

GOVERNMENT OF GUAM

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

YEAR ENDED SEPTEMBER 30, 2002

GOVERNMENT OF GUAM

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INDEPENDENT AUDITORS' REPORT

Honorable Felix P. Camacho
Governor
Government of Guam:

We have audited the accompanying financial statements of the governmental activities, the business-type 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, 2002, which collectively comprise GovGuam's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Government of Guam's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Guam Housing and Urban Renewal Authority and the Guam Educational Telecommunications Corporation, which represent 7% and 0.15%, respectively, of the total assets and 10% and 0.23%, respectively, of the total operating revenues of the GovGuam's Component Units (as presented in the Statement of Net Assets and the Statement of Activities, respectively, of the Government-wide Financial Statements). Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the entities not audited by us included in the aggregate discretely presented component units, and the aggregate remaining fund information of the Government of Guam, is based solely on the reports of the other auditors.

Except as discussed in the following paragraphs, 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 respective financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

The Department of Revenue and Taxation has taken the position that access to tax records and documents are to be restricted because of the confidentiality of that information. While we were able to access required data in a manner that would be acceptable to the Department of Revenue and Taxation, this data lacked details sufficient for us to perform procedures to satisfy ourselves as to the effectiveness of the systems surrounding tax related balances, nor could we perform other procedures to enable us to satisfy ourselves with respect to tax related balances in the accompanying financial statements.

General fund expenditures recorded for public education only include amounts transferred from the general fund to the Department of Education (DOE) and not the actual expenditures incurred by DOE, due to the non-availability of financial information from that entity. Financial statements were not available for the prior or current financial presentation. In addition, P.L. 25-03 sect. 18, passed in fiscal year 1999, reverts control of the DOE to the executive branch of GovGuam as a line agency. We were unable to apply audit procedures to DOE balances due to the non-availability of financial information.

General fund continuing appropriations were not substantiated by supporting detailed schedules and, therefore, we were not able to apply audit procedures to satisfy ourselves as to the adequacy of continuing appropriation balances.

Receivables recorded in the Solid Waste Management Fund, a proprietary fund, business-type activity and in the Federal Grant Assistance Fund, a special revenue fund, were not substantiated by supporting detail schedules and therefore, we were not able to apply audit procedures to satisfy ourselves as to the balances of these receivables.

Capital assets acquired prior to fiscal year 1987 and disposals since fiscal year 1987 have not been recorded. Additionally, the detail of fixed asset acquisitions for fiscal years 1999 to 2002 has not been recorded in the detail fixed asset listing and we are not able to determine the composition of this detail through alternative auditing procedures. We were unable to ensure the physical presence of recorded assets and the Government of Guam has not performed a comprehensive inventory of its fixed assets or of its land holdings. Additionally, we were not able to satisfy ourselves that fixed assets recorded as construction in progress represent uncompleted assets. This balance has not been depreciated and the potential impact of this matter on the accompanying Government-wide financial statements is unknown.

Long-term liabilities for the closure and post-closure costs of the local solid waste landfill as required by the Governmental Accounting Standards Board (GASB) Statement No. 18 have not been recorded. Management has yet to determine the manner in which it will effect the closure and post closure and therefore, costs associated with the closure and post-closure of the landfill are not determinable and we were not able to satisfy ourselves with respect to the amount of the costs, if any, which should be recorded as a liability in the accompanying financial statements.

Our audit of the basic financial statements did not include the financial activities of the Tourist Attraction Fund (TAF) and the Territorial Highway Fund (THF) which represent 2% and 3% of the total assets and 4% and 3% of the revenues (as presented in the Combining Balance Sheet of the Governmental Fund Financial Statements) and the financial activities of the Port Authority of Guam (PAG) and the Guam Waterworks Authority (GWA), component units, which represent 3% and 15% of the total assets and 7% and 11% of the revenues of the component units. The audit also did not include the financial activities of the Government of Guam Retirement Fund (GRF), a fiduciary fund, which comprises 98% of the assets and 99.97% of the revenues of the Trust Funds.

The financial statements referred to above do not include the Guam Visitors' Bureau (GVB), Guam Community College (GCC), a business type activity, Guam Rental Corporation (GRC), Guam Telephone Authority (GTA), Guam Housing Corporation (GHC) and Guam Memorial Hospital Authority (GMHA) component units, which in our opinion, should be included in order to conform with accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the reports of other auditors, except for the effects on the basic financial statements of such adjustments, if any, as might have been determined to be necessary, had we been able to access Revenue and Taxation records, had we been able to apply audit procedures to DOE balances, had we been able to apply audit procedures to satisfy ourselves as to the adequacy of the general fund continuing appropriation account balance, the Solid Waste Management Fund, a proprietary fund, business-type activity, and federal program receivables, had we been able to assure ourselves as to the propriety of the net assets invested in capital assets, net of related debt, had we been able to determine the amount to be recorded for the closure and post-closure costs of the solid waste landfill in the long-term debt, had we audited the financial statements of the THF, TAF, PAG, GWA and GRF, as discussed in the third through ninth paragraphs above, and the omission of the GVB, GCC, GTA, GHC, GMHA, and GRC as discussed in the tenth paragraph, such basic financial statements, as set forth in Section II of the table of contents, with the exception of the capital assets upon which we are unable to express an opinion because of the matters set forth in the seventh paragraph above, present fairly, in all material respects, the financial position of the governmental activities, the business-type 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, 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

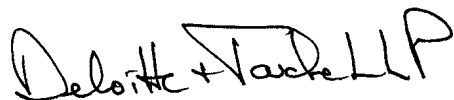
As discussed in Note 1, during the fiscal year ended September 30, 2002 the Government of Guam adopted the provisions of GASB Statements No. 34, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments*, GASB Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*, GASB Statement No. 37, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments; Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. The implementation of these standards changed the basic financial statement reporting model to include government-wide, full accrual statements and created a modified reporting of the fund perspective financial statements. Implementing these standards also required reporting of infrastructure assets, changed the method of reporting cash flows from the indirect method to the direct method and included the requirement for reporting a Management’s Discussion and Analysis as required supplementary information. Beginning net asset and fund balances have been restated to account for the implementation of these accounting standards.

Additionally, as discussed in Note 4, the Government of Guam adopted GASB No. 27, *Accounting for Pensions by the State and Local Governmental Employees*, effective October 1, 2001. Beginning net assets have been restated to reflect this change.

The Management’s Discussion and Analysis, on pages 4 through 14 and the Schedule of Revenues, Expenditures, and Changes in Deficit – Budget and Actual – General Fund and notes thereto (pages 65 and 66) are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. Such information is the responsibility of Government of Guam’s management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise GovGuam’s basic financial statements. The Other Supplementary Information (pages 67 through 105), is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This supplementary information is the responsibility of GovGuam’s management. Such information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, except for the effect of the items described in the third through ninth paragraphs above and the omissions discussed in the tenth paragraph, based on our audit and the reports of other auditors, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2003, on our consideration of the Government of Guam's (primary government only) internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



December 31, 2003

**GOVERNMENT OF GUAM
DEPARTMENT OF ADMINISTRATION
DIVISION OF ACCOUNTS
SEPTEMBER 30, 2002**

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Division of Accounts of the Department of Administration is pleased to provide this Management's Discussion and Analysis for the Government of Guam. This narrative overview and analysis of the financial activities of the Government of Guam is for the fiscal year that ended on September 30, 2002. We encourage readers to consider this information in conjunction with the financial statements, which immediately follow this section.

Because the Government of Guam is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the Government of Guam's financial position and results of operations.

FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

Government – Wide Highlights

Net Assets – The assets of the Government exceeded its liabilities at fiscal year ending September 30, 2002 by \$258.4 million (presented as “net assets”).

Changes in Net Assets – The Government of Guam's total net assets decreased by \$127.6 million. Net assets of governmental activities decreased by \$124.2 million, while net assets of the business-type activities shows a decrease of \$3.4 million.

Fund Highlights

Governmental Funds-Fund Balances – As of the close of fiscal year 2002, the governmental funds reported a combined ending deficit balance of \$50.8 million. Of this total amount, \$209.6 million represents a deficiency in the ending general fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Government of Guam's basic financial statements. The basic financial statements included three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information (budgetary schedules) and other supplementary information (combining financial statements) in addition to the basic financial statements themselves. These components are described below:

Basic Financial Statements

The basic financial statements include two kinds of financial statements that present different views of the Government of Guam—the *Government-Wide Financial Statements* and the *Fund Financial Statements and Combining Major Component Unit Financial Statements*. These financial statements also include the *Notes to the Financial Statements* that explain some of the information in the financial statements and provide more detail.

Government – Wide Financial Statements

The government-wide financial statements provide a broad view of the Government of Guam's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the Government of Guam's financial position, which assists in assessing the Government's economic condition at the end of the fiscal year. These are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. This basically means they follow methods that are similar to those used by most businesses. They take into account all revenues and expenses connected with the fiscal year even if cash involved has not been received or paid. The government-wide financial statements include two statements:

The *statement of net assets* presents all of the government's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the Government of Guam's net assets may serve as a useful indicator of whether the financial position of the Government of Guam is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each of the Government of Guam's functions.

Both of the above financial statements have separate sections for three different types of programs or activities. These three (3) types of activities are:

Governmental Activities – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal grants). Most basic services normally associated with the Government of Guam fall into this category, including education (support for both common public school and higher education), general government, protection of life and property, public health services, community services, recreation, individual and collective rights, transportation, education, protection of environment and resources, and economic development.

Business – Type Activities – These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These business-type activities include the operations of the University of Guam, the Guam Community College, and the Solid Waste Management division of the Department of Public Works. The Solid Waste Management Division's revenues are derived from all tipping fees collected to provide a financing source for the closure of the Ordot Landfill, the development, design, construction and operation of a new sanitary facility and annual operation of the Division of Solid Waste Management of the Department of Public Works.

Discretely Presented Component Units – These are operations for which the Government of Guam has financial accountability but they have certain independent qualities as well. For the most part, these entities operate similar to private sector businesses and the business-type activities described above. The Government of Guam's discretely presented component units are presented in two categories, major and non-major. This separation is determined by the relative size of the entities' assets, liabilities, revenues and expenses in relation to the total of all component units.

The Government of Guam's discretely presented major component units are: Guam Telephone Authority, Guam Power Authority, Guam International Airport Authority, Guam Housing Corporation, Guam Memorial Hospital Authority, Guam Rental Corporation, Guam Economic Development and Commerce Authority, KGTF, Guam Waterworks Authority, Port Authority of Guam and Guam Housing and Urban Renewal Authority.

Complete financial statements of the individual component units can be obtained from their respective administrative offices. Addresses and other additional information about the Government of Guam's component units are presented in the notes to the financial statements.

The government-wide financial statements can be found immediately following this discussion and analysis.

Fund Financial Statements and Major Component Unit Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Government of Guam, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus on individual parts of the government, reporting the Government of Guam's operations in more detail than the government-wide statements. All of the funds of the Government of Guam can be divided into three categories. It is important to note that these fund categories use different accounting approaches and should be interpreted differently. The three (3) categories of funds are:

Governmental Fund Financial Statements – Most of the basic services provided by the Government of Guam are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the Government of Guam's finances that assist in determining whether there will be adequate financial resources available to meet the current needs of the Government.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The Government of Guam has four governmental funds; all are considered major funds for presentation purposes. That is, each major fund is presented in a separate column in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The Government of Guam's four governmental funds are – the General Fund, the Federal Grants Fund, the Territorial Educational Facilities Fund, and the Water Systems Revenue Bond Fund.

The basic governmental funds financial statements can be found immediately following the government-wide statements.

Proprietary Fund Financial Statements – These funds are used to show activities that operate more like those of commercial enterprises. Because these funds charge fees for services provided to outside customers including local governments, they are known as enterprise funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. There is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

The Government of Guam has three enterprise funds, with both being considered major proprietary funds for presentation purposes. As previously mentioned, they are the operations of the University of Guam, the Guam Community College, and the Solid Waste Management of the Department of Public Works.

The basic proprietary fund financial statements can be found immediately following the governmental fund financial statements.

Fiduciary Fund and Similar Component Units Financial Statements – These funds are used to account for resources held for the benefit of parties outside the Government of Guam. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Government of Guam’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. They use the accrual basis of accounting.

The Government of Guam’s fiduciary funds are the Pension Trust Funds (government employees’ retirement plan for active and retired), the Income Tax Rebate Fund and the Income Tax Refund Reserve Trust Funds (which accounts for the transactions, assets, liabilities and fund equity of the external investment pool. Individual fund detail can be found in the combining financial statements described below. Agency funds are purely custodial (assets equal liabilities).

The basic fiduciary funds and similar component units’ financial statements can be found immediately following the proprietary fund financial statements.

Component Units Financial Statements – As mentioned above, these are operations for which the Government of Guam has financial accountability but they have certain independent qualities as well, and they operate similar to private-sector businesses. The government-wide financial statements present information for the component units in a single column of the statement of net assets. Also, some information on the statement of changes in net assets is aggregated for component units. The combining statements of net assets, combining statement of changes in net assets, and the combining condensed statement of cash flows provides detail for each major component unit and the non-major component units in aggregate. Individual non-major component unit detail can be found in the combining financial statements described below.

The basic combining financial statements for major component units can be found immediately following the fiduciary fund and similar component unit’s financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found immediately following component units’ financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes a budgetary comparison schedule, which includes reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the General Fund as presented in the governmental fund financial statements.

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements for non-major governmental, proprietary, and fiduciary funds, and non-major discretely presented component units. These funds are added together by fund type and presented in single columns in the basic financial statements, but are not reported individually, as with major funds, on the governmental fund financial statements.

Combining Financial Statements

The combining financial statements referred to earlier in connection with fiduciary funds and non-major component units are presented following the required supplementary information. The total columns of these combining financial statements carry to the applicable fund financial statement.

Budgetary Detail

The schedule of Expenditures and Intra-Agency Transfers – Detail Budget to Actual Comparison is presented in this section. It provides detail comparisons of expenditures and intra-agency transfers at the legal level of control. Comparisons can be made between the original budget, final budget, and actual.

GOVERNMENT – WIDE FINANCIAL ANALYSIS

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Government of Guam's combined net assets (government and business-type activities) totaled \$258.3 million at the end of 2002.

The largest portion of the Government of Guam's net assets reflects its investment in capital assets such as land, buildings, equipment, and infrastructure (road, bridges, and other immovable assets), less any related debt used to acquire those assets that are still outstanding. The Government of Guam uses these capital assets to provide services to citizens; consequentially, these assets are not available for future spending. Although the Government of Guam'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 these liabilities.

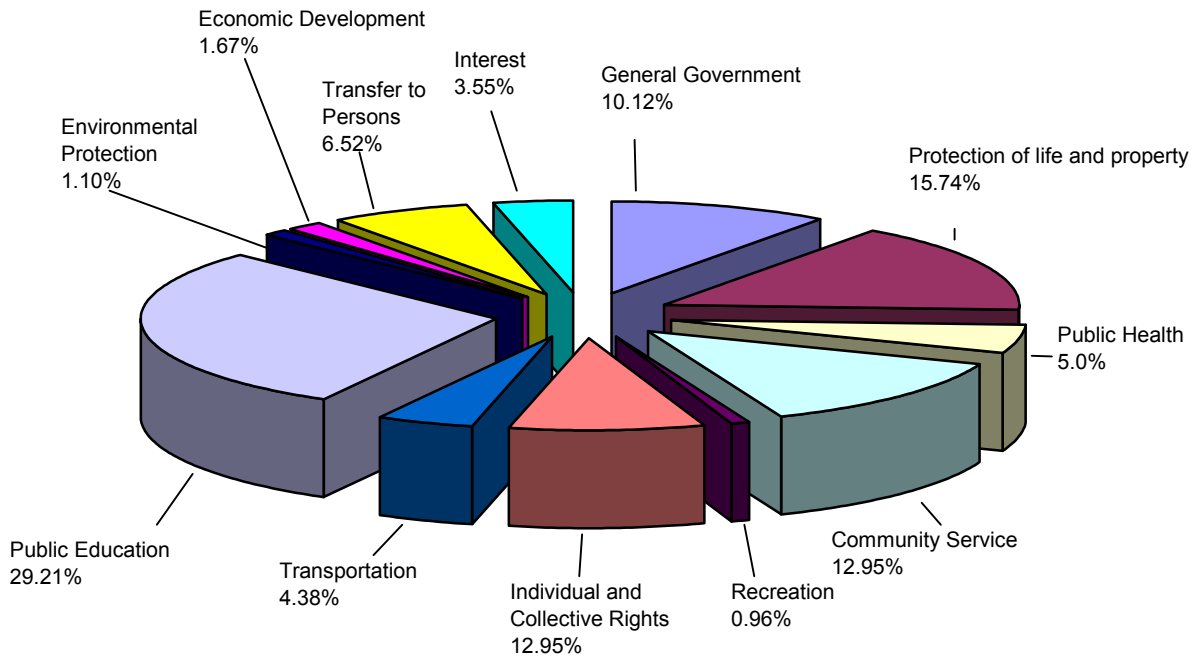
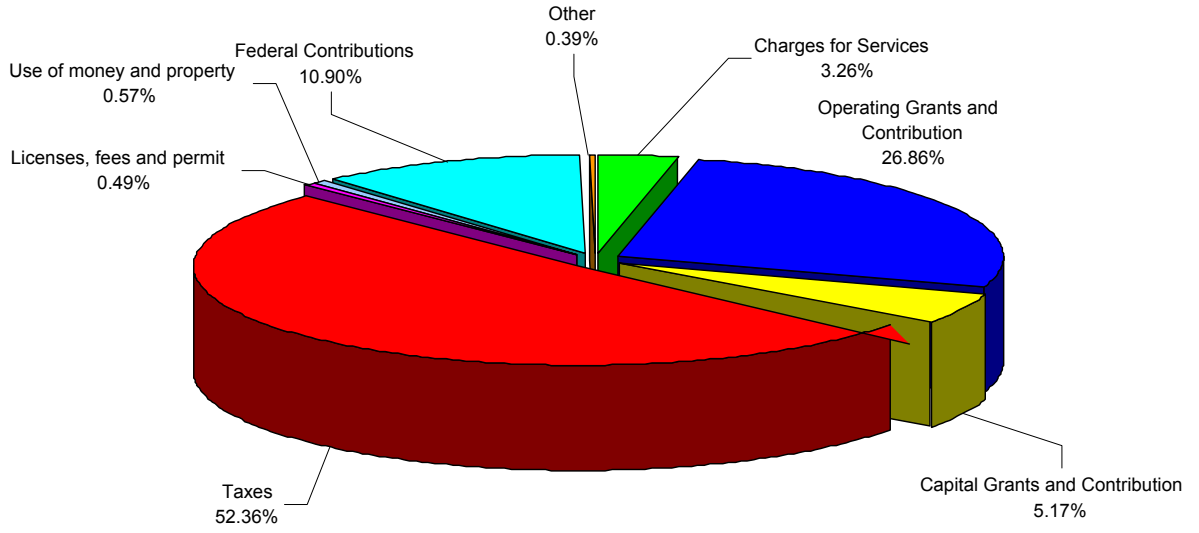
	Governmental Activities	Business Type Activities	Total
Current Assets	\$377,512,413	\$16,397,392	\$393,909,805
Capital Assets	711,689,408	66,257,268	777,946,676
Other Assets	745,271	9,190,824	9,936,095
Total Assets	1,089,947,092	91,845,484	1,181,792,576
Current Liabilities	474,162,338	10,520,921	484,683,259
Noncurrent Liabilities	432,645,948	6,108,805	438,754,753
Total Liabilities	906,808,286	16,629,726	923,438,012
Invested in Capital Assets, Net of Related Debt	321,896,704	65,115,924	387,012,628
Restricted	208,596,776	11,393,895	219,990,671
Unrestricted	(347,354,674)	(1,294,061)	(348,648,735)
Total Net Assets	\$183,138,806	\$75,215,758	\$258,354,564

Changes in Net Assets

The Government of Guam's net assets decreased by \$127.6 million. Approximately 53% of the Government of Guam's total revenue came from taxes, while 32% resulted from grants and contributions (including federal aid). Charges for various goods and services provide 3.3% of the total revenues. The Government of Guam's expenses cover a range of services. The largest expenses were for public education, protection of life and property, community services, and general government.

Changes in Net Assets – Primary Government FY2002

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Revenues:			
Program Revenues:			
Charges for Services	\$15,912,412	\$10,413,834	\$26,326,246
Operating Grants & Contribution	131,110,940	23,896,952	155,007,892
Capital Grants & Contribution	25,231,460	0	25,231,460
General Revenues:			
Taxes	255,634,534	0	255,634,534
Licenses, fees & permit	2,400,012	0	2,400,012
Use of Money & Property	2,766,944	0	2,766,944
Other taxes	53,256,096	0	53,256,096
Other	1,909,876	0	1,909,876
Total Revenues	<u>488,222,274</u>	<u>34,310,786</u>	<u>522,533,060</u>
Expenses:			
General Government	53,452,706	0	53,452,706
Protection of life and property	83,101,010	0	83,101,010
Public Health	26,407,692	0	26,407,692
Community Services	68,374,100	0	68,374,100
Recreation	5,082,401	0	5,082,401
Individual and Collective Rights	46,476,882	0	46,476,882
Transportation	23,102,911	0	23,102,911
Public Education	154,267,140	0	154,267,140
Environmental Protection	5,826,087	0	5,826,087
Economic Development	8,796,487	0	8,796,487
Transfers to persons	34,437,361	0	34,437,361
Interest	18,732,373	0	18,732,373
Solid Waste Management	0	6,660,443	6,660,443
Higher Education	0	59,195,093	59,195,093
Total Expenses	<u>528,057,150</u>	<u>65,855,536</u>	<u>593,912,686</u>
Decrease in Net Assets Before Transfers	<u>(39,834,876)</u>	<u>(31,544,750)</u>	<u>(71,379,626)</u>
Transfers	<u>(83,517,034)</u>	28,115,190	<u>(55,401,844)</u>
Other Uses	<u>(866,795)</u>	0	<u>(866,795)</u>
Change in Net Assets	<u>(124,218,705)</u>	<u>(3,429,560)</u>	<u>(127,648,265)</u>
Net Assets, Beginning of the Year	<u>307,357,511</u>	<u>78,645,318</u>	<u>386,002,829</u>
Net Assets, End of the Year	<u>\$183,138,806</u>	<u>\$75,215,758</u>	<u>\$258,354,564</u>



Governmental Activities

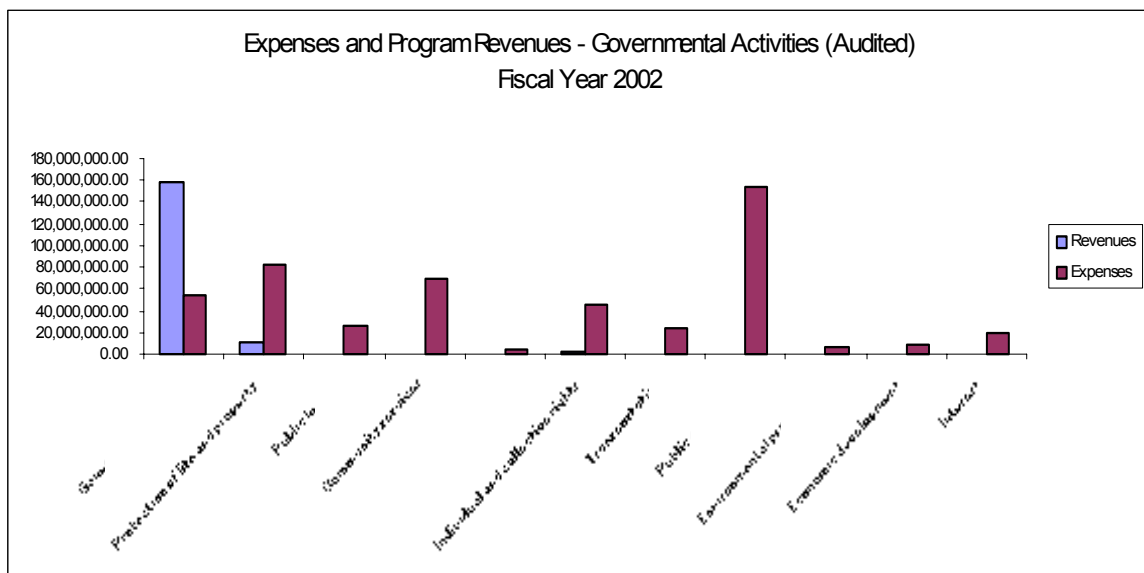
Governmental activities decreased the Government of Guam's net assets by \$124 million, thereby accounting for less than the Government of Guam's total decline in net assets of \$127.6 million. The increase by the business-type activities is explained below. A comparison of the cost of services by function for the State's governmental activities is shown below, along with the revenues used to cover the net expenses of the governmental activities.

Expenses Net of Program Revenues

General Government	\$105,655,048
Protection of Life and Property	(73,270,978)
Public Health	(25,681,379)
Community Services	(67,412,859)
Recreation	(5,031,917)
Individual and Collective Rights	(45,023,199)
Transportation	(23,061,605)
Public Education	(154,221,360)
Environmental Protection	(5,787,868)
Economic Development	(8,796,487)
Transfers to Persons	(34,437,361)
Capital Projects	0
Interest	(18,732,373)
Other	0
Total Governmental Activities Expenses	<u>(355,802,338)</u>
Transfers and Other Uses	(84,383,829)

General Revenues

Taxes	255,634,534
Licenses, Fees and Permits	2,400,012
Use of Money and Property	2,766,944
Other taxes	53,256,096
Other	1,893,157
Increase in Governmental Activities - Net Assets	<u><u>(\$124,235,424)</u></u>



Business-Type Activities

The business-type activities decreased the Government of Guam's net assets by \$3.4 million. This resulted from less revenues actually collected.

FINANCIAL ANALYSIS OF THE GOVERNMENT OF GUAM'S INDIVIDUAL FUNDS

As noted earlier, the Government of Guam uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Government of Guam's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Government of Guam's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Government of Guam's governmental funds reported combined ending deficiency of \$50.8 million. This total amount constitutes a deficiency of \$209 million for the General Fund. The remainder of the ending fund balance resulted from all other governmental funds. Other components of fund balances are reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior fiscal year (\$63.5 million), 2) to pay debt service (\$80.1 million), 3) for continuing appropriation (\$160.3 million) or 4) for a variety of other restricted purposes (\$24.5 million).

The general fund is the chief operating fund of the Government. At the end of the current fiscal year, the unreserved deficit of the general fund reached \$228.1 million, while the total ending fund deficiency balance was at \$209 million. As a measure of the general fund's liquidity, it may be useful to compare both the deficit fund balance and total deficiency to total fund expenditures. The deficit fund balance represents 4.3% of the total general fund expenditures while total deficiency fund balance represents 3.9% of that same amount.

The deficit fund balance of the Government of Guam's general fund increased by \$113 million during the current fiscal year.

Proprietary Funds

The Government of Guam's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

As discussed in the business-type activities above, the Government of Guam's net assets decreased by \$3.4 million as a result of operations in the proprietary funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the final budget and the actual amounts were due to unfavorable revenue collections and an aggressive budget forecast.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Government of Guam's investment in capital assets for its governmental and business-type activities as of September 30, 2002, amounts to \$988.5 million, net of accumulated depreciation of \$210.5 million, leaving a net book value of \$778 million. This investment in capital assets includes land, buildings, improvements, equipment, and infrastructure. Infrastructure assets are items that are normally immovable and of value only to the government, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items. The total Construction In Progress assets amount to \$371.5 million.

The total increase in the Government of Guam’s investment in capital assets for the current fiscal year was about 3.7% in terms of net book value. However, actual expenditures to purchase or construct capital assets were \$19.7 million for the year. Depreciation charges for the year totaled \$18.6 million. Additional information on the Government of Guam’s capital assets can be found in the notes to the financial statements of this report.

