

# **TERRITORY OF AMERICAN SAMOA**

## **Basic Financial Statements**

**Year ended September 30, 2007**



PREPARED BY

**DEPARTMENT OF TREASURY**

Gaea P. Failautusi  
Treasurer

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**TERRITORY OF AMERICAN SAMOA**  
**BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2007**

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**TERRITORY OF AMERICAN SAMOA**  
**BASIC FINANCIAL STATEMENTS**  
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## **INTRODUCTORY SECTION**

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**HON. TOGIOLA T.A. TULAFONO**  
GOVERNOR

**HON. AITOFELE T.F. SUNIA**  
LT. GOVERNOR

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TREASURER

**FRANCIS LEASIOLAGI**  
DEPUTY TREASURER

August 15, 2008

The Honorable Togiola Tulafono  
Governor of American Samoa

The Basic Financial Statements of the Territory of American Samoa (the Territory) for the fiscal year 2007 are submitted herewith. These financial statements were prepared by the Treasury Department. Management assumes full responsibility for the completeness and reliability of the information contained in this report. The report is prepared to show the financial position and operating results of the Territory. We believe the data presented is accurate in all material respects and that all disclosures necessary to enable the reader to gain a reasonable understanding of the Territory's financial activities have been included in this report.

#### Independent Audit

The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America which are applicable to governmental entities. The Territory requires an annual audit of all financial records and transactions by an independent Certified Public Accountant. Additionally, an audit of federal financial assistance is required. This Single Audit report of Federal Financial Assistance is issued under separate cover.

#### Method of Presentation

In addition to the government-wide financial statements, the Territory has prepared fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus. Accordingly, the accounting and financial reporting for the Territory's General Fund, Special Revenue Funds, Capital Projects Funds, and Debt Service Funds is similar to that previously presented in the Territory's financial statements.

The report is divided into an Introductory Section, a Financial Section, and a Statistical Section. The Introductory Section provides information on the general contents of the report. The Financial Section is comprised of Management's Discussion and Analysis, the Government-Wide Financial Statements (Statement of Net Assets and Statement of Activities) and the Fund Financial Statements that present funds by fund type to provide an overview of the Territorial financial position and results of operations, and reconciliations of the Government-Wide Financial Statements to the Fund Financial Statements. The Statistical Section provides various financial, economic and demographic data about the Territory.

## Reporting Entity

American Samoa is an unincorporated Territory of the United States and operates under the jurisdiction of the United States Department of Interior. A Constitution was adopted in 1966, and in 1977 the Secretary of Interior provided for the election by popular vote of a Governor and Lieutenant Governor. The members of the Territory's House of Representatives are also elected by popular vote, while its Senators are chosen by village councils.

The Territory is a group of islands in the Pacific Ocean just south of the Equator, approximately 2,600 miles south of the Hawaiian Islands and 1,800 miles north of New Zealand. The seat of government is located near Pago Pago Harbor on the island of Tutuila. The Territory has an estimated population of 57,663.

For financial reporting purposes, the Territorial reporting entity consists of: (1) the primary government, (2) component unit organizations for which the government is financially accountable and (3) other component unit organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The funds of all agencies, boards, commissions, foundations and authorities that have been identified as part of the primary government or as a component unit are included in this report.

The Territory provides a range of services in the areas of agriculture, education, health and social services, public safety, law enforcement, judicial systems, economic development, conservation and natural resources, utility systems and general administration.

## Major Initiatives

### Accounting System and Budgetary Control

The Territory's fund financial statements for general government operations and agency funds were prepared on the modified accrual basis of accounting in conformity with generally accepted accounting principles. The modified accrual basis of accounting recognizes revenues when they become both measurable and available to finance operations throughout the fiscal year, or to liquidate liabilities at the end of the fiscal year. Expenditures are recognized when a liability is incurred except principal and interest on long term debt for which liabilities are recorded when due or when amounts have been accumulated in the debt service fund for payments to be made immediately in the following fiscal year. The proprietary and pension trust funds are accounted for on the accrual basis. A summary of the significant accounting policies and other necessary disclosures are included in the notes to the financial statements.

The Government adopts an annual budget on the modified accrual basis of accounting for governmental type funds and on the accrual basis for proprietary type funds. Budgetary controls are used to ensure compliance with legal provisions embodied in the annual appropriated budget passed by the Legislature (FONO) and approved by the Governor prior to the beginning of the fiscal year. If the appropriations are not sufficient for a fiscal year, supplemental amounts are requested during the next legislative session by the same process as the original appropriations. Budgetary control is maintained at the departmental level. Unexpended appropriations lapse at the end of each appropriation year except for project length capital improvement projects and grants controlled by guidelines issued by the agencies of the United States Government.



Encumbrance accounting under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve part of the appropriation is employed for purposes of budgetary control and contract compliance. Encumbrances at year end do not constitute expenditures or liabilities.

### Cash Management

In November 1997, a cash management system was implemented. All cash not legally required to be in separate accounts is pooled for operations. The purpose of the system is to provide greater internal control of cash, and to maximize the amount available for investment purposes, thereby increasing investment revenues. Zero balance disbursement accounts are used and funded from a central depository account. All funds in excess of a compensating balance for bank services provided are invested in Certificate of Deposits. Negative (deficit) equity in pooled cash is shown as a liability; payable to treasurer's pooled cash.

### Risk Management

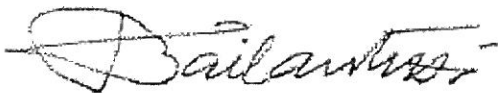
The Territory currently assumes substantially all risks associated with the following:

- Liability claims against the Territory or its agencies resulting from property or operation of motor vehicles and watercraft.
- Claims of employees for medical expenses.
- Liability claims actionable under the law that parties may file against the Territory, its officials, employees or appointees.

### Acknowledgments

We wish to express our sincere appreciation to the staff of the various Territorial agencies and organizational units, who provided necessary financial information. Special recognition is given to the Finance Staff and TOFR Office whose efforts are primarily responsible for the CAFR preparation. We also thank the Auditing Staff of RC Holsinger & Associates for their technical assistance in the preparation of these Basic Financial Statements.

Sincerely,



Gaea Perofoti Failautusi  
ASG Treasurer

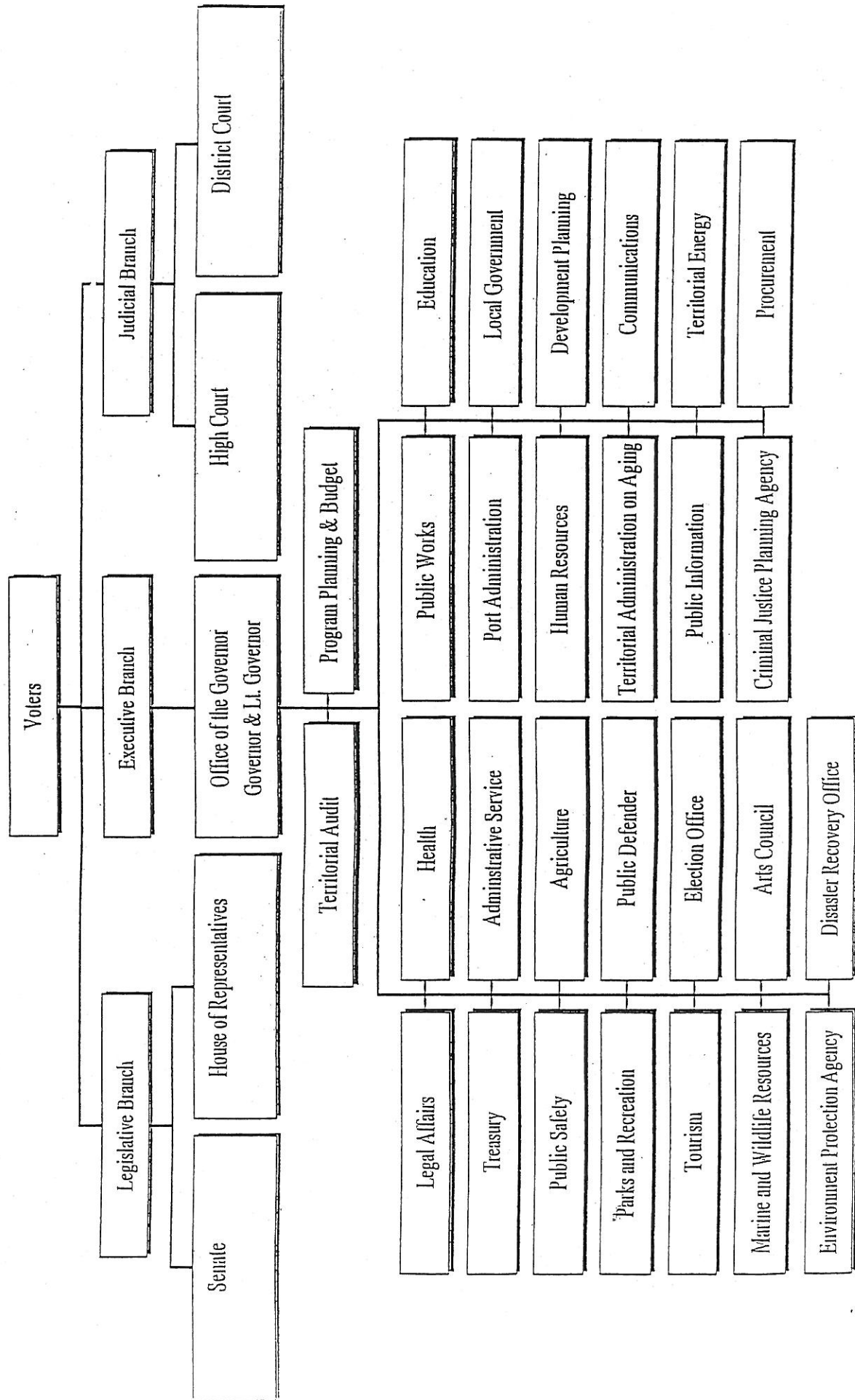


Ueligitone Pele Tonumaie'a  
Deputy Treasurer

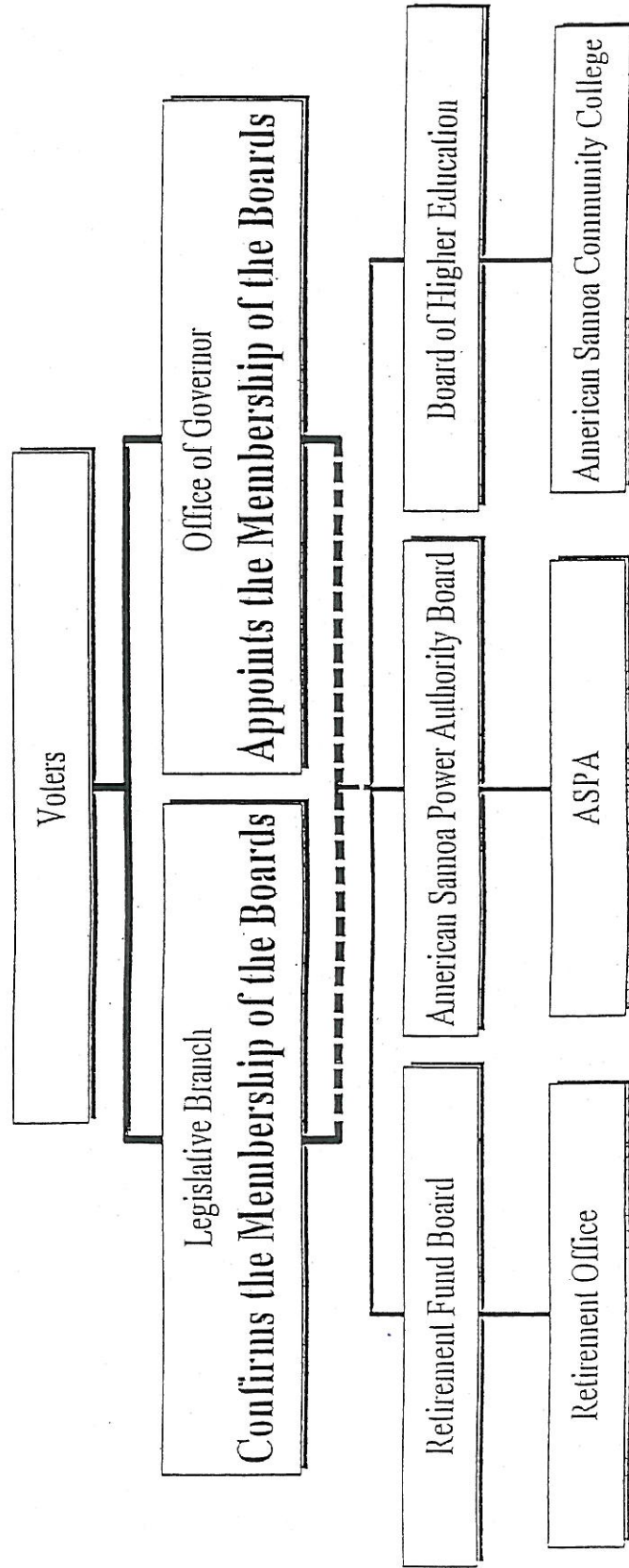
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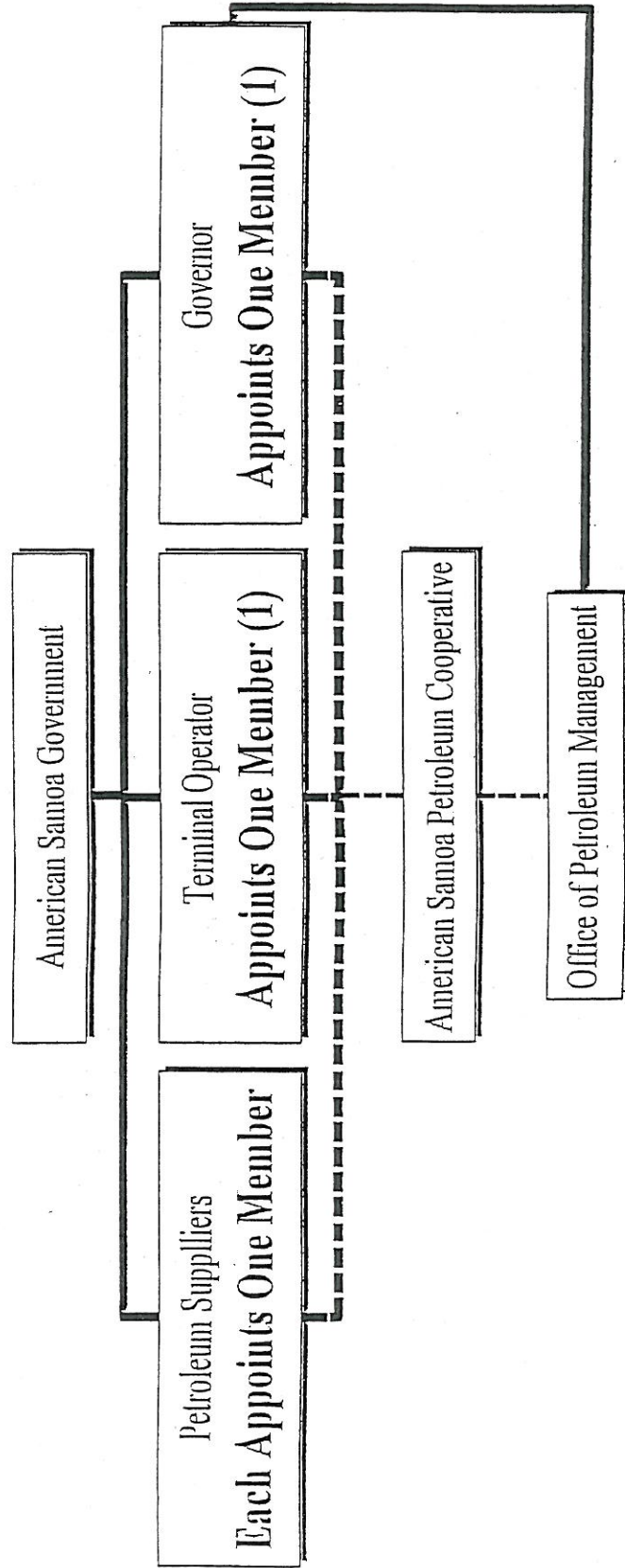
# Territory of American Samoa Organization Chart



# Territory of American Samoa Component Units & Retirement Fund Organizational Chart



# Territory of American Samoa Petroleum Cooperative Organizational Chart



(1) The Members appointed by Office of Governor and the Terminal Operator jointly appoint one more member.

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## **FINANCIAL SECTION**

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**Certified Public Accountants**

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INDEPENDENT AUDITORS' REPORT ON  
BASIC FINANCIAL STATEMENTS

Governor of the Territory of American Samoa  
Pago Pago, American Samoa

We have audited the accompanying Statement of Net Assets, Balance Sheet - Governmental Funds, Reconciliation of the Statement of Net Assets to the Balance Sheet - Governmental Funds, Statement of Net Assets - Proprietary Funds, and Statement of Fiduciary Net Assets - Fiduciary Fund, of the Territory of American Samoa (the "Territory") at September 30, 2007. These financial statements are the responsibility of the Territory's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the following fiduciary fund and component units:

- American Samoa Government Employee Retirement Fund, a fiduciary fund, which statement reflects assets comprising 100 percent of total assets at September 30, 2007 of the related Fiduciary Fund Pension Trust totals and 100 percent of the additions to the plan assets of the Fiduciary Fund Types - Pension Trust for the year then ended.
- American Samoa Power Authority, American Samoa Community College, and American Samoa Telecommunications Authority, which statements reflect 99.39 percent of assets and 92.77 percent of operating revenues of discretely presented component units.

