

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

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

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

YEAR ENDED SEPTEMBER 30, 2015

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Year Ended September 30, 2015
Table of Contents

| | <u>Page No.</u> |
|--|-----------------|
| I. INDEPENDENT AUDITORS' REPORT | 1 |
| II. MANAGEMENT'S DISCUSSION AND ANALYSIS | 4 |
| III. FINANCIAL STATEMENTS: | |
| Balance Sheet | 8 |
| Statements of Revenues, Expenditures and Changes in Fund Balances | 9 |
| Notes to Financial Statements | 10 |
| IV. OTHER SUPPLEMENTARY INFORMATION: | |
| Comparative Balance Sheets | 20 |
| Comparative Statements of Revenues, Expenditures by Function, and Changes in Fund Balances | 21 |
| Comparative Statements of Revenues, Expenditures by Object, and Changes in Fund Balances | 22 |
| Schedule of Expenditures by Department by Object | 23 |
| Schedule of Construction Project Status | 26 |
| Other Supplementary Information | 27 |
| V. INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS | |
| Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 28 |

INDEPENDENT AUDITORS' REPORT

Honorable Eddie Baza Calvo
Governor of Guam:

Report on the Financial Statements

We have audited the accompanying financial statements of the Tourist Attraction Fund and of those funds related to the Government of Guam Hotel Occupancy Tax Revenue Bonds, 2011 Series A (the Funds), which comprise the balance sheet as of September 30, 2015, and the related statement of revenues, expenditures, and changes in fund balances for the year then ended, and the related notes to the financial statements, which collectively comprise the Funds' financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Tourist Attraction Fund and of those funds related to the Government of Guam Hotel Occupancy Tax Revenue Bonds, 2011 Series A, as of September 30, 2015, and the results of their operations for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Reporting Entity

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

Other Matters

Required Supplementary Information

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

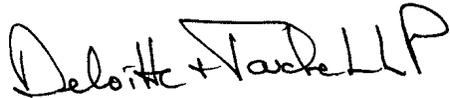
Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Funds' basic financial statements. The comparative financial statement information on pages 20 through 22, the schedule of expenditures by department by object on pages 23 through 25, the schedule of construction project status on page 26, and the other supplementary information on page 27 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The comparative financial statement information, the schedule of expenditures by department by object, the schedule of construction project status, and the other supplementary information are the responsibility of the Funds' management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States of America. In our opinion, the comparative financial statement information, the schedule of expenditures by department by object, the schedule of construction project status, and the other supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2016, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financing reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Funds' internal control over financial reporting and compliance.

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

March 30, 2016

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Management's Discussion and Analysis
Year Ended September 30, 2015

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, 2015 and 2014. Please read it in conjunction with the financial statements, which follow this section.

1. Financial Highlights

- For the fiscal year ended September 30, 2015, total fund balance decreased by \$15,218,151 (or 27.2%) from an ending fund balance of \$55,948,834 in 2014 to \$40,730,683 in 2015.
- During the years ended September 30, 2015 and 2014, total combined expenditures for governmental fund operations were \$52,174,619 and \$40,144,689, respectively, including expenditures relating to payments to the Guam Visitor's Bureau of \$24,272,754 and \$18,089,832, respectively; debt service requirements of \$6,997,819 and \$6,999,188, respectively; and capital-related expenditures of \$12,565,807 and \$8,337,673, respectively. These expenditures were funded, in part, by Hotel Occupancy Tax revenue collections during the years ended September 30, 2015 and 2014 of \$36,988,454 and \$34,362,256, respectively, with the remainder funded by residual bond proceeds.
- Total combined expenditures increased by \$12,029,930 (or 30%) from 2014 to 2015 due primarily to an increase of \$6,182,922 for payments to the Guam Visitors Bureau; an increase of \$4,228,134 for capital-related expenditures associated with the construction of the Guam Museum and other tourism-related projects; an increase of \$1,934,761 for law enforcement overtime compensation; and an increase of \$1,263,869 for Mayors Council of Guam operations offset by a decrease of \$973,802 in transfers of excess revenues to the Hotel Occupancy Tax Surplus Fund and a decrease of \$496,129 in payments to the Guam Community College. Total combined revenues increased by \$2,538,014 (or 7.4%) from \$34,418,454 in 2014 to \$36,956,468 in 2015 due primarily to increases in hotel occupancy tax collections.
- During the years ended September 30, 2015 and 2014, the Tourist Attraction Fund generated operating surpluses before transfers out to the Debt Service Fund of \$4,394,163 and \$9,573,270, respectively.

2. Overview of the Financial Statements

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

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

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Management's Discussion and Analysis, Continued
Year Ended September 30, 2015

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

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

3. Financial Statement Analysis

Balance Sheet

The balance sheet presents information on assets, liabilities and fund balance at year-end. A condensed summary of the balance sheets is shown below as of September 30, 2015 and 2014.

| | <u>2015</u> | <u>2014</u> |
|--|-----------------------------|-----------------------------|
| Assets: | | |
| Cash and cash equivalents | \$ 5,527,042 | \$ 7,616,658 |
| Tax receivables | 3,361,774 | 2,962,831 |
| Restricted assets | <u>38,336,497</u> | <u>49,659,541</u> |
| Total Assets | \$ <u>47,225,313</u> | \$ <u>60,239,030</u> |
| Liabilities: | | |
| Accounts payable and other | \$ 3,327,596 | \$ 1,759,870 |
| Due to General Fund | <u>3,167,034</u> | <u>2,530,326</u> |
| Total Liabilities | <u>6,494,630</u> | <u>4,290,196</u> |
| Fund Balances: | | |
| Restricted | 35,289,672 | 47,878,047 |
| Committed | <u>5,441,011</u> | <u>8,070,787</u> |
| Total Fund Balances | <u>40,730,683</u> | <u>55,948,834</u> |
| Total Liabilities and Fund Balances | \$ <u>47,225,313</u> | \$ <u>60,239,030</u> |

