

**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, 2011

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Year Ended September 30, 2011
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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, 2011 and 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.

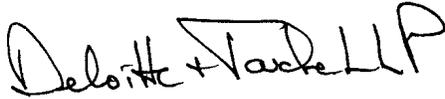
As discussed in Note 1, the financial statements present only the Tourist Attraction Fund and those funds related to the Government of Guam Hotel Occupancy Tax Revenue Bonds, 2011 Series A. They are not intended to present the financial position and results of operations of the Government of Guam in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

As discussed in Note 1, the Government of Guam adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information on pages 14 to 18 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This additional information is the responsibility of the Government of Guam's management. Such additional information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2012 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 the 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.

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

March 29, 2012

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Balance Sheet
September 30, 2011

	Tourist Attraction Fund	Capital Projects Fund	Debt Service Fund	Total
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1,987,246	\$ -	\$ -	\$ 1,987,246
Restricted assets:				
Cash and cash equivalents	-	56,828,239	12,496,682	69,324,921
Taxes receivable	1,892,389	-	-	1,892,389
Total assets	\$ 3,879,635	\$ 56,828,239	\$ 12,496,682	\$ 73,204,556
<u>LIABILITIES</u>				
Accounts payable	\$ 13,500	\$ 119,778	\$ -	\$ 133,278
Due to General Fund	-	3,188	-	3,188
Due to Guam Visitors Bureau	1,074,478	-	-	1,074,478
	1,087,978	122,966	-	1,210,944
Commitments				
<u>FUND BALANCES</u>				
Fund balances:				
Restricted for:				
Capital projects	-	56,705,273	-	56,705,273
Debt service	-	-	12,496,682	12,496,682
Committed for:				
Tourism	2,791,657	-	-	2,791,657
Total fund balances	2,791,657	56,705,273	12,496,682	71,993,612
Total liabilities and fund balances	\$ 3,879,635	\$ 56,828,239	\$ 12,496,682	\$ 73,204,556

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, 2011

	Tourist Attraction Fund	Capital Projects Fund	Debt Service Fund	Total
Revenues:				
Taxes	\$ 22,972,113	\$ -	\$ -	\$ 22,972,113
Use of money and property	56	2,526	(9,510)	(6,928)
Total revenues	22,972,169	2,526	(9,510)	22,965,185
Expenditures:				
Current:				
General government	18,000	5,546	-	23,546
Community services	48,496	-	-	48,496
Individual collective rights	1,095,330	-	-	1,095,330
Environmental protection	61,070	-	-	61,070
Recreation	871,237	-	-	871,237
Payments to Guam Visitors Bureau	14,308,625	-	-	14,308,625
Payments to University of Guam	505,365	-	-	505,365
Payments to Guam Community College	21,739	-	-	21,739
Transfers to FGIA Fund	18,800	-	-	18,800
Transfers to Supplemental Appropriation Revenue Fund	-	-	1,000,000	1,000,000
Transfers to General Fund	1,075,942	-	-	1,075,942
Capital projects	-	1,197,781	-	1,197,781
Cost of issuance	-	-	765,347	765,347
Debt service:				
Principal	-	-	3,290,000	3,290,000
Interest	-	-	783,488	783,488
Total expenditures	18,024,604	1,203,327	5,838,835	25,066,766
Excess (deficiency) of revenues over (under) expenditures	4,947,565	(1,200,801)	(5,848,345)	(2,101,581)
Other financing sources (uses):				
Proceeds from refunded bonds issued	-	90,665,000	-	90,665,000
Discount on refunded bonds issued	-	(2,117,169)	-	(2,117,169)
Payment to refunded bond escrow agent	-	(21,908,273)	(6,879,513)	(28,787,786)
Operating transfers in	-	-	16,054,012	16,054,012
Operating transfers out	(4,983,453)	(11,070,559)	-	(16,054,012)
Total other financing sources (uses)	(4,983,453)	55,568,999	9,174,499	59,760,045
Net change in fund balances	(35,888)	54,368,198	3,326,154	57,658,464
Fund balances at the beginning of the year	2,827,545	2,337,075	9,170,528	14,335,148
Fund balances at the end of the year	\$ 2,791,657	\$ 56,705,273	\$ 12,496,682	\$ 71,993,612

See accompanying notes to financial statements.

GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND

Notes to Financial Statements
September 30, 2011

(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, 2011

(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 committed fund balance 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.

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. Receivables

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

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Notes to Financial Statements
September 30, 2011

(1) Summary of Significant Accounting Policies, Continued

H. 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.

The interfund balances at September 30, 2011, are summarized below:

	<u>Tourist Attraction Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>
Due to General Fund	\$ <u> -</u>	\$ <u> 3,188</u>	\$ <u> -</u>

I. 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.

J. Fund Balance

During fiscal year 2011, GovGuam implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. In accordance with GASB Statement No. 54, governmental fund balances are classified as follows:

- Non-spendable - includes fund balance amounts that cannot be spent either because it is 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 does 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
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Notes to Financial Statements
September 30, 2011

(1) Summary of Significant Accounting Policies, Continued

J. 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.

K. 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.

(2) Deposits

GASB Statement No. 40 addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. As an element of interest rate risk, disclosure is required of investments that have fair values that are highly sensitive to changes in interest rates. GASB Statement No. 40 also requires disclosure of formal policies related to deposit and investment risks.

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.

GASB Statement No. 3 previously required government entities to present deposit risks in terms of whether the deposits fell into the following categories:

- | | |
|------------|---|
| Category 1 | Deposits that are federally insured or collateralized with securities held by the governmental entity or its agent in the entity's name; |
| Category 2 | Deposits that are uninsured but fully collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name; or |
| Category 3 | Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent but not in the entity's name and non-collateralized deposits. |

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Notes to Financial Statements
September 30, 2011

(2) Deposits, Continued

GASB Statement No. 40 amended GASB Statement No. 3 to in effect eliminate disclosure for deposits falling into categories 1 and 2 but retained disclosures for deposits falling under category 3. Category 3 deposits are those deposits that have exposure to custodial credit risk. 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, 2011, the carrying amount of cash and cash equivalents was \$71,312,167 and the corresponding bank balances were \$71,312,167, 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, 2011.

(3) Interfund Transfer Activity

Interfund transfers from the Capital Projects Fund to the Debt Service Fund represent the transfer of bond proceeds to fund the establishment of the bond reserve fund, the capitalized interest account and the cost of issuance account as required by the bond indenture. Interfund transfers from the Tourist Attraction Fund to the Debt Service Fund represent the transfer of pledged revenues as required by the bond indenture.

Interfund transfer activity during the year ended September 30, 2011, is summarized below:

	<u>Tourist Attraction Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>
Transfers Out To:			
Debt Service Fund	\$ <u>4,983,453</u>	\$ <u>11,070,559</u>	\$ <u>-</u>
Transfers In From:			
Tourist Attraction Fund	\$ -	\$ -	\$ 4,983,453
Capital Projects Fund	<u>-</u>	<u>-</u>	<u>11,070,559</u>
	\$ <u>-</u>	\$ <u>-</u>	\$ <u>16,054,012</u>

Interfund transfers from the Tourist Attraction Fund to the General Fund represent the transfer of equity to fund General Fund operations. This transfer was based on a determination by management that the repayment of an interfund receivable due from the General Fund of \$1,075,942 was not expected to be made within a reasonable time. Interfund transfers from the Debt Service Fund to the Supplemental Appropriations Revenue Fund of \$1,000,000 represents an appropriation authorized by Public Law 31-74. Interfund transfers from the Tourist Attraction Fund to the Federal Grants Fund of \$18,800 represent the local match under the Basic State Grants.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Notes to Financial Statements
September 30, 2011

(4) Bonds Payable

On April 13, 2011, Hotel Occupancy Tax Revenue Bonds, 2011 Series A, 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 of \$97,720.

Minimum debt service payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,670,000	\$ 2,131,287	\$ 3,801,287
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 - 2021	11,165,000	23,817,488	34,982,488
2022 - 2026	13,740,000	20,164,588	33,904,588
2027 - 2031	13,335,000	16,206,816	29,541,816
2032 - 2036	18,235,000	11,310,022	29,545,022
2037 - 2041	<u>25,230,000</u>	<u>4,313,075</u>	<u>29,543,075</u>
	<u>\$ 90,665,000</u>	<u>\$ 98,647,270</u>	<u>\$ 189,312,270</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.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Notes to Financial Statements
September 30, 2011

(4) Bonds Payable, Continued

- Capitalized Interest Account - amounts held in this account shall be used and withdrawn solely for the payment of interest on the Bonds. The Capitalized Interest Account is accounted for within the Debt Service Fund.
- Cost of Issuance Account - amounts held in this account shall be used and withdrawn solely for the payment of cost of issuance of the Bonds. The Cost of Issuance Account is accounted for within the Debt Service Fund.

