

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

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

YEAR ENDED SEPTEMBER 30, 2007

INDEPENDENT AUDITORS' REPORT

Honorable Felix P. Camacho
Governor of Guam:

We have audited the accompanying financial statements of the Tourist Attraction Fund and of those funds related to the Government of Guam Limited Obligation Infrastructure Improvement Bonds, 1997 Series A (TAF), as of and for the year ended September 30, 2007. These financial statements are the responsibility of the Government of Guam's management. Our responsibility is to express an opinion on these financial statements based on our audit.

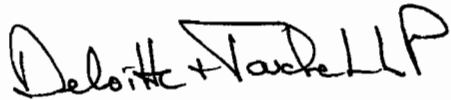
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Tourist Attraction Fund and those funds related to the Government of Guam Limited Obligation Infrastructure Improvement Bonds, 1997 Series A. They are not intended to present the financial position and results of operations of the Government of Guam in conformity with accounting principles generally accepted in the United States of America.

In our opinion, such financial statements present fairly, in all material respects, the respective financial position of the Tourist Attraction Fund and those funds related to the Government of Guam Limited Obligation Infrastructure Improvement Bonds, 1997 Series A, as of September 30, 2007, and the results of their operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information on pages 12 to 17 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This additional information is the responsibility of the Government of Guam's management. Such additional information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2008, on our consideration of the TAF's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in black ink, appearing to read "Deloitte + Stach LLP". The signature is stylized, with the "D" and "S" being particularly prominent.

March 21, 2008

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Balance Sheet
September 30, 2007

	Tourist Attraction Fund	Capital Projects Fund	Debt Service Fund	Total
<u>ASSETS</u>				
Restricted assets:				
Cash and cash equivalents	\$ -	\$ 773,312	\$ 8,744,675	\$ 9,517,987
Investments	-	-	4,316,213	4,316,213
Taxes receivable	1,518,769	-	-	1,518,769
Due from General Fund	1,411,733	4,000,000	-	5,411,733
Total assets	<u>\$ 2,930,502</u>	<u>\$ 4,773,312</u>	<u>\$ 13,060,888</u>	<u>\$ 20,764,702</u>
<u>LIABILITIES</u>				
Accrued payroll and other	\$ 18,750	\$ -	\$ -	\$ 18,750
Due to Guam Visitors Bureau	1,715,360	-	-	1,715,360
Total liabilities	<u>1,734,110</u>	<u>-</u>	<u>-</u>	<u>1,734,110</u>
Commitments				
<u>FUND BALANCES</u>				
Fund balances:				
Reserved for:				
Related assets	1,411,733	-	-	1,411,733
Continuing appropriations	325,790	50,340	-	376,130
Debt service	-	-	13,060,888	13,060,888
Encumbrances	47,527	2,489,723	-	2,537,250
Unreserved	(588,658)	2,233,249	-	1,644,591
Total fund balances	<u>1,196,392</u>	<u>4,773,312</u>	<u>13,060,888</u>	<u>19,030,592</u>
Total liabilities and fund balances	<u>\$ 2,930,502</u>	<u>\$ 4,773,312</u>	<u>\$ 13,060,888</u>	<u>\$ 20,764,702</u>

See accompanying notes to financial statements.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended September 30, 2007

