

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

**(A GOVERNMENTAL FUND OF THE
GOVERNMENT OF GUAM)**

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

YEAR ENDED SEPTEMBER 30, 2018

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Year Ended September 30, 2018
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INDEPENDENT AUDITORS' REPORT

Honorable Lou Leon Guerrero
Governor of Guam:

Report on the Financial Statements

We have audited the accompanying financial statements of the Tourist Attraction Fund and of those funds related to the Government of Guam Hotel Occupancy Tax Revenue Bonds, 2011 Series A (the Funds), which comprise the balance sheet as of September 30, 2018, and the related statement of revenues, expenditures, and changes in fund balances for the year then ended, and the related notes to the financial statements, which collectively comprise the Funds' financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Tourist Attraction Fund and of those funds related to the Government of Guam Hotel Occupancy Tax Revenue Bonds, 2011 Series A, as of September 30, 2018, and the results of their operations for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Reporting Entity

As discussed in Note 1 to the financial statements, the financial statements referred to above present only the Tourist Attraction Fund and of those funds related to the Government of Guam Hotel Occupancy Tax Revenue Bonds, 2011 Series A and are not intended to present fairly the financial position and results of operations of the Government of Guam in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 7 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

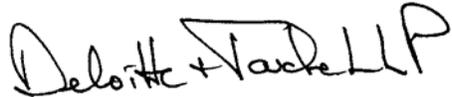
Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Other Supplementary Information, as set forth in Section IV of the foregoing table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The Other Supplementary Information is the responsibility of the Funds' management. The 2018 information on pages 18 through 24 was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States of America. In our opinion, the 2018 information on pages 18 through 24 is fairly stated, in all material respects, in relation to the financial statements as a whole.

The 2017 information on pages 18 through 24 as well as the additional information on page 25 has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2019, on our consideration of the Funds' 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Funds' internal control over financing reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Funds' internal control over financial reporting and compliance.

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

March 19, 2019

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Management's Discussion and Analysis
Year Ended September 30, 2018

Our discussion and analysis of the Government of Guam's ("GovGuam") Tourist Attraction Fund financial performance and those funds related to the GovGuam Hotel Occupancy Tax Revenue Bonds, 2011 Series A, provides an overview of financial activities for the fiscal years ended September 30, 2018 and 2017. Please read it in conjunction with the financial statements, which follow this section.

1. Financial Highlights

- For the year ended September 30, 2018, total fund balance decreased by \$4,717,507 (or 18.5%) from an ending fund balance of \$25,568,387 in 2017 to \$20,850,880 in 2018.
- During the years ended September 30, 2018 and 2017, total combined expenditures for governmental fund operations were \$48,154,670 and \$47,598,200, respectively, including expenditures relating to payments to the Guam Visitor's Bureau of \$24,785,216 and \$23,852,472, respectively; debt service requirements of \$6,995,775 and \$6,998,775, respectively; and capital-related expenditures of \$3,479,722 and \$3,229,884, respectively. These expenditures were funded mainly by Hotel Occupancy Tax (HOT) revenue collections during the years ended September 30, 2018 and 2017 of \$43,181,165 and \$44,007,074, respectively, with the remainder funded by residual bond proceeds.
- Total combined expenditures increased by \$556,470 (or 1.2%) from 2017 to 2018 due primarily to an increase of: \$2,296,566 for Guam Police Department Tumon-Tamuning Precinct operations, \$1,201,873 for Guam Fire Department operations, \$1,009,073 for Department of Chamorro Affairs and Council on the Arts and Humanities operations, and \$932,744 for payments to the Guam Visitors Bureau for tourism-related operations offset by a decrease of: \$2,918,268 for payments to the HOT Surplus Fund, \$1,198,151 for Mayors' Council of Guam operations, and \$1,125,640 for payments to the Guam Museum Fund. Total combined revenues decreased by \$613,643 (or 1.4%) from \$44,050,806 in 2017 to \$43,437,163 in 2018 due primarily to decreases in HOT collections.
- During the years ended September 30, 2018 and 2017, the Tourist Attraction Fund generated operating surpluses before transfers out to the Debt Service Fund of \$5,525,327 and \$6,643,276, respectively.

2. Overview of the Financial Statements

The financial statements include all of the activities of the Tourist Attraction Fund and of those funds related to the GovGuam Hotel Occupancy Tax Revenue Bonds, 2011 Series A. The financial statements present a balance sheet and a statement of revenues, expenditures, and changes in fund balance. The assets, liabilities and fund balances of these funds are reported in self-balancing funds.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally when they are both measurable and available. Expenditures generally are recorded in the period in which the related fund liability is incurred, as under accrual accounting, with the exception of debt service expenditures, which are recorded only when payment is due.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Management's Discussion and Analysis, Continued
Year Ended September 30, 2018

The notes to the financial statements include additional information needed to provide a further understanding of the basic financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents certain other financial information to further assist the reader in understanding the financial statements.

3. Financial Statement Analysis

Balance Sheet

The balance sheet presents information on assets, liabilities and fund balance at year-end. A condensed summary of the balance sheets is shown below as of September 30, 2018 and 2017.

	<u>2018</u>	<u>2017</u>
Assets:		
Investments	\$ 3,792,271	\$ 3,747,526
Taxes receivable	3,483,270	3,173,328
Restricted assets	<u>22,676,276</u>	<u>25,442,726</u>
Total assets	<u>\$ 29,951,817</u>	<u>\$ 32,363,580</u>
Liabilities:		
Accounts payable and other	\$ 1,527,661	\$ 1,660,278
Due to Guam Visitors Bureau	2,039,601	140,000
Due to General Fund	<u>5,533,675</u>	<u>4,994,915</u>
Total liabilities	<u>9,100,937</u>	<u>6,795,193</u>
Fund balances:		
Restricted	21,024,745	24,121,652
Committed	-	1,446,735
Unassigned	<u>(173,865)</u>	<u>-</u>
Total fund balances	<u>20,850,880</u>	<u>25,568,387</u>
Total liabilities and fund balances	<u>\$ 29,951,817</u>	<u>\$ 32,363,580</u>

Total assets decreased by \$2,411,763 (or 7.5%) from \$32,363,580 in 2017 to \$29,951,817 in 2018. This decrease was primarily the result of a decrease in restricted assets of \$3,029,190 for capital-related expenditures offset by an increase in taxes receivable of \$309,942 and an increase in restricted assets of \$262,740 for debt-related expenditures. Total liabilities increased by \$2,305,744 (or 33.9%) from \$6,795,193 in 2017 to \$9,100,937 in 2018. This increase was the result of an increase in amounts payable to the Guam Visitors Bureau of \$1,899,601 and amounts payable to the General Fund of \$538,760. Total fund balances decreased by \$4,717,507 (or 18.5%) during 2018 from \$25,568,387 to \$20,850,880. Of the total fund balance amounts presented at each respective fiscal year end, certain restrictions limit the availability of fund resources for future use. Specifically, fund balances are restricted by the bond indenture associated with the Hotel Occupancy Tax Revenue Bond, 2011 Series A, wherein these funds are restricted for (i) capital projects associated with a new Guam Museum and certain other related projects that benefit Guam's tourism industry, and (ii) future debt service.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Management's Discussion and Analysis, Continued
Year Ended September 30, 2018

Statement of Revenues, Expenses and Changes in Fund Balances

The statement of revenues, expenditures and changes in fund balance show the effect of revenues and expenditures on fund balance for the year. The statements of revenues, expenses and changes in fund balances for the years ended September 30, 2018 and 2017 are summarized as follows.

