



Felix P. Camacho
Governor
Michael W. Cruz, M.D.
Lieutenant Governor

Department of Administration
(DIPATTAMENTON ATEMENSTRASION)
DIRECTOR'S OFFICE
(UFISINAN DIREKTOT)

Post Office Box 884 Hagatña, Guam 96932
Tel: (671) 475-1101/1250 Fax: (671) 477-6788



Lourdes M. Perez
Director
Joseph C. Manibusan
Deputy Director

April 9, 2009

The Honorable Judith T. Won Pat
Speaker, 30th Guam Legislature
155 Hesler Place
Hagatña, Guam 96910

RE: Audited Government of Guam Territorial Highway Fund for Fiscal Year Ended September 30, 2008

Dear Madam Speaker:

Hafa Adai! We are pleased to provide you the following reports:

- One (1) copy of the audited Government of Guam Territorial Highway Fund Financial Statements and Additional Information and Independent Auditors' Report; and
- One (1) copy of the Independent Auditor's Report on Compliance and on Internal Control.

These reports can also be viewed in its entirety at www.doa.guam.gov.

Should you have any questions relating to this matter, please contact our office at (671) 475-1101.

Si Yu'os Ma'ase!

Sincerely,

Lourdes M. Perez
LOURDES M. PEREZ
Director of Administration

30-69-0454
Office of the Speaker
Judith T. Won Pat, Ed. D.
Date 4/14/09
Time _____
Received by [Signature]

2009 APR 15 PM 4:13

Enclosures

**GOVERNMENT OF GUAM
TERRITORIAL HIGHWAY FUND
(A GOVERNMENTAL FUND OF THE
GOVERNMENT OF GUAM)**

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

YEAR ENDED SEPTEMBER 30, 2008

INDEPENDENT AUDITORS' REPORT

Honorable Felix P. Camacho
Governor of Guam:

We have audited the accompanying financial statements of the Territorial Highway Fund (THF) and of those funds related to the Government of Guam Limited Obligation Highway Refunding Bonds, 2001 Series A, as of and for the year ended September 30, 2008. These financial statements are the responsibility of the Government of Guam's management. Our responsibility is to express an opinion on these financial statements based on our audit.

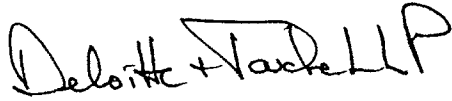
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

As discussed in Note 1, the financial statements present only the Territorial Highway Fund and those funds related to the Government of Guam Limited Obligation Highway Refunding Bonds, 2001 Series A. They are not intended to present the financial position and results of operations of the Government of Guam in conformity with accounting principles generally accepted in the United States of America.

In our opinion, such financial statements present fairly, in all material respects, the respective financial position of the Territorial Highway Fund and those funds related to the Government of Guam Limited Obligation Highway Refunding Bonds, 2001 Series A, as of September 30, 2008, and the results of their operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional supplementary information on pages 15 to 22 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This additional information is the responsibility of the Government of Guam's management. Such additional information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2009, on our consideration of the THF's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



March 27, 2009

**GOVERNMENT OF GUAM
TERRITORIAL HIGHWAY FUND**

Balance Sheet
September 30, 2008

	Territorial Highway Fund	Capital Projects Fund	Debt Service Fund	Total
<u>ASSETS</u>				
Cash and cash equivalents	\$ 2,678	\$ -	\$ 2,393,004	\$ 2,395,682
Restricted assets:				
Cash and cash equivalents	-	6,241,459	532,047	6,773,506
Investments	-	-	7,139,906	7,139,906
Taxes receivable	779,244	-	-	779,244
Due from General Fund	83,392	-	-	83,392
Total assets	<u>\$ 865,314</u>	<u>\$ 6,241,459</u>	<u>\$ 10,064,957</u>	<u>\$ 17,171,730</u>
<u>LIABILITIES</u>				
Accounts payable	\$ -	\$ 1,135,125	\$ -	\$ 1,135,125
Accrued payroll and other	284,564	-	-	284,564
Total liabilities	<u>284,564</u>	<u>1,135,125</u>	<u>-</u>	<u>1,419,689</u>
Commitments				
<u>FUND BALANCES</u>				
Fund balances:				
Reserved for:				
Related assets	83,392	-	-	83,392
Continuing appropriations	-	2,607,993	-	2,607,993
Debt service	-	-	7,671,953	7,671,953
Encumbrances	278,368	244,693	-	523,061
Unreserved	218,990	2,253,648	2,393,004	4,865,642
Total fund balances	<u>580,750</u>	<u>5,106,334</u>	<u>10,064,957</u>	<u>15,752,041</u>
Total liabilities and fund balances	<u>\$ 865,314</u>	<u>\$ 6,241,459</u>	<u>\$ 10,064,957</u>	<u>\$ 17,171,730</u>

See accompanying notes to financial statements.

**GOVERNMENT OF GUAM
TERRITORIAL HIGHWAY FUND**

Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)
Year Ended September 30, 2008

	Territorial Highway Fund	Capital Projects Fund	Debt Service Fund	Total
Revenues:				
Taxes	\$ 9,766,312	\$ -	\$ -	\$ 9,766,312
Licenses, fees and permits	8,841,292	-	-	8,841,292
Use of money and property	700	127,930	76,801	205,431
Total revenues	18,608,304	127,930	76,801	18,813,035
Expenditures:				
Current:				
General government	2,842,542	6,540	-	2,849,082
Transportation	6,271,999	-	-	6,271,999
Payments to UOG Capital Improvement Fund	1,000,000	-	-	1,000,000
Payments to Village Streets Fund	-	-	879,786	879,786
Payments to Public Transit Fund	336,942	-	-	336,942
Capital projects	-	1,360,820	-	1,360,820
Debt service:				
Principal	-	-	4,850,000	4,850,000
Interest	-	-	1,180,463	1,180,463
Total expenditures	10,451,483	1,367,360	6,910,249	18,729,092
Excess (deficiency) of revenues over (under) expenditures	8,156,821	(1,239,430)	(6,833,448)	83,943
Other financing sources (uses):				
Transfers in from other funds	3,070,392	-	-	3,070,392
Operating transfers in	-	5,770	7,683,290	7,689,060
Operating transfers out	(7,689,060)	-	-	(7,689,060)
Total other financing sources (uses), net	(4,618,668)	5,770	7,683,290	3,070,392
Net change in fund balances (deficits)	3,538,153	(1,233,660)	849,842	3,154,335
Fund balances (deficits) at the beginning of the year	(2,957,403)	6,339,994	9,215,115	12,597,706
Fund balances at the end of the year	\$ 580,750	\$ 5,106,334	\$ 10,064,957	\$ 15,752,041

See accompanying notes to financial statements.

