



Messages and Communications for Doc. No. 36GL-22-2224*

1 message

Committee on Rules 36GL <cor@guamlegislature.org>
To: Clerks <clerks@guamlegislature.org>, Rennae Meno <rennae@guamlegislature.org>
Cc: "Speaker Therese M. Terlaje" <speaker@guamlegislature.org>

Thu, Jul 7, 2022 at 4:27 PM

Håfa Adai Clerks,

Please see attached M&C Doc. No. 36GL-22-2224 for processing:

Table with 3 columns: Document ID (36GL-22-2224), Title (Guam Highway Fund (GHF) and Tourist Attraction Fund (TAF) FY 2021 Financial Audit Report*), and Office (Office of Public Accountability)

Si Yu'os Ma'åse',



COMMITTEE ON RULES

Vice Speaker Tina Rose Muña Barnes
36th Guam Legislature
I Mina'trentai Sais Na Liheslaturan Guåhan
163 Chalan Santo Papa Hagåtña Guam 96910
Email: cor@guamlegislature.org

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----- Forwarded message -----

From: Speaker Therese M. Terlaje <speaker@guamlegislature.org>
Date: Thu, Jul 7, 2022 at 3:34 PM
Subject: Messages and Communications for 36GL-22-2224*
To: Legislative Secretary Amanda Shelton <officeofsenatorshelton@guamlegislature.org>, Committee on Rules 36GL <cor@guamlegislature.org>

Håfa Adai,

Please see attached M&C Doc. No. 36GL-22-2224*

Table with 3 columns: Document ID (36GL-22-2224), Title (Guam Highway Fund (GHF) and Tourist Attraction Fund (TAF) FY 2021 Financial Audit Report*), and Office (Office of Public Accountability)

Si Yu'os Ma'åse',

Marie Cruz
Community Relations Liaison

Office of Speaker Therese M. Terlaje
Committee on Health, Land, Justice and Culture
I Mina'trentai Sais na Liheslaturan Guåhan
36th Guam Legislature
Guam Congress Building, 163 Chalan Santo Papa, Hagåtña, Guam 96910
T: (671) 472-3586 F: (671) 989-3590 Email: senatorterlajeguam@gmail.com
website: www.senatorterlaje.com

----- Forwarded message -----

From: Office of Public Accountability <info@guamopa.com>
Date: Thu, Jul 7, 2022 at 1:18 PM
Subject: Transmittal: Guam Highway Fund (GHF) and Tourist Attraction Fund (TAF) FY 2021 Financial Audit Report
To: <clyntridgell@guamlegislature.org>, Senator Joanne M. Brown <office@senatorjoannebrown.com>, Senator Sabina F. Perez <office@senatorperez.org>, <officeofsenatormoylan@guamlegislature.org>, Senator Amanda L. Shelton <officeofsenatorshelton@guamlegislature.org>, <senatorchrisduenas@gmail.com>, <senatorjoessanagustin@gmail.com>, <senatormary@guamlegislature.org>, <senatormunabarnes@guamlegislature.org>, <senatorpedo@senatorjptterlaje.com>, Telena C. Nelson <senatorcnelson@guamlegislature.org>, Senator Telo T. Taitague <senatortelot@gmail.com>, <senatorvanthoniyada@gmail.com>, Office of Senator Frank Blas, Jr. <office@senatorfrankblas.com>, Speaker Therese M. Terlaje <senatorterlajeguam@gmail.com>, Speaker's Office <speaker@guamlegislature.org>

Håfa Adai Senators of the 36th Guam Legislature,

Transmitted here are the Guam Highway Fund (GHF) and Tourist Attraction Fund (TAF) financial audit reports: Audited FY 2021 Financial Statements and Report on Compliance and Internal Controls, Management Letter, and Letter to Those Charged with Governance. We included in the attachment our financial highlights. You may visit our website to download these and other reports at www.opaguam.org.

Si Yu'us Ma'åse

36GL-22-2224.pdf
6363K



Speaker Therese M. Terlaje <speaker@guamlegislature.org>

Transmittal: Guam Highway Fund (GHF) and Tourist Attraction Fund (TAF) FY 2021 Financial Audit Report

Time changed to reflect the actual time received.

Office of Public Accountability <info@guamopa.com> Thu, Jul 7, 2022 at 1:17 PM
 To: clyntridgell@guamlegislature.org, "Senator Joanne M. Brown" 1:18
 <office@senatorjoannebrown.com>, "Senator Sabina F. Perez" <office@senatorperez.org>,
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 Blas, Jr." <office@senatorfrankblas.com>, "Speaker Therese M. Terlaje"
 <senatorterlajeguam@gmail.com>, Speaker's Office <speaker@guamlegislature.org>

Håfa Adai Senators of the 36th Guam Legislature,

Transmitted here are the Guam Highway Fund (GHF) and Tourist Attraction Fund (TAF) financial audit reports: Audited FY 2021 Financial Statements and Report on Compliance and Internal Controls, Management Letter, and Letter to Those Charged with Governance. We included in the attachment our financial highlights. You may visit our website to download these and other reports at www.opaguam.org.

Si Yu'us Ma'àse

8 attachments

- 1 - GHF_FY21HL.pdf
405K
- 3 - GHF FY21 ML.pdf
18K
- 2 - GHF FY2021 FS.pdf
86K
- 4 - GHF FY2021 ARC.pdf
1680K
- 3 - GTAF FY21 ML.pdf
18K
- 2 - GTAF FY2021 FS.pdf
110K
- 1 - TAF_FY21HL.pdf
403K
- 4 - GTAF FY2021 ARC.pdf
1741K

Doc Type: 36GL-22-2224
 OFFICE OF THE SPEAKER
 THERESE M. TERLAJE

-07-07-2022

Time: 1:18pm
 Received: *[Signature]*

COMMITTEE ON RULES
 RECEIVED:

July 7, 2022
 3:34 P.M.

[Signature]



OFFICE OF PUBLIC ACCOUNTABILITY

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Guam Highway Special Revenue and Capital Projects Fund – FY 2021 Financial Highlights

July 7, 2022

The Office of Public Accountability (OPA) released the Guam Highway Special Revenue Fund (GHF) and Capital Projects Fund's (CPF) financial statements, report on compliance and internal control, and management letter for the fiscal year (FY) 2021. Independent auditors, Ernst & Young LLP (EY), rendered an unmodified (clean) opinion on the combined GHF and CPF financial statements.

GHF and CPF ended FY 2021 with a combined decrease in net position (net loss) of \$1.2 million (M) compared to the operating deficit of \$5.2M in FY 2020. The two governmental funds, which both ended FY 2021 with a positive fund balance – GHF with \$37 thousand (K) and CPF with \$176K – for a combined total of \$213K.

Revenues and Expenditures

Total revenues increased by \$483K (or 2%) from \$20.1M in FY 2020 to \$20.6M in FY 2021. Though collections from liquid fuel taxes and use of money and property decreased \$1.6M and \$2K, respectively, there was a \$2.1M offset in collections from vehicle registration and surcharge fees, and driver's license fees.

Total expenditures decreased by \$3.7M (or 15%) from \$24.2M in FY 2020 to \$20.5M in FY 2021. This resulted from decreased appropriations of \$2.4M by the Guam Legislature for GHF and CPF. Of the \$20.5M in expenditures, \$12.2M (or 60%) was highway-related or transportation-related projects. These included allocations of \$8.3M to Department of Public Works' operations, \$2.1M to Guam Regional Transit Authority (GRTA), \$1.2M to Guam Police Department's highway patrol, and \$649K in utilities for Guam Highway Streetlights.

Government of Guam (GovGuam) primarily secures GHF for the maintenance and construction of highways and roadways, along with implementing all highway safety plans, programs, and projects. However, similar to prior years, \$9.3M (or 43%) of FY 2021 total expenditures were unrelated to highways or transportation plans, programs, and projects. These unrelated expenditures included \$8.2M to the Mayors' Council of Guam's (MCOG) salaries and wages, of which only \$5.6M was appropriated by the Guam Legislature. Other unrelated expenditures, aligned with legislation, Title 11 Guam Code Annotated (GCA) Chapter 161 §161101(b) were the \$1M deposited into the Better Public Service Fund which is used to improve and modernize the Department of Revenue and Taxation's staff training and systems in its services to the public.

Since FY 2016, the CPF has not incurred expenditures and its ending balance remains at \$176K. This fund, also secured by GovGuam, accounts for highway constructions projects funded by bond proceeds.

Coronavirus (COVID-19) Pandemic Impact and Outlook

While FY 2021 continued to reflect a decrease due the effects of the COVID-19 pandemic, Guam's economy has begun to rebound. Motorist activity is on the rise as a result of increased vaccination rates. There is the expectation that things will go back to normal as people begin to feel safer about day-to-day business activities, and transportation needs driving the usage of fuel. As GovGuam lifts more restrictions and the tourism industry continues to improve, the collection of liquid fuel tax revenues aims to recover.

Material Weaknesses Related to Expenditure Accounts

Independent auditors identified one material weakness in GHF's internal control over financial reporting. A repeated concern from last year, GHF's expenditures on MCOG's salaries and wages exceeded the amount appropriated as stated by Public Law 35-99. In FY 2021, \$5.6M was appropriated, but \$8.2M was expended. The auditor's recommended to set internal controls in place to ensure total expenditures are periodically compared to total appropriations. According to DOA, internal controls will be reviewed to present recurrences of these excess expenditures as exceeding appropriations relating to salaries and wages are difficult to resolve and reconcile with Personnel Rules and Regulations.

FY 2021 Books Not Closed on a Timely Basis

In a separately issued management letter, independent auditors noted GHF's FY 2021 books were not closed in a timely manner. Additional man-hours incurred could have been avoided if an updated financial management system was in place. This is a repeat occurrence from last year and has been an issue as far as FY 2019. DOA has been in the process of procuring a new financial management system to address this issue but are currently still in the evaluation phase of the procurement.

Diesel Fuel Surcharges Not in Correct Fund

Independent auditors also cited diesel fuel surcharges recognized as GHF revenue, however, charges were supposed to be placed in a separate fund known as the Public Transit Fund. Compliance with 11 GCA Section 26503 is recommended to directly record the surcharges to the Public Transit Fund instead of the GHF.

Conflicting Laws Requires Attention of the Guam Legislature

5 GCA § 54102 created GHF for the purpose of performing maintenance on Guam's highways and roadways, in addition to implementing highway safety plans, programs and projects. Section § 54102 (e) states that "no part or portion of the monies in the Territorial Highway Fund (now GHF) or from whatever source derived shall be used for the maintenance or operation of a public transit system." However, Budget Appropriation Law, as in previous years continues appropriating funds from the GHF-CPF to the GRTA. The two conflicting laws requires addressing by the Guam Legislature to determine which law should be followed.

For more details on the use of GHF, see the Management's Discussion and Analysis in the audit report at www.opaguam.org.

Management letter comments and recommendations

Government of Guam
Guam Highway Special Revenue Fund
and Capital Projects Fund
(Governmental Funds of the Government of Guam)

Year ended September 30, 2021





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July 2, 2022

Mr. Edward M. Birn
Director
Guam Department of Administration
590 South Marine Corps Drive
2nd Floor, ITC Building, Suite 224
Tamuning, Guam 96932

In planning and performing our audit of the combined financial statements of the Guam Highway Special Revenue Fund and Capital Projects Fund related to the Government of Guam Limited Obligation Highway Refunding Bonds, 2001 Series A (the Funds) as of and for the year ended September 30, 2021, in accordance with the auditing standards generally accepted in the United States, we considered its internal control over financial reporting (“internal control”) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the combined 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 control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

During our audit, we noted the following observation which we believe merits the attention of those charged with governance:

Financial Statement Close Process (Update of Prior Year Comment)

Observation

The fiscal year end September 30, 2021 books of the Funds were not closed on a timely basis. The trial balances were not provided to us until nearly three (3) months after the close of the fiscal year. In addition, we noted numerous adjustments for the year-end balance. Management asserts that the root cause in the delay is the continued use of a financial management system that has not been updated to incorporate financial year end closing as a standard feature.

This has caused incurrence of additional man hours that may be avoidable had the use of an updated new financial management system been in place.

Recommendation

It is our understanding that Management has begun the process to procure a new financial management system. We encourage Management to complete the procurement process and ensure that the new financial management system incorporates all required year end closing processes that will resolve this matter and promote efficiency in the closing process.

Public Transit Fund

Observation

For the year ended September 30, 2021, the Funds recognized diesel fuel surcharges (Mass Transit Automotive Surcharge) as revenue. Per 11 GCA Section 26503, diesel fuel surcharges are to be placed on a separate fund known as Public Transit Fund.

Recommendation

We recommend that diesel fuel surcharges be directly recorded to the Public Transit Fund instead of recognizing it as revenue within the Guam Highway Fund.

* * * * *

This communication is intended solely for the information and use of the management, others within the organization and the Office of Public Accountability and is not intended to be and should not be used by anyone other than these specified parties.

We thank the accounting staff of the Department of Administration for their cooperation extended to us during the course of our audit. We would be pleased to discuss the above matter or to respond to any questions, at your convenience.

Sincerely,



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

Government of Guam
Guam Highway Special Revenue Fund
and Capital Projects Fund
(Governmental Funds of the Government of Guam)

Year ended September 30, 2021
with Report of Independent Auditors



Government of Guam
Guam Highway Special Revenue Fund and Capital Projects Fund
(Governmental Funds of the Government of Guam)

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

Year ended September 30, 2021

Contents

Report of Independent Auditors	1
Management’s Discussion and Analysis.....	4
Financial Statements	
Balance Sheets	9
Statements of Revenues, Expenditures and Changes in Fund Balances.....	10
Notes to Financial Statements	11
Supplementary and Other Information	
Schedule 1 – Comparative Balance Sheets	18
Schedule 2 – Comparative Statements of Revenues, Expenditures by Function and Changes in Fund Balances	19
Schedule 3 – Comparative Statements of Revenues, Expenditures by Object and Changes in Fund Balances	20
Schedule 4 – Schedule of Expenditures by Department by Object	21
Schedule 5 – Schedule of Construction Project Status	23
Schedule 6 – Other Supplementary Information	24
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 <i>Government Auditing Standards</i>	25
Schedule of Findings and Responses	27



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Report of Independent Auditors

Honorable Lou Leon Guerrero
Governor of Guam

Report on the Financial Statements

We have audited the accompanying financial statements of the Guam Highway Special Revenue Fund and Capital Projects Fund related to the Government of Guam Limited Obligation Highway Refunding Bonds, 2021 Series A (the Funds), which comprise the balance sheet as of September 30, 2021, 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, which collectively comprise the Funds' financial statements as listed in the table on contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Guam Highway Special Revenue Fund and Capital Projects Fund related to the Government of Guam Limited Obligation Highway Refunding Bonds, 2001 Series A, as of September 30, 2021, and the results of their operations for the year then ended in conformity with U.S. generally accepted accounting principles.

Emphasis of Matter

Reporting Entity

As discussed in Note 1 to the financial statements, the financial statements referred to above present only the Guam Highway Special Revenue Fund and Capital Projects Fund related to the Government of Guam Limited Obligation Highway Refunding Bonds, 2001 Series A and are not intended to present fairly the financial position and results of operations of the Government of Guam in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Coronavirus Pandemic Economic Uncertainty

As discussed in Note 5 to the financial statements, the coronavirus pandemic has resulted in an economic uncertainty that could have an adverse impact on the future operations of the Funds. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 4 through 8 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the 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, 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 financial statements, and other knowledge we obtained during our audit of the 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 and Other Information

Our audit for the year ended September 30, 2021 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Funds' financial statements. The information for the year ended September 30, 2021 included in pages 18 through 24 is presented for purposes of additional analysis and is not a required part of the financial statements.

Supplementary and Other Information, continued

The 2021 information included in pages 18 through 22 is the responsibility of the Funds' management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements for the year ended September 30, 2021 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States. In our opinion, the 2021 information on pages 18 through 22 is fairly stated, in all material respects, in relation to the financial statements as a whole.

We also previously audited, in accordance with the auditing standards generally accepted in the United States, the financial statements of Funds as of and for the year ended September 30, 2020 (not presented herein), and have issued our report thereon dated March 31, 2021, which contained unmodified opinions on the respective financial statements of the governmental activities of the Funds. The supplementary and other information as of and for the year ended September 30, 2020 are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the 2020 financial statements. The supplementary information have been subjected to the auditing procedures applied in the audit of the 2020 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. In our opinion, the supplementary information are fairly presented in all material respects in relation to the financial statements as a whole for the year ended September 30, 2020.

The additional information on pages 23 and 24 have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated July 2, 2022, 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

July 2, 2022

Government of Guam
Guam Highway Special Revenue Fund and Capital Projects Fund
(Governmental Funds of the Government of Guam)

Management's Discussion and Analysis

Our discussion and analysis of the Government of Guam's ("GovGuam") Guam Highway Fund financial performance and those funds related to the GovGuam Limited Obligation Highway Refunding Bonds, 2001 Series A, provides an overview of financial activities for the fiscal years ended September 30, 2021 and 2020. Please read it in conjunction with the financial statements, which follow this section.

1. Financial Highlights

- For the fiscal year ended September 30, 2021, the combined fund balance decreased by \$1,168,627 (or -97%) from an ending fund balance of \$1,381,738 in 2020 to \$213,111 in 2021.
- During the years ended September 30, 2021 and 2020, total combined expenditures for governmental fund operations were \$20,474,675 and \$24,173,407, including expenditures for GovGuam's Department of Public Works of \$8,272,340 and \$11,953,350, respectively; expenditures for the Mayors' Council of Guam operations of \$8,208,527 and \$7,866,111 respectively; expenditures associated with Guam Regional Transit Authority operations of \$2,069,438 and \$2,273,455, respectively; and expenditures for the Guam Police Department of \$1,219,979 and \$1,166,153, respectively. These expenditures were funded mainly by Liquid Fuel Tax revenue collections and Vehicle Registration/Drivers' License fees collected during the years ended September 30, 2021 and 2020 of \$20,572,669 and \$20,086,824, respectively.
- Total expenditures decreased by \$3,698,732 (or -15%) from 2020 to 2021, which included decreases of: \$3,681,010 for expenditures by Department of Public Works, \$28,380 for Department of Administration, \$204,017 for Guam Regional Transit Authority, and \$40,086 for the Department of Education. Total combined revenues increased by \$483,028 (or 1%) from \$20,090,301 in 2020 to \$20,573,329 in 2021 due primarily to an increase in licenses, fees, and permits collection.
- During the year ended September 30, 2021, the Guam Highway Fund generated an operating excess of \$98,654 compared with an operating deficit of \$(4,083,106) for the year ended September 30, 2020.

