

*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, 2021
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, 2021

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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, 2021 Series A (the Funds), which comprise the balance sheet as of September 30, 2021, 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, 2021 Series A, as of September 30, 2021, 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, 2021 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 for the year ended September 30, 2021 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Funds' financial statements. The information for the year ended September 30, 2021 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 2021 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 for the year ended September 30, 2021 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 2021 information on pages 21 through 28 is fairly stated, in all material respects, in relation to the financial statements as a whole.

We also previously audited, in accordance with the auditing standards generally accepted in the United States, the financial statements of Funds as of and for the year ended September 30, 2020 (not presented herein), and have issued our report thereon dated March 31, 2021, which contained unmodified opinions on the respective financial statements of the governmental activities of the Funds. The supplementary and other information as of and for the year ended September 30, 2020 are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the 2020 financial statements. The supplementary information have been subjected to the auditing procedures applied in the audit of the 2020 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the supplementary information are fairly presented in all material respects in relation to the financial statements as a whole for the year ended September 30, 2020.

The additional information on pages 29 and 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 July 2, 2022, 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

July 2, 2022

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'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, 2021 and 2020. Please read it in conjunction with the financial statements, which follow this section. These financial statements present in columnar form the three funds related to the Tourist Attraction Funds' revenues and expenditures and an aggregate total column.

1. Financial Highlights

The fund is dependent upon a tax levied on occupants of hotel rooms and other travel accommodation. The tax is included in hotel billings and is remitted monthly to the Government by hotels. The rate of tax for hotels is 11% of the applicable room rate.

As the revenues of the fund are wholly dependent on occupancy of accommodation, the level of tourist activity is the factor which governs the level of income. The fund has been severely impacted by the direct reduction in tourist activity caused by the global covid-19 pandemic.

- For the fiscal year ended September 30, 2021, total fund balance decreased by \$3,974,771 (or -19%) from an ending fund balance of \$20,799,281 in 2020 to \$16,824,510 in 2021.
- During the years ended September 30, 2021 and 2020, total combined expenditures for governmental fund operations were \$18,870,056 and \$35,672,494, respectively, including expenditures relating to payments funding the Guam Visitor's Bureau of \$5,324,249 and \$15,430,306, respectively; debt service requirements of \$8,807,139 and \$6,996,988, respectively; and capital expenditures of \$42,000 and \$120,758, respectively. These expenditures were funded mainly by Hotel Occupancy Tax revenue collections during the years ended September 30, 2021 and 2020 of \$12,372,113 and \$26,366,511, respectively, with the remainder funded by residual bond proceeds.
- Total combined expenditures decreased by \$16,802,438 (or -47%) from 2020 to 2021 due primarily to a decrease of: \$10,106,057 in payments to Guam Visitors Bureau, \$4,282,289 for Guam Police Department payments, \$1,960,057 for Department of Parks and Recreation payments, \$797,230 for Department of Chamorro Affairs payments, \$662,825 for Mayor's Council of Guam payments and offset increases of: \$1,810,151 for debt service payments. Total combined revenues decreased by \$14,329,739 (or -54%) from \$26,702,655 in 2020 to \$12,372,916 in 2021 due primarily to the coronavirus pandemic which continues to discourage inbound travel.
- During the year ended September 30, 2021, the Tourist Attraction Fund generated an operating surplus and a surplus of \$1,013,189 before transfers while 2020 incurred a deficit of \$(2,150,300) before transfers.

Government of Guam
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Management's Discussion and Analysis, continued

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. 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 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.

Government of Guam
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Management's Discussion and Analysis, continued

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, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Assets:		
Investments	\$ 506,709	\$ 1,168,665
Tax receivables	504,090	1,134,326
Restricted assets	<u>17,472,840</u>	<u>21,405,610</u>
Total assets	<u>\$18,483,639</u>	<u>\$23,708,601</u>
Liabilities:		
Accounts payable and other	\$ 700,438	\$ 606,729
Due to General Fund	<u>958,691</u>	<u>2,302,591</u>
Total liabilities	<u>1,659,129</u>	<u>2,909,320</u>
Net assets	<u>\$16,824,510</u>	<u>\$20,799,281</u>
Fund balances:		
Restricted	16,824,510	20,799,281
Committed	---	---
Unassigned	<u>---</u>	<u>---</u>
Total fund balances	<u>16,824,510</u>	<u>20,799,281</u>
Total liabilities and fund balances	<u>\$18,483,639</u>	<u>\$23,708,601</u>

Total assets decreased by \$5,224,962 (or -22%) from \$23,708,601 in 2020 to \$18,483,639 in 2021. This decrease was primarily the result of a decrease in restricted investments of \$3,932,770 and \$630,236 decrease in tax receivables. Total liabilities decreased by \$1,250,191 (or -43%) from \$2,909,320 in 2020 to \$1,659,129 in 2021. This decrease primarily was the result of a decrease in amount due to the general fund of \$1,343,900. Total fund balances decreased by \$3,974,771 (or -19%) during 2020 from \$20,799,281 to \$16,824,510 in 2021. 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

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, 2021 and 2020 are summarized as follows.

