

*Financial Statements, Required Supplementary Information,
Supplementary Information,
and Compliance and Internal Control*

Government of Guam

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

*Year ended September 30, 2023
with Report of Independent Auditors*



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

Financial Statements, Required Supplementary Information,
Supplementary Information, and Compliance and Internal Control

Year ended September 30, 2023

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Report of Independent Auditors

Honorable Lou Leon Guerrero
Governor of Guam

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Government of Guam (GovGuam) Tourist Attraction Special Revenue Fund, Capital Projects Fund, and Debt Service Fund (collectively, the Funds) related to the Hotel Occupancy Tax Revenue Refunding Bonds, 2021 Series A, as of and for the year ended September 30, 2023 and the related notes to the financial statements, which collectively comprise the Funds' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Funds related to the Hotel Occupancy Tax Revenue Refunding Bonds, 2021 Series A at September 30, 2023, and the respective changes in their financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Funds, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Tourist Attraction Special Revenue Fund, Capital Projects Fund and Debt Service Fund related to the Hotel Occupancy Tax Revenue Refunding Bonds, 2021 Series A, and do not purport to, and do not, present fairly the financial position of the Government of Guam as of September 30, 2023, the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 10 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit for the year ended September 30, 2023 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Funds' basic financial statements. The supplementary comparative financial statements included in pages 22 to 23 for the year ended September 30, 2023 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended September 30, 2023 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended September 30, 2023.

We also previously audited, in accordance with the auditing standards generally accepted in the United States of America, the basic financial statements of the Funds as of and for the year ended September 30, 2022 (not presented herein), and have issued our report thereon dated May 17, 2023, which contained unmodified opinions on the respective financial statements of the governmental activities of the Funds. The supplementary information for the year ended September 30, 2022 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 2022 financial

statements. The information was subjected to the audit procedures applied in the audit of the 2022 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended September 30, 2022.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2025 on our consideration of the Funds' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Funds' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Funds' internal control over financial reporting and compliance.

Ernst + Young LLP

May 30, 2025

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

Management's Discussion and Analysis

Our discussion and analysis of the Government of Guam's ("GovGuam") Tourist Attraction Fund financial performance and those funds related to the GovGuam Hotel Occupancy Tax Revenue Refunding Bonds, 2021 Series A, provides an overview of financial activities for the fiscal years ended September 30, 2023 and 2022. Please read it in conjunction with the financial statements, which follow this section. These financial statements present in columnar form the three funds related to the Tourist Attraction Funds' revenues and expenditures and an aggregate total column.

1. Financial Highlights

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

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

- For the fiscal year ended September 30, 2023, total fund balance increased by \$499,573 (or 4%) from an ending fund balance of \$13,580,357 in 2022 to \$14,079,930 in 2023.
- During the years ended September 30, 2023 and 2022, total combined expenditures for governmental fund operations were \$24,707,071 and \$19,582,006, respectively, including expenditures relating to payments funding the Guam Visitor's Bureau of \$20,890,044 and \$14,528,287, respectively; debt service requirements of \$2,943,250 and \$3,013,250, respectively; and capital expenditures of \$738,751 and \$1,488,647, respectively. These expenditures were funded mainly by Hotel Occupancy Tax revenue collections during the years ended September 30, 2023 and 2022 of \$29,494,644 and \$18,168,635, respectively, with the remainder funded by residual bond proceeds.
- Total combined expenditures increased by \$5,125,065 (or 26%) from 2022 to 2023 due primarily to an increase of: \$6,361,757 in payments to Guam Visitors Bureau, offset by notable decreases of: \$749,896 for capital projects, \$302,459 for Mayor's Council of Guam payments as reflected in the Individual and Collective Rights expenditures and \$70,000 for interest debt service payment. Total combined revenues increased by \$12,031,891 (or 66%) from \$18,157,612 in 2022 to \$30,189,503 due primarily to an increase in inbound tourism travel.
- During the year ended September 30, 2023, the Tourist Attraction Special Revenue Fund generated an operating surplus of \$8,640,652 before transfers compared with an operating surplus of \$3,093,820 before transfers in 2022.

