

**GOVERNMENT OF GUAM
TERRITORIAL HIGHWAY FUND**

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

YEAR ENDED SEPTEMBER 30, 2006

INDEPENDENT AUDITORS' REPORT

Honorable Felix P. Camacho
Governor of Guam:

We have audited the accompanying financial statements of the Territorial Highway Fund and of those funds related to the Government of Guam Limited Obligation Highway Refunding Bonds, 2001 Series A (THF), as of and for the year ended September 30, 2006. These financial statements are the responsibility of the Government of Guam's management. Our responsibility is to express an opinion on these financial statements based on our audit.

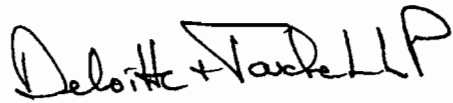
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

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

In our opinion, such financial statements present fairly, in all material respects, the respective financial position of the Territorial Highway Fund and those funds related to the Government of Guam Limited Obligation Highway Refunding Bonds, 2001 Series A, as of September 30, 2006, and the results of their operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional supplementary information on pages 17 to 25 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This additional information is the responsibility of the Government of Guam's management. Such additional information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2007, on our consideration of the THF's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

June 20, 2007

**GOVERNMENT OF GUAM
TERRITORIAL HIGHWAY FUND**

Balance Sheet
September 30, 2006

	Territorial Highway Fund	Capital Projects Fund	Debt Service Fund	Total
<u>ASSETS</u>				
Cash and cash equivalents	\$ 23,734	\$ -	\$ -	\$ 23,734
Restricted assets:				
Cash and cash equivalents	-	17,325,881	2,000,810	19,326,691
Investments	-	-	6,894,000	6,894,000
Taxes receivable	587,047	-	-	587,047
Total assets	\$ 610,781	\$ 17,325,881	\$ 8,894,810	\$ 26,831,472
<u>LIABILITIES</u>				
Accounts payable	\$ -	\$ 3,560,421	\$ -	\$ 3,560,421
Accrued payroll and other	252,141	-	-	252,141
Due to Guam Power Authority	10,910,791	-	-	10,910,791
Deferred revenue	2,011,589	-	-	2,011,589
Tax drawback claims payable	594,057	-	-	594,057
Total liabilities	13,768,578	3,560,421	-	17,328,999
Commitments and contingencies				
<u>FUND BALANCES (DEFICITS)</u>				
Fund balances (deficits):				
Reserved for:				
Continuing appropriations	555,037	867,000	-	1,422,037
Debt service	-	-	8,894,810	8,894,810
Encumbrances	967,570	11,210,381	-	12,177,951
Unreserved (deficit)	(14,680,404)	1,688,079	-	(12,992,325)
Total fund balances (deficits)	(13,157,797)	13,765,460	8,894,810	9,502,473
Total liabilities and fund balances (deficits)	\$ 610,781	\$ 17,325,881	\$ 8,894,810	\$ 26,831,472

See accompanying notes to financial statements.

**GOVERNMENT OF GUAM
TERRITORIAL HIGHWAY FUND**

Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)
Year Ended September 30, 2006

	Territorial Highway Fund	Capital Projects Fund	Debt Service Fund	Total
Revenues:				
Taxes	\$ 9,534,236	\$ -	\$ -	\$ 9,534,236
Licenses, fees and permits	4,603,926	-	-	4,603,926
Use of money and property	2,228	1,003,055	92,155	1,097,438
Total revenues	14,140,390	1,003,055	92,155	15,235,600
Expenditures:				
Current:				
General government	486,661	3,520	5,178	495,359
Transportation	7,314,404	-	-	7,314,404
Payments to General Fund	7,568,455	-	-	7,568,455
Payments to UOG Capital Improvement Fund	500,000	-	-	500,000
Payments to Village Streets Fund	1,500,000	-	205,000	1,705,000
Capital projects	-	11,962,119	-	11,962,119
Debt service:				
Principal	-	-	4,435,000	4,435,000
Interest	-	-	1,594,294	1,594,294
Total expenditures	17,369,520	11,965,639	6,239,472	35,574,631
Deficiency of revenues under expenditures	(3,229,130)	(10,962,584)	(6,147,317)	(20,339,031)
Other financing sources (uses):				
Operating transfers in	-	-	5,527,636	5,527,636
Operating transfers out	(5,527,636)	-	-	(5,527,636)
Total other financing sources (uses),	(5,527,636)	-	5,527,636	-
Net change in fund balances (deficits)	(8,756,766)	(10,962,584)	(619,681)	(20,339,031)
Fund balances (deficits) at the beginning of the year, as restated	(4,401,031)	24,728,044	9,514,491	29,841,504
Fund balances (deficits) at the end of the year	\$ (13,157,797)	\$ 13,765,460	\$ 8,894,810	\$ 9,502,473

See accompanying notes to financial statements.

**GOVERNMENT OF GUAM
TERRITORIAL HIGHWAY FUND**

Notes to Financial Statements
September 30, 2006

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Fund Accounting

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

C. Measurement Focus and Basis of Accounting

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

Liquid Fuel Taxes:

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

**GOVERNMENT OF GUAM
TERRITORIAL HIGHWAY FUND**

Notes to Financial Statements
September 30, 2006

(1) Summary of Significant Accounting Policies, Continued

C. Measurement Focus and Basis of Accounting, Continued

Automotive Surcharges:

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

Motor Vehicle Registration Fees:

Taxi Drivers - Identification Card	\$ 25.00
Endorsement	<u>3.50</u>
Total for Taxi Drivers	\$ <u>28.50</u>
Driver's License (and all others)	\$ <u>5.00</u>

The amount of the annual license and registration fee shall be determined based on vehicle gross weight with fees ranging from \$10 to \$38 for vehicles weighing under 1,000 pounds to 8,000 pounds and over plus two dollars and fifty cents (\$2.50) for each 500 pounds or fraction thereof in excess of 7,999 pounds. Additionally, fees are subject to percentage adjustments based on vehicle model year with respect to vehicles whose gross weight is not in excess of 7,999 pounds, as follows:

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

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

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

D. Appropriations

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

**GOVERNMENT OF GUAM
TERRITORIAL HIGHWAY FUND**

Notes to Financial Statements
September 30, 2006

(1) Summary of Significant Accounting Policies, Continued

E. Budgetary Process

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

Encumbrances are commitments related to unperformed (executory) contracts for goods or services and are generally evidenced by outstanding purchase orders, contracts, and intradepartmental work requests. As of September 30, 2006, there were no outstanding interdepartmental work requests pertaining to land acquisitions. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Unencumbered appropriations normally lapse at the end of each fiscal year unless they are designated by the Legislature as representing continuing appropriations.