**Capital Assets (Net of Accumulated Depreciation)
Governmental Activities**

Land	\$8,199,639
Buildings	145,142,971
Equipment	64,353,029
Infrastructure	122,527,382
Construction In Progress	371,466,387
Total Net Capital Assets	\$711,689,408

Debt Administration

The authority of the Government of Guam to incur debt is described in the Organic Act of Guam. The Guam Legislature must approve each financing plan before obligations are issued. The Guam Economic Development and Commerce Authority (GEDCA) advises the Legislature after the laws are passed to sell a bond. GEDCA and the Executive Branch both approve the pricing and fees associated with any debt issuance. Section 12 of the Organic Act of Guam limits public indebtedness to ten percent (10%) of the aggregate tax valuation of the property tax on Guam. The Government of Guam’s general obligation bonds were rated “BB”, with a stable outlook by Standards and Poor’s as of March 2002. A downgrade was made in May 2003 to “B” with the continued status of a stable outlook.

General obligation bonds are backed by the full faith and credit of the Government of Guam, including Guam’s power to levy additional taxes to ensure repayment of the debt.

**Outstanding Debt
Governmental Activities**

General Obligation Bonds (Backed by the Government)	\$210,090,000
Revenue Bonds (Backed by specific tax & fees revenues)	176,547,459
Notes Payable (Backed by specific tax & fees revenues)	10,000,000
Superior Court Notes Payable	9,173,765
Other	18,747,439
Total Outstanding Debt	\$424,558,663

The Government of Guam total debt increased by \$8.7 million during the current fiscal year. The key factors in this net increase are attributed to the \$10 million line of credit and the refunding of the 1989 Limited Obligation Bond, which paid off the notes of the Guam Memorial Hospital Authority and the Early Out Program in the amount of \$44.9 million.

Additional information on the Government of Guam's long-term debt obligations can be found in the notes to the financial statements of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The unemployment rate for Guam is currently 11.4% as of March 2002. However, March 2002 and 2001 rates are 11.4% and 13% respectively. This compares unfavorably to the nation's average unemployment rate of 5.3%.

Guam's Consumer Price Index remained for the third quarter ended 2002 at 103.9 when compared to the third quarter 2001 the CPI was 102.64 respectively. An increase of 1.26% for the third quarter from prior year for all item category of the CPI.

Visitor arrivals totaled 302,581 for third quarter 2002, a 17.4% increase (44,747 visitors) from second quarter 2002. Japan air arrivals increased by 29.58% from the preceding quarter.

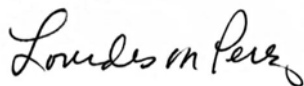
The fiscal year 2003 budget bill became law (Public Law 26-152) without the Governor's signature. General Fund Revenues adopted amount to \$395.6 million. Supplemental budgets were subsequently passed, Public Laws 27-02 and 27-05. Public Law 27-05 revised the revenue estimate to \$392.2 million and also increased the tobacco tax and the gross receipts tax rates.

It is anticipated that actual revenues (based on cash collections) for fiscal year 2003 will be lower than the budgeted amount and may reach the actual collections of the prior year.

REQUESTS FOR INFORMATION

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: Arleen U. Pierce, Controller, P.O. Box 884, Hagatña, Guam 96932. Telephone No: (671) 475-1169/1260 Facsimile: (671) 472-8483 Website Address: www.admin.gov.gu/doa/

Respectfully Submitted,



LOURDES M. PEREZ
Director of Administration

GOVERNMENT OF GUAM

Statement of Net Assets
September 30, 2002

<u>ASSETS</u>	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Current assets:				
Cash and cash equivalents	\$ 203,730,680	\$ 4,073,823	\$ 207,804,503	\$ 26,708,701
Investments	43,828,451	60,569	43,889,020	2,641,572
Receivables, net of allowance for uncollectibles:				
Taxes	27,896,799	-	27,896,799	-
Other pledged taxes	25,313,434	-	25,313,434	-
Receivables from special sources	25,596,829	1,478,246	27,075,075	135,737,040
Federal grants and reimbursement receivables	33,356,897	1,321,636	34,678,533	-
Other receivables	3,982,016	2,865,864	6,847,880	3,120,072
Due from primary government	-	5,031,902	5,031,902	387,470
Inventories	13,807,307	599,638	14,406,945	32,269,423
Other current assets	-	965,714	965,714	8,682,190
Restricted current assets	-	-	-	65,904,136
Total current assets	377,512,413	16,397,392	393,909,805	275,450,604
Noncurrent assets:				
Investments	-	9,190,824	9,190,824	39,277,227
Accounts receivable	-	-	-	16,449,427
Notes receivable	-	-	-	21,659,180
Capital assets, net of accumulated depreciation	711,689,408	66,257,268	777,946,676	1,206,082,462
Deposits and other assets	745,271	-	745,271	50,019,798
Restricted non-current assets	-	-	-	40,094,355
Total noncurrent assets	712,434,679	75,448,092	787,882,771	1,373,582,449
Total assets	1,089,947,092	91,845,484	1,181,792,576	1,649,033,053
<u>LIABILITIES</u>				
Current liabilities:				
Bank overdraft	2,858,160	-	2,858,160	-
Current portion of notes and bonds payable	36,114,373	253,530	36,367,903	36,407,623
Capital leases	-	-	-	3,465,091
Accounts payable	97,394,326	6,159,998	103,554,324	113,598,821
Accrued payroll and other	41,315,212	65,613	41,380,825	5,175,191
Accrued interest payable	8,915,430	-	8,915,430	-
Tax refunds	146,649,301	-	146,649,301	-
Payable to federal agencies	7,728,177	-	7,728,177	70,250
Due from component units / business - type activity	651,367	503,376	1,154,743	-
Due to primary government	-	-	-	241,673
Deferred revenue	88,155,752	3,538,404	91,694,156	18,759,438
Deposits and other liabilities	37,685,944	-	37,685,944	30,058,575
Current portion of compensated absences	6,694,296	-	6,694,296	-
Total current liabilities	474,162,338	10,520,921	484,683,259	207,776,662
Noncurrent liabilities:				
Compensated absences, net of current portion	12,218,375	-	12,218,375	4,384,759
Deferred revenue	-	-	-	10,000,000
Capital leases	-	-	-	157,423,446
Unfunded pension liability	31,983,283	-	31,983,283	5,719,391
Deposits	-	2,852,012	2,852,012	6,844
Notes and bonds payable, net of current portion	388,444,290	1,083,751	389,528,041	622,758,725
Other noncurrent liabilities	-	2,173,042	2,173,042	717,930
Total noncurrent liabilities	432,645,948	6,108,805	438,754,753	801,011,095
Total liabilities	906,808,286	16,629,726	923,438,012	1,008,787,757
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	321,896,704	65,115,924	387,012,628	427,133,640
Restricted for:				
Capital projects	79,445,410	-	79,445,410	-
Retirement of indebtedness	86,614,676	-	86,614,676	-
Other purposes	42,536,690	11,393,895	53,930,585	114,378,501
Unrestricted	(347,354,674)	(1,294,061)	(348,648,735)	98,733,155
Total net assets	\$ 183,138,806	\$ 75,215,758	\$ 258,354,564	\$ 640,245,296

See accompanying notes to financial statements.

GOVERNMENT OF GUAM

Statement of Activities
Year Ended September 30, 2002

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental Activities:								
General government	\$ 53,452,706	\$ 4,148,740	\$ 129,727,554	\$ 25,231,460	\$ 105,655,048	\$ -	\$ 105,655,048	\$ -
Protection of life and property	83,101,010	8,492,426	1,337,606	-	(73,270,978)	-	(73,270,978)	-
Public health	26,407,692	726,313	-	-	(25,681,379)	-	(25,681,379)	-
Community services	68,374,100	961,241	-	-	(67,412,859)	-	(67,412,859)	-
Recreation	5,082,401	50,484	-	-	(5,031,917)	-	(5,031,917)	-
Individual and collective rights	46,476,882	1,453,683	-	-	(45,023,199)	-	(45,023,199)	-
Transportation	23,102,911	41,306	-	-	(23,061,605)	-	(23,061,605)	-
Public education	154,267,140	-	45,780	-	(154,221,360)	-	(154,221,360)	-
Environmental protection	5,826,087	38,219	-	-	(5,787,868)	-	(5,787,868)	-
Economic development	8,796,487	-	-	-	(8,796,487)	-	(8,796,487)	-
Interest (unallocated)	18,732,373	-	-	-	(18,732,373)	-	(18,732,373)	-
Transfer to persons	34,437,361	-	-	-	(34,437,361)	-	(34,437,361)	-
Total governmental activities	528,057,150	15,912,412	131,110,940	25,231,460	(355,802,338)	-	(355,802,338)	-
Business-Type Activities:								
Solid Waste Management	6,660,443	4,490,811	-	-	-	(2,169,632)	(2,169,632)	-
Higher Education	59,195,093	5,923,023	23,896,952	-	-	(29,375,118)	(29,375,118)	-
Total business-type activities	65,855,536	10,413,834	23,896,952	-	-	(31,544,750)	(31,544,750)	-
Total primary government	\$ 593,912,686	\$ 26,326,246	\$ 155,007,892	\$ 25,231,460	\$ (355,802,338)	\$ (31,544,750)	\$ (387,347,088)	\$ -
Component Units	\$ 326,921,675	\$ 279,132,268	\$ 31,711,962	\$ 6,344,068	\$ -	\$ -	\$ -	\$ (9,733,377)
General revenues:								
Taxes:								
Income					136,288,809	-	136,288,809	-
Gross receipts					119,345,725	-	119,345,725	-
Other taxes					53,256,096	-	53,256,096	-
Investment earnings					2,766,944	-	2,766,944	17,516
Licenses, fees and permits					2,400,012	-	2,400,012	18,508,962
Others					1,909,876	-	1,909,876	18,694,343
Total general revenues					315,967,462	-	315,967,462	37,220,821
Transfers					(83,517,034)	28,115,190	(55,401,844)	-
Other uses					(866,795)	-	(866,795)	(52,097,333)
Cumulative effect of a change in accounting principle					-	-	-	(6,812,724)
Total general revenues and transfers					231,583,633	28,115,190	259,698,823	(21,689,236)
Change in net assets					(124,218,705)	(3,429,560)	(127,648,265)	(31,422,613)
Net assets at beginning of year					307,357,511	78,645,318	386,002,829	671,667,909
Net assets at end of year					\$ 183,138,806	\$ 75,215,758	\$ 258,354,564	\$ 640,245,296

See accompanying notes to financial statements.

GOVERNMENT OF GUAM

Balance Sheet
Governmental Funds
September 30, 2002

<u>ASSETS</u>	<u>Debt Service</u>		<u>Special Revenue</u>		<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Water Systems Revenue Bond</u>	<u>Federal Grant</u>	<u>Territorial Educational Facilities</u>		
Cash and cash equivalents	\$ 21,135,894	\$ 49,161,441	\$ 2,410,582	\$ 1,410,915	\$ 129,611,848	\$ 203,730,680
Investments	-	-	-	-	43,828,451	43,828,451
Taxes receivable, net	91,926,909	-	-	-	-	91,926,909
Other pledged taxes	-	-	-	15,893,012	9,420,422	25,313,434
Receivables, net	-	-	-	-	25,596,829	25,596,829
Receivables from federal agencies	791,324	-	31,934,767	-	630,806	33,356,897
Due from other funds	83,970,647	-	2,283,592	-	111,264,499	197,518,738
Other receivables	3,739,532	53,365	-	189,119	-	3,982,016
Inventories	-	-	12,161,881	-	1,645,426	13,807,307
Capital assets, net	-	-	-	-	52,986	52,986
Deposits and other assets	-	-	-	-	745,271	745,271
Total assets	\$ 201,564,306	\$ 49,214,806	\$ 48,790,822	\$ 17,493,046	\$ 322,796,538	\$ 639,859,518
 <u>LIABILITIES AND FUND BALANCES (DEFICIT)</u>						
Liabilities:						
Bank overdraft	\$ 2,858,160	\$ -	\$ -	\$ -	\$ -	\$ 2,858,160
Accounts payable	80,616,598	-	739,256	-	16,038,472	97,394,326
Accrued payroll and other	25,410,682	2,000	-	-	15,902,530	41,315,212
Tax refunds	142,605,912	-	-	-	4,043,389	146,649,301
Due to other funds	-	53,624,561	28,149,236	3,332,256	113,064,051	198,170,104
Payable to federal agencies	-	-	7,728,177	-	-	7,728,177
Deferred revenue	116,140,239	-	12,161,881	15,582,606	8,301,136	152,185,862
Deposits and other liabilities	36,846,275	-	-	-	839,668	37,685,943
Vacation leave accrual	6,694,296	-	-	-	-	6,694,296
Total liabilities	411,172,162	53,626,561	48,778,550	18,914,862	158,189,246	690,681,381
Fund Balances (deficit):						
Reserved for:						
Specific purpose	-	-	-	-	8,015,482	8,015,482
Encumbrances	12,233,231	-	25,009,799	-	26,320,864	63,563,894
Continuing appropriations	6,249,566	-	94,891,715	-	59,235,392	160,376,673
Related assets	48,858	-	-	33,511	16,441,495	16,523,864
Debt service	-	(4,411,755)	-	-	84,544,494	80,132,739
Unreserved	(228,139,511)	-	(119,889,242)	(1,455,327)	(29,950,435)	(379,434,515)
Total fund balances (deficits)	(209,607,856)	(4,411,755)	12,272	(1,421,816)	164,607,292	(50,821,863)
Total liabilities and fund balances	\$ 201,564,306	\$ 49,214,806	\$ 48,790,822	\$ 17,493,046	\$ 322,796,538	\$ 639,859,518

See accompanying notes to financial statements.

GOVERNMENT OF GUAM

Reconciliation of Deficit to the Statement of Net Assets
September 30, 2002

Amounts reported for governmental activities in the statement of net assets are different because:

Total deficit	\$ (50,821,863)
---------------	-----------------

Capital assets used in governmental activities are not considered financial resources for fund perspective reporting and, therefore, are not reported in the funds. Those assets consist of:

Land	\$ 8,199,639	
Construction in progress	371,466,387	
Depreciable capital assets and infrastructure, net of \$188,621,270 of accumulated depreciation	<u>332,023,382</u>	
Capital assets, net of accumulated depreciation		711,689,408

Amounts presented in the statement of net assets relating to, but not in fund balances due to different basis of accounting	(52,988)
--	----------

Long - term liabilities, including bonds payable, are not due and payable in the current period and therefore are not considered financial liabilities for fund perspective reporting, and therefore, are not reported in the funds. These liabilities include:

Bond debts	(424,558,663)	
Accrued interest on bonds	(8,915,430)	
Compensated absences	(12,218,375)	
Unfunded pension liability	<u>(31,983,283)</u>	
Long - term liabilities		<u>(477,675,751)</u>
Net assets of governmental activities		<u>\$ 660,814,557</u>

See accompanying notes to financial statements.

GOVERNMENT OF GUAM

Statement of Revenues, Expenditure and Changes in Fund Balances (Deficit)
 Governmental Funds
 Year Ended September 30, 2002

	Debt Service		Special Revenue		Other Governmental Funds	Total Governmental Funds
	General	Water Systems Revenue Bond	Federal Grant	Territorial Educational Facilities		
Revenues:						
Taxes	\$ 262,167,877	\$ -	\$ -	\$ 17,731,254	\$ 28,991,500	\$ 308,890,631
Licenses, fees and permits	1,816,360	-	-	-	11,126,014	12,942,374
Use of money and property	817,536	18,816	-	-	1,930,592	2,766,944
Federal contributions	53,292,441	-	101,666,573	-	1,383,386	156,342,400
Other	1,535,065	-	-	-	5,744,862	7,279,927
Total revenues	<u>319,629,279</u>	<u>18,816</u>	<u>101,666,573</u>	<u>17,731,254</u>	<u>49,176,354</u>	<u>488,222,276</u>
Expenditures:						
Current:						
General government	38,940,838	-	4,815,120	-	15,685,931	59,441,889
Protection of life and property	60,672,543	-	8,458,543	-	14,269,281	83,400,367
Public health	16,762,366	-	8,636,553	-	1,241,384	26,640,303
Community services	6,178,843	-	29,434,937	-	32,821,011	68,434,791
Recreation	4,740,111	-	194,882	-	136,284	5,071,277
Individual and collective rights	10,048,033	-	10,399,728	-	26,104,932	46,552,693
Transportation	232,013	-	18,509,744	-	4,431,762	23,173,519
Public education	147,877,849	-	1,272,848	-	278,146	149,428,843
Environmental protection	543,910	-	3,721,275	-	1,556,988	5,822,173
Economic development	4,099,837	-	6,001,930	-	1,183	10,102,950
Transfer to persons	-	-	34,437,361	-	-	34,437,361
Capital projects	29,066	-	-	-	-	29,066
Debt service:						
Principal retirement	21,306,415	27,550,000	-	-	25,665,000	74,521,415
Interest and fiscal charges	1,572,536	964,250	-	-	15,151,620	17,688,406
Total expenditures	<u>313,004,360</u>	<u>28,514,250</u>	<u>125,882,921</u>	<u>-</u>	<u>137,343,522</u>	<u>604,745,053</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,624,919</u>	<u>(28,495,434)</u>	<u>(24,216,348)</u>	<u>17,731,254</u>	<u>(88,167,168)</u>	<u>(116,522,777)</u>
Other financing sources (uses):						
Proceeds from sale of bonds	10,000,000	-	-	-	-	10,000,000
Proceeds of refunding bonds	-	-	-	-	81,971,589	81,971,589
Payment to refunded bond escrow agent	-	-	-	-	(28,769,255)	(28,769,255)
Transfers in	73,107,782	33,382,741	33,097,773	-	127,275,011	266,863,307
Transfers out	(184,660,153)	(9,922,239)	(9,065,467)	(19,202,864)	(98,760,363)	(321,611,086)
Other sources	5,826,100	-	196,320	-	417,968	6,440,388
Other uses	(20,636,272)	(25,565)	(6)	-	(7,025,674)	(27,687,517)
Equity transfers	(3,290,254)	-	-	-	3,290,254	-
Total other financing sources (uses), net	<u>(119,652,797)</u>	<u>23,434,937</u>	<u>24,228,620</u>	<u>(19,202,864)</u>	<u>78,399,530</u>	<u>(12,792,574)</u>
Net change in fund balances (deficit)	(113,027,878)	(5,060,497)	12,272	(1,471,610)	(9,767,638)	(129,315,351)
Fund balances (deficit) at beginning of year	<u>(96,579,978)</u>	<u>648,742</u>	<u>-</u>	<u>49,794</u>	<u>174,374,930</u>	<u>78,493,488</u>
Fund balances (deficit) at end of year	<u>\$ (209,607,856)</u>	<u>\$ (4,411,755)</u>	<u>\$ 12,272</u>	<u>\$ (1,421,816)</u>	<u>\$ 164,607,292</u>	<u>\$ (50,821,863)</u>

See accompanying notes to financial statements.

GOVERNMENT OF GUAM

Reconciliation of the Statement of Revenues, Expenditures and Changes in Deficit of Governmental Funds to the Statement of Activities September 30, 2002

Net change in deficit - total governmental funds	\$ (129,315,351)
Add:	
Capital assets purchased that were capitalized	12,609,634
Principal payments on long term debt	74,521,414
Payment to escrow for defeasance of debt	20,380,333
Construction in progress capitalized - General Fund	29,065
Construction in progress capitalized - Capital Improvement Project Fund	7,131,566
Unfunded pension liability	2,022,357
Less:	
Depreciation expense	(18,582,167)
Proceed from bonds	(91,971,589)
Interest expense	<u>(1,043,967)</u>
Change in net assets of governmental activities	<u>\$ (124,218,705)</u>

See accompanying notes to financial statements.

GOVERNMENT OF GUAM

Statement of Net Assets
Proprietary Funds
September 30, 2002

	Solid Waste Management Fund	University of Guam	Total
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 806,053	\$ 3,267,770	\$ 4,073,823
Investments	-	60,569	60,569
Due from primary government	-	5,031,902	5,031,902
Due from Federal Government	-	1,321,636	1,321,636
Accounts receivable, net	-	1,478,246	1,478,246
Other receivables	1,322,172	1,543,692	2,865,864
Inventories	-	599,638	599,638
Other assets	-	965,714	965,714
	<u>2,128,225</u>	<u>14,269,167</u>	<u>16,397,392</u>
Total current assets			
Non-current assets:			
Investments	-	9,190,824	9,190,824
Capital assets, net	-	66,257,268	66,257,268
	<u>2,128,225</u>	<u>89,717,259</u>	<u>91,845,484</u>
Total assets			
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	-	6,159,998	6,159,998
Accrued payroll and other	65,613	-	65,613
Current portion of long-term debt	-	253,530	253,530
Due to other funds	503,376	-	503,376
Deferred revenue	-	3,538,404	3,538,404
	<u>568,989</u>	<u>9,951,932</u>	<u>10,520,921</u>
Total current liabilities			
Noncurrent liabilities:			
Deposits held on behalf of others	-	2,852,012	2,852,012
Accounts payable and accrued liabilities	-	2,173,042	2,173,042
Long-term debt	-	1,083,751	1,083,751
	<u>-</u>	<u>6,108,805</u>	<u>6,108,805</u>
Total noncurrent liabilities			
	<u>568,989</u>	<u>16,060,737</u>	<u>16,629,726</u>
Total liabilities			
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	-	65,115,924	65,115,924
Restricted:			
Nonexpendable	-	4,046,966	4,046,966
Expendable	2,086,122	5,260,807	7,346,929
Unrestricted	(526,886)	(767,175)	(1,294,061)
	<u>1,559,236</u>	<u>73,656,522</u>	<u>75,215,758</u>
Total net assets			

See accompanying notes to financial statements.

GOVERNMENT OF GUAM

Statement of Revenue, Expenses, and Changes in Fund Net Assets
 Proprietary Funds
 Year Ended September 30, 2002

	Solid Waste Management Fund	University of Guam	Total
Operating revenues:			
Rental and service fees	\$ 4,490,811	\$ -	\$ 4,490,811
Net tuition and fees	-	5,923,023	5,923,023
Grants and contracts	-	19,334,182	19,334,182
Other	-	4,562,770	4,562,770
	4,490,811	29,819,975	34,310,786
Total operating revenues			
Operating expenses:			
Production and operations	2,701,584	-	2,701,584
Professional fees	806,919	-	806,919
Utilities	169,825	-	169,825
Instruction	-	14,727,022	14,727,022
Research	-	6,842,985	6,842,985
Public service	-	6,174,181	6,174,181
Academic support	-	6,064,892	6,064,892
Student service	-	4,261,773	4,261,773
Institution support	-	4,829,973	4,829,973
Operations and maintenance of plant	-	4,757,607	4,757,607
Depreciation	-	2,250,731	2,250,731
Scholarship and fellowships	-	7,118,621	7,118,621
Auxiliary enterprises	-	2,167,308	2,167,308
Bad debt	2,560,392	-	2,560,392
Other	421,723	-	421,723
	6,660,443	59,195,093	65,855,536
Total operating expenses			
Operating loss	(2,169,632)	(29,375,118)	(31,544,750)
Nonoperating (expense) revenues, net	-	28,115,190	28,115,190
Change in net assets	(2,169,632)	(1,259,928)	(3,429,560)
Total net assets at beginning of year	3,728,868	74,916,450	78,645,318
Total net assets at end of year	\$ 1,559,236	\$ 73,656,522	\$ 75,215,758

See accompanying notes to financial statements.

GOVERNMENT OF GUAM

Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2002

	Solid Waste Management Fund	University of Guam	Total
Cash flows from operating activities:			
Student tuition and fees	\$ -	\$ 6,996,368	\$ 6,996,368
Federal grant/contracts	-	21,179,149	21,179,149
Sales and services of education department	-	312,699	312,699
Auxiliary services	-	(118,338)	(118,338)
Other receipts/payments	3,669,741	1,731,908	5,401,649
Operation expenses	(3,807,142)	-	(3,807,142)
Payments of educational and general expenses	-	(46,185,986)	(46,185,986)
Scholarship/fellowships	-	(7,118,621)	(7,118,621)
	(137,401)	(23,202,821)	(23,340,222)
Cash flows from noncapital financing activities:			
Government of Guam appropriations	-	26,509,081	26,509,081
Federal reimbursements	-	112,500	112,500
	-	26,621,581	26,621,581
Cash flows from capital and related financing activities:			
Interest, capital debt related	-	(75,143)	(75,143)
Expended on plant facility and capital assets	-	(1,188,783)	(1,188,783)
Payment of capital debt	-	(2,223,734)	(2,223,734)
Construction in progress	-	(120,965)	(120,965)
	-	(3,608,625)	(3,608,625)
Cash flows from investing activities:			
Investment income (expense)	-	(973,044)	(973,044)
Donation to Endowment Fund	-	190	190
Purchase/sales - long/short-term investments	-	984,396	984,396
	-	11,542	11,542
Net change in cash and cash equivalents	(137,401)	(178,323)	(315,724)
Cash and cash equivalents at beginning of year	943,454	3,446,093	4,389,547
Cash and cash equivalents at end of year	\$ 806,053	\$ 3,267,770	\$ 4,073,823
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (2,169,632)	\$ (29,375,118)	\$ (31,544,750)
Bad debts	2,560,392	-	2,560,392
Depreciation	-	2,250,731	2,250,731
Accounts receivable, net	(821,069)	1,831,797	1,010,728
Inventories	-	(4,980)	(4,980)
Other assets	-	131,124	131,124
Interfund payable	227,296	-	227,296
Annual leave	-	(28,306)	(28,306)
Accounts payable	-	2,111,548	2,111,548
Accrued payroll and other	65,612	-	65,612
Deferred revenue	-	(126,407)	(126,407)
Deposits held on behalf of others	-	6,790	6,790
	\$ (137,401)	\$ (23,202,821)	\$ (23,340,222)

See accompanying notes to financial statements.

GOVERNMENT OF GUAM

Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2002

	Defined Benefit (unaudited)	Defined Contribution (unaudited)	Other Trust Funds	Agency Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 2,974,504	\$ 2,473,825	\$ 6,097,071	\$ -
Investments at fair value:				
Common stocks	348,941,716	-	-	-
U.S. Government securities	365,221,419	-	-	-
Corporate bonds and notes	376,218,434	-	-	-
Money market funds	28,490,623	-	-	-
Mutual funds	-	60,903,461	-	-
DC plan forfeitures	-	5,106,242	-	-
Total investments	<u>1,118,872,192</u>	<u>66,009,703</u>	-	-
Accounts receivable:				
Employer contributions, net	23,119,737	1,436,223	-	-
Member contributions	10,804,989	262,899	-	-
Accrued investments income	10,155,834	-	-	-
Due from broker for unsettled trades	15,399,194	-	-	-
Note receivable for service credits	8,837,608	-	-	-
Notes receivable - ERIP	13,487,082	-	-	-
Receivable-ERIP employer's share	21,667,678	-	-	-
Supplemental/COLA benefits receivables	106,525,343	-	-	-
Other receivables	10,556,810	-	-	-
Due from DC plan	420,993	-	-	-
Total receivables	<u>220,975,268</u>	<u>1,699,122</u>	-	-
Other receivables	-	-	8,503,793	-
Deposits and other assets	-	-	-	12,011,469
Capital assets	1,425,433	-	-	-
Total assets	<u>1,344,247,397</u>	<u>70,182,650</u>	<u>14,600,864</u>	<u>12,011,469</u>
<u>LIABILITIES</u>				
Bank overdraft	1,306,081	-	-	-
Deferred revenue	35,154,760	-	-	-
Accounts payable and accrued expenses	2,395,156	2,928,812	-	-
Accrued payroll and other	-	-	1,595,113	-
Internal balances payable	-	420,993	-	-
Deposits and other liabilities	-	-	12,993,238	12,011,469
Due to brokers for unsettled trades	28,162,721	-	-	-
Total liabilities	<u>67,018,718</u>	<u>3,349,805</u>	<u>14,588,351</u>	<u>12,011,469</u>
<u>NET ASSETS</u>				
Net assets available for benefits	1,277,228,679	66,832,845	-	-
Net assets available in other trust funds	-	-	12,513	-
Total net assets	<u>\$ 1,277,228,679</u>	<u>\$ 66,832,845</u>	<u>\$ 12,513</u>	<u>\$ -</u>

See accompanying notes to financial statements.

