



TERRITORY OF AMERICAN SAMOA

**Report of Independent Auditors
and Financial Statements with
Required Supplementary Information**

September 30, 2011

MOSS-ADAMS_{LLP}

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the Territory of American Samoa (the "Territory" or "ASG"), as of and for the year ended September 30, 2011, which collectively comprise the Territory's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Territory's management. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of the following component units: American Samoa Community College, American Samoa Medical Center Authority, American Samoa Power Authority, and American Samoa Telecommunications Authority, whose financial statements reflect all of the assets and all of the operating revenues of the aggregate discretely presented component units. The financial statements of the American Samoa Community College, American Samoa Medical Center Authority, American Samoa Power Authority, and American Samoa Telecommunications Authority were audited by other auditors, whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for these component units, is based solely upon the reports of the other auditors.

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

The system of financial accounting and reporting in operation for the Territory for the year ended September 30, 2011 was inadequate. We noted evidence of a failure of the internal control structure in preventing or detecting material misstatements on a timely basis. The Program Revenues and Expenses for Governmental Activities shown on the Statement of Activities as presented by function were not adequately supported by source documentation. The Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds and the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds to the Statement of Activities were not adequately supported by source documentation.

We were unable to satisfy ourselves as to the accuracy of the Immigration Bonds Liability of \$7.5 million within the Agency Fund.

Because of the significance of the matter discussed in the fourth paragraph, 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 of the Governmental Activities, the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds, and the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds. In our opinion, the Statement of Net Assets and the Balance Sheet - Governmental Funds present fairly, in all material respects the respective financial position of the governmental activities, general fund, grant fund, debt service fund, and non-major governmental funds within the aggregate remaining fund information of the Territory of American Samoa as of September 30, 2011 in conformity with accounting principles generally accepted in the United States of America.

In addition, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to determine the accuracy of the immigration bonds liability of the Agency Fund, the financial statements present fairly, in all material respects, the financial position of the aggregate remaining fund information of the Territory of American Samoa as of September 30, 2011, and the changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Further, in our opinion, based on our audit and the report of other auditors, the financial statements referred to previously present fairly, in all material respects, the financial position of the business-type activities, airport fund, and the aggregate discretely presented component units of the Territory of American Samoa as of September 30, 2011, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended 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, 2012 on our consideration of the Territory's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The management's discussion and analysis and budget comparison information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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.

Moss Adams LLP

Seattle, Washington
August 15, 2012

This section of the Territory of American Samoa's (the "Territory's") Basic Financial Report presents a narrative overview and analysis of the financial activities of the Territory for the fiscal year ended September 30, 2011. We encourage readers to consider the information presented here in conjunction with the letter of transmittal and the financial statements. Fiscal year 2010 comparative information has been included, where appropriate.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended September 30, 2011, the Territory's total net assets of the primary government increased by \$1,863,529 or 0.7% from the prior year.
- During the year, the Territory's expenses for governmental activities were \$290,618,412 and were funded by federal program revenues of \$182,497,155 and further funded with taxes, fees and other general revenues that totaled \$102,119,952.
- In the Territory's business-type activities, which include the airport, industrial park and shipyard, program revenues, including grants, exceeded program expenses by \$9,715,942.
- As of September 30, 2011, the General Fund reported a net fund balance (deficit) of \$(7,727,686) representing an increase of \$396,790 from the prior year total fund balance (deficit) of \$(8,124,476).

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include, to the extent information was available, all of the activities of the Territory and its component units using the integrated approach as prescribed by GASB Statement No. 34. Included in this report are government-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.

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, industrial park, and shipyard 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'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011

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 Employees' 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.

FINANCIAL ANALYSIS OF THE TERRITORY AS A WHOLE

Net Assets

The Territory's combined net assets increased from \$253,921,933 to \$256,089,547 between fiscal years 2010 and 2011. This is due to a 16.4% increase in total expenses offset by a 10.2% increase in total revenues.

	Governmental Activities		Business-type Activities		Total	
	2010	2011	2010	2011	2010	2011
Capital assets, net	\$ 219,835,594	\$ 212,480,481	\$ 83,829,453	\$ 90,621,849	\$ 303,665,047	\$ 303,102,330
Other assets	69,711,916	65,886,730	1,261,115	3,493,662	70,973,031	69,380,392
Total assets	<u>289,547,510</u>	<u>278,367,211</u>	<u>85,090,568</u>	<u>94,115,511</u>	<u>374,638,078</u>	<u>372,482,722</u>
Current liabilities	73,124,389	76,162,583	4,235,788	3,544,789	77,360,177	79,707,372
Non-current liabilities	43,355,968	36,685,803	-	-	43,355,968	36,685,803
Total liabilities	<u>116,480,357</u>	<u>112,848,386</u>	<u>4,235,788</u>	<u>3,544,789</u>	<u>120,716,145</u>	<u>116,393,175</u>
Net assets						
Invested in capital assets, net of related debt	219,835,594	212,123,828	83,829,453	89,282,849	303,665,047	301,406,677
Restricted	-	2,490,056	-	-	-	2,490,056
Unrestricted	<u>(46,768,441)</u>	<u>(49,095,059)</u>	<u>(2,974,673)</u>	<u>1,287,873</u>	<u>(49,743,114)</u>	<u>(47,807,186)</u>
Total net assets	<u>\$ 173,067,153</u>	<u>\$ 165,518,825</u>	<u>\$ 80,854,780</u>	<u>\$ 90,570,722</u>	<u>\$ 253,921,933</u>	<u>\$ 256,089,547</u>

TERRITORY OF AMERICAN SAMOA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011

Changes in Net Assets

For the years ended September 30, 2010 and 2011, net assets of the primary government changed as follows:

	Governmental Activities		Business-type Activities		Total	
	2010	2011	2010	2011	2010	2011
Revenues						
Program revenues	\$ 161,949,121	\$ 192,576,041	\$ 12,323,797	\$ 18,436,100	\$ 174,272,918	\$ 211,012,141
Taxes and other general revenues	100,779,386	92,345,151	38,742	27,412	100,818,128	92,372,563
Total revenues	<u>262,728,507</u>	<u>284,921,192</u>	<u>12,362,539</u>	<u>18,463,512</u>	<u>275,091,046</u>	<u>303,384,704</u>
Expenses						
General government	81,694,489	136,825,605	-	-	81,694,489	136,825,605
Public safety	17,902,247	16,033,438	-	-	17,902,247	16,033,438
Health and welfare	26,566,764	22,768,036	-	-	26,566,764	22,768,036
Public works	26,717,051	13,157,710	-	-	26,717,051	13,157,710
Education and culture	72,680,722	74,552,211	-	-	72,680,722	74,552,211
Economic development	24,659,694	24,536,093	-	-	24,659,694	24,536,093
Interest	2,874,807	2,745,319	-	-	2,874,807	2,745,319
Non-major activities	-	-	559,809	1,669,468	559,809	1,669,468
Airport	-	-	5,044,636	8,929,210	5,044,636	8,929,210
Total expenses	<u>253,095,774</u>	<u>290,618,412</u>	<u>5,604,445</u>	<u>10,598,678</u>	<u>258,700,219</u>	<u>301,217,090</u>
Excess (deficiency) before transfers	9,632,733	(5,697,220)	6,758,094	7,864,834	16,390,827	2,167,614
Transfers	<u>(1,787,702)</u>	<u>(1,851,108)</u>	1,787,702	1,851,108	-	-
Increase (decrease) in net assets	<u>\$ 7,845,031</u>	<u>\$ (7,548,328)</u>	<u>\$ 8,545,796</u>	<u>\$ 9,715,942</u>	<u>\$ 16,390,827</u>	<u>\$ 2,167,614</u>

In 2011, governmental activities revenues grew \$22,192,685 or 8.5% versus an increase of \$37,522,638 or 14.9% in expenses. Similarly, business-type activities, showed a rise in revenues of \$6,100,973 or 49.4%, which was outpaced by expenditures, which showed an increase from the previous year of \$4,994,233 or 89.2%.

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'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011

For the year ended September 30, 2011, total expenses for governmental activities amounted to \$290,618,412. Of these total expenses, taxpayers and other general revenues funded \$92,345,151 while those directly benefiting from the programs funded \$192,576,041, primarily from grants.

	Net Revenue (Expense) of Governmental Activities			
	Total Expense of Services		Net Revenue (Expense) of Services	
	2010	2011	2010	2011
General government	\$ 81,694,489	\$ 136,825,605	\$ (28,548,020)	\$ (47,504,604)
Public safety	17,902,247	16,033,438	(10,257,368)	(10,526,143)
Health and welfare	26,566,764	22,768,036	(8,554,049)	(7,237,201)
Public works	26,717,051	13,157,710	(6,885,091)	(4,358,477)
Education and culture	72,680,722	74,552,211	(23,871,992)	(16,539,523)
Economic development	24,659,694	24,536,093	(10,155,326)	(9,131,104)
Interest	2,874,807	2,745,319	(2,874,807)	(2,745,319)
Total	<u>\$ 253,095,774</u>	<u>\$ 290,618,412</u>	<u>\$ (91,146,653)</u>	<u>\$ (98,042,371)</u>

Business-type Activities

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

- Total business-type activities reported an excess in revenue of \$7,837,422 for the year ended September 30, 2011.
- Of the business-type activities, the airport reported net program revenues of \$7,693,962. The non-major activities, including the industrial park and shipyard, reported net program revenues of \$143,460.

