

Financial Statements and Other Financial Information

**Government of Guam**

**Tourist Attraction Fund and Funds and Account Group**

**Relating to the Issue of the Limited Obligation Infrastructure**

**Improvement Bonds, 1997 Series A**

*Years ended September 30, 2000 and 1999 with Report of Independent Auditors*

Government of Guam  
Tourist Attraction Fund and Funds and Account Group  
Relating to the Issue of the Limited Obligation  
Infrastructure Improvement Bonds, 1997 Series A

Financial Statements and  
Other Financial Information

Years ended September 30, 2000 and 1999

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## Report of Independent Auditors

The Honorable Felix Camacho  
Governor of Guam:

We have audited the accompanying balance sheet of the Tourist Attraction Fund and Funds and Account Group related to the Government of Guam Limited Obligation Infrastructure Improvement Bonds, 1997 Series A, as of September 30, 2000, and the related statements of revenues, expenditures and changes in fund balances for the year then ended. These financial statements are the responsibility of the Government of Guam management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Tourist Attraction Fund and Funds and Account Group related to the Government of Guam Limited Obligation Infrastructure Improvement Bonds, 1997 Series A's 1999 financial statements, and in our report dated March 14, 2000, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 described in Note 1, the financial statements present only the Tourist Attraction Fund and those Funds and Account Group related to the Government of Guam Limited Obligation Infrastructure Improvement Bonds, 1997 Series A. They are not intended to present the financial position and the results of operations of the Government of Guam in conformity with accounting principles generally accepted in the United States.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Tourist Attraction Fund and Funds and Account Group related to the Government of Guam Limited Obligation Infrastructure Improvement Bonds, 1997 Series A, as of September 30, 2000, and the results of their operations for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedule 1 is presented for purposes 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 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 whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2003, on our consideration of the Tourist Attraction Fund and Funds and Account Group related to the Government of Guam Limited Obligation Infrastructure Improvement Bonds, 1997 Series A's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Ernst + Young LLP*

March 18, 2003

Government of Guam  
 Tourist Attraction Fund and Funds and Account Group Relating to the Issue of the  
 Limited Obligation Infrastructure Improvement Bonds, 1997 Series A  
 Balance Sheets

