

**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, 2012

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Year Ended September 30, 2012
Table of Contents

	<u>Page No.</u>
I. BASIC FINANCIAL STATEMENTS	
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Balance Sheet	7
Statements of Revenues, Expenditures and Changes in Fund Balances	8
Notes to Financial Statements	9
II. OTHER SUPPLEMENTARY INFORMATION:	
Comparative Balance Sheets	18
Comparative Statements of Revenues, Expenditures by Function, and Changes in Fund Balances	19
Comparative Statements of Revenues, Expenditures by Object, and Changes in Fund Balances	20
Schedule of Expenditures by Department by Object	21
Schedule of Construction Project Status	23
Other Supplementary Information	24
III. 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>	25

INDEPENDENT AUDITORS' REPORT

Honorable Eddie Baza Calvo
Governor of Guam:

We have audited the accompanying balance sheet 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 September 30, 2012, and the related statement of revenues, expenditures, and changes in fund balances for the year then ended. These financial statements are the responsibility of the Government of Guam's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

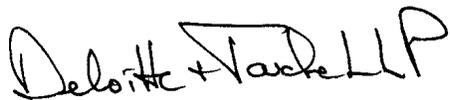
As discussed in Note 1, the financial statements present only the Tourist Attraction Fund and those funds related to the Government of Guam Hotel Occupancy Tax Revenue Bonds, 2011 Series A. They are not intended to present the financial position and results of operations of the Government of Guam in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

In our opinion, such financial statements 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, 2012, and the results of their operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2013 on our consideration of the Funds' internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 6 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The comparative financial statement information on pages 18 through 20, the schedule of expenditures by department by object on pages 21 and 22, the schedule of construction project status on page 23 and the other supplementary information on page 24 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards 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 financial statements as a whole.

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

March 29, 2013

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Management's Discussion and Analysis
Year Ended September 30, 2012

Our discussion and analysis of the Government of Guam's ("GovGuam") Tourist Attraction Fund ("TAF") financial performance provides an overview of TAF's financial activities for the fiscal years ended September 30, 2012 and 2011. Please read it in conjunction with TAF's financial statements, which follow this section.

1. Financial Highlights

- For the fiscal year ended September 30, 2012, total fund balance decreased by \$5,926,510 (or 8.2%) from an ending fund balance of \$71,993,612 in 2011 to \$66,067,102 in 2012.
- During the years ended September 30, 2012 and 2011, total combined expenditures for governmental fund operations were \$32,019,745 and \$25,066,766, respectively, including expenditures relating to payments to the Guam Visitor's Bureau of \$16,260,310 and \$14,308,625, respectively; debt service requirements of \$6,998,216 and \$4,073,488, respectively; a payment to Guam Preservation Trust in 2012 for \$4,288,811; and capital-related expenditures of \$1,742,371 and \$1,197,781, respectively. These expenditures were funded, in part, by Hotel Occupancy Tax revenue collections during the years ended September 30, 2012 and 2011 of \$26,054,476 and \$22,972,113, respectively, with the remainder funded by bond proceeds.
- Total combined expenditures increased by \$6,952,979 (or 27.7%) from 2011 to 2012 due primarily to increases in the payments to the Guam Visitor's Bureau, debt service payments, and the reimbursement payment to Guam Preservation Trust. Total combined revenues increased by \$3,128,050 (or 13.6%) from 2011 to 2012 due primarily to increases in hotel occupancy rates and tourist arrivals.
- During the years ended September 30, 2012 and 2011, TAF generated operating deficits of \$5,926,510 and \$2,101,581, respectively.

2. Overview of the Financial Statements

TAF's financial statements include all of the activities of GovGuam's Tourist Attraction Fund and of those funds related to the Government of Guam 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.

TAF's 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. TAF 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.

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

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Management's Discussion and Analysis, Continued
Year Ended September 30, 2012

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 TAF's financial statements.

3. Financial Statement Analysis

Balance Sheet

The balance sheet presents information on TAF's assets, liabilities and fund balance at year-end. A condensed summary of TAF's balance sheets is shown below as of September 30, 2012 and 2011.