	Net Revenue (Expense) of Business-type Activities			
	Total Expense of Services		Net Revenue (Expense) of Services	
	2010	2011	2010	2011
Airport	\$ 5,044,636	\$ 8,929,210	\$ 6,753,547	\$ 7,693,962
Non-major activities	559,809	1,669,468	(34,195)	143,460
Total	<u>\$ 5,604,445</u>	<u>\$ 10,598,678</u>	<u>\$ 6,719,352</u>	<u>\$ 7,837,422</u>

A FINANCIAL ANALYSIS OF THE TERRITORY'S FUNDS

As the Territory completed its 2011 fiscal year, the governmental funds reported a combined fund deficit of \$(527,022), or a 64.9% decrease from the prior year's combined fund balance of \$1,502,613. The enterprise funds reported combined net assets of \$90,570,722 or a 12.0% increase from 2010.

Other fund highlights include:

- For the year ended September 30, 2011, the General Fund's net fund balance increased by \$396,790 from the prior year's net fund deficit of \$(8,124,476) for a net fund deficit of \$(7,727,686).
- The airport enterprise fund, after the recognition of capital grants and contributions of \$15,113,814 reported an increase in net assets of \$9,441,949.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of September 30, 2011, the Territory had \$303,102,330 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 decrease of \$866,802 or 0.3% from the prior year.

	Governmental Activities		Business-type Activities		Total	
	2010	2011	2010	2011	2010	2011
Land	\$ 1,591,761	\$ 1,591,761	\$ 1,871,894	\$ 1,871,894	\$ 3,463,655	\$ 3,463,655
Buildings and structures	74,980,391	76,326,071	39,655,693	38,103,612	114,636,084	114,429,683
Land improvements	18,141,174	19,301,063	37,237,066	36,476,433	55,378,240	55,777,496
Machinery and equipment	18,198,507	21,122,391	2,907,232	2,457,613	21,105,739	23,580,004
Infrastructure	66,310,262	84,744,735	-	-	66,310,262	84,744,735
Construction in progress	40,917,584	9,394,460	2,157,568	11,712,297	43,075,152	21,106,757
Total capital assets	<u>\$ 220,139,679</u>	<u>\$ 212,480,481</u>	<u>\$ 83,829,453</u>	<u>\$ 90,621,849</u>	<u>\$ 303,969,132</u>	<u>\$ 303,102,330</u>

This year's more significant capital asset additions included the Lupele, Manulele, Aloafau Elementary, and Samoana school buildings, the Department of Education Main Office building, and renovations to the Manu'a school gym. Other additions included the Fagatogo Storm Water Channel, renovations to the Department of Agriculture's warehouse and office, as well as infrastructure work on the Onenoa Road, and the Tula Village Roads.

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

TERRITORY OF AMERICAN SAMOA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011

Long-term Obligations

At year-end, the Territory had \$55,719,844 in long-term obligations outstanding, which represents a \$1,561,285 or 2.8% decrease from the prior year. Currently, the business-type activities of the Territory have no long-term obligations. The Territory's changes in long-term obligations by type of debt are as follows:

	Governmental Activities		Business-type Activities		Total	
	2010	2011	2010	2011	2010	2011
Accrued compensated absences	\$ 14,582,223	\$ 14,169,803	\$ -	\$ -	\$ 14,582,223	\$ 14,169,803
FEMA loan	2,967,306	3,051,602	-	-	2,967,306	3,051,602
DOI loan	13,845,246	12,659,790	-	-	13,845,246	12,659,790
Workers compensation claims	984,456	1,246,062	-	-	984,456	1,246,062
ASG Retirement Fund LBJ loan	8,433,728	7,953,252	-	-	8,433,728	7,953,252
ASG Retirement Fund loan	15,780,512	14,051,677	-	-	15,780,512	14,051,677
Landfill closure and post-closure	287,658	287,658	-	-	287,658	287,658
Claims and judgments	400,000	2,300,000	-	-	400,000	2,300,000
Total long-term debt	<u>\$ 57,281,129</u>	<u>\$ 55,719,844</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,281,129</u>	<u>\$ 55,719,844</u>

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

ECONOMIC FACTORS

American Samoa continued to face economic challenges in 2011. To deal with declining tax revenues from the loss of jobs in the Territory, the Government placed a workforce furlough in effect for ASG employees from February through May of 2011. In addition, the Governor proposed, and the Legislature passed a Territory-wide wage tax in order to ensure continued funding of vital support services for the people of American Samoa. Finally, while American Samoa continues to benefit from grant funds awarded through the American Recovery and Reinvestment Act (ARRA), those additional grant dollars will soon run out, and the Territory will most certainly face a decline in revenue from Federal programs going forward.

Despite these challenges, there were several events that bode well for American Samoa looking forward to fiscal year 2012, and beyond. In October 2010, the Governor, in coordination with private industry, laid the groundwork for the reopening of the Samoa Packing fish cannery, which closed in 2009. Plans for the reopening were bolstered by the U.S. Congress' passage of the Insular Acts of 2011, which delays mandated increases in the local minimum wage until fiscal year 2015. The refurbished cannery is expected to reopen in fiscal year 2013, and will require a workforce of at least 500 employees.

In May 2011, the Governor signed Executive Order 002-2011, establishing the American Samoa Shipyard Services Authority (ASSSA) for the purpose of providing shipyard and water transportation services through the use of the Government's Ronald Reagan Marine Railway (RRMR), and all ASG equipment and machinery associated with the Railway. In June 2011, the ASSSA took over operations of the RRMR, with 17 employees and an allotment of ARRA funding for start-up costs and capital investment. By the beginning of FY 2012, the shipyard authority had doubled its employment rolls to 35, and was bringing in enough revenues to fund its operations. The ASSSA anticipates that it will continue to operate as a self-funded entity for the foreseeable future.

Finally, the American Samoa Visitor's Bureau and Port Administration have made a concerted effort in recent years to work with tour operators and cruise ship companies to increase tourism to American Samoa. The number of cruise ships disembarking in Pago Pago harbor increased by 30 percent in 2011 from 9 ships to 12 ships, bringing with them approximately 27,000 passenger and crew. The American Samoa Visitor's Bureau conservatively estimates per capita spending by cruise ship passengers at somewhere between \$100 and \$150. In 2012, the number of ships making port in American Samoa will nearly double to 20 ships and approximately 44,000 passengers and crew, bringing with them a much-needed influx of tourist dollars into the American Samoa economy.

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: (684) 633-4155
Fax: (684) 633-4100

TERRITORY OF AMERICAN SAMOA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	\$ 17,046,494	\$ 1,124,267	\$ 18,170,761	\$ 22,843,405
Investments	6,950,202	-	6,950,202	762,474
Taxes receivable, net	1,907,228	-	1,907,228	-
Accounts receivable, net	7,021,123	757,335	7,778,458	20,297,910
Due from U.S. Government	32,239,179	1,712,060	33,951,239	8,023,677
Due from primary government	-	-	-	5,595,319
Due from (to) other funds, net	100,000	(100,000)	-	-
Inventories	-	-	-	14,826,654
Prepaid expenses	622,504	-	622,504	2,279,097
Other assets	-	-	-	4,068,054
Capital assets				
Land and construction in progress	10,986,221	13,584,191	24,570,412	24,161,048
Depreciable buildings, equipment, and land improvements	201,494,260	77,037,658	278,531,918	119,838,767
Total assets	<u>278,367,211</u>	<u>94,115,511</u>	<u>372,482,722</u>	<u>222,696,405</u>
LIABILITIES				
Due to agency fund-pooled cash	4,677,439	-	4,677,439	-
Accounts payable	22,531,802	1,385,741	23,917,543	21,741,109
Income tax refunds payable	5,086,940	-	5,086,940	-
Accrued expenses	7,266,701	820,048	8,086,749	6,285,389
Due to component units	8,329,289	-	8,329,289	-
Contract retention	356,653	1,339,000	1,695,653	-
Deposits	950,656	-	950,656	407,522
Advances from grants	6,842,418	-	6,842,418	17,155,231
Unearned revenue	2,332,706	-	2,332,706	-
Long-term debt payable within one year	2,336,377	-	2,336,377	2,423,488
Other liabilities	15,451,602	-	15,451,602	3,786,390
Non-current liabilities				
Long-term debt payable after one year	19,668,552	-	19,668,552	6,385,376
Other liabilities due after one year	17,017,251	-	17,017,251	5,736,609
Total liabilities	<u>112,848,386</u>	<u>3,544,789</u>	<u>116,393,175</u>	<u>63,921,114</u>
NET ASSETS				
Invested in capital assets, net of related debt	212,123,828	89,282,849	301,406,677	142,312,098
Restricted	2,490,056	-	2,490,056	3,668,393
Unrestricted	(49,095,059)	1,287,873	(47,807,186)	12,794,800
Total net assets	<u>\$ 165,518,825</u>	<u>\$ 90,570,722</u>	<u>\$ 256,089,547</u>	<u>\$ 158,775,291</u>

TERRITORY OF AMERICAN SAMOA
STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2011