Total assets decreased by \$13,013,717 (or 21.6%) from \$60,239,030 in 2014 to \$47,225,313 in 2015. This decrease was primarily the result of a decrease in restricted assets of \$11,323,044 for capital-related expenditures and a decrease in cash balances of \$2,089,616. Total liabilities increased by \$2,204,434 (or 51.4%) from \$4,290,196 in 2014 to \$6,494,630 in 2015. This increase was primarily the result of an increase in accounts payable of \$1,567,726 related to construction activities and an increase in amounts payable to the General Fund of \$636,708 for expenditures paid by the General Fund on behalf of the Tourist Attraction Fund. Total fund balances decreased by \$15,218,151 (or 27.2%) during 2015 from \$55,948,834 to \$40,730,683. Of the total fund balance amounts presented at each respective fiscal year end, certain restrictions limit the availability of fund resources for future use. Specifically, fund balances are restricted by the bond indenture associated with the Hotel Occupancy Tax Revenue Bond, 2011 Series A, wherein these funds are restricted for (i) capital projects associated with a new Guam Museum and certain other related projects that benefit Guam's tourism industry, and (ii) future debt service.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Management's Discussion and Analysis, Continued
Year Ended September 30, 2015

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, 2015 and 2014 are summarized as follows.

| | <u>2015</u> | <u>2014</u> |
|---------------------------------|------------------------|-----------------------|
| Revenues: | | |
| Hotel occupancy tax | \$ 36,988,454 | \$ 34,362,256 |
| Use of money and property | <u>(31,986)</u> | <u>56,198</u> |
| Total Revenues | <u>36,956,468</u> | <u>34,418,454</u> |
| Expenditures: | | |
| Current: | | |
| General government | 34,702 | 39,052 |
| Community service | 44,000 | 36,000 |
| Environmental protection | 50,904 | 93,130 |
| Individual collective rights | 2,242,074 | 1,158,791 |
| Protection of life and property | 2,113,904 | 354,122 |
| Recreation | 700,047 | 689,362 |
| Payments to autonomous agencies | 24,936,908 | 18,975,115 |
| Transfers to HOT Surplus Fund | 2,488,454 | 3,462,256 |
| Capital projects | 12,565,807 | 8,337,673 |
| Debt service | <u>6,997,819</u> | <u>6,999,188</u> |
| Total Expenditures | <u>52,174,619</u> | <u>40,144,689</u> |
| Net Change in Fund Balances | \$ <u>(15,218,151)</u> | \$ <u>(5,726,235)</u> |

Total revenues collected from hotel occupancy taxes increased by \$2,626,198 (or 7.6%) from \$34,362,256 in 2014 to \$36,988,454 in 2015. The increase was primarily due to an incremental increase in tourist arrivals coupled with an increase in hotel room rates.

Total expenditures increased by \$12,029,930 (or 30%) from \$40,144,689 in 2014 to \$52,174,619 in 2015. The increase was primarily due to an increase of \$6,182,922 for payments to the Guam Visitors Bureau; an increase of \$4,228,134 for capital-related expenditures associated with the construction of the Guam Museum and other tourism-related projects; an increase of \$1,934,761 for law enforcement overtime compensation; and an increase of \$1,263,869 for Mayors Council of Guam operations offset by a decrease of \$973,802 in transfers of excess revenues to the Hotel Occupancy Tax Surplus Fund and a decrease of \$496,129 in payments to the Guam Community College.

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 \$12,565,807 in 2015 compared with \$8,337,673 in 2014. Outstanding commitments under executed contracts aggregate \$8,640,976.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Management's Discussion and Analysis, Continued
Year Ended September 30, 2015

5. Long-Term Debt

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

6. Outlook, Challenges and Opportunities

The ground breaking for the Guam Museum occurred in February 2013 with expected completion to occur in the second quarter of 2016. Efforts by the Guam Visitors Bureau (GVB) to diversify were clearly apparent in 2015, with the Korean market now a strong number two market representing 28% of total arrivals to Guam. Moderate growth of around 2% is expected for 2016 with an increase in flights from the Philippines and opening of new gateway cities in Korea, which is important, since total outbound travel from Japan is expected to decline in 2016. While Guam has traditionally been a leisure destination for Japanese, GVB is working to attract higher yield segments such as the MICE (meetings, incentives, conferences, exhibitions), weddings and the silver (senior) markets.

In addition to all the efforts in our primary source markets, GVB is committed to improving the destination and has several projects planned in 2016, foremost of which is a Tumon surveillance system that will provide video to the Frankie Smith Precinct. Other major planned improvements include bus shelters, landscape improvements, lighting and sidewalk renovations and graffiti removal. In order for Guam to improve its image and attract higher yield visitors, we must improve our brand and that starts at home.

7. Contacting Government of Guam Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the finances of the Tourist Attraction Fund and related funds and to demonstrate accountability for money received and expended. Questions concerning any of the information provided in this report or request for additional information should be addressed to: Division of Accounts, Attention: Kathrine B. Kakigi, Financial Manager, P.O. Box 884, Hagatna, Guam 96932. Telephone No.: (671) 475-1211, Facsimile: (671) 472-8483; Website address: www.admin.gov.gu/doa/.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Balance Sheet
September 30, 2015

| | Tourist Attraction Fund | Capital Projects Fund | Debt Service Fund | Total |
|-------------------------------------|-------------------------------|-----------------------------|-------------------------|---------------|
| <u>ASSETS</u> | | | | |
| Cash and cash equivalents | \$ 5,527,042 | \$ - | \$ - | \$ 5,527,042 |
| Restricted assets: | | | | |
| Cash and cash equivalents | - | 11,474,619 | 4,928,359 | 16,402,978 |
| Investments | - | 14,577,442 | 7,356,077 | 21,933,519 |
| Taxes receivable | 3,361,774 | - | - | 3,361,774 |
| Total assets | \$ 8,888,816 | \$ 26,052,061 | \$ 12,284,436 | \$ 47,225,313 |
| <u>LIABILITIES</u> | | | | |
| Accounts payable | \$ - | \$ 1,685,796 | \$ - | \$ 1,685,796 |
| Retention payable | - | 1,284,035 | - | 1,284,035 |
| Accrued payroll and other | 357,765 | - | - | 357,765 |
| Due to General Fund | 3,090,040 | 76,994 | - | 3,167,034 |
| | 3,447,805 | 3,046,825 | - | 6,494,630 |
| Commitments | | | | |
| <u>FUND BALANCES</u> | | | | |
| Fund balances: | | | | |
| Restricted for: | | | | |
| Capital projects | - | 23,005,236 | - | 23,005,236 |
| Debt service | - | - | 12,284,436 | 12,284,436 |
| Committed for: | | | | |
| Tourism | 5,441,011 | - | - | 5,441,011 |
| Total fund balances | 5,441,011 | 23,005,236 | 12,284,436 | 40,730,683 |
| Total liabilities and fund balances | \$ 8,888,816 | \$ 26,052,061 | \$ 12,284,436 | \$ 47,225,313 |

See accompanying notes to financial statements.

GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND

Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended September 30, 2015

| | Tourist Attraction Fund | Capital Projects Fund | Debt Service Fund | Total |
|--|-------------------------------|-----------------------------|-------------------------|---------------|
| Revenues: | | | | |
| Taxes | \$ 36,988,454 | \$ - | \$ - | \$ 36,988,454 |
| Use of money and property | - | (33,029) | 1,043 | (31,986) |
| Total revenues | 36,988,454 | (33,029) | 1,043 | 36,956,468 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 18,000 | - | 16,702 | 34,702 |
| Community services | 44,000 | - | - | 44,000 |
| Individual collective rights | 2,242,074 | - | - | 2,242,074 |
| Protection of life and property | 2,113,904 | - | - | 2,113,904 |
| Environmental protection | 50,904 | - | - | 50,904 |
| Recreation | 700,047 | - | - | 700,047 |
| Payments to Guam Visitors Bureau | 24,272,754 | - | - | 24,272,754 |
| Payments to University of Guam | 640,000 | - | - | 640,000 |
| Payments to Guam Community College | 24,154 | - | - | 24,154 |
| Payments to HOT Surplus Fund | 2,488,454 | - | - | 2,488,454 |
| Capital projects | - | 12,565,807 | - | 12,565,807 |
| Debt service: | | | | |
| Principal | - | - | 1,845,000 | 1,845,000 |
| Interest | - | - | 5,152,819 | 5,152,819 |
| Total expenditures | 32,594,291 | 12,565,807 | 7,014,521 | 52,174,619 |
| Excess (deficiency) of revenues over (under) expenditures | 4,394,163 | (12,598,836) | (7,013,478) | (15,218,151) |
| Other financing sources (uses): | | | | |
| Operating transfers in | - | - | 7,023,939 | 7,023,939 |
| Operating transfers out | (7,023,939) | - | - | (7,023,939) |
| Total other financing sources (uses) | (7,023,939) | - | 7,023,939 | - |
| Net change in fund balances | (2,629,776) | (12,598,836) | 10,461 | (15,218,151) |
| Fund balances at the beginning of the year | 8,070,787 | 35,604,072 | 12,273,975 | 55,948,834 |
| Fund balances at the end of the year | \$ 5,441,011 | \$ 23,005,236 | \$ 12,284,436 | \$ 40,730,683 |

See accompanying notes to financial statements.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Notes to Financial Statements
September 30, 2015

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

B. Fund Accounting

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

C. Measurement Focus and Basis of Accounting

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

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Notes to Financial Statements
September 30, 2015

(1) Summary of Significant Accounting Policies, Continued

C. Measurement Focus and Basis of Accounting, Continued

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

D. Appropriations

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

E. Budgetary Process

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

Encumbrances are commitments related to unperformed (executory) contracts for goods or services and are generally evidenced by outstanding purchase orders, contracts, and intradepartmental work requests. Encumbrances outstanding at year end are reported within the fund balance classifications since they do not constitute expenditures or liabilities. Unencumbered appropriations normally lapse at the end of each fiscal year unless they are designated by the Legislature as representing continuing appropriations. At September 30, 2015, significant encumbrances are summarized as follows:

| <u>Tourist Attraction Fund</u> | <u>Capital Projects Fund</u> | <u>Debt Service Fund</u> | <u>Total</u> |
|--|--------------------------------------|----------------------------------|---------------------|
| <u>\$ 559,177</u> | <u>\$ 8,640,976</u> | <u>\$ -</u> | <u>\$ 9,200,153</u> |

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Notes to Financial Statements
September 30, 2015

(1) Summary of Significant Accounting Policies, Continued

F. Cash and Cash Equivalents

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

G. Investments

Investments and related investment earnings are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale and are primarily determined based on quoted market values.

H. Receivables

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

I. Interfund Receivables/Payables

During the course of its operations, GovGuam's General Fund records transactions between individual funds for goods provided or services rendered. These balances result from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made, and are scheduled to be collected in the subsequent year. At September 30, 2015, interfund balances are as follows:

| | <u>Tourist Attraction Fund</u> | <u>Capital Projects Fund</u> | <u>Debt Service Fund</u> | <u>Total</u> |
|---------------------|--|--------------------------------------|----------------------------------|---------------------|
| Due to General Fund | \$ <u>3,090,040</u> | \$ <u>76,994</u> | \$ <u>-</u> | \$ <u>3,167,034</u> |

J. Restricted Assets

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

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Notes to Financial Statements
September 30, 2015

(1) Summary of Significant Accounting Policies, Continued

K. Fund Balance

Governmental fund balances are classified as follows:

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

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

A formal minimum fund balance policy has not been adopted.

L. Interfund Transactions

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

M. Management Estimates

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

N. Total Columns

Total columns are presented primarily to facilitate financial analysis. The Management's Discussion and Analysis includes certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a full comparative presentation. Accordingly, such information should be read in conjunction with the financial statements of the Tourist Attraction Fund and funds related to the Hotel Occupancy Tax Revenue Bonds, 2011 Series A, for the year ended September 30, 2014 from which summarized information was derived.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Notes to Financial Statements
September 30, 2015

(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.

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the entity's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized, or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name.

As of September 30, 2015, the carrying amount of cash and cash equivalents was \$21,930,020 and the corresponding bank balances were \$21,930,020, which represent short-term investments held and administered by GovGuam's trustees in accordance with various trust agreements and bond indentures. 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, 2015.