	<u>2021</u>	<u>2020</u>
Revenues:		
Hotel occupancy tax	\$ 12,372,113	\$ 26,366,511
Use of money and property	<u>803</u>	<u>336,144</u>
	<u>12,372,916</u>	<u>26,702,655</u>
Expenditures:		
Current:		
General government	217,907	447,377
Environmental protection	14,941	94,614
Individual and collective rights	930,899	2,657,431
Protection of life and property	1,944,517	6,226,806
Recreation	1,051,606	3,011,663
Economic development	213,959	322,455
Community services	34,870	---
Miscellaneous appropriations	137,969	---
Payments to Guam Visitors Bureau	5,324,249	15,430,306
Payments to University of Guam	150,000	199,997
Payments to Hagatna Restoration and Redevelopment Agency	---	164,099
Capital projects	42,000	120,758
Debt service	<u>8,807,139</u>	<u>6,996,988</u>
Total expenditures	<u>18,870,056</u>	<u>35,672,494</u>
Deficiency of revenues under expenditures	(6,497,140)	(8,969,839)
Refunding bonds	58,865,000	---
Premium from refunded bonds issued	12,790,466	---
Payment to refunded bond escrow agent	(70,317,349)	---
Transfers in, net	<u>1,184,252</u>	<u>7,666,613</u>
Net change in fund balances	\$(<u>3,974,771</u>)	\$(<u>1,303,226</u>)

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Management's Discussion and Analysis, continued

Total revenues collected from hotel occupancy taxes decreased by \$13,994,398 (or -53%) from \$26,366,511 in 2020 to \$12,372,113 in 2021. The decrease was primarily due to the coronavirus pandemic which hindered tourist arrivals with a decrease of 695,778 (or -92%) from 757,385 tourists in 2020 to 61,607 tourists in 2021.

Total expenditures decreased by \$16,802,438 (or -47%) from \$35,672,494 in 2020 to \$18,870,056 in 2021. The decrease was due primarily to reductions of: \$10,106,057 in payments to Guam Visitors Bureau, \$4,282,289 for Guam Police Department payments, \$1,960,057 for Department of Parks and Recreation payments, \$797,230 for Department of Chamorro Affairs payments, \$662,825 for Mayor's Council of Guam payments. Notable offset expenditure offset increases of: \$1,810,151 for debt service payments.

4. Capital Assets

Public Law 30-228 authorized 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 \$42,000 in 2021 compared with \$120,758 in 2020. Cumulative capital expenditure as of fiscal year 2021 ending is \$51,862,461. Outstanding commitments for projects total \$4,357,937. The outstanding or pending contracts and amounts consist of Guam and Chamorro Educational Facility for \$153,460, design/construction of Guam Farmer's Cooperative Association Facility and Dededo Flea Market Relocation for \$122,302, Pale San Vitores road streetlight renovation for \$931,000, primary or supplemental funding for Hagatna Master plan projects for \$51,175, Guam Fishermen's Cooperative for \$3,100,000. 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.

On March 31, 2021 \$58.9 million in 2021 Series A refunding bonds were issued at a True interest cost of 3.16% to refinance all the outstanding 2011A Hotel Occupancy Tax Revenue Bonds and to pay certain issuance costs of the refinancing. This refinancing achieved net present value savings of approximately \$19 million over the life of the bonds and a reduction in debt service cash of \$21.8 million. 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
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Management's Discussion and Analysis, continued

6. Outlook, Challenges and Opportunities

Guam has a high vaccination rate, currently about 85% of eligible population and remains ready to welcome tourists. However, travel restrictions in the home countries of our traditional tourist markets continue to depress tourist arrivals. The tourism industry had devised a number of incentives to stimulate tourist activity. One such action was the Air V&V campaign by Guam Visitors Bureau which highlights tourists coming to Guam to get the covid vaccination and vacation. The campaign introduced by Carl Gutierrez president of Guam Visitors Bureau noted, "This program captures a unique demographic of travelers around the world that are tired of waiting to get vaccinated in this pandemic."

