

**GUAM ECONOMIC DEVELOPMENT  
AND COMMERCE AUTHORITY  
(A Public Corporation)**

---

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

---

**SEPTEMBER 30, 2002 AND 2001**

**GUAM ECONOMIC DEVELOPMENT AND COMMERCE AUTHORITY**  
(A Public Corporation)

Table of Contents  
Years Ended September 30, 2002 and 2001

	<u>Page No.</u>
I. FINANCIAL STATEMENTS	
<u>Guam Economic Development and Commerce Authority</u>	
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Consolidated Balance Sheets	6
Consolidated Statements of Operations and Deficit	7
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9
Supplemental Schedule of Salaries and Wages	17
<u>Trust Funds Administered by the Guam Economic Development and Commerce Authority</u>	
Independent Auditors' Report	18
Balance Sheets	19
Statements of Revenues, Expenditures and Changes in Net Assets (Deficits)	22
Notes to Financial Statements	24
II. INDEPENDENT AUDITORS' REPORTS ON COMPLIANCE WITH LAWS AND REGULATIONS	
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based Upon an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	29
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Federal Award Program and Internal Control Over Compliance and on the Schedule of Expenditures of Federal Awards	31



## Independent Auditors' Report

The Board of Directors  
Guam Economic Development and Commerce Authority:

We have audited the accompanying consolidated balance sheets of the Guam Economic Development and Commerce Authority (a public corporation) and subsidiaries, a component unit of the Government of Guam, as of September 30, 2002 and 2001, and the related consolidated statements of operations and net assets (deficiency) and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed in the following paragraph, we conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

We were unable to obtain information supporting certain travel expenses for the year ended September 30, 2002. As a result, we are unable to form an opinion on travel advances net of suspense accounts carried at \$38,338 and travel and related expenditures of \$102,647 at September 30, 2002.

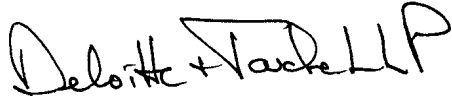
In our opinion, except for the effects of such adjustments, if any, as might be required had we been able to obtain information to satisfy ourselves with respect to travel advance net of suspense accounts and travel related expenditures as of and for the year ended September 30, 2002, the accompanying financial statements present fairly, in all material respects, the financial position of Guam Economic Development and Commerce Authority and subsidiaries at September 30, 2002 and 2001, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 15 to the combining financial statements, in 2002 and 2001 the Authority adopted *Governmental Accounting Standards Board Statement (GASB) No. 34, Basic Financial Statements - Management's Discussion and Analysis -for State and Local Governments* as amended by *Governmental Accounting Standards Board Statement No. 37, Basic Financial Statements - Management's Discussion and Analysis -for State and Local Governments: Omnibus* and *Governmental Accounting Standards Board Statement No. 38, Certain Financial Statement Disclosures*. The accompanying 2001 financial statements have been restated to reflect the changes required by GASB No. 34, 37 and 38.

Additionally, as discussed in note 6, the Authority adopted *Governmental Accounting Standards Board Statement No. 27, Accounting for Pensions by State and Local Governmental Employees*. The accompanying 2001 financial statements have been restated to reflect the changes.

Management's discussion and analysis on pages 3 through 5 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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.

In accordance with *Government Auditing Standards*, we have issued our report dated June 6, 2003, on our consideration of the Guam Economic Development and Commerce Authority's and subsidiaries' internal control over financial reporting and our tests of their compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink, appearing to read "Deloitte + Tatchell LLP". The signature is stylized and cursive.

June 6, 2003

**GUAM ECONOMIC DEVELOPMENT AND COMMERCE AUTHORITY**  
**(A Public Corporation)**  
**AND SUBSIDIARIES**

Management Discussion and Analysis  
Year Ended September 30, 2002

Guam Economic and Development Authority (GEDA) a public corporation, was created by enabling legislation on August 21, 1965, under Public Law 8-80. Under PL 8-80, the Authority has been given rather broad responsibility to the centralized direction, control and supervision of an integrated plan for the economic development of Guam. It is intended to be a catalyst for economic development (particularly the creation of employment), seeking the aid of private capital without competing with it. Its principal functions are to plan, initiate, organize, control and direct an integrated program to attract, promote, encourage and develop desirable commerce, agriculture, industry and tourism on the Island.

There are four primary tools for which the Authority achieves these objectives:

- 1) The authorizing of tax incentives (under the Industry Development Division);
- 2) The development of industrial parks (under the Real Property Division);
- 3) The granting of small business loans (under the Financial Services Division); and,
- 4) The issuance of municipal debt (under the Financial Services Division).

Simply, the goal of utilizing the tools above is solely the creation of economic activity with emphasis on the creation of employment.

## **RESULTS OF OPERATIONS – COMPARISON 2002 TO 2001**

### Operating Income

In fiscal year 2002, GEDA recorded operating income of \$2,152,293, compared to \$2,874,152 in fiscal 2001. The year-to-year change of \$721,859 represented a decline of 25.1%. GEDA generates its own revenues to sustain annual operations from two primary sources. The first is rental income from 3 industrial parks, (75% of the Authority's operating income) and the second is application and surveillance fees from Qualifying Certificate beneficiaries (10% of the Authority's operating income). Bond Fees are a third source, but is not recurring income on an annual basis.

#### 1. Industrial Parks

12 GCA Section 50103 basically states that GEDA is authorized to lease Government of Guam land to promote investments in entrepreneurial capital thereby increasing opportunity for employment in manufacturing, industrial, commercial, recreational, retail and service enterprises. GEDA has three industrial parks – the 18-acre Harmon Industrial Park, the 26-acre E.T. Calvo Memorial Park and the 32-acre Cabras Industrial Park. The land in these parks is leased from the Government of Guam. Other GEDA leases including the GISI, Radva and Tycom leases.

Rental income declined 19.6% from \$2,075,710 in FY 2001 to \$1,669,686 in FY 2002. The largest decline of \$208,000 was due to negotiations with the Guam Shipyard (GISI) for various economic concessions. Declines of \$138,000 from Cabras Industrial Park and \$54,000 from Harmon Industrial Park are attributed to the island's deteriorating economic atmosphere.

**GUAM ECONOMIC DEVELOPMENT AND COMMERCE AUTHORITY**  
**(A Public Corporation)**  
**AND SUBSIDIARIES**

Management Discussion and Analysis  
Year Ended September 30, 2002

2. Qualifying Certificate (Q.C.) Program

In order for Guam to effectively market itself as a viable investment destination, the Qualifying Certificate program was created in the early 1960's to foster the growth of the then fledgling tourism industry. The tax incentive program that offers corporate income tax and corporate dividends tax rebates and real property tax abatements has proven to be a successful tool in the development of the tourism industry and is proving to be just as effective in the growth support of the currently emerging industries previously named. It is a proven enticement for investment that would otherwise not have happened here except for the benefits offered under the program.

The 21.3% decline in QC revenues is attributable to poor economic conditions exacerbated by Typhoon Chataan. Two hotel QC beneficiaries that sustained major typhoon damage did not remit their annual surveillance fees, amounting to \$63,388.

3. Bond Fees

GEDA is mandated to serve as the Central Financial Manager for the Government of Guam. This role is facilitated through the Public Finance Department, which assists with, coordinates and monitors Financial Advisory Services, Capital Financing Debt Management and the Capital Markets.

GEDA is authorized to receive fees when Government of Guam bonds are issued, based on a recognized formula. The decline in bond fees from FY 2001 to FY 2002 is because there were two bond issues in 2001 and one in 2002. Bond fees are received when and if there is a bond issue, and not on a recurring basis. And unlike prior bond issues, when the public law was passed authorizing the 2002 bond issue, it was legislatively mandated that \$150,000 of GEDA's fees of \$250,000 was to be remitted to other government agencies to assist in certain programs. This is reflected in the discussion on operating expenses.

Operating Expenses

Due to a decline in operating income, GEDA reduced its operating expenses overall by 1.2%. The Authority recorded operating expenses of \$2,685,410 in FY 2002, down from \$2,718,220 in FY 2001. Anticipating a decline in revenues, the Authority budgeted accordingly, but could not keep pace with unanticipated shortfalls. Notwithstanding noncash expenses for depreciation and provision for doubtful accounts, the Authority actually reduced its operating expenses by \$102,138 or 4.1%.

