

*Financial Statements, Required Supplementary Information,
Supplementary and Other Information,
and Compliance and Internal Control*

Government of Guam
**Tourist Attraction Special Revenue Fund,
Capital Projects Fund, and Debt Service Fund**
(Governmental Funds of the Government of Guam)

*Year ended September 30, 2020
with Report of Independent Auditors*



Government of Guam
Tourist Attraction Special Revenue Fund, Capital Projects Fund,
And Debt Service Fund
(Governmental Funds of the Government of Guam)

Financial Statements, Required Supplementary Information,
Supplementary and Other Information, and Compliance and Internal Control

Year ended September 30, 2020

Contents

Report of Independent Auditors	1
Management’s Discussion and Analysis.....	4
Financial Statements	
Balance Sheets	10
Statements of Revenues, Expenditures and Changes in Fund Balances.....	11
Notes to Financial Statements	12
Supplementary and Other Information	
Schedule 1 – Comparative Balance Sheets	21
Schedule 2 – Comparative Statements of Revenues, Expenditures by Function and Changes in Fund Balances	22
Schedule 3 – Comparative Statements of Revenues, Expenditures by Object and Changes in Fund Balances	23
Schedule 4 – Schedule of Expenditures by Department by Object	24
Schedule 5 – Schedule of Construction Project Status	29
Schedule 6 – Annual Debt Service Requirements to Maturity.....	30
Compliance and Internal Control	
Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	31



Ernst & Young LLP
231 Ypao Road
Suite 201 Ernst & Young Building
Tamuning, Guam 96913

Tel: +1 671 649 3700
Fax: +1 671 649 3920
ey.com

Report of Independent Auditors

Honorable Lou Leon Guerrero
Governor of Guam

Report on the Financial Statements

We have audited the accompanying financial statements of the Tourist Attraction Special Revenue Fund, Capital Projects Fund, and Debt Service Fund 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, 2020, 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 conformity with U.S. generally accepted accounting principles; 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Tourist Attraction Special Revenue Fund, Capital Projects Fund, and Debt Service Fund related to the Government of Guam Hotel Occupancy Tax Revenue Bonds, 2011 Series A, as of September 30, 2020, and the results of their operations for the year then ended in conformity with U.S. generally accepted accounting principles.

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 Special Revenue Fund, Capital Projects Fund, and Debt Service Fund 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 U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Coronavirus Pandemic Economic Uncertainty

As discussed in Note 6 to the financial statements, the coronavirus pandemic has resulted in an economic uncertainty that could have an adverse impact on the future operations of the Funds. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 4 through 9 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 which 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, 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Funds' financial statements. The supplementary and other information included in pages 21 through 30 is presented for purposes of additional analysis and is not a required part of the financial statements.

Supplementary and Other Information, continued

The 2020 supplementary and other information included in pages 21 through 28 is the responsibility of the Funds' management and 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. In our opinion, the 2020 information on pages 21 through 28 is fairly stated, in all material respects, in relation to the financial statements as a whole.

The 2019 information on pages 21 through 28 as well as the additional information on pages 29 through 30 have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2021, 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.

Ernst + Young LLP

March 31, 2021

Government of Guam
Tourist Attraction Special Revenue Fund, Capital Projects Fund,
and Debt Service Fund
(Governmental Funds of the Government of Guam)

Management's Discussion and Analysis

Our discussion and analysis of the Government of Guam (GovGuam) Tourist Attraction Special Revenue Fund, Capital Projects Fund, and Debt Service Fund related to the GovGuam Hotel Occupancy Tax Revenue Bonds, 2011 Series A (the Funds), provides an overview of financial activities for the fiscal years ended September 30, 2020 and 2019. Please read it in conjunction with the financial statements, which follow this section. These financial statements present in columns form the Funds' revenues and expenditures and an aggregate total column.

1. Financial Highlights

For the fiscal year ended September 30, 2020, total fund balance decreased by \$1,303,226 (or 6%) from an ending fund balance of \$22,102,507 in 2019 to \$20,799,281 in 2020.

During the years ended September 30, 2020 and 2019, total combined expenditures for governmental fund operations were \$35,672,494 and \$43,906,632, respectively, including expenditures relating to payments to the Guam Visitor's Bureau of \$15,430,306 and \$22,335,216, respectively; debt service requirements of \$6,996,988 and \$6,994,750, respectively; and capital expenditures of \$120,758 and \$733,897, respectively. These expenditures were funded mainly by Hotel Occupancy Tax revenue collections during the years ended September 30, 2020 and 2019 of \$26,366,511 and \$44,701,482, respectively, with the remainder funded by residual bond proceeds.

Total combined expenditures decreased by \$8,234,138 (or 19%) from 2019 to 2020 due primarily to an decrease of: \$6,904,910 in payments to Guam Visitors Bureau, \$1,218,268 for Mayor's Council of Guam operations, \$613,139 in capital projects expenditures, \$266,547 for Recreational operations and offset increases of: \$295,054 for operations under the Guam Police Department, \$169,386 for expenditures under the Department of Administration, \$101,397 for expenditures under the Department of Public Works and \$97,126 for expenditures under the Guam Fire Department. Total combined revenues decreased by \$18,455,604 (or 41%) from \$45,158,259 in 2019 to \$26,702,655 in 2020 due primarily to the corona virus pandemic which severely hampered tourist arrivals.

During the years ended September 30, 2020 and 2019, the Tourist Attraction Special Revenue Fund generated an operating deficit and a surplus before transfers out to the Debt Service Fund of \$(2,150,300) and \$8,595,507, respectively.

Government of Guam
Tourist Attraction Special Revenue Fund, Capital Projects Fund,
and Debt Service Fund
(Governmental Funds of the Government of Guam)

Management's Discussion and Analysis, continued

2. Overview of the Financial Statements

The financial statements include all of the activities of the Tourist Attraction Special Revenue Fund, Capital Projects Fund, and Debt Service Fund related to the GovGuam Hotel Occupancy Tax Revenue Bonds, 2011 Series A. The financial statements present balance sheets and statements 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. These 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 when payment is due.