	<u>2012</u>	<u>2011</u>
Assets:		
Cash and cash equivalents	\$ 2,333,856	\$ 1,987,246
Tax receivables	2,235,408	1,892,389
Due from General Fund	41,714	-
Restricted assets:		
Cash and cash equivalents	47,862,643	69,324,921
Investments	<u>14,527,112</u>	<u>-</u>
Total Assets	\$ <u>67,000,733</u>	\$ <u>73,204,556</u>
Liabilities:		
Accounts payable	\$ 369,647	\$ 133,278
Due to General Fund	31,947	3,188
Due to Guam Visitors Bureau	<u>532,037</u>	<u>1,074,478</u>
Total Liabilities	<u>933,631</u>	<u>1,210,944</u>
Fund Balances:		
Restricted	62,002,087	69,201,955
Committed	<u>4,065,015</u>	<u>2,791,657</u>
Total Fund Balances	<u>66,067,102</u>	<u>71,993,612</u>
Total Liabilities and Fund Balances	\$ <u>67,000,733</u>	\$ <u>73,204,556</u>

Total assets decreased by \$6,203,823 (or 8.5%) during 2012 from \$73,204,556 to \$67,000,733. This decrease was primarily the result of a decrease in restricted assets for a payment to Guam Preservation Trust and other capital-related expenditures.

Total liabilities decreased by \$277,313 (or 22.9%) during 2012 from \$1,210,944 to \$933,631. This decrease was primarily the result of a decrease in appropriations payable to GVB.

Total fund balances decreased by \$5,926,510 (or 8.2%) during 2012 from \$71,993,612 to \$66,067,102. 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, 2012

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 TAF's fund balance for the year. TAF's statements of revenues, expenses and changes in fund balances for the years ended September 30, 2012, and 2011 are summarized as follows.

	<u>2012</u>	<u>2011</u>
Revenues:		
Hotel occupancy tax	\$ 26,054,476	\$ 22,972,113
Use of money and property	<u>38,759</u>	<u>(6,928)</u>
Total Revenues	<u>26,093,235</u>	<u>22,965,185</u>
Expenditures:		
Current:		
General government	252,859	23,546
Community service	40,000	48,496
Environmental protection	68,751	61,070
Individual collective rights	1,392,017	1,095,330
Recreation	613,947	871,237
Payments to autonomous agencies	20,911,584	14,835,729
Transfers to other funds	-	2,094,742
Capital projects	1,742,371	1,197,781
Cost of issuance	-	765,347
Debt service	<u>6,998,216</u>	<u>4,073,488</u>
Total Expenditures	<u>32,019,745</u>	<u>25,066,766</u>
Other Financing Sources (Uses):		
Proceeds from refunded bonds issued	-	90,665,000
Discount on refunded bonds issued	-	(2,117,169)
Payment to refunded bond escrow agent	<u>-</u>	<u>(28,787,786)</u>
Net Other Financing Sources (Uses)	<u>-</u>	<u>59,760,045</u>
Net Change in Fund Balances	\$ <u>(5,926,510)</u>	\$ <u>57,658,464</u>

In 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. As a result, net bond proceeds amounted to \$59,760,045.

Total revenues collected from Hotel Occupancy Taxes increased by \$3,082,363 (or 13.4%) from \$22,972,113 for 2011 to \$26,054,476 for 2012. These increases were primarily the result of incremental increases in tourist arrivals.

Total expenditures increased by \$6,952,979 (or 27.7%) from \$25,066,766 for 2011 to \$32,019,745 for 2012. The increase in 2012 was the result of an increase in allotments to GVB of \$1,951,685 (or 13.6%) and a one-time payment to Guam Preservation Trust.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Management's Discussion and Analysis, Continued
Year Ended September 30, 2012

4. Capital Assets

During the year ended September 30, 2012, capital-related expenditures amounted to \$1,742,371 compared with \$1,197,781 in 2011. These expenditures pertained to a number of contracts associated with certain tourism projects. Commitments for contractual obligations were entered into in 2012 for a total amount of \$7,113,500, of which expenditures associated with these contracts of \$1,603,163 were incurred during the year.