	Tourist Attraction Fund	Capital Projects Fund	Debt Service Fund	Total
Revenues:				
Taxes	\$ 21,233,396	\$ -	\$ -	\$ 21,233,396
Use of money and property	-	93,581	4,829	98,410
Total revenues	<u>21,233,396</u>	<u>93,581</u>	<u>4,829</u>	<u>21,331,806</u>
Expenditures:				
Current:				
General government	18,750	8,282	-	27,032
Community services	74,833	-	-	74,833
Protection of life and property	1,009	-	-	1,009
Individual and collective rights	572,766	-	-	572,766
Payments to Guam Visitors Bureau	14,987,727	-	-	14,987,727
Payments to Typhoon Chata'an Fund	-	1,709,845	-	1,709,845
Capital projects	-	321,000	-	321,000
Debt service:				
Principal	-	-	4,735,000	4,735,000
Interest	-	-	2,520,789	2,520,789
Total expenditures	<u>15,655,085</u>	<u>2,039,127</u>	<u>7,255,789</u>	<u>24,950,001</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,578,311</u>	<u>(1,945,546)</u>	<u>(7,250,960)</u>	<u>(3,618,195)</u>
Other financing sources (uses):				
Operating transfers in	-	-	7,338,313	7,338,313
Operating transfers out	(7,338,313)	-	-	(7,338,313)
Total other financing sources (uses)	<u>(7,338,313)</u>	<u>-</u>	<u>7,338,313</u>	<u>-</u>
Net change in fund balances	(1,760,002)	(1,945,546)	87,353	(3,618,195)
Fund balances at the beginning of the year	<u>2,956,394</u>	<u>6,718,858</u>	<u>12,973,535</u>	<u>22,648,787</u>
Fund balances at the end of the year	<u>\$ 1,196,392</u>	<u>\$ 4,773,312</u>	<u>\$ 13,060,888</u>	<u>\$ 19,030,592</u>

See accompanying notes to financial statements.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Notes to Financial Statements
September 30, 2007

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

The Government of Guam (GovGuam) Tourist Attraction Fund, created by 11 GCA 30107, was established to fund various recreational projects and visitor industry activities. Additionally, 11 GCA 30108 provides for 25 percent of all revenues collected by the Tourist Attraction Fund be appropriated to the Infrastructure Improvement Fund. Revenues are derived from an excise tax that is levied and imposed on transient occupants of a room or rooms in a hotel, lodging house, or similar facility in Guam. On December 1, 1997, Limited Obligation Infrastructure Improvement Bonds, 1997 Series A, were issued. The Capital Projects Fund is used to account for the construction of capital improvement projects from bond proceeds. The Debt Service Fund is used to account for funds required by the bond indenture to redeem bond principal and to pay bond interest as such becomes due.

B. Fund Accounting

The accompanying financial statements present a balance sheet and a statement of revenues, expenditures, and changes in fund balances. The assets, liabilities and fund balances of the Tourist Attraction Fund and funds related to the Limited Obligation Infrastructure Improvement Bonds, 1997 Series A, are reported in self-balancing funds. Transactions between funds, if any, have not been eliminated.

C. Measurement Focus and Basis of Accounting

The accompanying financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are considered available if they are collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include excise taxes. Miscellaneous revenues from other financing sources are recognized when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures generally are recorded in the period in which the related fund liability is incurred, as under accrual accounting, with the exception of debt service expenditures, which are recorded only when payment is due.

From April 1, 1995 and thereafter, 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.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Notes to Financial Statements
September 30, 2007

(1) Summary of Significant Accounting Policies, Continued

D. Appropriations

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

E. Budgetary Process

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

Encumbrances are commitments related to unperformed (executory) contracts for goods or services and are generally evidenced by outstanding purchase orders, contracts, and intradepartmental work requests. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Unencumbered appropriations normally lapse at the end of each fiscal year unless they are designated by the Legislature as representing continuing appropriations.

F. Cash and Cash Equivalents

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

G. Investments

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

H. Receivables

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

I. Interfund Receivables/Payables

During the course of its operations, GovGuam's General Fund records transactions between individual funds for goods provided or services rendered. Receivables resulting from transactions between GovGuam's General Fund and the Tourist Attraction Fund are classified as "due from the General Fund" on the balance sheet.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Notes to Financial Statements
September 30, 2007

(1) Summary of Significant Accounting Policies, Continued

I. Interfund Receivables/Payables, Continued

These balances result from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made, and are scheduled to be collected in the subsequent year.

The interfund balances at September 30, 2007, are summarized below:

	<u>Tourist Attraction Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>
Due from General Fund	\$ <u>1,411,733</u>	\$ <u>4,000,000</u>	\$ <u>-</u>

On October 31, 2006, Public Law 28-151 was signed into law, which appropriated \$4,000,000 from the Construction Fund. On November 2, 2006, \$4,000,000 was transferred to GovGuam's General Fund pursuant to the Public Law. On December 4, 2007, an agreement was entered into for repayment of the \$4,000,000 to the Construction Fund pursuant to the bond indentures. The repayment agreement establishes that the GovGuam General Fund will pay \$500,000 monthly to the Construction Fund until May 2008 at which time all funds shall have been repaid to the Construction Fund.