The financial statements of the American Samoa Power Authority, American Samoa Community College, and American Samoa Telecommunications Authority, were audited by other auditors whose reports thereon have been furnished to us, and in our opinion, insofar as it relates to the amounts included for them, is based solely upon the reports of the other auditors.

Except as discussed in the following six paragraphs, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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 audit and the reports of other auditors provides reasonable basis for our opinion. The financial statements of the American Samoa Government Employee Retirement Fund were not audited in accordance with *Government Auditing Standards* by their auditors.

We were unable to verify the accuracy of Due To/From Other Funds - Pooled Cash due to an inability to rely on the internal control system.

We were unable to verify the accuracy of the physical inventory records as of September 30, 2007 since the Territory did not maintain adequate perpetual records to verify the quantities and value of inventory.

We were unable to obtain and test supporting detail schedules of the immigration deposits that are received and recorded by the Territory's Attorney General.

We were engaged to audit the Territory's financial statements for the year ended September 30, 2007; however the system of financial accounting and reporting in operation for the Territory for the year ended September 30, 2007 was inadequate. There were significant failures in the internal control structure related to general accounting and grants administration. We noted evidence of a failure of identified controls in preventing or detecting misstatements of accounting information and a lack of appropriate management oversight and review and approval of transactions. The Territory had difficulty in locating documentation supporting some accounting records resulting in significant adjustments to various accounts. Adequate evidential matter in support of various recorded transactions was not provided. It was impracticable to extend our procedures sufficiently to determine the extent to which these conditions have affected the financial statements as of and for the years ended September 30, 2007. The Balance Sheet accounts at September 30, 2007 enter into the determination of excess of expenses and other uses over revenues and other sources for the year ended September 30, 2007.

As more fully discussed in Note 1 to the financial statements of the American Samoa Telecommunications Authority, property, plant, and equipment is reported on the balance sheets based on the estimates of an outside consultant. In the American Samoa Telecommunications Authority's auditor's opinion, property, plant, and equipment should be recorded at cost to conform to accounting principles generally accepted in the United States of America. In addition, the American Samoa Telecommunications Authority's auditor's opinion indicated there was a lack of supporting documentation for materials and supplies reported in the financial statements. They also noted that the Authority has not adequately tracked and reconciled the material and supplies activity including the material being received and reimbursed by FEMA in a timely and accurate manner during 2007.

Because of the matter discussed in the preceding five paragraphs, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the Statement of Activities, Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds, Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities, Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds, Statement of Cash Flows - Proprietary Funds and Statement of Changes in Fiduciary Net Assets - Fiduciary Fund for the year ended September 30, 2007.

In our opinion, based upon our audit and the reports of the other auditors, except for:

- the effects on the basic purpose financial statements, if any, as might have been determined to be necessary had we been able to satisfy ourselves about:
  - i. the amount of the Due To/From Other Funds - Pooled Cash as discussed in paragraph five of this report;
  - ii. the accuracy of physical inventory records;
  - iii. the balance of immigration bond deposits received and recorded;
  - iv. the accuracy of the beginning fund balances as described in paragraph seven of this report.



- the effects on the discretely presented component units, if any, as might have been determined to be necessary had we been able to satisfy ourselves about:
  - i. the financial position and activity of the American Samoa Telecommunication Authority as discussed in paragraph eight of this report.

the Statement of Net Assets, Balance Sheet - Governmental Funds, Reconciliation of the Statement of Net Assets to the Balance Sheet - Governmental Funds, Statement of Net Assets - Proprietary Funds and Statement of Fiduciary Net Assets - Fiduciary Funds, the respective financial position of the governmental activities, the business-like activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Territory of American Samoa as of September 30, 2007, are fairly stated in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2008, on our consideration of the Territory of American Samoa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 4 through 12 and budgetary comparison information on pages 55 through 56 are not a required part of the basic financial statements but are supplementary information required by the *Government Accounting Standard 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Territory's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The introductory section and statistical section of this report have not been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*RC Holsinger Associates, P.C.*

Wexford, Pennsylvania

August 15, 2008

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**TERRITORY OF AMERICAN SAMOA  
MANAGEMENT DISCUSSION & ANALYSIS  
SEPTEMBER 30, 2007**

This section of the Territory of American Samoa's (the "Territory") Basic Financial Report presents a narrative overview and analysis of the financial activities of the Territory for the fiscal year ended September 30, 2007. We encourage readers to consider the information presented here in conjunction with the letter of transmittal, which begins on page i, and the financial statements, which begin on page 13. Fiscal year 2006 comparative information has been included, where appropriate.

**FINANCIAL HIGHLIGHTS**

- For the fiscal year ended September 30, 2007, the Territory's total net assets of the primary government increased by \$6,247,795 or 3.77% from the prior year.
- During the year, the Territory's expenses for governmental activities were \$164,641,056 and were funded by program revenues of \$100,824,815 and further funded with taxes, grants and other general revenues that totaled \$70,164,036.
- In the Territory's business-type activities, which include the airport and industrial park, program revenues, including grants, exceeded program expenses by \$7,082,896.
- At September 30, 2007, the General Fund reported total fund balance of \$2,743,108 of which \$1,310,448 is reserved and \$1,432,660 is unreserved representing a decrease of \$7,519,916 from the prior year total fund balance of \$10,263,024.
- For budgetary reporting purposes, the General Fund reported that revenues fell short of final estimates by \$343,345 or 0.48%, while expenditures exceeded final appropriations by \$6,370,299 or 8.8%.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial statements presented herein include, to the extent information was available, all of the activities of the Territory of American Samoa (the "Territory") and its included component units using the integrated approach as prescribed by GASB Statement No. 34. Included in this report are governmental-wide statements for each of two categories of activities – governmental and business-type, along with a separate category for discretely-presented component units. The government-wide financial statements present the most complete financial picture of the Territory from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business type activities separately and combined. These statements include all assets of the Territory (including infrastructure capital assets) as well as all liabilities (including all long-term debt).

***Reporting the Territory as a Whole***

***The Statement of Net Assets and the Statement of Activities***

One of the most frequently asked questions about the Territory's finances is, "Has the Territory's overall financial condition improved, declined or remained steady over the past year?" The Statement of Net Assets and the Statement of Activities report information about the Territory as a whole and about its activities in a way that helps answer this question. These statements, to the extent possible, include all assets and liabilities using the accrual basis of accounting. In addition, to the extent possible, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.



**TERRITORY OF AMERICAN SAMOA  
MANAGEMENT DISCUSSION & ANALYSIS  
SEPTEMBER 30, 2007**

These two government-wide statements report the Territory's net assets and changes in them from the prior year. You can think of the Territory's net assets - the difference between assets and liabilities - as one way to measure the Territory's financial condition, or position. Over time, increases or decreases in the Territory's net assets are one indicator of whether its financial health is improving, deteriorating, or remaining steady.

However, you must consider other nonfinancial factors, such as changes in the Territory's overall economic environment, the condition of the Territory's roads and other infrastructure, and the quality of services to assess the overall health and performance of the Territory.

As mentioned above, in the Statement of Net Assets and the Statement of Activities, we divide the Territory into three kinds of activities:

- **Governmental activities** - Most of the Territory's basic services are reported here, including the public safety, health and welfare, education, culture, general administration, and public works. Income taxes and federal grants finance most of these activities.
- **Business-type activities** - The Territory charges various fees to recover the costs of operating certain services it provides. The Territory's airport and industrial park are activities reported here.
- **Discretely-presented component units** - These account for activities of the Territory's reporting entity that do not meet the criteria for blending, specifically the American Samoa Power Authority, the American Samoa Community College, the Lyndon B. Johnson Hospital and the American Samoa Telecommunications Authority.

***Reporting the Territory's Most Significant Funds***

**Fund Financial Statements**

The fund financial statements are designed to report information about the most significant funds - not the Territory as a whole. Some funds are required to be established by law and/or by contract or grant agreements. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money.

*Governmental funds* - Most of the Territory's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Territory's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Territory's programs. The differences of results in the Governmental Fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.



**TERRITORY OF AMERICAN SAMOA**  
**MANAGEMENT DISCUSSION & ANALYSIS**  
**SEPTEMBER 30, 2007**

*Proprietary funds* - When the Territory charges customers for the services it provides - whether to outside customers or to other units of the Territory - these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets. In fact, the Territory's enterprise funds are essentially the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

*Fiduciary funds* - The Territory is responsible for assets of these funds that - because of a trust arrangement or other fiduciary requirement - can be used only for trust beneficiaries or others parties, such as the American Samoa Government Employee Retirement Fund. These are the types of assets reported in fiduciary funds. The Territory is responsible for ensuring that the assets reported in these funds are used for their intended purpose. All of the Territory's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the Territory's government-wide financial statements because the Territory cannot use these assets to finance operations.

**A FINANCIAL ANALYSIS OF THE TERRITORY AS A WHOLE**

***Net Assets***

The Territory's combined net assets increased from \$222,742,862 to \$237,028,204 between fiscal years 2006 and 2007. Looking at the net assets of governmental and business-type activities separately, governmental assets had a larger increase due to additional machinery, equipment and vehicles, and renovations to several buildings including the Governor's mansion. The Territory also had many minor projects in progress that in total added significantly to the asset base. The airport runway project contributed to the increase in business-type activities.

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
Capital assets, net	\$186,168,509	\$193,033,692	\$61,150,919	\$67,884,760	\$247,319,428	\$260,918,452
Other assets	72,628,923	68,643,163	558,791	2,861,040	\$73,187,714	\$71,504,203
<b>Total assets</b>	<u>258,797,432</u>	<u>261,676,855</u>	<u>61,709,710</u>	<u>70,745,800</u>	<u>\$320,507,142</u>	<u>\$332,422,655</u>
Current liabilities	47,946,171	48,270,886	4,562,954	5,661,497	\$52,509,125	\$53,932,383
Non-current liabilities	45,255,155	41,462,068	0	0	\$45,255,155	\$41,462,068
<b>Total liabilities</b>	<u>93,201,326</u>	<u>89,732,954</u>	<u>4,562,954</u>	<u>5,661,497</u>	<u>\$97,764,280</u>	<u>\$95,394,451</u>
Net assets						
Invested in capital assets, net of related debt	181,738,509	190,753,692	61,150,919	67,884,760	\$242,889,428	\$258,638,452
Unrestricted	(16,142,403)	(18,809,791)	(4,004,163)	(2,800,457)	(\$20,146,566)	(\$21,610,248)
<b>Total net assets</b>	<u>\$165,596,106</u>	<u>171,943,901</u>	<u>\$57,146,756</u>	<u>\$65,084,303</u>	<u>\$222,742,862</u>	<u>\$237,028,204</u>

**TERRITORY OF AMERICAN SAMOA  
MANAGEMENT DISCUSSION & ANALYSIS  
SEPTEMBER 30, 2007**

***Changes in Net Assets***

For the years ended September 30, 2007 and 2006, net assets of the primary government changed as follows:

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
<b>Revenues</b>						
Program revenues	\$116,349,096	\$100,824,815	\$6,473,042	\$13,528,511	\$122,822,138	\$114,353,326
Taxes and other general revenues	72,289,069	71,039,523	24,424	29,080	72,313,493	71,068,603
<b>Total revenues</b>	<u>188,638,165</u>	<u>171,864,338</u>	<u>6,497,466</u>	<u>13,557,591</u>	<u>195,135,631</u>	<u>185,421,929</u>
<b>Expenses</b>						
General government	55,217,836	51,500,664	-	-	55,217,836	51,500,664
Public safety	12,923,496	13,329,238	-	-	12,923,496	13,329,238
Health and welfare	32,342,999	15,191,489	-	-	32,342,999	15,191,489
Public works	18,741,111	8,913,884	-	-	18,741,111	8,913,884
Education and culture	56,312,340	65,170,243	-	-	56,312,340	65,170,243
Economic development	5,523,041	7,517,596	-	-	5,523,041	7,517,596
Interest	2,676,828	3,017,942	-	-	2,676,828	3,017,942
Industrial park	-	-	574,068	586,110	574,068	586,110
Airport	-	-	5,741,647	5,909,421	5,741,647	5,909,421
<b>Total expenses</b>	<u>183,737,651</u>	<u>164,641,056</u>	<u>6,315,715</u>	<u>6,495,531</u>	<u>190,053,366</u>	<u>171,136,587</u>
Excess (deficiency) before transfers	4,900,514	7,223,282	181,751	7,062,060	5,082,265	14,285,342
Transfers	(1,071,618)	(875,487)	1,071,618	875,487	-	-
<b>Increase in net assets</b>	<u>\$3,828,896</u>	<u>\$6,347,795</u>	<u>\$1,253,369</u>	<u>\$7,937,547</u>	<u>\$5,082,265</u>	<u>\$14,285,342</u>

The Territory's governmental activities' increase in net assets of \$6,347,795 represents a 3.83% positive change from the prior year. The business-type activities' increase in net assets of \$7,937,547 represents a 13.89% positive change in net assets. The results indicate that the Territory, as a whole, improved upon its financial condition from the prior year.

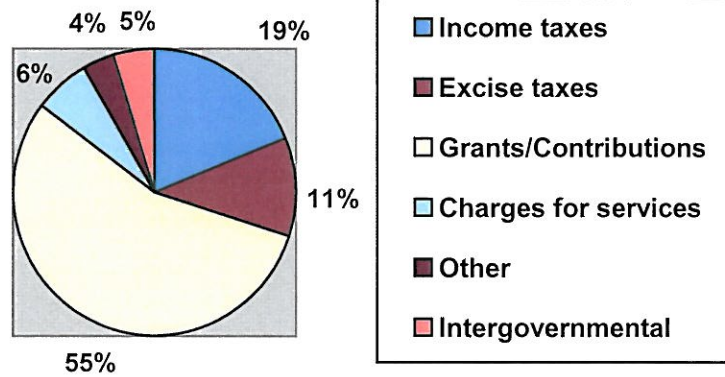
**Governmental Activities**

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the Territory's taxpayers and citizens. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note all taxes are classified as general revenue even if restricted for a specific purpose.

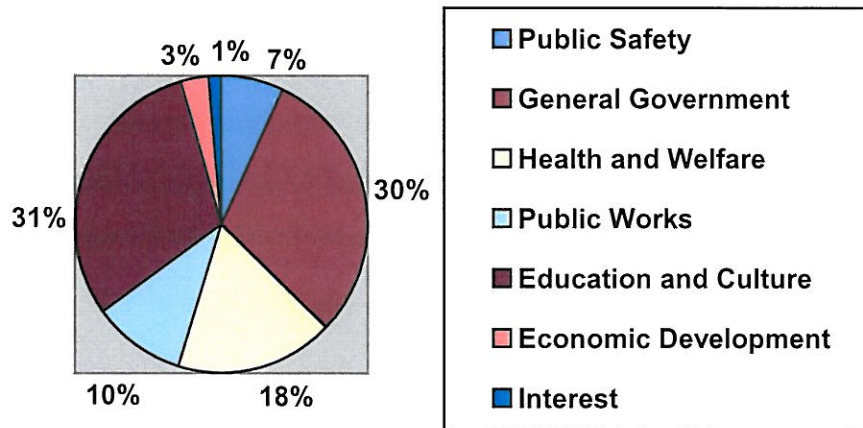
**TERRITORY OF AMERICAN SAMOA  
MANAGEMENT DISCUSSION & ANALYSIS  
SEPTEMBER 30, 2007**

For the year ended September 30, 2007, the Territory's governmental activities were funded as follows:

**Governmental Activities Sources**



**Governmental Activities Uses**



For the year ended September 30, 2007, total expenses for governmental activities amounted to \$164,641,056. Of these total expenses, taxpayers and other general revenues funded \$71,039,523 while those directly benefiting from the programs funded \$9,989,711 from charges for services and \$90,835,104 from grants and contributions.



**TERRITORY OF AMERICAN SAMOA**  
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**SEPTEMBER 30, 2007**

**Governmental Activities, (Continued)**

Net Revenue (Expense) of Governmental Activities

	Total Expense of Services		Net Revenue (Expense) of Services	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
General government	\$ 55,217,836	\$ 51,500,664	(\$20,774,517)	(\$21,013,487)
Public safety	12,923,496	13,329,238	(8,703,688)	(8,190,376)
Health and welfare	32,342,999	15,191,489	(12,232,243)	(3,544,140)
Public works	18,741,111	8,913,884	(10,473,948)	(6,761,679)
Education and culture	56,312,340	65,170,243	(12,553,075)	(23,548,067)
Economic development	5,523,041	7,517,596	25,744	2,259,450
Interest	2,676,828	3,017,942	(2,676,828)	(3,017,942)
<b>Total</b>	<u>\$183,737,651</u>	<u>\$164,641,056</u>	<u>(\$67,388,555)</u>	<u>(\$63,816,241)</u>

**Business-type Activities**

In reviewing the business-type activities net (expense)/revenue, the following highlights should be noted:

- Total business-type activities reported net revenues of \$7,032,980 for the year ended September 30, 2007.
- Of the business-type activities, the airport reported net program revenues of \$7,082,896, which included the impact of capital grants and contributions in the amount of \$10,319,605. Without the capital grants and contributions, the airport would have sustained net program expenses of \$3,236,709. The industrial park reported net program expenses of \$49,916.