F. Cash and Cash Equivalents

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

G. Investments

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

H. Receivables

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

I. Interfund Receivables/Payables

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

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

**GOVERNMENT OF GUAM
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Notes to Financial Statements
September 30, 2006

(1) Summary of Significant Accounting Policies, Continued

J. Restricted Assets

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

K. Deferred Revenues

Deferred revenue represents monies received or revenues accrued which have not been earned or do not meet the "available" criterion for revenue recognition under the modified accrual basis of accounting. The deferred revenue recorded by the Territorial Highway Fund is the result of a tax drawback settlement as discussed further in Note 4 to the accompanying financial statements.

L. Fund Balance

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

M. Management Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) Deposits and Investments

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

The deposit and investment policies are governed by GovGuam's enabling legislation and bond indentures. Management is required to engage one or more fund custodians to assume responsibility for the physical possession of investments.

**GOVERNMENT OF GUAM
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Notes to Financial Statements
September 30, 2006

(2) Deposits and Investments, Continued

A. Deposits

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

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

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

As of September 30, 2006, the carrying amount of cash and cash equivalents was \$19,350,425 and the corresponding bank balances were \$19,350,425, which represent short-term investments held and administered by GovGuam's trustees in accordance with various trust agreements and bond indentures. Based on negotiated trust and custody contracts, all of these investments were held in GovGuam's name by GovGuam's custodial financial institutions at September 30, 2006.

B. Investments

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

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

**GOVERNMENT OF GUAM
TERRITORIAL HIGHWAY FUND**

Notes to Financial Statements
September 30, 2006

(2) Deposits and Investments, Continued

B. Investments, Continued

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

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, GovGuam will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. GovGuam's investments are held and administered by trustees. Based on negotiated trust and custody contracts, all of these investments were held in GovGuam's name by GovGuam's custodial financial institutions at September 30, 2006.

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

At September 30, 2006, the Debt Service Fund relating to the Limited Obligation Highway Refunding Bonds, 2001 Series A, recorded fixed income securities as follows:

	<u>S & P Credit Rating</u>	<u>Maturity Date</u>	<u>Total</u>
Corporate notes:			
Apreco LLC	A-1+	11/15/2006	\$ 366,000
Citigroup Funding, Inc.	A-1+	11/01/2006	770,000
Danske Corporation	A-1+	2/01/2007	626,000
DnB NOR Bank ASA	A-1	10/02/2006	4,400,000
Natexis Banques Populaires	A-1+	11/01/2006	366,000
Swedish Housing Finance Corporation	A-1+	10/31/2006	<u>366,000</u>
			<u>\$ 6,894,000</u>

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. There was no interest rate risk for investments as of September 30, 2006.

**GOVERNMENT OF GUAM
TERRITORIAL HIGHWAY FUND**

Notes to Financial Statements
September 30, 2006

(3) Interfund Transfer Activity

Interfund transfers from the Territorial Highway Fund to the Debt Service Fund represent the transfer of pledged revenues as required by the bond indenture. Interfund transfer activity during the year ended September 30, 2006, is summarized below:

	<u>Territorial Highway Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>
Transfers Out To:			
Debt Service Fund	\$ <u>5,527,636</u>	\$ <u>-</u>	\$ <u>-</u>
Transfers In From:			
Territorial Highway Fund	\$ <u>-</u>	\$ <u>-</u>	\$ <u>5,527,636</u>

(4) Tax Drawback

On September 20, 2004, a settlement was entered into in favor of a plaintiff for \$6,583,382, which calls for the settlement balance to be offset against future liquid fuel taxes to be paid over thirty-six months, in monthly amounts of \$182,872, commencing in September 2004. Accordingly, such has been reflected as deferred revenue within the accompanying financial statements.

The tax drawback liability as of September 30, 2006 totaled \$594,057, which represents claims in litigation for which the outcome is currently not determinable.

(5) Bonds Payable

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

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

The Limited Obligation Highway Refunding Bonds, 2001 Series A (2001 Bonds) are serial bonds, dated April 1, 2001 and were issued in fully registered form in denominations of \$5,000 or any integral multiple thereof. Interest is variable between 3.125% to 5.5%. The 2001 Bonds maturing on May 1, 2012, are subject to redemption prior to their stated maturity, at the option of the GovGuam, from any source of available funds, on any date on or after May 1, 2011.

