	-	-	-	-	-	17,448	-
Contractual services	-	62,377	-	7,543	-	-	-	54,619	2,055,154	49,716	-
Building rent	-	-	-	-	-	-	-	-	-	-	-
Supplies	-	26,451	-	8,224	-	-	-	111,147	640,817	2,610	-
Equipment	-	10,844	-	-	-	-	-	-	8,220	1,144	-
Utilities - power and water	-	18,949	-	-	-	-	-	-	-	-	-
Communications	-	48,433	-	19,859	-	-	-	-	-	-	-
Capital outlays	-	10,000	-	14,839	-	-	-	-	-	-	-
Payments to component units	-	-	11,214,816	-	1,200,000	-	-	4,556,972	1,715,103	-	-
Supplemental annuity benefits	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	1,400	4,877	-	-	-	257,577	37	-
Total expenditures	-	270,859	11,214,816	73,208	1,204,877	-	-	4,722,738	11,114,350	84,718	-
Excess (deficiency) of revenues over (under) expenditures	-	16,119	(11,214,813)	17,938	(576,049)	(1,679)	1,964	(4,686,684)	5,856,331	84,376	91,141
Other financing sources (uses):											
Transfers in from other funds	1,409,878	-	11,214,816	-	-	-	-	-	-	-	-
Transfers out to other funds	-	(552,060)	-	(193,311)	(448,249)	(856,153)	(1,964)	-	(5,563,777)	(365,986)	-
Total other financing sources (uses), net	1,409,878	(552,060)	11,214,816	(193,311)	(448,249)	(856,153)	(1,964)	-	(5,563,777)	(365,986)	-
Net change in fund balances (deficits)	1,409,878	(535,941)	3	(175,373)	(1,024,298)	(857,832)	-	(4,686,684)	292,554	(281,610)	91,141
Fund balances (deficits) at beginning of year	-	535,001	-	175,373	1,167,492	1,657,571	-	9,400,473	2,793,877	281,610	5,471,735
Fund balances (deficits) at end of year	\$ 1,409,878	\$ (940)	\$ 3	\$ -	\$ 143,194	\$ 799,739	\$ -	\$ 4,713,789	\$ 3,086,431	\$ -	\$ 5,562,876

(continued)

GOVERNMENT OF GUAM  
 Nonmajor Governmental Funds - Special Revenue Funds  
 Combining Statement of Revenues, Expenditures by Object, and Changes in Fund Balances (Deficits)  
 Year Ended September 30, 2010

AS/400 Fund Number	201	298	303	321	632	222	232	293	294	261	
	Housing Revolving	Human Resources Services Revolving	Income Tax Refund Reserve	Income Tax Efficiency Payment	Indirect Cost	Land Survey Revolving	Legislature Operations	Manpower Development	Medically Indigent Program Payment Revolving	Mental Health and Substance Abuse	Notary Public Revolving
Revenues:											
Taxes:											
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel	-	-	-	-	-	-	-	-	-	-	-
Liquid fuel	-	-	-	-	-	-	-	-	-	-	-
Tobacco	-	-	-	-	-	-	-	-	-	-	-
Alcoholic beverages	-	-	-	-	-	-	-	-	-	-	-
Sales, licenses, fees and permits	-	93,896	-	-	-	3,268,888	-	1,742,058	-	-	11,930
Use of money and property	-	-	1,419	5,570	1,743	-	2,882	2,375	-	-	-
Federal contributions	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	706,849	-	200,717	-	-	-	-
Total revenues	-	93,896	1,419	5,570	708,592	3,268,888	203,599	1,744,433	-	-	11,930
Expenditures by Object:											
Salaries and wages - regular	-	-	-	-	21,378	1,857,469	5,200,144	207,764	-	-	-
Salaries and wages - overtime	-	3	-	-	134,446	-	-	-	-	-	-
Salaries and wages - fringe benefits	-	1	-	-	31,602	612,376	1,106,948	64,177	-	-	-
Travel	-	-	-	-	48,921	-	93,790	1,649	47,630	-	-
Contractual services	-	294	-	-	70,444	108,483	223,120	16,878	-	-	-
Building rent	-	-	-	-	-	404,051	503,200	30,271	-	-	-
Supplies	-	234	-	-	30,143	28,907	168,543	11,254	-	-	-
Equipment	-	-	-	-	17,063	63,027	83,505	16,011	-	-	-
Utilities - power and water	-	-	-	-	-	-	197,044	-	-	-	-
Communications	-	-	-	-	-	22,820	90,744	3,391	-	-	-
Capital outlays	-	-	-	-	-	26,335	-	43,511	-	-	-
Payments to component units	-	-	-	-	-	-	-	2,308,986	-	-	-
Supplemental annuity benefits	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	100,544	-	-	-	3,450	113,057	450	13,151,948	-	-
Total expenditures	-	101,076	-	-	353,997	3,126,918	7,780,095	2,704,342	13,199,578	-	-
Excess (deficiency) of revenues over (under) expenditures	-	(7,180)	1,419	5,570	354,595	141,970	(7,576,496)	(959,909)	(13,199,578)	-	11,930
Other financing sources (uses):											
Transfers in from other funds	-	-	-	-	-	3,747,398	7,713,567	-	13,199,578	-	-
Transfers out to other funds	-	-	-	-	-	(4,196,176)	-	-	(200,969)	(11,930)	-
Total other financing sources (uses), net	-	-	-	-	-	(448,778)	7,713,567	-	13,199,578	(200,969)	(11,930)
Net change in fund balances (deficits)	-	(7,180)	1,419	5,570	354,595	(306,808)	137,071	(959,909)	-	(200,969)	-
Fund balances (deficits) at beginning of year	294,954	27,324	516,793	227,316	1,943,735	266,495	1,615,770	1,537,493	-	200,969	-
Fund balances (deficits) at end of year	\$ 294,954	\$ 20,144	\$ 518,212	\$ 232,886	\$ 2,298,330	\$ (40,313)	\$ 1,752,841	\$ 577,584	\$ -	\$ -	\$ -

(continued)

GOVERNMENT OF GUAM  
 Nonmajor Governmental Funds - Special Revenue Funds  
 Combining Statement of Revenues, Expenditures by Object, and Changes in Fund Balances (Deficits)  
 Year Ended September 30, 2010

AS/400 Fund Number	329	212/225	107	629	211	504	263	221	215	238	
	Off-Island Treatment	Office of Public Accountability	Parks and Recreation Revolving	Peace Officer Standards and Training	Pesticide Management	Plant Nursery Revolving	Plant Protection and Quarantine Revolving	Police Services	Printing Revolving	Professional Engineers', Architects' and Surveyors'	Program Development
Revenues:											
Taxes:											
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel	-	-	-	-	-	-	-	-	-	-	-
Liquid fuel	-	-	-	-	-	-	-	-	-	-	-
Tobacco	-	-	-	-	-	-	-	-	-	-	-
Alcoholic beverages	-	-	-	-	-	-	-	-	-	-	-
Sales, licenses, fees and permits	-	-	-	-	11,329	22,768	-	574,568	-	315,794	-
Use of money and property	-	1,866	-	-	-	-	-	-	-	-	480
Federal contributions	-	41,211	-	-	-	-	-	-	-	-	-
Other	-	3,730	-	(10)	-	-	-	-	-	-	-
Total revenues	-	46,807	-	(10)	11,329	22,768	-	574,568	-	315,794	480
Expenditures by Object:											
Salaries and wages - regular	67,721	601,784	-	-	-	-	-	-	-	91,638	-
Salaries and wages - overtime	12,006	-	-	-	-	-	-	-	-	-	-
Salaries and wages - fringe benefits	17,686	172,257	-	-	-	-	-	-	-	29,580	-
Travel	18,754	55,426	-	-	-	-	-	-	-	-	-
Contractual services	-	95,056	-	-	416	-	-	474,393	-	36,417	-
Building rent	-	94,856	-	-	-	-	-	-	-	16,615	-
Supplies	-	10,560	-	-	-	11,460	-	22,178	-	4,312	-
Equipment	-	18,850	-	-	-	108	-	-	-	-	-
Utilities - power and water	-	-	-	-	-	-	-	-	-	2,760	-
Communications	-	6,304	-	-	-	-	-	-	-	2,817	-
Capital outlays	-	-	-	-	-	-	-	-	-	-	-
Payments to component units	-	-	-	-	-	-	-	-	-	-	-
Supplemental annuity benefits	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	943,152	13,253	-	-	-	-	-	2,492	-	1,750	-
Total expenditures	1,059,319	1,068,346	-	-	416	11,568	-	499,063	-	185,889	-
Excess (deficiency) of revenues over (under) expenditures	(1,059,319)	(1,021,539)	-	(10)	10,913	11,200	-	75,505	-	129,905	480
Other financing sources (uses):											
Transfers in from other funds	1,079,291	1,046,342	-	-	-	-	-	-	-	-	-
Transfers out to other funds	(54,165)	-	-	-	(12,713)	(50,011)	-	(16,657)	(11,682)	(110,703)	(480)
Total other financing sources (uses), net	1,025,126	1,046,342	-	-	(12,713)	(50,011)	-	(16,657)	(11,682)	(110,703)	(480)
Net change in fund balances (deficits)	(34,193)	24,803	-	(10)	(1,800)	(38,811)	-	58,848	(11,682)	19,202	-
Fund balances (deficits) at beginning of year	18,952	389,435	(4,808)	10	1,800	38,811	(3,548)	(58,848)	11,682	(20,678)	-
Fund balances (deficits) at end of year	\$ (15,241)	\$ 414,238	\$ (4,808)	\$ -	\$ -	\$ -	\$ (3,548)	\$ -	\$ -	\$ (1,476)	\$ -

(continued)

GOVERNMENT OF GUAM  
 Nonmajor Governmental Funds - Special Revenue Funds  
 Combining Statement of Revenues, Expenditures by Object, and Changes in Fund Balances (Deficits)  
 Year Ended September 30, 2010

AS/400 Fund Number	604	620	317	285	619	217	284	416	417	605	
	Public Defender Service Corporation	Public Library System	Public Recreation Services	Public Transit	Rabies Prevention	Recycling Revolving	Safe Streets	Solid Waste Management Plan	Solid Waste Operations	Solid Waste Operations	Special Assets Forfeiture
Revenues:											
Taxes:											
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel	-	-	-	-	-	-	-	-	-	-	-
Liquid fuel	-	-	-	-	-	-	-	-	-	-	-
Tobacco	-	-	-	-	-	-	-	-	-	-	-
Alcoholic beverages	-	-	-	-	-	-	-	-	-	-	-
Sales, licenses, fees and permits	-	663,282	188,684	185,888	48,905	2,419,281	104,450	28,500	5,570,836	4,803,450	15,274
Use of money and property	-	491	-	-	-	-	-	-	1,282	-	696
Federal contributions	47,351	-	-	-	-	-	-	-	-	-	-
Other	341	-	-	-	-	243	-	-	-	-	-
Total revenues	<u>47,692</u>	<u>663,773</u>	<u>188,684</u>	<u>185,888</u>	<u>48,905</u>	<u>2,419,524</u>	<u>104,450</u>	<u>28,500</u>	<u>5,572,118</u>	<u>4,803,450</u>	<u>15,970</u>
Expenditures by Object:											
Salaries and wages - regular	2,539,382	-	-	-	-	38,540	-	-	1,554,024	-	-
Salaries and wages - overtime	-	-	-	-	-	-	-	-	186,578	-	-
Salaries and wages - fringe benefits	805,563	-	-	-	-	15,286	-	-	504,867	-	-
Travel	11,405	-	-	-	-	-	-	-	1,152	-	24,505
Contractual services	71,796	-	158,395	618,397	7,393	470,422	-	-	1,182,330	-	5,244
Building rent	262,763	-	-	-	-	-	-	-	-	-	-
Supplies	22,652	-	4,858	417	11,238	345	38,102	-	447,483	-	21,746
Equipment	25,587	-	-	800	6,922	-	-	-	6,932	-	23,480
Utilities - power and water	-	-	-	-	-	-	-	-	23,481	-	-
Communications	25,794	-	-	-	-	-	-	-	-	-	-
Capital outlays	20,419	-	-	-	47,650	-	-	-	9,150	-	-
Payments to component units	-	-	-	-	-	-	-	-	-	-	-
Supplemental annuity benefits	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	12,531	-	-	-	-	-	-	-	49,425	-	-
Total expenditures	<u>3,797,892</u>	<u>-</u>	<u>163,253</u>	<u>619,614</u>	<u>73,203</u>	<u>524,593</u>	<u>38,102</u>	<u>-</u>	<u>3,965,422</u>	<u>-</u>	<u>74,975</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,750,200)</u>	<u>663,773</u>	<u>25,431</u>	<u>(433,726)</u>	<u>(24,298)</u>	<u>1,894,931</u>	<u>66,348</u>	<u>28,500</u>	<u>1,606,696</u>	<u>4,803,450</u>	<u>(59,005)</u>
Other financing sources (uses):											
Transfers in from other funds	3,901,674	-	-	367,241	-	-	-	-	-	-	-
Transfers out to other funds	-	(1,315,069)	(38,838)	(146,347)	(100,794)	(5,010,806)	(365,586)	(28,991)	-	-	-
Total other financing sources (uses), net	<u>3,901,674</u>	<u>(1,315,069)</u>	<u>(38,838)</u>	<u>220,894</u>	<u>(100,794)</u>	<u>(5,010,806)</u>	<u>(365,586)</u>	<u>(28,991)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances (deficits)	151,474	(651,296)	(13,407)	(212,832)	(125,092)	(3,115,875)	(299,238)	(491)	1,606,696	4,803,450	(59,005)
Fund balances (deficits) at beginning of year	874,135	775,800	13,407	212,832	125,092	2,960,394	299,238	491	(182,596)	-	778,108
Fund balances (deficits) at end of year	<u>\$ 1,025,609</u>	<u>\$ 124,504</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (155,481)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,424,100</u>	<u>\$ 4,803,450</u>	<u>\$ 719,103</u>

(continued)

GOVERNMENT OF GUAM  
 Nonmajor Governmental Funds - Special Revenue Funds  
 Combining Statement of Revenues, Expenditures by Object, and Changes in Fund Balances (Deficits)  
 Year Ended September 30, 2010

AS/400 Fund Number	314	202	103	607	603	205	208	206	501	636	
	State Agency for Surplus Property	Street Light	StripperWell Overcharge	Supplemental Annuity Benefits	Tax Collection	Territorial Educational Facilities	Territorial Highway	Tourist Attraction	Typhoon Chataan & Halong	Underground Storage Tank Management	Unified Courts of Guam
Revenues:											
Taxes:											
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,452,108	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel	-	-	-	-	-	-	-	22,233,222	-	-	-
Liquid fuel	-	-	-	-	-	-	9,777,592	-	-	-	-
Tobacco	-	-	-	-	-	-	-	-	-	-	-
Alcoholic beverages	-	-	-	-	-	-	-	-	-	-	-
Sales, licenses, fees and permits	3,221	3,576,255	-	-	682,892	-	8,779,133	-	-	52,450	554,834
Use of money and property	-	-	-	-	-	489	1,151	-	-	-	-
Federal contributions	-	-	-	-	-	-	-	-	-	-	2,903,853
Other	5,545	-	-	-	3,264	-	-	-	-	-	-
Total revenues	<u>8,766</u>	<u>3,576,255</u>	<u>-</u>	<u>-</u>	<u>686,156</u>	<u>19,452,597</u>	<u>18,557,876</u>	<u>22,233,222</u>	<u>-</u>	<u>52,450</u>	<u>3,458,687</u>
Expenditures by Object:											
Salaries and wages - regular	2,310	-	-	-	431,316	-	5,035,134	-	-	-	15,337,854
Salaries and wages - overtime	16,552	-	-	-	101,285	-	21,629	-	-	-	213,943
Salaries and wages - fringe benefits	478	-	-	-	167,026	-	1,574,713	-	-	-	4,999,178
Travel	1,415	-	-	-	7,673	-	-	-	-	-	262,314
Contractual services	33,374	-	-	-	5,016	-	3,277,969	18,000	-	-	2,053,364
Building rent	-	-	-	-	-	-	-	-	-	-	236,951
Supplies	12,351	-	-	-	4,934	-	379,687	543,389	-	-	762,111
Equipment	-	-	-	-	-	-	5,965	-	-	-	282,710
Utilities - power and water	-	3,336,037	-	-	-	-	1,235,970	-	-	-	573,782
Communications	-	-	-	-	-	-	43,241	-	-	-	261,964
Capital outlays	-	-	-	-	-	-	28,890	-	-	-	145,760
Payments to component units	-	-	-	-	-	-	-	13,622,834	-	-	-
Supplemental annuity benefits	-	-	-	11,736,120	-	-	-	-	-	-	-
Miscellaneous	38	-	750	-	12,643	167,178	17,514	-	3,914	-	30,385
Total expenditures	<u>66,518</u>	<u>3,336,037</u>	<u>750</u>	<u>11,736,120</u>	<u>729,893</u>	<u>167,178</u>	<u>11,620,712</u>	<u>14,184,223</u>	<u>3,914</u>	<u>-</u>	<u>25,160,316</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(57,752)</u>	<u>240,218</u>	<u>(750)</u>	<u>(11,736,120)</u>	<u>(43,737)</u>	<u>19,285,419</u>	<u>6,937,164</u>	<u>8,048,999</u>	<u>(3,914)</u>	<u>52,450</u>	<u>(21,701,629)</u>
Other financing sources (uses):											
Transfers in from other funds	-	-	-	11,736,120	-	-	-	-	-	-	23,823,305
Transfers out to other funds	(31,760)	-	(44,370)	-	(4,382)	(20,179,223)	(7,762,703)	(7,367,165)	(7,515)	(52,450)	(1,832,791)
Total other financing sources (uses), net	<u>(31,760)</u>	<u>-</u>	<u>(44,370)</u>	<u>11,736,120</u>	<u>(4,382)</u>	<u>(20,179,223)</u>	<u>(7,762,703)</u>	<u>(7,367,165)</u>	<u>(7,515)</u>	<u>(52,450)</u>	<u>21,990,514</u>
Net change in fund balances (deficits)	<u>(89,512)</u>	<u>240,218</u>	<u>(45,120)</u>	<u>-</u>	<u>(48,119)</u>	<u>(893,804)</u>	<u>(825,539)</u>	<u>681,834</u>	<u>(11,429)</u>	<u>-</u>	<u>288,885</u>
Fund balances (deficits) at beginning of year	235,464	151,773	66,100	-	38,265	-	1,648,668	2,145,711	11,429	-	7,785,464
Fund balances (deficits) at end of year	<u>\$ 145,952</u>	<u>\$ 391,991</u>	<u>\$ 20,980</u>	<u>\$ -</u>	<u>\$ (9,854)</u>	<u>\$ (893,804)</u>	<u>\$ 823,129</u>	<u>\$ 2,827,545</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,074,349</u>

(continued)

GOVERNMENT OF GUAM  
 Nonmajor Governmental Funds - Special Revenue Funds  
 Combining Statement of Revenues, Expenditures by Object, and Changes in Fund Balances (Deficits)  
 Year Ended September 30, 2010

AS/400 Fund Number	297	621	247	283	300	203	310	276	
	University of Guam Capital Improvements	Unreserved Fund Balance	Village Streets	Water Protection	Water Research and Development	Wildlife Conservation	Workman's Compensation	Youth Tobacco Education and Prevention	Total
Revenues:									
Taxes:									
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	19,452,108
Hotel	-	-	-	-	-	-	-	-	22,233,222
Liquid fuel	-	-	-	-	-	-	-	-	9,777,592
Tobacco	-	-	-	-	-	-	-	-	14,819,622
Alcoholic beverages	-	-	-	-	-	-	-	-	2,151,012
Sales, licenses, fees and permits	-	-	-	80,798	75,410	37,185	189,036	1,050	52,247,818
Use of money and property	-	-	-	-	-	-	-	20,300	160,782
Federal contributions	-	-	-	-	-	-	-	-	14,098,042
Other	-	-	-	-	-	-	-	-	1,057,465
Total revenues	-	-	-	80,798	75,410	37,185	189,036	21,350	135,997,663
Expenditures by Object:									
Salaries and wages - regular	-	-	227	48,080	-	-	-	-	52,533,786
Salaries and wages - overtime	-	-	-	-	-	-	-	-	1,287,086
Salaries and wages - fringe benefits	-	-	60	14,085	-	-	-	-	14,750,913
Travel	-	-	38,841	-	-	-	24,899	-	1,013,298
Contractual services	-	-	23,998	21,963	29,277	67,054	896,581	191,096	18,091,543
Building rent	-	-	-	79,360	8,640	-	-	-	4,529,458
Supplies	-	-	35,682	6,498	-	10,763	150	-	4,103,621
Equipment	-	-	32,693	10,945	1,223	-	-	-	1,184,698
Utilities - power and water	-	-	103,015	-	5,000	-	-	-	5,565,334
Communications	-	-	-	-	-	-	-	-	681,244
Capital outlays	-	-	282,233	-	-	-	-	-	892,908
Payments to component units	500,000	-	-	-	-	-	-	-	35,682,765
Supplemental annuity benefits	-	-	-	-	-	-	-	-	11,736,120
Miscellaneous	-	-	5,976	-	-	2,800	60,541	-	15,332,151
Total expenditures	500,000	-	522,725	180,931	44,140	80,617	982,171	191,096	167,384,925
Excess (deficiency) of revenues over (under) expenditures	(500,000)	-	(522,725)	(100,133)	31,270	(43,432)	(793,135)	(169,746)	(31,387,262)
Other financing sources (uses):									
Transfers in from other funds	500,000	-	-	-	-	76,955	776,611	-	84,923,617
Transfers out to other funds	-	(207,353)	(248,851)	(214,399)	(344,647)	(131,809)	-	-	(63,458,193)
Total other financing sources (uses), net	500,000	(207,353)	(248,851)	(214,399)	(344,647)	(54,854)	776,611	-	21,465,424
Net change in fund balances (deficits)	-	(207,353)	(771,576)	(314,532)	(313,377)	(98,286)	(16,524)	(169,746)	(9,921,838)
Fund balances (deficits) at beginning of year	-	207,353	771,576	314,532	313,377	98,286	16,524	1,268,088	57,185,471
Fund balances (deficits) at end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,098,342	\$ 47,263,633

**GOVERNMENT OF GUAM**

Nonmajor Governmental Funds - Capital Projects Funds  
Combining Balance Sheet  
September 30, 2010

AS/400 Fund Number	224	251	252	401/403	253		
	Limited Obligation Highway Improvement Bonds	Limited Obligation Infrastructure Improvement Bonds	Water System Revenue Bond	PUAG Capital Projects	General Obligation Bond Series A 1993	Judicial Building	Total
<u>ASSETS:</u>							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,235,138	\$ 2,235,138
Due from other funds	-	-	5,000	-	769,202	-	774,202
Restricted assets:							
Time certificates of deposit	-	-	-	-	-	1,000,718	1,000,718
Investments	3,903,346	2,624,928	724,296	-	15	-	7,252,585
Total assets	\$ <u>3,903,346</u>	\$ <u>2,624,928</u>	\$ <u>729,296</u>	\$ <u>-</u>	\$ <u>769,217</u>	\$ <u>3,235,856</u>	\$ <u>11,262,643</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable	\$ 5,529	\$ 287,853	\$ -	\$ -	\$ -	\$ -	\$ 293,382
Due to other funds	-	-	-	-	-	26,092	26,092
Total liabilities	<u>5,529</u>	<u>287,853</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,092</u>	<u>319,474</u>
Fund balances:							
Reserved for:							
Continuing appropriations	1,584,508	1,859,981	162,232	-	-	-	3,606,721
Encumbrances	58,852	-	-	-	-	1,111,924	1,170,776
Debt service	-	-	-	-	-	1,000,718	1,000,718
Unreserved	2,254,457	477,094	567,064	-	769,217	1,097,122	5,164,954
Total fund balances	<u>3,897,817</u>	<u>2,337,075</u>	<u>729,296</u>	<u>-</u>	<u>769,217</u>	<u>3,209,764</u>	<u>10,943,169</u>
Total liabilities and fund balances	\$ <u>3,903,346</u>	\$ <u>2,624,928</u>	\$ <u>729,296</u>	\$ <u>-</u>	\$ <u>769,217</u>	\$ <u>3,235,856</u>	\$ <u>11,262,643</u>

See Accompanying Independent Auditors' Report.

**GOVERNMENT OF GUAM**

Nonmajor Governmental Funds - Capital Projects Funds  
 Combining Statement of Revenues, Expenditures by Function, and Changes in Fund Balances  
 Year Ended September 30, 2010

AS/400 Fund Number	224 Limited Obligation Highway Improvement Bonds	251 Limited Obligation Infrastructure Improvement Bonds	252 Water Systems Revenue Bond	401/403 PUAG Capital Projects	253 General Obligation Bond Series A 1993	Judicial Building	Total
Revenues:							
Use of money and property	\$ 619	\$ 593	\$ 93	\$ -	\$ -	\$ 2,750,364	\$ 2,751,669
Expenditures by function:							
Current:							
General government	-	8,622	-	-	-	-	8,622
Individual and collective rights	-	-	-	-	-	1,597,034	1,597,034
Capital projects	-	1,535,549	287,988	-	-	991,134	2,814,671
Debt service	-	-	-	-	-	993,004	993,004
Total expenditures	<u>-</u>	<u>1,544,171</u>	<u>287,988</u>	<u>-</u>	<u>-</u>	<u>3,581,172</u>	<u>5,413,331</u>
Excess (deficiency) of revenues over (under) expenditures	<u>619</u>	<u>(1,543,578)</u>	<u>(287,895)</u>	<u>-</u>	<u>-</u>	<u>(830,808)</u>	<u>(2,661,662)</u>
Other financing sources (uses):							
Proceeds from issuance of long-term debt	-	-	-	-	-	991,134	991,134
Transfers out to other funds	-	-	-	(977,640)	-	-	(977,640)
Total other financing sources (uses), net	<u>-</u>	<u>-</u>	<u>-</u>	<u>(977,640)</u>	<u>-</u>	<u>991,134</u>	<u>13,494</u>
Net change in fund balances	619	(1,543,578)	(287,895)	(977,640)	-	160,326	(2,648,168)
Fund balances at beginning of year	<u>3,897,198</u>	<u>3,880,653</u>	<u>1,017,191</u>	<u>977,640</u>	<u>769,217</u>	<u>3,049,438</u>	<u>13,591,337</u>
Fund balances at end of year	<u>\$ 3,897,817</u>	<u>\$ 2,337,075</u>	<u>\$ 729,296</u>	<u>\$ -</u>	<u>\$ 769,217</u>	<u>\$ 3,209,764</u>	<u>\$ 10,943,169</u>

See Accompanying Independent Auditors' Report.

**GOVERNMENT OF GUAM**

Nonmajor Governmental Funds - Capital Projects Funds  
 Combining Statement of Revenues, Expenditures by Object, and Changes in Fund Balances  
 Year Ended September 30, 2010

AS/400 Fund Number	224 Limited Obligation Highway Improvement Bonds	251 Limited Obligation Infrastructure Improvement Bonds	252 Water Systems Revenue Bond	401/403 PUAG Capital Projects	253 General Obligation Bond Series A 1993	Judicial Building	Total
Revenues:							
Use of money and property	\$ 619	\$ 593	\$ 93	\$ -	\$ -	\$ 2,750,364	\$ 2,751,669
Expenditures by object:							
Contractual services	-	1,535,549	-	-	-	1,597,034	3,132,583
Capital outlays	-	-	-	-	-	991,134	991,134
Interest and fiscal charges	-	-	-	-	-	993,004	993,004
Miscellaneous	-	8,622	287,988	-	-	-	296,610
Total expenditures	-	1,544,171	287,988	-	-	3,581,172	5,413,331
Excess (deficiency) of revenues over (under) expenditures	619	(1,543,578)	(287,895)	-	-	(830,808)	(2,661,662)
Other financing sources (uses):							
Proceeds from issuance of long-term debt	-	-	-	-	-	991,134	991,134
Transfers out to other funds	-	-	-	(977,640)	-	-	(977,640)
Total other financing sources (uses), net	-	-	-	(977,640)	-	991,134	13,494
Net change in fund balances	619	(1,543,578)	(287,895)	(977,640)	-	160,326	(2,648,168)
Fund balances at beginning of year	3,897,198	3,880,653	1,017,191	977,640	769,217	3,049,438	13,591,337
Fund balances at end of year	\$ 3,897,817	\$ 2,337,075	\$ 729,296	\$ -	\$ 769,217	\$ 3,209,764	\$ 10,943,169

See Accompanying Independent Auditors' Report.

**GOVERNMENT OF GUAM**

Nonmajor Governmental Funds - Debt Service Funds  
 Combining Balance Sheet  
 September 30, 2010

AS/400 Fund Numbers

	226 Limited Obligation Highway Improvement Bonds	354 Limited Obligation Infrastructure Improvement Bonds	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,925	\$ 38	\$ 1,963
Restricted assets:			
Investments	<u>7,680,952</u>	<u>9,170,490</u>	<u>16,851,442</u>
Total assets	<u>\$ 7,682,877</u>	<u>\$ 9,170,528</u>	<u>\$ 16,853,405</u>
 <u>FUND BALANCES</u>			
Fund balances:			
Reserved for:			
Debt service	7,680,952	9,170,490	16,851,442
Unreserved	<u>1,925</u>	<u>38</u>	<u>1,963</u>
Total fund balances	<u>\$ 7,682,877</u>	<u>\$ 9,170,528</u>	<u>\$ 16,853,405</u>

See Accompanying Independent Auditors' Report.

**GOVERNMENT OF GUAM**

Nonmajor Governmental Funds - Debt Service Funds  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Year Ended September 30, 2010

AS/400 Fund Numbers	226 Limited Obligation Highway Improvement Bonds	354 Limited Obligation Infrastructure Improvement Bonds	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Revenues:			
Use of money and property	\$ 2,719	\$ (257)	\$ 2,462
Expenditures:			
Debt service:			
Principal retirement	5,260,000	4,960,000	10,220,000
Interest and fiscal charges	<u>765,775</u>	<u>1,697,176</u>	<u>2,462,951</u>
Total expenditures	<u>6,025,775</u>	<u>6,657,176</u>	<u>12,682,951</u>
Deficiency of revenues under expenditures	<u>(6,023,056)</u>	<u>(6,657,433)</u>	<u>(12,680,489)</u>
Other financing sources:			
Transfers in from other funds	<u>6,017,549</u>	<u>2,949,054</u>	<u>8,966,603</u>
Net change in fund balances	(5,507)	(3,708,379)	(3,713,886)
Fund balances at beginning of year	<u>7,688,384</u>	<u>12,878,907</u>	<u>20,567,291</u>
Fund balances at end of year	<u>\$ 7,682,877</u>	<u>\$ 9,170,528</u>	<u>\$ 16,853,405</u>

See Accompanying Independent Auditors' Report.

**GOVERNMENT OF GUAM**

Statement of Fiduciary Net Assets  
Fiduciary Funds - Pension Trusts  
September 30, 2010

	Defined Benefit	Defined Contribution	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,672,894	\$ 2,922,465	\$ 4,595,359
Investments at fair value:			
Common stocks	684,028,213	-	684,028,213
U.S. Government securities	168,578,770	-	168,578,770
Corporate bonds and notes	192,887,162	-	192,887,162
Money market funds	21,269,147	-	21,269,147
Mutual funds	113,818,273	216,990,166	330,808,439
DC plan forfeitures	-	5,229,966	5,229,966
Total investments	1,180,581,565	222,220,132	1,402,801,697
Accounts receivable:			
Employer contributions, net	10,353,465	565,541	10,919,006
Member contributions	4,576,642	565,506	5,142,148
Interest and penalties on contributions	1,097,393	-	1,097,393
Accrued investment income	4,461,187	-	4,461,187
Due from brokers for unsettled trades	74,234,246	-	74,234,246
Service credits	1,527,200	-	1,527,200
Notes receivable - ERIP	4,761,094	-	4,761,094
Receivable-ERIP employer's share	15,227	-	15,227
Supplemental/COLA benefits	67,636,261	-	67,636,261
Supplemental/Insurance benefits advanced	3,511,711	-	3,511,711
Other	3,620,843	131,437	3,752,280
Due from DC plan	583,036	-	583,036
Total receivables	176,378,305	1,262,484	177,640,789
Capital assets	1,034,371	138,587	1,172,958
Total assets	1,359,667,135	226,543,668	1,586,210,803
<u>LIABILITIES</u>			
Deferred revenue	6,852,502	-	6,852,502
Accounts payable and accrued expenses	1,575,250	545,254	2,120,504
Due to DB plan	-	583,036	583,036
Due to brokers for unsettled trades	4,787,206	-	4,787,206
Total liabilities	13,214,958	1,128,290	14,343,248
<u>NET ASSETS</u>			
Held in trust for retirement benefits	\$ 1,346,452,177	\$ 225,415,378	\$ 1,571,867,555

See Accompanying Independent Auditors' Report.

**GOVERNMENT OF GUAM**

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds - Pension Trusts  
Year Ended September 30, 2010

	<u>Defined Benefit</u>	<u>Defined Contribution</u>	<u>Total</u>
Additions:			
Contributions:			
Employer	\$ 97,732,952	\$ 13,064,853	\$ 110,797,805
Member	18,020,144	12,980,904	31,001,048
	<u>115,753,096</u>	<u>26,045,757</u>	<u>141,798,853</u>
Total contributions			
Net investment income:			
Net appreciation in fair value of investments	108,837,367	15,033,002	123,870,369
Interest	26,991,531	2,175,555	29,167,086
Dividends	12,761,512	-	12,761,512
Other	780,665	448,502	1,229,167
	<u>149,371,075</u>	<u>17,657,059</u>	<u>167,028,134</u>
Total investment income			
Less: investment expenses	<u>3,615,702</u>	<u>48,000</u>	<u>3,663,702</u>
Net investment income	<u>145,755,373</u>	<u>17,609,059</u>	<u>163,364,432</u>
Total additions	<u>261,508,469</u>	<u>43,654,816</u>	<u>305,163,285</u>
Deductions:			
Benefits	173,808,545	-	173,808,545
Refunds	4,234,609	7,837,201	12,071,810
Balance transfer to DC plan	6,836	(6,836)	-
Administrative and general expenses	2,778,942	1,585,959	4,364,901
	<u>180,828,932</u>	<u>9,416,324</u>	<u>190,245,256</u>
Total deductions			
Change in net assets	80,679,537	34,238,492	114,918,029
Net assets at beginning of year	<u>1,265,772,640</u>	<u>191,176,886</u>	<u>1,456,949,526</u>
Net assets at end of year	<u>\$ 1,346,452,177</u>	<u>\$ 225,415,378</u>	<u>\$ 1,571,867,555</u>

See Accompanying Independent Auditors' Report.

**GOVERNMENT OF GUAM**

Nonmajor Component Units  
Combining Statement of Net Assets  
September 30, 2010

<u>ASSETS</u>	<u>Guam Community College</u>	<u>Guam Housing and Urban Renewal Authority</u>	<u>Guam Housing Corporation</u>	<u>Chamorro Land Trust Commission</u>	<u>Guam Economic Development Authority</u>	<u>Guam Preservation Trust</u>	<u>Guam Visitors Bureau</u>	<u>Guam Educational Telecomm- unications Corporation</u>	<u>Total</u>
Current assets:									
Cash and cash equivalents	\$ 953,789	\$ 10,109,590	\$ 5,950,471	\$ 207,767	\$ 60,046	\$ 1,292,148	\$ 5,977,651	\$ 374,907	\$ 24,926,369
Time certificates of deposit	-	-	-	300,000	-	-	-	-	300,000
Investments	-	-	-	-	3,772,949	504,722	-	-	4,277,671
Receivables, net	5,992,508	3,286,823	19,000,021	-	137,067	375,732	261,098	60,871	29,114,120
Due from primary government	3,908,036	-	-	-	-	-	1,034,457	-	4,942,493
Inventories	160,997	193,797	116,359	-	1,217	-	-	-	472,370
Prepayments	-	109,816	33,637	-	5,333	900	6,452	-	156,138
Restricted assets:									
Cash and cash equivalents	288,504	5,510,539	2,370,371	-	3,672,436	-	500,892	385,609	12,728,351
Investments	7,492,795	-	5,493,881	-	-	-	-	-	12,986,676
<b>Total current assets</b>	<u>18,796,629</u>	<u>19,210,565</u>	<u>32,964,740</u>	<u>507,767</u>	<u>7,649,048</u>	<u>2,173,502</u>	<u>7,780,550</u>	<u>821,387</u>	<u>89,904,188</u>
Noncurrent assets:									
Investments	1,757,653	-	-	-	-	-	-	-	1,757,653
Receivables, net	-	934,334	11,826,195	-	-	-	-	-	12,760,529
Capital assets, net of accumulated depreciation	19,060,574	29,883,457	5,870,251	-	583,747	1,571	7,203,849	2,420,404	65,023,853
Land held for development	-	3,361,341	10,947,385	-	-	-	-	-	14,308,726
Deferred bond issuance costs	-	-	-	-	670,801	-	-	-	670,801
Other assets	-	37,056	-	-	66,000	-	133,125	-	236,181
<b>Total noncurrent assets</b>	<u>20,818,227</u>	<u>34,216,188</u>	<u>28,643,831</u>	<u>-</u>	<u>1,320,548</u>	<u>1,571</u>	<u>7,336,974</u>	<u>2,420,404</u>	<u>94,757,743</u>
<b>Total assets</b>	<u>\$ 39,614,856</u>	<u>\$ 53,426,753</u>	<u>\$ 61,608,571</u>	<u>\$ 507,767</u>	<u>\$ 8,969,596</u>	<u>\$ 2,175,073</u>	<u>\$ 15,117,524</u>	<u>\$ 3,241,791</u>	<u>\$ 184,661,931</u>

See Accompanying Independent Auditors' Report.

**GOVERNMENT OF GUAM**

Nonmajor Component Units  
Combining Statement of Net Assets, Continued  
September 30, 2010

<u>LIABILITIES AND NET ASSETS</u>	<u>Guam Community College</u>	<u>Guam Housing and Urban Renewal Authority</u>	<u>Guam Housing Corporation</u>	<u>Chamorro Land Trust Commission</u>	<u>Guam Economic Development Authority</u>	<u>Guam Preservation Trust</u>	<u>Guam Visitors Bureau</u>	<u>Guam Educational Telecomm- unications Corporation</u>	<u>Total</u>
Current liabilities:									
Current portion of long-term debt	\$ 353,859	\$ 44,000	\$ 1,138,450	\$ -	\$ 1,600,000	\$ -	\$ -	\$ -	\$ 3,136,309
Accounts payable	1,881,789	213,948	254,088	-	176,980	63,196	2,155,038	53,527	4,798,566
Accrued interest payable	-	-	46,012	-	553,000	-	-	-	599,012
Accrued payroll and other	-	61,732	-	-	157,085	-	-	18,269	237,086
Deferred revenues	1,571,225	2,050,093	88,403	-	86,855	-	-	253,690	4,050,266
Compensated absences	189,392	40,988	88,343	-	-	-	99,844	24,063	442,630
Deposits and other liabilities	288,504	2,961,041	619,538	-	30,132	8,000	71,213	-	3,978,428
<b>Total current liabilities</b>	<u>4,284,769</u>	<u>5,371,802</u>	<u>2,234,834</u>	<u>-</u>	<u>2,604,052</u>	<u>71,196</u>	<u>2,326,095</u>	<u>349,549</u>	<u>17,242,297</u>
Noncurrent liabilities:									
Compensated absences	266,567	701,934	-	-	-	-	-	48,066	1,016,567
Noncurrent portion of long-term debt	278,018	1,356,541	8,193,170	-	29,759,262	-	-	-	39,586,991
Other noncurrent liabilities	-	-	11,105,581	-	66,823	-	-	-	11,172,404
DCRS sick leave liability	752,265	-	86,800	-	95,692	-	102,255	12,973	1,049,985
<b>Total noncurrent liabilities</b>	<u>1,296,850</u>	<u>2,058,475</u>	<u>19,385,551</u>	<u>-</u>	<u>29,921,777</u>	<u>-</u>	<u>102,255</u>	<u>61,039</u>	<u>52,825,947</u>
<b>Total liabilities</b>	<u>5,581,619</u>	<u>7,430,277</u>	<u>21,620,385</u>	<u>-</u>	<u>32,525,829</u>	<u>71,196</u>	<u>2,428,350</u>	<u>410,588</u>	<u>70,068,244</u>
Net assets:									
Invested in capital assets, net of related debt	17,979,197	31,844,257	5,870,251	-	583,747	1,571	7,203,849	2,420,404	65,903,276
Restricted:									
Expendable:									
Other purposes	3,704,242	5,133,135	9,535,081	-	-	-	416,497	-	18,788,955
Nonexpendable	199,530	-	-	-	-	-	-	-	199,530
Unrestricted (deficit)	12,150,268	9,019,084	24,582,854	507,767	(24,139,980)	2,102,306	5,068,828	410,799	29,701,926
<b>Total net assets</b>	<u>34,033,237</u>	<u>45,996,476</u>	<u>39,988,186</u>	<u>507,767</u>	<u>(23,556,233)</u>	<u>2,103,877</u>	<u>12,689,174</u>	<u>2,831,203</u>	<u>114,593,687</u>
<b>Total liabilities and net assets</b>	<u>\$ 39,614,856</u>	<u>\$ 53,426,753</u>	<u>\$ 61,608,571</u>	<u>\$ 507,767</u>	<u>\$ 8,969,596</u>	<u>\$ 2,175,073</u>	<u>\$ 15,117,524</u>	<u>\$ 3,241,791</u>	<u>\$ 184,661,931</u>

See Accompanying Independent Auditors' Report.