2. Overview of the Financial Statements

The financial statements include all of the activities of the Guam Highway Fund and of those capital project funds related to the GovGuam Limited Obligation Highway Refunding Bonds, 2001 Series A proceeds. 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.

Government of Guam
Guam Highway Special Revenue Fund and Capital Projects Fund
(Governmental Funds of the Government of Guam)

Management's Discussion and Analysis, continued

2. Overview of the Financial Statements, continued

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. The financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally when they are both measureable and available. Expenditures generally are recorded in the period in which the related fund liability is incurred, in compliance with accrual accounting, with the exception of debt service expenditures, which are recorded only when payment is due.

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

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

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, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Assets:		
Cash and cash equivalents	\$1,683,562	\$4,432,153
Tax receivables	532,656	926,952
Due from General Fund	<u>175,899</u>	<u>175,899</u>
Total assets	<u>\$2,392,117</u>	<u>\$5,535,004</u>
Liabilities:		
Accounts payable and other	\$ 417,025	\$442,226
Due to other Government Fund	---	292,028
Due to General Fund	899,409	2,689,203
Deposits and other liabilities	<u>862,572</u>	<u>729,809</u>
Total liabilities	<u>\$2,179,006</u>	<u>\$4,153,266</u>

Government of Guam
 Guam Highway Special Revenue Fund and Capital Projects Fund
 (Governmental Funds of the Government of Guam)

Management's Discussion and Analysis, continued

3. Financial Statement Analysis, continued

Balance Sheet, continued

	<u>2021</u>	<u>2020</u>
Fund balances:		
Restricted	175,899	175,899
Committed	<u>37,212</u>	<u>1,205,839</u>
 Total fund balances	 \$ <u>213,111</u>	 \$ <u>1,381,738</u>
 Total liabilities and fund balances	 \$ <u>2,392,117</u>	 \$ <u>5,535,004</u>

Total assets decreased by \$3,142,887 (or -57%) from \$5,535,004 in 2020 to \$2,392,117 in 2021.

Total fund balances decreased by \$1,168,627 during 2021 from \$1,381,738 to \$213,111. 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 Limited Obligation Highway Refunding Bond, 2001 Series A, wherein these funds are restricted for highway related projects.

The Limited Obligation Highway Refunding Bond, 2001 Series A, was originally set to mature on May 1, 2012. On October 28, 2011, GovGuam redeemed the \$5,765,000 of bonds outstanding. Funds were transferred to the trustee for the final payment of the bonds in May. There is a residual balance in the Capital Projects Fund. These funds will be used to complete the projects originally specified in the GovGuam Limited Obligation Highway Bonds, 1992 Series A, and the GovGuam Limited Obligation Highway Refunding Bonds, 2001 Series A.

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, expenditures and changes in fund balances for the years ended September 30, 2021 and 2020 are summarized as follows:

	<u>2021</u>	<u>2020</u>
Revenues:		
Liquid fuel taxes	\$ 10,100,087	\$11,680,493
License, fees and permits	10,472,582	8,406,331
Use of money and property	<u>660</u>	<u>3,477</u>
	<u>20,573,329</u>	<u>20,090,301</u>

Government of Guam
Guam Highway Special Revenue Fund and Capital Projects Fund
(Governmental Funds of the Government of Guam)

Management's Discussion and Analysis, continued

3. Financial Statement Analysis, continued

Statement of Revenues, Expenses and Changes in Fund Balances, continued

	<u>2021</u>	<u>2020</u>
Expenditures:		
Current:		
General government	5,817,368	3,147,707
Individual and collective rights	8,208,527	7,866,111
Protection of life and property	1,256,585	1,166,153
Public education	---	40,086
Transportation	4,370,024	11,953,350
Miscellaneous	<u>822,171</u>	<u>---</u>
Total expenditures	<u>20,474,675</u>	<u>24,173,407</u>
Excess (deficiency) of revenues over (under) expenditures	98,654	(4,083,106)
Transfers out to other funds	(<u>1,267,281</u>)	(<u>1,148,129</u>)
Net change in fund balances	\$(<u>1,168,627</u>)	\$(<u>5,231,235</u>)

Total revenues collected increased by \$483,028 (or 2%) from \$20,090,301 in 2020 to \$20,573,329 in 2021. The liquid fuel tax experienced a decrease of \$1,580,406 and use of money and property also had a decrease of \$2,817. Total expenditures decreased by \$3,698,732 (or -15%) from \$25,007,063 in 2020 to \$21,486,418 in 2021. The change was due to decreases in Guam Legislature appropriations. Appropriations authorized by the Guam Legislature from the Guam Highway Fund for 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Department of Administration (includes street light utility costs)	\$ 667,788	\$ 874,252
Department of Public Works (includes bus operations)	11,054,309	12,299,195
Guam Police Department	1,715,003	1,690,176
Mayors' Council of Guam	5,627,155	6,237,363
Guam Regional Transit Authority	2,597,148	2,853,159
Public Transit Fund	<u>313,020</u>	<u>383,571</u>
	<u>\$21,974,423</u>	<u>\$24,337,716</u>

Government of Guam
Guam Highway Special Revenue Fund and Capital Projects Fund
(Governmental Funds of the Government of Guam)

Management's Discussion and Analysis, continued

4. Capital Assets

In 2014, Public Law 32-41 authorized the acquisition of property from the Guam Highway Fund for the Tiyan Parkway Project. During the year ended September 30, 2014, land acquisitions from the Guam Highway Fund amounted to \$1,760,000. Other expenditures associated with the Tiyan Parkway Project were funded in 2015 by federal grants awarded by the U.S. Department of Transportation Federal Highway Administration. No further expenditures associated with this project were incurred in 2016 through 2021.

5. Outlook, Challenges and Opportunities

Public Law 34-44, passed on October 12, 2017, created additional revenue for village road repair and construction projects by increasing the liquid fuel tax rates by four cents (\$0.04) per gallon, effective January 1, 2018.

The COVID-19 pandemic during fiscal year 2021 has continued to reflect a decrease with much of Guam's economy rebounding. Motorist activity is on the rise as we move into 2022 with vaccination rates increasing, pre-covid normalcy is at the forefront. People will begin to feel safe roaming about every day business, so transportation needs will drive usage of fuel. Restrictions on businesses will be lifted allowing for longer hours of operation and more occupancy. Furthermore, as Guam's tourism industry continues to improve it only helps to drive motorist activity. Henceforth, the collection of liquid fuel taxes remains hopeful as recovery from COVID-19 pandemic continues.

Since the liquid fuel tax is levied per gallon, variations in consumption driven by increases or decreases in the prices charged for liquid fuels may impact the revenues earned by Guam Highway Fund either adversely or favorably.

6. Contacting Government of Guam Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the finances of the Guam Highway 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 Director's Office, Department of Administration, Attention: Edward Birn, Director, P.O. Box 884, Hagatna, Guam 96932. Telephone No.: (671) 475-1101/1250, Email: edward.birn@doa.guam.gov; Website address: www.doa.guam.gov.

Government of Guam
Guam Highway Special Revenue Fund and Capital Projects Fund
(Governmental Funds of the Government of Guam)

Balance Sheets

September 30, 2021

	<u>Guam Highway Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 1,683,562	\$ ---	\$ 1,683,562
Taxes receivable	532,656	---	532,656
Due from General Fund	<u>---</u>	<u>175,899</u>	<u>175,899</u>
Total assets	<u>\$ 2,216,218</u>	<u>\$ 175,899</u>	<u>\$ 2,392,117</u>
Liabilities			
Accounts payable	\$ 16,573	\$ ---	\$ 16,573
Due to General Fund	899,409	---	899,409
Accrued payroll and other	400,452	---	400,452
Deposits and other liabilities	<u>862,572</u>	<u>---</u>	<u>862,572</u>
Total liabilities	<u>2,179,006</u>	<u>---</u>	<u>2,179,006</u>
Fund Balances			
Fund Balances:			
Restricted for:			
Capital projects	---	175,899	175,899
Committed for:			
Highway operations	<u>37,212</u>	<u>---</u>	<u>37,212</u>
Total fund balances	<u>37,212</u>	<u>175,899</u>	<u>213,111</u>
Total liabilities and fund balances	<u>\$ 2,216,218</u>	<u>\$ 175,899</u>	<u>\$ 2,392,117</u>

See accompanying notes.

Government of Guam
Guam Highway Special Revenue Fund and Capital Projects Fund
(Governmental Funds of the Government of Guam)

Statements of Revenues, Expenditures and Changes in Fund Balances

Year ended September 30, 2021

	<u>Guam Highway Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Revenues:			
Licenses, fees and permits	\$ 10,472,582	\$ ---	\$ 10,472,582
Taxes	10,100,087	---	10,100,087
Use of money and property	<u>660</u>	<u>---</u>	<u>660</u>
Total revenues	<u>20,573,329</u>	<u>---</u>	<u>20,573,329</u>
Expenditures:			
Current:			
Individual and collective rights	8,208,527	---	8,208,527
General government	5,817,368	---	5,817,368
Transportation	4,370,024	---	4,370,024
Protection of Life and Property	1,256,585	---	1,256,585
Miscellaneous	<u>822,171</u>	<u>---</u>	<u>822,171</u>
Total expenditures	<u>20,474,675</u>	<u>---</u>	<u>20,474,675</u>
Excess (deficiency) of revenues over (under) expenditures	98,654	---	98,654
Transfers out to other funds	(<u>1,267,281</u>)	<u>---</u>	(<u>1,267,281</u>)
Net change in fund balances	(1,168,627)	---	(1,168,627)
Fund balances at beginning of the year	<u>1,205,839</u>	<u>175,899</u>	<u>1,381,738</u>
Fund balances at the end of the year	<u>\$ 37,212</u>	<u>\$ 175,899</u>	<u>\$ 213,111</u>

See accompanying notes.

Government of Guam
Guam Highway Special Revenue Fund and Capital Projects Fund
(Governmental Funds of the Government of Guam)

Notes to Financial Statements

Year ended September 30, 2021

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 Guam Highway Special Revenue Fund and Capital Projects Fund.

Reporting Entity

The Government of Guam (GovGuam) Guam Highway Special Revenue Fund, created by 5 GCA 54102, was established for the purpose of performing maintenance of Guam's highways and roadways, and implementing highway safety plans, programs and projects. Revenues are derived from liquid fuel taxes, vehicle registration fees and certain licenses. On April 1, 2001, Limited Obligation Highway Refunding Bonds, 2001 Series A, were issued to refund Limited Obligation Highway Bonds, 1992 Series A, which were issued on June 1, 1992. The Capital Projects Fund is used to account for the construction of highway projects from bond proceeds. The Limited Obligation Highway Refunding Bond, 2001 Series A, matured on May 1, 2012.

These funds are considered to be governmental funds and are presented as blended component units 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 Guam Highway Special Revenue Fund and Capital Projects Fund related to the Limited Obligation Highway Refunding Bonds, 2001 Series A, are reported in self-balancing funds. Transactions between funds, if any, have not been eliminated.

Government of Guam
Guam Highway Special Revenue Fund and Capital Projects Fund
(Governmental Funds of the Government of Guam)

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 liquid fuel taxes and automotive surcharges. Miscellaneous revenues from other financing sources, including motor vehicle license and registration fees, 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. Tax rates levied and fees imposed are as follows:

Liquid Fuel Taxes:

Aviation Fuel Tax	\$0.08 per gallon
Diesel Fuel Tax	\$0.14 per gallon
All Other Fuel Tax	\$0.15 per gallon

Automotive Surcharges:

Automotive Surcharge (all fuel except diesel and fuel used for aviation)	\$0.04 per gallon
-----------------------------------------------------------------------------	-------------------

Motor Vehicle Registration Fees/Driver's Licenses:

Taxi Drivers - Identification Card	\$25.00
Endorsement	<u>3.50</u>
Total for Taxi Drivers	<u>\$28.50</u>
Driver's License (and all others)	<u>\$25.00</u>
Driver's License Renewal:	
Three-Year license	<u>\$25.00</u>
Five-Year license	<u>\$45.00</u>

Government of Guam
Guam Highway Special Revenue Fund and Capital Projects Fund
(Governmental Funds of the Government of Guam)

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Measurement Focus and Basis of Accounting, continued

The amount of the annual vehicle registration fee shall be determined based on vehicle gross weight with fees ranging from \$20 to \$58 for vehicles weighing under 1,000 pounds to 8,000 pounds and over plus three dollars and fifty cents (\$3.50) for each 500 pounds or fraction thereof in excess of 7,999 pounds. Additionally, fees are subject to percentage adjustments based on vehicle model year with respect to vehicles whose gross weight is not in excess of 7,999 pounds, as follows:

<u>Model Year</u>	<u>Percent of Fees</u>
1949 and earlier	50%
1950 through 1953	75%
1954 and subsequent	100%

Vehicles having a gross weight of one hundred forty thousand (140,000) pounds or more, and which are used temporarily or intermittently, may be issued a permit, in lieu of the annual license and registration, for a period not to exceed thirty (30) consecutive days. The fee for each thirty (30) consecutive day period or any fraction thereof shall be two hundred dollars (\$200).

In lieu of all other license and registration fees, implements of husbandry and road building and construction equipment other than motor trucks, trailers, semi-trailers and pole or pipe dollies, operated on highways only in moving from one site to another, shall be subject to annual registration. The fee for such registration shall be Five Dollars (\$5) for each one thousand (1,000) pounds of gross weight of said vehicles.

Appropriations

The Attorney General of Guam has opined that legislative appropriations sufficient to cover debt service and operating and maintenance costs are consciously provided for under Public Law 18-2 and Resolution 75, adopted on April 23, 1985.

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 financial plan for the ensuing fiscal year. Supplemental appropriations for specific purposes are made throughout the year.

Government of Guam
 Guam Highway Special Revenue Fund and Capital Projects Fund
 (Governmental Funds of the Government of Guam)

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Budgetary Process, continued

Encumbrances are commitments related to unperformed (executory) contracts for goods or services and are generally evidenced by outstanding purchase orders, contracts, and intradepartmental work requests. Encumbrances outstanding at year end are reported within the fund balance classifications since they do not constitute expenditures or liabilities. Unencumbered appropriations normally lapse at the end of each fiscal year unless they are designated by the Legislature as representing continuing appropriations. At September 30, 2021, significant encumbrances are summarized as follows:

Guam Highway Special Revenue <u>Fund</u>	Capital Projects <u>Fund</u>	<u>Total</u>
\$ <u>2,925,437</u>	\$ <u>---</u>	\$ <u>2,925,437</u>

Cash and Cash Equivalents

Cash and cash equivalents include cash held in demand deposit accounts.

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. At September 30, 2021, outstanding balances are as follows:

	Guam Highway Special Revenue <u>Fund</u>	Capital Projects <u>Fund</u>	<u>Total</u>
Due from General Fund	\$ <u>---</u>	\$ <u>175,889</u>	\$ <u>175,889</u>
Due to General Fund	\$ <u>899,409</u>	\$ <u>---</u>	\$ <u>1,219,331</u>

Government of Guam
Guam Highway Special Revenue Fund and Capital Projects Fund
(Governmental Funds of the Government of Guam)

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

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.

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.

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.

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 Guam Highway Special Revenue Fund and Capital Projects Fund related to the Government of Guam Limited Obligation Highway Refunding Bonds, 2001 Series A, for the year ended September 30, 2020 from which summarized information was derived.

Government of Guam
Guam Highway Special Revenue Fund and Capital Projects Fund
(Governmental Funds of the Government of Guam)

Notes to Financial Statements, continued

2. Deposits

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.

Custodial credit risk is the risk that in the event of a bank failure, the entity's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized, or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name.

As of September 30, 2021, the carrying amount of cash and cash equivalents was \$1,683,562 and the corresponding bank balance was \$1,683,562, which is maintained in a financial institution subject to insurance coverage by the Federal Deposit Insurance Corporation (FDIC). As of September 30, 2021, bank deposits in the amount of \$250,000 were FDIC insured. GovGuam does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

3. Payments to Other Fund

During the year ended September 30, 2021, \$1,011,740 was transferred to the Better Public Service Fund in accordance with Public Law 29-2.

4. Commitments

The Guam Legislature appropriated \$2,254,413 from the Capital Projects Fund in accordance with Public Law 30-216 for the purpose of refurbishing Department of Public Works buses requiring major repairs, performing overdue preventative maintenance services, purchasing maintenance tools and equipment needed to effectively maintain the buses, repair bus stations, build bus shelters, and to repair public safety vehicles as specified in the Public Law 30-216.

Government of Guam
Guam Highway Special Revenue Fund and Capital Projects Fund
(Governmental Funds of the Government of Guam)

Notes to Financial Statements, continued

4. Commitments, continued

Furthermore, the Guam Legislature reprogrammed the sum of \$1,050,000 from the Capital Projects Fund in accordance with Public Law 30-217 to the Department of Public Works for the paving of village streets and the repair of damages to village streets as a result of traffic diversions related to road constructions projects.

As of September 30, 2021, remaining commitments associated with these appropriations amount to \$108,302.

5. Coronavirus Pandemic

On March 11, 2020, the World Health Organization (WHO) categorized the novel coronavirus (COVID-19) as a global pandemic, prompting many national, regional, and local governments, including those of Guam's main tourism markets, to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact on Guam's tourism industry and the operations of the Funds. There continues to be a significant uncertainty around the breadth and duration of disruptions related to COVID-19 as well as its impact on the tourism-based economy of Guam. Accordingly, the Funds are unable at this time to reasonably estimate the potential future impact on the Funds' financial statements.

6. Subsequent Events

The Funds have evaluated subsequent events through July 2, 2022. It is also the date that the financial statements were available to be issued.