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Management's Discussion and Analysis, continued

2. Overview of the Financial Statements

The financial statements include all of the activities of the Tourist Attraction Fund and of those funds related to the GovGuam Hotel Occupancy Tax Revenue Refunding Bonds, 2021 Series A. The financial statements present a balance sheet and a statement of revenues, expenditures, and changes in fund balance. The assets, liabilities and fund balances of these funds are reported in self-balancing funds.

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

The notes to the financial statements include additional information helpful to an understanding of the basic financial statements.

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

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Management's Discussion and Analysis, continued

3. Financial Statement Analysis

Balance Sheet

The balance sheet presents information on assets, liabilities and fund balance at year-end. A condensed summary of the balance sheets is shown below as of September 30, 2023 and 2022 (as restated).

	<u>2023</u>	<u>2022</u>
Assets:		
Cash equivalents	\$ 9,988,409	\$ 2,217,778
Tax receivables	2,352,173	1,675,111
Restricted assets	<u>13,176,850</u>	<u>13,657,345</u>
Total assets	<u>\$25,517,432</u>	<u>\$17,550,234</u>
Liabilities:		
Due to General Fund	<u>\$11,437,502</u>	<u>\$ 3,969,877</u>
Total liabilities	<u>11,437,502</u>	<u>3,969,877</u>
Fund balances:		
Restricted and committed	<u>14,079,930</u>	<u>13,580,357</u>
Total fund balances	<u>14,079,930</u>	<u>13,580,357</u>
Total liabilities and fund balances	<u>\$25,517,432</u>	<u>\$17,550,234</u>

Total assets increased by \$7,967,198 (or 45%) from \$17,550,234 in 2022 to \$25,517,432 in 2023. This increase was primarily the result of an increase in cash equivalents of \$7,770,631. Total liabilities increased by \$7,467,625 (or 188%) from \$3,969,877 in 2022 to \$11,437,502 in 2023. This increase primarily was the result of an increase in amount due to the general fund. Total fund balances increased by \$499,573 (or 4%) during 2023 from \$13,580,357 in 2022 to \$14,079,930 in 2023. Of the total fund balance amounts presented at each respective fiscal year end, certain restrictions limit the availability of fund resources for future use. Specifically, fund balances are restricted by the bond indenture associated with the Hotel Occupancy Tax Revenue Refunding Bond, 2021 Series A, wherein these funds are restricted for (i) capital projects associated with a new Guam Museum and certain other related projects that benefit Guam's tourism industry, and (ii) future debt service.

Government of Guam
Tourist Attraction Special Revenue Fund, Capital Projects Fund,
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Management's Discussion and Analysis, continued

3. Financial Statement Analysis, continued

Statement of Revenues, Expenses and Changes in Fund Balances

The statement of revenues, expenditures and changes in fund balance show the effect of revenues and expenditures on fund balance for the year. The statements of revenues, expenses and changes in fund balances for the years ended September 30, 2023 and 2022 are summarized as follows:

	<u>2023</u>	<u>2022</u>
Revenues:		
Hotel occupancy tax	\$ 29,494,644	\$ 18,168,635
Use of money and property	<u>694,859</u>	<u>(11,023)</u>
	<u>30,189,503</u>	<u>18,157,612</u>
Expenditures:		
Current:		
Payments to Guam Visitors Bureau	20,890,044	14,528,287
General government	36,376	52,691
Individual and collective rights	86,808	389,267
Economic development	9,400	10,319
Protection of life and property	2,442	2,823
Environmental protection	---	21,645
Recreation	---	37,013
Community services	---	23,480
Miscellaneous appropriations	---	14,584
Capital projects	738,751	1,488,647
Debt service	<u>2,943,250</u>	<u>3,013,250</u>
Total expenditures	<u>24,707,071</u>	<u>19,582,006</u>
Excess (deficiency) of revenues over (under) expenditures	5,482,432	(1,424,394)
Transfers out, net	<u>(4,982,856)</u>	<u>(1,819,759)</u>
Net change in fund balances	\$(<u>499,573</u>)	\$(<u>3,244,153</u>)

Government of Guam
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Management's Discussion and Analysis, continued

3. Financial Statement Analysis, continued

Total revenues collected from hotel occupancy taxes increased by \$11,326,009 (or 62%) from \$18,168,635 in 2022 to \$29,494,644 in 2023. The increase was primarily due to the ease of coronavirus pandemic restrictions which encouraged tourist arrivals with an increase of 385,679 (or 178%) from 216,915 tourists in 2022 to 602,594 tourists in 2023.