**GOVERNMENT OF GUAM
TERRITORIAL HIGHWAY FUND**

Notes to Financial Statements
September 30, 2006

(5) Bonds Payable, Continued

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

Minimum debt service payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 4,660,000	\$ 1,366,862	\$ 6,026,862
2008	4,850,000	1,180,462	6,030,462
2009	5,050,000	980,400	6,030,400
2010	5,260,000	765,775	6,025,775
2011	5,485,000	542,225	6,027,225
2012	<u>5,765,000</u>	<u>259,425</u>	<u>6,024,425</u>
	<u>\$ 31,070,000</u>	<u>\$ 5,095,149</u>	<u>\$ 36,165,149</u>

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

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

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

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

**GOVERNMENT OF GUAM
TERRITORIAL HIGHWAY FUND**

Notes to Financial Statements
September 30, 2006

(5) Bonds Payable, Continued

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

- Bond Fund – an amount equal to the sum of (1) the aggregate amount of interest to accrue during each interest accrual period and principal payment period upon all then outstanding bonds in equal monthly amounts, plus (2) an amount, which, if paid in equal monthly installments in each month prior to the next May 1, would aggregate to the amount of principal then becoming due and payable on the outstanding bonds, plus (3) an amount which, if paid in equal monthly installments in each month prior to the next May 1, would aggregate to the amount required for the mandatory sinking fund payments due. The Bond Fund account is accounted for within the Debt Service Fund.
- Bond Reserve Fund – an amount needed to increase the amount in the Bond Reserve Fund to meet the bond reserve fund requirement. The bond reserve fund requirement is defined as an amount to make up for any deficiency in the Bond Fund. The deficiency in the Bond Fund represents insufficiency of funds to pay the principal of the mandatory sinking account payments and interest on the bonds. The Bond Reserve Fund account is accounted for within the Debt Service Fund.
- Maintenance and Operation Fund – the amount of maintenance and operations expenditures budgeted by GovGuam to be paid during the next succeeding calendar month. Amounts in the Maintenance and Operation Fund are to be used for the purpose of paying GovGuam highway maintenance and operation costs. The Maintenance and Operation Fund account is accounted for within the Debt Service Fund.
- Surplus Fund – the balance remaining in the Revenue Fund after the foregoing deposits. Amounts in the Surplus Fund are to be used for the purpose of paying other costs and expenditures budgeted by GovGuam. The Surplus Fund account is accounted for within the Debt Service Fund.

During the year ended September 30, 2006, payments were made to the trustee totaling \$6,029,294 of which \$4,435,000 represents payment on principal and \$1,594,294 as interest:

Bonds payable at September 30, 2005	\$ 35,505,000
Principal repayment	<u>4,435,000</u>
Bonds payable at September 30, 2006	\$ <u>31,070,000</u>

At September 30, 2006, \$8,894,810 of the fund balance in the Debt Service Fund is reserved for debt service purposes.

At September 30, 2006, management of the Funds is of the opinion that it is in compliance with the bond covenants as outlined in the bond indenture.

**GOVERNMENT OF GUAM
TERRITORIAL HIGHWAY FUND**

Notes to Financial Statements
September 30, 2006

(6) Payments to Other Funds

In accordance with GASB Statement No. 34, management has determined that the interfund receivable due from GovGuam's General Fund is not expected to be repaid within a reasonable time. Accordingly, the interfund receivable has been reduced resulting in an amount of \$7,568,455 being recorded as an expenditure in the accompanying financial statements.

Public Law 23-128 authorizes fifty percent (50%) of all monies in the Surplus Fund of the Limited Obligation Highway Bonds, Series 1992 A, to be paid to the Village Streets Fund with the remainder transferred to the Territorial Highway Fund. During the year ended September 30, 2006, total cash transferred to the Village Streets Fund and the Territorial Highway Fund was \$205,000 to each fund. Additionally, Public Law 28-68 appropriated funds from the Territorial Highway Fund to the Village Streets Fund for the Mayors Council of Guam. During the year ended September 30, 2006, \$1,500,000 was transferred to the Village Streets Fund in accordance with this legislation.

Public Law 26-48 authorizes the reimbursement to the University of Guam (UOG) for debt service on a U.S. Department of Agriculture (USDA) loan obtained for the construction of the College of Business and Public Administration building. During the year ended September 30, 2006, \$500,000 was transferred to the UOG Capital Improvements Fund for payment to UOG. This amount is appropriated to UOG until such time that the USDA loan is repaid in full. Accordingly, this amount is included within the reserve for continuing appropriations of the Territorial Highway Fund.

(7) Contingencies and Commitments

Due to Guam Power Authority (GPA)

At September 30, 2002, power charges totaling \$9,249,423 were accrued, representing an obligation of GovGuam for electrical services provided by GPA pertaining to certain streetlights. There is a formal repayment agreement bearing interest at 4.35%; however, it has not yet been initiated and there is no appropriation to allow payment to be processed. Management is of the opinion that this balance, together with accrued interest payable of \$1,661,368, may change and may be charged to another fund or may be reversed. However, at this time, it is not possible to determine the ultimate outcome of this matter or the potential impact on the accompanying basic financial statements.

Historically, electrical services for certain streetlights have been paid for by the Territorial Highway Fund. During the year ended September 30, 2006, no such obligation was incurred by the Territorial Highway Fund and therefore related expenditures are not reflected in the accompanying financial statements.

**GOVERNMENT OF GUAM
TERRITORIAL HIGHWAY FUND**

Notes to Financial Statements
September 30, 2006

(7) Contingencies and Commitments, Continued

Construction Contracts

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

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

Capital-related expenditures of \$11,962,119 were incurred under these contracts during the year ended September 30, 2006.

CreditWatch

On March 9, 2007, Standard & Poor's Ratings Services placed its "B" rating on GovGuam's General Obligation debt on CreditWatch with negative implications. The action is based on GovGuam's disclosure of the need to borrow up to \$6 million from local banks to meet its current payroll obligation for public school system employees. The CreditWatch placement indicated that the liquidity crisis is directly attributed to GovGuam's long-term structural financial imbalance, with recurring deficits, a large and growing negative General Fund balance, and significant long-term liabilities. The CreditWatch placement also reflected the possibility that these challenges will further diminish GovGuam's ability to meet operational responsibilities while addressing long-term requirements. As repayment of the Limited Obligation Highway Refunding Bonds, 2001 Series A, is guaranteed by a pledge of all revenues generated by the Territorial Highway Fund, management is of the opinion that this CreditWatch placement will not have an impact on the future debt service requirements of these outstanding bonds payable. However, GovGuam's executive and legislative branches have yet to adopt a formal deficit reduction plan to address these issues. Accordingly, the financial statements of the Territorial Highway Fund do not include adjustments, if any, that might result from the outcome of this uncertainty.