1. Personnel Expense

Salaries and benefits account for over 50% of the operating budget. The 6.8% decrease of \$99,628 from FY 2001 to FY 2002 is attributable to attrition and a freeze of all pay increments. The decrease would have been greater had it not been for an increase in the employer retirement fund contributions rate from 18.6% to 21% in FY 2002.

2. Travel Expense

Travel expenses declined \$153,949 from \$198,368 in FY 2001 to \$44,419 in FY2002. Due to an anticipated shortfall of revenues and the uncertainty of bond fees, the Authority scaled back its travel budget for conferences and seminars.

**GUAM ECONOMIC DEVELOPMENT AND COMMERCE AUTHORITY**  
**(A Public Corporation)**  
**AND SUBSIDIARIES**

Management Discussion and Analysis  
Year Ended September 30, 2002

3. Special Projects

Special Projects expense increased by \$86,108 or 89.6% from FY 2001 to FY 2002. As stated earlier, \$150,000 was legislatively mandated from the Authority's bond fees to assist other government agencies. Without this mandate, Special Project expense would have been \$32,231 in 2002 compared to \$96,123 in 2001.

4. Advertising and Promotions

Due to commitments made early in the fiscal year coupled with unexpected opportunities for economic development, the Authority expended \$253,231 in FY 2002 for captive insurance seminars, a fish farming feasibility study and Trade Missions to mainland China and Taiwan. The increase from \$93,515 expended in FY 2001 was needed to further the economic development mandates of the Authority.

5. Provision for Doubtful Accounts

The Authority increased its provision for doubtful accounts from \$90,812 in FY2001 to \$165,559 in FY2002. This 82.3% increase is mainly attributable to doubtful collections of lease revenues due to a deteriorating economy.

6. Other Operating Expenses

Other Operating Expenses (not including depreciation and amortization), aside from the five mentioned above, had a 16% overall decline of \$94,385 from \$681,271 in FY 2001 to \$586,886 in FY 2002. Most notable was a 16% decrease in professional services and a 5.9% decrease in office space rental.

**GUAM ECONOMIC DEVELOPMENT AND COMMERCE AUTHORITY**  
**(A Public Corporation)**  
**AND SUBSIDIARIES**

Consolidated Balance Sheets  
September 30, 2002 and 2001

	<u>2002</u>	2001 As restated (note 6)
<u>ASSETS</u>		
Current assets:		
Unrestricted assets:		
Cash	\$ 145,288	\$ 279,427
Investment (note 3)	58,079	55,027
Current portion of notes and accrued interest receivable	2,084	931
Due from other funds and governmental agencies (note 9):		
Agricultural Development Fund	3,817	12,385
Microenterprise Development Program	-	30,748
Housing and Urban Development Program	-	29,482
Other receivables, net of an allowance for doubtful receivables of \$475,400 and \$339,323 in 2002 and 2001, respectively	1,283,625	1,301,793
Inventory	51,088	57,311
Prepaid expense	42,385	60,902
Total current assets	<u>1,586,366</u>	<u>1,828,006</u>
Long term portion of notes and accrued interest receivable thereon, net of an allowance for doubtful receivables of \$5,035 in 2002 and 2001	35,152	45,480
Investments:		
Stock (note 11)	3,500	3,500
Other real estate:		
Land (note 4)	425,164	425,164
Building, improvements and equipment, at cost, net (note 5)	1,084,398	1,158,662
Due from other funds and governmental agencies (note 9):		
Landowner's Recovery Fund	<u>383,653</u>	<u>383,653</u>
Total assets	<u>\$ 3,518,233</u>	<u>\$ 3,844,465</u>
<u>LIABILITIES AND DEFICIENCY</u>		
Current liabilities:		
Payable from unrestricted assets:		
Current portion of notes payable to Guam Development Fund Act (note 10)	\$ 1,344,960	\$ 1,254,998
Accounts payable (note 7)	433,117	450,879
Due to other funds and governmental agencies (notes 8 and 9)		
Guam Development Fund Act	241,651	284,703
Microenterprise Development Program	7,325	7,659
Local Arts Revolving Fund	-	49,988
Music and Legends of Guam Fund	-	41,845
Guam Territorial Aquarium Foundation	-	107,549
Aquacultural Training Fund	-	31,907
U.S. Base Relocation and Closure Commission	22	1,442
Accrued liabilities	296,264	303,128
Deferred rental income (note 7)	<u>229,790</u>	<u>215,064</u>
Total current liabilities	<u>2,553,129</u>	<u>2,749,162</u>
Non-current liabilities:		
Payable from unrestricted assets:		
Long-term portion of notes payable to GDFA (note 10)	1,024,655	1,077,044
Accrued Retirement Fund contributions (note 6)	123,354	131,233
Deposits	<u>6,844</u>	<u>844</u>
Total non-current liabilities	<u>1,154,853</u>	<u>1,209,121</u>
Total liabilities	<u>3,707,982</u>	<u>3,958,283</u>
Deficiency:		
Invested in capital asset, net of related debt	1,084,399	1,158,662
U.S. and other restricted funds (note 13)	648,114	648,114
Unrestricted	<u>(1,922,262)</u>	<u>(1,920,594)</u>
Net deficiency	<u>(189,749)</u>	<u>(113,818)</u>
Commitments and contingency (notes 7 and 8)		
	<u>\$ 3,518,233</u>	<u>\$ 3,844,465</u>

See accompanying notes to consolidated financial statements.



**GUAM ECONOMIC DEVELOPMENT AND COMMERCE AUTHORITY**  
**(A Public Corporation)**  
**AND SUBSIDIARIES**

Consolidated Statements of Operations and Net Assets (Deficiency)  
Years Ended September 30, 2002 and 2001

	2002	2001 As restated (note 6)
Revenues:		
Rental income (note 7)	\$ 1,669,686	\$ 2,075,710
Qualifying certificate application and surveillance fees	233,607	296,995
Bond service fee	249,000	501,447
	<u>2,152,293</u>	<u>2,874,152</u>
Operating expenses:		
Salaries and benefits	1,351,833	1,451,461
Advertising and promotions	253,231	93,515
Professional services	229,995	273,747
Rent (note 7)	208,786	221,908
Special projects	182,231	96,123
Provision for doubtful notes and accrued interest receivable	165,559	90,812
Depreciation and amortization	101,251	106,670
Travel	44,419	198,368
Utilities, telephone and communication	39,623	42,867
Repairs and maintenance	7,550	5,417
Supplies	6,164	13,827
Directors' fees	5,100	4,350
Insurance	2,092	10,699
Grants	-	2,300
Miscellaneous	87,576	106,156
	<u>2,685,410</u>	<u>2,718,220</u>
Operating (loss) income	<u>(533,117)</u>	<u>155,932</u>
Other income (expense):		
Interest expense, net	(130,213)	(162,335)
Other, net (note 12)	583,822	72,146
Gain on investments (note 11)	3,577	3,548
Gain on sale of fixed assets	-	13,291
	<u>457,186</u>	<u>(73,350)</u>
Other income (expense), net	<u>457,186</u>	<u>(73,350)</u>
Net (loss) income before United States Government and other restricted funds	(75,931)	82,582
United States and other restricted funds (note 15)	<u>-</u>	<u>(330,806)</u>
Decrease in net assets	(75,931)	(248,224)
(Deficiency) net assets at beginning of year	<u>(113,818)</u>	<u>134,406</u>
Deficiency at end of year	<u>\$ (189,749)</u>	<u>\$ (113,818)</u>

See accompanying notes to consolidated financial statements.