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
			Charges for Services	Operation Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	Component Units
PRIMARY GOVERNMENT									
Governmental activities									
General government	\$ 136,825,605	\$ (4,483,928)	\$ 10,078,886	\$ -	\$ 74,758,187	\$ (47,504,604)	\$ -	\$ (47,504,604)	\$ -
Public safety	16,033,438	110,149	-	-	5,617,444	(10,526,143)	-	(10,526,143)	-
Health and welfare	22,768,036	1,515,329	-	17,046,164	-	(7,237,201)	-	(7,237,201)	-
Public works	13,157,710	50,301	-	-	8,849,534	(4,358,477)	-	(4,358,477)	-
Education and culture	74,552,211	2,476,802	-	58,813,876	1,675,614	(16,539,523)	-	(16,539,523)	-
Economic development	24,536,093	331,347	-	15,736,336	-	(9,131,104)	-	(9,131,104)	-
Interest	2,745,319	-	-	-	-	(2,745,319)	-	(2,745,319)	-
Total governmental activities	<u>290,618,412</u>	<u>-</u>	<u>10,078,886</u>	<u>91,596,376</u>	<u>90,900,779</u>	<u>(98,042,371)</u>	<u>-</u>	<u>(98,042,371)</u>	<u>-</u>
Business-type activities									
Non-major activities	1,669,468		1,039,419	-	773,509	-	143,460	143,460	-
Airport	8,929,210		1,509,358	-	15,113,814	-	7,693,962	7,693,962	-
Total business-type activities	<u>10,598,678</u>		<u>2,548,777</u>	<u>-</u>	<u>15,887,323</u>	<u>-</u>	<u>7,837,422</u>	<u>7,837,422</u>	<u>-</u>
Total primary government	<u>\$ 301,217,090</u>		<u>\$ 12,627,663</u>	<u>\$ 91,596,376</u>	<u>\$ 106,788,102</u>	<u>\$ (98,042,371)</u>	<u>\$ 7,837,422</u>	<u>\$ (90,204,949)</u>	<u>\$ -</u>
COMPONENT UNITS									
American Samoa Power Authority	\$ 103,336,422		\$ 93,802,063	\$ 9,361,637	\$ 18,286,179				\$ 18,113,457
American Samoa Community College	15,918,706		18,427,692	-	-				2,508,986
American Samoa Medical Center Authority	39,485,662		25,430,560	-	1,839,620				(12,215,482)
American Samoa Telecommunications Authority	18,192,264		18,333,924	-	-				141,660
	<u>\$ 176,933,054</u>		<u>\$ 155,994,239</u>	<u>\$ 9,361,637</u>	<u>\$ 20,125,799</u>				<u>\$ 8,548,621</u>
GENERAL REVENUES									
Taxes									
Income taxes for general purposes						\$ 30,709,211	\$ -	\$ 30,709,211	\$ -
Excise taxes						24,537,584	27,412	24,564,996	-
Intergovernmental						21,411,215	-	21,411,215	1,385,887
Tobacco settlement proceeds						1,978,664	-	1,978,664	-
Payments from the Territory of American Samoa						-	-	-	12,841,815
Miscellaneous						13,708,477	-	13,708,477	1,293,920
Transfers						(1,851,108)	1,851,108	-	-
Total general revenues and transfers						<u>90,494,043</u>	<u>1,878,520</u>	<u>92,372,563</u>	<u>15,521,622</u>
CHANGES IN NET ASSETS						(7,548,328)	9,715,942	2,167,614	24,070,243
NET ASSETS, beginning of year						173,067,153	80,854,780	253,921,933	135,620,489
Adjustment to net assets, beginning of year						-	-	-	(915,441)
NET ASSETS, end of year						<u>\$ 165,518,825</u>	<u>\$ 90,570,722</u>	<u>\$ 256,089,547</u>	<u>\$ 158,775,291</u>

See accompanying notes.

TERRITORY OF AMERICAN SAMOA
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	General Fund	Grant Fund	Debt Service Fund	Non-major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 6,185,661	\$ 5,879,458	\$ 13,306	\$ 694,924	\$ 12,773,349
Due from other funds-pooled cash	2,253,054	-	-	-	2,253,054
Investments	2,193,764	-	-	4,031,377	6,225,141
Taxes receivable, net	1,907,228	-	-	-	1,907,228
Accounts receivable, net	499,042	5,871,052	-	650,879	7,020,973
Due from other funds, net	-	-	-	100,000	100,000
Due from U.S. Government	-	31,361,311	-	877,868	32,239,179
Prepaid expenses	622,504	-	-	-	622,504
	<u>\$ 13,661,253</u>	<u>\$ 43,111,821</u>	<u>\$ 13,306</u>	<u>\$ 6,355,048</u>	<u>\$ 63,141,428</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Due to other funds-pooled cash	\$ -	\$ 10,092,624	\$ -	\$ 165,440	\$ 10,258,064
Accounts payable	704,176	20,940,402	-	828,948	22,473,526
Income tax refunds payable	5,086,940	-	-	-	5,086,940
Accrued expenses	4,132,322	1,667,060	-	122,385	5,921,767
Due to component units	7,997,726	331,563	-	-	8,329,289
Contract retention	18,638	76,519	-	261,496	356,653
Deposits	-	950,656	-	-	950,656
Advances from grants	-	6,723,984	-	118,434	6,842,418
Deferred revenue	3,449,137	-	-	-	3,449,137
Total liabilities	<u>21,388,939</u>	<u>40,782,808</u>	<u>-</u>	<u>1,496,703</u>	<u>63,668,450</u>
Fund balances					
Nonspendable	622,504	-	-	-	622,504
Restricted	-	2,329,013	13,306	147,737	2,490,056
Committed	1,095,106	-	-	3,174,115	4,269,221
Assigned	-	-	-	1,536,493	1,536,493
Unassigned	(9,445,296)	-	-	-	(9,445,296)
Total fund balances	<u>(7,727,686)</u>	<u>2,329,013</u>	<u>13,306</u>	<u>4,858,345</u>	<u>(527,022)</u>
Total liabilities and fund balances	<u>\$ 13,661,253</u>	<u>\$ 43,111,821</u>	<u>\$ 13,306</u>	<u>\$ 6,355,048</u>	<u>\$ 63,141,428</u>

TERRITORY OF AMERICAN SAMOA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

Fund balances - total government funds \$ (527,022)

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	\$ 373,144,200	
Less: Accumulated depreciation	<u>(160,927,749)</u>	212,216,451

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

ASGERF-loan	(14,051,677)	
ASGERF-LBJ loan	(7,953,252)	
Compensated absences	(14,169,803)	
Claims and judgments	(2,300,000)	
Other liabilities	<u>(15,999,050)</u>	(54,473,782)

Deferred revenue represents amounts that were not available to fund current expenditures and, therefore, are not reported in governmental funds.

Individual income taxes		1,116,431
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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>7,186,747</u>
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Net assets of governmental activities		<u><u>\$ 165,518,825</u></u>
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TERRITORY OF AMERICAN SAMOA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	General Fund	Grant Fund	Debt Service Fund	Non-major Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 53,490,608	\$ -	\$ 2,176,316	\$ -	\$ 55,666,924
Licenses and permits	976,012	-	-	-	976,012
Intergovernmental	13,041,078	182,497,155	-	3,881,795	199,420,028
Charges for services	6,306,325	-	-	1,675,614	7,981,939
Fines and fees	2,568,977	-	113,075	-	2,682,052
Interdepartmental	4,488,342	-	-	-	4,488,342
Tobacco settlement proceeds	-	-	1,978,664	-	1,978,664
Miscellaneous	2,294,056	1,638,756	1,100,000	72,309	5,105,121
Total revenues	<u>83,165,398</u>	<u>184,135,911</u>	<u>5,368,055</u>	<u>5,629,718</u>	<u>278,299,082</u>
EXPENDITURES					
Current					
General government	30,904,523	89,173,959	136	5,762,698	125,841,316
Education and culture	23,652,256	50,899,955	-	-	74,552,211
Public works	5,783,791	7,373,919	-	-	13,157,710
Economic development	8,301,891	16,234,202	-	-	24,536,093
Health and recreation	4,759,923	18,008,113	-	-	22,768,036
Public safety	9,419,003	6,614,435	-	-	16,033,438
Principal	31,736	-	3,363,031	-	3,394,767
Interest	-	-	2,661,023	-	2,661,023
Total expenditures	<u>82,853,123</u>	<u>188,304,583</u>	<u>6,024,190</u>	<u>5,762,698</u>	<u>282,944,594</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>312,275</u>	<u>(4,168,672)</u>	<u>(656,135)</u>	<u>(132,980)</u>	<u>(4,645,512)</u>
OTHER FINANCING SOURCES (USES)					
Loan proceeds	4,641,207	-	-	-	4,641,207
Transfers in	16,419	1,983,332	548,030	-	2,547,781
Transfers out	(4,573,111)	-	-	-	(4,573,111)
Total other financing sources (uses)	<u>84,515</u>	<u>1,983,332</u>	<u>548,030</u>	<u>-</u>	<u>2,615,877</u>
CHANGES IN FUND BALANCES	396,790	(2,185,340)	(108,105)	(132,980)	(2,029,635)
FUND BALANCES (DEFICIT), beginning of year	<u>(8,124,476)</u>	<u>4,514,353</u>	<u>121,411</u>	<u>4,991,325</u>	<u>1,502,613</u>
FUND BALANCES (DEFICITS), end of year	<u>\$ (7,727,686)</u>	<u>\$ 2,329,013</u>	<u>\$ 13,306</u>	<u>\$ 4,858,345</u>	<u>\$ (527,022)</u>

TERRITORY OF AMERICAN SAMOA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2011

Net change in fund balances - total government funds \$ (2,029,635)

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	\$ 7,441,881	
Less: Current year depreciation	<u>(15,061,024)</u>	<u>(7,619,143)</u>

Debt proceeds provide current financial resources to government funds, but debt obligations increase long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Interest	(84,296)	
Principal payments	<u>3,394,767</u>	3,310,471

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

Individual income taxes		(420,129)
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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 judgments	(1,900,000)	
Change in long-term compensated absences	<u>412,420</u>	(1,487,580)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported on the statement of activities.