	<u>2018</u>	<u>2017</u>
Revenues:		
Hotel occupancy tax	\$ 43,181,165	\$ 44,007,074
Use of money and property	<u>255,998</u>	<u>43,732</u>
	<u>43,437,163</u>	<u>44,050,806</u>
Expenditures:		
Current:		
General government	180,742	53,532
Environmental protection	64,956	80,527
Individual and collective rights	5,039,748	5,228,826
Protection of life and property	3,978,563	480,125
Recreation	3,039,761	3,089,321
Economic development	366,033	316,676
Payments to autonomous agencies	25,009,370	24,076,626
Transfers to Guam Museum Fund	-	1,125,640
Transfers to HOT Surplus Fund	-	2,918,268
Capital projects	3,479,722	3,229,884
Debt service	<u>6,995,775</u>	<u>6,998,775</u>
	<u>48,154,670</u>	<u>47,598,200</u>
Net change in fund balances	\$ <u>(4,717,507)</u>	\$ <u>(3,547,394)</u>

Total revenues collected decreased by \$613,643 (or 1.4%) from \$44,050,806 in 2017 to \$43,437,163 in 2018. The decrease was primarily due to a decrease in HOT of \$825,909 (or 1.9%) due to a slight decrease in tourist arrivals by 31,099 (or 2%) from 1,559,487 tourists in 2017 to 1,528,388 tourists in 2018.

Total expenditures increased by \$556,470 (or 1.2%) from \$47,598,200 in 2017 to \$48,154,670 in 2018. The increase was due primarily to an increase of: \$2,296,566 for Guam Police Department Tumon-Tamuning Precinct operations, \$1,201,873 for Guam Fire Department operations, \$1,009,073 for Department of Chamorro Affairs and Council on the Arts and Humanities operations, and \$932,744 for payments to the Guam Visitors Bureau for tourism-related operations offset by a decrease of: \$2,918,268 for payments to the HOT Surplus Fund, \$1,198,151 for Mayors' Council of Guam operations, and \$1,125,640 for payments to the Guam Museum Fund.

4. Capital Assets

Public Law 30-228 authorizes the construction of the Guam Museum and certain other projects that benefit Guam's tourism industry in the amount of \$55,609,615. Capital-related expenditures amounted to \$3,479,722 in 2018 compared with \$3,229,884 in 2017. Outstanding commitments under executed contracts total \$7,678,157.

5. Long-Term Debt

In April 2011, GovGuam issued \$90,665,000 in Hotel Occupancy Tax Revenue Bonds for the purpose of constructing the Guam Museum and other related tourism projects, refunding a previous bond, and funding capitalized interest. A payment of \$28,787,786 was made to a bond escrow agent for the purpose of refunding 1997 Series A bonds with net bond proceeds amounting to \$59,760,045. The resultant long-term debt is included as a liability in GovGuam's government-wide financial statements. See note 3 to the accompanying financial statements for additional information relating to this long-term debt.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Management's Discussion and Analysis, Continued
Year Ended September 30, 2018

6. Outlook, Challenges and Opportunities

Tourist arrivals for 2019 are anticipated to make a recovery, with initial projections targeting 1.60 million visitors, a 5.5% increase compared to 2018. This growth originates from the news of increased seat capacity and additional flights from airline partners, including the following:

- Jeju Air launched its inaugural daily flight service between Japan's Kansai International Airport and Guam on July 21, 2018 adding 5,700 seats a month to Osaka.
- United Airlines is resuming its twice-daily Boeing 777 service between Guam and Narita beginning October 28, 2018, an 80% increase in available seats.
- United Airlines is restoring four weekly flights between Guam and Nagoya from December 2, 2018 adding 1,000 seats per week.
- Japan Airlines will be extending its second daily flight service from Narita to Guam through March 30, 2019.

As a direct result of the increased demand from the Japanese market, Guam will also welcome around 626 chartered flights in 2019, representing a 30.1% increase over the 481 flights in 2018. These flights will bring around 119,000 new seats, boosting Japanese arrivals to around 600,000 for 2019 - growth that has not seen since 2013.

With the decline seen in the Japan market over the last several years, the Korea market has continued to drive record breaking tourism arrivals. Korean arrivals have experienced an annual average increase of around 26.6% year over year since 2013. This unprecedented growth is expected to continue into next year, however at more modest trend where 2019 is expected to welcome around 770,000 Korean visitors, representing a slight 2.5% increase over 2018, as seats from Korea may soon reach capacity.

7. Contacting Government of Guam Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the finances of the Tourist Attraction Fund and related funds and to demonstrate accountability for money received and expended. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Director's Office, Department of Administration, Attention: Edward Birn, Director, P.O. Box 884, Hagatna, Guam 96932. Telephone No.: (671) 475-1101/1250, Facsimile: (671) 477-6788; Website address: www.doa.guam.gov.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Balance Sheet
September 30, 2018

	Tourist Attraction Fund	Capital Projects Fund	Debt Service Fund	Total
<u>ASSETS</u>				
Investments	\$ 3,792,271	\$ -	\$ -	\$ 3,792,271
Restricted assets:				
Investments	-	10,149,612	12,526,664	22,676,276
Taxes receivable	3,483,270	-	-	3,483,270
Total assets	\$ 7,275,541	\$ 10,149,612	\$ 12,526,664	\$ 29,951,817
<u>LIABILITIES</u>				
Accounts payable	\$ 1,600	\$ 690,845	\$ -	\$ 692,445
Payable to Guam Visitors Bureau	2,039,601	-	-	2,039,601
Retention payable	-	612,352	-	612,352
Accrued payroll and other	222,864	-	-	222,864
Due to General Fund	5,185,341	348,334	-	5,533,675
	7,449,406	1,651,531	-	9,100,937
Commitments				
<u>FUND BALANCES</u>				
Fund balances:				
Restricted for:				
Capital projects	-	8,498,081	-	8,498,081
Debt service	-	-	12,526,664	12,526,664
Unassigned	(173,865)	-	-	(173,865)
Total fund balances	(173,865)	8,498,081	12,526,664	20,850,880
Total liabilities and fund balances	\$ 7,275,541	\$ 10,149,612	\$ 12,526,664	\$ 29,951,817

See accompanying notes to financial statements.

GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND

Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended September 30, 2018

	Tourist Attraction Fund	Capital Projects Fund	Debt Service Fund	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Revenues:				
Taxes	\$ 43,181,165	\$ -	\$ -	\$ 43,181,165
Use of money and property	<u>23,335</u>	<u>120,075</u>	<u>112,588</u>	<u>255,998</u>
Total revenues	<u>43,204,500</u>	<u>120,075</u>	<u>112,588</u>	<u>43,437,163</u>
Expenditures:				
Current:				
General government	180,742	-	-	180,742
Individual collective rights	5,039,748	-	-	5,039,748
Protection of life and property	3,978,563	-	-	3,978,563
Environmental protection	64,956	-	-	64,956
Recreation	3,039,761	-	-	3,039,761
Economic development	366,033	-	-	366,033
Payments to Guam Visitors Bureau	24,785,216	-	-	24,785,216
Payments to University of Guam	200,000	-	-	200,000
Payments to Guam Community College	24,154	-	-	24,154
Capital projects	-	3,479,722	-	3,479,722
Debt service:				
Principal	-	-	2,110,000	2,110,000
Interest	<u>-</u>	<u>-</u>	<u>4,885,775</u>	<u>4,885,775</u>
Total expenditures	<u>37,679,173</u>	<u>3,479,722</u>	<u>6,995,775</u>	<u>48,154,670</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,525,327</u>	<u>(3,359,647)</u>	<u>(6,883,187)</u>	<u>(4,717,507)</u>
Other financing sources (uses):				
Operating transfers in	-	-	7,145,927	7,145,927
Operating transfers out	<u>(7,145,927)</u>	<u>-</u>	<u>-</u>	<u>(7,145,927)</u>
Total other financing sources (uses)	<u>(7,145,927)</u>	<u>-</u>	<u>7,145,927</u>	<u>-</u>
Net change in fund balances	(1,620,600)	(3,359,647)	262,740	(4,717,507)
Fund balances at the beginning of the year	<u>1,446,735</u>	<u>11,857,728</u>	<u>12,263,924</u>	<u>25,568,387</u>
Fund balances at the end of the year	<u>\$ (173,865)</u>	<u>\$ 8,498,081</u>	<u>\$ 12,526,664</u>	<u>\$ 20,850,880</u>

See accompanying notes to financial statements.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Notes to Financial Statements
September 30, 2018

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

The Government of Guam (GovGuam) Tourist Attraction Fund, created by 11 GCA 30107, was established to fund various recreational projects and visitor industry activities. Additionally, 11 GCA 30108 provides for 25 percent of all revenues collected by the Tourist Attraction Fund be appropriated to the Infrastructure Improvement Fund. Revenues are derived from an excise tax that is levied and imposed on transient occupants of a room or rooms in a hotel, lodging house, or similar facility in Guam. On April 13, 2011, Hotel Occupancy Tax Revenue Bonds, 2011 Series A, were issued for the purpose of refunding the Limited Obligation Infrastructure Improvement Bonds, 1997 Series A, and funding the construction of a new Guam Museum and certain other projects that benefit Guam's tourism industry. The Capital Projects Fund is used to account for the construction of capital improvement projects from bond proceeds. The Debt Service Fund is used to account for funds required by the bond indenture to redeem bond principal and to pay bond interest as such becomes due.

These funds are considered to be governmental funds and are presented as blended component units of GovGuam.

B. Fund Accounting

The accompanying financial statements present a balance sheet and a statement of revenues, expenditures, and changes in fund balances. The assets, liabilities and fund balances of the Tourist Attraction Fund and funds related to the Hotel Occupancy Tax Revenue Bonds, 2011 Series A, are reported in self-balancing funds. Transactions between funds, if any, have not been eliminated.

C. Measurement Focus and Basis of Accounting

The accompanying financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are considered available if they are collected within 90 days of the end of the current fiscal period. Revenues susceptible to accrual include excise taxes. Miscellaneous revenues from other financing sources are recognized when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures generally are recorded in the period in which the related fund liability is incurred, as under accrual accounting, with the exception of debt service expenditures, which are recorded only when payment is due.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Notes to Financial Statements
September 30, 2018

(1) Summary of Significant Accounting Policies, Continued

C. Measurement Focus and Basis of Accounting, Continued

The excise tax rate is set at eleven percent of the rental price charged or paid per occupancy per day. If the room or rooms are rented more than once within a twenty-four hour period, each time of occupancy shall be subject to the tax for such accommodations. This tax applies and is collectible when the sale is made, regardless of the time when the price is paid or delivered. It shall be paid by the consumer to the operator or owner of the hotel or rooming house facility.

D. Appropriations

Section 26 of Public Law 25-98 authorized the reprogramming and re-appropriation of appropriations from completed capital improvement projects. Specifically, all unexpended, un-obligated and unencumbered balances of the appropriations in Subsection (i) of Section 1505, Article 5, Chapter 1 of Title 5 of the Guam Code Annotated, were reprogrammed and re-appropriated.

E. Budgetary Process

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

Encumbrances are commitments related to unperformed (executory) contracts for goods or services and are generally evidenced by outstanding purchase orders, contracts, and intradepartmental work requests. Encumbrances outstanding at year end are reported within the fund balance classifications since they do not constitute expenditures or liabilities. Unencumbered appropriations normally lapse at the end of each fiscal year unless they are designated by the Legislature as representing continuing appropriations. At September 30, 2018, significant encumbrances are summarized as follows:

Tourist Attraction Fund	Capital Projects Fund	Debt Service Fund	Total
\$ <u>990,467</u>	\$ <u>7,678,157</u>	\$ <u> </u> -	\$ <u>8,668,624</u>

F. Cash and Cash Equivalents

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

G. Investments

Investments and related investment earnings of the primary government and the discretely presented component units are recorded at fair value using quoted market prices. Fair value is the price that would be received to sell an asset or paid to transfer a liability (ie, the exit price) in an orderly transaction between market participants at the date as of which the fair value of an asset or liability is determined.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Notes to Financial Statements
September 30, 2018

(1) Summary of Significant Accounting Policies, Continued

H. Receivables

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

I. Interfund Receivables/Payables

During the course of its operations, GovGuam's General Fund records transactions between individual funds for goods provided or services rendered. These balances result from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made, and are scheduled to be collected in the subsequent year. At September 30, 2018, interfund balances are as follows:

	<u>Tourist Attraction Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Due to General Fund	\$ <u>5,185,341</u>	\$ <u>348,334</u>	\$ <u> -</u>	\$ <u>5,533,675</u>

J. Restricted Assets

The bond indenture relating to the Hotel Occupancy Tax Revenue Bonds, 2011 Series A, requires amounts to be restricted for capital projects and set aside for debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets.