**GUAM ECONOMIC DEVELOPMENT AND COMMERCE AUTHORITY**  
**(A Public Corporation)**  
**AND SUBSIDIARIES**

Consolidated Statements of Cash Flows  
Years Ended September 30, 2002 and 2001

	2002	2001 As restated (note 6)
Cash flows from operating activities:		
Cash received from customers	\$ 2,179,636	\$ 2,857,259
Cash paid to suppliers and employees for goods and services	(2,160,151)	(2,278,550)
Net cash provided by operating activities	<u>19,485</u>	<u>578,709</u>
Cash flows from investing activities:		
Investment in interest income	3,577	-
Transfer of investment securities	-	161,374
Net cash provided by investing activities	<u>3,577</u>	<u>161,374</u>
Cash flows from capital and related financing activities:		
Purchase of property and equipment	(26,988)	(101,298)
Cash received from the sale of property and equipment	-	32,000
Net cash used for capital and related financing activities	<u>(26,988)</u>	<u>(69,298)</u>
Cash flows from non-capital financing activities:		
Interest paid on notes payable	(130,213)	(162,335)
Transfer of contribution from Chamorro Heritage Foundation to the Department of Chamorro Affairs	-	(330,806)
Net cash used for noncapital financing activities	<u>(130,213)</u>	<u>(493,141)</u>
Net (decrease) increase in cash	(134,139)	177,644
Cash at beginning of year	<u>279,427</u>	<u>101,783</u>
Cash at end of year	<u>\$ 145,288</u>	<u>\$ 279,427</u>
Reconciliation of (loss) earnings from operations and other expense to net cash provided by operating activities:		
Operating (loss) income	\$ (533,117)	\$ 155,932
Other income, net	583,822	72,146
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:		
Depreciation and amortization	101,251	106,670
Gain on sale of fixed assets	-	(13,291)
(Increase) decrease in assets:		
Notes receivable	9,174	(22,532)
Due from other funds and governmental agencies	31,671	466,358
Other receivables	18,168	5,639
Inventory and other	6,223	(3,442)
Investments	(3,052)	(3,548)
Other assets	18,518	23,748
Increase (decrease) in liabilities:		
Notes payable to GDFA	37,574	37,648
Accounts payable	(18,605)	(389,072)
Due to other funds and governmental agencies	(238,970)	1,080
Accrued liabilities	(7,898)	145,422
Deferred rental income	14,726	(4,049)
Net cash provided by operating activities	<u>\$ 19,485</u>	<u>\$ 578,709</u>

Supplemental disclosure of cash flow information:

Per Public Law 25-69, \$330,806 was transferred from the Chamorro Heritage Foundation to the Department of Chamorro Affairs in 2001.

See accompanying notes to consolidated financial statements.

**GUAM ECONOMIC DEVELOPMENT AND COMMERCE AUTHORITY**  
**(A Public Corporation)**  
**AND SUBSIDIARIES**

Notes to Consolidated Financial Statements  
September 30, 2002 and 2001

**(1) Purpose and Summary of Significant Accounting Policies**

**Purpose**

Guam Economic Development and Commerce Authority (GEDCA) was created by Public Law 8-80 on August 21, 1965, to assist in the implementation of an integrated program for the economic development of Guam. Public Law No. 26-76 reenacted any reference in any law to the Guam Economic Development Authority (GEDA) to mean and be read as the Guam Economic Development and Commerce Authority (GEDCA). Enabling legislation set forth several specific purposes for the establishment of GEDCA to include:

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

To accomplish the stated purposes, GEDCA is authorized to conduct research of, invest in, provide loans to, 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. GEDCA utilizes the Guam Development Fund Act (GDFA), the Agricultural Development Fund (ADF), the Agricultural Expense Insurance Fund (AEIF), the Landowner's Recovery Fund (LRF), Microenterprise Development Program (MDP), Housing and Urban Development (HUD), the Local Arts Revolving Fund (LARF), the Guam Territorial Aquarium Foundation (GTAF), the Aquacultural Training Fund (ATF), the Music and Legends of Guam Fund (MLGF), and the U.S. Base Realignment and Closure Committee (BRAC) to accomplish certain of the stated purposes. The Guam Industry Promotions Fund (GIPF) and the Guam Education Fund (GEF) have also been created but their purposes have yet to be implemented.

As a government entity created by public law, GEDCA is not subject to taxes and is a component unit of the Government of Guam.

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

**GUAM ECONOMIC DEVELOPMENT AND COMMERCE AUTHORITY**  
**(A Public Corporation)**  
**AND SUBSIDIARIES**

Notes to Consolidated Financial Statements  
September 30, 2002 and 2001

(1) Purpose and Summary of Significant Accounting Policies, Continued

Principles of Consolidation

The consolidated financial statements include the accounts of GEDCA and its wholly-owned subsidiaries, Guam Business Development Corporation (GBDC) and the Chamorro Heritage Foundation (CHF). GBDC was formed on October 18, 1988, for the purpose of acquiring and developing tourist-related property and protecting the various interests of GEDCA and Funds administered by GEDCA. CHF was formed on February 5, 1992, for the purpose of preserving, developing and enhancing the Chamorro culture and heritage of the indigenous people of the island of Guam. During fiscal year 2001, Public Law 25-69 transferred all of CHF's tangible assets to the Department of Chamorro Affairs, thus dissolving the Chamorro Heritage Foundation. All significant intercompany balances and transactions have been eliminated in consolidation.

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting. In accordance with the accrual method, revenues are recognized when they are earned and expenses are recognized when they are incurred.

Notes and Accrued Interest Receivable

It is the policy of GEDCA to cease accrual of interest on delinquent loans when, in the opinion of management, the past due condition is an indication of possible uncollectibility.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments

The investments of GEDCA and subsidiaries are classified in the first of three credit risk categories as promulgated in Governmental Accounting Standards Board (GASB) Statement No. 3 as the securities held are insured or registered in the name of the governmental entity or held by the entity or by its agent in the entity's name. 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.

**GUAM ECONOMIC DEVELOPMENT AND COMMERCE AUTHORITY**  
**(A Public Corporation)**  
**AND SUBSIDIARIES**

Notes to Consolidated Financial Statements  
September 30, 2002 and 2001

(1) Purpose and Summary of Significant Accounting Policies, Continued

Investments, Continued

In 2002 and 2001, GEDCA's investments are stated at fair market value in accordance with Government Accounting Standards Board Statement No. 31, which also requires investment income, dividends and unrealized gains and losses to be included in earnings.

Investment in a 72% owned company is accounted for using the equity method.

Vacation and Sick Leave

Vacation of not more than 480 cumulative hours vests and is accrued each bi-weekly pay period in which an employee is in a pay status for the entire ten (10) days. Sick leave does not vest and is not accrued. The aggregate amount of the sick leave liability is not estimable.

Depreciation and Amortization

Improvements and buildings are amortized on a straight-line basis over estimated useful lives of 22.5 to 30 years. Equipment and automobiles are depreciated on a straight-line basis over estimated useful lives of three to five years.

Inventories

Inventories of materials and merchandise are determined by physical count and are valued at the lower of cost or market.

Operating Expenses

Virtually all general and administrative expenses of the Funds administrated by GEDCA, other than legal expenses specifically related to the activities of a particular Fund, are borne by GEDCA as part of its cost of administering the Funds.

GEDCA allocates a percentage of payroll expense to each Fund based upon actual time personnel spend on the respective Fund.

Risk Management

GEDCA purchases automobile insurance covering \$300,000 for general single limited liability, inclusive of \$3,000 per person medical. GEDCA is self-insured against all other potential risks and losses. No losses in excess of insurable limits have been recognized in 2002 and 2001.

(2) Cash

At September 30, 2002 and 2001, GEDCA has cash balances of \$145,288 and \$279,427, respectively, of the total deposits, \$144,788 and \$200,000 in 2002 and 2001, respectively, are insured by the Federal Deposit Insurance Corporation.

**GUAM ECONOMIC DEVELOPMENT AND COMMERCE AUTHORITY**  
**(A Public Corporation)**  
**AND SUBSIDIARIES**

Notes to Consolidated Financial Statements  
September 30, 2002 and 2001

**(3) Investments**

Other investments consist of money market funds and securities in Pacific Century Trust (PCT) and Merrill Lynch. At September 30, 2002 and 2001 investments are carried at market value.

**(4) Other Real Estate**

GEDCA has acquired land carried at \$425,164 through loan foreclosure.