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" account 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.
- Rebate Fund - an amount, if any, needed to be deposited therein pursuant to the rebate certificate with respect to the 2011 Series A Bonds.
- Bond Expense Fund - an amount equal to the amount of bond expenses estimated by the trustee to be due and payable during the next succeeding calendar month.

**GOVERNMENT OF GUAM
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Notes to Financial Statements
September 30, 2011

(4) Bonds Payable, Continued

During the year ended September 30, 2011, payments for debt service totaled \$4,073,488, of which \$3,290,000 represents payment on principal. In addition, payments to escrow agent totaled \$28,787,786, of which \$28,095,000 represents refunded principal. A summary of the change in bonds payable is as follows:

Bonds payable at October 1, 2010	\$ 31,385,000
Proceeds from refunded bonds	90,665,000
Principal repayment	(3,290,000)
Payment to refunded bond escrow agent	<u>(28,095,000)</u>
 Bonds payable at September 30, 2011	 \$ <u>90,665,000</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, 2011 amounted to \$4,073,488, which represents 18% of 2011 tax revenues collected.

At September 30, 2011, \$12,496,682 of the fund balance in the Debt Service Fund is restricted for debt service purposes.

At September 30, 2011, management of the Funds is of the opinion that it is in compliance with the bond covenants as outlined in the bond indenture.

(5) Payments to Autonomous Agencies

Public Law 30-196 authorizes the general appropriation to autonomous agencies of GovGuam for operations to be paid from the Tourist Attraction Fund. Specifically, Public Law 30-196 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, 2011, total appropriations made to GVB from the Tourist Attraction Fund were as follows:

Operations	\$ 12,191,179
Special projects	986,446
Reconstruction of San Vitores Road Phase II and III	480,000
Pass-through to various non-profit organizations	460,000
Establishment of a Rainy Day Fund	<u>191,000</u>
	 \$ <u>14,308,625</u>

In addition, Public Law 30-196 authorizes an appropriation to the University of Guam (UOG) for the operations of the Rhinoceros Beetle Program in the amount of \$365,365 and the Guampedia Foundation in the amount of \$140,000. During the year ended September 30, 2011, total appropriations made to UOG for operations of the Rhinoceros Beetle Program and the Guampedia Foundation amounted to \$505,365.

Finally, Public Law 30-196 authorizes an appropriation to the Guam Community College (GCC) for the Lodging Management Program/Prostart Program. During the year ended September 30, 2011, total appropriations made to GCC for the Lodging Management Program/Prostart Program amounted to \$21,739.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Notes to Financial Statements
September 30, 2011

(6) Commitments

During the year ended September 30, 2011, the Capital Projects Fund 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. A total of \$1,197,781 in capital-related expenditures has been incurred under this amendment during the year ended September 30, 2011 with the remaining amount of \$602,219 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, 2011 and 2010

	Tourist Attraction Fund		Capital Projects Fund		Debt Service Fund	
	2011	2010	2011	2010	2011	2010
<u>ASSETS</u>						
Cash and cash equivalents	\$ 1,987,246	\$ 832,274	\$ -	\$ -	\$ -	\$ 38
Restricted assets:						
Cash and cash equivalents	-	-	56,828,239	2,624,928	12,496,682	7,957,733
Investments	-	-	-	-	-	1,212,757
Taxes receivable	1,892,389	1,995,271	-	-	-	-
Total assets	<u>\$ 3,879,635</u>	<u>\$ 2,827,545</u>	<u>\$ 56,828,239</u>	<u>\$ 2,624,928</u>	<u>\$ 12,496,682</u>	<u>\$ 9,170,528</u>
<u>LIABILITIES</u>						
Accounts payable	\$ 13,500	\$ -	\$ 119,778	\$ 287,853	\$ -	\$ -
Due to General Fund	-	-	3,188	-	-	-
Due to Guam Visitors Bureau	1,074,478	-	-	-	-	-
Total liabilities	<u>1,087,978</u>	<u>-</u>	<u>122,966</u>	<u>287,853</u>	<u>-</u>	<u>-</u>
<u>FUND BALANCES</u>						
Fund balances:						
Restricted for:						
Capital projects	-	-	56,705,273	2,337,075	-	-
Debt service	-	-	-	-	12,496,682	9,170,528
Committed for:						
Tourism	2,791,657	2,827,545	-	-	-	-
Total fund balances	<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>
Total liabilities and fund balances	<u>\$ 3,879,635</u>	<u>\$ 2,827,545</u>	<u>\$ 56,828,239</u>	<u>\$ 2,624,928</u>	<u>\$ 12,496,682</u>	<u>\$ 9,170,528</u>