The Air V&V program represents a successful creative campaign to mitigate the dismal tourist arrivals of fiscal year 2021. More importantly, as world populations continue with vaccinations and Guam continues to promote a safe destination from COVID the future outlook on Guam's tourism economy remains hopeful.

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 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, Email: edward.birn@doa.guam.gov; Website address: www.doa.guam.gov.

Government of Guam
 Tourist Attraction Special Revenue Fund, Capital Projects Fund,
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Balance Sheets

September 30, 2021

	<u>Tourist Attraction Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Assets				
Investments	\$ 506,709	\$ ---	\$ ---	\$ 506,709
Restricted assets - investments	---	8,639,085	8,833,755	17,472,840
Taxes receivable	<u>504,090</u>	<u>---</u>	<u>---</u>	<u>504,090</u>
Total assets	<u>\$ 1,010,799</u>	<u>\$ 8,639,085</u>	<u>\$ 8,833,755</u>	<u>\$ 18,483,639</u>
Liabilities				
Accounts payable	\$ 2,800	\$ 42,000	\$ ---	\$ 44,800
Retention payable	---	529,342	---	529,342
Accrued payroll and other	126,296	---	---	126,296
Due to General Fund	<u>881,703</u>	<u>76,988</u>	<u>---</u>	<u>958,691</u>
Total liabilities	<u>1,010,799</u>	<u>648,330</u>	<u>---</u>	<u>1,659,129</u>
Fund Balances				
Fund balances:				
Restricted for:				
Capital projects	---	7,990,755	---	7,990,755
Debt service	<u>---</u>	<u>---</u>	<u>8,833,755</u>	<u>8,833,755</u>
Total fund balances	<u>---</u>	<u>7,990,755</u>	<u>8,833,755</u>	<u>16,824,510</u>
Total liabilities and fund balances	<u>\$ 1,010,799</u>	<u>\$ 8,639,085</u>	<u>\$ 8,833,755</u>	<u>\$ 18,483,639</u>

See accompanying notes.

Government of Guam
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Statements of Revenues, Expenditures and Changes in Fund Balances

Year ended September 30, 2021

	Tourist Attraction Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total
Revenues:				
Taxes	\$ 12,372,113	\$ ---	\$ ---	\$ 12,372,113
Use of money and property	<u>110</u>	<u>(314)</u>	<u>1,007</u>	<u>803</u>
Total revenues	<u>12,372,223</u>	<u>(314)</u>	<u>1,007</u>	<u>12,372,916</u>
Expenditures:				
Current:				
Payments to Guam Visitors Bureau	5,324,249	---	---	5,324,249
Protection of life and property	1,944,517	---	---	1,944,517
Recreation	1,051,606	---	---	1,051,606
Individual and collective rights	930,899	---	---	930,899
General government	217,907	---	---	217,907
Economic development	213,959	---	---	213,959
Payments to University of Guam	150,000	---	---	150,000
Community Services	34,870	---	---	34,870
Environmental protection	14,941	---	---	14,941
Miscellaneous Appropriations	137,969	---	---	137,969
Capital projects	---	42,000	---	42,000
Debt service:				
Principal	---	---	2,699,375	2,699,375
Interest	<u>1,338,117</u>	<u>---</u>	<u>4,769,647</u>	<u>6,107,764</u>
Total expenditures	<u>11,359,034</u>	<u>42,000</u>	<u>7,469,022</u>	<u>18,870,056</u>
Excess (deficiencies) of revenues over (under) expenditures	<u>1,013,189</u>	<u>(42,314)</u>	<u>(7,468,015)</u>	<u>(6,497,140)</u>
Other financing sources (uses):				
Refunding bonds	58,865,000	---	---	58,865,000
Premium from refunded bonds issued	12,790,466	---	---	12,790,466
Payment to refunded bond escrow agent	<u>(70,317,349)</u>	<u>---</u>	<u>---</u>	<u>(70,317,349)</u>
Transfers in	1,190,267	---	3,535,558	4,725,825
Transfers out	<u>(3,541,573)</u>	<u>---</u>	<u>---</u>	<u>(3,541,573)</u>
Total other financing sources, net	<u>(1,013,189)</u>	<u>---</u>	<u>3,535,558</u>	<u>2,522,369</u>
Net change in fund balances	---	<u>(42,314)</u>	<u>(3,932,457)</u>	<u>(3,974,771)</u>
Fund balances at the beginning of the year	<u>---</u>	<u>8,033,069</u>	<u>12,766,212</u>	<u>20,799,281</u>
Fund balances at the end of the year	<u>\$ ---</u>	<u>\$ 7,990,755</u>	<u>\$ 8,833,755</u>	<u>\$ 16,824,510</u>

See accompanying notes.