		<u>697,688</u>
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Change in net assets of governmental activities		<u>\$ (7,548,328)</u>
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TERRITORY OF AMERICAN SAMOA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
SEPTEMBER 30, 2011

	Enterprise Funds			Governmental Activities: Internal Service Fund
	Airport	Non-major Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 900,735	\$ 223,532	\$ 1,124,267	\$ 4,273,145
Investments	-	-	-	725,061
Due from other funds-pooled cash	-	-	-	3,327,571
Accounts receivable, net	79,875	677,460	757,335	150
Due from U.S. Government	1,712,060	-	1,712,060	-
Capital assets, net	89,963,029	658,820	90,621,849	264,030
Total assets	92,655,699	1,559,812	94,215,511	8,589,957
LIABILITIES				
Accounts payable	1,173,132	212,609	1,385,741	58,276
Accrued expenses	593,071	226,977	820,048	1,344,934
Due to other funds	-	100,000	100,000	-
Contract retention	1,339,000	-	1,339,000	-
Total liabilities	3,105,203	539,586	3,644,789	1,403,210
NET ASSETS				
Invested in capital assets	88,624,029	658,820	89,282,849	264,030
Unrestricted	926,467	361,406	1,287,873	6,922,717
Total net assets	\$ 89,550,496	\$ 1,020,226	\$ 90,570,722	\$ 7,186,747

TERRITORY OF AMERICAN SAMOA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2011

	Enterprise Funds			Governmental Activities: Internal Service Fund
	Airport	Non-major Activities	Total	
OPERATING REVENUES				
Taxes	\$ 27,412	\$ -	\$ 27,412	\$ -
Intergovernmental	17,922	-	17,922	-
Charges for services	1,491,436	1,039,419	2,530,855	2,096,947
Total operating revenues	<u>1,536,770</u>	<u>1,039,419</u>	<u>2,576,189</u>	<u>2,096,947</u>
OPERATING EXPENSES				
Personnel	1,948,218	554,650	2,502,868	537,743
Operations and maintenance	2,157,318	1,032,291	3,189,609	1,299,767
Depreciation and amortization	4,823,674	82,527	4,906,201	40,056
Total operating expenses	<u>8,929,210</u>	<u>1,669,468</u>	<u>10,598,678</u>	<u>1,877,566</u>
OPERATING (LOSS) INCOME	(7,392,440)	(630,049)	(8,022,489)	219,381
TRANSFERS IN	1,720,575	130,533	1,851,108	190,641
TRANSFERS OUT	-	-	-	(16,419)
CAPITAL CONTRIBUTIONS	<u>15,113,814</u>	<u>773,509</u>	<u>15,887,323</u>	<u>-</u>
CHANGES IN NET ASSETS	9,441,949	273,993	9,715,942	393,603
TOTAL NET ASSETS, beginning of year	<u>80,108,547</u>	<u>746,233</u>	<u>80,854,780</u>	<u>6,793,144</u>
TOTAL NET ASSETS, end of year	<u>\$ 89,550,496</u>	<u>\$ 1,020,226</u>	<u>\$ 90,570,722</u>	<u>\$ 7,186,747</u>

TERRITORY OF AMERICAN SAMOA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2011

	Enterprise Funds			Governmental Activities Internal Service Fund
	Airport	Non-major Activities	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 1,431,897	\$ 493,682	\$ 1,925,579	\$ 2,096,797
Tax receipts	27,412	-	27,412	-
Payments to suppliers	(1,823,455)	(859,356)	(2,682,811)	(1,264,453)
Payments to employees	(1,978,407)	(414,836)	(2,393,243)	(253,690)
Internal activities - receipt from (payment to) other funds	17,922	-	17,922	(425,641)
Net cash (used) provided by operating activities	<u>(2,324,631)</u>	<u>(780,510)</u>	<u>(3,105,141)</u>	<u>153,013</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Additions to fixed assets and work-in process	(11,421,249)	-	(11,421,249)	-
Receipts of federal capital grants	12,191,447	773,509	12,964,956	-
Net cash provided by capital and related financing activities	<u>770,198</u>	<u>773,509</u>	<u>1,543,707</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	-	-	-	(500,000)
Sale of investments	-	-	-	1,000,000
Interest received	-	-	-	(46)
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>499,954</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Operating transfers in	1,720,575	130,533	1,851,108	174,222
Advances received	-	100,000	100,000	-
Net cash provided (used) by non-capital financing activities	<u>1,720,575</u>	<u>230,533</u>	<u>1,951,108</u>	<u>174,222</u>
INCREASE IN CASH AND CASH EQUIVALENTS	166,142	223,532	389,674	827,189
CASH AND CASH EQUIVALENTS, beginning of year	<u>734,593</u>	<u>-</u>	<u>734,593</u>	<u>3,445,956</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 900,735</u>	<u>\$ 223,532</u>	<u>\$ 1,124,267</u>	<u>\$ 4,273,145</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES				
Operating (loss) income	\$ (7,392,440)	\$ (630,049)	\$ (8,022,489)	\$ 219,381
Adjustments to reconcile operating (loss) income to net cash (used) provided by operating activities				
Depreciation and amortization	4,823,674	82,527	4,906,201	40,056
Change in assets and liabilities				
Accounts receivable, net	(59,539)	(545,737)	(605,276)	(150)
Due from other funds	-	-	-	(425,641)
Accounts payable and accrued expenses	303,674	312,749	616,423	319,367
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>\$ (2,324,631)</u>	<u>\$ (780,510)</u>	<u>\$ (3,105,141)</u>	<u>\$ 153,013</u>

TERRITORY OF AMERICAN SAMOA
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
SEPTEMBER 30, 2011

	Pension Trust	Agency
ASSETS		
Cash and cash equivalents	\$ 1,018,222	\$ 11,003,396
Due from other funds-pooled cash	-	4,677,439
Investments	180,099,477	-
Accounts receivable, net	258,327	-
Contributions receivable	718,147	-
Prepaid expenses and other assets	69,027	-
Capital assets, net	372,384	-
Total assets	182,535,584	15,680,835
LIABILITIES		
Accounts payable	291,429	147
Deposits	-	2,350,657
Contribution refunds	516,905	-
Federal tax refunds	-	5,832,083
Immigration bonds	-	7,497,948
Total liabilities	808,334	15,680,835
NET ASSETS		
Held in trust for pension benefits and other purposes	\$ 181,727,250	\$ -

TERRITORY OF AMERICAN SAMOA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
YEAR ENDED SEPTEMBER 30, 2011

	Pension Trust
ADDITIONS	
Contributions	
Sponsors	\$ 7,474,397
Members	2,918,502
Total contributions	10,392,899
Investment (loss) income	
Interest	1,836,368
Dividends	704,185
Lease revenue from Centennial Office Building	604,583
Other income	10,828
Net depreciation in fair value of investments	(11,959,308)
	(8,803,344)
Less investment fees	(333,830)
Less Centennial Office Building maintenance expenses	(517,745)
Net investment loss	(9,654,919)
Net additions	737,980
DEDUCTIONS	
Benefits	17,956,577
General and administrative expenses	1,179,629
Employee contributions refunded	593,096
Interest on employee contributions refunded	446,106
Total deductions	20,175,408
CHANGES IN NET ASSETS	(19,437,428)
NET ASSETS, beginning of year	201,164,678
NET ASSETS, end of year	\$ 181,727,250

Note 1 - Summary of Significant Accounting Policies

A. The Reporting Entity

The Territory of American Samoa (the "Territory" or "ASG") is an unincorporated Territory of the United States of America 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 accounting records maintained by them.

The financial statements include all funds 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 Territory 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

Following is a brief review of the blended component units.

American Samoa Government Employees' Retirement Fund

The American Samoa Government Employees' Retirement Fund (the "Retirement Fund") was established in 1971 to provide retirement annuities for the employees of the Territory 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 as a pension trust fund in the fiduciary funds. The Retirement Fund issued audited financial statements for the year ended September 30, 2011. The report can be obtained at the Retirement Fund's administrative offices.

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 and 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 is included as part of the primary government in the Capital Projects Fund. The Cooperative was audited by other independent auditors for the year ended September 30, 2011, and their report dated February 10, 2012 has been issued under separate cover. The report can be obtained at the Cooperative's administrative offices.

American Samoa Shipyard Services Authority

The American Samoa Shipyard Services Authority (the "Shipyard Authority") was created under executive order signed during May 2011 for the purpose of providing shipyard and water transportation services through the use of the Territory's Ronald Reagan Marine Railway. The Shipyard Authority is fiscally dependent on the Territory and uses the real property of the Territory for its operations. The Shipyard Authority is included as part of the primary government as a non-major enterprise fund.

Note 1 - Summary of Significant Accounting Policies (Continued)

Discrete Component Units

Discretely presented component units are reported in a separate column in the 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 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 other independent auditors for the year ended September 30, 2011, and its report dated August 10, 2012 has been previously issued under separate cover. The report can be obtained at ASPA's administrative offices.

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 the Territory. The Governor appoints a majority of the Board of Directors with the advice and consent of the Legislature. ASCC is funded through the Territory's appropriations, tuition, federal grants and donations. ASCC was audited by other independent auditors for the year ended September 30, 2011 and its report dated March 28, 2012 has been previously issued under separate cover. The report can be obtained at ASCC's 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. LBJ was audited by other independent auditors for the year ended September 30, 2011, and its report dated March 29, 2012 has been issued under separate cover. The report can be obtained at LBJ's administrative offices.

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 other independent auditors for the year ended September 30, 2011 and its report dated March 27, 2012 has been issued under separate cover. The report can be obtained at ASTCA's administrative offices.

Note 1 - Summary of Significant Accounting Policies (Continued)

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 ("Development Bank") 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.

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.

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

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

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.

Note 1 - Summary of Significant Accounting Policies (Continued)

Internal service funds provide goods and services to other funds, agencies, component units, or other activities on a cost allocation basis.

