



**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 Authority:

We have audited the financial statements of the Guam Economic Development Authority and subsidiaries (GEDA), as of September 30, 2001, and for the year then ended, and have issued our report thereon dated May 29, 2002. 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.

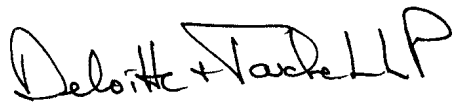
**Compliance**

As part of obtaining reasonable assurance about whether GEDA'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 GEDA'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 GEDA in a separate letter dated May 29, 2002.

This report is intended for the information of the Board of Directors and management of GEDA 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 + Stacke LLP". The signature is written in a cursive, slightly stylized font.

May 29, 2002



**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 Authority:

Compliance

We have audited the compliance of the Guam Economic Development Authority and subsidiaries (GEDA) 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, 2001. GEDA'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 GEDA's management. Our responsibility is to express an opinion on GEDA'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 GEDA'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 GEDA's compliance with those requirements.

In our opinion, GEDA 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, 2001.

Internal Control Over Financial Reporting

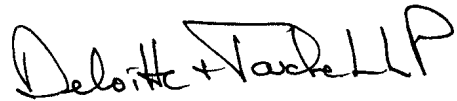
The management of GEDA is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing the audit, we considered GEDA's internal control over compliance with 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 Authority (GEDA) and subsidiaries, as of and for the year ended September 30, 2001, and have issued our report thereon dated May 29, 2002. 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 GEDA. 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 GEDA 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 + Touche LLP". The signature is written in a cursive, stylized font.

May 29, 2002

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

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

Federal grantor/ program title/ <u>project designation</u>	Catalog of Federal Assistance <u>number</u>	Project amount	Balance at beginning of year	<u>Receipts</u>	<u>Expenditures</u>	(Payable) receivable at <u>end of year</u>
Community Development Block Grant/Special Purpose	14.225	\$ <u>123,071</u>	\$ <u>(43,989)</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>(43,989)</u>
Office of Economic Adjustment/ Department of Defense - Community Planning Assistance	12.607	\$ <u>3,425,023</u>	\$ <u>22,843</u>	\$ <u>89,068</u>	\$ <u>92,599*</u>	\$ <u>0</u>
Other federal assistance: Guam Development Fund Act	N/A(1)	\$ <u>6,240,000</u>	\$ <u>11,391,546</u>	\$ <u>2,123,168*</u>	\$ <u>1,799,385</u>	\$ <u>11,067,763</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 \$11,067,763 above reflects the Revolving Loan Fund receivable balance at September 30, 2001. The difference between the September 30, 2001 balance and the project amount represents interest income.
- (d) The \$11,067,763 principal balance above, plus accrued interest receivable of \$482,324 at September 30, 2001, reconciles to the Guam Economic Development Fund \$11,645,717 notes and accrued interest receivable balance per the September 30, 2001 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 AUTHORITY  
(A Public Corporation)**

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2001

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

1. The Independent Auditors' Report on the financial statements expressed an unqualified 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 Authority's major federal programs consist of:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Community Planning Assistance Guam Development Fund Act	12.607 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.