The notes to the financial statements include additional information helpful to an understanding of the financial statements.

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

Government of Guam
 Tourist Attraction Special Revenue Fund, Capital Projects Fund,
 and Debt Service Fund
 (Governmental Funds of the Government of Guam)

Management's Discussion and Analysis, continued

3. Financial Statement Analysis

Balance Sheets

The balance sheets present information on assets, liabilities and fund balance at year-end. A condensed summary of the balance sheets is shown below:

	September 30,	
	<u>2020</u>	<u>2019</u>
Assets		
Investments	\$ 1,168,665	\$ 5,193,578
Tax receivables	1,134,326	3,122,747
Restricted assets	21,405,610	20,673,671
Due from General Fund	<u>---</u>	<u>659,183</u>
Total assets	<u>\$23,708,601</u>	<u>\$29,649,179</u>
Liabilities		
Accounts payable and other	\$ 606,729	\$ 706,129
Due to General Fund	<u>2,302,591</u>	<u>6,840,543</u>
Total liabilities	<u>2,909,320</u>	<u>7,546,672</u>
Fund Balances		
Restricted	20,799,281	20,675,615
Committed	<u>---</u>	<u>1,426,892</u>
Total fund balances	<u>20,799,281</u>	<u>22,102,507</u>
Total liabilities and fund balances	<u>\$23,708,601</u>	<u>\$29,649,179</u>

Total assets decreased by \$5,940,578 (or 20%) from \$29,649,179 in 2019 to \$23,708,601 in 2020. This decrease was primarily the result of a decrease in investments of \$4,024,913 and \$1,988,421 decrease in tax receivables, offset by an increase in restricted assets of \$731,939. Total liabilities decreased by \$4,637,352 (or 61%) from \$7,546,672 in 2019 to \$2,909,320 in 2020. This decrease primarily was the result of decreases in amounts due to the general fund of \$4,537,952 and accounts payable and other of \$99,400. Total fund balances decreased by \$1,303,226 (or 6%) during 2019 from \$22,102,507 to \$20,799,281 in 2020. 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 Special Revenue Fund, Capital Projects Fund,
 and Debt Service Fund
 (Governmental Funds of the Government of Guam)

Management's Discussion and Analysis, continued

3. Financial Statement Analysis, continued

Statements of Revenues, Expenditures and Changes in Fund Balances

The statements 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, expenditures and changes in fund balances are summarized as follows:

	September 30,	
	<u>2020</u>	<u>2019</u>
Revenues:		
Hotel occupancy tax	\$ 26,366,511	\$44,701,482
Use of money and property	<u>336,144</u>	<u>456,777</u>
Total revenues	<u>26,702,655</u>	<u>45,158,259</u>
Expenditures:		
Current:		
General government	447,377	178,533
Environmental protection	94,614	86,983
Individual and collective rights	2,657,431	3,932,189
Protection of life and property	6,226,806	5,834,626
Recreation	3,011,663	3,278,210
Economic development	322,455	308,074
Payments to Guam Visitors Bureau	15,430,306	22,335,216
Payments to University of Guam	199,997	200,000
Payments to Hagatna Restoration and Redevelopment Agency	164,099	---
Payments to Guam Community College	---	24,154
Capital projects	120,758	733,897
Debt service	<u>6,996,988</u>	<u>6,994,750</u>
Total expenditures	<u>35,672,494</u>	<u>43,906,632</u>
(Deficiency) excess of revenues (under) over expenditures	(8,969,839)	1,251,627
Transfers in	<u>7,666,613</u>	<u>----</u>
Net change in fund balances	\$(<u>1,303,226</u>)	\$ <u>1,251,627</u>

Total revenues collected from hotel occupancy taxes decreased by \$18,334,971 (or 41%) from \$44,701,482 in 2019 to \$26,366,511 in 2020. The decrease was primarily due to the coronavirus pandemic which hindered tourist arrivals with a decrease of 873,664 (or 54%) from 1,631,049 tourists in 2019 to 757,385 tourists in 2020.

Government of Guam
Tourist Attraction Special Revenue Fund, Capital Projects Fund,
and Debt Service Fund
(Governmental Funds of the Government of Guam)

Management's Discussion and Analysis, continued

3. Financial Statement Analysis, continued

Statements of Revenues, Expenses and Changes in Fund Balances, continued

Total expenditures decreased by \$8,234,138 (or 19%) from \$43,906,632 in 2019 to \$35,672,494 in 2020. The decrease was due primarily to reductions of: \$6,904,910 for payments to Guam Visitors Bureau, \$1,218,268 of Mayor's Council of Guam operational expenses, \$613,139 of capital projects expenses and \$266,547 of Department of Recreation expenses. Notable offset expenditure increases include \$295,054 for expenditures under the Guam Police Department, \$169,386 for expenditures under the Department of Administration, \$101,397 for expenditures under the Department of Public Works and \$97,126 for expenditures under the Guam Fire Department.

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 \$120,758 in 2020 compared with \$733,897 in 2019. The cumulative expenditures as of fiscal year 2020 ending is \$44,125,382. Outstanding commitments for projects total \$6,952,635. The outstanding or pending contracts and amounts consist of Guam and Chamorro Educational Facility for \$153,460, primary or supplemental funding for Hagatna Master plan projects for \$4,699,175, Guam Fishermen's Cooperative for \$1,100,000 and a Dock Facility for \$1,000,000. The outstanding commitments will be funded from bond proceeds set aside in the Capital Projects fund.

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 and Schedule 6 for additional information relating to this long-term debt.