**GOVERNMENT OF GUAM
TERRITORIAL HIGHWAY FUND**

Notes to Financial Statements
September 30, 2008

(1) Summary of Significant Accounting Policies

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the Territorial Highway Fund.

A. Reporting Entity

The Government of Guam (GovGuam) Territorial Highway Fund, created by 5 GCA 54102, was established for the purpose of performing maintenance of Guam's highways and roadways, and implementing highway safety plans, programs and projects. Revenues are derived from Federal grants, liquid fuel taxes, vehicle registration fees and certain licenses. On April 1, 2001, Limited Obligation Highway Refunding Bonds, 2001 Series A, were issued to refund Limited Obligation Highway Bonds, 1992 Series A, which were issued on June 1, 1992. The Capital Projects Fund is used to account for the construction of highway projects from bond proceeds. The Debt Service Fund is used to account for funds required by the bond indenture to redeem bond principal and to pay bond interest as such becomes due.

B. Fund Accounting

The accompanying financial statements present a balance sheet and a statement of revenues, expenditures, and changes in fund balances (deficit). The assets, liabilities and fund balances (deficit) of the Territorial Highway Fund and funds related to the Limited Obligation Highway Refunding Bonds, 2001 Series A, are reported in self-balancing funds. Transactions between funds, if any, have not been eliminated.

C. Measurement Focus and Basis of Accounting

The accompanying 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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are considered available if they are collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include liquid fuel taxes and automotive surcharges. Miscellaneous revenues from other financing sources, including motor vehicle license and registration fees, are recognized when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures generally are recorded in the period in which the related fund liability is incurred, as under accrual accounting, with the exception of debt service expenditures, which are recorded only when payment is due. Tax rates levied and fees imposed are as follows:

Liquid Fuel Taxes:

Aviation Fuel Tax	\$ 0.04 per gallon
Diesel Fuel Tax	\$ 0.10 per gallon
All Other Fuel Tax	\$ 0.11 per gallon

**GOVERNMENT OF GUAM
TERRITORIAL HIGHWAY FUND**

Notes to Financial Statements
September 30, 2008

(1) Summary of Significant Accounting Policies, Continued

C. Measurement Focus and Basis of Accounting, Continued

Automotive Surcharges:

Mass Transit Automotive Surcharge (Diesel Fuel)	\$ 0.04 per gallon
Automotive Surcharge (all other fuel except fuel used for aviation)	\$ 0.04 per gallon

Motor Vehicle Registration Fees/Driver's Licenses:

Taxi Drivers - Identification Card	\$ 25.00
Endorsement	<u>3.50</u>

Total for Taxi Drivers	\$ <u>28.50</u>
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Driver's License (and all others)	\$ <u>25.00</u>
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The amount of the annual license and registration fee shall be determined based on vehicle gross weight with fees ranging from \$10 to \$38 for vehicles weighing under 1,000 pounds to 8,000 pounds and over plus three dollars and fifty cents (\$3.50) for each 500 pounds or fraction thereof in excess of 7,999 pounds. Additionally, fees are subject to percentage adjustments based on vehicle model year with respect to vehicles whose gross weight is not in excess of 7,999 pounds, as follows:

<u>Model Year</u>	<u>Percent of Fees</u>
1949 and earlier	50%
1950 through 1953	75%
1954 and subsequent	100%

Vehicles having a gross weight of one hundred forty thousand (140,000) pounds or more, and which are used temporarily or intermittently, may be issued a permit, in lieu of the annual license and registration, for a period not to exceed thirty (30) consecutive days. The fee for each thirty (30) consecutive day period or any fraction thereof shall be One Hundred Dollars (\$100.00).

In lieu of all other license and registration fees, implements of husbandry and road building and construction equipment other than motor trucks, trailers, semi-trailers and pole or pipe dollies, operated on highways only in moving from one site to another, shall be subject to annual registration. The fee for such registration shall be Three Dollars and Fifty Cents (\$3.50) for each one thousand pounds of gross weight of said vehicles.

D. Appropriations

The Attorney General of Guam has opined that legislative appropriations sufficient to cover debt service and operating and maintenance costs are consciously provided for under Public Law 18-2 and Resolution 75, adopted on April 23, 1985.

**GOVERNMENT OF GUAM
TERRITORIAL HIGHWAY FUND**

Notes to Financial Statements
September 30, 2008

(1) Summary of Significant Accounting Policies, Continued

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.

Encumbrances are commitments related to unperformed (executory) contracts for goods or services and are generally evidenced by outstanding purchase orders, contracts, and intradepartmental work requests. As of September 30, 2008, there were no outstanding interdepartmental work requests pertaining to land acquisitions. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Unencumbered appropriations normally lapse at the end of each fiscal year unless they are designated by the Legislature as representing continuing appropriations.

F. Cash and Cash Equivalents

Cash and cash equivalents include short-term investments in U.S. Treasury obligations and commercial paper with maturity dates within three months of the date acquired.

G. Investments

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

H. Receivables

Receivables are due from businesses residing on the island of Guam and are uncollateralized and non-interest bearing.

I. Interfund Receivables/Payables

During the course of its operations, GovGuam's General Fund records transactions between individual funds for goods provided or services rendered.

These balances result from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made, and are scheduled to be collected in the subsequent year.