Supplementary and Other Information

Government of Guam
Guam Highway Special Revenue Fund and Capital Projects Fund
(Governmental Funds of the Government of Guam)

Comparative Balance Sheets

September 30, 2021 and 2020

	Guam Highway Special Revenue Fund		Capital Projects Fund	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Assets				
Cash and cash equivalents	\$ 1,683,562	\$ 4,432,153	\$ ---	\$ ---
Taxes receivable	532,656	926,952	---	---
Due from General Fund	<u>---</u>	<u>---</u>	<u>175,899</u>	<u>175,899</u>
Total assets	<u>\$ 2,216,218</u>	<u>\$ 5,359,105</u>	<u>\$ 175,899</u>	<u>\$ 175,899</u>
Liabilities				
Accounts payable	\$ 16,573	\$ 290,806	\$ ---	\$ ---
Due to General Fund	899,409	2,689,203	---	---
Due to other Government Fund	---	292,028	---	---
Accrued payroll and other	400,452	151,420	---	---
Deposits and other liabilities	<u>862,572</u>	<u>729,809</u>	<u>---</u>	<u>---</u>
Total liabilities	<u>2,179,006</u>	<u>4,153,266</u>	<u>---</u>	<u>---</u>
Fund Balances				
Fund Balances:				
Restricted for:				
Capital projects	---	---	175,899	175,899
Committed for:				
Highway operations	<u>37,212</u>	<u>1,205,839</u>	<u>---</u>	<u>---</u>
Total fund balances	<u>37,212</u>	<u>1,205,839</u>	<u>175,899</u>	<u>175,899</u>
Total liabilities and fund balances	<u>\$ 2,216,218</u>	<u>\$ 5,359,105</u>	<u>\$ 175,899</u>	<u>\$ 175,899</u>

Government of Guam
Guam Highway Special Revenue Fund and Capital Projects Fund
(Governmental Funds of the Government of Guam)

Comparative Statements of Revenues, Expenditures by Function
and Changes in Fund Balances

Years ended September 30, 2021 and 2020

	Guam Highway Special Revenue Fund		Capital Projects Fund	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues:				
Licenses, fees and permits	\$ 10,472,582	\$ 8,406,331	\$ ---	\$ ---
Taxes	10,100,087	11,680,493	---	---
Use of money and property	<u>660</u>	<u>3,477</u>	<u>---</u>	<u>---</u>
Total revenues	<u>20,573,329</u>	<u>20,090,301</u>	<u>---</u>	<u>---</u>
Expenditures:				
Current:				
Individual and collective rights	8,208,527	7,866,111	---	---
General government	5,817,368	3,147,707	---	---
Transportation	4,370,024	11,953,350	---	---
Protection of life and property	1,256,585	1,166,153	---	---
Miscellaneous	822,171	---	---	---
Public education	<u>---</u>	<u>40,086</u>	<u>---</u>	<u>---</u>
Total expenditures	<u>20,474,675</u>	<u>24,173,407</u>	<u>---</u>	<u>---</u>
Excess (deficiencies) of revenues over (under) expenditures	98,654	(4,083,106)	---	---
Transfers out to other Fund	(<u>1,267,281</u>)	(<u>1,148,129</u>)	<u>---</u>	<u>---</u>
Net change in fund balances	(1,168,627)	(5,231,235)	---	---
Fund balances at beginning of the year	<u>1,205,839</u>	<u>6,437,074</u>	<u>175,899</u>	<u>175,899</u>
Fund balances at the end of the year	<u>\$ 37,212</u>	<u>\$ 1,205,839</u>	<u>\$ 175,899</u>	<u>\$ 175,899</u>

Government of Guam
Guam Highway Special Revenue Fund and Capital Projects Fund
(Governmental Funds of the Government of Guam)

Comparative Statements of Revenues, Expenditures by Object
and Changes in Fund Balances

Years ended September 30, 2021 and 2020

	Guam Highway Special Revenue Fund		Capital Projects Fund	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues:				
Licenses, fees and permits	\$ 10,472,582	\$ 8,406,331	\$ ---	\$ ---
Taxes	10,100,087	11,680,493	---	---
Use of money and property	<u>660</u>	<u>3,477</u>	<u>---</u>	<u>---</u>
Total revenues	<u>20,573,329</u>	<u>20,090,301</u>	<u>---</u>	<u>---</u>
Expenditures:				
Salaries and wages - regular	10,765,363	11,520,914	---	---
Salaries and wages - overtime	318,560	593,097	---	---
Salaries and wages - fringe benefits	4,241,719	4,062,423	---	---
Travel	---	14,817	---	---
Contractual services	1,993,406	5,423,254	---	---
Supplies	698,666	915,676	---	---
Equipment	75,330	46,359	---	---
Utilities - power and water	1,338,128	1,477,103	---	---
Communications	42,853	42,316	---	---
Grants and subsidies	2,900	---	---	---
Capital outlays	168,997	71,497	---	---
Miscellaneous	<u>798,065</u>	<u>5,951</u>	<u>---</u>	<u>---</u>
Total expenditures	<u>20,443,987</u>	<u>24,173,407</u>	<u>---</u>	<u>---</u>
Deficiencies of revenues under expenditures	129,342	(4,083,106)	---	---
Transfers out to other Fund	(<u>1,297,969</u>)	(<u>1,148,129</u>)	<u>---</u>	<u>---</u>
Net change in fund balances	(1,168,627)	(5,231,235)	---	---
Fund balances at beginning of the year	<u>1,205,839</u>	<u>6,437,074</u>	<u>175,899</u>	<u>175,899</u>
Fund balances at the end of the year	<u>\$ 37,212</u>	<u>\$ 1,205,839</u>	<u>\$ 175,899</u>	<u>\$ 175,899</u>

Government of Guam
Guam Highway Special Revenue Fund and Capital Projects Fund
(Governmental Funds of the Government of Guam)

Schedule of Expenditures by Department by Object

Years ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Office of I Maga'lahaen Guahan		
Office of Civil Defense		
Contractual services	\$ ---	\$ ---
Bureau of Budget and Management Research		
Internal Audit		
Salaries and wages - regular	---	---
Salaries and wages - fringe benefits	---	---
	<u>---</u>	<u>---</u>
Department of Administration		
Division of Accounts		
Contractual services	---	---
Utilities - power and water	---	---
	<u>---</u>	<u>---</u>
Guam Highway Audit		
Contractual Services	18,500	18,500
	<u>18,500</u>	<u>18,500</u>
Guam Highway Streetlights		
Utilities - power and water	649,288	855,752
	<u>649,288</u>	<u>855,752</u>
Total Department of Administration	<u>667,788</u>	<u>874,252</u>
Guam Regional Transit Authority		
Salaries and wages - regular	610,394	455,909
Salaries and wages - overtime	41,020	21,357
Salaries and wages - fringe benefits	207,458	158,795
Contractual services	1,168,467	1,555,712
Supplies	25,838	63,809
Equipment	---	8,496
Communication	7,361	4,307
Grants and subsidies	2,900	---
Miscellaneous	6,000	5,070
	<u>2,069,438</u>	<u>2,273,455</u>
Total Guam Regional Transit Authority	<u>2,069,438</u>	<u>2,273,455</u>
Guam Police Department		
Highway Patrol Division		
Salaries and wages - regular	917,301	896,870
Salaries and wages - fringe benefits	302,678	269,283
	<u>1,219,979</u>	<u>1,166,153</u>
Total Guam Police Department	<u>1,219,979</u>	<u>1,166,153</u>
Customs and Quarantine Agency		
Salaries and wages- regular	27,728	---
Salaries and wages- fringe benefits	8,878	---
	<u>36,606</u>	<u>---</u>
Total Customs and Quarantine Agency	<u>36,606</u>	<u>---</u>
Department of Education		
Public Education		
Salaries and wages - regular	---	20,309
Salaries and wages - fringe benefits	---	7,362
Capital outlays	---	12,415
	<u>---</u>	<u>40,086</u>
Total Department of Education	<u>---</u>	<u>40,086</u>
Department of Public Works		
Office of the Director		
Salaries and wages - regular	896,107	901,438
Salaries and wages - overtime	(496)	6,451
Salaries and wages - fringe benefits	323,941	299,857
Travel	---	6,159
Contractual services	127,159	52,451
Supplies	18,284	4,969
Utilities - power and water	433,000	351,149
Equipment	22,140	---
Communications	19,194	20,400
	<u>1,839,329</u>	<u>1,642,874</u>
Total Department of Public Works	<u>1,839,329</u>	<u>1,642,874</u>

Government of Guam
Guam Highway Special Revenue Fund and Capital Projects Fund
(Governmental Funds of the Government of Guam)

Schedule of Expenditures by Department by Object, continued

Years ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Department of Public Works, continued		
Highway Maintenance Division		
Salaries and wages - regular	1,269,363	1,746,340
Salaries and wages - overtime	198,619	322,857
Salaries and wages - fringe benefits	540,433	656,462
Contractual services	422,958	3,468,978
Supplies	383,697	327,923
Equipment	30,195	1,793
Utilities - power and water	585	270,202
Communications	255,840	8,776
Capital outlays	7,070	59,082
Miscellaneous	13,998	881
	<u>3,122,758</u>	<u>6,863,294</u>
Transportation Division		
Salaries and wages - regular	698,260	641,369
Salaries and wages - overtime	46,535	110,412
Salaries and wages - fringe benefits	289,655	239,569
Travel	---	8,658
Contractual services	112,752	107,386
Supplies	255,088	496,668
Equipment	22,994	26,972
Communications	4,555	3,871
Capital outlays	154,999	---
	<u>1,584,838</u>	<u>1,634,905</u>
Building Construction and Facilities Maintenance		
Salaries and wages - regular	904,030	419,514
Salaries and wages - overtime	32,882	45,362
Salaries and wages - fringe benefits	380,698	139,188
Contractual services	22,244	23,821
Supplies	10,870	19,820
Equipment	---	9,098
Communications	865	2,276
	<u>1,351,589</u>	<u>659,079</u>
Employee Transfer		
Salaries and wages - regular	---	35,763
Salaries and wages - fringe benefits	---	11,164
	<u>---</u>	<u>46,927</u>
Capital Improvement Projects Division		
Salaries and wages - regular	180,445	673,468
Salaries and wages - fringe benefits	63,357	231,224
Contractual services	121,325	53,145
Supplies	4,888	2,487
Communications	3,808	2,686
	<u>373,823</u>	<u>963,010</u>
Highway Bonds		
Contractual services	---	143,261
	<u>---</u>	<u>143,261</u>
Total Department of Public Works	<u>8,272,337</u>	<u>11,953,350</u>
Mayors' Council of Guam		
Operations		
Salaries and wages - regular	6,083,906	5,729,934
Salaries and wages - overtime	---	86,658
Salaries and wages - fringe benefits	2,124,621	2,049,519
Total Mayors' Council of Guam	<u>8,208,527</u>	<u>7,866,111</u>
	<u>\$ 20,474,675</u>	<u>\$ 24,173,407</u>

Government of Guam
Guam Highway Special Revenue Fund and Capital Projects Fund
(Governmental Funds of the Government of Guam)

Schedule of Construction Project Status

Year ended September 30, 2021

	<u>Total Budget</u>	<u>Expenditures Year ended September 30, 2021</u>	<u>Cumulative Expenditures</u>	<u>Outstanding Encumbrances</u>	<u>Continuing Appropriations</u>
Public Law 30-216:					
Repair, restoration and preventive maintenance of DPW school buses	\$ 1,483,033	\$ ---	\$ 1,475,803	\$ ---	\$ 7,230
Public Law 30-217:					
Barrigada village street repairs	419,634	---	419,634	---	---
R.T. Damian Street repairs	279,701	---	178,629	---	101,072
Kinney's Road repairs	227,634	---	227,634	---	---
Jagan Drive repairs	129,217	---	129,217	---	---
Jesus A. Quidachay Street repairs	32,768	---	32,768	---	---
Bill Baza access road	22,071	---	22,071	---	---
	<u>1,111,025</u>	<u>---</u>	<u>1,009,953</u>	<u>---</u>	<u>101,072</u>
	\$ 2,594,058	\$ ---	\$ 2,485,756	\$ ---	\$ 108,302

Government of Guam
Guam Highway Special Revenue Fund and Capital Projects Fund
(Governmental Funds of the Government of Guam)

Other Supplementary Information

September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Employees at end of year:		
Mayors' Council of Guam	---	193
Department of Public Works:		
Office of the Director	16	18
Highway Maintenance Division	52	51
Transportation Division	19	19
Building Construction and Facilities Maintenance	8	10
Capital Improvement Projects Division	3	3
Guam Regional Transit Authority	10	14
Guam Police Department:		
Highway Patrol Division	12	11
Customs and Quarantine	<u>1</u>	<u>---</u>
	<u>121</u>	<u>319</u>

Compliance and Internal Control



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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 Guam Highway Special Revenue Fund and Capital Projects Fund related to the Government of Guam Limited Obligation Highway Refunding Bonds, 2021 Series A (the Funds), which comprise the balance sheet as of September 30, 2021, 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 July 2, 2022.

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 the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 a 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 have not been identified. We did identify certain deficiency in internal control described in the accompanying schedule of findings and responses as item 2021-001 that we consider to be material weakness.

Compliance and other matters

As part of obtaining reasonable assurance about whether 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2021-001.

Fund's Response to Findings

The Fund's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Fund's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

July 2, 2022

Government of Guam
Guam Highway Special Revenue Fund and Capital Projects Fund
(Governmental Funds of the Government of Guam)

Schedule of Findings and Responses

Findings No.: 2021-001

Criteria

Public Law (PL) 35-99 appropriated a total of \$5,677,155 from the Guam Highway Special Revenue Fund to the Mayor's Council of Guam (MCOG).

Condition

Total expenditures made for the benefit of MCOG from the Guam Highway Special Revenue Fund exceeded the amount appropriated by PL 35-99.

Cause

MCOG required the expenditures in order to pay salaries and wages. MCOG prioritized ensuring employee salaries and wages were paid over complying with the amounts appropriated in PL 35-99.

Effect or potential effect

Total expenditures made for MCOG would exceed amounts appropriated.

Recommendation

We recommend that internal controls be set in place to ensure that total expenditures are periodically compared to total appropriations. In cases where there is a need to expend amounts greater than appropriations, approvals should be obtained and documented to reflect such decisions and remain compliant with public laws.

View of responsible officials

Overspent appropriations at Mayor's Council of Guam is a persistent issue. Expenditures exceeding appropriations relating to salaries and wages are difficult to resolve and reconcile with Personnel Rules and Regulations. Internal Controls will be reviewed to prevent recurrences of these excess expenditures.

*The Auditor's Communication With Those Charged
With Governance*

**Government of Guam
Guam Highway Special Revenue Fund
and Capital Projects Fund**
(Governmental Funds of the Government of Guam)

Year ended September 30, 2021





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July 2, 2022

Honorable Lou Leon Guerrero
Governor of Guam

We have performed an audit of the financial statements of Guam Highway Special Revenue Fund and Capital Projects Fund related to the Government of Guam Limited Obligation Highway Refunding Bonds, 2021 Series A (the Funds), as of and for the year ended September 30, 2021, 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, and have issued our report thereon dated July 2, 2022.

This report summarizes our communications with those charged with governance as required by our professional standards to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process.

REQUIRED COMMUNICATIONS

Professional standards require the auditor to provide those charged with governance with additional information regarding the scope and results of the audit that may assist in overseeing the financial reporting and disclosure processes which the management of the Funds is responsible. We summarize these required communications as follows:

Overview of the planned scope and timing of the audit

Our audit scope and timing is consistent with the plan communicated in our engagement letter dated November 15, 2019 and at our audit planning meeting with management.

Auditors' Responsibilities under Auditing Standards Generally Accepted in the United States (US GAAS) and Generally Accepted Government Auditing Standards (GAGAS)

The financial statements and supplementary information are the responsibility of the Funds' management as prepared with the oversight of those charged with governance. Our audit was designed 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, to obtain reasonable, rather than absolute, assurance that the financial statements are free of material misstatement.

An audit of financial statements 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 entity's internal control over financial reporting. Accordingly, we express no such opinion.

Honorable Lou Leon Guerrero
Governor of Guam

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, and evaluating the overall financial statement presentation.

Our responsibilities are included in our audit engagement letter.

Changes to the audit strategy, timing of the audit and significant risks identified

Our audit strategy is consistent with the plan communicated during the October 2021 meeting.

Matters relevant to our evaluation of the entity's ability to continue as a going concern

We did not identify any events or conditions that led us to believe there was substantial doubt about the Funds' ability to continue as a going concern.

Our views about the qualitative aspects of the Corporation's significant accounting practices, including:

- Accounting policies
- Accounting estimates

Management has not selected or changed any significant policies or changed the application of those policies in the current.

We have provided a discussion of significant accounting policies and our views regarding significant accounting estimates and financial statement disclosures and related matters in Note 1 of the basic financial statements.

We determined that those charged with governance are informed about management's process for formulating particularly sensitive estimates and about the basis to our conclusions regarding the reasonableness of those estimates.

Significant findings and issues arising during the audit relating to related parties

We noted no significant matters regarding the Funds' relationships and transactions with related parties.

Changes to the terms of the audit with no reasonable justification for the change

None.

Significant unusual transactions

We are not aware of any significant unusual transactions executed by the Funds.

Difficult or contentious matters subject to the consultation outside of the audit team

None.

Material corrected misstatements, related to accounts and disclosures

Refer to “Summary of Corrected Misstatement” in Appendix A.

Uncorrected misstatements, related to accounts and disclosures, considered by management to be immaterial

Certain uncorrected misstatement accumulated by us were identified during the audit and pertaining to the latest period presented, which were determined by the Funds’ management to be immaterial, both individually and in the aggregate, to the financial statements as a whole (see Appendix B – Summary of Uncorrected Misstatement).

Significant deficiencies and material weaknesses in internal control

Please refer to our separately issued Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters issued on July 2, 2022 for details of an identified material weakness.

Please refer to our separately issued Management Letter dated July 2, 2022 for details of an identified deficiency.

Fraud and illegal acts

We are not aware of any matters that require communication.

Independence matters

We are not aware of any matters that in our professional judgment would impair our independence.

Significant issues discussed with management in connection with the auditor’s initial appointment or recurring retention

None.

Disagreements with management and significant difficulties encountered in dealing with management when performing audit

None.

Management’s consultation with other accountants

We are not aware of any consultation made by management with other accountants or specialists.

Other material written communication with management

None.

Other findings or issues regarding the oversight of the financial reporting process

There are no other findings or issues arising from the audit that are, in our judgment, significant and relevant to those charged with governance regarding the oversight of the financial reporting process.

AICPA ethics ruling regarding third-party service providers

From time to time, and depending on the circumstances, (1) we may subcontract portions of the Audit Services to other EY firms, who may deal with the Company or its affiliates directly, although EY alone will remain responsible to you for the Audit Services and (2) personnel (including non-certified public accountants) from an affiliate of EY or another EY firm or any of their respective affiliates, or from independent third-party service providers (including independent contractors), may participate in providing the Audit Services. In addition, third-party service providers may perform services for EY in connection with the Audit Services.

Representations we are requesting from management

See letter of representations related to the audit in Appendix C.

Engagement team's involvement with preparation of the financial statements

Under GAS 2011 Revision, Chapter 3 General Standards, Paragraph 3.34 Requirements for Performing Non-audit Services explains that the audit team should make consideration of management's ability to effectively oversee the non-audit (or non-attest) services to be performed. The engagement team should determine that the audited entity has designated an individual who possesses suitable skill, knowledge or experience and that the individual understands the services to be performed sufficiently to oversee them. The engagement team should document consideration of management's ability to oversee non-audit services to be performed.