Total expenditures increased by \$5,125,065 (or 26%) from \$19,582,006 in 2022 to \$24,707,071 in 2023. The increase was due primarily to increases of: \$6,361,757 in payments to Guam Visitors Bureau, offset by a decrease of: \$70,000 for debt service payments, \$21,645 for Guam Environmental Protection Agency, \$37,013 for Department of Parks and Recreation payments, and \$302,459 for Mayor's Council of Guam payments.

4. Capital Assets

Public Law 30-228 authorized the construction of the Guam Museum and certain other projects that benefit Guam's tourism industry in the amount of \$57,089,216. Capital-related expenditures amounted to \$738,751 in 2023 compared with \$1,488,647 in 2022. Cumulative capital expenditure as of fiscal year 2023 ending is \$54,089,857. Notable work completed in fiscal year 2023 include the Renovation of Streetlights along Pale San Vittore's Road for \$30,830 and the Guam Fishermen's Co-op seawall permitting, design and construction for \$663,390.

5. Long-Term Debt

In April 2011, GovGuam issued \$90,665,000 in Hotel Occupancy Tax Revenue Bonds for the purpose of constructing the Guam Museum and other related tourism projects, refunding a previous bond, and funding capitalized interest. A payment of \$28,787,786 was made to a bond escrow agent for the purpose of refunding 1997 Series A bonds with net bond proceeds amounting to \$59,760,045.

In March 2021 \$58.9 million in 2021 Series A refunding bonds were issued at a True interest cost of 3.16% to refinance all the outstanding 2011A Hotel Occupancy Tax Revenue Bonds and to pay certain issuance costs of the refinancing. This refinancing achieved net present value savings of approximately \$19 million over the life of the bonds and a reduction in debt service cash of \$21.8 million. The resultant long-term debt is included as a liability in GovGuam's government-wide financial statements. See note 3 to the accompanying financial statements for additional information relating to this long-term debt.

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Management's Discussion and Analysis, continued

6. Outlook, Challenges and Opportunities

Guam ended fiscal year 2023 on a high note with increased visitor arrivals of 602,594 compared to 2022 figure of 216,915, a 385,679 visitor arrival increase. The increase in arrivals remains aligned with Guam's plan to rehabilitate Guam as a world-class destination focusing on safety, natural beauty and cultural heritage. Prospectively moving into fiscal year 2024 much progress is to be made as Guam continues on its path towards tourism recovery. Fiscal year 2024 progress is evident as Guam saw a rise in tourism recognizing 752,479 visitors an increase of 150,216 compared to the final figure of 602,263 in fiscal year 2023. Thus with all the renewed tourism efforts, the current outlook remains positive as Guam strives to achieve it's record of a million plus visitors annually.

7. Contacting Government of Guam Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, creditors and bondholders with a general overview of the finances of the Tourist Attraction Fund and related funds and to demonstrate accountability for money received and expended. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Division of Accounts Office, Department of Administration, Attention: Gaudencio Rosario, Deputy Financial Manager, P.O. Box 7420, Tamuning, Guam 96913. Telephone No.: (671) 475-1260, Email: gaudencio.rosario@doa.guam.gov; Website address: www.doa.guam.gov.

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

September 30, 2023

	Tourist Attraction Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total
Assets				
Cash equivalents	\$ 9,988,409	\$ ---	\$ ---	\$ 9,988,409
Taxes receivable	2,352,173	---	---	2,352,173
Restricted assets:				
Cash equivalents	---	279,527	7,148,138	7,427,665
Investments	---	5,749,185	---	5,749,185
Total assets	<u>\$ 12,340,582</u>	<u>\$ 6,028,712</u>	<u>\$ 7,148,138</u>	<u>\$ 25,517,432</u>
 Liability - Due to General Fund	 <u>\$ 11,360,514</u>	 <u>\$ 76,988</u>	 <u>\$ ---</u>	 <u>\$ 11,437,502</u>
Fund Balances				
Restricted for:				
Capital projects	---	5,951,724	---	5,951,724
Debt service	---	---	7,148,138	7,148,138
Committed	<u>980,068</u>	<u>---</u>	<u>---</u>	<u>980,068</u>
Total fund balances	<u>980,068</u>	<u>5,951,724</u>	<u>7,148,138</u>	<u>14,079,930</u>
Total liability and fund balances	<u>\$ 12,340,582</u>	<u>\$ 6,028,712</u>	<u>\$ 7,148,138</u>	<u>\$ 25,517,432</u>

See accompanying notes.