**GOVERNMENT OF GUAM
TERRITORIAL HIGHWAY FUND**

Notes to Financial Statements
September 30, 2008

(1) Summary of Significant Accounting Policies, Continued

I. Interfund Receivables/Payables, Continued

The interfund balances at September 30, 2008, are summarized below:

	<u>Territorial Highway Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>
Due from General Fund	\$ <u>83,392</u>	\$ <u>-</u>	\$ <u>-</u>

On October 31, 2006, Public Law 28-151 was signed into law, which appropriated \$4,000,000 from the Construction Fund. On November 2, 2006, \$4,000,000 was transferred to GovGuam's General Fund pursuant to the Public Law. On December 4, 2007, an agreement was entered into for repayment of the \$4,000,000 to the Construction Fund pursuant to the bond indentures. The repayment agreement establishes that GovGuam's General Fund will pay \$500,000 monthly to the Construction Fund until May 2008 at which time all funds shall have been repaid to the Construction Fund. As of September 30, 2008, the amount was paid in full.

J. Restricted Assets

The bond indenture relating to the Limited Obligation Highway Refunding Bonds, 2001 Series A, requires amounts to be restricted for capital projects and set aside for debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets.

K. Fund Balance

In the accompanying financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose, which includes continuing appropriations, amounts reserved for debt service, and amounts committed to liquidate contracts and purchase orders of the prior period. Designations of fund balance represent tentative management plans that are subject to change. The unreserved fund balances represent the amount available for future operations.

L. Management 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 the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) Deposits and Investments

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

**GOVERNMENT OF GUAM
TERRITORIAL HIGHWAY FUND**

Notes to Financial Statements
September 30, 2008

(2) Deposits and Investments, Continued

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

A. Deposits

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

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

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

As of September 30, 2008, the carrying amount of cash and cash equivalents was \$9,169,188 and the corresponding bank balances were \$9,169,188, which represent short-term investments held and administered by GovGuam's trustees in accordance with various trust agreements and bond indentures. Based on negotiated trust and custody contracts, all of these investments were held in GovGuam's name by GovGuam's custodial financial institutions at September 30, 2008.

B. Investments

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

**GOVERNMENT OF GUAM
TERRITORIAL HIGHWAY FUND**

Notes to Financial Statements
September 30, 2008

(2) Deposits and Investments, Continued

B. Investments, Continued

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

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

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, GovGuam will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. GovGuam's investments are held and administered by trustees. Based on negotiated trust and custody contracts, all of these investments were held in GovGuam's name by GovGuam's custodial financial institutions at September 30, 2008.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Bond indentures limit investments in commercial paper rated in the highest rating category issued by Standard and Poor's and which mature no more than 270 days after the date of purchase.

At September 30, 2008, the Debt Service Fund relating to the Limited Obligation Highway Refunding Bonds, 2001 Series A, recorded fixed income securities as follows:

	<u>S & P Credit Rating</u>	<u>Maturity Date</u>	<u>Total</u>
U.S. government agencies:			
Federal National Mortgage Association	AAA	10/29/2008	\$ 4,398,240
Federal Home Loan Mortgage Corporation	AAA	10/30/2008	365,854
Federal Home Loan Mortgage Corporation	AAA	11/03/2008	347,374
Federal Home Loan Mortgage Corporation	AAA	04/27/2009	16,706
Corporate notes:			
UBS Finance (Delaware) LLC	A1	11/03/2008	767,290
UBS Finance (Delaware) LLC	A1	12/11/2008	416,686
Citigroup Funding, Inc.	A1	11/12/2008	418,118
General Electric Capital Corporation	AAA	05//01/2009	<u>409,638</u>
			<u>\$ 7,139,906</u>

**GOVERNMENT OF GUAM
TERRITORIAL HIGHWAY FUND**

Notes to Financial Statements
September 30, 2008

(2) Deposits and Investments, Continued

B. Investments, Continued

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. There was no interest rate risk for investments as of September 30, 2008. GovGuam does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

(3) Interfund Transfer Activity

Interfund transfers from the Territorial Highway Fund to the Debt Service Fund represent the transfer of pledged revenues as required by the bond indenture. Interfund transfer activity during the year ended September 30, 2008, is summarized below:

	<u>Territorial Highway Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>
Transfers Out To:			
Capital Projects Fund	\$ 5,770	\$ -	\$ -
Debt Service Fund	<u>7,683,290</u>	<u>-</u>	<u>-</u>
	<u>\$ 7,689,060</u>	<u>\$ -</u>	<u>\$ -</u>
Transfers In From:			
Territorial Highway Fund	<u>\$ -</u>	<u>\$ 5,770</u>	<u>\$ 7,683,290</u>

In addition, the Territorial Highway Fund recorded a transfer in from GovGuam's General Fund of \$3,070,392, which represents liquidation of a liability to the Guam Power Authority by GovGuam's General Fund.

(4) Bonds Payable

Defeased Debt of the Government of Guam Limited Obligation Highway Bonds, 1992 Series A

On April 1, 2001, the Limited Obligation Highway Refunding Bonds, 2001 Series A (2001 Bonds) were issued to refund the Limited Obligation Highway Bonds, 1992 Series A (1992 Bonds), which were issued on June 1, 1992. The 1992 Bonds mature annually on May 1, 1994 through May 1, 2003, with a term bond maturity on May 1, 2012. Interest on the 1992 Bonds was payable semiannually on May 1 and November 1 of each year. The advance refunding met the requirements of an in-substance defeasance and the 1992 Bonds were removed from GovGuam's General Long-Term Debt Account Group. The advance refunding resulted in an economic gain (difference between the present value of the debt service payments of the old and new debt) of \$1,878,801 and a total reduction in the debt service by \$4,359,985.

The Limited Obligation Highway Refunding Bonds, 2001 Series A (2001 Bonds) are serial bonds, dated April 1, 2001 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 GovGuam, from any source of available funds, on any date on or after May 1, 2011.