B. Investments

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

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

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, GovGuam will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are held and administered by trustees in accordance with various bond indentures for the purpose of funding capital projects that benefit Guam's tourism industry. Based on negotiated trust and custody contracts, all of these investments were held in GovGuam's name by GovGuam's custodial financial institutions at September 30, 2015.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Notes to Financial Statements
September 30, 2015

(2) Deposits and Investments, Continued

B. Investments, Continued

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

As of September 30, 2015, investments recorded at fair value are classified as follows:

| | <u>Tourist Attraction Fund</u> | <u>Capital Projects Fund</u> | <u>Debt Service Fund</u> | <u>Total</u> |
|-------------------------|--|--------------------------------------|----------------------------------|----------------------|
| Investments: | | | | |
| Mutual funds | \$ - | \$ 14,577,442 | \$ - | \$ 14,577,442 |
| Fixed income securities | <u>-</u> | <u>-</u> | <u>7,356,077</u> | <u>7,356,077</u> |
| | <u>\$ -</u> | <u>\$ 14,577,442</u> | <u>\$ 7,356,077</u> | <u>\$ 21,933,519</u> |

As of September 30, 2015, investments in debt securities were as follows:

| | <u>S & P Credit Rating</u> | <u>Maturity Date</u> | <u>Total</u> |
|---------------------------------------|--|--------------------------|---------------------|
| Commercial paper: | | | |
| Banque Et Caisse | AA+ | 10/08/2015 | \$ 4,855,126 |
| U.S. government agencies: | | | |
| Federal National Mortgage Association | AA+ | 10/28/2015 | 2,096,958 |
| Federal Home Loan Bank | AA+ | 10/01/2015 | 55,000 |
| Federal Home Loan Bank | AA+ | 10/30/2015 | <u>348,993</u> |
| | | | <u>\$ 7,356,077</u> |

(3) Bonds Payable

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

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Notes to Financial Statements
September 30, 2015

(3) Bonds Payable, Continued

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

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|----------------------|----------------------|-----------------------|
| 2016 | \$ 1,920,000 | \$ 5,078,625 | \$ 6,998,625 |
| 2017 | 2,010,000 | 4,988,775 | 6,998,775 |
| 2018 | 2,110,000 | 4,885,775 | 6,995,775 |
| 2019 | 2,220,000 | 4,774,750 | 6,994,750 |
| 2020 | 2,345,000 | 4,651,988 | 6,996,988 |
| 2021 - 2025 | 14,005,000 | 20,987,263 | 34,992,263 |
| 2026 - 2030 | 12,545,000 | 16,995,069 | 29,540,069 |
| 2031 - 2035 | 17,105,000 | 12,440,956 | 29,545,956 |
| 2036 - 2040 | 23,640,000 | 5,901,351 | 29,541,351 |
| 2041 | <u>5,725,000</u> | <u>186,062</u> | <u>5,911,062</u> |
| | <u>\$ 83,625,000</u> | <u>\$ 80,890,614</u> | <u>\$ 164,515,614</u> |

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, 2015, \$23,005,236 of fund balance in the Capital Projects Fund is restricted for capital projects.

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

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Notes to Financial Statements
September 30, 2015

(3) Bonds Payable, 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.

During the year ended September 30, 2015, payments for debt service totaled \$6,997,819, of which \$1,845,000 represents payment on principal. A summary of the change in bonds payable is as follows:

| | |
|-------------------------------------|----------------------|
| Bonds payable at October 1, 2014 | \$ 85,470,000 |
| Principal repayment | <u>(1,845,000)</u> |
| Bonds payable at September 30, 2015 | \$ <u>83,625,000</u> |

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

Tax revenues of the Tourist Attraction Fund have been pledged to repay bond principal and interest. Total debt service for the year ended September 30, 2015 amounted to \$6,997,819, which represents 19% of 2015 tax revenues collected. During the year ended September 30, 2015, total transfers from the Tourist Attraction Fund to the Debt Service Fund amounted to \$7,023,939.

At September 30, 2015, \$12,284,436 of fund balance in the Debt Service Fund is restricted for debt service purposes.

At September 30, 2015, GovGuam is of the opinion that it is in compliance with bond covenants outlined in the bond indenture.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Notes to Financial Statements
September 30, 2015

(4) Payments to Autonomous Agencies

Public Law 32-181 authorizes the general appropriation to autonomous agencies of GovGuam for operations to be paid from the Tourist Attraction Fund. Specifically, Public Law 32-181 authorizes the funding of payments to the Guam Visitors Bureau (GVB) for operations as well as other miscellaneous appropriations to be administered by GVB. During the year ended September 30, 2015, total appropriations made to GVB from the Tourist Attraction Fund were as follows:

| | |
|---|----------------------|
| Operations: | |
| General Administration | \$ 3,193,713 |
| Marketing | 13,413,225 |
| Sports and events | 786,250 |
| Research | 414,400 |
| Cultural heritage and community outreach | 693,750 |
| Visitor safety and satisfaction | 878,750 |
| Destination development | <u>1,003,624</u> |
| | <u>20,383,712</u> |
| Restricted: | |
| Folklife Festival Trust Account | 1,190,000 |
| Cultural Sports and Ambassador Fund | 170,000 |
| Establishment of a Rainy Day Fund | <u>220,000</u> |
| | <u>1,580,000</u> |
| Special projects | <u>1,367,042</u> |
| Pass-through to various non-profit organizations: | |
| Ayuda Foundation | 15,000 |
| Pa'a Taotao Tano | 108,000 |
| Breaking the Cycle | 46,250 |
| Duk Duk Goose | 50,000 |
| Historic Inalahan Foundation | 25,000 |
| Hurao Academy | 50,000 |
| Guam Humanities Council | 20,000 |
| Guam Symphony Society | 21,250 |
| Guam Unique Merchandise and Arts | 25,000 |
| Tourism Education Council | 28,500 |
| Traditions Affirming our Seafaring Ancestry | 25,000 |
| Traditions Affirming Seafaring Islands | 25,000 |
| Haya Cultural Preservation Foundation | 14,250 |
| I Fanlalai'an | 25,000 |
| Ina Kuttura | 25,000 |
| Inetnon Gefpa'go Cultural Arts Program | 25,000 |
| Manhita Chamorro | 50,000 |
| Micronesian Cruise Association | 47,500 |
| Micronesian Chefs Association | 46,250 |
| Guam International Film Festival | 97,500 |
| Pacific War Museum Foundation | 47,500 |
| Humatak Foundation | 72,500 |
| Amot Taotao Tano Farm | <u>52,500</u> |
| | <u>942,000</u> |
| | <u>\$ 24,272,754</u> |