**GOVERNMENT OF GUAM**

Nonmajor Component Units  
Combining Statement of Revenues, Expenses, and Changes in Net Assets  
Year Ended September 30, 2010

	Guam Community College	Guam Housing and Urban Renewal Authority	Guam Housing Corporation	Chamorro Land Trust Commission	Guam Economic Development Authority	Guam Preservation Trust	Guam Visitors Bureau	Guam Educational Telecomm- unications Corporation	Total
Operating revenues:									
Charges for services	\$ 2,937,548	\$ 2,712,743	\$ 2,875,828	\$ -	\$ 1,759,383	\$ -	\$ -	\$ -	\$ 10,285,502
Grants and contracts	10,355,125	62,159,756	-	-	-	-	1,040,783	970,733	74,526,397
Other	1,745,751	119,306	-	-	3,156,052	-	211,707	17,861	5,250,677
Total operating revenues	<u>15,038,424</u>	<u>64,991,805</u>	<u>2,875,828</u>	<u>-</u>	<u>4,915,435</u>	<u>-</u>	<u>1,252,490</u>	<u>988,594</u>	<u>90,062,576</u>
Operating expenses:									
Cost of services	25,800,155	32,670,091	1,907,161	-	2,284,248	1,233,651	14,680,426	200,349	78,776,081
Depreciation and amortization	1,248,008	3,339,446	133,994	-	140,766	1,952	113,975	192,104	5,170,245
General and administrative	1,845,400	30,903,207	-	-	-	363,839	-	1,409,952	34,522,398
Total operating expenses	<u>28,893,563</u>	<u>66,912,744</u>	<u>2,041,155</u>	<u>-</u>	<u>2,425,014</u>	<u>1,599,442</u>	<u>14,794,401</u>	<u>1,802,405</u>	<u>118,468,724</u>
Operating income (loss)	<u>(13,855,139)</u>	<u>(1,920,939)</u>	<u>834,673</u>	<u>-</u>	<u>2,490,421</u>	<u>(1,599,442)</u>	<u>(13,541,911)</u>	<u>(813,811)</u>	<u>(28,406,148)</u>
Nonoperating revenues (expenses):									
Contributions from the primary government	16,515,627	-	-	-	-	627,352	13,537,490	609,501	31,289,970
Investment income	635,904	319,321	60,492	-	39,837	44,740	10,748	-	1,111,042
Interest expense	(41,683)	(84,897)	(588,771)	-	(2,454,097)	-	-	-	(3,169,448)
Other income (expenses), net	(650,825)	455,594	109,479	-	62,307	-	188,605	-	165,160
Total nonoperating revenues (expenses), net	<u>16,459,023</u>	<u>690,018</u>	<u>(418,800)</u>	<u>-</u>	<u>(2,351,953)</u>	<u>672,092</u>	<u>13,736,843</u>	<u>609,501</u>	<u>29,396,724</u>
Net income (loss) before capital contributions	2,603,884	(1,230,921)	415,873	-	138,468	(927,350)	194,932	(204,310)	990,576
Capital grants from the United States government	<u>2,299,383</u>	<u>2,718,055</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,017,438</u>
Change in net assets	<u>4,903,267</u>	<u>1,487,134</u>	<u>415,873</u>	<u>-</u>	<u>138,468</u>	<u>(927,350)</u>	<u>194,932</u>	<u>(204,310)</u>	<u>6,008,014</u>
Net assets at beginning of year, as previously reported	29,129,970	44,509,342	42,394,266	507,767	(23,694,701)	3,031,227	12,494,242	3,035,513	111,407,626
Prior-period adjustment	-	-	(2,821,953)	-	-	-	-	-	(2,821,953)
Net assets at beginning of year, as restated	<u>29,129,970</u>	<u>44,509,342</u>	<u>39,572,313</u>	<u>507,767</u>	<u>(23,694,701)</u>	<u>3,031,227</u>	<u>12,494,242</u>	<u>3,035,513</u>	<u>108,585,673</u>
Net assets at end of year	\$ <u>34,033,237</u>	\$ <u>45,996,476</u>	\$ <u>39,988,186</u>	\$ <u>507,767</u>	\$ <u>(23,556,233)</u>	\$ <u>2,103,877</u>	\$ <u>12,689,174</u>	\$ <u>2,831,203</u>	\$ <u>114,593,687</u>

See Accompanying Independent Auditors' Report.

**GOVERNMENT OF GUAM**

Statement of Net Assets  
Primary Government  
September 30, 2010  
(with comparative totals as of September 30, 2009)

	2010	2009
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 33,399,105	\$ 63,104,836
Time certificates of deposit	205,770	5,417,058
Investments	16,678,557	7,309,000
Receivables, net	113,035,104	88,367,063
Due from private purpose trusts	2,516,039	2,728,829
Due from component units	2,153,590	1,528,147
Inventories	406,896	434,731
Other current assets	5,470,310	1,138,431
Restricted assets:		
Cash and cash equivalents	11,795,623	20,942,886
Investments	238,381,897	300,262,389
Total current assets	424,042,891	491,233,370
Noncurrent assets:		
Investments	1,000,000	900,000
Capital assets, net of accumulated depreciation	755,195,456	717,280,512
Deferred charges	9,832,230	10,565,304
Restricted assets:		
Time certificates of deposit	1,000,718	1,000,718
Total noncurrent assets	767,028,404	729,746,534
Total assets	\$ 1,191,071,295	\$ 1,220,979,904
<u>LIABILITIES</u>		
Current liabilities:		
Current portion of compensated absences payable	\$ 10,819,246	\$ 13,320,352
Current portion of capital lease obligations	3,060,000	2,295,000
Current portion of long-term obligations	29,395,338	26,753,866
Accounts payable	116,917,598	73,650,094
Accrued interest payable	16,890,229	16,240,329
Accrued payroll and other	21,609,720	12,651,828
Payable to federal agencies	11,894,669	14,328,476
Tax refunds	284,868,839	259,151,468
COLA liability	23,100,732	26,932,491
Due to pension trust funds	6,562,500	6,305,782
Due to component units	2,324,201	12,082,649
Deferred revenues	35,286,328	29,182,768
Deposits and other liabilities	16,419,394	23,511,174
Total current liabilities	579,148,794	516,406,277
Noncurrent liabilities:		
Compensated absences payable, net of current portion	13,915,438	9,533,454
Capital lease obligations, net of current portion	59,410,000	63,090,000
Long-term obligations, net of current portion	693,676,836	720,709,726
DCRS sick leave liability	17,764,882	15,882,742
Due to component units	4,123,490	6,257,058
Due to IRS	11,674,000	-
Other noncurrent liabilities	46,053,500	46,053,500
Total noncurrent liabilities	846,618,146	861,526,480
Total liabilities	1,425,766,940	1,377,932,757
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	382,995,557	404,336,175
Restricted for:		
Capital projects	6,204,216	6,272,360
Retirement of indebtedness	93,961,296	89,415,528
Other purposes	37,740,844	45,972,842
Unrestricted	(755,597,558)	(702,949,758)
Total net assets	(234,695,645)	(156,952,853)
Total liabilities and net assets	\$ 1,191,071,295	\$ 1,220,979,904

See Accompanying Independent Auditors' Report.

**GOVERNMENT OF GUAM**

Statement of Activities  
 Primary Government  
 Year Ended September 30, 2010  
 (with comparative totals for the year ended September 30, 2009)

	2010	2009
Revenues:		
Charges for services	\$ 63,782,819	\$ 50,907,161
Operating grants and contributions	330,501,435	284,980,570
General revenues:		
Taxes	499,797,522	485,776,070
Section 30 Federal income tax collections	39,028,136	38,869,372
Investment earnings	5,056,652	4,700,627
Other	5,592,941	4,086,865
Total revenues	943,759,505	869,320,665
Expenses:		
General government	123,250,905	106,820,032
Protection of life and property	101,708,758	107,940,355
Public health	184,881,465	168,891,420
Community services	38,215,507	37,471,030
Recreation	4,654,424	5,442,598
Individual and collective rights	53,551,394	47,451,862
Transportation	36,589,772	33,559,658
Public education	257,944,439	260,976,641
Environmental protection	11,125,333	9,320,459
Economic development	26,664,370	15,704,840
Interest (unallocated)	47,008,663	67,663,274
Payments to:		
GovGuam Retirement Fund	1,803,448	1,283,200
Antonio B. Won Pat International Airport Authority	-	1,211,963
Guam Memorial Hospital Authority	19,090,827	26,950,146
Guam Power Authority	46,554	7,406,622
University of Guam	33,318,156	32,798,557
Guam Visitors Bureau	13,537,490	12,358,831
Guam Community College	16,911,221	15,961,055
Other component units	14,051,624	3,345,784
Capital	23,156,677	37,018,418
Miscellaneous	13,991,270	9,744,896
Total expenses	1,021,502,297	1,009,321,641
Changes in net assets	(77,742,792)	(140,000,976)
Net assets at the beginning of the year	(156,952,853)	(16,951,877)
Net assets at the end of the year	\$ (234,695,645)	\$ (156,952,853)

See Accompanying Independent Auditors' Report.

**GOVERNMENT OF GUAM**

Combining Schedule of Assets, Liabilities, and Fund Balances (Deficits)  
 General Fund  
 September 30, 2010

	100		618		622					
	Department of Administration	Guam Department of Education	Guam Public School System Operations	ECE Adequate Public Education	Other Debt Service	Combined Total	Eliminating Entries	Total		
<b>ASSETS</b>										
Cash and cash equivalents	\$ 17,324,492	\$ 791,761	\$ 3,833	\$ -	\$ -	\$ 18,120,086	\$ -	\$ 18,120,086		
Time certificates of deposit	205,770	-	-	-	-	205,770	-	205,770		
Investments	1,000,000	-	-	-	-	1,000,000	-	1,000,000		
Receivables, net:										
Taxes	30,302,323	-	-	-	-	30,302,323	-	30,302,323		
Federal agencies	15,450,000	-	-	-	-	15,450,000	-	15,450,000		
Due from primary government	-	7,844,859	-	-	-	7,844,859	(7,844,859)	-		
Due from other funds	84,064,333	1,190,112	36,334	-	632,117	85,922,896	(48,678,673)	37,244,223		
Prepayments	-	538,962	-	-	1,281,818	1,820,780	-	1,820,780		
Restricted assets:										
Investments	28,736,979	-	-	-	53,568,956	82,305,935	-	82,305,935		
<b>Total assets</b>	<b>\$ 177,083,897</b>	<b>\$ 10,365,694</b>	<b>\$ 40,167</b>	<b>\$ -</b>	<b>\$ 55,482,891</b>	<b>\$ 242,972,649</b>	<b>\$ (56,523,532)</b>	<b>\$ 186,449,117</b>		
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>										
Accounts payable	\$ 84,917,379	\$ 6,922,465	\$ -	\$ -	\$ 2,000	\$ 91,841,844	\$ (7,844,859)	\$ 83,996,985		
Accrued payroll and other	5,316,726	13,051,473	-	-	-	18,368,199	-	18,368,199		
Due to component units	-	6,447,691	-	-	-	6,447,691	-	6,447,691		
Due to retirement fund	-	6,562,500	-	-	-	6,562,500	-	6,562,500		
Due to other funds	35,649,719	-	-	-	48,010,222	83,659,941	(48,678,673)	34,981,268		
Payable to federal agencies	11,674,000	-	-	-	-	11,674,000	-	11,674,000		
Deferred revenue	46,357,373	-	-	-	-	46,357,373	-	46,357,373		
Provision for tax refunds	278,286,760	-	-	-	-	278,286,760	-	278,286,760		
COLA liability	23,100,732	-	-	-	-	23,100,732	-	23,100,732		
Deposits and other liabilities	13,118,472	-	-	-	-	13,118,472	-	13,118,472		
<b>Total liabilities</b>	<b>498,421,161</b>	<b>32,984,129</b>	<b>-</b>	<b>-</b>	<b>48,012,222</b>	<b>579,417,512</b>	<b>(56,523,532)</b>	<b>522,893,980</b>		
Fund balances (deficits):										
Reserved:										
Related assets	1,000,000	-	-	-	-	1,000,000	-	1,000,000		
Continuing appropriations	31,547,303	-	-	-	-	31,547,303	-	31,547,303		
Encumbrances	3,231,392	3,588,152	-	-	-	6,819,544	-	6,819,544		
Debt service	14,307,692	-	-	-	53,568,956	67,876,648	-	67,876,648		
Unreserved fund balance (deficit)	(371,423,651)	(26,206,587)	40,167	-	(46,098,287)	(443,688,358)	-	(443,688,358)		
<b>Total fund balances (deficits)</b>	<b>(321,337,264)</b>	<b>(22,618,435)</b>	<b>40,167</b>	<b>-</b>	<b>7,470,669</b>	<b>(336,444,863)</b>	<b>-</b>	<b>(336,444,863)</b>		
<b>Total liabilities and fund balances</b>	<b>\$ 177,083,897</b>	<b>\$ 10,365,694</b>	<b>\$ 40,167</b>	<b>\$ -</b>	<b>\$ 55,482,891</b>	<b>\$ 242,972,649</b>	<b>\$ (56,523,532)</b>	<b>\$ 186,449,117</b>		

See Accompanying Independent Auditors' Report.

## GOVERNMENT OF GUAM

### Combining Statement of Revenues, Expenditures, and Changes in Fund Balance (Deficit) General Fund Year Ended September 30, 2010

	100		618		622				
	Department of Administration	Guam Department of Education	Guam Public School System Operations	ECE Adequate Public Education	Other Debt Service	Combined Total	Eliminating Entries	Total	
<b>Revenues:</b>									
<b>Taxes:</b>									
Income	\$ 239,152,369	\$ -	\$ -	\$ -	\$ -	\$ 239,152,369	\$ -	\$ 239,152,369	
Gross receipts	188,621,364	-	-	-	-	188,621,364	-	188,621,364	
Income - COLA	99,291	-	-	-	-	99,291	-	99,291	
Excise	3,490,942	-	-	-	-	3,490,942	-	3,490,942	
Licenses, fees and permits	4,546,349	-	-	-	-	4,546,349	-	4,546,349	
Use of money and property	428,860	-	103	-	3,240	432,203	-	432,203	
Section 30 Federal income tax collections	39,028,136	-	-	-	-	39,028,136	-	39,028,136	
Immigration fees	1,754,678	-	-	-	-	1,754,678	-	1,754,678	
Indirect cost reimbursement	469,595	-	-	-	-	469,595	-	469,595	
Guam Public School System	-	4,272,611	-	-	-	4,272,611	-	4,272,611	
Contributions from component units	4,863,593	-	-	-	-	4,863,593	-	4,863,593	
Other	4,236,233	-	-	-	-	4,236,233	-	4,236,233	
Total revenues	486,691,410	4,272,611	103	-	3,240	490,967,364	-	490,967,364	
<b>Expenditures by Department:</b>									
<b>General Government:</b>									
<b>Office of I Maga'lahaen Guahan:</b>									
Office of the Governor	3,889,870	-	-	-	-	3,889,870	-	3,889,870	
Office of the Governor - Guam Liaison Office	206,943	-	-	-	-	206,943	-	206,943	
Ancestral Land Trust Commission	203,197	-	-	-	-	203,197	-	203,197	
Government House	644,792	-	-	-	-	644,792	-	644,792	
Bureau of Information Technology	172,723	-	-	-	-	172,723	-	172,723	
Medical Referral Offices	65,755	-	-	-	-	65,755	-	65,755	
Office of Civil Defense	205,888	-	-	-	-	205,888	-	205,888	
Office of Veteran's Affairs	240,024	-	-	-	-	240,024	-	240,024	
	5,629,192	-	-	-	-	5,629,192	-	5,629,192	
<b>Office of I Segundu Na Maga'lahaen Guahan:</b>									
Office of the Lieutenant Governor	1,141,155	-	-	-	-	1,141,155	-	1,141,155	
Guam State Clearinghouse	196,746	-	-	-	-	196,746	-	196,746	
	1,337,901	-	-	-	-	1,337,901	-	1,337,901	
<b>Bureau of Budget and Management Research:</b>									
Office of the Director	293,371	-	-	-	-	293,371	-	293,371	
Internal Audit Division	993,208	-	-	-	-	993,208	-	993,208	
	1,286,579	-	-	-	-	1,286,579	-	1,286,579	

See Accompanying Independent Auditors' Report.

**GOVERNMENT OF GUAM**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance (Deficit), Continued  
 General Fund  
 Year Ended September 30, 2010

	100	618	622					
	Department of Administration	Guam Department of Education	Guam Public School System Operations	ECE Adequate Public Education	Other Debt Service	Combined Total	Eliminating Entries	Total
Expenditures by Department, Continued:								
General Government, Continued:								
Civil Service Commission:								
Office of the Director	235,535	-	-	-	-	235,535	-	235,535
Board of Commissioners	57,648	-	-	-	-	57,648	-	57,648
Legal Office	7,021	-	-	-	-	7,021	-	7,021
Personnel Management	181,192	-	-	-	-	181,192	-	181,192
	<u>481,396</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>481,396</u>	<u>-</u>	<u>481,396</u>
Department of Administration:								
Office of the Director	2,672,290	-	-	-	-	2,672,290	-	2,672,290
Office of the Director - COLA	6,765,267	-	-	-	-	6,765,267	-	6,765,267
Office of the Director - Child Support	607,791	-	-	-	-	607,791	-	607,791
Office of the Director - Streetlights	1,229,387	-	-	-	-	1,229,387	-	1,229,387
Office of the Director - Health insurance benefits	3,870,026	-	-	-	-	3,870,026	-	3,870,026
Office of the Director - Power and Water	6,988,618	-	-	-	-	6,988,618	-	6,988,618
Personnel Management	1,676,903	-	-	-	-	1,676,903	-	1,676,903
Financial Management	624,296	-	-	-	-	624,296	-	624,296
Data Processing	545,066	-	-	-	-	545,066	-	545,066
General Services Agency	825,939	-	-	-	-	825,939	-	825,939
Division of Accounts	2,348,469	-	-	-	-	2,348,469	-	2,348,469
	<u>28,154,052</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,154,052</u>	<u>-</u>	<u>28,154,052</u>
Department of Public Works:								
Office of the Director	1,366,732	-	-	-	-	1,366,732	-	1,366,732
Office of the Director - Consent Decree	38,432	-	-	-	-	38,432	-	38,432
Public Cemeteries	58,982	-	-	-	-	58,982	-	58,982
Transportation Maintenance Division	763,107	-	-	-	-	763,107	-	763,107
	<u>2,227,253</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,227,253</u>	<u>-</u>	<u>2,227,253</u>

See Accompanying Independent Auditors' Report.

## GOVERNMENT OF GUAM

### Combining Statement of Revenues, Expenditures, and Changes in Fund Balance (Deficit), Continued General Fund Year Ended September 30, 2010

	100	618	622					
	Department of Administration	Guam Department of Education	Guam Public School System Operations	ECE Adequate Public Education	Other Debt Service	Combined Total	Eliminating Entries	Total
Expenditures by Department, Continued:								
General Government, Continued:								
Department of Revenue and Taxation:								
Office of the Director	2,318,200	-	-	-	-	2,318,200	-	2,318,200
Office of the Director - Stimulus Tax Rebates	193,870	-	-	-	-	193,870	-	193,870
Tax Enforcement Division	2,035,693	-	-	-	-	2,035,693	-	2,035,693
Real Property Tax Division	557,791	-	-	-	-	557,791	-	557,791
Taxpayer Services Division	1,725,911	-	-	-	-	1,725,911	-	1,725,911
Regulatory Division	1,090,993	-	-	-	-	1,090,993	-	1,090,993
Motor Vehicle Division	789,330	-	-	-	-	789,330	-	789,330
	<u>8,711,788</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,711,788</u>	<u>-</u>	<u>8,711,788</u>
Total General Government	<u>47,828,161</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,828,161</u>	<u>-</u>	<u>47,828,161</u>
Protection of Life and Property:								
Department of Corrections:								
Office of the Director	3,121,065	-	-	-	-	3,121,065	-	3,121,065
Office of the Director - Rent	114,000	-	-	-	-	114,000	-	114,000
Adult Correctional Facility	9,493,564	-	-	-	-	9,493,564	-	9,493,564
Rosario Detention Center	2,153,151	-	-	-	-	2,153,151	-	2,153,151
Off-island Detention	1,490	-	-	-	-	1,490	-	1,490
Casework and Counseling Service Division	321,843	-	-	-	-	321,843	-	321,843
Forensic Division	343,235	-	-	-	-	343,235	-	343,235
Parole Service Division	559,548	-	-	-	-	559,548	-	559,548
	<u>16,107,896</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,107,896</u>	<u>-</u>	<u>16,107,896</u>
Department of Youth Affairs:								
Office of the Director	101,385	-	-	-	-	101,385	-	101,385
Office of the Director - Nursing and Medication	10,601	-	-	-	-	10,601	-	10,601
Division of Youth Development	491,354	-	-	-	-	491,354	-	491,354
Division of Youth Corrections	2,577,933	-	-	-	-	2,577,933	-	2,577,933
Division of Vocational Rehabilitation and Support Services	576,244	-	-	-	-	576,244	-	576,244
	<u>3,757,517</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,757,517</u>	<u>-</u>	<u>3,757,517</u>
Guam Fire Department:								
Office of the Fire Chief	1,002,220	-	-	-	-	1,002,220	-	1,002,220
Administrative and Logistical Support	941,842	-	-	-	-	941,842	-	941,842

See Accompanying Independent Auditors' Report.

**GOVERNMENT OF GUAM**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance (Deficit), Continued  
General Fund  
Year Ended September 30, 2010

	100	618	622					
	Department of Administration	Guam Department of Education	Guam Public School System Operations	ECE Adequate Public Education	Other Debt Service	Combined Total	Eliminating Entries	Total
Expenditures by Department, Continued:								
Protection of Life and Property, Continued:								
Guam Fire Department, Continued:								
Emergency Medical Service and Rescue Operations Bureau	9,088,863	-	-	-	-	9,088,863	-	9,088,863
Fire Suppression Bureau	17,181,698	-	-	-	-	17,181,698	-	17,181,698
	<u>28,214,623</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,214,623</u>	<u>-</u>	<u>28,214,623</u>
Guam Police Department:								
Office of the Chief	2,100,965	-	-	-	-	2,100,965	-	2,100,965
Office of the Chief - Police Commander	2,622,247	-	-	-	-	2,622,247	-	2,622,247
Office of the Chief - Administration Division	1,196,143	-	-	-	-	1,196,143	-	1,196,143
Office of the Chief - Overtime	522,877	-	-	-	-	522,877	-	522,877
Office of the Chief - Fuel	390,435	-	-	-	-	390,435	-	390,435
Criminal Investigation Division	2,728,265	-	-	-	-	2,728,265	-	2,728,265
Neighbourhood Patrol Division	9,395,207	-	-	-	-	9,395,207	-	9,395,207
Support Division	2,142,756	-	-	-	-	2,142,756	-	2,142,756
Forensic Science Division	1,157,811	-	-	-	-	1,157,811	-	1,157,811
Highway Patrol Division	1,391,364	-	-	-	-	1,391,364	-	1,391,364
	<u>23,648,070</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,648,070</u>	<u>-</u>	<u>23,648,070</u>
Office of the Attorney-General:								
Attorney-General's Office	6,833,516	-	-	-	-	6,833,516	-	6,833,516
Chief Medical Examiner:								
Medical Examiner's Office	381,546	-	-	-	-	381,546	-	381,546
Total Protection of Life and Property	<u>78,943,168</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,943,168</u>	<u>-</u>	<u>78,943,168</u>
Public Health:								
Department of Mental Health and Substance Abuse:								
Office of the Director	5,488,847	-	-	-	-	5,488,847	-	5,488,847
Office of the Director - Permanent Injunction	2,761,997	-	-	-	-	2,761,997	-	2,761,997
Clinical Services Division	799,590	-	-	-	-	799,590	-	799,590
Youth Drug and Alcohol Program	11,156	-	-	-	-	11,156	-	11,156
Child and Adolescent Services Division	759,877	-	-	-	-	759,877	-	759,877
Nursing Services Division	1,974,216	-	-	-	-	1,974,216	-	1,974,216
	<u>11,795,683</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,795,683</u>	<u>-</u>	<u>11,795,683</u>

See Accompanying Independent Auditors' Report.

**GOVERNMENT OF GUAM**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance (Deficit), Continued  
 General Fund  
 Year Ended September 30, 2010

	100	618	622					
	Department of Administration	Guam Department of Education	Guam Public School System Operations	ECE Adequate Public Education	Other Debt Service	Combined Total	Eliminating Entries	Total
Expenditures by Department, Continued:								
Public Health, Continued:								
Department of Public Health and Social Services:								
Office of the Director	2,575,154	-	-	-	-	2,575,154	-	2,575,154
Chief Public Health Office	183,528	-	-	-	-	183,528	-	183,528
Community Health Services	104,072	-	-	-	-	104,072	-	104,072
Communicable Disease Control	12,402	-	-	-	-	12,402	-	12,402
Professional Social Services	4,228	-	-	-	-	4,228	-	4,228
Primary Care Services	154,948	-	-	-	-	154,948	-	154,948
Family Health and Nursing	72,614	-	-	-	-	72,614	-	72,614
Division of Environmental Health	502,973	-	-	-	-	502,973	-	502,973
Financial Management Services	163,836	-	-	-	-	163,836	-	163,836
Supply Section	84,928	-	-	-	-	84,928	-	84,928
Management Support Services	149,556	-	-	-	-	149,556	-	149,556
Facilities and Maintenance	946,119	-	-	-	-	946,119	-	946,119
Systems Group	373,949	-	-	-	-	373,949	-	373,949
	<u>5,328,307</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,328,307</u>	<u>-</u>	<u>5,328,307</u>
Total Public Health	<u>17,123,990</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,123,990</u>	<u>-</u>	<u>17,123,990</u>
Community Services:								
Department of Public Health and Social Services:								
Medically Indigent Program	91,242	-	-	-	-	91,242	-	91,242
Foster Care	1,519,219	-	-	-	-	1,519,219	-	1,519,219
Division of Senior Citizens	177,630	-	-	-	-	177,630	-	177,630
Adult Protective Services	455,434	-	-	-	-	455,434	-	455,434
	<u>2,243,525</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,243,525</u>	<u>-</u>	<u>2,243,525</u>
Department of Integrated Services for Individuals with Disabilities:								
Service Contracts	284,236	-	-	-	-	284,236	-	284,236
Office of the Director	341,086	-	-	-	-	341,086	-	341,086
Fiscal Support	32,754	-	-	-	-	32,754	-	32,754
	<u>658,076</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>658,076</u>	<u>-</u>	<u>658,076</u>

See Accompanying Independent Auditors' Report.

**GOVERNMENT OF GUAM**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance (Deficit), Continued  
 General Fund  
 Year Ended September 30, 2010

	100	618	622					
	Department of Administration	Guam Department of Education	Guam Public School System Operations	ECE Adequate Public Education	Other Debt Service	Combined Total	Eliminating Entries	Total
Expenditures by Department, Continued:								
Community Services, Continued:								
Guam Public Library System:								
Office of the Director	850,611	-	-	-	-	850,611	-	850,611
Hagatna-Dededo Library	186,851	-	-	-	-	186,851	-	186,851
Barrigada Library	48,643	-	-	-	-	48,643	-	48,643
Agat Library	34,827	-	-	-	-	34,827	-	34,827
Yona Library	32,445	-	-	-	-	32,445	-	32,445
Merizo Library	56,478	-	-	-	-	56,478	-	56,478
	<u>1,209,855</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,209,855</u>	<u>-</u>	<u>1,209,855</u>
Total Community Services	<u>4,111,456</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,111,456</u>	<u>-</u>	<u>4,111,456</u>
Recreation:								
Department of Parks and Recreation:								
Office of the Director	368,800	-	-	-	-	368,800	-	368,800
Memorial Services	114,228	-	-	-	-	114,228	-	114,228
Community Programs	312,360	-	-	-	-	312,360	-	312,360
Pool and Beach Programs	420,794	-	-	-	-	420,794	-	420,794
Paseo Stadium	146,168	-	-	-	-	146,168	-	146,168
Parks Administration and Planning	139,214	-	-	-	-	139,214	-	139,214
Historic Preservation Division	196,767	-	-	-	-	196,767	-	196,767
Parks Maintenance	976,069	-	-	-	-	976,069	-	976,069
Territorial Park Protection	176,417	-	-	-	-	176,417	-	176,417
Total Recreation	<u>2,850,817</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,850,817</u>	<u>-</u>	<u>2,850,817</u>
Individual and Collective Rights:								
Office of I Maga'lahaen Guahan:								
Commission on Decolonization	61,795	-	-	-	-	61,795	-	61,795
Department of Chamorro Affairs:								
Office of the Director	424,859	-	-	-	-	424,859	-	424,859
Language and Culture Division	48,812	-	-	-	-	48,812	-	48,812
Research Publication and Training	70,796	-	-	-	-	70,796	-	70,796
Guam Museum	299,046	-	-	-	-	299,046	-	299,046
	<u>843,513</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>843,513</u>	<u>-</u>	<u>843,513</u>

See Accompanying Independent Auditors' Report.

**GOVERNMENT OF GUAM**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance (Deficit), Continued  
General Fund  
Year Ended September 30, 2010

	100		618		622				
	Department of Administration	Guam Department of Education	Guam Public School System Operations	ECE Adequate Public Education	Other Debt Service	Combined Total	Eliminating Entries	Total	
Expenditures by Department, Continued:									
Individual and Collective Rights, Continued:									
Department of Labor:									
Office of the Director	547,356	-	-	-	-	547,356	-	547,356	
Occupational Safety and Health Agency	49,059	-	-	-	-	49,059	-	49,059	
Wage and Hour Division	203,862	-	-	-	-	203,862	-	203,862	
Bureau of Labor Statistics	213,833	-	-	-	-	213,833	-	213,833	
Worker's Compensation Commission	93,088	-	-	-	-	93,088	-	93,088	
Fiscal and Support Office	89,671	-	-	-	-	89,671	-	89,671	
	<u>1,196,869</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,196,869</u>	<u>-</u>	<u>1,196,869</u>	
Department of Military Affairs:									
Office of the Adjutant General	125,310	-	-	-	-	125,310	-	125,310	
Other:									
Guam Election Commission	691,649	-	-	-	-	691,649	-	691,649	
Mayor's Council of Guam	8,437,814	-	-	-	-	8,437,814	-	8,437,814	
	<u>9,129,463</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,129,463</u>	<u>-</u>	<u>9,129,463</u>	
Total Individual and Collective Rights	<u>11,356,950</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,356,950</u>	<u>-</u>	<u>11,356,950</u>	
Public Education:									
Education Suruhanu	129,714	-	-	-	-	129,714	-	129,714	
Guam Commission for Educator Certification	214,475	-	-	-	-	214,475	-	214,475	
Office of I Maga'lahaen Guahan:									
Office of the Governor - JFK School Lease	744	4,493,256	-	-	-	4,494,000	-	4,494,000	
Department of Education:									
Guam Public School System	-	192,868,497	-	-	-	192,868,497	-	192,868,497	
Department of Public Works:									
Bus Operations	6,459,318	-	-	-	-	6,459,318	-	6,459,318	
Total Public Education	<u>6,804,251</u>	<u>197,361,753</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>204,166,004</u>	<u>-</u>	<u>204,166,004</u>	
Economic Development:									
Bureau of Statistics and Plans:									
Administration	364,384	-	-	-	-	364,384	-	364,384	
Chief Economist's Office	2,205	-	-	-	-	2,205	-	2,205	
Planning Information	191,547	-	-	-	-	191,547	-	191,547	
Socio-Economic Planning	136,448	-	-	-	-	136,448	-	136,448	
Business and Economic Statistics Division	330,180	-	-	-	-	330,180	-	330,180	
	<u>1,024,764</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,024,764</u>	<u>-</u>	<u>1,024,764</u>	

See Accompanying Independent Auditors' Report.

**GOVERNMENT OF GUAM**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance (Deficit), Continued  
General Fund  
Year Ended September 30, 2010**

	100	618	622					
	Department of Administration	Guam Department of Education	Guam Public School System Operations	ECE Adequate Public Education	Other Debt Service	Combined Total	Eliminating Entries	Total
Expenditures by Department, Continued:								
Economic Development, Continued:								
Department of Agriculture:								
Office of the Director	879,657	-	-	-	-	879,657	-	879,657
Fire Protection	18,852	-	-	-	-	18,852	-	18,852
Aquatic and Wildlife Resources Division	127,537	-	-	-	-	127,537	-	127,537
Animal and Plant Industry Division	786,304	-	-	-	-	786,304	-	786,304
Animal Health Section	364,297	-	-	-	-	364,297	-	364,297
	<u>2,176,647</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,176,647</u>	<u>-</u>	<u>2,176,647</u>
Total Economic Development	<u>3,201,411</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,201,411</u>	<u>-</u>	<u>3,201,411</u>
Payments to Component Units:								
Government of Guam Retirement Fund:								
Medicare Reimbursement	700,000	-	-	-	-	700,000	-	700,000
Governor and Lt Governor Contributions	145,000	-	-	-	-	145,000	-	145,000
Judge and Justice Retirement Annuities	458,448	-	-	-	-	458,448	-	458,448
	<u>1,303,448</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,303,448</u>	<u>-</u>	<u>1,303,448</u>
Guam Community College	13,938,332	-	-	-	-	13,938,332	-	13,938,332
Guam Educational Telecom. Corporation	521,621	-	-	-	-	521,621	-	521,621
Guam Visitors Bureau	76,395	-	-	-	-	76,395	-	76,395
Guam Regional Transit Authority	399,934	-	-	-	-	399,934	-	399,934
Guam Memorial Hospital Authority	1,006,397	-	-	-	-	1,006,397	-	1,006,397
University of Guam	32,588,765	-	-	-	-	32,588,765	-	32,588,765
Total Payments to Component Units	<u>49,834,892</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,834,892</u>	<u>-</u>	<u>49,834,892</u>
Miscellaneous Appropriations:								
Retiree Healthcare Premiums	13,065,666	6,079,477	-	-	-	19,145,143	-	19,145,143
Guam Council on the Arts and Humanities Agency	3,138	-	-	-	-	3,138	-	3,138
Sanctuary, Inc.	190,789	-	-	-	-	190,789	-	190,789
Hagatna Restoration and Redevelopment	72,909	-	-	-	-	72,909	-	72,909
Total Miscellaneous Appropriations	<u>13,332,502</u>	<u>6,079,477</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,411,979</u>	<u>-</u>	<u>19,411,979</u>
Interest and other charges:								
Interest on Tax Refunds	3,030,072	-	-	-	-	3,030,072	-	3,030,072
Public Law 28-38 Special Retirement payments	4,601,475	-	-	-	-	4,601,475	-	4,601,475
Credit card charge fees and other bank fees	4,052,949	-	-	-	-	4,052,949	-	4,052,949
COLA interest	1,325,003	-	-	-	-	1,325,003	-	1,325,003
Other	5,017,911	-	-	-	-	5,017,911	-	5,017,911
Total Interest and other charges	<u>18,027,410</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,027,410</u>	<u>-</u>	<u>18,027,410</u>

See Accompanying Independent Auditors' Report.

## GOVERNMENT OF GUAM

### Combining Statement of Revenues, Expenditures, and Changes in Fund Balance (Deficit), Continued General Fund Year Ended September 30, 2010

	100		618		622			
	Department of Administration	Guam Department of Education	Guam Public School System Operations	ECE Adequate Public Education	Other Debt Service	Combined Total	Eliminating Entries	Total
Expenditures by Department, Continued:								
Debt Service:								
Principal retirement	-	-	-	-	14,794,069	14,794,069	-	14,794,069
Interest and fiscal charges	16,635,967	-	-	-	11,611,562	28,247,529	-	28,247,529
Total Debt Service	16,635,967	-	-	-	26,405,631	43,041,598	-	43,041,598
Total expenditures	270,050,975	203,441,230	-	-	26,405,631	499,897,836	-	499,897,836
Excess (deficiency) of revenues over (under) expenditures	216,640,435	(199,168,619)	103	-	(26,402,391)	(8,930,472)	-	(8,930,472)
Other financing sources (uses):								
Transfers in from other funds:								
Department of Administration	-	17,089,165	170,577,866	-	20,702,194	208,369,225	(208,369,225)	-
Guam Public School System Operations Fund	-	180,751,822	-	-	-	180,751,822	(180,751,822)	-
Air Pollution Fund	268,198	-	-	-	-	268,198	-	268,198
Autonomous Agency Infrastructure Collections Fund	460	-	-	-	-	460	-	460
Board of Accountancy Fund	14,781	-	-	-	-	14,781	-	14,781
Carrier Off-Duty Services Revolving Fund	165,505	-	-	-	-	165,505	-	165,505
Chamorro Commercial Loan Fund	26,233	-	-	-	-	26,233	-	26,233
Community Development Fund	108,579	-	-	-	-	108,579	-	108,579
Contractors' License Board Fund	435,950	-	-	-	-	435,950	-	435,950
Controlled Substance Diversion Fund	97,720	-	-	-	-	97,720	-	97,720
Criminal Injuries Compensation Fund	253,673	-	-	-	-	253,673	-	253,673
Dededo Buffer Strip Revolving Fund	50,241	-	-	-	-	50,241	-	50,241
D.O.D Contract Fund	400,671	-	-	-	-	400,671	-	400,671
DPHSS Sanitary Inspection Revolving Fund	43,574	-	-	-	-	43,574	-	43,574
DPW Building and Design Fund	162,201	-	-	-	-	162,201	-	162,201
Drivers' Education Fund	546,257	-	-	-	-	546,257	-	546,257
Enhanced 911 Emergency Reporting System Fund	2,236,556	-	-	-	-	2,236,556	-	2,236,556
Environmental Health Fund	260,558	-	-	-	-	260,558	-	260,558
Examiner Off-Duty Services Fund	1,925	-	-	-	-	1,925	-	1,925
GFD Capital Revolving Fund	63,119	-	-	-	-	63,119	-	63,119
General Services Agency Fund	1,608	-	-	-	-	1,608	-	1,608
GSA Inventory Revolving Fund	219,589	-	-	-	-	219,589	-	219,589
Government Claims Fund	7,655	-	-	-	-	7,655	-	7,655
Government House Revolving Fund	10,305	-	-	-	-	10,305	-	10,305
Guam Environmental Trust Fund	552,060	-	-	-	-	552,060	-	552,060
Guam Plant Inspection and Permit Fund	193,311	-	-	-	-	193,311	-	193,311
Guam Preservation Trust Fund	448,249	-	-	-	-	448,249	-	448,249
Guam Telephone Authority Privatization Proceeds Fu	856,153	-	-	-	-	856,153	-	856,153

See Accompanying Independent Auditors' Report.