J. Restricted Assets

The bond indenture relating to the Limited Obligation Infrastructure Improvement Bonds, 1997 Series A, requires amounts to be restricted for capital projects and set aside for debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets.

K. Fund Balance

In the accompanying financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose, which includes continuing appropriations, amounts reserved for debt service, and amounts committed to liquidate contracts and purchase orders of the prior period. Designations of fund balance represent tentative management plans that are subject to change.

The unreserved fund balances represent the amount available for future operations. The reserve for related assets as of September 30, 2007, is represented by interfund receivables not expected to be repaid within the next twelve months.

L. 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 FUND**

Notes to Financial Statements
September 30, 2007

(2) Deposits and Investments

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

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

A. Deposits

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

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

GASB Statement No. 40 amended GASB Statement No. 3 to in effect eliminate disclosure for deposits falling into categories 1 and 2 but retained disclosures for deposits falling under category 3. Category 3 deposits are those deposits that have exposure to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the entity's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized, or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. GovGuam does not have a deposit policy for custodial credit risk.

As of September 30, 2007, the carrying amount of cash and cash equivalents was \$9,517,987 and the corresponding bank balances were \$9,517,987, which represent short-term investments held and administered by GovGuam's trustees in accordance with various trust agreements and bond indentures. Based on negotiated trust and custody contracts, all of these investments were held in GovGuam's name by GovGuam's custodial financial institutions at September 30, 2007.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Notes to Financial Statements
September 30, 2007

(2) Deposits and Investments, Continued

B. Investments

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

- Category 1 Investments that are insured or registered, or securities held by the governmental entity or its agent in the entity's name;
- Category 2 Investments that are uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the entity's name; or
- Category 3 Investments that are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the entity's name.

GASB Statement No. 40 amended GASB Statement No. 3 to in effect eliminate disclosure for investments falling into categories 1 and 2, and provided for disclosure requirements addressing other common risks of investments such as credit risk, interest rate risk, concentration of credit risk, and foreign currency risk. GASB Statement No. 40 did retain and expand the element of custodial credit risk in GASB Statement No. 3.

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 the investment or collateral securities that are in the possession of an outside party. GovGuam's investments are held and administered by trustees. Based on negotiated trust and custody contracts, all of these investments were held in GovGuam's name by GovGuam's custodial financial institutions at September 30, 2007.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Bond indentures limit investments in commercial paper to those rated in the highest rating category issued by Standard and Poor's which mature no more than 270 days after the date of purchase.

At September 30, 2007, the Debt Service Fund relating to the Limited Obligation Infrastructure Improvement Bonds, 1997 Series A, recorded fixed income securities as follows:

	<u>S & P Credit Rating</u>	<u>Maturity Date</u>	<u>Total</u>
U.S. government agencies:			
Federal National Mortgage Association	AA-	10/31/2007	\$ 611,667
Corporate notes:			
Commerzbank U.S. Finance Inc.	A-1	11/01/2007	2,482,319
Intesa Funding LLC	A-1+	10/31/2007	809,171
KFW International Finance Inc.	A-1+	11/01/2007	<u>413,056</u>
			\$ <u>4,316,213</u>

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Notes to Financial Statements
September 30, 2007

(2) Deposits and Investments, Continued

B. Investments, Continued

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. There was no interest rate risk for investments as of September 30, 2007. 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.