Net Revenue (Expense) of Business-Type Activities

	Total Expense of Services		Net Revenue (Expense) of Services	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
Airport	\$5,741,647	\$5,909,421	\$199,216	\$7,082,896
Industrial park	574,068	586,110	(41,889)	(49,916)
<b>Total</b>	<u>\$6,315,715</u>	<u>\$6,495,531</u>	<u>\$157,327</u>	<u>\$7,032,980</u>

**TERRITORY OF AMERICAN SAMOA  
MANAGEMENT DISCUSSION & ANALYSIS  
SEPTEMBER 30, 2007**

**A FINANCIAL ANALYSIS OF THE TERRITORY'S FUNDS**

As the Territory completed its 2007 fiscal year, the governmental funds reported a combined fund balance of \$18,657,463, which is a 29.2% decrease from the prior year combined fund balance of \$26,360,418. The enterprise funds reported combined net assets of \$65,084,303 or a 13.9% increase from 2006.

Other fund highlights include:

- For the year ended September 30, 2007, the General Fund's total fund balance decreased by \$7,519,916 or 73.3% from the prior year's fund balance of \$10,263,024 for a total fund balance of \$2,743,108.
- The Grant Fund's total fund balance increased by \$226,946 from the prior year's fund balance of \$846,211 for a total fund balance of \$1,073,157.
- The airport enterprise fund, after the recognition of capital grants and contributions of \$10,348,685 reported an increase in net assets of \$7,987,463.
- The government employee retirement fund posted an increase in net assets of the fund of \$27,860,106 or 14% for the year, which included net appreciation of the fair value of investments of \$27,696,736.

***General Fund Budgetary Highlights***

Although the Fono revised the General Fund's original budget during the year, the original estimates of revenues and expenditures were not significantly altered. However, actual revenues reported fell short of revenue projections by \$343,345.

The final budget also projected expenditures of \$72,284,500, although actual expenditure reported totaled \$78,654,799 for a difference of \$6,370,299. This was primarily caused by the general government function exceeding its estimated expenditures by \$7.9 million and the education and culture function staying well below its budgeted expenditures by \$3,289,851.

**TERRITORY OF AMERICAN SAMOA  
MANAGEMENT DISCUSSION & ANALYSIS  
SEPTEMBER 30, 2007**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

***Capital Assets***

At the end of September 30, 2007, the Territory had \$260,918,452 invested in capital assets, net of depreciation, including land and land improvements, buildings, infrastructure and various machinery and equipment. See table below. This represents a net increase of \$13,599,025, or 5.5% over the prior year.

	<b>Primary Government Capital Assets (Net of accumulated depreciation)</b>					
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
Land and land improvements	\$1,539,718	\$1,539,718	\$41,826,923	\$46,233,451	\$43,366,641	\$47,773,169
Buildings and structures	62,726,921	65,774,634	13,012,466	12,648,322	75,739,387	78,422,956
Other improvements	19,971,040	19,645,546	-	-	19,971,040	19,645,546
Machinery and equipment	14,318,715	16,706,169	3,165,368	2,929,216	17,484,083	19,635,385
Infrastructure	56,775,478	54,707,309	-	-	56,775,478	54,707,309
Construction in progress	30,836,637	34,660,316	3,146,161	6,073,771	33,982,798	40,734,087
<b>Totals</b>	<u>\$186,168,509</u>	<u>\$193,033,692</u>	<u>\$61,150,918</u>	<u>\$67,884,760</u>	<u>\$247,319,427</u>	<u>\$260,918,452</u>

This year's more significant capital asset additions included \$9.9 million of airport improvements in the airport enterprise fund.

See Note 5 to the financial statements for more detail information on the Territory's capital assets and changes therein.

***Long- Term Debt***

At year-end, the Territory had \$54,801,962 in long-term debt outstanding, which represents a \$2,754,299 or 4.79% decrease from the prior year. Currently, the business-type activities of the Territory have no long-term debt. The Territory's changes in long-term debt by type of debt are as follows:

	<b>Primary Government Long-Term Debt</b>					
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
Accrued compensated absences	\$13,822,352	\$13,486,778	\$ -	\$ -	\$13,822,352	\$13,486,778
FEMA loan	2,630,118	2,714,415	-	-	2,630,118	2,714,415
General obligation bonds	4,430,000	2,280,000	-	-	4,430,000	2,280,000
Dept. of Interior loan	18,119,542	18,260,613	-	-	18,119,542	18,260,613
Workers Compensation Claims	532,555	549,450	-	-	532,555	549,450
American Samoa Government						
Retirement Fund - LBJ Loan	9,884,036	9,563,048	-	-	9,884,036	9,563,048
Lanfill closure and post-closure	287,658	287,658	-	-	287,658	287,658
Claims and judgements	7,850,000	7,660,000	-	-	7,850,000	7,660,000
<b>Totals</b>	<u>\$57,556,261</u>	<u>\$54,801,962</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$57,556,261</u>	<u>\$54,801,962</u>

See Note 8 to the financial statements for more detail information on the Territory's long-term debt and changes therein.



**TERRITORY OF AMERICAN SAMOA  
MANAGEMENT DISCUSSION & ANALYSIS  
SEPTEMBER 30, 2007**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The American Samoa economy continues to take a downturn in 2007. Governmental payroll funds of \$77.4 million streamed into the economy, an 8% decrease from 2006.

Island employment rates lessened slightly from the previous year. Although government labor increased by 2.68%, the private sector and cannery employment decreased 5.66% and 2.61% respectively. The two American Samoan-based canneries currently employ 4,633 compared to 4,757 in 2006.

Construction activity continued to remain the same with the prior year. However government projects which include building structures and renovations contributed to the fixed asset base of the Territory.

The balance of trade for American Samoa was negative \$129.6 million in 2007. Import and export trade decreased by \$ 119 million and \$107.9 million, respectively. Of the three import sectors, ASG was the most conservative at \$8 million; the Canneries imported \$203.2 million and the remaining private sector consumed \$249 million. Exported goods, primarily tuna, from the Territory were valued at \$330.6 million.

The local economy keeps striving towards diversification. Foreign entrepreneurs, investors, and corporations continue to be actively recruited. Tourism and marine-related resources are prime potential sectors for growth given the tropical locale of the island. Other potential product development areas include off-site telecommunications.

Budgetary predictions for 2008 indicate that ASG continues to focus on maximizing revenues and restricting expenditures. The balanced budget document for 2008 itemizes \$286.5 million of revenue and expenses.

**CONTACTING THE TERRITORY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Territory's finances and to show the Territory's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer's Office at Executive Office Building, Hwy 1, Pago Pago, American Samoa 96799; telephone number (684) 633-4155, fax number (684) 633-4100.

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**BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING SEPTEMBER 30, 2007**

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**TERRITORY OF AMERICAN SAMOA**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2007**

	Governmental Activities	Business-type Activities	Total	Component Units
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$ 12,796,352	\$ 1,183,886	\$ 13,980,238	\$ 10,104,030
Due from Other Funds - Pooled Cash	-	562,999	562,999	-
Investments	22,392,697	-	22,392,697	4,434,185
Taxes Receivable, net	8,587,950	-	8,587,950	-
Accounts Receivable, net	460,334	596,982	1,057,316	22,103,613
Due from U.S. Government	22,353,432	-	22,353,432	-
Due from Primary Government	-	-	-	1,658,130
Due from Other Funds	-	-	-	268,505
Inventories	1,586,921	-	1,586,921	5,602,208
Due from Component Units	-	-	-	-
Prepaid Expenses	742,504	-	742,504	1,066,013
Capital Lease Receivable	240,146	-	240,146	-
Other Deferred Assets	-	-	-	-
Internal Balances	(517,173)	517,173	-	-
Capital Assets, net	193,033,692	67,884,760	260,918,452	123,950,388
<b>Total Assets</b>	<b>261,676,855</b>	<b>70,745,800</b>	<b>332,422,655</b>	<b>169,187,072</b>
<b><u>LIABILITIES</u></b>				
Current Liabilities:				
Due to Other Funds-Pooled Cash	5,655,672	-	5,655,672	-
Accounts Payable	5,959,465	783,005	6,742,470	11,960,039
Income Tax Refunds Payable	4,420,558	-	4,420,558	-
Accrued Expenses	3,743,528	512,015	4,255,543	7,498,396
Due to Other Funds	-	517,173	517,173	9,585,330
Due to Component Units	2,486,891	-	2,486,891	-
Contract Retention	395,549	422,513	818,062	-
Deposits	1,031,511	-	1,031,511	180,088
Claims Payable	100,000	-	100,000	-
Advances from Grants	7,672,330	3,426,791	11,099,121	984,731
Deferred Revenue	3,565,488	-	3,565,488	-
Long-Term Debt Payable Within One Year	2,625,479	-	2,625,479	370,528
Other Liabilities	10,614,415	-	10,614,415	1,840,457
<b>Total Current Liabilities</b>	<b>48,270,886</b>	<b>5,661,497</b>	<b>53,932,383</b>	<b>32,419,569</b>
Noncurrent Liabilities:				
Long-Term Debt payable after one year	9,217,569	-	9,217,569	7,418,055
Other Liabilities due after one year	32,244,499	-	32,244,499	1,660,177
<b>Total Non-Current Liabilities</b>	<b>41,462,068</b>	<b>-</b>	<b>41,462,068</b>	<b>9,078,232</b>
<b>Total Liabilities</b>	<b>89,732,954</b>	<b>5,661,497</b>	<b>95,394,451</b>	<b>41,497,801</b>
<b><u>NET ASSETS</u></b>				
Invested in Capital Asset, net of Related Debt	190,753,692	67,884,760	258,638,452	97,465,499
Restricted	-	-	-	5,069,066
Unrestricted	(18,809,791)	(2,800,457)	(21,610,248)	25,154,706
<b>Total Net Assets</b>	<b>\$ 171,943,901</b>	<b>\$ 65,084,303</b>	<b>\$ 237,028,204</b>	<b>\$ 127,689,271</b>

The notes to the financial statements are an integral part of this statement.

**TERRITORY OF AMERICAN SAMOA**  
**STATEMENT OF ACTIVITIES**  
**SEPTEMBER 30, 2007**

Functions/Programs	Expenses	Indirect Expense Allocation	Charges for Services	Program Revenues	
				Operation Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>					
Governmental Activities:					
General government	\$ 51,500,664	\$(2,914,038)	\$ 9,989,711	\$ 9,357,885	\$ 8,225,543
Public safety	13,329,238	95,071	-	-	5,233,933
Health and welfare	15,191,489	358,922	-	12,006,271	-
Public works	8,913,884	117,372	-	-	2,269,577
Education and culture	65,170,243	2,153,979	-	41,987,027	1,789,128
Economic development	7,517,596	188,694	-	9,965,740	-
Interest	3,017,942	-	-	-	-
Total Governmental Activities	164,641,056	-	9,989,711	73,316,923	17,518,181
Business-type Activities:					
Industrial park	586,110		536,194	-	-
Airport	5,909,421		2,672,712	-	10,319,605
Total Business-type Activities	6,495,531		3,208,906	-	10,319,605
<b>Total Primary Government</b>	<b>\$171,136,587</b>		<b>\$ 13,198,617</b>	<b>\$ 73,316,923</b>	<b>\$ 27,837,786</b>
<b>Component Units</b>					
American Samoa Power Authority	\$ 56,129,497		\$ 50,036,843	\$ 360,842	\$ 1,447,382
American Samoa Community College	11,418,650		6,568,640	265,176	-
American Samoa Medical Center Authority	35,588,143		16,384,940	-	1,410,584
American Samoa Telecommunication Authority	17,458,168		17,230,671	-	-
	<u>\$120,594,458</u>		<u>\$ 90,221,094</u>	<u>\$ 626,018</u>	<u>\$ 2,857,966</u>

**General Revenues:**

Taxes:

Income taxes for general purposes

Excise taxes

Intergovernmental

Tobacco settlement proceeds

Payments from the Territory of American Samoa

Miscellaneous

**Transfers**

**Total General Revenues and Transfers**

**Changes in Net Assets**

**Net Assets, Beginning of Year**

**Net Assets, End of Year**

The notes to the financial statements are an integral part of this statement.



**TERRITORY OF AMERICAN SAMOA**  
**STATEMENT OF ACTIVITIES**  
**SEPTEMBER 30, 2007**

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Totals	Component Units
\$ (21,013,487)	\$ -	\$ (21,013,487)	\$ -
(8,190,376)	-	(8,190,376)	-
(3,544,140)	-	(3,544,140)	-
(6,761,679)	-	(6,761,679)	-
(23,548,067)	-	(23,548,067)	-
2,259,450	-	2,259,450	-
(3,017,942)	-	(3,017,942)	-
<u>\$ (63,816,241)</u>	<u>\$ -</u>	<u>\$ (63,816,241)</u>	<u>\$ -</u>
\$ -	\$ (49,916)	\$ (49,916)	\$ -
-	7,082,896	7,082,896	-
-	7,032,980	7,032,896	-
<u>\$ (63,816,241)</u>	<u>\$ 7,032,980</u>	<u>\$ (56,783,261)</u>	<u>\$ -</u>
			\$ (4,284,430)
			(4,584,834)
			(17,792,619)
			(227,497)
			<u>\$ (26,889,380)</u>
36,036,814	-	36,036,814	-
18,813,051	29,080	18,842,131	-
11,797,539	-	11,797,539	1,427,670
931,863	-	931,863	-
-	-	-	16,853,000
3,460,256	-	3,460,256	(6,423,180)
(875,487)	875,487	-	-
<u>70,164,036</u>	<u>904,567</u>	<u>71,068,603</u>	<u>11,857,490</u>
6,347,795	7,937,547	14,285,342	(15,031,890)
165,596,106	57,146,756	222,742,862	142,721,161
<u>\$ 171,943,901</u>	<u>\$ 65,084,303</u>	<u>\$ 237,028,204</u>	<u>\$ 127,689,271</u>

The notes to the financial statements are an integral part of this statement.

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**TERRITORY OF AMERICAN SAMOA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**AS OF SEPTEMBER 30, 2007**

	General Fund	Grants Fund	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$ 6,889,178	\$ 4,161,526	\$ 300,222	\$ 147,168	\$ 11,498,094
Due from other funds-pooled cash	6,817,014	-	995	-	6,818,009
Investments	8,679,743	-	8,974,615	2,107,609	19,761,967
Taxes receivable, net	8,587,950	-	-	-	8,587,950
Accounts receivable, net	48,743	-	23,274	388,317	460,334
Due from U.S. Government	-	17,647,075	-	4,701,984	22,349,059
Due from other funds	314,850	-	-	-	314,850
Inventories	513,763	1,073,158	-	-	1,586,921
Due from component units	-	-	-	-	-
Prepaid expenses	742,504	-	-	-	742,504
Capital lease receivable	240,146	-	-	-	240,146
<b>Total Assets</b>	<b>\$ 32,833,891</b>	<b>\$ 22,881,759</b>	<b>\$ 9,299,106</b>	<b>\$ 7,345,078</b>	<b>\$ 72,359,834</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
Liabilities:					
Due to other funds-pooled cash	\$ 6,858,216	\$ 6,970,960	\$ -	\$ 398,417	\$ 14,227,593
Accounts payable	3,020,528	5,567,528	-	393,214	8,981,270
Income tax refunds payable	4,420,558	-	-	-	4,420,558
Accrued expenses	2,695,681	968,639	-	26,537	3,690,857
Due to other funds	-	-	-	551,953	551,953
Due to component units	2,123,584	363,307	-	-	2,486,891
Contract retention	-	-	-	395,548	395,548
Deposits	728,356	303,155	-	-	1,031,511
Advances from grants	-	7,635,013	-	37,317	7,672,330
Deferred revenue	10,243,860	-	-	-	10,243,860
<b>Total Liabilities</b>	<b>30,090,783</b>	<b>21,808,602</b>	<b>-</b>	<b>1,802,986</b>	<b>53,702,371</b>
Fund Balances:					
Reserved for inventories	513,763	1,073,157	-	-	1,586,920
Reserved for encumbrances	796,685	-	-	-	796,685
Reserved for debt service	-	-	9,299,106	-	9,299,106
Unreserved:					
Undesignated	1,432,660	-	-	5,542,092	6,974,752
Unreserved reported in:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
<b>Total Fund Balances</b>	<b>2,743,108</b>	<b>1,073,157</b>	<b>9,299,106</b>	<b>5,542,092</b>	<b>18,657,463</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 32,833,891</b>	<b>\$ 22,881,759</b>	<b>\$ 9,299,106</b>	<b>\$ 7,345,078</b>	<b>\$ 72,359,834</b>

The notes to the financial statements are an integral part of this statement.