5. Long-Term Debt

In August 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. Proceeds are primarily to be used for the purpose of constructing the Guam Museum and certain other tourism related projects. 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. We expect that there will be a significant increase in capital expenditures in 2013 and beyond. The tourism market on Guam has been steadily increasing. In 2013, a report was issued by the Guam Visitor's Bureau that hotels are now experiencing double occupancy; the major source of revenues for TAF. Government of Guam will need to provide incentives to facilitate an increase in total rooms available to accommodate this increase. Another challenge that is facing the tourism market is a volatile dependency on influences outside GovGuam's control such as fluctuations in the Asian economy or the purchasing power of the dollar.

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 TAF's finances and to show the TAF's accountability for the money it receives. 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, 2012

	Tourist Attraction Fund	Capital Projects Fund	Debt Service Fund	Total
<u>ASSETS</u>				
Cash and cash equivalents	\$ 2,333,856	\$ -	\$ -	\$ 2,333,856
Restricted assets:				
Cash and cash equivalents	-	36,550,612	11,312,031	47,862,643
Investments	-	14,527,112	-	14,527,112
Taxes receivable	2,235,408	-	-	2,235,408
Due from General Fund	41,714	-	-	41,714
Total assets	\$ 4,610,978	\$ 51,077,724	\$ 11,312,031	\$ 67,000,733
<u>LIABILITIES</u>				
Accounts payable	\$ 13,926	\$ 355,721	\$ -	\$ 369,647
Due to General Fund	-	31,947	-	31,947
Due to Guam Visitors Bureau	532,037	-	-	532,037
	545,963	387,668	-	933,631
Commitments				
<u>FUND BALANCES</u>				
Fund balances:				
Restricted for:				
Capital projects	-	50,690,056	-	50,690,056
Debt service	-	-	11,312,031	11,312,031
Committed for:				
Tourism	4,065,015	-	-	4,065,015
Total fund balances	4,065,015	50,690,056	11,312,031	66,067,102
Total liabilities and fund balances	\$ 4,610,978	\$ 51,077,724	\$ 11,312,031	\$ 67,000,733

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, 2012

	Tourist Attraction Fund	Capital Projects Fund	Debt Service Fund	Total
Revenues:				
Taxes	\$ 26,054,476	\$ -	\$ -	\$ 26,054,476
Use of money and property	72	32,117	6,570	38,759
Total revenues	26,054,548	32,117	6,570	26,093,235
Expenditures:				
Current:				
General government	230,482	16,152	6,225	252,859
Community services	40,000	-	-	40,000
Individual collective rights	1,392,017	-	-	1,392,017
Environmental protection	68,751	-	-	68,751
Recreation	613,947	-	-	613,947
Payments to Guam Visitors Bureau	16,260,310	-	-	16,260,310
Payments to Guam Preservation Trust	-	4,288,811	-	4,288,811
Payments to University of Guam	340,000	-	-	340,000
Payments to Guam Community College	22,463	-	-	22,463
Capital projects	-	1,742,371	-	1,742,371
Debt service:				
Principal	-	-	1,670,000	1,670,000
Interest	-	-	5,328,216	5,328,216
Total expenditures	18,967,970	6,047,334	7,004,441	32,019,745
Excess (deficiency) of revenues over (under) expenditures	7,086,578	(6,015,217)	(6,997,871)	(5,926,510)
Other financing sources (uses):				
Operating transfers in	-	-	5,813,220	5,813,220
Operating transfers out	(5,813,220)	-	-	(5,813,220)
Total other financing sources (uses)	(5,813,220)	-	5,813,220	-
Net change in fund balances	1,273,358	(6,015,217)	(1,184,651)	(5,926,510)
Fund balances at the beginning of the year	2,791,657	56,705,273	12,496,682	71,993,612
Fund balances at the end of the year	\$ 4,065,015	\$ 50,690,056	\$ 11,312,031	\$ 66,067,102

See accompanying notes to financial statements.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Notes to Financial Statements
September 30, 2012

(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.

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 60 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, 2012

(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, 2012, significant encumbrances are summarized as follows:

	<u>Tourist Attraction Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>
Encumbrances	\$ <u>176,332</u>	\$ <u>5,973,348</u>	\$ <u> -</u>

F. Cash and Cash Equivalents

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

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Notes to Financial Statements
September 30, 2012

(1) Summary of Significant Accounting Policies, Continued

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.