**(5) Building, Improvements and Equipment**

A summary of building, improvements and equipment at September 30, 2002 and 2001 is as follows:

	Beginning Balance <u>October 1, 2001</u>	Transfers and <u>Additions</u>	Transfers and <u>Deletions</u>	Ending Balance <u>September 30, 2002</u>
Building	\$ 1,207,031	\$ -	\$ -	\$ 1,207,031
Other improvements	532,875	-	-	532,875
Equipment	596,596	26,987	-	623,583
Land improvements	129,642	-	-	129,642
Automobiles	<u>85,941</u>	<u>-</u>	<u>-</u>	<u>85,941</u>
	2,552,085	26,987	-	2,579,072
Less accumulated depreciation	<u>(1,393,423)</u>	<u>(101,251)</u>	<u>-</u>	<u>(1,494,674)</u>
	\$ <u>1,158,662</u>	\$ <u>(74,264)</u>	\$ <u>-</u>	\$ <u>1,084,398</u>

	Beginning Balance <u>October 1, 2000</u>	Transfers and <u>Additions</u>	Transfers and <u>Deletions</u>	Ending Balance <u>September 30, 2001</u>
Building	\$ 1,207,031	\$ -	\$ -	\$ 1,207,031
Other improvements	526,395	6,480	-	532,875
Equipment	442,797	153,799	-	596,596
Land improvements	129,642	-	-	129,642
Automobiles	<u>118,902</u>	<u>-</u>	<u>(32,961)</u>	<u>85,941</u>
	2,424,767	160,279	(32,961)	2,552,085
Less accumulated depreciation	<u>(1,258,862)</u>	<u>(109,009)</u>	<u>(25,552)</u>	<u>(1,393,423)</u>
	\$ <u>1,165,905</u>	\$ <u>51,270</u>	\$ <u>(58,513)</u>	\$ <u>1,158,662</u>

**(6) Employees' Retirement Plan**

Employees of GEDCA hired before October 1, 1995 are members of the Government of Guam Employees' Retirement System, a defined benefit, contributory pension plan. The Plan is administered by the Government of Guam Retirement Fund, to which GEDCA contributes based upon a fixed percentage of the payroll for those employees who are members of the Plan.

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 and 2001, a minimum combined employer and employee contribution rate of 40.98% of covered payroll is required to appropriately fund the current cost, amortize prior service costs and provide for interest on the unfunded accrued liability. Statutory rates for employee and employer contributions were 9.5%, for the years ended September 30, 2002 and 2001.

**GUAM ECONOMIC DEVELOPMENT AND COMMERCE AUTHORITY**  
**(A Public Corporation)**  
**AND SUBSIDIARIES**

Notes to Consolidated Financial Statements  
September 30, 2002 and 2001

**(6) Employees' Retirement Plan, Continued**

The defined benefit plan utilized 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 Authority as a separate sponsor, the accrued unfunded liability at September 30, 2002 and 2001 may be materially different than that recorded in the accompanying financial statements.

On September 29, 1995, the Guam Legislature passed Public Law 23-43 which created the Defined Contribution Retirement System (DCRS). All employees of GEDCA, hired after October 1, 1995, are members of the DCRS, a defined contribution, contributory pension plan. The Board of Trustees of the Government of Guam Retirement Fund is responsible for the administration of the DCRS. Investment management and plan administration services for the DCRS are performed by a private firm contracted by the Board of Trustees.

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

Employer contributions into the DCRS are based on a statutory amount of 19.8% of the member's regular base pay. Of the amount contributed by the employer, only 5% of the member's regular base pay is deposited into the member's individual annuity account. The remaining 14.8% is contributed towards the unfunded liability of the defined benefit plan.

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

In 2002, the Government of Guam, as a whole, 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>784,549</u>	\$ <u>131,233</u>
Personnel services expense	\$ <u>1,446,071</u>	\$ <u>1,451,461</u>
Deficit (net assets) at beginning of year	\$ <u>524,300</u>	\$ <u>(134,406)</u>

**(7) Rental Income**

GEDCA leases industrial parks from the Government of Guam for an annual rent of \$1 with terms expiring in 2068. GEDCA subleases space to various tenants under agreements that call for advance rental payments of one month's to one year's rent. GEDCA records such advance rent as a receivable at the anniversary or due date; related income is deferred and recognized over the period to which it applies.

**GUAM ECONOMIC DEVELOPMENT AND COMMERCE AUTHORITY**  
**(A Public Corporation)**  
**AND SUBSIDIARIES**

Notes to Consolidated Financial Statements  
September 30, 2002 and 2001

**(7) Rental Income, Continued**

In 2001, GEDCA agreed to a ten year term with a lessee with future minimum rental set at \$237,800 for 2001 and \$96,000 for the next five years. The lease contains provisions for additional percentage rentals if revenues exceed a defined threshold in 2002. The underlying real estate in this transaction is subject to a lease agreement with the U.S. Government, the terms of which are to be renegotiated under a long-term lease. However, negotiations are ongoing and a definitive agreement has not been signed. At September 30, 2002, estimated lease expense payable has been recorded of approximately \$260,698. Lease expense for the year 2002 was \$0. Future lease expense over the following five years is currently expected to be \$0.

Future minimum rentals to be received under noncancelable subleases as of September 30, 2002, are as follows:

Years ending September 30:	
2003	\$ 950,481
2004	888,303
2005	652,834
2006	591,072
2007	83,721
Thereafter	<u>3,041,722</u>
	\$ <u>6,208,133</u>

**(8) Commitment and Contingency**

GEDCA is involved in various litigation inherent in the operations of the Authority. Management is of the opinion that liabilities of a material nature will not be realized.

Management is of the opinion that the total amount due to trust funds of \$248,998 at September 30, 2002 will be resolved within the next year with funds received from collection of other receivables.

**(9) Related Parties**

At September 30, 2002 and 2001, the following trust funds were administered by GEDCA:

<u>Fund</u>	<u>Total Assets</u>	
	<u>2002</u>	<u>2001</u>
Guam Development Fund Act (GDFA)	\$ 13,750,551	\$ 13,646,062
Agricultural Development Fund (ADF)	1,545,133	1,793,415
Agricultural Expense Insurance Fund (AEIF)	-	7,659
Landowner's Recovery Fund (LRF)	10,611	10,611
Local Arts Revolving Fund (LARF)	453	50,441
Guam Territorial Aquarium Foundation (GTAF)	18,470	137,985
Agricultural Training Fund (ATF)	-	31,907
Music and Legends of Guam Fund (MLGF)	14,678	57,063
Base Realignment and Closure Commission (BRAC)	2,265	8,120
Housing Urban Development Fund (HUD)	445	445
Microenterprise Development Program (MDP)	65,547	107,602



**GUAM ECONOMIC DEVELOPMENT AND COMMERCE AUTHORITY**  
**(A Public Corporation)**  
**AND SUBSIDIARIES**

Notes to Consolidated Financial Statements  
September 30, 2002 and 2001

**(10) Notes Payable**

The notes payable to GDFA, are summarized as follows:

Term loan, bears interest at 4.5%, payable in monthly installments of \$8,785, including interest, collateralized by real property with final payment due in 2016.	\$ 1,082,180
Line of credit, bears interest at 5%, principal and interest due in 2003, collateralized by a drydock.	<u>1,287,435</u>
	\$ <u>2,369,615</u>

The annual principal payments subsequent to September 30, 2002, and thereafter are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2003	\$ 1,344,960	\$ 86,520	\$ 1,431,480
2004	60,167	45,254	105,421
2005	62,931	42,490	105,421
2006	65,822	39,599	105,421
2007	68,846	36,575	105,421
2008 through 2012	394,681	132,426	527,107
2013 through 2016	<u>372,208</u>	<u>35,495</u>	<u>407,703</u>
	\$ <u>2,369,615</u>	\$ <u>418,359</u>	\$ <u>2,787,974</u>

**(11) Investment in Stock**

During the year ended September 30, 1998, GEDCA paid \$61,700 for shares (a 72% interest) of preferred stock in Heli-Guam, Inc. (HGI). This investment is carried using the equity method. As of September 30, 2002 and 2001, the carrying value of this investment has been adjusted for its prorata share of losses.