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Notes to Financial Statements
September 30, 2015

(4) Payments to Autonomous Agencies, Continued

Public Law 32-181 authorizes an appropriation to the University of Guam (UOG) for the operations and programs of the Guampedia Foundation in the amount of \$140,000. In addition, Public Law 30-196 authorizes an appropriation for the operations of the Rhinoceros Beetle Program in the amount of \$500,000. During the year ended September 30, 2015, total appropriations made to UOG for operations of the Rhinoceros Beetle Program and the Guampedia Foundation amounted to \$640,000.

Public Law 32-068 created the Hotel Occupancy Tax (HOT) Surplus Fund authorizing the transfer of revenue collections in excess of the revenue budget. During the year ended September 30, 2015, total transfers made to the HOT Surplus Fund amounted to \$2,488,454.

Finally, Public Law 32-181 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, 2015, total appropriations made to GCC for the Lodging Management Program/Prostart Program amounted to \$24,154.

(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 \$12,565,807 being incurred under these contracts during the year ended September 30, 2015. The remaining unliquidated contract amount of \$8,640,976 is recorded within restricted fund balance of the Capital Projects Fund in the accompanying financial statements.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Comparative Balance Sheets
September 30, 2015 and 2014

| | Tourist Attraction Fund | | Capital Projects Fund | | Debt Service Fund | |
|-------------------------------------|-------------------------|----------------------|-----------------------|----------------------|----------------------|----------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 5,527,042 | \$ 7,616,658 | \$ - | \$ - | \$ - | \$ - |
| Restricted assets: | | | | | | |
| Cash and cash equivalents | - | - | 11,474,619 | 22,815,410 | 4,928,359 | 9,473,503 |
| Investments | - | - | 14,577,442 | 14,568,306 | 7,356,077 | 2,802,322 |
| Taxes receivable | 3,361,774 | 2,962,831 | - | - | - | - |
| Total assets | \$ 8,888,816 | \$ 10,579,489 | \$ 26,052,061 | \$ 37,383,716 | \$ 12,284,436 | \$ 12,275,825 |
| LIABILITIES | | | | | | |
| Accounts payable | \$ - | \$ - | \$ 1,685,796 | \$ 984,513 | \$ - | \$ 1,850 |
| Retention payable | - | - | 1,284,035 | 762,132 | - | - |
| Accrued payroll and other | 357,765 | 11,375 | - | - | - | - |
| Due to General Fund | 3,090,040 | 2,497,327 | 76,994 | 32,999 | - | - |
| Total liabilities | 3,447,805 | 2,508,702 | 3,046,825 | 1,779,644 | - | 1,850 |
| FUND BALANCES | | | | | | |
| Fund balances: | | | | | | |
| Restricted for: | | | | | | |
| Capital projects | - | - | 23,005,236 | 35,604,072 | - | - |
| Debt service | - | - | - | - | 12,284,436 | 12,273,975 |
| Committed for: | | | | | | |
| Tourism | 5,441,011 | 8,070,787 | - | - | - | - |
| Total fund balances | 5,441,011 | 8,070,787 | 23,005,236 | 35,604,072 | 12,284,436 | 12,273,975 |
| Total liabilities and fund balances | \$ 8,888,816 | \$ 10,579,489 | \$ 26,052,061 | \$ 37,383,716 | \$ 12,284,436 | \$ 12,275,825 |

See accompanying independent auditors' report.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Comparative Schedules of Revenues, Expenditures by Function, and Changes in Fund Balances
Years Ended September 30, 2015 and 2014

| | Tourist Attraction Fund | | Capital Projects Fund | | Debt Service Fund | |
|---|-------------------------|---------------------|-----------------------|----------------------|----------------------|----------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Revenues: | | | | | | |
| Taxes | \$ 36,988,454 | \$ 34,362,256 | \$ - | \$ - | \$ - | \$ - |
| Use of money and property | - | 290 | (33,029) | 57,073 | 1,043 | (1,165) |
| Total revenues | <u>36,988,454</u> | <u>34,362,546</u> | <u>(33,029)</u> | <u>57,073</u> | <u>1,043</u> | <u>(1,165)</u> |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General government | 18,000 | 20,500 | - | - | 16,702 | 18,552 |
| Community services | 44,000 | 36,000 | - | - | - | - |
| Individual and collective rights | 2,242,074 | 1,158,791 | - | - | - | - |
| Protection of life and property | 2,113,904 | 354,122 | - | - | - | - |
| Environmental protection | 50,904 | 93,130 | - | - | - | - |
| Recreation | 700,047 | 689,362 | - | - | - | - |
| Payments to Guam Visitors Bureau | 24,272,754 | 18,089,832 | - | - | - | - |
| Payments to University of Guam | 640,000 | 365,000 | - | - | - | - |
| Payments to Guam Community College | 24,154 | 520,283 | - | - | - | - |
| Payments to HOT Surplus Fund | 2,488,454 | 3,462,256 | - | - | - | - |
| Capital projects | - | - | 12,565,807 | 8,337,673 | - | - |
| Debt service: | | | | | | |
| Principal | - | - | - | - | 1,845,000 | 1,785,000 |
| Interest | - | - | - | - | 5,152,819 | 5,214,188 |
| Total expenditures | <u>32,594,291</u> | <u>24,789,276</u> | <u>12,565,807</u> | <u>8,337,673</u> | <u>7,014,521</u> | <u>7,017,740</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>4,394,163</u> | <u>9,573,270</u> | <u>(12,598,836)</u> | <u>(8,280,600)</u> | <u>(7,013,478)</u> | <u>(7,018,905)</u> |
| Other financing sources (uses): | | | | | | |
| Operating transfers in | - | - | - | - | 7,023,939 | 7,120,002 |
| Operating transfers out | (7,023,939) | (7,120,002) | - | - | - | - |
| Total other financing sources (uses), net | <u>(7,023,939)</u> | <u>(7,120,002)</u> | <u>-</u> | <u>-</u> | <u>7,023,939</u> | <u>7,120,002</u> |
| Net change in fund balances | (2,629,776) | 2,453,268 | (12,598,836) | (8,280,600) | 10,461 | 101,097 |
| Fund balances at the beginning of the year | <u>8,070,787</u> | <u>5,617,519</u> | <u>35,604,072</u> | <u>43,884,672</u> | <u>12,273,975</u> | <u>12,172,878</u> |
| Fund balances at the end of the year | <u>\$ 5,441,011</u> | <u>\$ 8,070,787</u> | <u>\$ 23,005,236</u> | <u>\$ 35,604,072</u> | <u>\$ 12,284,436</u> | <u>\$ 12,273,975</u> |