The engagement team believes that this significant threat is reduced to an acceptable level upon application of the following safeguards:

- An engagement quality control review was performed by a qualified Ernst & Young Partner who was not otherwise involved in the audit.
- The preparation of the financial statements is based on the Funds' trial balance with our understanding that the Funds' underlying books and records are maintained by the Funds' accounting department and that the final trial balance prepared by the Funds is complete.
- All adjusting journal entries that Ernst & Young posted to the trial balance have been approved by management of the Funds.
- The Funds' Deputy Financial Manager and Controller has the skill sets to oversee and review the completeness and accuracy of the financial statements and footnote disclosures.

Honorable Lou Leon Guerrero
Governor of Guam

This report is intended solely for the use of management, the Office of the Governor and the Office of Public Accountability of Guam and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

Very truly yours,

Ernst + Young LLP

Honorable Lou Leon Guerrero
Governor of Guam

Appendices

A – Summary of Corrected Misstatement

B – Summary of Uncorrected Misstatement

C – Management Representations Letter

Communication schedule for corrected misstatements

Entity: Guam Highway Fund- Special Revenue Fund

Period ended: 30-Sep-2021

Currency: USD

Corrected misstatements			Analysis of misstatements Debit/(Credit)							
No.	W/P ref.	Account (misstatements are recorded as journal entries with a description)	Assets	Assets	Liabilities	Liabilities	Equity	Effect on the	Income statement effect	
			Current	Non-current	Current	Non-current	components	current period OCI	Debit/(Credit)	of the current period
			Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	
AJE-01	P0100	To correct the balance of fund balance								
		Fund Balance					986,041			
		Expenditures							(986,041)	X
AJE-02	T0100	To correct the recording of the prior year adjustment								
		Fund balance					292,028			
		Revenue							(292,028)	X
AJE-03	UE0100	To reverse the adjustment for FY2019 diesel fuel surcharge as this was already recorded in FY2020								
		Due to General Fund			318,120					
		Revenue							(318,120)	X
Total of corrected misstatements before income tax			0	0	318,120	0	1,278,069	0	(1,586,189)	
Financial statement amounts			2,216,218	0	(2,179,000)	0	(37,212)		(1,108,027)	
Effect of corrected misstatements on F/S amounts			0.0%	0.0%	-14.6%	0.0%	-3434.6%		136.6%	

Above entries have been reviewed and approved:


Edward M. Pitt, Director


Claudencia A. Rosario, Deputy Financial Manager



Communication schedule for uncorrected misstatements

Entity: Guam Highway Fund- Special Revenue Fund

Period Ended: 30-Sep-2021

Currency: USD

No.	W/P ref.	Account (Note 1) <small>(misstatements are recorded as journal entries with a description)</small>	Analysis of misstatements Debit/(Credit)							Income statement effect of the current period		Income statement effect of the prior period	
			Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Debit/(Credit)	Non-taxable	Prior period Debit/(Credit)	Non-taxable	
			Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit)	Debit/(Credit)					
Factual misstatements													
SAD-01		To derecognize the revenue and transfer out recorded related to the receipt of diesel fuel surcharge in FY2021											
		Taxes							288,225	X			
		Transfer out							(288,225)	X			
Total of uncorrected misstatements before income tax			0	0	0	0	0	0	0			0	
Total of uncorrected misstatements			0	0	0	0	0	0	0			0	
Financial statement amounts			2,216,218	0	(1,179,000)	0	(710,217)		(1,160,637)			(1,160,637)	
Effect of uncorrected misstatements on F/S amounts			0.0%	0.0%	0.0%	0.0%	0.0%		0.0%			0.0%	
<p>We believe that the effects of any uncorrected misstatements, summarized in the above schedule, accumulated by you during the current audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.</p> <p><i>Edward M. Birn</i> 6/30/22 Edward M. Birn, Director</p> <p><i>Gaudencio A. Rosario</i> Gaudencio A. Rosario, Deputy Financial Manager</p>			<p>Memo: Total of non-taxable items (marked 'X' above)</p> <p>Uncorrected misstatements before income tax: 0.0%</p>							0		0	
			<p>Less: Tax effect of misstatements at current year marginal rate</p> <p>Uncorrected misstatements in income tax: 0%</p>							0		0	
			<p>Cumulative effect of uncorrected misstatements after tax but before turnaround: 0.0%</p>							0		0	
			<p>Turnaround effect of prior period uncorrected misstatements</p> <p>All factual and projected misstatements: 0.0%</p>							0		0	
			<p>Judgmental misstatements (Note 3): 0.0%</p>							0		0	
			<p>Cumulative effect of uncorrected misstatements, after turnaround effect: 0.0%</p>							0		0	
			<p>Current year income before tax: 1,106,677</p> <p>Current year income after tax: 1,106,677</p>										

 <p>EDWARD M. BIRN <i>Director (Direktot)</i> BERNADINE C. GINES <i>Deputy Director (Sigundo Direktot)</i></p>	<p>DEPARTMENT OF ADMINISTRATION DIPATTAMENTON ATMENESTRASION</p> <p>DIRECTOR'S OFFICE <i>(Ufisinan Direktot)</i></p> <p>Telephone (Telifon): (671) 475-1101/1250</p>	 <p>LOURDES A. LEON GUERRERO <i>Governor (Maga'hága)</i> JOSHUA F. TENORIO <i>Lt. Governor (Sigundo Maga'táhi)</i></p>
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July 2, 2022

Ernst & Young LLP
231 Ypao Road Suite 201
Tamuning, Guam 96913

In connection with your audit of the financial statements of the Guam Highway Special Revenue Fund and Capital Projects Fund related to the Government of Guam (the Government) Limited Obligation Highway Refunding Bonds, 2001 Series A (the Funds), which comprise the balance sheet as of September 30, 2021, 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, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the financial statements present fairly, in all material respects, the financial position and the results of operations of the Funds in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief.

Management's responsibilities

We have fulfilled our responsibilities, as set forth in the terms of the audit engagement agreement dated November 15, 2019 for the preparation and fair presentation of the financial statements (including disclosures) in accordance with US GAAP applied on a basis consistent with that of the preceding periods.

We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. We have provided you with:

- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, data, documentation and other matters

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Appendix C – Management Representation Letter, continued

- Additional information that you have requested from us for the purpose of the audit
- Unrestricted access to persons within the Government from whom you determined it necessary to obtain evidence

We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

From March 31, 2021 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

Uncorrected misstatements

We believe that the effects of any uncorrected misstatements, summarized in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements for each opinion unit.

Internal control

There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

There have been no significant changes in internal control since September 30, 2021.

Minutes and contracts and internal audit reports

There are no meetings of the Board of Directors and important management committees held from October 1, 2021 to June 30, 2022.

We have made available to you all significant contracts, including amendments, and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.

We have also made available to you all internal audit reports (or reports from similar functions) that were issued to management during the year that address internal control over financial reporting.

Methods, significant assumptions, and data used in making accounting estimates

Appendix C – Management Representation Letter, continued

The appropriateness of the methods, the consistency in application, the accuracy and completeness of data, and the reasonableness of significant assumptions used by us in developing accounting estimates and related disclosures, including those measured at fair value, are reasonable and supportable.

We confirm that no adjustments are required to the accounting estimate and disclosures in the financial statements due to the COVID-19 pandemic.

Ownership and pledging of assets

There are no assets capitalized under capital leases. The Government has satisfactory title to all assets appearing in the balance sheet. No security agreements have been executed under the provisions of the Uniform Commercial Code, and there are no liens or encumbrances on assets, nor has any asset been pledged, except as disclosed in the financial statements. All assets to which the Government has satisfactory title appear in the balance sheet.

Receivables and revenues

Receivables recorded in the financial statements of the Funds represent valid claims against the debtors indicated and do not include amounts for services provided subsequent to the balance sheet date, or other types of arrangements not constituting revenue. Receivables have been determined in accordance with all relevant GASB Statements, including GASB Statements No. 33 and 62—as amended.

We have disclosed to you all revenue terms (both expressed and implied). We have made available to you all significant contracts, communications (either written or oral), and other relevant information pertaining to arrangements with our customers.

Fair value measurements

We are responsible for the estimation methods and assumptions used in measuring assets and liabilities reported or disclosed at fair value, including information obtained from brokers, pricing services or other third parties. Our valuation techniques have been consistently applied from period to period. The fair value measurements reported or disclosed represent our best estimate of fair value as of the measurement date in accordance with the requirements of GASB Statement No. 72—as amended. In addition, our disclosures related to fair value measurements are consistent with the objectives outlined in GASB Statement No. 72—as amended.

Related party relationships and transactions

We have made available to you the names of all related parties and all relationships and transactions with related parties.

The substance of transactions with related parties as defined in GASB Statement No. 56 – as amended, has been considered and appropriate adjustments or disclosures are made in the financial statements, and information concerning these transactions and amounts have been made available to you.

Appendix C – Management Representation Letter, continued

To the extent applicable, related parties and all related party relationships and transactions, including sales, purchases, loans, transfers, leasing arrangements and guarantees (written or oral) have been appropriately identified, accounted for and disclosed in the financial statements.

Side agreements and other arrangements

There have been no side agreements or other arrangements (either written or oral) that have not been disclosed to you.

Arrangements with financial institutions

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements have been properly recorded or disclosed in the financial statements.

Events of default under debt agreements

No events of default have occurred with respect to any of the Government's debt agreements.

Contingent liabilities

There are no unasserted claims or assessments, including those our lawyers have advised us of that are probable of assertion and must be disclosed in accordance with GASB Statement No. 62-as amended.

There have been no violations or possible violations of laws or regulations in any jurisdiction whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency

There have been no internal investigations or communications from regulatory agencies or government representatives concerning investigations or allegations of noncompliance with laws or regulations in any jurisdiction, noncompliance with or deficiencies in financial reporting practices, or other matters that could have a material effect on the financial statements.

There are no other liabilities or gain or loss contingencies considered material, individually or in the aggregate, that are required to be accrued or disclosed GASB Statement No. 62-as amended, nor are there any accruals for loss contingencies included in the balance sheet or gain contingencies reflected in earnings that are not in conformity with the provisions of GASB Statement No. 62-as amended.

Oral or written guarantees

There are no oral or written guarantees, including guarantees of the debt of others.

Purchase commitments

At September 30, 2021, the Government had no purchase commitments for inventories in excess of normal requirements or at prices that were in excess of market at those dates.

Appendix C – Management Representation Letter, continued

There were no agreements or commitments to repurchase assets previously sold. There were no material commitments outstanding at September 30, 2021 as a result of being a party to futures or forwards contracts, short sales or hedge transactions.

Fraud

We acknowledge our responsibility for the design, implementation and maintenance of programs and internal control to prevent and detect fraud.

We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Government's internal control over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees where the fraud could have a material effect on the financial statements.

The Government has not performed a risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud. However, management has made available to you their understanding about the risks of fraud in the Government and does not believe that the financial statements are materially misstatement as a result of fraud.

We have disclosed that there are no allegations of financial improprieties, including fraud or suspected fraud, coming to our attention (regardless of the source or form and including, without limitation, allegations by "whistle-blowers") where such allegations could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Government.

Independence

We have communicated to you the names of all the Fund's affiliates, officers and directors.

We are not aware of any business relationship between the Government and Ernst & Young LLP or any other member firm of the global Ernst & Young organization.

We are not aware of any reason that Ernst & Young LLP would not be independent for purposes of the Government's audit.

Conflicts of interest

There are no instances where any officer or employee of the Government has an interest in a company with which the Government does business that would be considered a "conflict of interest." Such an interest would be contrary to Government policy.

Other information

We confirm that we have not identified any other information as defined in AICPA AU-C 720, The Auditor's Responsibilities Relating to Other Information Included in Annual Reports.

Effects of new accounting principles

Appendix C – Management Representation Letter, continued

As discussed in Note 1 to the financial statements, we have not completed the process of evaluating the effects that will result from adopting the amendments to the following codifications provided in Governmental Accounting Standards Board (GASB):

- GASB Statement No. 87
- GASB Statement No. 89
- GASB Statement No. 91
- GASB Statement No. 93
- GASB Statement No. 94
- GASB Statement No. 96
- GASB Statement No. 97

The Government is therefore unable to disclose the effects that adopting the amendments in the aforementioned GASB Statements will have on its balance sheet and the changes in its fund balance when such statements are adopted.

Required supplementary information

We acknowledge our responsibility for the required supplementary information on the Management's Discussion and Analysis on pages 4 through 9. There have been no changes in the methods of measurement or presentation of the required supplementary information from those used in the prior period. We are responsible for the significant assumptions and interpretations underlying the measurement and presentation of the required supplementary information. We believe that the significant assumptions and interpretations used are reasonable.

Supplementary and Other Information

We are responsible for the preparation and fair presentation of the following schedules (the "Supplementary and Other Information"):

- Comparative Balance Sheets
- Comparative Statements of Revenues, Expenditures by Function and Changes in Fund Balances
- Comparative Statements of Revenues, Expenditures by Object and Changes in Fund Balances
- Schedule of Expenditures by Department by Object
- Schedule of Construction Project Status

Appendix C – Management Representation Letter, continued

· Other Supplementary Information

We believe the supplementary and other information, including its form and content, is fairly stated in all material respects in relation to the financial statements as a whole.

There have been no changes in the methods of measurement or presentation of the supplementary and other information from those used in the prior period.

There are no significant assumptions or interpretations underlying the measurement or presentation of the information.

Going concern

The Government's ability to continue as a going concern was evaluated and appropriate disclosures are made in the financial statements as necessary under GASB requirements.

Other representations

We have identified and disclosed to you all provisions of laws, and regulations that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.

We have followed all applicable laws and regulations in adopting, approving and amending budgets, tax or debt limits and covenants and secondary market disclosures, deposits and investments, including collateral requirements on depository accounts and investments.

The financial statements present only the Funds. They are not intended to present the financial position and results of operations of the Government in conformity with US GAAP.

Components of balance sheet (and classifications of fund balance (nonspendable fund balance, and restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.

Expenditures have been appropriately classified in or allocated to functions and programs in the Statement of Revenues, Expenditures and Changes in Fund Balances, and allocations have been made on a reasonable basis.

Revenues are appropriately classified in the Statement of Revenues, Expenditures and Changes in Fund Balances.

Interfund, internal and intra-entity activity and balances have been appropriately classified and reported in the financial statements.

Risk disclosures associated with deposits and investment securities are presented in accordance with GASB requirements.

Deposits are properly classified in the category of custodial credit risk.

Appendix C – Management Representation Letter, continued

Our policy regarding whether to first apply restricted or unrestricted resources when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available is appropriately disclosed and fund balance was properly recognized under the policy.

Subsequent events have been evaluated and classified as recognized or nonrecognized through the date of this letter.

The Government has obligated, expended, received and used public funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by Guam or federal law. Such obligation, expenditure, receipt or use of public funds was in accordance with any limitations, conditions or mandatory directions imposed by Guam or federal law.

There have been no instances of payment of retainage prior to acceptance of the project at the end of the contract other than what were noted during your audit.

Money or similar assets handled by the Government have been properly and legally administered and the accounting and recordkeeping related thereto is proper, accurate and in accordance with law.

The Government has made an administrative policy to record Driver's license fees as part of the Guam Highway Special Revenue Fund.

There has been no:

- a. Action taken by the Government management that contravenes the provisions of federal laws, Guam laws, and laws and regulations, or of contracts and grants applicable to the Government.
- b. Communication from other regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the financial statements, which have been provided to you.

No evidence of fraud, possible irregularities or dishonesty in fiscal operations of federal programs administered by the Government has been discovered.

Subsequent events

Subsequent to September 30, 2021, no events or transactions, including events have occurred or are pending that would have a material effect on the financial statements at that date or for the period then ended, or that are of such significance in relation to the Government and the Government's affairs to require mention in a note to the financial statements in order to make them not misleading regarding the Funds' financial position and the results of their operations.


We understand that your audit was conducted in accordance with auditing standards generally accepted in the United States as established by the American Institute of Certified Public Accountants and the standards applicable to financial audit contained in Government Auditing

Honorable Lou Leon Guerrero
Governor of Guam

Appendix C – Management Representation Letter, continued

Standards, issued by the Comptroller General of the United States and were, therefore, designed primarily for the purpose of expressing an opinion on the financial statements of the Funds as a whole, and that your tests of the accounting records and other auditing procedures were limited to those that you considered necessary for that purpose.

Very truly yours,



Edward M. Birn
Director



Gaudencio A. Rosario
Deputy Financial Manager

Management letter comments and recommendations

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, 2021





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July 2, 2022

Mr. Edward M. Birn
Director
Guam Department of Administration
590 South Marine Corps Drive
2nd Floor, ITC Building, Suite 224
Tamuning, Guam 96932

In planning and performing our audit of the combined 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 Bonds, 2021 Series A (the Funds) as of and for the year ended September 30, 2021, in accordance with the auditing standards generally accepted in the United States, we considered its internal control over financial reporting (“internal control”) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the combined 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 control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

During our audit, we noted the following observation which we believe merits the attention of those charged with governance:

Financial Statement Close Process (Update of Prior Year Comment)

Observation

The fiscal year end September 30, 2021 books of the Funds were not closed on a timely basis. The trial balances were not provided to us until nearly three (3) months after the close of the fiscal year. In addition, the Funds noted numerous adjustments for the year-end balance. Management asserts that the root cause in the delay is the continued use of a financial management system that has not been updated to incorporate financial year end closing as a standard feature.

This has caused incurrence of additional man hours that may be avoidable had the use of an updated new financial management system been in place.

Recommendation

It is our understanding that Management has begun the process to procure a new financial management system. We encourage Management to complete the procurement process and ensure that the new financial management system incorporates all required year end closing processes that will resolve this matter and promote efficiency in the closing process.

* * * * *

This communication is intended solely for the information and use of the management, others within the organization and the Office of Public Accountability and is not intended to be and should not be used by anyone other than these specified parties.

We thank the accounting staff of the Department of Administration for their cooperation extended to us during the course of our audit. We would be pleased to discuss the above matter or to respond to any questions, at your convenience.