September 30, 2000 and 1999

|  | 2000                          |                             |                         |   | 1999                          |                               |
|--|-------------------------------|-----------------------------|-------------------------|---|-------------------------------|-------------------------------|
|  | Tourist<br>Attraction<br>Fund | Capital<br>Projects<br>Fund | Debt<br>Service<br>Fund | General<br>Long-term<br>Debt Account<br>Group | Total<br>(Memorandum<br>Only) | Total<br>(Memorandum<br>Only) |
| <b>Assets:</b>                               |                               |                             |                         |   |                               |                               |
| Cash and equivalents                         | \$ 5,094,800                  | \$ 1,493,683                | \$ 11,713,647           | \$ ---  | \$ 18,302,130                 | \$ 24,644,734                 |
| Investments ( <i>Note 2</i> )                | ---                           | 36,890,143                  | 7,448,000               | ---   | 44,338,143                    | 47,152,533                    |
| Taxes receivable                             | 172,364                       | ---                         | ---                     | ---   | 172,364                       | 172,364                       |
| Due from other funds ( <i>Note 3</i> )       | 11,281,305                    | ---                         | 2,449,693               | ---   | 13,730,998                    | 12,842,337                    |
| Accrued interest receivable                  | ---                           | 180,964                     | ---                     | ---   | 180,964                       | 1,023,312                     |
| Amount available in debt service fund        | ---                           | ---                         | ---                     | 6,338,517                                     | 6,338,517                     | 12,890,970                    |
| Amount to be provided for retirement of debt | ---                           | ---                         | ---                     | 69,730,796                                    | 69,730,796                    | 64,078,343                    |
| Total assets                                 | <u>\$ 16,548,469</u>          | <u>\$ 38,564,790</u>        | <u>\$ 21,611,340</u>    | <u>\$ 76,069,313</u>                          | <u>\$ 152,793,912</u>         | <u>\$ 162,804,593</u>         |
| <b>Liabilities:</b>                          |                               |                             |                         |   |                               |                               |
| Accounts payable                             | \$ 16,187                     | \$ ---                      | \$ ---                  | \$ ---  | \$ 16,187                     | 442,780                       |
| Accrued expenses                             | ---                           | 382,623                     | ---                     | ---   | 382,623                       | 6,006,594                     |
| Due to other funds ( <i>Note 3</i> )         | 2,449,693                     | 115                         | 15,272,823              | ---   | 17,722,631                    | 24,413,221                    |
| Deferred revenue                             | 178,139                       | ---                         | ---                     | ---   | 178,139                       | 178,139                       |
| Arbitrage liability                          | ---                           | ---                         | ---                     | 694,313                                       | 694,313                       | 694,313                       |
| Bonds payable ( <i>Note 5</i> )              | ---                           | ---                         | ---                     | 75,375,000                                    | 75,375,000                    | 76,275,000                    |
| Total liabilities                            | <u>\$ 2,644,019</u>           | <u>\$ 382,738</u>           | <u>\$ 15,272,823</u>    | <u>\$ 76,069,313</u>                          | <u>\$ 94,368,893</u>          | <u>\$ 108,010,047</u>         |
| <b>Fund balances:</b>                        |                               |                             |                         |   |                               |                               |
| Reserved for:                                |                               |                             |                         |   |                               |                               |
| Deferred arbitrage liability                 | \$ ---                        | \$ 694,313                  | \$ ---                  | \$ ---  | \$ 694,313                    | 694,313                       |
| Continuing appropriations                    | 15,336,926                    | 30,035,614                  | ---                     | ---   | 45,372,540                    | 36,113,211                    |
| Debt service                                 | ---                           | ---                         | 6,338,517               | ---   | 6,338,517                     | 12,890,970                    |
| Encumbrances ( <i>Note 6</i> )               | 94,296                        | 2,242,137                   | ---                     | ---   | 2,336,433                     | 6,156,468                     |
| Unreserved                                   | ( 1,526,772 )                 | 5,209,988                   | ---                     | ---   | 3,683,216                     | ( 1,060,416 )                 |
| Fund balances                                | <u>13,904,450</u>             | <u>38,182,052</u>           | <u>6,338,517</u>        | <u>---</u>                                    | <u>58,425,019</u>             | <u>54,794,546</u>             |
| Total liabilities and fund balances          | <u>\$ 16,548,469</u>          | <u>\$ 38,564,790</u>        | <u>\$ 21,611,340</u>    | <u>\$ 76,069,313</u>                          | <u>\$ 152,793,912</u>         | <u>\$ 162,804,593</u>         |

See accompanying notes.

Government of Guam  
 Tourist Attraction Fund and Funds and Account Group Relating to the Issue of the  
 Limited Obligation Infrastructure Improvement Bonds, 1997 Series A  
 Statements of Revenues, Expenditures and Changes in Fund Balances