On June 20, 2007, Standard & Poor's Ratings Services affirmed its "B" rating on GovGuam's General Obligation debt and removed it from CreditWatch with negative implications.

(8) Subsequent Event

On October 31, 2006, Public Law 28-151 was signed into law, which appropriated \$4,000,000 from the Construction Fund. On November 2, 2006, \$4,000,000 was transferred to GovGuam's General Fund pursuant to the Public Law.

**GOVERNMENT OF GUAM
TERRITORIAL HIGHWAY FUND**

Notes to Financial Statements
September 30, 2006

(9) Restatement

Subsequent to the issuance of THF's 2005 financial statements, THF management determined that the taxes receivable and amounts due from GovGuam's General Fund were overstated. As a result, taxes receivable and amounts due from GovGuam's General Fund have been restated from the amounts previously reported to correct for this error as follows:

	<u>Territorial Highway Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Fund balances (deficits) at October 1, 2005, as previously reported	\$ (4,513,407)	\$ 25,306,144	\$ 9,514,491	\$ 30,307,228
Overstatement of taxes receivable	(465,724)	-	-	(465,724)
Overstatement of amounts due from General Fund	-	(578,100)	-	(578,100)
Understatement of amounts due from General Fund	<u>578,100</u>	<u>-</u>	<u>-</u>	<u>578,100</u>
Fund balances (deficits) at October 1, 2005, as restated	\$ <u>(4,401,031)</u>	\$ <u>24,728,044</u>	\$ <u>9,514,491</u>	\$ <u>29,841,504</u>

**GOVERNMENT OF GUAM
TERRITORIAL HIGHWAY FUND**

Comparative Balance Sheets
September 30, 2006 and 2005

	Territorial Highway Fund		Capital Projects Fund		Debt Service Fund	
	2006	2005	2006	2005	2006	2005
ASSETS						
Cash and cash equivalents	\$ 23,734	\$ 3,345	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and cash equivalents	-	-	17,325,881	24,728,044	2,000,810	3,613,261
Investments	-	-	-	-	6,894,000	5,902,000
Taxes receivable	587,047	706,537	-	-	-	-
Due from the General Fund	-	10,479,489	-	-	-	-
Total assets	\$ 610,781	\$ 11,189,371	\$ 17,325,881	\$ 24,728,044	\$ 8,894,810	\$ 9,515,261
LIABILITIES						
Accounts payable	\$ -	\$ -	3,560,421	\$ -	\$ -	\$ -
Accrued payroll and other	252,141	227,844	-	-	-	770
Due to Guam Power Authority	10,910,791	10,447,168	-	-	-	-
Deferred revenue	2,011,589	4,206,050	-	-	-	-
Tax drawback claims payable	594,057	709,340	-	-	-	-
Total liabilities	13,768,578	15,590,402	3,560,421	-	-	770
FUND BALANCES (DEFICITS)						
Fund balances (deficits):						
Reserved for:						
Related assets	-	10,479,489	-	-	-	-
Continuing appropriations	555,037	554,203	867,000	542,639	-	-
Debt service	-	-	-	-	8,894,810	9,514,491
Encumbrances	967,570	782,391	11,210,381	-	-	-
Unreserved fund balances (deficits)	(14,680,404)	(16,217,114)	1,688,079	24,185,405	-	-
Total fund balances (deficits)	(13,157,797)	(4,401,031)	13,765,460	24,728,044	8,894,810	9,514,491
Total liabilities and fund balances (deficits)	\$ 610,781	\$ 11,189,371	\$ 17,325,881	\$ 24,728,044	\$ 8,894,810	\$ 9,515,261

See accompanying independent auditors' report.

**GOVERNMENT OF GUAM
TERRITORIAL HIGHWAY FUND**

Comparative Statements of Revenues, Expenditures by Function, and Changes in Fund Balances (Deficits)
Years Ended September 30, 2006 and 2005

	Territorial Highway Fund		Capital Projects Fund		Debt Service Fund	
	2006	2005	2006	2005	2006	2005
Revenues:						
Taxes	\$ 9,534,236	\$ 12,144,472	-	\$ -	-	\$ -
Licenses, fees and permits	4,603,926	4,734,342	-	-	-	-
Use of money and property	2,228	1,325	1,003,055	712,793	92,155	95,211
Total revenues	14,140,390	16,880,139	1,003,055	712,793	92,155	95,211
Expenditures:						
Current:						
General government	486,661	97,669	3,520	-	5,178	10,243
Transportation	7,314,404	6,927,958	-	-	-	-
Payments to General Fund	7,568,455	-	-	-	-	-
Payments to UOG Capital Improvement Fund	500,000	500,000	-	-	-	-
Payments to Village Streets Fund	1,500,000	-	-	-	205,000	491,500
Capital projects	-	-	11,962,119	-	-	-
Debt service:						
Principal	-	-	-	-	4,435,000	4,265,000
Interest	-	-	-	-	1,594,294	1,762,981
Total expenditures	17,369,520	7,525,627	11,965,639	-	6,239,472	6,529,724
Excess (deficiency) of revenues over (under) expenditures	(3,229,130)	9,354,512	(10,962,584)	712,793	(6,147,317)	(6,434,513)
Other financing sources (uses)	-	-	-	-	5,527,636	4,502,859
Operating transfers in	(5,527,636)	(4,502,859)	-	-	-	-
Operating transfers out	(5,527,636)	(4,502,859)	-	-	5,527,636	4,502,859
Total other financing sources (uses), net	-	-	-	-	-	-
Special item:						
Gain from tax drawback settlement	-	1,688,330	-	-	-	-
Net change in fund balances (deficits)	(8,756,766)	6,539,983	(10,962,584)	712,793	(619,681)	(1,931,654)
Fund balances (deficits) at the beginning of the year, as restated	(4,401,031)	(10,941,014)	24,728,044	24,015,251	9,514,491	11,446,145
Fund balances (deficits) at the end of the year	\$ (13,157,797)	\$ (4,401,031)	\$ 13,765,460	\$ 24,728,044	\$ 8,894,810	\$ 9,514,491

See accompanying independent auditors' report.