## GOVERNMENT OF GUAM

### Combining Statement of Revenues, Expenditures, and Changes in Fund Balance (Deficit), Continued General Fund Year Ended September 30, 2010

	100		618		622			
	Department of Administration	Guam Department of Education	Guam Public School System Operations	ECE Adequate Public Education	Other Debt Service	Combined Total	Eliminating Entries	Total
Other financing sources (uses), Continued:								
Transfers in from other funds, Continued:								
Guam Unarmed Combat Commission Fund	1,964	-	-	-	-	1,964	-	1,964
Health Professional Licensure Fund	365,986	-	-	-	-	365,986	-	365,986
Healthy Futures Fund	3,440,000	646,360	8,000	-	-	4,094,360	-	4,094,360
Land Survey Revolving Fund	4,196,176	-	-	-	-	4,196,176	-	4,196,176
Mental Health and Substance Abuse Fund	200,969	-	-	-	-	200,969	-	200,969
Notary Public Revolving Fund	11,930	-	-	-	-	11,930	-	11,930
Off-Island Treatment Fund	54,165	-	-	-	-	54,165	-	54,165
Pesticide Management Fund	12,713	-	-	-	-	12,713	-	12,713
Plant Nursery Revolving Fund	50,011	-	-	-	-	50,011	-	50,011
Police Services Fund	16,657	-	-	-	-	16,657	-	16,657
Printing Revolving Fund	11,682	-	-	-	-	11,682	-	11,682
Professional Engineers', Architects' and Surveyors Fund	110,703	-	-	-	-	110,703	-	110,703
Program Development Fund	480	-	-	-	-	480	-	480
Public Library System Fund	559,587	-	755,482	-	-	1,315,069	-	1,315,069
Public Recreation Services Fund	38,838	-	-	-	-	38,838	-	38,838
Public Transit Fund	146,347	-	-	-	-	146,347	-	146,347
Rabies Prevention Fund	100,794	-	-	-	-	100,794	-	100,794
Recycling Revolving Fund	5,010,806	-	-	-	-	5,010,806	-	5,010,806
Safe Streets Fund	365,586	-	-	-	-	365,586	-	365,586
Solid Waste Management Plan Fund	28,991	-	-	-	-	28,991	-	28,991
State Agency for Surplus Property Fund	31,760	-	-	-	-	31,760	-	31,760
StripperWell Overcharge Fund	44,370	-	-	-	-	44,370	-	44,370
Tax Collection Fund	4,382	-	-	-	-	4,382	-	4,382
Territorial Education Facilities Fund	10,768,749	-	9,410,474	-	-	20,179,223	-	20,179,223
Tourist Attraction Fund	4,418,111	-	-	-	-	4,418,111	-	4,418,111
Typhoon Chataan and Halong Fund	7,515	-	-	-	-	7,515	-	7,515
Underground Storage Tank Management Fund	52,450	-	-	-	-	52,450	-	52,450
Unreserved Fund Balance Fund	207,353	-	-	-	-	207,353	-	207,353
Village Streets Fund	248,851	-	-	-	-	248,851	-	248,851
Water Protection Fund	214,399	-	-	-	-	214,399	-	214,399
Water Research and Development Fund	344,647	-	-	-	-	344,647	-	344,647
Wildlife Conservation Fund	131,809	-	-	-	-	131,809	-	131,809
PUAG Capital Projects Fund	977,640	-	-	-	-	977,640	-	977,640
Total other financing sources	<u>39,601,552</u>	<u>198,487,347</u>	<u>180,752,440</u>	<u>-</u>	<u>20,702,194</u>	<u>439,542,915</u>	<u>(389,121,047)</u>	<u>50,421,868</u>

See Accompanying Independent Auditors' Report.

**GOVERNMENT OF GUAM**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance (Deficit), Continued  
General Fund  
Year Ended September 30, 2010**

	100		618		622				
	Department of Administration	Guam Department of Education	Guam Public School System Operations	ECE Adequate Public Education	Other Debt Service	Combined Total	Eliminating Entries	Total	
Other financing sources (uses), Continued:									
Transfers out to other funds:									
Guam Public School System	17,089,165	-	180,751,822	-	-	197,840,987	(197,840,987)	-	
Guam Public School System Operations Fund	170,577,866	-	-	-	-	170,577,866	(170,577,866)	-	
DMHSA Receiver Fund	1,500,000	-	-	-	-	1,500,000	-	1,500,000	
Accessible Parking Fund	411,767	-	-	-	-	411,767	-	411,767	
Better Public Service Fund	402,130	-	-	-	-	402,130	-	402,130	
Community Development Fund	380,656	-	-	-	-	380,656	-	380,656	
Customs, Agriculture and Quarantine									
Inspection Services Fund	2,195,448	-	-	-	-	2,195,448	-	2,195,448	
Federal Grants Assistance Fund	30,041,783	-	-	-	-	30,041,783	-	30,041,783	
GMHA Pharmaceuticals Fund	11,214,816	-	-	-	-	11,214,816	-	11,214,816	
GSA Inventory Revolving Fund	62,927	-	-	-	-	62,927	-	62,927	
Guam Legislature Fund	7,713,567	-	-	-	-	7,713,567	-	7,713,567	
Land Survey Revolving Fund	3,747,398	-	-	-	-	3,747,398	-	3,747,398	
MIP Payment Revolving Fund	13,199,578	-	-	-	-	13,199,578	-	13,199,578	
Office of the Public Auditor	1,046,342	-	-	-	-	1,046,342	-	1,046,342	
Off-island Treatment Fund	1,079,291	-	-	-	-	1,079,291	-	1,079,291	
Public Defender Service Corporation Fund	3,150,194	-	-	-	-	3,150,194	-	3,150,194	
Supplemental Annuity Benefits Fund	11,736,120	-	-	-	-	11,736,120	-	11,736,120	
Unified Courts of Guam Fund	23,823,305	-	-	-	-	23,823,305	-	23,823,305	
Wildlife Conservation Fund	76,955	-	-	-	-	76,955	-	76,955	
Workers Compensation Fund	776,611	-	-	-	-	776,611	-	776,611	
General Obligation Bonds Series A 1993 Debt Service Fund	(2,136,380)	-	-	-	-	(2,136,380)	2,136,380	-	
General Obligation Bonds Series A 2007 Debt Service Fund	7,874,700	-	-	-	-	7,874,700	(7,874,700)	-	
Streetlight Note Loan Fund	3,859,768	-	-	-	-	3,859,768	(3,859,768)	-	
Water System Revenue Bond Debt Service Fund	11,104,106	-	-	-	-	11,104,106	(11,104,106)	-	
Total other financing uses	<u>320,928,113</u>	<u>-</u>	<u>180,751,822</u>	<u>-</u>	<u>-</u>	<u>501,679,935</u>	<u>(389,121,047)</u>	<u>112,558,888</u>	
Total other financing sources (uses), net	<u>(281,326,561)</u>	<u>198,487,347</u>	<u>618</u>	<u>-</u>	<u>20,702,194</u>	<u>(62,137,020)</u>	<u>-</u>	<u>(62,137,020)</u>	
Net change in fund deficit	(64,686,126)	(681,272)	721	-	(5,700,197)	(71,067,492)	-	(71,067,492)	
Deficit at the beginning of the year	(256,651,138)	(21,937,163)	40,064	-	13,170,866	(265,377,371)	-	(265,377,371)	
Deficit at the end of the year	<u>\$ (321,337,264)</u>	<u>\$ (22,618,435)</u>	<u>\$ 40,785</u>	<u>\$ -</u>	<u>\$ 7,470,669</u>	<u>\$ (336,444,863)</u>	<u>\$ -</u>	<u>\$ (336,444,863)</u>	

See Accompanying Independent Auditors' Report.

**GOVERNMENT OF GUAM**

Combining Schedule of Expenditures by Object  
General Fund  
Year Ended September 30, 2010

	Department of Administration	Guam Public School System	Guam Public School System Operations	ECE Adequate Public Education	Other Debt Service	Combined Total	Eliminating Entries	Total
Expenditures by Object:								
Salaries and wages - regular	\$ 94,473,881	\$ 122,519,603	\$ -	\$ -	\$ -	\$ 216,993,484	\$ -	\$ 216,993,484
Salaries and wages - overtime	4,367,481	-	-	-	-	4,367,481	-	4,367,481
Salaries and wages - fringe benefits	29,433,186	36,589,764	-	-	-	66,022,950	-	66,022,950
Travel	445,900	823,570	-	-	-	1,269,470	-	1,269,470
Contractual services	15,749,054	10,822,430	-	-	-	26,571,484	-	26,571,484
Building rent	3,289,605	4,493,256	-	-	-	7,782,861	-	7,782,861
Supplies	3,512,968	3,429,518	-	-	-	6,942,486	-	6,942,486
Equipment	169,379	630,921	-	-	-	800,300	-	800,300
Utilities - power and water	8,218,005	13,827,781	-	-	-	22,045,786	-	22,045,786
Communications	1,723,667	512,285	-	-	-	2,235,952	-	2,235,952
Capital outlays	265,543	2,885,852	-	-	-	3,151,395	-	3,151,395
Grants and subsidies	49,834,891	-	-	-	-	49,834,891	-	49,834,891
Supplemental annuity benefits	6,765,267	-	-	-	-	6,765,267	-	6,765,267
Retiree healthcare benefits	13,065,666	6,079,477	-	-	-	19,145,143	-	19,145,143
Principal retirement	-	-	-	-	14,794,069	14,794,069	-	14,794,069
Interest and fiscal charges	31,953,563	322,063	-	-	11,611,562	43,887,188	-	43,887,188
Miscellaneous	6,782,919	504,710	-	-	-	7,287,629	-	7,287,629
	<u>\$ 270,050,975</u>	<u>\$ 203,441,230</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,405,631</u>	<u>\$ 499,897,836</u>	<u>\$ -</u>	<u>\$ 499,897,836</u>

See Accompanying Independent Auditors' Report.

**GOVERNMENT OF GUAM**

Combining Schedule of Assets, Liabilities, and Fund Balances  
General Fund - Debt Service Funds  
September 30, 2010

	355	357	359	361	362	363	Total
	Water System Revenue Bond	General Obligation Series A 1993	General Obligation Series A 1995	General Obligation Series A 2007	Streetlight Note Payable 2008	Limited Obligation Series A 2009	Total
<b>ASSETS</b>							
Due from other funds	\$ -	\$ -	\$ 630,656	\$ -	\$ -	\$ 1,461	\$ 632,117
Prepayments	1,281,818	-	-	-	-	-	1,281,818
Restricted assets:							
Investments	<u>37,955,494</u>	<u>3,175,733</u>	<u>-</u>	<u>12,437,729</u>	<u>-</u>	<u>-</u>	<u>53,568,956</u>
Total assets	<u>\$ 39,237,312</u>	<u>\$ 3,175,733</u>	<u>\$ 630,656</u>	<u>\$ 12,437,729</u>	<u>\$ -</u>	<u>\$ 1,461</u>	<u>\$ 55,482,891</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Accounts payable	\$ 2,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,000
Due to other funds	<u>37,012,987</u>	<u>-</u>	<u>-</u>	<u>10,997,235</u>	<u>-</u>	<u>-</u>	<u>48,010,222</u>
Total liabilities	<u>37,014,987</u>	<u>-</u>	<u>-</u>	<u>10,997,235</u>	<u>-</u>	<u>-</u>	<u>48,012,222</u>
Fund balances:							
Reserved:							
Debt service	37,955,494	3,175,733	-	12,437,729	-	-	53,568,956
Unreserved	<u>(35,733,169)</u>	<u>-</u>	<u>630,656</u>	<u>(10,997,235)</u>	<u>-</u>	<u>1,461</u>	<u>(46,098,287)</u>
Total liabilities and fund balances	<u>\$ 39,237,312</u>	<u>\$ 3,175,733</u>	<u>\$ 630,656</u>	<u>\$ 12,437,729</u>	<u>\$ -</u>	<u>\$ 1,461</u>	<u>\$ 55,482,891</u>

See Accompanying Independent Auditors' Report.

**GOVERNMENT OF GUAM**

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance  
General Fund - Debt Service Funds  
Year Ended September 30, 2010

	355	357	359	361	362	363	
	Water System Revenue Bond	General Obligation Series A 1993	General Obligation Series A 1995	General Obligation Series A 2007	Streetlight Note Payable 2008	Limited Obligation Series A 2009	Total
Revenues:							
Use of money and property	\$ 946	\$ 750	\$ -	\$ 1,544	\$ -	\$ -	\$ 3,240
Expenditures by Function:							
Debt service:							
Principal retirement	8,590,000	2,910,000	-	-	3,294,069	-	14,794,069
Interest and fiscal charges	1,240,302	1,930,861	-	7,874,700	565,699	-	11,611,562
Total expenditures	9,830,302	4,840,861	-	7,874,700	3,859,768	-	26,405,631
Excess (deficiency) of revenues over (under) expenditures	(9,829,356)	(4,840,111)	-	(7,873,156)	(3,859,768)	-	(26,402,391)
Other financing sources (uses):							
Transfers in from (out to) other funds:							
Department of Administration	11,104,106	(2,136,380)	-	7,874,700	3,859,768	-	20,702,194
Net change in fund balances	1,274,750	(6,976,491)	-	1,544	-	-	(5,700,197)
Fund balance at the beginning of the year	947,575	10,152,224	630,656	1,438,950	-	1,461	13,170,866
Fund balance at the end of the year	\$ 2,222,325	\$ 3,175,733	\$ 630,656	\$ 1,440,494	\$ -	\$ 1,461	\$ 7,470,669

See Accompanying Independent Auditors' Report.

**GOVERNMENT OF GUAM**

Balance Sheets  
Governmental Funds  
September 30, 2010  
(With comparatives as of September 30, 2009)

	General Fund		Federal Grants Assistance Fund		GDOE Federal Grants Fund		DHMSA Receiver Fund		Landfill CIP Fund		Other Governmental Funds	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
<b>ASSETS</b>												
Cash and cash equivalents	\$ 18,120,086	\$ 16,321,035	\$ 4,640,534	\$ 7,600,473	\$ 1,039,568	\$ 1,894,971	\$ -	\$ -	\$ -	\$ -	\$ 9,598,917	\$ 24,060,285
Time certificates of deposit	205,770	5,417,058	-	-	-	-	-	-	-	-	-	-
Investments	1,000,000	900,000	-	-	-	-	-	-	-	-	16,678,557	20,537,072
Receivables, net:												
Taxes	30,302,323	26,583,669	-	-	-	-	-	-	-	-	4,803,338	4,873,143
Federal agencies	15,450,000	20,173,120	49,793,137	26,848,815	6,297,254	5,171,082	-	-	-	-	319,103	732,497
Other	-	-	155	345,976	-	-	-	-	-	-	6,069,794	3,638,761
Due from other funds	37,244,223	37,469,724	-	-	-	-	-	-	-	-	35,007,360	40,368,819
Due from private purpose trust funds	-	-	-	-	-	-	-	-	-	-	2,516,039	2,728,829
Due from component units	-	-	-	-	-	-	-	-	-	-	2,153,590	1,528,147
Inventories	-	-	-	-	-	-	-	-	-	-	406,896	434,731
Prepayments	1,820,780	393,874	-	-	-	-	1,500,000	-	1,248,454	-	-	-
Deposits and other assets	-	-	-	-	-	-	-	-	-	-	27,837	31,223
Restricted assets:												
Cash and cash equivalents	-	-	-	-	-	-	-	-	11,795,623	20,942,886	-	-
Time certificates of deposit	-	-	-	-	-	-	-	-	-	-	1,000,718	1,000,718
Investments	82,305,935	103,125,980	-	-	-	-	-	-	131,971,935	167,725,739	24,104,027	29,410,670
Total assets	\$ 186,449,117	\$ 210,384,460	\$ 54,433,826	\$ 34,795,264	\$ 7,336,822	\$ 7,066,053	\$ 1,500,000	\$ -	\$ 145,016,012	\$ 188,668,625	\$ 102,686,176	\$ 129,344,895
<b>LIABILITIES AND FUND BALANCES</b>												
<b>(DEFICITS)</b>												
Accounts payable	\$ 83,996,985	\$ 63,495,857	\$ 13,785,456	\$ 141,935	\$ 2,072,191	\$ 2,677,094	\$ -	\$ -	\$ 9,744,039	\$ -	\$ 7,318,927	\$ 7,335,208
Accrued payroll and other	18,368,199	10,517,648	584,977	415,642	1,430,748	740,069	-	-	-	-	1,225,796	978,469
Due to other funds	34,981,268	37,733,969	27,843,321	19,651,090	1,190,112	1,246,443	-	-	-	-	8,236,882	19,207,041
Due to pension trust funds	6,562,500	6,305,782	-	-	-	-	-	-	-	-	-	-
Due to component units	6,447,691	16,497,205	-	-	-	-	-	-	-	-	-	1,842,502
Payable to federal agencies	11,674,000	-	11,894,669	14,328,476	-	-	-	-	-	-	-	-
Deferred revenues	46,357,373	39,290,984	-	-	2,643,771	2,402,447	-	-	-	-	961,363	962,829
Provision for tax refunds	278,286,760	253,959,204	-	-	-	-	-	-	-	-	6,582,079	5,192,264
COLA liability	23,100,732	26,932,491	-	-	-	-	-	-	-	-	-	-
Deposits and other liabilities	13,118,472	21,028,691	-	-	-	-	-	-	-	-	3,300,922	2,482,483
Total liabilities	522,893,980	475,761,831	54,108,423	34,537,143	7,336,822	7,066,053	-	-	9,744,039	-	27,625,969	38,000,796
Fund balances (deficits):												
Reserved:												
Related assets	1,000,000	900,000	-	-	-	-	1,500,000	-	1,248,454	-	839,855	1,895,104
Continuing appropriations	31,547,303	37,820,724	-	-	-	-	-	-	8,906,302	7,778,041	18,134,334	18,482,655
Encumbrances	6,819,544	7,751,692	103,241,566	86,799,557	6,916,785	2,633,071	-	-	19,845,711	6,694,364	6,078,768	11,960,291
Debt service	67,876,648	85,090,529	-	-	-	-	-	-	25,122,717	34,570,427	17,852,160	20,565,328
Unreserved (deficits), reported in:												
General fund	(443,688,358)	(396,940,316)	-	-	-	-	-	-	-	-	-	-
Special revenue funds	-	-	(102,916,163)	(86,541,436)	(6,916,785)	(2,633,071)	-	-	-	-	26,988,173	31,689,403
Capital projects funds	-	-	-	-	-	-	-	-	80,148,789	139,625,793	5,164,954	6,749,355
Debt service funds	-	-	-	-	-	-	-	-	-	-	1,963	1,963
Total fund balances (deficits)	(336,444,863)	(265,377,371)	325,403	258,121	-	-	1,500,000	-	135,271,973	188,668,625	75,060,207	91,344,099
Total liabilities and fund balances	\$ 186,449,117	\$ 210,384,460	\$ 54,433,826	\$ 34,795,264	\$ 7,336,822	\$ 7,066,053	\$ 1,500,000	\$ -	\$ 145,016,012	\$ 188,668,625	\$ 102,686,176	\$ 129,344,895

See Accompanying Independent Auditors' Report

**GOVERNMENT OF GUAM**

Statements of Revenues, Expenditures by Function, and Changes in Fund Balances (Deficit)  
 Governmental Funds  
 Year Ended September 30, 2010  
 (With comparatives for the year ended September 30, 2009)

	General Fund		Federal Grants Assistance Fund		GDOE Federal Grants Fund		DMHSA Receiver Fund		Landfill CIP		Other Governmental Funds	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
<b>Revenues:</b>												
Taxes	\$ 431,363,966	\$ 427,872,690	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 68,433,556	\$ 57,903,380
Federal contributions	-	-	268,062,264	232,633,212	42,766,617	42,775,339	-	-	-	-	14,098,042	3,016,342
Licenses, fees and permits	4,546,349	4,470,091	-	-	-	-	-	-	-	-	52,247,818	41,499,434
Section 30 Federal income tax collections	39,028,136	38,869,372	-	-	-	-	-	-	-	-	-	-
Indirect cost reimbursement	469,595	4,551,926	-	-	-	-	-	-	-	-	-	-
Contributions from component units	4,863,593	2,027,632	-	-	-	-	-	-	-	-	-	-
Use of money and property	432,203	871,525	-	-	-	-	-	-	1,709,536	573,151	2,914,913	3,255,951
Immigration and passport fees	1,754,678	1,612,140	-	-	-	-	-	-	-	-	-	1,239,256
Guam Public School System	4,272,611	1,175,560	-	-	-	-	-	-	-	-	-	-
Other	4,236,233	1,699,247	-	-	299,243	-	-	-	-	-	1,057,465	2,387,618
<b>Total revenues</b>	<b>490,967,364</b>	<b>483,150,183</b>	<b>268,062,264</b>	<b>232,633,212</b>	<b>43,065,860</b>	<b>42,775,339</b>	<b>-</b>	<b>-</b>	<b>1,709,536</b>	<b>573,151</b>	<b>138,751,794</b>	<b>109,301,981</b>
<b>Expenditures by Function:</b>												
<b>Current:</b>												
General government	47,828,161	40,895,439	13,626,545	7,744,200	-	-	-	-	2,751,546	2,583,664	38,961,769	36,588,095
Protection of life and property	78,943,168	86,859,431	8,813,245	7,062,883	-	-	-	-	-	-	13,325,306	13,333,544
Public health	17,123,990	14,017,664	161,559,999	143,846,533	-	-	-	-	-	-	12,166,519	11,040,526
Community services	4,111,456	4,837,599	20,440,300	21,689,252	-	-	-	-	-	-	13,656,305	10,936,733
Recreation	2,850,817	3,382,846	1,041,177	1,345,566	-	-	-	-	-	-	685,116	636,872
Individual and collective rights	11,356,950	12,219,611	11,904,884	10,781,653	-	-	-	-	-	-	28,967,098	26,175,973
Transportation	-	-	12,095,225	5,081,547	-	-	-	-	-	-	7,079,913	10,611,617
Public education	204,166,004	207,148,495	332,748	-	43,065,860	43,070,404	-	-	-	-	85,486	-
Environmental protection	-	-	5,774,080	3,955,677	-	-	-	-	-	-	4,957,733	5,436,524
Economic development	3,201,411	3,445,863	8,313,937	6,484,219	-	-	-	-	-	-	9,592,677	172,098
<b>Payments to:</b>												
GovGuam Retirement Fund	1,303,448	1,283,200	-	-	-	-	-	-	-	-	500,000	-
Antonio B. Won Pat International Airport Authority	-	-	-	1,211,963	-	-	-	-	-	-	-	-
Chamorro Land Trust Commission	-	-	-	-	-	-	-	-	-	-	564,054	641,183
Guam Community College	13,938,332	13,922,708	642,164	888,266	-	-	-	-	-	-	2,330,725	1,150,081
Guam Educational Telecommunications Corporation	521,621	596,280	-	-	-	-	-	-	-	-	-	-
Guam Housing and Urban Renewal Authority	-	-	401,864	-	-	-	-	-	-	-	4,556,972	-
Guam Memorial Hospital Authority	1,006,397	10,564,012	5,654,511	4,054,433	-	-	-	-	-	-	12,429,919	12,331,701
Guam Preservation Trust	-	-	-	-	-	-	-	-	-	-	1,200,000	1,125,000
Guam Power Authority	-	-	46,554	7,406,622	-	-	-	-	-	-	-	-
Guam Regional Transit Authority	399,934	-	566,207	-	-	-	-	-	-	-	-	3,777,795
Guam Visitors Bureau	76,395	-	-	-	-	-	-	-	-	-	13,461,095	12,358,831
Guam Waterworks Authority	-	-	-	773,508	-	-	-	-	-	-	-	-
Port Authority of Guam	-	-	2,063,177	209,813	-	-	-	-	-	-	-	-
University of Guam	32,588,765	32,172,690	89,391	125,867	-	-	-	-	-	-	640,000	500,000
Miscellaneous appropriations	19,411,979	20,452,184	-	-	-	-	-	-	-	-	52,099	183,597
Interest and other charges	18,027,410	46,609,389	-	-	-	-	-	-	-	-	-	-
Capital projects	-	-	37,630,296	33,143,824	-	17,254,250	-	-	41,685,955	5,272,166	2,814,671	4,761,039
Debt service	43,041,598	26,103,484	-	-	7,100,000	7,100,000	-	-	10,668,687	-	13,675,955	13,996,904
<b>Total expenditures</b>	<b>499,897,836</b>	<b>524,510,895</b>	<b>290,996,304</b>	<b>255,805,826</b>	<b>50,165,860</b>	<b>67,424,654</b>	<b>-</b>	<b>-</b>	<b>55,106,188</b>	<b>7,855,830</b>	<b>185,481,207</b>	<b>161,980,318</b>
Deficiency of revenues under expenditures	(8,930,472)	(41,360,712)	(22,934,040)	(23,172,614)	(7,100,000)	(24,649,315)	-	-	(53,396,652)	(7,282,679)	(46,729,413)	(52,678,337)
<b>Other financing sources (uses):</b>												
Proceeds from bonds issued	-	271,070,000	-	-	-	-	-	-	-	202,425,000	-	-
Proceeds from issuance of long-term debt	-	-	-	-	-	-	-	-	-	-	991,134	2,845,230
Capital leases	-	-	-	-	-	17,254,250	-	-	-	-	-	-
Discount on bonds issued	-	(9,622,491)	-	-	-	-	-	-	-	(5,643,004)	-	-
Transfers in from other funds	50,421,868	42,100,429	30,101,322	30,712,390	7,100,000	7,489,708	1,500,000	-	-	-	93,890,220	93,467,879
Transfers out to other funds	(112,558,888)	(112,049,662)	(7,100,000)	(7,489,708)	-	(1,456,752)	-	-	-	(830,692)	(64,435,833)	(52,922,478)
<b>Total other financing sources (uses), net</b>	<b>(62,137,020)</b>	<b>191,498,276</b>	<b>23,001,322</b>	<b>23,222,682</b>	<b>7,100,000</b>	<b>23,287,206</b>	<b>1,500,000</b>	<b>-</b>	<b>-</b>	<b>195,951,304</b>	<b>30,445,521</b>	<b>43,390,631</b>
<b>Net change in fund balances (deficits)</b>	<b>(71,067,492)</b>	<b>150,137,564</b>	<b>67,282</b>	<b>50,068</b>	<b>-</b>	<b>(1,362,109)</b>	<b>1,500,000</b>	<b>-</b>	<b>(53,396,652)</b>	<b>188,668,625</b>	<b>(16,283,892)</b>	<b>(9,287,706)</b>
<b>Fund balances (deficits) at beginning of year</b>	<b>(265,377,371)</b>	<b>(415,514,935)</b>	<b>258,121</b>	<b>208,053</b>	<b>-</b>	<b>1,362,109</b>	<b>-</b>	<b>-</b>	<b>188,668,625</b>	<b>-</b>	<b>91,344,099</b>	<b>100,631,805</b>
<b>Fund balances (deficits) at end of year</b>	<b>\$ (336,444,863)</b>	<b>\$ (265,377,371)</b>	<b>\$ 325,403</b>	<b>\$ 258,121</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,500,000</b>	<b>\$ -</b>	<b>\$ 135,271,973</b>	<b>\$ 188,668,625</b>	<b>\$ 75,060,207</b>	<b>\$ 91,344,099</b>

See Accompanying Independent Auditors' Report

**GOVERNMENT OF GUAM**

Statements of Revenues, Expenditures by Object, and Changes in Fund Balances (Deficit)  
Governmental Funds  
Year Ended September 30, 2010  
(With comparatives for the year ended September 30, 2009)

	General Fund		Federal Grants Assistance Fund		GDOE Federal Grants Fund		DMHSA Receiver Fund		Landfill CIP		Other Governmental Funds	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
<b>Revenues:</b>												
Taxes	\$ 431,363,966	\$ 427,872,690	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 68,433,556	\$ 57,903,380
Federal contributions	-	-	268,062,264	232,633,212	42,766,617	42,775,339	-	-	-	-	14,098,042	3,016,342
Licenses, fees and permits	4,546,349	4,470,091	-	-	-	-	-	-	-	-	52,247,818	41,499,434
Section 30 Federal income tax collections	39,028,136	38,869,372	-	-	-	-	-	-	-	-	-	-
Indirect cost reimbursement	469,595	4,551,926	-	-	-	-	-	-	-	-	-	-
Contributions from component units	4,863,593	2,027,632	-	-	-	-	-	-	-	-	-	-
Use of money and property	432,203	871,525	-	-	-	-	-	-	1,709,536	573,151	2,914,913	3,255,951
Immigration and passport fees	1,754,678	1,612,140	-	-	-	-	-	-	-	-	-	1,239,256
Guam Public School System	4,272,611	1,175,560	-	-	-	-	-	-	-	-	-	-
Other	4,236,233	1,699,247	-	-	299,243	-	-	-	-	-	1,057,465	2,387,618
<b>Total revenues</b>	<b>490,967,364</b>	<b>483,150,183</b>	<b>268,062,264</b>	<b>232,633,212</b>	<b>43,065,860</b>	<b>42,775,339</b>	<b>-</b>	<b>-</b>	<b>1,709,536</b>	<b>573,151</b>	<b>138,751,794</b>	<b>109,301,981</b>
<b>Expenditures by Object:</b>												
Salaries and wages:												
Regular	216,993,484	209,819,224	26,075,666	24,376,082	21,392,719	21,500,812	-	-	-	-	52,533,786	52,415,358
Overtime	4,367,481	5,273,393	708,546	286,515	-	47,905	-	-	-	-	1,287,086	511,848
Fringe benefits	66,022,950	64,203,838	7,931,379	7,384,487	6,296,605	6,142,448	-	-	-	-	14,750,913	8,601,906
Travel	1,269,470	636,533	2,306,328	2,183,863	525,572	602,518	-	-	-	-	1,013,298	496,120
Contractual services	26,571,484	26,721,712	55,793,455	64,903,086	11,410,204	10,481,041	-	-	43,012,383	5,501,760	21,224,126	16,229,756
Building rent	7,782,861	4,053,425	1,718,252	1,593,622	-	-	-	-	-	-	4,529,458	2,974,387
Supplies	6,942,486	12,659,841	1,777,252	1,519,287	2,631,753	3,553,170	-	-	1,093,052	639,450	4,103,621	2,614,515
Equipment	800,300	5,398,143	2,357,651	1,051,895	495,066	614,008	-	-	-	-	1,184,698	478,699
Utilities - power and water	22,045,786	20,492,361	1,711,217	1,398,656	-	-	-	-	-	-	5,565,334	4,505,251
Communications	2,235,952	2,372,272	563,701	373,268	-	3,218	-	-	-	-	681,244	481,789
Capital outlays	3,151,395	2,038,957	20,023,393	6,053,664	166,101	82,800	-	-	332,066	124,656	1,884,042	5,083,202
Capital lease	-	-	-	-	-	17,254,250	-	-	-	-	-	-
Grants and subsidies	49,834,891	58,538,890	118,013,750	101,325,026	-	-	-	-	-	-	35,682,765	28,106,796
Supplemental annuity benefits	6,765,267	6,670,000	-	-	-	-	-	-	-	-	11,736,120	11,924,030
Retiree healthcare benefits	19,145,143	20,398,115	-	-	-	-	-	-	-	-	-	-
Principal retirement	14,794,069	12,297,839	-	-	2,915,000	3,451,500	-	-	-	-	10,220,000	10,300,000
Interest and fiscal charges	43,887,188	58,674,634	-	-	4,185,000	3,648,500	-	-	10,668,687	-	3,455,955	3,696,904
Bond issuance costs	-	1,906,137	-	-	-	-	-	-	-	1,589,964	-	-
Miscellaneous	7,287,629	12,355,581	52,015,714	43,356,375	147,840	42,484	-	-	-	-	15,628,761	13,559,757
<b>Total expenditures</b>	<b>499,897,836</b>	<b>524,510,895</b>	<b>290,996,304</b>	<b>255,805,826</b>	<b>50,165,860</b>	<b>67,424,654</b>	<b>-</b>	<b>-</b>	<b>55,106,188</b>	<b>7,855,830</b>	<b>185,481,207</b>	<b>161,980,318</b>
Deficiency of revenues under expenditures	(8,930,472)	(41,360,712)	(22,934,040)	(23,172,614)	(7,100,000)	(24,649,315)	-	-	(53,396,652)	(7,282,679)	(46,729,413)	(52,678,337)
<b>Other financing sources (uses):</b>												
Proceeds from bonds issued	-	271,070,000	-	-	-	-	-	-	-	202,425,000	-	-
Proceeds from issuance of long-term debt	-	-	-	-	-	-	-	-	-	-	991,134	2,845,230
Capital leases	-	-	-	-	-	17,254,250	-	-	-	-	-	-
Discount on bonds issued	-	(9,622,491)	-	-	-	-	-	-	-	(5,643,004)	-	-
Transfers in from other funds	50,421,868	42,100,429	30,101,322	30,712,390	7,100,000	7,489,708	1,500,000	-	-	-	93,890,220	93,467,879
Transfers out to other funds	(112,558,888)	(112,049,662)	(7,100,000)	(7,489,708)	-	(1,456,752)	-	-	-	(830,692)	(64,435,833)	(52,922,478)
<b>Total other financing sources (uses), net</b>	<b>(62,137,020)</b>	<b>191,498,276</b>	<b>23,001,322</b>	<b>23,222,682</b>	<b>7,100,000</b>	<b>23,287,206</b>	<b>1,500,000</b>	<b>-</b>	<b>-</b>	<b>195,951,304</b>	<b>30,445,521</b>	<b>43,390,631</b>
<b>Net change in fund balances (deficits)</b>	<b>(71,067,492)</b>	<b>150,137,564</b>	<b>67,282</b>	<b>50,068</b>	<b>-</b>	<b>(1,362,109)</b>	<b>1,500,000</b>	<b>-</b>	<b>(53,396,652)</b>	<b>188,668,625</b>	<b>(16,283,892)</b>	<b>(9,287,706)</b>
Fund balances (deficits) at beginning of year	(265,377,371)	(415,514,935)	258,121	208,053	-	1,362,109	-	-	188,668,625	-	91,344,099	100,631,805
Fund balances (deficits) at end of year	\$ (336,444,863)	\$ (265,377,371)	\$ 325,403	\$ 258,121	\$ -	\$ -	\$ 1,500,000	\$ -	\$ 135,271,973	\$ 188,668,625	\$ 75,060,207	\$ 91,344,099

See Accompanying Independent Auditors' Report

## GOVERNMENT OF GUAM

### Schedule of Personnel Count Years Ended September 30, 2010 and 2009

Department	2010	2009
Agency for Human Resources Development	99	55
Ancestral Lands Commission	3	3
Bureau of Budget and Management Research	18	19
Bureau of Statistics and Plans	65	32
Chamorro Land Trust Commission	12	12
Civil Service Commission	8	8
Customs and Quarantine	150	150
Department of Administration	136	137
Department of Agriculture	81	84
Department of Chamorro Affairs	13	16
Department of Corrections	231	211
Department of Education	3,702	3,737
Department of Integrated Services for Individuals with Disabilities	31	36
Department of Labor	183	167
Department of Land Management	53	46
Department of Law - Attorney General	151	150
Department of Mental Health and Substance Abuse	159	148
Department of Military Affairs	43	43
Department of Parks and Recreation	72	71
Department of Public Health and Social Services	412	406
Department of Public Works	382	396
Department of Revenue and Taxation	165	162
Department of Youth Affairs	86	84
Education Suruhanu	2	-
Governor's Office	98	136
Guam Commission for Educator Certification	3	3
Guam Contractors License Board	11	9
Guam Council on the Arts and Humanities Agency	5	4
Guam Developmental Disabilities Council	-	3
Guam Educational and Telecom. Corporation - KGTF	10	9
Guam Election Commission	-	6
Guam Energy Office	15	12
Guam Environmental Protection Agency	49	59
Guam Fire Department	297	305
Guam Legislature	168	164
Guam PEALS Board	2	2
Guam Police Department	382	375
Guam Public Library System	31	32
Guam Regional Transit Authority	5	-
Hagatna Restoration and Redevelopment Authority	1	1
Mayors' Council of Guam	247	201
Medical Examiner	3	3
Office of I Segundu Na Maga'Lahen Guahan	22	21
Office of Public Accountability	16	13
Public Defender	49	58
Unified Courts of Guam	381	343
Veteran Affairs Office	4	-
	8,056	7,932

See Accompanying Independent Auditors' Report

**GOVERNMENT OF GUAM**

Schedule of Outstanding Debt  
September 30, 2010

	Outstanding Principal Amount	Final Maturity (Year Ending September 30)
Primary Government:		
General Obligation Bonds:		
1993 Series A	\$ 34,370,000	2019
2007 Series A	151,935,000	2038
2009 Series A	271,070,000	2040
Limited Obligation Bonds:		
1997 Series A Infrastructure Improvement Bonds	31,385,000	2018
2001 Series A Highway Refunding Bonds	11,250,000	2012
2001 Series A Section 30 Bonds	18,620,000	2012
2009 Series A Section 30 Bonds	202,425,000	2035
Other Loans Payable:		
2002 Bank loan	3,949,267	2013
2006 Bank loan	10,175,434	2018
2008 Bank loan	7,183,280	2012
	742,362,981	
Component Units:		
Antonio B. Won Pat International Airport Authority:		
2003 Series A Revenue Bonds	172,725,000	2024
Guam Power Authority:		
1993 Series A Revenue Bonds	66,985,000	2024
1999 Series A Revenue Bonds	313,700,000	2035
2010 Series A Revenue Bonds	150,440,000	2041
2010 Series A Subordinate Revenue Bonds	56,115,000	2016
Guam Waterworks Authority:		
2005 Series A Revenue Bonds	95,295,000	2035
2010 Bank loan	24,590,570	2020
2010 Bank loan	4,794,934	2016
University of Guam:		
Rural development loan	12,787,473	2044
Guam Housing and Urban Renewal Authority:		
Rural development loan	1,400,541	2030
Guam Housing Corporation:		
1998 Series A Mortgage-Backed Revenue Bonds	4,980,000	2031
Federal Home Loan Bank loan	4,351,620	2014
Guam Economic Development Authority:		
2007 Series A Tobacco Settlement Revenue Bonds	30,430,000	2026
2007 Series B Tobacco Settlement Revenue Bonds	16,773,618	2034
	955,368,756	
	\$ 1,697,731,737	

See Accompanying Independent Auditors' Report.

**GOVERNMENT OF GUAM**

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**SINGLE AUDIT REPORTS**

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**YEAR ENDED SEPTEMBER 30, 2010**

**GOVERNMENT OF GUAM**  
**SINGLE AUDIT REPORTS**  
**YEAR ENDED SEPTEMBER 30, 2010**

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Eddie B. Calvo  
Governor  
Government of Guam:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Government of Guam (GovGuam) as of and for the year ended September 30, 2010, which collectively comprise GovGuam's basic financial statements and have issued our report thereon dated June 24, 2011. Our report includes a reference to other auditors. 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. Other auditors audited the financial statements of the GovGuam Retirement Fund, the Antonio B. Won Pat International Airport Authority, the Port Authority of Guam, the University of Guam, the Guam Housing and Urban Renewal Authority, the Guam Housing Corporation, and the Guam Preservation Trust, as described in our report on GovGuam's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors.

For purposes of this report, our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants, and other matters did not include the Guam Department of Education, the Guam Power Authority, the Guam Waterworks Authority, the Guam Community College, the Guam Economic Development Authority, the Guam Visitors Bureau, the Guam Memorial Hospital Authority, and the Guam Educational Telecommunications Corporation, which were all audited by us. We have issued separate reports on our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters for these entities. Other auditors issued separate reports on their consideration of internal control over financial reporting and their tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters for the GovGuam Retirement Fund, the Antonio B. Won Pat International Airport Authority, the Port Authority of Guam, the University of Guam, the Guam Housing and Urban Renewal Authority, the Guam Housing Corporation, and the Guam Preservation Trust. The findings, if any, included in those reports are not included herein.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered GovGuam's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of GovGuam's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of GovGuam's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 10-7 and 10-8 to be material weaknesses.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 10-9 to be significant deficiencies.