Years ended September 30, 2000 and 1999

|  | 2000                          |                             |                         |                               | 1999                          |
|--|-------------------------------|-----------------------------|-------------------------|-------------------------------|-------------------------------|
|  | Tourist<br>Attraction<br>Fund | Capital<br>Projects<br>Fund | Debt<br>Service<br>Fund | Total<br>(Memorandum<br>Only) | Total<br>(Memorandum<br>Only) |
| Revenue:   |                               |                             |                         |                               |                               |
| Taxes <i>(Note 5)</i>  | \$ 20,229,906                 | \$ ---                      | \$ ---                  | \$ 20,229,906                 | \$ 18,879,889                 |
| Use of money and property  | 171,152                       | 1,915,887                   | 798,525                 | 2,885,564                     | 3,905,292                     |
|  | <u>20,401,058</u>             | <u>1,915,887</u>            | <u>798,525</u>          | <u>23,115,470</u>             | <u>22,785,181</u>             |
| Expenditures:  |                               |                             |                         |                               |                               |
| Interest   | \$ ---                        | \$ ---                      | \$ 3,909,676            | \$ 3,909,676                  | \$ 3,931,064                  |
| Economic development   | ---                           | 3,328,938                   | ---                     | 3,328,938                     | 8,874,851                     |
| Transportation   | ---                           | 1,075,263                   | ---                     | 1,075,263                     | 3,093,298                     |
| Recreation   | 653,437                       | 406,109                     | ---                     | 1,059,546                     | 11,005,527                    |
| Public health  | ---                           | 913,740                     | ---                     | 913,740                       | 1,710,310                     |
| Principal  | ---                           | ---                         | 900,000                 | 900,000                       | -                             |
| Community service  | ---                           | 245,431                     | ---                     | 245,431                       | -                             |
| Education  | 89,638                        | ---                         | ---                     | 89,638                        | 431,936                       |
| General government   | ---                           | ---                         | ---                     | ---                           | 36,825                        |
|  | <u>743,075</u>                | <u>5,969,481</u>            | <u>4,809,676</u>        | <u>11,522,232</u>             | <u>29,083,811</u>             |
| Excess (deficiency) of revenues over expenditures  | <u>19,657,983</u>             | <u>( 4,053,594 )</u>        | <u>( 4,011,151 )</u>    | <u>11,593,238</u>             | <u>( 6,298,630 )</u>          |
| Other financing sources (uses):  |                               |                             |                         |                               |                               |
| Operating transfers in <i>(Note 7)</i>   | \$ 25,770,016                 | \$ ---                      | \$ 20,229,906           | \$ 45,999,922                 | \$ 33,849,390                 |
| Operating transfers out <i>(Note 7)</i>  | ( 32,775,490 )                | ---                         | ( 25,770,016 )          | ( 58,545,506 )                | ( 52,094,745 )                |
| Other financing sources - proceeds of refunding bonds <i>(Note 5)</i>                      | ---                           | ---                         | 5,144,900               | 5,144,900                     | ---                           |
| Other financing sources  | ---                           | 1,584,935                   | ---                     | 1,584,935                     | ---                           |
| Other financing uses - payment to refunded bond escrow agent <i>(Note 5)</i>               | ---                           | ---                         | ( 2,104,400 )           | ( 2,104,400 )                 | ---                           |
| Other financing uses   | ---                           | ( 924 )                     | ( 41,692 )              | ( 42,616 )                    | ( 47,294 )                    |
|  | <u>( 7,005,474 )</u>          | <u>1,584,011</u>            | <u>( 2,541,302 )</u>    | <u>( 7,962,765 )</u>          | <u>( 18,292,649 )</u>         |
| Revenues and other financing sources over<br>(under) expenditures and other financing uses | 12,652,509                    | ( 2,469,583 )               | ( 6,552,453 )           | 3,630,473                     | ( 24,591,279 )                |
| Fund balances at beginning of year   | <u>1,251,941</u>              | <u>40,651,635</u>           | <u>12,890,970</u>       | <u>54,794,546</u>             | <u>79,385,825</u>             |
| Fund balances at end of year   | <u>\$ 13,904,450</u>          | <u>\$ 38,182,052</u>        | <u>\$ 6,338,517</u>     | <u>\$ 58,425,019</u>          | <u>\$ 54,794,546</u>          |

See accompanying notes.

Government of Guam  
Tourist Attraction Fund and Funds and Account Group  
Relating to the Issue of the Limited Obligation  
Infrastructure Improvement Bonds, 1997 Series A

Notes to Financial Statements

September 30, 2000

**1. Organization and Summary of Significant Accounting Policies**

**Organization**

The Tourist Attraction Fund (the “Fund”) was established by Public Law 10-166 to fund various recreational projects and visitor industry activities. Public Law 19-5 provided that 25 percent of all revenues collected by the Fund be appropriated to the Infrastructure Improvement Fund. The accounts of the Fund are incorporated into the general-purpose financial statements of the Government of Guam.

Public Law 24-111 authorized the issuance and sale of the Government of Guam Limited Obligation Infrastructure Bonds, 1997 Series A, in the aggregate principal amount not to exceed \$76,275,000, for which Bank of Hawaii was appointed Trustee. Public Law 24-111 repealed Public Law 19-5 and, effective on the date of sale of the bonds, all remaining unobligated sums in the Government of Guam Infrastructure Improvement Fund were transferred to the Tourist Attraction Fund.

**Fund Accounting**

The assets, liabilities and fund balance of the Government of Guam Tourist Attraction Fund and Funds and Account Group related to the Limited Obligation Infrastructure Improvement Bonds, 1997 Series A, are reported in three self-balancing funds (hereinafter referred to as Funds) and an account group as follows:

Tourist Attraction Fund - The Tourist Attraction Fund is used to account for hotel occupancy taxes pledged in support of the bond issue and for various recreational projects and visitor industry activities.