Government of Guam
Tourist Attraction Special Revenue Fund, Capital Projects Fund,
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Statements of Revenues, Expenditures and Changes in Fund Balances

Year ended September 30, 2023

	Tourist Attraction Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total
Revenues:				
Taxes	\$ 29,494,644	\$ ---	\$ ---	\$ 29,494,644
Use of money and property	<u>171,078</u>	<u>226,585</u>	<u>297,196</u>	<u>694,859</u>
Total revenues	<u>29,665,722</u>	<u>226,585</u>	<u>297,196</u>	<u>30,189,503</u>
Expenditures:				
Current:				
Payments to Guam Visitors Bureau	20,890,044	---	---	20,890,044
General government	36,376	---	---	36,376
Individual and collective rights	86,808	---	---	86,808
Economic development	9,400	---	---	9,400
Protection of life and property	2,442	---	---	2,442
Capital projects	---	738,751	---	738,751
Debt service:				
Interest	<u>---</u>	<u>---</u>	<u>2,943,250</u>	<u>2,943,250</u>
Total expenditures	<u>21,025,070</u>	<u>738,751</u>	<u>2,943,250</u>	<u>24,707,071</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,640,652</u>	(<u>512,166</u>)	(<u>2,646,054</u>)	<u>5,482,432</u>
Other financing sources (uses):				
Transfers in	---	---	2,677,725	2,677,725
Transfers out	(<u>7,660,584</u>)	<u>---</u>	<u>---</u>	(<u>7,660,584</u>)
Total other financing sources (uses), net	(<u>7,660,584</u>)	<u>---</u>	<u>2,677,725</u>	(<u>4,982,859</u>)
Net change in fund balances	980,068	(512,166)	31,671	499,573
Fund balances at beginning of the year	<u>---</u>	<u>6,463,890</u>	<u>7,116,467</u>	<u>13,580,357</u>
Fund balances at end of the year	<u>\$ 980,068</u>	<u>\$ 5,951,724</u>	<u>\$ 7,148,138</u>	<u>\$ 14,079,930</u>

See accompanying notes.

Government of Guam
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Notes to Financial Statements

Year ended September 30, 2023

1. Summary of Significant Accounting Policies

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

Reporting Entity

The Government of Guam (GovGuam) Tourist Attraction Special Revenue Fund, created by 11 GCA 30107, was established to fund various recreational projects and visitor industry activities. 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. Additionally, 11 GCA 30108 provides for 25 percent of all revenues collected by the Tourist Attraction Special Revenue Fund be appropriated to the Infrastructure Improvement Fund. On March 31, 2021, \$58,865,000 in Hotel Occupancy Tax Revenue Bonds, 2021 Series A, were issued to refund \$70,540,000 of outstanding Hotel Occupancy Tax Revenue Bonds, 2011 Series A bonds. The Hotel Occupancy Tax Revenue Bonds, 2011 Series A, were issued for the purpose of refunding the Limited Obligation Infrastructure Improvement Bonds, 1997 Series A, and funding the construction of a new Guam Museum and certain other projects that benefit Guam's tourism industry. The Capital Projects Fund is used to account for the construction of capital improvement projects from bond proceeds. The Debt Service Fund is used to account for funds required by the bond indenture to redeem bond principal and to pay bond interest as such becomes due.

These funds are considered to be governmental funds and are presented as a part of governmental activities of GovGuam.

Fund Accounting

The accompanying financial statements present a balance sheet and a statement of revenues, expenditures, and changes in fund balances. The assets, liabilities and fund balances of the Tourist Attraction Special Revenue Fund, Capital Projects Fund, and Debt Service related to the Hotel Occupancy Tax Revenue Refunding Bonds, 2021 Series A, are reported in self-balancing funds. Transactions between funds, if any, have not been eliminated.