Government of Guam
Tourist Attraction Special Revenue Fund, Capital Projects Fund,
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Notes to Financial Statements

Year ended September 30, 2021

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, 2021 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,
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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, 2021, 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>1,176,525</u>	\$ <u>4,357,937</u>	\$ <u>---</u>	\$ <u>5,534,462</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, 2021, outstanding balances 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>881,703</u>	\$ <u>76,988</u>	\$ <u>---</u>	\$ <u>958,691</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, 2021 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, 2020 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.

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, 2021.

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, 2021, 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>506,709</u>	\$ <u>8,639,085</u>	\$ <u>8,833,755</u>	\$ <u>17,979,549</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, 2021, \$7,990,755 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, 2021, \$8,833,755 of fund balance in the Debt Service Fund is restricted for debt service purposes.

At September 30, 2021, 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 \$6,389,099 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, 2021, total appropriations made to GVB from the Tourist Attraction Special Revenue Fund amounted to \$5,324,249.

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 \$150,000. During the year ended September 30, 2021, total appropriations made to UOG for the Guampedia Foundation amounted to \$150,000.

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 \$22,960. During the year ended September 30, 2021, 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, 2021, 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 \$42,000 being incurred under these contracts during the year ended September 30, 2021. The remaining unliquidated contract amount of \$4,357,937 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 July 2, 2022. 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,
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 (Governmental Funds of the Government of Guam)

Comparative Balance Sheets

September 30, 2021 and 2020

	<u>Tourist Attraction Fund</u>		<u>Capital Project Fund</u>		<u>Debt Service Fund</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Assets						
Investments	\$ 506,709	\$ 1,168,665	\$ ---	\$ ---	\$ ---	\$ ---
Restricted assets - investments	---	---	8,639,085	8,639,398	8,833,755	12,766,212
Taxes receivable	<u>504,090</u>	<u>1,134,326</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total assets	<u>\$ 1,010,799</u>	<u>\$ 2,302,991</u>	<u>\$ 8,639,085</u>	<u>\$ 8,639,398</u>	<u>\$ 8,833,755</u>	<u>\$ 12,766,212</u>
Liabilities						
Accounts payable	\$ 2,800	\$ ---	\$ 42,000	\$ ---	\$ ---	\$ ---
Retention payable	---	---	529,342	529,341	---	---
Accrued payroll and other	126,296	77,388	---	---	---	---
Due to General Fund	<u>881,703</u>	<u>2,225,603</u>	<u>76,988</u>	<u>76,988</u>	<u>---</u>	<u>---</u>
Total liabilities	<u>1,010,799</u>	<u>2,302,991</u>	<u>648,330</u>	<u>606,329</u>	<u>---</u>	<u>---</u>
Fund Balances						
Fund balances:						
Restricted for:						
Capital projects	---	---	7,990,755	8,033,069	---	---
Debt service	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>8,833,755</u>	<u>12,766,212</u>
Total fund balances	<u>---</u>	<u>---</u>	<u>7,990,755</u>	<u>8,033,069</u>	<u>8,833,755</u>	<u>12,766,212</u>
Total liabilities and fund balances	<u>\$ 1,010,799</u>	<u>\$ 2,302,991</u>	<u>\$ 8,639,085</u>	<u>\$ 8,639,398</u>	<u>\$ 8,833,755</u>	<u>\$ 12,766,212</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, 2021 and 2020