K. Fund Balance

Governmental fund balances are classified as follows:

- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and do not lapse at year-end.
- Unassigned - includes negative fund balances in other governmental funds.

Restricted/committed amounts are spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this.

A formal minimum fund balance policy has not been adopted.

L. Interfund Transactions

Operating transfers are used to 1) move revenues from the fund that enabling legislation or budget requires to collect them to the fund that enabling legislation or budget requires to expend them, 2) use unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and 3) record reductions in interfund loans for amounts that are not expected to be repaid.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Notes to Financial Statements
September 30, 2018

(1) Summary of Significant Accounting Policies, Continued

M. Management Estimates

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

N. Total Columns

Total columns are presented primarily to facilitate financial analysis. The Management's Discussion and Analysis includes certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a full comparative presentation. Accordingly, such information should be read in conjunction with the financial statements of the Tourist Attraction Fund and funds related to the Hotel Occupancy Tax Revenue Bonds, 2011 Series A, for the year ended September 30, 2017 from which summarized information was derived.

(2) Deposits and Investments

The deposit and investment policies of GovGuam are governed by 5 GCA 21, Investments and Deposits, in conjunction with applicable bond indentures. The Director of Administration is responsible for the safekeeping of all monies paid into the Treasury of Guam. The Director of Administration invests any monies of GovGuam that are deemed not necessary for immediate use. Legally authorized investments include securities issued or guaranteed by the U.S. Treasury or agencies of the United States government; demand and time deposits in or certificates of deposit of, or bankers' acceptances issued by, any eligible institution; corporate debt obligations, including commercial paper; certain money market funds; state and local government securities, including municipal bonds; and repurchase and investment agreements. With the exception of investments in U.S. government securities, which are explicitly or implicitly guaranteed by the United States government, all other investments must be rated Aa1/P-1 by Moody's.

Investments

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure by issuer and amount of investments in any one issuer that represents five percent (5%) or more of total investments.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, GovGuam will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are held and administered by trustees in accordance with various bond indentures for the purpose of funding capital projects that benefit Guam's tourism industry. Based on negotiated trust and custody contracts, all of these investments were held in GovGuam's name by GovGuam's custodial financial institutions at September 30, 2018.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Notes to Financial Statements
September 30, 2018

(2) Deposits and Investments, Continued

Investments, Continued

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. GovGuam does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

As of September 30, 2018, investments are classified as follows:

	<u>Tourist Attraction Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Investments:				
Mutual funds	\$ <u>3,792,271</u>	\$ <u>10,149,612</u>	\$ <u>12,526,664</u>	\$ <u>26,468,547</u>

Investments in mutual funds are measured at the Net Asset Value (NAV).

(3) Bonds Payable

On April 13, 2011, Hotel Occupancy Tax Revenue Bonds, 2011 Series A, with varying interest rates of 1% - 6.625% per annum were issued in the amount of \$90,665,000 to advance refund \$28,095,000 of outstanding 1997 Series A bonds. Of the net proceeds of \$88,547,831 (after payment of \$2,117,169 in underwriting fees, insurance, and other issuance costs), \$28,787,786 were placed in escrow, of which \$28,095,000 were used to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the 1997 Series A limited obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the government-wide financial statements of GovGuam. This advance refunding was undertaken to extend the maturity date of outstanding debt and to provide additional proceeds to fund the construction of a new Guam Museum and other projects for the benefit of Guam's tourism industry and resulted in an economic gain of \$97,720.

Annual debt service requirements to maturity for bonds payable are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 2,220,000	\$ 4,774,750	\$ 6,994,750
2020	2,345,000	4,651,988	6,996,988
2021	2,480,000	4,516,200	6,996,200
2022	2,630,000	4,369,288	6,999,288
2023	2,790,000	4,209,975	6,999,975
2024 - 2028	13,170,000	18,551,412	31,721,412
2029 - 2033	15,080,000	14,463,176	29,543,176
2034 - 2038	20,760,000	8,784,425	29,544,425
2039 - 2040	<u>16,110,000</u>	<u>1,616,225</u>	<u>17,726,225</u>
	\$ <u>77,585,000</u>	\$ <u>65,937,439</u>	\$ <u>143,522,439</u>

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Notes to Financial Statements
September 30, 2018

(3) Bonds Payable, Continued

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

- Construction Account - amounts held in this account and the interest earnings thereon do not constitute Revenues and are not pledged to the payment of the Bonds. Amounts in the Construction Account shall be used and withdrawn solely for the payment of Infrastructure Improvement Project Costs of such Infrastructure Improvement Projects, including by (1) direct payment, or (2) payment of any debt obligations issued by GovGuam to finance Infrastructure Improvement Project Costs, or (3) repayment of any advances made from any source for such Infrastructure Improvement Project Costs. The depository shall disburse moneys in the Construction Account for the purposes of the preceding sentence only upon Requisition of GovGuam stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper and lawful charge against said fund. Upon receipt of a Certificate of GovGuam that amounts in said fund are no longer required for the purpose of said fund, said amounts shall be transferred to the Revenue Fund. The Construction Account is accounted for within the Capital Projects Fund.

At September 30, 2018, \$8,498,081 of fund balance in the Capital Projects Fund is restricted for capital projects.