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Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Measurement Focus and Basis of Accounting

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

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

Appropriations

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

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

1. Summary of Significant Accounting Policies, continued

Budgetary Process

Legislation requires the Governor to present a proposed budget to the Legislature at the beginning of each annual session. The Legislature enacts the budget through passage of specific departmental appropriations. Before signing the Appropriations Act, the Governor may veto or reduce any specific appropriation, subject to legislative override. Once passed and signed, the budget becomes the territorial financial plan for the ensuing fiscal year. Supplemental appropriations for specific purposes are made throughout the year. Encumbrances are commitments related to unperformed (executory) contracts for goods or services and are generally evidenced by outstanding purchase orders, contracts, and intradepartmental work requests. Encumbrances outstanding at year end are reported within the fund balance classifications since they do not constitute expenditures or liabilities. Unencumbered appropriations normally lapse at the end of each fiscal year unless they are designated by the Legislature as representing continuing appropriations.

Cash Equivalents

Cash equivalents include short-term investments in U.S. Treasury obligations with a maturity date within three months of the date acquired.

Investments

Investments and related investment earnings are recorded at fair value using quoted market prices. Fair value is the price that would be received to sell an asset or paid to transfer a liability (ie, the exit price) in an orderly transaction between market participants at the date as of which the fair value of an asset or liability is determined.

Receivables

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

GovGuam General Fund Receivables/Payables

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

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

1. Summary of Significant Accounting Policies, continued

Restricted Assets

The bond indenture relating to the Hotel Occupancy Tax Revenue Refunding Bonds, 2021 Series A, requires amounts to be restricted for capital projects and set aside for debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets.

Fund Balance

Governmental fund balances are classified as follows:

Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and do not lapse at year-end.

Unassigned - includes negative fund balances in other governmental funds.

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

A formal minimum fund balance policy has not been adopted.

Interfund Transactions

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

Management Estimates

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

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

1. Summary of Significant Accounting Policies, continued

Total Columns

Total columns are presented primarily to facilitate financial analysis. The Management's Discussion and Analysis includes certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a full comparative presentation. Accordingly, such information should be read in conjunction with the financial statements of the Tourist Attraction Special Revenue Fund, Capital Project Fund, and Debt Service Fund related to the Hotel Occupancy Tax Revenue Refunding Bonds, 2021 Series A, for the year ended September 30, 2023 from which summarized information was derived.

2. Deposits and Investments

The deposit and investment policies of GovGuam are governed by 5 GCA 21, Investments and Deposits, in conjunction with applicable bond indentures. The Director of Administration is responsible for the safekeeping of all monies paid into the Treasury of Guam. The Director of Administration invests any monies of GovGuam that are deemed not necessary for immediate use. Legally authorized investments include securities issued or guaranteed by the U.S. Treasury or agencies of the United States government; demand and time deposits in or certificates of deposit of, or bankers' acceptances issued by, any eligible institution; corporate debt obligations, including commercial paper; certain money market funds; state and local government securities, including municipal bonds; and repurchase and investment agreements. With the exception of investments in U.S. government securities, which are explicitly or implicitly guaranteed by the United States government, all other investments must be rated Aa1/P-1 by Moody's.

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

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

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, GovGuam will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are held and administered by trustees in accordance with various bond indentures for the purpose of funding capital projects that benefit Guam's tourism industry. Based on negotiated trust and custody contracts, all of these investments were held in GovGuam's name by GovGuam's custodial financial institutions as of September 30, 2023.

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

2. Deposits and Investments, continued

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

As of September 30, 2023, cash equivalents and investments are classified as follows:

	<u>Tourist Attraction Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Cash equivalents and investments:				
Money Market Funds	\$9,988,409	\$ 279,527	\$7,148,138	\$17,416,074
Mutual Funds	<u>---</u>	<u>5,749,185</u>	<u>---</u>	<u>5,749,185</u>
Total	<u>\$9,988,409</u>	<u>\$6,028,712</u>	<u>\$7,148,138</u>	<u>\$23,165,259</u>

Investments in mutual funds are measured at the net asset value. These money market mutual funds have investments with underlying Moody's investment risk of AAA.