A summary of investment in stock at September 30, 2002 and 2001 is as follows:

	<u>2002</u>	<u>2001</u>
Bank of Guam	\$ 3,500	\$ 3,500
Heli-Guam, Inc	<u>-</u>	<u>-</u>
	\$ <u>3,500</u>	\$ <u>3,500</u>

A summary of gain (loss) on investment at September 30, 2002 and 2001 is as follows:

	<u>2002</u>	<u>2001</u>
Gain on investment securities	\$ <u>3,577</u>	\$ <u>3,548</u>

**GUAM ECONOMIC DEVELOPMENT AND COMMERCE AUTHORITY**  
**(A Public Corporation)**  
**AND SUBSIDIARIES**

Notes to Consolidated Financial Statements  
September 30, 2002 and 2001

(12) Other Income (Expense)

Other income and expense for the year ended September 30, 2002 includes the sale of the medium 8 dock for \$300,000, income earned from forum and registration fees and waiver fees from Guam Shipyard.

(13) Other Restricted Funds

Other restricted funds are received under certain Qualifying Certificate agreements and GEDCA uses those proceeds for purposes set forth in those agreements.

(14) Adoption of New Accounting Principle

Effective October 1, 2001, GEDCA adopted GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussions and Analysis – for State and Local Governments*. GASB No. 34 establishes a new financial reporting model that includes management’s discussion and analysis, which is required supplementary information to the basic financial statements, and the presentation of net assets and changes in net assets in comparative financial statements. The provisions of GASB No. 34 were applied to all period presented; accordingly, the balance sheet and statement of revenues, expenses and net changes in net assets for 2001 has been restated.

Statement No. 34 requires as supplementary information, Management’s Discussion and Analysis, which includes an analytical overview of the Authority’s financial activities. Adoption also requires the classification of “current assets” and “current liabilities” from all other assets and liabilities on the balance sheet. Finally, reporting by major fund in the financial statements is required. A major fund is defined in the statement as any fund comprising more than 5% of the combined entity’s total assets, liabilities, revenue or expenses, as well as any fiduciary fund, regardless of size. All funds comprising less than 5% are required to be aggregated into a single, “All Other” fund group.

GASB Statement No. 38 requires certain disclosures to be made in the notes to the financial statements concurrent with the implementation of Statement No. 34. While this statement did not affect amounts reported in the financial statements of the Authority, certain note disclosures have been added or amended.

(15) Restricted Funds Transfer

Per Public Law 25-69, other restricted funds in the amount of \$330,806 were transferred from the Chamorro Heritage Foundation to the Department of Chamorro Affairs during fiscal year 2001.

(16) Subsequent Events

On December 8, 2002, Supertyphoon Pongsona struck Guam, with destructive winds of approximately 180 miles per hour. Management has estimated damages to equipment, improvements and fixtures as a direct result of the typhoon at approximately \$770,000. However, FEMA is expected to reimburse \$693,000 or 90% of this cost.

**GUAM ECONOMIC DEVELOPMENT AND COMMERCE AUTHORITY**  
**(A Public Corporation)**  
**AND SUBSIDIARIES**

Schedule 1  
Schedule of Salaries and Wages (Including Trust Funds)  
Years Ended September 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Salaries and wages:		
Salaries	\$ 1,423,137	\$ 1,471,423
Benefits	639,373	590,117
Overtime pay	<u>-</u>	<u>-</u>
Total salaries and wages	<u>\$ 2,062,510</u>	<u>\$ 2,061,540</u>
 Employees at end of year	 34	 38

See accompanying independent auditors' report.

**TRUST FUNDS ADMINISTERED BY THE  
GUAM ECONOMIC DEVELOPMENT  
AND COMMERCE AUTHORITY  
(A Public Corporation)**

---

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

---

**SEPTEMBER 30, 2002 AND 2001**



### Independent Auditors' Report

The Board of Directors  
Guam Economic Development and Commerce Authority:

We have audited the accompanying balance sheets of the Guam Development Fund Act, the Agricultural Development Fund, the Agricultural Expense Insurance Fund, the Landowner's Recovery Fund, the Housing and Urban Development Fund, the Local Arts Revolving Fund, the Guam Territorial Aquarium Foundation, the Aquacultural Training Fund, the Music and Legends of Guam Fund, the Microenterprise Development Program and the U.S. Base Realignment and Closure Committee (the Funds) as of September 30, 2002 and 2001, and the related statements of revenues, expenditures and changes in fund balances (deficits) for the years then ended. The Funds are administered by the Guam Economic Development and Commerce Authority (a public corporation) which is a component unit of the Government of Guam. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Funds at September 30, 2002 and 2001, and the results of their operations for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated June 6, 2003, on our consideration of the Funds' internal control over financial reporting and our tests of their compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink that reads "Deloitte + Touche LLP".

June 6, 2003

**TRUST FUNDS ADMINISTERED BY THE  
GUAM ECONOMIC DEVELOPMENT AND COMMERCE AUTHORITY  
(A Public Corporation)**

Balance Sheets  
September 30, 2002 and 2001

	Guam Development Fund Act		Agricultural Development Fund		Agricultural Expense Insurance Fund		Landowner's Recovery Fund		Microenterprise Development Program	
<u>ASSETS</u>	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Unrestricted assets:										
Cash on hand and in bank (note 2)	\$ 57,440	\$ 75,499	\$ 2,638	\$ 62,237	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Notes and accrued interest receivable thereon	11,010,270	11,645,717	1,005,135	998,748	-	-	-	-	146,651	177,402
Less allowance for doubtful receivables	(3,715,208)	(3,748,931)	(329,893)	(224,567)	-	-	-	-	(89,296)	(71,436)
Net notes and accrued interest receivable	<u>7,295,062</u>	<u>7,896,786</u>	<u>675,242</u>	<u>774,181</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,355</u>	<u>105,966</u>
Due from other funds:										
Guam Economic Development Authority	246,151	284,703	-	-	-	7,659	-	-	7,325	-
Guam Development Fund Act	-	-	-	-	-	-	10,611	10,611	268	317
Agricultural Development Fund	21,243	5,132	-	-	-	-	-	-	-	150
Local Arts Revolving Fund	8,704	8,704	-	-	-	-	-	-	-	-
Microenterprise Development Program	-	-	347	-	-	-	-	-	-	-
Investments (note 3)	1,826,641	4,590,151	488,787	617,236	-	-	-	-	-	-
Other real estate:										
Land (note 4)	1,034,870	433,375	-	-	-	-	-	-	-	-
Other assets (note 5)	<u>768,540</u>	<u>40,512</u>	<u>378,119</u>	<u>339,761</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>599</u>	<u>1,169</u>
	<u>3,906,149</u>	<u>5,362,577</u>	<u>867,253</u>	<u>956,997</u>	<u>-</u>	<u>7,659</u>	<u>10,611</u>	<u>10,611</u>	<u>8,192</u>	<u>1,636</u>
Restricted assets:										
Investments (note 3)	<u>2,491,900</u>	<u>311,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 13,750,551</u>	<u>\$ 13,646,062</u>	<u>\$ 1,545,133</u>	<u>\$ 1,793,415</u>	<u>\$ -</u>	<u>\$ 7,659</u>	<u>\$ 10,611</u>	<u>\$ 10,611</u>	<u>\$ 65,547</u>	<u>\$ 107,602</u>

See accompanying notes to financial statements.