**GOVERNMENT OF GUAM
TERRITORIAL HIGHWAY FUND**

Notes to Financial Statements
September 30, 2008

(4) Bonds Payable, Continued

Defeased Debt of the Government of Guam Limited Obligation Highway Bonds, 1992 Series A, Continued

Minimum future debt service payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 5,050,000	\$ 980,400	\$ 6,030,400
2010	5,260,000	765,775	6,025,775
2011	5,485,000	542,225	6,027,225
2012	<u>5,765,000</u>	<u>259,425</u>	<u>6,024,425</u>
	<u>\$ 21,560,000</u>	<u>\$ 2,547,825</u>	<u>\$ 24,107,825</u>

The 2001 Bonds are limited obligations of GovGuam payable entirely from a first lien pledge of revenues. Revenues are defined in the bond indentures as all amounts received by GovGuam, the Trustee, the Paying Agent, the Co-Trustee or the Depository as proceeds of liquid fuel taxes or as vehicle registration and license fees, all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to the indenture. Proceeds from the 2001 Bonds totaled \$60,102,919 and were used in the following manner: \$53,147,332 was deposited into the Escrow account; \$5,170,500 was deposited in the Bond Reserve Fund account which is accounted for in the Debt Service Fund; accrued interest of \$144,157 was deposited in the Bond Fund account. Bond issuance costs and other related expenditures totaling \$1,640,930 were paid to the respective recipients.

In accordance with the bond indentures, the depository has established trust accounts as follows:

- Construction Fund – amounts deposited therein are used for (1) the purpose of implementing capital improvement highway projects pursuant to Public Law 21-110 signed by the Governor on June 1, 1992, (2) the payment of principal of and interest on the bonds. The Construction Fund account is accounted for within the Capital Projects Fund.
- Costs of Issuance Fund – amounts deposited therein are used for the payment of costs of issuance of the series of bonds. The Cost of Issuance Fund account is accounted for within the Debt Service Fund.

All pledged revenues are to be deposited into a special fund designated as the Revenue Fund, except that all interest and other profit from the investment of moneys in the Construction Fund and the Rebate Fund shall be retained therein. The Revenue Fund account is accounted for within the Debt Service Fund. On or before the fifth day of each month following the month in which the 2001 Bonds are delivered, the depository shall transfer from the Revenue Fund for deposit into the following funds the specified amounts in the following order of priority:

**GOVERNMENT OF GUAM
TERRITORIAL HIGHWAY FUND**

Notes to Financial Statements
September 30, 2008

(4) Bonds Payable, Continued

Defeased Debt of the Government of Guam Limited Obligation Highway Bonds, 1992 Series A, Continued

- Bond Fund – an amount equal to the sum of (1) the aggregate amount of interest to accrue during each interest accrual period and principal payment period upon all then outstanding bonds in equal monthly amounts, 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 bonds, 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 required for the mandatory sinking fund payments due. The Bond Fund account is accounted for within the Debt Service Fund.
- Bond Reserve Fund – an amount needed to increase the amount in the Bond Reserve Fund to meet the bond reserve fund requirement. The bond reserve fund requirement is defined as an amount to make up for any deficiency in the Bond Fund. The deficiency in the Bond Fund represents insufficiency of funds to pay the principal of the mandatory sinking account payments and interest on the bonds. The Bond Reserve Fund account is accounted for within the Debt Service Fund.
- Maintenance and Operation Fund – the amount of maintenance and operations expenditures budgeted by GovGuam to be paid during the next succeeding calendar month. Amounts in the Maintenance and Operation Fund are to be used for the purpose of paying GovGuam highway maintenance and operation costs. The Maintenance and Operation Fund account is accounted for within the Debt Service Fund.
- Surplus Fund – the balance remaining in the Revenue Fund after the foregoing deposits. Amounts in the Surplus Fund are to be used for the purpose of paying other costs and expenditures budgeted by GovGuam. The Surplus Fund account is accounted for within the Debt Service Fund.

During the year ended September 30, 2008, payments were made to the trustee, totaling \$6,030,463, of which \$4,850,000 represents payment on principal and \$1,180,463 as interest:

Bonds payable at September 30, 2007	\$ 26,410,000
Principal repayment	<u>4,850,000</u>
Bonds payable at September 30, 2008	\$ <u>21,560,000</u>

Tax revenues and vehicle registration/license fees of the Territorial Highway Fund have been pledged to repay 2001 Series A bond principal and interest. Total debt service for the 2001 Series A bond for the year ended September 30, 2008 amounted to \$6,030,463, which represents 32.4% of 2008 tax revenues and vehicle registration/license fees collected.

At September 30, 2008, \$7,671,953 of the fund balance in the Debt Service Fund is reserved for debt service purposes.

At September 30, 2008, management of the Funds is of the opinion that it is in compliance with the bond covenants as outlined in the bond indenture.

**GOVERNMENT OF GUAM
TERRITORIAL HIGHWAY FUND**

Notes to Financial Statements
September 30, 2008

(5) Due to Guam Power Authority (GPA)

At September 30, 2002, utility charges, totaling \$9,249,423, were accrued, representing an obligation of the Territorial Highway Fund for electrical services provided by GPA pertaining to certain streetlights. A formal repayment agreement existed bearing interest at 4.35%; however, repayment was not initiated and no appropriation existed to allow payment to be processed. As of September 30, 2006, management recorded this balance along with accrued interest of \$1,661,368. During the year ended September 30, 2008, GovGuam's General Fund liquidated this liability, which resulted in recording of a transfer in from GovGuam's General Fund.

(6) Payments to Other Funds

Public Law 26-48 authorizes reimbursement to the University of Guam (UOG) for debt service on a U.S. Department of Agriculture (USDA) loan obtained for construction of the College of Business and Public Administration building. During the year ended September 30, 2008, \$1,000,000 was transferred to the UOG Capital Improvements Fund for payment to UOG. Under Public Law 26-48, \$500,000 is appropriated annually to UOG until such time that the USDA loan is repaid in full. During the year ended September 30, 2008, \$879,786 was transferred to the Village Streets Fund in accordance with Public Law 23-128, as amended by Public Law 28-68.

(7) Commitments

Construction Contracts

During the year ended September 30, 2006, the Capital Projects Fund entered into various construction contracts as follows:

Islandwide Village Street Restoration (Design-Build)	\$ 17,823,299
Islandwide Pothole Repairs - Southern Region	1,743,910
Islandwide Pothole Repairs - Northern Region	<u>3,605,291</u>
	\$ <u>23,172,500</u>

Capital-related expenditures of \$1,360,820 were incurred under these contracts during the year ended September 30, 2008. At September 30, 2008, outstanding commitments under these contracts amounted to \$2,607,993.