Sincerely,

Ernst + Young LLP

*Financial Statements, Required Supplementary Information,
Supplementary and Other 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, 2021
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 and Other Information, and Compliance and Internal Control

Year ended September 30, 2021

Contents

Report of Independent Auditors	1
Management’s Discussion and Analysis.....	4
Financial Statements	
Balance Sheets	10
Statements of Revenues, Expenditures and Changes in Fund Balances.....	11
Notes to Financial Statements	12
Supplementary and Other Information	
Schedule 1 – Comparative Balance Sheets	21
Schedule 2 – Comparative Statements of Revenues, Expenditures by Function and Changes in Fund Balances	22
Schedule 3 – Comparative Statements of Revenues, Expenditures by Object and Changes in Fund Balances	23
Schedule 4 – Schedule of Expenditures by Department by Object	24
Schedule 5 – Schedule of Construction Project Status	29
Schedule 6 – Annual Debt Service Requirements to Maturity.....	30
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 <i>Government Auditing Standards</i>	31
Schedule of Findings and Responses	33



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Report of Independent Auditors

Honorable Lou Leon Guerrero
Governor of Guam

Report on the Financial Statements

We have audited the accompanying 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 Bonds, 2021 Series A (the Funds), which comprise the balance sheet as of September 30, 2021, 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, which collectively comprise the Funds' financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Tourist Attraction Special Revenue Fund, Capital Projects Fund, and Debt Service Fund related to the Government of Guam Hotel Occupancy Tax Revenue Bonds, 2021 Series A, as of September 30, 2021, and the results of their operations for the year then ended in conformity with U.S. generally accepted accounting principles.

Emphasis of Matter

Reporting Entity

As discussed in Note 1 to the financial statements, the financial statements referred to above present only the Tourist Attraction Special Revenue Fund, Capital Projects Fund, and Debt Service Fund related to the Government of Guam Hotel Occupancy Tax Revenue Bonds, 2021 Series A and are not intended to present fairly the financial position and results of operations of the Government of Guam in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Coronavirus Pandemic Economic Uncertainty

As discussed in Note 6 to the financial statements, the coronavirus pandemic has resulted in an economic uncertainty that could have an adverse impact on the future operations of the Funds. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 4 through 9 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the 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, 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 financial statements, and other knowledge we obtained during our audit of the 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 and Other Information

Our audit for the year ended September 30, 2021 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Funds' financial statements. The information for the year ended September 30, 2021 included in pages 21 through 30 is presented for purposes of additional analysis and is not a required part of the financial statements.

Supplementary and Other Information, continued

The 2021 information included in pages 21 through 28 is the responsibility of the Funds' management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements for the year ended September 30, 2021 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States. In our opinion, the 2021 information on pages 21 through 28 is fairly stated, in all material respects, in relation to the financial statements as a whole.

We also previously audited, in accordance with the auditing standards generally accepted in the United States, the financial statements of Funds as of and for the year ended September 30, 2020 (not presented herein), and have issued our report thereon dated March 31, 2021, which contained unmodified opinions on the respective financial statements of the governmental activities of the Funds. The supplementary and other information as of and for the year ended September 30, 2020 are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the 2020 financial statements. The supplementary information have been subjected to the auditing procedures applied in the audit of the 2020 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. In our opinion, the supplementary information are fairly presented in all material respects in relation to the financial statements as a whole for the year ended September 30, 2020.

The additional information on pages 29 and 30 have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 2, 2022, 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 financing 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

July 2, 2022

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 Bonds, 2011 Series A, provides an overview of financial activities for the fiscal years ended September 30, 2021 and 2020. 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, 2021, total fund balance decreased by \$3,974,771 (or -19%) from an ending fund balance of \$20,799,281 in 2020 to \$16,824,510 in 2021.
- During the years ended September 30, 2021 and 2020, total combined expenditures for governmental fund operations were \$18,870,056 and \$35,672,494, respectively, including expenditures relating to payments funding the Guam Visitor's Bureau of \$5,324,249 and \$15,430,306, respectively; debt service requirements of \$8,807,139 and \$6,996,988, respectively; and capital expenditures of \$42,000 and \$120,758, respectively. These expenditures were funded mainly by Hotel Occupancy Tax revenue collections during the years ended September 30, 2021 and 2020 of \$12,372,113 and \$26,366,511, respectively, with the remainder funded by residual bond proceeds.
- Total combined expenditures decreased by \$16,802,438 (or -47%) from 2020 to 2021 due primarily to a decrease of: \$10,106,057 in payments to Guam Visitors Bureau, \$4,282,289 for Guam Police Department payments, \$1,960,057 for Department of Parks and Recreation payments, \$797,230 for Department of Chamorro Affairs payments, \$662,825 for Mayor's Council of Guam payments and offset increases of: \$1,810,151 for debt service payments. Total combined revenues decreased by \$14,329,739 (or -54%) from \$26,702,655 in 2020 to \$12,372,916 in 2021 due primarily to the coronavirus pandemic which continues to discourage inbound travel.
- During the year ended September 30, 2021, the Tourist Attraction Fund generated an operating surplus and a surplus of \$1,013,189 before transfers while 2020 incurred a deficit of \$(2,150,300) before transfers.

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, 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 Bonds, 2011 Series A. The financial statements present a balance sheet and a statement of revenues, expenditures, and changes in fund balance. The assets, liabilities and fund balances of these funds are reported in self-balancing funds.

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.

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, 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, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Assets:		
Investments	\$ 506,709	\$ 1,168,665
Tax receivables	504,090	1,134,326
Restricted assets	<u>17,472,840</u>	<u>21,405,610</u>
Total assets	<u>\$18,483,639</u>	<u>\$23,708,601</u>
Liabilities:		
Accounts payable and other	\$ 700,438	\$ 606,729
Due to General Fund	<u>958,691</u>	<u>2,302,591</u>
Total liabilities	<u>1,659,129</u>	<u>2,909,320</u>
Net assets	<u>\$16,824,510</u>	<u>\$20,799,281</u>
Fund balances:		
Restricted	16,824,510	20,799,281
Committed	---	---
Unassigned	<u>---</u>	<u>---</u>
Total fund balances	<u>16,824,510</u>	<u>20,799,281</u>
Total liabilities and fund balances	<u>\$18,483,639</u>	<u>\$23,708,601</u>

Total assets decreased by \$5,224,962 (or -22%) from \$23,708,601 in 2020 to \$18,483,639 in 2021. This decrease was primarily the result of a decrease in restricted investments of \$3,932,770 and \$630,236 decrease in tax receivables. Total liabilities decreased by \$1,250,191 (or -43%) from \$2,909,320 in 2020 to \$1,659,129 in 2021. This decrease primarily was the result of a decrease in amount due to the general fund of \$1,343,900. Total fund balances decreased by \$3,974,771 (or -19%) during 2020 from \$20,799,281 to \$16,824,510 in 2021. Of the total fund balance amounts presented at each respective fiscal year end, certain restrictions limit the availability of fund resources for future use. Specifically, fund balances are restricted by the bond indenture associated with the Hotel Occupancy Tax Revenue Bond, 2011 Series A, wherein these funds are restricted for (i) capital projects associated with a new Guam Museum and certain other related projects that benefit Guam's tourism industry, and (ii) future debt service.

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

Management's Discussion and 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, 2021 and 2020 are summarized as follows.

	<u>2021</u>	<u>2020</u>
Revenues:		
Hotel occupancy tax	\$ 12,372,113	\$ 26,366,511
Use of money and property	<u>803</u>	<u>336,144</u>
	<u>12,372,916</u>	<u>26,702,655</u>
Expenditures:		
Current:		
General government	217,907	447,377
Environmental protection	14,941	94,614
Individual and collective rights	930,899	2,657,431
Protection of life and property	1,944,517	6,226,806
Recreation	1,051,606	3,011,663
Economic development	213,959	322,455
Community services	34,870	---
Miscellaneous appropriations	137,969	---
Payments to Guam Visitors Bureau	5,324,249	15,430,306
Payments to University of Guam	150,000	199,997
Payments to Hagatna Restoration and Redevelopment Agency	---	164,099
Capital projects	42,000	120,758
Debt service	<u>8,807,139</u>	<u>6,996,988</u>
Total expenditures	<u>18,870,056</u>	<u>35,672,494</u>
Deficiency of revenues under expenditures	(6,497,140)	(8,969,839)
Refunding bonds	58,865,000	---
Premium from refunded bonds issued	12,790,466	---
Payment to refunded bond escrow agent	(70,317,349)	---
Transfers in, net	<u>1,184,252</u>	<u>7,666,613</u>
Net change in fund balances	\$(<u>3,974,771</u>)	\$(<u>1,303,226</u>)

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, continued

Total revenues collected from hotel occupancy taxes decreased by \$13,994,398 (or -53%) from \$26,366,511 in 2020 to \$12,372,113 in 2021. The decrease was primarily due to the coronavirus pandemic which hindered tourist arrivals with a decrease of 695,778 (or -92%) from 757,385 tourists in 2020 to 61,607 tourists in 2021.

Total expenditures decreased by \$16,802,438 (or -47%) from \$35,672,494 in 2020 to \$18,870,056 in 2021. The decrease was due primarily to reductions of: \$10,106,057 in payments to Guam Visitors Bureau, \$4,282,289 for Guam Police Department payments, \$1,960,057 for Department of Parks and Recreation payments, \$797,230 for Department of Chamorro Affairs payments, \$662,825 for Mayor's Council of Guam payments. Notable offset expenditure offset increases of: \$1,810,151 for debt service 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 \$55,609,615. Capital-related expenditures amounted to \$42,000 in 2021 compared with \$120,758 in 2020. Cumulative capital expenditure as of fiscal year 2021 ending is \$51,862,461. Outstanding commitments for projects total \$4,357,937. The outstanding or pending contracts and amounts consist of Guam and Chamorro Educational Facility for \$153,460, design/construction of Guam Farmer's Cooperative Association Facility and Dededo Flea Market Relocation for \$122,302, Pale San Vitores road streetlight renovation for \$931,000, primary or supplemental funding for Hagatna Master plan projects for \$51,175, Guam Fishermen's Cooperative for \$3,100,000. The outstanding commitments will be funded from bond proceeds set aside in the Capital Projects fund.

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.

On March 31, 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

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, continued

6. Outlook, Challenges and Opportunities

Guam has a high vaccination rate, currently about 85% of eligible population and remains ready to welcome tourists. However, travel restrictions in the home countries of our traditional tourist markets continue to depress tourist arrivals. The tourism industry had devised a number of incentives to stimulate tourist activity. One such action was the Air V&V campaign by Guam Visitors Bureau which highlights tourists coming to Guam to get the covid vaccination and vacation. The campaign introduced by Carl Gutierrez president of Guam Visitors Bureau noted, "This program captures a unique demographic of travelers around the world that are tired of waiting to get vaccinated in this pandemic."

The Air V&V program represents a successful creative campaign to mitigate the dismal tourist arrivals of fiscal year 2021. More importantly, as world populations continue with vaccinations and Guam continues to promote a safe destination from COVID the future outlook on Guam's tourism economy remains hopeful.

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 Director's Office, Department of Administration, Attention: Edward Birn, Director, P.O. Box 884, Hagatna, Guam 96932. Telephone No.: (671) 475-1101/1250, Email: edward.birn@doa.guam.gov; Website address: www.doa.guam.gov.

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

Balance Sheets

September 30, 2021

	<u>Tourist Attraction Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Assets				
Investments	\$ 506,709	\$ ---	\$ ---	\$ 506,709
Restricted assets - investments	---	8,639,085	8,833,755	17,472,840
Taxes receivable	<u>504,090</u>	<u>---</u>	<u>---</u>	<u>504,090</u>
Total assets	<u>\$ 1,010,799</u>	<u>\$ 8,639,085</u>	<u>\$ 8,833,755</u>	<u>\$ 18,483,639</u>
Liabilities				
Accounts payable	\$ 2,800	\$ 42,000	\$ ---	\$ 44,800
Retention payable	---	529,342	---	529,342
Accrued payroll and other	126,296	---	---	126,296
Due to General Fund	<u>881,703</u>	<u>76,988</u>	<u>---</u>	<u>958,691</u>
Total liabilities	<u>1,010,799</u>	<u>648,330</u>	<u>---</u>	<u>1,659,129</u>
Fund Balances				
Fund balances:				
Restricted for:				
Capital projects	---	7,990,755	---	7,990,755
Debt service	<u>---</u>	<u>---</u>	<u>8,833,755</u>	<u>8,833,755</u>
Total fund balances	<u>---</u>	<u>7,990,755</u>	<u>8,833,755</u>	<u>16,824,510</u>
Total liabilities and fund balances	<u>\$ 1,010,799</u>	<u>\$ 8,639,085</u>	<u>\$ 8,833,755</u>	<u>\$ 18,483,639</u>

See accompanying notes.

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

Statements of Revenues, Expenditures and Changes in Fund Balances

Year ended September 30, 2021

	Tourist Attraction Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total
Revenues:				
Taxes	\$ 12,372,113	\$ ---	\$ ---	\$ 12,372,113
Use of money and property	<u>110</u>	<u>(314)</u>	<u>1,007</u>	<u>803</u>
Total revenues	<u>12,372,223</u>	<u>(314)</u>	<u>1,007</u>	<u>12,372,916</u>
Expenditures:				
Current:				
Payments to Guam Visitors Bureau	5,324,249	---	---	5,324,249
Protection of life and property	1,944,517	---	---	1,944,517
Recreation	1,051,606	---	---	1,051,606
Individual and collective rights	930,899	---	---	930,899
General government	217,907	---	---	217,907
Economic development	213,959	---	---	213,959
Payments to University of Guam	150,000	---	---	150,000
Community Services	34,870	---	---	34,870
Environmental protection	14,941	---	---	14,941
Miscellaneous Appropriations	137,969	---	---	137,969
Capital projects	---	42,000	---	42,000
Debt service:				
Principal	---	---	2,699,375	2,699,375
Interest	<u>1,338,117</u>	<u>---</u>	<u>4,769,647</u>	<u>6,107,764</u>
Total expenditures	<u>11,359,034</u>	<u>42,000</u>	<u>7,469,022</u>	<u>18,870,056</u>
Excess (deficiencies) of revenues over (under) expenditures	<u>1,013,189</u>	<u>(42,314)</u>	<u>(7,468,015)</u>	<u>(6,497,140)</u>
Other financing sources (uses):				
Refunding bonds	58,865,000	---	---	58,865,000
Premium from refunded bonds issued	12,790,466	---	---	12,790,466
Payment to refunded bond escrow agent	<u>(70,317,349)</u>	<u>---</u>	<u>---</u>	<u>(70,317,349)</u>
Transfers in	1,190,267	---	3,535,558	4,725,825
Transfers out	<u>(3,541,573)</u>	<u>---</u>	<u>---</u>	<u>(3,541,573)</u>
Total other financing sources, net	<u>(1,013,189)</u>	<u>---</u>	<u>3,535,558</u>	<u>2,522,369</u>
Net change in fund balances	---	<u>(42,314)</u>	<u>(3,932,457)</u>	<u>(3,974,771)</u>
Fund balances at the beginning of the year	<u>---</u>	<u>8,033,069</u>	<u>12,766,212</u>	<u>20,799,281</u>
Fund balances at the end of the year	<u>\$ ---</u>	<u>\$ 7,990,755</u>	<u>\$ 8,833,755</u>	<u>\$ 16,824,510</u>

See accompanying notes.

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

Notes to Financial Statements

Year ended September 30, 2021

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. 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. Revenues are derived from an excise tax that is levied and imposed on transient occupants of a room or rooms in a hotel, lodging house, or similar facility in Guam. On April 13, 2011, Hotel Occupancy Tax Revenue Bonds, 2011 Series A, were issued for the purpose of refunding the Limited Obligation Infrastructure Improvement Bonds, 1997 Series A, and funding the construction of a new Guam Museum and certain other projects that benefit Guam's tourism industry. The Capital Projects Fund is used to account for the construction of capital improvement projects from bond proceeds. The Debt Service Fund is used to account for funds required by the bond indenture to redeem bond principal and to pay bond interest as such becomes due.

These funds are considered to be governmental funds and are presented as blended component units 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 Bonds, 2021 Series A, are reported in self-balancing funds. Transactions between funds, if any, have not been eliminated.

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

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.

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.

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

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Budgetary Process, continued

Encumbrances are commitments related to unperformed (executory) contracts for goods or services and are generally evidenced by outstanding purchase orders, contracts, and intradepartmental work requests. Encumbrances outstanding at year end are reported within the fund balance classifications since they do not constitute expenditures or liabilities. Unencumbered appropriations normally lapse at the end of each fiscal year unless they are designated by the Legislature as representing continuing appropriations. At September 30, 2021, significant encumbrances are summarized as follows:

Tourist Attraction Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total
<u>\$1,176,525</u>	<u>\$4,357,937</u>	<u>\$ ---</u>	<u>\$5,534,462</u>

Investments

Investments and related investment earnings of the primary government and the discretely presented component units 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. At September 30, 2021, outstanding balances are as follows:

	Tourist Attraction Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total
Due to General Fund	<u>\$881,703</u>	<u>\$76,988</u>	<u>\$ ---</u>	<u>\$958,691</u>

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

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Restricted Assets

The bond indenture relating to the Hotel Occupancy Tax Revenue 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,
and Debt Service Fund
(Governmental Funds of the Government of Guam)

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 Bonds, 2011 Series A, for the year ended September 30, 2020 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.

Investments

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

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

Notes to Financial Statements, continued

2. Deposits and Investments, continued

Investments, continued

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

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, GovGuam will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are held and administered by trustees in accordance with various bond indentures for the purpose of funding capital projects that benefit Guam's tourism industry. Based on negotiated trust and custody contracts, all of these investments were held in GovGuam's name by GovGuam's custodial financial institutions at September 30, 2021.

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, 2021, investments are classified as follows:

	Tourist Attraction Special Revenue <u>Fund</u>	Capital Projects <u>Fund</u>	Debt Service <u>Fund</u>	<u>Total</u>
Investments:				
Mutual Funds	\$ <u>506,709</u>	\$ <u>8,639,085</u>	\$ <u>8,833,755</u>	\$ <u>17,979,549</u>

Investments in mutual funds are measured at the net asset value.

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 and resulted in an economic gain of \$97,720.

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

Notes to Financial Statements, continued

3. Debt Service, continued

On March 2021, Hotel Occupancy Tax Revenue Refunding Bonds, Series 2021A with varying interest rates of 1.67% - 2.66% per annum were issued in the amount of \$71,655,466 to advance refund \$70,540,000 of outstanding 2011 Series A bonds. Net proceeds of \$70,317,349 (after payment of \$1,338,117 in underwriting fees, insurance and other issuance costs), and available funds of the government of \$2,445,101 totaling \$72,762,450 were placed in escrow. 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.

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

Construction Account - amounts held in this account and the interest earnings thereon do not constitute Revenues and are not pledged to the payment of the Bonds. Amounts in the Construction Account shall be used and withdrawn solely for the payment of Infrastructure Improvement Project Costs of such Infrastructure Improvement Projects, including by (1) direct payment, or (2) payment of any debt obligations issued by GovGuam to finance Infrastructure Improvement Project Costs, or (3) repayment of any advances made from any source for such Infrastructure Improvement Project Costs. The depository shall disburse moneys in the Construction Account for the purposes of the preceding sentence only upon Requisition of GovGuam stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper and lawful charge against said fund. Upon receipt of a Certificate of GovGuam that amounts in said fund are no longer required for the purpose of said fund, said amounts shall be transferred to the Revenue Fund. The Construction Account is accounted for within the Capital Projects Fund.