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, 2011 and 2010

	Tourist Attraction Fund		Capital Projects Fund		Debt Service Fund	
	2011	2010	2011	2010	2011	2010
Revenues:						
Taxes	\$ 22,972,113	\$ 22,233,222	\$ -	\$ -	\$ -	\$ -
Use of money and property	56	-	2,526	593	(9,510)	(257)
Total revenues	<u>22,972,169</u>	<u>22,233,222</u>	<u>2,526</u>	<u>593</u>	<u>(9,510)</u>	<u>(257)</u>
Expenditures:						
Current:						
General government	18,000	18,000	5,546	8,622	-	-
Community services	48,496	24,996	-	-	-	-
Individual and collective rights	1,095,330	-	-	-	-	-
Environmental protection	61,070	-	-	-	-	-
Recreation	871,237	518,393	-	-	-	-
Payments to Guam Visitors Bureau	14,308,625	13,461,095	-	-	-	-
Payments to University of Guam	505,365	140,000	-	-	-	-
Payments to Guam Community College	21,739	21,739	-	-	-	-
Transfers to FGIA Fund	18,800	-	-	-	-	-
Transfers to Supplemental Appropriation Revenue Fund	-	-	-	-	1,000,000	-
Transfers to General Fund	1,075,942	4,418,111	-	-	-	-
Capital projects	-	-	1,197,781	1,535,549	-	-
Cost of issuance	-	-	-	-	765,347	-
Debt service:						
Principal	-	-	-	-	3,290,000	4,960,000
Interest	-	-	-	-	783,488	1,697,176
Total expenditures	<u>18,024,604</u>	<u>18,602,334</u>	<u>1,203,327</u>	<u>1,544,171</u>	<u>5,838,835</u>	<u>6,657,176</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,947,565</u>	<u>3,630,888</u>	<u>(1,200,801)</u>	<u>(1,543,578)</u>	<u>(5,848,345)</u>	<u>(6,657,433)</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)	-	(6,879,513)	-
Operating transfers in	-	-	-	-	16,054,012	2,949,054
Operating transfers out	(4,983,453)	(2,949,054)	(11,070,559)	-	-	-
Total other financing sources (uses), net	<u>(4,983,453)</u>	<u>(2,949,054)</u>	<u>55,568,999</u>	<u>-</u>	<u>9,174,499</u>	<u>2,949,054</u>
Net change in fund balances	<u>(35,888)</u>	<u>681,834</u>	<u>54,368,198</u>	<u>(1,543,578)</u>	<u>3,326,154</u>	<u>(3,708,379)</u>
Fund balances at the beginning of the year	<u>2,827,545</u>	<u>2,145,711</u>	<u>2,337,075</u>	<u>3,880,653</u>	<u>9,170,528</u>	<u>12,878,907</u>
Fund balances at the end 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>