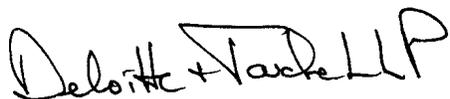
## Compliance and Other Matters

As part of obtaining reasonable assurance about whether GovGuam's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 10-1.

We noted certain matters that we reported to management of GovGuam in a separate letter dated June 24, 2011.

GovGuam's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit GovGuam's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the management of the Government of Guam, others within the entity, the Office of Public Accountability - Guam, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.



June 24, 2011

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB  
CIRCULAR A-133 AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Honorable Eddie B. Calvo  
Governor  
Government of Guam:

### Compliance

We have audited the Government of Guam's (GovGuam's) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Government of Guam's major federal programs for the year ended September 30, 2010. The Government of Guam's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs (pages 19 through 44). Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Government of Guam's management. Our responsibility is to express an opinion on the Government of Guam's compliance based on our audit.

As discussed in Note 2b to the Schedule of Expenditures of Federal Awards, GovGuam's basic financial statements include the operations of certain entities whose federal awards are not included in the Schedule of Expenditures of Federal Awards for the year ended September 30, 2010. Our audit, described below, did not include the operations of the entities identified in Note 2b as these entities conducted separate audits in accordance with OMB Circular A-133, if required.

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 GovGuam'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 of GovGuam's compliance with those requirements.

As described in items 10-1, 10-2, 10-3, 10-5, and 10-6, in the accompanying Schedule of Findings and Questioned Costs, the Government of Guam did not comply with requirements regarding cash management, eligibility, equipment and real property management, procurement and suspension and debarment, and reporting that are applicable to its major federal programs as described in the Federal Award Findings and Questioned Cost Section of the accompanying Schedule of Findings and Questioned Costs (page 30). Compliance with such requirements is necessary, in our opinion, for the Government of Guam to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Government of Guam complied, in all material respects, with the requirements referred to above that could have a direct and material effect on CFDA 11.004 Census Intergovernmental Services; CFDA Program 15.875 Economic, Social and Political Development of the Territories; the WIA Cluster; CFDA Program 20.205 Highway Planning and Construction; CFDA Program 20.509 Formula Grants for Other Than Urbanized Areas; the Aging Cluster; CFDA Program 93.558 Temporary Assistance for Needy Families; CFDA Program 93.778 Medical Assistance Program (Medicaid); and CFDA Program 97.067 Homeland Security Grant Program. Also in our opinion, the Government of Guam complied, in all material respects, with the requirements referred to above that are applicable to each of its other major federal programs for the year ended September 30, 2010. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 10-4.

### Internal Control Over Compliance

Management of GovGuam is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered GovGuam's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of GovGuam's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 10-1, 10-2, 10-3, 10-5, and 10-6 to be material weaknesses.

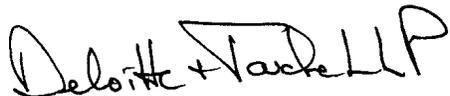
*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 10-4 to be significant deficiencies.

## Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Government of Guam (GovGuam) as of and for the year ended September 30, 2010, and have issued our report thereon dated June 24, 2011, which report includes a reference to other auditors. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise GovGuam's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (pages 6 through 13) is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. This schedule is the responsibility of the management of GovGuam. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

GovGuam's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit GovGuam's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the management of the Government of Guam, others within the entity, the Office of Public Accountability - Guam, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

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

June 24, 2011

# GOVERNMENT OF GUAM

## Summary of Schedule of Expenditures of Federal Awards, by Grantor Year Ended September 30, 2010

<u>Agency/Program</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture	\$ 109,462,643
U.S. Department of Commerce	11,489,514
U.S. Department of Defense	8,160,561
U.S. Department of Housing and Urban Development	59,246
U.S. Department of the Interior	21,278,491
U.S. Department of Justice	6,267,411
U.S. Department of Labor	6,606,021
U.S. Department of Transportation	51,246,580
National Foundation on the Arts and the Humanities	595,791
U.S. Environmental Protection Agency	2,870,261
U.S. Department of Energy	2,711,171
U.S. Department of Education	3,294,715
U.S. Department of Health and Human Services	54,508,498
Corporation for National and Community Service	1,890,031
U.S. Department of Homeland Security	<u>5,998,824</u>
GRAND TOTAL	<u>\$ 286,439,758</u>

Note: All awards are received direct from the Federal agency.

See accompanying notes to Schedule of Expenditures of Federal Awards.

# GOVERNMENT OF GUAM

## Schedule of Expenditures of Federal Awards Year Ended September 30, 2010

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE		
10.025	Plant and Animal Disease, Pest Control, and Animal Care	\$ 3,549
10.156	Federal-State Marketing Improvement Program	-
10.170	Specialty Crop Block Grant Program - Farm Bill	-
10.551	Supplemental Nutrition Assistance Program	96,693,630
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	8,531,199
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	3,539,333
10.561	ARRA State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	48,589
10.572	WIC Farmers' Market Nutrition Program (FMNP)	62,141
10.664	Cooperative Forestry Assistance	327,113
10.675	Urban and Community Forestry Program	109,034
10.676	Forest Legacy Program	2,940
10.678	Forest Stewardship Program	-
10.680	Forest Health Protection	-
10.766	Community Facilities Loans and Grants	102,102
10.912	Environmental Quality Incentives Program	43,838
10.914	Wildlife Habitat Incentive Program	<u>(825)</u>
	U.S. DEPARTMENT OF AGRICULTURE TOTAL	<u>\$ 109,462,643</u>
U.S. DEPARTMENT OF COMMERCE		
11.004	Census Intergovernmental Services	\$ 9,354,081
11.407	Interjurisdictional Fisheries Act of 1986	18,212
11.419	Coastal Zone Management Administration Awards	1,203,129
11.426	Financial Assistance for National Centers for Coastal Ocean Science	124,887
11.437	Pacific Fisheries Data Program	44,303
11.454	Unallied Management Projects	12,590
11.463	Habitat Conservation	43,800
11.467	Meteorologic and Hydrologic Modernization Development	27,202
11.555	Public Safety Interoperable Communications Grant Program	<u>661,310</u>
	U.S. DEPARTMENT OF COMMERCE TOTAL	<u>\$ 11,489,514</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

# GOVERNMENT OF GUAM

## Schedule of Expenditures of Federal Awards Year Ended September 30, 2010

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF DEFENSE		
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	\$ 114,528
12.401	National Guard Military Operations and Maintenance (O&M) Projects	2,846,159
12.607	Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation	5,163,160
12.613	Growth Management Planning Assistance	<u>36,714</u>
U.S. DEPARTMENT OF DEFENSE TOTAL		<u>\$ 8,160,561</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
14.235	Supportive Housing Program	<u>\$ 59,246</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT TOTAL		<u>\$ 59,246</u>
U.S. DEPARTMENT OF THE INTERIOR		
15.605	Sport Fish Restoration Program	\$ 1,247,922
15.608	Fish and Wildlife Management Assistance	56,593
15.611	Wildlife Restoration	188,961
15.615	Cooperative Endangered Species Conservation Fund	175,533
15.634	State Wildlife Grants	161,739
15.650	Research Grants (Generic)	20,350
15.875	Economic, Social, and Political Development of the Territories	18,873,728
15.904	Historic Preservation Fund Grants-In-Aid	406,345
15.916	Outdoor Recreation-Acquisition, Development and Planning	<u>147,320</u>
U.S. DEPARTMENT OF THE INTERIOR TOTAL		<u>\$ 21,278,491</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

# GOVERNMENT OF GUAM

## Schedule of Expenditures of Federal Awards Year Ended September 30, 2010

CFDA#	Agency/Program	Expenditures
U.S. DEPARTMENT OF JUSTICE		
16.013	Violence Against Women Act Court Training and Improvement Grants	\$ 104,417
16.523	Juvenile Accountability Block Grants	34,985
16.532	Part E_National Priority Program Grants	201,685
16.540	Juvenile Justice and Delinquency Prevention-Allocation to States	46,918
16.548	Title V - Delinquency Prevention Program	10,160
16.554	National Criminal History Improvement Program (NCHIP)	-
16.575	Crime Victim Assistance	348,044
16.579	Edward Byrne Memorial Formula Grant Program	131,386
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	204,363
16.588	Violence Against Women Formula Grants	661,849
16.588	ARRA Violence Against Women Formula Grants	58,525
16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	-
16.593	Residential Substance Abuse Treatment for State Prisoners	43,375
16.606	State Criminal Alien Assistance Program	316,925
16.609	Community Prosecution and Project Safe Neighborhoods	37,410
16.710	Public Safety Partnership and Community Policing Grants	49,361
16.710	ARRA Public Safety Partnership and Community Policing Grants	103,456
16.727	Enforcing Underage Drinking Laws Program	101,506
16.738	Edward Byrne Memorial Justice Assistance Grant Program	1,047,842
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	158,529
16.744	Anti-Gang Initiative	17,193
16.803	Recovery Act - Edward Byrne Memorial JAG Program/Grants to States and Territories	5,493
16.803	ARRA Recovery Act - Edward Byrne Memorial JAG Program/Grants to States and Territories	<u>2,583,989</u>
	U.S. DEPARTMENT OF JUSTICE TOTAL	<u>\$ 6,267,411</u>
U.S. DEPARTMENT OF LABOR		
17.002	Labor Force Statistics	\$ 59,999
17.005	Compensation and Working Conditions	39,091
17.207	Employment Service/Wagner-Peyser Funded Activities	286,120
17.207	ARRA Employment Service/Wagner-Peyser Funded Activities	164,764
17.235	Senior Community Service Employment Program	1,292,041
17.235	ARRA Senior Community Service Employment Program	149,872
17.258	WIA Adult Program	789,807
17.258	ARRA WIA Adult Program	312,134
17.259	WIA Youth Activities	2,022,302
17.259	ARRA WIA Youth Activities	135,496
17.260	WIA Dislocated Workers	769,239
17.260	ARRA WIA Dislocated Workers	281,242
17.266	Work Incentive Grants	19,251
17.273	Temporary Labor Certification for Foreign Workers	49,671
17.504	Consultation Agreements	214,551
17.801	Disabled Veterans' Outreach Program (DVOP)	<u>20,441</u>
	U.S. DEPARTMENT OF LABOR TOTAL	<u>\$ 6,606,021</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

**GOVERNMENT OF GUAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2010

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF TRANSPORTATION		
20.205	Highway Planning and Construction	\$ 48,090,820
20.205	ARRA Highway Planning and Construction	604,340
20.218	National Motor Carrier Safety	274,624
20.509	Formula Grants for Other Than Urbanized Areas	759,827
20.600	State and Community Highway Safety	1,449,507
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	<u>67,462</u>
	U.S. DEPARTMENT OF TRANSPORTATION TOTAL	<u>\$ 51,246,580</u>
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES		
45.025	Promotion of the Arts-Partnership Agreements	\$ 245,284
45.025	ARRA Promotion of the Arts-Partnership Agreements	18,750
45.310	Grants to States	153,542
45.312	National Leadership Grants	<u>178,215</u>
	NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES TOTAL	<u>\$ 595,791</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY		
66.454	ARRA Water Quality Management Planning	\$ 12,551
66.600	Environmental Protection Consolidated Grants for the Insular Areas - Program Support	2,618,912
66.804	Underground Storage Tank Prevention, Detection and Compliance Program	132,696
66.805	ARRA Leaking Underground Storage Tank Trust Fund Corrective Action Program	106,102
66.818	Brownfields Assessment and Cleanup Cooperative Agreements	<u>-</u>
	U.S. ENVIRONMENTAL PROTECTION AGENCY TOTAL	<u>\$ 2,870,261</u>
U.S. DEPARTMENT OF ENERGY		
81.041	State Energy Program	\$ 136,424
81.041	ARRA State Energy Program	2,571,074
81.042	Weatherization Assistance for Low-Income Persons	<u>3,673</u>
	U.S. DEPARTMENT OF ENERGY TOTAL	<u>\$ 2,711,171</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

# GOVERNMENT OF GUAM

## Schedule of Expenditures of Federal Awards Year Ended September 30, 2010

CFDA#	Agency/Program	Expenditures
U.S. DEPARTMENT OF EDUCATION		
84.126	Rehabilitation Services-Vocational Rehabilitation Grants to States	\$ 2,084,382
84.169	Independent Living - State Grants	17,311
84.177	Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	10,876
84.186	Safe and Drug-Free Schools and Communities - State Grants	517,842
84.187	Supported Employment Services for Individuals with Significant Disabilities	24,771
84.397	ARRA State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	639,533
	U.S. DEPARTMENT OF EDUCATION TOTAL	\$ 3,294,715
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
93.041	Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	\$ 8,836
93.042	Special Programs for the Aging: Title VII, Chapter 2: Long Term Care Ombudsman Services	36,905
93.043	Special Programs for the Aging-Title III, Part D-Disease Prevention and Health Promotion Svcs	79,199
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Ctrs	899,954
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	1,827,291
93.048	Special Programs for the Aging-Title IV-and Title II-Discretionary Projects	257,006
93.052	National Family Caregiver Support, Title III, Part E	687,034
93.053	Nutrition Services Incentive Program	416,552
93.069	Public Health Emergency Preparedness	1,292,347
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional	567,221
93.110	Maternal and Child Health Federal Consolidated Programs	26,250
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	384,084
93.127	Emergency Medical Services for Children	36,623
93.136	Injury Prevention and Control Research and State and Community Based Programs	30,993
93.150	Projects for Assistance in Transition from Homelessness (PATH)	49,325
93.217	Family Planning - Services	326,363
93.224	Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care	1,104,689
93.243	Substance Abuse and Mental Health Services-Projects of Regional and National Significance	1,261,279
93.268	Immunization Grants	772,513
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	965,174
93.399	Cancer Control	-
	BALANCE FORWARD	\$ 11,029,638

See accompanying notes to Schedule of Expenditures of Federal Awards.

# GOVERNMENT OF GUAM

## Schedule of Expenditures of Federal Awards Year Ended September 30, 2010

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Federal Expenditures</u>
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES BALANCE FORWARD	\$ 11,029,638
93.558	Temporary Assistance for Needy Families	4,170,384
93.563	Child Support Enforcement	2,975,784
93.575	Child Care and Development Block Grant	4,824,935
93.597	Grants to States for Access and Visitation Programs	97,671
93.630	Developmental Disabilities Basic Support and Advocacy Grants	249,523
93.667	Social Services Block Grant	2,423,659
93.703	ARRA -Health Center Integrated Services Development Initiative	822,483
93.705	ARRA Aging Home-Delivered Nutrition Services for States	-
93.707	ARRA Aging Congregate Nutrition Services for States	162,862
93.710	ARRA - Community Services Block Grant	675,634
93.712	ARRA - Immunization	41,820
93.713	ARRA Child Care and Development Block Grant	3,472,918
93.723	ARRA - Prevention and Wellness-State, Territories and Pacific Islands	49,607
93.767	Children Health Insurance Program	-
93.778	Medical Assistance Program	18,439,970
93.778	ARRA Medical Assistance Program	2,168,567
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	201,031
93.917	HIV Care Formula Grants	254,653
93.928	Special Projects of National Significance	-
93.940	HIV Prevention Activities_Health Department Based	301,160
93.941	HIV Demonstration, Research, Public and Professional Education Projects	21,220
93.943	Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups	242,956
93.958	Block Grants for Community Mental Health Services	183,924
93.959	Block Grants for Prevention and Treatment of Substance Abuse	858,078
93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants	94,843
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	-
93.991	Preventive Health and Health Services Block Grant	223,548
93.994	Maternal and Child Health Services Block Grant to the States	521,630
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES TOTAL	\$ 54,508,498

See accompanying notes to Schedule of Expenditures of Federal Awards.

# GOVERNMENT OF GUAM

## Schedule of Expenditures of Federal Awards Year Ended September 30, 2010

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Federal Expenditures</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		
94.003	State Commissions	\$ 151,255
94.006	AmeriCorps	1,462,354
94.006	ARRA AmeriCorps	247,317
94.009	Training and Technical Assistance	<u>29,105</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE TOTAL		<u>\$ 1,890,031</u>
U.S. DEPARTMENT OF HOMELAND SECURITY		
97.004	State Domestic Preparedness Equipment Support Program	\$ -
97.012	Boating Safety Financial Assistance	218,475
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	542,856
97.039	Hazard Mitigation Grant	575,854
97.042	Emergency Management Performance Grants	805,128
97.067	Homeland Security Grant Program	3,696,087
97.082	Earthquake Consortium	33,327
97.089	Real ID Program	<u>127,097</u>
U.S. DEPARTMENT OF HOMELAND SECURITY TOTAL		<u>\$ 5,998,824</u>
GRAND TOTAL		<u>\$ 286,439,758</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

# GOVERNMENT OF GUAM

## Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2010

### 1. Scope of Audit

The Government of Guam (GovGuam) is a governmental entity established by the 1950 Organic Act of Guam, as amended, and has the powers of a body corporate, as defined in the Act and local statutes. All significant operations of the Government of Guam are included within the scope of the audit. The U.S. Department of the Interior has been designated as the Government of Guam's cognizant agency for the Single Audit.

Programs Subject to Single Audit:

The Schedule of Expenditures of Federal Awards presents each Federal program related to the following agencies:

- Corporation for National and Community Service
- U.S. Department of Agriculture
- U.S. Department of Commerce
- U.S. Department of Defense
- U.S. Department of Education
- U.S. Department of Energy
- U.S. Department of Health and Human Services
- U.S. Department of Homeland Security
- U.S. Department of Housing and Urban Development
- U.S. Department of the Interior
- U.S. Department of Justice
- U.S. Department of Labor
- U.S. Department of Transportation
- U.S. Environmental Protection Agency
- National Foundation on the Arts and the Humanities

### 2. Summary of Significant Accounting Policies

#### a. Basis of Accounting:

For the purposes of this report, cash receipts relate to all cash derived from the federal agencies for programs within the Catalog of Federal Domestic Assistance. Also, cash receipts include adjustments from the Government of Guam. Cash receipts do not include receipts related to program income. The Government of Guam has not allocated interest income that may have been earned in part from cash received from federal programs. Indirect costs claimed by the Government of Guam from federal agencies are deducted from cash receipts and reimbursements.

All expenditures and capital outlays that represent the federal share are reported as expenditures. Expenditures are recognized on the modified accrual basis of accounting, consistent with the manner in which the Government of Guam maintains its accounting records. This includes earned reimbursements under different formula grants and entitlement programs that are accounted for as revenues in the General Fund of the Government of Guam and food stamps electronic benefits transfer (EBT) during the period.

**GOVERNMENT OF GUAM**

Notes to Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2010

2. Summary of Significant Accounting Policies, Continued

b. Reporting Entity:

For purposes of complying with The Single Audit Act of 1984, as amended in 1996, GovGuam’s reporting entity is defined in Note 1A to its September 30, 2010 basic financial statements; except that the Guam Department of Education, the GovGuam Retirement Fund, and all of the discretely presented component units are excluded. Accordingly, the accompanying Schedule of Expenditures of Federal Awards presents the federal award programs administered by GovGuam, as defined above, for the year ended September 30, 2010.

The Government of Guam administers certain federal awards programs through subrecipients. Those subrecipients are also not considered part of the Government of Guam reporting entity.

c. Cost Allocation:

The Government of Guam has a plan for allocation of common costs related to public health and social services federal awards programs. The amounts allocated to 2009 grant programs are based on 2009 actual expenditures and caseloads.

d. Matching Costs:

The non-Federal shares of certain programs are not included in the accompanying Schedule of Expenditures of Federal Awards.

3. Noncash Awards

Certain federal awards programs do not involve cash awards to the Government of Guam. These programs generally could include donated commodities, insurance, electronic benefit payments under the Supplemental Nutrition Assistance Program (SNAP), and loans. For the year ended September 30, 2010, the Government of Guam had the following noncash award:

U.S. Department of Agriculture Food Stamps CFDA #10.551 SNAP EBT benefit payments	\$ <u>96,693,105</u>
Total SNAP EBT payments reported on the Schedule of Expenditures of Federal Awards	\$ <u>96,693,105</u>

The reported expenditures for benefits under the Supplemental Nutrition Assistance Program (SNAP) (CFDA No. 10.551) are supported by both regularly appropriated funds and incremental funding made available under section 101 of the American Recovery and Reinvestment Act of 2009. The portion of total expenditures for SNAP benefits that is supported by Recovery Act funds varies according to fluctuations in the cost of the Thrifty Food Plan, and to changes in participating households’ income, deductions, and assets. This condition prevents USDA from obtaining the regular and Recovery Act components of SNAP benefits expenditures through normal program reporting processes. As an alternative, USDA has computed a weighted average percentage to be applied to the national aggregate SNAP benefits provided to households in order to allocate an appropriate portion thereof to Recovery Act funds. This methodology generates valid results at the national aggregate level but not at the individual State level. Therefore, we

## GOVERNMENT OF GUAM

### Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2010

3. Noncash Awards, Continued

cannot validly disaggregate the regular and Recovery Act components of our reported expenditures for SNAP benefits. At the national aggregate level, however, Recovery Act funds account for approximately 15 percent of USDA's total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2009.

4. American Recovery and Reinvestment Act of 2009 (ARRA)

In February 2009, the Federal Government enacted the American Recovery and Reinvestment Act of 2009 (ARRA). As of September 30, 2010, GovGuam's expenditures and related grant award notifications are as follows:

<u>CFDA</u>	<u>Grant Amount</u>	<u>FY 2010 Expenditures</u>
10.561	\$ 86,577	\$ 48,589
16.588	661,510	58,525
16.710	1,817,536	103,456
16.803	4,972,500	2,583,989
17.207	185,297	164,764
17.235	269,887	149,872
17.258	554,734	312,134
17.259	1,383,998	135,496
17.260	3,547,461	281,242
20.205	19,560,000	604,340
45.025	25,000	18,750
66.454	200,000	12,551
66.805	138,000	106,102
81.041	20,217,290	2,571,074
84.397	32,240,353	639,533
93.703	1,028,379	822,483
93.707	162,500	162,862
93.710	1,230,195	675,634
93.712	251,656	41,820
93.713	3,740,906	3,472,918
93.723	150,000	49,607
93.778	5,405,000	2,168,567
94.006	340,113	247,317
	\$ 98,168,892	\$ 15,431,625

GovGuam received federal funding from certain programs under ARRA, which are not subject to continuing compliance requirements, and therefore, are not included in the Schedule. For the year ended September 30, 2010, \$41.8 million of federal funds not subject to continuing compliance requirements were received, as follows:

Making Work Pay Tax Credit	\$ 31,267,500
Additional Child Tax Credit	<u>10,557,718</u>
Total ARRA receipts not included in the Schedule	\$ <u>41,825,218</u>

## GOVERNMENT OF GUAM

### Reconciliation of Schedule of Expenditures of Federal Awards to Basic Financial Statements Year Ended September 30, 2010

	<u>2010 Expenditures</u>
Federal contributions, as reported in the 2010 financial statements:	
Federal Grants Assistance Fund, expenditures	\$ 290,996,304
Less local match and contributions	(30,101,322)
Plus transfers out	<u>7,100,000</u>
Federal expenditures, transfers, and other uses	267,994,982
<u>CFDA #</u>	
Fund 633 (Census 2010 Fund):	
11.004    Census Intergovernmental Services	9,354,081
Guam Department of Education:	
15.875    Economic, Social and Political Development of the Territories	7,100,000
Superior Court of Guam:	
16.013    Violence Against Women Act Court Training and Improvement Grants	104,417
16.579    Edward Byrne Memorial Formula Grant Program	131,386
Fund 105:	
93.224    Consolidated Health Centers	1,104,689
Other federal expenditures	<u>650,203</u>
Total Federal Expenditures Subject to Audit	\$ <u>286,439,758</u>

**GOVERNMENT OF GUAM**

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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**YEAR ENDED SEPTEMBER 30, 2010**

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2010

**Part I - Summary of Auditors' Results Section**

*Financial Statements*

- |  |             |
|--|-------------|
| 1. Type of auditors' report issued:                          | Unqualified |
| Internal control over financial reporting:                   |             |
| 2. Material weakness(es) identified?                         | Yes         |
| 3. Significant deficiency(ies) identified?                   | Yes         |
| 4. Noncompliance material to the financial statements noted? | Yes         |

*Federal Awards*

- |   |             |
|---|-------------|
| Internal control over major programs:   |             |
| 5. Material weakness(es) identified?  | Yes         |
| 6. Significant deficiency(ies) identified?  | Yes         |
| 7. Type of auditors' report issued on compliance for major programs:  |             |
| SNAP Cluster  | Unqualified |
| 12.607  | Unqualified |
| CCDF Cluster  | Unqualified |
| All other major programs  | Qualified   |
| 8. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? | Yes         |
| 9. Identification of major programs:  |             |

CFDA

<u>Numbers</u>	<u>Name of Federal Program or Cluster</u>
SNAP Cluster:	
10.551	Supplemental Nutrition Assistance Program (SNAP)
10.561	State Administrative Matching Grants for the SNAP
11.004	Census Intergovernmental Services
12.607	Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation
15.875	Economic, Social and Political Development of the Territories
WIA Cluster:	
17.258	WIA Adult Program
17.259	WIA Youth Activities
17.260	WIA Dislocated Workers
20.205	Highway Planning and Construction
20.509	Formula Grants for Other Than Urbanized Areas
Aging Cluster:	
93.044	Special Programs for the Aging—Title III, Part B--Grants for Supportive Services and Senior Centers
93.045	Special Programs for the Aging—Title III, Part C—Nutrition Services
93.053	Nutrition Services Incentive Program
93.705	ARRA – Aging Home-Delivered Nutrition Services for States
93.707	ARRA – Aging Congregate Nutrition Services for States
93.558	Temporary Assistance for Needy Families
CCDF Cluster:	
93.575	Child Care and Development Block Grants
93.713	ARRA Child Care and Development Block Grant
93.778	Medical Assistance Program (Medicaid)
97.067	Homeland Security Grant Program

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2010

**Part I - Summary of Auditors' Results Section, Continued**

10. Dollar threshold used to distinguish between Type A and Type B Programs:	\$3,000,000
11. Auditee qualified as a low-risk auditee?	No

**Part II – Financial Statement Findings Section**

<u>Reference Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
10-1	Cash Management	\$ 0
10-7	Fixed Assets	\$ 0
10-8	Post-Closing Adjustments	\$ 0
10-9	Revenues	\$ 0

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

<u>Reference Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
10-1	11.004 Cash Management	\$ 0
10-2	15.875 Reporting	0
10-6	15.875 Equipment and Real Property Management	0
10-2	WIA Reporting	0
10-6	20.205 Equipment and Real Property Management	0
10-2	20.509 Reporting	0
10-3	Aging Procurement and Suspension and Debarment	0
10-2	93.558 Reporting	0
10-5	93.558 Eligibility	0
10-4	CCDF Eligibility	3,734
10-5	93.778 Eligibility	0
10-2	97.067 Reporting	0
10-6	97.067 Equipment and Real Property Management	<u>0</u>
Total Federal Questioned Costs		\$ <u>3,734</u>

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2010

Finding No.: 10-1  
Federal Agency: U.S. Department of Commerce  
CFDA Program: 11.004 Census Intergovernmental Agencies  
Federal Agency: U.S. Department of Justice  
CFDA Program: 16.803 Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories  
Federal Agency: U.S. Department of the Treasury, Internal Revenue Service  
Area: Cash Management  
Questioned Costs: \$0

Criteria:

In accordance with applicable cash management requirements and contract provisions, the following apply:

1. The Government of Guam will return any surplus funds to the U.S. Bureau of the Census within 90 days of closing the Guam Local Census Office (LCO) (i.e., by November 30, 2010).
2. A minimum level of cash-on-hand should be maintained. Furthermore, Program funds may not be used to pay debts or expenditures incurred by other activities beyond the scope of the Program.

Condition:

1. Surplus funds totaling \$1,068,729 were not returned as required, as follows:

Total contract amount received	\$10,422,806
Less FY 10 Expenditures	( <u>9,354,077</u> )
Total surplus funds	\$ <u>1,068,729</u>

Subsequently, in March 2011, the U.S. Census Bureau Contracting Officer determined that "...it is the Census's [sic] Bureau's position that GovGuam met and satisfied all of the requirements under Fixed Price with Economic Price Adjustment (EPA) contract #YA1323-09-CN-0048 for a total value of \$10,422,806.00. As a result, the Census Bureau does not expect GovGuam to return funds under this fixed price contract being that no economic adjustments were made." Based on our analysis above, the Census Bureau no longer expects GovGuam to return the unexpended contract amount of \$1,068,729 as of September 30, 2010.

2. As of September 30, 2010, a cash balance of \$3,061,916 was maintained in the bank account for CFDA # 16.803. Furthermore, based on our reading of subsequent bank statements, we noted a debit memo on December 6, 2010, in the amount of \$3,000,000, with subsequent deposits on January 13, 2011, and January 18, 2011, in the amount of \$1,000,000 and \$2,000,000, respectively. It would appear these transactions represent use of Program funds to pay debts or expenditures incurred by other activities beyond the scope of the Program.
3. As of September 30, 2010, a cash balance exists of \$4,877,517 for Internal Revenue Service (IRS) income tax rebates relative to the Economic Stimulus Act of 2008, which prohibited the IRS from issuing payments after December 31, 2008. As the general Federal closeout timeframe is 90 days, any unexpended cash balances should have been returned to the IRS by March 31, 2009; however, we noted that the unexpended cash balance was not returned until January 2011.

Cause:

There appears to be a lack of monitoring controls over compliance with cash management requirements and contract provisions.

# GOVERNMENT OF GUAM

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2010

Finding No.: 10-1, Continued  
Federal Agency: U.S. Department of Commerce  
CFDA Program: 11.004 Census Intergovernmental Agencies  
Federal Agency: U.S. Department of Justice  
CFDA Program: 16.803 Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories  
Federal Agency: U.S. Department of the Treasury, Internal Revenue Service  
Area: Cash Management  
Questioned Costs: \$0

### Effect:

The Government of Guam may be in noncompliance with applicable cash management requirements and contract provisions. The effects of these conditions are as follows:

1. No questioned cost is presented at this finding for CFDA # 11.004 since the funds were not due back to the grantors as of September 30, 2010.
2. No questioned cost is presented at this finding for CFDA # 16.803 since the funds, including interest, are maintained in a separate trust account, and the questionable transfer activity occurred subsequent to September 30, 2010.
3. No questioned cost is presented at this finding for the economic stimulus tax rebates because the unexpected cash balance was subsequently returned to the IRS in January 2011. However, as of September 30, 2010, an estimated interest liability of \$5,775 exists.

### Recommendation:

Government of Guam management should monitor cash management activity to ensure compliance with applicable contract provisions.

Auditee Corrective Action Plan:

*Name and job title of responsible personnel:*

Mary Grace Edrosa, General Accounting Supervisor, Federal Grants Section

*Specific corrective procedures to be performed:*

Bureau of Plans and Statistics is the grantee for the Census 2010 Grant. All communications, related to the grant, from the grantor are made directly to the grantee. Accordingly, verbal notifications that the funds were not expected to be returned has been communicated by the grantor prior to the ending of the grant, however, a written documentation was received only in March 2011.

We agree with the auditor's recommendation. We will work closely with the grantee to ensure that appropriate documentations related to the grants are available by the closing of the grant period.

*Date for performance of corrective action:*

N/A

# GOVERNMENT OF GUAM

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2010

Finding No.: 10-2  
 CFDA Program: U.S. DOI 15.875 Economic, Social and Political Development of the Territories  
 CFDA Program: U.S. DOL 17.258/17.259/17.260 WIA Cluster  
 CFDA Program: U.S. DOT 20.509 Formula Grants for other than Urbanized Areas  
 CFDA Program: U.S. HHS 93.558 Temporary Assistance for Needy Families Grant (TANF)  
 CFDA Program: U.S. DHS 97.067 Homeland Security Grant Program  
 Area: Reporting  
 Questioned Costs: \$0

Criteria:

In accordance with applicable reporting requirements, reports (i.e., SF-269, SF-272, SF-425, ACF-199, ACF-204, ACF 209, ETA-9130, and ARRA 1512) should be prepared accurately and submitted, as applicable.

Condition:

1. **CFDA 15.875:**

Total outlays reported on the SF-425 as of December 31, 2010, do not reconcile with the expenditures per AS400 or other underlying accounting records as of 12/31/10, as follows:

<u>Grant Year</u>	<u>Grant Award: DOI GR#670086, GUAM-COFA-2006-1</u>	<u>Outlays per FSR</u>	<u>Outlays per AS400</u>	<u>Variance</u>
2006	FY06 DMHSA BLDG IMPROVEMENTS & EMQT	\$755,753	\$800,000	\$44,247

No questioned cost results from this condition because variance represents under reported outlays.

2. **CFDA WIA Cluster:**

At September 30, 2010, expenditures reported on the ETA-9130, Financial Reports do not agree with amounts stated in the schedule of expenditures extracted from AS400 accounting system as follows:

<u>CFDA</u>	<u>Grant Year</u>	<u>Total Expenditures Per AS400</u>	<u>ETA Financial Report</u>	<u>Under (Over) Reporting Variance</u>	<u>Grant Award PMS DOC #</u>	<u>Program</u>
17.259	2007	\$ 48,444	\$ 41,385	\$ 7,059	AA16068YHO	State Rapid Response
17.259	2007	9,040	0	9,040	Unknown	Unknown
17.259	2007	138,332	138,473	(141)	AA16068XY0	Local Youth
					AA16068YF0	Local Adult
					AA16068YH0	Local Dislocated Worker
17.259	2008	822,182	830,156	(7,974)	AA16068ZN0	Local Dislocated Worker
17.259	2008	146,723	145,429	1,294	AA171612M0	Local Dislocated Worker
17.259	2008	604,023	605,852	(1,829)	AA16068ZL0	Local Adult
17.259	2008	66,909	67,287	(378)	AA16068ZL0	Local Adult
17.259	2008	8,116	122,986	(114,870)	AA16068ZN0	State Rapid Response
17.259	2008	113,639	112,535	1,104	AA16068ZL0	State Adult
17.259	2008	184,302	184,479	(177)	AA16068ZN0	State Dislocated Worker
17.259	2008	92,002	92,240	(238)	AA16068ZN0	Local Dislocated Worker
17.260	2009	314,779	335,461	(20,682)	AA171614B0	Local Dislocated Worker
17.258	2009	261,760	261,770	(10)	AA171615K0	Local Adult
17.260	2009	20,577	19,964	613	AA186817A0	Local Dislocated Worker
17.260	2009	168,572	168,192	380	AA186817A0	Local Dislocated Worker

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2010

Finding No.: 10-2, Continued  
 CFDA Program: U.S. DOI 15.875 Economic, Social and Political Development of the Territories  
 CFDA Program: U.S. DOL 17.258/17.259/17.260 WIA Cluster  
 CFDA Program: U.S. DOT 20.509 Formula Grants for other than Urbanized Areas  
 CFDA Program: U.S. HHS 93.558 Temporary Assistance for Needy Families Grant (TANF)  
 CFDA Program: U.S. DHS 97.067 Homeland Security Grant Program  
 Area: Reporting  
 Questioned Costs: \$0

Condition, Continued:

<u>CFDA</u>	<u>Grant Year</u>	<u>Total Expenditures</u> Per AS400	<u>ETA Financial</u> Report	<u>Under (Over) Reporting</u> Variance	<u>Grant Award PMS</u> DOC #	<u>Program</u>
17.259	2009	779,374	805,810	(26,436)	AA186816F0	Local Youth
17.258	2009	13,177	0	13,177	AA186816Y0	Local Adult
17.258	2009	5,926	8,036	(2,110)	AA186816Y0	Local Adult
17.258	2009	570,505	625,330	(54,825)	AA171613Z0	Local Adult
17.258	2009	113,125	113,610	(485)	AA171613Z0	State Adult
17.260	2010	107,034	105,909	1,125	AA186818G0	Local Dislocated Worker
17.258	2010	-	5,204	(5,204)	AA20233AT0	Local Adult
		\$ 4,588,541	\$ 4,790,108	\$ (201,567)		

Furthermore, administrative expenditures was not segregated and reported separately on the ETA-Financial Reports as follows:

<u>Grant Year</u>	<u>Administrative Expenditure</u>	<u>Grant Award PMS DOC #</u>	<u>Program</u>
2009	\$ 13,177	AA186816Y0	Local Adult

Moreover, the Total Federal Amount of ARRA Funds Received/Invoiced of \$1,416,743 is reported as a key data element of Section 1512 ARRA Reporting for the period ended June 30, 2010. The underlying draw-down balance reported on AS400 accounting system is \$1,362,223. A variance of \$54,520 exists.

3. **CFDA 20.509 and WIA:**

The following reports were not provided for examination:

<u>Report</u>	<u>20.509 Grants</u>	<u>WIA Grants</u>
SF 269A, <i>Financial Status Report</i>	GU-18-X025-00/GU-18-X026-00	Not applicable
SF 272, <i>Federal Cash Transactions Report</i>	Not applicable	Program Years 2008, 2009, 2010
SF 425, <i>Federal Financial Report</i>	GU-18-X025-00/GU-18-X026-00	Program Years 2008, 2009, 2010

4. **CFDA 93.558:**

Total outlays reported on the ACF-204 as of September 30, 2010, do not reconcile with the expenditures per AS400 or other underlying accounting records as of 9/30/10, as follows:

<u>Grant Year</u>	<u>Grant Award #</u>	<u>Outlays per ACF</u>	<u>Outlays per AS400</u>	<u>Variance</u>
2006-2010	0*01GUTANF	\$ 1,299,535	\$ 1,444,935	\$ 145,400

No questioned cost results from this condition because the variance represents under reported outlays.

Furthermore, the following reports were not provided for examination:

- a) ACF-199, *TANF Data Report (OMB No. 0970-0309)*
- b) ACF 209, *SSP-MOE Data Report (OMB No. 0970-0309)*

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2010

Finding No.: 10-2, Continued  
 CFDA Program: U.S. DOI 15.875 Economic, Social and Political Development of the Territories  
 CFDA Program: U.S. DOL 17.258/17.259/17.260 WIA Cluster  
 CFDA Program: U.S. DOT 20.509 Formula Grants for other than Urbanized Areas  
 CFDA Program: U.S. HHS 93.558 Temporary Assistance for Needy Families Grant (TANF)  
 CFDA Program: U.S. DHS 97.067 Homeland Security Grant Program  
 Area: Reporting  
 Questioned Costs: \$0

Condition, Continued:

5. **CFDA 97.067:**

Total outlays reported on the SF-425 as of September 30, 2010, do not reconcile with the expenditures per AS400 or other underlying accounting records as of 9/30/10, as follows:

<u>Grant Year</u>	<u>Grant Award #</u>	<u>Outlays per FSR</u>	<u>Outlays per AS400</u>	<u>Variance</u>
2005	2005GET0036	\$ 4,705,587	\$ 4,749,284	\$ 43,697

No questioned cost results from this condition because the variance represents under reported outlays.

Cause:

It appears that Government of Guam management did not consistently prepare required reports. Furthermore, for certain reports that were prepared, Government of Guam management did not maintain underlying accounting records to support reported amounts.

Effect:

The Government of Guam is in noncompliance with applicable reporting requirements. No questioned costs are presented for reasons described in the conditions above.

Recommendation:

Government of Guam management should maintain underlying accounting records to substantiate reported amounts and should prepare, submit, and maintain required reports.

Auditee Response and Corrective Action Plan:

[Condition 4]:

*Name and job title of responsible personnel:*

The grant reporting requirement is under the purview of DPHSS – Division of Public Welfare Administrator Linda Susuico. DOA General Accounting Supervisor of the FGIA branch, Mary Grace Edrosa will be reviewing ACF reports to be assisted by the General Accounting Supervisor for the DFM branch, Gaudencio “Goody” Rosario.