At September 30, 2021, \$7,990,755 of fund balance in the Capital Projects Fund is restricted for capital projects.

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

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

Notes to Financial Statements, continued

3. Debt Service, continued

Bond Fund - an amount equal to the sum of (1) the aggregate amount of interest to accrue on the bonds during the then current calendar month upon all bonds then outstanding, plus (2) an amount which, if paid in equal monthly installments in each month over the semiannual or annual period prior to the next principal payment date, would aggregate to the amount of the principal becoming due and payable on the outstanding serial bonds on such principal payment date, plus (3) an amount which, if paid in equal monthly installments in each month over the semiannual or annual period prior to the next principal payment date, would aggregate to the amount of mandatory sinking fund account payments required to be paid for the outstanding term bonds on such principal payment date.

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

Tax revenues of the Tourist Attraction Special Revenue Fund have been pledged to repay bond principal and interest.

At September 30, 2021, \$8,833,755 of fund balance in the Debt Service Fund is restricted for debt service purposes.

At September 30, 2021, GovGuam is of the opinion that it is in compliance with bond covenants outlined in the bond indenture.

4. Payments to Autonomous Agencies

Public Law 35-36 authorizes an appropriation in the amount of \$6,389,099 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, 2021, total appropriations made to GVB from the Tourist Attraction Special Revenue Fund amounted to \$5,324,249.

Public Law 35-36 authorizes an appropriation to the University of Guam (UOG) for the operations and programs of the Guampedia Foundation in the amount of \$150,000. During the year ended September 30, 2021, total appropriations made to UOG for the Guampedia Foundation amounted to \$150,000.

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

Notes to Financial Statements, continued

4. Payments to Autonomous Agencies, continued

Public Law 35-36 authorizes an appropriation to the Guam Community College (GCC) for the Lodging Management Program/ProStart Program in the amount of \$22,960. During the year ended September 30, 2021, there were no appropriations made to GCC for the Lodging Management Program/Prostart Program.

Public Law 32-068 created the Hotel Occupancy Tax Surplus Fund authorizing the transfer of revenue collections in excess of the revenue budget. During the year ended September 30, 2021, revenue collections did not exceed the revenue budget.

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 \$55,609,615. GovGuam has entered into certain contracts associated with these projects with capital-related expenditures of \$42,000 being incurred under these contracts during the year ended September 30, 2021. The remaining unliquidated contract amount of \$4,357,937 is recorded within restricted fund balance of the Capital Projects Fund in the accompanying financial statements.

6. Coronavirus Pandemic

On March 11, 2020, the World Health Organization (WHO) categorized the novel coronavirus (COVID-19) as a global pandemic, prompting many national, regional, and local governments, including those of Guam's main tourism markets, to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact on Guam's tourism industry and the operations of the Funds. There continues to be a significant uncertainty around the breadth and duration of disruptions related to COVID-19 as well as its impact on the tourism-based economy of Guam. Accordingly, the Funds are unable at this time to reasonably estimate the potential future impact on the Funds' financial statements.

7. Subsequent Events

The Funds have evaluated subsequent events through July 2, 2022. It is also the date that the financial statements were available to be issued.

Supplementary and Other Information

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

Comparative Balance Sheets

September 30, 2021 and 2020

	<u>Tourist Attraction Fund</u>		<u>Capital Project Fund</u>		<u>Debt Service Fund</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Assets						
Investments	\$ 506,709	\$ 1,168,665	\$ ---	\$ ---	\$ ---	\$ ---
Restricted assets - investments	---	---	8,639,085	8,639,398	8,833,755	12,766,212
Taxes receivable	<u>504,090</u>	<u>1,134,326</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total assets	<u>\$ 1,010,799</u>	<u>\$ 2,302,991</u>	<u>\$ 8,639,085</u>	<u>\$ 8,639,398</u>	<u>\$ 8,833,755</u>	<u>\$ 12,766,212</u>
Liabilities						
Accounts payable	\$ 2,800	\$ ---	\$ 42,000	\$ ---	\$ ---	\$ ---
Retention payable	---	---	529,342	529,341	---	---
Accrued payroll and other	126,296	77,388	---	---	---	---
Due to General Fund	<u>881,703</u>	<u>2,225,603</u>	<u>76,988</u>	<u>76,988</u>	<u>---</u>	<u>---</u>
Total liabilities	<u>1,010,799</u>	<u>2,302,991</u>	<u>648,330</u>	<u>606,329</u>	<u>---</u>	<u>---</u>
Fund Balances						
Fund balances:						
Restricted for:						
Capital projects	---	---	7,990,755	8,033,069	---	---
Debt service	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>8,833,755</u>	<u>12,766,212</u>
Total fund balances	<u>---</u>	<u>---</u>	<u>7,990,755</u>	<u>8,033,069</u>	<u>8,833,755</u>	<u>12,766,212</u>
Total liabilities and fund balances	<u>\$ 1,010,799</u>	<u>\$ 2,302,991</u>	<u>\$ 8,639,085</u>	<u>\$ 8,639,398</u>	<u>\$ 8,833,755</u>	<u>\$ 12,766,212</u>

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

Comparative Statements of Revenues, Expenditures by Function and Changes in Fund Balances

Years ended September 30, 2021 and 2020

	Tourist Attraction Special Revenue Fund		Capital Projects Fund		Debt Service Fund	
	2021	2020	2021	2020	2021	2020
Revenue:						
Taxes	\$ 12,372,113	\$ 26,366,511	\$ ---	\$ ---	\$ ---	\$ ---
Use of money and property	110	37,937	(314)	217,395	1,007	80,812
Total revenues	<u>12,372,223</u>	<u>26,404,448</u>	<u>(314)</u>	<u>217,395</u>	<u>1,007</u>	<u>80,812</u>
Expenditures:						
Current:						
Payments to Guam Visitors Bureau	5,324,249	15,430,306	---	---	---	---
Protection of life and property	1,944,517	6,226,806	---	---	---	---
Recreation	1,051,606	3,011,663	---	---	---	---
Individual and collective rights	930,899	2,657,431	---	---	---	---
General government	217,907	447,377	---	---	---	---
Economic development	213,959	322,455	---	---	---	---
Payments to University of Guam	150,000	199,997	---	---	---	---
Payments to Hagatna Restoration and Redevelopment Agency	---	164,099	---	---	---	---
Community services	34,870	---	---	---	---	---
Environmental protection	14,941	94,614	---	---	---	---
Miscellaneous appropriations	137,969	---	---	---	---	---
Payments to Guam Community College	---	---	---	---	---	---
Capital projects	---	---	42,000	120,758	---	---
Debt service:						
Principal	---	---	---	---	2,699,375	2,345,000
Interest	1,338,117	---	---	---	4,769,647	4,651,988
Total expenditures	<u>11,359,034</u>	<u>28,554,748</u>	<u>42,000</u>	<u>120,758</u>	<u>7,469,022</u>	<u>6,996,988</u>
Excess (deficiencies) of revenues over (under) expenditures	<u>1,013,189</u>	<u>(2,150,300)</u>	<u>(42,314)</u>	<u>96,637</u>	<u>(7,468,015)</u>	<u>(6,916,176)</u>
Other financing sources (uses):						
Refunding bonds	58,865,000	---	---	---	---	---
Premium from refunded bonds issued	12,790,466	---	---	---	---	---
Payment to refunded bond escrow agent	(70,317,349)	---	---	---	---	---
Transfers in	1,190,267	7,666,613	---	---	3,535,558	7,602,388
Transfers out	(3,541,573)	(7,602,388)	---	---	---	---
Total other financing (uses) sources, net	<u>(1,013,189)</u>	<u>64,225</u>	<u>---</u>	<u>---</u>	<u>3,535,558</u>	<u>7,602,388</u>
Net change in fund balances	---	(2,086,075)	(42,314)	96,637	(3,932,457)	686,212
Fund balances at the beginning of the year	---	2,086,075	8,033,069	7,936,432	12,766,212	12,080,000
Fund balances at the end of the year	\$ ---	\$ ---	\$ 7,990,755	\$ 8,033,069	\$ 8,833,755	\$ 12,766,212

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

Comparative Statements of Revenues, Expenditures by Object and Changes in Fund Balances

Years ended September 30, 2021 and 2020

	Tourist Attraction Special Revenue Fund		Capital Projects Fund		Debt Service Fund	
	2021	2020	2021	2020	2021	2020
Revenue:						
Taxes	\$ 12,372,113	\$ 26,366,511	\$ ---	\$ ---	\$ ---	\$ ---
Use of money and property	110	37,937	(314)	217,395	1,007	80,812
Total revenues	<u>12,372,223</u>	<u>26,404,448</u>	<u>(314)</u>	<u>217,395</u>	<u>1,007</u>	<u>80,812</u>
Expenditures:						
Salaries and wages - regular	1,881,765	4,287,719	---	---	---	---
Salaries and wages - overtime	1,667	19,560	---	---	---	---
Salaries and wages - fringe benefits	652,357	1,392,080	---	---	---	---
Travel	---	25,934	---	---	---	---
Contractual services	420,352	2,504,730	---	120,758	---	---
Building rent	238,200	532,841	---	---	---	---
Supplies	407,849	1,262,802	---	---	---	---
Equipment	49,395	39,975	---	---	---	---
Workers compensation benefits	---	8,513	---	---	---	---
Grants and subsidies	5,533,199	15,794,402	---	---	---	---
Utilities - power and water	627,787	1,487,686	---	---	---	---
Communications	36,092	449,410	---	---	---	---
Capital outlays	33,753	70,644	42,000	---	---	---
Principal retirement	---	---	---	---	2,480,000	2,345,000
Interest and fiscal charges	1,338,117	---	---	---	4,989,022	4,651,988
Miscellaneous	138,501	678,452	---	---	---	---
Total expenditures	<u>11,359,034</u>	<u>28,554,748</u>	<u>42,000</u>	<u>120,758</u>	<u>7,469,022</u>	<u>6,996,988</u>
Excess (deficiencies) of revenues over (under) expenditures	<u>1,013,189</u>	<u>(2,150,300)</u>	<u>(42,314)</u>	<u>96,637</u>	<u>(7,468,015)</u>	<u>(6,916,176)</u>
Other financing sources (uses):						
Refunding bonds	58,865,000	---	---	---	---	---
Premium from refunded bonds issued	12,790,466	---	---	---	---	---
Payment to refunded bond escrow agent	(70,317,349)	---	---	---	---	---
Transfers in	1,190,267	7,666,613	---	---	3,535,558	7,602,388
Transfers out	(3,541,573)	(7,602,388)	---	---	---	---
Total other financing (uses) sources, net	<u>(1,013,189)</u>	<u>64,225</u>	<u>---</u>	<u>---</u>	<u>3,535,558</u>	<u>7,602,388</u>
Net change in fund balances	---	(2,086,075)	(42,314)	96,637	(3,932,457)	686,212
Fund balances at the beginning of the year	---	2,086,075	8,033,069	7,936,432	12,766,212	12,080,000
Fund balances at the end of the year	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 7,990,755</u>	<u>\$ 8,033,069</u>	<u>\$ 8,833,755</u>	<u>\$ 12,766,212</u>

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

Schedule of Expenditures by Department by Object

Years ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Office of I Maga'lahan Guahan		
Office of Veteran's Affairs		
Supplies	\$ ---	\$ 299
Department of Administration		
Commission on Chamorro Language and the teaching of the History and Culture of the Indigenous People of Guam		
Salaries and wages - regular	146,067	111,214
Salaries and wages - fringe benefits	45,340	37,574
Travel	---	5,319
Contractual services	---	141,297
Supplies	---	---
Equipment	---	---
Capital outlays	---	8,505
Miscellaneous	---	4,295
	<u>191,407</u>	<u>308,204</u>
Division of Accounts		
Contractual services	20,500	20,500
Principal retirement	2,699,375	2,345,000
Interest and fiscal charges	6,107,764	4,651,988
Miscellaneous	6,000	16,977
	<u>8,833,639</u>	<u>7,034,465</u>
Total Department of Administration	<u>9,025,046</u>	<u>7,342,669</u>
Department of Public Works		
Office of the Director		
Salaries and wages - regular	---	73,604
Salaries and wages - overtime	---	1,913
Salaries and wages - fringe benefits	---	25,880
Total Department of Public Works	<u>---</u>	<u>101,397</u>
Guam Fire Department		
Office of the Chief		
Supplies	28,772	352,181
Utilities - power and water	---	264,934
Communications	---	2,792
Miscellaneous	---	92,530
Building Rent	148,200	---
Total Guam Fire Department	<u>176,972</u>	<u>712,437</u>
Guam Police Department		
Tumon-Tamuning Precinct		
Salaries and wages - regular	1,249,753	1,895,320
Salaries and wages - fringe benefits	422,043	576,641
Travel	---	17,617
Contractual Services	2,500	1,021,124
Building rent	90,000	489,465
Supplies	2,739	284,576
Workers compensation benefits	---	8,513
Utilities - power and water	---	562,716
Communications	---	307,844
Miscellaneous	510	350,553
Total Guam Police Department	<u>1,767,545</u>	<u>5,514,369</u>

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

Schedule of Expenditures by Department by Object, continued

Years ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Department of Agriculture		
Invasive Species		
Salaries and wages - regular	\$ ---	\$ 7,818
Salaries and wages - fringe benefits	---	1,945
Contractual services	660	7,383
Supplies	---	349
Utilities - power and water	40,862	111,462
Communications	---	7,491
Miscellaneous	---	---
	<u>41,522</u>	<u>136,448</u>
Animal Control		
Salaries and wages - regular	15,644	121,449
Salaries and wages - overtime	1,667	4,335
Salaries and wages - fringe benefits	4,692	54,965
Travel	---	2,998
Contractual services	22,500	860
Supplies	53	---
Miscellaneous	---	1,400
	<u>44,556</u>	<u>186,007</u>
Utilities- power and water	<u>127,881</u>	<u>---</u>
Total Department of of Agriculture	<u>213,959</u>	<u>322,455</u>
Guam Environmental Protection Agency		
Beach Monitoring		
Salaries and wages - regular	---	45,476
Salaries and wages - fringe benefits	---	14,826
Supplies	14,941	34,312
Total Guam Environmental Protection Agency	<u>14,941</u>	<u>94,614</u>
Department of Parks and Recreation		
Office of the Director		
Salaries and wages - regular	---	360,990
Salaries and wages - fringe benefits	---	114,795
Contractual services	17,135	24,895
Supplies	7,595	7,058
Utilities - power and water	459,044	527,701
Communications	25,545	24,353
Captial outlays	---	6,540
	<u>509,319</u>	<u>1,066,332</u>
Maintenance and Repair of Public Restrooms		
Salaries and wages - regular	---	269,426
Salaries and wages - fringe benefits	---	99,948
Contractual services	121,490	192,528
	<u>121,490</u>	<u>561,902</u>
Memorial Services		
Salaries and wages - regular	---	6,595
Salaries and wages - fringe benefits	---	2,708
	<u>---</u>	<u>9,303</u>
Community Programs		
Salaries and wages - regular	---	190,487
Salaries and wages - fringe benefits	---	67,643
	<u>---</u>	<u>258,130</u>

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

Schedule of Expenditures by Department by Object, continued

Years ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Department of Parks and Recreation, continued		
Pool and Beach		
Salaries and wages - regular	\$ ---	\$ 192,088
Salaries and wages - fringe benefits	---	63,839
Contractual services	---	133,700
	<u>---</u>	<u>389,627</u>
Paseo Stadium		
Salaries and wages - regular	---	67,965
Salaries and wages - fringe benefits	---	30,303
	<u>---</u>	<u>98,268</u>
Historic Preservation Division		
Salaries and wages - regular	215,575	337,468
Salaries and wages - fringe benefits	94,358	108,050
Supplies	3,741	---
Contractual services	107,121	39,553
	<u>420,795</u>	<u>485,071</u>
Territorial Park Protection		
Salaries and wages - regular	---	100,387
Salaries and wages - overtime	---	13,312
Salaries and wages - fringe benefits	---	29,331
	<u>---</u>	<u>143,030</u>
Total Department of Parks and Recreation	<u>1,051,604</u>	<u>3,011,663</u>
Mayors' Council of Guam		
Operations		
Contractual services	23,253	14,430
Building rent	---	43,376
Supplies	26,868	35,954
Equipment	18,633	1,481
Utilities - power and water	---	20,873
Communications	---	69,443
Miscellaneous	3,813	---
	<u>72,567</u>	<u>185,557</u>
Island-wide Village Beautification		
Contractual services	28,621	93,852
Supplies	69,693	200,539
Equipment	7,608	13,350
Capital outlays	---	3,000
	<u>105,922</u>	<u>310,741</u>
Village Street Maintenance and Beautifications		
Contractual services	16,550	116,700
Supplies	235,079	347,534
Equipment	599	25,144
Communications	10,547	37,487
Capital outlays	---	52,599
Miscellaneous	11,521	39,850
	<u>274,296</u>	<u>619,314</u>
Total Mayors' Council of Guam	<u>452,785</u>	<u>1,115,612</u>

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

Schedule of Expenditures by Department by Object, continued

Years ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Council on the Arts and Humanities		
Operations		
Salaries and wages - regular	\$ ---	\$ 64,850
Salaries and wages - fringe benefits	---	22,765
Contractual services	300	7,189
Communications	---	---
Miscellaneous	113,589	171,669
	<u>113,889</u>	<u>266,473</u>
Total Council on the Arts and Humanities	<u>113,889</u>	<u>266,473</u>
Department of Chamorro Affairs		
Office of the Director		
Salaries and wages - regular	228,354	119,253
Salaries and wages - fringe benefits	78,780	38,818
Contractual services	42,316	55,066
Capital outlays	33,753	---
Supplies	18,366	---
Miscellaneous	3,070	1,178
Equipment	22,555	---
	<u>427,194</u>	<u>214,315</u>
Chamorro Village		
Salaries and wages - regular	24,607	104,839
Salaries and wages - fringe benefits	7,118	32,818
	<u>31,725</u>	<u>137,657</u>
Hagatna Restoration and Redevelopment		
Salaries and wages - regular	---	68,392
Salaries and wages - fringe benefits	---	22,243
	<u>---</u>	<u>90,635</u>
Guam Museum		
Salaries and wages - regular	1,765	150,098
Salaries and wages - fringe benefits	26	46,988
Contractual services	17,406	635,653
	<u>19,197</u>	<u>832,739</u>
Total Department of Chamorro Affairs	<u>478,116</u>	<u>1,275,346</u>