**GOVERNMENT OF GUAM
TERRITORIAL HIGHWAY FUND**

Comparative Balance Sheets
September 30, 2008 and 2007

	Territorial Highway Fund		Capital Projects Fund		Debt Service Fund	
	2008	2007	2008	2007	2008	2007
ASSETS						
Cash and cash equivalents	\$ 2,678	\$ 3,343	\$ -	\$ -	\$ 2,393,004	\$ 1,553,455
Restricted assets:						
Cash and cash equivalents	-	-	6,241,459	2,681,109	532,047	1,058,298
Investments	-	-	-	-	7,139,906	6,603,362
Taxes receivable	779,244	779,244	-	-	-	-
Due from General Fund	83,392	-	-	4,000,000	-	-
Total assets	<u>\$ 865,314</u>	<u>\$ 782,587</u>	<u>\$ 6,241,459</u>	<u>\$ 6,681,109</u>	<u>\$ 10,064,957</u>	<u>\$ 9,215,115</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ 1,135,125	\$ 341,115	\$ -	\$ -
Accrued payroll and other	284,564	278,408	-	-	-	-
Due to Guam Power Authority	-	3,070,392	-	-	-	-
Tax drawback claims payable	-	391,190	-	-	-	-
Total liabilities	<u>284,564</u>	<u>3,739,990</u>	<u>1,135,125</u>	<u>341,115</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)						
Fund balances (deficits):						
Reserved for:						
Related assets	83,392	-	-	-	-	-
Continuing appropriations	-	500,000	2,607,993	2,266,410	-	-
Debt service	-	-	-	-	7,671,953	7,661,660
Encumbrances	278,368	296,732	244,693	1,968,695	-	-
Unreserved fund balances (deficits)	218,990	(3,754,135)	2,253,648	2,104,889	2,393,004	1,553,455
Total fund balances (deficits)	<u>580,750</u>	<u>(2,957,403)</u>	<u>5,106,334</u>	<u>6,339,994</u>	<u>10,064,957</u>	<u>9,215,115</u>
Total liabilities and fund balances (deficits)	<u>\$ 865,314</u>	<u>\$ 782,587</u>	<u>\$ 6,241,459</u>	<u>\$ 6,681,109</u>	<u>\$ 10,064,957</u>	<u>\$ 9,215,115</u>

See accompanying independent auditors' report.

**GOVERNMENT OF GUAM
TERRITORIAL HIGHWAY FUND**

Comparative Schedules of Revenues, Expenditures by Function, and Changes in Fund Balances (Deficits)
Years Ended September 30, 2008 and 2007

	Territorial Highway Fund		Capital Projects Fund		Debt Service Fund	
	2008	2007	2008	2007	2008	2007
Revenues:						
Taxes	\$ 9,766,312	\$ 10,022,114	\$ -	\$ -	\$ -	\$ -
Licenses, fees and permits	8,841,292	5,793,675	-	-	-	-
Use of money and property	700	3,669	127,930	419,559	76,801	98,686
Total revenues	<u>18,608,304</u>	<u>15,819,458</u>	<u>127,930</u>	<u>419,559</u>	<u>76,801</u>	<u>98,686</u>
Expenditures:						
Current:						
General government	2,842,542	182,816	6,540	2,750	-	5,000
Transportation	6,271,999	9,455,041	-	-	-	-
Payments to UOG Capital Improvement Fund	1,000,000	500,000	-	-	-	-
Payments to Village Streets Fund	-	-	-	-	879,786	292,500
Payments to Public Transit Fund	336,942	-	-	-	-	-
Capital projects	-	-	1,360,820	7,842,275	-	-
Debt service:						
Principal	-	-	-	-	4,850,000	4,660,000
Interest	-	-	-	-	1,180,463	1,366,863
Total expenditures	<u>10,451,483</u>	<u>10,137,857</u>	<u>1,367,360</u>	<u>7,845,025</u>	<u>6,910,249</u>	<u>6,324,363</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,156,821</u>	<u>5,681,601</u>	<u>(1,239,430)</u>	<u>(7,425,466)</u>	<u>(6,833,448)</u>	<u>(6,225,677)</u>
Other financing sources (uses)						
Transfers in from other funds	3,070,392	11,064,775	-	-	-	-
Operating transfers in	-	-	5,770	-	7,683,290	6,545,982
Operating transfers out	(7,689,060)	(6,545,982)	-	-	-	-
Total other financing sources (uses), net	<u>(4,618,668)</u>	<u>4,518,793</u>	<u>5,770</u>	<u>-</u>	<u>7,683,290</u>	<u>6,545,982</u>
Net change in fund balances (deficits)	<u>3,538,153</u>	<u>10,200,394</u>	<u>(1,233,660)</u>	<u>(7,425,466)</u>	<u>849,842</u>	<u>320,305</u>
Fund balances (deficits) at the beginning of the year	<u>(2,957,403)</u>	<u>(13,157,797)</u>	<u>6,339,994</u>	<u>13,765,460</u>	<u>9,215,115</u>	<u>8,894,810</u>
Fund balances (deficits) at the end of the year	<u>\$ 580,750</u>	<u>\$ (2,957,403)</u>	<u>\$ 5,106,334</u>	<u>\$ 6,339,994</u>	<u>\$ 10,064,957</u>	<u>\$ 9,215,115</u>

See accompanying independent auditors' report.