Also, Ms. Ceclia Perez, Administrative Officer

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2010

Finding No.: 10-2, Continued  
CFDA Program: U.S. DOI 15.875 Economic, Social and Political Development of the Territories  
CFDA Program: U.S. DOL 17.258/17.259/17.260 WIA Cluster  
CFDA Program: U.S. DOT 20.509 Formula Grants for other than Urbanized Areas  
CFDA Program: U.S. HHS 93.558 Temporary Assistance for Needy Families Grant (TANF)  
CFDA Program: U.S. DHS 97.067 Homeland Security Grant Program  
Area: Reporting  
Questioned Costs: \$0

Auditee Response and Corrective Action Plan, Continued:

*Corrective action to be performed:*

DOA will require early submission of TANF's financial and data reporting system from DPHSS. This will give DOA ample time to verify and reconcile the TANF ACF reports with as400 expenditures taking into consideration the complex cost allocation process.

Also, the Administrative Officer will ensure that accounting records are maintained to substantiate reported amounts. The Administrative Office will ensure required reports are prepared and maintained on file.

*Date for performance of corrective action:*

October 1, 2011 [for corrective action by the Administrative Officer]

# GOVERNMENT OF GUAM

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2010

Finding No.: 10-3  
Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.044/93.045/93.053/93.705/93.707 Aging Cluster  
Grant Number: 10AAGUT3SP  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$0

### Criteria:

In accordance with applicable procurement requirements, the grantee will conduct procurement transactions in a manner providing full and open competition, and will maintain records sufficient to detail the significant history of a procurement. These records will include a rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. Furthermore, in accordance with the applicable local procurement law, the Guam General Services Agency shall use competitive sealed bidding when the procurement exceeds the small purchase threshold of \$14,999; for extension of time on indefinite quantity contracts, the time of performance of an indefinite quantity contract may be extended upon agreement of the parties, provided the extension is for 90 days or less and the CPO determines in writing that it is not practical to award another contract at the time of such extension.

### Condition:

For three (or 8%) of 39 transactions tested, the contract ended 9/30/09, but services were extended past the end of the contract period. No written determination was noted on file indicating why it was not practical to award another contract at the time of extension.

<u>Tran Date</u>	<u>Tran #</u>	<u>Vendor #</u>	<u>Prior Ref</u>	<u>Agency</u>	<u>Amount</u>
02/16/10	EFT_030110	G3006001	P106A00219	DPHSS	\$ 74,682
02/17/10	EFT_030110	G3006001	P106A00219	DPHSS	12,947
02/23/10	0411911	K1571701	P106A00218	DPHSS	98,611
					<u>\$ 186,240</u>

### Cause:

The Chief Procurement Officer believed that local procurement provisions were applied appropriately.

### Effect:

The Government of Guam may be in noncompliance with applicable procurement requirements. No questioned costs are presented at this finding because the scopes of services under the extended contracts were consistent with program objectives. Also, the Government of Guam expended approximately \$4.4 million in local funds in excess of local match requirements for the program in FY 2010.

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2010

Finding No.: 10-3, Continued  
Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.044/93.045/93.053/93.705/93.707 Aging Cluster  
Grant Number: 10AAGUT3SP  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$0

Recommendation:

Government of Guam management should enforce established procurement regulations and should maintain records sufficient to detail the significant history of a procurement to substantiate compliance with applicable procurement requirements.

Auditee Response and Corrective Action Plan:

*Name and Title of responsible personnel:*

Anita T. Cruz, Buyer Supervisor II

*Specific Corrective Procedure to be performed:*

GSA will issue a circular reminding all departments and agencies that requisitions shall be submitted to GSA no later than 30 days prior to the expiration of a contract wherein services are mandated by local or federal requirements.

*Date for performance of corrective action:*

To be effective July 5, 2011. GSA will issue circular no later than July 5, 2011 to all departments and agencies.

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2010

Finding No.: 10-4  
 Federal Agency: U.S. Department of Health and Human Services  
 CFDA Program: 93.575/93.718 CCDF Cluster  
 Grant Number: G-1001GUCCDF  
 Area: Eligibility  
 Questioned Costs: \$3,734

Criteria:

In accordance with the eligibility requirements, the following requirements apply:

1. Children must be under age 13 (or, at the option of the grantee, up to age 19, if physically or mentally incapable of self-care or under court supervision), who reside with a family whose income does not exceed 150 percent of the US Federal Poverty Guideline for a family of the same size, and who reside with a parent (or parents) who are working or attending job training or educational programs; or are in need of, or are receiving protective services.
2. The agency must ensure proper data collection, evaluation and analysis of various child care program information in order to provide annually aggregate data on families, children in care, providers, payment methods, and consumer education. Quarterly case-level reports are also required to provide data on families, children, and providers, and payment information.

Condition:

1. Two of the 51 participants tested were found ineligible as their family income exceeds 150 percent of the US Federal Poverty Guideline for a family of the same size as follows:

<u>Case Number</u>	<u>Household Size</u>	<u>Annual Family Income</u>	<u>Income Threshold</u>	<u>Meet Income Requirement?</u>	<u>Benefits Paid in FY10</u>
70-03983	3	29,395.20	27,465	No	\$ 2,550
70-04241	2	23,676.00	21,855	No	1,184
					\$ <u>3,734</u>

2. One case file (i.e., 70-04774) of the 51 selected for testing could not be located. Benefits paid in relation to this case file in FY 2010 is \$0.

Cause:

The Government of Guam did not adhere to the appropriate poverty guideline published by the US Federal for the designated period. Furthermore, the Government of Guam did not properly manage the files containing the participant’s personal data. There is no system in place to properly track the usage and location of each participant’s file.

Effect:

The Government of Guam is not in compliance with applicable eligibility requirements. A questioned cost of \$3,734 exists. Although the known questioned cost is below \$10,000, the projected questioned cost exceeds the threshold; therefore, this finding is considered reportable.

Recommendation:

Government of Guam management should develop more specific control procedures over monitoring the acceptance and renewal of participants. Respective case workers should disqualify applicants or existing participants should their annual family income exceed the established poverty guideline for the year. The supervisor should also oversee this effort. Furthermore, Government of Guam management should develop more specific control procedures over monitoring the maintenance of data files. A tracking system should be developed for proper placement of each participant’s file. Accountability should be established between the case workers and the supervisors to maintain the confidentiality and privacy of the personal data contained within each participant’s file.

# GOVERNMENT OF GUAM

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2010

Finding No.: 10-4, Continued  
Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.575/93.718 CCDF Cluster  
Grant Number: G-1001GUCCDF  
Area: Eligibility  
Questioned Costs: \$3,734

### Auditee Response and Corrective Action Plan:

The Government of Guam has not provided a response.

# GOVERNMENT OF GUAM

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2010

Finding No.: 10-5  
Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.778 Medical Assistance Program  
Grant Number: 75X0512  
CFDA Program: 93.558 Temporary Assistance for Needy Families  
Grant Number: G-1001GUTANF  
Area: Eligibility  
Questioned Costs: \$0

### Criteria:

In accordance with applicable eligibility requirements, the income and eligibility verification system (IEVS) shall be used to verify eligibility using wage information available from such sources as the agencies administering State unemployment compensation laws, Social Security Administration (SSA), the Internal Revenue Service, or other alternative sources approved by the grantor to verify income eligibility and the amount of eligible benefits.

### Condition:

For all 70 cases tested, aggregating \$2,386,675 in total claims, we noted there is no documentation to indicate that the income and eligibility verification system (IEVS) was used to verify eligibility.

### Cause:

Government of Guam management experienced issues with test attempts to implement the system.

### Effect:

The Government of Guam is in noncompliance with applicable eligibility requirements. No questioned cost is presented as we are unable to quantify the extent of noncompliance.

### Recommendation:

The Program Administrator should implement an IEVS in accordance with applicable eligibility requirements. Furthermore, if the grantee is unable to use the IEVS, then the Program Administrator should consider discussing the issue with the grantor agency and obtaining a written waiver or approved alternative.

### Auditee Response and Corrective Action Plan:

#### *Name and job title of responsible personnel:*

Elsa S. Perez  
Human Services Administrator, Bureau of Economic Security

#### *Specific corrective procedures to be performed:*

The PH Pro eligibility system is targeted for implementation January 2012 which will include the IEVS requirement.

#### *Date for performance of corrective action:*

The PH Pro Eligibility System - target implementation date is January 2012

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2010

Finding No.: 10-6  
 CFDA Program: 15.875 DOI Economic, Social and Political Development of the Territories  
 CFDA Program: 20.205 DOT Highway Planning and Construction  
 CFDA Program: 97.067 DHS Homeland Security Grant Program  
 Area: Equipment and Real Property Management  
 Questioned Costs: \$0

Criteria:

In accordance with the applicable equipment management requirements, grantees that acquire equipment with Federal funds are required to perform a physical inventory of the property and reconcile results with property records at least once every two years. Such property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date and cost of the property, percentage of Federal participation in the cost of the property, the location use and condition of the property, and any ultimate disposition data, including the date of disposal and sale price of the property. In addition, adequate maintenance procedures must be established to keep the property in good condition.

Condition:

The Government of Guam has not performed the required comprehensive physical inventories of its property in FY 2010 or in the two prior years. We are unable to assess the overall cumulative monetary value of this deficiency. However, a summary of total capital outlays over the past five years for the Government of Guam's FY 2010 major programs is as follows:

		<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>Total</u>
	<u>Program CFDA #s</u>	<u>Purchases</u>	<u>Purchases</u>	<u>Purchases</u>	<u>Purchases</u>	<u>Purchases</u>	
1.	10.551/10.561	\$ 0	0	0	153,222	136,679	289,901
2.	11.004	\$ 14,749	0	0	0	0	14,749
3.	12.607	\$ 0	0	0	0	0	0
4.	15.875	\$ 1,201,607	701,368	544,666	792,224	2,141,421	5,381,286
5.	17.258/259/260	\$ 0	0	0	0	0	0
6.	20.205	\$ 11,506,775	3,931,920	2,962,379	1,396,487	2,956,688	22,754,249
7.	20.509	\$ 0	0	0	0	0	0
8.	93.044/045/053/705/707	\$ 0	0	0	0	0	0
9.	93.558	\$ 0	0	0	0	52,349	52,349
10.	93.575/596/713	\$ 0	0	0	0	4,018	4,018
11.	93.778	\$ 0	0	0	0	0	0
12.	97.067	\$ 226,997	738,178	880,622	2,054,971	1,748,804	5,649,572

Cause:

Noncompliance with applicable equipment management requirements has been a continuing finding from prior audits, and Government of Guam management is still in the process of effecting corrective action and of developing an equipment management system that complies with applicable equipment management standards. Efforts are being made to tag all equipment with bar code property identification labels. Until the Government completes tagging of all equipment, it will not be able to conduct a comprehensive physical inventory.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2010

Finding No.: 10-6, Continued  
CFDA Program: 15.875 DOI Economic, Social and Political Development of the Territories  
CFDA Program: 20.205 DOT Highway Planning and Construction  
CFDA Program: 97.067 DHS Homeland Security Grant  
Area: Equipment and Real Property Management  
Questioned Costs: \$0

Effect:

The Government is in noncompliance with applicable equipment management requirements. The underlying capital outlays are not considered questioned costs as corrective action is in progress. This noncompliance applies to the following major programs, for which cumulative capital outlays over the past five years exceeds FY 2010 materiality levels: CFDA numbers 15.875, 20.205, and 97.067.

Prior Year Status:

The above condition is reiterative of conditions identified in our prior year audit of the Government of Guam.

Recommendation:

The Government of Guam should complete tagging of all equipment and conduct a physical inventory immediately thereafter.

Auditee Response and Corrective Action Plan:

*Name and job title of responsible personnel:*

The fixed assets section is under the appropriations branch, in which the General Accounting Supervisor is Michael Cabral. Additionally, he will be assisted by the General Accounting Supervisor for the general ledger branch, Corey Diaz.

*Specific corrective procedures to be performed:*

In October 2010, DOA revised and updated the Government of Guam's Fixed Assets Policies. During the 4<sup>th</sup> quarter of FY2011, DOA plans to provide training to all departments and agencies of the government. Additionally, DOA plans to begin performing the comprehensive physical fixed assets inventory 1<sup>st</sup> count during this period as well. DOA plans to perform the 2<sup>nd</sup> count in FY2012 and complete such, including updating the fixed assets records in the financial management system by end of the 2<sup>nd</sup> quarter of FY2012.

*Date for performance of corrective action plan:*

September 30, 2011 and March 31, 2012.

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2010

Finding: 10-7  
Area: Fixed Assets

Criteria:

Transactions that are considered construction work in progress should be properly recorded. Upon completion, these assets should be capitalized. Furthermore, transactions that meet the capitalization threshold of \$50,000 per item purchased and are capitalizable in nature should be recorded as fixed assets.

Condition:

1. The following projects were not recorded as construction work in progress during fiscal year 2010:

<u>Project</u>	<u>Amount</u>
Layon Landfill	\$ 43,707,540
Southern Region Health Center	6,048,577
Federal Highway Projects	<u>882,175</u>
	<u>\$ 50,638,292</u>

2. Total unrecorded equipment for the Superior Court is \$615,236.

Cause:

The cause of this condition appears to be that substantial extra duties have been assigned to existing personnel. Due to the need for additional personnel well versed in accounting reconciliations and processes, projects such as the cash flow model required substantial attention of existing managers and therefore, sufficient time was not available to timely reconcile and investigate capital asset accounts.

Effect:

An understatement of construction work in progress and equipment occurred prior to the proposed audit adjustment.

Recommendation:

We recommend that account balances be timely reviewed and capitalizable transactions be recorded as fixed assets. Additionally, the Division of Accounts should investigate whether additional trained accountants may be required to allow for the timely investigation and recordation of capital assets, especially given the substantial capital asset construction that is currently being undertaken by the Government of Guam.

Auditee Response and Corrective Action Plan:

*Name and job title of responsible personnel:*

The fixed assets section is under the appropriations branch, in which the General Accounting Supervisor is Michael Cabral. Additionally, he will be assisted by the General Accounting Supervisor for the general ledger branch, Corey Diaz.

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2010

Finding: 10-7, Continued  
Area: Fixed Assets

Auditee Response and Corrective Action Plan, Continued:

*Specific corrective procedures to be performed:*

In October 2010, DOA revised and updated the Government of Guam's Fixed Assets Policies. During the 4<sup>th</sup> quarter of FY2011, DOA plans to provide training to all departments and agencies of the government. As many of the infrastructure projects are under the Department of Public Works, DOA will work with the respective divisions to assist with updating the Construction in Progress records and to ensure the new policies are properly applied and the fixed assets register updated and reconciled in a timely manner. Furthermore, we will coordinate with all respective agencies to include the Unified Courts and Legislature to ensure the fixed assets register is updated for assets acquired by them.

*Date for performance of corrective action plan:*

September 30, 2011

# GOVERNMENT OF GUAM

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2010

Finding: 10-8  
Area: Post-Closing Adjustments

### Criteria:

Financial statements should reflect existing business circumstances and economic conditions in accordance with adopted accounting policies.

Supplier invoices and credit notes received at, before, or after the end of an accounting period are to be scrutinized and/or reconciled to ensure complete and consistent recording in the appropriate period and to be timely recognized in the financial statements.

### Condition:

The financial statements included a significant number of post-closing adjustments approved seven to eight months subsequent to the fiscal year end.

### Cause:

The cause of this condition appears to be that substantial extra duties have been assigned to existing personnel. Due to the need for additional personnel well versed in accounting reconciliations and processes, projects such as the cash flow model required substantial attention of existing managers and therefore, sufficient time was not available to timely reconcile all required accounts.

### Effect:

Incorrect cutoff could lead to a material misstatement of the financial statements.

Financial statements may not reflect existing business circumstances and economic conditions in accordance with the adopted accounting policies.

### Recommendation:

It appears that additional manager level personnel may be required to allow for timely reconciliation of all required accounts.

### Auditee Response and Corrective Action Plan:

*Name and job title of responsible personnel:*

The Division of Accounts is under the supervision of the Deputy Financial Manager, Kathy Kakigi.

*Specific corrective procedures to be performed:*

The close of the fiscal year normally occurs 3 months subsequent to the fiscal period. As such, the Division will work on updating our records in a timely manner subsequent to the close of the fiscal year to ensure reviews and analysis' are performed and all appropriate adjustments included.

*Date for performance of corrective action plan:*

January 31, 2012

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2010

Finding: 10-9  
Area: Revenues

Criteria:

Invoices are sequentially pre-numbered and accounted for.

Condition:

The Guam Customs and Quarantine Agency receives over \$4M of revenues annually. Over 2,000 invoices were not accounted for.

Effect:

Revenues may be misstated and opportunity may exist for fraudulent transactions to occur.

Recommendation:

We recommend the Government of Guam strengthen internal controls to ensure that all invoices are accounted for and processed.

Auditee Response and Corrective Action Plan:

*Name and job title of responsible personnel:*

The Division of Accounts is under the supervision of the Deputy Financial Manager, Kathy Kakigi.

*Specific corrective procedures to be performed:*

The Division of Accounts, including the Treasurer of Guam and Data Department met with management of the Department of Customs and Quarantine regarding implementation of the Point of Sale System at their airport cargo location. The meeting occurred on June 16, 2011 to determine the needs of the Department. Based on the outcome of the meeting, the use of the POS will be implemented in the Department's airport cargo location to assist with minimizing any potential for fraud or errors with collection of taxes and fees. The respective Department's personnel will be adequately trained on the use of the system prior to full implementation.

*Date for performance of corrective action plan:*

July 31, 2011

**GOVERNMENT OF GUAM**

Summary of Unresolved Questioned Costs Arising from  
Prior Year Single Audits  
Year Ended September 30, 2010

	<u>Prior Year Listed Unresolved Questioned Costs</u>	<u>Questioned Costs Resolved During the Year</u>	<u>End of Year</u>
Unresolved Questioned Costs FY 04	\$ 15,700	\$ 15,700	\$ -
Unresolved Questioned Costs FY 05	39,741	39,741	-
Unresolved Questioned Costs FY 06	120,115	120,115	-
Unresolved Questioned Costs FY 07	2,562,455	1,504,173	1,058,282
Unresolved Questioned Costs FY 08	1,878,393	626,848	1,251,545
Unresolved Questioned Costs FY 09	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,616,404</u>	<u>\$ 2,306,577</u>	2,309,827
Add Questioned Costs for FY 2010			<u>3,734</u>
Total Unresolved Questioned Costs at September 30, 2010			\$ <u>2,313,561</u>

**GOVERNMENT OF GUAM**

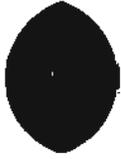
Summary of Unresolved Questioned Costs Arising from  
Prior Year Single Audits, Continued  
Year Ended September 30, 2010

<u>CFDA #</u>		<u>2010</u>	<u>2008</u>	<u>2007</u>	<u>Total</u>
15.875	Compact Impact	\$ -	\$ -	\$ 821,288	\$ 821,288
20.205	Highway Planning & Construction	-	-	126,170	126,170
93.575	CCDF	3,734	-	-	3,734
93.778	Medicaid	-	388,976	-	388,976
97.004/97.067	Homeland Security	-	809,146	-	809,146
	Nonmajor Programs	<u>-</u>	<u>53,423</u>	<u>110,824</u>	<u>164,247</u>
	Totals	\$ <u>3,734</u>	\$ <u>1,251,545</u>	\$ <u>1,058,282</u>	\$ <u>2,313,561</u>

## GOVERNMENT OF GUAM

Summary of Unresolved Questioned Costs Arising from  
Prior Year Single Audits, Continued  
Summary Schedule of Resolved Prior Audit Findings as  
Represented by the Government of Guam  
Year Ended September 30, 2010

Finding #	CFDA #	Questioned Costs Resolved in 2010	Responding Office
2004-21	93.994	\$ 15,700	OMB Circular A-133, Section .315(b)(4)
2005-19	93.283	\$ 19,413	OMB Circular A-133, Section .315(b)(4)
2005-23	93.283	\$ 20,328	OMB Circular A-133, Section .315(b)(4)
2006-33	97.039	\$ 43,106	OMB Circular A-133, Section .315(b)(4)
2006-34	97.039	\$ 77,009	OMB Circular A-133, Section .315(b)(4)
2007-15	93.575	\$ 41,850	U.S. DHS, June 17, 2010
2007-16	93.575	\$ 7,161	U.S. DHS, June 17, 2010
2007-21	97.004	\$ 22,495	OMB Circular A-133, Section .315(b)(4)
2007-22	97.004	\$ 1,432,667	OMB Circular A-133, Section .315(b)(4)
2008-02	10.557	\$ 44,048	U.S. USDA, April 6, 2010
2008-03	15.875	\$ 192,770	OMB Circular A-133, Section .315(b)(4)
2008-06	66.600	\$ 109,487	U.S. U.S. EPA, August 26, 2010
2008-07	66.600	\$ 42,377	U.S. U.S. EPA, August 26, 2010
2008-10	93.575	\$ 2,909	U.S. DHS, January 27, 2011
2008-12	93.575	\$ <u>235,257</u>	U.S. DHS, January 27, 2011
Total Questioned Costs Resolved		\$ <u>2,306,577</u>	



**BUREAU OF BUDGET & MANAGEMENT RESEARCH**

OFFICE OF THE GOVERNOR  
Post Office Box 2950, Hagåtña Guam 96932

**EDDIE BAZA CALVO**  
GOVERNOR

**RAY TENORIO**  
LIEUTENANT GOVERNOR

**BENITA A. MANGLONA**  
DIRECTOR

**STEPHEN J. GUERRERO**  
DEPUTY DIRECTOR

**JUN 09 2011**

Ms. Mizpah Wiegand  
Deloitte and Touche LLP  
361 South Marine Corps Drive 96913-3911

Dear Ms. Wiegand,

In connection with the Single Audit of the Government of Guam for the year ended September 30, 2010, transmitted herewith is the Fiscal Year 2010 Summary Schedule of Prior Findings in accordance with OMB Circular A-133, Section .315 Audit findings follow up. The schedule provides the status of single audit findings for fiscal years 2004 through 2009.

The Bureau of Budget and Management Research (BBMR) had requested line departments to make the required follow-up with their federal grantor agencies for determination/resolution letters. BBMR also advised the departments to review their outstanding audit findings and cite to OMB Circular A-133, Section .315(b)(4) as a means to close their audit findings when applicable to their respective grants.

The Bureau understands that departments/agencies may cite OMB Circular A-133 to close their audit findings; however, a grantor agency may still have audit finding(s) opened. Should a grantor agency subsequently follow up on an audit finding, BBMR will work with the grantor agency and the grantee departments on a case by case basis to resolve the audit finding issue.

If you should have any questions, please contact Matthew Quinata at 475-9412.

Sincerely,

  
BENITA A. MANGLONA  
DIRECTOR

Attachments

Government of Guam  
 FY 2010 Schedule of Prior Years Findings  
 Unresolved Audit Findings  
 Fiscal Years 2004 through FY2009

CFDA	Page	Questioned Cost	Resolved Questioned Cost	Unresolved	Government of Guam Department (Grantee)	Grantor Agency
<b>FY2004</b>						
<u>Finding No</u>						
2004-18	93.994	63	0.00	0.00	0.00 DPHSS	USDHHS
2004-19	93.994	64	0.00	0.00	0.00 DPHSS	USDHHS
2004-20	93.994	65	0.00	0.00	0.00 DPHSS	USDHHS
2004-21	93.994	66	15,700.00	15,700.00	0.00 DPHSS	USDHHS
<b>Total</b>			<b>15,700.00</b>	<b>15,700.00</b>	<b>0.00</b>	
<b>FY2005</b>						
<u>Finding No</u>						
2005-19	93.283	58	19,413.00	19,413.00	0.00 DPHSS	USDHHS
2005-23	93.283	65	20,328.00	20,328.00	0.00 DPHSS	USDHHS
<b>Total</b>			<b>39,741.00</b>	<b>39,741.00</b>	<b>0.00</b>	
<b>FY2006</b>						
<u>Finding No</u>						
2006-02	17.258/17.259					
	17.260	32	0.00	0.00	0.00 Dept. of Labor	USDOL
2006-09	93.558	41	0.00	0.00	0.00 DPHSS	USDHHS
2006-22	93.778	57	0.00	0.00	0.00 DPHSS	USDHHS
2006-29	97.004/97.067	66	0.00	0.00	0.00 Guam Homeland Security	U.S. Dept of Homeland Security
2006-31	97.039/93.548	70	0.00	0.00	0.00 Guam Homeland Security	U.S. Dept of Homeland Security
2006-33	97.039	72	43,106.00	43,106.00	0.00 Guam Homeland Security	U.S. Dept of Homeland Security
2006-34	97.039	73	77,009.00	77,009.00	0.00 Guam Homeland Security	U.S. Dept of Homeland Security
2006-36	97.039	75	0.00	0.00	0.00 DPHSS/DOA	
<b>Total</b>			<b>120,115.00</b>	<b>120,115.00</b>	<b>0.00</b>	
<b>FY2007</b>						
<u>Finding No</u>						
2007-05	15.875	39	781,531.00	0.00	781,531.00 DOA/GSA	Dept. of the Interior
2007-06	15.875	42	39,757.00	0.00	39,757.00 DOA	Dept. of the Interior
2007-07	20.205	43	113,634.00	0.00	113,634.00 DPW	Dept. of Transportation
2007-08	20.205	45	12,536.00	0.00	12,536.00 DPW/DOA	Dept. of Transportation
	93.044/93.045					
2007-13	93.053	52	0.00	0.00	0.00 DOA	USDHHS
2007-14	93.575	53	0.00	0.00	0.00 DPHSS/DOA	USDHHS
2007-15	93.575	54	41,850.00	41,850.00	0.00 DPHSS/DOA	USDHHS
2007-16	93.575	55	7,161.00	7,161.00	0.00 DPHSS/GSA	USDHHS
2007-17	93.778	56-58	0.00	0.00	0.00 DPHSS	USDHHS
2007-19	93.778	62	0.00	0.00	0.00 DOA	USDHHS
2007-20	93.778	63	0.00	0.00	0.00 DPHSS	USDHHS
2007-21	97.004	64	22,495.00	22,495.00	0.00 Guam Homeland Security	U.S. Dept of Homeland Security
2007-22	97.004	65	1,432,667.00	1,432,667.00	0.00 Guam Homeland Security/DOA	U.S. Dept of Homeland Security
	Non Major Programs	65	110,824.00	0.00	110,824.00 DOA	Non Major Programs
<b>Total</b>			<b>2,562,455.00</b>	<b>1,504,173.00</b>	<b>1,058,282.00</b>	
<b>FY2008</b>						
<u>Finding No</u>						
2008-02	10.557	23	44,048.00	44,048.00	0.00 DPHSS/GSA	U.S. Dept. of Agriculture
2008-03	15.875	25	67,782.00	67,782.00	0.00 DVR/GSA	Dept. of the Interior
2008-03	15.875	25	124,988.00	124,988.00	0.00 DMHA/GSA	Dept. of the Interior
2008-04	15.875	27	0.00	0.00	0.00 DOA	Dept. of the Interior
2008-05	20.205	28	0.00	0.00	0.00 DOA/GSA	U.S. Dept. of Transportation
2008-06	66.600	29-32	109,487.00	109,487.00	0.00 GEPA	U.S. EPA
2008-07	66.600	33	42,377.00	42,377.00	0.00 GEPA	U.S. EPA
2008-08	66.600	35	0.00	0.00	0.00 GEPA	U.S. EPA
2008-09	93.575	36-37	0.00	0.00	0.00 DPHSS/DOA	USDHHS
2008-10	93.575	38	2,909.00	2,909.00	0.00 DPHSS/GSA	USDHHS
2008-11	93.575	40	0.00	0.00	0.00 DPHSS	USDHHS
2008-12	93.575	41	235,257.00	235,257.00	0.00 DPHSS	USDHHS
2008-13	93.575	42	388,976.00	0.00	388,976.00 DPHSS	USDHHS
2008-14	97.036	45	0.00	0.00	0.00 Guam Homeland Security	U.S. Dept of Homeland Security
2008-15	97.039	46	0.00	0.00	0.00 Guam Homeland Security	U.S. Dept of Homeland Security
2008-16	97.004	47	809,146.00	0.00	809,146.00 Guam Homeland Security/DOA/G	U.S. Dept of Homeland Security
2008-17	97.067/97.004	54	0.00	0.00	0.00 Guam Homeland Security	U.S. Dept of Homeland Security
2008-18	97.067/97.004	55	0.00	0.00	0.00 Guam Homeland Security	U.S. Dept of Homeland Security
2008-19	L PROGRAMS	56	53,423.00	0.00	53,423.00 GSA, DOA	ALL Grantor Agencies
2008-20	Various	58-59	0.00	0.00	0.00 DOA	Various
2008-21	L PROGRAMS	60-62	0.00	0.00	0.00 DOA	Various
<b>Total</b>			<b>1,878,393.00</b>	<b>626,848.00</b>	<b>1,251,545.00</b>	

Government of Guam  
 FY 2010 Schedule of Prior Years Findings  
 Unresolved Audit Findings  
 Fiscal Years 2004 through FY2009

	<u>CFDA</u>	<u>Page</u>	<u>Questioned Cost</u>	<u>Resolved Questioned Cost</u>	<u>Unresolved</u>	<u>Government of Guam Department (Grantee)</u>	<u>Grantor Agency</u>
<b>FY2009</b>							
<b>Finding No</b>							
2009-01	10.557	21-22	0.00	0.00	On-going DPHSS/GSA/DOA	USDA	
2009-02	15.875	23-25	0.00	0.00	On-going DOA/GSA	USDOJ	
	17.258/17.259						
2009-03	17.260	26-27	0.00	0.00	On-going Dept. of Labor	USDOL	
	17.258/17.259						
2009-04	17.260	28-29	0.00	0.00	On-going Dept. of Labor	USDOL	
2009-05	93.558	30-31	0.00	0.00	On-going DPHSS	USDHHS	
2009-06	93.575/93.718	32-33	0.00	0.00	On-going DPHSS	USDHHS	
2009-07	93.575/93.718	34-35	0.00	0.00	On-going DPHSS	USDHHS	
2009-08	93.778	36-38	0.00	0.00	On-going DPHSS	USDHHS	
2009-08	93.558	36-38	0.00	0.00	On-going DPHSS	USDHHS	
2009-09	20.205	39-40	0.00	0.00	On-going Department Public Works/DOA	U.S. Dept of Transportation	
2009-09	93.778	39-40	0.00	0.00	On-going DPHSS/DOA	USDHHS	
2009-09	97.039	39-40	0.00	0.00	On-going Guam Homeland Security/DOA	U.S. Dept of Homeland Security	
2009-10	15.875	41-44	0.00	0.00	On-going DOA/GSA	USDOJ	
2009-10	20.205	41-44	0.00	0.00	On-going Department Public Works/DOA	U.S. Dept of Transportation	
2009-10	66.600	41-44	0.00	0.00	On-going GEPA	U.S. EPA	
2009-10	97.036	41-44	0.00	0.00	On-going Guam Homeland Security/DOA	U.S. Dept of Homeland Security	
2009-10	97.039	41-44	0.00	0.00	On-going Guam Homeland Security/DOA	U.S. Dept of Homeland Security	
<b>Total</b>			<b>0.00</b>	<b>0.00</b>			
<b>GRAND TOTAL</b>			<b>4,616,404.00</b>	<b>2,306,577.00</b>	<b>2,309,827.00</b>		

Fiscal Year 2010 Single Audit - Schedule of Prior Year Audit Findings

<p>Audit Finding Number 2004-18 CFDA# 93.994 Pages 63</p> <p>Questioned Cost: \$0</p> <p>Grantee: DPHSS Grantor Agency: U.S. DHHS</p>	<p>Description of Recommendation</p> <p>The Government of Guam should strengthen internal controls to ensure that Federal funds are no longer available for obligation or expenditure after the fund's period of availability. When the fund's period of availability ends, the responsible personnel should deappropriate unexpended balances.</p> <p>Area: Period of Availability of Federal Funds Program: Maternal and Child Health Services Block Grant</p>	<p>Status:</p> <p><b>BBMR's Response:</b> The Bureau of Budget and Management Research is citing OMB Circular A-133 §.315(b)(4)(i)(ii) and (iii) and considers this audit finding closed and not requiring further action.</p>
<p>Audit Finding Number 2004-19 CFDA# 93.994 Page 64</p> <p>Questioned Cost: \$0</p> <p>Grantee: DPHSS Grantor Agency: U.S. DHHS</p>	<p>Description of Recommendation</p> <p>The Government of Guam should provide the necessary documents to effect resolution of this finding.</p> <p>Area: Matching Level of Effort, Earmarking Program: Maternal and Child Health Services Block Grant</p>	<p>Status:</p> <p><b>BBMR's Response:</b> The Bureau of Budget and Management Research is citing OMB Circular A-133 §.315(b)(4)(i)(ii) and (iii) and considers this audit finding closed and not requiring further action.</p>
<p>Audit Finding Number 2004-20 CFDA# 93.994 Page 65</p> <p>Grantee: DPHSS Grantor Agency: U.S. DHHS</p>	<p>Description of Recommendation</p> <p>The Government of Guam should provide the necessary documents to effect resolution of this finding.</p> <p>Area: Matching Level of Effort, Earmarking Program: Maternal and Child Health Services Block Grant</p>	<p>Status:</p> <p><b>BBMR's Response:</b> The Bureau of Budget and Management Research is citing OMB Circular A-133 §.315(b)(4)(i)(ii) and (iii) and considers this audit finding closed and not requiring further action.</p>
<p>Audit Finding Number 2004-21 CFDA# 93.994 Pages 66-67</p> <p>Questioned Cost: \$15,700</p> <p>Grantee: DPHSS Grantor Agency: U.S. DHHS</p>	<p>Description of Recommendation</p> <p>The procurement officer should establish and implement internal control procedures to ensure that all procurements are documented in sufficient detail in compliance with applicable procurement requirements. The procurement officer should not approve, purchase orders to procure goods/services for a particular vendor unless such procurement documents as solicitation ads, bid abstracts, or other written memoranda are documented on file to detail the significant history of the procurement.</p> <p>Area: Procurement and Suspension and Debarment Program: Maternal and Child Health Services Block Grant</p>	<p>Status:</p> <p><b>BBMR's Response:</b> The Bureau of Budget and Management Research is citing OMB Circular A-133 §.315(b)(4)(i)(ii) and (iii) and considers this audit finding closed and not requiring further action.</p>

Fiscal Year 2010 Single Audit - Schedule of Prior Year Audit Findings

<p>Audit Finding Number 2005-19 CFDA# 93,283 Page 58 &amp; 59</p> <p>Questioned Cost: <b>\$19,413</b></p> <p>Grantee: DPHSS Grantor/Agency: U.S. DHHS</p>	<p>Description of Recommendation</p> <p>Government of guam management should enforce establishment procurement regulations. prior to preparing a purchases order or contract, the responsible personnel should ensure the rationale for selecting each vendor is documented in accordance with applicable procurement regulation. To effect resolution of this finding, the requested procurement documents should be provided.</p> <p>Area: Procurement Program: Centers for Disease Control and Prevention</p>	<p>Status</p> <p><b>BBMR's Response:</b> The Bureau of Budget and Management Research is citing OMB Circular A-133 §.315(b)(4)(i)(ii) and (iii) and considers this audit finding closed and not requiring further action.</p>
<p>Audit Finding Number 2005-23 CFDA# 93,283 Pages 65</p> <p>Questioned Cost: <b>\$20,328</b></p> <p>Grantee: DPHSS Grantor/Agency: U.S. DPHSS</p>	<p>Description of Recommendation</p> <p>The Government of Guam should enforce internal control over ensuring that grantor approval is obtain for cellular phone services.</p> <p>Area: Allowable Costs/Cost Principles Program: Centers for Disease Control and Prevention</p>	<p>Status</p> <p><b>BBMR's Response:</b> The Bureau of Budget and Management Research is citing OMB Circular A-133 §.315(b)(4)(i)(ii) and (iii) and considers this audit finding closed and not requiring further action.</p>

<p>Audit Finding Number <b>2006-02</b> CFDA# 17.256/17.259/17.260 Pages 32  Questioned Costs: 0</p> <p>Grantee: AHRD/ Department of Labor Grantor Agency: U.S. Department of Labor</p>	<p>Description of Recommendation  The Program Administrator should strengthen record keeping controls to ensure that documents, such as the Eligibility Review and Verification Form, are maintained on file for at least three years to substantiate eligibility.</p> <p>Area: Eligibility</p>	<p>Status  <b>BMIR's Response:</b> The Bureau of Budget and Mangement Research is citing OMB Circular A-133 §.315(b)(4)(i)(ii) and (iii) and considers this audit finding closed and not requiring further action.</p>
<p>Audit Finding Number <b>2006-09</b> CFDA# 93.558 Page 41  Questioned Cost: \$0</p> <p>Grantee: DPHSS- TANF Grantor Agency: U.S. Dept. of Health and Human Services</p>	<p>Description of Recommendation  The Government of Guam should participate in the Income Eligibility and Verification System (IEVS) as required.</p> <p>Area: Special Tests and Provisions Program: Temporary Assistance for Needy Families</p>	<p>Status  <b>Department of Public Health and Social Services Response:</b> Per email from USHSS to the Department of Public Health and Social Services. This audit finding is closed. (Attachment A DPHSS B)</p>
<p>Audit Finding Number <b>2006-22</b> CFDA# 93.778 Pages 57  Questioned Cost: \$0</p> <p>Grantee: DPHSS Medicaid Grantor Agency: U.S. Dept. of Health and Human Services</p>	<p>Description of Recommendation  The Program Administrator should strengthen record keeping controls to ensure that complete case files are maintained to substantiate eligibility and that the IEVS is implemented in accordance with applicable eligibility requirements. Furthermore, if the grantee is unable to use the IEVS, then the Program Administrator should consider discussing the issue with the grantor agency and obtaining written waiver or approved alternatives.</p> <p>Area: Eligibility Program: Medical Assistance Program</p>	<p>Status  <b>Department of Public Health and Social Services Response:</b> Per email from USHSS to the Department of Public Health and Social Services. This audit finding is closed. (Attachment A DPHSS B)</p>
<p>Audit Finding Number <b>2006-29</b> CFDA# 97.004/97.067 Pages 66  Questioned Cost: \$0</p> <p>Grantee: Guam Homeland Security Grantor Agency: U.S. Dept. of Homeland Security</p>	<p>Description of Recommendation  The Program Administrator should strengthen internal controls to ensure that the required prior approval is obtained for all capital expenditures in accordance with applicable allowable cost/cost principles requirements. The responsible accounting personnel should not charge capital expenditures to the Program unless the payment request is supported by written prior grantor approval. Capital expenditures without prior grantor approval should be charged to the General Fund until such time the written prior grantor approval is obtained.</p> <p>Area: Allowable Costs/ Cost Principles Program: Homeland Security Cluster</p>	<p>Status  <b>Guam Homeland Security's Response:</b> As guided by OMB Circular A-133, the above referenced audit findings do not require further action. (Memo dated June 2, 2011) (Attachment E)</p>
<p>Audit Finding Number <b>2006-31</b> CFDA# 97.039/83.548 Pages 70  Questioned Cost: \$0</p> <p>Grantee: Guam Homeland Security Grantor Agency: U.S. Dept. of Homeland Security</p>	<p>Description of Recommendation  The Government of Guam should provide the above reports to effect resolution of this finding. In addition, the Government of Guam should strengthen internal controls over federal financial reporting.</p> <p>Area: Reporting Program: Hazard Mitigation Grant</p>	<p>Status  <b>Guam Homeland Security's Response:</b> As guided by OMB Circular A-133, the above referenced audit findings do not require further action. (Memo dated June 2, 2011) (Attachment E)</p>