As a result of the decrease in interest rates generally prevailing during the current public health emergency, GovGuam saw an opportunity to refinance the remaining outstanding debt and reduce the debt service for this obligation. \$71,655,466 in outstanding debt was refinanced with bonds carrying a par value of \$58,865,000. Net present value savings on the transaction was 19.0% and the all-in True Interest Cost for the bonds sold in this transaction was 3.23%. The transaction closed on March 31, 2021.

Government of Guam
Tourist Attraction Special Revenue Fund, Capital Projects Fund,
and Debt Service Fund
(Governmental Funds of the Government of Guam)

Management's Discussion and Analysis, continued

6. Outlook, Challenges and Opportunities

The worldwide outbreak of the COVID-19 had an immediate and drastic effect on tourism. The reduction began in February 2020 and resulted in a complete standstill to tourism in March 2020. It is anticipated that tax revenues from hotels deriving income from providing quarantine sheltering will provide sufficient funding for debt payments during FY2021, however, FY2021 revenues will be severely impacted, requiring significant reductions to unrestricted expenditures, including payments to Guam Visitors Bureau.

7. Contacting Government of Guam Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, creditors and bondholders with a general overview of the finances of the Tourist Attraction Special Revenue Fund, Capital Projects Fund, and Debt Service Fund 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, Email: edward.birn@doa.guam.gov; Website address: www.doa.guam.gov.

Government of Guam
 Tourist Attraction Special Revenue Fund, Capital Projects Fund,
 and Debt Service Fund
 (Governmental Funds of the Government of Guam)

Balance Sheets

September 30, 2020

	<u>Tourist Attraction Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Assets				
Investments	\$ 1,168,665	\$ ---	\$ ---	\$ 1,168,665
Restricted assets:				
Investments	---	8,639,398	12,766,212	21,405,610
Taxes receivable	<u>1,134,326</u>	<u>---</u>	<u>---</u>	<u>1,134,326</u>
Total assets	<u>\$ 2,302,991</u>	<u>\$ 8,639,398</u>	<u>\$ 12,766,212</u>	<u>\$ 23,708,601</u>
Liabilities				
Retention payable	\$ ---	\$ 529,341	\$ ---	\$ 529,341
Accrued payroll and other	77,388	---	---	77,388
Due to General Fund	<u>2,225,603</u>	<u>76,988</u>	<u>---</u>	<u>2,302,591</u>
Total liabilities	<u>2,302,991</u>	<u>606,329</u>	<u>---</u>	<u>2,909,320</u>
Fund Balances				
Fund balances:				
Restricted assets:				
Restricted for:				
Capital projects	---	8,033,069	---	8,033,069
Debt service	<u>---</u>	<u>---</u>	<u>12,766,212</u>	<u>12,766,212</u>
Total fund balances	<u>---</u>	<u>8,033,069</u>	<u>12,766,212</u>	<u>20,799,281</u>
Total liabilities and fund balances	<u>\$ 2,302,991</u>	<u>\$ 8,639,398</u>	<u>\$ 12,766,212</u>	<u>\$ 23,708,601</u>

See accompanying notes.

Government of Guam
 Tourist Attraction Special Revenue Fund, Capital Projects Fund,
 and Debt Service Fund
 (Governmental Funds of the Government of Guam)

Statements of Revenues, Expenditures and Changes in Fund Balances

Year ended September 30, 2020

	<u>Tourist Attraction Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Revenues:				
Taxes	\$ 26,366,511	\$ ---	\$ ---	\$ 26,366,511
Use of money and property	<u>37,937</u>	<u>217,395</u>	<u>80,812</u>	<u>336,144</u>
Total revenues	<u>26,404,448</u>	<u>217,395</u>	<u>80,812</u>	<u>26,702,655</u>
Expenditures:				
Current:				
General government	447,377	---	---	447,377
Individual and collective rights	2,657,431	---	---	2,657,431
Protection of life and property	6,226,806	---	---	6,226,806
Environmental protection	94,614	---	---	94,614
Recreation	3,011,663	---	---	3,011,663
Economic development	322,455	---	---	322,455
Payments to Guam Visitors Bureau	15,430,306	---	---	15,430,306
Payments to University of Guam	199,997	---	---	199,997
Payments to Hagatna Restoration and Redevelopment Agency	164,099	---	---	164,099
Capital projects	---	120,758	---	120,758
Debt service:				
Principal	---	---	2,345,000	2,345,000
Interest	---	---	4,651,988	4,651,988
Total expenditures	<u>28,554,748</u>	<u>120,758</u>	<u>6,996,988</u>	<u>35,672,494</u>
(Deficiencies) excess of revenues (under) over expenditures	(<u>2,150,300</u>)	<u>96,637</u>	(<u>6,916,176</u>)	(<u>8,969,839</u>)
Other financing sources (uses):				
Transfers in	7,666,613	---	7,602,388	15,269,001
Transfers out	(<u>7,602,388</u>)	---	---	(<u>7,602,388</u>)
Total other financing sources, net	<u>64,225</u>	<u>---</u>	<u>7,602,388</u>	<u>7,666,613</u>
Net change in fund balances	(<u>2,086,075</u>)	<u>96,637</u>	<u>686,212</u>	(<u>1,303,226</u>)
Fund balances at the beginning of the year, restated	<u>2,086,075</u>	<u>7,936,432</u>	<u>12,080,000</u>	<u>22,102,507</u>
Fund balances at the end of the year	<u>\$ ---</u>	<u>\$ 8,033,069</u>	<u>\$ 12,766,212</u>	<u>\$ 20,799,281</u>

See accompanying notes.

Government of Guam
Tourist Attraction Special Revenue Fund, Capital Projects Fund,
and Debt Service Fund
(Governmental Funds of the Government of Guam)

Notes to Financial Statements

Year ended September 30, 2020

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 Special Revenue Fund, Capital Projects Fund, and Debt Service Fund.

Reporting Entity

The Government of Guam (GovGuam) Tourist Attraction Special Revenue 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 Special Revenue 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.