All pledged revenues are to be deposited into a special account entitled the "Revenue Fund." In addition, all interest and other profit derived from investments, except those in the "Construction Account," are to be transferred monthly to the "Revenue Fund." Transactions of the "Revenue Fund" are accounted for in the Tourist Attraction Fund. On the fifth day of each month following the month the revenues are deposited, the depository is to deposit into the following funds (all accounted for within the Debt Service Fund) the specified amounts in the following order of priority:

- Bond Fund - an amount equal to the sum of (1) the aggregate amount of interest to accrue on the bonds during the then current calendar month upon all bonds then outstanding, plus (2) an amount which, if paid in equal monthly installments in each month over the semiannual or annual period prior to the next principal payment date, would aggregate to the amount of the principal becoming due and payable on the outstanding serial bonds on such principal payment date, plus (3) an amount which, if paid in equal monthly installments in each month over the semiannual or annual period prior to the next principal payment date, would aggregate to the amount of mandatory sinking fund account payments required to be paid for the outstanding term bonds on such principal payment date.
- Bond Reserve Fund - an amount, if any, needed to equal the least of (1) the maximum annual debt service, (2) 10% of the proceeds received from the sale of the bonds or (3) 125% of average annual debt service on the bonds or an amount as may be specified by supplemental indentures providing for the issuance of a series of bonds. The maximum annual debt service is defined as the sum of (1) the interest falling due on the then outstanding bonds, (2) the principal amount of the outstanding serial bonds falling due by their terms, and (3) the aggregate amount of all mandatory sinking fund payments required; all as computed for the bond year in which such sum shall be the largest. Amounts in the Bond Reserve Fund are to be used for the purpose of making up any deficiency in the Bond Fund.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Notes to Financial Statements
September 30, 2018

(3) Bonds Payable, Continued

During the year ended September 30, 2018, payments for debt service totaled \$6,995,775, of which \$2,110,000 represents payment on principal. A summary of the change in bonds payable is as follows:

Bonds payable at October 1, 2017	\$ 79,695,000
Principal repayment	<u>(2,110,000)</u>
 Bonds payable at September 30, 2018	 \$ <u>77,585,000</u>

These bonds are recorded as a liability in the government-wide financial statements of GovGuam.

Tax revenues of the Tourist Attraction Fund have been pledged to repay bond principal and interest. Total debt service for the year ended September 30, 2018 amounted to \$6,995,775, which represents 16% of 2018 tax revenues collected. During the year ended September 30, 2018, total transfers from the Tourist Attraction Fund to the Debt Service Fund amounted to \$7,145,927.

At September 30, 2018, \$12,526,664 of fund balance in the Debt Service Fund is restricted for debt service purposes.

At September 30, 2018, GovGuam is of the opinion that it is in compliance with bond covenants outlined in the bond indenture.

(4) Payments to Autonomous Agencies

Public Laws 34-42 authorize the general appropriation for operations of the Guam Visitors Bureau (GVB) as well as other miscellaneous appropriations to be administered by GVB. As of September 30, 2018, the Tourist Attraction Fund recorded a payable to GVB for general appropriations of \$2,039,601. During the year ended September 30, 2018, total appropriations made to GVB from the Tourist Attraction Fund were as follows:

Operations:	
Marketing	\$ 15,710,216
General Administration	3,600,000
Destination development	1,085,000
Visitor safety and satisfaction	950,000
Sports and events	850,000
Cultural heritage and community outreach	750,000
Research	<u>600,000</u>
	<u>23,545,216</u>
 Restricted:	
Cultural Sports and Ambassador Fund	200,000
Rainy Day Fund	<u>200,000</u>
	<u>400,000</u>

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Notes to Financial Statements
September 30, 2018

(4) Payments to Autonomous Agencies, Continued

Pass-through to various non-profit organizations:	
Amot Taotao Tano Farm	25,000
Ayuda Foundation	15,000
Duk Duk Goose	50,000
Guafi Inc	25,000
Guam Humanities Council	20,000
Guam International Film Festival	50,000
Guam Symphony Society	25,000
Guam Unique Merchandise and Arts	25,000
Haya Cultural Preservation Foundation	85,000
Historic Inalahan Foundation	25,000
Humatak Foundation	75,000
Hurao Academy	50,000
Inetnon Gefpa'go Cultural Arts Program	25,000
Micronesian Conservation Trust	40,000
Micronesian Cruise Association	50,000
Pa'a Taotao Tano	50,000
Pacific War Museum Foundation	50,000
Tourism Education Council	30,000
Traditions Affirming our Seafaring Ancestry	25,000
Traditions Affirming Seafaring Islands	25,000
Ulitao	45,000
University of Guam Press	<u>30,000</u>
	<u>840,000</u>
	\$ <u>24,785,216</u>

Public Law 32-068 created the Hotel Occupancy Tax (HOT) Surplus Fund authorizing the transfer of revenue collections in excess of the revenue budget. During the year ended September 30, 2018, revenue collections did not exceed the revenue budget.

Public Law 34-42 authorizes an appropriation to the Guam Community College (GCC) for the Lodging Management Program/Prostart Program in the amount of \$24,154. During the year ended September 30, 2018, total appropriations made to GCC for the Lodging Management Program/Prostart Program amounted to \$24,154.

Public Law 34-42 authorizes an appropriation to the University of Guam (UOG) for the operations and programs of the Guampedia Foundation in the amount of \$200,000. During the year ended September 30, 2018, total appropriations made to UOG for the Guampedia Foundation amounted to \$200,000.

(5) Commitments

Public Law 30-228 authorizes the construction of the Guam Museum and certain other projects that benefit Guam's tourism industry in the amount of \$55,609,615. GovGuam has entered into certain contracts associated with these projects with capital-related expenditures of \$3,479,722 being incurred under these contracts during the year ended September 30, 2018. The remaining unliquidated contract amount of \$7,678,157 is recorded within restricted fund balance of the Capital Projects Fund in the accompanying financial statements.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Comparative Balance Sheets
September 30, 2018 and 2017

	Tourist Attraction Fund		Capital Projects Fund		Debt Service Fund	
	2018	2017	2018	2017	2018	2017
<u>ASSETS</u>						
Investments	\$ 3,792,271	\$ 3,747,526	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and cash equivalents	-	-	-	-	-	4,192,405
Investments	-	-	10,149,612	13,178,802	12,526,664	8,071,519
Taxes receivable	3,483,270	3,173,328	-	-	-	-
Total assets	\$ 7,275,541	\$ 6,920,854	\$ 10,149,612	\$ 13,178,802	\$ 12,526,664	\$ 12,263,924
<u>LIABILITIES</u>						
Accounts payable	\$ 1,600	\$ 1,600	\$ 690,845	\$ 122,042	\$ -	\$ -
Payable to Guam Visitors Bureau	2,039,601	140,000	-	-	-	-
Retention payable	-	-	612,352	998,966	-	-
Accrued payroll and other	222,864	414,592	-	123,078	-	-
Due to General Fund	5,185,341	4,917,927	348,334	76,988	-	-
Total liabilities	7,449,406	5,474,119	1,651,531	1,321,074	-	-
<u>FUND BALANCES</u>						
Fund balances:						
Restricted for:						
Capital projects	-	-	8,498,081	11,857,728	-	-
Debt service	-	-	-	-	12,526,664	12,263,924
Committed for:						
Tourism	-	1,446,735	-	-	-	-
Unassigned	(173,865)	-	-	-	-	-
Total fund balances	(173,865)	1,446,735	8,498,081	11,857,728	12,526,664	12,263,924
Total liabilities and fund balances	\$ 7,275,541	\$ 6,920,854	\$ 10,149,612	\$ 13,178,802	\$ 12,526,664	\$ 12,263,924