GOVERNMENT OF GUAM

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended September 30, 2002

	Defined Benefit (unaudited)	Defined Contribution (unaudited)	Other Trust Funds
Additions:			
Contributions:			
Employer contribution	\$ 69,402,773	\$ 7,453,414	\$ -
Employee contribution	23,643,131	7,468,501	-
Revenues:			
Use of money and property	-	-	36,030
Total contribution and revenues	<u>93,045,904</u>	<u>14,921,915</u>	<u>36,030</u>
Net investment income (loss):			
Net appreciation (depreciation) in fair value	(61,364,201)	(10,611,503)	-
Interest	46,432,832	2,456,996	-
Dividends	7,850,331	-	-
Other	728,673	304,798	-
Total investment loss	<u>(6,352,365)</u>	<u>(7,849,709)</u>	<u>-</u>
Less: investment expenses	<u>2,825,072</u>	<u>-</u>	<u>-</u>
Net investment loss	<u>(9,177,437)</u>	<u>(7,849,709)</u>	<u>-</u>
Total additions	<u>83,868,467</u>	<u>7,072,206</u>	<u>36,030</u>
Deductions:			
Benefits	146,931,807	-	-
Refunds	8,272,760	5,005,365	-
Balance transfer to DC plan	2,753,945	(2,753,945)	-
Administrative and general expense	2,928,635	990,921	-
Total deductions	<u>160,887,147</u>	<u>3,242,341</u>	<u>-</u>
Expenditures:			
Protection of life and property	-	-	2,704,315
Other financing sources (uses):			
Transfers in	-	-	2,665,477
Change in net assets	<u>(77,018,680)</u>	<u>3,829,865</u>	<u>(2,808)</u>
Net assets at beginning of year	<u>1,354,247,359</u>	<u>63,002,980</u>	<u>15,321</u>
Net assets at end of year	<u>\$ 1,277,228,679</u>	<u>\$ 66,832,845</u>	<u>\$ 12,513</u>

See accompanying notes to financial statements.

GOVERNMENT OF GUAM

Notes to Financial Statements
September 30, 2002

(1) Summary of Significant Accounting Policies

A. Reporting Entity

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

As required by GAAP, the financial statements of the Government of Guam (GovGuam) present the government and its component units for which it is financially accountable. Blended component units are entities that are legally separate but are so related to GovGuam, that they are, in substance, the same as the government or part of the government's operations. The net assets and results of operations of the following legally separate entities are presented as part of the GovGuam's operations.

1. Blended Component Units

- (a) Solid Waste Management Fund (SWMF) was created by P.L. 24-272 to provide a financing source for Government of Guam's costs and expenses directly related to the closure and post-closure of the solid waste landfill. SWMF is presented as business – type activities.
- (b) The institutions of higher education of GovGuam have operations and net assets that are presented as part of GovGuam's business – type activities. These systems are comprised of the University of Guam (UOG) and the Guam Community College (GCC). UOG is governed by a nine member Board of Regents who are appointed by the Governor of Guam. GCC is governed by a nine member Board of Trustees who are appointed by the Governor.
- (c) The Fiduciary Funds Type - Pension Trust Fund is comprised of the Government of Guam Retirement Fund System (the Fund). The Fund was enacted to provide retirement amenities and other benefits to the employees of the Government of Guam, who upon entry to service, are eligible for membership. The Fund is governed by a five member Board of Trustees who are appointed by the Governor of Guam. Other non-major trust funds are comprised of trust funds administered by the Superior Court, Public Defender and Supreme Court.

2. Discretely Presented Component Units

Discrete component units are entities which are legally separate (often called Authorities) and are financially accountable to GovGuam, or whose relationships with GovGuam are such that exclusion would cause GovGuam's financial statements to be misleading or incomplete. The component units' column of the basic financial statements includes the financial data of the following entities:

GOVERNMENT OF GUAM

Notes to Financial Statements
September 30, 2002

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

2. Discretely Presented Component Units, Continued

- (a) The Guam Waterworks Authority (GWA), formerly the Public Utility Agency of Guam (PUAG), is responsible for supervising the construction, maintenance operations and regulations of all water and sewerage services within the Government of Guam. GWA is established as a separate legal entity and is governed by an appointed Board of Directors.
- (b) The Guam International Airport Authority (GIAA) was created by Public Law 13-57 (as amended) as an autonomous instrumentality of the Government of Guam to own and operate the facilities of the Guam International Air Terminal. GIAA is governed by a seven member Board of Directors, all of whom are appointed by the Governor of Guam.
- (c) The Guam Housing Corporation was created by Public Law 8-80 to promote the general welfare of the Government of Guam by encouraging investment in and development of low-cost housing. The Corporation is principally engaged in financing homes for low and moderate-income families. The Guam Housing Corporation is governed by a seven member Board of Directors, all of whom are appointed by the Governor of Guam.
- (d) The Port Authority of Guam (PAG) is responsible for the operation of seaport facilities of the Government of Guam. The PAG is governed by a five member Board of Directors, all of whom are appointed by the Governor of Guam.
- (e) The Guam Power Authority (GPA) is responsible for the supervision of construction, maintenance of operations and regulations of all electrical utility services within the Government of Guam. GPA is governed by a five member Board of Directors appointed by the Governor of Guam.
- (f) The Guam Housing and Urban Renewal Authority (GHURA) is primarily funded by federal funds and engages in the construction and rehabilitation of low-cost and low-income housing. Substantially all funding is provided by the U.S. Department of Housing and Urban Development (HUD).
- (g) The Guam Rental Corporation was created by Public Law 8-80 to promote the general welfare of the inhabitants of Guam by encouraging and engaging in investment in development of low-cost housing. The Corporation is principally engaged in the ownership and rental of a housing complex known as Lada Gardens and Guma As-Atdas. The Guam Rental Corporation is governed by the Board of Directors of Guam Housing Corporation.
- (h) The Guam Memorial Hospital Authority (GMHA) was created by Public Law 14-29 on July 26, 1977 and provides for control over and operations of Guam's hospital. The Authority is governed by a seven member Board of Trustees who are appointed by the Governor of Guam.

GOVERNMENT OF GUAM

Notes to Financial Statements
September 30, 2002

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

2. Discretely Presented Component Units, Continued

- (i) The Guam Economic Development Authority (GEDA) was created to assist in the implementation of an integrated program for the economic development of Guam. GEDA is administered by a seven member Board of Directors who are appointed by the Governor of Guam.
- (j) The Guam Telephone Authority (GTA) was created by Public Law 12-44 to operate local telecommunications and cellular operations in Guam and contracts out overseas services to Guam-based private telecommunications companies. The GTA is administered by a seven member Board of Directors who are appointed by the Governor of Guam.
- (k) The Guam Visitors Bureau (GVB) was created by Public Law 17-32 to promote the tourism industry program in Guam. The GVB is administered by a twelve member Board of Directors. Five members are appointed by the Governor of Guam, two by the Speaker of the Legislature, four elected by the general membership of GVB and one member appointed by the eleven members. The GVB is not included in the accompanying financial statements.
- (l) The Guam Educational Telecommunications Corporation (KGTF-TV) was established by Public Law 12-194 on January 2, 1975 to present educational television to the people of Guam. KGTF-TV is administered by a six member Board of Directors who are appointed by the Governor of Guam.

Complete financial statements for each of the individual component units may be obtained at the units' administrative offices or at the web site of the Office of the Public Auditor – www.guamopa.org.

Guam International Airport Authority
P.O. Box 8770
Tamuning, GU 96931

Guam Housing Corporation
P.O. Box 3457
Hagatna, GU 96932

Port Authority of Guam
1026 Cabras Hwy, Ste. 201
Piti, GU 96925

Guam Power Authority
P.O. Box 2977
Hagatna, GU 96932

Guam Rental Corporation
P.O. Box 3457
Hagatna, GU 96932

GOVERNMENT OF GUAM

Notes to Financial Statements
September 30, 2002

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

2. Discretely Presented Component Units, Continued

Guam Memorial Hospital Authority
850 Governor Carlos G. Camacho Rd.
Tamuning, GU 96913

Guam Mass Transit Authority
236 East O'Brien Drive
Hagatna, Guam 96932

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

Guam Telephone Authority
P.O. Box 9008
Tamuning, GU 96931

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

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

Guam Waterworks Authority
P.O. Box 3010
Hagatna, GU 96932

Guam Housing and Urban Renewal Authority
117 Bien Venida Avenue
Sinajana, GU 96926

3. Non-Major Funds

The following entities are considered to be non-major governmental funds of the Government of Guam, but are not included (as well as the related fund descriptions) in the accompanying non-major governmental supplementary information due to absence of account balances and transactions. Therefore, the omission has no material impact on the accompanying basic financial statements as a result of their non-inclusion:

	<u>Fund</u>	<u>Fund Type</u>
Fund 210	Summer School Fund	Special Revenue
Fund 230	Vocational Rehab Revolving Fund	Special Revenue
Fund 231	GFD Capital Outlay Revolving Fund	Special Revenue
Fund 246	Guam Beautification Fund	Special Revenue
Fund 247	Municipal Litter Defacement Fund	Special Revenue
Fund 267	Public Transit Fund	Special Revenue
Fund 271	District Improvement Fund	Special Revenue

GOVERNMENT OF GUAM

Notes to Financial Statements
September 30, 2002

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

3. Non-Major Funds, Continued

	<u>Fund</u>	<u>Fund Type</u>
Fund 272	Land Acquisition Fund	Special Revenue
Fund 260	Controlled Substance Diversion Fund	Special Revenue
Fund 296	Healthcare Systems Privatization	Special Revenue
Fund 305	CAHA, OET & CEF	Special Revenue
Fund 288	Rainy Day Fund	Special Revenue
Fund 509	Off-Island Sports Fund	Expendable Trust
N/A	Tiyan Trust Fund	Expendable Trust
Fund 304	Ocean Freight Legal Fund	Expendable Trust
Fund 513	Health Security Fund	Expendable Trust
Fund 502	Land Claims Fund	Expendable Trust
Fund 801	Chamorro Home Loan Fund	Enterprise
Fund 803	Chamorro Home Repair Fund	Enterprise
Fund 804	Chamorro Home Development Fund	Enterprise
Fund 805	Chamorro Education Assistance Fund	Enterprise
Fund 806	Chamorro Loan Guarantee	Enterprise

4. Program and Other Revenue Recognition

Program revenue is defined by the Government of Guam to be the revenue from fees and assessments collected by departments that are applicable to that department's operations. General revenue is derived from taxation, investment income and other fees that are not allocated to specific programs. Revenues and expenses of business type activities and proprietary funds are classified as operating or nonoperating and are subclassified by object. Operating revenues and expenses generally result from providing services and producing and delivering goods. All other revenues and expenses are reported as nonoperating.

B. Government-Wide and Fund Financial Statements

The Statement of Net Assets and the Statement of Activities report information on all non-fiduciary activities of the primary government (GovGuam), and its component units. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Assets presents 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.

GOVERNMENT OF GUAM

Notes to Financial Statements
September 30, 2002

(1) Summary of Significant Accounting Policies, Continued

B. Government-Wide and Fund Financial Statements, Continued

- *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 through enabling legislation.
- *Unrestricted net assets* consist of net assets, which do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them to be available for general operations. They often have restrictions that are imposed by management, but can be removed or modified.
- The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. 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.

C. Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government – wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with non-major funds being combined into a single column. The Government of Guam presents a balance sheet and a statement of revenues, expenditures and changes in fund balances for its governmental funds. The ending fund balance on the balance sheet is then reconciled to the ending governmental net assets. For the proprietary funds, a statement of net assets and a statement of changes in net assets is presented along with a statement of cash flows. As the business-type activities are presented in the same basis of accounting as the proprietary funds, no further reconciliation is necessary.

The Government of Guam 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/expenses. Transactions between funds within a fund type, if any, have not been eliminated.

D. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources management focus and the accrual basis of accounting, as are the proprietary and fiduciary fund 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.

GOVERNMENT OF GUAM

Notes to Financial Statements
September 30, 2002

(1) Summary of Significant Accounting Policies, Continued

D. Measurement Focus and Basis of Accounting, Continued

Governmental Funds – account for the general governmental activities of the Government of Guam. Governmental fund financial statements 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; generally when they 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. Significant revenues susceptible to accrual include income, gross receipts, corporation and other taxes, federal grants, federal reimbursements and other reimbursements for use of materials and services. Revenues from other financing sources are recognized when received. 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.

Business – type Activities – account for activities for which a fee is charged to external users for goods or services. In these services, debt may be issued backed solely by these fees and charges. There may be also a legal requirement or a policy decision to recover costs. As such, these funds account for operations similar to a for – profit business. Government of Guam Institutions of Higher Education operations are reported as systems within the proprietary funds.

1. Measurement Focus and Basis of Accounting-Fund Perspective

The Government of Guam uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain GovGuam functions or activities.

The government reports the following major governmental funds:

1. The General Fund is the government's primary operating fund. It accounts for all financial transactions not accounted for in any other fund;
2. The Federal Grants Assistance Fund accounts for all activities of U.S. special federal assistance grants and contracts utilized by the Government of Guam to finance general governmental operations.
3. The Territorial Educational Facilities Fund accounts for all real property tax revenues received by or on behalf of the Government of Guam. These revenues are used for paying debt service of the General Obligations Bonds, 1993 Series A and 1995 Series A.
4. The Water Systems Revenue Bond Fund accounts for the deposits of Section 30 proceeds and the payment of principal and interest of Series 2001 bonds.

GOVERNMENT OF GUAM

Notes to Financial Statements
September 30, 2002

(1) Summary of Significant Accounting Policies, Continued

D. Measurement Focus and Basis of Accounting, Continued

Governmental funds are presented on the modified accrual basis of accounting. In accordance with the modified accrual basis, revenues are recognized when they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the current period. However, the Government of Guam has elected to record substantially all general fund tax revenues only when collected in cash due to difficulties in projecting when assessed taxes may ultimately be collected. Therefore, tax related receivables are essentially reserved for or have been historically deferred. Pursuant to GASB 33, an allowance for doubtful tax related receivables has been recognized in the amount of \$ 151,286,425. Revenues from U.S. federal programs are recorded at the time that expenditures are incurred.

The Proprietary Funds include:

1. The Enterprise Funds account for the operations of Territorial agencies (which were designed to be self-sufficient) which render service to the general public on a user charge basis in a manner similar to a private business enterprise; and
2. College and University information are presented here by the University of Guam's activity and by the Guam Community College activity. The Community College activity is not included in the 2002 presentation as no financial statements were provided by that entity for inclusion.

The proprietary funds are accounted for on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The Fiduciary Funds include:

1. The Expendable Trust Funds and the Pension Trust Fund are used to account for assets held by the Government of Guam as trustee. The Pension Trust Fund is accounted for on the accrual basis of accounting. Expendable Trust Funds are accounted for on the modified accrual basis of accounting.
2. The 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.

E. Budgetary Process

Legislation requires the Governor to present a proposed budget to the Legislature at the beginning of each annual session. The Legislature enacts the budget through passage of specific departmental appropriations. Before signing the Appropriations Act, the Governor may veto or reduce any specific appropriation, subject to legislative override. Once passed and signed, the budget becomes the Territorial financial plan for the ensuing fiscal year. Supplemental appropriations for specific purposes are made throughout the year.

GOVERNMENT OF GUAM

Notes to Financial Statements
September 30, 2002

(1) Summary of Significant Accounting Policies, Continued

E. Budgetary Process, Continued

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. Encumbrance accounting is utilized for budgetary control purposes. Encumbrances outstanding at year end are reported as reservations of fund balance and remain as reservations of fund balance until expended or cancelled.

The Budget Act for Fiscal Year 2002, Public Law 26-34, and amended by Public Law 26-35 was approved for the executive branch. The Budget for the Legislative Branch was appropriated under separate legislation. 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.

The Government of Guam's annual budget has been prepared on a basis, which differs from governmental GAAP. Actual amounts in the accompanying budgetary comparison statements are presented on a basis, which excludes outstanding encumbrances as a budgetary expenditure. Encumbrances are commitments related to unperformed (executory) contracts for goods or services and are generally evidenced by outstanding purchase orders, contracts and interdepartmental work requests. Encumbrances outstanding at year end are reported as a reservation of fund balance since they do not constitute expenditures or liabilities.

F. Cash and Cash Equivalents

For purposes of reporting in the statement of cash flows, cash includes demand deposits with financial institutions and currency on hand. Cash equivalents include short-term time certificates of deposits with original maturities of less than three months. Time certificates of deposit with initial maturities exceeding ninety days are classified as investments.

G. Deposits in Banks

Deposits in banks are required by local statute to be secured by qualified collateral in the amount of 120% or more of the deposit balance. However, the Government of Guam does not enforce the requirement on a consistent basis. Therefore, substantially all cash and cash equivalents of the Government of Guam are uncollateralized.

H. Cash and Cash Equivalents and Investments

In the proprietary, fiduciary and governmental activity fund, except as noted in the following paragraph, investments primarily consist of time certificates of deposit whose maturity exceeds ninety days at the date of placement held in banks on Guam insured by the Federal Deposit Insurance Corporation (FDIC). Individual certificates, however, are in denominations and accounts exceeding insured coverage of \$100,000. Governmental activities have a book balance of \$203,730,680 with attendant bank balances of \$228,542,847 as of September 30, 2002. Uninsured and uncollateralized deposits recorded in governmental funds are estimated to aggregate \$158,858,718 at September 30, 2002. Cash balances of the business-type activities of \$118,493 and \$4,013,829 are insured by FDIC or collateralized by securities held by trustees in the name of financial institutions, respectively. FDIC insured and collateralized deposits of the component units-proprietary funds aggregate \$4,502,327 as of September 30, 2002, with the remaining balance being unsecured and uncollateralized.

GOVERNMENT OF GUAM

Notes to Financial Statements
September 30, 2002

(1) Summary of Significant Accounting Policies, Continued

H. Cash and Cash Equivalents and Investments, Continued

Investments of the University of Guam, a higher education fund, exclusive of physical plant, are recorded at market value; investments received by gift are recorded at market value at the date of acquisition. The University employs the share method of accounting for pooled investments and for proportionate distribution of income to each fund, which participates in the pool. Investments held by the University consist of money market funds, U.S. Treasury and agency obligations, and common stock. These investments are held in the name of the University.

Investments in the Infrastructure Improvement Bonds (Capital Projects) represent U.S. Government Securities, carried at market value, adjusted for premium amortization or discount accumulation for the term of the applicable investment. Net unrealized gains and losses on investment securities are not recognized currently, but are recorded only upon disposition.

Investments of the Infrastructure Improvement Bond are classified as Category 2 investments of the three credit risk categories promulgated in Governmental Accounting Standards Board (GASB), Statement No. 3. All investments held by the Higher Education Fund have been classified as Category 2 investments. Investments of the component units - proprietary funds are classified as Category 1 investments. These credit risk categories are as follows:

1. Securities insured or registered in the name of the governmental entity or held by the entity or by its agent in the entity's name.
2. Securities uninsured and unregistered and held by the counterparty's trust department, or its agent in the entity's name.
3. Securities uninsured and unregistered and held by the counterparty, its trust department, or its agent, but not held in the entity's name.

I. 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 carried net of estimated allowances for uncollectible accounts.

Reimbursements due to GovGuam for its expenditures on federally funded reimbursement and grant programs are reported as "Federal grants and reimbursement receivables" or "Receivables from federal agencies."

GAAP permits the recognition of property and other taxes, which are assessed, and due as of year-end and collectible within sixty days thereafter in current year revenues. GASB 33 allows recognition of revenues when available. Available means that the Government has collected the revenues in the current period or expects to collect them soon enough after the end of the period to use them to pay liabilities of the current period. The Government of Guam has adopted GASB 33 and has recorded property and other taxes collected within 60 days after year end. Provision for tax refunds payable aggregates \$146,649,301 as of September 30, 2002. These provisions for tax revenues are recorded in the general fund and in the Territorial Education Facilities Fund - a special revenue fund. Allowances for uncollectible accounts as of September 30, 2002 are as follows:

GOVERNMENT OF GUAM

Notes to Financial Statements
September 30, 2002

(1) Summary of Significant Accounting Policies, Continued

I. Receivables, Continued

Taxes:	
Income taxes	\$ 100,676,396
Gross receipt taxes	<u>78,506,828</u>
	179,183,224
Allowances	<u>(151,286,425)</u>
	\$ <u>27,896,799</u>
Other pledged taxes:	
Territorial educational facilities	\$ 32,198,314
Territorial highway fund	8,141,990
Tourist attraction fund	<u>1,278,432</u>
	41,618,736
Allowances	<u>(16,305,302)</u>
	\$ <u>25,313,434</u>
Receivables from special sources:	
Guam Housing Corporation	\$ 13,725,084
Superior Court	5,080,550
Customs, Agriculture and Quarantine	3,300,594
Others	3,632,851
Allowances	<u>(142,250)</u>
	\$ <u>25,596,829</u>
University of Guam	\$ 3,169,129
Allowances	<u>(1,690,883)</u>
	\$ <u>1,478,246</u>

Component Units - Proprietary Funds

	<u>Accounts receivable</u>	<u>Allowances</u>	<u>Net</u>
Guam International Airport Authority	\$ 8,248,741	\$ (442,397)	\$ 7,806,344
Guam Power Authority	76,898,569	(12,339,298)	64,559,271
Guam Economic and Commerce Authority	1,759,025	(475,400)	1,283,625
Guam Waterworks Authority	25,336,737	(18,389,300)	6,947,437
Guam Housing and Urban Renewal Authority	69,004,065	(101,703)	68,902,362
Port Authority of Guam	3,615,868	(980,599)	2,635,269
Guam Educational Telecommunications Corporation	<u>52,159</u>	<u>-</u>	<u>52,159</u>
	<u>\$ 184,915,164</u>	<u>\$ (32,728,697)</u>	<u>\$ 152,186,467</u>

The Government conducts virtually all of its business activity within the island of Guam. As of September 30, 2002, substantially all trade accounts receivable for the Government's proprietary funds are due from companies and individuals located within the island of Guam.

GOVERNMENT OF GUAM

Notes to Financial Statements
September 30, 2002

(1) Summary of Significant Accounting Policies, Continued

I. Receivables, Continued

Receivables and payables between funds and component units reflected as due to/from primary government/component units in the combined balance sheet at September 30, 2002 are summarized as follows:

Primary Government

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<u>Governmental Funds</u>		
General Fund	Federal Grant	\$ 28,149,236
	Territorial Educational Facility	3,332,256
	Nonmajor Governmental Funds	51,985,779
	Proprietary Fund -Solid Waste Management	503,376
Federal Grant Nonmajor Gvernmental Funds	Nonmajor Governmental Funds	2,283,592
	Nonmajor Governmental Funds	<u>111,264,499</u>
		\$ <u>197,518,738</u>

Component Units

The receivables/payables of the Government of Guam and its Component units do not currently reconcile due to differences in accounting methods utilized by component units in recognizing General Fund appropriations.

J. Interfund Transactions

As a general rule, the effect of interfund activity has been eliminated in the government-wide financial statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct costs and program revenues for the functions concerned.

Interfund receivables and payables have been eliminated from the Statement of Net Assets, except for residual amounts due between governmental and business-type activities.

Receivables and payables resulting from transactions between Component Units and the primary government are classified as "Due to/from component units."

K. Inventories

Inventories of materials and supplies are determined by physical count and are valued at the lower of cost (principally average cost) or market.

GOVERNMENT OF GUAM

Notes to Financial Statements
September 30, 2002

(1) Summary of Significant Accounting Policies, Continued

L. Fixed Assets and Depreciation

Capital assets, which include property, plant, equipment and infrastructure (e.g. roads, bridges, ramps and other similar items), are reported in the applicable governmental or business-type activity columns of the government-wide financial statements.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair market value at the date of donation.

All land, non-depreciable land improvements are capitalized, regardless of cost. Singular pieces of equipment, vehicles, computer equipment and software that equal or exceed \$500 are capitalized. Buildings and infrastructure projects with a cost that equals or exceeds \$500 are capitalized. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized.

As a result of the absence of adequate records and documentation pertaining to capital assets acquired in prior years, management has elected to present only assets acquired subsequent to 1986. However, the asset lists do not include the detail of assets acquired in fiscal years 1999 through 2002 and disposals of fixed assets since 1987 have not been recorded. The Government of Guam plans to perform a comprehensive inventory and costing of all general fixed assets, and management anticipates that sufficient records will be available in a subsequent period to meet financial reporting requirements.

Applicable capital assets are depreciated using the straight-line method with a full year's depreciation charged in the year of acquisition and disposal, regardless of date. Estimated useful lives are as follows:

<u>Type of Assets</u>	<u>Estimated Useful Life (in years)</u>
Buildings	40 to 60
Infrastructure - roads, and bridges	25
Furniture	7
Equipment, office equipment and specialized equipment	5 to 20
Computer hardware and software	5 to 7
Vehicles	5 to 20

Fixed assets of the Component Units are capitalized upon purchase and are depreciated on a straight-line basis over the estimated useful lives of the assets. Interest incurred by component units during construction is capitalized. However due to the ongoing efforts at bringing the Government's fixed assets to an acceptable reporting level, the Government has not capitalized interest on construction in progress.

GOVERNMENT OF GUAM

Notes to Financial Statements
September 30, 2002

(1) Summary of Significant Accounting Policies, Continued

L. Fixed Assets and Depreciation, Continued

Capital asset activities for the fiscal year ended September 30, 2002 are as follows.

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Land	\$ 8,199,638	\$ -	\$ -	\$ 8,199,638
Construction in progress	364,334,821	7,131,566	-	371,466,387
Building	241,640,489	-	-	241,640,489
Machinery, equipment and Furniture	21,339,768	12,609,634	-	33,949,402
Infrastructure	<u>245,054,763</u>	<u>-</u>	<u>-</u>	<u>245,054,763</u>
	880,569,479	19,741,200	-	900,310,679
Less: accumulated depreciation	<u>170,015,035</u>	<u>18,606,236</u>	<u>-</u>	<u>188,621,271</u>
Governmental activity capital assets, net	<u>\$ 710,554,444</u>	<u>\$ 1,134,964</u>	<u>\$ -</u>	<u>\$ 711,689,408</u>

Business – Type Activities

Land	\$ 2,909,866	\$ -	\$ -	\$ 2,909,866
Construction in progress	1,422,517	120,966	-	1,543,483
Building	72,207,228	404,754	-	72,611,982
Equipment	6,612,864	588,294	54,051	7,147,107
Library books	<u>3,313,030</u>	<u>700,941</u>	<u>-</u>	<u>4,013,971</u>
	86,465,505	1,814,955	54,051	88,226,409
Less: accumulated depreciation	<u>19,761,852</u>	<u>2,252,632</u>	<u>45,343</u>	<u>21,969,141</u>
Business – type activity capital assets, net	<u>\$ 66,703,653</u>	<u>\$ (437,677)</u>	<u>\$ 8,708</u>	<u>\$ 66,257,268</u>

Discretely Presented Component Units

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Land	\$ 8,131,473	\$ -	\$ -	\$ 8,131,473
Construction in progress	92,598,628	37,087,205	(46,563,126)	83,122,707
Building	1,430,909,664	212,478,891	(5,886,153)	1,637,502,402
Machinery and equipment	<u>43,277,948</u>	<u>710,653</u>	<u>(869,543)</u>	<u>43,119,058</u>
	1,574,917,713	250,276,749	(53,318,822)	1,771,875,640
Less: accumulated depreciation	<u>508,066,399</u>	<u>59,777,516</u>	<u>(2,050,737)</u>	<u>565,793,178</u>
	<u>\$ 1,066,851,314</u>	<u>\$ 190,499,233</u>	<u>\$ (51,268,085)</u>	<u>\$ 1,206,082,462</u>

GOVERNMENT OF GUAM

Notes to Financial Statements
September 30, 2002

(1) Summary of Significant Accounting Policies, Continued

L. Fixed Assets and Depreciation, Continued

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 11,500,989
Protection of life and property	799,523
Public health	603,883
Community services	62,609
Recreation	73,564
Individual and collective rights	289,901
Public education	4,965,357
Environmental protection	71,924
Economic development	<u>238,486</u>
Total depreciation expense-governmental activities	\$ <u>18,606,236</u>

Business-type activities:	
Higher education	\$ <u>2,252,632</u>

M. Restricted Net Assets

Certain funds under the Government's Component Units - Proprietary Funds and Higher Education Funds are required to be set aside for various purposes. These amounts are reported as restricted for net assets.