(3) 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 transfer activity during the year ended September 30, 2007, is summarized below:

	<u>Tourist Attraction Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>
Transfers Out To:			
Debt Service Fund	\$ <u>7,338,313</u>	\$ <u>-</u>	\$ <u>-</u>
Transfers In From:			
Special Revenue Fund	\$ <u>-</u>	\$ <u>-</u>	\$ <u>7,338,313</u>

(4) Bonds Payable

On December 1, 1997, the Limited Obligation Infrastructure Improvement Bonds, 1997 Series A, 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%

The 1997 Series A bonds are limited obligations of GovGuam 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. GovGuam 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**

Notes to Financial Statements
September 30, 2007

(4) Bonds Payable, Continued

Minimum debt service payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 4,990,000	\$ 2,253,351	\$ 7,243,351
2009	5,250,000	1,971,751	7,221,751
2010	4,960,000	1,697,176	6,657,176
2011	3,290,000	1,488,016	4,778,016
2012	3,445,000	1,320,778	4,765,778
2013 - 2017	20,025,000	3,756,875	23,781,875
2018	<u>4,625,000</u>	<u>115,625</u>	<u>4,740,625</u>
	<u>\$ 46,585,000</u>	<u>\$ 12,603,572</u>	<u>\$ 59,188,572</u>

In accordance with the bond indentures, the depository has established trust accounts as follows:

- 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. The Construction Fund account is accounted for within the Capital Projects Fund.

All pledged revenues are to be deposited into a special account entitled the "Revenue Fund." In addition, all interest and other profit derived from investments, except those in the "Construction 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 the principal becoming due and payable on the outstanding serial bonds on such principal payment date, plus (3) an amount which, if paid in equal monthly installments in each month over the semiannual or annual period prior to the next principal payment date, would aggregate to the amount of mandatory sinking fund account payments required to be paid for the outstanding term bonds on such principal payment date.
- Rebate Fund - an amount, if any, needed to be deposited therein pursuant to the rebate certificate with respect to the 1997 Series A Bonds.

**GOVERNMENT OF GUAM
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Notes to Financial Statements
September 30, 2007

(4) Bonds Payable, Continued

- Bond Reserve Fund - an amount, if any, needed to equal the least of (1) the maximum annual debt service, (2) 10% of the proceeds received from the sale of the bonds or (3) 125% of average annual debt service on the bonds or an amount as may be specified by supplemental indentures providing for the issuance of a series of bonds. The maximum annual debt service is defined as the sum of (1) the interest falling due on the then outstanding bonds, (2) the principal amount of the outstanding serial bonds falling due by their terms, and (3) the aggregate amount of all mandatory sinking fund payments required; all as computed for the bond year in which such sum shall be the largest. Amounts in the Bond Reserve Fund are to be used for the purpose of making up any deficiency in the Bond Fund.
- 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.

During the year ended September 30, 2007, payments to the trustee totaled \$7,255,789, of which \$4,735,000 represents payment on principal and \$2,520,789 as interest:

Bonds payable at September 30, 2006	\$ 51,320,000
Principal repayment	<u>4,735,000</u>
 Bonds payable at September 30, 2007	 \$ <u>46,585,000</u>

At September 30, 2007, \$13,060,888 of the fund balance in the Debt Service Fund is reserved for debt service purposes.

At September 30, 2007, management of the Funds is of the opinion that it is in compliance with the bond covenants as outlined in the bond indenture.

(5) Payments to Guam Visitors Bureau (GVB)

Public Law 28-150 authorizes the general appropriation to GVB for operations and personnel services to be paid from the Tourist Attraction Fund. Additionally, Public Law 28-150 authorizes the funding of special projects to be administered by GVB. During the year ended September 30, 2007, total appropriations made to GVB for operations and personnel services amounted to \$13,118,031. Additionally, appropriations to GVB for special projects amounted to \$1,869,696 for the year ended September 30, 2007.

(6) Payments to Typhoon Chata'an Fund

Public Law P.L. 26-116 authorizes the transfer of funds for emergency recovery needs. During the year ended September 30, 2007, total payments to the Typhoon Chata'an Fund amounted to \$1,709,845.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Notes to Financial Statements
September 30, 2007

(7) Commitments

During the year ended September 30, 2006, the Capital Projects Fund entered into a design-build construction contract for the reconstruction of Pale San Vitores Road in the amount of \$2,000,000, which is recorded within encumbrances of the Capital Projects Fund in the accompanying financial statements. No capital-related expenditures have been incurred under this contract during the year ended September 30, 2007.