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

Schedule of Expenditures by Department by Object, continued

Years ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Guam Museum		
Contractual services	\$ ---	\$ 37,553
Total Guam Museum	<u>---</u>	<u>37,553</u>
San Vitores Flooding		
Contractual services	<u>---</u>	<u>29,263</u>
Total San Vitores Flooding	<u>---</u>	<u>29,263</u>
Hagatna Master Plan		
Contractual services	<u>---</u>	<u>29,074</u>
Total Hagatna Master Plan	<u>---</u>	<u>29,074</u>
Tumon Bay Improvements		
Contractual services	<u>---</u>	<u>11,989</u>
Total Tumon Bay Improvements	<u>---</u>	<u>11,989</u>
Ancestral Lands Commission		
Capital outlays	<u>42,000</u>	<u>---</u>
Total Ancestral Lands Commission	<u>42,000</u>	<u>---</u>
Dock Facility/Shoreline Reinforcement		
Contractual Services	<u>---</u>	<u>12,879</u>
Guam Visitors Bureau		
Grants and subsidies	<u>5,324,249</u>	<u>15,430,306</u>
University of Guam		
Grants and subsidies	<u>150,000</u>	<u>199,997</u>
Hagatna Restoration and Redevelopment		
Grants and subsidies	<u>58,950</u>	<u>164,099</u>
Guam Community College		
Grants and subsidies	<u>---</u>	<u>---</u>
	<u>\$ 18,870,056</u>	<u>\$ 35,672,494</u>

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

Schedule of Construction Project Status

Year ended September 30, 2021

	Total Budget	Expenditures Year ended September 30, 2021	Cumulative Expenditures	Outstanding Encumbrances	Continuing Appropriations
Tumon Bay Capital Projects:					
Reconstruction of Pale San Vitores Road	\$ 3,476,119	\$ ---	\$ 3,421,749	\$ ---	\$ 54,370
Sub-Total	<u>3,476,119</u>	<u>---</u>	<u>3,421,749</u>	<u>---</u>	<u>54,370</u>
Development of the Guam and Chamorro Educational Facility:					
GEDA - RW Armstrong Consulting Fee	2,866,286	---	2,866,286	---	---
Sub-Total	<u>2,866,286</u>	<u>---</u>	<u>2,866,286</u>	<u>---</u>	<u>---</u>
GEDA Projects:					
Guam and Chamorro Educational Facility	28,282,709	---	26,997,820	153,460	1,131,430
Historic Hagatna Projects	1,389,855	---	1,389,855	---	---
Crosswalk from Skinner Plaza to Chamorro Village	198,410	---	198,410	---	---
Inarajan Community Center Restoration	836,618	---	836,618	---	---
Malesso Bell Tower Restoration and Rehabilitation	362,013	---	362,013	---	---
Design/Construction of Guam Farmer's Cooperative Association Facility and Dededo Flea Market Relocation	4,348,327	42,000	3,497,952	122,302	728,072
Design/Construction of Village Entrance Signs for 19 Municipalities	427,998	---	427,998	---	---
Tumon Bay Improvements	931,793	---	931,793	---	---
Pale San Vitores Road Streetlight Renovation	993,431	---	601	931,000	61,830
Primary or Supplemental Funding for Hagatna Master Plan Projects	1,423,547	---	1,097,629	51,175	274,743
Other HOT Bond projects	11,810,129	---	---	---	11,810,129
San Vitores Flooding	3,033,338	---	2,861,584	---	171,754
Historic Monument and Plaza					
Commemorating Ferdinand Magellan's visit to Umatac Bay	188,254	---	188,254	---	---
Improve Public Facilities Near Fish Eye Pier	128,821	---	128,821	---	---
Mangilao Public Market Improvements	52,466	---	52,466	---	---
Agana Bay Vicinity Streetlight Renovation	421	---	421	---	---
Restoration and Repair of Scenic Byways, Overlooks and Historic Sites	608,386	---	608,386	---	---
Design and Construction of Permanent Monument for Senator Angel Santos Park	201,599	---	201,599	---	---
Scenic and Informational Highway Signs	4,209	---	4,209	---	---
Hagatna Tennis Court Improvements	157,254	---	157,254	---	---
Hagatna Pool Improvements	145,748	---	145,748	---	---
Public Park at Faifai and Gognga	14,374	---	14,374	---	---
Nimitz Beach Improvements	268,929	---	268,929	---	---
Guam Fishermen's Cooperative	5,100,000	---	900,000	3,100,000	1,100,000
Dock Facility	1,012,879	---	12,879	---	1,000,000
Guam Preservation Trust Reimbursement	4,288,811	---	4,288,811	---	---
Sub-Total	<u>66,210,320</u>	<u>42,000</u>	<u>45,574,426</u>	<u>4,357,937</u>	<u>16,277,957</u>
	<u>\$ 72,552,725</u>	<u>\$ 42,000</u>	<u>\$ 51,862,461</u>	<u>\$ 4,357,937</u>	<u>\$ 16,332,327</u>

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

Annual Debt Service Requirements to Maturity

September 30, 2021

Annual debt service requirements to maturity for the Hotel Occupancy Tax Revenue Bonds Series 2021A are as follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ ---	\$ 2,943,250	\$ 2,943,250
2023	---	2,943,250	2,943,250
2024	---	2,943,250	2,943,250
2025	---	2,943,250	2,943,250
2026	---	2,943,250	2,943,250
2027-2031	12,375,000	13,565,375	25,940,375
2032-2036	20,355,000	9,180,125	29,535,125
2037-2041	<u>26,135,000</u>	<u>3,397,875</u>	<u>29,532,875</u>
	<u>\$58,865,000</u>	<u>\$40,859,625</u>	<u>\$99,724,625</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 Bonds, 2021 Series A (the Funds), which comprise the balance sheet as of September 30, 2021, 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 July 2, 2022.

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) to determine the 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 have not been identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and responses as items 2021-001 and 2021-002 that we consider to be material weakness.

Compliance and other matters

As part of obtaining reasonable assurance about whether the Funds' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2021-001.

Fund's Response to Findings

The Fund's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Fund's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

The image shows a handwritten signature in black ink that reads "Ernst + Young LLP". The signature is written in a cursive, flowing style.

July 2, 2022

Government of Guam
Guam Highway Special Revenue Fund and Capital Projects Fund
(Governmental Funds of the Government of Guam)

Schedule of Findings and Responses

Findings No.: 2021-001

Criteria

Public Law (PL) 35-99 appropriated a total of \$7,213,694 from the Guam Tourist Attraction Special Revenue Fund (TAF) to the Department of Administration (DOA).

Condition

Total expenditures from the TAF exceeded the amount appropriated by PL 35-99.

Cause

Expenditures made to the DOA that exceeded the amount appropriated pertain to 2021 bond refunding. Expenditures pertaining to bond refunding are reviewed by the deputy finance manager and funds available are certified by the DOA.

Effect or potential effect

The total expenditures made for DOA would exceed the amounts appropriated.

Recommendation

We recommend that internal controls be set in place to ensure that total expenditures are periodically compared to total appropriations to ensure that such over expenditures do not occur. In cases where there is a need to expend amounts greater than appropriations, approvals should be obtained and documented to reflect such decisions.

View of responsible officials

Overspent appropriations at Department of Administration is not a recurring issue. Expenditures exceeding appropriations relates to the 2021 bond refunding. Internal Controls will be reviewed to prevent recurrences of these excess expenditures.

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

Schedule of Findings and Responses, continued

Findings No.: 2021-002

Criteria

Government Accounting Standards Board (GASB) Codification 1500.117 requires that a government accrue a governmental fund liability and expenditure for most expenditures and transfers in the period in which the government incurs the liability.

Condition

The Guam Tourist Attraction Special Revenue Fund did not recognize a liability owed to a vendor for construction services rendered as of September 30, 2021.

Cause

The vendor invoice was not provided to the Funds' management for recording prior to the financial statement close date. There are no systems of controls in place to ensure that services received but which have not been invoiced are timely accrued in the fund financial statements.

Effect or potential effect

An audit adjusting journal entry totaling \$83,740 was included in the summary of uncorrected misstatements of the Guam Tourist Attraction Special Revenue Fund to record the understatement in the due to General Fund account and contractual services expenditure account.

Recommendation

Fund management should implement controls to ensure timely receipt of vendor statements for services received during the period. This procedure is necessary so that accruals, especially when closing its fiscal year end financial statements, are complete and recorded in the proper accounting period.

View of responsible officials

Timely recording of liabilities is and has been a recurring issue for the Government of Guam. Much of the difficulty can be attributed to the distributed responsibility of financial personnel in the agencies. Department of Administration has advised vendors using a press release that vendor invoices should be sent to DOA/Division of Accounts. This effort will be continuously monitored.



OFFICE OF PUBLIC ACCOUNTABILITY

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Tourist Attraction Fund – FY 2021 Financial Highlights

July 7, 2022

Hagåtña, Guam – The Office of Public Accountability (OPA) has released the Government of Guam (GovGuam) Tourist Attraction Fund’s (TAF) financial statements, report on compliance and internal control, and auditor communication with those charged with governance for fiscal year (FY) 2021. Independent auditors, Ernst & Young LLP (EY), rendered an unmodified (clean) opinion on TAF’s financial statements. However, they identified two material weaknesses.

The TAF was created to help fund various recreational projects and tourist activities with revenues derived from Hotel Occupancy Taxes (HOT) generated by the visitor industry. TAF comprises three governmental funds: (1) Tourist Attraction Special Revenue Fund, (2) Capital Projects Fund, and (3) Debt Service Fund. The Capital Projects Fund accounts for the construction of capital improvement projects from bond proceeds. The Debt Service Fund accounts for funds required by the bond indenture to redeem the bond principal and pay bond interest as it becomes due.

Revenues and Expenditures Cut in Half

Total combined revenues decreased by \$14.3 million (M) (or 54%) from \$26.7M in FY 2020 to \$12.4M in FY 2021 due primarily to the pandemic, which continues to discourage inbound travel. This resulted in a 53% decrease in HOT revenue collections, which amounted to \$12.4M in FY 2021, compared to the \$26.4M in FY 2020. These revenues fund the expenditures of the TAF, along with residual bond proceeds. Similarly, total combined expenditures decreased by \$16.8M (or 47%) from \$35.7M in FY 2020 to \$18.9M in FY 2021.

\$3.8M Decrease in Fund Balance

The Tourist Attraction Special Revenue Fund, Capital Projects Fund and the Debt Service Fund ended FY 2021 with a fund balance of \$0, \$8.0M and \$8.8M respectively. However, altogether TAF's ending fund balance decreased by \$4.0M (or 19%), from \$20.8M in FY 2020 to \$16.8M in FY 2021.

HOT Revenue Bonds: Series 2021A

The Debt Service Fund accounts for the principal and interest due on the HOT Revenue Bonds. In FY 2021, TAF paid \$8.8M in principal and interest on the Series 2021A HOT Bonds. This amount included the portion of the 2011 HOT Bond that was paid in FY 2021. This was due to the timing of the release of the financial statements for FY 2020, which was after the refinancing of the bonds and did not include the 2011 portion of future payments not included in the financial statements.

However, to reiterate, the issuance of the Series 2021A bonds included revised annual debt service requirements to maturity up to FY 2041. The details of the schedule include no principal paid for the first five fiscal years (FY 2021 - FY 2025) and an interest of \$253K in FY 2021 and \$2.9M for years 2022-2025. Principal plus interest on the Series 2021A bonds totals about

\$100M, which is a \$29.6M savings from the \$129.5M remainder of the 2011 Series A bonds. This is due to the \$14.2M reduction in principal and \$15.4M reduction in interest.

Report on Internal Control Over Financial Reporting

Independent auditors identified two findings that were considered to be material weaknesses. Expenditures from the TAF exceeded the amount appropriated to the Department of Administration (DOA) by Public Law 35-99. The TAF had an expenditures total of \$9M to DOA, which was \$1.8M over the appropriated amount of \$7.2M. The auditors recommended that internal controls are set in place to ensure that total expenditures are periodically compared to total appropriations to ensure that over expenditures do not occur, as well as obtain and document approvals in cases where they need to expend amounts greater than appropriations.

The second finding found that a liability had not been promptly recognized at fiscal year-end. An adjustment was included in the summary of uncorrected misstatements to record the understatement caused by the finding. The auditors recommended that fund management should implement controls to ensure timely receipt of vendor statements for services received to ensure accruals are complete and recorded in the proper accounting period. DOA has advised vendors in a press release to send invoices to the DOA/Division of Accounts.

FY 2021 Books Not Closed on a Timely Basis

In a separately issued management letter, independent auditors noted TAF's FY 2021 books were not closed in a timely manner. Additional man-hours incurred could have been avoided if an updated financial management system was in place. This is a repeat occurrence from last year and has been an issue as far as FY 2019. DOA has been in the process of procuring a new financial management system to address this issue but is currently still in the evaluation phase of the procurement.

Coronavirus (COVID-19) Pandemic Impact and Outlook

On March 11, 2020, the World Health Organization (WHO) categorized the novel coronavirus (COVID-19) as a global pandemic. As a preventative measure, GovGuam implemented travel and business restrictions and quarantines. Unfortunately, this severely impacted its tourism-based economy. Prior to the WHO announcement, Guam experienced an all-time high of 1.6M visitors. However, the island experienced a reduction and eventual standstill in tourism, closing with 757K tourists in FY 2020. Continued efforts to combat the virus brought visitors numbers down significantly to 61K tourists in FY 2021, resulting in a decrease of 695K (or 92%).

Amidst economic uncertainty, the pandemic may adversely impact the operation of the Funds. Although, it is impossible to precisely determine the severity of its impact on the financial statements. While there is significant uncertainty around the breadth and duration of COVID-related disruptions, Guam must continue promoting itself as a safe destination. With its vaccinated population on the rise and a community ready to welcome tourists, a promising future lies ahead.

For more details on the use of TAF, see the Management's Discussion and Analysis in the audit report at www.opaguam.org.

*The Auditor's Communication With Those Charged
With Governance*

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

Year ended September 30, 2021





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Tel: +1 671 649 3700
Fax: +1 671 649 3920
ey.com

July 2, 2022

Honorable Lou Leon Guerrero
Governor of Guam

We have performed an audit of 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 Bonds, 2011 Series A (the Funds), as of and for the year ended September 30, 2021, 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, and have issued our report thereon dated July 2, 2022.

This report summarizes our communications with those charged with governance as required by our professional standards to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process.

REQUIRED COMMUNICATIONS

Professional standards require the auditor to provide those charged with governance with additional information regarding the scope and results of the audit that may assist in overseeing the financial reporting and disclosure processes which the management of the Funds is responsible. We summarize these required communications as follows:

Overview of the planned scope and timing of the audit

Our audit scope and timing is consistent with the plan communicated in our engagement letter dated November 15, 2019 and at our audit planning meeting with management.

Auditors' Responsibilities under Auditing Standards Generally Accepted in the United States (US GAAS) and Generally Accepted Government Auditing Standards (GAGAS)

The financial statements and supplementary information are the responsibility of the Funds' management as prepared with the oversight of those charged with governance. Our audit was designed 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, to obtain reasonable, rather than absolute, assurance that the financial statements are free of material misstatement.

An audit of financial statements 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 entity's internal control over financial reporting. Accordingly, we express no such opinion.

Honorable Lou Leon Guerrero
Governor of Guam

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, and evaluating the overall financial statement presentation.

Our responsibilities are included in our audit engagement letter.

Changes to the audit strategy, timing of the audit and significant risks identified

Our audit strategy is consistent with the plan communicated during the October 2021 meeting.

Matters relevant to our evaluation of the entity's ability to continue as a going concern

We did not identify any events or conditions that led us to believe there was substantial doubt about the Funds' ability to continue as a going concern.

Our views about the qualitative aspects of the Corporation's significant accounting practices, including:

- **Accounting policies**
- **Accounting estimates**

Management has not selected or changed any significant policies or changed the application of those policies in the current year.

We have provided a discussion of significant accounting policies and our views regarding significant accounting estimates and financial statement disclosures and related matters in Note 1 of the basic financial statements.

We determined that those charged with governance are informed about management's process for formulating particularly sensitive estimates and about the basis to our conclusions regarding the reasonableness of those estimates.

Significant findings and issues arising during the audit relating to related parties

We noted no significant matters regarding the Funds' relationships and transactions with related parties.

Changes to the terms of the audit with no reasonable justification for the change

None.

Significant unusual transactions

We are not aware of any significant unusual transactions executed by the Funds.

Difficult or contentious matters subject to the consultation outside of the audit team

None.

Material corrected misstatements, related to accounts and disclosures

Refer to “Summary of Corrected Misstatement” in Appendix A.

Uncorrected misstatements, related to accounts and disclosures, considered by management to be immaterial

Certain uncorrected misstatement accumulated by us were identified during the audit and pertaining to the latest period presented, which were determined by the Funds’ management to be immaterial, both individually and in the aggregate, to the financial statements as a whole (see Appendix B – Summary of Uncorrected Misstatement).

Significant deficiencies and material weaknesses in internal control

Please refer to our separately issued Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters issued on July 2, 2022 for details of identified material weaknesses.

We have issued a separate Management Letter dated July 2, 2022 for details of an identified deficiency.

Fraud and illegal acts

We are not aware of any matters that require communication.

Independence matters

We are not aware of any matters that in our professional judgment would impair our independence.

Significant issues discussed with management in connection with the auditor’s initial appointment or recurring retention

None.

Disagreements with management and significant difficulties encountered in dealing with management when performing audit

None.

Management’s consultation with other accountants

We are not aware of any consultation made by management with other accountants or specialists.

Other material written communication with management

None.

Other findings or issues regarding the oversight of the financial reporting process

There are no other findings or issues arising from the audit that are, in our judgment, significant and relevant to those charged with governance regarding the oversight of the financial reporting process.

AICPA ethics ruling regarding third-party service providers

From time to time, and depending on the circumstances, (1) we may subcontract portions of the Audit Services to other EY firms, who may deal with the Company or its affiliates directly, although EY alone will remain responsible to you for the Audit Services and (2) personnel (including non-certified public accountants) from an affiliate of EY or another EY firm or any of their respective affiliates, or from independent third-party service providers (including independent contractors), may participate in providing the Audit Services. In addition, third-party service providers may perform services for EY in connection with the Audit Services.

Representations we are requesting from management

See letter of representations related to the audit in Appendix C.