J. Restricted Assets

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

K. Fund Balance

Governmental fund balances are classified as follows:

- Non-spendable - includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints.
- 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.
- Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed.
- Unassigned includes negative fund balances in other governmental funds.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Notes to Financial Statements
September 30, 2012

(1) Summary of Significant Accounting Policies, Continued

K. Fund Balance, Continued

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. In addition, committed, then assigned, and lastly unassigned amounts of unrestricted fund balance are expended in that order.

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, 2011 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.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Notes to Financial Statements
September 30, 2012

(2) Deposits and Investments, Continued

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, 2012, the carrying amount of cash and cash equivalents was \$50,196,499 and the corresponding bank balances were \$50,196,499, 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, 2012.

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, 2012.

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, 2012, investments recorded at fair value in the amount of \$14,527,112 are classified as mutual funds.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Notes to Financial Statements
September 30, 2012

(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.

Minimum debt service payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,740,000	\$ 5,258,362	\$ 6,998,362
2014	1,785,000	5,214,188	6,999,188
2015	1,845,000	5,152,819	6,997,819
2016	1,920,000	5,078,625	6,998,625
2017	2,010,000	4,988,775	6,998,775
2018 - 2022	11,785,000	23,198,001	34,983,001
2023 - 2027	13,460,000	19,351,875	32,811,875
2028 - 2032	14,180,000	15,365,638	29,545,638
2033 - 2037	19,450,000	10,091,250	29,541,250
2038 - 2041	<u>20,820,000</u>	<u>2,816,450</u>	<u>23,636,450</u>
	<u>\$ 88,995,000</u>	<u>\$ 96,515,983</u>	<u>\$ 185,510,983</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, 2012, \$50,690,056 of fund balance in the Capital Projects Fund is restricted for capital projects.

GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND

Notes to Financial Statements
September 30, 2012

(3) Bonds Payable, Continued

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

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

During the year ended September 30, 2012, payments for debt service totaled \$6,998,216, of which \$1,670,000 represents payment on principal. A summary of the change in bonds payable is as follows:

Bonds payable at October 1, 2011	\$ 90,665,000
Principal repayment	<u>(1,670,000)</u>
Bonds payable at September 30, 2012	\$ <u>88,995,000</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, 2012 amounted to \$6,998,216, which represents 26% of 2012 tax revenues collected.

At September 30, 2012, \$11,312,031 of fund balance in the Debt Service Fund is restricted for debt service purposes.

At September 30, 2012, GovGuam is of the opinion that it is in compliance with the bond covenants as outlined in the bond indenture.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Notes to Financial Statements
September 30, 2012

(4) Payments to Autonomous Agencies

Public Law 30-228 authorizes the issuance of Hotel Occupancy Tax Revenue Bonds and the funding of payments from bond proceeds to the Guam Preservation Trust (GPT) for reimbursement of interfund payables. During the year ended September 30, 2012, total appropriations made to GPT from the Capital Projects Fund amounted to \$4,288,811.

Public Law 31-77 authorizes the general appropriation to autonomous agencies of GovGuam for operations to be paid from the Tourist Attraction Fund. Specifically, Public Law 31-77 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, 2012, total appropriations made to GVB from the Tourist Attraction Fund were as follows:

Operations:	
General Administration	\$ 2,618,323
Marketing	8,951,117
Printing, promotional	262,715
Research	406,014
Destination development	<u>1,456,875</u>
	<u>13,695,044</u>
Restricted:	
Folklife Festival Trust Account	749,184
Establishment of a Rainy Day Fund	<u>195,000</u>
	<u>944,184</u>
Special projects:	
Beach maintenance	<u>1,090,706</u>
Pass-through to various non-profit organizations:	
Pa'a Taotao Tano	74,400
Historic Inalahan Foundation	27,626
Traditions Affirming our Seafaring Ancestry	46,500
Tourism Education Council	27,900
Haya Cultural Preservation Foundation	13,950
Festival of Pacific Arts:	
Guam Council on the Arts and Humanities	<u>340,000</u>
	<u>530,376</u>
	<u>\$ 16,260,310</u>

In addition, Public Law 31-77 authorizes an appropriation to the University of Guam (UOG) for the operations of the Rhinoceros Beetle Program in the amount of \$200,000 and the Guampedia Foundation in the amount of \$140,000. During the year ended September 30, 2012, total appropriations made to UOG for operations of the Rhinoceros Beetle Program and the Guampedia Foundation amounted to \$340,000.

GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND

Notes to Financial Statements
September 30, 2012

(4) Payments to Autonomous Agencies, Continued

Finally, Public Law 31-77 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, 2012, total appropriations made to GCC for the Lodging Management Program/Prostart Program amounted to \$22,463.

(5) Commitments

GovGuam entered into an amendment to a design-build construction contract for the reconstruction of Pale San Vitores Road in an additional amount of \$1,800,000. As of September 30, 2012, a cumulative total of \$1,336,989 in capital-related expenditures have been incurred under this contract with the remaining unliquidated contract amount of \$463,011 recorded within restricted fund balance of the Capital Projects Fund in the accompanying financial statements. During the year ended September 30, 2012, capital-related expenditures of \$139,208 were associated with this project.

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 \$55,569,000. During the year ended September 30, 2012, GovGuam entered into certain contracts associated with these projects in the aggregate amount of \$7,113,500, with capital-related expenditures of \$1,603,163 being incurred under these contracts. The remaining unliquidated contract amount of \$5,510,337 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, 2012 and 2011

	Tourist Attraction Fund		Capital Projects Fund		Debt Service Fund	
	2012	2011	2012	2011	2012	2011
<u>ASSETS</u>						
Cash and cash equivalents	\$ 2,333,856	\$ 1,987,246	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and cash equivalents	-	-	36,550,612	56,828,239	11,312,031	12,496,682
Investments	-	-	14,527,112	-	-	-
Taxes receivable	2,235,408	1,892,389	-	-	-	-
Due from General Fund	41,714	-	-	-	-	-
Total assets	\$ 4,610,978	\$ 3,879,635	\$ 51,077,724	\$ 56,828,239	\$ 11,312,031	\$ 12,496,682
<u>LIABILITIES</u>						
Accounts payable	\$ 13,926	\$ 13,500	\$ 355,721	\$ 119,778	\$ -	\$ -
Due to General Fund	-	-	31,947	3,188	-	-
Due to Guam Visitors Bureau	532,037	1,074,478	-	-	-	-
Total liabilities	545,963	1,087,978	387,668	122,966	-	-
<u>FUND BALANCES</u>						
Fund balances:						
Restricted for:						
Capital projects	-	-	50,690,056	56,705,273	-	-
Debt service	-	-	-	-	11,312,031	12,496,682
Committed for:						
Tourism	4,065,015	2,791,657	-	-	-	-
Total fund balances	4,065,015	2,791,657	50,690,056	56,705,273	11,312,031	12,496,682
Total liabilities and fund balances	\$ 4,610,978	\$ 3,879,635	\$ 51,077,724	\$ 56,828,239	\$ 11,312,031	\$ 12,496,682

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, 2012 and 2011

	Tourist Attraction Fund		Capital Projects Fund		Debt Service Fund	
	2012	2011	2012	2011	2012	2011
Revenues:						
Taxes	\$ 26,054,476	\$ 22,972,113	\$ -	\$ -	\$ -	\$ -
Use of money and property	72	56	32,117	2,526	6,570	(9,510)
Total revenues	26,054,548	22,972,169	32,117	2,526	6,570	(9,510)
Expenditures:						
Current:						
General government	230,482	18,000	16,152	5,546	6,225	-
Community services	40,000	48,496	-	-	-	-
Individual and collective rights	1,392,017	1,095,330	-	-	-	-
Environmental protection	68,751	61,070	-	-	-	-
Recreation	613,947	871,237	-	-	-	-
Payments to Guam Visitors Bureau	16,260,310	14,308,625	-	-	-	-
Payments to Guam Preservation Trust	-	-	4,288,811	-	-	-
Payments to University of Guam	340,000	505,365	-	-	-	-
Payments to Guam Community College	22,463	21,739	-	-	-	-
Transfers to FGIA Fund	-	18,800	-	-	-	-
Transfers to Supplemental Appropriation Revenue Fund	-	-	-	-	-	1,000,000
Transfers to General Fund	-	1,075,942	-	-	-	-
Capital projects	-	-	1,742,371	1,197,781	-	-
Cost of issuance	-	-	-	-	-	765,347
Debt service:						
Principal	-	-	-	-	1,670,000	3,290,000
Interest	-	-	-	-	5,328,216	783,488
Total expenditures	18,967,970	18,024,604	6,047,334	1,203,327	7,004,441	5,838,835
Excess (deficiency) of revenues over (under) expenditures	7,086,578	4,947,565	(6,015,217)	(1,200,801)	(6,997,871)	(5,848,345)
Other financing sources (uses):						
Proceeds from refunded bonds issued	-	-	-	90,665,000	-	-
Discount on refunded bonds issued	-	-	-	(2,117,169)	-	-
Payment to refunded bond escrow agent	-	-	-	(21,908,273)	-	(6,879,513)
Operating transfers in	-	-	-	-	5,813,220	16,054,012
Operating transfers out	(5,813,220)	(4,983,453)	-	(11,070,559)	-	-
Total other financing sources (uses), net	(5,813,220)	(4,983,453)	-	55,568,999	5,813,220	9,174,499
Net change in fund balances	1,273,358	(35,888)	(6,015,217)	54,368,198	(1,184,651)	3,326,154
Fund balances at the beginning of the year	2,791,657	2,827,545	56,705,273	2,337,075	12,496,682	9,170,528
Fund balances at the end of the year	\$ 4,065,015	\$ 2,791,657	\$ 50,690,056	\$ 56,705,273	\$ 11,312,031	\$ 12,496,682