**TRUST FUNDS ADMINISTERED BY THE  
GUAM ECONOMIC DEVELOPMENT AND COMMERCE AUTHORITY  
(A Public Corporation)**

Balance Sheets, Continued  
September 30, 2002 and 2001

	Guam Development Fund Act		Agricultural Development Fund		Agricultural Expense Insurance Fund		Landowner's Recovery Fund		Microenterprise Development Program	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
<b><u>LIABILITIES AND NET ASSETS (DEFICIENCY)</u></b>										
Liabilities:										
Payable from unrestricted assets:										
Accounts payable and accrued expenses	\$ 73,320	\$ 11,944	\$ 13,033	\$ 766	\$ -	\$ -	\$ -	\$ -	\$ 242	\$ -
Due to other funds:										
Guam Economic Development Authority	4,500	-	3,781	12,385	-	-	383,653	383,653	-	30,748
Guam Development Fund Act	-	-	21,279	5,132	-	-	-	-	-	-
Guam Territorial Aquarium Foundation	-	-	-	-	-	-	1,086	1,086	-	-
Landowner's Recovery Fund	10,611	10,611	-	-	-	-	-	-	-	-
Microenterprise Development Program	268	317	-	150	-	-	-	-	-	-
Agricultural Development Program	-	-	-	-	-	-	-	-	347	-
Total liabilities	88,699	22,872	38,093	18,433	-	-	384,739	384,739	589	30,748
Net assets (deficiency):										
Invested capital assets, net of related debt	1,034,870	433,375	-	-	-	-	-	-	-	-
Restricted	6,992,443	6,992,443	1,796,000	1,796,000	75,000	75,000	1,168,672	1,168,672	-	-
Unrestricted	5,634,539	6,197,372	(289,010)	(21,018)	(75,000)	(67,341)	(1,542,800)	(1,542,800)	64,958	76,854
Net assets (deficiency)	13,661,852	13,623,190	1,506,990	1,774,982	-	7,659	(374,128)	(374,128)	64,958	76,854
Contingency (note 6)	\$ 13,750,551	\$ 13,646,062	\$ 1,545,083	\$ 1,793,415	\$ -	\$ 7,659	\$ 10,611	\$ 10,611	\$ 65,547	\$ 107,602

See accompanying notes to financial statements.

**TRUST FUNDS ADMINISTERED BY THE  
GUAM ECONOMIC DEVELOPMENT AND COMMERCE AUTHORITY  
(A Public Corporation)**

Balance Sheets  
September 30, 2002 and 2001

	Housing and Urban Development Fund		Local Arts Revolving Fund		Guam Territorial Aquarium Foundation		Aquacultural Training Fund		Music and Legends of Guam Fund		U.S. Base Realignment and Closure Committee	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
<b>ASSETS</b>												
Unrestricted assets:												
Cash on hand and in bank (note 2)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$	500
Notes and accrued interest receivable thereon	-	-	12,720	12,720	-	-	-	-	-	-	-	-
Less allowance for doubtful receivables	-	-	(12,267)	(12,267)	-	-	-	-	-	-	-	-
Net notes and accrued interest receivable	-	-	453	453	-	-	-	-	-	-	-	500
Government of Guam appropriations receivable	-	-	-	-	-	12,155	-	-	-	-	-	-
Due from other funds:												
Guam Economic Development Authority	-	-	-	49,988	-	107,549	-	31,907	-	41,845	22	1,442
Landowner's Recovery Fund	-	-	-	-	1,086	1,086	-	-	-	-	-	-
Other receivables	445	445	-	-	-	34	-	-	-	-	21	21
Investments (note 3)	-	-	-	-	17,384	17,161	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-	14,678	15,218	-	-
Equipment, at cost less accumulated depreciation	-	-	-	-	-	-	-	-	-	-	2,222	6,157
	445	445	-	49,988	18,470	137,985	-	31,907	14,678	57,063	2,265	7,620
	<u>\$ 445</u>	<u>\$ 445</u>	<u>\$ 453</u>	<u>\$ 50,441</u>	<u>\$ 18,470</u>	<u>\$ 137,985</u>	<u>\$ -</u>	<u>\$ 31,907</u>	<u>\$ 14,678</u>	<u>\$ 57,063</u>	<u>\$ 2,265</u>	<u>\$ 8,120</u>
<b>LIABILITIES AND NET ASSETS (DEFICIENCY)</b>												
Liabilities:												
Payable from unrestricted assets:												
Account payable and accrued expenses	\$ 43,989	\$ 43,989	\$ -	\$ -	\$ -	2	\$ -	\$ -	\$ -	\$ -	12,591	12,591
Due to other funds:												
Guam Economic Development Authority	-	29,482	-	-	-	-	-	-	-	-	-	-
Guam Development Fund Act	-	-	8,703	8,703	-	-	-	-	-	-	-	-
Total liabilities	43,989	73,471	8,703	8,703	-	2	-	-	-	-	12,591	12,591
Net assets (deficiency):												
Restricted	-	-	100,000	100,000	524,368	524,368	54,217	54,217	75,900	75,900	-	-
Unrestricted	(43,544)	(73,026)	(108,250)	(58,262)	(505,898)	(386,385)	(54,217)	(22,310)	(61,222)	(18,837)	(10,326)	(4,471)
Net assets (deficiency)	(43,544)	(73,026)	(8,250)	41,738	18,470	137,983	-	31,907	14,678	57,063	(10,326)	(4,471)
	<u>\$ 445</u>	<u>\$ 445</u>	<u>\$ 453</u>	<u>\$ 50,441</u>	<u>\$ 18,470</u>	<u>\$ 137,985</u>	<u>\$ -</u>	<u>\$ 31,907</u>	<u>\$ 14,678</u>	<u>\$ 57,063</u>	<u>\$ 2,265</u>	<u>\$ 8,120</u>

See accompanying notes to financial statements.



**TRUST FUNDS ADMINISTERED BY THE  
GUAM ECONOMIC DEVELOPMENT AND COMMERCE AUTHORITY  
(A Public Corporation)**

Statements of Revenues, Expenditures and Changes in Net Assets (Deficits)  
Years Ended September 30, 2002 and 2001

	Guam Development Fund Act		Agricultural Development Fund		Agricultural Expense Insurance Fund		Landowner's Recovery Fund		Microenterprise Development Program	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
Revenues:										
Interest	\$ 747,382	\$ 750,177	\$ 21,094	\$ 110,393	\$ -	\$ -	\$ -	\$ -	\$ 8,838	\$ 12,964
Gain on investments	-	17,191	-	520	-	-	-	-	-	-
Other	722,817	-	40,999	900	-	-	-	-	-	-
Recovery of bad debts	-	584,690	-	-	-	-	-	-	-	-
Total revenues	<u>1,470,199</u>	<u>1,352,058</u>	<u>62,093</u>	<u>111,813</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,838</u>	<u>12,964</u>
Expenditures:										
Provision for doubtful notes and accrued interest	842,890	923,422	105,326	246,384	7,659	-	-	-	20,150	6,090
Salaries	509,478	336,912	201,187	191,643	-	-	-	-	12	6,163
Professional services	10,233	7,907	3,234	4,245	-	-	-	21,256	-	-
Rent	48,372	33,141	15,418	13,294	-	-	-	-	-	-
Bank charges	4,899	7,101	719	1,294	-	-	-	-	-	426
Depreciation	7,817	9,053	1,899	2,245	-	-	-	-	565	-
Travel	-	2,406	-	458	-	-	-	-	-	-
Promotions	-	568	-	-	-	-	-	-	-	-
Repair and maintenance	27	-	-	-	-	-	-	-	-	-
Loss on investments	7,429	-	-	-	-	-	-	-	-	-
Miscellaneous	392	6,567	2,302	1,599	-	-	-	-	7	17
Total expenditures	<u>1,431,537</u>	<u>1,327,077</u>	<u>330,085</u>	<u>461,162</u>	<u>7,659</u>	<u>-</u>	<u>-</u>	<u>21,256</u>	<u>20,734</u>	<u>12,696</u>
Revenues (under) over expenditures	38,662	24,981	(267,992)	(349,349)	(7,659)	-	-	(21,256)	(11,896)	268
Net assets (deficits) at beginning of year	<u>13,623,190</u>	<u>13,598,209</u>	<u>1,774,982</u>	<u>2,124,331</u>	<u>7,659</u>	<u>7,659</u>	<u>(374,128)</u>	<u>(352,872)</u>	<u>76,854</u>	<u>76,586</u>
Net assets (deficits) at end of year	<u>\$ 13,661,852</u>	<u>\$ 13,623,190</u>	<u>\$ 1,506,990</u>	<u>\$ 1,774,982</u>	<u>\$ -</u>	<u>\$ 7,659</u>	<u>\$ (374,128)</u>	<u>\$ (374,128)</u>	<u>\$ 64,958</u>	<u>\$ 76,854</u>

See accompanying notes to financial statements.