Engagement team's involvement with preparation of the financial statements

Under GAS 2011 Revision, Chapter 3 General Standards, Paragraph 3.34 Requirements for Performing Non-audit Services explains that the audit team should make consideration of management's ability to effectively oversee the non-audit (or non-attest) services to be performed. The engagement team should determine that the audited entity has designated an individual who possesses suitable skill, knowledge or experience and that the individual understands the services to be performed sufficiently to oversee them. The engagement team should document consideration of management's ability to oversee non-audit services to be performed.

The engagement team believes that this significant threat is reduced to an acceptable level upon application of the following safeguards:

- An engagement quality control review was performed by a qualified Ernst & Young Partner who was not otherwise involved in the audit.
- The preparation of the financial statements is based on the Funds' trial balance with our understanding that the Funds' underlying books and records are maintained by the Funds' accounting department and that the final trial balance prepared by the Funds is complete.
- All adjusting journal entries that Ernst & Young posted to the trial balance have been approved by management of the Funds.
- The Funds' Deputy Financial Manager and Controller has the skill sets to oversee and review the completeness and accuracy of the financial statements and footnote disclosures.

Honorable Lou Leon Guerrero
Governor of Guam

This report is intended solely for the use of management, the Office of the Governor and the Office of Public Accountability of Guam and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

Very truly yours,

Ernst + Young LLP

Honorable Lou Leon Guerrero
Governor of Guam

Appendix

A – Summary of Corrected Misstatement

B – Summary of Uncorrected Misstatement

C – Management Representations Letter

Communication schedule for corrected misstatements

Entity: Tourist Attraction Fund- Debt Service Fund

Period ended: 30-Sep-2021

Currency: USD

Corrected misstatements		Analysis of misstatements Debit/(Credit)								
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period	
(misstatements are recorded as journal entries with a description)			Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable
RJE-0	VE0100	To reflect the HOT Bond Refunding as transaction of the Special Revenue Fund rather than the Debt Service Fund								
		Expenditures: General Government								
		Expenditures: Debt Service: Principal & Interest								(772,689)
		Other Financing Sources: Transfers in								2,695,272
		Other Financing Sources: Transfers out								70,839,867
										(72,762,450)
RJE-0	VE0100	To adjust transfer-in								
		Other Financing Sources: Transfers in								
		Due from General Fund	(1,491,639)							1,491,639
Total of corrected misstatements before income tax			(1,491,639)	0	0	0	0	0	0	1,491,639
Financial statement amounts			8,833,755	0	0	0				3,932,457
Effect of corrected misstatements on F/S amounts			-16.9%	0.0%	0.0%	0.0%	0.0%			37.9%

Above entries have been reviewed and approved:


Edward M. Fern, Director


Gaudencio A. Rosario, Deputy Financial Manager

Appendix B – Summary of Uncorrected Misstatement

Communication schedule for uncorrected misstatements

Entity: Tourist Attraction Fund-Special Revenue Fund Period Ended: 30-Sep-2021 Currency: USD

No	W/P ref	Account (Note 1) <small>(misstatements are recorded as journal entries with a description)</small>	Analysis of misstatements Debit/(Credit)						Effect on the current period OCI		Income statement effect of the current period		Income statement effect of the prior period		
			Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non-taxable	Prior period Debit/(Credit)	Non-taxable
Actual misstatements:															
SAD-01	140200	To accrue the Archiolas Laguna, LLC payment for services rendered before fiscal year-end.													
		Expenditures													
		Due to General Fund					(83,740)								
Total of uncorrected misstatements before income tax			0	0	(83,740)	0	0	0	0	0	83,740				
Total of uncorrected misstatements			0	0	(83,740)	0	0	0	0	0	83,740				
Financial statement amounts			1,010,799	0	11,210,720	0	0								
Effect of uncorrected misstatements on FIS amounts			0.0%	0.0%	8.3%	0.0%	0.0%								
<p>We believe that the effects of any uncorrected misstatements, summarized in the above schedule, accumulated by you during the current audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.</p> <p><i>Edward M. Birn</i> 6/19/21 Edward M. Birn, Director</p> <p><i>Guidencio A. Rosario</i> Guidencio A. Rosario, Deputy Financial Manager</p>			<p>Memo: Total of non-taxable items (marked "X" above)</p> <p>Uncorrected misstatements before income tax: 0.0% 83,740</p> <p>Less: Tax effect of misstatements at current year marginal rate: 0% 0</p> <p>Uncorrected misstatements in income tax: 0</p> <p>Cumulative effect of uncorrected misstatements after tax but before turnaround: 0.0% 83,740</p> <p>Turnaround effect of prior period uncorrected misstatements: 0 0</p> <p>All factual and projected misstatements: 0 0</p> <p>Judgmental misstatements (Note 3): 0 0</p> <p>Cumulative effect of uncorrected misstatements, after turnaround effect: 0.0% 83,740</p> <p>Current year income before tax: 0</p> <p>Current year income after tax: 0</p>						<p>After tax Memo: Before tax</p> <p>0 0</p> <p>0 0</p>		<p>0</p> <p>0</p> <p>0</p> <p>0</p> <p>0</p> <p>0</p> <p>0</p> <p>0</p>				

Appendix B – Summary of Uncorrected Misstatement, continued

Communication schedule for uncorrected misstatements



Entity Tourist Attraction Fund- Special Revenue Fund

Period Ended 30-Sep-2021

Currency USD

Uncorrected misstatements		Analysis of misstatements Debit/(Credit)								Income statement effect of the prior period		
No.	W/P ref	Account (Note 1)	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period		Prior period Debit/(Credit)	Non taxable
		(misstatements are recorded as journal entries with a description)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable
Factual misstatements:												
SAD-01	110200	To accrue the Architects Laguna, LLC payment for services rendered before fiscal year-end										
		Expenditures								83,740		
		Due to General Fund			(83,740)							
Total of uncorrected misstatements before income tax			0	0	(83,740)	0	0	0	0	83,740		
Total of uncorrected misstatements			0	0	(83,740)	0	0	0	0	83,740		
Financial statement amounts			1,070,799	0	(1,070,799)	0	0	0	0			
Effect of uncorrected misstatements on FIS amounts			0.0%	0.0%	8.3%	0.0%	0.0%	0.0%	0.0%		(2,089,071)	0.0%
<p>We believe that the effects of any uncorrected misstatements, summarized in the above schedule, accumulated by you during the current audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.</p> <p><i>Edward M. Burn</i> 6/13/21 Edward M. Burn, Director</p> <p><i>Guadalupe A. Rosario</i> Guadalupe A. Rosario, Deputy Financial Manager</p>			<p>Memo: Total of non-taxable items (marked "X" above)</p> <p>Uncorrected misstatements before income tax</p> <p>Less: Tax effect of misstatements at current year marginal rate</p> <p>Uncorrected misstatements in income tax</p> <p>Cumulative effect of uncorrected misstatements after tax but before turnaround</p> <p>Turnaround effect of prior period uncorrected misstatements</p>			<p>0.0%</p>						
					<p>All factual and projected misstatements: Judgmental misstatements (Note 3)</p>		<p>After tax</p> <p>Memo: Before tax</p>					
Cumulative effect of uncorrected misstatements, after turnaround effect					0.0%		83,740					
Current year income before tax							0					
Current year income after tax							0					

Appendix C – Management Representation Letter

 <p>EDWARD M. BIRN <i>Director (Direktot)</i> BERNADINE C. GINES <i>Deputy Director (Sigundo Direktot)</i></p>	<p>DEPARTMENT OF ADMINISTRATION DIPATTAMENTON ATMENESTRASION</p> <p>DIRECTOR'S OFFICE <i>(Ufisinan Direktot)</i> Telephone (Telifon): (671) 475-1101/1250</p>	 <p>LOURDES A. LEON GUERRERO <i>Governor (Maga'håga)</i> JOSHUA F. TENORIO <i>Lt. Governor (Sigundo Maga'åhåh)</i></p>
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July 2, 2022

Ernst & Young LLP
231 Ypao Road Suite 201
Tamuning, Guam 96913

In connection with your audit of the financial statements of the Tourist Attraction Special Revenue Fund, Capital Projects Fund, and Debt Service Fund related to the Government of Guam (the Government) Hotel Occupancy Tax Revenue Bonds, 2011 Series A (the Funds), which comprise the balance sheet as of September 30, 2021, 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, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the financial statements present fairly, in all material respects, the financial position and the results of operations of the Funds in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief.

Management's responsibilities

We have fulfilled our responsibilities, as set forth in the terms of the audit engagement agreement dated November 15, 2019 for the preparation and fair presentation of the financial statements (including disclosures) in accordance with US GAAP applied on a basis consistent with that of the preceding periods.

We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. We have provided you with:

- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, data, documentation and other matters

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Appendix C – Management Representation Letter, continued

- Additional information that you have requested from us for the purpose of the audit
- Unrestricted access to persons within the Government from whom you determined it necessary to obtain evidence

We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

From March 31, 2021 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

Uncorrected misstatements

We believe that the effects of any uncorrected misstatements, summarized in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements for each opinion unit.

Internal control

There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

There have been no significant changes in internal control since September 30, 2021.

Minutes and contracts and internal audit reports

There are no meetings of the Board of Directors and important management committees held from October 1, 2021 to June 30, 2022.

We have made available to you all significant contracts, including amendments, and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.

We have also made available to you all internal audit reports (or reports from similar functions) that were issued to management during the year that address internal control over financial reporting.

Methods, significant assumptions, and data used in making accounting estimates

Appendix C – Management Representation Letter, continued

The appropriateness of the methods, the consistency in application, the accuracy and completeness of data, and the reasonableness of significant assumptions used by us in developing accounting estimates and related disclosures, including those measured at fair value, are reasonable and supportable.

Ownership and pledging of assets

There are no assets capitalized under capital leases. The Government has satisfactory title to all assets appearing in the balance sheet. No security agreements have been executed under the provisions of the Uniform Commercial Code, and there are no liens or encumbrances on assets, nor has any asset been pledged, except as disclosed in the financial statements. All assets to which the Government has satisfactory title appear in the balance sheet.

Receivables and revenues

Receivables recorded in the financial statements of the Funds represent valid claims against the debtors indicated and do not include amounts for services provided subsequent to the balance sheet date, or other types of arrangements not constituting revenue. Receivables have been determined in accordance with all relevant GASB Statements, including GASB Statements No. 33 and 62—as amended.

We have disclosed to you all revenue terms (both expressed and implied). We have made available to you all significant contracts, communications (either written or oral), and other relevant information pertaining to arrangements with our customers.

Fair value measurements

We are responsible for the estimation methods and assumptions used in measuring assets and liabilities reported or disclosed at fair value, including information obtained from brokers, pricing services or other third parties. Our valuation techniques have been consistently applied from period to period. The fair value measurements reported or disclosed represent our best estimate of fair value as of the measurement date in accordance with the requirements of GASB Statement No. 72-as amended. In addition, our disclosures related to fair value measurements are consistent with the objectives outlined in GASB Statement No. 72-as amended.

Related party relationships and transactions

We have made available to you the names of all related parties and all relationships and transactions with related parties.

The substance of transactions with related parties as defined in GASB Statement No. 56 – as amended, has been considered and appropriate adjustments or disclosures are made in the financial statements, and information concerning these transactions and amounts have been made available to you.

To the extent applicable, related parties and all related party relationships and transactions, including sales, purchases, loans, transfers, leasing arrangements and guarantees (written or

Appendix C – Management Representation Letter, continued

oral) have been appropriately identified, accounted for and disclosed in the financial statements.

Side agreements and other arrangements

There have been no side agreements or other arrangements (either written or oral) that have not been disclosed to you.

Arrangements with financial institutions

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements have been properly recorded or disclosed in the financial statements.

Events of default under debt agreements

No events of default have occurred with respect to any of the Government's debt agreements.

Contingent liabilities

There are no unasserted claims or assessments, including those our lawyers have advised us of that are probable of assertion and must be disclosed in accordance with GASB Statement No. 62-as amended.

There have been no violations or possible violations of laws or regulations in any jurisdiction whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency

There have been no internal investigations or communications from regulatory agencies or government representatives concerning investigations or allegations of noncompliance with laws or regulations in any jurisdiction, noncompliance with or deficiencies in financial reporting practices, or other matters that could have a material effect on the financial statements.

There are no other liabilities or gain or loss contingencies considered material, individually or in the aggregate, that are required to be accrued or disclosed GASB Statement No. 62-as amended, nor are there any accruals for loss contingencies included in the balance sheet or gain contingencies reflected in earnings that are not in conformity with the provisions of GASB Statement No. 62-as amended.

Oral or written guarantees

There are no oral or written guarantees, including guarantees of the debt of others.

Purchase commitments

At September 30, 2021, the Government had no purchase commitments for inventories in excess of normal requirements or at prices that were in excess of market at those dates.

Appendix C – Management Representation Letter, continued

There were no agreements or commitments to repurchase assets previously sold. There were no material commitments outstanding at September 30, 2021 as a result of being a party to futures or forwards contracts, short sales or hedge transactions.

Fraud

We acknowledge our responsibility for the design, implementation and maintenance of programs and internal control to prevent and detect fraud.

We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Government's internal control over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees where the fraud could have a material effect on the financial statements.

The Government has not performed a risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud. However, management has made available to you their understanding about the risks of fraud in the Government and does not believe that the financial statements are materially misstatement as a result of fraud.

We have disclosed that there are no allegations of financial improprieties, including fraud or suspected fraud, coming to our attention (regardless of the source or form and including, without limitation, allegations by "whistle-blowers") where such allegations could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Government.

Independence

We have communicated to you the names of all the Fund's affiliates, officers and directors.

We are not aware of any business relationship between the Government and Ernst & Young LLP or any other member firm of the global Ernst & Young organization.

We are not aware of any reason that Ernst & Young LLP would not be independent for purposes of the Government's audit.

Conflicts of interest

There are no instances where any officer or employee of the Government has an interest in a company with which the Government does business that would be considered a "conflict of interest."- Such an interest would be contrary to Government policy.

Other information

We confirm that we have not identified any other information as defined in AICPA AU-C 720, The Auditor's Responsibilities Relating to Other Information Included in Annual Reports.

Effects of new accounting principles

Appendix C – Management Representation Letter, continued

As discussed in Note 1 to the financial statements, we have not completed the process of evaluating the effects that will result from adopting the amendments to the following codifications provided in Governmental Accounting Standards Board (GASB):

- GASB Statement No. 87
- GASB Statement No. 89
- GASB Statement No. 91
- GASB Statement No. 93
- GASB Statement No. 94
- GASB Statement No. 96
- GASB Statement No. 97

The Government is therefore unable to disclose the effects that adopting the amendments in the aforementioned GASB Statements will have on its balance sheet and the changes in its fund balance when such statements are adopted.

Required supplementary information

We acknowledge our responsibility for the required supplementary information on the Management's Discussion and Analysis on pages 4 through 9. There have been no changes in the methods of measurement or presentation of the required supplementary information from those used in the prior period. We are responsible for the significant assumptions and interpretations underlying the measurement and presentation of the required supplementary information. We believe that the significant assumptions and interpretations used are reasonable.

Supplementary and Other Information

We are responsible for the preparation and fair presentation of the following schedules (the "Supplementary and Other Information"):

- Comparative Balance Sheets
- Comparative Statements of Revenues, Expenditures by Function and Changes in Fund Balances
- Comparative Statements of Revenues, Expenditures by Object and Changes in Fund Balances
- Schedule of Expenditures by Department by Object
- Schedule of Construction Project Status

Appendix C – Management Representation Letter, continued

We believe the supplementary and other information, including its form and content, is fairly stated in all material respects in relation to the financial statements as a whole.

There have been no changes in the methods of measurement or presentation of the supplementary and other information from those used in the prior period.

There are no significant assumptions or interpretations underlying the measurement or presentation of the information.

Going concern

The Government's ability to continue as a going concern was evaluated and appropriate disclosures are made in the financial statements as necessary under GASB requirements.

Other representations

We have identified and disclosed to you all provisions of laws, and regulations that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.

We have followed all applicable laws and regulations in adopting, approving and amending budgets, tax or debt limits and covenants and secondary market disclosures, deposits and investments, including collateral requirements on depository accounts and investments.

The financial statements present only the Funds. They are not intended to present the financial position and results of operations of the Government in conformity with US GAAP.

Components of balance sheet (and classifications of fund balance (nonspendable fund balance, and restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.

Expenditures have been appropriately classified in or allocated to functions and programs in the Statement of Revenues, Expenditures and Changes in Fund Balances, and allocations have been made on a reasonable basis.

Revenues are appropriately classified in the Statement of Revenues, Expenditures and Changes in Fund Balances.

Interfund, internal and intra-entity activity and balances have been appropriately classified and reported in the financial statements.

Risk disclosures associated with deposits and investment securities are presented in accordance with GASB requirements.

Deposits are properly classified in the category of custodial credit risk.

Investments are properly valued.

Appendix C – Management Representation Letter, continued

Our policy regarding whether to first apply restricted or unrestricted resources when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available is appropriately disclosed and fund balance was properly recognized under the policy.

Subsequent events have been evaluated and classified as recognized or nonrecognized through the date of this letter.

The Government has obligated, expended, received and used public funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by Guam or federal law. Such obligation, expenditure, receipt or use of public funds was in accordance with any limitations, conditions or mandatory directions imposed by Guam or federal law.

Money or similar assets handled by the Government have been properly and legally administered and the accounting and recordkeeping related thereto is proper, accurate and in accordance with law.

There has been no:

- a. Action taken by the Government management that contravenes the provisions of federal laws, Guam laws, and laws and regulations, or of contracts and grants applicable to the Government.
- b. Communication from other regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the financial statements, which have been provided to you.

No evidence of fraud, possible irregularities or dishonesty in fiscal operations of federal programs administered by the Government has been discovered.

Subsequent events

Subsequent to September 30, 2021, no events or transactions, including events have occurred or are pending that would have a material effect on the financial statements at that date or for the period then ended, or that are of such significance in relation to the Government and the Government's affairs to require mention in a note to the financial statements in order to make them not misleading regarding the Funds' financial position and the results of their operations.

We understand that your audit was conducted in accordance with auditing standards generally accepted in the United States as established by the American Institute of Certified Public Accountants and the standards applicable to financial audit contained in Government Auditing

Honorable Lou Leon Guerrero
Governor of Guam

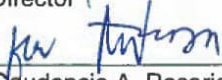
Appendix C – Management Representation Letter, continued

Standards, issued by the Comptroller General of the United States and were, therefore, designed primarily for the purpose of expressing an opinion on the financial statements of the Funds as a whole, and that your tests of the accounting records and other auditing procedures were limited to those that you considered necessary for that purpose.

Very truly yours,



Edward M. Birn
Director



Gaudencio A. Rosario
Deputy Financial Manager