See accompanying independent auditors' report.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Comparative Schedules of Revenues, Expenditures by Function, and Changes in Fund Balances
Years Ended September 30, 2018 and 2017

	Tourist Attraction Fund		Capital Projects Fund		Debt Service Fund	
	2018	2017	2018	2017	2018	2017
Revenues:						
Taxes	\$ 43,181,165	\$ 44,007,074	\$ -	\$ -	\$ -	\$ -
Use of money and property	23,335	5,743	120,075	30,228	112,588	7,761
Total revenues	<u>43,204,500</u>	<u>44,012,817</u>	<u>120,075</u>	<u>30,228</u>	<u>112,588</u>	<u>7,761</u>
Expenditures:						
Current:						
General government	180,742	53,532	-	-	-	-
Individual and collective rights	5,039,748	5,228,826	-	-	-	-
Protection of life and property	3,978,563	480,125	-	-	-	-
Environmental protection	64,956	80,527	-	-	-	-
Recreation	3,039,761	3,089,321	-	-	-	-
Economic development	366,033	316,676	-	-	-	-
Payments to Guam Museum Fund	-	1,125,640	-	-	-	-
Payments to Guam Visitors Bureau	24,785,216	23,852,472	-	-	-	-
Payments to University of Guam	200,000	200,000	-	-	-	-
Payments to Guam Community College	24,154	24,154	-	-	-	-
Payments to HOT Surplus Fund	-	2,918,268	-	-	-	-
Capital projects	-	-	3,479,722	3,229,884	-	-
Debt service:						
Principal	-	-	-	-	2,110,000	2,010,000
Interest	-	-	-	-	4,885,775	4,988,775
Total expenditures	<u>37,679,173</u>	<u>37,369,541</u>	<u>3,479,722</u>	<u>3,229,884</u>	<u>6,995,775</u>	<u>6,998,775</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,525,327</u>	<u>6,643,276</u>	<u>(3,359,647)</u>	<u>(3,199,656)</u>	<u>(6,883,187)</u>	<u>(6,991,014)</u>
Other financing sources (uses):						
Operating transfers in	-	-	-	-	7,145,927	7,017,808
Operating transfers out	<u>(7,145,927)</u>	<u>(7,017,808)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses), net	<u>(7,145,927)</u>	<u>(7,017,808)</u>	<u>-</u>	<u>-</u>	<u>7,145,927</u>	<u>7,017,808</u>
Net change in fund balances	(1,620,600)	(374,532)	(3,359,647)	(3,199,656)	262,740	26,794
Fund balances at the beginning of the year	<u>1,446,735</u>	<u>1,821,267</u>	<u>11,857,728</u>	<u>15,057,384</u>	<u>12,263,924</u>	<u>12,237,130</u>
Fund balances at the end of the year	<u>\$ (173,865)</u>	<u>\$ 1,446,735</u>	<u>\$ 8,498,081</u>	<u>\$ 11,857,728</u>	<u>\$ 12,526,664</u>	<u>\$ 12,263,924</u>

See accompanying independent auditors' report.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Comparative Schedules of Revenues, Expenditures by Object, and Changes in Fund Balances
Years Ended September 30, 2018 and 2017

	Tourist Attraction Fund		Capital Projects Fund		Debt Service Fund	
	2018	2017	2018	2017	2018	2017
Revenues:						
Taxes	\$ 43,181,165	\$ 44,007,074	\$ -	\$ -	\$ -	\$ -
Use of money and property	<u>23,335</u>	<u>5,743</u>	<u>120,075</u>	<u>30,228</u>	<u>112,588</u>	<u>7,761</u>
Total revenues	<u>43,204,500</u>	<u>44,012,817</u>	<u>120,075</u>	<u>30,228</u>	<u>112,588</u>	<u>7,761</u>
Expenditures:						
Salaries and wages - regular	5,346,778	3,227,033	-	-	-	-
Salaries and wages - overtime	500,823	1,528	-	-	-	-
Salaries and wages - fringe benefits	1,515,131	1,052,145	-	-	-	-
Travel	25,292	65,456	-	-	-	-
Contractual services	1,727,079	1,994,849	974,254	1,052,137	-	-
Building rent	351,649	109,615	-	-	-	-
Supplies	815,299	684,317	-	-	-	-
Equipment	98,076	206,090	-	-	-	-
Grants and subsidies	25,009,370	28,120,534	-	-	-	-
Utilities - power and water	1,628,044	1,415,557	-	-	-	-
Communications	72,829	144,854	-	-	-	-
Capital outlays	79,140	164,897	2,505,468	2,177,747	-	-
Principal retirement	-	-	-	-	2,110,000	2,010,000
Interest and fiscal charges	-	-	-	-	4,885,775	4,988,775
Miscellaneous	<u>509,663</u>	<u>182,666</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>37,679,173</u>	<u>37,369,541</u>	<u>3,479,722</u>	<u>3,229,884</u>	<u>6,995,775</u>	<u>6,998,775</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,525,327</u>	<u>6,643,276</u>	<u>(3,359,647)</u>	<u>(3,199,656)</u>	<u>(6,883,187)</u>	<u>(6,991,014)</u>
Other financing sources (uses):						
Operating transfers in	-	-	-	-	7,145,927	7,017,808
Operating transfers out	<u>(7,145,927)</u>	<u>(7,017,808)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses), net	<u>(7,145,927)</u>	<u>(7,017,808)</u>	<u>-</u>	<u>-</u>	<u>7,145,927</u>	<u>7,017,808</u>
Net change in fund balances	(1,620,600)	(374,532)	(3,359,647)	(3,199,656)	262,740	26,794
Fund balances at the beginning of the year	<u>1,446,735</u>	<u>1,821,267</u>	<u>11,857,728</u>	<u>15,057,384</u>	<u>12,263,924</u>	<u>12,237,130</u>
Fund balances at the end of the year	<u>\$ (173,865)</u>	<u>\$ 1,446,735</u>	<u>\$ 8,498,081</u>	<u>\$ 11,857,728</u>	<u>\$ 12,526,664</u>	<u>\$ 12,263,924</u>