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, 2012 and 2011

	Tourist Attraction Fund		Capital Projects Fund		Debt Service Fund	
	2012	2011	2012	2011	2012	2011
Revenues:						
Taxes	\$ 26,054,476	\$ 22,972,113	\$ -	\$ -	\$ -	\$ -
Use of money and property	72	56	32,117	2,526	6,570	(9,510)
Total revenues	<u>26,054,548</u>	<u>22,972,169</u>	<u>32,117</u>	<u>2,526</u>	<u>6,570</u>	<u>(9,510)</u>
Expenditures:						
Salaries and wages - regular	9,835	-	-	-	-	-
Salaries and wages - fringe benefits	3,567	-	-	-	-	-
Travel	58,222	591	-	-	-	-
Contractual services	1,189,082	1,339,453	1,436,143	1,197,781	-	-
Supplies	693,312	607,153	-	-	-	-
Equipment	33,703	42,213	-	-	-	-
Grants and subsidies	16,622,773	15,930,471	4,288,811	-	-	1,000,000
Utilities - power and water	212,482	-	-	-	-	-
Communications	2,000	-	-	-	-	-
Capital outlays	58,002	28,100	306,228	-	-	-
Principal retirement	-	-	-	-	1,670,000	3,290,000
Interest and fiscal charges	-	-	-	-	5,328,216	783,488
Miscellaneous	84,992	76,623	16,152	5,546	6,225	765,347
Total expenditures	<u>18,967,970</u>	<u>18,024,604</u>	<u>6,047,334</u>	<u>1,203,327</u>	<u>7,004,441</u>	<u>5,838,835</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,086,578</u>	<u>4,947,565</u>	<u>(6,015,217)</u>	<u>(1,200,801)</u>	<u>(6,997,871)</u>	<u>(5,848,345)</u>
Other financing sources (uses):						
Proceeds from refunded bonds issued	-	-	-	90,665,000	-	-
Discount on refunded bonds issued	-	-	-	(2,117,169)	-	-
Payment to refunded bond escrow agent	-	-	-	(21,908,273)	5,813,220	(6,879,513)
Operating transfers in	-	-	-	-	-	16,054,012
Operating transfers out	(5,813,220)	(4,983,453)	-	(11,070,559)	-	-
Total other financing sources (uses), net	<u>(5,813,220)</u>	<u>(4,983,453)</u>	<u>-</u>	<u>55,568,999</u>	<u>5,813,220</u>	<u>9,174,499</u>
Net change in fund balances	1,273,358	(35,888)	(6,015,217)	54,368,198	(1,184,651)	3,326,154
Fund balances at the beginning of the year	<u>2,791,657</u>	<u>2,827,545</u>	<u>56,705,273</u>	<u>2,337,075</u>	<u>12,496,682</u>	<u>9,170,528</u>
Fund balances at the end of the year	<u>\$ 4,065,015</u>	<u>\$ 2,791,657</u>	<u>\$ 50,690,056</u>	<u>\$ 56,705,273</u>	<u>\$ 11,312,031</u>	<u>\$ 12,496,682</u>