	Tourist Attraction Special Revenue Fund		Capital Projects Fund		Debt Service Fund	
	2021	2020	2021	2020	2021	2020
Revenue:						
Taxes	\$ 12,372,113	\$ 26,366,511	\$ ---	\$ ---	\$ ---	\$ ---
Use of money and property	110	37,937	(314)	217,395	1,007	80,812
Total revenues	<u>12,372,223</u>	<u>26,404,448</u>	<u>(314)</u>	<u>217,395</u>	<u>1,007</u>	<u>80,812</u>
Expenditures:						
Current:						
Payments to Guam Visitors Bureau	5,324,249	15,430,306	---	---	---	---
Protection of life and property	1,944,517	6,226,806	---	---	---	---
Recreation	1,051,606	3,011,663	---	---	---	---
Individual and collective rights	930,899	2,657,431	---	---	---	---
General government	217,907	447,377	---	---	---	---
Economic development	213,959	322,455	---	---	---	---
Payments to University of Guam	150,000	199,997	---	---	---	---
Payments to Hagatna Restoration and Redevelopment Agency	---	164,099	---	---	---	---
Community services	34,870	---	---	---	---	---
Environmental protection	14,941	94,614	---	---	---	---
Miscellaneous appropriations	137,969	---	---	---	---	---
Payments to Guam Community College	---	---	---	---	---	---
Capital projects	---	---	42,000	120,758	---	---
Debt service:						
Principal	---	---	---	---	2,699,375	2,345,000
Interest	1,338,117	---	---	---	4,769,647	4,651,988
Total expenditures	<u>11,359,034</u>	<u>28,554,748</u>	<u>42,000</u>	<u>120,758</u>	<u>7,469,022</u>	<u>6,996,988</u>
Excess (deficiencies) of revenues over (under) expenditures	<u>1,013,189</u>	<u>(2,150,300)</u>	<u>(42,314)</u>	<u>96,637</u>	<u>(7,468,015)</u>	<u>(6,916,176)</u>
Other financing sources (uses):						
Refunding bonds	58,865,000	---	---	---	---	---
Premium from refunded bonds issued	12,790,466	---	---	---	---	---
Payment to refunded bond escrow agent	(70,317,349)	---	---	---	---	---
Transfers in	1,190,267	7,666,613	---	---	3,535,558	7,602,388
Transfers out	(3,541,573)	(7,602,388)	---	---	---	---
Total other financing (uses) sources, net	<u>(1,013,189)</u>	<u>64,225</u>	<u>---</u>	<u>---</u>	<u>3,535,558</u>	<u>7,602,388</u>
Net change in fund balances	---	(2,086,075)	(42,314)	96,637	(3,932,457)	686,212
Fund balances at the beginning of the year	---	2,086,075	8,033,069	7,936,432	12,766,212	12,080,000
Fund balances at the end of the year	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 7,990,755</u>	<u>\$ 8,033,069</u>	<u>\$ 8,833,755</u>	<u>\$ 12,766,212</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, 2021 and 2020