N. Net Assets

The GovGuam reports net assets as restricted where legally segregated for a specific future use. Otherwise, these balances are considered unrestricted.

Net Assets have been restricted as follows:

“Restricted for capital projects” – identifies amounts reserved for capital projects.

“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.

O. Capital Projects Funds

The use of the Capital Projects Funds was initiated as of September 30, 1983, and is utilized for funding derived primarily from appropriations from the U.S. Government and through issuance of bonds. Capital expenditures related to projects funded with local revenues are reported in the fund where appropriated.

GOVERNMENT OF GUAM

Notes to Financial Statements
September 30, 2002

(1) Summary of Significant Accounting Policies, Continued

P. Compensated Absences

Employees are credited with vacation at rates of 104, 156 or 208 hours per fiscal 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 three years of service (3 years of service accrue 4 hours).
2. Three fourths day (6 hours) for each full bi-weekly pay period except that the accrual for the last full bi-weekly pay period in the year shall be one and one-fourth day (10 hours) in the case of employees with three but less than fifteen years of service (3-15 years of service accrue 6 hours, except for last full pay period where accrual will be 10 hours).
3. One day (8 hours) for each bi-weekly pay period in the case of employees with fifteen or more years of service (15 years of service accrue 8 hours).

Accumulation of such vacation credits is limited to 480 hours at fiscal year-end and is convertible to pay upon termination of employment. 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. For the governmental fund statements for governmental funds vested or accumulated vacation and sick leave expected to be liquidated with expendable available financial resources are reported as expenditures and fund liabilities.

Q. Fund Deficits

The following funds have deficit fund balances as of September 30, 2002:

<u>Major Governmental Fund</u>	<u>Deficit</u>
Special Revenue – Governmental Funds	Educational Facilities Fund
	\$ <u>(1,421,816)</u>
<u>Other Governmental Funds</u>	
Special Revenue – Governmental Funds	Contractors License Board
Special Revenue – Governmental Funds	DOC Inmate Revolving
Special Revenue – Governmental Funds	Land Survey Revolving
Special Revenue – Governmental Funds	Mental Health and Substance Abuse
	\$ <u>(28,131)</u>
Special Revenue – Governmental Funds	Territorial Highway Fund
Special Revenue – Governmental Funds	Village Streets Fund
Special Revenue – Governmental Funds	Abandoned Vehicle and Streetlight Fund
	\$ <u>(1,253,792)</u>
Special Revenue – Governmental Funds	Manpower Development Fund
Special Revenue – Governmental Funds	Agriculture Dev. & Training
Special Revenue – Governmental Funds	Taguag Memorial Cemetery
Special Revenue – Governmental Funds	Komitea Para Tiyan
Special Revenue – Governmental Funds	UOG Capital Project
Special Revenue – Governmental Funds	Typhoon Chataan & Halong
Special Revenue – Governmental Funds	Community Development
Special Revenue – Governmental Funds	Police Services Fund
Special Revenue – Governmental Funds	DOD Contract
Special Revenue – Governmental Funds	Tourist Attraction Fund
Special Revenue – Governmental Funds	Chamorro Commercial Loan
Special Revenue – Governmental Funds	Group Life Insurance Fund
Special Revenue – Governmental Funds	Workers' Compensation
	\$ <u>(69,673)</u>
	Total
	\$ <u>(38,864,909)</u>

GOVERNMENT OF GUAM

Notes to Financial Statements
September 30, 2002

(1) Summary of Significant Accounting Policies, Continued

R. Reclassifications and Restatements

During fiscal year 2002, the Government of Guam implemented the following new accounting standards issued by the GASB:

Statement No. 34 *Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments (GASB 34)*. GASB 34 as amended by Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – Omnibus* establishes new financial reporting standards for local governments. The requirements of this statement result in significant change in the financial reporting model used by governments, including statement formats and changes in fund types and account group. In addition to the traditional fund financial statements, governments are required to report government-wide financial statements, prepared using the accrual basis of accounting and the economic resources measurement focus. As a result, fund reclassifications and adjustments to the fund equities reported in the prior financial statements were required.

Statement No. 35 *Basic Financial Statements – and Management’s Discussion and Analysis – For Public Colleges and Universities (GASB 35)*. GASB 35 establishes financial reporting standards for public colleges and universities within the guidelines of GASB 34 and 37. The institution of higher education, reported as business-type activities, adopted the requirements of GASB 35. As a result, fund reclassifications and adjustments to the fund equities reported in the prior financial statements were required.

Statement No. 38 *Certain Financial Note Disclosures (GASB 38)*. GASB 38 amends certain note disclosures and adds additional note disclosure requirements related to GASB 34, 35, and 37.

Due to the adoption of GASB Statement 34, 35, and 37, the beginning net assets of the Governmental Activities in the Statement of Net Assets have been restated. Net assets at September 30, 2001 (as disclosed below) were increased by \$ 228,864,023 for the cumulative effect of these changes on years prior to fiscal year 2002.

The effects on these items are as follows:

Net assets reported as of September 30, 2001	\$ 78,493,488
Adjustments:	
Long term notes and bonds	(427,488,823)
Accrued interest	(7,871,462)
Compensated absences	(12,218,375)
Unfunded pension liabilities	(34,005,640)
Accumulated depreciation	(169,913,405)
Capital assets	516,026,907
Construction in progress	<u>364,334,821</u>
	<u>228,864,025</u>
Restated net assets as of September 30, 2001	\$ <u>307,357,511</u>

GOVERNMENT OF GUAM

Notes to Financial Statements
September 30, 2002

(1) Summary of Significant Accounting Policies, Continued

S. 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.

(2) Long-Term Debt Obligations

Component Units-Proprietary Funds:

Guam International Airport Authority:

General Revenue Bonds, Series 1993 (original issue of \$240,015,000), varying interest rates at 5.4% - 6.7%, payable semiannually in October and April, principal and mandatory sinking fund payments due in varying annual installments of \$405,000 due in October 1994, and increasing to \$17,800,000 by October 2023. \$ 216,185,000

Guam Power Authority:

1993 Series, interest at varying rates from 3.90% to 5.25% payable semiannually in October and April, principal and mandatory sinking fund payments payable in varying annual installments commencing with a payment of \$1,725,000 in October 1996, and increasing to \$6,535,000 in October 2023. 88,495,000

1999 Series, interest at varying rates from 3.90% to 5.25% payable semiannually in October and April, principal and mandatory sinking fund payments payable in varying annual installments commencing with a payment of \$2,950,000 in October 2000, and increasing to \$26,110,000 in October 2034. 343,148,601

IBM interest bearing notes payable in exchange for an accounting operating system acquired through a financing arrangement. 871,723

432,515,324

Guam Economic Development Authority:

Note payable to the Guam Development Fund Act (GDFA), 4.5% interest, payable in monthly installment of \$8,785 including interest, collateralized by real property with final payment due in 2019. 1,082,180

Line of credit with the GDFA, 5% interest, principal and interest due in 2001, collateralized by a dry-dock. 1,287,435

2,369,615

GOVERNMENT OF GUAM

Notes to Financial Statements
September 30, 2002

(2) Long-Term Debt Obligations, Continued

Component Units-Proprietary Funds, Continued:

Guam Waterworks Authority:

Balance against a \$3.5 million credit line with IBM Credit Corporation relating to installation of accounting and operating systems, payable in equal monthly installments of principal and interest of \$42,170 through October 2004, including interest of 21.90% 1,628,069

Note payable to the U.S. Navy, interest at 1.25%, due in monthly installments of principal and interest of \$45,833 through March 2009, \$132,545 through March 2011, and \$264,853 through June 2012. 9,000,000

10,628,069

Guam Housing and Urban Renewal Authority:

Due to Farmers' Home Administration, interest at 6%, principal and interest thereon payable at \$10,540 per month, maturing in April 2030. Collateralized by restricted cash. 1,658,994

Total 663,357,002

Less current maturities (13,495,623)

Less: unamortized bank discount (7,604,898)

Loss on defeasance (which is an irrevocable placement of assets to a trustee, pledged for repayment of future debt requirements). (19,497,756)

Total long-term debt - component units - proprietary funds \$ 622,758,725

The annual requirements to amortize all debt of the proprietary funds - component units outstanding as of September 30, 2002, including interest payments, for those entities whose audit reports include such, are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ 13,495,623	\$ 36,293,072
2004	11,533,949	35,804,010
2005	11,714,609	35,148,239
2006	12,285,535	34,511,581
2007	12,938,267	33,832,151
2008-2012	82,841,811	159,411,345
2013-2017	98,297,208	133,973,423
2018-2022	130,705,000	103,138,693
2023-2027	113,570,000	64,010,901
2028-2032	101,485,000	35,925,294
2033-2037	<u>74,490,000</u>	<u>7,954,800</u>
	\$ <u>663,357,002</u>	\$ <u>680,003,509</u>

GOVERNMENT OF GUAM

Notes to Financial Statements
September 30, 2002

(2) Long-Term Debt Obligations, Continued

Higher Education Funds:

University of Guam:

University of Guam Dormitory and Student Union Revenue Bonds of 1968, interest at 6% per annum, payable semi-annually in April and October. The bonds mature in varying dates with annual amounts from \$30,000 to \$90,000 through October 2008.

\$ 505,000

Long-Term Obligations:

General Obligation Bonds:

On December 1, 2001, the Government of Guam issued limited obligation (Section 30) Bonds, Series 2001A in the amount of \$76,895,000. The bonds have been issued for the purpose of providing money to repay the outstanding amounts of certain debt, including the 1989 Water System Bonds, the debt of Guam Memorial Hospital and the voluntary service debt. The bonds mature in annual installments of \$6,220,000 to \$9,565,000 through December 11, 2011. Interest is payable semi-annually on December 1 and June 1, in each year, ranging from 3.25% to 5.5%.

76,895,000

On September 15, 1993, the Government of Guam issued general obligation bonds 1993 Series A in the amount of \$175,000,000. The bonds have been issued for the purpose of implementing capital projects. The serial bonds mature in annual installments of \$2,490,000 to \$7,195,000 through November 15, 2008, the term bonds mature in installments of \$42,150,000 in 2013 and \$54,785,000 in 2018. Interest ranging from 3% to 5.4% is payable semi-annually on May 15 and November 15 in each year.

140,625,000

On June 22, 1995, the Government of Guam issued general obligation bonds 1995 series A in the amount of \$115,000,000. The bonds have been issued for the purpose of implementing certain capital projects and payment of certain general fund expenditures. The bonds mature in annual installments of \$5,650,000 to \$16,875,000 through September 1, 2005 and \$2,085,006 in 2006. Interest is payable semi-annually on March 1 and September 1 in each year, ranging from 4.6% to 6.0%.

50,020,000

On May 1, 2001, the Government of Guam through one of their component units (Guam Economic Development Authority – GEDA), issued limited obligation bonds payable solely from and secured by certain revenues. However, the Government of Guam has recorded this debt issue as a general obligation of the primary government. The bonds have been issued for deposit to trust and endowment funds. The bonds mature in annual installments of \$572,852 to \$1,095,000 through November 2012; the term bonds mature in installments of \$3,600,000 in 2022 and \$4,985,000 in 2031. Interest ranging from 4.9% to 5.4% is payable semi-annually on May 15 and November 15 in each year.

11,302,980

GOVERNMENT OF GUAM

Notes to Financial Statements
September 30, 2002

(2) Long-Term Debt Obligations, Continued

Long-Term Obligations, Continued:

General Obligation Bonds, Continued:

On May 1, 2001, the Government of Guam through one of their component units (Guam Economic Development Authority – GEDA), issued limited obligation bonds payable solely from and secured by certain revenues. However, the Government of Guam has recorded this debt issue as a general obligation of the primary government. The bonds have been issued for deposit to trust and endowment funds. The bonds mature in annual installments of \$845,953 to \$1,445,000 through November 2016; the term bonds mature in an installment of \$9,770,000 in 2041. Interest ranging from 5.2% to 5.45% is payable semi-annually on May 15 and November 15 in each year.

13,462,979

Special Revenue Bonds - Territorial Highway Fund: On April 1, 2001, the Government of Guam issued limited obligation Highway Refunding Bonds, 2001 Series A in the amount of \$51,705,000. The 2001 bonds are serial bonds and were issued in fully registered form in denominations of \$5,000 or any integral multiple thereof. Interest is variable between 3.125% to 5.5%. The 2001 bonds maturing on May 1, 2012, are subject to redemption prior to their stated maturity, at the option of the Government, from any source of available funds, on any date on or after May 1, 2011.

47,875,000

Special Revenue Bonds - Tourist Attraction Fund: The Government of Guam Limited Obligation Infrastructure Improvement Bonds, 1997 Series A, were dated December 1, 1997 and were issued in fully registered form, in denominations of \$5,000 or multiples thereof in the aggregate principal amount of \$76,275,000. The bonds mature annually on November 1, 1999 through November 1, 2012, and subsequently on November 1, 2012 and 2017 (term bonds). Interest on the bonds is payable semi-annually on May 1 and November 1 of each year.

68,095,000

Special Revenue Notes Payable - Judicial Building Fund: On September 21, 1988, the Government issued a promissory note payable to the Farmers Home Administration in the amount of \$11,000,000. Advances totaling \$11,000,000 were received against this note. Interest at 7.75% is to be paid on September 1, 1989 and September 1, 1990, with quarterly payments of \$225,390 including interest commencing December 1, 1990 through September 2028. The note is collateralized by real property.

6,282,704

General Fund Notes Payable: On September 17, 2002 the Government entered into a loan agreement with a local bank to fund public assistance programs and for the payment of the Department of Education's monthly allotment backlog. Principal is payable annually commencing October 2003 and matures in October 2012. Interest is based on the banks' index rate and varies from 4.75% to 8%, payable annually. The note is collateralized by the pledge and assignments of Section 30 revenues.

10,000,000

Total

424,558,663

Less current maturities

(36,114,373)

Total long-term obligation – governmental activities

\$ 388,444,290

GOVERNMENT OF GUAM

Notes to Financial Statements
September 30, 2002

(2) Long-Term Debt Obligations, Continued

Long-Term Obligations, Continued:

General Obligation Bonds, Continued:

Changes in long-term liabilities

Changes in long-term liabilities for the year ended September 30, 2002, are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental activities:</u>					
Bonds payable:					
General obligation bonds	\$ 415,815,594	\$ 86,895,000	\$ (78,151,931)	\$ 424,558,663	\$ 36,114
<u>Business-type activities:</u>					
Bonds payable:					
General obligation Bonds	\$ 585,000	\$ -	\$ (80,000)	\$ 505,000	\$ 80,000

The annual requirement to amortize all debt of the governmental activities outstanding as of September 30, 2002, is as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ 36,411,196	\$ 21,281,869	\$ 80,000	\$ 15,150
2004	37,970,985	19,500,453	80,000	12,750
2005	39,893,999	17,572,309	85,000	10,350
2006	26,230,727	15,447,142	85,000	7,800
2007	25,302,640	14,069,714	85,000	5,250
2008-2012	147,831,137	51,161,484	90,000	1,350
2013-2017	82,637,979	20,145,001	-	-
2018-2022	<u>28,280,000</u>	<u>1,525,495</u>	<u>-</u>	<u>-</u>
	<u>\$ 424,558,663</u>	<u>\$ 160,703,467</u>	<u>\$ 505,000</u>	<u>\$ 52,650</u>

As of September 30, 2002, \$80,132,739 has been accumulated in the Debt Service Funds to service the General Obligation and Special Revenue Bonds. Additionally, the debt service funds contain \$2,070,182 of resources that management has designated to be used for debt service. However, a legal opinion has been solicited, but not received, that will determine whether this amount should be returned to the General Fund. There are a number of limitations and restrictions placed on the bonds as specified below:

GOVERNMENT OF GUAM

Notes to Financial Statements
September 30, 2002

(2) Long-Term Debt Obligations, Continued

Indentures to the 2001 Series A Bonds (Special Revenue Bonds)

The 1992 Series A bonds are limited obligations of the Government of Guam 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. The Government of Guam 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.

In accordance with the bond indenture, the depository has established a trust account to be known as the "Construction Fund". Amounts deposited therein are 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 Highway Bond Projects 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 Debt Service 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 Debt Service 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 Debt Service Fund.

Maintenance and Operation Fund - the amount of maintenance and operation expenses budgeted by the Government of Guam 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 Government of Guam highway maintenance and operation costs. This account is a component of the Debt Service Fund.

GOVERNMENT OF GUAM

Notes to Financial Statements
September 30, 2002

(2) Long-Term Debt Obligations, Continued

Indentures to the 2001 Series A Bonds (Special Revenue Bonds), Continued

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 Government of Guam highway maintenance and operation expenses should amounts in the Maintenance and Operation Fund be insufficient. Accounting for this Fund is performed within the Debt Service Fund.

Surplus Fund - the balance 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 the Government of Guam. Transactions to and from the Surplus Fund are accounted for in the Debt Service Fund.

1997 Series A Bonds

The 1997 Series A bonds are limited obligations of the Government of Guam 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. The Government of Guam 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 established a trust account known as the "Construction Fund." Amounts deposited therein are 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.

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 Debt Service 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 accounted for within the Debt Service Fund) the specified amounts in the following order of priority:

Indentures to General Obligation Bonds:

- 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.

GOVERNMENT OF GUAM

Notes to Financial Statements
September 30, 2002

(2) Long-Term Debt Obligations, Continued

Indentures to General Obligation Bonds, Continued:

- Rebate Fund - an amount, if any, needed to be deposited therein pursuant to the rebate certificate with respect to the 1997 Series A Bonds.
- 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.

The General Obligation Bonds constitute the valid and legally binding general obligation of the Government of Guam, and the Government pledges its full faith and credit for the punctual payment of principal and interest on the bonds. Additionally, certain revenues are specifically pledged to secure the payment of said principal and interest. As defined by the terms of the bond indenture, these revenues include the following: (1) all amounts received by the Government as proceeds of Federal income taxes derived from Guam ("Section 30" monies); (2) customs duties collected by the Government 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 established pursuant to the bond indenture.

Defeased debt - General Obligation Bonds

On December 1, 2001, the Government of Guam issued Series 2001A Limited Obligation (Section 30) Bonds totaling \$76,895,000 with variable interest rates of 3.25% to 5.5% to refund outstanding term bonds of the Government's General Obligation Water System Revenue Bonds 1989 Series with variable interest rates of 5.9% to 7.0% and total principal outstanding of \$27,550,000. The Water Bonds mature on July 1, 2009. The \$28,769,255 of proceeds of refunding bonds was 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 repay the outstanding amount due for the Water Bond. The advance refunding met the requirements of an in-substance defeasance and the 1989 Water Bonds were removed from the Government's. As a result of the advance refunding, the Government reduced its debt service requirements on the 1989 Water Bonds, which resulted in an economic gain (difference between the present rate of the debt service payments of the old and new debt) of approximately \$1,810,649.

GOVERNMENT OF GUAM

Notes to Financial Statements
September 30, 2002

(2) Long-Term Debt Obligations, Continued

General Obligation Bonds

General Obligation Bonds 1993 Series A - This bond series was issued on September 15, 1993 for the purpose of implementing certain Capital Projects comprised of new or renovated educational facilities. In accordance with the bond indenture, the Depository established a Construction Fund, the amounts therein to be used solely for (1) the purpose of implementing capital projects pursuant to the Act, (2) the payment of costs of issuance, and (3) the payment of principal and interest on the bonds. On or before the fifth day of each calendar month, the Government deposits into a 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 is required to be transferred to the Bond Fund.

General Obligation Bonds 1994 Series A - This bond was issued on August 15, 1994 for the purpose of discharging the Government of Guam's obligation to pay refunds owed to taxpayers who have filed their income tax forms with the Government. Final payment for principal and interest occurred on August 15, 1999. Therefore no further obligation with regard to the bond covenants exist for this debt service fund as of September 30, 2002. However, an interfund receivable balance with the general fund and a corresponding credit to reserve for related assets is recorded in this fund until a final decision is made on the disposition of the fund balance.

General Obligation Bond 1995 Series A - This bond was issued on June 1, 1995 for the purpose of discharging obligations for income tax refunds, supplemental retirement benefits, transfer payments to government agencies and to vendors to the extent obligations were incurred or previously obligated by the Government prior to May 15, 1995 and to pay the costs of issuance of such borrowing. The Depository has established a Bond Fund to be used solely (1) to pay General Fund expenses pursuant to the indenture, (2) to pay costs of issuance, and (3) to be held as a reserve for the payment of principal of and interest on the Bonds. The amount in the Bond Fund as of September 30, 2002 is \$ 4,062,297.

Public Law 22-19 has authorized the creation of the Territorial Education Facilities Fund which 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.

Public Law 23-14 was created to authorize the Governor of Guam to issue general bonds for the purposes of constructing and refurbishing territorial educational facilities, paying certain General Fund expenses, and creating a funding source for repayment of such bonds.

Management of the Government of Guam believes that it is in compliance with all significant limitations and restrictions of the bond indentures as of September 30, 2002.

Component Units - Proprietary Fund debt is primarily being retired from sources of that fund. The notes and bonds specified above are not obligations of the Government of Guam. Those notes and bonds are collateralized by pledges of resources to which they relate.

GOVERNMENT OF GUAM

Notes to Financial Statements
September 30, 2002

(2) Long-Term Debt Obligations, Continued

Short-Term Notes Payable

Short-term notes payable are recorded in the Component Units - Proprietary Funds as follows:

Guam Power Authority

Thirty-day notes payable drawn on a \$15 million bank line of credit with interest at 3.31% at September 30, 2002 (5.08% at September 30, 2001), payable at maturity, collateralized by a financing statement against accounts receivable with the bank as lien holder subordinate to the bondholders under GPA's bond issues. \$ 2,912,000

Tax exempt commercial paper notes issued in August 1998 with interest at 1.20% at September 30, 2002 (1.05% to 1.20% at September 30, 2001). The notes are collateralized by a pledge of revenues subordinate to the bondholders under GPA's bond issues. The notes had original maturity dates from October 7, 1998 through January 12, 1999, but have been subsequently rolled over with new maturity dates from October 3, 2002 through November 12, 2002. 20,000,000
\$ 22,912,000

(3) Commitments and Contingencies

A. Sick Leave

It is the policy of the Government of Guam 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, 2002. The estimated accumulated amount of unused sick leave at September 30, 2002, is \$18,912,671. Sick leave balances are only available for the line departments of the executive branch.

B. Leases

The component units - proprietary funds have entered into various operating leases for buildings. Substantially all leases terminate annually at the end of the Government's fiscal year (September 30). It is expected that in the normal course of business, these leases will be replaced by similar ones. Expenditures for component units - proprietary funds' rent under leases for the year ended September 30, 2002, and projected expenditures thereafter are as follows:

<u>Year Ending September 30,</u>	<u>Component Units</u>
2003	\$ 1,712,193
2004	1,590,000
2005	1,290,000
2006	1,290,000
2007	1,290,000
2008-2012	1,290,000
	\$ <u>8,462,193</u>

GOVERNMENT OF GUAM

Notes to Financial Statements
September 30, 2002

(3) Commitments and Contingencies, Continued

B. Leases, Continued

In September 1996, Guam Power Authority (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 retroactively implemented the accounting guidance of EITF No. 01-8 effective October 1, 2001. EITF No. 01-8 provides guidance in determining when purchase agreements may be subject to lease accounting. In applying EITF No. 01-8, GPA 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 operations and maintenance payments under the agreements continue to be reflected as operation and maintenance expenses. The effect of the adopting EITF No. 01-8 on the 2002 financial statements were to increase plant by \$157,153,203, net of an increase in accumulated depreciation of \$14,229,524, increase in obligations under capital lease by \$163,965,927 and decrease net earnings before the cumulative effects of this accounting change by \$1,607,178. The cumulative effect of this accounting principle on prior years of \$6,812,724 is a one-time charge against earnings.

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

<u>Year ending September 30,</u>	<u>Amount</u>
2003	\$ 23,084,304
2004	23,084,304
2005	23,084,304
2006	23,084,304
2007	23,084,304
2008-2012	115,421,520
2013-2017	115,421,520
2018-2022	<u>24,968,161</u>
	371,232,721
Less amounts representing interest	<u>210,344,184</u>
	160,888,537
Less current portion	<u>3,465,091</u>
	\$ <u>157,423,446</u>

C. Federal Grants

The Government has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Questioned costs for the 2002 and prior year audits aggregate to a material amount. If the questioned costs are 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.

GOVERNMENT OF GUAM

Notes to Financial Statements
September 30, 2002

(3) Commitments and Contingencies, Continued

C. Federal Grants, Continued

Audits of federal program funds are also performed by various federal agencies. If the audit results 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 predict a reasonable estimation of these fines and penalties.

D. Litigation

The Government of Guam is unable to assess the actual claims outstanding as of the year ended September 30, 2002. The Attorney General is of the opinion that the Government's maximum liability in total for these cases is material to the financial statements as of September 30, 2002. However, it is not possible to predict a reasonable estimation of these claims to be paid through the claims process, as set forth in footnote 3E below, and therefore, no provision for any liability that may result has been made in the accompanying general purpose financial statements.

E. Self-Insurance

The Government of Guam 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 (an expendable trust fund) and then valid claims are paid out against the appropriated amount. The Government of Guam has not experienced material prior year losses as a result of this policy.

F. 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, 2002, approximately \$12,011,469 was held by the Government of Guam in bonds as security against possible claims.

G. Food Stamp Program Inventory

The Department of Public Health and Social Services administers the Food Stamp Program on behalf of the U.S. Department of Agriculture's Food and Nutrition Service (FNS). The stated objectives of the Food Stamp Program are to:

GOVERNMENT OF GUAM

Notes to Financial Statements
September 30, 2002

(3) Commitments and Contingencies, Continued

G. Food Stamp Program Inventory, Continued

1. Improve the diets of low income households by supplementing their food purchasing ability, and
2. Promote the distribution of the nation's agricultural abundance in a beneficial manner, thereby strengthening the agricultural economy.

The Government of Guam implemented GASB 24 which requires food stamp benefits to be reported as assets (inventories) offset by deferred revenue. Food stamp benefits distributed are recognized as expenditures. Food stamp activities are accounted for in the Special Revenue Funds - Federal Grant Fund.

The Department issues prenumbered "Authorization to Purchase" (ATP) cards to eligible individuals. The individuals use ATP's to obtain food stamp coupons from the Department's distribution agent. The coupons are used to purchase food in participating stores, and redemption of the coupons is performed by FNS directly with such stores. The book value of coupons held in custody by the Department's agent at September 30, 2002 is \$12,161,881.

H. Medicare

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

I. Closure of Landfill

The Department of Public Works (a line agency of the Government of Guam) has not provided a detailed study regarding the closure and post-closure costs of the local solid waste landfill. The Guam Legislature appropriated an amount for the closure of the landfill in fiscal year 1998 of \$4,000,000 under P.L. 24-139; however, no detail breakdown of the costs associated with the closure and post-closure of the landfill has been provided. Therefore, no liability for any amount has been recorded in the accompanying the basic financial statements.

J. Going Concern

The independent auditor's for the Guam Housing and Urban Renewal Authority (GHURA) in their report dated May 23, 2003 expressed a contingency that GHURA has expended certain federal grant funds in a manner that may have violated certain restrictive provisions of the related grants. The possible outcome of these matters, which have been reported to appropriate federal officials, is uncertain at this time. Accordingly, no provisions for any liability have been made in the general purpose financial statements for possible federal claims for refunds of those grant monies.

GOVERNMENT OF GUAM

Notes to Financial Statements
September 30, 2002

(3) Commitments and Contingencies, Continued

K. Land Transfers

In fiscal year 2002, the Guam Legislature enacted legislation that provides for a study for the potential transfer of certain land entrusted to the Guam International Airport Authority to original landowners. Final legislative action to implement the transfer has not occurred and it is presently not determined if such action will occur. The financial impact of any such actions on the Authority is presently not determined.