See accompanying independent auditors' report.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Schedule of Expenditures by Department by Object
Years Ended September 30, 2018 and 2017

	2018	2017
Office of I Maga'lahaen Guahan:		
Office of Veteran's Affairs:		
Supplies	\$ 1,048	\$ -
Department of Administration:		
Commission on Chamoru Language and the Teaching of the History and Culture of the Indigenous People of Guam:		
Salaries and wages - regular	3,669	-
Salaries and wages - fringe benefits	1,112	-
Travel	17,703	-
Contractual services	76,628	-
Supplies	24,204	-
Equipment	9,593	-
Miscellaneous	4,428	-
	137,337	-
Division of Accounts:		
Contractual services	20,500	32,000
Principal retirement	2,110,000	2,010,000
Interest and fiscal charges	4,885,775	4,988,775
Miscellaneous	18,577	19,902
	7,034,852	7,050,677
Total Department of Administration	7,172,189	7,050,677
Department of Revenue and Taxation:		
Office of the Director:		
Contractual services	3,277	1,630
Guam Fire Department:		
Office of the Chief:		
Salaries and wages - overtime	500,499	-
Travel	3,487	-
Contractual services	140,509	-
Building rent	148,200	-
Utilities - power and water	309,196	-
Communications	4,489	-
Miscellaneous	95,493	-
Total Guam Fire Department	1,201,873	-
Guam Police Department:		
Tumon-Tamuning Precinct:		
Salaries and wages - regular	2,027,408	117,368
Salaries and wages - fringe benefits	671,177	40,777
Supplies	19,527	18,316
Equipment	18,079	182,164
Capital outlays	40,500	121,500
Total Guam Police Department	2,776,691	480,125
Department of Agriculture:		
Office of the Director:		
Salaries and wages - regular	-	30,829
Salaries and wages - overtime	-	877
Salaries and wages - fringe benefits	-	13,334
	-	45,040
Invasive Species:		
Salaries and wages - regular	67,186	53,923
Salaries and wages - overtime	153	651
Salaries and wages - fringe benefits	28,636	24,106
Contractual services	1,606	4,735
Supplies	2,515	639
Utilities - power and water	112,857	128,535
Communications	5,472	6,080
	218,425	218,669

See accompanying independent auditors' report.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Schedule of Expenditures by Department by Object, Continued
Years Ended September 30, 2018 and 2017

	2018	2017
Department of Agriculture, Continued:		
Animal Control:		
Salaries and wages - regular	99,782	24,174
Salaries and wages - overtime	171	-
Salaries and wages - fringe benefits	39,146	11,668
Travel	4,102	2,869
Contractual services	827	3,280
Supplies	3,580	10,976
	147,608	52,967
Total Department of Agriculture	366,033	316,676
Guam Environmental Protection Agency:		
Beach Monitoring:		
Salaries and wages - regular	30,087	34,567
Salaries and wages - fringe benefits	10,511	11,763
Travel	-	5,052
Supplies	24,359	28,555
Equipment	-	589
Total Guam Environmental Protection Agency	64,957	80,526
Department of Parks and Recreation:		
Office of the Director:		
Salaries and wages - regular	465,601	456,565
Salaries and wages - fringe benefits	160,598	171,869
Contractual services	78,092	56,466
Supplies	15,817	-
Utilities - power and water	9,063	124,322
Communications	34,130	26,780
	763,301	836,002
Maintenance and Repair of Public Restrooms:		
Contractual services	389,073	336,842
Supplies	25,165	68,036
Utilities - power and water	403,181	278,916
	817,419	683,794
Memorial Services:		
Salaries and wages - regular	22,400	28,831
Salaries and wages - fringe benefits	6,205	15,162
	28,605	43,993
Community Programs:		
Salaries and wages - regular	225,811	181,836
Salaries and wages - fringe benefits	79,965	62,367
	305,776	244,203
Pool and Beach:		
Salaries and wages - regular	234,234	228,426
Salaries and wages - fringe benefits	83,525	85,745
	317,759	314,171
Paseo Stadium		
Salaries and wages - regular	66,890	26,565
Salaries and wages - fringe benefits	25,148	10,923
	92,038	37,488
Parks Administration and Planning:		
Salaries and wages - regular	50,091	40,686
Salaries and wages - fringe benefits	17,602	11,483
	67,693	52,169
Historic Preservation Division:		
Salaries and wages - regular	5,259	-
Salaries and wages - fringe benefits	2,153	-
	7,412	-
Parks Maintenance:		
Salaries and wages - regular	366,973	504,800
Salaries and wages - fringe benefits	141,420	176,430
	508,393	681,230

See accompanying independent auditors' report.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Schedule of Expenditures by Department by Object, Continued
Years Ended September 30, 2018 and 2017

	2018	2017
Department of Parks and Recreation, Continued:		
Territorial Park Protection:		
Salaries and wages - regular	100,526	148,908
Salaries and wages - fringe benefits	30,839	47,363
	131,365	196,271
Total Department of Parks and Recreation	3,039,761	3,089,321
Mayors' Council of Guam:		
Operations:		
Salaries and wages - regular	969,241	1,349,555
Salaries and wages - fringe benefits	692	369,155
Travel	-	11,977
Contractual services	8,203	122,548
Building rent	-	109,615
Supplies	-	40,061
Equipment	-	1,468
Utilities - power and water	544,380	883,784
Communications	-	78,132
Capital outlays	14,500	14,500
Miscellaneous	-	13,417
	1,537,016	2,994,212
Island-wide Village Beautification:		
Contractual services	123,406	121,416
Supplies	240,124	181,067
Equipment	27,714	3,574
Capital outlays	-	13,998
	391,244	320,055
Village Street Maintenance and Beautification:		
Travel	-	45,558
Contractual services	287,667	190,292
Supplies	443,082	336,667
Equipment	34,488	18,295
Communications	28,738	33,862
Capital outlays	24,141	14,899
Miscellaneous	81,605	103,347
	899,721	742,920
Annual Massacre Memorial Event:		
Contractual services	21,709	-
Supplies	7,700	-
Miscellaneous	1,646	-
	31,055	-
Total Mayors' Council of Guam	2,859,036	4,057,187
Council on the Arts and Humanities:		
Operations:		
Salaries and wages - regular	100,168	-
Salaries and wages - fringe benefits	35,694	-
Supplies	3,885	-
Miscellaneous	275,178	-
	414,925	-
Guam Territorial Band:		
Miscellaneous	32,733	46,000
Total Council on the Arts and Humanities	447,658	46,000
Department of Chamorro Affairs:		
Office of the Director:		
Salaries and wages - regular	152,995	-
Salaries and wages - fringe benefits	53,294	-
Contractual services	33,785	-
Building rent	43,068	-
Supplies	4,293	-
	287,435	-