**GOVERNMENT OF GUAM
TERRITORIAL HIGHWAY FUND**

Comparative Statements of Revenues, Expenditures by Object, and Changes in Fund Balances (Deficits)
Years Ended September 30, 2006 and 2005

	Territorial Highway Fund		Capital Projects Fund		Debt Service Fund	
	2006	2005	2006	2005	2006	2005
Revenues:						
Taxes	\$ 9,534,236	\$ 12,144,472	\$ -	\$ -	\$ -	\$ -
Licenses, fees and permits	4,603,926	4,734,342	-	-	-	-
Use of money and property	2,228	1,325	1,003,055	712,793	92,155	95,211
Total revenues	14,140,390	16,880,139	1,003,055	712,793	92,155	95,211
Expenditures:						
Salaries and wages - regular	3,111,142	2,947,772	-	-	-	-
Salaries and wages - overtime	151,061	41,881	-	-	-	-
Salaries and wages - fringe benefits	918,084	829,153	-	-	-	-
Travel	2,591	26,502	-	-	-	-
Contractual services	2,475,194	2,585,341	-	-	-	-
Supplies	293,374	190,444	-	-	-	-
Equipment	29,577	9,521	-	-	-	-
Utilities - power and water	312,105	181,226	-	-	-	-
Communications	41,080	49,988	-	-	-	-
Capital outlays	2,480	70,127	11,962,119	-	-	-
Grants and subsidies	9,568,455	500,000	-	-	205,000	491,500
Principal retirement	-	-	-	-	4,435,000	4,265,000
Interest and fiscal charges	-	-	-	-	1,594,294	1,762,981
Miscellaneous	-	-	-	-	5,178	10,243
Total expenditures	17,369,520	7,525,627	11,965,639	-	6,239,472	6,529,724
Excess (deficiency) of revenues over (under) expenditures	(3,229,130)	9,354,512	(10,962,584)	712,793	(6,147,317)	(6,434,513)
Other financing sources (uses)						
Operating transfers in	(5,527,636)	(4,502,859)	-	-	5,527,636	4,502,859
Operating transfers out	(5,527,636)	(4,502,859)	-	-	-	-
Total other financing sources (uses), net	-	1,688,330	(10,962,584)	712,793	(619,681)	(1,931,654)
Special item:						
Gain from tax drawback settlement	(8,756,766)	6,539,983	-	-	-	-
Net change in fund balances (deficits)	(4,401,031)	(10,941,014)	24,728,044	24,015,251	9,514,491	11,446,145
Fund balances (deficits) at the beginning of the year, as restated	(13,157,797)	(4,401,031)	13,765,460	24,728,044	8,894,810	9,514,491
Fund balances (deficits) at the end of the year						

See accompanying independent auditors' report.

**GOVERNMENT OF GUAM
TERRITORIAL HIGHWAY FUND**

Schedule of Expenditures by Department by Object
Years Ended September 30, 2006 and 2005

	2006	2005
Department of Administration:		
Division of Accounts:		
Contractual services	\$ 17,000	\$ 51,000
Grants and subsidies	8,068,455	500,000
Principal retirement	4,435,000	4,265,000
Interest and fiscal charges	1,594,294	1,762,981
Miscellaneous	473,075	10,804
	14,587,824	6,589,785
Public Transit:		
Salaries and wages - regular	224,868	248,920
Salaries and wages - fringe benefits	63,292	69,855
Travel	-	3,527
Contractual services	1,997,049	2,023,176
Supplies	2,449	2,112
Equipment	-	169
Utilities - power and water	7,105	14,726
Communications	3,449	11,071
	2,298,212	2,373,556
Total Department of Administration	16,886,036	8,963,341
Department of Revenue and Taxation:		
Regulatory Division:		
Equipment	-	1,448
Capital outlays	2,480	38,299
Total Department of Revenue and Taxation	2,480	39,747
Department of Public Works:		
Highway Maintenance Division:		
Salaries and wages - regular	2,886,274	2,698,852
Salaries and wages - overtime	151,061	41,881
Salaries and wages - fringe benefits	854,792	759,298
Travel	2,591	22,975
Contractual services	461,145	511,165
Supplies	290,925	188,332
Equipment	29,577	7,904
Utilities - power and water	305,000	166,500
Communications	37,631	38,917
Capital outlays	-	31,828
Miscellaneous	-	93,111
	5,018,996	4,560,763
Transportation Division:		
Capital outlays	11,962,119	-
Total Department of Public Works	16,981,115	4,560,763
Mayor's Council of Guam:		
Operations:		
Grants and subsidies	1,705,000	491,500
	\$ 35,574,631	\$ 14,055,351

See accompanying independent auditors' report.

**GOVERNMENT OF GUAM
TERRITORIAL HIGHWAY FUND**

Other Supplementary Information
Years Ended September 30, 2006 and 2005

	2006	2005
Employees at end of year:		
Department of Administration	5	5
Department of Public Works	96	88
	101	93
Debt Service Fund Restricted Cash and Investments:		
Highway Bond Fund	\$ 3,059,648	\$ 3,059,016
Highway Reserve Fund	5,170,501	5,170,500
Operations and Maintenance Fund	15,529	1,201,012
Surplus Fund	586,562	77,483
Revenue Fund	60,669	4,658
Cost of issuance fund	1,901	2,592
	\$ 8,894,810	\$ 9,515,261
Bond Interest Rates at Maturity Dates:	2001 Bonds	1992 Bonds
May 2006	3.500%	6.250%
2007	4.000%	6.250%
2008	4.125%	6.250%
2009	4.250%	6.300%
2010	4.250%	6.300%
2011	4.250%	6.300%
2012	4.500%	6.300%

See accompanying independent auditors' report.