L. FEMA Receivables

As of September 30, 2002 and 2001, GPA has a total of \$23,438,087 and \$17,951,947, respectively, in outstanding FEMA claims for typhoon damages. GPA recorded \$15,695,522 and \$10,209,382, respectively, of the outstanding claims as accounts receivable at September 30, 2002 and 2001. The remaining \$7,742,565 in claims has not been recorded as collection of the full amount of the claims is uncertain. Receivable of \$10,209,382 at September 30, 2002 and 2001 resulted from a typhoon claim during the year ended September 30, 1998. The amount ultimately to be collected against these claims is uncertain.

M. Plant Explosion

In February 2002, an explosion severely damaged one of GPA's generation plants. The plant is presently undergoing repairs. The total cost of the damage is estimated at \$5 - \$7 million. However, management is of the opinion that most of the damage will be covered by insurance.

(4) Unfunded Retirement Fund Contribution

As of the fiscal year ended September 30, 1994, the Government of Guam Retirement Plan is a defined benefit (DB), cost sharing multi-employer contributory pension plan established and administered by the Government of Guam. Membership in the Plan is mandatory for all full-time employees, except for those compensated on a fee basis, independent contractors, and persons aged 60 or over upon employment. The Plan is administered by the Government of Guam Retirement Fund to which all funds and agencies, including component units, as well as employees who are members of the Plan, contribute a fixed percentage of the payroll. Most employees may retire with full benefits at age 60 with at least 10 years of service, or after 25 years of service, regardless of age. Vesting of benefits is optional for employees with 3 to 19 years of service, but is mandatory for employees with 20 or more years of service.

On September 30, 1995, the Government of Guam Retirement Fund Defined Contribution Retirement System (DCRS) Plan was established. All employees hired after September 30, 1995 will be participants in the DCRS plan. The Government of Guam Retirement Fund Defined Benefit (DB) plan will become a closed group.

As a result of the most recent actuarial valuation performed as of September 30, 2001, it has been determined that for the year ended September 30, 2002, a minimum combined employer and employee contribution rate of 41.24% (9.5% for employees and 31.74% for employer) of covered Defined Benefit Plan payroll is required to appropriately fund the current cost, amortize prior service costs and provide for interest on the unfunded accrued liability. Statutory contribution rate for employee and employer contributions were 9.5% and 19.8016%, respectively, for the years ended September 30, 2002.

GOVERNMENT OF GUAM

Notes to Financial Statements
September 30, 2002

(4) Unfunded Retirement Fund Contribution, Continued

The latest actuary's report indicates that the Plan has 6,807 active members, 4,640 service retirees, 509 disability retirees, 684 spouse pensioners and 261 child pensioners.

The Plan utilizes the actuarial cost method termed "entry age normal" with an assumed rate of return of 7.5% and an assumed salary scale increase of 5.5% per annum. The most recent actuarial valuation performed as of September 30, 2001, did not provide a breakdown of actuarial present value of vested and non-vested accumulated plan benefits by sponsor or net assets available for benefits by sponsor. If the actuarial valuation was performed for the Government of Guam, the accrued unfunded liability for September 30, 2002, may be materially different than that recorded in the accompanying financial statements.

Contributions into the DCRS by members are based on a automatic deduction of 5% of the member's regular base pay. The contribution is periodically deposited into an individual annuity account within the DCRS. Employees are afforded the opportunity to select from different annuity accounts available under the DCRS.

Employer contributions into the DCRS are based on a statutory amount of 19.8016% of the member's regular base pay. Of the amount contributed by the employer, only 5% of the member's regular pay is deposited into the member's individual annuity account. The remaining 14.8016% is contributed towards the unfunded liability of the defined benefit plan.

Members of the DCRS, who have completed five years of government services, have a vested balance of 100% of both member and employer contributions plus any earnings thereon.

In 2002, the Government of Guam adopted the provisions of Governmental Accounting Standards Board Statement No. 27, *Accounting for Pensions by State and Local Governmental Employees*. The effect of this change, which was retroactively applied, is as follows:

	<u>As Originally Stated in 2001</u>	<u>As Restated in 2001</u>
Unfunded pension liability	\$ <u>203,295,336</u>	\$ <u>34,005,640</u>
Net Assets at the beginning of year	\$ <u>78,088,938</u>	\$ <u>307,357,511</u>

As the result of Public Law 21-03, the University of Guam's and the Guam Community College's unfunded pension liability is included within the Governmental Activities in the Statement of Net Assets.

(5) Reconciliation of Net Assets, Beginning of Year

As discussed in note 1R, the Government of Guam adopted GASB statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis-for State and Local Governments*.

In addition as discussed in note 5, the Government of Guam adopted GASB statement 27, *Accounting for Pensions by State and Local Governmental Employees*.

Due to the adoption of GASB statement 34 and 27, the beginning net assets of the Governmental Activities in the Statement of Net Assets have been restated. Net assets at September 30, 2001 were increased by \$228,864,022 for the cumulative effect on these changes on years prior to fiscal year 2002.

GOVERNMENT OF GUAM

Notes to Financial Statements September 30, 2002

(6) Interfund Transfers

Included within transfers in to the General Fund, Special Revenue Funds, Debt Service Funds and Expendable Trust Funds during the year ended September 30, 2002 (with comparative totals for the year ended September 30, 2001), are the following:

	<u>2002</u>	<u>2001</u>
General Fund:		
Territorial Education Facilities Fund	\$ 19,202,864	\$ 16,840,739
Territorial Highway Fund	-	2,000,000
Village Streets Fund	-	2,000,000
Guam Power Authority	-	133,892
Port Authority of Guam	-	162,332
DPW Building & Design	-	365,120
Health Professional Licensure Fund	75,623	-
Aquaculture Development & Training Fund	-	34,888
Veteran's Bonus Fund	361,788	246,092
Land for the Landless Fund	49,472	26,893
PEALS Fund	-	94,342
Voluntary Separation/Early Retirement	21,306,415	-
University of Guam	2,027,767	2,103,975
Waterbond Capital Project	20,380,334	-
Water Bond Debt Service Fund	9,667,235	-
Other various Funds	<u>36,284</u>	<u>101,961</u>
	<u>\$ 73,107,782</u>	<u>\$ 24,110,234</u>
Special Revenue Funds:		
Federal Grants Assistance	\$ 33,097,773	\$ 42,776,211
Tourist Attraction Fund	-	8,909,711
Superior Court Operations Fund	18,206,536	18,124,205
Guam Legislature	8,223,172	9,053,472
Territorial Highway Fund	-	8,770,148
Rainy Day Fund	-	2,093,407
Off-Island Treatment Fund	1,939,541	2,087,895
Supreme Court of Guam	2,296,758	1,888,182
Medical Indigent Program Fund	24,171,252	-
Medicaid & MIP Payment Assistance	5,493,662	-
Guam Fire Department Lease Purchases and Program	600,000	-
Public Defender	2,321,115	2,396,495
Typhoon Chataan & Halong Reimbursement Fund	2,600,000	-
Government Claim Fund	244,399	988,912
Workers Compensation Fund	<u>1,590,000</u>	<u>1,150,000</u>
	<u>\$ 100,784,208</u>	<u>\$ 98,238,638</u>
Debt Service Funds:		
L.O. Infrastructure Improvement Bonds, 1997 Series A	\$ 15,006,274	\$ 20,800,431
General Obligation Bonds, 1995 Series A	17,998,311	17,998,469
L.O. Highway Bond 2001 Series	13,785,560	14,606,451
General Obligation Bonds, 1993 Series A	12,798,431	12,798,843
Voluntary Services/Early Out Retirement Fund	-	5,026,286
Water System Revenue Bonds Series 2001A	<u>33,382,741</u>	<u>4,613,500</u>
	<u>\$ 92,971,317</u>	<u>\$ 75,843,980</u>
Expendable Trust Funds:		
Superior Court Trust Fund	\$ <u>2,665,477</u>	\$ <u>2,256,565</u>

GOVERNMENT OF GUAM

Notes to Financial Statements September 30, 2002

(6) Interfund Transfers, Continued

Transfers out from the General Fund, Special Revenue Funds, Debt Service Funds and Expendable Trust Funds during the year ended September 30, 2002 (with comparative totals for the year ended September 30, 2001), are the following:

	<u>2002</u>	<u>2001</u>
Transfers out from General Fund to:		
University of Guam	\$ 32,845,078	\$ 34,640,891
Guam Community College	13,020,000	12,720,562
Federal Grant Assistance	32,646,046	42,776,221
Medical Indigent Payment Plan	24,171,252	-
Superior Court of Guam	18,206,536	18,124,205
General Obligation Bonds, 1995 Series A	17,998,311	17,998,469
General Obligation Bonds, 1993 Series A	12,798,431	12,798,843
Others	<u>32,974,499</u>	<u>30,209,075</u>
	<u>\$ 184,660,153</u>	<u>\$ 169,268,266</u>
Transfers out from Special Revenue Funds:		
Federal Grant Assistance to:		
U.S. Comptroller/Nonprofit Typhoon Accounts	\$ 2,900,483	\$ 2,502,378
Guam Power Authority	2,528,238	-
Guam Memorial Hospital Authority	1,668,464	2,073,245
Guam Water Works	-	2,773,038
Others	<u>1,968,282</u>	<u>3,961,561</u>
	<u>9,065,467</u>	<u>11,310,222</u>
Tourist Attraction Fund:		
Guam Visitors Bureau	13,973,581	15,276,324
L.O. Infrastructure Improvement Bond, 1997 Series A	15,006,274	20,800,431
Others	-	20,500
	<u>28,979,855</u>	<u>36,097,255</u>
Territorial Highway Fund:		
L.O. Highway Bond, 1992 Series A-DSF	13,785,559	14,606,451
Guam Mass Transit Authority	3,149,817	3,312,239
Others	<u>600,000</u>	<u>2,000,000</u>
	<u>17,535,376</u>	<u>19,918,690</u>
Territorial Educational Facilities Fund:		
General Fund	<u>19,202,864</u>	<u>16,840,739</u>
Others:	<u>7,681,052</u>	<u>5,104,326</u>
	<u>\$ 82,464,614</u>	<u>\$ 89,271,132</u>
Transfers out from Debt Service:		
General Fund	\$ 9,667,235	\$ -
Others	<u>255,004</u>	<u>17,679,859</u>
	<u>\$ 9,922,239</u>	<u>\$ 17,679,859</u>
Transfers out from Water Systems Revenue Bonds		
Series 2001A – Capital Project		
General Fund	\$ 21,306,415	\$ -
Guam Memorial Hospital	20,380,330	-
Water Systems Revenue Bonds – DSF	28,769,255	-
L.O. Bonds 2001 Series-DSF	<u>2,877,335</u>	<u>-</u>
	<u>\$ 73,333,335</u>	<u>\$ -</u>

GOVERNMENT OF GUAM

Notes to Financial Statements
September 30, 2002

(7) Reserves For Related Assets

Reserves for related assets consist of the following:

General Fund (Miscellaneous)	\$ <u>48,858</u>
Territorial Educational Facilities Fund (Loans)	\$ <u>33,511</u>
Non-major Funds:	
Guam Housing Corporation Revolving Fund (Loans)	\$ 13,725,084
Farmers and Fisherman Loan Fund (Loans)	119,348
Farmers' Small Loan Revolving Fund (Loans)	12,500
General Service Agency Inventory Revolving Fund (Miscellaneous)	514,381
General Obligation Bonds Series A 1994 (Receivables)	<u>2,070,182</u>
	\$ <u>16,441,495</u>

(8) Restricted Assets

As of September 30, 2002, restricted assets are generally as follows:

Component Units - Proprietary Funds

Guam International Airport Authority - Cash and investments held by trustees	\$ 40,094,355
Guam Power Authority - Bond reserve funds held by a trustee	27,483,313
Guam Housing and Urban Renewal Authority – Collateral for loan reserves	<u>438,496</u>
	\$ <u>68,016,164</u>

(9) Long-Term Interfund Activity

Interfund receivables and payables in Government funds that are long-term in nature are as follows:

Long-term receivables from:

Highway Limited Obligation Series 2001 DSF	\$ 10,419,479
Water System Revenue Bonds Series 2001 DSF	53,624,561
Limited Obligation Infrastructure Improvement Bonds CIP	1,983,844
Territorial Educational Facilities	3,332,256
Highway Limited Obligation Series 2001 SRF	15,655,504
Limited Obligation Infrastructure Improvement Bonds SRF	22,456,278
Solid Waste Operations	446,626
Village Street Fund	<u>7,687,755</u>
	\$ <u>115,606,303</u>

GOVERNMENT OF GUAM

Notes to Financial Statements
September 30, 2002

(9) Long-Term Interfund Activity, Continued

Long-term payables to:

General Service Agency Inventory Revolving Fund	\$ 1,907,564
Income Tax Rebate Fund	1,599,798
Income Tax Reserve Fund	3,871,522
Limited Obligation Infrastructure Improvement Bonds	11,505,948
Highway Limited Obligation Series 2001	27,447,103
General Obligation Bond Series A 1994	2,070,174
General Obligation Bond Series A 1995	1,979,445
PUAG Capital Project	948,424
Chataan & Halong Reimbursement Fund	814,595
Enhanced 911 Fund	<u>611,743</u>
	\$ <u>52,756,316</u>

(10) Subsequent Events

Guam Waterworks EPA Violation

On or about December 2002, the United States Government filed a complaint against the Guam Waterworks Authority and the Government of Guam for alleged violations under the Federal Clean Water Act (CWA) and the Safe Drinking Water Act (SDWA). Because of the Authority'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 the Authority and the U.S. Government of Justice, Environmental and Natural Resources Division mutually agreed in the form of Stipulated Order to resolve the violation issues. On June 5, 2003, 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 revenues 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.

Typhoon Pongsona

On December 8, 2002, Supertyphoon Pongsona struck Guam with destructive winds of approximately 180 miles per hour. Of the component units, Guam Power Authority's (GPA) estimate of the damage to utility plant and equipment has been estimated at \$30 million. GPA's management expects to absorb a portion of the final loss amount through its self-insurance, and intends to seek reimbursement from FEMA for the remainder. For the Port Authority of Guam, Guam Waterworks Authority, and Guam International Airport Authority and for the Government of Guam an estimate of the damages to property, plant and equipment have not been determined. Management intends to seek reimbursement from federal sources for most of the deductible and self-insurance amounts.

Guam International Airport Authority

On or about September 30, 2003, the Guam International Airport Authority defeased certain bonds.

GOVERNMENT OF GUAM

Notes to Financial Statements
September 30, 2002

(10) Subsequent Events, Continued

Ordot Dump

The Government of Guam entered into a Consent Decree with the United States Environmental Protection Agency relative to the closure of the Ordot dump.

GOVERNMENT OF GUAM

Notes to Financial Statements
September 30, 2002

(11) Summarized Financial Data of Component Units

	Guam International Airport Authority	Guam Power Authority	Guam Waterworks Authority	Guam Housing & Urban Renewal	Port Authority of Guam	Non-major Component Units	Total
Total current assets	\$ 16,640,415	\$ 164,116,384	\$ 11,062,492	\$ 75,267,144	\$ 5,597,328	\$ 2,766,841	\$ 275,450,604
Capital assets, net	294,465,774	585,335,354	239,284,786	37,704,660	46,646,303	2,645,585	1,206,082,462
Other noncurrent assets	<u>81,514,368</u>	<u>78,672,596</u>	<u>752,593</u>	<u>5,849,407</u>	<u>178,577</u>	<u>532,446</u>	<u>167,499,987</u>
Total assets	<u>392,620,557</u>	<u>828,124,334</u>	<u>251,099,871</u>	<u>118,821,211</u>	<u>52,422,208</u>	<u>5,944,872</u>	<u>1,649,033,053</u>
Current portion of long-term debt	4,660,000	29,223,723	1,143,940	35,000	-	1,344,960	36,407,623
Other current liabilities	<u>17,538,050</u>	<u>52,600,707</u>	<u>26,025,615</u>	<u>69,864,184</u>	<u>3,971,075</u>	<u>1,369,408</u>	<u>171,369,039</u>
Total current liabilities	<u>22,198,050</u>	<u>81,824,430</u>	<u>27,169,555</u>	<u>69,899,184</u>	<u>3,971,075</u>	<u>2,714,368</u>	<u>207,776,662</u>
Notes payable and long-term debt	220,672,681	399,953,266	9,484,129	1,623,994	-	1,024,655	632,758,725
Other long-term liabilities	<u>970,846</u>	<u>160,871,673</u>	<u>2,949,630</u>	<u>-</u>	<u>2,469,415</u>	<u>990,806</u>	<u>168,252,370</u>
Total long-term liabilities	<u>221,643,527</u>	<u>560,824,939</u>	<u>12,433,759</u>	<u>1,623,994</u>	<u>2,469,415</u>	<u>2,015,461</u>	<u>801,011,095</u>
Net assets:							
Invested in capital assets, net	81,279,380	17,435,745	237,656,717	41,895,073	46,646,303	2,220,422	427,133,640
Restricted	37,384,033	75,880,134	245,390	220,830	-	648,114	114,378,501
Unrestricted (deficit)	<u>30,115,567</u>	<u>92,159,086</u>	<u>(26,405,550)</u>	<u>5,182,130</u>	<u>(664,585)</u>	<u>(1,653,493)</u>	<u>98,733,155</u>
Total net assets	<u>\$ 148,778,980</u>	<u>\$ 185,474,965</u>	<u>\$ 211,496,557</u>	<u>\$ 47,298,033</u>	<u>\$ 45,981,718</u>	<u>\$ 1,215,043</u>	<u>\$ 640,245,296</u>
Operating revenues	43,953,737	204,870,961	39,039,217	34,604,555	22,655,972	2,940,609	348,065,051
Operating expenses	45,116,340	168,749,410	55,954,141	26,561,508	26,288,716	4,251,560	326,921,675
Non operating revenues	(11,301,110)	(39,673,113)	4,463,191	(6,613,447)	105,661	921,485	(52,097,333)
Capital grants	2,702,885	3,351,546	-	(165,100)	454,737	-	6,344,068
Cumulative change in accounting principle	-	(6,812,724)	-	-	-	-	(6,812,724)
Increase/decrease in net assets	(9,760,828)	(7,012,740)	(12,451,733)	1,264,500	(3,072,346)	(389,466)	(31,422,613)
Total net assets at beginning of year	<u>158,539,808</u>	<u>192,487,705</u>	<u>223,948,290</u>	<u>46,033,533</u>	<u>49,054,064</u>	<u>1,604,509</u>	<u>671,667,909</u>
Total net assets at end of year	<u>\$ 148,778,980</u>	<u>\$ 185,474,965</u>	<u>\$ 211,496,557</u>	<u>\$ 47,298,033</u>	<u>\$ 45,981,718</u>	<u>\$ 1,215,043</u>	<u>\$ 640,245,296</u>

GOVERNMENT OF GUAM

**REQUIRED SUPPLEMENTARY
INFORMATION**

YEAR ENDED SEPTEMBER 30, 2002

GOVERNMENT OF GUAM

Schedule of Revenues, Expenditures, and Changes in Deficit - Budget and Actual
General Fund
Year Ended September 30, 2002

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Taxes	\$ 366,566,572	\$ 366,566,572	\$ 262,167,877	\$ (104,398,695)
Licenses, fees and permits	1,955,304	1,955,304	1,816,360	(138,944)
Use of money and property	1,301,473	1,301,473	817,536	(483,937)
Federal contributions	49,581,396	49,581,396	53,292,441	3,711,045
Other	1,488,217	1,488,217	1,535,065	46,848
Total revenues	420,892,962	420,892,962	319,629,279	(101,263,683)
Expenditures - Budgetary Basis				
General Government	41,734,234	45,492,244	38,940,838	6,551,406
Protection of Life and Property	55,620,193	62,540,013	60,672,543	1,867,470
Community services	6,214,481	7,361,982	6,178,843	1,183,139
Recreation	3,403,558	4,447,640	4,740,111	(292,471)
Public Health	18,894,495	18,775,775	16,762,366	2,013,409
Individual and Collective Rights	11,023,903	11,751,461	10,048,033	1,703,428
Transportation	306,336	414,802	232,013	182,789
Public Education	149,120,257	148,994,974	147,877,849	1,117,125
Environmental Protection	414,632	653,107	543,910	109,197
Economic Development	3,798,465	4,430,433	4,099,837	330,596
Capital Projects	1,767,256	1,525,825	29,066	1,496,759
Debt service:				
Principal retirement	4,110,750	21,306,415	21,306,415	-
Interest and fiscal charges	1,572,536	1,572,536	1,572,536	-
Total expenditures	297,981,096	329,267,207	313,004,360	16,262,847
Excess of revenues over expenditures	122,911,866	91,625,755	6,624,919	(85,000,836)
Other financing sources (uses):				
Addition to long term debt	10,000,000	10,000,000	10,000,000	-
Transfers in	73,104,783	73,104,783	73,107,782	2,999
Transfers out	(153,286,479)	(182,376,388)	(184,660,153)	(2,283,765)
Other sources	-	-	5,826,100	5,826,100
Other uses	-	(20,380,334)	(20,636,272)	(255,938)
Equity transfers	-	-	(3,290,254)	(3,290,254)
Total other financing sources (uses), net	(70,181,696)	(119,651,939)	(119,652,797)	(858)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	52,730,170	(28,026,184)	(113,027,878)	(85,001,694)
Deficit at beginning of year	(96,579,978)	(96,579,978)	(96,579,978)	-
Deficit at end of year	\$ (43,849,808)	(124,606,162)	\$ (209,607,856)	\$ (85,001,694)

See accompanying notes to financial statements.

GOVERNMENT OF GUAM

Note to Required Supplementary Information – Budgetary Reporting September 30, 2002

Budgetary Process

Legislation requires the Governor to present a proposed budget to the Legislature at the beginning of each annual session. The Legislature enacts the budget through passage of specific departmental appropriations. Before signing the Appropriations Act, the Governor may veto or reduce any specific appropriation, subject to legislative override. Once passed and signed, the budget becomes the Territorial financial plan for the ensuing fiscal year. Supplemental appropriations for specific purposes are made throughout the year.

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.

The Budget Act for Fiscal Year 2002, Public Law 26-34, and amended by Public Law 26-35 was approved for the executive branch. The Budget for the Legislative Branch was appropriated under separate legislation. 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.

The Government's annual budget has been prepared on a basis, which differs from governmental GAAP. Actual amounts in the accompanying budgetary comparison statements are presented on a basis, which excludes outstanding encumbrances as a budgetary expenditure.

See Accompanying Independent Auditors' Report.

GOVERNMENT OF GUAM

**OTHER SUPPLEMENTARY
INFORMATION**

YEAR ENDED SEPTEMBER 30, 2002

GOVERNMENT OF GUAM

Special Revenue Funds September 30, 2002

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes. A brief discussion of the Government's Special Revenue Funds as of September 30, 2002, follows.

Federal Grants Assistance Fund - This fund accounts for all activities of special federal assistance grants and contracts utilized by the Government of Guam to finance general government operations. This fund does not account for any special federal assistance for construction-type grants. Instead, such activity is encompassed within the Capital Projects Fund.

Notary Public Revolving Fund - This fund was established under Public Law 23-81 to account for all funds generated from fees for application, authentication, copying and other government fees required by the notary program. The funds shall be used by the Attorney General for the purpose of overseeing the notary program, including personnel costs for training, notary educational programs and conferences, and any administrative and equipment costs.

Stripperwell Fund - This fund was established 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.

Exxon Fuel Overcharge Fund - This fund was established 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.

Southern Community Health Center - This fund was established 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.

D.O.D. Contract Fund - This fund was established 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.

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.

Abandoned Vehicle and Streetlight Fund - This fund is maintained to defray the cost of street lights and to fund the removal of abandoned vehicles. Funding of these programs is provided from a five dollar annual vehicle registration fee and local appropriations.

Wildlife Conservation Fund - This fund was established 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.

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

See Accompanying Independent Auditors' Report.

GOVERNMENT OF GUAM

Special Revenue Funds, Continued September 30, 2002

Tourist Attraction Fund - This fund was established to finance the improvement of the physical facilities of Guam's parks and recreation areas. Financing is provided by the imposition of a 10 percent tax on lodging provided to transients.

Veterans' Bonus Fund - This fund is maintained to pay benefits to Guam's veterans and Civil Scouts whose service was inadequately recognized. Funding is provided both from Government contributions and taxes imposed on greyhound racing. Revenue provided under this fund is appropriated under P.L. 20-196 to the University of Guam as an additional source of funding to prevent any proposed tuition increase.

Territorial Highway Fund - This fund was established 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.

Land for the Landless Fund - This fund was created to maintain funds acquired from the sale of lands sold by the Government of Guam to individuals. The Director of Administration shall administer this fund. Expenditures from this fund shall only be authorized by the Provider of Public Works and may only be used for the installation and maintenance of infrastructure within the various subdivisions under the program.

Plant Nursery Revolving Fund - This fund was created under Executive Order 75-39 on September 3, 1975. Legislative authority for the fund is found under Section 6112(a) of the Government Code of Guam. The fund is established for the purchase and sale of seedlings and comes under the cognizance and jurisdiction of the Director of Agriculture. Original funding was provided by the General Fund under P.L. 13-27 and 13-37.

Parks Fund - This fund was established by P.L. 16-44 for the development, improvement and maintenance of the Guam Territorial Park System. Expenditures are authorized and made by appropriations from the Legislature.

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

DOC Inmates Revolving Fund - The fund was established 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.

Professional Engineers', Architects' and Surveyors' Fund - This fund was established 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.

Typhoon Paka Emergency Fund - This fund was created under P.L. 24-117 to respond to the emergency needs of the people of Guam in the wake of the devastation of Supertyphoon Paka. This act appropriated funds that were considered necessary to meet the emergency recovery needs of Guam resulting from Supertyphoon Paka, which struck the island on December 16, 1997.

Safe Streets Fund - This fund was established under Public Law 22-41 and created within the Superior Court of Guam. This fund shall be maintained separate and apart from the other funds of the Superior Court. All fines collected for any of the acts made unlawful under Subsections 18102, 18109, 18111, 18120, and 18121 of Title 16, Guam Code Annotated and for which punishment is prescribed, shall be deposited into this fund. Upon the accumulation of \$300,000 in the fund and upon notification from the Administrative Director of the Superior Court, the Director of the Department of Corrections may encumber and draw down money for the purpose of designing and constructing minimum security facilities for use primarily to incarcerate those persons convicted of misdemeanors and persons convicted of acts unlawful under Article 1 of Chapter 18 of Title 16, Guam Code Annotated.

See Accompanying Independent Auditors' Report.

GOVERNMENT OF GUAM

Special Revenue Funds, Continued September 30, 2002

Individuals with Disabilities Disaster Recovery Fund – This fund was established by Public Law 24-172 to mitigate damages and losses of medical equipment, medical supplies and medications to individuals with disabilities and other patients under the care of a licensed physician. Funding is provided primarily through General Fund appropriations.

Chamorro Language Commission Fund – This fund was established to finance the activities of the Chamorro Language Commission. These include the study of antecedents, describing good grammar and usages for the Chamorro language and also to prepare a Chamorro-English dictionary. Funding is provided principally from local appropriations.

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.

Land Survey Fund - The Land Survey Revolving Fund was established 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 established by the Bureau of Budget and Management Research.

Litter Control Revolving Fund - This fund was established by P.L. 17-87. The administrator of the Guam Environmental Protection Agency is responsible for the Fund's activities. All fines, assessments, bail forfeitures and other funds collected from violation of Territorial litter laws are deposited into this Fund. Expenditures made from the Fund are authorized for enforcement of the litter laws, educational programs, and clean-up of public areas. The requirements of the fund are described in Section 51204, 10 GCA Chapter 51, Article 2.

Recreation Revolving Fund - This fund was established by Executive Order 76-30 for the purpose of implementing the recreational sports program established by the Department of Parks and Recreation. Revenues are generated from registration fees of team participants. Expenditures are authorized for the purchase of trophies, awards, and fees paid to umpires and referees.

GSA Liquidated Damages Fund - This fund was established by Executive Order 86-24 for the purchase of materials and other equipment necessary to support the procurement process. Revenue for this fund is provided by photocopying charges for bid documents and liquidated damages assessed vendors for delay or failure in the delivery of items ordered or in the performance of specific services.