	Tourist Attraction Special Revenue Fund		Capital Projects Fund		Debt Service Fund	
	2021	2020	2021	2020	2021	2020
Revenue:						
Taxes	\$ 12,372,113	\$ 26,366,511	\$ ---	\$ ---	\$ ---	\$ ---
Use of money and property	110	37,937	(314)	217,395	1,007	80,812
Total revenues	<u>12,372,223</u>	<u>26,404,448</u>	<u>(314)</u>	<u>217,395</u>	<u>1,007</u>	<u>80,812</u>
Expenditures:						
Salaries and wages - regular	1,881,765	4,287,719	---	---	---	---
Salaries and wages - overtime	1,667	19,560	---	---	---	---
Salaries and wages - fringe benefits	652,357	1,392,080	---	---	---	---
Travel	---	25,934	---	---	---	---
Contractual services	420,352	2,504,730	---	120,758	---	---
Building rent	238,200	532,841	---	---	---	---
Supplies	407,849	1,262,802	---	---	---	---
Equipment	49,395	39,975	---	---	---	---
Workers compensation benefits	---	8,513	---	---	---	---
Grants and subsidies	5,533,199	15,794,402	---	---	---	---
Utilities - power and water	627,787	1,487,686	---	---	---	---
Communications	36,092	449,410	---	---	---	---
Capital outlays	33,753	70,644	42,000	---	---	---
Principal retirement	---	---	---	---	2,480,000	2,345,000
Interest and fiscal charges	1,338,117	---	---	---	4,989,022	4,651,988
Miscellaneous	138,501	678,452	---	---	---	---
Total expenditures	<u>11,359,034</u>	<u>28,554,748</u>	<u>42,000</u>	<u>120,758</u>	<u>7,469,022</u>	<u>6,996,988</u>
Excess (deficiencies) of revenues over (under) expenditures	<u>1,013,189</u>	<u>(2,150,300)</u>	<u>(42,314)</u>	<u>96,637</u>	<u>(7,468,015)</u>	<u>(6,916,176)</u>
Other financing sources (uses):						
Refunding bonds	58,865,000	---	---	---	---	---
Premium from refunded bonds issued	12,790,466	---	---	---	---	---
Payment to refunded bond escrow agent	(70,317,349)	---	---	---	---	---
Transfers in	1,190,267	7,666,613	---	---	3,535,558	7,602,388
Transfers out	(3,541,573)	(7,602,388)	---	---	---	---
Total other financing (uses) sources, net	<u>(1,013,189)</u>	<u>64,225</u>	<u>---</u>	<u>---</u>	<u>3,535,558</u>	<u>7,602,388</u>
Net change in fund balances	---	(2,086,075)	(42,314)	96,637	(3,932,457)	686,212
Fund balances at the beginning of the year	---	2,086,075	8,033,069	7,936,432	12,766,212	12,080,000
Fund balances at the end of the year	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 7,990,755</u>	<u>\$ 8,033,069</u>	<u>\$ 8,833,755</u>	<u>\$ 12,766,212</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Office of I Maga'lahan Guahan		
Office of Veteran's Affairs		
Supplies	\$ ---	\$ 299
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	146,067	111,214
Salaries and wages - fringe benefits	45,340	37,574
Travel	---	5,319
Contractual services	---	141,297
Supplies	---	---
Equipment	---	---
Capital outlays	---	8,505
Miscellaneous	---	4,295
	<u>191,407</u>	<u>308,204</u>
Division of Accounts		
Contractual services	20,500	20,500
Principal retirement	2,699,375	2,345,000
Interest and fiscal charges	6,107,764	4,651,988
Miscellaneous	6,000	16,977
	<u>8,833,639</u>	<u>7,034,465</u>
Total Department of Administration	<u>9,025,046</u>	<u>7,342,669</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>---</u>	<u>101,397</u>
Guam Fire Department		
Office of the Chief		
Supplies	28,772	352,181
Utilities - power and water	---	264,934
Communications	---	2,792
Miscellaneous	---	92,530
Building Rent	148,200	---
Total Guam Fire Department	<u>176,972</u>	<u>712,437</u>
Guam Police Department		
Tumon-Tamuning Precinct		
Salaries and wages - regular	1,249,753	1,895,320
Salaries and wages - fringe benefits	422,043	576,641
Travel	---	17,617
Contractual Services	2,500	1,021,124
Building rent	90,000	489,465
Supplies	2,739	284,576
Workers compensation benefits	---	8,513
Utilities - power and water	---	562,716
Communications	---	307,844
Miscellaneous	510	350,553
Total Guam Police Department	<u>1,767,545</u>	<u>5,514,369</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Department of Agriculture		
Invasive Species		
Salaries and wages - regular	\$ ---	\$ 7,818
Salaries and wages - fringe benefits	---	1,945
Contractual services	660	7,383
Supplies	---	349
Utilities - power and water	40,862	111,462
Communications	---	7,491
Miscellaneous	---	---
	<u>41,522</u>	<u>136,448</u>
Animal Control		
Salaries and wages - regular	15,644	121,449
Salaries and wages - overtime	1,667	4,335
Salaries and wages - fringe benefits	4,692	54,965
Travel	---	2,998
Contractual services	22,500	860
Supplies	53	---
Miscellaneous	---	1,400
	<u>44,556</u>	<u>186,007</u>
Utilities- power and water	<u>127,881</u>	<u>---</u>
Total Department of of Agriculture	<u>213,959</u>	<u>322,455</u>
Guam Environmental Protection Agency		
Beach Monitoring		
Salaries and wages - regular	---	45,476
Salaries and wages - fringe benefits	---	14,826
Supplies	14,941	34,312
Total Guam Environmental Protection Agency	<u>14,941</u>	<u>94,614</u>
Department of Parks and Recreation		
Office of the Director		
Salaries and wages - regular	---	360,990
Salaries and wages - fringe benefits	---	114,795
Contractual services	17,135	24,895
Supplies	7,595	7,058
Utilities - power and water	459,044	527,701
Communications	25,545	24,353
Captial outkays	---	6,540
	<u>509,319</u>	<u>1,066,332</u>
Maintenance and Repair of Public Restrooms		
Salaries and wages - regular	---	269,426
Salaries and wages - fringe benefits	---	99,948
Contractual services	121,490	192,528
	<u>121,490</u>	<u>561,902</u>
Memorial Services		
Salaries and wages - regular	---	6,595
Salaries and wages - fringe benefits	---	2,708
	<u>---</u>	<u>9,303</u>
Community Programs		
Salaries and wages - regular	---	190,487
Salaries and wages - fringe benefits	---	67,643
	<u>---</u>	<u>258,130</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Department of Parks and Recreation, continued		
Pool and Beach		
Salaries and wages - regular	\$ ---	\$ 192,088
Salaries and wages - fringe benefits	---	63,839
Contractual services	---	133,700
	<u>---</u>	<u>389,627</u>
Paseo Stadium		
Salaries and wages - regular	---	67,965
Salaries and wages - fringe benefits	---	30,303
	<u>---</u>	<u>98,268</u>
Historic Preservation Division		
Salaries and wages - regular	215,575	337,468
Salaries and wages - fringe benefits	94,358	108,050
Supplies	3,741	---
Contractual services	107,121	39,553
	<u>420,795</u>	<u>485,071</u>
Territorial Park Protection		
Salaries and wages - regular	---	100,387
Salaries and wages - overtime	---	13,312
Salaries and wages - fringe benefits	---	29,331
	<u>---</u>	<u>143,030</u>
Total Department of Parks and Recreation	<u>1,051,604</u>	<u>3,011,663</u>
Mayors' Council of Guam		
Operations		
Contractual services	23,253	14,430
Building rent	---	43,376
Supplies	26,868	35,954
Equipment	18,633	1,481
Utilities - power and water	---	20,873
Communications	---	69,443
Miscellaneous	3,813	---
	<u>72,567</u>	<u>185,557</u>
Island-wide Village Beautification		
Contractual services	28,621	93,852
Supplies	69,693	200,539
Equipment	7,608	13,350
Capital outlays	---	3,000
	<u>105,922</u>	<u>310,741</u>
Village Street Maintenance and Beautifications		
Contractual services	16,550	116,700
Supplies	235,079	347,534
Equipment	599	25,144
Communications	10,547	37,487
Capital outlays	---	52,599
Miscellaneous	11,521	39,850
	<u>274,296</u>	<u>619,314</u>
Total Mayors' Council of Guam	<u>452,785</u>	<u>1,115,612</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Council on the Arts and Humanities		
Operations		
Salaries and wages - regular	\$ ---	\$ 64,850
Salaries and wages - fringe benefits	---	22,765
Contractual services	300	7,189
Communications	---	---
Miscellaneous	113,589	171,669
	<u>113,889</u>	<u>266,473</u>
Total Council on the Arts and Humanities	<u>113,889</u>	<u>266,473</u>
Department of Chamorro Affairs		
Office of the Director		
Salaries and wages - regular	228,354	119,253
Salaries and wages - fringe benefits	78,780	38,818
Contractual services	42,316	55,066
Capital outlays	33,753	---
Supplies	18,366	---
Miscellaneous	3,070	1,178
Equipment	22,555	---
	<u>427,194</u>	<u>214,315</u>
Chamorro Village		
Salaries and wages - regular	24,607	104,839
Salaries and wages - fringe benefits	7,118	32,818
	<u>31,725</u>	<u>137,657</u>
Hagatna Restoration and Redevelopment		
Salaries and wages - regular	---	68,392
Salaries and wages - fringe benefits	---	22,243
	<u>---</u>	<u>90,635</u>
Guam Museum		
Salaries and wages - regular	1,765	150,098
Salaries and wages - fringe benefits	26	46,988
Contractual services	17,406	635,653
	<u>19,197</u>	<u>832,739</u>
Total Department of Chamorro Affairs	<u>478,116</u>	<u>1,275,346</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Guam Museum		
Contractual services	\$ ---	\$ 37,553
Total Guam Museum	<u>---</u>	<u>37,553</u>
San Vitores Flooding		
Contractual services	<u>---</u>	<u>29,263</u>
Total San Vitores Flooding	<u>---</u>	<u>29,263</u>
Hagatna Master Plan		
Contractual services	<u>---</u>	<u>29,074</u>
Total Hagatna Master Plan	<u>---</u>	<u>29,074</u>
Tumon Bay Improvements		
Contractual services	<u>---</u>	<u>11,989</u>
Total Tumon Bay Improvements	<u>---</u>	<u>11,989</u>
Ancestral Lands Commission		
Capital outlays	<u>42,000</u>	<u>---</u>
Total Ancestral Lands Commission	<u>42,000</u>	<u>---</u>
Dock Facility/Shoreline Reinforcement		
Contractual Services	<u>---</u>	<u>12,879</u>
Guam Visitors Bureau		
Grants and subsidies	<u>5,324,249</u>	<u>15,430,306</u>
University of Guam		
Grants and subsidies	<u>150,000</u>	<u>199,997</u>
Hagatna Restoration and Redevelopment		
Grants and subsidies	<u>58,950</u>	<u>164,099</u>
Guam Community College		
Grants and subsidies	<u>---</u>	<u>---</u>
	<u>\$ 18,870,056</u>	<u>\$ 35,672,494</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, 2021