See accompanying independent auditors' report.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Schedule of Expenditures by Department by Object
Years Ended September 30, 2012 and 2011

	2012	2011
Department of Administration:		
Division of Accounts:		
Contractual services	\$ 18,000	\$ 18,000
Utilities - power and water	212,482	-
Principal retirement	1,670,000	3,290,000
Interest and fiscal charges	5,328,216	783,488
Miscellaneous	22,377	770,893
Total Department of Administration	7,251,075	4,862,381
Department of Public Works:		
Capital Improvements Division:		
Contractual services	139,208	1,197,781
Total Department of Public Works	139,208	1,197,781
Guam Environmental Protection Agency:		
Beach Monitoring:		
Salaries and wages - regular	9,835	-
Salaries and wages - fringe benefits	3,567	-
Travel	4,664	-
Contractual services	15,052	3,165
Supplies	29,508	39,938
Equipment	4,125	17,967
Communications	2,000	-
Total Guam Environmental Protection Agency	68,751	61,070
Department of Parks and Recreation:		
Maintenance and Repair of Public Restrooms:		
Contractual services	601,890	844,413
Supplies	5,961	17,183
Equipment	6,096	9,641
Total Department of Parks and Recreation	613,947	871,237
Mayors' Council of Guam:		
Island-wide Village Beautification:		
Contractual services	247,042	13,252
Supplies	206,089	166,516
Equipment	5,105	3,368
Capital outlays	14,975	14,900
	473,211	198,036
Village Street Maintenance and Beautification:		
Travel	53,558	591
Contractual services	307,098	460,623
Supplies	451,754	383,516
Equipment	18,377	11,237
Capital outlays	43,027	13,200
Miscellaneous	44,992	28,127
	918,806	897,294
Total Mayors' Council of Guam	1,392,017	1,095,330
Council on the Arts and Humanities:		
Guam Territorial Band:		
Miscellaneous	40,000	48,496
Total Council on the Arts and Humanities	40,000	48,496

See accompanying independent auditors' report.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Schedule of Expenditures by Department by Object, Continued
Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Federal Grants Fund:		
Grants and subsidies	-	18,800
Total Federal Grants Fund	<u>-</u>	<u>18,800</u>
General Fund:		
Grants and subsidies	-	1,075,942
Total General Fund	<u>-</u>	<u>1,075,942</u>
Supplemental Appropriation Revenue Fund:		
Grants and subsidies	-	1,000,000
Total Supplemental Appropriation Revenue Fund	<u>-</u>	<u>1,000,000</u>
Guam Museum:		
Contractual services	1,296,935	-
Equipment	306,228	-
Total Guam Museum	<u>1,603,163</u>	<u>-</u>
Guam Preservation Trust:		
Grants and subsidies	4,288,811	-
Total Guam Preservation Trust	<u>4,288,811</u>	<u>-</u>
Guam Visitors Bureau:		
Grants and subsidies	16,260,310	14,308,625
Total Guam Visitors Bureau	<u>16,260,310</u>	<u>14,308,625</u>
University of Guam:		
Grants and subsidies	340,000	505,365
Total University of Guam	<u>340,000</u>	<u>505,365</u>
Guam Community College:		
Grants and subsidies	22,463	21,739
Total Guam Community College	<u>22,463</u>	<u>21,739</u>
	<u>\$ 32,019,745</u>	<u>\$ 25,066,766</u>

See accompanying independent auditors' report.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Schedule of Construction Project Status
Year Ended September 30, 2012