Village Streets Fund - This fund was created by P.L. 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.

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

See Accompanying Independent Auditors' Report.

GOVERNMENT OF GUAM

Special Revenue Funds, Continued September 30, 2002

Customs, Agriculture, and Quarantine Inspection Services Fund - This fund was established 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.

Guam Housing Corporation Revolving Fund - This fund was established by Public Law 20-210 to provide a low interest government loan to the Guam Housing Corporation (GHC) in order for the GHC to extend low interest mortgage loans to low and moderate income families and individuals. The loans shall be used for the purpose of construction of a home under the GHC lending programs. All payments of principal and interest received by GHC as payment of the loan shall be deposited in the Fund.

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

Accessible Parking Fund - The fund was established by P.L. 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.

Government House Revolving Fund - This fund was established 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.

Aquaculture Development and Training Fund - This fund was established by Executive Order 88-023 to cover the costs associated with production relating to the Aquaculture Development and Training Center. Revenues for this fund are generated from the sale of the Center's products, leased equipment and facilities and service fees. The fund is administered by the Department of Commerce.

Health Professional Licensure Fund - This fund was established under 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.

Air Pollution Control Fund - This fund was established under 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.

Farmers' and Fisherman's Loan Revolving Fund - This fund was established under P.L. 20-105 to grant loans to Farmers and Fishermen not to exceed \$50,000 and not to exceed 4% interest per annum per individual. The loans shall be used for improvement of farm lands and farming and fishing operating expenditures. Payments of principal and interest on the loans shall be deposited to the Fund.

Guam Museum Fund - This fund was established by Public Law 21-118 to provide benefits to Museum facility expansion and improvements. All revenues and other property of the Guam Museum are exempt from taxation by the Government of Guam. All donations to the Museum shall be tax deductible to the donors. The Board of Trustees of the Museum shall administer this fund.

See Accompanying Independent Auditors' Report.

GOVERNMENT OF GUAM

Special Revenue Funds, Continued September 30, 2002

Guam Environmental Trust Fund - This fund was established through Public Law 21-10. The fund is administered by the Guam Environment Protection Agency and was established 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.

Drivers' Education Fund - This fund was established under 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.

Consumer Protection Fund - The Consumer Protection Fund was established by Public Law 21-18 to account for civil penalties collected under the Deceptive Trade - Practices Consumer Protection Act.

Autonomous Agency Infrastructure Collections Fund - This fund, created by P.L. 24-14, was established 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.

Farmers' Small Loan Revolving Fund - This fund was established by local appropriation for the purpose of making low interest loans to local farmers and fishermen.

Taguag Memorial Cemetery Fund - The Taguag Memorial Cemetery Fund was established through Executive Order 85-7. Revenues in this fund are comprised exclusively by cemetery plot fees. Funds are used to pay for the cost of opening and closing graves and general maintenance of the grounds.

1999 SPG Revolving Fund - This fund was established under Public Law 25-01 for planning, conducting and hosting the 1999 South Pacific Games. Disbursement of funds shall take a majority vote of the SPG Commission.

Police Services Fund - This fund was established by P.L. 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.

Firefighter Equipment Replacement Fund - This fund was established under Public Law 25-03 as a receiving account for all funds (local, Federal or donated) provided for the purpose of replacing essential fire fighting equipment for the Guam Fire Department.

Public Defender Service Corporation (PDSC) - PDSC was established to provide legal service to indigents in civil and criminal matters, under P.L. 11-128 as amended. PDSC is governed by a board of trustees, whose members are set by law. Funding is provided through General Fund appropriations.

CAHA, OET and CEF - This fund was established by Public Law 22-060 to provide off-island travel assistance to eligible organizations, schools and individuals participating in the performing arts and humanities competitions.

Superior Court Operations Fund - During 1984, the Superior Court of Guam was legally established as a separate special revenue fund. Funding is provided primarily through General Fund appropriations.

Board of Accountancy Fund - This fund was established for the purpose of regulating aspects of the practice of public accountancy. The Guam Code Annotated Title 22, Subsection 35104(d) states that "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.

See Accompanying Independent Auditors' Report.

GOVERNMENT OF GUAM

Special Revenue Funds, Continued September 30, 2002

Dededo Buffer Strip Revolving Fund - This fund was established as a result of the re-enactment of Section 68901(1) of Title 21 of the Guam Code Annotated as amended by P.L. 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.

Public Service Recovery Fund – This fund was created by Executive Order 98-12 to expend funds for the following purposes: 1) for equipment related directly to public service; 2) for contracts directly related to public service; 3) for facilities and infrastructure repair, improvement and development that are for the public's use and benefit, whether or not a facility or infrastructure repair is subject to user fees or rates; and 4) for reimbursement to autonomous agencies for costs incurred from fiscal year 1994 and thereafter.

Health and Human Services Fund – This fund was established by P.L. 24-174 for settlements received from the tobacco industry.

Komitea Para Tiyan – This fund was established by Public Law 23-46 for the purpose of collecting proceeds from lease fees or rental of equipment and facilities within NAS. Money collected shall be used only for payment of utility expenses incurred by the common areas of Tiyan and not only for utility expenses incurred by any department or agency.

Off-Island Travel Fund – This fund was created by Public Law 25-98 Section 24, for the purpose of paying for off-island travel expenses incurred within the Executive Branch agencies, and who are directly supported by the General Fund. The fund does not support off-island travel expenses incurred by autonomous agencies. Disbursements of the fund is determined by the Governor.

Overtime Fund – This fund was created by Public Law 25-98 Section 23, for the purpose of paying for overtime expenses incurred within the Executive Branch agencies, and who are directly supported by the General Fund. The fund does not support overtime expenses incurred by the autonomous agencies. Disbursements of overtime fund is determined by the Governor.

Enhanced 911 Emergency Reporting System Fund – This fund was established 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 an enhanced “911” equipment and system.

Carrier Off-Duty Services Revolving Fund – This fund was established 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 on Sundays, holidays, or between the hours of 5:00 p.m. of any other day and 6:00 a.m. of the following day when services are required.

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

Coastal Zone Management Fund – The fund was established by Executive Order 93-04 to defray costs for the Eleventh Pacific Basin Coastal Zone Management Conference hosted by the Bureau of Planning. Revenues are generated from the registration fees from participants of the conference.

See Accompanying Independent Auditors' Report.

GOVERNMENT OF GUAM

Special Revenue Funds, Continued September 30, 2002

Water Research and Development Fund – This fund was established 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.

Rainy Day Fund - This fund was established by Public Law 22-24 to reduce the accumulated general fund deficit.

Water Protection Fund - This fund was established 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.

Livestock Fund – This fund was established by Public Law 25-186 to administer the transfer/sale of livestock.

Guam Legislature Operations Fund - The Guam Legislature was created by the Organic Act of Guam, as amended. It is a unicameral body of 21 members elected bi-annually. It meets in two regular year-round sessions. Funding is provided through General Fund appropriations

Supreme Court of Guam – The fund was established by Public Law 21-147 as an independent judicial branch of the Government of Guam. The Supreme Court of Guam was established to determine the appropriate procedures for reviewing decisions rendered by the Superior Court of Guam. Funding is provided primarily through Government of Guam General Fund appropriations.

Program Development Fund - This fund was established by P.L. 18-20 in order to issue a Mortgage Revenue Bond. The issuance of the bond is under the responsibility of GEDA. The proceeds are used to make loans to multi-family housing developers.

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

Ocean Freight Legal Fund - This fund was established under P.L. 20-221 for the purpose of funding expenses incurred in determining whether ocean freight rates being assessed for cargo carriage between the U.S. mainland and Guam are just and reasonable and to develop a rate setting mechanism which would be acceptable to the shipping lines, the federal government and the Government of Guam.

Workmen's Compensation Fund - This fund was authorized to be established under P.L. 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 the Government of Guam, 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.

Inmates Work Release Fund - This fund was established by P.L. 21-75 for the purpose of providing gainful employment to the person who, having been sentenced after convictions of a crime, is in the custody of the Director of Corrections. The program shall encompass the manufacturing of artifacts and souvenirs, automotive repair work, farm labor, forestry and other programs that the Director sees fit to implement.

Community Development Fund - The fund was established by P.L. 18-15 for the purpose of providing minor repairs and maintenance services to the communities in Guam. Revenues are provided through transfers from the Tourist Attraction Fund. Expenditures are made for salaries of employees performing minor repairs and maintenance, in accordance with Section 15009.5 of the Government Code and to purchase equipment and supplies.

See Accompanying Independent Auditors' Report.

GOVERNMENT OF GUAM

Special Revenue Funds, Continued September 30, 2002

Criminal Injuries Fund - The Criminal Injuries Fund was enacted under P.L. 20-155. The fund was established for the purpose of compensating victims injured through criminal mischief. P.L. 20-155 created the Criminal Injuries Commission which was established to determine, on a case by case basis, who is worthy of compensation. Sources of funding are prosecuted criminals (offenders) and Government appropriations. Per P.L. 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.

Off-Island Treatment Fund - This fund was established 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.

Land Claims Fund - This fund was established by P.L. 16-111 to grant loans to those persons who are eligible to bring proceedings for additional compensation under the provisions of Section 204 of the Omnibus Territories Act of 1977 for land acquired by the United States between July 21, 1944 and August 23, 1963, other than through judicial condemnation proceedings in which the issue of compensation was adjudicated in a contested trial in the District Court of Guam.

Guam Preservation Trust Fund - This fund was established by P.L. 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.

Medicaid and Medically Indigent Program Assistance Payment Fund – This fund was established by P.L. 26-58 to be used for the purpose of covering any program shortfall in the Medically Indigent Program and Public Assistance Program of the Department of Public Health and Social Services.

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

Youth Tobacco Education Fund – This fund was established by Public Law 25-187 to be utilized by the Department of Mental Health and Substance Abuse, for youth compliance monitoring and tobacco and drug prevention and education programs.

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

Enterprise Funds
September 30, 2002

Proprietary Fund – Business type activity used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the government's council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the government's council has decided that periodic determination of net income is appropriate for accountability purposes. The government's enterprise operations are described below:

Solid Waste Management Fund - The fund was established in 1998 by Public Law 24-272, to account for all tipping, user and other fees collected in conjunction with the disposal of solid waste. The tipping and user fees are intended to provide a financing source for the Government of Guam's cost and expenses directly related to the closure of the existing solid waste landfill, the development, design, construction, operation and final closure of a new sanitary landfill, as well as other solid waste management facilities that are contracted or may be established by this Act in accordance with the plan and annual fiscal year appropriation for the Division of Solid Waste Management of the Department of Public Works.

Institutions of Higher Educations, which are comprised of the University of Guam (UOG) and the Guam Community College (GCC), are accounted for as business type activity. These funds are presented as blended component units as they are considered to be part of the primary government but are presented separately as business type activity. Brief discussions of the Government's institutions of higher education as of September 30, 2002 are as follows.

University of Guam - The University of Guam was granted administrative autonomy with the enactment of Public Law 13-194, "The Higher Education Act of 1976," which became effective on November 3, 1976. The Act, with subsequent amendments, established the University as a non-membership, non-profit corporation of the Government of Guam, under the control and operation of a nine-member Board of Regents appointed by the Governor with the advice and consent of the Legislature. The University is presented as a blended component unit of the Government of Guam.

Guam Community College - The Guam Community College was established 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 the College are under the control of a nine-member Board of Trustees appointed by the Governor with the advice and consent of the Legislature. Two of the nine members have no voting and participation rights as they represent the faculty and staff union. The college is presented as a blended component unit of the Government of Guam.

See Accompanying Independent Auditors' Report.

GOVERNMENT OF GUAM

Component Units - Proprietary Funds September 30, 2002

Component units - proprietary funds-business type activities are legally separate organizations for which the elected officials of the Government of Guam are financially accountable. 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 net income, financial position and cash flows. The Government of Guam's component units - proprietary funds are described below.

Guam International Airport Authority - The Authority was created in 1975, by Public Law 13-57 from a division operating as part of the Guam Department of Commerce. It is charged with the acquisition, construction, operation and maintenance of airports and related facilities for civil aviation on Guam. The Authority supports its operations through landing fees and charges for use of its facilities and through rentals under concessionaire agreements.

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

Guam Visitors Bureau - The Guam Visitors Bureau (GVB) is a public corporation established 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. The GVB is not included in the accompanying financial statement presentation.

Guam Power Authority - The Guam Power Authority was established in 1969 as a separate entity. The Authority operates the power system for the Government of Guam and has established a Power Pool Agreement with the United States Navy. Revenues are derived from sales of electricity.

Guam Rental Corporation - Guam Rental Corporation was established pursuant to the authority granted to the Guam Housing Corporation under Public Law 8-80 to promote the general welfare of the inhabitants of the Government of Guam by providing housing for low and moderate income families and families displaced because of urban renewal or as a result of government action. Revenues are derived from rental fees charged for housing.

Guam Memorial Hospital Authority - Guam Memorial Hospital Authority was created by Public Law 14-29 as an autonomous instrumentality of the Government of Guam on July 26, 1977. The law provides for control of the Authority to be vested with the Hospital's Board of Trustees. The hospital is the only non-military hospital in the Government of Guam. Revenues are primarily derived from fees charged to patients for medical services and General Fund subsidies.

See Accompanying Independent Auditors' Report.

GOVERNMENT OF GUAM

Component Units - Proprietary Funds, Continued September 30, 2002

Guam Economic Development Authority - Guam Economic Development Authority (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 Government of Guam 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.

Guam Telephone Authority - Guam Telephone Authority was established as a Public Corporation created by Public Law 12-44, pursuant to which the assets and liabilities of the telephone division of the Public Utility Agency of Guam were transferred to Guam Telephone Authority effective April 1, 1974. The Authority's major source of revenues is derived from billings for local exchange services and tolls for non-local exchange services.

Guam Waterworks Authority (GWA) - Established in 1996 by Public Law 23-119, the Guam Waterworks Authority, formerly the Public Utility Agency of Guam (PUAG), is a public corporation and an autonomous instrumentality of the Government of Guam. GWA derives its operating revenues from water and wastewater fees to residential, commercial and government customers based on consumption.

Port Authority of Guam - The Port Authority was established in 1975 as a public corporation under Public Law 13-87. The Authority is entrusted with providing for the needs of ocean commerce, shipping and navigation of the Government of Guam. The Authority derives its operating revenues from a tariff establishing fees for wharfage and use of its facilities.

Guam Educational Telecommunications Corporation - Guam Educational Telecommunications Corporation, also known as KGTF-TV, was established 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

Component Units - Proprietary Funds, Continued
September 30, 2002

Guam Housing and Urban Renewal Authority – The Guam Housing and Urban Renewal Authority (GHURA) was established 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 the Authority are appointed by the Governor by and with the advice and consent of the Legislature. Revenues are derived from Federal financial assistance and rentals or charges for dwelling accommodations.

See Accompanying Independent Auditors' Report.

GOVERNMENT OF GUAM

Fiduciary Funds - Expendable Trust Funds, Pension Fund and Agency Fund September 30, 2002

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

Superior Court Trust Funds - The Superior Court is responsible for maintaining five trust funds which were primarily established 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 established to hold the assets in conjunction with an embezzlement judgement brought against a local attorney and to pay valid claims in accordance with any rulings.

Pension Fund

Government of Guam Retirement Fund - P.L. 1-88 and P.L. 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 bear responsibility for the direction and operation of the affairs and business of the retirement system. The Retirement Fund is not included in the accompanying financial statements.

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

Combining Balance Sheet
Non-major Governmental Funds
September 30, 2002

<u>ASSETS</u>	<u>Other Special Revenue</u>	<u>Other Capital Project</u>	<u>Other Debt Service</u>	<u>Total</u>
Cash and cash equivalents	\$ 19,326,658	\$ 39,804,524	\$ 70,480,666	\$ 129,611,848
Investments	-	43,828,451	-	43,828,451
Other pledged taxes	9,420,422	-	-	9,420,422
Receivables, net	25,100,419	496,410	-	25,596,829
Receivables from federal agencies	630,806	-	-	630,806
Due from other funds	37,877,383	28,892,714	44,494,402	111,264,499
Inventories	1,645,426	-	-	1,645,426
Capital assets, net	52,986	-	-	52,986
Deposits and other assets	745,271	-	-	745,271
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ 94,799,371	\$ 113,022,099	\$ 114,975,068	\$ 322,796,538
	<hr/>	<hr/>	<hr/>	<hr/>
<u>LIABILITIES AND FUND BALANCES (DEFICIT)</u>				
Liabilities:				
Accounts payable	\$ 14,419,400	\$ 1,619,072	\$ -	\$ 16,038,472
Accrued payroll and other	15,571,513	331,017	-	15,902,530
Tax refunds	4,043,389	-	-	4,043,389
Due to other funds	53,544,290	31,159,369	28,360,392	113,064,051
Deferred revenue	7,833,905	467,231	-	8,301,136
Deposits and other liabilities	839,668	-	-	839,668
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	96,252,165	33,576,689	28,360,392	158,189,246
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances (deficit):				
Reserved:				
Specific purpose	7,621,368	394,114	-	8,015,482
Encumbrances	4,609,493	21,711,371	-	26,320,864
Continuing appropriations	15,756,992	43,478,400	-	59,235,392
Related assets	14,371,313	-	2,070,182	16,441,495
Debt service	-	-	84,544,494	84,544,494
Unreserved	(43,811,960)	13,861,525	-	(29,950,435)
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances (deficit)	(1,452,794)	79,445,410	86,614,676	164,607,292
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Total liabilities and fund balances	\$ 94,799,371	\$ 113,022,099	\$ 114,975,068	\$ 322,796,538
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See accompanying Independent Auditors' Report

GOVERNMENT OF GUAM

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
Non-major Governmental Funds
For the Year Ended September 30, 2002

	Other Special Revenue	Other Capital Project	Other Debt Service	Total
Revenues:				
Taxes	\$ 28,991,500	\$ -	\$ -	\$ 28,991,500
Licenses, fees and permits	11,126,014	-	-	11,126,014
Use of money and property	336,609	1,251,291	342,692	1,930,592
Federal contributions	1,383,386	-	-	1,383,386
Other	5,744,862	-	-	5,744,862
Total revenues	47,582,371	1,251,291	342,692	49,176,354
Expenditures:				
Current:				
General government	10,140,869	5,545,063	-	15,685,932
Protection of life and property	14,269,281	-	-	14,269,281
Public health	1,241,384	-	-	1,241,384
Community services	32,821,011	-	-	32,821,011
Recreation	136,284	-	-	136,284
Individual and collective rights	26,104,932	-	-	26,104,932
Transportation	4,361,154	70,608	-	4,431,762
Public education	186,263	91,883	-	278,146
Environmental protection	132,976	1,424,012	-	1,556,988
Economic development	1,182	-	-	1,182
Debt service:				
Principal retirement	-	-	25,665,000	25,665,000
Interest and fiscal charges	-	-	15,151,620	15,151,620
Total expenditures	89,395,336	7,131,566	40,816,620	137,343,522
Excess (deficiency) of revenues over (under) expenditures	(41,812,965)	(5,880,275)	(40,473,928)	(88,167,168)
Other financing sources (uses):				
Proceeds of refunding bonds	-	81,971,589	-	81,971,589
Payment to refunded bonds escrow agent	-	(28,769,255)	-	(28,769,255)
Transfers in	67,686,435	-	59,588,576	127,275,011
Transfers out	(54,196,283)	(44,564,080)	-	(98,760,363)
Other sources	417,968	-	-	417,968
Other uses	(1,567,076)	(5,388,240)	(70,358)	(7,025,674)
Equity transfers	492,764	-	2,797,490	3,290,254
Total other financing sources (uses), net	12,833,808	3,250,014	62,315,708	78,399,530
Net change in fund balances	(28,979,157)	(2,630,261)	21,841,780	(9,767,638)
Fund balances at beginning of year	27,526,363	82,075,671	64,772,896	174,374,930
Fund balances (deficit) at end of year	\$ (1,452,794)	\$ 79,445,410	\$ 86,614,676	\$ 164,607,292

See accompanying Independent Auditors' Report

GOVERNMENT OF GUAM

Other Non-Major Governmental Funds - Special Revenue Funds
Combining Balance Sheet
September 30, 2002

	Territorial Highway (Unaudited)	Tourist Attraction (Unaudited)	Notary Public Revolving	StripperWell Overcharge	Exxon Fuel Overcharge	Southern Community Health Center	D.O.D. Contract	Housing Revolving	Abandoned Vehicle and Streetlight	Wildlife Conservation	Veterans' Bonus
ASSETS											
Cash and cash equivalents	\$ 6,781,667	\$ -	\$ -	\$ 628,650	\$ 1,224,322	\$ -	\$ 112,584	\$ -	\$ -	\$ -	\$ -
Other pledged taxes	8,141,990	1,278,432	-	-	-	-	-	-	-	-	-
Receivables, net	-	-	-	13,310	16,490	-	-	578,873	-	-	76,800
Receivables from federal agencies	-	-	-	-	-	630,806	-	-	-	-	-
Due from other funds	9,006,279	8,921,603	-	-	-	-	12,778	-	361,978	150,038	19,433
Inventories	-	-	-	-	-	-	-	-	-	-	-
Capital assets, net	-	-	-	-	-	-	-	-	-	-	-
Deposits and other assets	-	-	-	-	-	-	-	-	-	-	-
Total assets	23,929,936	10,200,035	-	641,960	1,240,812	630,806	125,362	578,873	361,978	150,038	96,233
LIABILITIES AND FUND BALANCES (DEFICIT)											
Accounts payable	\$ 10,643,080	\$ 16,187	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,615,770	\$ -	\$ -
Accrued payroll and other	380,823	2,109,139	-	-	-	11,082	-	7,973	-	-	19,433
Due to other funds	15,520,306	22,456,278	-	36,054	86,489	422,452	160,681	-	-	1,921	-
Payable to federal agencies	-	-	-	-	-	-	-	-	-	-	-
Notes payable	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	7,040,206	178,140	-	-	-	-	402,639	-	-	-	76,800
Provision for tax refunds	4,043,141	-	-	-	-	-	248	-	-	-	-
Deposits and other liabilities	-	-	-	-	-	-	-	9,085	-	-	-
Total liabilities	37,627,556	24,759,744	-	36,054	86,489	433,534	563,568	17,058	1,615,770	1,921	96,233
Fund balances (deficit):											
Reserved for:											
Specific purposes	-	-	-	-	-	-	-	-	-	-	-
Related assets	-	-	-	-	-	-	-	-	-	-	-
Encumbrances	1,222,745	81,222	-	112,221	67,494	362,812	140,511	-	8,695	16,785	-
Continuing appropriations	640,174	4,722,174	-	323,532	798,784	781,179	-	380,543	-	90,884	-
Unreserved (deficit)	(15,560,539)	(19,363,105)	-	170,153	288,045	(946,719)	(578,717)	181,272	(1,262,487)	40,448	-
Total fund balances (deficit)	(13,697,620)	(14,559,709)	-	605,906	1,154,323	197,272	(438,206)	561,815	(1,253,792)	148,117	-
Total liabilities and fund balances (deficit)	\$ 23,929,936	\$ 10,200,035	\$ -	\$ 641,960	\$ 1,240,812	\$ 630,806	\$ 125,362	\$ 578,873	\$ 361,978	\$ 150,038	\$ 96,233

GOVERNMENT OF GUAM

Other Non-Major Governmental Funds - Special Revenue Funds
Combining Balance Sheet
September 30, 2002

	Land for the Landless	Plant Nursery Revolving	Parks	Contractors' License Board	DOC Inmate Revolving	Professional Engineers' Architects' and Surveyors'	Typhoon Paka Emergency	Safe Streets Act Fund	Individuals w/ Disabilities Disaster Recovery	Chamorro Language Commission	Printing Revolving	Land Survey Revolving	Litter Control Revolving
ASSETS													
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other pledged taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables, net	125,720	-	-	-	236,168	-	-	-	-	-	-	-	-
Receivables from federal agencies	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	5,610	44,862	-	175,284	8,913	-	335,617	100,000	2,936	-	-	18,698
Inventories	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital assets, net	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	125,720	5,610	44,862	-	411,452	8,913	-	335,617	100,000	2,936	-	-	18,698
LIABILITIES AND FUND BALANCES (DEFICIT)													
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll and other	-	-	-	8,032	1,489	1,910	-	-	-	-	-	1,516	-
Due to other funds	-	-	-	53,124	903,557	1,292	-	9,254	-	-	-	-	-
Payable to federal agencies	-	-	-	-	-	-	-	-	-	-	-	-	-
Notes payable	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	125,720	-	-	-	-	-	-	-	-	-	-	-	-
Provision for tax refunds	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other liabilities	-	-	-	-	-	-	-	-	2,936	-	-	-	-
Total liabilities	125,720	-	-	61,156	905,046	3,202	-	9,254	-	2,936	-	1,516	-
Fund balances (deficit):													
Reserved for:													
Specific purposes	-	-	-	-	-	-	-	-	-	-	-	-	-
Related assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Encumbrances	-	-	81,732	14,533	386,886	5,711	-	34,246	-	-	-	146,341	96,128
Continuing appropriations	-	5,610	-	-	196,548	-	-	292,117	-	-	-	476,430	-
Unreserved (deficit)	-	-	(36,870)	(75,689)	(1,077,028)	-	-	-	100,000	-	-	(624,287)	(77,430)
Total fund balances (deficit)	-	5,610	44,862	(61,156)	(493,594)	5,711	-	326,363	100,000	-	-	(1,516)	18,698
Total liabilities and fund balances (deficit)	\$ 125,720	\$ 5,610	\$ 44,862	\$ -	\$ 411,452	\$ 8,913	\$ -	\$ 335,617	\$ 100,000	\$ 2,936	\$ -	\$ -	\$ 18,698

GOVERNMENT OF GUAM

Other Non-Major Governmental Funds - Special Revenue Funds
Combining Balance Sheet
September 30, 2002

	Recreation Revolving	General Services Agency	Village Streets	Manpower Development	Customs, Agriculture and Quarantine Inspection	Guam Housing Corporation Revolving	DPW Building and Design	Accessible Parking	Government House Revolving	Aquaculture Development and Training	Health Professional Licensure	Air Pollution Control Fund	Farmers' and Fishermen's Loan Revolving
ASSETS													
Cash and cash equivalents	\$ -	\$ -	\$ 1,638,705	\$ 1,582	\$ 1,340,693	\$ -	\$ -	\$ -	\$ 1,531	\$ -	\$ -	\$ -	\$ -
Other pledged taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables, net	-	-	-	-	3,300,594	13,725,084	-	-	99	-	-	-	119,349
Receivables from federal agencies	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	143,559	17,889	-	-	-	-	262,187	5,566	14,687	-	86,178	290,642	6,083
Inventories	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital assets, net	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	143,559	17,889	1,638,705	1,582	4,641,287	13,725,084	262,187	5,566	16,317	-	86,178	290,642	125,432
LIABILITIES AND FUND BALANCES (DEFICIT)													
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll and other	-	-	-	6,374	159,349	-	-	-	-	-	-	-	-
Due to other funds	-	-	7,747,967	260,240	3,140,503	-	-	-	-	28,892	-	-	-
Payable to federal agencies	-	-	-	-	-	-	-	-	-	-	-	-	-
Notes payable	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	10,400	-	-	-	-	-	-	-	-	-
Provision for tax refunds	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other liabilities	-	-	-	155,213	36,829	-	-	-	-	-	-	-	-
Total liabilities	-	-	7,747,967	432,227	3,336,681	-	-	-	-	28,892	-	-	-
Fund balances (deficit):													
Reserved for:													
Specific purposes	-	-	-	-	7,210,700	-	-	-	-	-	-	-	-
Related assets	-	-	-	-	-	13,725,084	-	-	-	-	-	-	119,348
Encumbrances	26,157	2,530	211,192	15,796	780,751	-	-	-	-	6,409	-	-	-
Continuing appropriations	70,559	42,577	2,088,668	87,346	(73,734)	-	389,760	5,422	16,317	36,355	86,178	6,250	-
Unreserved (deficit)	46,843	(27,218)	(8,409,122)	(533,787)	(6,613,111)	-	(127,573)	144	-	(71,656)	-	284,392	6,084
Total fund balances (deficit)	143,559	17,889	(6,109,262)	(430,645)	1,304,606	13,725,084	262,187	5,566	16,317	(28,892)	86,178	290,642	125,432
Total liabilities and fund balances (deficit)	\$ 143,559	\$ 17,889	\$ 1,638,705	\$ 1,582	\$ 4,641,287	\$ 13,725,084	\$ 262,187	\$ 5,566	\$ 16,317	\$ -	\$ 86,178	\$ 290,642	\$ 125,432