**GOVERNMENT OF GUAM
TERRITORIAL HIGHWAY FUND**

Comparative Schedules of Revenues, Expenditures by Object, and Changes in Fund Balances (Deficits)
Years Ended September 30, 2008 and 2007

	Territorial Highway Fund		Capital Projects Fund		Debt Service Fund	
	2008	2007	2008	2007	2008	2007
Revenues:						
Taxes	\$ 9,766,312	\$ 10,022,114	\$ -	\$ -	\$ -	\$ -
Licenses, fees and permits	8,841,292	5,793,675	-	-	-	-
Use of money and property	700	3,669	127,930	419,559	76,801	98,686
Total revenues	<u>18,608,304</u>	<u>15,819,458</u>	<u>127,930</u>	<u>419,559</u>	<u>76,801</u>	<u>98,686</u>
Expenditures:						
Salaries and wages - regular	4,488,177	4,652,891	-	-	-	-
Salaries and wages - overtime	2,761	36,139	-	-	-	-
Salaries and wages - fringe benefits	1,312,939	1,369,364	-	-	-	-
Travel	2,971	1,104	-	-	-	-
Contractual services	2,548,489	2,877,360	-	-	-	-
Supplies	373,174	273,302	-	-	-	-
Equipment	14,414	15,095	-	-	-	-
Utilities - power and water	360,578	188,309	-	-	-	-
Communications	-	45,708	-	-	-	-
Capital outlays	-	47,499	1,360,820	7,842,275	-	-
Grants and subsidies	1,336,942	500,000	-	-	879,786	292,500
Principal retirement	-	-	-	-	4,850,000	4,660,000
Interest and fiscal charges	-	-	-	-	1,180,463	1,366,863
Miscellaneous	11,038	131,086	6,540	2,750	-	5,000
Total expenditures	<u>10,451,483</u>	<u>10,137,857</u>	<u>1,367,360</u>	<u>7,845,025</u>	<u>6,910,249</u>	<u>6,324,363</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,156,821</u>	<u>5,681,601</u>	<u>(1,239,430)</u>	<u>(7,425,466)</u>	<u>(6,833,448)</u>	<u>(6,225,677)</u>
Other financing sources (uses)						
Transfers in from other funds	3,070,392	11,064,775	-	-	-	-
Operating transfers in	-	-	5,770	-	7,683,290	6,545,982
Operating transfers out	(7,689,060)	(6,545,982)	-	-	-	-
Total other financing sources (uses), net	<u>(4,618,668)</u>	<u>4,518,793</u>	<u>5,770</u>	<u>-</u>	<u>7,683,290</u>	<u>6,545,982</u>
Net change in fund balances (deficits)	<u>3,538,153</u>	<u>10,200,394</u>	<u>(1,233,660)</u>	<u>(7,425,466)</u>	<u>849,842</u>	<u>320,305</u>
Fund balances (deficits) at the beginning of the year	<u>(2,957,403)</u>	<u>(13,157,797)</u>	<u>6,339,994</u>	<u>13,765,460</u>	<u>9,215,115</u>	<u>8,894,810</u>
Fund balances (deficits) at the end of the year	<u>\$ 580,750</u>	<u>\$ (2,957,403)</u>	<u>\$ 5,106,334</u>	<u>\$ 6,339,994</u>	<u>\$ 10,064,957</u>	<u>\$ 9,215,115</u>

See accompanying independent auditors' report.

**GOVERNMENT OF GUAM
TERRITORIAL HIGHWAY FUND**

Schedule of Expenditures by Department by Object
Years Ended September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Department of Administration:		
Division of Accounts:		
Contractual services	\$ 18,000	\$ 18,750
Grants and subsidies	1,000,000	500,000
Principal retirement	4,850,000	4,660,000
Interest and fiscal charges	1,180,463	1,366,863
Miscellaneous	10,040	138,788
	<u>7,058,503</u>	<u>6,684,401</u>
Public Transit:		
Salaries and wages - regular	137,483	173,196
Salaries and wages - fringe benefits	43,036	54,252
Travel	2,971	1,104
Contractual services	2,212,273	2,248,426
Supplies	-	1,080
Utilities - power and water	272	232
Communications	-	4,408
Capital outlays	-	22,499
Grants and subsidies	336,942	-
	<u>2,732,977</u>	<u>2,505,197</u>
Total Department of Administration	<u>9,791,480</u>	<u>9,189,598</u>
Department of Revenue and Taxation:		
Regulatory Division:		
Contractual Services	-	3,801
Supplies	-	2,320
Total Department of Revenue and Taxation	<u>-</u>	<u>6,121</u>
Department of Public Works:		
CIP Administration/Operations:		
Salaries and wages - regular	1,123,833	-
Salaries and wages - overtime	29	-
Salaries and wages - fringe benefits	334,715	-
Contractual services	38,702	-
Supplies	14,236	-
	<u>1,511,515</u>	<u>-</u>
Building Maintenance:		
Salaries and wages - regular	975,900	-
Salaries and wages - overtime	1,150	-
Salaries and wages - fringe benefits	267,360	-
Contractual services	2,575	-
Supplies	21,991	-
Equipment	14,414	-
	<u>1,283,390</u>	<u>-</u>
Highway Maintenance Division:		
Salaries and wages - regular	2,230,225	4,479,695
Salaries and wages - overtime	1,582	36,139
Salaries and wages - fringe benefits	662,425	1,315,112
Contractual services	276,938	606,383
Supplies	336,948	269,902
Equipment	-	15,095
Utilities - power and water	360,306	188,077
Communications	-	41,300
Capital outlays	-	25,000
Miscellaneous	7,539	48
	<u>3,875,963</u>	<u>6,976,751</u>
Transportation Division:		
Capital outlays	1,360,820	7,842,275
Total Department of Public Works	<u>8,031,688</u>	<u>14,819,026</u>
Department of Land Management		
Operations:		
Salaries and wages - regular	5,403	-
Salaries and wages - fringe benefits	20,735	-
	<u>26,138</u>	<u>-</u>
Mayor's Council of Guam:		
Operations:		
Grants and subsidies	879,786	292,500
	<u>879,786</u>	<u>292,500</u>
	<u>\$ 18,729,092</u>	<u>\$ 24,307,245</u>

See accompanying independent auditors' report.

**GOVERNMENT OF GUAM
TERRITORIAL HIGHWAY FUND**

Other Supplementary Information
Years Ended September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Employees at end of year:		
Department of Administration	4	5
Department of Public Works	<u>113</u>	<u>113</u>
	<u>117</u>	<u>118</u>
Debt Service Fund Cash and Investments:		
Highway Bond Fund	\$ 2,505,923	\$ 2,513,753
Highway Bond Reserve Fund	5,166,030	5,147,907
Operations and Maintenance Fund	636,799	643,309
Surplus Fund	350,437	899,895
Revenue Fund	1,403,841	8,318
Cost of issuance fund	<u>1,927</u>	<u>1,933</u>
	<u>\$ 10,064,957</u>	<u>\$ 9,215,115</u>
Bond Interest Rates at Maturity Dates:	<u>2001 Bonds</u>	<u>2001 Bonds</u>
May 2009	4.250%	4.250%
2010	4.250%	4.250%
2011	4.250%	4.250%
2012	4.500%	4.500%

See accompanying independent auditors' report.