See accompanying independent auditors' report.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Comparative Schedules of Revenues, Expenditures by Object, and Changes in Fund Balances
Years Ended September 30, 2015 and 2014

| | Tourist Attraction Fund | | Capital Projects Fund | | Debt Service Fund | |
|---|-------------------------|---------------------|-----------------------|----------------------|----------------------|----------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Revenues: | | | | | | |
| Taxes | \$ 36,988,454 | \$ 34,362,256 | \$ - | \$ - | \$ - | \$ - |
| Use of money and property | - | 290 | (33,029) | 57,073 | 1,043 | (1,165) |
| Total revenues | <u>36,988,454</u> | <u>34,362,546</u> | <u>(33,029)</u> | <u>57,073</u> | <u>1,043</u> | <u>(1,165)</u> |
| Expenditures: | | | | | | |
| Salaries and wages - regular | 477,395 | 116,865 | - | - | - | - |
| Salaries and wages - overtime | 1,506,972 | 8,431 | - | - | - | - |
| Salaries and wages - fringe benefits | 346,544 | 38,567 | - | - | - | - |
| Travel | 45,328 | 26,499 | - | - | - | - |
| Contractual services | 735,064 | 747,343 | 2,211,384 | 1,817,742 | - | - |
| Supplies | 666,412 | 886,466 | - | - | - | - |
| Equipment | 38,497 | 86,526 | - | - | - | - |
| Grants and subsidies | 27,425,362 | 22,437,371 | - | - | - | - |
| Utilities - power and water | 1,139,792 | 166,450 | - | - | - | - |
| Communications | 1,237 | 2,575 | - | - | - | - |
| Capital outlays | 66,949 | 156,109 | 10,354,423 | 6,519,931 | - | - |
| Principal retirement | - | - | - | - | 1,845,000 | 1,785,000 |
| Interest and fiscal charges | - | - | - | - | 5,152,819 | 5,214,188 |
| Miscellaneous | 144,739 | 116,074 | - | - | 16,702 | 18,552 |
| Total expenditures | <u>32,594,291</u> | <u>24,789,276</u> | <u>12,565,807</u> | <u>8,337,673</u> | <u>7,014,521</u> | <u>7,017,740</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>4,394,163</u> | <u>9,573,270</u> | <u>(12,598,836)</u> | <u>(8,280,600)</u> | <u>(7,013,478)</u> | <u>(7,018,905)</u> |
| Other financing sources (uses): | | | | | | |
| Operating transfers in | - | - | - | - | 7,023,939 | 7,120,002 |
| Operating transfers out | (7,023,939) | (7,120,002) | - | - | - | - |
| Total other financing sources (uses), net | <u>(7,023,939)</u> | <u>(7,120,002)</u> | <u>-</u> | <u>-</u> | <u>7,023,939</u> | <u>7,120,002</u> |
| Net change in fund balances | (2,629,776) | 2,453,268 | (12,598,836) | (8,280,600) | 10,461 | 101,097 |
| Fund balances at the beginning of the year | <u>8,070,787</u> | <u>5,617,519</u> | <u>35,604,072</u> | <u>43,884,672</u> | <u>12,273,975</u> | <u>12,172,878</u> |
| Fund balances at the end of the year | <u>\$ 5,441,011</u> | <u>\$ 8,070,787</u> | <u>\$ 23,005,236</u> | <u>\$ 35,604,072</u> | <u>\$ 12,284,436</u> | <u>\$ 12,273,975</u> |

See accompanying independent auditors' report.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Schedule of Expenditures by Department by Object
Years Ended September 30, 2015 and 2014

| | 2015 | 2014 |
|---|-----------|-----------|
| Department of Administration: | | |
| Division of Accounts: | | |
| Contractual services | \$ 18,000 | \$ 20,500 |
| Principal retirement | 1,845,000 | 1,785,000 |
| Interest and fiscal charges | 5,152,819 | 5,214,188 |
| Miscellaneous | 16,702 | 18,552 |
| Total Department of Administration | 7,032,521 | 7,038,240 |
| Guam Police Department: | | |
| Tumon-Tamuning Precinct: | | |
| Salaries and wages - regular | 114,893 | 93,306 |
| Salaries and wages - overtime | 2,001 | 8,431 |
| Salaries and wages - fringe benefits | 35,631 | 29,914 |
| Contractual services | 19,211 | 17,756 |
| Supplies | 905 | 2,057 |
| Equipment | 5,104 | 56,592 |
| Capital outlays | - | 144,666 |
| Miscellaneous | 1,400 | 1,400 |
| | 179,145 | 354,122 |
| Overtime Compensation: | | |
| Salaries and wages - regular | 110,225 | - |
| Salaries and wages - overtime | 932,809 | - |
| Salaries and wages - fringe benefits | 108,091 | - |
| | 1,151,125 | - |
| Total Guam Police Department | 1,330,270 | 354,122 |
| Department of Corrections: | | |
| Overtime Compensation: | | |
| Salaries and wages - regular | 76,005 | - |
| Salaries and wages - overtime | 572,162 | - |
| Salaries and wages - fringe benefits | 135,469 | - |
| Total Department of Corrections | 783,636 | - |
| Guam Environmental Protection Agency: | | |
| Beach Monitoring: | | |
| Salaries and wages - regular | 26,172 | 23,559 |
| Salaries and wages - fringe benefits | 9,667 | 8,653 |
| Contractual services | - | 27,154 |
| Supplies | 15,065 | 33,258 |
| Communications | - | 506 |
| Total Guam Environmental Protection Agency | 50,904 | 93,130 |
| Department of Parks and Recreation: | | |
| Maintenance and Repair of Public Restrooms: | | |
| Contractual services | 359,014 | 330,790 |
| Supplies | 122,600 | 192,122 |
| Utilities - power and water | 218,433 | 166,450 |
| Total Department of Parks and Recreation | 700,047 | 689,362 |
| Mayors' Council of Guam: | | |
| Operations: | | |
| Salaries and wages - regular | 150,101 | - |
| Salaries and wages - fringe benefits | 57,687 | - |
| Travel | 23,506 | - |
| Contractual services | 71,575 | - |
| Supplies | 26,174 | - |
| Equipment | 1,460 | - |
| Utilities - power and water | 921,358 | - |
| Capital outlays | 2,000 | - |
| Miscellaneous | 10,008 | - |
| | 1,263,869 | - |