**TERRITORY OF AMERICAN SAMOA**  
**RECONCILIATION OF THE STATEMENT OF NET ASSETS**  
**TO THE BALANCE SHEET - GOVERNMENTAL FUNDS**  
**AS OF SEPTEMBER 30, 2007**

Fund balances - total government funds	\$	18,657,463
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental capital assets	\$	309,316,578	
Less accumulated depreciation		<u>116,282,886</u>	193,033,692

Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.

Governmental bonds payable	\$	2,280,000	
AMGRF-LBJ loan		9,563,048	
Compensated absences		13,486,778	
Claims and judgments		7,660,000	
Other liabilities		<u>21,262,686</u>	(54,252,512)

Deferred revenues in governmental funds is susceptible to full accrual on the entity-wide statements.

Deferred revenues			9,767,919
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Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.

		<u>4,737,339</u>
Net Assets of Governmental Activities	\$	<u>171,943,901</u>

The notes to the financial statements are an integral part of this statement.

**TERRITORY OF AMERICAN SAMOA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2007**

	General Fund	Grants Fund	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 48,390,641	\$ -	\$ 1,979,119	\$ -	\$ 50,369,760
Licenses and permits	1,382,906	-	-	-	1,382,906
Intergovernmental	9,986,127	85,222,478	-	6,767,171	101,975,776
Charges for services	4,139,486	936,922	1,044,734	1,787,301	7,908,443
Fines and fees	2,376,449	-	88,615	-	2,465,064
Interdepartmental	3,451,493	-	-	-	3,451,493
Insurance proceeds	-	-	-	-	-
Tobacco settlement proceeds	-	-	931,863	-	931,863
Miscellaneous	1,510,053	186,044	1,623,839	162,748	3,482,684
<b>Total Revenues</b>	<b>71,237,155</b>	<b>86,345,444</b>	<b>5,668,170</b>	<b>8,717,220</b>	<b>171,967,989</b>
<b>Expenditures:</b>					
Current:	-	-	-	-	-
General government	33,970,022	15,249,502	7,138	1,867,769	51,094,431
Public safety	7,990,471	5,233,933	-	-	13,224,404
Health and recreation	3,067,279	12,006,271	-	-	15,073,550
Public works	6,578,786	2,269,577	-	-	8,848,363
Education and culture	22,672,149	41,987,027	-	-	64,659,176
Economic development	4,376,092	9,965,740	-	-	14,341,832
Capital improvements	-	-	-	7,332,985	7,332,985
Principal	-	-	2,470,988	-	2,470,988
Interest	-	-	1,976,675	-	1,976,675
<b>Total Expenditures</b>	<b>78,654,799</b>	<b>86,712,050</b>	<b>4,454,801</b>	<b>9,200,754</b>	<b>179,022,404</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(7,417,644)</b>	<b>(366,606)</b>	<b>1,213,369</b>	<b>(483,534)</b>	<b>(7,054,415)</b>
<b>Other Financing Sources (Uses):</b>					
Loan proceeds	-	-	-	-	-
Transfers in	1,140,000	366,606	180	301,140	1,807,926
Transfers out	(1,242,272)	-	(1,140,000)	(301,140)	(2,683,412)
<b>Total Other Financing Sources (Uses)</b>	<b>(102,272)</b>	<b>366,606</b>	<b>(1,139,820)</b>	<b>-</b>	<b>(875,486)</b>
<b>Changes in Fund Balances</b>	<b>(7,519,916)</b>	<b>-</b>	<b>73,549</b>	<b>(483,534)</b>	<b>(7,929,901)</b>
<b>Fund Balances (Deficits), Beginning of Year</b>	<b>10,263,024</b>	<b>846,211</b>	<b>9,225,557</b>	<b>6,025,626</b>	<b>26,360,418</b>
Change in Reserve for Inventory	-	226,946	-	-	226,946
<b>Fund Balances (Deficits), End of Year</b>	<b>\$ 2,743,108</b>	<b>\$ 1,073,157</b>	<b>\$ 9,299,106</b>	<b>\$ 5,542,092</b>	<b>\$ 18,657,463</b>

The notes to the financial statements are an integral part of this statement.



**TERRITORY OF AMERICAN SAMOA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Net change in fund balances - total government funds \$ (7,702,995)

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

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital assets, net	\$ 14,262,055	
Less current year depreciation	<u>(7,396,872)</u>	6,865,183

Bond proceeds and other debt proceeds provide current financial resources to government funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Interest	\$ (1,041,267)	
Principal payments	<u>3,402,851</u>	2,361,584

Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in governmental funds.

Deferred revenues	2,987,894
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds

Claims and judgment	\$ 190,000	
Change in long-term compensated absences	<u>335,574</u>	525,574

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.

1,310,515

Change in Net Assets of Governmental Activities	\$ <u>6,347,795</u>
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The notes to the financial statements are an integral part of this statement.



**TERRITORY OF AMERICAN SAMOA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2007**

	Enterprise Funds			Activities:
	Airport	Non-Major Enterprise Funds	Total	Internal Service
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 1,183,886	\$ -	\$ 1,183,886	\$ 1,298,258
Investments	-	-	-	2,630,730
Due from other funds-pooled cash	29,405	16,421	45,826	1,708,086
Accounts receivable, net	408,723	188,259	596,982	-
Due from other funds	517,173	-	517,173	-
Capital assets, net	66,887,894	996,866	67,884,760	284,719
<b>Total Assets</b>	<b>69,027,081</b>	<b>1,201,546</b>	<b>70,228,627</b>	<b>5,921,793</b>
<b><u>LIABILITIES</u></b>				
Accounts payable	763,897	19,108	783,005	16,947
Accrued expenses	502,469	9,546	512,015	53,268
Due to other funds	-	-	-	280,070
Contract retention	422,513	-	422,513	-
Claims payable	-	-	-	549,450
Advances from grants	3,426,791	-	3,426,791	-
<b>Total Liabilities</b>	<b>5,115,670</b>	<b>28,654</b>	<b>5,144,324</b>	<b>899,735</b>
<b><u>NET ASSETS</u></b>				
Invested in capital assets	66,887,894	996,866	67,884,760	284,719
Unrestricted	(2,976,483)	176,026	(2,800,457)	4,737,339
<b>Total Net Assets</b>	<b>\$ 63,911,411</b>	<b>\$ 1,172,892</b>	<b>\$ 65,084,303</b>	<b>\$ 5,022,058</b>

The notes to the financial statements are an integral part of this statement.

**TERRITORY OF AMERICAN SAMOA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2007**

	Enterprise Funds			Governmental Activities: Internal Service Fund
	Airport	Non-Major Enterprise Funds	Total	
<b>Operating Revenues:</b>				
Taxes	\$ 29,080	\$ -	\$ 29,080	\$ -
Intergovernmental	699,790	-	699,790	-
Charges for services	2,135,850	536,194	2,672,044	2,291,692
<b>Total Operating Revenues</b>	<b>2,864,720</b>	<b>536,194</b>	<b>3,400,914</b>	<b>2,291,692</b>
<b>Operating Expenses:</b>				
Personnel	2,142,299	340,518	2,482,817	369,090
Operations and maintenance	678,522	158,015	836,537	705,201
Depreciation and amortization	3,088,600	87,577	3,176,177	29,425
<b>Total Operating Expenses</b>	<b>5,909,421</b>	<b>586,110</b>	<b>6,495,531</b>	<b>1,103,716</b>
<b>Operating Income (Loss)</b>	<b>(3,044,701)</b>	<b>(49,916)</b>	<b>(3,094,617)</b>	<b>1,187,976</b>
<b>Nonoperating Revenues (Expenses):</b>				
Miscellaneous	-	-	-	122,539
<b>Total Nonoperating Revenues (Expenses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>122,539</b>
<b>Income (Loss) before Capital Contributions and Transfers</b>	<b>(3,044,701)</b>	<b>(49,916)</b>	<b>(3,286,625)</b>	<b>1,310,515</b>
<b>Transfers in</b>	<b>875,487</b>	<b>-</b>	<b>875,487</b>	<b>-</b>
<b>Transfers out</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Capital contributions</b>	<b>10,156,677</b>	<b>-</b>	<b>10,156,677</b>	<b>-</b>
<b>Changes in Net Assets</b>	<b>7,987,463</b>	<b>(49,916)</b>	<b>7,937,547</b>	<b>1,310,515</b>
<b>Total Net Assets, Beginning of Year</b>	<b>55,923,947</b>	<b>1,222,809</b>	<b>57,146,756</b>	<b>3,711,543</b>
<b>Total Net Assets, End of Year</b>	<b>\$ 63,911,410</b>	<b>\$ 1,172,893</b>	<b>\$ 65,084,303</b>	<b>\$ 5,022,058</b>

The notes to the financial statements are an integral part of this statement.

**TERRITORY OF AMERICAN SAMOA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2007**

	Enterprise Funds			Internal
	Airport	Industrial Park	Totals	Service Funds
<b>Cash Flows from Operating Activities:</b>				
Receipts from customers	\$ 2,026,682	\$ 486,300	\$ 2,512,982	\$ 2,291,692
Receipt of overpayment	-	-	-	-
Grants from governments	-	-	-	-
Tax receipts	29,080	-	29,080	-
Payments to suppliers	(661,245)	(138,907)	(800,152)	(694,188)
Payments to employees	(1,696,278)	(330,972)	(2,027,250)	(359,388)
Internal activities-receipt from (payment to) other funds	100,108	(16,421)	83,687	(168,609)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>(201,653)</b>	<b>-</b>	<b>(201,653)</b>	<b>1,069,507</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Additions to fixed assets and work-in-process	(9,908,422)	-	(9,908,422)	-
Receipts of federal capital grants	10,156,678	-	10,156,678	-
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>248,256</b>	<b>-</b>	<b>248,256</b>	<b>-</b>
<b>Cash Flows from Investing Activities:</b>				
Purchase of investments	-	-	-	(137,653)
Sale of investments	-	-	-	-
Interest income (payments)	-	-	-	122,539
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(15,114)</b>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Operating transfers in (out)	875,487	-	875,487	-
Advances	89,421	-	89,421	-
<b>Net Cash Provided by (Used in) Noncapital Financing Activities</b>	<b>964,908</b>	<b>-</b>	<b>964,908</b>	<b>-</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>1,011,511</b>	<b>-</b>	<b>1,011,511</b>	<b>1,054,393</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>172,375</b>	<b>-</b>	<b>172,375</b>	<b>243,865</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 1,183,886</b>	<b>\$ -</b>	<b>\$ 1,183,886</b>	<b>\$ 1,298,258</b>
<b>Reconciliation of operating income to net cash provided (used) by Operating Activities:</b>				
Operating income (loss)	\$ (3,044,701)	\$ (49,916)	\$ (3,094,617)	\$ 1,187,976
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	3,088,600	87,577	3,176,177	29,425
Decrease (Increase) in assets:	-	-	-	-
Receivables	(109,166)	(49,894)	(159,060)	-
Due from other funds	(599,682)	(16,421)	(616,103)	(118,609)
Increase (Decrease) in Liabilities:	-	-	-	-
Accounts payable and accrued expenses	463,296	28,654	491,950	3,820
Due to other funds	-	-	-	(50,000)
Claims payable	-	-	-	16,895
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ (201,653)</b>	<b>\$ -</b>	<b>\$ (201,653)</b>	<b>\$ 1,069,507</b>

The notes to the financial statements are an integral part of this statement.

**TERRITORY OF AMERICAN SAMOA**  
**STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS**  
**SEPTEMBER 30, 2007**

	<u>Pension Trust</u>	<u>Agency</u>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 92,317	\$ 3,554,670
Due from other funds-pooled cash	-	5,655,672
Investments	225,333,998	-
Accounts receivable, net	504,929	-
Contributions receivable	495,429	-
Prepaid expenses	103,081	-
Capital assets, net	554,766	-
<b>Total Assets</b>	<u>227,084,520</u>	<u>9,210,342</u>
<b><u>LIABILITIES</u></b>		
Accounts payable	143,102	735
Deposits	-	2,616,985
Contribution refunds	640,833	-
Immigration bonds	-	6,592,622
<b>Total Liabilities</b>	<u>783,935</u>	<u>\$ 9,210,342</u>
<b><u>NET ASSETS</u></b>		
Held in trust	<u>\$ 226,300,585</u>	

The notes to the financial statements are an integral part of this statement.



**TERRITORY OF AMERICAN SAMOA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUND**  
**SEPTEMBER 30, 2007**

	Pension Trust
<b>Additions:</b>	
Investment income-interest	\$ 780,738
Contributions-sponsors	6,721,120
Contributions-members	2,698,450
Dividends on common stock	5,265,435
Lease revenue from centennial office building	659,906
Net appreciation in fair value of investments	27,696,736
Other income	14,822
Investment fees	(299,953)
Centennial office building maintenance expenses	(343,358)
<b>Total Additions</b>	<u>43,193,896</u>
<b>Deductions:</b>	
Interest on employee contributions refunded	236,908
Benefits	13,604,642
Employee contributions refunded	603,068
General and administrative expenses	889,172
<b>Total Deductions</b>	<u>15,333,790</u>
<b>Changes in Net Assets</b>	<u>27,860,106</u>
<b>Net Assets, Beginning of Year</b>	198,440,479
<b>Net Assets, End of Year</b>	<u><u>\$ 226,300,585</u></u>

The notes to the financial statements are an integral part of this statement.

**TERRITORY OF AMERICAN SAMOA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. The Reporting Entity**

The Territory of American Samoa (the Territory) is an unincorporated Territory of the United States and operates under the jurisdiction of the United States Department of Interior. A constitution was adopted in 1966, and in 1977 the Secretary of the Interior's order number 3009 provided for a popularly elected Governor and Lieutenant Governor. The Legislative body (FONO) is comprised of Members of the House of Representatives who are popularly elected and Senators who are chosen by village councils.

The financial statements have been prepared primarily from records maintained by the Treasury Department. Additional information was obtained from agencies and other entities based on independent or subsidiary accounting records maintained by them.

The financial statements include all funds and account groups of the primary government, which is the Territory, as well as the component units and other organizational entities determined to be included in the Territory's financial reporting entity.

The decision to include a potential component unit in the Territory's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities included in the Territory's reporting entity.

**Primary Government**

All offices, departments, agencies and authorities that are not legally separate entities have been included in the Territorial reporting entity as part of the primary government unless otherwise noted. Most of these have executives or boards appointed by the Governor, the FONO or a combination thereof. These entities are financially accountable to and fiscally dependent on the Territory.

**Blended Component Units**

Although legally separate entities, blended component units are in substance, part of the primary government's operations. The blended component unit serves or benefits the primary government almost exclusively. Financial information from these units is combined with that of the primary government. Following is a brief review of the blended component units.

**American Samoa Government Employees Retirement Fund**

The Retirement Fund was established in 1971 to provide retirement annuities for the employees of the Territorial Government and its component units. It is governed by a Board of Trustees appointed by the Governor with the consent of the Senate and House of Representatives. The Retirement Fund's costs, based upon actuarial valuations, are funded by the participating governmental employers and participants. The Retirement Fund is a part of the primary government and is reported in the fiduciary fund type. The Retirement Fund was audited by independent auditors for the year ended September 30, 2007, and their report dated February 6, 2008 has been previously issued under separate cover. The Retirement Fund's report can be obtained at its administrative offices.



**TERRITORY OF AMERICAN SAMOA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

American Samoa Economic Development Authority

The American Samoa Economic Development Authority (the Authority) was created in 1986 by the 19th Legislature of American Samoa and is governed by a Board of Directors. The Board consists of nine members, seven of whom are appointed by the Governor with the advice and consent of the Legislature and two members of the Legislature, one from the Senate appointed by the President of the Senate and one from the House of Representatives appointed by its Speaker. The Authority can incur indebtedness for certain projects. The Bonds Series 1988 in the amount of \$10.94 million issued by the Authority for the Executive Office Building was refunded by General Obligation Refunding Bonds, Series 2000. Therefore, the Authority has no bonds outstanding. The Authority is a component unit which would be blended as part of the primary government. However, during the year ended September 30, 2007, the Authority had no operations; therefore, there are no amounts to blend into the primary government.

American Samoa Petroleum Cooperative, Inc.

The American Samoa Petroleum Cooperative, Inc. (the Cooperative) was created by executive order in 1992 to ensure that the Territory is provided with a reliable and stable supply of uniform high quality petroleum products at reasonable costs and that the petroleum storage facilities of the Territory are properly constructed and maintained to meet applicable standards. The Board of Directors consists of a chairman who is the representative of the Terminal Operator, an appointee by the Governor, a third member appointed by the other two directors and one additional member appointed by each petroleum supplier. The Cooperative is fiscally dependent on the Territory in that it receives rent and fees levied by the primary government on the bulk petroleum products put through the Territory's facilities. The Cooperative provides services almost entirely to the primary government and all real property acquired by the cooperative is the property of the Territory. The Territory provides administrative support and pays all personnel costs for the Cooperative. The Cooperative is a component unit and blended as part of the primary government as part of Petroleum Facilities in the capital projects fund. The Cooperative issued separate financial statements for the year ended September 30, 2007. The Cooperative's report can be obtained at its administrative offices.

**Discrete Component Units**

Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government. They are financially accountable to the primary government, or have relationships with the primary government such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. These discrete component units serve or benefit those outside the primary government. Following is a brief review of the discretely presented component units.