**TRUST FUNDS ADMINISTERED BY THE  
GUAM ECONOMIC DEVELOPMENT AND COMMERCE AUTHORITY  
(A Public Corporation)**

Statements of Revenues, Expenditures and Changes in Net Assets (Deficits)  
Years Ended September 30, 2002 and 2001

	Housing and Urban Development Fund		Local Arts Revolving Fund		Guam Territorial Aquarium Foundation		Aquacultural Training Fund		Music and Legends of Guam Fund		U.S. Base Realignment and Closure Committee	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
Revenues:												
Net sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45	\$ -	\$ -	\$ -
Grant funds	-	-	-	-	-	-	-	-	-	-	-	22,426
Other	29,482	-	-	-	213	791	-	-	-	-	10,182	66,642
Total revenues	29,482	-	-	-	213	791	-	-	45	-	10,182	89,068
Expenditures:												
Provision for doubtful notes and accrued interest	-	-	49,988	-	119,704	-	31,907	-	41,890	-	11,926	-
Salaries and benefits	-	-	-	-	-	-	-	-	-	-	-	86,141
Professional services	-	-	-	1,019	-	-	-	-	-	-	-	-
Promotions	-	-	-	-	-	-	-	-	540	287	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-	4,111	4,090
Miscellaneous	-	-	-	-	22	27	-	-	-	-	-	2,367
Total expenditures	-	-	49,988	1,019	119,726	27	31,907	-	42,430	287	16,037	92,598
Revenues (under) over expenditures	29,482	-	(49,988)	(1,019)	(119,513)	764	(31,907)	-	(42,385)	(287)	(5,855)	(3,530)
Net assets (deficits) at beginning of year	(73,026)	(73,026)	41,738	42,757	137,983	137,219	31,907	31,907	57,063	57,350	(4,471)	(941)
Net assets (deficits) at end of year	\$ (43,544)	\$ (73,026)	\$ (8,250)	\$ 41,738	\$ 18,470	\$ 137,983	\$ -	\$ 31,907	\$ 14,678	\$ 57,063	\$ (10,326)	\$ (4,471)

See accompanying notes to financial statements.

**TRUST FUNDS ADMINISTERED BY THE  
GUAM ECONOMIC DEVELOPMENT AND COMMERCE AUTHORITY  
(A Public Corporation)**

Notes to Financial Statements  
September 30, 2002 and 2001

**(1) Purpose and Summary of Significant Accounting Policies**

**Purpose**

The Guam Development Fund Act (GDFA), the Agricultural Development Fund (ADF), the Agricultural Expense Insurance Fund (AEIF), the Landowner's Recovery Fund (LRF), the Housing and Urban Development Fund (HUD), the Local Arts Revolving Fund (LARF), the Guam Territorial Aquarium Foundation (GTAF), the Aquacultural Training Fund (ATF), the Music and Legends of Guam Fund (MLGF), the U.S. Base Realignment and Closure Committee (BRAC), the Microenterprise Development Program (MPD), the Guam Industry Promotions Fund (GIPF) and the Guam Education Fund (GEF) are administered by the Guam Economic Development and Commerce Authority (GEDCA). GEDCA utilizes the Funds to carry out its stated purpose of providing an integrated program for the economic development of Guam. The Funds are component units of the Government of Guam. The specific purpose of each fund is as follows:

GDFA - GDFA was created to further the economic development of private business on Guam through loans and loan guarantees from a Revolving Loan Fund. The initial capital for this Fund was derived from a grant by the U.S. Government. Subsequent contributions have been made by the Guam Legislature.

ADF - ADF was created to aid in the development or subsidization of poultry, pork and beef production, agricultural products, processing plants and equipment. This is done primarily through direct loans to individuals at a 4% interest rate. All contributions to this Fund have been appropriated by the Guam Legislature.

AEIF - AEIF was created to insure or to reinsure insurers of farmers, livestock producers and commercial fishermen against losses due to natural disasters. The premiums are collected at rates sufficient to cover claims for losses and to provide a reasonable reserve against unforeseen losses. Initial funding was by an appropriation from the Government of Guam. There were no insurance policies issued in 2002 and 2001 nor were there any policies outstanding at September 30, 2002.

LRF - LRF was created to assist land claimants by making or guaranteeing loans to be repaid from proceeds received from judgments. No single loan may exceed \$200,000, and interest should not exceed 6% per annum. All contributions to the Fund have been made by the Guam Legislature.

LARF - LARF was created to assist local artists to promote the preservation, development and production of Chamorro music and song. No single loan may exceed \$15,000, and no interest should be charged. All contributions to the Fund have been made by the Guam Legislature.

GTAF - GTAF was established by Public Law 20-163 to administer and oversee the feasibility study, site selection and development of the Guam Aquarium project.

ATF - ATF was created to establish a small business entrepreneur program dedicated to nurturing the aquaculture industry. The major goals of the program are to finance and construct a demonstration project in two phases; to demonstrate the potential of these systems in Guam; to have these facilities serve as a teaching tool for aquaculture students; to test the market demand for the fish; to establish a technical and managerial assistance program; to provide recommendations in the permitting process for aquaculture farmers; and to provide recommendations for regulating importation of cultured fish products. All contributions to this Fund have been appropriated by ADF.

**TRUST FUNDS ADMINISTERED BY THE  
GUAM ECONOMIC DEVELOPMENT AND COMMERCE AUTHORITY  
(A Public Corporation)**

Notes to Financial Statements  
September 30, 2002 and 2001

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

MLGF - MLGF was created to satisfy any financial obligations of GEDCA related to the Music and Legends of Guam Project Fund. The fund consists of all proceeds collected from the sale of the musical recording of the Music and Legends of Guam work originally released in 1979.

BRAC - BRAC was created to further the economic development of Guam through planning and rehabilitation of Guam military bases and military base property. Capital for this Fund was derived from a grant by the U.S. Government.

HUD - The HUD fund was created for the purpose of segregating activities of a specific HUD grant.

MDP - MDP was developed to facilitate the economic development of Guam by providing financial assistance to support the establishment, stabilization and expansion of microenterprises, i.e., persons of low and moderate income or a commercial enterprise that has five or fewer employees, one or more of whom owns the enterprise on Guam.

GIPF - GIPF was created by Resolution No. 2000-20 to support promotion of the island on an annual basis. Funding to come from qualifying certificate beneficiary contributions.

GEF - GEF was created by Resolution No. 2000-20 to provide specific funding of extracurricular programs which collectively benefit all schools, or similarly, programs in which students from different schools participate.

During the year ended September 30, 1994, the Small Business Development Fund (SBDF) was created by Public Law 21-42 to encourage, assist, develop and expand the small business private sector in Guam's economy. This is done primarily through direct loans to individuals, small corporations and partnerships at an interest rate deemed reasonable by GEDCA. This fund was also created to provide for equity participation in a new company or in an existing company for the purpose of expansion. All contributions to this fund have been appropriated by the Guam Legislature. No transactions were entered into by SBDF during the years ended September 30, 2002 and 2001.

As government entities created by public laws, the Funds are not subject to taxes.

**Basis of Accounting**

The trust funds account for assets under the terms of formal trust agreements. They are classified as expendable trust funds and are accounted for in essentially the same manner as governmental fund types, using the same measurement focus and basis of accounting. Expendable trust funds account for assets where both the principal and interest may be spent.

Governmental funds are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred.

**TRUST FUNDS ADMINISTERED BY THE  
GUAM ECONOMIC DEVELOPMENT AND COMMERCE AUTHORITY  
(A Public Corporation)**

Notes to Financial Statements  
September 30, 2002 and 2001

(1) Purpose and Summary of Significant Accounting Policies, Continued

Cash

Cash includes cash on hand and cash on deposit in banks.

At September 30, 2002 and 2001, the Funds have cash balances of \$59,678 and \$138,236, respectively, deposited in checking accounts. Of the total deposits, up to \$100,000 each year is insured by the Federal Deposit Insurance Corporation. The remaining balances are not insured or collateralized.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Notes and Accrued Interest Receivable

Notes receivable consist of loans made to Guam businesses and individuals. In accordance with Section 3 of the Guam Development Fund Act of 1968, the term of a loan shall not exceed twenty-five years. Additionally, loans bear interest above the U.S. treasury rate. All loans are secured by collateral with any long-term loans being secured by real property.