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 Special Revenue Fund, Capital Projects Fund, and Debt Service 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.

Government of Guam
Tourist Attraction Special Revenue Fund, Capital Projects Fund,
and Debt Service Fund
(Governmental Funds of the Government of Guam)

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

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.

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.

Appropriations

Section 26 of Public Law 25-98 authorized the reprogramming and re-appropriation of appropriations from completed capital improvement projects. Specifically, all unexpended, unobligated 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.

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.

Government of Guam
 Tourist Attraction Special Revenue Fund, Capital Projects Fund,
 and Debt Service Fund
 (Governmental Funds of the Government of Guam)

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Budgetary Process, continued

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, 2020, significant encumbrances are summarized as follows:

Tourist Attraction Special Revenue <u>Fund</u>	Capital Projects <u>Fund</u>	Debt Service <u>Fund</u>	<u>Total</u>
\$ <u>1,389,790</u>	\$ <u>6,952,635</u>	\$ <u>---</u>	\$ <u>8,342,425</u>

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.

Receivables

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

GovGuam General Fund 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) 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, 2020, amounts due to GovGuam General Fund are as follows:

	Tourist Attraction Special Revenue <u>Fund</u>	Capital Projects <u>Fund</u>	Debt Service <u>Fund</u>	<u>Total</u>
Due to General Fund	\$ <u>2,225,603</u>	\$ <u>76,988</u>	\$ <u>---</u>	\$ <u>2,302,591</u>

Government of Guam
Tourist Attraction Special Revenue Fund, Capital Projects Fund,
and Debt Service Fund
(Governmental Funds of the Government of Guam)

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

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.

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.

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.

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.

Government of Guam
 Tourist Attraction Special Revenue Fund, Capital Projects Fund,
 and Debt Service Fund
 (Governmental Funds of the Government of Guam)

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

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 Special Revenue Fund, Capital Project Fund, and Debt Service Fund related to the Hotel Occupancy Tax Revenue Bonds, 2011 Series A, for the year ended September 30, 2019 from which summarized information was derived.

Restatement of Beginning Fund Balances

In fiscal year 2020, the management of the Funds concluded that interfund balances and related transfers recorded in prior year were incorrectly stated. The amounts were corrected during the government-wide audit in prior year as shown below:

	As Previously <u>Reported</u>	<u>Adjustment</u>	<u>Restated</u>
Tourist Attraction Special Revenue Fund			
Net position, October 1, 2019	\$ 1,426,892	\$659,183	\$ 2,086,075
Debt Service Fund			
Net position, October 1, 2019	\$12,739,183	\$(659,183)	\$12,080,000

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.

Government of Guam
 Tourist Attraction Special Revenue Fund, Capital Projects Fund,
 and Debt Service Fund
 (Governmental Funds of the Government of Guam)

Notes to Financial Statements, continued

2. Deposits and Investments, continued

Investments, continued

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, 2020.

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, 2020, investments are classified as follows:

	Tourist Attraction Special Revenue <u>Fund</u>	Capital Projects <u>Fund</u>	Debt Service <u>Fund</u>	<u>Total</u>
Investments:				
Mutual Funds	<u>\$1,168,665</u>	<u>\$8,639,398</u>	<u>\$12,766,212</u>	<u>\$22,574,275</u>

Investments in mutual funds are measured at the net asset value.

3. Debt Service

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.

Government of Guam
Tourist Attraction Special Revenue Fund, Capital Projects Fund,
and Debt Service Fund
(Governmental Funds of the Government of Guam)

Notes to Financial Statements, continued

3. Debt Service, continued

On March 2021, Hotel Occupancy Tax Revenue Refunding Bonds, Series 2021A with varying interest rates of 1.67% - 2.66% per annum were issued in the amount of \$71,655,466 to advance refund \$70,540,000 of outstanding 2011 Series A bonds. Net proceeds of \$70,317,349 (after payment of \$1,338,117 in underwriting fees, insurance and other issuance costs), and available funds of the government of \$2,445,101 totaling \$72,762,450 were placed in escrow. 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.

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, 2020, \$8,033,069 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 Special Revenue 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:

Government of Guam
Tourist Attraction Special Revenue Fund, Capital Projects Fund,
and Debt Service Fund
(Governmental Funds of the Government of Guam)

Notes to Financial Statements, continued

3. Debt Service, continued

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.

Tax revenues of the Tourist Attraction Special Revenue Fund have been pledged to repay bond principal and interest.

At September 30, 2020, \$12,766,212 of fund balance in the Debt Service Fund is restricted for debt service purposes.

At September 30, 2020, GovGuam is of the opinion that it is in compliance with bond covenants outlined in the bond indenture.

4. Payments to Autonomous Agencies

Public Law 35-36 authorizes an appropriation in the amount of \$22,490,650 for operations of the Guam Visitors Bureau (GVB) as well as other miscellaneous appropriations to be administered by GVB. During the year ended September 30, 2020, total appropriations made to GVB from the Tourist Attraction Special Revenue Fund amounted to \$15,430,306.

Public Law 35-36 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, 2020, total appropriations made to UOG for the Guampedia Foundation amounted to \$199,997.

Government of Guam
Tourist Attraction Special Revenue Fund, Capital Projects Fund,
and Debt Service Fund
(Governmental Funds of the Government of Guam)

Notes to Financial Statements, continued

4. Payments to Autonomous Agencies, continued

Public Law 35-36 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, 2020, there were no appropriations made to GCC for the Lodging Management Program/Prostart Program.

Public Law 32-068 created the Hotel Occupancy Tax Surplus Fund authorizing the transfer of revenue collections in excess of the revenue budget. During the year ended September 30, 2020, revenue collections did not exceed the revenue budget.

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 \$120,758 being incurred under these contracts during the year ended September 30, 2020. The remaining unliquidated contract amount of \$6,952,635 is recorded within restricted fund balance of the Capital Projects Fund in the accompanying financial statements.