American Samoa Power Authority

The American Samoa Power Authority (ASPA), with corporate powers, was created to generate and distribute power to the citizens of the Territory. It also provides water, sewer and solid waste services to the Territory. The Governor appoints and the FONO confirms the Board of Directors. ASPA was audited by independent auditors for the year ended September 30, 2007, and its report dated February 29, 2008, has been previously issued under separate cover. The Authority's report can be obtained at its administrative offices.

**TERRITORY OF AMERICAN SAMOA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

American Samoa Community College

The American Samoa Community College (ASCC) was created with corporate powers to develop a program of education to meet the current and future needs of American Samoa. The Governor appoints a majority of the Board of Directors with the advice and consent of the Legislature. ASCC is funded through Territorial appropriations, tuition, federal grants and donations. ASCC was audited by independent auditors for the year ended September 30, 2007 and its report dated February 12, 2008 has been previously issued under separate cover. The report can be obtained at its administrative offices.

American Samoa Medical Center Authority - Lyndon B. Johnson Tropical Medical Center

The American Samoa Medical Center Authority - Lyndon B. Johnson Tropical Medical Center (LBJ) was established to create a medical system that can provide quality medical services to the citizens of the Territory. The Governor appoints and the FONO confirms the Board of Directors.

American Samoa Telecommunications Authority

The American Samoa Telecommunications Authority (ASTCA), with corporate powers, was created to provide telecommunications capabilities to the citizens of the Territory. The Governor appoints and the FONO confirms the Board of Directors. ASTCA was audited by independent auditors for the year ended September 30, 2007 and its report dated May 22, 2008 has been previously issued under separate cover. The report can be obtained at its administrative offices.

**Related Organization**

Organizations, for which a primary government is accountable because the Territory appoints a voting majority of the board, but is not financially accountable, are related organizations. The Development Bank of American Samoa is a related organization to the primary government. The Development Bank's Board of Directors consists of ten members, nine of whom are appointed by the Governor, with the advice and consent of the Senate. The Chairman, who is a board member, is elected by a majority of the board. The President of the Development Bank is a nonvoting ex-officio member of the board, and may not serve as chairman. The Development Bank is classified as another stand-alone governmental unit, not a component unit of the Territory.

**b. Basis of Presentation - Fund Accounting**

The Territory uses fund accounting under which it segregates its resources and accounts for them in various individual funds. Each individual fund is an accounting entity with a self-balancing set of accounts. Individual funds that have similar characteristics are combined into fund types.

**Governmental Funds**

Governmental funds finance most of the Territorial governmental functions. The measurement focus of the governmental funds is on sources, uses and balances of financial resources.



**TERRITORY OF AMERICAN SAMOA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

The general fund is the Territorial general operating fund. It accounts for resources that fund the services governments traditionally provide to its citizens except those required to be accounted for in another fund.

Special revenue funds account for specific revenue sources (other than for capital projects and debt service) that are legally or donor restricted to expenditure for specified purposes.

Capital projects funds account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary funds.

A debt service fund is used to account for the accumulation of resources for, and payment of principal and interest on general long-term obligations.

**Proprietary Funds**

Proprietary funds account for activities similar to those found in the private sector. The measurement focus of the proprietary funds is upon determination of net income, financial position, and cash flows. Enterprise funds account for business-like Territorial activities that provide goods and services to the public financed primarily through user charges. Internal service funds provide goods and services to other funds, agencies, component units, or other activities on a cost allocation basis.

The Territory's proprietary funds apply all applicable Governmental Accounting Standards Board (GASB) pronouncements, and all applicable Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board (APB) opinions and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

**Fiduciary Funds**

Fiduciary funds account for resources the Territory holds as trustee or agent for individuals, private organizations, or other governmental units.

Agency funds are custodial in nature and do not involve measurement of results of operations.

**c. Government-Wide and Fund Financial Statements**

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all the activities of the primary government and its component units, except for fiduciary activities. Interfund activity, which duplicates revenues or expenses, has been eliminated from these statements, except for those transactions and balances between governmental and business-type activities. Governmental activities and business-type activities are reported separately to highlight the differences in funding and operations. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, on the other hand, rely mostly on fees and charges that are designed to recover the costs of operations, including the cost of capital.

**TERRITORY OF AMERICAN SAMOA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

The statement of activities outlines the direct expenses of each of the Territory's major functions and the program revenues generated by those programs. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Government-wide financial statements do not provide information by fund or account group, but distinguish between the Territory's governmental activities and activities of its discretely presented component units on the statement of net assets and statement of activities. Significantly, the Territory's statement of net assets includes both noncurrent assets and noncurrent liabilities of the Territory, which were previously recorded in the General Fixed Assets Account Group and the General Long-Term Obligations Account Group. In addition, the government-wide statement of activities reflects depreciation expenses on the Territory's fixed assets, including infrastructure.

In addition to the government-wide financial statements, the Territory has prepared fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus. Accordingly, the accounting and financial reporting for the Territory's General Fund, Special Revenue Funds, Capital Projects Funds, Debt Service Fund and Fiduciary Fund is similar to that previously presented in the Territory's financial statements, although the format of these fund level financial statements has been modified by Statement No. 34.

Management's Discussion and Analysis which is presented as required supplementary information includes an analytical overview of the Territory's financial activities. In addition, budgetary comparison statements are presented that compare the adopted and modified budgets with actual results for the General Fund and the Special Revenue - Federal Grants Fund.

The fund statements include separate statements for governmental, fiduciary and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as 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, the Territory considers revenues to be available if they are



**TERRITORY OF AMERICAN SAMOA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Income taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the Territory receives cash.

The Territory reports the following major governmental funds:

- The General Fund is the Territory's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Grant Fund accounts for the majority of grants received by the Territory except for grants received by the proprietary funds. These activities are funded with grants from various federal agencies and private sources.
- The Debt Service Fund accounts for amounts accumulated for the repayment of long-term obligations.

The Territory's proprietary funds are the Airport Fund and Industrial Park Fund. The Airport Fund is reported as a major fund. The Territory's proprietary activities include the operation of the Pago Pago International Airport and the Tafuna Industrial Park.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are the transfers between the business-type activities and the governmental activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Territory's proprietary activities are charges to the customers for services. Principal operating revenues of the internal service funds are premiums charged to individual departments for workers compensation coverage and charges to departments or funds for housing or printing. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**TERRITORY OF AMERICAN SAMOA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**d. Budgets and Budgetary Accounting**

The Territory adopts an annual budget on a basis consistent with generally accepted accounting principles at the legal level of control, which is the department or project level. During the fiscal year supplementary appropriations are made as needed. The results are increases to the appropriations within the funds. The Director of the Office of Program Planning and Budget is permitted under law to move amounts up to \$25,000, or 10% of line amounts, whichever is less, from one line account to another; legislative appropriation is required on all line item account shifts over 10% or \$25,000. All annual appropriations lapse at the end of the fiscal year. Annual budgets are adopted for the General Fund, certain Special Revenue Funds and the Debt Service Fund. Budgets for Proprietary and Trust Fund operations are estimated in the annual budget, but controlled by available resources and demand for services.

Federal grants, accounted for in certain Special Revenue Funds, have a budget and project life determined by each grant award. The Department of Interior's operating grant is generally awarded after adoption of the Territorial budget. The Territory has to adopt a supplemental budget during the fiscal year to provide for differences between the estimated amount and the actual amount of the grant award. Budgets for capital improvement projects are determined by local funding appropriations and the annual Department of Interior Capital Improvement Projects grant award.

**e. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General, Special Revenue and Capital Projects Funds. Encumbrances outstanding at fiscal year end in governmental fund types are reported as reservations of fund balances provided there is an adequate fund balance to allow for a reserve, since they do not constitute expenditures or liabilities.

Encumbrances, which represent commitments that are to be funded by grants or other resources to be provided in the future, are not reported as reservations of fund balance since they will not be paid from the fund balance. Encumbrances, which represent commitments by departments in excess of available appropriations, are not carried forward or reserved, as these commitments must be funded from resources to be provided in the subsequent year.

**f. Investments**

Statutes authorize the Treasurer to invest funds at his discretion. The Treasurer's investment objectives are preservation of capital, maintenance of adequate liquidity, and obtaining the best yield possible within prescribed parameters. Investments are stated at fair value. The investment policies of the Land Grant Trust (a part of the American Samoa Community College) and the Pension Trust are established by their respective boards. Investment of these funds are in a broader variety of securities such as corporate bonds, equities, real estate, trusts, collateralized mortgage obligations, asset backed securities and commercial paper.



**TERRITORY OF AMERICAN SAMOA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**g. Cash and Cash Equivalents**

The amounts shown on the combined balance sheet as cash and cash equivalents represent the total of petty cash, cash on deposit in banks and certificates of deposits with original maturities of less than 90 days.

**h. Interfund Transactions**

The Territory accounts for the following types of interfund transactions:

Due To Other Funds-Pooled Cash and Due From Other Funds-Pooled Cash represent the deficiency (due to) or excess (due from) of cash received by the General Fund over the amount of expenditures for participating funds paid by the General Fund. For certain funds, the Territory deposits all receipts into a general fund bank account and makes all disbursements from the same account creating a due to or due from in the General Fund. The recording of the receipt or disbursement on the participating funds' records creates a due to or due from for an equal amount. Since the total Due From Other Funds-Pooled Cash for a participating fund can exceed the amount of cash in the operating bank account these amounts are not classified as cash and cash equivalents.

Due To/Due From Other Funds represents quasi-external transactions involving charges for goods or services that one fund delivers or provides to another fund. These transactions are either recorded as a reduction or increase in Due To/Due From Other Funds-Pooled Cash, if they are a pooled cash participant, or as an interfund payable or receivable, if the agency is external to the pooled cash account.

Advances due to and from other funds represent long-term interfund loan receivables and payables.

Operating transfers include all interfund transactions that are not loans or reimbursements.

**i. Receivables**

The Territory, with minor exceptions, has adopted the personal and corporate income tax code of the United States in effect as of December 31, 2000. No changes to the U.S. Tax Code since December 31, 2000 have been adopted by the Territory. Withheld income taxes held by employers or corporations, taxes levied and billed by the tax office and unpaid taxes on filed returns are accrued as receivables. Unbilled revenues for services provided between the last billing date and the end of the year are estimated and accrued as receivables. Interest earned and unpaid on investment securities is accrued and recorded as receivables for all funds. Receivables are stated net of allowances for uncollectible amounts. Uncollectible amounts are estimated based upon past collection experience.

**TERRITORY OF AMERICAN SAMOA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**j. Inventories**

Inventories are valued at average cost or market, whichever is less. Inventories of materials and supplies are reported as expenditures/expenses when consumed, except that the Federal Grant Fund reports expenditures for school lunch supplies using the purchases method.

**k. Prepaid Expenses**

Payments made to vendors for costs applicable to future accounting periods are recorded as prepaid assets.

**l. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

The Territory has established a capitalization policy to recognize capital assets as assets with an initial, individual cost greater than the amount as set forth in the table below and an estimated useful life in excess of two years. Such assets are recorded at historical costs or estimated historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Land	\$	-
Land improvements		100,000
Building and improvements		100,000
Machinery and equipment		20,000
Vehicles		-
Infrastructure		100,000

Property, plant, and equipment of the Territory is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30-40
Improvements other than buildings	15-40
Infrastructure	25-40
Vehicles	5-10
Equipment	5-15

**m. Compensated Absences**

It is the policy of the Territory to permit employees to accumulate earned but unused vacation benefits, which will be paid to the employees upon separation from service. Vacation leave is fully vested when earned but accumulated vacation leave cannot exceed 60 days at the end of any calendar year. Sick leave is vested when earned and the accumulation is not limited.



**TERRITORY OF AMERICAN SAMOA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Employees separated from service are compensated for unused accrued sick leave at the rate of 50% of sick leave in excess of 239 hours. Retiring employees with less than 30 years of service may apply accumulated unused sick leave for additional service credits.

The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

**n. Income Tax Refunds Payable**

During the calendar year, the Territory collects employee withholdings and taxpayer's payments for individual and corporate income taxes. Taxpayers file returns by April 15, for the preceding calendar year. At September 30, the Territory estimates the amount it owes taxpayers for overpayments during the preceding nine months. This estimated payable is recorded as tax refunds payable and a reduction of tax revenues.

**o. Deferred Revenues**

Deferred revenues consist of the long-term portion of the Marine Railway and Army Reserve leases that are applicable to future years, an amount representing prepaid corporate income taxes to be offset against future years' taxes and revenues for nonexchange transactions not received within sixty days after the fiscal year.

**p. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable unamortized issuance costs and the unamortized deferred amounts from refunding issues.

**q. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. The Territory has the following reservations of fund balance:

1. Debt service represents net assets available to finance future debt service requirements.
2. Retirement System represents the employees' retirement system net assets available to finance future benefit obligations.
3. Inventories represents the reservation of funds set aside for inventories which are not considered current financing resources.
4. Endowments and land grant programs represent amounts held in trust in which only earnings not principal may be expended.
5. Encumbrances represent outstanding purchase orders, contracts and other commitments for the expenditure of funds from prior year appropriations.

**TERRITORY OF AMERICAN SAMOA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**r. Reconciliation of Government-Wide and Fund Financial Statements**

The governmental fund balance sheet includes the reconciliation between fund balances in the governmental funds and net assets reported in the government-wide statements. These adjustments reflect the changes necessary to report the governmental fund balances on the economic resources measurement focus and accrual basis of accounting. The Self-Insurance Fund balances are allocated from the Internal Service Fund to the governmental activities. In addition, capital assets and long-term debt are added to the governmental funds to compile the long-term view of the governmental activities column.

A similar reconciliation is included on the statement of revenues, expenditures and changes in fund balances for the governmental funds. These adjustments reflect the transition from the modified accrual accounting for governmental funds to the accrual basis of accounting for the statement of activities. Capital outlay is replaced with depreciation expense. Capital lease revenues are added and principal payments on long-term debt are eliminated from the operating costs.

**s. Indirect Cost Allocation**

The Territory utilizes an indirect cost allocation system to allocate costs incurred in the General Fund that are indirect expenses of other funds. Reimbursements to the General Fund are recorded as expenditures/expenses in the reimbursing fund and as interdepartmental revenues in the General Fund.

**t. Use of Estimates in the Preparation of the Financial Statements**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements. Changes in these estimates and assumptions are considered reasonably possible and may have a material impact on the financial statements.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

**a. Deposits**

Cash and cash equivalents held by various financial institutions for the Territory, except the Retirement Fund its blended component unit, and its discretely presented component units was \$32,055,892. This consists of amounts insured by the FDIC of \$200,000, collateralized amounts of \$31,855,892.



**TERRITORY OF AMERICAN SAMOA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2007**

**NOTE 2 - DEPOSITS AND INVESTMENTS - Continued**

**b. Investments**

Investments of the primary government are categorized as follows:

Primary Government

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Certificates of Deposit	\$ 1,061,370	\$ 1,061,370	\$ -	\$ -	\$ -
U.S. Treasuries	46,239	46,239	-	-	-
U.S. Government Agencies	3,540,248	-	3,540,248	-	-
Municipal Bonds	1,000,000	-	800,000	-	200,000
Mutual Funds	16,744,840	16,744,840	-	-	-
Total Investments	<u>\$ 22,392,697</u>	<u>\$ 17,852,449</u>	<u>\$ 4,340,248</u>	<u>\$ -</u>	<u>\$ 200,000</u>

Blended Component Unit

Retirement Fund

The Board of Trustees of the fund has the power and authority under territorial law to make all decisions on the investment of fund assets and the employment of professional investment agents. Investment authority is not restricted by types of property or other investment options, but the law does limit the amount of an individual investment that may be made in any one instrument or security issued by a political subdivision, corporation or other entity. The law also provides guidelines on the qualifications of investment agents that may be employed by the fund.

In 2005, the Board of Trustees formally approved a Statement of Investment Policy, Guidelines and Objectives, which substantially restructured the fund's investment portfolio and investment managers providing services to the fund. In 2007, the Board changed the fund's asset allocation targets to 45% domestic equity, 25% international equity, 25% fixed income, and 5% real estate. As of September 30, 2007, all investments were held in mutual funds and real estate. Their allocation is as follows:

	Fair Value	Percentage
Domestic equity	\$ 93,884,809	42%
International equity	66,186,102	29%
Fixed income	50,700,039	23%
Loan - ASG	9,563,048	4%
Real Estate - Centennial Office Building	<u>5,000,000</u>	<u>2%</u>
Balance - September 30, 2007	<u>\$ 225,333,998</u>	<u>100%</u>

The Fund pays investment fees either through direct payments to the investment manager or as a deduction from investment returns.

**TERRITORY OF AMERICAN SAMOA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2007**

**NOTE 3 - RECEIVABLES**

**a. Capital Lease Receivable**

Effective May 1, 1985 the Territory entered into a lease agreement whereby the Marine Railway Facility was leased to an independent contractor for fifteen years plus three five year extensions. The lease provided for minimum annual payments of \$50,000 for the first five years and is renegotiable thereafter. Renegotiations occurred in 1997 and the minimum annual payments were changed to \$40,000. This lease was renewed on May 1, 2000. Lease payments may increase based upon sales volume of the contractor and if sales volume is less than \$750,000 annually, the contractor may terminate the lease. An annual payment in the amount of \$24,100 was received in fiscal year 2007. The Territory has recognized a lease receivable from the contractor amounting to \$240,146 with the same amount included as deferred revenue at September 30, 2007 which is the present value of the lease at \$40,000 annually to April 30, 2015, discounted at 6%.