During the year ended September 30, 2007, the Capital Projects Fund entered into a design-build construction contract for the design and construction of the Agat Sagan Biseta Building in the amount of \$449,791, which is recorded within encumbrances of the Capital Projects Fund in the accompanying financial statements. No capital-related expenditures have been incurred under this contract during the year ended September 30, 2007.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Comparative Balance Sheets
September 30, 2007 and 2006

	Tourist Attraction Fund		Capital Projects Fund		Debt Service Fund	
	2007	2006	2007	2006	2007	2006
<u>ASSETS</u>						
Restricted assets:						
Cash and cash equivalents	\$ -	\$ -	\$ 773,312	\$ 6,730,585	\$ 8,744,675	\$ 9,598,535
Investments	-	-	-	-	4,316,213	3,375,000
Taxes receivable	1,518,769	1,322,155	-	-	-	-
Due from General Fund	1,411,733	1,700,456	4,000,000	-	-	-
Total assets	\$ 2,930,502	\$ 3,022,611	\$ 4,773,312	\$ 6,730,585	\$ 13,060,888	\$ 12,973,535
<u>LIABILITIES</u>						
Accounts payable	\$ -	\$ 66,217	\$ -	\$ 11,727	\$ -	\$ -
Accrued payroll and other	18,750	-	-	-	-	-
Due to Guam Visitors Bureau	1,715,360	-	-	-	-	-
Total liabilities	1,734,110	66,217	-	11,727	-	-
<u>FUND BALANCES</u>						
Fund balances:						
Reserved for:						
Related assets	1,411,733	1,700,456	-	-	-	-
Continuing appropriations	325,790	-	50,340	4,221,131	-	-
Debt service	-	-	-	-	13,060,888	12,973,535
Encumbrances	47,527	47,462	2,489,723	2,039,932	-	-
Unreserved	(588,658)	1,208,476	2,233,249	457,795	-	-
Total fund balances	1,196,392	2,956,394	4,773,312	6,718,858	13,060,888	12,973,535
Total liabilities and fund balances	\$ 2,930,502	\$ 3,022,611	\$ 4,773,312	\$ 6,730,585	\$ 13,060,888	\$ 12,973,535

See accompanying independent auditors' report.

GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND

Comparative Schedules of Revenues, Expenditures by Function, and Changes in Fund Balances
Years Ended September 30, 2007 and 2006

	Tourist Attraction Fund		Capital Projects Fund		Debt Service Fund	
	2007	2006	2007	2006	2007	2006
Revenues:						
Taxes	\$ 21,233,396	\$ 19,787,802	\$ -	\$ -	\$ -	\$ -
Use of money and property	-	-	93,581	272,902	4,829	62,678
Total revenues	<u>21,233,396</u>	<u>19,787,802</u>	<u>93,581</u>	<u>272,902</u>	<u>4,829</u>	<u>62,678</u>
Expenditures:						
Current:						
General government	18,750	47,734	8,282	8,877	-	-
Community services	74,833	25,000	-	-	-	-
Protection of life and property	1,009	636,058	-	-	-	-
Individual and collective rights	572,766	552,786	-	-	-	-
Payments to Guam Visitors Bureau	14,987,727	12,144,578	-	-	-	-
Payments to Typhoon Chata'an Reimbursement Fund	-	-	1,709,845	-	-	-
Capital projects	-	-	321,000	150,841	-	-
Debt service:						
Principal	-	-	-	-	4,735,000	4,505,000
Interest	-	-	-	-	2,520,789	2,774,889
Total expenditures	<u>15,655,085</u>	<u>13,406,156</u>	<u>2,039,127</u>	<u>159,718</u>	<u>7,255,789</u>	<u>7,279,889</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,578,311</u>	<u>6,381,646</u>	<u>(1,945,546)</u>	<u>113,184</u>	<u>(7,250,960)</u>	<u>(7,217,211)</u>
Other financing sources (uses):						
Operating transfers in	-	-	-	-	7,338,313	6,370,682
Operating transfers out	(7,338,313)	(6,370,682)	-	-	-	-
Total other financing sources (uses), net	<u>(7,338,313)</u>	<u>(6,370,682)</u>	<u>-</u>	<u>-</u>	<u>7,338,313</u>	<u>6,370,682</u>
Net change in fund balances	(1,760,002)	10,964	(1,945,546)	113,184	87,353	(846,529)
Fund balances at the beginning of the year	2,956,394	2,945,430	6,718,858	6,605,674	12,973,535	13,820,064
Fund balances at the end of the year	<u>\$ 1,196,392</u>	<u>\$ 2,956,394</u>	<u>\$ 4,773,312</u>	<u>\$ 6,718,858</u>	<u>\$ 13,060,888</u>	<u>\$ 12,973,535</u>