**GOVERNMENT OF GUAM
TERRITORIAL HIGHWAY FUND**

**Schedule of Construction Project Status
Year Ended September 30, 2006**

	Total Budget	Expenditures Year Ended September 30, 2006	Outstanding Encumbrances	Continuing Appropriations
Islandwide Village Street Restoration (Design-Build):				
Agana Heights Road Repair Projects:				
Agana Heights road repair - Tutujan	\$ 60,000	\$ 11,372	\$ 48,628	\$ -
Agana Heights road repair - J Cruz Street	71,400	15,200	56,200	-
Agana Heights road repair - Fonte Drive	34,700	3,357	31,343	-
Agana Heights road repair - Vicente Salamon	26,900	4,805	22,095	-
Agana Heights road repair - Niyog Drive	39,500	5,041	34,459	-
Sub-Total	<u>232,500</u>	<u>39,775</u>	<u>192,725</u>	<u>-</u>
Agat Road Repair Projects:				
Agat road repair - Perry Street	24,200	4,936	19,264	-
Agat road repair - Erskin Drive / Osborne Street	115,000	24,555	90,445	-
Agat road repair - San Vicente Avenue	113,100	24,744	88,356	-
Agat road repair - Calle De Los Marterez	75,800	15,841	59,959	-
Agat road repair - Father Follard Street	157,000	28,419	128,581	-
Agat road repair - Duenas Street	75,700	14,694	61,006	-
Agat road repair - San Roque Street	136,000	25,483	110,517	-
Agat road repair - San Isidro Street	48,500	9,046	39,454	-
Agat road repair - West Santa Ana Avenue	82,000	17,922	64,078	-
Agat road repair - Bruce Street	27,700	5,185	22,515	-
Sub-Total	<u>855,000</u>	<u>170,825</u>	<u>684,175</u>	<u>-</u>
Asan-Maina Road Repair Projects:				
Asan-Maina road repair - Maria Candelaria Street	74,600	17,632	56,968	-
Asan-Maina road repair - Seneso Field Road	44,800	9,162	35,638	-
Sub-Total	<u>119,400</u>	<u>26,794</u>	<u>92,606</u>	<u>-</u>
Barrigada Road Repair Projects:				
Barrigada road repair - Chalan Brandi	138,500	74,491	64,009	-
Barrigada road repair - Aspenagao Street	107,300	107,300	-	-
Barrigada road repair - Canada Toto Road	79,100	19,445	59,655	-
Barrigada road repair - Leyang Road	465,500	325,692	139,808	-
Barrigada road repair - Anderson Street	107,300	23,287	84,013	-
Barrigada road repair - Leon Guerrero Street	69,800	24,753	45,047	-
Barrigada road repair - Kaila Street	69,200	21,686	47,514	-
Barrigada road repair - San Antonio Street	208,000	201,142	6,858	-
Barrigada road repair - Manibusan Street	102,300	23,287	79,013	-
Sub-Total	<u>1,347,000</u>	<u>821,083</u>	<u>525,917</u>	<u>-</u>
Ordot Chalan Pago Road Repair Projects:				
Ordot Chalan Pago road repair - Chalan Famha	1,643,000	190,650	1,452,350	-
Ordot Chalan Pago road repair - Dero Road	179,600	41,233	138,367	-
Ordot Chalan Pago road repair - Victorian Road	74,900	17,179	57,721	-
Sub-Total	<u>1,897,500</u>	<u>249,062</u>	<u>1,648,438</u>	<u>-</u>
Dededo Road Repair Projects:				
Dededo road repair - Castro Street	90,000	90,000	-	-
Dededo road repair - Machananao Area	570,000	345,965	224,035	-
Dededo road repair - South Caldiola Street	180,000	176,061	3,939	-
Dededo road repair - Swamp Road	239,000	238,958	42	-
Dededo road repair - East / West Liguana Avenue	118,000	117,969	31	-
Dededo road repair - Never Mind Road	178,000	177,964	36	-
Dededo road repair - Alageta Street	300,000	-	-	300,000
Sub-Total	<u>1,675,000</u>	<u>1,146,917</u>	<u>228,083</u>	<u>300,000</u>
Hagatna Road Repair Projects:				
Hagatna road repair - Murray Blvd Road	66,700	66,700	-	-
Hagatna road repair - Tenth Street Road	66,700	66,700	-	-
Hagatna road repair - East / West O'Brien Drive	450,000	-	-	450,000
Hagatna road repair - Hessler Place	77,700	77,700	-	-
Hagatna road repair - Aspinall Avenue	463,500	463,486	14	-
Hagatna road repair - Chalan Santo Papa Road	105,400	105,400	-	-
Hagatna road repair - West Soledad Avenue	80,800	80,800	-	-
Hagatna road repair - Archbishop Flores Street	177,700	177,700	-	-

See accompanying independent auditors' report.