**b. Other Receivables**

Other receivables (excluding ASPA and ASCC) on the fund financial statements by account type and source are as follows:

	<u>Receivable</u>	<u>Allowance</u>	<u>Balance</u>
Taxes:			
General Fund	\$ 21,598,856	\$ 13,010,906	\$ 8,587,950
Accounts Receivable:			
General Fund	3,133,252	3,084,509	48,743
Debt Service Fund	23,274	-	23,274
Special revenue funds	19,686	15,000	4,686
Capital projects funds	383,631	-	383,631
Enterprise funds	1,642,758	1,045,776	596,982
Fiduciary funds	504,929	-	504,929
Contributions Receivable:			
Fiduciary funds	495,429	-	495,429
Due From U.S. Government:			
Special revenue funds	21,212,074	296,297	20,915,777
Capital project funds	1,437,655	-	1,437,655
Total	<u>\$ 50,451,544</u>	<u>\$ 17,452,488</u>	<u>\$ 32,999,056</u>

**TERRITORY OF AMERICAN SAMOA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2007**

**NOTE 4 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

A summary of interfund receivable and payable balances are as follows:

Due To/Due From Other Funds is as follows:

Primary Government

	Due To/Due From Receivable	Payable
General Fund	\$ 314,850	\$ -
Special Revenue Funds:		
Disaster Recovery	-	551,953
Enterprise Funds:		
Airport	517,173	-
Internal Service Funds:		
Workers Compensation	-	280,070
	<u>\$ 832,023</u>	<u>\$ 832,023</u>

Due To/Due From Other Funds - Pooled Cash accounts are summarized as follows:

	Due To	Due From
General Fund	\$ 6,858,216	\$ 6,817,014
Special revenue funds	6,970,960	-
Capital projects funds	398,417	-
Debt service fund	-	995
Enterprise funds	-	45,826
Internal service funds	-	1,708,086
Miscellaneous deposits	-	5,655,672
	<u>\$ 14,227,593</u>	<u>\$ 14,227,593</u>

Operating Transfers In/Out are as follows:

Out Of	Amount	In To	Purpose
General Fund	\$ 875,487	Enterprise Fund - Airport	Operating subsidy
General Fund	180	Debt Service Fund	Operating subsidy
General Fund	366,605	Grant Fund	Illegible cost
	<u>1,242,272</u>		
Debt Service Fund	<u>1,140,000</u>	General Fund	Bond payment - EOB
Total Transfers Out	<u>\$ 2,382,272</u>		



**TERRITORY OF AMERICAN SAMOA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2007**

**NOTE 5 - CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended September 30, 2007 was as follows:

	Primary Government			
	Beginning Balance	Additions	Retirements / Transfers	Ending Balance
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 1,539,718	\$ -	\$ -	\$ 1,539,718
Construction in process	30,836,637	12,178,240	(8,354,561)	34,660,316
Total Capital Assets Not Being Depreciated	32,376,355	12,178,240	(8,354,561)	36,200,034
Capital Assets Being Depreciated:				
Buildings and improvements	96,439,534	4,526,682	-	100,966,216
Improvements other than buildings	38,351,427	411,562	-	38,762,989
Vehicles	19,110,272	1,119,140	-	20,229,412
Equipment	14,566,313	3,450,463	-	18,016,776
Infrastructure	94,210,622	930,529	-	95,141,151
Total Capital Assets Being Depreciated	262,678,168	10,438,376	-	273,116,544
Less Accumulated Depreciation:				
Buildings and improvements	33,712,613	1,478,969	-	35,191,582
Improvements other than buildings	18,380,387	737,056	-	19,117,443
Vehicles	11,094,104	1,623,279	-	12,717,383
Equipment	8,263,766	558,870	-	8,822,636
Infrastructure	37,435,144	2,998,698	-	40,433,842
Total Accumulated Depreciation	108,886,014	7,396,872	-	116,282,886
Total Capital Assets Being Depreciated, Net	153,792,154	3,041,504	-	156,833,658
Governmental Activities Capital Assets, Net	\$ 186,168,509	\$ 15,219,744	\$ (8,354,561)	\$ 193,033,692



**TERRITORY OF AMERICAN SAMOA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2007**

**NOTE 5 - CAPITAL ASSETS AND DEPRECIATION - Continued**

	Primary Government			
	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance
Business-Type Activities:				
Land and rights	\$ 1,871,894	\$ -	\$ -	\$ 1,871,894
Land improvements	63,996,133	6,723,455	-	70,719,588
Buildings and structures	17,548,087	178,390	-	17,726,477
Machinery and equipment	4,555,839	112,295	-	4,668,134
Work in process	3,146,161	9,940,152	(7,012,542)	6,073,771
Totals at Historical Cost	91,118,114	16,954,292	(7,012,542)	101,059,864
Less Accumulated Depreciation:				
Buildings and structures	4,535,621	542,534	-	5,078,155
Machinery and equipment	1,390,471	348,447	-	1,738,918
Land improvements	24,041,104	2,316,927	-	26,358,031
Total Accumulated Depreciation	29,967,196	3,207,908	-	33,175,104
Business-Type Activities Capital Assets, Net	\$ 61,150,918	\$ 13,746,384	\$ (7,012,542)	\$ 67,884,760

Depreciation expense was charged to the governmental functions as follows:

Economic development	\$ 1,708,953
Education and culture	1,452,867
Health and welfare	490,039
Public safety	499,221
General government	3,245,792
Total Governmental Depreciation Expense	\$ 7,396,872

**NOTE 6 - LEASES**

The Territory leases property for the Lava Lava Golf Course from various landowners. Annual payments of \$30,000 to June 30, 2032 for a total of \$1,500,000 were prepaid during the year ended September 30, 1985 and are being amortized over the term of the lease. The unamortized balance at September 30, 2007 was \$742,504.

**TERRITORY OF AMERICAN SAMOA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2007**

**NOTE 7 - DEFINED BENEFIT PENSION PLAN (EMPLOYEES RETIREMENT FUND)**

The Retirement Fund is a cost sharing multiple employer contributory defined benefit retirement fund which was established in 1971 and provides retirement annuities for the employees of the Territory, its component units, American Samoa Power Authority, American Samoa Community College, American Samoa Medical Center Authority - Lyndon B. Johnson Tropical Medical Center, and American Samoa Telecommunications Authority and its related entities, the Development Bank of American Samoa and Feleti Barstow Public Library.

The Employees' Retirement Fund issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by contacting:

American Samoa Government  
Employees' Retirement Fund  
P.O. Box 2448  
Pago Pago, AS 96799-2448

The Employees' Retirement Fund is presented on the accrual basis of accounting in conformity with generally accepted accounting principles as applicable to government entities.

**a. Retirement Eligibility**

The Fund's retirement eligibility provisions are as follows:

- Normal retirement - Age 65 with five years of service or age 55 with 30 years of service
- Early retirement - Age 55 with ten years of service (reduced benefits)

The surviving spouse of an active member, who dies before retirement but after attaining eligibility for retirement, may receive either a refund of employee contributions with interest or a life annuity equal to one-half the retirement annuity that would have been paid to the deceased member. An additional lump sum death benefit of \$2,500 to \$10,000, based on years of service, is also payable to survivors of active members of the Fund. A lump sum death benefit of \$1,500 is payable to survivors of retired members of the Fund.

**b. Benefit Payments to Retired Members**

The annual retirement benefit, payable monthly for life, equals 2% of the highest average annual salary for three consecutive years, multiplied by the number of years of service to a maximum of 30 years (from 10% to 60% based upon years of service). The minimum annual benefit is \$600.

The value of a member's individual account is payable at the member's option in either a single life annuity or a qualified joint and survivor annuity (actuarially reduced).

**TERRITORY OF AMERICAN SAMOA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2007**

**NOTE 7 - DEFINED BENEFIT PENSION PLAN (EMPLOYEES RETIREMENT FUND) - Continued**

**c. Terminated Employees**

Any member terminated for any reason other than retirement is entitled to the return of all employee contributions made plus interest at a rate of 5% per year. Refunds are made upon an application request by the employee and acceptance of a refund terminates membership in the Fund and forfeiture of any benefit.

**d. Administrators of the Fund**

The responsibility for proper administration of the Fund and the direction of its policies is vested in a five member appointed Board of Trustees.

**e. Fund Membership**

Virtually all full time employees of the primary government, component units, the Development Bank and Feleti Barstow Public Library, other than contract specialists, are covered by the fund. Fund membership consisted of:

Retirees and beneficiaries currently receiving benefits	1,466
Terminated vested employees not receiving benefits	<u>90</u>
	<u>1,556</u>
Active Employees:	
Vested	2,188
Non-vested	<u>2,615</u>
	<u>4,803</u>

**f. Funding Status and Progress**

The amount shown below as pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to assess the funding status on a going concern basis, and to assess progress made in accumulating sufficient assets to pay benefits when due. The measure is independent of the actuarial funding method used to determine contributions to the Fund.

The pension benefit obligation was determined as part of an actuarial valuation at October 1, 2006. Significant actuarial assumptions used include a rate of return on the investment of present and future assets of 8.0% per year compounded annually, and projected salary increases of 5.75% (4% inflation increase) per year, compounded annually until retirement. It is assumed that there will be no post retirement benefit increases.



**TERRITORY OF AMERICAN SAMOA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2007**

**NOTE 7 - DEFINED BENEFIT PENSION PLAN (EMPLOYEES RETIREMENT FUND) - Continued**

**g. Contributions**

The primary government, component units, the Development Bank and Feleti Barstow Public Library have agreed to contribute such amounts as provided by the Territory's Code Section 7.1433 to the fund each year on an actuarially determined basis and as approved by the board. The contribution rate is 8.0% of employees' regular earnings, excluding overtime.

Each member of the Retirement Fund contributes 3.0% of earnings and earns interest at 5.0% compounded annually. Employee contributions are made through payroll deductions. Employee contributions and the related interest earned are refunded in full to members whose employment is terminated for any reason other than retirement, and as a death benefit to the survivors of deceased employees not yet eligible for retirement. Employees are fully vested in the employer portion, payable as a retirement annuity, after ten years of participation in the fund.

Contributions totaling \$9,419,570 (\$6,721,120 from sponsors and \$2,698,450 from employees) were made in accordance with actuarially determined contribution requirements determined through an annual actuarial valuation. The employer contribution consists of \$6,689,797 of normal cost and \$139,617 amortization of the unfunded actuarial accrued liability. All employee contributions are used to reduce the normal cost liability before the employer's required contribution rate is calculated. Employer and employee contributions as a percentage of covered payroll are 8.5% and 3.4%, respectively.

The fund utilizes the frozen entry age normal actuarial cost method and the level dollar of projected payroll for funding requirements. The unfunded actuarial accrued liability is amortized over 15 years (closed basis).

**h. Employer Contributions**

Historical trend information designed to provide information about the Fund's progress made in accumulating sufficient assets to pay benefits when due is as follows:

Fiscal Year Ending:	Required Employer Contributions	Percentage of Required Contributions Contributed
September 30, 2007	\$ 6,829,414	98.4%
September 30, 2006	7,076,810	92.8%
September 30, 2005	5,983,779	108.9%
September 30, 2004	6,493,413	94.8%
September 30, 2003	4,828,239	111.1%
September 30, 2002	4,880,833	100.8%

Contributions were made in accordance with actuarially determined contribution requirements. The employer contribution made in 2007 totaled \$6,721,120.



**TERRITORY OF AMERICAN SAMOA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2007**

**NOTE 8 - LONG-TERM OBLIGATIONS**

- a. Changes during the year ended and balances as of September 30, 2007, including the current portions of the Territory's long-term obligations were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Governmental Activities:					
General Obligation Refunding					
Bonds, Series 2000	\$ 4,430,000	\$ -	\$ 2,150,000	\$ 2,280,000	\$ 2,280,000
Loan payable FEMA	2,630,118	84,297	-	2,714,415	2,714,415
Department of Interior	18,119,542	1,072,934	931,863	18,260,613	1,000,000
Claims and Judgments	7,850,000	255,000	445,000	7,660,000	400,000
Workers Compensation Claims	532,555	16,895	-	549,450	100,000
Landfill closure and post-closure liability	287,658	-	-	287,658	-
Compensated absences	13,822,352	6,185,359	6,520,933	13,486,778	6,500,000
America Samoa Government					
Retirement Fund - LBJ Loan	9,884,036	-	320,988	9,563,048	345,479
	<u>\$ 57,556,261</u>	<u>\$ 7,614,485</u>	<u>\$ 10,368,784</u>	<u>\$ 54,801,962</u>	<u>\$ 13,339,894</u>

**b. Bonds**

Primary Government

**General Obligation Refunding Bonds, Series 2000**

On July 1, 2000 the Territory issued General Obligation Refunding Bonds, Series 2000 in the amount of \$18,040,000 at an interest rate of 5.86%. Proceeds of the Bonds were used to refund the various outstanding obligations at that date.

Annual debt service requirements for the bonds are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 2,280,000	\$ 136,800	\$ 2,416,800
Total	<u>\$ 2,280,000</u>	<u>\$ 136,800</u>	<u>\$ 2,416,800</u>

**TERRITORY OF AMERICAN SAMOA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2007**

**NOTE 8 - LONG-TERM OBLIGATIONS - Continued**

**c. Loan Payable - FEMA**

Primary Government

The Territory received proceeds of special community disaster loans from FEMA during fiscal years 1993 and 1994 totaling \$10,179,089. There is a provision in the FEMA regulations that permits FEMA to cancel all or a portion of this loan.

FEMA had cancelled \$8,638,009 of principal and \$3,227,779 of interest on these notes in May 2000. The Territory expects the remaining amounts of this note plus interest to be cancelled in subsequent years.

The annual debt service requirements for the notes are as follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Unpaid Interest</u>	<u>Total</u>
2008	\$ 1,541,080	\$ 1,173,335	\$ 2,714,415

**d. Department of Interior Loan**

In 1999 Congress passed legislation that authorizes the Secretary of the Interior to lend the Territory up to \$18,600,000 at approximately a 5.4% interest rate in exchange for an irrevocable assignment of the payments due to the Territory under the Master Settlement Agreement with certain tobacco companies for the next 26 years. The legislation requires the Territory to pledge its full faith and credit to repay the loan, should the payments from the Tobacco Settlement be insufficient. The Territory required this pledge to be junior with respect to the pledged taxes and revenues for the General Obligation Refunding Bonds, Series 2000. Proceeds of \$14,300,000 from the loan were used to pay creditors of the Territory and additional borrowings of \$4,300,000 was used to plan and implement a fiscal reform program.

Principal and interest payments are funded from the periodic receipt of the Territory's share of the Tobacco Settlement.

**e. American Samoa Government Retirement Fund - LBJ Loan**

In April, 2006 the Territory of American Samoa entered into a loan agreement with the American Samoa Government Retirement Fund to borrow \$10,000,000. The purpose of the loan is to pay the debts and obligations of the American Samoa Medical Center Authority - Lyndon B. Johnson Tropical Medical Center. Interest on the loan is 8.0% per annum, with equal quarterly payments of interest on the principal amount outstanding of the last day of each quarter. The loan will be paid with funds received from the American Samoa Telecommunications Authority as a payment in lieu of taxes.

**TERRITORY OF AMERICAN SAMOA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2007**

**NOTE 8 - LONG-TERM OBLIGATIONS - Continued**

The loan has been secured by a security interest in the real property and all improvements of the Tafuna Industrial Park as well as the assignment of rents and leases in the Tafuna Industrial Park. The loan is to be repaid in 16 1/3 years terminating on May 1, 2022.

Annual debt service requirements for this loan are as follows:

Year Ending September 30,	Principal	Interest	Total
2008	\$ 345,479	\$ 754,521	\$ 1,100,000
2009	376,304	723,696	1,100,000
2010	407,537	692,463	1,100,000
2011	441,362	658,638	1,100,000
2012	476,216	623,784	1,100,000
2013-2017	3,052,922	2,447,078	5,500,000
2018-2022	4,463,228	950,914	5,414,142
	<u>\$ 9,563,048</u>	<u>\$ 6,851,094</u>	<u>\$ 16,414,142</u>

**f. American Samoa Government Retirement Fund Loan**

In June 2007 the FONO passed legislation authorizing the Territory of American Samoa to enter into a loan agreement with the American Samoa Government Retirement Fund to borrow up to \$20,000,000. The purpose of the loan is to fund various projects, the majority of which are capital projects, as set forth in the legislation and any addition projects approved by the FONO. The legislation limits the term to ten years and stipulates a 7.5% interest rate. The loan will be paid with funds received from certain pledged revenues (12.5% of excise tax collected on alcoholic beverages as imposed pursuant to A.S.C.A., Section 11.1102(a)(1)(B); 40.0% of the excise tax collected on beer and malt extract as imposed pursuant to A.S.C.A., Section 11.1102(a)(1)(A); all of the revenues collected from the Customs Entry Application Forms Processing Fee imposed pursuant to A.S.C.A., Section 27.104(a)(5); and 20.0% of the excise tax collected on tobacco products as imposed pursuant to A.S.C.A., Section 11.1102(a)(1)(C)).