See accompanying independent auditors' report.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Comparative Schedules of Revenues, Expenditures by Object, and Changes in Fund Balances
Years Ended September 30, 2007 and 2006

	Tourist Attraction Fund		Capital Projects Fund		Debt Service Fund	
	2007	2006	2007	2006	2007	2005
Revenues:						
Taxes	\$ 21,233,396	\$ 19,787,802	\$ -	\$ -	\$ -	\$ -
Use of money and property	-	-	93,581	272,902	4,829	62,678
Total revenues	21,233,396	19,787,802	93,581	272,902	4,829	62,678
Expenditures:						
Salaries and wages - regular	38,326	471,702	-	-	-	-
Salaries and wages - overtime	-	11,857	-	-	-	-
Salaries and wages - fringe benefits	10,372	117,610	-	-	-	-
Contractual services	226,241	294,653	321,000	150,841	-	-
Building rent	54,099	47,181	-	-	-	-
Supplies	215,794	183,039	-	-	-	-
Equipment	58,917	38,413	-	-	-	-
Utilities - power and water	-	30,914	-	-	-	-
Communications	-	3,301	-	-	-	-
Capital outlays	18,550	36,531	-	-	-	-
Grants and subsidies	14,987,727	12,144,578	1,709,845	-	-	-
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	4,735,000	4,505,000
Miscellaneous	45,059	26,377	8,282	8,877	2,520,789	2,774,889
Total expenditures	15,655,085	13,406,156	2,039,127	159,718	7,255,789	7,279,889
Excess (deficiency) of revenues over (under) expenditures	5,578,311	6,381,646	(1,945,546)	113,184	(7,250,960)	(7,217,211)
Other financing sources (uses):						
Operating transfers in	-	-	-	-	7,338,313	6,370,682
Operating transfers out	(7,338,313)	(6,370,682)	-	-	-	-
Total other financing sources (uses), net	(7,338,313)	(6,370,682)	-	-	7,338,313	6,370,682
Net change in fund balances	(1,760,002)	10,964	(1,945,546)	113,184	87,353	(846,529)
Fund balances at the beginning of the year	2,956,394	2,945,430	6,718,858	6,605,674	12,973,535	13,820,064
Fund balances at the end of the year	\$ 1,196,392	\$ 2,956,394	\$ 4,773,312	\$ 6,718,858	\$ 13,060,888	\$ 12,973,535

See accompanying independent auditors' report.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Schedule of Expenditures by Department by Object
Years Ended September 30, 2007 and 2006