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Schedule of Expenditures by Department by Object, Continued
Years Ended September 30, 2015 and 2014

| | 2015 | 2014 |
|--|-----------|-----------|
| Mayors' Council of Guam, Continued: | | |
| Island-wide Village Beautification: | | |
| Contractual services | 88,312 | 166,439 |
| Supplies | 149,254 | 207,237 |
| Equipment | 15,056 | 12,746 |
| Capital outlays | 11,900 | 4,993 |
| | 264,522 | 391,415 |
| Village Street Maintenance and Beautification: | | |
| Travel | 17,886 | 26,499 |
| Contractual services | 178,952 | 184,704 |
| Supplies | 352,412 | 451,792 |
| Equipment | 16,877 | 17,188 |
| Communications | 1,237 | 2,069 |
| Capital outlays | 53,049 | 6,450 |
| Miscellaneous | 86,940 | 78,674 |
| | 707,353 | 767,376 |
| Total Mayors' Council of Guam | 2,235,744 | 1,158,791 |
| Council on the Arts and Humanities: | | |
| Guam Territorial Band: | | |
| Miscellaneous | 50,328 | 36,000 |
| Guam Museum: | | |
| Contractual services | 1,421,194 | 1,240,908 |
| Capital outlays | 6,116,366 | 5,003,291 |
| Total Guam Museum | 7,537,560 | 6,244,199 |
| San Vitores Flooding: | | |
| Contractual services | 567,868 | 402,784 |
| Hagatna Pool Improvements: | | |
| Contractual services | 1,804 | - |
| Capital outlays | 143,944 | - |
| Total Hagatna Pool Improvements | 145,748 | - |
| Hagatna Tennis Court Improvements: | | |
| Contractual services | 1,804 | - |
| Capital outlays | 155,450 | - |
| Total Hagatna Tennis Court Improvements | 157,254 | - |
| Historic Hagatna Projects: | | |
| Contractual services | 16,838 | 1,658 |
| Capital outlays | - | 563,505 |
| Total Historic Hagatna Projects | 16,838 | 565,163 |
| Hagatna Master Plan: | | |
| Capital outlays | 200,000 | - |
| Crosswalk from Skinner Plaza to Chamorro Village: | | |
| Contractual services | 3,608 | 38,875 |
| Inarajan Community Center Restoration: | | |
| Contractual services | 10,825 | - |
| Capital outlays | - | 14,579 |
| Total Inarajan Community Center Restoration | 10,825 | 14,579 |
| Malesso Bell Tower Restoration and Rehabilitation: | | |
| Contractual services | 18,215 | 52,563 |

See accompanying independent auditors' report.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Schedule of Expenditures by Department by Object, Continued
Years Ended September 30, 2015 and 2014

| | 2015 | 2014 |
|--|---------------|---------------|
| Design/Construction of Guam Farmer's Cooperative Association Facility and and Dededo Flea Market Relocation: | | |
| Contractual services | 58,938 | 6,851 |
| Capital outlays | 2,499,960 | 650,736 |
| Total Design/Construction of Guam Farmer's Cooperative Association Facility and Dededo Flea Market Relocation | 2,558,898 | 657,587 |
| Historic Monument and Plaza Commemorating Ferdinand Magellan's Visit to Umatac Bay: | | |
| Contractual services | 22,549 | 11,405 |
| Design/Construction of Village Entrance Signs: | | |
| Contractual services | 4,812 | - |
| Capital outlays | 289,561 | 58,090 |
| Total Design/Construction of Village Entrance Signs | 294,373 | 58,090 |
| Scenic and Informational Highway Signs: | | |
| Contractual services | 4,209 | - |
| Nimitz Beach Improvements: | | |
| Contractual services | 3,008 | - |
| Capital outlays | 265,308 | 613 |
| Total Nimitz Beach Improvements | 268,316 | 613 |
| Improve Public Facilities Near Fish Eye Pier: | | |
| Contractual services | 1,203 | - |
| Capital outlays | 67,835 | 59,783 |
| Total Improve Public Facilities Near Fish Eye Pier | 69,038 | 59,783 |
| Mangilao Public Market Improvements: | | |
| Contractual services | 26,043 | 26,423 |
| Tumon Bay Improvements: | | |
| Contractual services | 8,419 | 36,274 |
| Public Park at Faifai and Gognga: | | |
| Contractual services | 14,374 | - |
| Renovation of Agana Bay Streetlights: | | |
| Contractual services | 421 | - |
| Renovation of Pale San Vitores Streetlights: | | |
| Contractual services | 601 | - |
| Restoration and Repair of Scenic Byways, Overlooks, and Historic Sites: | | |
| Contractual services | 24,051 | - |
| Capital outlays | 415,000 | 169,335 |
| Total Repair of Scenic Byways, Overlooks, and Historic Sites | 439,051 | 169,335 |
| Senator Angel LG Santos Park: | | |
| Contractual services | 601 | - |
| Capital outlays | 200,998 | - |
| Total Senator Angel LG Santos Park | 201,599 | - |
| Guam Visitors Bureau: | | |
| Grants and subsidies | 24,272,754 | 18,089,832 |
| University of Guam: | | |
| Grants and subsidies | 640,000 | 365,000 |
| Guam Community College: | | |
| Grants and subsidies | 24,154 | 520,283 |
| HOT Surplus Fund: | | |
| Grants and subsidies | 2,488,454 | 3,462,256 |
| | \$ 52,174,619 | \$ 40,144,689 |