**GOVERNMENT OF GUAM
TERRITORIAL HIGHWAY FUND**

Schedule of Construction Project Status
Year Ended September 30, 2008

	Total Budget	Expenditures Year Ended September 30, 2008	Cumulative Prior Year Expenditures	Outstanding Encumbrances	Continuing Appropriations
Northern Road Repair Projects					
Pothole repair route 3A - Northern	\$ 13,905	\$ -	\$ -	\$ -	\$ 13,905
Pothole repair route 7 & 7A - Northern	286,935	-	-	-	286,935
Pothole repair route 10 & 10A - Northern	462,715	-	42,394	-	420,321
Pothole repair route 15 - Northern	2,215,507	-	2,214,684	823	-
Pothole repair route 16 - Northern	63,074	-	-	-	63,074
Pothole repair route 25 - Northern	33,605	-	-	-	33,605
Pothole repair route 26 - Northern	78,584	-	-	-	78,584
Sub-Total	<u>3,154,325</u>	<u>-</u>	<u>2,257,078</u>	<u>823</u>	<u>896,424</u>
Southern Road Repair Projects					
Pothole repair route 2 - Southern	112,800	-	19,800	-	93,000
Pothole repair route 11 & 11A - Southern	91,200	-	17,400	-	73,800
Pothole repair route 12 - Southern	325,200	-	26,400	-	298,800
Pothole repair route 17 - Southern	1,038,000	-	622,127	-	415,873
Pothole repair route 19 - Southern	61,800	-	-	-	61,800
Pothole repair road restor bey3'	19,250	-	-	-	19,250
Sub-Total	<u>1,648,250</u>	<u>-</u>	<u>685,727</u>	<u>-</u>	<u>962,523</u>
Agana Heights Road Repair Projects					
Agana Heights road repair - Niyog Drive	28,903	1,800	27,103	-	-
Agana Heights road repair - Francisco Javier Avenue	32,312	32,312	-	-	-
Sub-Total	<u>61,215</u>	<u>34,112</u>	<u>27,103</u>	<u>-</u>	<u>-</u>
Agat Road Repair Projects					
Agat road repair - Kiko Chela Street	41,125	-	32,615	8,510	-
Agat road repair - Calle De Los Marterez	145,364	-	16,158	-	129,206
Agat road repair - Father Follard Street	100,545	-	28,914	-	71,631
Sub-Total	<u>287,034</u>	<u>-</u>	<u>77,687</u>	<u>8,510</u>	<u>200,837</u>
Asan-Maina Road Repair Projects					
Asan-Maina road repair - Seneso Field Road	10,088	1	9,161	-	926
Sub-Total	<u>10,088</u>	<u>1</u>	<u>9,161</u>	<u>-</u>	<u>926</u>
Barrigada Road Repair Projects					
Barrigada road repair - Jolcen L G Street	78,247	41,116	-	-	37,131
Barrigada road repair - Lizama Street	27,885	-	-	-	27,885
Barrigada road repair - Jackson Road	40,958	40,958	-	-	-
Barrigada road repair - Taison Way	56,580	56,580	-	-	-
Barrigada road repair - Lalo Street	47,648	-	-	-	47,648
Barrigada road repair - Chalan Brandi	78,954	4,463	74,491	-	-
Barrigada road repair - Leyang Road	469,100	3,600	465,500	-	-
Barrigada road repair - Anderson Street	114,569	84,013	23,287	-	7,269
Barrigada road repair - Kaïla Street	173,173	-	21,687	47,514	103,972
Barrigada road repair - San Antonio Street	208,900	900	208,000	-	-
Barrigada road repair - Manibusan Street	51,145	450	50,695	-	-
Sub-Total	<u>1,347,159</u>	<u>232,080</u>	<u>843,660</u>	<u>47,514</u>	<u>223,905</u>
Ordot Chalan Pago Road Repair Projects					
Ordot Chalan Pago road repair - Ping Pago Road	50,500	47,566	2,934	-	-
Ordot Chalan Pago road repair - Campos Repair	18,800	17,459	1,341	-	-
Ordot Chalan Pago road repair - Santa Cruz Drive Repair	57,000	1,963	55,037	-	-
Ordot Chalan Pago road repair - Mike Laguana Road	140,520	2,032	138,488	-	-
Ordot Chalan Pago road repair - Okso Road Repair	168,000	4,601	163,399	-	-
Ordot Chalan Pago road repair - Manibusan Road Repair	253,000	215,073	37,927	-	-
Sub-Total	<u>687,820</u>	<u>288,694</u>	<u>399,126</u>	<u>-</u>	<u>-</u>
Dededo Road Repair Projects					
Dededo road repair - Alageta Street	58,852	-	-	-	58,852
Sub-Total	<u>58,852</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,852</u>

See accompanying independent auditors' report.