6. Coronavirus Pandemic

On March 11, 2020, the World Health Organization (WHO) categorized the novel coronavirus (COVID-19) as a global pandemic, prompting many national, regional, and local governments, including those of Guam's main tourism markets, to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact on Guam's tourism industry and the operations of the Funds. There continues to be a significant uncertainty around the breadth and duration of disruptions related to COVID-19 as well as its impact on the tourism-based economy of Guam. Accordingly, the Funds are unable at this time to reasonably estimate the potential future impact on the Funds' financial statements.

7. Subsequent Events

The Funds have evaluated subsequent events through March 31, 2021. It is also the date that the financial statements were available to be issued.

Supplementary and Other Information

Government of Guam
 Tourist Attraction Special Revenue Fund, Capital Projects Fund,
 and Debt Service Fund
 (Governmental Funds of the Government of Guam)

Comparative Balance Sheets

September 30, 2020 and 2019

	<u>Tourist Attraction Special Reveue Fund</u>		<u>Capital Projects Fund</u>		<u>Debt Service Fund</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Assets						
Investments	\$ 1,168,665	\$ 5,193,578	\$ ---	\$ ---	\$ ---	\$ ---
Restricted assets:						
Investments	---	---	8,639,398	8,593,671	12,766,212	12,080,000
Taxes receivable	<u>1,134,326</u>	<u>3,122,747</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total assets	<u>\$ 2,302,991</u>	<u>\$ 8,316,325</u>	<u>\$ 8,639,398</u>	<u>\$ 8,593,671</u>	<u>\$ 12,766,212</u>	<u>\$ 12,080,000</u>
Liabilities						
Accounts payable	\$ ---	\$ 1,600	\$ ---	\$ 50,910	\$ ---	\$ ---
Retention payable	---	---	529,341	529,341	---	---
Accrued payroll and other	77,388	124,278	---	---	---	---
Due to General Fund	<u>2,225,603</u>	<u>6,104,372</u>	<u>76,988</u>	<u>76,988</u>	<u>---</u>	<u>---</u>
Total liabilities	<u>2,302,991</u>	<u>6,230,250</u>	<u>606,329</u>	<u>657,239</u>	<u>---</u>	<u>---</u>
Fund Balances						
Fund balances:						
Restricted for:						
Capital projects	---	---	8,033,069	7,936,432	---	---
Debt service	---	---	---	---	12,766,212	12,080,000
Committed for:						
Tourism	<u>---</u>	<u>2,086,075</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total fund balances	<u>---</u>	<u>2,086,075</u>	<u>8,033,069</u>	<u>7,936,432</u>	<u>12,766,212</u>	<u>12,080,000</u>
Total liabilities and fund balances	<u>\$ 2,302,991</u>	<u>\$ 8,316,325</u>	<u>\$ 8,639,398</u>	<u>\$ 8,593,671</u>	<u>\$ 12,766,212</u>	<u>\$ 12,080,000</u>

Government of Guam
 Tourist Attraction Special Revenue Fund, Capital Projects Fund,
 and Debt Service Fund
 (Governmental Funds of the Government of Guam)

Comparative Statements of Revenues, Expenditures by Function and Changes in Fund Balances

Years ended September 30, 2020 and 2019

	Tourist Attraction Special Revenue Fund		Capital Projects Fund		Debt Service Fund	
	2020	2019	2020	2019	2020	2019
Revenue:						
Taxes	\$ 26,366,511	\$ 44,701,482	\$ ---	\$ ---	\$ ---	\$ ---
Use of money and property	<u>37,937</u>	<u>72,010</u>	<u>217,395</u>	<u>172,248</u>	<u>80,812</u>	<u>212,519</u>
Total revenues	<u>26,404,448</u>	<u>44,773,492</u>	<u>217,395</u>	<u>172,248</u>	<u>80,812</u>	<u>212,519</u>
Expenditures:						
Current:						
General government	447,377	178,533	---	---	---	---
Individual and collective rights	2,657,431	3,932,189	---	---	---	---
Protection of life and property	6,226,806	5,834,626	---	---	---	---
Environmental protection	94,614	86,983	---	---	---	---
Recreation	3,011,663	3,278,210	---	---	---	---
Economic development	322,455	308,074	---	---	---	---
Payments to Guam Visitors Bureau	15,430,306	22,335,216	---	---	---	---
Payments to University of Guam	199,997	200,000	---	---	---	---
Payments to Hagatna Restoration and Redevelopment Agency	164,099	---	---	---	---	---
Payments to Guam Community College	---	24,154	---	---	---	---
Capital projects	---	---	120,758	733,897	---	---
Debt service:						
Principal	---	---	---	---	2,345,000	2,220,000
Interest	---	---	---	---	<u>4,651,988</u>	<u>4,774,750</u>
Total expenditures	<u>28,554,748</u>	<u>36,177,985</u>	<u>120,758</u>	<u>733,897</u>	<u>6,996,988</u>	<u>6,994,750</u>
(Deficiencies) excess of revenues (under) over expenditures	<u>(2,150,300)</u>	<u>8,595,507</u>	<u>96,637</u>	<u>(561,649)</u>	<u>(6,916,176)</u>	<u>(6,782,231)</u>
Other financing sources (uses):						
Transfers in	7,666,613	---	---	---	7,602,388	6,335,567
Transfers out	<u>(7,602,388)</u>	<u>(6,335,567)</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total other financing sources (uses), net	<u>64,225</u>	<u>(6,335,567)</u>	<u>---</u>	<u>---</u>	<u>7,602,388</u>	<u>6,335,567</u>
Net change in fund balances	<u>(2,086,075)</u>	<u>2,259,940</u>	<u>96,637</u>	<u>(561,649)</u>	<u>686,212</u>	<u>(446,664)</u>
Fund balances at the beginning of the year, restated	<u>2,086,075</u>	<u>(173,865)</u>	<u>7,936,432</u>	<u>8,498,081</u>	<u>12,080,000</u>	<u>12,526,664</u>
Fund balances at the end of the year	<u>\$ ---</u>	<u>\$ 2,086,075</u>	<u>\$ 8,033,069</u>	<u>\$ 7,936,432</u>	<u>\$ 12,766,212</u>	<u>\$ 12,080,000</u>