GOVERNMENT OF GUAM

Other Non-Major Governmental Funds - Special Revenue Funds
Combining Balance Sheet
September 30, 2002

	Guam Environmental Trust	Drivers' Education	Consumer Protection	Autonomous Agency Infrastructure Collections Fund	Farmers Small Loan Revolving	Taguag Memorial Cemetery	1999 SPG Revolving	Police Services	Firefighter Equipment Replacement Fund	Board of Accountancy	Dededo Buffer Strip Revolving	Public Service Recovery	Health & Human Services
ASSETS													
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 92,012	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,780,220
Other pledged taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables, net	-	-	-	-	12,500	-	-	-	-	-	-	12,445	-
Receivables from federal agencies	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	276,593	188,834	5,480	460	4,247	-	-	19,348	950,701	113,634	134,890	-	-
Inventories	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital assets, net	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other assets	-	-	-	-	-	-	84,990	-	-	-	-	-	-
Total assets	276,593	188,834	5,480	460	16,747	-	177,002	-	19,348	950,701	113,634	147,335	2,780,220
LIABILITIES AND FUND BALANCES (DEFICIT)													
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 221	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll and other	-	-	-	-	-	-	-	9,632	-	-	-	-	-
Due to other funds	-	-	-	-	-	5,064	175,591	324,755	-	3,019	-	-	227,597
Payable to federal agencies	-	-	-	-	-	-	-	-	-	-	-	-	-
Notes payable	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Provision for tax refunds	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	221	5,064	175,591	334,387	-	3,019	-	-	227,597
Fund balances (deficit):													
Reserved for:													
Specific purposes	-	-	-	-	-	-	-	-	-	-	-	-	-
Related assets	-	-	-	-	12,500	-	-	-	-	-	-	-	-
Encumbrances	-	-	135	-	-	220	1,510	-	-	300,754	-	12,063	-
Continuing appropriations	-	-	5,480	-	-	35,309	-	-	68,348	646,594	633	135,363	75,000
Unreserved (deficit)	276,593	188,834	(135)	460	4,026	(40,593)	(99)	(334,387)	(49,000)	334	113,001	(91)	2,477,623
Total fund balances (deficit)	276,593	188,834	5,480	460	16,526	(5,064)	1,411	(334,387)	19,348	947,682	113,634	147,335	2,552,623
Total liabilities and fund balances (deficit)	\$ 276,593	\$ 188,834	\$ 5,480	\$ 460	\$ 16,747	\$ -	\$ 177,002	\$ -	\$ 19,348	\$ 950,701	\$ 113,634	\$ 147,335	\$ 2,780,220

GOVERNMENT OF GUAM

Other Non-Major Governmental Funds - Special Revenue Funds
Combining Balance Sheet
September 30, 2002

	Komitea Para Tiyan	Off-Island Travel	Overtime	Enhanced 911 Emergency	Carrier Off-duty Services	Rabies Prevention	Coastal Zone Management	Water Protection	Livestock	Water Research and Development	Medically Indigent Program	Mental Health and Substance Abuse	Guam Fire Dept. Lease Purchase and Program
ASSETS													
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other pledged taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables, net	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables from federal agencies	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	22,510	-	611,743	98,713	37,180	11,038	119,480	1,520	358,028	10,077,616	-	-
Inventories	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital assets, net	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	-	22,510	-	611,743	98,713	37,180	11,038	119,480	1,520	358,028	10,077,616	-	-
LIABILITIES AND FUND BALANCES (DEFICIT)													
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll and other	-	-	-	9,245	9,731	-	-	-	-	-	10,077,616	-	-
Due to other funds	145,875	-	-	4,903	-	-	-	-	-	-	-	28,131	-
Payable to federal agencies	-	-	-	-	-	-	-	-	-	-	-	-	-
Notes payable	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Provision for tax refunds	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other liabilities	-	1,950	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	145,875	1,950	-	14,148	9,731	-	-	-	-	-	10,077,616	28,131	-
Fund balances (deficit):													
Reserved for:													
Specific purposes	-	-	-	-	-	-	-	-	-	-	-	-	-
Related assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Encumbrances	11,427	-	-	30,604	-	290	-	-	-	-	-	14,624	-
Continuing appropriations	-	-	-	-	-	26,324	-	-	-	-	-	284,660	-
Unreserved (deficit)	(157,302)	20,560	-	566,991	88,982	10,566	11,038	119,480	1,520	358,028	-	(327,415)	-
Total fund balances (deficit)	(145,875)	20,560	-	597,595	88,982	37,180	11,038	119,480	1,520	358,028	-	(28,131)	-
Total liabilities and fund balances (deficit)	\$ -	\$ 22,510	\$ -	\$ 611,743	\$ 98,713	\$ 37,180	\$ 11,038	\$ 119,480	\$ 1,520	\$ 358,028	\$ 10,077,616	\$ -	\$ -

GOVERNMENT OF GUAM

Other Non-Major Governmental Funds - Special Revenue Funds
Combining Balance Sheet
September 30, 2002

	University of Guam Capital Improvement	Human Resources Services Revolving	Financial Management Revolving	Environmental Health	Guam Legislature	Public Defender	Superior Court Operations	Supreme Court	Youth Tobacco Education Fund	Typhoon Chataan & Halong	Chamorro Commercial Loan Fund	Program Development	Government Claims
ASSETS													
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 283,304	\$ 715,251	\$ 371,817	\$ 434,034	\$ 2,198,286	\$ -	\$ -	\$ 86,625	\$ -
Other pledged taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables, net	-	-	-	-	385,351	-	5,080,550	65,790	1,238	-	-	-	-
Receivables from federal agencies	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	75,436	90,063	407,959	-	-	-	-	2,700	814,595	-	-	124,663
Inventories	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital assets, net	-	-	-	-	-	52,986	-	-	-	-	-	-	-
Deposits and other assets	-	-	-	-	-	-	122,764	-	-	-	-	-	-
Total assets	-	75,436	90,063	407,959	668,655	768,237	5,575,131	499,824	2,202,224	814,595	-	86,625	124,663
LIABILITIES AND FUND BALANCES (DEFICIT)													
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 63,000	\$ 1,007	\$ 2,067,214	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll and other	-	-	-	-	-	260,418	2,279,997	-	-	15,321	-	-	-
Due to other funds	100,000	-	-	-	-	-	-	-	-	1,402,275	3,283	86,617	-
Payable to federal agencies	-	-	-	-	-	-	-	-	-	-	-	-	-
Notes payable	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Provision for tax refunds	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other liabilities	-	-	-	-	124,091	40,565	-	-	500	-	3,499	-	-
Total liabilities	100,000	-	-	-	187,091	301,990	4,347,211	-	500	1,417,596	6,782	86,617	-
Fund balances (deficit):													
Reserved for:													
Specific purposes	-	-	-	-	-	-	-	-	-	-	410,668	-	-
Related assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Encumbrances	-	120	12,674	-	-	-	-	-	-	10,778	-	-	-
Continuing appropriations	400,000	11,536	50,346	-	-	-	-	-	-	2,499,572	-	-	-
Unreserved (deficit)	(500,000)	63,780	27,043	407,959	481,564	466,247	1,227,920	499,824	2,201,724	(3,113,351)	(417,450)	8	124,663
Total fund balances (deficit)	(100,000)	75,436	90,063	407,959	481,564	466,247	1,227,920	499,824	2,201,724	(603,001)	(6,782)	8	124,663
Total liabilities and fund balances (deficit)	\$ -	\$ 75,436	\$ 90,063	\$ 407,959	\$ 668,655	\$ 768,237	\$ 5,575,131	\$ 499,824	\$ 2,202,224	\$ 814,595	\$ -	\$ 86,625	\$ 124,663

GOVERNMENT OF GUAM

Other Non-Major Governmental Funds - Special Revenue Funds
Combining Balance Sheet
September 30, 2002

	Workers' Compensation	Inmates Work Release	Community Development	Criminal Injuries	Off-Island Treatment	Agana Fractional Lot Fund	State Agency Surplus Fund	GSA Inventory Revolving Fund	Group Life Insurance Fund	Guam Preservation Trust	Medicaid & MIP Payment Assistance	Guam Museum	Total Non-major Funds	Total
ASSETS														
Cash and cash equivalents	\$ -	-	-	-	-	-	312,590	-	\$ 90,948	\$ 231,837	\$ -	-	19,326,658	\$ 23,148,155
Other pledged taxes	-	-	-	-	-	-	-	-	-	-	-	-	9,420,422	25,313,434
Receivables, net	-	-	-	-	-	-	19,593	-	-	1,330,464	-	-	25,100,419	25,289,537
Receivables from federal agencies	-	-	-	-	-	-	-	-	-	-	-	-	630,806	32,565,573
Due from other funds	-	7,658	-	61,976	154,829	126,426	-	2,527,014	114,145	345,605	-	1,478	37,877,383	40,160,974
Inventories	-	-	-	-	-	-	195,960	1,449,466	-	-	-	-	1,645,426	13,807,307
Capital assets, net	-	-	-	-	-	-	-	-	-	-	-	-	52,986	52,986
Deposits and other assets	-	1,261	-	-	-	430,394	-	-	-	105,862	-	-	745,271	745,271
Total assets	-	8,919	-	61,976	154,829	556,820	528,143	3,976,480	205,093	2,013,768	-	1,478	94,799,371	\$ 161,083,237
LIABILITIES AND FUND BALANCES (DEFICIT)														
Accounts payable	\$ -	\$ 8,919	\$ -	\$ 169	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,833	\$ -	-	14,419,400	\$ 15,158,656
Accrued payroll and other	-	-	-	48,953	153,479	-	-	-	-	-	-	-	15,571,513	15,571,512
Due to other funds	-	-	69,673	-	-	-	138,496	-	-	-	-	-	53,544,290	85,025,781
Payable to federal agencies	-	-	-	-	-	-	-	-	-	-	-	-	-	7,728,177
Notes payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-	7,833,905	35,578,392
Provision for tax refunds	-	-	-	-	-	-	-	-	-	-	-	-	4,043,389	4,043,389
Deposits and other liabilities	-	-	-	-	-	-	-	-	465,000	-	-	-	839,668	839,668
Total liabilities	-	8,919	69,673	49,122	153,479	-	138,496	-	465,000	3,833	-	-	96,252,165	163,945,574
Fund balances (deficit):														
Reserved for:														
Specific purposes	-	-	-	-	-	-	-	-	-	-	-	-	7,621,368	7,621,368
Related assets	-	-	-	-	-	-	-	514,381	-	-	-	-	14,371,313	14,404,824
Encumbrances	-	-	6,439	-	-	-	-	248,398	-	138,560	-	-	4,609,493	29,619,292
Continuing appropriations	-	-	39,519	10,136	-	-	-	-	-	4,500	-	-	15,756,992	110,648,707
Unreserved (deficit)	-	-	(115,631)	2,718	1,350	556,820	389,647	3,213,701	(259,907)	1,866,875	-	1,478	(43,811,960)	(165,156,529)
Total fund balances (deficit)	-	-	(69,673)	12,854	1,350	556,820	389,647	3,976,480	(259,907)	2,009,935	-	1,478	(1,452,794)	(2,862,338)
Total liabilities and fund balances (deficit)	\$ -	\$ 8,919	\$ -	\$ 61,976	\$ 154,829	\$ 556,820	\$ 528,143	\$ 3,976,480	\$ 205,093	\$ 2,013,768	\$ -	\$ 1,478	\$ 94,799,371	\$ 161,083,236

GOVERNMENT OF GUAM

Other Non-Major Governmental Funds - Special Revenue Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
 Year Ended September 30, 2002

	Federal Grants	Territorial Educational Facilities	Territorial Highway (Unaudited)	Tourist Attraction (Unaudited)	Notary Public Revolving	StripperWell Overcharge	Exxon Fuel Overcharge	Southern Community Health Center	D.O.D. Contract	Housing Revolving	Abandoned Vehicle and Streetlight	Wildlife Conservation	Veterans' Bonus
Revenues:													
Taxes	\$ -	17,731,254	\$ 13,705,755	\$ 14,997,607	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	288,138
Licenses, fees and permits	-	-	-	-	8,075	-	-	726,313	-	-	943,299	38,218	-
Use of money and property	-	-	-	58,801	-	-	23,881	-	-	47,630	-	-	-
Federal contributions	101,666,573	-	-	-	-	-	-	-	45,780	-	-	-	-
Other	-	-	41,306	-	-	-	-	-	-	-	-	-	-
Total revenues	101,666,573	17,731,254	13,747,061	15,056,408	8,075	-	23,881	726,313	45,780	47,630	943,299	38,218	288,138
Expenditures:													
General government	4,815,120	-	-	-	-	-	-	-	-	-	-	-	226,351
Protection of life and property	8,458,543	-	-	-	-	-	-	-	-	-	-	-	-
Public health	8,636,553	-	-	-	-	-	-	1,236,330	-	-	-	-	-
Community services	29,434,937	-	-	-	-	-	-	-	-	345,047	698,811	-	-
Recreation	194,882	-	-	133,193	-	-	-	-	-	-	-	-	-
Individual and collective rights	10,399,728	-	-	-	-	-	-	-	-	-	-	-	-
Transportation	18,509,744	-	4,361,154	-	-	-	-	-	-	-	-	-	-
Public education	1,272,848	-	-	-	-	-	-	-	186,263	-	-	-	-
Environmental protection	3,721,275	-	-	-	-	13,310	54,732	-	-	-	-	64,934	-
Economic development	6,001,930	-	-	-	-	-	-	-	-	-	-	-	-
Transfers to persons	34,437,361	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	125,882,921	-	4,361,154	133,193	-	13,310	54,732	1,236,330	186,263	345,047	698,811	64,934	226,351
Excess (deficiency) of revenues over (under) expenditures	(24,216,348)	17,731,254	9,385,907	14,923,215	8,075	(13,310)	(30,851)	(510,017)	(140,483)	(297,417)	244,488	(26,716)	61,787
Other financing sources (uses):													
Transfers in	33,097,773	-	-	-	-	-	-	-	-	-	-	-	-
Transfers out	(9,065,467)	(19,202,864)	(17,535,376)	(28,979,855)	(8,075)	-	-	-	(1,000,000)	-	-	-	(361,788)
Other sources	196,320	-	-	-	-	8,877	17,592	-	-	-	-	-	-
Other uses	(6)	-	(1,095)	-	-	(761)	(1,501)	-	-	-	-	-	-
Equity transfers	-	-	-	-	-	-	-	-	-	910,699	-	-	-
Total other financing sources (uses), net	24,228,620	(19,202,864)	(17,536,471)	(28,979,855)	(8,075)	8,116	16,091	-	(1,000,000)	910,699	-	-	(361,788)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	12,272	(1,471,610)	(8,150,564)	(14,056,640)	-	(5,194)	(14,760)	(510,017)	(1,140,483)	613,282	244,488	(26,716)	(300,001)
Fund balances (deficit) at beginning of year	-	49,794	(5,547,056)	(503,069)	-	611,100	1,169,083	707,289	702,277	(51,467)	(1,498,280)	174,833	300,001
Fund balances (deficit) at end of year	\$ 12,272	\$ (1,421,816)	\$ (13,697,620)	\$ (14,559,709)	\$ -	\$ 605,906	\$ 1,154,323	\$ 197,272	\$ (438,206)	\$ 561,815	\$ (1,253,792)	\$ 148,117	\$ -

GOVERNMENT OF GUAM

Other Non-Major Governmental Funds - Special Revenue Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
 Year Ended September 30, 2002

	Land for the Landless	Plant Nursery Revolving	Parks	Contractors' License Board	DOC Inmate Revolving	Professional Engineers' Architects' and Surveyors'	Typhoon Paka Emergency	Safe Streets Act Fund	Individuals w/ Disabilities Disaster Recovery	Chamorro Language Commission	Printing Revolving	Land Survey Revolving	Litter Control Revolving
Revenues:													
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, fees and permits	-	-	60,681	257,237	-	142,785	-	16,000	-	-	-	713,312	-
Use of money and property	49,472	-	-	-	-	-	-	-	-	-	-	-	-
Federal contributions	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	15,361	-	-	2,417,864	-	-	-	-	-	953	-	3,860
Total revenues	49,472	15,361	60,681	257,237	2,417,864	142,785	-	16,000	-	-	953	713,312	3,860
Expenditures:													
General government	-	-	-	-	-	-	-	-	-	-	-	280,785	-
Protection of life and property	-	-	-	-	2,854,627	-	-	15,188	-	-	-	-	-
Public health	-	-	-	-	-	-	-	-	-	-	-	-	-
Community services	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreation	-	-	-	-	-	-	-	-	-	-	-	-	-
Individual and collective rights	-	-	-	382,262	-	142,141	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-	-	-	-
Public education	-	-	-	-	-	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers to persons	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	-	-	-	382,262	2,854,627	142,141	-	15,188	-	-	-	280,785	-
Excess (deficiency) of revenues over (under) expenditures	49,472	15,361	60,681	(125,025)	(436,763)	644	-	812	-	-	953	432,527	3,860
Other financing sources (uses):													
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers out	(49,472)	(15,360)	-	-	-	(3,454)	-	(7,058)	-	-	(953)	-	-
Other sources	-	-	-	-	-	-	-	-	-	-	-	-	-
Other uses	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity transfers	-	-	-	-	-	-	(850,251)	-	-	-	-	(1,293,865)	-
Total other financing sources (uses), net	(49,472)	(15,360)	-	-	-	(3,454)	-	(7,058)	-	-	(953)	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	1	60,681	(125,025)	(436,763)	(2,810)	(850,251)	(6,246)	-	-	-	(861,338)	3,860
Fund balances (deficit) at beginning of year	-	5,609	(15,819)	63,869	(56,831)	8,521	850,251	332,609	100,000	-	-	859,822	14,838
Fund balances (deficit) at end of year	\$ -	\$ 5,610	\$ 44,862	\$ (61,156)	\$ (493,594)	\$ 5,711	\$ -	\$ 326,363	\$ 100,000	\$ -	\$ -	\$ (1,516)	\$ 18,698

GOVERNMENT OF GUAM

Other Non-Major Governmental Funds - Special Revenue Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
 Year Ended September 30, 2002

	Recreation Revolving	General Services Agency	Village Streets	Manpower Development	Customs, Agriculture and Quarantine Inspection	Guam Housing Corporation Revolving	DPW Building and Design	Accessible Parking	Government House Revolving	Aquaculture Development and Training	Health Professional Licensure	Air Pollution Control Fund	Farmers' and Fishermen's Loan Revolving
Revenues:													
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, fees and permits	50,484	-	-	42,568	4,880,532	-	237,547	-	1,150	-	96,025	-	-
Use of money and property	-	-	39,791	-	-	-	-	-	-	-	-	-	29
Federal contributions	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	340	-	-	-	-	-	1,060	-	-	-	208,560	-
Total revenues	50,484	340	39,791	42,568	4,880,532	-	237,547	1,060	1,150	-	96,025	208,560	29
Expenditures:													
General government	-	-	-	-	-	-	-	-	329	-	-	-	-
Protection of life and property	-	-	-	-	7,661,776	-	-	-	-	-	-	-	-
Public health	-	-	-	-	-	-	-	-	-	-	-	-	-
Community services	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreation	3,091	-	-	-	-	-	-	-	-	-	-	-	-
Individual and collective rights	-	-	1,330,654	309,016	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-	-	-	-
Public education	-	-	-	-	-	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-	-	1,182	-	-	-
Transfers to persons	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	3,091	-	1,330,654	309,016	7,661,776	-	-	-	329	1,182	-	-	-
Excess (deficiency) of revenues over (under) expenditures	47,393	340	(1,290,863)	(266,448)	(2,781,244)	-	237,547	1,060	821	(1,182)	96,025	208,560	29
Other financing sources (uses):													
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	(2,000,000)	-	-	-	-	-	(1,150)	-	(75,623)	-	-
Other sources	-	-	-	-	4,343	-	-	-	-	-	-	-	-
Other uses	-	-	-	-	(1,489,062)	-	-	-	-	(71,657)	-	-	-
Equity transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses), net	-	-	(2,000,000)	-	(1,484,719)	-	-	-	(1,150)	(71,657)	(75,623)	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	47,393	340	(3,290,863)	(266,448)	(4,265,963)	-	237,547	1,060	(329)	(72,839)	20,402	208,560	29
Fund balances (deficit) at beginning of year	96,166	17,549	(2,818,399)	(164,197)	5,570,569	13,725,084	24,640	4,506	16,646	43,947	65,776	82,082	125,403
Fund balances (deficit) at end of year	\$ 143,559	\$ 17,889	\$ (6,109,262)	\$ (430,645)	\$ 1,304,606	\$ 13,725,084	\$ 262,187	\$ 5,566	\$ 16,317	\$ (28,892)	\$ 86,178	\$ 290,642	\$ 125,432

GOVERNMENT OF GUAM

Other Non-Major Governmental Funds - Special Revenue Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
 Year Ended September 30, 2002

	Guam Environmental Trust	Drivers' Education	Consumer Protection	Autonomous Agency Infrastructure Collections Fund	Farmers Small Loan Revolving	Taguag Memorial Cemetery	1999 SPG Revolving	Police Services	Firefighter Equipment Replacement Fund	Board of Accountancy	Dededo Buffer Strip Revolving	Public Service Recovery	Health & Human Services
Revenues:													
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, fees and permits	175,622	-	-	-	-	12,959	-	270,081	-	1,081,205	-	-	-
Use of money and property	-	-	-	-	113	-	-	-	-	-	-	-	41,979
Federal contributions	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	40,866	-	-	-	-	-	-	-	-	-	-	-
Total revenues	175,622	40,866	-	-	113	12,959	-	270,081	-	1,081,205	-	-	41,979
Expenditures:													
General government	-	-	-	-	-	-	-	-	-	683,553	-	-	-
Protection of life and property	450,000	-	-	-	-	-	-	433,071	-	-	-	-	-
Public health	-	-	-	-	-	-	-	-	-	-	-	-	-
Community services	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreation	-	-	-	-	-	-	-	-	-	-	-	-	-
Individual and collective rights	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-	-	-	-
Public education	-	-	-	-	-	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers to persons	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	450,000	-	-	-	-	-	-	433,071	-	683,553	-	-	-
Excess (deficiency) of revenues over (under) expenditures	(274,378)	40,866	-	-	113	12,959	-	(162,990)	-	397,652	-	-	41,979
Other financing sources (uses):													
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-
Other sources	-	147,562	-	-	-	-	-	-	-	-	-	-	-
Other uses	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses), net	-	147,562	-	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(274,378)	188,428	-	-	113	12,959	-	(162,990)	-	397,652	-	-	41,979
Fund balances (deficit) at beginning of year	550,971	406	5,480	460	16,413	(18,023)	1,411	(171,397)	19,348	550,030	113,634	147,335	2,510,644
Fund balances (deficit) at end of year	\$ 276,593	\$ 188,834	\$ 5,480	\$ 460	\$ 16,526	\$ (5,064)	\$ 1,411	\$ (334,387)	\$ 19,348	\$ 947,682	\$ 113,634	\$ 147,335	\$ 2,552,623

GOVERNMENT OF GUAM

Other Non-Major Governmental Funds - Special Revenue Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
 Year Ended September 30, 2002

	Komitea Para Tiyan	Off-Island Travel	Overtime	Enhanced 911 Emergency	Carrier Off-duty Services	Rabies Prevention	Coastal Zone Management	Water Protection	Livestock	Water Research and Development	Medically Indigent Program	Mental Health and Substance Abuse	Guam Fire Dept. Lease Purchase and Program
Revenues:													
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, fees and permits	-	-	-	310,321	389,841	-	-	-	-	-	-	-	-
Use of money and property	-	-	-	-	-	-	-	-	-	-	-	-	-
Federal contributions	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	10,725	35,809	1,510	38,800	-	-	-
Total revenues	-	-	-	310,321	389,841	-	10,725	35,809	1,510	38,800	-	-	-
Expenditures:													
General government	-	-	-	-	208,234	-	-	-	-	-	-	-	-
Protection of life and property	-	-	-	705,346	-	-	-	-	-	-	-	-	-
Public health	-	-	-	-	-	5,055	-	-	-	-	-	-	-
Community services	-	-	-	-	-	-	-	-	-	24,171,252	28,131	-	-
Recreation	-	-	-	-	-	-	-	-	-	-	-	-	-
Individual and collective rights	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-	-	-	-
Public education	-	-	-	-	-	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers to persons	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	-	-	-	705,346	208,234	5,055	-	-	-	-	24,171,252	28,131	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	(395,025)	181,607	(5,055)	10,725	35,809	1,510	38,800	(24,171,252)	(28,131)	-
Other financing sources (uses):													
Transfers in	-	-	-	-	-	-	-	-	-	-	24,171,252	-	600,000
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-
Other sources	-	-	-	-	-	-	-	-	-	-	-	-	-
Other uses	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity transfers	-	-	580,801	-	-	-	-	-	-	-	-	-	(600,000)
Total other financing sources (uses), net	-	-	580,801	-	-	-	-	-	-	-	24,171,252	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	-	580,801	(395,025)	181,607	(5,055)	10,725	35,809	1,510	38,800	-	(28,131)	-
Fund balances (deficit) at beginning of year	(145,875)	20,560	(580,801)	992,620	(92,625)	42,235	313	83,671	10	319,228	-	-	-
Fund balances (deficit) at end of year	\$ (145,875)	\$ 20,560	\$ -	\$ 597,595	\$ 88,982	\$ 37,180	\$ 11,038	\$ 119,480	\$ 1,520	\$ 358,028	\$ -	\$ (28,131)	\$ -

GOVERNMENT OF GUAM

Other Non-Major Governmental Funds - Special Revenue Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
 Year Ended September 30, 2002

	University of Guam Capital Improvement	Human Resources Services Revolving	Financial Management Revolving	Environmental Health	Guam Legislature	Public Defender	Superior Court Operations	Supreme Court	Youth Tobacco Education Fund	Typhoon Chataan & Halong	Chamorro Commercial Loan Fund	Program Development	Government Claims
Revenues:													
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, fees and permits	-	97,440	-	168,365	-	-	-	-	-	-	-	-	-
Use of money and property	-	-	-	-	-	-	-	-	39,684	-	26,613	1,016	-
Federal contributions	-	-	-	-	-	42,123	1,295,483	-	-	-	-	-	-
Other	-	-	99,263	-	15,242	-	389,428	55,559	-	-	17,942	-	-
Total revenues	-	97,440	99,263	168,365	15,242	42,123	1,684,911	55,559	39,684	-	44,555	1,016	-
Expenditures:													
General government	-	22,004	9,200	-	8,161,400	-	-	-	-	-	-	-	-
Protection of life and property	-	-	-	-	-	-	-	-	-	-	-	-	-
Public health	-	-	-	-	-	-	-	-	-	-	-	-	-
Community services	-	-	-	-	-	-	-	-	-	1,810,359	273,748	-	-
Recreation	-	-	-	-	-	-	-	-	-	-	-	-	-
Individual and collective rights	-	-	-	-	-	2,398,671	17,422,723	2,359,186	-	-	-	-	244,395
Transportation	-	-	-	-	-	-	-	-	-	-	-	-	-
Public education	-	-	-	-	-	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers to persons	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	-	22,004	9,200	-	8,161,400	2,398,671	17,422,723	2,359,186	-	1,810,359	273,748	-	244,395
Excess (deficiency) of revenues over (under) expenditures	-	75,436	90,063	168,365	(8,146,158)	(2,356,548)	(15,737,812)	(2,303,627)	39,684	(1,810,359)	(229,193)	1,016	(244,395)
Other financing sources (uses):													
Transfers in	-	-	-	-	8,223,172	2,321,115	18,206,536	2,296,758	-	2,600,000	-	-	244,399
Transfers out	(100,000)	-	-	-	-	-	(2,665,477)	-	-	(1,392,642)	-	-	-
Other sources	-	-	-	239,594	-	-	-	-	-	-	-	-	-
Other uses	-	-	-	-	-	-	-	-	-	-	-	(3,000)	-
Equity transfers	-	-	-	-	-	-	-	-	-	-	840,854	-	-
Total other financing sources (uses), net	(100,000)	-	-	239,594	8,223,172	2,321,115	15,541,059	2,296,758	-	1,207,358	840,854	(3,000)	244,399
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(100,000)	75,436	90,063	407,959	77,014	(35,433)	(196,753)	(6,869)	39,684	(603,001)	611,661	(1,984)	4
Fund balances (deficit) at beginning of year	-	-	-	-	404,550	501,680	1,424,673	506,693	2,162,040	-	(618,443)	1,992	124,659
Fund balances (deficit) at end of year	\$ (100,000)	\$ 75,436	\$ 90,063	\$ 407,959	\$ 481,564	\$ 466,247	\$ 1,227,920	\$ 499,824	\$ 2,201,724	\$ (603,001)	\$ (6,782)	\$ 8	\$ 124,663