3. Debt Service

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

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

3. Debt Service, continued

On March 31, 2021, \$58,865,000 in Hotel Occupancy Tax Revenue Refunding Bonds, 2021 Series A, were issued to refund \$70,540,000 of outstanding Hotel Occupancy Tax Revenue Bonds, 2011 Series A bonds. Of the net proceeds of \$70,317,349 (including an issue premium of \$12,790,466) together with available funds of \$2,445,101, \$72,762,450 was deposited to an Escrow Fund to be used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent for the purpose of generating resources for all future debt service payments of the previously issued outstanding Hotel Occupancy Tax Revenue Bonds, 2011 Series A bonds. As a result, these bonds are considered defeased, and the liability for these bonds has been removed from the government-wide financial statements of GovGuam.

The General Indenture, dated April 1, 2011, as supplemented by a supplemental indenture, dated April 1, 2021, sets forth the establishment of accounts, the application of revenues and of periodic deposits into these accounts, and certain other covenants to ensure payment of debt service. The following rate covenant together with funds and accounts are established under the General Indenture dated April 1, 2021:

Rate Covenant - GovGuam has covenanted that it will impose, levy, and enforce taxes of the type now imposed by 11 GCA §30101 and collect Hotel Occupancy Tax revenues (or may, in its sole and absolute discretion, but shall not be obligated to, pay into the Revenue Fund moneys from any other legally available source) in the aggregate amount within each Bond Year at least sufficient to pay and provide for the sum of: (1) an aggregate amount equal to at least 125% of aggregate annual debt service for such Bond Year; (2) an aggregate amount equal to the amounts required to be deposited in the Rebate Fund during such Bond Year required by the General Indenture, plus the amount of Bond Expenses estimated by the Trustee to be payable during such Bond Year; and (3) such amounts as may be required pursuant to the General Indenture (and any supplemental indenture for the issuance of additional Bonds) to increase or restore the Bond Reserve Fund to the Bond Reserve Fund Requirement.

Construction Fund - Moneys on deposit in the Construction Account will be disbursed by the Depository for the payment of Infrastructure Improvement Project Costs. Transactions of the Construction Fund are accounted for in the Capital Projects Fund. As of September 30, 2023, \$5,951,724 of fund balance in the Capital Projects Fund is restricted for capital projects.

Costs of Issuance Account - Moneys on deposit in the Costs of Issuance Account will be disbursed by the Depository for the payment of the costs associated with the issuance of the Bonds.

Capitalized Interest Account - Moneys on deposit in the Capitalized Interest Account will be disbursed by the Depository for the payment of interest on the Bonds.

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

3. Debt Service, continued

Bond Fund - the Trustee shall apply moneys on deposit in this Fund solely for the purposes of: (1) paying interest on the Bonds as it shall become due and payable; (2) paying the principal of the Serial Bonds when due and payable; (3) purchasing, redeeming or paying at maturity the Term Bonds as provided in the General Indenture; and (4) paying Parity Payment Agreement Payments due and payable. As of September 30, 2023, GovGuam is not a party to any Parity Payment Agreements. Transactions of the Bond Fund are accounted for in the Debt Service Fund. As of September 30, 2023, \$1,261,638 is maintained in this fund in accordance with the General Indenture.

Bond Reserve Fund - the General Indenture created a Bond Reserve Fund available for the purpose of paying debt service on Bonds (including Payment Agreement Payments) in the event of a deficiency in the Bond Fund. GovGuam is required to maintain an amount within the Bond Reserve Fund equal to the maximum annual debt service for the then current or future fiscal year on all outstanding Bonds. The Bond Reserve Fund Requirement means, as of any date of calculation and with respect to any Bonds, an amount equal to: (i) the least of (A) the maximum annual debt service, calculated on all such Bonds Outstanding as of such date, (B) 125% of average annual debt service on all such Bonds Outstanding as of such date, or (C) such amount as may be calculated in connection with the issuance of an Additional Series of Bonds by adding not more than 10% of the original principal amount of such Additional Series of Bonds to the Bond Reserve Fund Requirement immediately before such issuance; or (ii) such larger amount as may be established as the Bond Reserve Fund Requirement by any supplemental indenture. Transactions of the Bond Reserve Fund are accounted for in the Debt Service Fund. As of September 30, 2023, \$5,886,500 is maintained in this fund in accordance with the General Indenture.