**GOVERNMENT OF GUAM
TERRITORIAL HIGHWAY FUND**

Schedule of Construction Project Status, Continued
Year Ended September 30, 2006

	Total Budget	Expenditures Year Ended September 30, 2006	Outstanding Encumbrances	Continuing Appropriations
Islandwide Village Street Restoration (Design-Build), Continued:				
Hagatna Road Repair Projects, Continued:				
Hagatna road repair - Dulce Nombre De Maria	73,900	73,900	-	-
Hagatna road repair - Olaiz Street	73,900	9,266	64,634	-
Hagatna road repair - Bradley Place	79,400	79,400	-	-
Hagatna road repair - Santa Cruz Lane	74,200	74,200	-	-
Hagatna road repair - Hernan Cortez Avenue	81,500	9,266	72,234	-
Sub-Total	<u>1,871,400</u>	<u>1,286,524</u>	<u>136,882</u>	<u>450,000</u>
Inarajan Road Repair Projects:				
Inarajan road repair - Ija Subdivision	1,478,000	1,415,000	63,000	-
Inarajan road repair - Y Peca Lane	22,000	22,000	-	-
Inarajan road repair - Y Peca Lane Realignment	42,000	42,000	-	-
Inarajan road repair - Tun Santiago / N Paulino	101,400	101,400	-	-
Sub-Total	<u>1,643,400</u>	<u>1,580,400</u>	<u>63,000</u>	<u>-</u>
Mangilao Road Repair Projects:				
Mangilao road repair - Farfan Street	98,400	98,400	-	-
Mangilao road repair - Koko Lane	27,000	22,869	4,131	-
Mangilao road repair - Sengsong Street	130,999	130,325	674	-
Mangilao road repair - Spanish	65,600	65,600	-	-
Mangilao road repair - Santos	375,100	288,446	86,654	-
Mangilao road repair - Sabana Maagas	582,300	215,885	366,415	-
Mangilao road repair - Lemon Lane	36,800	3,375	33,425	-
Mangilao road repair - Suni Lane	36,800	26,582	10,218	-
Sub-Total	<u>1,352,999</u>	<u>851,482</u>	<u>501,517</u>	<u>-</u>
Merizo Road Repair Projects:				
Merizo road repair - Joseph A Cruz	320,900	289,138	31,762	-
Merizo road repair - Benny Espinosa Avenue	176,200	93,741	82,459	-
Merizo road repair - Jesus Quinene	306,800	73,668	233,132	-
Merizo road repair - Jose Baza Street	32,100	19,622	12,478	-
Merizo road repair - Geronimo Tainatongo Street	59,800	40,211	19,589	-
Sub-Total	<u>895,800</u>	<u>516,380</u>	<u>379,420</u>	<u>-</u>
Mongmong-Toto-Maite Road Repair Projects:				
MTM road repair - Clara Street	1,450,000	1,407,884	42,116	-
MTM road repair - Tuba Street	91,600	36,533	55,067	-
MTM road repair - Taluba Street	98,500	75,976	22,524	-
Sub-Total	<u>1,640,100</u>	<u>1,520,393</u>	<u>119,707</u>	<u>-</u>
Piti Road Repair Projects:				
Piti road repair - Oceanview Street	55,800	12,629	43,171	-
Piti road repair - Chalan Soling	35,900	8,513	27,387	-
Piti road repair - Chalan Sabana	53,000	32,677	20,323	-
Piti road repair - Masso Court	48,400	11,771	36,629	-
Piti road repair - Edward Lane	54,700	13,345	41,355	-
Piti road repair - Jesus Alig Drive	53,400	12,628	40,772	-
Piti road repair - Ocean Summit Drive	67,500	43,458	24,042	-
Sub-Total	<u>368,700</u>	<u>135,021</u>	<u>233,679</u>	<u>-</u>
Santa Rita Road Repair Projects:				
Santa Rita road repair - Blas Dela Cruz Street	88,300	19,136	69,164	-
Santa Rita road repair - Joaquin Diaz Drive	22,100	11,362	10,738	-
Santa Rita road repair - Pale Ferdinard Way	167,800	39,002	128,798	-
Santa Rita road repair - Cross Island Road Atenta	23,900	12,499	11,401	-
Santa Rita road repair - Felix T Dydasco Drive	30,400	5,883	24,517	-
Santa Rita road repair - Vicente Borja Drive	38,400	20,205	18,195	-
Santa Rita road repair - Juan Cruz Drive	73,500	40,384	33,116	-
Santa Rita road repair - Pale Medina Street	27,200	14,283	12,917	-
Santa Rita road repair - Sgt E Cruz Street	78,200	16,935	61,265	-
Santa Rita road repair - Namu Falls Road	63,200	13,242	49,958	-
Sub-Total	<u>613,000</u>	<u>192,931</u>	<u>420,069</u>	<u>-</u>

See accompanying independent auditors' report.