Capital Projects Fund - The Capital Projects Fund is used to account for the construction of capital improvement projects from bond proceeds.

Debt Service Fund - 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.

Government of Guam  
Tourist Attraction Fund and Funds and Account Group  
Relating to the Issue of the Limited Obligation  
Infrastructure Improvement Bonds, 1997 Series A

Notes to Financial Statements, continued

**1. Organization and Summary of Significant Accounting Policies, continued**

General Long-Term Debt Account Group - The General Long-Term Debt Account Group is used to account for outstanding bonds payable and amounts available for payment of long-term debt. The Account Group is not a “fund” as it is only concerned with the measurement of financial position and does not measure results of operations. Since the balances within the Account Group do not affect net current assets, these long-term amounts are not recognized as “fund” expenditures or liabilities until the corresponding amounts become due.

The Government of Guam has elected not to capitalize public domain or infrastructure fixed assets which include capital improvements. This election is consistent with accounting principles generally accepted in the United States.

**Total-Memorandum Only**

The “Total-Memorandum Only” columns represent an aggregate of the individual combined financial statements. The total column is presented for overview informational purposes and does not represent consolidated financial information.

**Basis of Accounting**

The Funds’ accounts are presented on the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period. Hotel occupancy taxes are recorded as revenue when received in cash. Investment income is recorded when earned. Expenditures are recorded when the corresponding liability has been incurred.

**Cash and Equivalents**

Cash and equivalents represent purchased U.S. Government debt securities held by the Bond Depository or Bond Trustee with a maturity of ninety days or less. In accordance with GASB Statement No. 3, as further identified in Note 2, these holdings should be classified in the first of three credit risk categories.

**Investments**

Investments represent 1) time certificates of deposit with maturities over ninety days held by the Bond Trustee and 2) units in a mutual fund held by the Bond Depository or Bond Trustee. These investments are carried at the lower of cost, adjusted for the premium amortization or discount accumulated during the term of the investment, or market as may be applicable.



Government of Guam  
Tourist Attraction Fund and Funds and Account Group  
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Notes to Financial Statements, continued

**1. Organization and Summary of Significant Accounting Policies, continued**

**Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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. Investments**

As described in Note 1, investments are stated at the lower of cost or amortized cost or market. For purposes of comparison, the carrying amount and market values include accrued interest. Investments are held in the name of the various Capital Improvement Fund accounts required to be established under the terms of the indenture (See Note 5). Time certificates of deposit and units in the mutual fund are uninsured and unregistered and are held by the Bond Trustee/Depository. Accordingly, these investments should be classified in the third category of GASB Statement No. 3 credit risk categories described below:

**Credit Risk Categories**

1. Securities insured or registered in the name of the governmental entity or held by the entity or by its agent in the entity's name.
2. Securities uninsured and unregistered and held by the counterparty's trust department, or its agent in the entity's name.
3. Securities uninsured and unregistered and held by the counterparty, its trust department, or its agent, but not held in the entity's name.

Bond indenture provisions limit investments to 1) direct obligations of the United States of America, 2) obligations of certain Federal financial institutions, 3) collateralized demand or time deposits, 4) repurchase agreements with underlying securities specifically designated, 5) investment agreements with banks or savings and loan associations rated "AA" or higher, and 6) obligations of any State of the U.S. rated "AAA" or the equivalent.

Government of Guam  
 Tourist Attraction Fund and Funds and Account Group  
 Relating to the Issue of the Limited Obligation  
 Infrastructure Improvement Bonds, 1997 Series A