Revenue Fund - the General Indenture created a Revenue Fund into which GovGuam shall deposit all hotel occupancy tax revenues, upon receipt, and which the Trustee, as Depositary, will maintain and hold pursuant to the General Indenture.

All pledged revenues are to be deposited into the Revenue Fund. In addition, all interest and other profit derived from investments, except those in the Construction Account, are to be transferred monthly to the Revenue Fund. Transactions of the Revenue Fund are accounted for in the Tourist Attraction Special Revenue Fund.

GovGuam management believes that it is in compliance with all significant covenants, limitations and restrictions of the General Indenture as of September 30, 2023.

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Notes to Financial Statements, continued

4. Payments to Autonomous Agencies

Public Law 36-107 authorizes an appropriation in the amount of \$13,119,254 for operations of the Guam Visitors Bureau (GVB) as well as other miscellaneous appropriations to be administered by GVB. During the year ended September 30, 2023, total appropriations made to GVB from the Tourist Attraction Special Revenue Fund amounted to \$13,119,254. Additionally, Hotel Occupancy Tax collections received by the Tourist Attraction Fund in excess of Bureau of Budget and Management Research revenue estimates will be allocated to GVB. As of September 30, 2023, the excess was \$7,770,790.

5. Commitments

Public Law 30-228 authorizes the construction of the Guam Museum and certain other projects that benefit Guam's tourism industry in the amount of \$57,089,216. GovGuam has entered into certain contracts associated with these projects with capital-related expenditures of \$738,751 being incurred under these contracts during the year ended September 30, 2023. The unliquidated contract amount of \$3,693,223 is recorded within restricted fund balance of the Capital Projects Fund in the accompanying financial statements.

6. Subsequent Events

The Funds have evaluated subsequent events through May 30, 2025, it is also the date that the financial statements were available to be issued.

Supplementary Information

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

Comparative Balance Sheets

September 30, 2023 and 2022

	Tourist Attraction Fund		Capital Projects Fund		Debt Service Fund	
	2023	2022	2023	2022	2023	2022
Assets						
Cash equivalents	\$ 9,988,409	\$ 2,217,778	\$ ---	\$ ---	\$ ---	\$ ---
Taxes receivable	2,352,173	1,675,111	---	---	---	---
Restricted assets:						
Cash equivalents	---	---	279,527	991,700	7,148,138	7,116,467
Investments	---	---	5,749,185	5,549,178	---	---
Total assets	<u>\$ 12,340,582</u>	<u>\$ 3,892,889</u>	<u>\$ 6,028,712</u>	<u>\$ 6,540,878</u>	<u>\$ 7,148,138</u>	<u>\$ 7,116,467</u>
Liabilities						
Due to General Fund	\$ 11,360,514	\$ 3,892,889	\$ 76,988	\$ 76,988	\$ ---	\$ ---
Total liabilities	<u>11,360,514</u>	<u>3,892,889</u>	<u>76,988</u>	<u>76,988</u>	<u>---</u>	<u>---</u>
Fund Balances						
Fund balances:						
Restricted for:						
Capital projects	---	---	5,951,724	6,463,890	---	---
Debt service	---	---	---	---	7,148,138	7,116,467
Committed	980,068	---	---	---	---	---
Total fund balances	<u>980,068</u>	<u>---</u>	<u>5,951,724</u>	<u>6,463,890</u>	<u>7,148,138</u>	<u>7,116,467</u>
Total liabilities and fund balances	<u>\$ 12,340,582</u>	<u>\$ 3,892,889</u>	<u>\$ 6,028,712</u>	<u>\$ 6,540,878</u>	<u>\$ 7,148,138</u>	<u>\$ 7,116,467</u>

Government of Guam
 Tourist Attraction Special Revenue Fund, Capital Projects Fund,
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Comparative Statements of Revenues, Expenditures, and Changes in Fund Balances