Government of Guam
 Tourist Attraction Special Revenue Fund, Capital Projects Fund,
 and Debt Service Fund
 (Governmental Funds of the Government of Guam)

Comparative Statements of Revenues, Expenditures by Object and Changes in Fund Balances

Years ended September 30, 2020 and 2019

	Tourist Attraction Special Revenue Fund		Capital Projects Fund		Debt Service Fund	
	2020	2019	2020	2019	2020	2019
Revenue:						
Taxes	\$ 26,366,511	\$ 44,701,482	\$ ---	\$ ---	\$ ---	\$ ---
Use of money and property	37,937	72,010	217,395	172,248	80,812	212,519
Total revenues	<u>26,404,448</u>	<u>44,773,492</u>	<u>217,395</u>	<u>172,248</u>	<u>80,812</u>	<u>212,519</u>
Expenditures:						
Salaries and wages - regular	4,287,719	4,101,212	---	---	---	---
Salaries and wages - overtime	19,560	---	---	---	---	---
Salaries and wages - fringe benefits	1,392,080	1,468,185	---	---	---	---
Travel	25,934	37,528	---	---	---	---
Contractual services	2,504,730	2,428,349	120,758	278,850	---	---
Building rent	532,841	594,068	---	---	---	---
Supplies	1,262,802	1,288,963	---	---	---	---
Equipment	39,975	37,328	---	---	---	---
Workers compensation benefits	8,513	11,008	---	---	---	---
Grants and subsidies	15,794,402	22,559,370	---	---	---	---
Utilities - power and water	1,487,686	2,599,874	---	---	---	---
Communications	449,410	503,736	---	---	---	---
Capital outlays	70,644	42,058	---	455,047	---	---
Principal retirement	---	---	---	---	2,345,000	2,220,000
Interest and fiscal charges	---	---	---	---	4,651,988	4,774,750
Miscellaneous	678,452	506,306	---	---	---	---
Total expenditures	<u>28,554,748</u>	<u>36,177,985</u>	<u>120,758</u>	<u>733,897</u>	<u>6,996,988</u>	<u>6,994,750</u>
(Deficiencies) excess of revenues (under) over expenditures	(2,150,300)	8,595,507	96,637	(561,649)	(6,916,176)	(6,782,231)
Other financing sources (uses):						
Transfers in	7,666,613	---	---	---	7,602,388	6,335,567
Transfers out	(7,602,388)	(6,335,567)	---	---	---	---
Total other financing sources (uses), net	<u>64,225</u>	<u>(6,335,567)</u>	<u>---</u>	<u>---</u>	<u>7,602,388</u>	<u>6,335,567</u>
Net change in fund balances	(2,086,075)	2,259,940	96,637	(561,649)	686,212	(446,664)
Fund balances at the beginning of the year, restated	<u>2,086,075</u>	<u>(173,865)</u>	<u>7,936,432</u>	<u>8,498,081</u>	<u>12,080,000</u>	<u>12,526,664</u>
Fund balances at the end of the year	<u>\$ ---</u>	<u>\$ 2,086,075</u>	<u>\$ 8,033,069</u>	<u>\$ 7,936,432</u>	<u>\$ 12,766,212</u>	<u>\$ 12,080,000</u>

Government of Guam
 Tourist Attraction Special Revenue Fund, Capital Projects Fund,
 and Debt Service Fund
 (Governmental Funds of the Government of Guam)

Schedule of Expenditures by Department by Object

Years ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Office of I Maga'lahan Guahan		
Office of Veteran's Affairs		
Supplies	\$ <u>299</u>	\$ <u>---</u>
Department of Administration		
Commission on Chamorro Language and the teaching of the History and Culture of the Indigenous People of Guam		
Salaries and wages - regular	111,214	68,205
Salaries and wages - fringe benefits	37,574	21,917
Travel	5,319	6,544
Contractual services	141,297	26,513
Supplies	---	4,482
Equipment	---	6,515
Capital outlays	8,505	---
Miscellaneous	4,295	5,280
	<u>308,204</u>	<u>139,456</u>
Division of Accounts		
Contractual services	20,500	20,500
Principal retirement	2,345,000	2,220,000
Interest and fiscal charges	4,651,988	4,774,750
Miscellaneous	16,977	18,577
	<u>7,034,465</u>	<u>7,033,827</u>
Total Department of Administration	<u>7,342,669</u>	<u>7,173,283</u>
Department of Public Works		
Office of the Director		
Salaries and wages - regular	73,604	---
Salaries and wages - overtime	1,913	---
Salaries and wages - fringe benefits	25,880	---
Total Department of Public Works	<u>101,397</u>	<u>---</u>
Guam Fire Department		
Office of the Chief		
Contractual services	---	327
Supplies	352,181	295,708
Utilities - power and water	264,934	309,420
Communications	2,792	9,856
Miscellaneous	92,530	---
Total Guam Fire Department	<u>712,437</u>	<u>615,311</u>
Guam Police Department		
Tumon-Tamuning Precinct		
Salaries and wages - regular	1,895,320	1,796,829
Salaries and wages - fringe benefits	576,641	559,358
Travel	17,617	27,657
Contractual Services	1,021,124	750,704
Building rent	489,465	501,965
Supplies	284,576	322,041
Workers compensation benefits	8,513	11,008
Utilities - power and water	562,716	668,731
Communications	307,844	358,852
Miscellaneous	350,553	222,170
Total Guam Police Department	<u>5,514,369</u>	<u>5,219,315</u>