See accompanying independent auditors' report.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Schedule of Construction Project Status
Year Ended September 30, 2015

| | Total Budget | Expenditures Year Ended September 30, 2015 | Cumulative Expenditures | Outstanding Encumbrances | Continuing Appropriations |
|---|----------------------|---|----------------------------|-----------------------------|------------------------------|
| Tumon Bay Capital Projects: | | | | | |
| Reconstruction of Pale San Vitores Road | \$ 3,476,119 | \$ - | \$ 3,343,249 | \$ 91,949 | \$ 40,921 |
| Sub-Total | <u>3,476,119</u> | <u>-</u> | <u>3,343,249</u> | <u>91,949</u> | <u>40,921</u> |
| Development of the Guam and Chamorro Educational Facility: | | | | | |
| GEDA - RW Armstrong Consulting Fee | 2,977,500 | 88,786 | 2,866,286 | 111,214 | - |
| Sub-Total | <u>2,977,500</u> | <u>88,786</u> | <u>2,866,286</u> | <u>111,214</u> | <u>-</u> |
| GEDA Projects: | | | | | |
| Guam and Chamorro Educational Facility | 25,303,102 | 7,448,774 | 16,737,170 | 8,028,122 | 537,810 |
| Historic Hagatna Projects | 1,390,137 | 16,838 | 1,367,837 | - | 22,300 |
| Crosswalk from Skinner Plaza to Chamorro Village | 244,205 | 3,608 | 42,483 | 53,629 | 148,093 |
| Inarajan Community Center Restoration | 839,986 | 10,825 | 836,502 | 3,484 | - |
| Malesso Bell Tower Restoration and Rehabilitation | 342,013 | 18,215 | 70,778 | 14,583 | 256,652 |
| Design/Construction of Guam Farmer's Cooperative Association Facility and Dededo Flea Market Relocation | 3,777,461 | 2,558,898 | 3,560,234 | 55,759 | 161,468 |
| Design/Construction of Village Entrance Signs for 19 Municipalities | 428,998 | 294,373 | 427,998 | 1,000 | - |
| Tumon Bay Improvements | 608,523 | 8,419 | 44,693 | 6,049 | 557,781 |
| Pale San Vitores Road Streetlight Renovation | 601 | 601 | 601 | - | - |
| Primary or Supplemental Funding for Hagatna Master Plan Projects | 200,000 | 200,000 | 200,000 | - | - |
| Other HOT Bond projects | 11,714,743 | - | - | - | 11,714,743 |
| San Vitores Flooding | 10,922,071 | 567,868 | 1,158,318 | 211,991 | 9,551,762 |
| Historic Monument and Plaza Commemorating Ferdinand Magellan's Visit to Umatac Bay | 143,255 | 22,549 | 33,954 | 4,290 | 105,011 |
| Improve Public Facilities Near Fish Eye Pier | 139,820 | 69,038 | 128,821 | - | 10,999 |
| Mangilao Public Market Improvements | 52,466 | 26,043 | 52,466 | - | - |
| Agana Bay Vicinity Streetlight Renovation | 421 | 421 | 421 | - | - |
| Restoration and Repair of Scenic Byways, Overlooks, and Historic Sites | 1,129,544 | 439,051 | 608,386 | - | 521,158 |
| Design and Construction of Permanent Monument for Senator Angel Santos Park | 201,599 | 201,599 | 201,599 | - | - |
| Scenic and Informational Highway Signs | 4,209 | 4,209 | 4,209 | - | - |
| Hagatna Tennis Court Improvements | 157,254 | 157,254 | 157,254 | - | - |
| Hagatna Pool Improvements | 204,654 | 145,748 | 145,748 | 58,906 | - |
| Public Park at Faifai and Gognga | 14,374 | 14,374 | 14,374 | - | - |
| Nimitz Beach Improvements | 268,929 | 268,316 | 268,929 | - | - |
| Guam Fishermen's Cooperative | 2,000,000 | - | - | - | 2,000,000 |
| Guam Preservation Trust Reimbursement | 4,288,811 | - | 4,288,811 | - | - |
| Sub-Total | <u>64,377,176</u> | <u>12,477,021</u> | <u>30,351,586</u> | <u>8,437,813</u> | <u>25,587,777</u> |
| | <u>\$ 70,830,795</u> | <u>\$ 12,565,807</u> | <u>\$ 36,561,121</u> | <u>\$ 8,640,976</u> | <u>\$ 25,628,698</u> |

See accompanying independent auditors' report.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Other Supplementary Information
Years Ended September 30, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|------------------------------------|----------------------|----------------------|
| Bond Cash and Investment Accounts: | | |
| Bond Fund | \$ 7,426,936 | \$ 7,418,325 |
| Bond Reserve Fund | 4,857,500 | 4,857,500 |
| Construction Account | 26,052,061 | 37,383,716 |
| Revenue Fund | 3,090,316 | 3,152,544 |
| Surplus Fund | <u>2,436,726</u> | <u>4,464,114</u> |
| | <u>\$ 43,863,539</u> | <u>\$ 57,276,199</u> |

See accompanying independent auditors' report.

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

Honorable Eddie Baza Calvo
Governor of Guam:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Tourist Attraction Fund and of those funds related to the Government of Guam Hotel Occupancy Tax Revenue Bonds, 2011 Series A (the Funds) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Funds' financial statements, and have issued our report thereon dated March 30, 2016.

Internal Control Over Financial Reporting

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

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

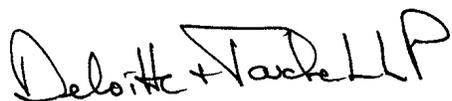
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

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

March 30, 2016