See accompanying independent auditors' report.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Schedule of Expenditures by Department by Object, Continued
Years Ended September 30, 2018 and 2017

	2018	2017
Department of Chamorro Affairs, Continued:		
Chamorro Village:		
Salaries and wages - regular	155,410	-
Salaries and wages - fringe benefits	56,327	-
	211,737	-
Hagatna Restoration and Redevelopment:		
Salaries and wages - regular	67,870	-
Salaries and wages - fringe benefits	22,749	-
Building rent	40,626	-
	131,245	-
Guam Museum:		
Salaries and wages - regular	135,177	-
Salaries and wages - fringe benefits	48,339	-
Contractual services	550,000	1,125,640
Building rent	119,755	-
Utilities - power and water	249,367	-
	1,102,638	1,125,640
Total Department of Chamorro Affairs	1,733,055	1,125,640
Restoration of Pale San vitores Road:		
Contractual services	78,500	-
Guam Museum:		
Contractual services	55,932	579,040
Capital outlays	1,071,877	1,181,088
Total Guam Museum	1,127,809	1,760,128
San Vitores Flooding:		
Contractual services	157,958	234,622
Capital outlays	517,067	376,979
Total San Vitores Flooding	675,025	611,601
Hagatna Master Plan:		
Contractual services	556,604	35,000
Capital outlays	176,000	-
Total Hagatna Master Plan	732,604	35,000
Design/Construction of Guam Farmer's Cooperative Association Facility and Dededo Flea Market Relocation:		
Contractual services	-	36,000
Improvement/Construction of Fisherman's Coop:		
Capital outlays	450,000	450,000
Tumon Bay Improvements:		
Contractual services	125,260	167,475
Capital outlays	290,524	169,680
Total Tumon Bay Improvements	415,784	337,155
Guam Museum Fund:		
Grants and subsidies	-	1,125,640
Guam Visitors Bureau:		
Grants and subsidies	24,785,216	23,852,472
University of Guam:		
Grants and subsidies	200,000	200,000
Guam Community College:		
Grants and subsidies	24,154	24,154
HOT Surplus Fund:		
Grants and subsidies	-	2,918,268
	\$ 48,154,670	\$ 47,598,200

See accompanying independent auditors' report.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Schedule of Construction Project Status
Year Ended September 30, 2018

	Expenditures				
	Total Budget	Year Ended September 30, 2018	Cumulative Expenditures	Outstanding Encumbrances	Continuing Appropriations
Tumon Bay Capital Projects:					
Reconstruction of Pale San Vitores Road	\$ 3,476,119	\$ 78,500	\$ 3,421,749	\$ -	\$ 54,370
Sub-Total	<u>3,476,119</u>	<u>78,500</u>	<u>3,421,749</u>	<u>-</u>	<u>54,370</u>
Development of the Guam and Chamorro Educational Facility:					
GEDA - RW Armstrong Consulting Fee	2,866,286	-	2,866,286	-	-
Sub-Total	<u>2,866,286</u>	<u>-</u>	<u>2,866,286</u>	<u>-</u>	<u>-</u>
GEDA Projects:					
Guam and Chamorro Educational Facility	26,863,130	1,127,809	19,625,107	281,100	6,956,923
Historic Hagatna Projects	1,389,855	-	1,367,837	-	22,018
Crosswalk from Skinner Plaza to Chamorro Village	198,409	-	42,483	-	155,926
Inarajan Community Center Restoration	836,618	-	836,502	-	116
Malesso Bell Tower Restoration and Rehabilitation	362,013	-	70,778	-	291,235
Design/Construction of Guam Farmer's Cooperative Association Facility and Dededo Flea Market Relocation	3,817,097	-	3,596,234	-	220,863
Design/Construction of Village Entrance Signs for 19 Municipalities	427,998	-	427,998	-	-
Tumon Bay Improvements	744,523	415,784	797,632	98,095	(151,204)
Pale San Vitores Road Streetlight Renovation	601	-	601	-	-
Primary or Supplemental Funding for Hagatna Master Plan Projects	6,076,732	732,604	967,604	5,071,472	37,656
Other HOT Bond projects	10,675,325	-	-	-	10,675,325
San Vitores Flooding	4,033,339	675,025	2,444,944	127,490	1,460,905
Historic Monument and Plaza					
Commemorating Ferdinand Magellan's Visit to Umatac Bay	188,254	-	33,954	-	154,300
Improve Public Facilities Near Fish Eye Pier	128,821	-	128,821	-	-
Mangilao Public Market Improvements	52,466	-	52,466	-	-
Agana Bay Vicinity Streetlight Renovation	421	-	421	-	-
Restoration and Repair of Scenic Byways, Overlooks, and Historic Sites	608,386	-	608,386	-	-
Design and Construction of Permanent Monument for Senator Angel Santos Park	201,599	-	201,599	-	-
Scenic and Informational Highway Signs	4,209	-	4,209	-	-
Hagatna Tennis Court Improvements	157,254	-	157,254	-	-
Hagatna Pool Improvements	145,748	-	145,748	-	-
Public Park at Faifai and Gognga	14,374	-	14,374	-	-
Nimitz Beach Improvements	268,929	-	268,929	-	-
Guam Fishermen's Cooperative	2,000,000	450,000	900,000	1,100,000	-
Dock Facility	1,003,478	-	-	1,000,000	3,478
Guam Preservation Trust Reimbursement	4,288,811	-	4,288,811	-	-
Sub-Total	<u>64,488,390</u>	<u>3,401,222</u>	<u>36,982,692</u>	<u>7,678,157</u>	<u>19,827,541</u>
	<u>\$ 70,830,795</u>	<u>\$ 3,479,722</u>	<u>\$ 43,270,727</u>	<u>\$ 7,678,157</u>	<u>\$ 19,881,911</u>

See accompanying independent auditors' report.

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

Honorable Lou Leon Guerrero
Governor of Guam:

We have audited, 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, the financial statements of the Tourist Attraction Fund and of those funds related to the Government of Guam Hotel Occupancy Tax Revenue Bonds, 2011 Series A (the Funds) as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Funds' financial statements, and have issued our report thereon dated March 19, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Funds' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control. Accordingly, we do not express an opinion on the effectiveness of the Funds' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

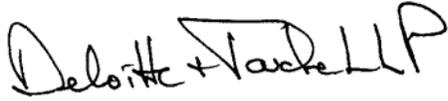
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

March 19, 2019