**GOVERNMENT OF GUAM
TERRITORIAL HIGHWAY FUND**

**Schedule of Construction Project Status, Continued
Year Ended September 30, 2006**

	Total Budget	Expenditures Year Ended September 30, 2006	Outstanding Encumbrances	Continuing Appropriations
Islandwide Village Street Restoration (Design-Build), Continued:				
Sinajana Road Repair Projects:				
Sinajana road repair - Afame Road	202,800	108,898	93,902	-
Sinajana road repair - Daso Street	110,800	60,011	50,789	-
Sinajana road repair - Spring Lane	71,400	38,135	33,265	-
Sinajana road repair - Alvarez Road	40,000	5,543	34,457	-
Sub-Total	<u>425,000</u>	<u>212,587</u>	<u>212,413</u>	<u>-</u>
Talofofo Road Repair Projects:				
Talofofo road repair - Route 4 Ernest P Santos	96,500	93,310	3,190	-
Talofofo road repair - Route 4A Jose P Cruz Street	136,000	131,475	4,525	-
Talofofo road repair - West Johnny Taitague	30,800	29,957	843	-
Talofofo road repair - Mariano M Blas Street	31,500	30,655	845	-
Talofofo road repair - Cabrera Lane	40,100	39,049	1,051	-
Talofofo road repair - Nauta Lane	36,000	35,158	842	-
Talofofo road repair - Ralph Santos Street	42,600	41,323	1,277	-
Talofofo road repair - Ralph Benavente Street	36,200	35,143	1,057	-
Talofofo road repair - Route 4 Anti-Skid Jeff	117,000	-	-	117,000
Sub-Total	<u>566,700</u>	<u>436,070</u>	<u>13,630</u>	<u>117,000</u>
Tamuning-Tumon Road Repair Projects:				
Tamuning-Tumon road repair - Authurium Lane	103,000	9,623	93,377	-
Tamuning-Tumon road repair - Tun Pedro Cruz Street	134,700	12,830	121,870	-
Tamuning-Tumon road repair - Milendes Court / St John	405,800	167,375	238,425	-
Tamuning-Tumon road repair - Taitano Road	200,300	200,300	-	-
Tamuning-Tumon road repair - Harmon Industrial Park	366,100	355,840	10,260	-
Sub-Total	<u>1,209,900</u>	<u>745,968</u>	<u>463,932</u>	<u>-</u>
Umatac Road Repair Projects:				
Umatac road repair - S-7 Mahamok Area	194,300	142,373	51,927	-
Umatac road repair - Jagan Drive	33,300	18,639	14,661	-
Umatac road repair - Jose Quinata Street Cemetry	100,800	48,282	52,518	-
Umatac road repair - Jose Q Aguon Street	107,800	31,604	76,196	-
Umatac road repair - George S Sanchez Court	49,400	11,630	37,770	-
Umatac road repair - Jesus A Quidachay Street	22,600	22,071	529	-
Sub-Total	<u>508,200</u>	<u>274,599</u>	<u>233,601</u>	<u>-</u>
Yigo Road Repair Projects:				
Yigo road repair - West Gayinero Road	20,000	20,000	-	-
Yigo road repair - Lamenta Subdivision Road	60,000	60,000	-	-
Yigo road repair - Laguna Plains Subdivision	210,000	210,000	-	-
Yigo road repair - La Chance Area	149,800	149,772	28	-
Yigo road repair - I Sengsong Mayot	149,800	149,792	8	-
Yigo road repair - Mataguac Area	509,800	509,790	10	-
Yigo road repair - J Jacinto / Wusstig Road	63,500	63,500	-	-
Sub-Total	<u>1,162,900</u>	<u>1,162,854</u>	<u>46</u>	<u>-</u>
Yona Road Repair Projects:				
Yona road repair - Balajadia & Pangelinan Road	41,000	7,194	33,806	-
Yona road repair - Willy Quichocho Road	55,100	28,513	26,587	-
Yona road repair - Teleforo Road	172,300	95,612	76,688	-
Yona road repair - Fair Way Drive	37,400	20,164	17,236	-
Sub-Total	<u>305,800</u>	<u>151,483</u>	<u>154,317</u>	<u>-</u>
Total - Islandwide Village Street Restoration (Design-Build)	<u>\$ 18,690,299</u>	<u>\$ 11,521,148</u>	<u>\$ 6,304,157</u>	<u>\$ 867,000</u>

See accompanying independent auditors' report.

**GOVERNMENT OF GUAM
TERRITORIAL HIGHWAY FUND**

Schedule of Construction Project Status, Continued
Year Ended September 30, 2006

	Total Budget	Expenditures Year Ended September 30, 2006	Outstanding Encumbrances	Continuing Appropriations
Islandwide Pothole Repairs - Northern Region:				
Pothole repair route 28 - Northern	\$ 196,977	\$ -	\$ 196,977	\$ -
Pothole repair route 29 - Northern	17,061	6,204	10,857	-
Pothole repair route 30 & 30A - Northern	26,367	-	26,367	-
Pothole repair route 33 - Northern	68,761	-	68,761	-
Pothole repair road restor bey3'	19,500	-	19,500	-
Pothole repair temp traffic - Northern	207,400	207,400	-	-
Pothole repair pardon sign - Northern	6,000	-	6,000	-
Pothole repair route 27 & 27A - Northern	523,721	-	523,721	-
Pothole repair route 3 - Northern	10,340	-	10,340	-
Pothole repair route 3A - Northern	448,756	-	448,756	-
Pothole repair route 7 & 7A - Northern	286,935	-	286,935	-
Pothole repair route 8 - Northern	107,536	19,129	88,407	-
Pothole repair route 10 & 10A - Northern	462,715	42,394	420,321	-
Pothole repair route 15 - Northern	1,047,959	36,190	1,011,769	-
Pothole repair route 16 - Northern	63,074	-	63,074	-
Pothole repair route 25 - Northern	33,605	-	33,605	-
Pothole repair route 26 - Northern	78,584	-	78,584	-
Total - Northern Region Islandwide Pothole Repairs	<u>\$ 3,605,291</u>	<u>\$ 311,317</u>	<u>\$ 3,293,974</u>	<u>\$ -</u>
Islandwide Pothole Repairs - Southern Region:				
Pothole repair pardon sign - Southern	\$ 8,400	\$ -	\$ 8,400	\$ -
Pothole repair route 2 - Southern	112,800	19,800	93,000	-
Pothole repair route 5 - Southern	871,200	-	871,200	-
Pothole repair route 11 & 11A - Southern	91,200	17,400	73,800	-
Pothole repair route 12 - Southern	325,200	26,400	298,800	-
Pothole repair route 12A - Southern	21,600	-	21,600	-
Pothole repair route 17 - Southern	166,800	2,400	164,400	-
Pothole repair route 19 - Southern	61,800	-	61,800	-
Pothole repair road restor bey3'	19,250	-	19,250	-
Pothole repair temp traffic - Southern	65,660	65,660	-	-
Total - Southern Region Islandwide Pothole Repairs	<u>\$ 1,743,910</u>	<u>\$ 131,660</u>	<u>\$ 1,612,250</u>	<u>\$ -</u>
Grand Total	<u>\$ 24,039,500</u>	<u>\$ 11,964,125</u>	<u>\$ 11,210,381</u>	<u>\$ 867,000</u>

See accompanying independent auditors' report.