Government of Guam
 Tourist Attraction Special Revenue Fund, Capital Projects Fund,
 and Debt Service Fund
 (Governmental Funds of the Government of Guam)

Schedule of Expenditures by Department by Object, continued

Years ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Department of Agriculture		
Invasive Species		
Salaries and wages - regular	\$ 7,818	\$ 32,295
Salaries and wages - fringe benefits	1,945	13,374
Contractual services	7,383	435
Supplies	349	---
Utilities - power and water	111,462	133,722
Communications	7,491	7,296
Miscellaneous	---	449
	<u>136,448</u>	<u>187,571</u>
Animal Control		
Salaries and wages - regular	121,449	77,309
Salaries and wages - overtime	4,335	---
Salaries and wages - fringe benefits	54,965	35,768
Travel	2,998	3,327
Contractual services	860	---
Supplies	---	2,699
Miscellaneous	1,400	1,400
	<u>186,007</u>	<u>120,503</u>
Total Department of of Agriculture	<u>322,455</u>	<u>308,074</u>
Guam Environmental Protection Agency		
Beach Monitoring		
Salaries and wages - regular	45,476	48,089
Salaries and wages - fringe benefits	14,826	16,272
Supplies	34,312	22,622
Total Guam Environmental Protection Agency	<u>94,614</u>	<u>86,983</u>
Department of Parks and Recreation		
Office of the Director		
Salaries and wages - regular	360,990	448,027
Salaries and wages - fringe benefits	114,795	138,012
Contractual services	24,895	35,878
Supplies	7,058	15,814
Utilities - power and water	527,701	413,594
Communications	24,353	26,559
Capital outlays	6,540	---
	<u>1,066,332</u>	<u>1,077,884</u>
Maintenance and Repair of Public Restrooms		
Salaries and wages - regular	269,426	292,803
Salaries and wages - fringe benefits	99,948	109,265
Contractual services	192,528	107,239
Supplies	---	---
Utilities - power and water	---	65,624
	<u>561,902</u>	<u>574,931</u>
Memorial Services		
Salaries and wages - regular	6,595	---
Salaries and wages - fringe benefits	2,708	---
	<u>9,303</u>	<u>---</u>
Community Programs		
Salaries and wages - regular	190,487	231,653
Salaries and wages - fringe benefits	67,643	83,490
	<u>258,130</u>	<u>315,143</u>

Government of Guam
 Tourist Attraction Special Revenue Fund, Capital Projects Fund,
 and Debt Service Fund
 (Governmental Funds of the Government of Guam)

Schedule of Expenditures by Department by Object, continued

Years ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Department of Parks and Recreation, continued		
Pool and Beach		
Salaries and wages - regular	\$ 192,088	\$ 196,372
Salaries and wages - fringe benefits	63,839	69,416
Contractual services	133,700	404,329
	<u>389,627</u>	<u>670,117</u>
Paseo Stadium		
Salaries and wages - regular	67,965	73,330
Salaries and wages - fringe benefits	30,303	30,711
	<u>98,268</u>	<u>104,041</u>
Parks Administration and Planning		
Salaries and wages - regular	---	15,644
Salaries and wages - fringe benefits	---	5,051
	<u>---</u>	<u>20,695</u>
Historic Preservation Division		
Salaries and wages - regular	337,468	257,094
Salaries and wages - fringe benefits	108,050	88,105
Supplies	---	7,740
Contractual services	39,553	40,588
	<u>485,071</u>	<u>393,527</u>
Territorial Park Protection		
Salaries and wages - regular	100,387	94,200
Salaries and wages - overtime	13,312	---
Salaries and wages - fringe benefits	29,331	27,672
	<u>143,030</u>	<u>121,872</u>
Total Department of Parks and Recreation	<u>3,011,663</u>	<u>3,278,210</u>
Mayors' Council of Guam		
Operations		
Salaries and wages - regular	---	39,139
Salaries and wages - fringe benefits	---	129,636
Contractual services	14,430	14,736
Building rent	43,376	57,834
Supplies	35,954	15,140
Equipment	1,481	1,285
Utilities - power and water	20,873	949,286
Communications	69,443	65,363
Miscellaneous	---	6,331
	<u>185,557</u>	<u>1,278,750</u>
Island-wide Village Beautification		
Contractual services	93,852	82,210
Supplies	200,539	209,010
Equipment	13,350	15,516
Capital outlays	3,000	6,999
	<u>310,741</u>	<u>313,735</u>
Village Street Maintenance and Beautifications		
Contractual services	116,700	196,590
Supplies	347,534	392,406
Equipment	25,144	14,012
Communications	37,487	32,708
Capital outlays	52,599	35,059
Miscellaneous	39,850	69,620
	<u>619,314</u>	<u>740,395</u>

Government of Guam
 Tourist Attraction Special Revenue Fund, Capital Projects Fund,
 and Debt Service Fund
 (Governmental Funds of the Government of Guam)

Schedule of Expenditures by Department by Object, continued

Years ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Mayors' Council of Guam, continued		
Annual Massacre Memorial Event		
Contractual services	\$ ---	\$ 1,000
Total Mayors' Council of Guam	<u>1,115,612</u>	<u>2,333,880</u>
Council on the Arts and Humanities		
Operations		
Salaries and wages - regular	64,850	---
Salaries and wages - fringe benefits	22,765	---
Contractual services	7,189	14,593
Communications	---	3,102
Miscellaneous	<u>171,669</u>	<u>147,747</u>
	<u>266,473</u>	<u>165,442</u>
Guam Territorial Band		
Miscellaneous	<u>---</u>	<u>33,982</u>
Total Council on the Arts and Humanities	<u>266,473</u>	<u>199,424</u>
Department of Chamorro Affairs		
Office of the Director		
Salaries and wages - regular	119,253	150,432
Salaries and wages - fringe benefits	38,818	45,759
Contractual services	55,066	8,723
Building rent	---	7,178
Supplies	---	1,301
Utilities - power and water	---	59,497
Miscellaneous	<u>1,178</u>	<u>750</u>
	<u>214,315</u>	<u>273,640</u>
Chamorro Village		
Salaries and wages - regular	104,839	114,218
Salaries and wages - fringe benefits	<u>32,818</u>	<u>40,055</u>
	<u>137,657</u>	<u>154,273</u>
Hagatna Restoration and Redevelopment		
Salaries and wages - regular	68,392	68,131
Salaries and wages - fringe benefits	22,243	21,971
Building rent	<u>---</u>	<u>27,091</u>
	<u>90,635</u>	<u>117,193</u>
Guam Museum		
Salaries and wages - regular	150,098	97,442
Salaries and wages - fringe benefits	46,988	32,353
Contractual services	<u>635,653</u>	<u>723,984</u>
	<u>832,739</u>	<u>853,779</u>
Total Department of Chamorro Affairs	<u>1,275,346</u>	<u>1,398,885</u>