GOVERNMENT OF GUAM

Other Non-Major Governmental Funds - Special Revenue Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
 Year Ended September 30, 2002

	Workers' Compensation	Inmates Work Release	Community Development	Criminal Injuries	Off-Island Treatment	Agana Fractional Lot Fund	State Agency Surplus Fund	GSA Inventory Revolving Fund	Group Life Insurance Fund	Guam Preservation Trust	Medicaid & MIP Payment Assistance	Guam Museum	Total Non-Major Funds	Total
Revenues:														
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	28,991,500	46,722,754
Licenses, fees and permits	-	-	-	-	-	-	-	-	-	405,954	-	-	11,126,014	11,126,014
Use of money and property	-	-	-	-	-	-	6,667	-	933	-	-	-	336,609	336,609
Federal contributions	-	-	-	-	-	-	-	-	-	-	-	-	1,383,386	103,049,959
Other	566,107	-	-	16,052	-	-	247	1,766,530	-	-	-	1,478	5,744,862	5,744,862
Total revenues	566,107	-	-	16,052	-	-	6,914	1,766,530	933	405,954	-	1,478	47,582,371	166,980,198
Expenditures:														
General government	-	-	-	-	-	-	-	549,012	-	-	-	-	10,140,869	14,955,988
Protection of life and property	-	-	-	36,550	1,939,541	-	-	-	-	173,181	-	-	14,269,281	22,727,824
Public health	-	-	-	-	-	-	-	-	-	-	-	-	1,241,384	9,877,937
Community services	-	-	-	-	-	-	-	-	-	-	5,493,662	-	32,821,011	62,255,948
Recreation	-	-	-	-	-	-	-	-	-	-	-	-	136,284	331,166
Individual and collective rights	1,515,885	-	-	-	-	-	-	-	-	-	-	-	26,104,932	36,504,660
Transportation	-	-	-	-	-	-	-	-	-	-	-	-	4,361,154	22,870,898
Public education	-	-	-	-	-	-	-	-	-	-	-	-	186,263	1,459,111
Environmental protection	-	-	-	-	-	-	-	-	-	-	-	-	132,976	3,854,251
Economic development	-	-	-	-	-	-	-	-	-	-	-	-	1,182	6,003,112
Transfers to persons	-	-	-	-	-	-	-	-	-	-	-	-	-	34,437,361
Total expenditures	1,515,885	-	-	36,550	1,939,541	-	-	549,012	-	173,181	5,493,662	-	89,395,336	215,278,256
Excess (deficiency) of revenues over (under) expenditures	(949,778)	-	-	(20,498)	(1,939,541)	-	6,914	1,217,518	933	232,773	(5,493,662)	1,478	(41,812,965)	(48,298,058)
Other financing sources (uses):														
Transfers in	1,590,000	-	-	-	1,939,541	-	-	-	-	-	5,493,662	-	67,686,435	100,784,208
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	(54,196,283)	(82,464,614)
Other sources	-	-	-	-	-	-	-	-	-	-	-	-	417,968	614,288
Other uses	-	-	-	-	-	-	-	-	-	-	-	-	(1,567,076)	(1,567,082)
Equity transfers	904,525	-	-	-	-	-	-	-	-	-	-	-	492,764	492,763
Total other financing sources (uses), net	2,494,525	-	-	-	1,939,541	-	-	-	-	-	5,493,662	-	12,833,808	17,859,563
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	1,544,747	-	-	(20,498)	-	-	6,914	1,217,518	933	232,773	-	1,478	(28,979,157)	(30,438,495)
Fund balances (deficit) at beginning of year	(1,544,747)	-	(69,673)	33,352	1,350	556,820	382,733	2,758,962	(260,840)	1,777,162	-	-	27,526,363	27,576,157
Fund balances (deficit) at end of year	\$ -	\$ -	\$ (69,673)	\$ 12,854	\$ 1,350	\$ 556,820	\$ 389,647	\$ 3,976,480	\$ (259,907)	\$ 2,009,935	\$ -	\$ 1,478	\$ (1,452,794)	\$ (2,862,338)

GOVERNMENT OF GUAM

Non-major Governmental Funds - Capital Projects Funds
Combining Balance Sheet
September 30, 2002

	2001 Series A Highway Bond Issue (Unaudited)	Infrastructure Improvement Bond (Unaudited)	Water Revenue Bond	PUAG Capital Projects	General Obligation Bond Series A 1993	Judicial Building	Total
<u>ASSETS:</u>							
Cash and cash equivalents	\$ 26,035,670	\$ 780,582	\$ 4,471,930	\$ 10,272	\$ 4,881,808	\$ 3,624,262	\$ 39,804,524
Investments	-	42,827,733	-	-	-	1,000,718	43,828,451
Receivables, net	-	-	-	29,180	-	467,230	496,410
Interfund receivables, net	27,447,103	-	497,151	948,460	-	-	28,892,714
Total assets	<u>\$ 53,482,773</u>	<u>\$ 43,608,315</u>	<u>\$ 4,969,081</u>	<u>\$ 987,912</u>	<u>\$ 4,881,808</u>	<u>\$ 5,092,210</u>	<u>\$ 113,022,099</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable	\$ 230,607	\$ 1,249,621	\$ 133,544	\$ -	\$ 5,300	\$ -	\$ 1,619,072
Accrued payroll and other	-	1,211	231,195	-	88,245	10,366	331,017
Interfund payables	28,938,835	1,983,844	-	-	236,690	-	31,159,369
Deferred revenue	-	-	-	-	-	467,231	467,231
Total liabilities	<u>29,169,442</u>	<u>3,234,676</u>	<u>364,739</u>	<u>-</u>	<u>330,235</u>	<u>477,597</u>	<u>33,576,689</u>
Fund balances:							
Reserved for:							
Specific purposes	-	394,114	-	-	-	-	394,114
Encumbrances	57,847	19,012,101	163,917	-	2,251,532	225,974	21,711,371
Continuing appropriations	5,523,423	33,203,871	55,181	948,460	3,747,465	-	43,478,400
Unreserved	18,732,061	(12,236,447)	4,385,244	39,452	(1,447,424)	4,388,639	13,861,525
Total fund balances	<u>24,313,331</u>	<u>40,373,639</u>	<u>4,604,342</u>	<u>987,912</u>	<u>4,551,573</u>	<u>4,614,613</u>	<u>79,445,410</u>
Total liabilities and fund balances	<u>\$ 53,482,773</u>	<u>\$ 43,608,315</u>	<u>\$ 4,969,081</u>	<u>\$ 987,912</u>	<u>\$ 4,881,808</u>	<u>\$ 5,092,210</u>	<u>\$ 113,022,099</u>

See Accompanying Independent Auditors' Report

GOVERNMENT OF GUAM

Non-major Governmental Funds - Capital Projects Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Year Ended September 30, 2002

	2001 Series A Highway Bond Issue (Unaudited)	Infrastructure Improvement Bond (Unaudited)	Water Revenue Bond	PUAG Capital Projects	General Obligation Bond Series A 1993	Judicial Building	Total
Revenues:							
Use of money and property	\$ 417,142	\$ 655,104	\$ 104,689	\$ -	\$ 74,356	\$ -	\$ 1,251,291
Total revenues	<u>417,142</u>	<u>655,104</u>	<u>104,689</u>	<u>-</u>	<u>74,356</u>	<u>-</u>	<u>1,251,291</u>
Expenditures:							
General government	-	5,545,063	-	-	-	-	5,545,063
Transportation	70,608	-	-	-	-	-	70,608
Public education	-	-	-	-	91,883	-	91,883
Environmental protection	-	-	1,424,012	-	-	-	1,424,012
Total expenditures	<u>70,608</u>	<u>5,545,063</u>	<u>1,424,012</u>	<u>-</u>	<u>91,883</u>	<u>-</u>	<u>7,131,566</u>
Excess (deficiency) of revenues over (under) expenditures	<u>346,534</u>	<u>(4,889,959)</u>	<u>(1,319,323)</u>	<u>-</u>	<u>(17,527)</u>	<u>-</u>	<u>(5,880,275)</u>
Proceeds of refunding bonds	-	-	81,971,589	-	-	-	81,971,589
Payment of refunded bonds escrow agent	-	-	(28,769,255)	-	-	-	(28,769,255)
Transfers out	-	-	(44,564,080)	-	-	-	(44,564,080)
Other uses	-	-	(5,388,240)	-	-	-	(5,388,240)
Total other financing sources (uses), net	<u>-</u>	<u>-</u>	<u>3,250,014</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,250,014</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>346,534</u>	<u>(4,889,959)</u>	<u>1,930,691</u>	<u>-</u>	<u>(17,527)</u>	<u>-</u>	<u>(2,630,261)</u>
Fund balances at beginning of year	23,966,797	45,263,598	2,673,651	987,912	4,569,100	4,614,613	82,075,671
Fund balances at end of year	<u>\$ 24,313,331</u>	<u>\$ 40,373,639</u>	<u>\$ 4,604,342</u>	<u>\$ 987,912</u>	<u>\$ 4,551,573</u>	<u>\$ 4,614,613</u>	<u>\$ 79,445,410</u>

See Accompanying Independent Auditors' Report

GOVERNMENT OF GUAM

Nonmajor Governmental Funds - Debt Service Funds
Combining Balance Sheet
September 30, 2002

	Water System Revenue Bonds Series 2001A	Highway Limited Obligation Series 2001 (Unaudited)	Ltd. Obligation Infrastructure Improvement Bonds (Unaudited)	General Obligation Bond Series A 1993	General Obligation Bond Series A 1994	General Obligation Bond Series A 1995	Voluntary Service/Early Out Retirement Fund	Tobacco Settlement Asset-Backed Bonds Series 2001	Total Non-major Funds	Total
<u>ASSETS</u>										
Cash and equivalents	\$ 49,161,441	\$ 35,005,179	\$ 20,469,715	\$ 9,686,043	\$ 8	\$ 2,082,852	\$ -	\$ 3,236,869	\$ 70,480,666	\$ 119,642,107
Accounts receivable - others	53,365	-	-	-	-	-	-	-	-	53,365
Interfund receivables, net	-	28,938,835	11,505,948	-	2,070,174	1,979,445	-	-	44,494,402	44,494,402
Total assets	\$ 49,214,806	\$ 63,944,014	\$ 31,975,663	\$ 9,686,043	\$ 2,070,182	\$ 4,062,297	\$ -	\$ 3,236,869	\$ 114,975,068	\$ 164,189,874
<u>LIABILITIES AND FUND BALANCES (DEFICIT)</u>										
Accrued payroll and other	\$ 2,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,000
Interfund payables	53,624,561	19,425,757	8,921,603	13,032	-	-	-	-	28,360,392	81,984,953
Total liabilities	53,626,561	19,425,757	8,921,603	13,032	-	-	-	-	28,360,392	81,986,953
Fund Balances (Deficit):										
Reserved for:										
Debt service	(4,411,755)	44,518,257	23,054,060	9,673,011	-	4,062,297	-	3,236,869	84,544,494	80,132,739
Related assets	-	-	-	-	2,070,182	-	-	-	2,070,182	2,070,182
Total fund balance (deficit)	(4,411,755)	44,518,257	23,054,060	9,673,011	2,070,182	4,062,297	-	3,236,869	86,614,676	82,202,921
Total liabilities and fund balances	\$ 49,214,806	\$ 63,944,014	\$ 31,975,663	\$ 9,686,043	\$ 2,070,182	\$ 4,062,297	\$ -	\$ 3,236,869	\$ 114,975,068	\$ 164,189,874

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, 2002

	Water System Revenue Bonds Series 2001A	Highway Limited Obligation Series 2001 (Unaudited)	Ltd. Obligation Infrastructure Improvement Bonds (Unaudited)	General Obligation Bond Series A 1993	General Obligation Bond Series A 1994	General Obligation Bond Series A 1995	Voluntary Service/Early Out Retirement Fund	Tobacco Settlement Asset-Backed Bonds Series 2001	Total Non-major Funds	Total
Revenues:										
Use of money and property	\$ 18,816	\$ 178,434	\$ 112,117	\$ 29,309	\$ -	\$ 22,832	\$ -	\$ -	\$ 342,692	\$ 361,508
Total revenues	18,816	178,434	112,117	29,309	-	22,832	-	-	342,692	361,508
Expenditures:										
Debt service:										
Principal retirement	27,550,000	-	3,720,000	5,150,000	-	14,295,000	2,500,000	-	25,665,000	53,215,000
Interest and fiscal charges	964,250	-	3,626,201	7,524,710	-	3,703,219	297,490	-	15,151,620	16,115,870
Total expenditures	28,514,250	-	7,346,201	12,674,710	-	17,998,219	2,797,490	-	40,816,620	69,330,870
Excess (deficiency) of revenues over (under) expenditures	(28,495,434)	178,434	(7,234,084)	(12,645,401)	-	(17,975,387)	(2,797,490)	-	(40,473,928)	(68,969,362)
Other financing sources (uses):										
Transfers in	33,382,741	13,785,560	15,006,274	12,798,431	-	17,998,311	-	-	59,588,576	92,971,317
Transfers out	(9,922,239)	-	-	-	-	-	-	-	-	(9,922,239)
Other uses	(25,565)	(44,886)	(6,643)	(19,750)	-	921	-	-	(70,358)	(95,923)
Equity transfers	-	-	-	-	-	-	2,797,490	-	2,797,490	2,797,490
Total other financing sources (uses), net	23,434,937	13,740,674	14,999,631	12,778,681	-	17,999,232	2,797,490	-	62,315,708	85,750,645
Excess (deficiency) of revenue and other financing sources over (under) expenditures and other financing uses	(5,060,497)	13,919,108	7,765,547	133,280	-	23,845	-	-	21,841,780	16,781,283
Fund balances at beginning of year	648,742	30,599,149	15,288,513	9,539,731	2,070,182	4,038,452	-	3,236,869	64,772,896	65,421,638
Fund balances (deficit) at end of year	\$ (4,411,755)	\$ 44,518,257	\$ 23,054,060	\$ 9,673,011	\$ 2,070,182	\$ 4,062,297	\$ -	\$ 3,236,869	\$ 86,614,676	\$ 82,202,921

See Accompanying Independent Auditors' Report.

GOVERNMENT OF GUAM

Other Fiduciary Fund Type - Expendable Trust Funds
Combining Balance Sheet
September 30, 2002

	<u>Superior Court Trust</u>	<u>Public Defender</u>	<u>Supreme Court</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 6,012,199	\$ 12,682	\$ 72,190	\$ 6,097,071
Receivables, net	<u>8,503,653</u>	<u>-</u>	<u>140</u>	<u>8,503,793</u>
Total assets	<u>\$ 14,515,852</u>	<u>\$ 12,682</u>	<u>\$ 72,330</u>	<u>\$ 14,600,864</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Accrued payroll and other	\$ 1,510,949	\$ 11,834	\$ 72,330	\$ 1,595,113
Deposits and other liabilities	<u>12,993,238</u>	<u>-</u>	<u>-</u>	<u>12,993,238</u>
Total liabilities	<u>14,504,187</u>	<u>11,834</u>	<u>72,330</u>	<u>14,588,351</u>
Fund equity:				
Unreserved	<u>11,665</u>	<u>848</u>	<u>-</u>	<u>12,513</u>
Total fund equity	<u>11,665</u>	<u>848</u>	<u>-</u>	<u>12,513</u>
Total liabilities and fund equity	<u>\$ 14,515,852</u>	<u>\$ 12,682</u>	<u>\$ 72,330</u>	<u>\$ 14,600,864</u>

See Accompanying Independent Auditors' Report.

GOVERNMENT OF GUAM

Other Fiduciary Fund Type - Expendable Trust Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Year Ended September 30, 2002

	<u>Superior Court Trust</u>	<u>Public Defender</u>	<u>Supreme Court</u>	<u>Total</u>
Revenues:				
Use of money and property	\$ 36,030	\$ -	\$ -	\$ 36,030
Total revenues	<u>36,030</u>	<u>-</u>	<u>-</u>	<u>36,030</u>
Expenditures:				
Individual and collective rights	<u>2,704,315</u>	<u>-</u>	<u>-</u>	<u>2,704,315</u>
Total expenditures	<u>2,704,315</u>	<u>-</u>	<u>-</u>	<u>2,704,315</u>
Deficiency of revenues under expenditures	<u>(2,668,285)</u>	<u>-</u>	<u>-</u>	<u>(2,668,285)</u>
Other financing sources:				
Transfers in	<u>2,665,477</u>	<u>-</u>	<u>-</u>	<u>2,665,477</u>
Total other financing sources, net	<u>2,665,477</u>	<u>-</u>	<u>-</u>	<u>2,665,477</u>
Deficiency of revenues and other financing sources under expenditures	(2,808)	-	-	(2,808)
Fund equity at beginning of year	<u>14,473</u>	<u>848</u>	<u>-</u>	<u>15,321</u>
Fund equity at end of year	<u>\$ 11,665</u>	<u>\$ 848</u>	<u>\$ -</u>	<u>\$ 12,513</u>

See Accompanying Independent Auditors' Report.

GOVERNMENT OF GUAM

Component Units
Combining Balance Sheet
September 30, 2002

(With Comparative Totals as of September 30, 2001)

<u>ASSETS</u>	Guam International Airport Authority	Guam Power Authority	Guam Economic Development Authority	Guam Waterworks Authority (Unaudited)	Guam Educational Telecommunications Corporation	Guam Housing and Urban Renewal Authority	Port Authority of Guam (Unaudited)	Total
Current assets:								
Cash and cash equivalents	\$ 1,524,333	\$ 17,095,476	\$ 145,288	\$ 2,438,223	\$ 734,987	\$ 2,576,969	\$ 2,193,425	\$ 26,708,701
Investments	-	-	58,079	-	-	2,583,493	-	2,641,572
Receivables, net	7,806,344	48,109,844	1,283,625	6,947,437	52,159	68,902,362	2,635,269	135,737,040
Due from primary government	-	-	387,470	-	-	-	-	387,470
Other receivables	-	-	-	-	-	-	768,634	768,634
Notes receivable	-	2,349,354	2,084	-	-	-	-	2,351,438
Inventories	108,998	30,545,418	51,088	1,431,442	-	132,477	-	32,269,423
Prepayments	10,052	1,381,764	42,385	-	-	643,092	-	2,077,293
Deposits and other assets	-	6,595,221	-	-	9,676	-	-	6,604,897
Restricted assets	7,190,688	58,039,307	-	245,390	-	428,751	-	65,904,136
Total current assets	16,640,415	164,116,384	1,970,019	11,062,492	796,822	75,267,144	5,597,328	275,450,604
Noncurrent assets:								
Investment	39,273,727	-	3,500	-	-	-	-	39,277,227
Accounts receivable	-	15,696,834	-	752,593	-	-	-	16,449,427
Notes receivable	-	21,624,028	35,152	-	-	-	-	21,659,180
Capital assets, net of accumulated depreciation	294,465,774	585,335,354	1,509,562	239,284,786	1,136,023	37,704,660	46,646,303	1,206,082,462
Restricted assets	40,094,355	-	-	-	-	-	-	40,094,355
Other assets	2,146,286	41,351,734	-	-	493,794	5,849,407	178,577	50,019,798
Total noncurrent assets	375,980,142	664,007,950	1,548,214	240,037,379	1,629,817	43,554,067	46,824,880	1,373,582,449
Total assets	\$ 392,620,557	\$ 828,124,334	\$ 3,518,233	\$ 251,099,871	\$ 2,426,639	\$ 118,821,211	\$ 52,422,208	\$ 1,649,033,053

See Accompanying Independent Auditors' Report.

GOVERNMENT OF GUAM

Component Units - Proprietary Funds
Combining Balance Sheet, Continued
September 30, 2002

(With Comparative Totals as of September 30, 2001)

<u>LIABILITIES AND NET ASSETS</u>	Guam International Airport Authority	Guam Power Authority	Guam Economic Development Authority	Guam Waterworks Authority (Unaudited)	Guam Educational Telecommunications Corporation	Guam Housing and Urban Renewal Authority	Port Authority of Guam (Unaudited)	Total
Current liabilities:								
Current portion of long-term debt	\$ 4,660,000	\$ 6,311,723	\$ 1,344,960	\$ 1,143,940	\$ -	\$ 35,000	\$ -	\$ 13,495,623
Current obligations under capital leases	-	3,465,091	-	-	-	-	-	3,465,091
Accounts payable	5,282,857	15,616,757	433,117	21,577,476	78,131	68,648,592	1,961,891	113,598,821
Accrued payroll and other	-	1,976,603	296,264	472,936	35,480	709,062	1,684,846	5,175,191
Due to primary government	-	-	241,673	-	-	-	-	241,673
Payable to federal agencies	-	-	-	70,250	-	-	-	70,250
Notes payable	-	22,912,000	-	-	-	-	-	22,912,000
Deferred revenue	1,305,997	16,352,493	229,790	317,000	47,628	506,530	-	18,759,438
Deposits and other liabilities	10,949,196	15,189,763	7,325	3,587,953	-	-	324,338	30,058,575
Total current liabilities	22,198,050	81,824,430	2,553,129	27,169,555	161,239	69,899,184	3,971,075	207,776,662
Long-term liabilities:								
Vacation leave accrual	527,846	1,712,969	-	1,385,352	63,994	-	694,598	4,384,759
Long-term portion of deferred income	10,000,000	-	-	-	-	-	-	10,000,000
Capital leases	-	157,423,446	-	-	-	-	-	157,423,446
Notes payable and bonds payable	210,672,681	399,953,266	1,024,655	9,484,129	-	1,623,994	-	622,758,725
Deposits	-	-	6,844	-	-	-	-	6,844
Other noncurrent liabilities	-	-	-	351,116	366,814	-	-	717,930
Accrued unfunded retirement liability	443,000	1,735,258	123,354	1,213,162	429,800	-	1,774,817	5,719,391
Total long-term liabilities	221,643,527	560,824,939	1,154,853	12,433,759	860,608	1,623,994	2,469,415	801,011,095
Total liabilities	243,841,577	642,649,369	3,707,982	39,603,314	1,021,847	71,523,178	6,440,490	1,008,787,757
Net Assets:								
Invested in capital assets, net of related debt	81,279,380	17,435,745	1,084,399	237,656,717	1,136,023	41,895,073	46,646,303	427,133,640
Restricted	37,384,033	75,880,134	648,114	245,390	-	220,830	-	114,378,501
Unrestricted (deficit)	30,115,567	92,159,086	(1,922,262)	(26,405,550)	268,769	5,182,130	(664,585)	98,733,155
Total net assets	148,778,980	185,474,965	(189,749)	211,496,557	1,404,792	47,298,033	45,981,718	640,245,296
Total liabilities and net assets	\$ 392,620,557	\$ 828,124,334	\$ 3,518,233	\$ 251,099,871	\$ 2,426,639	118,821,211	52,422,208	\$ 1,649,033,053

See Accompanying Independent Auditors' Report.

GOVERNMENT OF GUAM

Component Units - Proprietary Funds
 Combining Statement of Revenues, Expenses and Changes in Fund Equity
 Year Ended September 30, 2002
 (With Comparative Totals as of September 30, 2001)

	Guam International Airport Authority	Guam Power Authority	Guam Economic Development Authority	Guam Waterworks Authority (Unaudited)	Guam Educational Telecommunications Corporation	Guam Housing and Urban Renewal Authority	Port Authority of Guam (Unaudited)	Totals
Operating revenues:								
Charges for services	\$ 17,502,747	\$ 203,779,959	\$ -	\$ 38,888,507	-	-	18,961,055	\$ 279,132,268
Contributions	-	-	-	-	770,740	30,941,222	-	31,711,962
Licenses, fees and permits	18,026,295	-	482,607	-	60	-	-	18,508,962
Investment, earnings and interest	-	-	-	-	17,516	-	-	17,516
Rental charges	8,011,847	-	1,669,686	-	-	672,923	3,390,062	13,744,518
Other	412,848	1,091,002	-	150,710	-	2,990,410	304,855	4,949,825
Total operating revenues	43,953,737	204,870,961	2,152,293	39,039,217	788,316	34,604,555	22,655,972	348,065,051
Operating expenses:								
Production and operations	-	119,677,671	971,641	25,037,943	102,763	18,562,952	10,756,209	175,109,179
Depreciation and amortization	16,528,798	24,080,789	101,251	11,317,653	-	2,011,372	2,808,136	56,847,999
Maintenance	742,709	-	7,550	-	-	735,428	5,355,473	6,841,160
Beneficiary related	-	-	-	-	-	-	-	-
Bad debts	34,180	-	165,559	-	-	6,930	517,195	723,864
Stevedoring and related	-	-	-	-	-	-	2,381,839	2,381,839
General and administrative	27,810,653	24,990,950	1,351,833	16,282,777	1,463,387	4,457,671	4,469,864	80,827,135
Interest	-	-	-	-	-	35,576	-	35,576
Other	-	-	87,576	3,315,768	-	751,579	-	4,154,923
Total operating expenses	45,116,340	168,749,410	2,685,410	55,954,141	1,566,150	26,561,508	26,288,716	326,921,675
Operating income (loss)	(1,162,603)	36,121,551	(533,117)	(16,914,924)	(777,834)	8,043,047	(3,632,744)	21,143,376
Nonoperating revenues (expenses):								
Contribution from:								
General Fund	-	-	-	2,859,524	464,299	-	-	3,323,823
Federal agencies	-	-	-	1,347,096	-	-	-	1,347,096
In Aid of Construction	-	-	-	229,323	-	-	-	229,323
Other agencies	-	-	-	-	-	-	-	-
Extraordinary item	-	-	-	-	-	(6,613,447)	-	(6,613,447)
Other income (expenses), net	(11,301,110)	(39,673,113)	457,186	27,248	-	-	105,661	(50,384,128)
Total nonoperating revenues (expenses), net	(11,301,110)	(39,673,113)	457,186	4,463,191	464,299	(6,613,447)	105,661	(52,097,333)
Net income (loss) before capital contributions	(12,463,713)	(3,551,562)	(75,931)	(12,451,733)	(313,535)	1,429,600	(3,527,083)	(30,953,957)
Capital grants from the United States government	2,702,885	3,351,546	-	-	-	(165,100)	454,737	6,344,068
Increase (decrease) in net assets before cumulative effect of change in accounting principle	(9,760,828)	(200,016)	(75,931)	(12,451,733)	(313,535)	1,264,500	(3,072,346)	(24,609,889)
Cumulative effect of change in accounting principle	-	(6,812,724)	-	-	-	-	-	(6,812,724)
Increase (decrease) in net assets	(9,760,828)	(7,012,740)	(75,931)	(12,451,733)	(313,535)	1,264,500	(3,072,346)	(31,422,613)
Total net assets at beginning of year	158,539,808	192,487,705	(113,818)	223,948,290	1,718,327	46,033,533	49,054,064	671,667,909
Total net assets at end of year	\$ 148,778,980	\$ 185,474,965	\$ (189,749)	\$ 211,496,557	\$ 1,404,792	\$ 47,298,033	\$ 45,981,718	\$ 640,245,296

See Accompanying Independent Auditors' Report.