Notes to Financial Statements, continued

**3. Due From/To Government of Guam General Fund and Other Funds**

Amounts due from/to the Government of Guam General Fund and other funds represent advances, which are to be reimbursed at a later date. For the Tourist Attraction Fund, the amount due from the Debt Service Fund represents current year surplus. Also, the amount due from the General Fund represents a claim for its receipts deposited in the General Fund bank accounts. The balance due to the Debt Service Fund represents the same receipts due from the General Fund. The balance due to the General Fund represents advances for expenditures disbursed from the General Fund bank accounts. The interfund balances at September 30, 2000, are summarized below:

|                         | Tourist Attraction<br>Fund | Capital Projects<br>Fund | Debt Service<br>Fund | Total               |
|-------------------------|----------------------------|--------------------------|----------------------|---------------------|
| Due From:               |                            |                          |                      |                     |
| Debt Service Fund       | \$10,888,734               | \$ ---                   | \$ ---               | \$10,888,734        |
| General Fund            | 392,571                    | ---                      | ---                  | 392,571             |
| Tourist Attraction Fund | <u>---</u>                 | <u>---</u>               | <u>2,449,693</u>     | <u>2,449,693</u>    |
|                         | <u>\$11,281,305</u>        | <u>\$ ---</u>            | <u>\$ 2,449,693</u>  | <u>\$13,730,998</u> |
| Due To:                 |                            |                          |                      |                     |
| Debt Service Fund       | \$ 2,449,693               | \$ ---                   | \$ ---               | \$ 2,449,693        |
| General Fund            | ---                        | ---                      | 4,384,089            | 4,384,089           |
| Tourist Attraction Fund | ---                        | ---                      | 10,888,734           | 10,888,734          |
| General Services Agency | <u>---</u>                 | <u>115</u>               | <u>---</u>           | <u>115</u>          |
|                         | <u>\$ 2,449,693</u>        | <u>\$ 115</u>            | <u>\$15,272,823</u>  | <u>\$17,722,631</u> |

**4. Defeased Debt**

On December 1, 1997, the Government of Guam issued 1997 Series A Limited Obligation Infrastructure Improvement Bonds (1997 Bonds) totaling \$76,275,000 with variable interest rates of 4.75% to 5.5% to refund outstanding term bonds of the Government's 1989 Series A Limited Obligation Infrastructure Improvement Bonds (1989 Bonds) with variable interest rates of 6.85% to 7.1% and a total principal outstanding of \$19,870,000. The 1989 Bonds mature on November 15, 2009, and are callable on November 15, 1999. The \$20,375,313 of proceeds of refunding bonds was transferred to an escrow agent who used the proceeds to purchase U.S. Government securities which are to be held by the escrow agent in an irrevocable trust to provide debt service payments until the 1989 Bonds are called on November 15, 1999. The advance refunding met the requirements of an in-substance defeasance and the 1989 Bonds were removed from the Government's General Long-Term Debt Account Group.

Government of Guam  
 Tourist Attraction Fund and Funds and Account Group  
 Relating to the Issue of the Limited Obligation  
 Infrastructure Improvement Bonds, 1997 Series A

Notes to Financial Statements, continued

**4. Defeased Debt, continued**

As a result of the advance refunding, the Government reduced its debt service requirements on the 1989 Bonds by \$8,029,899, which resulted in an economic gain (difference between the present rate of the debt service payments of the old and new debt) of approximately \$1,500,000.

**5. Bonds Payable**

The Government of Guam Limited Obligation Infrastructure Improvement Bonds, 1997 Series A, were dated December 1, 1997 and were issued in fully registered form, in denominations of \$5,000 or multiples thereof in the aggregate principal amount of \$76,275,000. The bonds mature annually on November 1, 1999 through November 1, 2012, and subsequently on November 1, 2012 and 2017 (term bonds). Interest on the bonds is payable semiannually on May 1 and November 1 of each year. The term bonds are subject to mandatory sinking fund requirements and to redemption prices (as percentages of the face value of the bonds) as follows:

|                                      |      |
|--------------------------------------|------|
| November 1, 2007 to October 31, 2008 | 102% |
| November 1, 2008 to October 31, 2009 | 101% |
| November 1, 2009 and thereafter      | 100% |

Minimum debt service payments are as follows:

| <u>Year ending</u><br><u>September 30,</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>         |
|--|---------------------|---------------------|----------------------|
| 2001                                       | \$ 3,560,000        | \$ 3,803,751        | \$ 7,363,751         |
| 2002                                       | 3,720,000           | 3,626,201           | 7,346,201            |
| 2003                                       | 3,900,000           | 3,435,701           | 7,335,701            |
| 2004                                       | 4,085,000           | 3,230,970           | 7,315,970            |
| 2005                                       | 4,285,000           | 3,011,258           | 7,296,258            |
| Thereafter                                 | <u>55,825,000</u>   | <u>17,899,250</u>   | <u>73,724,250</u>    |
|  | <u>\$75,375,000</u> | <u>\$35,007,131</u> | <u>\$110,382,131</u> |