The amount the Territory may draw down is limited to 95.0% of the amount that is estimated to be able to be amortized by the pledged revenues over the ten year term of the loan. The Territory is finalizing a loan agreement in the amount of \$16,000,000 which is the maximum amount currently authorized based on estimated pledged revenues. There was no activity during fiscal year 2007.

The note will be a general obligation of the Territory. The full faith, credit and taxing powers of the Territory will be pledged to the payment of principal and interest.

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**TERRITORY OF AMERICAN SAMOA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2007**

**NOTE 9 - MAJOR COMPONENT UNIT INFORMATION**

	<u>ASPA</u>	<u>ASCC</u>	<u>LBJ</u>	<u>ASTCA</u>	<u>Totals</u>
<b>Assets:</b>					
Cash, investments and other assets	\$ 13,440,179	\$ 6,788,943	\$ 10,342,983	\$ 12,737,944	\$ 43,310,049
Due from primary government	1,658,130	-	-	-	1,658,130
Due from other funds	268,505	-	-	-	268,505
Capital Assets, net	<u>86,679,821</u>	<u>4,035,565</u>	<u>9,537,589</u>	<u>23,697,413</u>	<u>123,950,388</u>
<b>Total Assets</b>	<u>102,046,635</u>	<u>10,824,508</u>	<u>19,880,572</u>	<u>36,435,357</u>	<u>169,187,072</u>
<b>Liabilities:</b>					
Accounts payable and other current liabilities	13,679,530	2,415,236	3,636,364	3,103,109	22,834,239
Due to other funds	-	-	9,585,330	-	9,585,330
Advances from other funds	-	-	-	-	-
Long-term liabilities	<u>2,418,055</u>	<u>416,985</u>	<u>6,243,192</u>	<u>-</u>	<u>9,078,232</u>
<b>Total Liabilities</b>	<u>16,097,585</u>	<u>2,832,221</u>	<u>19,464,886</u>	<u>3,103,109</u>	<u>41,497,801</u>
<b>Net Assets:</b>					
Invested in capital, net of related debt	83,892,345	4,035,565	9,537,589	-	97,465,499
Restricted	574,676	4,494,390	-	-	5,069,066
Unrestricted	<u>1,482,029</u>	<u>(537,668)</u>	<u>(9,121,903)</u>	<u>33,332,248</u>	<u>25,154,706</u>
<b>Total Net Assets</b>	<u>\$ 85,949,050</u>	<u>\$ 7,992,287</u>	<u>\$ 415,686</u>	<u>\$ 33,332,248</u>	<u>\$ 127,689,271</u>

\* Prior Period Adjustment for ASCC

**TERRITORY OF AMERICAN SAMOA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2007**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>American Samoa Power Authority</b>				
General & Administrative	\$ 5,891,736	\$ -	\$ -	\$ -
Operations	41,494,618	50,036,843	360,842	1,447,382
Interest on long term debt	363,724	-	-	-
Depreciation	8,379,419	-	-	-
Total - ASPA	56,129,497	50,036,843	360,842	1,447,382
<b>American Samoa Comm. College</b>				
General & Administrative	3,045,161	-	-	-
Instructional	8,008,674	6,568,640	265,176	-
Interest on long term debt	-	-	-	-
Depreciation	364,815	-	-	-
Total - ASCC	11,418,650	6,568,640	265,176	-
<b>American Samoa Medical Center Authority (LBJ)</b>				
General & Administrative	6,882,308	-	-	1,410,584
Clinical and Nursing	23,199,917	15,694,674	-	-
Operations	4,412,967	690,266	-	-
Interest on long term debt	-	-	-	-
Depreciation	1,092,951	-	-	-
Total - LBJ	35,588,143	16,384,940	-	1,410,584
<b>American Samoa Telecommunication Authority</b>				
General & Administrative	4,350,149	-	-	-
Operations	9,825,174	17,230,671	-	-
Interest on long term debt	-	-	-	-
Depreciation	3,282,845	-	-	-
Total - ASTCA	17,458,168	17,230,671	-	-
Total Component Units	\$ 120,594,458	\$ 90,221,094	\$ 626,018	\$ 2,857,966

**General revenues:**

Payments from Territory of American Samoa  
Grants, entitlements and contributions  
not restricted to specific programs  
Other general revenues

**Total general revenues**

**Changes in net assets**

**Net Assets, Beginning of Year**

**Prior Period Adjustment**

**Net Assets, Beginning of Year Restated**

**Net Assets, End of Year**

**TERRITORY OF AMERICAN SAMOA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2007**

Net (Expense) Revenue and Changes in Net Assets				
ASPA	ASCC	LBJ	ASTCA	Total
\$ (5,891,736)	\$ -	\$ -	\$ -	\$ (5,891,736)
10,350,449	-	-	-	10,350,449
(363,724)	-	-	-	(363,724)
(8,379,419)	-	-	-	(8,379,419)
(4,284,430)	-	-	-	(4,284,430)
-	(3,045,161)	-	-	(3,045,161)
-	(1,174,858)	-	-	(1,174,858)
-	-	-	-	-
-	(364,815)	-	-	(364,815)
-	(4,584,834)	-	-	(4,584,834)
-	-	(5,471,724)	-	(5,471,724)
-	-	(7,505,243)	-	(7,505,243)
-	-	(3,722,701)	-	(3,722,701)
-	-	-	-	-
-	-	(1,092,951)	-	(1,092,951)
-	-	(17,792,619)	-	(17,792,619)
-	-	-	(4,350,149)	(4,350,149)
-	-	-	7,405,497	7,405,497
-	-	-	-	-
-	-	-	(3,282,845)	(3,282,845)
-	-	-	(227,497)	(227,497)
<u>\$ (4,284,430)</u>	<u>\$ (4,584,834)</u>	<u>\$ (17,792,619)</u>	<u>\$ (227,497)</u>	<u>\$ (26,889,380)</u>
-	3,589,000	13,264,000	-	16,853,000
-	-	-	-	-
-	-	1,427,670	-	1,427,670
47,854	215,031	(6,790,622)	104,557	(6,423,180)
47,854	3,804,031	7,901,048	104,557	11,857,490
(4,236,576)	(780,803)	(9,891,571)	(122,940)	(15,031,890)
90,185,626	8,522,845	10,307,257	33,455,188	142,470,916
-	250,245	-	-	250,245
90,185,626	8,773,090	10,307,257	33,455,188	142,721,161
<u>\$ 85,949,050</u>	<u>\$ 7,992,287</u>	<u>\$ 415,686</u>	<u>\$ 33,332,248</u>	<u>\$ 127,689,271</u>

**TERRITORY OF AMERICAN SAMOA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2007**

**NOTES 10 - EXPENDITURES EXCEEDING APPROPRIATIONS**

Actual expenditures exceeded appropriations for certain funds and departments

Departments and Special Programs within the General Fund, which exceeded budget are as follows:

<b><u>Departments and Special Programs</u></b>	<b><u>Budget Overrun</u></b>
<b>General Government:</b>	
Governor's office	\$ 49,396
Legislature	260,191
Human Resources	22,840
Legal Affairs	211,593
Election Office	157,947
Bi-Tech IFAS System Upgrade	44,310
Insurance Premium	147,500
EOB Electric and Water Bill	537,404
Electricity and Water Billings Other AG Facilities	1,952,020
Claims and Damages	87,432
Governor's House Renovation	276,491
Human and Social Services	3,513
Political Status Study Commission	94,757
ASG Audit Contract	246,589
Misc. Accts - Non departmental	355,216
<b>Public Safety:</b>	
Public Safety	314,913
OTICIDE	12,488
Judiciary	295,249
Public Defender	8,273
<b>Health and Recreation:</b>	
Public Health	30,770
Parks Department	34,927
Sports Complex (Bav., GC, Baseball, Stadium)	53,318
Public Health Nurse's Training	75,815
Ceremonial Activities (Flag Day)	27,488
<b>Public Works:</b>	
Road Maintenance	325,040
Public Street Lights	106,362



**TERRITORY OF AMERICAN SAMOA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2007**

**NOTES 10 - EXPENDITURES EXCEEDING APPROPRIATIONS - Continued**

**Education and Culture:**

DOE Facility Renovation	337,861
DOE Library Improvement	41,879
Teacher Scholarship Program (BA/BS)	85,701
DOE Pacific ECDC	20,000
American Samoa Community College Subsidy	232,749
Feleti Barstow Public Library	15,000
DOE Teacher Scholarship: Post Graduate	144,628

**Economic Development:**

Port Administration	482,860
Tourism	7,063
Agriculture	193,609
Public Market	3,370
Manu'a Island Transportation	62,723

**Transfers Out:**

Grants Fund	125,736
TOFR Office	277,000
Airport	875,487

**Total**

<u>\$</u>	<u>8,637,508</u>
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The disbursement of funds for these expenditures that resulted in actual expenditures in excess of authorized amounts was released without proper appropriation.

**NOTE 11 - RISK MANAGEMENT AND INSURANCE**

It is the policy of the Territory to cover the risk of losses to which it may be exposed through risk management activities. In general, the Territory is self-insured for health care claims and tort liability.

**TERRITORY OF AMERICAN SAMOA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2007**

**NOTE 11 - RISK MANAGEMENT AND INSURANCE - Continued**

**a. Health Care**

Health care coverage is provided for all residents. To receive services, residents present their American Samoa Government Health Card along with a nominal payment at the time of service. The Territory assumes fiscal responsibility for authorized referrals to off-island medical care providers as well as providing care to patients at the American Samoa Medical Center Authority - Lyndon B. Johnson Tropical Medical Center in American Samoa.

The required disclosure and accrual of expenses incurred in subsequent years from medical conditions existing at September 30, 2007 are not recorded due to the lack of adequate information.

**b. Property**

The Territory has a property damage insurance policy with a commercial insurance company. Any physical loss or damage caused by all perils, to all tangible property of every description (not expressly excluded by the policy), which is in the Territory and is owned or held by the Territory jointly, or in trust or on commission or for which the Territory is responsible or has assumed responsibility, is subject to:

- \$25,000,000 primary policy for all of the Territory's property with a deductible of \$3,000,000 for earthquake and hurricane, \$1,000,000 for flood and \$250,000 deductible for all perils except hurricane.

**c. Other Insurance**

ASPA, ASTCA and the Petroleum Cooperative maintain separate property and automobile liability insurance.

**d. Workers Compensation**

Effective October 1, 2001, the Territory elected to become self-insured for its workers compensation liability to pay compensation as defined under the Workers Compensation Act. The administration of this self-insurance arrangement is handled by the Territory through its internal service fund, the Workers Compensation Fund. All funds, agencies and component units of the Territory participate in the Workers Compensation Fund. Each unit contributes to the fund a "premium" amount calculated using the prior experience of the fund as a whole.

Claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated, typically after a decision has been rendered by an Administrative Law Judge. Liabilities for incurred losses settled by fixed and reasonably determinable payments over a long period of time are reported at their present value using an expected future investment yield based on the current investment yield of 3.0%. At September 30, 2007, these liabilities are reported at their present value of \$549,450. Claims liabilities and investments designated for payment of those claims are reported in the governmental activities column of the government-wide statement of net assets.

**TERRITORY OF AMERICAN SAMOA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2007**

**NOTE 11 - RISK MANAGEMENT AND INSURANCE - Continued**

**e. Public Liability**

The Territory is self-insured for purposes of public liability. The Territory's Tort Liability Act allows the government to be sued for personal injury or death caused by the negligent or wrongful act or omission of any employee of the government while acting within the scope of his/her employment. The Territory continues to satisfy its obligations under the Government Tort Liability Act with an amount budgeted by the FONO each fiscal year. The Attorney General's Office is responsible for the acquisition and administration of any self-insurance plans and programs adopted for use by the Territory.

The self-insurance loss liability for risk management of \$400,000 represents an estimate of amounts to be paid from currently expendable available financial resources. The remaining liability is estimated at \$7,260,000.

**NOTE 12 - SOLID WASTE LANDFILL CLOSURE AND POST-CLOSURE COSTS**

The Futiga Landfill has been operated for the past thirty years. During the second quarter of fiscal year 1995 the Territory transferred the landfill to ASPA. Upon transfer, the landfill was substantially filled and is currently considered full although still in use. ASPA is constructing a new landfill on leased land adjacent to the current landfill.

The Territory is required to recognize a portion of the closure and post-closure care costs in each operating period even though actual pay-outs will not occur until the landfill is closed. The amount to be recognized each operating period is based upon the landfill capacity used as of the balance sheet date. As of September 30, 2007 the Territory has recorded a liability of \$287,658. Estimated costs of the closure and post-closure care are subject to changes such as the effects of inflation, revision of laws and other variables.

**NOTE 13 - COMMITMENTS AND CONTINGENCIES**

**a. Litigation**

The Territory is party to numerous pending or threatened lawsuits, under which it may be required to pay certain amounts upon final disposition of these matters. Generally the Territory is self-insured, except for property damage and fidelity bond coverage.

With respect to legal matters expected to be settled subsequent to September 30, 2007, the office of the Attorney General has estimated the amount of liability determined, as of September 30, 2007, in accordance with Statement of Financial Accounting Standards No. 5, as probable. As indicated above, the Territory has recorded a liability for judgments and claims in the amount of \$7,660,000.



**TERRITORY OF AMERICAN SAMOA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2007**

**NOTE 13 - COMMITMENTS AND CONTINGENCIES - Continued**

**b. Grants**

Under the terms of federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Audits may lead to reimbursement to the grantor agencies. The Territory has recorded liabilities for all audit reports that are expected to lead to disallowed costs. The Territory has not recorded an allowance in the September 30, 2007 financial statements for any amounts that cannot be estimated at this time.

**c. Commitments**

Outstanding commitments are comprised of the following:

	Project Authorization	Expended Through September 30, 2007	Committed at September 30, 2007
Airport improvements	\$ 16,519,703	\$ 5,550,206	\$ 10,969,497
Educational facilities	4,335,831	4,188,320	147,511
Highways and ports	5,295,771	3,356,636	1,939,135
Total	<u>\$ 26,151,305</u>	<u>\$ 13,095,162</u>	<u>\$ 13,056,143</u>

In addition to the amount of \$13,056,143 shown above as committed, \$9,135,762 is encumbered for various other capital projects, bringing total commitments to \$22,191,905. These projects will be funded primarily by grants. The Territory has additional unexpended contracts and open purchase orders for governmental activities amounting to \$8,752,439 and, proprietary fund activities amounting to \$383,323 which will be honored and become general governmental expenditures and proprietary fund expenses in subsequent fiscal years.



## **REQUIRED SUPPLEMENTARY INFORMATION**

**TERRITORY OF AMERICAN SAMOA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED SEPTEMBER 30, 2007**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Taxes	\$ 50,534,000	\$ 51,434,000	\$ 48,390,641	\$ (3,043,359)
Licenses and permits	1,250,000	1,250,000	1,382,906	132,906
Intergovernmental	7,621,000	7,621,000	9,986,127	2,365,127
Charges for services	3,475,500	3,475,500	4,139,486	663,986
Fines and fees	2,500,000	2,500,000	2,376,449	(123,551)
Interdepartmental	4,700,000	4,700,000	3,451,493	(1,248,507)
Miscellaneous revenue	600,000	6,00,000	1,510,053	910,053
<b>Total Revenues</b>	<u>70,680,500</u>	<u>71,580,500</u>	<u>71,237,155</u>	<u>(343,345)</u>
<b>Expenditures:</b>				
General government	23,191,500	26,039,000	33,970,022	(7,931,022)
Public safety	7,600,000	7,390,500	7,990,471	(599,971)
Health and recreation	2,794,000	3,062,000	3,067,279	(5,279)
Public works	5,060,500	5,850,500	6,578,786	(728,286)
Education and culture	28,222,000	25,962,000	22,672,149	3,289,851
Economic development	3,812,500	3,980,500	4,376,092	(395,592)
<b>Total Expenditures</b>	<u>70,680,500</u>	<u>72,284,500</u>	<u>78,654,799</u>	<u>(6,370,299)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	-	(704,000)	(7,417,644)	(6,713,644)
<b>Other Financing Sources (Uses):</b>				
Loan proceeds	-	-	-	-
Transfers in	-	704,000	1,140,000	436,000
Transfers out	-	-	(1,242,272)	(1,242,272)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>704,000</u>	<u>(102,272)</u>	<u>(806,272)</u>
<b>Change in Fund Balances</b>	<u>-</u>	<u>-</u>	<u>(7,519,916)</u>	<u>(7,519,916)</u>
<b>Fund Balances, October 1, 2006</b>	10,263,024	10,263,024	10,263,024	-
<b>Fund Balances, September 30, 2007</b>	<u>\$ 10,263,024</u>	<u>\$ 10,263,024</u>	<u>\$ 2,743,108</u>	<u>\$ (7,519,916)</u>

The notes to the financial statements are an integral part of this statement.