	Total Budget	Expenditures Year ended September 30, 2021	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	28,282,709	---	26,997,820	153,460	1,131,430
Historic Hagatna Projects	1,389,855	---	1,389,855	---	---
Crosswalk from Skinner Plaza to Chamorro Village	198,410	---	198,410	---	---
Inarajan Community Center Restoration	836,618	---	836,618	---	---
Malesso Bell Tower Restoration and Rehabilitation	362,013	---	362,013	---	---
Design/Construction of Guam Farmer's Cooperative Association Facility and Dededo Flea Market Relocation	4,348,327	42,000	3,497,952	122,302	728,072
Design/Construction of Village Entrance Signs for 19 Municipalities	427,998	---	427,998	---	---
Tumon Bay Improvements	931,793	---	931,793	---	---
Pale San Vitores Road Streetlight Renovation	993,431	---	601	931,000	61,830
Primary or Supplemental Funding for Hagatna Master Plan Projects	1,423,547	---	1,097,629	51,175	274,743
Other HOT Bond projects	11,810,129	---	---	---	11,810,129
San Vitores Flooding	3,033,338	---	2,861,584	---	171,754
Historic Monument and Plaza					
Commemorating Ferdinand Magellan's visit to Umatac Bay	188,254	---	188,254	---	---
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	5,100,000	---	900,000	3,100,000	1,100,000
Dock Facility	1,012,879	---	12,879	---	1,000,000
Guam Preservation Trust Reimbursement	4,288,811	---	4,288,811	---	---
Sub-Total	<u>66,210,320</u>	<u>42,000</u>	<u>45,574,426</u>	<u>4,357,937</u>	<u>16,277,957</u>
	<u>\$ 72,552,725</u>	<u>\$ 42,000</u>	<u>\$ 51,862,461</u>	<u>\$ 4,357,937</u>	<u>\$ 16,332,327</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, 2021