Fiscal Year 2010 Single Audit - Schedule of Prior Year Audit Findings

<p>Audit Finding Number <b>2006-33</b> CFDA# 97.039/83.548 Pages 72</p> <p><u>Questioned Cost</u> \$43,106</p> <p>Grantee: DPW, Gov., GPD, DPHSS Mayor, DMA Grantor Agency: U.S. Dept of Homeland Security</p>	<p>Description of Recommendation</p> <p>Government of Guam management should enforce established procurement regulations. Prior to preparing a purchase order or contract, the responsible procurement official should ensure that the rationale for selecting each vendor is documented in accordance with applicable procurement regulations. To effect resolution of this finding, the requested documentation should be provided.</p> <p>Area: Procurement Program: Hazard Mitigation Grant</p>	<p>Status</p> <p><b>BBMR's Response:</b> The Bureau of Budget and Management Research is citing OMB Circular A-133 §.315(b)(4)(i)(ii) and (iii) and considers this audit finding closed and not requiring further action.</p>
<p>Audit Finding Number <b>2006-34</b> CFDA# 97.039 Pages 73</p> <p><u>Questioned Cost</u> \$77,009</p> <p>Grantee: DOA Grantor Agency: U.S. Dept of Homeland Security</p>	<p>Description of Recommendation</p> <p>The Government of Guam should strengthen internal controls over ensuring that applicable matching requirements are met. The responsible personnel should be cognizant of the Federal share and should not charge the Program for costs in excess of the Federal share.</p> <p>Area: Matching, Level of Effort, Earmarking Program: Hazard Mitigation Grant</p>	<p>Status</p> <p><b>BBMR's Response:</b> The Bureau of Budget and Management Research is citing OMB Circular A-133 §.315(b)(4)(i)(ii) and (iii) and considers this audit finding closed and not requiring further action.</p>
<p>Audit Finding Number <b>2006-36</b> Pages 75</p> <p>Grantee: DPHSS/DOA Grantor Agency: ALL</p>	<p>Description of Recommendation</p> <p>We recommend that the Department of Public Health and Social Services ensure that all billings received are reviewed and forwarded to the Department of Administration in a timely manner to ensure that expenditures are recorded in the correct accounting period.</p> <p>Area: Unrecorded Liabilities</p>	<p>Status</p> <p><b>BBMR's Response:</b> The Bureau of Budget and Management Research is citing OMB Circular A-133 §.315(b)(4)(i)(ii) and (iii) and considers this audit finding closed and not requiring further action.</p>

Fiscal Year 2010 Single Audit - Schedule of Prior Year Audit Findings

Audit Finding Number 2007-05 CFDA# 15.875 Page 39-41 Questioned Costs: 781,531  Grantee: GSA (DOA) Grantor Agency: DOI	Description of Recommendation  Government of Guam management should enforce established procurement regulations. Also, the Government of Guam should provide the requested procurement documents to effect resolution of Conditions 2 and 3.  Area: Procurement Program: Economic, Social, and Political Development of the Territories	Status  <b>BBMR's Response:</b> The Department of Administration (DOA) did not provide a specific response. However, DOA had indicated in an email dated May 27, 2011 that the U.S. Department of Interior will be contacted to determine the status of the outstanding audit findings. (Attachment B-DOA A)
<p><b>Audit Finding Number:</b> 2007-06 CFDA# 15.875 Page 42 <b>Questioned Costs:</b> \$39,757 Interest Liability \$39,757</p> <p><b>Grantee:</b> DOA <b>Grantor Agency:</b> DOI</p>	<p><b>Description of Recommendation</b></p> <p>The Comptroller should strengthen internal controls to ensure that the time elapsed between the receipt of Federal funds and the clearance of disbursed checks is in accordance with the approval Treasury-State Agreement. Furthermore, interest earned on advances in excess of \$100 should be remitted to the Federal Government.</p> <p><b>Program:</b> Economic, Social, and Political Development of the Territories <b>Area:</b> Cash Management</p>	<p><b>Status</b></p> <p><b>Department of Administration's Response:</b> We have not received the final determination from the grantor. We will follow up with the grantor agency on the status of the finding. <b>Corrective Action:</b> To avoid the lapsed of disbursed checks issued in <b>Corrective Action:</b> To avoid the lapsed of disbursed checks issued in accordance with the approval of the Treasury-State Agreement, we continue to encourage vendors to sign up for the EFT method of payment. (Attachment B-DOA A)</p>
<p><b>Audit Finding Number:</b> 2007-07 CFDA# 20.205 Page 43-44 <b>Questioned Costs:</b> \$113,634</p> <p><b>Grantee:</b> DPW <b>Grantor Agency:</b> Department of Transportation</p>	<p><b>Description of Recommendation</b></p> <p>Government of Guam management should enforce established procurement regulations. Also, the Government of Guam should provide the requested procurement files to effect resolution of this finding.</p> <p><b>Program:</b> Highway Planning and Construction <b>Area:</b> Procurement</p>	<p><b>Status</b></p> <p><b>BBMR's Comments:</b> The Department of Public Works did not provide a response to our request for information. Last year, DPW indicated that a management determination letter, dated October 9, 2008, was received. BBMR recommended DPW respond to the determination letter and provide a copy of the Grantor's response in order to close this audit finding.</p>
<p><b>Audit Finding Number:</b> 2007-08 CFDA# 20.205 Page 45 <b>Questioned Costs:</b> \$12,536 Interest Liability \$12,536</p> <p><b>Grantee:</b> DOA <b>Grantor Agency:</b> Department of Transportation</p>	<p><b>Description of Recommendation</b></p> <p>The Comptroller should strengthen internal controls to ensure that the time elapsed between the receipt of Federal funds and the clearance of disbursed checks is in accordance with the approval Treasury-State Agreement. Furthermore, interest earned on advances in excess of \$100 should be remitted to the Federal Government.</p> <p><b>Program:</b> Highway Planning and Construction <b>Area:</b> Cash Management</p>	<p><b>Status</b></p> <p><b>BBMR's Comments:</b> The Department of Public Works did not provide a response to our request for information. Last year, DPW indicated that a management determination letter, dated October 9, 2008, was received. BBMR recommended DPW respond to the determination letter and provide a copy of the Grantor's response in order to close this audit finding.</p>

Fiscal Year 2010 Single Audit - Schedule of Prior Year Audit Findings

<p><b>Audit Finding Number</b> 2007-13 CFDA# 93.044/93.045/93.053 Page 52 <b>Questioned Cost:</b> \$0 <b>Interest Liability</b> \$521</p> <p><b>Grantee:</b> DOA <b>Grantor Agency:</b> USDHHS</p>	<p><b>Description of Recommendation</b> The Controller should strengthen internal controls to ensure that the time elapsed between the receipt of Federal funds and the clearance of disbursed checks is in accordance with the approval Treasury-State Agreement. Furthermore, interest earned on advances in excess of \$100 should be remitted to the Federal Government.</p> <p><b>Program:</b> Aging Cluster <b>Area:</b> Cash Management</p>	<p><b>Status</b> <b>Department of Public Health and Social Services' Response:</b> Per memorandum dated February 28, 2011, the DPHSS has prepared a direct payment request to the Department of Administration to issue a payment of \$521 in payment of the interest liability indicated in the audit finding. (Attachment A DPHSS C) <b>BBMR's Response:</b> BBMR considers this finding resolved.</p>
<p><b>Audit Finding Number</b> 2007-14 CFDA# 93.575 Pages 53 <b>Questioned Cost:</b> \$0</p> <p><b>Grantee:</b> DPHSS <b>Grantor Agency:</b> USDHHS</p>	<p><b>Description of Recommendation</b> Government of Guam management should develop more specific internal control procedures over monitoring a fund during the period of availability and de-encumbering or de-appropriating expired funds. The responsible accounting personnel should ensure that expired grants are de-encumbered or de-appropriated in a timely manner and that any liquidation of obligations for expired grants is charged to the General Fund.</p> <p><b>Program:</b> Child Care and Development Block Grant <b>Area:</b> Period of Availability</p>	<p><b>Status</b> <b>Department of Public Health and Social Services' Response:</b> The DPHSS provide email dated March 3, 2011 in which its Grantor Representative provides audit determination letters for FY2007-2009. The Federal Grantor Representative notes that audit findings for each fiscal year are resolved. (Attachment A DPHSS A) <b>BBMR's Response:</b> BBMR considers this finding resolved.</p>
<p><b>Audit Finding Number</b> 2007-15 CFDA# 93.575 Pages 54 <b>Questioned Cost:</b> \$41,850</p> <p><b>Grantee:</b> DPHSS,DOA <b>Grantor Agency:</b> USDHHS</p>	<p><b>Description of Recommendation</b> The program administrator should monitor administrative cost expenditures to ensure compliance with applicable earmarking requirements.</p> <p><b>Program:</b> Child Care and Development Block Grant <b>Area:</b> Matching</p>	<p><b>Status</b> <b>Department of Public Health and Social Services' Response:</b> The DPHSS provide email dated March 3, 2011 in which its Grantor Representative provides audit determination letters for FY2007-2009. The Federal Grantor Representative notes that audit findings for each fiscal year are resolved. (Attachment A DPHSS A) <b>BBMR's Response:</b> BBMR considers this finding resolved.</p>
<p><b>Audit Finding Number</b> 2007-16 CFDA# 93.575 Pages 55 <b>Questioned Cost:</b> \$7,161</p> <p><b>Grantee:</b> DPHSS,GSA <b>Grantor Agency:</b> USDHHS</p>	<p><b>Description of Recommendation</b> Government of Guam management should enforce established procurement regulations. Also, the Government of Guam should ensure that open competition is applied to the selection of vendors, including the selection of vendors being named in a grant application or State Plan.</p> <p><b>Program:</b> Child Care and Development Block Grant <b>Area:</b> Procurement</p>	<p><b>Status</b> <b>Department of Public Health and Social Services' Response:</b> The DPHSS provide email dated March 3, 2011 in which its Grantor Representative provides audit determination letters for FY2007-2009. The Federal Grantor Representative notes that audit findings for each fiscal year are resolved. (Attachment A DPHSS A) <b>BBMR's Response:</b> BBMR considers this finding resolved.</p>

Fiscal Year 2010 Single Audit - Schedule of Prior Year Audit Findings

<p>Audit Finding Number 2007-17 CFDA# 93.778 Pages 56-58 Questioned Cost: \$0</p> <p>Grantee: DPHSS Grantor Agency: USDHHS</p>	<p>Description of Recommendation The Program Administrator should strengthen record keeping controls to ensure that complete case files are maintained to substantiate eligibility and that the IEVS is implemented in accordance with applicable eligibility requirements. Furthermore, if the grantee is unable to use the IEVS, then the program administrator should consider discussing the issue with the grantor agency and obtaining a written waiver or approved alternatives</p> <p>Program: Medical Assistance Program Area: Eligibility</p>	<p>Status Department of Public Health and Social Services Response: Per email from USHSS to the Department of Public Health and Social Services. This audit finding is closed. (Attachment A DPHSS B)  BBMR considers this finding closed.</p>
<p>Audit Finding Number 2007-19 CFDA# 93.778 Pages 62 Questioned Cost: \$0 Interest Liability \$3,796</p> <p>Grantee: DOA Grantor Agency: USDHHS</p>	<p>Description of Recommendation The Controller should strengthen internal controls to ensure that the time elapsed between the receipt of Federal funds and the clearance of disbursed checks is in accordance with the approved Treasury-State Agreement. Furthermore, interest earned on advances in excess of \$100 should be remitted to the Federal Government.</p> <p>Program: Medical Assistance Program Area: Cash Management</p>	<p>Status BBMR's Response: The Department of Administration (DOA) did not provide a specific response. However, DOA had indicated in an email dated May 27, 2011 that the U.S. Department of Interior will be contacted to determine the status of the outstanding audit findings. (Attachment B- DOA A)</p>
<p>Audit Finding Number 2007-20 CFDA# 93.778 Pages 63 Questioned Cost: \$0</p> <p>Grantee: DPHSS Grantor Agency: USDHHS</p>	<p>Description of Recommendation The Department of Public Health and Social Services should strengthen record keeping controls to ensure that pertinent documents are maintained.</p> <p>Program: Medical Assistance Program Area: Special Tests and Provisions- Provider eligibility</p>	<p>Status Department of Public Health and Social Services' Response: The DPHSS provide email dated March 3, 2011 in which its Grantor Representative provides audit determination letters for FY2007-2009. The Federal Grantor Representative notes that audit findings for each fiscal year are resolved. (Attachment A DPHSS A)  BBMR's Response: BBMR considers this finding resolved.</p>
<p>Audit Finding Number 2007-21 CFDA# 97.004/97.067 Pages 55 Questioned Cost: \$22,495</p> <p>Grantee: Office Homeland Security Grantor Agency: OHS</p>	<p>Description of Recommendation The Program Administrator should strengthen internal controls to ensure that the required prior approval is obtained for all capital expenditures in accordance with applicable allowable costs/ cost principles requirements.</p> <p>Program: Homeland Security Cluster Area: Allowable Costs/ Cost Principles</p>	<p>Status Guam Homeland Security's Response: As guided by OMB Circular A-133, the aboved referenced audit findings do not require further action. (Memo dated June 2, 2011) (Attachment E)</p>
<p>Audit Finding Number 2007-22 CFDA# 97.004/97.067 Pages 65-70 Questioned Cost: \$1,432,667</p> <p>Grantee: Office of Homeland Security GSA Grantor Agency: OHS</p>	<p>Description of Recommendation Government of Guam management should enforce established procurement regulations. Also, the Government of Guam should provide the requested procurement documents to effect resolution of this finding.</p> <p>Program: Homeland Security Area: Procurement</p>	<p>Status Guam Homeland Security's Response: As guided by OMB Circular A-133, the aboved referenced audit findings do not require further action. (Memo dated June 2, 2011) (Attachment E)</p>

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<p>Audit Finding Number <b>2008-02</b> CFDA# 10.557 Pages 23-24</p> <p>Questioned Cost \$44,046</p> <p>Grantee: DPHSS Grant Number: 7GU7000GU7 Grantor Agency: U.S. Dept. of Agriculture</p>	<p><b>Description of Recommendation</b> Government of Guam management should demonstrate open competition in the selection of any vendor in accordance with applicable procurement requirements.</p> <p>Program: Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) Area: Procurement</p>	<p><b>Status</b> <b>Department of Public Health and Social Services Response:</b> The DPHSS provide letter from the Regional Director, Financial Management, USDA which indicates that Management Decision and Final Action of subject audit (FY2008) have been approved. (Attachment B- DOA D)</p> <p><b>BBMR's Response:</b> BBMR considers this finding resolved.</p>
<p>Audit Finding Number <b>2008-03</b> CFDA# 15.875 Pages 25-26</p> <p>Questioned Costs: \$192,770</p> <p>Grantee: Grant Number: Guam-COFA-2006-1 Grantor Agency: U.S. Dept of the Interior</p>	<p><b>Description of Recommendation</b> Government of Guam management should enforce established procurement regulations and should ensure maintenance of records sufficient to detail the significant history of a procurement to substantiate compliance with applicable procurement requirements.</p> <p>Program: Economic, Social, and Political Development of the Territories Area: Procurement</p>	<p><b>Status</b> <b>Department of Mental Health and Substance Abuse's Response</b> OMB Circular A-133. The DMHSA believes this finding is no longer valid and do not warrant further action. (i) Two Years have passed since audit report; (ii) The Federal Agency is not currently following up with the audit finding. DOA response sufficient to DMHSA. (Attachment C- DMHA A)</p> <p><b>BBMR's Response:</b> BBMR considers this finding resolved.</p>
<p>Audit Finding Number <b>2008-04</b> CFDA# 15.875 Page 27</p> <p>Questioned Costs: 0</p> <p>Grantee: DOA - Division of Accounts Grantor Agency: U.S. Dept of the Interior</p>	<p><b>Description of Recommendation</b> Government of Guam management should ensure that required reports are prepared, submitted, and maintained on file.</p> <p>Program: Economic, Social, and Political Development of the Territories Area: Reporting</p>	<p><b>Status</b> <b>Department of Administration's Response:</b> We have not received the final determination from the grantor. We will follow up with the grantor agency on the status of the finding (Attachment B- DOA A)</p>
<p>Audit Finding Number <b>2008-05</b> CFDA# 20.205 Page 28</p> <p>Questioned Costs: 0</p> <p>Grantee: GSA (DOA) Grant Number: 2008 PROJ#GU-NH 0004/1041015-LT10 Grantor Agency: U.S. Department of Transportation</p>	<p><b>Description of Recommendation</b> Government of Guam management should establish controls to ensure compliance with applicable Davis-Bacon Act requirements. The Government of Guam should ensure that the responsible personnel monitors and ensures that wages are paid at rates no less than the established prevailing wage rates set by the Department of Labor.</p> <p>Program: Highway Planning and Construction Area: Davis-Bacon Act</p>	<p><b>Status</b> <b>BBMR's Response:</b> The Department of Administration (DOA) did not provide a specific response. However, DOA had indicated in an email dated May 27, 2011 that the U.S. Department of Interior will be contacted to determine the status of the outstanding audit findings. (Attachment B- DOA A)</p>

Audit Finding Number	Description of Recommendation	Status
<p><b>Audit Finding Number</b> 2008-06 CFDA# 66.600 Page 29-32 <u>Questioned Costs:</u> \$109,487</p> <p><b>Grantee:</b> GEPA <b>Grant Number:</b> M-0096304 <b>Grantor Agency:</b> U.S. Environmental Protection Agency</p>	<p>Government of Guam management should demonstrate open competition in the selection of any vendor in accordance with applicable procurement requirements.</p> <p><b>Program:</b> Environmental Protection Consolidated Grants-Program Support <b>Area:</b> Procurement</p>	<p><b>Guam Environmental Protection Agency's Response:</b> As per the Determination letter dated August 26, 2010 from USEPA, GEPA has taken appropriate actions to address the finding. (Attachment D- GEPA A)</p> <p><b>BBMR's Response:</b> USEPA finds that questioned costs are eligible per the Determination letter attached. BBMR considers this audit finding closed.</p>
<p><b>Audit Finding Number</b> 2008-07 CFDA# Page 33-34 <u>Questioned Costs:</u> \$42,377</p> <p><b>Grantee:</b> GEPA <b>Grant Number:</b> M-0096304 <b>Grantor Agency:</b> U.S. Environmental Protection Agency</p>	<p>The Government of Guam should establish controls to ensure that fines, penalties, damages, and other settlements resulting from violations (or alleged violations) of, or failure of the governmental unit to comply with, Federal or local laws and regulations are not charged to the Program, except when incurred as a result of compliance with specific provisions of the Federal award or written instructions by the awarding agency authorizing in advance such payments. Furthermore, for purposes of charging rental costs to a Federal program, Government of Guam management should prepare a cost allocation schedule to ensure the appropriate allocation of such costs.</p> <p><b>Program:</b> Environmental Protection Consolidated Grants-Program Support <b>Area:</b> Allowable Costs/Cost Principles</p>	<p><b>Guam Environmental Protection Agency's Response:</b> As per the Determination letter dated August 26, 2010 from USEPA, GEPA has taken appropriate actions to address the finding. (Attachment D- GEPA A)</p> <p><b>BBMR's Response:</b> GEPA has provided for a payment for the Questioned Cost with copy of its Request of Direct Payment. BBMR considers this audit finding closed.</p>
<p><b>Audit Finding Number</b> 2008-08 CFDA# 66.600 Page 35 <u>Questioned Costs:</u> \$0</p> <p><b>Grantee:</b> <b>Grant Number:</b> M-0096304-C <b>Grantor Agency:</b> U.S. Environmental Protection Agency</p>	<p>Government of Guam management should prepare and submit the required reports.</p> <p><b>Program:</b> Environmental Protection Consolidated Grants-Program Support <b>Area:</b> Reporting</p>	<p><b>Guam Environmental Protection Agency's Response:</b> As per the Determination letter dated August 26, 2010 from USEPA, GEPA has taken appropriate actions to address the finding. (Attachment D- GEPA A)</p> <p><b>BBMR's Response:</b> BBMR considers this audit finding closed.</p>
<p><b>Audit Finding Number</b> 2008-09 CFDA# 93.575 Page 36-37 <u>Questioned Cost</u> \$0</p> <p><b>Grantee:</b> DOA <b>Grant Number:</b> G-4301GUCCDF, G-0401GUCCDF, 2005G999003, G-0601GUCCDF <b>Grantor Agency:</b> U.S. Department of Health &amp; Human Services</p>	<p>Government of Guam management should develop more specific control procedures over monitoring a fund during the period of availability and de-encumbering or de-appropriating expired funds. The responsible accounting personnel should ensure that expired grants are de-encumbered or de-appropriated in a timely manner and that any liquidation of obligations for expired grants is charged to the General Fund.</p> <p><b>Program:</b> Child Care and Development Block Grant <b>Area:</b> Period of Availability</p>	<p><b>Department of Public Health and Social Services' Response:</b> The DPHSS provide email dated March 3, 2011 in which its Grantor Representative provides audit determination letters for FY2007-2009. The Federal Grantor Representative notes that audit findings for each fiscal year are resolved. (Attachment A DPHSS A)</p> <p><b>BBMR's Response:</b> BBMR considers this finding resolved.</p>

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<p><b>Audit Finding Number</b> 2008-10 CFDA# 93.575 Page 38-39 <u>Questioned Cost</u> \$2,909</p> <p><b>Grantees:</b> Grant Number: G-0601GUCCDF, G-070GUCCDF <b>Grantor Agency:</b> U.S. Department of Health &amp; Human Services</p>	<p><b>Description of Recommendation</b> Government of Guam management should enforce established procurement regulations. Also, the Government of Guam should ensure that open competition is applied to the selection of all vendors, including the selection of vendors being named in a grant application or State Plan.</p> <p><b>Program:</b> Child Care and Development Block Grant <b>Area:</b> Procurement</p>	<p><b>Status</b> <b>Department of Public Health and Social Services' Response:</b> The DPHSS provide email dated March 3, 2011 in which its Grantor Representative provides audit determination letters for FY2007-2009. The Federal Grantor Representative notes that audit findings for each fiscal year are resolved. (Attachment A DPHSS A)</p> <p><b>BBMR's Response:</b> BBMR considers this finding resolved.</p>
<p><b>Audit Finding Number</b> 2008-11 CFDA# 93.575 Page 40 <u>Questioned Cost</u> \$0</p> <p><b>Grantees:</b> Grant Number: G-0601GUCCDF, G-0801GUCCDF <b>Grantor Agency:</b> U.S. Department of Health &amp; Human Services</p>	<p><b>Description of Recommendation</b> Government of Guam management should ensure that underlying accounting records are maintained to substantiate reported amounts.</p> <p><b>Program:</b> Child Care and Development Block Grant <b>Area:</b> Reporting</p>	<p><b>Status</b> <b>Department of Public Health and Social Services' Response:</b> The DPHSS provide email dated March 3, 2011 in which its Grantor Representative provides audit determination letters for FY2007-2009. The Federal Grantor Representative notes that audit findings for each fiscal year are resolved. (Attachment A DPHSS A)</p> <p><b>BBMR's Response:</b> BBMR considers this finding resolved.</p>
<p><b>Audit Finding Number</b> 2008-12 CFDA# 66.600 Page 41 <u>Questioned Cost</u> \$235,257</p> <p><b>Grantees:</b> Grant Number: G-0601GUCCDF <b>Grantor Agency:</b> U.S. Department of Health &amp; Human Services</p>	<p><b>Description of Recommendation</b> Government of Guam management should more closely monitor its administrative costs and costs of quality and availability activities to ensure compliance with applicable earmarking requirements.</p> <p><b>Program:</b> Child Care and Development Block Grant <b>Area:</b> Matching, Level of Effort, Earmarking</p>	<p><b>Status</b> <b>Department of Public Health and Social Services' Response:</b> The DPHSS provide email dated March 3, 2011 in which its Grantor Representative provides audit determination letters for FY2007-2009. The Federal Grantor Representative notes that audit findings for each fiscal year are resolved. (Attachment A DPHSS A)</p> <p><b>BBMR's Response:</b> BBMR considers this finding resolved.</p>
<p><b>Audit Finding Number</b> 2008-13 CFDA# 93.778 Page 42-44 <u>Questioned Cost</u> \$388,976</p> <p><b>Grantees:</b> DPHSS <b>Grant Number:</b> 05-0905GQ5028 <b>Grantor Agency:</b> U.S. Department of Health &amp; Human Services</p>	<p><b>Description of Recommendation</b> The Program Administrator should strengthen record keeping controls to ensure that complete case files are maintained to substantiate eligibility and that the IEVS is implemented in accordance with applicable eligibility requirements. Furthermore, if the grantee is unable to use the IEVS, then the Program Administrator should consider discussing the issue with the grantor agency and obtaining a written waiver or approved alternative.</p> <p><b>Program:</b> Medical Assistance Program <b>Area:</b> Eligibility</p>	<p><b>Status</b> <b>Department of Public Health and Social Services' Response:</b> Per email from USHSS to the Department of Public Health and Social Services dated March 2, 2011, this finding will be tracking the department's corrective action plan. The recommendation can not be closed until IEVS and PH Pro are implemented and related procedures are developed. (Attachment A DPHSS B)</p>

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<p><b>Audit Finding Number</b> 2008-14 CFDA# 97.036 Pages 45 <u>Questioned Cost:</u> \$0</p> <p>Grantee: Guam Homeland Security Grant Number: Grantor Agency: U.S. Department of Homeland Security</p>	<p><b>Description of Recommendation</b> Government of Guam management should ensure that underlying accounting records are maintained to substantiate reported amounts.</p> <p>Program: Disaster Grants - Public Assistance (Presidentially Declared Disasters) Public Assist Area: Reporting</p>	<p><b>Status</b> <b>Guam Homeland Security's Response:</b> Awaiting grantor's response (Memo dated June 2, 2011) (Attachment E)</p>
<p><b>Audit Finding Number</b> 2008-15 CFDA# 97.039 Pages 46 <u>Questioned Cost:</u> \$0</p> <p>Grantee: Homeland Security/DOA Grant Number: Grantor Agency: U.S. Department of Homeland Security</p>	<p><b>Description of Recommendation</b> Government of Guam management should ensure that underlying accounting records are maintained to substantiate reported amounts.</p> <p>Program: Hazard Mitigation Grants Area: Reporting</p>	<p><b>Status</b> <b>Guam Homeland Security's Response:</b> Awaiting grantor's response (Memo dated June 2, 2011) (Attachment E)</p>
<p><b>Audit Finding Number</b> 2008-16 CFDA# 97.067/97.004 Pages 47-53 <u>Questioned Cost:</u> \$803,146</p> <p>Grantee: Homeland Security Grant Number: 2003TE-TX-0207, 2003MU-T3-0054, 2004GE-T4-0032, 2005GE-T5-0036, 2006GE-T6-0061 Grantor Agency: U.S. Department of Homeland Security</p>	<p><b>Description of Recommendation</b> Government of Guam management should enforce established procurement regulations should demonstrate open competition in the selection of any vendor in accordance with applicable procurement requirements. Furthermore, if the sole source method of procurement is used, the Government of Guam should ensure that the procurement records contain a cost analysis to substantiate the reasonableness of the sole vendor's contract price.</p> <p>Program: Homeland Security Cluster Area: Procurement</p>	<p><b>Status</b> <b>Guam Homeland Security's Response:</b> Awaiting grantor's response (Memo dated June 2, 2011) (Attachment E)</p>
<p><b>Audit Finding Number</b> 2008-17 CFDA# 97.067/97.004 Pages 54 <u>Questioned Cost:</u> \$0</p> <p>Grantee: Guam Homeland Security Grant Number: 2003MU-T3-0054 Grantor Agency: U.S. Department of Homeland Security</p>	<p><b>Description of Recommendation</b> The Program Administrator should ensure that the required prior approval is obtained for all capital expenditures in accordance with applicable allowable costs/cost principles requirements.</p> <p>Program: Homeland Security Cluster Area: Allowable Costs/Cost Principles</p>	<p><b>Status</b> <b>Guam Homeland Security's Response:</b> Awaiting grantor's response (Memo dated June 2, 2011) (Attachment E)</p>

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<p><b>Audit Finding Number:</b> 2008-18 <b>CFDA#</b> 97.067/87.004 Pages 55 <b>Questioned Cost:</b> \$0</p> <p><b>Grantee:</b> Guam Homeland Security <b>Grant Number:</b> <b>Grantor Agency:</b> U.S. Department of Homeland Security</p>	<p><b>Description of Recommendation</b> Government of Guam management should ensure that underlying accounting records are maintained to substantiate reported amounts.</p> <p><b>Program:</b> Homeland Security Cluster <b>Area:</b> Reporting</p>	<p><b>Status</b> <b>Guam Homeland Security's Response:</b> Awaiting grantor's response (Memo dated June 2, 2011) (Attachment E)</p>
<p><b>Audit Finding Number:</b> 2008-19 <b>CFDA#</b> Pages 56-57 <b>Questioned Cost:</b> \$53,423</p> <p><b>Grantee:</b> DOA - Division of Accounts <b>Grantor Agency:</b></p>	<p><b>Description of Recommendation</b> Government of Guam management should enforce established procurement regulations and should demonstrate open competition in the selection of any vendor in accordance with applicable procurement requirements. Additionally, the Government of Guam should strengthen controls to ensure that such accounting records as contracts are retained on file for at least three years to substantiate expenditures.</p> <p><b>Program:</b> Nonmajor Programs <b>Area:</b> Procurement <b>Area:</b> Allowable Costs/Cost Principles</p>	<p><b>Status</b> <b>BBMR's Response:</b> The Department of Administration (DOA) did not provide a specific response. However, DOA had indicated in an email dated May 27, 2011 that the U.S. Department of Interior will be contacted to determine the status of the outstanding audit findings. (Attachment B- DOA A)</p>
<p><b>Audit Finding Number:</b> 2008-20 <b>CFDA#</b> see below Pages 58-59 <b>Questioned Cost:</b> \$0</p> <p><b>Grantee:</b> DOA - Division of Accounts <b>Grantor:</b> USDOI <b>Grantor:</b> USBOT <b>Grantor:</b> USDHHS <b>Grantor:</b> USDHS <b>Grantor:</b> USDBS</p>	<p><b>Description of Recommendation</b> The Controller should more closely monitor the timing of drawdowns to ensure that the time elapsed between the receipt of Federal funds and the clearance of disbursed checks is in accordance with the approved Treasury-State Agreement. Furthermore, interest earned on advances in excess of \$100 should be remitted to the Federal Government.</p> <p><b>Program:</b> 15.875 Economic, Social, and Political Development of the Territories <b>Program:</b> 20.205 Highway Planning and Construction <b>Program:</b> 93.775 Medicaid <b>Program:</b> 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters) <b>Program:</b> 97.039 Hazard Mitigation Grants <b>Area:</b> Cash Management</p>	<p><b>Status</b> <b>Department of Administration's Response:</b> We have not received the final determination from the grantor. We will follow up with the grantor agency on the status of the finding (Attachment B- DOA A)</p>
<p><b>Audit Finding Number:</b> 2008-21 <b>CFED#</b> All major programs Pages 60-62 <b>Questioned Cost:</b> \$0</p> <p><b>Grantee:</b> DOA - Division of Accounts <b>Grantor Agency:</b></p>	<p><b>Description of Recommendation</b> The Government of Guam should complete tagging of all equipment and conduct a physical inventory immediately thereafter.</p> <p><b>Program:</b> ALL MAJOR PROGRAMS <b>Area:</b> Equipment and Real Property Management</p>	<p><b>Status</b> <b>Department of Administration's Response:</b> We have not received the final determination from the grantor. We will follow up with the grantor agency on the status of the finding (Attachment B- DOA A)</p>

Audit Finding Number	Description of Recommendation	Status
<p>Audit Finding Number <b>09-01</b> CFDA #10.557 Pages:21-22 <u>Questioned Costs:</u> \$0 Grantee: DPHSS/DOA - GSA Grant Number: 76U700GU7 Grantor Agency: U.S. Department of Agriculture</p>	<p>Government of Guam management should demonstrate open competition in the selection of any vendor in accordance with applicable procurement requirements.</p> <p>Program: Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) Area: Procurement and Suspension and Debarment</p>	<p>On-going. The department did not provide a status of the audit finding.</p>
<p>Audit Finding Number <b>09-02</b> CFDA# 15.875 Pages 23-25 <u>Questioned Cost</u> \$0 Grantee: DOA-GSA Grant Number: Grantor Agency: U.S. Dept. of the Interior</p>	<p>Description of Recommendation Government of Guam management should enforce established procurement regulations and should ensure maintenance of records sufficient to detail the significant history of a procurement to substantiate compliance with applicable procurement requirements. Additionally, Government of Guam management should demonstrate open competition in the selection of any vendor in accordance with applicable procurement requirements.</p> <p>Program: Economic, Social, and Political Development of the Territories Area: Procurement and Suspension and Debarment</p>	<p>On-going. The department did not provide a status of the audit finding.</p>
<p>Audit Finding Number <b>09-03</b> CFDA# 17.258/17.259/17.260 Pages 26-27 <u>Questioned Costs:</u> \$0 Grantee: Department of Labor Grant Number: AA-17161-08-55-A-66 Grantor Agency: U.S. Department of Labor</p>	<p>Description of Recommendation The Retention and Monitoring Unit should obtain an understanding of all subrecipient monitoring requirements and ensure compliance.</p> <p>Program: WIA Adult Program, WIA Youth Activities, WIA Dislocated Workers Area: Subrecipient Monitoring</p>	<p>The Department of Labor is currently working with the Federal Grantor in resolving the findings. The department was undergoing monitoring reviews during the FY2009 auditor's fieldwork.</p>
<p>Audit Finding Number <b>09-04</b> CFDA# 17.258/17.259/17.260 Page 28-29 <u>Questioned Costs:</u> \$0 Grantee: Department of Labor Grant Number: AA-17161-08-55-A-66 Grantor Agency: U.S. Department of Labor</p>	<p>Description of Recommendation Government of Guam management should identify and document, at the time of the subawards, the Federal award number and CFDA number, and should require the subrecipient to provide appropriate identification in their SEFA and SF-SAC.</p> <p>Program: WIA Adult Program, WIA Youth Activities, WIA Dislocated Workers Area: Special Tests and Provisions</p>	<p>The Department of Labor is currently working with the Federal Grantor in resolving the findings. The department has modified their contracts to indicate all information required and all announcements on availability of funds will have this same information as well.</p>
<p>Audit Finding Number <b>09-05</b> CFDA# 93.558 Page 30-31 <u>Questioned Cost:</u> \$0 Grantee: DPHSS Grant Number: Grantor Agency: U.S. Department of Health and Human Services</p>	<p>Description of Recommendation Government of Guam management should ensure that underlying accounting records are maintained to substantiate reported amounts and that required reports are prepared, submitted, and maintained on file.</p> <p>Program: Temporary Assistance for Needy Families Grant Number (TANF) Area: Reporting</p>	<p>The DPHSS provide email dated March 3, 2011 in which its Grantor Representative provides audit determination letters for FY2007-2009. The Federal Grantor Representative notes that audit findings for each fiscal year are resolved. (Attachment A DPHSS A) BBMR considers this finding resolved.</p>

<p>Audit Finding Number <b>09-06</b> CFDA# 93.57/93.718 Page 32-33 <u>Questioned Cost:</u> \$0</p> <p>Grantee: DPHSS Grant Number: Grantor Agency: U.S. Department of Health and Human Services</p>	<p>Description of Recommendation Government of Guam management should develop more specific control procedures over monitoring a fund during the period of availability and de-encumbering or de-appropriating expired funds. The responsible accounting personnel should ensure that expired grants are de-encumbered or de-appropriated in a timely manner and that any liquidation of obligations for expired grants is charged to the General Fund.</p> <p>Program: Child Care and Development Block Grant/ARRA Child Care and Development Blk Grant Area: Period of Availability of Federal Funds</p>	<p>Status <b>Department of Public Health and Social Services' Response:</b> The DPHSS provide email dated March 3, 2011 in which its Grantor Representative provides audit determination letters for FY2007-2009. The Federal Grantor Representative notes that audit findings for each fiscal year are resolved. (Attachment A DPHSS A) <b>BBMR's Response:</b> BBMR considers this finding resolved.</p>
<p>Audit Finding Number <b>09-07</b> CFDA# 93.57/93.718 Page 34-35 <u>Questioned Cost:</u> 0</p> <p>Grantee: DPHSS and/or Dept of Administration Grant Number: G-0701GUCCDF Grantor Agency: U.S. Department of Health and Human Services</p>	<p>Description of Recommendation Government of Guam management should enforce established procurement regulations. Also, the Government of Guam should demonstrate that open competition is applied to the selection of all vendors, including the selection of vendors being named in a grant application or State Plan.</p> <p>Program: Child Care and Development Block Grant/ARRA Child Care and Development Blk Grant Area: Procurement and Suspension and Debarment</p>	<p>Status <b>Department of Public Health and Social Services' Response:</b> The DPHSS provide email dated March 3, 2011 in which its Grantor Representative provides audit determination letters for FY2007-2009. The Federal Grantor Representative notes that audit findings for each fiscal year are resolved. (Attachment A DPHSS A) <b>BBMR's Response:</b> BBMR considers this finding resolved.</p>
<p>Audit Finding Number <b>09-08</b> CFDA# 93.778 Pages 36-38 <u>Questioned Cost:</u> \$0</p> <p>Grantee: DPHSS Grant Number: 05-0905GQ5028, 05-0905GQARRA Grantor Agency: U.S. Department of Health and Human Services</p>	<p>Description of Recommendation The Program Administrator should strengthen record keeping controls to ensure that complete case files are maintained to substantiate eligibility and that the IEVS is implemented in accordance with applicable eligibility requirements. Furthermore, if the grantee is unable to use the IEVS, then the Program Administrator should consider discussing the issue with the grantor agency and obtaining a written waiver or approved alternative.</p> <p>Program: Medical Assistance Program Area: Eligibility</p>	<p>Status <b>BBMR's Response:</b> On-going. The department did not provide a status of the audit finding.</p>
<p>Audit Finding Number <b>09-08</b> CFDA# 93.558 Pages 36-38 <u>Questioned Cost:</u> \$0</p> <p>Grantee: DPHSS Grant Number: 05-0905GQ5028, 05-0905GQARRA Grantor Agency: U.S. Department of Health and Human Services</p>	<p>Description of Recommendation The Program Administrator should strengthen record keeping controls to ensure that complete case files are maintained to substantiate eligibility and that the IEVS is implemented in accordance with applicable eligibility requirements. Furthermore, if the grantee is unable to use the IEVS, then the Program Administrator should consider discussing the issue with the grantor agency and obtaining a written waiver or approved alternative.</p> <p>Program: Temporary Assistance for Needy Families Area: Eligibility</p>	<p>Status <b>Department of Public Health and Social Services' Response:</b> The DPHSS provide email dated March 3, 2011 in which its Grantor Representative provides audit determination letters for FY2007-2009. The Federal Grantor Representative notes that audit findings for each fiscal year are resolved. (Attachment A DPHSS A) <b>BBMR's Response:</b> BBMR considers this finding resolved.</p>
<p>Audit Finding Number <b>09-09</b> CFDA# 20.205 Pages 39-40 <u>Questioned Cost:</u> \$0</p> <p>Grantee: DPW and/or DOA Division of Accounts Grant Number: Grantor Agency: U.S. Department of Transportation</p>	<p>Description of Recommendation The Controller should more closely monitor the timing of drawdowns to ensure that the time elapsed between the receipt of Federal funds and the clearance of disbursed checks is in accordance with the approved Treasury-State Agreement. Furthermore, interest earned on advances in excess of \$100 should be remitted to the Federal Government.</p> <p>Program: DOT Highway Planning and Construction Grant Number Area: Cash Management</p>	<p>Status <b>BBMR's Response:</b> On-going. The department did not provide a status of the audit finding.</p>