**GOVERNMENT OF GUAM
TERRITORIAL HIGHWAY FUND**

Schedule of Construction Project Status, Continued
Year Ended September 30, 2008

	Total Budget	Expenditures Year Ended September 30, 2008	Cumulative Prior Year Expenditures	Outstanding Encumbrances	Continuing Appropriations
Hagatna Road Repair Projects					
Hagatna road repair - West Soledad Avenue	139,707	30,168	109,539	-	-
Hagatna road repair - Dulce Nombre De Maria	73,993	93	73,900	-	-
Sub-Total	213,700	30,261	183,439	-	-
Inarajan Road Repair Projects					
Inarajan road repair - Ija Subdivision	1,588,205	173,205	1,415,000	-	-
Sub-Total	1,588,205	173,205	1,415,000	-	-
Mangilao Road Repair Projects					
Mangilao road repair - Kinney's Road	128,557	97,534	-	1,318	29,705
Mangilao road repair - Baza Lane	1,200	960	-	240	-
Mangilao road repair - Apiag Street	40,826	38,391	-	2,435	-
Mangilao road repair - Chalan Avilla	24,515	-	-	-	24,515
Mangilao road repair - Farfan Street	100,208	1,808	98,400	-	-
Mangilao road repair - Sengsong Street	130,324	-	130,324	-	-
Mangilao road repair - Spanish	65,602	2	65,600	-	-
Mangilao road repair - Santos	288,447	1	288,446	-	-
Mangilao road repair - Sabana Maagas	215,886	1	215,885	-	-
Sub-Total	995,565	138,697	798,655	3,993	54,220
Merizo Road Repair Projects					
Merizo road repair - Benny Espinosa Avenue	178,900	2,700	176,200	-	-
Sub-Total	178,900	2,700	176,200	-	-
Mongmong-Toto-Maite Road Repair Projects					
MTM road repair - Tuba Street	69,380	3	69,377	-	-
MTM road repair - Taluba Street	76,201	-	76,201	-	-
Sub-Total	145,581	3	145,578	-	-
Piti Road Repair Projects					
Piti road repair - Chalan Soling	34,767	1	34,766	-	-
Piti road repair - Masso Court	58,616	10,216	48,400	-	-
Sub-Total	93,383	10,217	83,166	-	-
Santa Rita Road Repair Projects					
Santa Rita road repair - Blas Dela Cruz Street	88,750	-	88,300	450	-
Santa Rita road repair - Joaquin Diaz Drive	56,936	-	22,100	27,388	7,448
Santa Rita road repair - Pale Ferdinand Way	168,700	-	167,800	900	-
Santa Rita road repair - Sgt E Cruz Street	79,100	-	78,200	900	-
Sub-Total	393,486	-	356,400	29,638	7,448
Sinajana Road Repair Projects					
Sinajana road repair - Afame Road	203,250	450	202,800	-	-
Sinajana road repair - Daso Street	111,213	1,799	109,412	2	-
Sinajana road repair - Spring Lane	161,591	459	68,628	-	92,504
Sub-Total	476,054	2,708	380,840	2	92,504
Tamuning-Tumon Road Repair Projects					
Tamuning-Tumon road repair - Tun Concita Lane	32,760	-	-	-	32,760
Tamuning-Tumon road repair - Road to Black Construction	25,400	25,400	-	-	-
Tamuning-Tumon road repair - Tan Rosa Road	21,348	-	-	-	21,348
Tamuning-Tumon road repair - Authurium Lane	103,000	93,377	9,623	-	-
Tamuning-Tumon road repair - Tun Pedro Cruz Street	118,128	105,298	12,830	-	-
Tamuning-Tumon road repair - Milendes Court / St John	169,170	1,795	167,375	-	-
Tamuning-Tumon road repair - Harmon Industrial Park	358,539	2,699	355,840	-	-
Tamuning-Tumon road repair - Happy Landing Road	125,510	-	-	125,510	-
Tamuning-Tumon road repair - Carlos Heights	55,498	-	-	-	55,498
Tamuning-Tumon road repair - Jalaguac Road	88,816	62,102	-	26,714	-
Sub-Total	1,098,169	290,671	545,668	152,224	109,606

See accompanying independent auditors' report.

**GOVERNMENT OF GUAM
TERRITORIAL HIGHWAY FUND**

Schedule of Construction Project Status, Continued
Year Ended September 30, 2008

	Total Budget	Expenditures Year Ended September 30, 2008	Cumulative Prior Year Expenditures	Outstanding Encumbrances	Continuing Appropriations
Umatac Road Repair Projects					
Umatac road rapair - S-7 Mahamok Area	160,238	2,386	157,852	-	-
Umatac road rapair - Jagan Drive	32,941	100	32,668	-	173
Umatac road rapair - Jose Quinata Street Cemetry	77,043	1,503	75,540	-	-
Umatac road rapair - Jose Q Aguon Street	74,088	93	73,995	-	-
Umatac road rapair - George S Sanchez Court	28,384	103	28,281	-	-
Umatac road rapair - Jesus A Quidachay Street	22,600	-	22,071	-	529
Sub-Total	<u>395,294</u>	<u>4,185</u>	<u>390,407</u>	<u>-</u>	<u>702</u>
Yigo Road Repair Projects					
Yigo road rapair - La Chance Area	149,800	28	149,772	-	-
Yigo road rapair - I Sengsong Mayot	149,800	8	149,792	-	-
Yigo road rapair - Mataguac Area	509,800	10	509,790	-	-
Yigo road rapair - J Jacinto / Wusstig Road	152,109	88,609	63,500	-	-
Sub-Total	<u>961,509</u>	<u>88,655</u>	<u>872,854</u>	<u>-</u>	<u>-</u>
Yona Road Repair Projects					
Yona road rapair - Balajadia & Pangelinan Road	39,789	-	39,743	-	46
Yona road rapair - Fair Way Drive	104,020	64,631	37,400	1,989	-
Sub-Total	<u>143,809</u>	<u>64,631</u>	<u>77,143</u>	<u>1,989</u>	<u>46</u>
Total Conctruction Projects	<u>\$ 13,938,398</u>	<u>\$ 1,360,820</u>	<u>\$ 9,724,892</u>	<u>\$ 244,693</u>	<u>\$ 2,607,993</u>

See accompanying independent auditors' report.

**GOVERNMENT OF GUAM
TERRITORIAL HIGHWAY FUND
(A GOVERNMENTAL FUND OF THE
GOVERNMENT OF GUAM)**

**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE AND ON INTERNAL CONTROL**

SEPTEMBER 30, 2008

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Felix P. Camacho
Governor of Guam:

We have audited the financial statements of the Territorial Highway Fund as of and for the year ended September 30, 2008, and have issued our report thereon dated March 27, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Territorial Highway Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Territorial Highway Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Territorial Highway Fund's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

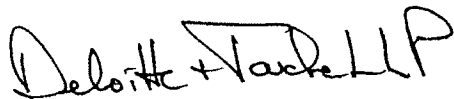
A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the management of the Territorial Highway Fund, the Office of the Public Auditor of Guam, federal awarding agencies, pass-through entities, the cognizant audit and other federal agencies and is not intended to be and should not be used by anyone other than those specified parties. However, this report is also a matter of public record.

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

March 27, 2009