Government of Guam
 Tourist Attraction Special Revenue Fund, Capital Projects Fund,
 and Debt Service Fund
 (Governmental Funds of the Government of Guam)

Schedule of Expenditures by Department by Object, continued

Years ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Guam Museum		
Contractual services	\$ 37,553	\$ 44,004
Capital outlays	---	56,173
Total Guam Museum	<u>37,553</u>	<u>100,177</u>
San Vitores Flooding		
Contractual services	29,263	23,104
Capital outlays	---	125,237
Total San Vitores Flooding	<u>29,263</u>	<u>148,341</u>
Hagatna Master Plan		
Contractual services	29,074	196,297
Capital outlays	---	176,000
Total Hagatna Master Plan	<u>29,074</u>	<u>372,297</u>
Tumon Bay Improvements		
Contractual services	11,989	15,445
Capital outlays	---	97,637
Total Hagatna Master Plan	<u>11,989</u>	<u>113,082</u>
Dock Facility/Shoreline Reinforcement		
Contractual Services	<u>12,879</u>	---
Guam Visitors Bureau		
Grants and subsidies	<u>15,430,306</u>	<u>22,335,216</u>
University of Guam		
Grants and subsidies	<u>199,997</u>	<u>200,000</u>
Hagatna Restoration and Redevelopment		
Grants and subsidies	<u>164,099</u>	---
Guam Community College		
Grants and subsidies	<u>---</u>	<u>24,154</u>
	<u>\$ 35,672,494</u>	<u>\$ 43,906,632</u>

Government of Guam
 Tourist Attraction Special Revenue Fund, Capital Projects Fund,
 and Debt Service Fund
 (Governmental Funds of the Government of Guam)

Schedule of Construction Project Status

Year ended September 30, 2020

	Total Budget	Expenditures Year ended September 30, 2020	Cumulative Expenditures	Outstanding Encumbrances	Continuing Appropriations
Tumon Bay Capital Projects:					
Reconstruction of Pale San Vitores Road	\$ 3,476,119	\$ ---	\$ 3,421,749	\$ ---	\$ 54,370
Sub-Total	<u>3,476,119</u>	<u>---</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	37,553	19,762,837	153,460	6,946,833
Historic Hagatna Projects	1,389,855	---	1,367,837	---	22,018
Crosswalk from Skinner Plaza to Chamorro Villiage	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	11,989	922,703	---	(178,180)
Pale San Vitores Road Streetlight Renovation	601	---	601	---	---
Primary or Supplemental Funding for Hagatna Master Plan Projects	6,076,732	29,074	1,368,975	4,699,175	8,582
Other HOT Bond projects	10,675,325	---	---	---	10,675,325
San Vitores Flooding	4,033,339	29,263	2,622,548	---	1,410,791
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 Pakr at Faijai and Gognga	14,374	---	14,374	---	---
Nimitz Beach Improvements	268,929	---	268,929	---	---
Guam Fishermen's Cooperative	2,000,000	---	900,000	1,100,000	---
Dock Facility	1,012,879	12,879	12,879	1,000,000	---
Guam Preservation Trust Reimbursement	4,288,811	---	4,288,811	---	---
Sub-Total	<u>64,497,791</u>	<u>120,758</u>	<u>37,837,347</u>	<u>6,952,635</u>	<u>19,707,809</u>
	<u>\$ 70,840,196</u>	<u>\$ 120,758</u>	<u>\$ 44,125,382</u>	<u>\$ 6,952,635</u>	<u>\$ 19,762,179</u>

Government of Guam
 Tourist Attraction Special Revenue Fund, Capital Projects Fund,
 and Debt Service Fund
 (Governmental Funds of the Government of Guam)

Annual Debt Service Requirements to Maturity

September 30, 2020

Annual debt service requirements to maturity for the Hotel Occupancy Tax Revenue Bonds Series 2021A are as follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ ---	\$ 253,447	\$ 253,447
2022	---	2,943,250	2,943,250
2023	---	2,943,250	2,943,250
2024	---	2,943,250	2,943,250
2025	---	2,943,250	2,943,250
2026-2030	8,880,000	14,096,750	22,976,750
2031-2035	19,360,000	10,173,000	29,533,000
2036-2040	24,860,000	4,672,750	29,532,750
2041	<u>5,765,000</u>	<u>144,125</u>	<u>5,909,125</u>
	<u>\$58,865,000</u>	<u>\$41,113,072</u>	<u>\$99,978,072</u>

Compliance and Internal Control



Ernst & Young LLP
231 Ypao Road
Suite 201 Ernst & Young Building
Tamuning, Guam 96913

Tel: +1 671 649 3700
Fax: +1 671 649 3920
ey.com

Report of Independent Auditors 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 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 Special Revenue Fund, Capital Projects Fund, and Debt Service Fund 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, 2020, 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, and have issued our report thereon dated March 31, 2021.

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 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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.

Ernst + Young LLP

March 31, 2021