The 1997 Series A bonds are limited obligations of the Government of Guam payable entirely from a first lien and pledge of revenues. Revenues are defined in the bond indenture as all amounts received from the imposition of hotel occupancy taxes. The Government of Guam has pledged to maintain these revenues at a level sufficient to equal the sum of 125 percent of the aggregate debt service becoming due within the next fiscal year, plus amounts required to be deposited pursuant to the tax certificate for the bonds and amounts required to meet the bond reserve fund requirement.

Government of Guam  
Tourist Attraction Fund and Funds and Account Group  
Relating to the Issue of the Limited Obligation  
Infrastructure Improvement Bonds, 1997 Series A

Notes to Financial Statements, continued

**5. Bonds Payable, continued**

In accordance with the bond indenture, the depository has established a trust account designated as the "Construction Fund". Amounts deposited therein are used to (1) implement infrastructure improvement projects prescribed in Public Law 23-137, adopted on January 2, 1997, (2) pay the cost of bond issuance and letter of credit fees and (3) pay the principal and interest on the bonds should other sources be insufficient.

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 Fund," are to be transferred monthly to the "Revenue Fund". Transactions of the "Revenue Fund" account are accounted for in the Debt Service Fund. On the twentieth 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 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 aggregate amount of mandatory sinking fund account payments required to be paid for the outstanding term bonds on such principal payment date.

Rebate Fund - an amount, if any, needed to be deposited therein pursuant to the rebate certificate with respect to the 1997 Series A Bonds.

Bond Reserve Fund - an amount, if any, needed to equal the lesser 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.

Government of Guam  
Tourist Attraction Fund and Funds and Account Group  
Relating to the Issue of the Limited Obligation  
Infrastructure Improvement Bonds, 1997 Series A

Notes to Financial Statements, continued

**5. Bonds Payable, continued**

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.

At September 30, 2000, management of the Funds is of the opinion that it is in compliance with the bond covenants as outlined in the bond indenture.

On March 14, 2000, the Government of Guam entered into a Bond Reserve Fund Forward Delivery Agreement with the Bank of Hawaii, acting through its division Pacific Century Trust, and Salomon Brothers Holding Company Inc. On March 14, 2000, the Government of Guam also entered into a Bond Fund Forward Delivery Agreement with Bank of Hawaii, acting through its division Pacific Century Trust, and Bank of America. In connection with the agreements, the Government of Guam received cash totaling \$3,040,500 during 2000 representing the present value amount of interest income on certain bond proceeds invested by the Government of Guam.

Based on the terms of the agreement, gross proceeds totaled \$5,144,900 while the Government of Guam incurred termination fees and closing costs totaling \$2,104,400. The gross proceeds are reflected as other financing sources – proceeds of refunding bonds in the accompanying 2000 statement of revenues, expenditures and changes in fund balances. The termination fees and closing costs are reflected as other financing uses – payment to refunded bond escrow agent in the accompanying 2000 statement of revenues, expenditures and changes in fund balances.

**6. Encumbrances**

Encumbrances are recognized for commitments for goods and services yet to be received. Encumbrances generally arise from contracts and purchase orders. The Government of Guam has also elected to encumber funds based on inter-departmental work requests.

Government of Guam  
 Tourist Attraction Fund and Funds and Account Group  
 Relating to the Issue of the Limited Obligation  
 Infrastructure Improvement Bonds, 1997 Series A

Notes to Financial Statements, continued

**7. Interfund Transfer Activity**

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 transfers from the Debt Service Fund to the Tourist Attraction Fund represent the amount necessary to reimburse the Tourist Attraction Fund for operational expenses incurred by Guam Visitors Bureau (GVB). Transfers from the Tourist Attraction Fund to GVB represent transfers for operations and beautification projects. Transfers to the Guam Council on the Arts and Humanities represents the Government of Guam's matching of federal grant monies. Interfund transfer activity during the year ended September 30, 2000, is summarized below:

|  | Transfers Out              |                      |                       |
|--|----------------------------|----------------------|-----------------------|
|  | Tourist<br>Attraction Fund | Debt Service<br>Fund | Total<br>Transfers In |
| <u>Transfers In</u>                        |                            |                      |                       |
| Tourist Attraction Fund                    | \$ ---                     | \$25,770,016         | \$25,770,016          |
| Debt Service Fund                          | 20,229,906                 | ---                  | 20,229,906            |
| Guam Visitors Bureau:                      |                            |                      |                       |
| Operations                                 | 12,543,190                 | ---                  | 12,543,190            |
| Guam Council on the Arts and<br>Humanities | 2,394                      | ---                  | 2,394                 |
| Total Transfers Out                        | \$32,775,490               | \$25,770,016         | \$58,545,506          |