The Territory's government-wide and proprietary fund financial statements 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. The Territory also has the option of following subsequent private-sector guidance, subject to the same limitation. The Territory has elected not to follow subsequent private-sector guidance.

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 rely mostly on fees and charges that are designed to recover the costs of operations, including the cost of capital.

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 included among program revenues are reported 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. In addition, the government-wide statement of activities reflects depreciation expenses on the Territory's fixed assets, including infrastructure.

Note 1 - Summary of Significant Accounting Policies (Continued)

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 collected within 60 days of the end of the current fiscal year. 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

The Territory's enterprise funds are the Airport Fund, Industrial Park Fund, and Shipyard Services Fund. The Territory's internal service activities include the operation of the government housing, print shop and worker's compensation funds.

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.

The effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions are transfers between the business-type activities and the governmental activities.

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 30% of line amounts, whichever is less, from one line account to another; legislative appropriation is required on all line item account shifts over 30% 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

E. 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 reported at fair value. The investment policies of the Land Grant Trust (a part of the American Samoa Community College) and the Retirement Fund are established by their respective boards. Investment of these funds are in a variety of securities such as corporate bonds, equities, real estate, trusts, collateralized mortgage obligations, asset backed securities and commercial paper.

F. Cash and Cash Equivalents

The amounts reported on the 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.

G. 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.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

H. Receivables

The Territory, with minor exceptions, has adopted the personal and corporate income tax code of the United States of America 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.

I. Prepaid Expenses

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

J. 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. 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
Buildings 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>
Land improvements	15-40
Buildings and improvements	30-40
Machinery and equipment	5-15
Vehicles	5-10
Infrastructure	25-40

Note 1 - Summary of Significant Accounting Policies (Continued)

K. 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.

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 financial statements. The current portion of this debt is estimated based on historical trends. 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.

L. 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.

M. Unearned/Deferred Revenue

Unearned revenues are recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Deferred revenues reported in the governmental fund statements consist of the portion of the Army Reserve lease that is applicable to future years, unused loan proceeds, an amount representing prepaid income taxes to be offset against future years' taxes, and revenues for nonexchange transactions not received within sixty days after the fiscal year.

N. 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

O. Fund Equity

Effective September 30, 2011, the Territory adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the Territory is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Territory will spend restricted resources first, followed by committed then assigned, with unassigned resources spent last. In accordance with GASB 54, the Territory has the following categories of governmental fund balances:

1. Nonspendable includes amounts that cannot be spent because they are either in a nonspendable form or legally required to be maintained intact. Nonspendable amounts consist of prepaid expenses.
2. Restricted includes amounts that can be spent only for the specific purposes stipulated by constitutional provisions or enabling legislation, or imposed by creditors, grantors, or other external resource providers.
3. Committed includes amounts that have specific constraints on how the resources may be used as determined by formal ordinances or resolutions of the Fono.
4. Assigned are those resources that are constrained by the Territory's intent to use them for a specific purpose, but are neither restricted nor committed. Amounts in the debt service, capital projects, and special revenue funds, which are not classified as restricted or committed, are considered assigned.
5. Unassigned are the residual classification for the general fund and includes all spendable amounts not contained in the other classifications.

Net assets are segregated into restricted and unrestricted balances on the government-wide statement of net assets and the statements of net assets for the proprietary and fiduciary funds. Restrictions are limitations on how the net assets may be used and may be placed on net assets by an external party that provided the resources, by enabling legislation or by the nature of the asset.

P. 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

Q. 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.

R. Use of Estimates

The preparation of the basic financial statements in conformity with principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the basic financial statements. Actual results could differ from these estimates.

Note 2 - Deposits and Investments

A. Deposits

Cash and cash equivalents held by various financial institutions for the Territory and its discretely presented component units, excluding the Retirement Fund, was \$52,017,561. This consists of amounts insured by the FDIC of \$500,000 and collateralized amounts of \$51,517,561.

B. Investments

Primary Government

Investments of the primary government are categorized as follows at September 30, 2011:

Investment Type	Fair Value
Money market funds	\$ 3,524,885
Certificates of deposit	1,425,317
Municipal bonds	1,200,000
Corporate bonds	800,000
Total investments	\$ 6,950,202

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Note 2 - Deposits and Investments (Continued)

Investment securities are exposed to various risks that can affect the value of the Territory's investments such as custodial credit risk, interest rate risk, credit risk, and concentration risk. The Territory invests in money market funds, certificates of deposit, and municipal and corporate bonds. Investment holdings in debt securities are particularly sensitive to credit risk and change in interest rates.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a failure by the counterparty, the Territory will not be able to recover the value of its investments that are in the possession of an outside party. In accordance with policies established by statute, all deposits and investments are insured or collateralized, and held by banks or other agents in the Territory's name.

Interest Rate Risk - Interest rate risk arises from the likelihood that interest rates will rise or fall during the holding period of a fixed rate security and adversely affect the selling price of the security prior to maturity. The price of a debt security typically moves in the opposite direction of the change in interest rates. As of September 30, 2011, the Territory had the following investments subject to interest rate risk:

Investment Type	Fair Value	Investment Maturities (in years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
Money market funds	\$ 3,524,885	\$ 3,524,885	\$ -	\$ -	\$ -
Certificates of deposit	1,425,317	1,425,317	-	-	-
Municipal bonds	1,200,000	-	-	-	1,200,000
Corporate bonds	800,000	-	-	-	800,000
	<u>\$ 6,950,202</u>	<u>\$ 4,950,202</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,000,000</u>

Credit Risk - Credit risk exists when there is a possibility that the issuer or other counterparty to an investment may be unable to fulfill its payments on a security under the original term. As of September 30, 2011, the Territory had the following credit quality mix in its fixed income securities:

Investment Type	Fair Value	Investment Ratings			
		AAA	AA	A or Below	Not Rated
Money market funds	\$ 3,524,885	\$ -	\$ -	\$ -	\$ 3,524,885
Certificates of deposit	1,425,317	-	-	-	1,425,317
Municipal bonds	1,200,000	1,000,000	200,000	-	-
Corporate bonds	800,000	800,000	-	-	-
	<u>\$ 6,950,202</u>	<u>\$ 1,800,000</u>	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ 4,950,202</u>

Note 2 - Deposits and Investments (Continued)

Concentration of Credit Risk - Investments representing 5% or more of net assets available for benefits consist of the following as of September 30, 2011:

SLM Student Loan Trust 2003-B-SER A-4	\$800,000
Educational FDG of the South Inc. EDL SER B-1	\$700,000

Retirement Fund

The Board of Trustees of the Retirement Fund has the power and authority under territorial law to make all decisions on the investment of Retirement 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 Retirement Fund.

During 2011, the Retirement Fund's Board of Trustees formally approved a restated Statement of Investment Policy ("Investment Policy"), which restructured the Retirement Fund's investment portfolio and investment managers. As of September 30, 2011, the Investment Policy allocation targets are 25% domestic equity, 20% international equity, 12% domestic fixed income, 3% real estate, 25% emerging markets equity, and 15% loans, with normal allocation ranges assigned to each classification. All equity and fixed income securities are held in registered investment companies (mutual funds) and collective trusts. Their allocation is as follows as of September 30, 2011:

	<u>Fair Value</u>	<u>Annual Percentage</u>
Domestic equity	\$ 41,543,303	23%
International equity	86,502,855	48
Fixed income	25,048,392	14
Loans to American Samoa Government	22,004,927	12
Real estate - Centennial Office Building	5,000,000	3
Total	<u>\$ 180,099,477</u>	<u>100%</u>

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

Note 3 - Receivables

A. Capital Lease Receivable

During May 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 was renegotiated in 1997 with minimum annual payments changed to \$40,000. This lease was renewed in May 2000.

Effective June 1, 2011, the American Samoa Shipyard Services Authority, a blended component unit of the Territory, was established by executive order to assume operations of the marine railway facility, following the bankruptcy of the independent contractor. As a result, the lease agreement was terminated and the outstanding receivable and deferred revenue balances of \$158,674 were reversed. As of September 30, 2011, the Territory has no outstanding capital lease balances.

B. Other Receivables

Other receivables (excluding the discretely presented component units) on the financial statements by account type and source are as follows:

	Receivable	Allowance	Balance
Taxes			
General Fund	\$ 11,505,833	\$ 9,598,605	\$ 1,907,228
Accounts Receivable			
General Fund	8,093,226	7,594,184	499,042
Grant Fund	5,871,052	-	5,871,052
Non-Major Governmental Funds	650,879	-	650,879
Airport Fund	974,010	894,135	79,875
Non-Major Enterprise Funds	1,140,058	462,598	677,460
Fiduciary Funds	258,327	-	258,327
Contributions Receivable			
Fiduciary Funds	718,147	-	718,147
Due From U.S. Government			
Grant Funds	33,050,980	1,689,669	31,361,311
Non-Major Governmental Funds	877,868	-	877,868
Airport Fund	1,712,060	-	1,712,060
	\$ 64,852,440	\$ 20,239,191	\$ 44,613,249

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Note 4 - Interfund Receivables, Payables, and Transfers

Balances due to component units consist of amounts owed to ASPA and ASTCA for services provided to the Territory, including charges for utilities. Balances are reported net of receivables recorded for services provided by the Territory to ASPA and ASTCA. As of September 30, 2011, balances due to ASPA and ASTCA totaled \$7,350,942 and \$978,347, respectively. Differences between the balances due to component units and balances due from primary government on the Statement of Net Assets result from allowances against receivables from the Territory that have been established by the component units.