Included in notes receivable for GDFA as of September 30, 2002 and 2001, are notes due from GEDCA for \$2,369,616. The notes of \$1,082,180 and \$1,287,436 bear interest at 4.5% and 5%, respectively, and are due in 2019 and 2003, respectively.

The annual principal payments for the GEDCA notes receivable for the five years subsequent to September 30, 2002, and thereafter are as follows:

2003	\$ 1,392,858
2004	105,421
2005	105,421
2006	105,421
2007	105,421
Thereafter	<u>555,074</u>
	\$ <u>2,369,616</u>

It is the policy of GDFA and ADF to cease accrual of interest on delinquent loans when, in the opinion of management, the past due condition is an indication of possible uncollectibility.

Inventories

Inventories of materials and merchandise are determined by physical count and are valued at the lower of cost or market.

**TRUST FUNDS ADMINISTERED BY THE  
GUAM ECONOMIC DEVELOPMENT AND COMMERCE AUTHORITY  
(A Public Corporation)**

Notes to Financial Statements  
September 30, 2002 and 2001

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

**Investments**

The investments of the Trust Funds administered by GEDCA are classified in the first of three credit risk categories as promulgated in Governmental Accounting Standards Board (GASB), Statement No. 3, as the securities held are insured or registered in the name of the governmental entity or held by the entity or by its agent in the entity's name. 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.

**Expenditures**

Virtually all expenditures of the Funds, other than legal expenditures specifically related to the activities of a particular fund, are borne by GEDCA as part of its cost of administering the Funds.

Each Fund is charged a percentage of GEDCA's payroll expense based upon actual time personnel spend on the respective Fund.

**(2) Cash Deposits**

Local legislation requires financial institutions to pledge securities to collateralize "deposits of public funds." Trust cash funds on deposit with financial institutions are not considered "deposits of public funds" under current law. Therefore, these institutions are not required to pledge securities to collateralize such deposits. Cash deposits are insured only to the statutory limits provided by agencies of the Federal Government and are uncollateralized.

**(3) Investments**

At October 1, 1996, GEDCA adopted GASB Statement No. 31.

Investments consist of money market funds and securities in Pacific Century Trust (PCT). At September 30, 2002 and 2001, the investments are stated at market value of \$4,824,662 and \$5,535,748, respectively.

GDFA has \$2,491,900 and \$311,200 in restricted investments at September 30, 2002 and 2001, respectively.

**TRUST FUNDS ADMINISTERED BY THE  
GUAM ECONOMIC DEVELOPMENT AND COMMERCE AUTHORITY  
(A Public Corporation)**

Notes to Financial Statements  
September 30, 2002 and 2001

**(4) Other Real Estate**

GDFA has acquired certain land through foreclosure of loans. These items are reflected at cost in other real estate.

**(5) Other Assets**

ADF has acquired leasehold interest in land through foreclosure of loans. Leasehold interests are reflected at cost in other assets.

**(6) Contingency**

At September 30, 2002 and 2001, GDFA was contingently liable as guarantor for loans in the amount of \$2,633,000 and \$1,980,700, respectively, and any related collection costs. In accordance with Section 4 of the Guam Development Fund Act of 1968; GDFA is required to maintain reserves of not less than 25% of the loan guarantee.

GEDCA is involved in various litigation inherent in the operations of the Authority. Management is of the opinion that liabilities of a material nature will not be realized.



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

The Board of Directors  
Guam Economic Development and Commerce Authority:

We have audited the financial statements of the Guam Economic Development and Commerce Authority and subsidiaries (GEDCA), as of September 30, 2002, and for the year then ended, and have issued our report thereon dated June 6, 2003, which report was qualified due to our inability to form an opinion on travel advances net of suspense accounts, travel and related expenditures. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

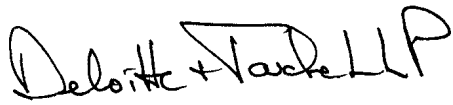
As part of obtaining reasonable assurance about whether GEDCA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination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

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered GEDCA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of GEDCA in a separate letter dated June 6, 2003.



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

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

June 6, 2003



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

The Board of Directors  
Guam Economic Development and Commerce Authority:

**Compliance**

We have audited the compliance of the Guam Economic Development and Commerce Authority and subsidiaries (GEDCA) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended September 30, 2002. GEDCA's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of GEDCA's management. Our responsibility is to express an opinion on GEDCA's compliance based on our audit.

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

In our opinion, GEDCA complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended September 30, 2002.

**Internal Control Over Financial Reporting**

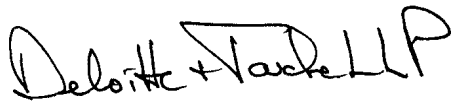
The management of GEDCA is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing the audit, we considered GEDCA's internal control over compliance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

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

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Guam Economic Development and Commerce Authority (GEDCA) and subsidiaries, as of and for the year ended September 30, 2002, and have issued our report thereon dated June 6, 2003. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. This schedule is the responsibility of the management of GEDCA. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated, in all material respects when considered in relation to the financial statements taken as a whole.

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

A handwritten signature in black ink that reads "Deloitte + Tatchell LLP". The signature is stylized and cursive.

June 6, 2003

**GUAM ECONOMIC DEVELOPMENT AND COMMERCE AUTHORITY**  
**(A Public Corporation)**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2001

<u>Federal grantor/ program title/ project designation</u>	<u>Catalog of Federal Assistance number</u>	<u>Project amount</u>	<u>Balance at beginning of year</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>(Payable) receivable at end of year</u>
Community Development Block Grant/Special Purpose	14.225	\$ <u>123,071</u>	\$ <u>(43,989)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(43,989)</u>
Other federal assistance:						
Guam Development Fund Act	N/A(1)	\$ <u>6,240,000</u>	\$ <u>11,067,763</u>	\$ <u>3,902,654*</u>	\$ <u>3,434,367</u>	\$ <u>10,599,476</u>

\*Denotes a major federal award program.

(1) Other federal assistance:

- (a) The Guam Economic Development Fund Act of 1968, U.S. Public Law 90-601, authorized funding to establish a Revolving Loan Fund which would be used to develop private industry on Guam by providing loans and loan guarantees to qualified businesses. Subsequently, Public Law 95-134, authorized additional appropriations to supplement the Revolving Fund. As a result of these two public laws, the Government of Guam received a total of \$6,240,000 for the Revolving Fund.
- (b) The federal grant above is classified as "other federal assistance" as it has not been assigned a "Catalog of Federal Domestic Assistance Number".
- (c) The \$10,599,476 above reflects the Revolving Loan Fund receivable balance at September 30, 2002. The difference between the September 30, 2002 balance and the project amount represents interest income.
- (d) The \$10,599,476 principal balance above, plus accrued interest receivable and legal fee costs of \$410,794 at September 30, 2002, reconciles to the Guam Economic Development Fund \$11,010,270 notes and accrued interest receivable balance per the September 30, 2002 financial statements.
- (e) Per the Guam Economic Development Fund Act, \$6,240,000 was received directly from the federal agency. Subsequent contributions have been made by the Guam Legislature.

- (2) The above mentioned Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.
- (3) All programs are received in a direct capacity.

**GUAM ECONOMIC DEVELOPMENT AND COMMERCE AUTHORITY**  
**(A Public Corporation)**

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2002

**Part I - Summary of Auditors' Results**

1. The Independent Auditors' Report on the financial statements expressed a qualified opinion.
2. Reportable conditions in internal control over financial reporting were not identified.
3. No instances of noncompliance considered material to the financial statements were disclosed by the audit.
4. No reportable conditions in internal control over compliance with requirements applicable to major federal award programs were identified.
5. The Independent Auditors' Report on compliance with requirements applicable to major federal awards programs expressed an unqualified opinion.
6. The audit disclosed no finding required to be reported by OMB Circular A-133.
7. The Guam Economic Development and Commerce Authority's major federal programs consist of:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Guam Development Fund Act	N/A

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

**Part II - Financial Statement Findings Section**

No matters are reportable.

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

No matters are reportable.