## Other Financial Information

## Construction Project Status

September 30, 2000

| <u>Project</u>   | <u>Account<br/>Number</u> | <u>Budget</u>     | <u>Cumulative<br/>Expenditures</u> | <u>Outstanding<br/>Encumbrances</u> | <u>Continuing<br/>Appropriations</u> |
|--|---------------------------|-------------------|------------------------------------|-------------------------------------|--------------------------------------|
| Public Market Project  | AA024                     | \$ 1,671,145      | \$ 1,661,691                       | \$ 1,850                            | \$ 7,604                             |
| Astumbo Subdivision Infrastructure                             | GA022                     | 3,500,000         | 3,500,000                          | ---                                 | ---                                  |
| Inarajan Boat Launching Ramp                                   | HA027                     | 250,000           | 156,329                            | 14,856                              | 78,815                               |
| Inarajan Community Center Upgrade                              | HG034                     | 400,000           | 379,149                            | ---                                 | 20,851                               |
| Malojloj Baseball Field  | HG035                     | 520,000           | 63,085                             | ---                                 | 456,915                              |
| Merizo Flood Control   | KA026                     | 350,000           | 256,343                            | 2,120                               | 91,537                               |
| Merizo Pier Expansion  | KA028                     | 200,000           | 386                                | ---                                 | 199,614                              |
| Mongmong Community Center Upgrade                              | LG036                     | 300,000           | 1,942                              | ---                                 | 298,058                              |
| Extension of Chalan Kanton Tutujan to Route 7                  | PA038                     | 1,400,000         | 282,674                            | ---                                 | 1,117,326                            |
| Completion of San Vitores Road                                 | RA020                     | 981,000           | 794,592                            | 172,309                             | 14,099                               |
| Guam Memorial Hospital Authority Power System Design           | RA023                     | 800,000           | 800,000                            | ---                                 | ---                                  |
| Umatac Sea Wall  | SA029                     | 60,000            | 282                                | ---                                 | 59,718                               |
| Yigo Community Center Upgrade                                  | TG037                     | 255,000           | 214                                | ---                                 | 254,786                              |
| Tumon Sewage Reversal  | ZA019                     | 2,999,718         | 2,801,515                          | 51,064                              | 147,139                              |
| Agat-Umatac Highway Completion                                 | ZA021                     | 3,100,000         | 3,078,110                          | ---                                 | 21,890                               |
| Umatac-Merizo Highway Design                                   | ZA030                     | 2,056             | 2,056                              | ---                                 | ---                                  |
| Merizo-Inarajan Highway Design                                 | ZA031                     | 1,680             | 1,680                              | ---                                 | ---                                  |
| Inarajan-Talofofo Highway Design                               | ZA032                     | 400,000           | 2,328                              | ---                                 | 397,672                              |
| Talofofo-Yona Highway Design                                   | ZA033                     | 394,228           | 387,262                            | ---                                 | 6,966                                |
| Route 4 Poultry Farm to Lingit/Pauliluc Bridges, Inarajan      | ZA039                     | 250,000           | 206,405                            | ---                                 | 43,595                               |
| Route 4 between Umatac and Merizo Village                      | ZA040                     | 680,000           | 609,490                            | ---                                 | 70,510                               |
| Route 17 bet. Santa Rita & Yona Along Cross Island Road        | ZA041                     | 570,000           | 535,113                            | ---                                 | 34,887                               |
| Route 4A from Route 4 to Talofofo Village Proper               | ZA042                     | 400,000           | 315,254                            | 49,384                              | 35,362                               |
| Route 9, vicinity of Agafa Gumas, Yigo                         | ZA043                     | 150,000           | 128,562                            | ---                                 | 21,438                               |
| Route 12 install. of 400 linear ft. - Guardrails in Santa Rita | ZA044                     | 30,000            | 26,670                             | ---                                 | 3,330                                |
| Macheche Road Anti-Skid & pavement markers, Latte Hghts.       | ZA045                     | 350,000           | 305,841                            | 10,000                              | 34,159                               |
| Gayinero Road installation of 800 feet Guardrail in Yigo       | ZA046                     | 50,000            | 43,500                             | ---                                 | 6,500                                |
| Ypao Road, Install. of Guardrail, Pavem.Mark. & Anti-Skid      | ZA047                     | 70,000            | ---                                | ---                                 | 70,000                               |
| Subtotal, carried forward                                      |                           | <u>20,134,827</u> | <u>16,340,473</u>                  | <u>301,583</u>                      | <u>3,492,771</u>                     |