A summary of interfund receivable and payable balances, Due From/Due To Other Funds-Pooled Cash accounts, are as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 2,253,053	\$ -
Special Revenue Funds	-	10,092,624
Internal Service Funds		
Workers Compensation	3,327,572	-
Capital Project Funds	-	165,440
Agency Funds		
Immigration Bonds	4,677,439	-
	\$ 10,258,064	\$ 10,258,064

Operating Transfers In/Out are as follows:

Out Of	Amount	In To	Purpose
General Fund	\$ 548,030	Debt Service Fund	Cover retirement loan payment
	130,533	Industrial Park Fund	Cover deficit and clear pooled cash
	190,641	Government Housing Fund	Cover deficit and clear pooled cash
	1,720,575	Airport Fund	Cover deficit and clear pooled cash
	1,983,332	Grants Fund	Cover grants AR write off
	4,573,111		
Print Shop Fund	16,419	General Fund	Clear pooled cash
Total transfers	\$ 4,589,530		

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Note 5 - Capital Assets and Depreciation

Capital asset activity for the year ended September 30, 2011 was as follows:

	Primary Government			
	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,591,761	\$ -	\$ -	\$ 1,591,761
Construction in process	40,917,584	7,802,282	39,325,406	9,394,460
	<u>42,509,345</u>	<u>7,802,282</u>	<u>39,325,406</u>	<u>10,986,221</u>
Capital assets being depreciated				
Land improvements	39,535,021	2,140,421	-	41,675,442
Buildings and structures	119,663,532	5,046,988	-	124,710,520
Machinery and equipment	23,519,974	5,974,533	-	29,494,507
Vehicles	25,951,585	1,444,257	-	27,395,842
Infrastructure	116,496,687	24,358,807	-	140,855,494
	<u>325,166,799</u>	<u>38,965,006</u>	<u>-</u>	<u>364,131,805</u>
Less accumulated depreciation				
Land improvements	21,393,847	980,532	-	22,374,379
Buildings and structures	44,683,141	3,701,308	-	48,384,449
Machinery and equipment	13,845,123	2,642,414	-	16,487,537
Vehicles	17,427,929	1,852,492	-	19,280,421
Infrastructure	50,186,425	5,924,334	-	56,110,759
	<u>147,536,465</u>	<u>15,101,080</u>	<u>-</u>	<u>162,637,545</u>
Total capital assets being depreciated, net	<u>177,630,334</u>	<u>23,863,926</u>	<u>-</u>	<u>201,494,260</u>
Net capital assets	<u>\$ 220,139,679</u>	<u>\$ 31,666,208</u>	<u>\$ 39,325,406</u>	<u>\$ 212,480,481</u>
	Primary Government			
	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 1,871,894	\$ -	\$ -	\$ 1,871,894
Work in process	2,157,568	12,461,830	2,907,101	11,712,297
	<u>4,029,462</u>	<u>12,461,830</u>	<u>2,907,101</u>	<u>13,584,191</u>
Capital assets being depreciated				
Land improvements	71,551,352	2,137,826	-	73,689,178
Buildings and structures	48,138,671	6,042	-	48,144,713
Machinery and equipment	6,320,096	-	-	6,320,096
	<u>126,010,119</u>	<u>2,143,868</u>	<u>-</u>	<u>128,153,987</u>
Less accumulated depreciation				
Land improvements	34,314,286	2,898,459	-	37,212,745
Buildings and structures	8,482,978	1,558,123	-	10,041,101
Machinery and equipment	3,412,864	449,619	-	3,862,483
	<u>46,210,128</u>	<u>4,906,201</u>	<u>-</u>	<u>51,116,329</u>
Total capital assets being depreciated, net	<u>79,799,991</u>	<u>(2,762,333)</u>	<u>-</u>	<u>77,037,658</u>
Net capital assets	<u>\$ 83,829,453</u>	<u>\$ 9,699,497</u>	<u>\$ 2,907,101</u>	<u>\$ 90,621,849</u>

Note 5 - Capital Assets and Depreciation (Continued)

Depreciation expense was charged to the governmental functions as follows:

General government	\$ 8,716,529
Education and culture	2,695,191
Economic development	2,347,710
Public safety	943,040
Health and welfare	<u>358,554</u>
	<u><u>\$ 15,061,024</u></u>

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 as of September 30, 2011 was \$622,504 and is presented as prepaid expenses on the statement of net assets.

Note 7 - Defined Benefit Pension Plan (ASG Employees' Retirement Fund)

The Retirement Fund is a cost-sharing, multiple-employer, contributory defined benefit retirement plan that was established in 1971 to provide retirement annuities for the employees of ASG and its component units. Employees of the Development Bank, a related organization, are also included in the Retirement Fund.

The Retirement Fund issues an annual audited financial report that includes financial statements and required supplementary information. This report may be obtained by contacting:

American Samoa Government
Employees' Retirement Fund
PO Box 2448
Pago Pago, AS 96799-2448

A. Administrators of the Fund

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

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 on years or service). The minimum annual benefit is \$600.

TERRITORY OF AMERICAN SAMOA
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Note 7 - Defined Benefit Pension Plan (ASG Employees' Retirement Fund) (Continued)

C. Contributions

ASG, its component units, and the Development Bank have agreed to contribute such amounts as provided by the A.S.C.A. Section 7.1433 to the Retirement Fund each year on an actuarially determined basis and as approved by the Board of Trustees. The contribution rate is 8% of employees' regular earnings, excluding overtime.

Each member of the Fund contributes 3% of earnings and earns interest at 5% 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 Retirement Fund. For fiscal years 2011, 2010, and 2009, actual employer contributions totaled \$7,474,397, \$7,257,958, and \$7,020,954, respectively. Actual contributions funded 100% of the contributions required by A.S.C.A. Section 7.1433.

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 8.6% and 3.2%, respectively. As of October 1, 2010, the most recent valuation date, the funded status of the Retirement Fund was 94.1%.

Note 8 - Long-Term Obligations

A. Long-term Obligations

Outstanding balances of long-term debt and other liabilities as of September 30, 2011, and changes during the year then ended, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Long-term debt					
American Samoa					
Government Retirement					
Fund - LBJ loan	\$ 8,433,728	\$ -	\$ 480,476	\$ 7,953,252	\$ 476,216
American Samoa					
Government Retirement					
Fund loan	15,780,512	-	1,728,835	14,051,677	1,860,161
	<u>24,214,240</u>	<u>-</u>	<u>2,209,311</u>	<u>22,004,929</u>	<u>2,336,377</u>
Other liabilities					
Loan payable FEMA	2,967,306	84,296	-	3,051,602	3,051,602
Department of Interior	13,845,246	-	1,185,456	12,659,790	1,200,000
Claims and judgments	400,000	1,900,000	-	2,300,000	2,300,000
Worker's compensation claims	984,456	1,072,560	810,954	1,246,062	800,000
Landfill closure and					
post-closure liability	287,658	-	-	287,658	-
Compensated absences	14,582,223	8,504,692	8,917,112	14,169,803	8,900,000
	<u>33,066,889</u>	<u>11,561,548</u>	<u>10,913,522</u>	<u>33,714,915</u>	<u>16,251,602</u>
	<u>\$ 57,281,129</u>	<u>\$ 11,561,548</u>	<u>\$ 13,122,833</u>	<u>\$ 55,719,844</u>	<u>\$ 18,587,979</u>

Note 8 - Long-Term Obligations (Continued)

B. Loan Payable - FEMA Primary Government

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

During May 2000, FEMA cancelled \$8,638,009 of principal and \$3,227,779 of interest on these notes. The Territory expects the remaining amounts of these notes plus interest to be cancelled in subsequent years. As of September 30, 2011, the outstanding principal and unpaid interest on the FEMA notes totaled \$1,541,080 and \$1,510,522, respectively.

C. Department of Interior Loan

In 1999, Congress passed legislation that authorized the Secretary of the Interior to lend the Territory up to \$18,600,000 at 5.4% interest 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 subordinated with respect to the pledged taxes. Proceeds of \$14,300,000 from the loan were used to pay creditors of the Territory and \$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.

D. ASG Employees' Retirement Fund - LBJ Loan

In April 2006, the Territory entered into a loan agreement with the 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 principal and interest on the principal amount outstanding of the last day of each quarter. The loan will be paid with funds received from ASTCA as a payment in lieu of taxes. Payments in lieu of taxes received from ASTCA during 2011 totaled \$1,100,000, or approximately 6.0% of ASTCA's operating revenues.

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.

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NOTES TO FINANCIAL STATEMENTS
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Note 8 - Long-Term Obligations (Continued)

Annual debt service requirements for this loan are as follows:

Year Ending September 30,	Principal	Unpaid Interest	Total
2012	\$ 476,216	\$ 623,784	\$ 1,100,000
2013	517,521	582,479	1,100,000
2014	560,475	539,525	1,100,000
2015	606,993	493,007	1,100,000
2016	656,104	443,896	1,100,000
2017-2021	4,200,453	1,267,615	5,468,068
2022	935,490	39,536	975,026
	<u>\$ 7,953,252</u>	<u>\$ 3,989,842</u>	<u>\$ 11,943,094</u>

E. ASG Employees' Retirement Fund Loan

In June 2007, the Fono passed legislation authorizing the Territory to enter into a loan agreement with the Retirement Fund to borrow up to \$20,000,000 to fund various projects, as set forth in the legislation and any additional approved projects and purposes. The legislation limited the term to ten years and stipulates a 7.5% interest rate. In 2008, the Territory borrowed \$20,000,000, which is 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 11.1 102(a)(1)(C)). The note is 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.