Years ended September 30, 2023 and 2022

	Tourist Attraction Fund		Capital Projects Fund		Debt Service Fund	
	2023	2022	2023	2022	2023	2022
Revenues:						
Taxes	\$ 29,494,644	\$ 18,168,635	\$ ---	\$ ---	\$ ---	\$ ---
Use of money and property	171,078	5,294	226,585	(38,218)	297,196	21,901
Total revenues	<u>29,665,722</u>	<u>18,173,929</u>	<u>226,585</u>	<u>(38,218)</u>	<u>297,196</u>	<u>21,901</u>
Expenditures:						
Current:						
Payments to Guam Visitors Bureau	20,890,044	14,528,287	---	---	---	---
General government	36,376	52,691	---	---	---	---
Individual and collective rights	86,808	389,267	---	---	---	---
Economic development	9,400	10,319	---	---	---	---
Protection of life and property	2,442	2,823	---	---	---	---
Recreation	---	37,013	---	---	---	---
Community services	---	23,480	---	---	---	---
Environmental protection	---	21,645	---	---	---	---
Miscellaneous appropriations	---	14,584	---	---	---	---
Capital projects	---	---	738,751	1,488,647	---	---
Debt service:						
Interest	---	---	---	---	2,943,250	3,013,250
Total expenditures	<u>21,025,070</u>	<u>15,080,109</u>	<u>738,751</u>	<u>1,488,647</u>	<u>2,943,250</u>	<u>3,013,250</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,640,652</u>	<u>3,093,820</u>	<u>(512,166)</u>	<u>(1,526,865)</u>	<u>(2,646,054)</u>	<u>(2,991,349)</u>
Other financing sources (uses):						
Transfers in	---	---	---	---	2,677,725	1,274,061
Transfers out	(7,660,584)	(3,093,820)	---	---	---	---
Total other financing sources (uses), net	<u>(7,660,584)</u>	<u>(3,093,820)</u>	<u>---</u>	<u>---</u>	<u>2,677,725</u>	<u>1,274,061</u>
Net change in fund balances	980,068	---	(512,166)	(1,526,865)	31,671	(1,717,288)
Fund balances at the beginning of the year	---	---	6,463,890	7,990,755	7,116,467	8,833,755
Fund balances at the end of the year	<u>\$ 980,068</u>	<u>\$ ---</u>	<u>\$ 5,951,724</u>	<u>\$ 6,463,890</u>	<u>\$ 7,148,138</u>	<u>\$ 7,116,467</u>

Compliance and Internal Control

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Honorable Lou Leon Guerrero
Governor of Guam

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Tourist Attraction Special Revenue Fund, Capital Projects Fund, and Debt Service Fund related to the Government of Guam Hotel Occupancy Tax Revenue Refunding Bonds, 2021 Series A (collectively, the Funds), which comprise the balance sheet as of September 30, 2023, and the related statement of revenues, expenditures and changes in fund balances for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 30, 2025.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control described in the schedule of findings and response as financial statement finding 2023-001 that we consider to be a material weakness.

Report on 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 financial statements. 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*.

The Fund's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Fund's response to findings identified. The Fund's response, was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst + Young LLP

May 30, 2025

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Schedule of Findings and Responses

Finding 2023-001 Revenue Recognition

Criteria: 1600.106 Revenues and other governmental fund financial resource increments are recognized in the accounting period in which they become susceptible to accrual—that is, when they become both *measurable* and *available* to finance expenditures of the fiscal period. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Application of the “susceptibility to accrual” criterion requires judgment, consideration of the materiality of the item in question, and due regard for the practicality of accrual, as well as consistency in application. The length of time used to define *available* for purposes of revenue recognition in the governmental fund financial statements should be disclosed in the summary of significant accounting policies.[NCGAS 1, ¶62; GASBS 38, ¶7]

Governments are required to accrue sales taxes at the end of the period (subject to the availability criterion in governmental funds). For this purpose, Government of Guam (GovGuam) revenues are considered available if they are collected within 90 days of the end of the current fiscal period.

Condition: Hotel occupancy tax revenues of approximately \$980,000, recorded in fiscal year 2024, were available for the year ended September 30, 2023 and collected within 90 days after the fiscal year end.

Cause: GovGuam did not consider hotel occupancy tax revenues filed online and collected 90 days after the fiscal year end.

Effect: Hotel occupancy tax revenues reported is not complete. An audit adjustment was proposed to correct the understatement of tax revenues.

Recommendation: We recommend GovGuam also consider allocating collections in the clearing account for accrual of hotel occupancy tax filed online.