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, 2011 and 2010

	Tourist Attraction Fund		Capital Projects Fund		Debt Service Fund	
	2011	2010	2011	2010	2011	2010
Revenues:						
Taxes	\$ 22,972,113	\$ 22,233,222	\$ -	\$ -	\$ -	\$ -
Use of money and property	56	-	2,526	593	(9,510)	(257)
Total revenues	<u>22,972,169</u>	<u>22,233,222</u>	<u>2,526</u>	<u>593</u>	<u>(9,510)</u>	<u>(257)</u>
Expenditures:						
Travel	591	-	-	-	-	-
Contractual services	1,339,453	536,393	1,197,781	1,502,442	-	-
Supplies	607,153	-	-	-	-	-
Equipment	42,213	-	-	-	-	-
Grants and subsidies	15,930,471	18,040,945	-	-	1,000,000	-
Capital outlays	28,100	-	-	33,107	-	-
Principal retirement	-	-	-	-	3,290,000	4,960,000
Interest and fiscal charges	-	-	-	-	783,488	1,697,176
Miscellaneous	76,623	24,996	5,546	8,622	765,347	-
Total expenditures	<u>18,024,604</u>	<u>18,602,334</u>	<u>1,203,327</u>	<u>1,544,171</u>	<u>5,838,835</u>	<u>6,657,176</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,947,565</u>	<u>3,630,888</u>	<u>(1,200,801)</u>	<u>(1,543,578)</u>	<u>(5,848,345)</u>	<u>(6,657,433)</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)	-	(6,879,513)	-
Operating transfers in	-	-	-	-	16,054,012	2,949,054
Operating transfers out	(4,983,453)	(2,949,054)	(11,070,559)	-	-	-
Total other financing sources (uses), net	<u>(4,983,453)</u>	<u>(2,949,054)</u>	<u>55,568,999</u>	<u>-</u>	<u>9,174,499</u>	<u>2,949,054</u>
Net change in fund balances	(35,888)	681,834	54,368,198	(1,543,578)	3,326,154	(3,708,379)
Fund balances at the beginning of the year	<u>2,827,545</u>	<u>2,145,711</u>	<u>2,337,075</u>	<u>3,880,653</u>	<u>9,170,528</u>	<u>12,878,907</u>
Fund balances at the end 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>

See accompanying independent auditors' report.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Schedule of Expenditures by Department by Object
Years Ended September 30, 2011 and 2010

	2011	2010
Department of Administration:		
Division of Accounts:		
Contractual services	\$ 4,500	\$ 18,000
Principal retirement	3,290,000	4,960,000
Interest and fiscal charges	783,488	1,697,176
Miscellaneous	5,546	8,622
Total Department of Administration	4,083,534	6,683,798
Department of Public Works:		
Capital Improvements Division:		
Contractual services	1,197,781	1,502,442
Capital outlays	-	33,107
Total Department of Public Works	1,197,781	1,535,549
Department of Parks and Recreation:		
Maintenance and Repair of Public Restrooms:		
Supplies	871,237	518,393
Total Department of Parks and Recreation	871,237	518,393
Mayors' Council of Guam:		
Island-wide Village Beautification:		
Contractual services	13,252	-
Supplies	166,516	-
Capital outlays	3,368	-
Equipment	14,900	-
	198,036	-
Village Street Maintenance and Beautification:		
Contractual services	461,214	-
Supplies	383,516	-
Capital outlays	11,237	-
Equipment	13,200	-
Miscellaneous	28,127	-
	897,294	-
Total Mayors' Council of Guam	1,095,330	-
Council on the Arts and Humanities:		
Guam Territorial Band:		
Grants and subsidies	48,496	24,996
Total Department of Parks and Recreation	48,496	24,996
Guam Visitors Bureau:		
Grants and subsidies	14,308,625	13,461,095
Total Guam Visitors Bureau	14,308,625	13,461,095
University of Guam:		
Grants and subsidies	505,365	140,000
Total University of Guam	505,365	140,000
Guam Community College:		
Grants and subsidies	21,739	21,739
Total Guam Community College	21,739	21,739
	\$ 22,132,107	\$ 22,385,570

See accompanying independent auditors' report.

GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND

Other Supplementary Information
Years Ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Infrastructure Bond Cash and Investments:		
Bond Fund	\$ 4,427,504	\$ 3,261,347
Bond Reserve Fund	4,857,505	5,909,143
Construction Account	56,828,239	2,624,928
Capitalized Interest Account	3,197,066	-
Cost of Issuance Account	14,607	-
Revenue Fund	1,980,412	832,274
Surplus Fund	6,834	-
Bond Expense Fund	-	38
	<u>\$ 71,312,167</u>	<u>\$ 12,627,730</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 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, 2011, and have issued our report thereon dated March 29, 2012. 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.

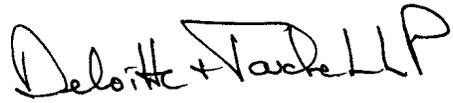
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination 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*.

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 + Tatchell LLP". The signature is written in a cursive, slightly stylized font.

March 29, 2012