Annual debt service requirements for this loan are as follows:

Year Ending September 30,	Principal	Unpaid Interest	Total
2012	\$ 1,860,161	\$ 993,562	\$ 2,853,723
2013	2,007,458	846,265	2,853,723
2014	2,163,302	690,421	2,853,723
2015	2,331,244	522,479	2,853,723
2016	2,511,177	342,546	2,853,723
2017-2018	3,178,335	151,008	3,329,343
	<u>\$ 14,051,677</u>	<u>\$ 3,546,281</u>	<u>\$ 17,597,958</u>

TERRITORY OF AMERICAN SAMOA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

Note 9 - Major Component Unit Information

Each of these major component units are discretely presented in a separate column on the financial statements. Each of these entities is audited separately and their audit reports are available through each entity's administrative office. Below is summarized information derived from each entity's audited financial statements:

	<u>ASPA</u>	<u>ASCC</u>	<u>LBJ</u>	<u>ASTCA</u>	<u>Totals</u>
Assets					
Cash, investments and other assets	\$ 45,964,340	\$ 11,202,956	\$ 6,325,970	\$ 10,586,352	\$ 74,079,618
Due from primary government	3,738,644	-	-	-	3,738,644
Due from other funds	878,328	-	-	-	878,328
Capital assets, net	<u>88,196,357</u>	<u>9,736,302</u>	<u>17,152,635</u>	<u>28,914,521</u>	<u>143,999,815</u>
Total assets	<u>138,777,669</u>	<u>20,939,258</u>	<u>23,478,605</u>	<u>39,500,873</u>	<u>222,696,405</u>
Liabilities					
Accounts payable and other					
current liabilities	31,687,724	8,804,483	8,381,149	2,925,773	51,799,129
Long-term liabilities	<u>2,335,354</u>	<u>516,138</u>	<u>5,975,396</u>	<u>3,295,097</u>	<u>12,121,985</u>
Total liabilities	<u>34,023,078</u>	<u>9,320,621</u>	<u>14,356,545</u>	<u>6,220,870</u>	<u>63,921,114</u>
Net Assets					
Invested in capital, net of related debt	86,508,640	9,736,302	17,152,635	28,914,521	142,312,098
Restricted	589,422	3,078,971	-	-	3,668,393
Unrestricted	<u>17,656,529</u>	<u>(1,196,636)</u>	<u>(8,030,575)</u>	<u>4,365,482</u>	<u>12,794,800</u>
Total Net Assets	<u>\$ 104,754,591</u>	<u>\$ 11,618,637</u>	<u>\$ 9,122,060</u>	<u>\$ 33,280,003</u>	<u>\$ 158,775,291</u>

TERRITORY OF AMERICAN SAMOA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

Note 9 - Major Component Unit Information (Continued)

Functions/Programs	Expenses	Program Revenues			Net Revenues (Expense) and Changes in Net Assets				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	ASPA	ASCC	LBJ	ASTCA	Total
American Samoa Power Authority									
General and administrative	\$ 6,535,954	\$ -	\$ -	\$ -	\$ (6,535,954)	\$ -	\$ -	\$ -	\$ (6,535,954)
Operations	89,706,289	93,802,063	9,361,637	18,286,179	31,743,590	-	-	-	31,743,590
Interest expense	402,439	-	-	-	(402,439)	-	-	-	(402,439)
Depreciation	6,691,740	-	-	-	(6,691,740)	-	-	-	(6,691,740)
Total - ASPA	<u>103,336,422</u>	<u>93,802,063</u>	<u>9,361,637</u>	<u>18,286,179</u>	<u>18,113,457</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,113,457</u>
American Samoa Community College									
General and administrative	3,514,517	-	-	-	-	(3,514,517)	-	-	(3,514,517)
Instructional	9,060,175	18,427,692	-	-	-	9,367,517	-	-	9,367,517
Research	2,506,958	-	-	-	-	(2,506,958)	-	-	(2,506,958)
Interest income	(29,748)	-	-	-	-	29,748	-	-	29,748
Depreciation	866,804	-	-	-	-	(866,804)	-	-	(866,804)
Total - ASCC	<u>15,918,706</u>	<u>18,427,692</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,508,986</u>	<u>-</u>	<u>-</u>	<u>2,508,986</u>
American Samoa Medical Center Authority (LBJ)									
General and administrative	6,660,092	-	-	1,839,620	-	-	(4,820,472)	-	(4,820,472)
Clinical and nursing	26,764,668	24,843,739	-	-	-	-	(1,920,929)	-	(1,920,929)
Operations	4,694,651	586,821	-	-	-	-	(4,107,830)	-	(4,107,830)
Depreciation	1,366,251	-	-	-	-	-	(1,366,251)	-	(1,366,251)
Total - LBJ	<u>39,485,662</u>	<u>25,430,560</u>	<u>-</u>	<u>1,839,620</u>	<u>-</u>	<u>-</u>	<u>(12,215,482)</u>	<u>-</u>	<u>(12,215,482)</u>
American Samoa Telecommunication Authority									
General and administrative	4,977,043	-	-	-	-	-	-	(4,977,043)	(4,977,043)
Operations	9,966,762	18,333,924	-	-	-	-	-	8,367,162	8,367,162
Interest income	(9,326)	-	-	-	-	-	-	9,326	9,326
Depreciation	3,257,785	-	-	-	-	-	-	(3,257,785)	(3,257,785)
Total - ASTCA	<u>18,192,264</u>	<u>18,333,924</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>141,660</u>	<u>141,660</u>
Total Component Units	<u>\$ 176,933,054</u>	<u>\$ 155,994,239</u>	<u>\$ 9,361,637</u>	<u>\$ 20,125,799</u>					
General revenues									
Payments from Territory of American Samoa					-	3,475,504	9,366,311	-	12,841,815
Grants entitlements and contributions not restricted to specific programs					-	-	1,385,887	-	1,385,887
Other general revenues					868,153	-	425,767	-	1,293,920
Total General Revenues					<u>868,153</u>	<u>3,475,504</u>	<u>11,177,965</u>	<u>-</u>	<u>15,521,622</u>
Changes in Net Assets					18,981,610	5,984,490	(1,037,517)	141,660	24,070,243
Net Assets - Beginning of Year					85,772,981	5,904,555	10,159,577	33,783,376	135,620,489
Adjustments to Net Assets - Beginning of Year					-	(270,408)	-	(645,033)	(915,441)
Net Assets - End of Year					<u>\$ 104,754,591</u>	<u>\$ 11,618,637</u>	<u>\$ 9,122,060</u>	<u>\$ 33,280,003</u>	<u>\$ 158,775,291</u>

Note 10 - Expenditures Exceeding Appropriations

The following Department and Special Programs expenditures exceeded the budget for the fiscal year ended September 31, 2011:

Departments and Special Programs	Budget Overrun
General Government	
Governor's office	\$ 193,792
Legislature	443,023
Legal affairs	38,123
Election office	1,030
Fiscal reform costs	477,358
Insurance premium	415,550
Notary public - general accounting	4,371
EOB electric and water bill	293,437
Electricity and water billings - other ASG facilities	263,189
Constitutional convention	24,987
TAOA	172,289
Human and social services	13,680
ASG audit contract	521,617
Miscellaneous accounts - non-departmental	154,608
Public Safety	
Public safety	307,287
Driver's training	72,312
Judiciary	44,930
Health and Recreation	
Public health	44,436
Public Works	
ASG local fleet - fuel	79,015
Economic Development	
Port administration	737,378
Commerce and tourism	79,422
Agriculture	29,770
Transfers Out	
Industrial park	130,533
International airport	1,720,575
Debt service fund	548,030
Government housing	190,641
Grants bad debts	1,983,332
	\$ 8,984,715

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.

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. The accrual of expenses incurred in future years from medical conditions existing as of September 30, 2011 cannot be reasonably estimated and is not recorded.

B. Property

The Territory has a property damage insurance policy with a commercial insurance company that covers 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 owned or held by the Territory jointly, or in trust or on commission or for which the Territory is responsible or has assumed responsibility. The primary policy covers up to \$25,000,000 for all of the Territory's property with a deductible of \$3,000,000 for earthquake, \$1,000,000 for flood and hurricane, and \$250,000 deductible for all other perils.

C. Other Insurance

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

D. Worker's Compensation

The Territory is self-insured for its worker's compensation liability to pay compensation as defined under the Worker's Compensation Act. The administration of this self-insurance arrangement is handled by the Territory through its Internal Service Fund, the Worker's Compensation Fund. All funds, agencies and component units of the Territory participate in the Worker's 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%. As of September 30, 2011, these liabilities are reported at their present value of \$1,246,062. 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.

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 estimated liability for self-insured losses is \$2,300,000 as of September 30, 2011.

Note 12 - Solid Waste Landfill Closure and Post-Closure Costs

The Futiga Landfill is a two-cell solid waste landfill site. The first cell was operated for approximately thirty years before it was transferred to ASPA in February 1995. Upon transfer, the first cell was substantially filled and is currently considered full. ASPA has operated the landfill since the transfer and has expanded the landfill to include a new section, approximately the same size and capacity as the original fill site. At September 30, 2011, the new landfill cell has a remaining useful life of 1.5 years. Total estimated closure and postclosure costs for the two landfill cells is \$814,480 based on a 2003 study.

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. Based on an opinion from the American Samoa Environmental Protection Agency, American Samoa has no local statutes governing the operation of municipal landfills and no regulations govern closure and postclosure requirements. As of September 30, 2011, 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, 2011, the office of the Attorney General has estimated the amount of liability determined, as of September 30, 2011, in accordance with Statement of Financial Accounting Standards No. 5, *Contingencies*, as probable. As indicated above, the Territory has recorded a liability for judgments and claims in the amount of \$2,300,000.