Construction Project Status, Continued

September 30, 2000

| <u>Project</u>   | <u>Account Number</u> | <u>Budget</u>        | <u>Cumulative Expenditures</u> | <u>Outstanding Encumbrances</u> | <u>Continuing Appropriations</u> |
|--|-----------------------|----------------------|--------------------------------|---------------------------------|----------------------------------|
| Subtotal, brought forward                              |                       | \$ 20,134,827        | \$ 16,340,473                  | \$ 301,583                      | \$ 3,492,771                     |
| Route 7 Agana Heights between Route 1 & Naval Hospital | ZA048                 | 550,001              | 38,345                         | ---                             | 511,656                          |
| Route 6 Asan/Piti and Nimitz Hill Area                 | ZA049                 | 500,001              | 488,358                        | ---                             | 11,643                           |
| Power Lines - Dededo Subdivision (FEMA/GHC)            | GA005                 | 2,653,837            | 2,633,837                      | 20,000                          | ---                              |
| Power Lines - Ija, Inarajan Subdivision                | HA004                 | 771,696              | 490,420                        | 50,000                          | 231,276                          |
| CHAOT Sewer System Upgrade; Misc., No.                 | CT016                 | 817,618              | 795,541                        | 21,811                          | 266                              |
| Gun Beach-Fafai Wastewater System                      | CI601                 | 5,400,000            | ---                            | ---                             | 5,400,000                        |
| Tumon Pump Station / Force Main                        | CI602                 | 3,600,000            | 990,479                        | 75,100                          | 2,534,421                        |
| Refurbishing Northern District Sewage                  | CI603                 | 1,800,000            | 646,215                        | 387,849                         | 765,936                          |
| Refurbishing Agana Sewage Plant                        | CI604                 | 2,000,000            | 440,314                        | 413,907                         | 1,145,779                        |
| Oka Point Collector Lines                              | CI605                 | 2,000,000            | 435,566                        | 44,283                          | 1,520,151                        |
| Design / Construction Tumon Waterlines                 | CI606                 | 4,200,000            | 1,206,289                      | 40,121                          | 2,953,590                        |
| Drilling Tumon Water Sources                           | CI607                 | 5,800,000            | 3,813,188                      | 598,075                         | 1,388,737                        |
| Tumon Bay Infrastructure Design Fees                   | CI611                 | 1,601,779            | 1,578,805                      | 3,221                           | 19,753                           |
| Tumon Bay Beautification                               | CI608                 | 7,200,000            | 2,143,190                      | 73,167                          | 4,983,643                        |
| Landscape San Vitores to Beach                         | CI609                 | 3,900,000            | 804,211                        | 62,500                          | 3,033,289                        |
| Bus Shelter Construction                               | CI614                 | 142,468              | 141,468                        | ---                             | 1,000                            |
| San Vitores Roadway Power Underground                  | CI612                 | 5,000,000            | 4,615,946                      | 99,988                          | 284,066                          |
| San Vitores Power - Underground                        | CI610                 | 4,500,000            | 4,449,468                      | 50,532                          | ---                              |
| San Vitores Substation / Lines                         | CI614                 | 5,859,279            | 4,101,642                      | ---                             | 1,757,637                        |
|  |                       | <u>\$ 78,431,506</u> | <u>\$ 46,153,755</u>           | <u>\$ 2,242,137</u>             | <u>\$ 30,035,614</u>             |