**TERRITORY OF AMERICAN SAMOA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**SPECIAL REVENUE - FEDERAL GRANTS**  
**YEAR ENDED SEPTEMBER 30, 2007**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Intergovernmental	\$ 81,459,500	\$ 81,900,500	\$ 85,222,478	\$ 3,321,978
Charges for services	-	-	936,922	936,922
Miscellaneous revenue	-	-	186,044	186,044
<b>Total revenues</b>	<u>81,459,500</u>	<u>81,900,500</u>	<u>86,345,444</u>	<u>4,444,944</u>
<b>Expenditures:</b>				
General government	2,459,000	3,144,000	15,249,502	(12,105,502)
Public safety	6,561,000	6,391,000	5,233,933	1,157,067
Health and recreation	24,207,000	24,223,500	12,006,271	12,217,229
Public works	-	-	2,269,577	(2,269,577)
Education and culture	42,582,500	42,801,500	41,987,027	814,473
Economic development	5,650,000	5,340,500	9,965,740	(4,625,240)
<b>Total Expenditures</b>	<u>81,459,500</u>	<u>81,900,500</u>	<u>86,712,050</u>	<u>(4,811,550)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>-</u>	<u>-</u>	<u>(366,606)</u>	<u>(366,606)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	-	-	1,461,606	1,461,606
Transfers in	-	-	(1,095,000)	(1,095,000)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>366,606</u>	<u>366,606</u>
<b>Change in Fund Balances before Inventory Adjustment</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Reserve for Inventory	-	-	226,946	226,946
<b>Fund Balances, October 1, 2006</b>	846,211	846,211	846,211	-
<b>Fund Balances, September 30, 2007</b>	<u>\$ 846,211</u>	<u>\$ 846,211</u>	<u>\$ 1,073,157</u>	<u>\$ 226,946</u>

The notes to the financial statements are an integral part of this statement.

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## STATISTICAL SECTION

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The statistical section presentations include comparisons of economic and social characteristics and financial trends over a ten-year period. The statistical data presented is intended to provide report users with a broader understanding of the environment in which the Territory operates.

Table 1

**TERRITORY OF AMERICAN SAMOA**  
**GENERAL GOVERNMENTAL REVENUES BY SOURCE**  
**GOVERNMENTAL FUND TYPES**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Taxes</b>	<b>Licenses &amp; Permits</b>	<b>Inter Governmental</b>	<b>Charges For Services</b>	<b>Fines &amp; Fees</b>	<b>Inter-departmental</b>	<b>Miscellaneous</b>	<b>Total</b>
1998	38,951,135	627,919	85,935,539	7,207,642	1,140,011	4,077,092	885,952	138,825,290
1999	37,102,873	635,030	85,584,612	7,160,200	1,211,256	5,086,603	2,278,808	139,059,382
2000	30,110,939	632,533	93,626,462	7,515,943	1,540,907	4,022,174	4,456,687	141,905,645
2001	27,788,639	652,510	89,435,085	6,948,495	1,514,349	3,965,960	47,219,225	177,524,263
2002	55,430,564	826,293	95,366,789	9,983,174	1,777,983	4,405,110	43,741,027	211,530,940
2003	50,982,945	1,331,549	97,530,861	8,666,185	1,631,126	4,404,945	33,389,434	197,937,045
2004	54,841,157	1,398,718	113,960,653	7,710,281	2,249,387	4,980,834	3,736,538	188,877,568
2005	50,396,685	1,159,883	111,783,137	8,437,856	1,869,332	5,371,126	2,996,593	182,014,612
2006	58,028,656	1,026,761	113,090,007	8,514,017	2,367,292	5,218,104	6,997,385	195,242,222
2007	50,259,785	1,026,333	87,879,860	5,413,957	2,794,387	3,451,493	4,556,012	155,381,827

(1) Insurance claims of \$46,131,562 for Hurricane Val Settlement included in Miscellaneous.

(2) Insurance claims of \$40,000,000 for Hurricane Val Settlement included in Miscellaneous.

(3) Insurance claims of \$30,000,000 for Hurricane Val Settlement included in Miscellaneous.

**TERRITORY OF AMERICAN SAMOA**  
**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION**  
**GOVERNMENTAL FUND TYPES**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>General Government</b>	<b>Education &amp; Culture</b>	<b>Economic Development</b>	<b>Health and Recreation</b>	<b>Public Safety</b>	<b>Public Works</b>	<b>Capital Projects</b>	<b>Debt Service</b>	<b>Total</b>
1998	40,360,843	39,747,333	7,322,390	17,815,237	7,952,399	6,361,361	2,533,507	2,330,303	124,423,373
1999	38,226,896	40,713,898	5,556,746	19,566,299	8,358,348	5,644,196	7,013,681	3,771,593	128,851,657
2000	31,241,538	47,378,345	5,859,259	20,096,429	9,619,086	5,092,585	10,494,285	22,765,675	152,547,202
2001	72,198,189	35,965,077	10,475,225	25,305,647	9,736,515	11,020,878	9,296,096	4,449,718	178,447,345
2002	55,759,306	51,291,012	11,449,198	26,841,222	9,480,908	14,098,017	7,444,320	4,177,147	180,541,130
2003	53,752,148	46,412,300	10,216,382	31,053,192	10,908,073	7,005,487	7,237,294	4,163,996	170,748,872
2004	61,874,455	53,628,589	9,987,688	37,103,729	12,809,992	7,215,355	5,805,520	3,996,207	192,421,535
2005	45,554,822	65,881,232	20,083,083	31,951,645	11,827,452	5,800,698	7,411,238	3,988,554	192,498,724
2006	47,862,085	70,702,867	4,752,866	32,672,319	12,426,113	18,907,006	11,434,329	3,732,855	202,490,440
2007	47,161,750	64,659,176	14,341,831	15,073,550	11,326,540	8,848,363	16,623,428	5,594,800	183,629,438

(1) Includes payment of contingent attorney fees of \$20,759,202 and \$23,218,714 of repayment to federal agencies as a result of an insurance settlement.

(2) Includes payment of contingent attorney fees of \$18,000,000 related to an insurance settlement.

(3) Includes payment of contingent attorney fees of \$13,500,000 related to an insurance settlement.

**TERRITORY OF AMERICAN SAMOA**  
**GENERAL FUND REVENUES BY SOURCE**  
 Last Ten Fiscal Years

Fiscal Year	Licenses &		Inter Governmental	Charges For		Fines &		Inter- departmental	Miscellaneous	Total
	Taxes	Permits		Services	Fees					
1998	38,951,135	627,919	23,056,000	3,777,457	1,140,011	2,021,748	171,549	69,745,819		
1999	37,102,873	635,030	14,916,780	3,791,325	1,211,256	2,144,297	204,227	60,005,788		
2000	30,110,939	632,533	15,098,791	3,996,665	1,526,976	4,022,174	1,830,831	57,218,909		
2001	26,390,097	652,510	14,871,771	3,281,604	1,514,349	3,965,960	23,418,118	74,094,409		
2002	53,275,498	826,293	15,286,320	4,675,344	1,652,818	4,405,110	41,209,989	121,331,372		
2003	49,016,848	1,331,549	18,365,421	3,598,145	1,509,159	4,404,945	30,530,680	108,756,747		
2004	52,676,310	1,398,718	20,133,564	3,746,672	2,132,437	4,980,834	638,877	85,707,412		
2005	48,079,825	1,159,883	14,801,784	4,242,916	1,777,033	5,371,126	541,217	75,973,784		
2006	55,786,185	1,026,761	8,964,000	4,410,783	2,276,831	5,218,104	3,486,817	81,169,481		
2007	50,680,367	1,026,333	9,986,127	4,117,813	2,442,171	3,451,493	1,628,301	73,332,605		

(1) Insurance proceeds of \$22,912,848 for Hurricane Val Settlement included in Miscellaneous.

(2) Insurance proceeds of \$40,000,000 for punitive damages from Hurricane Val Settlement included in Miscellaneous.

(3) Insurance proceeds of \$30,000,000 for post judgement interest from Hurricane Val Settlement included in Miscellaneous.



**TERRITORY OF AMERICAN SAMOA**  
**GENERAL FUND EXPENDITURES BY FUNCTION**  
 Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>General Government</b>	<b>Education &amp; Culture</b>	<b>Economic Development</b>	<b>Health and Recreation</b>	<b>Public Safety</b>	<b>Public Works</b>	<b>Total</b>
1998	19,751,487	19,118,699	4,006,084	2,685,395	6,026,778	5,131,334	56,719,777
1999	14,373,134	18,619,823	3,519,407	3,154,921	5,760,493	4,792,427	50,220,205
2000	14,366,285	18,346,325	3,649,671	2,272,385	5,841,843	4,811,903	49,288,412
2001	41,403,362	17,475,067	3,444,912	2,216,553	5,227,736	4,841,833	74,609,463
2002	45,527,976	22,402,757	3,701,226	8,729,469	5,872,429	5,478,483	91,712,340
2003	38,200,367	23,486,811	4,140,774	7,783,450	6,259,275	5,383,001	85,253,678
2004	37,086,953	26,484,268	4,452,789	9,016,407	6,498,460	5,496,823	89,035,700
2005	31,795,737	27,804,602	5,233,747	10,086,569	6,856,927	5,800,698	87,578,280
2006	30,384,401	28,563,380	4,752,866	11,669,575	7,968,028	6,104,821	89,443,071
2007	30,871,057	22,672,149	4,376,092	3,067,279	7,990,471	6,578,786	75,555,834

(2) Includes payment of contingent attorney fees of \$18,000,000 related to an insurance settlement.

(3) Includes payment of contingent attorney fees of \$13,500,000 related to an insurance settlement.

**TERRITORY OF AMERICAN SAMOA**  
**RATIO OF NET GENERAL BONDED DEBT PER CAPITA**  
 Last Ten Fiscal Years

<b>Fiscal</b>	<b>Population</b>	<b>Bonded Debt</b>	<b>Amount Available For Debt Service</b>	<b>Net Bonded Debt</b>	<b>Per Capita</b>
<b>Year</b>					
1998	61,200	8,065,000	2,862,521	5,202,479	85.01
1999	62,900	7,560,000	2,583,264	4,976,736	79.12
2000	57,291	18,040,000	2,463,670	15,576,330	271.88
2001	57,291	15,720,000	2,666,232	13,053,768	227.85
2002	60,800	13,605,000	5,713,714	7,891,286	129.79
2003	62,600	11,370,000	7,397,202	3,972,798	63.46
2004	64,100	9,010,000	6,501,252	2,508,748	39.14
2005	65,500	6,515,000	7,653,446	(1,138,446)	(17.38)
2006	66,900	4,430,000	9,225,557	(4,795,557)	(71.66)
*2007	66,900	4,430,000	9,225,557	-4,795,557	(71.66)

Population Sources:

American Samoa Department of Commerce Statistical Yearbook 1998  
 American Samoa Department of Commerce Statistical Yearbook 2003  
 American Samoa Department of Commerce Statistical Yearbook 2004  
 American Samoa Department of Commerce Statistical Yearbook 2005

\* stats from 2006 fiscal year

Table 6

**TERRITORY OF AMERICAN SAMOA**  
**PER CAPITA INCOME IN THE U.S. AND AMERICAN SAMOA**  
**For the Fiscal Year Ending**

<u>SUBJECT</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
American Samoa	\$4,357	\$4,537	\$4,537	\$4,537	\$4,537	\$4,537	\$4,357
United States	\$29,843	\$27,990	\$27,420	\$25,237	\$25,237	\$25,237	\$25,237
American Samoa as % of U.S	14.6%	16.2%	16.5%	18.0%	18.0%	18.0%	13.0%

Source:  
American Samoa 2000 Census

**TERRITORY OF AMERICAN SAMOA**  
**LABOR FORCE & EMPLOYMENT STATISTICS**  
 Last Ten Fiscal Years

Table 7

<u>SUBJECT</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Population	68,200	66,900	65,500	64,100	62,600	60,800	59,400	57,700	56,800	55,800
Population (1) 16 to 65 years of age	40,238	39,471	38,645	37,819	36,934	35,872	35,046	33,945	n/a	33,178
Employed	17,047	17,395	17,344	17,354	17,407	17,230	n/a	15,300	15,090	14,815
Government (2)	6,052	5,894	6,064	5,754	5,621	5,397	4,134	4,391	4,753	4,861
Tuna Canneries	4,633	4,757	4,546	4,600	5,036	5,133	5,230	5,009	4,957	5,014
Other	6,362	6,744	6,734	7,000	6,750	6,700	n/a	5,900	5,380	4,940

Sources:

American Samoa Department of Commerce Statistics Division

(1) Population 16 - 65 years were calculated using 2000 proportion.

(2) Government include all authorities



**TERRITORY OF AMERICAN SAMOA**  
**PUBLIC UTILITY STATISTICS**  
 Last Ten Fiscal Years

	ASPA (a) TOTAL KWH SOLD	GOVERNMENTAL WATER (b) TOTAL GALLONS SOLD	NUMBER OF TELEPHONES ( c)
YEAR	(in thousands)	(in millions)	
1998	128,178	2,183	11,896
1999	137,834	2,163	11,919
2000	146,444	n/a	10,252
2001	148,109	2,277	12,587
2002	156,209	n/a	14,053
2003	165,569	n/a	10,713
2004	188,104	n/a	10,354
2005	188,975	2,241	10,663
2006	188,975	2,241	10,663
2007	185,153	2,194	12,456

Table 9

**TERRITORY OF AMERICAN SAMOA**  
**PETROLEUM CONSUMPTION (in US Gallons)**  
 Last Seven Fiscal Years

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<u>YEAR</u>	<u>DIESEL</u>	<u>JET FUEL</u>	<u>GASOLINE</u>	<u>TOTAL</u>
2001	42,704,188	5,880,049	5,876,939	54,461,176
2002	46,844,009	5,160,665	5,995,962	58,000,636
2003	41,963,075	4,411,216	5,956,555	52,330,846
2004	36,011,861	3,810,608	6,323,885	46,146,354
2005	39,496,481	2,965,592	6,189,216	48,651,289
2006	34,822,068	2,902,966	5,929,228	43,654,262
2007	31,340,800	2,848,525	5,825,733	40,015,058

Table 10

**TERRITORY OF AMERICAN SAMOA**  
**ECONOMIC STATISTICS**  
 Last Ten Fiscal Years

<u>YEAR</u>	<u>TOURIST ARRIVALS</u>	<u>PORT ACTIVITY</u> (in millions)		<u>TOTAL REGISTERED BUSINESSES</u>	<u>BUILDING PERMITS</u>	
		<u>IMPORTS</u>	<u>EXPORTS</u>		<u>NUMBER ISSUED</u>	<u>EST. VALUE (in thousands)</u>
1998	5,680	498.2	414.8	2,044	592	16,033
1999	6,863	452.6	345.1	2,231	715	15,209
2000	6,333	505.9	346.3	2,228	644	12,801
2001	6,535	515.8	317.0	2,326	838	17,758
2002	n/a	225.0	388.0	n/a	596	21,088
2003	n/a	324.7	459.5	2,875	951	28,908
2004	7,181	308.8	445.6	3,060	1,336	34,137
2005	7,027	520.7	373.8	2,983	808	14,500
2006	7,762	579.2	438.5	2,985	692	26,500
2007	7,521	460.2	330.6	2,839	578	34,500

Source:  
 Department of Commerce, Statistics Division

**TERRITORY OF AMERICAN SAMOA**  
**DEMOGRAPHICS STATISTICS**  
 Last Ten Fiscal Years

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<u>YEAR</u>	<u>POPULATION</u>	<u>SCHOOL ENROLLMENT</u>			<u>AMERICAN SAMOA COMMUNITY COLLEGE FALL ENROLLMENT</u>
		<u>PUBLIC</u>	<u>PRIVATE</u>	<u>TOTAL</u>	
1998	61,200	14,780	2,370	17,450	1,062
1999	62,900	15,507	2,704	18,211	1,155
2000	57,291	15,657	2,826	18,483	956
2001	59,400	15,897	1,359	17,256	1,178
2002	60,800	15,998	2,897	18,895	1,367
2003	62,600	15,947	3,050	18,997	1,537
2004	64,100	15,957	3,066	19,023	1,550
2005	65,500	15,957	3,066	19,023	1,601
2006	66,900	16,548	2,980	19,528	1,607
2007	68,200	16,579	2,980	19,559	1,767

Source:

Department of Commerce, Statistics Division



Table 12

**TERRITORY OF AMERICAN SAMOA**  
**Miscellaneous Statistics**  
**Fiscal Year 2007**

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Distance from:		
Samoa		73 miles
Hawaii		2,700 miles
New Zealand		2,300 miles
Longitude		168 - 173 degrees West
Latitude		14 degrees South
Land area in Acres		48,767
Developed land area in Acres		7,831
Steep slope/virtually inaccessible percentage		66%
Land are in square miles		76.1
Total islands		7
Main island Tutuila land area in square miles		54
Total land area registered with the Territorial Registrar (2005) in acres		7,670
Land designated as Government owned	1651	22%
Land designated as Communal or Native	2056	27%
Land individually owned	1955	25%
Land registered as Freehold Owners	1018	13%
Land registered as Church Land	1013	13%
Average Temperature		
Maximum mean		86.7
Minimum mean		78.5
Annual relative humidity percent:		
Maximum mean		77
Minimum mean		75
*Percentage of Population with Education:		
Did not finish High School		34%
High School Graduate		39%
Some College		13%
Associate Degree		7%
Bachelor's Degree		5%
Graduate or Professional Degree		3%

\*stats from 2006 CAFR

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