TERRITORY OF AMERICAN SAMOA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

Note 13 - Commitments and Contingencies (Continued)

Changes in the balances of claims and judgments liabilities during the past two fiscal years are as follows:

	2011	2010
Unpaid claims and judgments, beginning of fiscal year	\$ 400,000	\$ 1,500,000
Incurred claims and judgments	1,900,000	320,000
Claims and judgment payments	-	(1,420,000)
Unpaid claims and judgments, end of fiscal year	\$ 2,300,000	\$ 400,000

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 records liabilities for all audit reports that are expected to lead to disallowed costs. As of September 30, 2011, any potential reimbursements related to ongoing or pending audits cannot be estimated.

C. Commitments

As of September 30, 2011, outstanding commitments are comprised of the following:

	Project Authorization	Expended Through September 30, 2011	Committed as of September 30, 2011
Airport improvements	\$ 20,608,173	\$ 13,009,191	\$ 7,598,982
Educational facilities	1,678,225	628,225	1,050,000
FEMA improvements	5,686,201	2,418,263	3,267,938
Cooperative improvements	2,105,500	1,215,000	890,500
	\$ 30,078,099	\$ 17,270,679	\$ 12,807,420

Note 14 - Subsequent Event

During February 2012, the Fono authorized a \$3 million loan to the American Samoa Medical Center Authority to be funded from the Worker's Compensation Fund. The \$3 million loan will be repaid by revenues collected from the institution of a 2% wage tax on all wages earned in the Territory.

Note 15 - New Pronouncements for Financial Reporting

The Governmental Accounting Standards Board (GASB) has issued the following statements:

- Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes criteria for classifying governmental fund balances into specifically defined classification. Classifications are hierarchical and are based primarily on the extent to which governments are bound to honor constraints on the specific purposes for which amounts in the funds may be spent. Application of the Statement requires governments to classify and report amounts in the appropriate fund balance classifications. Governmental accounting and finance policies are to be used to interpret the nature and requirements of the funds and their corresponding assignment of nonspendable, restricted, committed, assigned, or unassigned. The requirements of this Statement were effective for the financial periods beginning after June 15, 2010. Management has adopted this new pronouncement in the current year.
- Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, addresses issues related to the measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other post-employment benefit (“OPEB”) plans. Statement No. 57 amends Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The provisions of Statement No. 57 related to the use and reporting of the measurement method were effective in December 2009. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in OPEB plan financial statements for periods beginning after June 15, 2011. Adoption of this standard will not have a material effect on the financial statements of the Territory.
- Statement No. 59, *Financial Instrument Omnibus*, updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. The provisions of this Statement were effective for the periods beginning after June 15, 2010. Management has adopted this new pronouncement in the current year, and the adoption of this Statement did not have a material effect on the financial statements of the Territory.
- Statement No. 61, *The Financial Reporting Entity: Omnibus*, improves financial reporting for governmental entities by amending the requirements of Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments*, to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively. The Statement will improve the information presented about the financial reporting entity, which is comprised of a primary government and related entities (component units). The amendments to the criteria for including component units allow users of financial statements to better assess the accountability of elected officials of the primary government by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that the government determines would be misleading to include. The requirements of Statement No. 61 are effective for financial statements for periods beginning after June 15, 2012. Management is evaluating the effect that the implementation of this Statement will have on the financial statements of the Territory.

Note 15 - New Pronouncements for Financial Reporting (Continued)

- Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, incorporates into the GASB authoritative literature certain accounting and financial reporting guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements. The Statement incorporates into the GASB's authoritative literature the applicable guidance previously presented in the following pronouncements issued before November 30, 1989 - 1) FASB Statements and Interpretations, 2) Accounting Principles Board Opinions, and 3) Accounting Research Bulletins of the AICPA's committee on Accounting Procedure. The requirements of Statement No. 62 are effective for financial statements for periods beginning after December 15, 2011. Management is evaluating the effect that the implementation of this Statement will have on the financial statements of the Territory.
- Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides guidance on financial reporting of deferred inflows and outflows of resources. Under this Statement, entities report deferred outflows and inflows of resources separately from assets and liabilities in a new statement of position format. This Statement also amends Statement No. 34 and other existing standards to reflect the residual measure in the statement of financial position as net position, rather than net assets. This Statement is effective for periods beginning after December 15, 2011. Management is evaluating the effect that the implementation of this Statement will have on the financial statements of the Territory.
- Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*, improves financial reporting for state and local governments by clarifying whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement is effective for periods beginning after June 15, 2011. Adoption of this standard will not have a material effect on the financial statements of the Territory.
- Statement No. 65, *Items Previously Reported as Assets and Liabilities*, clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. This Statement is effective for periods beginning after December 15, 2012. Management is evaluating the effect that the implementation of this Statement will have on the financial statements of the Territory.
- Statement No. 66, *Technical Corrections – 2012*, enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance. This Statement amends Statements No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement is effective for periods beginning after December 15, 2012. Management is evaluating the effect that the implementation of this Statement will have on the financial statements of the Territory.

Note 15 - New Pronouncements for Financial Reporting (Continued)

- Statement No. 67, *Financial Reporting for Pension Plans*, revises existing guidance for financial reports of most pension plans. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and enhances note disclosures and required supplementary information (RSI) for pension plans. The Statement also requires the presentation of new information about annual money-weighted rates of return in notes to the financial statements and in 10-year RSI schedules. This Statement is effective for periods beginning after June 15, 2013. Management is evaluating the effect that the implementation of this Statement will have on the financial statements of the Territory.

- Statement No. 68, *Accounting and Financial Reporting for Pensions*, revises and establishes new financial reporting requirements for governments that provide employees with pension benefits. This Statement replaces the requirements of Statements No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. The Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and RSI. This Statement is effective for periods beginning after June 15, 2014. Management is evaluating the effect that the implementation of this Statement will have on the financial statements of the Territory.

REQUIRED SUPPLEMENTARY INFORMATION

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 50,085,000	\$ 50,085,000	\$ 53,490,608	\$ 3,405,608
Licenses and permits	1,000,000	1,000,000	976,012	(23,988)
Intergovernmental	13,423,000	13,423,000	13,041,078	(381,922)
Charges for services	5,705,000	5,705,000	6,306,325	601,325
Fines and fees	3,052,000	3,052,000	2,568,977	(483,023)
Interdepartmental	6,500,000	6,500,000	4,488,342	(2,011,658)
Miscellaneous	1,200,000	1,200,000	2,294,056	1,094,056
Total revenues	<u>80,965,000</u>	<u>80,965,000</u>	<u>83,165,398</u>	<u>2,200,398</u>
Expenditures:				
General government	22,734,500	22,734,500	30,936,259	(8,201,759)
Public safety	9,242,500	9,242,500	9,419,003	(176,503)
Health and recreation	7,509,000	7,509,000	4,759,923	2,749,077
Public works	6,268,000	6,268,000	5,783,791	484,209
Education and culture	28,042,500	28,042,500	23,652,256	4,390,244
Economic development	6,281,470	6,281,470	8,301,891	(2,020,421)
Total expenditures	<u>80,077,970</u>	<u>80,077,970</u>	<u>82,853,123</u>	<u>(2,775,153)</u>
Excess (deficiency) of revenues over expenditures	<u>887,030</u>	<u>887,030</u>	<u>312,275</u>	<u>(574,755)</u>
Other financing sources (uses):				
Loan proceeds	4,641,207	4,641,207	4,641,207	-
Transfers in	-	-	16,419	16,419
Transfers out	-	-	(4,573,111)	(4,573,111)
Total other financing sources (uses)	<u>4,641,207</u>	<u>4,641,207</u>	<u>84,515</u>	<u>(4,556,692)</u>
Change in fund balances	5,528,237	5,528,237	396,790	(5,131,447)
Fund balances, October 1, 2010	<u>(8,124,476)</u>	<u>(8,124,476)</u>	<u>(8,124,476)</u>	<u>-</u>
Fund balances, September 30, 2011	<u>\$ (2,596,239)</u>	<u>\$ (2,596,239)</u>	<u>\$ (7,727,686)</u>	<u>\$ (5,131,447)</u>

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SPECIAL REVENUE FEDERAL GRANTS
YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	98,780,000	98,780,000	182,497,155	83,717,155
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Interdepartmental	-	-	-	-
Miscellaneous revenue	-	-	1,638,756	1,638,756
Total revenues	<u>98,780,000</u>	<u>98,780,000</u>	<u>184,135,911</u>	<u>85,355,911</u>
Expenditures:				
General government	1,542,500	1,542,500	89,173,959	(87,631,459)
Public safety	6,808,500	6,808,500	6,614,435	194,065
Health and recreation	31,502,000	31,502,000	18,008,113	13,493,887
Public works	-	-	7,373,919	(7,373,919)
Education and culture	48,173,500	48,173,500	50,899,955	(2,726,455)
Economic development	10,753,500	10,753,500	16,234,202	(5,480,702)
Total expenditures	<u>98,780,000</u>	<u>98,780,000</u>	<u>188,304,583</u>	<u>(89,524,583)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(4,168,672)</u>	<u>(4,168,672)</u>
Other financing sources:				
Loan proceeds	-	-	-	-
Transfers in	-	-	1,983,332	(1,983,332)
Transfers out	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>1,983,332</u>	<u>(1,983,332)</u>
Change in fund balances	-	-	(2,185,340)	2,185,340
Fund balances, October 1, 2010	<u>4,514,353</u>	<u>4,514,353</u>	<u>4,514,353</u>	<u>-</u>
Fund balances, September 30, 2011	<u><u>\$ 4,514,353</u></u>	<u><u>\$ 4,514,353</u></u>	<u><u>\$ 2,329,013</u></u>	<u><u>\$ 2,185,340</u></u>