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>
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	---	2,943,250	2,943,250
2027-2031	12,375,000	13,565,375	25,940,375
2032-2036	20,355,000	9,180,125	29,535,125
2037-2041	<u>26,135,000</u>	<u>3,397,875</u>	<u>29,532,875</u>
	<u>\$58,865,000</u>	<u>\$40,859,625</u>	<u>\$99,724,625</u>

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 *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, 2021 Series A (the Funds), which comprise the balance sheet as of September 30, 2021, 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 July 2, 2022.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and responses as items 2021-001 and 2021-002 that we consider to be material weakness.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2021-001.

Fund's Response to Findings

The Fund's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Fund's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

The image shows a handwritten signature in black ink that reads "Ernst + Young LLP". The signature is written in a cursive, flowing style.

July 2, 2022

Government of Guam
Guam Highway Special Revenue Fund and Capital Projects Fund
(Governmental Funds of the Government of Guam)

Schedule of Findings and Responses

Findings No.: 2021-001

Criteria

Public Law (PL) 35-99 appropriated a total of \$7,213,694 from the Guam Tourist Attraction Special Revenue Fund (TAF) to the Department of Administration (DOA).

Condition

Total expenditures from the TAF exceeded the amount appropriated by PL 35-99.

Cause

Expenditures made to the DOA that exceeded the amount appropriated pertain to 2021 bond refunding. Expenditures pertaining to bond refunding are reviewed by the deputy finance manager and funds available are certified by the DOA.

Effect or potential effect

The total expenditures made for DOA would exceed the amounts appropriated.

Recommendation

We recommend that internal controls be set in place to ensure that total expenditures are periodically compared to total appropriations to ensure that such over expenditures do not occur. In cases where there is a need to expend amounts greater than appropriations, approvals should be obtained and documented to reflect such decisions.

View of responsible officials

Overspent appropriations at Department of Administration is not a recurring issue. Expenditures exceeding appropriations relates to the 2021 bond refunding. Internal Controls will be reviewed to prevent recurrences of these excess expenditures.

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

Schedule of Findings and Responses, continued

Findings No.: 2021-002

Criteria

Government Accounting Standards Board (GASB) Codification 1500.117 requires that a government accrue a governmental fund liability and expenditure for most expenditures and transfers in the period in which the government incurs the liability.

Condition

The Guam Tourist Attraction Special Revenue Fund did not recognize a liability owed to a vendor for construction services rendered as of September 30, 2021.

Cause

The vendor invoice was not provided to the Funds' management for recording prior to the financial statement close date. There are no systems of controls in place to ensure that services received but which have not been invoiced are timely accrued in the fund financial statements.

Effect or potential effect

An audit adjusting journal entry totaling \$83,740 was included in the summary of uncorrected misstatements of the Guam Tourist Attraction Special Revenue Fund to record the understatement in the due to General Fund account and contractual services expenditure account.

Recommendation

Fund management should implement controls to ensure timely receipt of vendor statements for services received during the period. This procedure is necessary so that accruals, especially when closing its fiscal year end financial statements, are complete and recorded in the proper accounting period.

View of responsible officials

Timely recording of liabilities is and has been a recurring issue for the Government of Guam. Much of the difficulty can be attributed to the distributed responsibility of financial personnel in the agencies. Department of Administration has advised vendors using a press release that vendor invoices should be sent to DOA/Division of Accounts. This effort will be continuously monitored.