	2007	2006
Department of Administration:		
Division of Accounts:		
Contractual services	\$ 18,750	\$ 17,000
Principal retirement	4,735,000	4,505,000
Interest and fiscal charges	2,520,789	2,774,889
Miscellaneous	8,282	8,877
Total Department of Administration	<u>7,282,821</u>	<u>7,305,766</u>
Department of Revenue and Taxation:		
Regulatory Division:		
Salaries and wages - regular	-	24,366
Salaries and wages - fringe benefits	-	6,368
Total Department of Revenue and Taxation	<u>-</u>	<u>30,734</u>
Guam Police Department:		
Tumon Precinct:		
Salaries and wages - regular	-	471,702
Salaries and wages - overtime	-	11,857
Salaries and wages - fringe benefits	-	117,610
Supplies	1,009	674
Utilities - power and water	-	30,914
Communications	-	3,301
Total Guam Police Department	<u>1,009</u>	<u>636,058</u>
Mayor's Council of Guam:		
Operations:		
Contractual services	207,053	246,920
Building rent	54,099	47,180
Supplies	214,153	182,365
Equipment	58,853	38,413
Capital outlays	18,550	36,531
Miscellaneous	20,058	1,377
Total Mayor's Council of Guam	<u>572,766</u>	<u>552,786</u>
Council of the Arts and Humanities Agency:		
Salaries and wages - regular	38,326	-
Salaries and wages - fringe benefits	10,372	-
Contractual services	438	-
Supplies	632	-
Equipment	65	-
Total Council on Arts and Humanities	<u>49,833</u>	<u>-</u>
Payments to Component Units:		
Guam Visitors Bureau:		
Grants and subsidies	<u>14,987,727</u>	<u>12,144,578</u>
Other appropriations:		
Typhoon Chata'an Reimbursement Fund:		
Miscellaneous	1,709,845	-
Guam Territorial Band:		
Miscellaneous	<u>25,000</u>	<u>25,000</u>
Total Other Appropriations	<u>1,734,845</u>	<u>25,000</u>
Tumon Bay Projects:		
Capital outlays	<u>321,000</u>	<u>150,841</u>
	<u>\$ 24,950,001</u>	<u>\$ 20,845,763</u>

See accompanying independent auditors' report.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

Other Supplementary Information
Years Ended September 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Employees at end of year:		
Department of Revenue and Taxation	-	1
Guam Police Department	-	41
Council of the Arts and Humanities Agency	7	-
	<u>7</u>	<u>42</u>
Debt Service Fund Restricted Cash and Investments:		
Infrastructure Improvement Bond Fund	\$ 4,966,665	\$ 5,463,298
Infrastructure Improvement Reserve Fund	7,439,495	7,442,294
Revenue Fund	654,691	67,907
Bond Expense Fund	37	36
	<u>\$ 13,060,888</u>	<u>\$ 12,973,535</u>

See accompanying independent auditors' report.

**GOVERNMENT OF GUAM
TOURIST ATTRACTION FUND**

**Schedule of Construction Project Status
Year Ended September 30, 2007**

	<u>Total Budget</u>	<u>Expenditures Year Ended September 30, 2007</u>	<u>Cumulative Expenditures</u>	<u>Outstanding Encumbrances</u>	<u>Continuing Appropriations</u>
Tumon Bay Projects:					
Tumon Bay Infrastructure Design Fees	\$ 1,592,430	\$ 12,023	\$ 1,592,299	\$ -	\$ 131
Tumon Bay Beautification Gov Flores	8,716,965	268,737	8,716,965	-	-
Landscape San Vitores to Beach	3,900,000	38,130	3,900,000	-	-
San Vitores Roadway Power Underground	4,951,992	2,110	4,912,060	39,932	-
Sub-Total	<u>19,161,387</u>	<u>321,000</u>	<u>19,121,324</u>	<u>39,932</u>	<u>131</u>
Tumon Redevelopment Projects:					
Reconstruction of Pale San Vitores Road	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>	<u>-</u>
Sub-Total	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>	<u>-</u>
Typhoon Chata'an Reimbursement:					
Transfer to Chata'an Reimbursement Fund	<u>1,709,845</u>	<u>1,709,845</u>	<u>1,709,845</u>	<u>-</u>	<u>-</u>
Sub-Total	<u>1,709,845</u>	<u>1,709,845</u>	<u>1,709,845</u>	<u>-</u>	<u>-</u>
Agat Development Projects:					
Design and Construction	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>449,791</u>	<u>50,209</u>
Sub-Total	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>449,791</u>	<u>50,209</u>
	<u>\$ 23,371,232</u>	<u>\$ 2,030,845</u>	<u>\$ 20,831,169</u>	<u>2,489,723</u>	<u>\$ 50,340</u>

See accompanying independent auditors' report.