	Total Budget	Expenditures Year Ended September 30, 2012	Cumulative Expenditures	Outstanding Encumbrances	Continuing Appropriations
Tumon Bay Capital Projects:					
Reconstruction of Pale San Vitores Road	\$ 1,800,000	\$ 139,208	\$ 1,336,989	\$ 463,011	\$ -
Sub-Total	<u>1,800,000</u>	<u>139,208</u>	<u>1,336,989</u>	<u>463,011</u>	<u>-</u>
Task Order # 1:					
Guam and Chamorro Educational Facility	22,961,100	-	-	-	22,961,100
Architects Laguana & Cristobal - Design	2,197,000	306,228	306,228	1,890,772	-
RWA Consulting Fee	1,696,900	621,378	621,378	1,075,522	-
GEDA Management Fee	145,000	-	-	-	145,000
Sub-Total	<u>27,000,000</u>	<u>927,606</u>	<u>927,606</u>	<u>2,966,294</u>	<u>23,106,100</u>
Task Order # 2:					
San Vitores Flooding	11,500,000	-	-	-	11,500,000
Historic Hagatna Projects	1,341,000	-	-	1,341,000	-
Crosswalk from Skinner Plaza to Chamorro Village	300,000	-	-	-	300,000
Guam Preservation Trust Reimbursement	4,288,811	4,288,811	4,288,811	-	-
Inarajan Community Center Restoration	798,000	-	-	798,000	-
Malesso Bell Tower Restoration and Rehabilitation	400,000	-	-	-	400,000
Design/Construction of Guam Farmer's Cooperative Association Facility and Dededo Flea Market Relocation	3,900,000	-	-	-	3,900,000
Historic Monument and Plaza Commemorating Ferdinand Magellan's Visit to Umatac Bay	150,000	-	-	-	150,000
Design/Construction of Village Entrance Signs for 19 Municipalities	400,000	-	-	-	400,000
Nimitz Beach Improvements	250,000	-	-	-	250,000
Improve Public Facilities Near Fish Eye Pier	100,000	-	-	-	100,000
Mangilao Public Market Improvements	50,000	-	-	-	50,000
Tumon Bay Improvements	700,000	-	-	-	700,000
Pale San Vitores Road Streetlight Renovation	50,000	-	-	-	50,000
Agana Bay Vicinity Streetlight Renovation	35,000	-	-	-	35,000
Restoration and Repair of Scenic Byways, Overlooks, and Historic Sites	2,000,000	-	-	-	2,000,000
Design and Construction of Permanent Monument for Senator Angel Santos Park	50,000	-	-	-	50,000
Scenic and Informational Highway Signs	350,000	-	-	-	350,000
Hagatna Tennis Court Improvements	150,000	-	-	-	150,000
Hagatna Pool Improvements	150,000	-	-	-	150,000
Deposit Into Community Sports Recreational Improvement Fund	50,000	-	-	-	50,000
Primary or Supplemental Funding for Hagatna Master Plan Projects	200,000	-	-	-	200,000
RWA Consulting Fee	1,080,600	675,557	675,557	405,043	-
GEDA Management Fee	289,000	-	-	-	289,000
Sub-Total	<u>28,582,411</u>	<u>4,964,368</u>	<u>4,964,368</u>	<u>2,544,043</u>	<u>21,074,000</u>
	<u>\$ 57,382,411</u>	<u>\$ 6,031,182</u>	<u>\$ 7,228,963</u>	<u>\$ 5,973,348</u>	<u>\$ 44,180,100</u>

See accompanying independent auditors' report.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Other Supplementary Information
Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Bond Cash and Investment Accounts:		
Bond Fund	\$ 6,454,531	\$ 4,427,504
Bond Reserve Fund	4,857,500	4,857,505
Construction Account	51,077,724	56,828,239
Capitalized Interest Account	-	3,197,066
Cost of Issuance Account	-	14,607
Revenue Fund	2,322,774	1,980,412
Surplus Fund	<u>11,082</u>	<u>6,834</u>
	<u>\$ 64,723,611</u>	<u>\$ 71,312,167</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 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, 2012, and have issued our report thereon dated March 29, 2013. Our report includes an explanatory paragraph that the financial statements of the Funds are not intended to present the financial position and results of operations of the Government of Guam. 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.

Internal Control Over Financial Reporting

Management of the Funds is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Funds' internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Funds' internal control over financial reporting.

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.

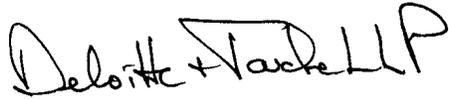
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

We noted certain matters that we reported to management of the Funds in a separate letter dated March 29, 2013.

This report is intended solely for the information and use of the management of the Funds, the Office of Public Accountability of Guam, federal awarding agencies, pass-through entities, the cognizant audit and other federal agencies and is not intended to be and should not be used by anyone other than those specified parties. However, this report is also a matter of public record.

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

March 29, 2013