Audit Finding Number	Description of Recommendation	Status
<p><b>Audit Finding Number</b> 09-09 CFDA# 83.778 Pages 39-40 <b>Questioned Cost:</b> \$0</p> <p>Grantee: DPHSS and/or DOA Division of Accounts Grant Number: Grantor Agency: Department of Health and Human Services</p> <p>Program: HHS Medicaid Area: Cash Management</p>	<p>The Controller should more closely monitor the timing of drawdowns to ensure that the time elapsed between the receipt of Federal funds and the clearance of disbursed checks is in accordance with the approved Treasury-State Agreement. Furthermore, interest earned on advances in excess of \$100 should be remitted to the Federal Government.</p>	<p><b>BBMR's Response:</b> On-going. The department did not provide a status of the audit finding.</p>
<p><b>Audit Finding Number</b> 09-09 CFDA# 97.009 Pages 39-40 <b>Questioned Cost:</b> \$0</p> <p>Grantee: Homeland and/or DOA Div. of Accounts Grant Number: Grantor Agency: Department of Homeland Security</p> <p>Program: DHS Hazard Mitigation Grants Area: Cash Management</p>	<p>The Controller should more closely monitor the timing of drawdowns to ensure that the time elapsed between the receipt of Federal funds and the clearance of disbursed checks is in accordance with the approved Treasury-State Agreement. Furthermore, interest earned on advances in excess of \$100 should be remitted to the Federal Government.</p>	<p><b>Guam Homeland Security's Response:</b> Awaiting grantor's response (Memo dated June 2, 2011) (Attachment E)</p> <p><b>Status</b></p>
<p><b>Audit Finding Number</b> 09-10 CFDA# 15.875 Pages 41-44 <b>Questioned Cost:</b> \$0</p> <p>Grantee: DOA - Division of Accounts Grant Number: Grantor Agency: U.S. Department of the Interior</p> <p>Program: DOI Economic, Social and Political Development of the Territories Area: Equipment and Real Property Management</p>	<p>The Government of Guam should complete tagging of all equipment and conduct a physical inventory immediately thereafter.</p>	<p><b>BBMR's Response:</b> On-going. The department did not provide a status of the audit finding.</p> <p><b>Status</b></p>
<p><b>Audit Finding Number</b> 09-10 CFDA# 20.205 Pages 41-44 <b>Questioned Cost</b> \$0</p> <p>Grantee: DPW and/or DOA Division of Accounts Grant Number: Grantor Agency: U.S. Department of Transportation</p> <p>Program: DOT Highway Planning and Construction Area: Equipment and Real Property Management</p>	<p>The Government of Guam should complete tagging of all equipment and conduct a physical inventory immediately thereafter.</p>	<p><b>BBMR's Response:</b> On-going. The department did not provide a status of the audit finding.</p> <p><b>Status</b></p>
<p><b>Audit Finding Number</b> 09-10 CFED# 66.600 Pages 41-44 <b>Questioned Cost</b> \$0</p> <p>Grantee: GEPA Grant Number: Grantor Agency: U.S. Environmental Protection Agency</p> <p>Program: EPA Environmental Protection Consolidated Grants for the Insular Areas-Program Support Area: Equipment and Real Property Management</p>	<p>The Government of Guam should complete tagging of all equipment and conduct a physical inventory immediately thereafter.</p>	<p><b>BBMR's Response:</b> On-going. The department did not provide a status of the audit finding.</p> <p><b>Status</b></p>

Fiscal Year 2010 Single Audit - Schedule of Prior Year Audit Findings

<p>Audit Finding Number  <b>09-10</b>                  CFED# 97.036                  Pages 41-44  <u>Questioned Cost</u>                  \$0</p> <p>Grantee: Homeland Security/ DOA                  Grant Number:                  Grantor Agency: Department of Homeland Security</p>	<p><u>Description of Recommendation</u>                  The Government of Guam should complete tagging of all equipment and conduct a physical inventory immediately thereafter.</p> <p>Program: DHS Disaster Grants - Public Assistance (Presidentially Declared Disasters)                  Area: Equipment and Real Property Management</p>	<p><u>Status</u></p> <p><u>Guam Homeland Security's Response:</u>                  Awaiting grantor's response                  (Memo dated June 2, 2011) (Attachment E)</p>
<p>Audit Finding Number  <b>09-10</b>                  CFED# 97.039                  Pages 41-44  <u>Questioned Cost</u>                  \$0</p> <p>Grantee: Homeland Security/ DOA                  Grant Number:                  Grantor Agency: Department of Homeland Security</p>	<p><u>Description of Recommendation</u>                  The Government of Guam should complete tagging of all equipment and conduct a physical inventory immediately thereafter.</p> <p>Program: DHS Hazard Mitigation Grant                  Area: Equipment and Real Property Management</p>	<p><u>Status</u></p> <p><u>Guam Homeland Security's Response:</u>                  Awaiting grantor's response                  (Memo dated June 2, 2011) (Attachment E)</p>

## GOVERNMENT OF GUAM

### Summary of Unresolved Questioned Costs Arising from Prior Year Single Audits, Continued Year Ended September 30, 2009

<u>CFDA #</u>		<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>Total</u>
10.557	WIC	\$ 44,048	\$ -	\$ -	\$ -	\$ -	\$ 44,048
15.875	Compact Impact	192,770	821,288	-	-	-	1,014,058
20.205	Highway Planning & Construction	-	126,170	-	-	-	126,170
66.600	Environmental Protection	151,864	-	-	-	-	151,864
93.283	CDC	-	-	-	39,741	-	39,741
93.575	CCDF	238,166	49,011	-	-	-	287,177
93.778	Medicaid	388,976	-	-	-	-	388,976
93.994	Maternal and Child Health	-	-	-	-	15,700	15,700
97.004/97.067	Homeland Security	809,146	1,455,162	-	-	-	2,264,308
97.039/83.548	Hazard Mitigation	-	-	120,115	-	-	120,115
	Nonmajor Programs	<u>53,423</u>	<u>110,824</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>164,247</u>
	Totals	<u>\$1,878,393</u>	<u>\$2,562,455</u>	<u>\$120,115</u>	<u>\$39,741</u>	<u>\$15,700</u>	<u>\$ 4,616,404</u>

**GOVERNMENT OF GUAM**

Summary of Unresolved Questioned Costs Arising from  
Prior Year Single Audits  
Year Ended September 30, 2009

	Prior Year Listed Unresolved <u>Questioned Costs</u>	Questioned Costs Resolved <u>During the Year</u>	End of <u>Year</u>
Unresolved Questioned Costs FY 03	\$ 595,820	\$ 595,820	\$ -
Unresolved Questioned Costs FY 04	15,700	-	15,700
Unresolved Questioned Costs FY 05	93,977	54,236	39,741
Unresolved Questioned Costs FY 06	2,450,590	2,330,475	120,115
Unresolved Questioned Costs FY 07	2,800,197	237,742	2,562,455
Unresolved Questioned Costs FY 08	<u>188,143</u>	<u>3,042</u>	<u>1,878,393</u>
	\$ <u>7,837,719</u>	\$ <u>3,221,315</u>	4,616,404
Add Questioned Costs for FY 2009			<u>0</u>
Total Unresolved Questioned Costs at September 30, 2009			\$ <u>4,616,404</u>

**Attachment A**  
**Department of Public Health and Social Services**



GOVERNMENT OF GUAM  
 DEPARTMENT OF PUBLIC HEALTH AND SOCIAL SERVICES  
 DIPATTAMENTON SALUT PUPBLEKO YAN SETBISION SUSIAT



EDDIE BAZA CALVO  
 GOVERNOR

JAMES W. GILLAN  
 ACTING DIRECTOR

RAY TENORIO  
 LIEUTENANT GOVERNOR

LEO G. CASIL  
 DEPUTY DIRECTOR

APR 13 2011

**MEMORANDUM**

TO: Benita A. Manglona  
 Director, Bureau of Budget and Management Research

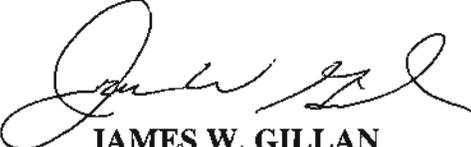
FROM: James W. Gillan  
 Director, Department of Public Health and Social Services

SUBJECT: DPHSS Submission of Prior Year's Single Audit Findings

Hafa Adai! In reference to your memorandum dated February 14, 2011, please find attached our departments' response to the Prior Year's Single Audit Findings.

Should you have any questions please feel free to contact Ms. Bertha Taijeron, Program Coordinator III, Director's Office at 735-7125 or via email at [bertha.taijeron@dphss.guam.gov](mailto:bertha.taijeron@dphss.guam.gov)

**RECEIVED**  
 10:17am  
 APR 15 2011

  
 JAMES W. GILLAN  
 Acting

Bureau of Budget and  
 Management Research

Zimbra

linda.susulco@dphss.guam.gov

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## RE: Single Audit Findings

From : Martin Tom (ACF) <martin.tom@acf.hhs.gov>

Thu, Mar 03, 2011 03:59 AM

Subject : RE: Single Audit Findings

3 attachments

To : Linda Susulco <Linda.susulco@dphss.guam.gov>

Cc : Tracy Donovan (ACF) <Tracy.Donovan@ACF.hhs.gov>

Hafa Adai! Linda,

I am attaching the audit determination letters (ADL) for FYs 2007-2009. As far as ACF is concerned, the audits are resolved for each year. This means that Guam submitted a corrective action plan, ACF required a specific action, or if applicable, a disallowance was asserted against Guam. Though the audit is resolved, whether DPHSS completed its corrective action or an action stated in the ADL as required by ACF is followed up separately by the auditor for the next FY audit. In cases where ACF was to handle the finding through the penalty process, the audit is still resolved but the decision about asserting a penalty is on a separate track.

In terms of IEVS, the FY 2009 ADL (finding 09-08) states that DPHSS had indicated in its corrective action plan a target date of December 31, 2010 for getting IEVS in place. However, Guam's approved corrective compliance plan provides for an implementation date of October 31, 2009. ACF will determine via the next FY audit whether the approved corrective compliance plan was met. For purposes of the FY 2009 audit, the IEVS finding is resolved (the approved corrective compliance plan is on a separate track and will be examined in the next audit).

Hopefully this meets your needs with BBMR. It appears that there is a difference between what BBMR considers open audit issues versus whether an A-133 audit is considered resolved by the grantor agency. The key from ACF's standpoint is that an audit is considered resolved but there can be subsequent actions to achieve closure and correction of the issue (corrective actions are completed).

Martin (415) 437-8632

---

From: Linda Susulco [mailto:linda.susulco@dphss.guam.gov]

Sent: Tuesday, March 01, 2011 6:48 PM

To: Tom, Martin (ACF)

Subject: Single Audit Findings

Hafa Adai! Martin,

Need your assistance for audit relating to TANF and CCDF. I know I had worked on these with you last year, but more is needed. I appreciate your assistance.

I appreciate your assistance. Thanks.

Linda S.

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 **Guam FY07.pdf**  
571 KB

 **Guam FY08.pdf**  
518 KB

 **Guam FY09.pdf**  
486 KB

DPHSS A 1/15



**DEPARTMENT OF HEALTH & HUMAN SERVICES**

Administration for Children and Families  
370 L'Enfant Promenade, S.W.  
Washington, D.C. 20201

JUN 17 2010

Certified Mail – Return Receipt Requested

Lourdes M. Perez  
Director of Administration  
Government of Guam  
Manuel F. Guerrero Building  
212 Aspinall Avenue  
P.O. Box 884  
Hagatna, Guam 96932

Dear Ms. Perez:

The U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG) sent you a letter dated July 17, 2009, Common Identification Number (CIN) A-09-09-92172, for the audit period October 1, 2006 through September 30, 2007. The Office of Management and Budget (OMB) Circular A-133 audit contained three recommendations for the Child Care Development Fund (CCDF) program requiring action. Based on the responses contained in the audit and the Department of Health and Social Services (DPHSS) October 30, 2009 response the audit recommendations are resolved. This audit determination asserts a disallowance of \$41,850 as detailed below.

**Recommendation Code 09900100 – Period of Availability, Finding 7-14 Questioned CCDF Cost of \$553,852**

This is a repeat finding, a material instance of noncompliance and a material weakness. OIG recommended that procedures be strengthened to ensure 1) expenditures allocated to grants are obligated and liquidated within the period of availability and 2) inactive grant accounts are closed out in a timely manner.

**Corrective Action Planned or Taken**

Guam Department of Administration (DOA) stated in the audit that it requested a system change or enhancement on the BACIS-AS-400 and is currently being implemented. DOA issued a memorandum dated March 26, 2007 informing departments of the change to "Period of Availability" in the AS-400.

DPHSS stated in its October 30, 2009 response that it is developing a standard operating procedure in which the Administrative Officer (AO) assures: 1) the Division of Public Welfare (DPW) establishes deadlines for account establishments, requisitions, and contracts/MOUs 2)

DPHSS A 2/15

DPW maintains a uniform ledger for tracking and reporting grants by category of expenditure, appropriation, encumbrance and payments 3) the AO monitors the uniform ledgers in conjunctions with the accounting system. Training on the processes and policies occurred September 19, 2009. Documentation provided by DPHSS shows that the encumbrances identified in the audit were not liquidated after the grant period ended. All outstanding encumbrances have been deobligated. As a result, a recovery of funds is not required.

**Recommendation Code 399908102 – Matching, Level of Effort, Earmarking, Finding 7-15 Questioned CCDF Cost of \$41,850**

This is a repeat finding. OIG recommended that procedures be strengthened to ensure compliance with Federal earmarking requirements.

**Corrective Action Planned or Taken**

Guam DOA stated in the audit that effective June 23, 2008 staff was assigned to maintain a spreadsheet reconciliation of administrative expenses daily, and the supervisor will monitor whether the 5% cost limit has been exceeded.

DPHSS further stated in its October 30, 2009 response that it is developing a standard operating procedure in which the Administrative Officer (AO) assures: 1) DPW maintains a uniform ledger for tracking and reporting grant funds 2) a labor costs expenditure tracking sheet is used to monitor administrative expenses to remain within earmarks 3) staff are identified to specific accounts and job order numbers identify employees providing direct services as a means to properly charge administrative costs applicable to open grant years and remain within the earmark limit. In addition, effective Fiscal Year 2010, salaries and benefits will only be charged to the current grant year. At the start of the second grant year, accounts will be adjusted to move current employees' pay to the current grant year with remaining available funds transferred to contractual and miscellaneous categories for encumbrance. Training on the accounting system and processes and policies was provided to Work Program Section staff and the CCDF program coordinator.

Guam DPHSS submitted an ACF-696, Child Care and Development Fund Financial Report as of September 30, 2007 with total reported expenditures of \$3,458,258 (including administrative costs of \$214,763). In accordance with 45 CFR 98.52, Administrative Costs, the maximum administrative cost allowed is five percent of the aggregate funds expended, or \$172,913. Guam expended \$41,850 of CCDF funds above the limit on administrative costs. Therefore it is my final decision to disallow \$41,850 of costs associated with recommendation code 399908102.

**Recommendation Code 099905100 – Procurement, Finding 7-16 Questioned CCDF Cost of \$7,161**

This is a repeat finding. OIG recommended that procedures be strengthened to ensure transactions are supported by adequate documentation.

**Corrective Action Planned or Taken**

Guam expended \$7,161 of CCDF funds for a copier machine through trade-in in September 2002. Although the response contained in the audit stated that "GSA agrees with the finding," DPHSS confirmed on December 7, 2009 that the September 2002 trade-in was allowable under Guam procurement policy. Therefore ACF will not pursue recovery of the questioned cost.

As of November 17, 2003, Guam General Services Administration (GSA) no longer allows trade-in of copier machine at the end of original lease term. GSA changed its policy to require that three price quotations be obtained any time copiers are leased. DPHSS stated in its October 30, 2009 response that it received training and a manual from Guam GSA on July 29, 2009. The AO will monitor incoming requisitions to ensure local procurement guidelines are met.

#### **Disallowance Requirements**

Federal regulations at 45 C.F.R. § 98.66 (a), Disallowance procedures, provide that "[a]ny expenditures not made in accordance with the Act, the implementing regulations, or the approved Plan, will be subject to disallowance." Pursuant to this authority, we are disallowing \$41,850 for recommendation code 399908102. This is the final decision of the Administration for Children and Families.

Within 30 days of receipt of this letter, a check in the amount of \$41,850 and the enclosed Certification of Payment from Non-Federal Sources must be sent to:

U.S. Department of Health and Human Services  
Program Support Center  
Division of Fiscal Services  
Parklawn Building  
5600 Fishers Lane, Room 8B-45  
Rockville, MD 20857

The check should include your organization's name, grant number, Common Identification Number (audit number), Fiscal Year of the debt, and Employer Identification Number (EIN). A copy of the check and certification form should be sent to Region IX, ACF Office of Grants Management.

Under regulations at 45 CFR § 98.66(c)(2), the Territory has an opportunity to request reconsideration from the Assistant Secretary for Children and Families (the Assistant Secretary) in accordance with 45 CFR § 98.66(f) or to appeal this decision to the Departmental Appeals Board (the Board) in accordance with 45 CFR Part 16. This decision shall be the final decision of the Department of Health & Human Services unless, within 30 days of receiving this decision, the Territory undertakes one of the following two actions:

1. If requesting reconsideration from the Assistant Secretary, deliver or mail (using registered or certified mail to establish the date) a written request for reconsideration that includes (1) the amount of the disallowance; (2) reasons for believing that the disallowance was improper; and (3) a copy of the disallowance decision to:

Carmen R. Nazario, Assistant Secretary  
Administration for Children and Families  
U.S. Department of Health & Human Services  
370 L'Enfant Promenade, S.W.  
Washington, D.C. 20447

Upon receipt of a request for reconsideration, the Assistant Secretary, or the Assistant Secretary's designee, will notify the Territory of further procedures. In the event that the

reconsideration decision is adverse to the Territory's position, the Territory will still have an opportunity to appeal to the Board.

2. If appealing this decision to the Board, deliver or mail (using registered or certified mail to establish the date) three copies of the Territory's written notice of appeal to:

U.S. Department of Health & Human Services  
Departmental Appeals Board, MS 6127  
Appellate Division  
330 Independence Avenue, SW  
Cohen Building, Room G-644  
Washington, D.C. 20201

The appeal packet should include: (1) a copy of the final decision; (2) a statement of the amount in dispute in the appeal; and (3) a brief statement of why the decision is wrong. The Board will notify the Territory of further procedures.

Regardless of whether the Territory is requesting reconsideration by the Assistant Secretary or appealing to the Board, please ensure that a copy of the reconsideration or appeal packet is sent to ACF Child Care Bureau, Shannon L. Rudisill and CCDF Regional Program Manager, Robert Garcia.

If the Territory seeks reconsideration by the Assistant Secretary or appeals to the Board, the Territory may elect to repay the amount at issue pending a decision by the Assistant Secretary or the Board, as applicable, or the Territory may retain the funds pending the decision. If the Territory retains the funds and the Board sustains all or part of the disallowance or the Assistant Secretary sustains all or part of the disallowance and the Territory declines to pursue an appeal to the Board, interest, which is currently at 10.875%, will be charged pursuant to 45 CFR § 98.66(j), starting from the date of this letter. The disallowed expenditures referenced above are considered a debt to the Federal government and interest charges and any other late charges, if applicable, will accrue in accordance with the provisions found at 45 CFR Part 30, Subpart B. During the reconsideration and appeal process, collection actions will be suspended pending a final decision, unless otherwise requested by the Territory.

If the Territory fails to either return the disallowed funds or advise the ACF of its intent to retain the funds, within the 30 day period, ACF will issue a negative grant award to recover the amount of the disallowance plus any interest. The disallowance will be calculated from the date of the disallowance to the date of the award.

An extended repayment plan may be requested under 45 C.F.R. § 30.17, Collection in installments. Financing interest is charged. Please note that such request for a repayment plan must be in writing and sent to the Program Support Center (address above) within 15 days of the date of this notice. You must request and receive approval prior to the normal payment date in order to avoid late payment charges.

DHSS A 5/15

Page 5—Ms. Lourdes M. Perez

If you have any questions, please contact Robert Garcia, Regional Program Manager at (415) 437-8439 or Pat Colonnese, Grants Officer at (415) 437-8419.

Sincerely,



Ann H. Barbagallo  
Acting Director  
Office of Family Assistance

Enclosure

Cc: Joe Lonergan, OGM  
Robert Garcia, RPM Region IX  
Shannon L. Rudisill, Associate Director, Child Care Bureau

D PHASE A - 6/15



DEPARTMENT OF HEALTH & HUMAN SERVICES

Administration for  
Children & Families

Refer to: **JAN 27 2011**

Region IX  
90 7<sup>th</sup> Street, Ninth Floor  
San Francisco, CA 94103

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Gener F. Deliquina  
Director, Department of Administration  
Government of Guam  
Manuel FL Guerrero Building  
212 Aspindall Avenue, P.O. Box 884  
Hagatna, Guam 96932

Dear Mr. Deliquina:

The U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG) sent your office a letter dated July 16, 2010, Common Identification Number (CIN) A-09-10-95041 for the audit period July 1, 2007 through June 30, 2008. This audit contains four recommendations for the Child Care Development Fund (CCDF). These recommendations and Guam's Department of Health and Social Services (DPHSS) corrective action plan are described below.

**Recommendation Code 099009100, Finding 08-09, Period of Availability**

This is a repeat finding. We recommend procedures be strengthened to ensure expenditures allocated to grants are obligated and liquidated within the period of availability.

**Corrective Action Planned or Taken**

Guam stated in the audit report that technical assistance was provided by the Administration for Children and Families (ACF) regarding grant funding and the encumbrance of available funds. As a result, DPHSS staff will closely monitor the grant.

DPHSS subsequently stated on October 19, 2010 that it had implemented procedures as of October 30, 2009 to ensure the timely obligation of funds within the two-year grant period. Procedures have since been strengthened to include:

- The timely de-obligation of outstanding encumbrances after the third year of the grant;
- Ensuring reported obligations after the end of the second grant year do not increase;
- Ensuring liquidations do not occur after the end of the third grant year, affecting reported amounts.

DPHSS 9 7/15

Gener F. Dellquina – Page 2

Guam further provided accounting screens which document that the outstanding encumbrances identified by the auditors have been deobligated.

ACF accepts this corrective action.

**Recommendation Code 099905100, Finding 08-10, Procurement, Questioned Cost of \$2,909**

This is a material instance of noncompliance, a material weakness and a repeat finding. We recommend procedures be strengthened to ensure transactions are supported by adequate documentation.

**Corrective Action Planned or Taken**

Guam stated in the audit report that it disagrees with the finding, and that the procurement file contains evidence that the selected company was the only company that can provide airtime services for their radios. The company selected provided documentation that they were the only company that can provide the services for such equipment. An interoffice memorandum was on file justifying the need to use sole source procurement. DPHSS also agreed to comply with a requirement to submit a cost analysis prior to submitting the purchase order.

DPHSS stated its disagreement with the finding on October 19, 2010 and that, "The Chief Procurement Officer provided documentation that the company was the only provider of radio airtime services." However, auditors noted third-party records documenting that no other vendor provided such services were lacking in the procurement file.

DPHSS further stated that it will adhere to General Services Agency (GSA) Circular Number 09-003 issued on June 5, 2009, to submit a cost analysis in all requisitions in which sole source procurement is recommended. DPHSS is also taking steps to work with the GSA in identifying procurement issues and amending internal procedures to comply with local procurement requirements.

ACF concurs with DPHSS' disagreement with the finding and accepts the corrective action which ensures DPHSS will identify future procurement issues. Therefore, ACF will not pursue recovery action for the questioned cost.

**Recommendation Code 209922100, Finding 08-11, Reporting**

We recommend procedures be strengthened to ensure Federal financial reports are accurate and supported by the accounting records.

DPHSS A - 5/15

**Corrective Action Planned or Taken**

DPHSS stated in the audit report that it is working collaboratively with the Department of Administration to correct the cost allocation for salaries and benefits which is the source of the discrepancies. In addition, DPHSS procedures ensure all ACF-696 reports are reconciled with the accounting AS-400 system prior to submission of the ACF-696, and that management is made aware that the records match.

ACF accepts this corrective action.

**Recommendation Code 399908100, Finding 08-12, Matching, Level of Effort, Earmarking, Questioned Cost of \$235,527**

According to the audit report, as of September 30, 2008 the Government of Guam exceeded the administrative earmark ceiling of 5% by \$109,502 for its FY 2008 grant and by \$105,790 for its FY 2007 (ACF Note: the audit report incorrectly referred to FY 2008) grant. In addition, as of September 30, 2008, the Government of Guam did not meet the quality earmark floor of 4% by \$19,965 for its FY 2008 grant.

This is a material instance of noncompliance, a material weakness and a repeat finding. We recommend procedures be strengthened to ensure compliance with Federal earmarking requirements.

**Corrective Action Planned or Taken**

**Strengthening of Guam's Procedures**

Guam DPHSS stated in the audit report that technical assistance was provided by the ACF regarding grant funding and the encumbrance of available funds. As a result, DPHSS staff will closely monitor the grant. On December 16, 2010, DPHSS stated that it had implemented procedures in which ACF-696 reports will be checked to assure administrative and quality earmark requirements are met prior to submitting the report to ACF.

**ACF Determinations on Questioned Costs**

The questioned administrative cost of \$109,502 for Fiscal Year (FY) 2008 is not valid. Under Title 45 Code of Federal Regulations (CFR) § 98.52, Administrative costs, the cost limitation is not more than five percent of the aggregate funds expended from each fiscal year's allotment. The \$109,502 of excess administrative expenditures is based on total expenditures reported as of September 30, 2008, the first year of the FY 2008 grant. Since the FY 2008

CCDF grant period ends September 30, 2010, a recovery of funds based on FY 2008 data is not appropriate.

The questioned quality cost of \$19,965 for FY 2008 (as of September 30, 2008) also is not valid. Under 45 CFR §98.51, Activities to improve the quality of child care, no less than four percent of the aggregate funds expended for a fiscal year shall be expended for quality activities. Since the FY 2008 CCDF grant period ends September 30, 2010 a recovery of funds based on FY 2008 data is not appropriate.

The questioned administrative cost of \$105,790 for FY 2007 is not valid. The \$105,790 of excess administrative expenditures is based on total expenditures reported as of September 30, 2008. Since the FY 2007 CCDF grant period ended September 30, 2009, a recovery of funds based on FY 2008 data is not appropriate.

ACF accepts Guam's corrective actions with respect to the implementation of procedures to prevent recurrence of the internal control weaknesses under finding 08-112. Guam is reminded that by the end of the FY 2007 and FY 2008 grant periods, DPHSS is required to have complied with the administrative and quality earmarks. If the earmarks are not met for each of the grant periods, a disallowance (separate from this audit report) may be taken by ACF.

#### **Audit Closure**

As a reminder, your entity is required by OMB Circular A-133 to follow-up and to take corrective action on audit findings and to report the status of audit findings in the subsequent audit's summary schedule of prior audit findings. Also, your auditor is required by OMB Circular A-133 to follow-up on prior audit findings; perform procedures to assess the reasonableness of the summary schedule of prior audit findings, and report exceptions.

Also, future single audits should be submitted to the Federal Audit Clearinghouse within the earlier of 30 days after receipt of the auditor's report or nine months after the fiscal year ends, in accordance with Section 320 of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Beginning with fiscal years ending on or after January 1, 2008, reports on OMB Circular A-133 audits must be submitted to the FAC online at <http://harvester.census.gov/fac/index.html>.

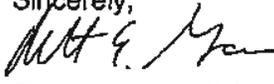
DPHSS A

14/15

Gener F. Deliquina – Page 5

If you have any questions, please contact Robert Garcia, Regional Program Manager at (415) 437-8439 or Pat Colonnese, Grants Officer at (415) 437-8419.

Sincerely,



for Shannon L. Rudisill  
Director  
Office of Child Care  
Administration for Children and Families

CC:

Pat Colonnese, OGM RPM, Region IX  
Joe Lonergan, Director, Division of Mandatory Grants, OGM  
Robert Garcia, Regional Program Manager, Region IX

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DEPARTMENT OF HEALTH & HUMAN SERVICES

ADMINISTRATION FOR CHILDREN AND FAMILIES  
370 L'Enfant Promenade, S.W.  
Washington, D.C. 20447

JAN 10 2011

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Lourdes M. Perez  
Director, Department of Administration  
Government of Guam  
Manuel F.L. Guerrero Building  
212 Aspindall Avenue, P.O. Box 884  
Hagatna, Guam 96932

Dear Ms. Perez:

The U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG) sent you a letter dated July 23, 2010, Common Identification Number (CIN) A-09-10-14093 for the audit period July 1, 2008 through June 30, 2009. This audit contains four recommendations which include two findings for the Child Care Development Fund (CCDF), and two findings for the Temporary Assistance to Needy Families (TANF) programs. Please note the CCDF findings are related to the American Recovery and Reinvestment Act (ARRA) of 2009. Based on the responses contained in the audit report and additional information provided by Department of Public Health and Social Services (DPHSS), this audit is resolved.

**Recommendation Code 209922100, Finding 09-05, TANF Reporting**

This is a material instance of noncompliance, a material weakness and a repeat finding. We recommend procedures be strengthened to ensure Federal financial reports are accurate, supported and submitted in a timely manner.

**Corrective Action Planned or Taken**

Guam stated in the audit report that it agreed with the finding. In Fiscal Year (FY) 2009, DPHSS collaborated with the Guam Department of Administration (DOA) to analyze and revise past reports to accurately reflect program requirements. By September 2009, this led to the restructuring of all TANF accounts, separating local and federally funded benefits, establishing accounts for matching and maintenance of effort requirements of the ACF grants, and for carry-over of unobligated TANF award balances. In addition, adjustments are made to extract DOA AS-400 system costs into the ACF-204 report.

ACF accepts this corrective action.

**Recommendation Code 099009105, ARRA Finding 09-06, CCDF Period of Availability**

DPHSS 4 - 12/15

**Corrective Action Planned or Taken**

Guam stated in the audit report that DPHSS executed a Request for Proposal (RFP) through the Guam General Services Administration (GSA) for training services. The RFP process will be followed until further guidance is received from GSA.

On August 30, 2010, Guam DPHSS submitted additional corrective action information which stated that it announced a request for proposal in August 2008 for a two-year contract to provide child care provider training. Guam Community College was the only certified institution that provides accredited Early Childhood certificates and was awarded ARRA funding. In addition, DPHSS has asked the GSA for further guidance with regard to Executive Order 2000-25 concerning non-competitive procurement of local education and training programs.

**Recommendation Code 306908105, Finding 09-08, TANF Eligibility**

This is a material instance of noncompliance, a material weakness and a repeat finding. We recommend procedures be strengthened to ensure the Income Eligibility Verification System (IEVS) system is properly implemented and utilized.

**Corrective Action Planned or Taken**

Guam stated in the audit report that certification supervisors will conduct random supervisory case reviews to ensure documentation substantiating case action is on file. Guam is making strides in getting the IEVS system in place and is having issues with return files. Guam is targeting getting the system in place by December 31, 2010.

ACF accepts this corrective action response.

Please note however, that Guam's corrective compliance plan provides for an implementation date of October 31, 2009. The corrective compliance plan dated November 19, 2008 regarding the finding for failure to participate in the Income Eligibility Verification System (IEVS) during FY 2006, states that the Territory would achieve compliance by October 2009. ACF accepted that corrective compliance plan in a letter sent to Guam on January 7, 2009 with a target date of October 2009. If ACF determines that Guam did not comply with the IEVS requirement in accordance with the corrective compliance plan, we will impose the penalty by issuing a negative grant authorization for the fiscal year of the penalty. Guam will be required to expend additional State funds (which do not count towards the State's maintenance of effort requirement) to

DPHSS 14/15

Lourdes Perez – Page 2

This is a repeat finding. We recommend procedures be strengthened to ensure grant expenditures are obligated and liquidated within the period of availability.

**Corrective Action Planned or Taken**

In order to address outstanding encumbrances and available balances in the financial management system, Guam stated in the audit report that DPHSS staff were trained in September 2009 on the Standard Uniform Ledger and DOA AS-400 accounting system. Each account number is structured to improve accounting through subledgers for each category of funds to be expended, and has a section for tracking outstanding encumbrances, payments to encumbrances, and allotments/appropriations as received.

In order to address expenditures charged to the grant after the period of availability, Guam stated in the audit report that effective FY 2010 salaries and benefits will only be charged to the current grant year. At the start of the second year of the grant, accounts will be adjusted to move current employees' pay to the current grant year. Remaining available funds will be transferred to the contractual and miscellaneous categories for encumbrance by the end of the second year, with liquidation by the end of the third grant year.

On August 30, 2010, Guam DPHSS also submitted additional corrective action information and documentation to support the deobligation of encumbered amounts and closure of prior year closed year balances. In addition, documentation was submitted to support that no liquidations took place after the three-year period. DPHSS procedures emphasize deadlines for the submission of Establishment of Accounts, continuing requisitions, and contracts/memoranda of understanding at the start of each FY. Strengthened procedures include the required submission of bureau account ledgers, AS-400 system printouts showing the tracking of available account balances, encumbrances and expenditures with each fiscal transaction reviewed and certification by the division for processing. As a result, accounting system and DPHSS ledgers are reconciled.

ACF accepts this corrective action.

**Recommendation Code 099905105, ARRA Finding 09-07, CCDF Procurement**

This is a material instance of noncompliance, a material weakness and a repeat finding. We recommend procedures be strengthened to ensure transactions are supported by adequate documentation.

DPHSS A 13/15

Lourdes Perez – Page 4

replace the reduction in the State Family Assistance Grant due to the penalty. As specified at 45 CFR 262.7, Guam will have the option of appealing the penalty to the Department Appeals Board (DAB).

If you have any questions, please contact Pat Colonnese, Grants Officer, Region IX at (415) 437-8419.

Sincerely,



Oscar Tanner  
Acting Chief Financial Officer  
Office of Administration  
Administration for Children and Families

CC: Ann Barbagallo, Director Office of Family Assistance  
Pat Colonnese, GO, OGM, Region IX  
Shannon Rudisill, Associate Director, Child Care Bureau, OFA  
Robert Garcia, RPM, CCB, Region IX  
Dan Baker, RPM, OFA, Region IX  
Terry Ramsey, Office of the Assistant Secretary for Financial Resources  
John Fisher, Technical Advisor, Office of Inspector General  
Tammie Brown, Audit Manager, Office of Inspector General  
Gregory Dowell, Audit Manager, Office of Inspector General  
Margarita Ferguson, OA, OFS, Division of Financial Integrity

DPHSS A 1/5/15

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linda.susuico@dphss.guam.gov

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**Fwd: Guam's Outstanding Audit**

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**From :** Theresa Arcangel <theresa.arcangel@dphss.guam.gov>

Wed, Mar 02, 2011 11:09 AM

**Subject :** Fwd: Guam's Outstanding Audit**To :** Linda Susuico <linda.susuico@dphss.guam.gov>

Hafa Adai Lin,

Here's CMS response regarding the single audit.

Tess

MA. THERESA L. ARCANGEL, CPC, CPC-H, CPUR  
BHCFA Administrator  
123 Chalan Kareta,  
Mangilao, Guam 96913-6304  
Tel: 671-735-7282 ;Fax: 671-734-6860

*The more difficulties one has encounter, within and without, the more significant and higher in inspiration his life will be. Horace Bushnell*

----- Forwarded Message -----

**From:** Linda Gee (CMS/CMCHO) <Linda.Gee@CMS.hhs.gov>  
**To:** theresa arcangel <theresa.arcangel@dphss.guam.gov>  
**Sent:** Wed, 02 Mar 2011 10:28:04 +1000 (ChST)  
**Subject:** Guam's Outstanding Audit

Hi Tess,

This message is to confirm that there is only one CMS-related audit recommendation outstanding for Guam. The recommendation is on eligibility from your FFY 2008 single audit (A-09-10-95041). Since this is a repeat finding,

we have closed all the prior audits and are tracking your corrective action plan through this audit.

This audit recommends that the procedures be strengthened to ensure (1) participant files are complete and properly maintained and (2) eligibility is properly determined and verified.

According to the corrective action plan, this recommendation cannot be closed until the Income and Eligibility Verification System (IEVS) and PH Pro are implemented and related procedures are developed

DINA 1/2

and implemented.

Please let me know if there is any questions. Thank you.

Linda  
415-744-2976

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DPHSS B 2/2



GOVERNMENT OF GUAM  
 DEPARTMENT OF PUBLIC HEALTH AND SOCIAL SERVICES  
 DIPATTAMENTON SALUT PUPBLEKO YAN SETBISION SUSIAT

*Forward to Bob.*



**EDDIE BAZA CALVO**  
GOVERNOR

**ARTHUR U. SAN AGUSTIN, MHR**  
ACTING DIRECTOR

**RAY TENORIO**  
LIEUTENANT GOVERNOR

**LEO G. CASIL**  
DEPUTY DIRECTOR

February 28, 2011

Memorandum

To: Director, Department of Public Health and Social Services *AW*

From: Acting Senior Citizens Administrator, Division of Senior Citizens

Subject: Status of BBMR Request Re. Prior Year Single Audit Findings

*Hafa Adai!* In response to the email message from PC Bertha Taijeron dated February 15, 2011 with regards to the Schedule of Prior Year's Single Audit Findings, the following is provided:

- Email correspondence between Region IX AoA contact, Ms. Fong Yee and AO Tommy Taitague requesting guidance and information relative to resolving the Aging Cluster Prior Year Single Audit Finding (#2007-13). The correspondence includes the eventual recommendation by Ms. Yee to forward payment to the AoA the amount of \$521.00 identified in the Finding with instructions on what should be indicated and included with the payment.
- Email correspondence to DOA's, Division of Accounts, Federal Section Supervisor Grace Edrosa is also included as initial contact was made with her in an effort to locate and acquire a DOA Memorandum dated March 10, 2010 referenced in the Finding's Status section.

Furthermore, a Direct Payment Request is being forwarded to you this morning, via ASO Janine Paeste, requesting your approval to issue a payment in the amount of \$521.00 as recommended by Ms. Yee. Upon forwarding the Direct Payment Request to DOA, AO Taitague will work with the DOA to ensure the check is prepared to include and identify the purpose of the payment and to arrange payment be mailed to Region IX AoA as instructed by Ms. Yee.

If you have any questions, please email or call me or Tommy Taitague at 735-7011.

*[Signature]*  
 GERALDINE T. GUMATAOTAO  
 Acting

Attachments

*DPH*

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tommy.taitague@dphss.guam.gov

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**RE: Prior Year Single Audit Finding for Guam Aging Programs**

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**From :** Fong Yee (AoA/Reg 9) <Fong.Yee@aoa.hhs.gov>

Fri, Feb 25, 2011 01:24 AM

**Subject :** RE: Prior Year Single Audit Finding for Guam Aging Programs**To :** 'Tommy Taitague' <tommy.taitague@dphss.guam.gov>**Cc :** Arthur San Agustin <arthur.sanagustin@dphss.guam.gov>, grace edrosa <grace.edrosa@doa.guam.gov>, matt quinata <matt.quinata@bbmr.guam.gov>, Janine Paeste <janine.paeste@dphss.guam.gov>, Geraldine Gumataotao <geraldine.gumataotao@dphss.guam.gov>

Good morning, Tommy:

No, interest is not initially charged. Interest is charged only if you do not pay the "debt," which in this case interest on advances, within 30 days of notification.

Again, please excuse me of not responding to your email immediately because my normal work hours are from 6 a.m. to 3:30 p.m. Pacific Time (midnight to 9:30 a.m. next day your time).

If you have further questions, please don't hesitate to let me know.

Thank you,  
Fong Yee  
AoA, Region IX  
415-437-8784

---

**From:** Tommy Taitague [mailto:tommy.taitague@dphss.guam.gov]**Sent:** Wednesday, February 23, 2011 3:40 PM**To:** Yee, Fong (AoA/Reg 9)**Cc:** Arthur San Agustin; grace edrosa; matt quinata; Janine Paeste; Geraldine Gumataotao**Subject:** Re: Prior Year Single Audit Finding for Guam Aging Programs

Hafa Adai Fong,

Is the amount of \$521 identified in Finding #2007-13 subject to interest due to AoA (does it include any interest that is compound daily)? We had a situation in the past where a Finding amount was interest bearing and had to include and project interest and determine when payment would be received by the AoA/Grants Management Office.

We look forward to your response as we are ready to move forward in resolving the finding.

Tommy Taitague

---

**From:** "Fong Yee (AoA/Reg 9)" <Fong.Yee@aoa.hhs.gov>**To:** "Tommy Taitague" <tommy.taitague@dphss.guam.gov>**Cc:** "Arthur San Agustin" <arthur.sanagustin@dphss.guam.gov>, "Geraldine Gumataotao" <geraldine.gumataotao@dphss.guam.gov>, "Janine Paeste" <janine.paeste@dphss.guam.gov>, "grace edrosa" <grace.edrosa@doa.guam.gov>, "matt quinata" <matt.quinata@bbmr.guam.gov>**Sent:** Thursday, February 24, 2011 12:28:41 AM**Subject:** RE: Prior Year Single Audit Finding for Guam Aging Programs

Good morning, Tommy:

If you need any assistance, please feel free to let me know.

Thank you and have a great day.

Fong Yee  
AoA, Region IX  
415-437-8784

---

**From:** Tommy Taitague [mailto:tommy.taitague@dphss.guam.gov]**Sent:** Tuesday, February 22, 2011 9:07 PM**To:** Yee, Fong (AoA/Reg 9)

**Cc:** Arthur San Agustin; Geraldine Gumataotao; Janine Paeste; grace edrosa; matt quinata  
**Subject:** Re: Prior Year Single Audit Finding for Guam Aging Programs

Hello Fong,

Thank you for your response and guidance. I will begin to work with my counterparts in resolving this finding and keep you posted as to its status.

Regards,  
Tommy T.

---

**From:** "Fong Yee (AoA/Reg 9)" <Fong.Yee@aoa.hhs.gov>  
**To:** "Tommy Taitague" <tommy.taitague@dphss.guam.gov>  
**Cc:** "Geraldine Gumataotao" <geraldine.gumataotao@dphss.guam.gov>, "Arthur San Agustin" <arthur.sanagustin@dphss.guam.gov>, "grace edrosa" <grace.edrosa@doa.guam.gov>, "matt quinata" <matt.quinata@bbmr.guam.gov>  
**Sent:** Wednesday, February 23, 2011 8:59:02 AM  
**Subject:** RE: Prior Year Single Audit Finding for Guam Aging Programs

Good afternoon, Tommy:

I am sorry that I did not get back to you sooner because I was out of the office on Friday, Feb 18, and our office was closed yesterday for Presidents Day.

According to 45 CFR 74.22(l) <http://www.hhs.gov/opa/grants/toolsdocs/45cfr74.html>:

For those entities where CMIA (Cash Management Improvement Act) and its implementing regulations do not apply (see 31 CFR part 205), interest earned on Federal advances deposited in interest bearing accounts shall be remitted annually to the Department of Health and Human Services, Payment Management System, P.O. Box 6021, Rockville, MD 20852. Recipients with Electronic Funds Transfer capability should use an electronic medium such as the FEDWIRE Deposit System. Interest amounts up to \$250 per year may be retained by the recipient for administrative expense...

Your interest liability was \$521 per audit finding 2007-13 and AoA has no knowledge about this finding because this is an internal audit.

I suggest that you send an official check in the amount of \$521 payable to U.S. Administration on Aging to our office. Mark clearly on your check the purpose of this payment (i.e. interest earned on advances, AoA CFDA number and the fiscal year the fund was awarded). I will forward to our Office of Grants Management in Washington, DC upon receipt.

Hope this helps. If you have any further questions, please feel free to contact me anytime.

Thank you for your patience.

Fong Yee  
AoA, Region IX  
90 7<sup>th</sup> Street, Suite 8-100  
San Francisco, CA 94103  
Tel: 415-437-8784  
Fax: 415-437-8782  
Email: [fong.yee@aoa.hhs.gov](mailto:fong.yee@aoa.hhs.gov)

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**From:** Tommy Taitague [mailto:[tommy.taitague@dphss.guam.gov](mailto:tommy.taitague@dphss.guam.gov)]  
**Sent:** Thursday, February 17, 2011 10:59 PM  
**To:** Yee, Fong (AoA/Reg 9)  
**Cc:** Geraldine Gumataotao; Arthur San Agustin; grace edrosa; matt.quinata@bbmr.guam.gov  
**Subject:** Prior Year Single Audit Finding for Guam Aging Programs

*Hafa Adai (Greetings) Ms. Yee,*

The Division of Senior Citizens is requesting your assistance with our current matter at hand. Guam's Bureau of Budget and Management Research agency is conducting a follow up on the status of our Government of Guam's prior year's single audit findings and as there is one finding relative to aging programs, I've been tasked to research and provide a status update.

For Aging Cluster programs, the prior year single audit finding in question is #2007-13, of which an excerpt is attached for your reference. I need to ask if the Administration on Aging (AoA) issued a letter of determination which resolves this audit finding (if so, can the Division of Senior Citizens obtain a copy?) or is this finding still pending. If the finding is still pending, can we request guidance on how we can work with the AoA in acquiring a letter of determination to address and resolve this finding?

*Si Yu'os Ma'ase (Thank you very much).*

Tommy Taitague  
Administrative Officer

Division of Senior Citizens  
Guam Department of Public Health and Social Services  
Ph: (671) 735-7393  
Fax: (671) 735-7416  
+10 hours GMT

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tommy.taitague@dphss.guam.gov

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## Fwd: BBMR Letter re. Schedule of Prior Year's Audit Finding dated 2-14-11

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**From :** Tommy Taitague <tommy.taitague@dphss.guam.gov>

Tue, Feb 22, 2011 10:08 AM

**Subject :** Fwd: BBMR Letter re. Schedule of Prior Year's Audit Finding dated 2-14-11

 2 attachments

**To :** grace edrosa <grace.edrosa@doa.guam.gov>, matt quinata <matt.quinata@bbmr.guam.gov>

**Cc :** Janine Paeste <janine.paeste@dphss.guam.gov>, Geraldine Gumataotao <geraldine.gumataotao@dphss.guam.gov>

Hafa Adai Matt and Grace,

I am following up to see if whether or not the memo from DOA dated March 10, 2010 (as referenced on the attached email below) was located. As you may know, I am still working with the Administration on Aging, DHHS, to see if a letter of determination was ever provided for finding number 2007-13. I'm also requesting guidance in the event there is no letter.

Any assistance or information will be appreciated as I am trying to meet the BBMR deadline to respond to this prior year's single audit finding.

If you should have any questions or require additional information, please email or call me at 735-7393.

Tommy Taitague

---

**From:** "Tommy Taitague" <tommy.taitague@dphss.guam.gov>

**To:** "grace edrosa" <grace.edrosa@doa.guam.gov>

**Cc:** "Geraldine Gumataotao" <geraldine.gumataotao@dphss.guam.gov>, "Janine Paeste" <janine.paeste@dphss.guam.gov>, "Michael D Cabral" <michael.cabral@doa.guam.gov>

**Sent:** Thursday, February 17, 2011 10:45:11 AM

**Subject:** Re: BBMR Letter re. Schedule of Prior Year's Audit Finding dated 2-14-11

The attachments are now provided...

---

**From:** "Tommy Taitague" <tommy.taitague@dphss.guam.gov>

**To:** "grace edrosa" <grace.edrosa@doa.guam.gov>

**Cc:** "Geraldine Gumataotao" <geraldine.gumataotao@dphss.guam.gov>, "Janine Paeste" <janine.paeste@dphss.guam.gov>, "Michael D Cabral" <michael.cabral@doa.guam.gov>

**Sent:** Thursday, February 17, 2011 10:43:48 AM

**Subject:** BBMR Letter re. Schedule of Prior Year's Audit Finding dated 2-14-11

Hafa Adai Ms. Edrosa,

In an effort to respond to the requests of BBMR to address Audit Finding Number 2007-13 (attached), the Division of Senior Citizens, DPHSS, is requesting guidance from your office in order to follow up with our Granting Agency regarding this finding. Furthermore, as Audit Finding Number 2007-13 is relative to the area of Cash Management, our office is requesting if the Department of Administration (DOA) provided a prior response to this finding. The status of this finding indicates "...(*Memo, Director, DOA's response dated March 10, 2010, Attachment A*)" and as Attachment A was not provided for our review, we are seeking a copy for our reference and records.

If additional information can be provided in seeking resolution of this finding, please email or call me or Mrs. Geraldine Gumataotao, Acting Senior Citizens Administrator at 735-7011.

Your assistance and support is appreciated.

Senseramente,

Tommy Taitague  
Administrative Officer  
Division of Senior Citizens, DPHSS

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 **BBMR\_Single\_Audit\_Findings.pdf**  
746 KB

 **Prior\_Year\_Audit\_Finding\_2007-13.PDF**  
57 KB

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tommy.taitague@dphss.guam.gov

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**BBMR Letter re. Schedule of Prior Year's Audit Finding dated 2-14-11**

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**From :** Tommy Taitague <tommy.taitague@dphss.guam.gov>

Thu, Feb 17, 2011 10:43 AM

**Subject :** BBMR Letter re. Schedule of Prior Year's Audit Finding dated 2-14-11**To :** grace edrosa <grace.edrosa@doa.guam.gov>**Cc :** Geraldine Gumataotao <geraldine.gumataotao@dphss.guam.gov>, Janine Paeste <janine.paeste@dphss.guam.gov>, Michael D Cabral <michael.cabral@doa.guam.gov>

Hafa Adai Ms. Edrosa,

In an effort to respond to the requests of BBMR to address Audit Finding Number 2007-13 (attached), the Division of Senior Citizens, DPHSS, is requesting guidance from your office in order to follow up with our Granting Agency regarding this finding. Furthermore, as Audit Finding Number 2007-13 is relative to the area of Cash Management, our office is requesting if the Department of Administration (DOA) provided a prior response to this finding. The status of this finding indicates "...(*Memo, Director, DOA's response dated March 10, 2010, Attachment A*)" and as Attachment A was not provided for our review, we are seeking a copy for our reference and records.

If additional information can be provided in seeking resolution of this finding, please email or call me or Mrs. Geraldine Gumataotao, Acting Senior Citizens Administrator at 735-7011.

Your assistance and support is appreciated.

Senseramente,

Tommy Taitague  
Administrative Officer  
Division of Senior Citizens, DPHSS

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United States  
Department of  
Agriculture

Food and  
Nutrition  
Service

Western Region

90 Seventh St.  
Suite 10-100  
San Francisco, CA  
94103

Charles H. Morris, MPH, RD, LDN, PHN Administrator/WIC Director  
Department of Public Health and Social Services  
Division of Public Health, Bureau of Nutrition Services/Guam WIC Program  
15-6100 Mariner Avenue  
Barrigada, Guam 96913-1601

Subject: Notice of Audit Closure  
Single Audit #90009-005-GU for FFY 2008  
Reference No.: FSSII-2010-042-GU

Dear Mr. Morris:

Management Decision and Final Action of the subject audit have been approved, effective April 6, 2010. The audit report contained one Special Supplemental Nutrition Food Program for Women, Infants, and Children (WIC) finding and recommendation requiring appropriate corrective action by the Government of Guam Public Health & Social Services.

With this final action notification, this audit is considered closed and you may close your files. However, please be aware that auditors and/or FNS may perform follow up review for confirmation of the specified corrective action. Based on 7 CFR 3016.42(b), all records involving this audit must be maintained for three years. The effective date of the record retention period is the same date the final action was approved.

We appreciate your time and attention, which enabled us to reach closure of this audit. If we may be of further assistance, please contact Mike Usle, at (415) 705-1338, Ext. 236, or through his email at michael.usle@fns.usda.gov.

Sincerely,

CYNTHIA D. TURNER  
Regional Director  
Financial Management  
Western Region

cc: Rose Castro, GU GPHSS  
David Gumataotao, GPHSS  
Sarah Cabell, WIC WRO

**Attachment B**  
**Department of Administration**



Matthew Quinata <matt.quinata@bbmr.guam.gov>

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## 02 07 11 FY2010 SCHEDULE OF PRIOR YEAR FINDINGS 2010 (2).xls

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Grace Edrosa <grace.edrosa@doa.guam.gov>

Fri, May 27, 2011 at 5:29 PM

Reply-To: grace.edrosa@doa.guam.gov

To: Matthew Quinata <matt.quinata@bbmr.guam.gov>

Cc: Kathrine B Kakigi <kathy.kakigi@doa.guam.gov>

Matt,

See the responses in blue font. Just been informed by Mike that I should contact Ms. Marina Tinitali of USDOJ to inquire on the status of these findings. Once we are done with the audit I will work on inquiring on the status of these findings and will try to clear some of the findings.

Grace



02 07 11 FY2010 SCHEDULE OF PRIOR YEAR FINDINGS 2010 (2).xls

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DOA A 1/2

Government of Guam  
 FY 2010 Schedule of Prior Years Findings  
 Unresolved Audit Findings - Department of Administration  
 Fiscal Years 2004 through FY2009

Finding Number	CFDA	Page	Questioned Cost	Grantor Agency	Area	DOA's Comments:
2007-05	Non Major Programs 15.875	65 39	110,824.00 781,531.00	Non Major Programs Dept. of the Interior		
2007-06	15.875	42	38,757.00	Dept. of the Interior	Cash Mgmt	We have not received the final determination from the grantor. We will follow-up with the grantor agency on the status of the finding. Corrective Action: To avoid the lapsed of disbursed checks issued in accordance with the approval of Treasury-State Agreement, we continue to encourage vendors to sign up for the EFT method of payment.
2007-08	20.205	45	12,536.00	Dept. of Transportation	Cash Mgmt	We have not received the final determination from the grantor. We will follow-up with the grantor agency on the status of the finding. Corrective Action: To avoid the lapsed of disbursed checks issued in accordance with the approval of Treasury-State Agreement, we continue to encourage vendors to sign up for the EFT method of payment.
2007-13	93.044/93.045/93.053	52	0.00	USDHHS	Cash Mgmt	We have not received the final determination from the grantor. We will follow-up with the grantor agency on the status of the finding. Corrective Action: To avoid the lapsed of disbursed checks issued in accordance with the approval of Treasury-State Agreement, we continue to encourage vendors to sign up for the EFT method of payment.
2007-19	93.778	62	0.00	USDHHS	Cash Mgmt	We have not received the final determination from the grantor. We will follow-up with the grantor agency on the status of the finding. Corrective Action: To avoid the lapsed of disbursed checks issued in accordance with the approval of Treasury-State Agreement, we continue to encourage vendors to sign up for the EFT method of payment.
2008-03	15.875	25	67,782.00	Dept. of the Interior	Cash Mgmt	We have not received the final determination from the grantor. We will follow-up with the grantor agency on the status of the finding. Corrective Action: To avoid the lapsed of disbursed checks issued in accordance with the approval of Treasury-State Agreement, we continue to encourage vendors to sign up for the EFT method of payment.
2008-04	15.875	27	0.00	Dept. of the Interior	Reporting	We have not received the final determination from the grantor. We will follow-up with the grantor agency on the status of the finding.
2008-05	20.205	28	0.00	U.S. Dept. of Transportation		
2008-19	ALL PROGRAMS	56	53,423.00	ALL Grantor Agencies		
2008-20	Various	58-59	0.00	Various		
2008-21	ALL PROGRAMS	60-62	0.00	Various		
2009-02	15.875	23-25	0.00	USDOT		
2009-10	15.875	41-44	0.00	USDOT		
Total Question Costs			1,065,853.00			

Attachment C  
Department of Mental Health and Substance Abuse

AFLAGUE



department of  
**MENTAL HEALTH &  
SUBSTANCE ABUSE**  
Dipartimento Sa'ul Hinasso  
Yan Abuson Amot

790 Gov. Carlos G. Camacho Rd.  
Tamuning, Guam 96913  
Phone: 671-647-5330  
Fax: 671-647-5402

EDDIE BAZA CALVO  
Governor

RAY TENORIO  
Lieutenant Governor

WILFRED G. AFLAGUE  
Acting Director

18 April 2011

MEMORANDUM

TO: Benita A. Manglona, Director  
Bureau of Budget & Management Research

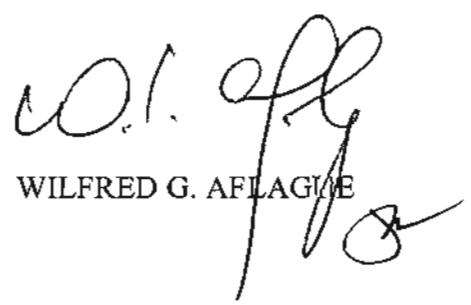
FROM: Wilfred G. Aflague, Acting Director

SUBJECT: Schedule of Prior Year's Single Audit Findings  
RE: Finding Number 2008-03

Hafa adai, Ms. Manglona. The following is the DMHSA response to the 2008 Single Audit Finding of questioned cost on a federal grant to DMHSA.

Item No.	Audit Finding	CFDA#	Questioned Cost	DMHSA'S Response
1	2008-03	15.875	\$124,988	Reference OMG Circular No. A-133: The DMHSA believes this finding is no longer valid and do not warrant further action – (i) Two Years have passed since audit report; (ii) The Federal Agency is not currently following up with the audit finding; DOA provided response sufficient to DMHSA.

Submitted for your review and disposition. For further information, please contact Ms. Priscilla Richards at 647-5326.

  
WILFRED G. AFLAGUE

  
APR 19 2011

Bureau of Budget and  
Management Research  
DMHSA

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2008

Finding No.: 08-03  
 Federal Agency: U.S. Department of the Interior  
 CFDA Program: 15.875 Economic, Social, and Political Development of the Territories  
 Grant Number: Guam-COFA-2006-1  
 Area: Procurement  
 Questioned Costs: \$192,770

Criteria:

In accordance with applicable procurement requirements, the grantee will conduct procurement transactions in a manner providing full and open competition, and will maintain records sufficient to detail the significant history of a procurement. These records will include a rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. Furthermore, in accordance with the applicable local procurement law, the Guam General Services Agency shall use competitive sealed bidding when the procurement exceeds the small purchase threshold of \$14,999.

Condition:

1. In FY 2007, noncompliance with procurement requirements was cited for the purchase order below. The records in the procurement file were not sufficient to demonstrate open competition. Specifically, there was no evidence included, such as the bid evaluation worksheet, for us to make a determination as to whether the most responsive bidder was selected on a reasonable basis. Total expenditures charged to the noncompliant procurement is as follows:

<u>Tran Date</u>	<u>Tran #</u>	<u>Vendor #</u>	<u>Prior Ref</u>	<u>Agency</u>	<u>Amount</u>	Total FY 2008 <u>Expenditures</u>
10/31/07	0243614	C2408101	P066A05560	DVR	\$ 62,694	\$ 62,694

In FY 2007, the Chief Procurement Officer provided a response to the finding stating that "... GSA procured via the 5 GCA §5217 Non-Profit Organization (copy of non-profit certification issued by DRT was in the procurement file to include a copy of E.O. 2006-17 as indicated on the purchase order). The Governor of Guam issued E.O. 2007-17 to ensure the government complies with the mandates of the Permanent Injunction." However, there is no written rationale on file as to the selection of one not-for-profit organization over any other.

2. Of 52 transactions tested, we noted the following conditions:
  - a. For one (or 2%), the documents in the procurement file were not sufficient to demonstrate open competition. For instance, the request for bid advertisement, bid specifications, and/or evaluation of bid worksheet was lacking.

<u>Tran Date</u>	<u>Tran #</u>	<u>Vendor #</u>	<u>Prior Ref</u>	<u>Agency</u>	<u>Amount</u>	Total FY 2008 <u>Expenditures</u>
05/15/08	0282138	X0012204	P086A00219	DVR	\$ 932	\$ 5,088

- b. For two (or 4%), no procurement documents were provided.

<u>Tran Date</u>	<u>Tran #</u>	<u>Vendor #</u>	<u>Prior Ref</u>	<u>Agency</u>	<u>Amount</u>	Total FY 2008 <u>Expenditures</u>
03/12/08	EFT_031208	L0092578	D082300034	DMHSA	62,529	62,529
04/18/08	EFT_043008	L0092578	D082300059	DMHSA	62,459	62,459
						<u>\$ 124,988</u>

IMHA A 7/2

**Attachment D**

**Guam Environmental Protection Agency**



# GUAM ENVIRONMENTAL PROTECTION AGENCY

## AHENSIAN PRUTEKSION LINA'LA GUAHAN

EDDIE BAZA CALVO  
GOVERNOR OF GUAM

P.O. Box 22439 GMF • BARRIGADA, GUAM 96921  
TEL: 475-1658/9 • FAX: 475-8007

RAY TENORIO  
LT. GOVERNOR OF GUAM

May 26, 2011

### MEMORANDUM

To: Director, Bureau of Budget and Management Research  
From: Administrator  
Subject: Prior Year's Single Audit Findings

Hafa Adai! This responds to your memorandum requesting that our department resolve and or close audit findings in compliance with OMB A-133. The following attachments provide documentation that Guam EPA has resolved the audit findings listed below:

- Audit Finding No. 2008-06: Attachments A through D
- Audit Finding No. 2008-07: Attachments E, F and I
- Audit Finding No. 2008-08: Attachments G and H

If you have any questions, please contact Ms. Connie Afilleje, Acting ASO at 475-1658/9.

Dangkolo na Si Yu'os Ma'ase.

IVAN C. QUINATA

RECEIVED  
MAY 27 2011

Bureau of Budget and  
Management Research

"ALL LIVING THINGS OF THE EARTH ARE ONE"

G-FA A 1/7



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
REGION IX  
75 Hawthorne Street  
San Francisco, CA 94105

AUG 26 2010

MEMORANDUM

SUBJECT: Single Audit Report for the Government of Guam  
Audit Report Number: 09-3-0238  
Audit Period: July 1, 2007 through June 30, 2008

FROM: Nancy Lindsay, Acting Assistant Regional Administrator for  
Management and Technical Services Division (MTS-1)

TO: Robert K. Adachi, Director  
Forensic Audits

At your request, our Region has reviewed the subject single audit identified in your transmittal memo dated September 17, 2009. We have reviewed our files and contacted the project officer and the recipient to ascertain the status of the findings related to EPA grants.

Based on our review and the attached correspondence, we believe that the recipient has taken appropriate actions to address findings 1 and 3. However, we have determined that questioned costs associated with finding number 2 in the amount of \$42,377 are ineligible.

*Finding #1: The Government had inadequate internal controls over procurement. Specifically, for one transaction tested, the records in the procurement file were not sufficient to demonstrate open competition, because only one quotation was on file which resulted in the single auditor questioning \$2,417. Also, for four transactions tested, the records in the procurement file were not sufficient to demonstrate open competition, because only two or less quotations were on file. In addition, for one transaction tested, the Government procured directly through the U.S. General Service Agency. However, no records provided to demonstrate how Guam GSA selected one U.S. GSA schedule contractor over any of the other contractors to procure the required goods/services. The single auditor questioned \$11,070. Finally, for one transaction a payment was made to Guam Ancestral Lands Commission for office space rental for FY 2007. The Program Office has been occupying the same space for several years and had not been charged rent until the period for this payment; however, there were no written rationale on file as to why no other vendor could provide rental space. The single auditor questioned \$96,000 (see Finding 08-06 on page 29 of the audit report). Therefore, the single auditor questioned in total \$109,487 of unsupported procurement transactions.*

EPA Response: Based on correspondence, support documentation, and the Guam Assistant Attorney General's opinion, (attached), we find the questioned costs of \$109,487 eligible. The Assistant AG's email indicates that Guam law justified Guam EPA (GEPA) entering into the MOU with GCC without going through the procurement process.

GEPA 4 2/7

Finding #2: For one transaction tested, a settlement was charged to the Environmental Protection Consolidated Grants-Program Support. The amount was based on a settlement agreement from the Civil Service Commission, where Guam Environmental Protection Agency (GEPA) agreed to pay \$47,500 (\$40,000 to employee, \$7,500 attorney fees) to a former employee who was wrongfully terminated. The single auditor questioned the \$42,377. In addition, The GEPA has been occupying the same space for several years and had not been charged rent until the period for this payment; however, rental expense was not allocated to locally-funded activities. The Federal program was charged 100% of the rental costs despite the fact that locally-funded activities also obtained benefits from use of the rental space. No questioned cost is presented at this finding as the cost is already questioned at Finding 08-06 (see Finding 08-07 on page 33 of the audit report).

EPA Response: EPA does not consider costs associated with settlement of wrongful termination lawsuits as an appropriate use of Federal Grant funds. An exception would require the Grantee to have requested and received advance written approval from the Project Officer (OMB Circular A-87, "Cost Principles for State, Local and Indian Tribal Governments" (Relocated to 2 CFR Part 225, Appendix B)). In the event described in Finding #2 above for the amount of \$47,500 (\$40,000 to employee, \$7,500 attorney fees), EPA did not receive advance written request by the Grantee, nor was advance written approval provided by the PO. Therefore, costs for the subject wrongful termination settlement are disallowed.

Finding #3: The Government did not submit the required reports for FY 2008. Therefore, the single auditors were precluded from testing reported amounts against underlying accounting records (see Finding 08-08 on page 35 of the audit report).

EPA Response: The requisite reports have been subsequently provided EPA. There were no questioned costs associated with this finding.

Per EPA Order 2750, please let me know within 15 calendar days whether you find this response acceptable. Should you or your staff have any comments, questions, or concerns, please contact Rich Hennecke, Regional Audit Follow-up Coordinator at (415) 972-3760.

#### Attachments

cc: Leah Nikaidoh, Team Leader, OIG (Cincinnati)  
Lisa McCowan, OIG, Region 3  
Lorilee Crisostomo, Admin., GU EPA  
Trini Borja, Admin. Servs. Ofr., GU EPA  
Rich Hennecke, Audit Follow-up Coordinator (MTS-4-2)  
Alba Espitia (MTS-7)  
Mike Wolfram (CED-6)

GEPA A 3/7



<b>BILL FOR COLLECTION</b>	<b>NET 30</b>	BILL NO. <b>3311AR099</b>
BUREAU/OFFICE FOR REMITTANCE PAYABLE U.S. ENVIRONMENTAL PROTECTION AGENCY, LAS VEGAS FINANCE CENTER ADDRESS FOR MAILING PAYMENT P.O. BOX 979087, ST. LOUIS, MO 63197-9000		DATE <b>04/20/11</b>
		AMOUNT OF PAYMENT \$

PAYER

AUDIT

GUAM EPA  
P.O. BOX 22439 GMF  
BARRIGADA GU 96921  
ATTN: IVAN QUINATA

PLEASE RETURN A COPY OF THIS BILL WITH REMITTANCE.

DATE	DESCRIPTION	AMOUNT
03/18/11	FUNDS DUE U.S. PER EPA AUDIT REPORT NO. 09-3-0238 IN ACCORDANCE WITH REGION 9 GMO LETTER DATED 3/17/2011 RE: GRANT M-00906304.  PRINCIPAL                      \$ 42,377.00 30 DAYS INTEREST                      34.83 30 DAYS HANDLING                      -0- NET DUE                      \$ 42,411.83  **** NOTICE OF NON-PAYMENT ****	\$ 42,411.83
<p>OUR RECORDS INDICATE THAT YOUR ACCOUNT HAS BEEN OUTSTANDING FOR MORE THAN 30 DAYS AND IS CONSIDERED DELINQUENT. AS INDICATED IN YOUR PREVIOUS BILL, INTEREST HAS BEEN ADDED TO THE AMOUNT OWED THE ENVIRONMENTAL PROTECTION AGENCY. THESE CHARGES WILL BE ASSESSED UNTIL THE ENTIRE AMOUNT IS COLLECTED. DELINQUENT DEBT MAY ALSO BE REFERRED TO THE DEPARTMENT OF TREASURY FOR COLLECTION ACTION; THEY WILL ASSESS AN ADDITIONAL 28% SERVICING FEE TO THE AMOUNT OF A REFERRED DEBT. THE DEPARTMENT OF TREASURY MAY ALSO REPORT DEBTS TO CREDIT REPORTING AGENCIES, REFER DEBTS TO COLLECTION AGENCIES, AND OFFSET THE AMOUNT FROM FEDERAL PAYMENTS TO THE DEBTOR AND TAKE OTHER ACTIONS AS NECESSARY. IF YOU HAVE ALREADY SENT YOUR CHECK TO US, PLEASE DISREGARD THIS NOTICE OF NON-PAYMENT. PLEASE MAKE INQUIRIES ON THIS BILL TO THE U.S. ENVIRONMENTAL PROTECTION AGENCY, LAS VEGAS FINANCE CENTER, P.O. BOX 98515, LAS VEGAS NV 89193-8515, TELEPHONE (702) 798-2491.</p>		
<p><b>IMPORTANT:</b> A receipt will be issued for all cash remittances and for all other remittances when required by applicable procedures. Failure to receive a receipt for cash payment should be promptly reported to the bureau or office shown above.</p>		AMOUNT DUE \$ 42,411.83

GEPA 5/7

Government of Guam  
 FY 2010 Schedule of Prior Years Findings  
 Unresolved Audit Findings by Department  
 Fiscal Years 2004 through FY2009

Finding Number	CFDA	Page	Questioned Cost	Government of Guam Department (Grantee)	Grantor Agency
2008-06	66.600	29-32	109,487.00	GEPA	U.S. EPA
2008-07	66.600	33	42,377.00	GEPA	U.S. EPA
2008-08	66.600	35	0.00	GEPA	U.S. EPA
2009-10	66.600	41-44	0.00	GEPA	U.S. EPA
Total Question Costs			151,864.00		

GEPA 6/7

<p><b>Audit Finding Number:</b> 2008-06  <b>CFDA#:</b> 66.600  <b>Page:</b> 29-32  <b>Questioned Costs:</b> \$109,487</p> <p><b>Grantee:</b> GEPA  <b>Grant Number:</b> M-00606304  <b>Grantor Agency:</b> U.S. Environmental Protection Agency</p>	<p><b>Description of Recommendation:</b>  Government of Guam management should demonstrate open competition in the selection of any vendor in accordance with applicable procurement requirements.</p> <p><b>Program:</b> Environmental Protection Consolidated Grants-Program Support  <b>Area:</b> Procurement</p>	<p><b>Status:</b>  <b>GEPA's Response:</b>  As per the Determination Letter dated August 26, 2010, from USEPA, GEPA has taken appropriate actions to address findings.</p>
<p><b>Audit Finding Number:</b> 2008-07  <b>CFDA#:</b> 66.600  <b>Page:</b> 33-34  <b>Questioned Costs:</b> \$42,377</p> <p><b>Grantee:</b> GEPA  <b>Grant Number:</b> M-00606304  <b>Grantor Agency:</b> U.S. Environmental Protection Agency</p>	<p><b>Description of Recommendation:</b>  The Government of Guam should establish controls to ensure that fines, penalties, damages, and other settlements resulting from violations (or alleged violations) of, or failure of the governmental unit to comply with, Federal or local laws and regulations are not charged to the Program, except when incurred as a result of compliance with specific provisions of the Federal award or written instructions by the awarding agency authorizing in advance such payments. Furthermore, for purposes of charging rental costs to a Federal program, Government of Guam management should prepare a cost allocation schedule to ensure the appropriate allocation of such costs.</p> <p><b>Program:</b> Environmental Protection Consolidated Grants-Program Support  <b>Area:</b> Allowable Costs/Cost Principles</p>	<p><b>Status:</b>  <b>GEPA's Response:</b>  As per the Determination Letter dated August 26, 2010 from USEPA, it has been determined that the questioned costs associated with this finding in the amount of \$42,377 are ineligible. Therefore, GEPA has taken appropriate action and prepared a Direct Payment for this ineligible cost. (D112200016 attach is a copy)</p>
<p><b>Audit Finding Number:</b> 2008-08  <b>CFDA#:</b> 66.600  <b>Page:</b> 35  <b>Questioned Costs:</b> \$0</p> <p><b>Grantee:</b> GEPA  <b>Grant Number:</b> M-00606304-C  <b>Grantor Agency:</b> U.S. Environmental Protection Agency</p>	<p><b>Description of Recommendation:</b>  Government of Guam management should prepare and submit the required reports.</p> <p><b>Program:</b> Environmental Protection Consolidated Grants-Program Support  <b>Area:</b> Reporting</p>	<p><b>Status:</b>  <b>GEPA's Response:</b>  As per the Determination Letter dated August 26, 2010, from USEPA, GEPA has taken appropriate actions to address findings.</p>
<p><b>Audit Finding Number:</b> 09-10  <b>CFDA#:</b> 66.600  <b>Pages:</b> 41-44  <b>Questioned Cost:</b> \$0</p> <p><b>Grantee:</b> GEPA  <b>Grant Number:</b> M-00606304  <b>Grantor Agency:</b> U.S. Environmental Protection Agency</p>	<p><b>Description of Recommendation:</b>  The Government of Guam should complete tagging of all equipment and conduct a physical inventory immediately thereafter.</p> <p><b>Program:</b> EPA Environmental Protection Consolidated Grants for the Insular Areas-Program Support  <b>Area:</b> Equipment and Real Property Management</p>	<p><b>Status:</b></p>

GEPA A 7/7

**Attachment E**  
**Guam Homeland Security**

# GUAM HOMELAND SECURITY OFFICE OF CIVIL DEFENSE



June 2, 2011

EDDIE BAZA CALVO  
Governor  
Maga' Lahi Guahan

## MEMORANDUM

To: Mrs. Benita Manglona  
Director, BBMR

RAY S. TENORIO  
Lt. Governor  
I Segundo Maga' Lahi Guahan

From: Acting Homeland Security Advisor

Subject: Unresolved Audit Findings for Fiscal Year 2006 – 2007

MICHAEL D. CAREY  
Homeland Security Advisor  
Konseheron Inasiguran I Tano

Hafa Adai Mrs. Manglona,

Guam Homeland Security and the Office of Civil Defense, along with our Federal Grantor, has reviewed the above referenced audit findings and taken note of all recommendations.

CHARLES H. ADA II  
Administrator  
Administrador

Our Federal Grantor, the Department of Homeland Security and the Federal Emergency Management Administration, document all concerns in a formal request. To date our grants management team has not received any inquiries or requests for more information regarding these audit findings.

Therefore, as guided by OMB Circular A-133, the above referenced audit findings do not require further action.

I hope this letter answers any concerns you may have. If you have any questions, please do not hesitate to contact me at 475-9600.

Sincerely,

CHARLES H. ADA II

Government of Guam  
 FY 2010 Schedule of Prior Years Findings  
**Unresolved Audit Findings by Department**  
 Fiscal Years 2006 through FY2009

Finding Number	CFDA	Page	Questioned Cost	RESOLVED	Unresolved	Government of Guam Department (Grantee)	Grantor Agency	Department of Guam Homeland Security's Response
2006-29	97.004/97.067	66	0.00	0.00	0.00	Guam Homeland Security	U.S. Dept of Homeland Security	OMB A-133
2006-31	97.039/83.548	70	0.00	0.00	0.00	Guam Homeland Security	U.S. Dept of Homeland Security	OMB A-133
2006-33	97.039	72	43,106.00	43,106.00	0.00	Guam Homeland Security	U.S. Dept of Homeland Security	OMB A-133
2006-34	97.039	73	77,009.00	77,009.00	0.00	Guam Homeland Security	U.S. Dept of Homeland Security	OMB A-133
2007-21	97.004	64	22,495.00	22,495.00	0.00	Guam Homeland Security	U.S. Dept of Homeland Security	OMB A-133
2007-22	97.004	65	1,432,667.00	1,432,667.00	0.00	Guam Homeland Security/DOA	U.S. Dept of Homeland Security	OMB A-133
2008-14	97.036	45	0.00	0.00	on-going	Guam Homeland Security	U.S. Dept of Homeland Security	awaiting grantor's response
2008-15	97.039	46	0.00	0.00	on-going	Guam Homeland Security	U.S. Dept of Homeland Security	awaiting grantor's response
2008-16	97.004	47	809,146.00	0.00	809,146.00	Guam Homeland Security/DOA-GSA	U.S. Dept of Homeland Security	awaiting grantor's response
2008-17	97.067/97.004	54	0.00	0.00	on-going	Guam Homeland Security	U.S. Dept of Homeland Security	awaiting grantor's response
2008-18	97.067/97.004	55	0.00	0.00	on-going	Guam Homeland Security	U.S. Dept of Homeland Security	awaiting grantor's response
2009-09	97.039	39-40	0.00	0.00	on-going	Guam Homeland Security/DOA	U.S. Dept of Homeland Security	awaiting grantor's response
2009-10	97.036	41-44	0.00	0.00	on-going	Guam Homeland Security/DOA	U.S. Dept of Homeland Security	awaiting grantor's response
2009-10	97.039	41-44	0.00	0.00	on-going	Guam Homeland Security/DOA	U.S. Dept of Homeland Security	awaiting grantor's response
<b>Total Question Costs</b>			<b>2,384,423.00</b>	<b>1,575,277.00</b>	<b>809,146.00</b>			

Attachment F  
Department of Labor

Government of Guam  
 FY 2010 Schedule of Prior Years Findings  
 Unresolved Audit Findings by Department

<p>Audit Finding Number          2006-02          CFDA# 17.258/17.259/17.260          Pages 32</p> <p><u>Questioned Costs:</u>          0</p> <p>Grantee: AHRD/ Department of Labor          Grantor Agency: U.S. Department of Labor</p>	<p><u>Description of Recommendation</u></p> <p>The Program Administrator should strengthen record keeping controls to ensure that documents, such as the Eligibility Review and Verification Form, are maintained on file for at least three years to substantiate eligibility.</p> <p>Area: Eligibility</p>	<p><u>Status</u></p>
<p>Audit Finding Number          2009-03          CFDA# 17.258/17.259/17.260          Pages 26-27</p> <p><u>Questioned Costs:</u>          \$0</p> <p>Grantee: Department of Labor          Grant Number: AA-17161-08-55-A-66</p> <p>Grantor Agency: U.S. Department of Labor</p>	<p><u>Description of Recommendation</u></p> <p>The Retention and Monitoring Unit should obtain an understanding of all subrecipient monitoring requirements and ensure compliance.</p> <p>Program: WIA Adult Program, WIA Youth Activities, WIA Dislocated Workers          Area: Subrecipient Monitoring</p>	<p><u>Status</u></p> <p>Response:          Department of Labor is currently working with the Federal Grantor in resolving the findings. The department was undergoing monitoring reviews during the FY2009 auditor's fieldwork.</p>
<p>Audit Finding Number          2009-04          CFDA# 17.258/17.259/17.260          Page 28-29</p> <p><u>Questioned Costs:</u>          \$0</p> <p>Grantee: Department of Labor          Grant Number: AA-17161-08-55-A-66</p> <p>Grantor Agency: U.S. Department of Labor</p>	<p><u>Description of Recommendation</u></p> <p>Government of Guam management should identify and document, at the time of the subawards, the Federal award number and CFDA number, and should require the subrecipient to provide appropriate identification in their SEFA and SF-SAC.</p> <p>Program: WIA Adult Program, WIA Youth Activities, WIA Dislocated Workers          Area: Special Tests and Provisions</p>	<p><u>Status</u></p> <p>Response:          Department of Labor is currently working with the Federal Grantor in resolving the findings. The department has modified their contracts to include all information required and all announcements on availability of funds will have this same information as well.</p>



Matthew Quinata &lt;matt.quinata@bbmr.guam.gov&gt;

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## Single Audit

---

Victoria Mafnas <victoria.mafnas@dol.guam.gov>  
To: Matthew Quinata <matt.quinata@bbmr.guam.gov>

Tue, May 31, 2011 at 10:37 AM

Matt, no one knows where is the response I prepared and I have no Director on island to resign another memo. Here is the spreadsheet with the updated information in the interim. I am so sorry my dear, I really thought this was already submitted to you. Take care

[Quoted text hidden]

—  
Victoria Helen Mafnas  
Administrative Service Officer  
Direct Line: (671) 475-7073  
Fax Line: (671) 475-7045

The information contained in this message and any accompanying attachments may contain privileged, private and/or confidential information protected by state and federal law. This message and any attachments are intended for the designated recipient only. If you have received this information in error, please notify the sender immediately and return or destroy the information.

Please consider the environment before printing this e-mail. Be green, read on screen.

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 Department of Labor.xlsx  
16K