

**GUAM VISITORS BUREAU
(A COMPONENT UNIT OF THE
GOVERNMENT OF GUAM)**

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

YEARS ENDED SEPTEMBER 30, 2013 AND 2012

GUAM VISITORS BUREAU
(A Component Unit of the Government of Guam)

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Years Ended September 30, 2013 and 2012

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Guam Visitors Bureau:

Report on the Financial Statements

We have audited the accompanying financial statements of the Guam Visitors Bureau (GVB), (a component of the Government of Guam) and its Special Tourist Attraction Fund Projects, which comprise the statements of net position/balance sheets as of September 30, 2013 and 2012, and the related statements of revenue, expenses, and changes in net position, operations and fund balance and of cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise GVB's basic 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 accordance with accounting principles generally accepted in the United States of America; 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 GVB and its Special Tourist Attraction Fund Projects as of September 30, 2013 and 2012, and the respective changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 9 as well as the Schedule of Funding Progress on page 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This supplementary information is the responsibility of GVB's management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

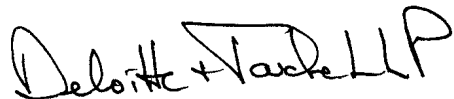
Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise GVB's basic financial statements. The Other Supplementary Information listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Other Supplementary Information is the responsibility of GVB's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States of America. In our opinion, the Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2014 on our consideration of GVB's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 GVB's internal control over financial reporting and compliance.

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

Tamuning, Guam

February 5, 2014

GUAM VISITORS BUREAU
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis
Years Ended September 30, 2013 and 2012

The Guam Visitors Bureau (GVB), a non-profit membership corporation, is the official tourism agency for the U.S. Territory of Guam. Among its responsibilities, GVB is charged with setting tourism policy and direction; developing and implementing Guam's tourism strategic and marketing plans; managing programs and activities that enhance and showcase Guam's people, place and culture in order to deliver an incomparable visitor experience; and coordinating tourism-related research, planning, events and outreach activities. GVB serves as a critical bridge linking government, the tourism industry, visitors and the local community, and aims to contribute successfully to a good quality of life for residents through tourism.

ADMINISTRATIVE HIGHLIGHTS

The Bureau saw major changes to its Board and Management in 2013, naming a new General Manager and welcoming six new Directors to the Board. Joann G. Camacho resigned as General Manager on December 31, 2012, and Karl A. Pangelinan, former Administrator of the Guam Economic Development Authority, took the position as GVB GM on January 22, 2013. The GVB membership held its bi-annual election on January 8, 2013, selecting four new directors: Bartley Jackson, Milton Morinaga, Norio Nakajima and N. Oscar Miyashita. During the first Board meeting of 2013 held on January 17th, Mark Baldyga was elected Chairman, Bruce Kloppenburg Vice-Chairman, N. Oscar Miyashita Treasurer, and Theresa Arriola Secretary. Mayor Robert Hofmann, Dr. Judith Guthertz and Ann Marie Muna were the new Mayors' Council and Legislative representatives.

The new Board and Management spearheaded several initiatives including the implementation of the S.M.A.R.T. goal method, updating the GVB By-laws and development of a new long-range tourism strategic plan. Management by Objectives, or MBO, is a management strategy that uses the S.M.A.R.T. goals method—setting objectives that are specific, measurable, achievable, realistic, and timely. All GVB Committees were required to utilize this method to formulate and report on their goals for the year and this system has increased the Bureau's focus and accountability, ensuring the entire organization is working towards the same collective goals.

One of the major S.M.A.R.T. goals for the year was to update GVB's By-laws, which haven't been amended for 25 years. The By-laws went through several levels of review from starting with the Executive Committee, Membership Committee, GVB Legal Counsel, GVB General Membership and finally the GVB Board. All 20 proposed amendments were approved at the Quarterly Membership meeting on June 28. Some of the major amendments included:

- Revise GVB's PURPOSE to match with what is stated in GVB's Enabling Legislation
- Article V & VI – Clean up the ambiguity over Election Meetings and Annual Meetings and update meeting notice procedures to follow Guam's open government laws
- Article VIII – Revise the timing of ratification of executive committee motions to occur at the next regular board meeting

GVB is charged with setting tourism policy and direction for Guam, and the Board, led by the efforts of Chairman Baldyga with Deputy General Manager Nathan Denight and UOG Tourism Professor Dr. Fred Schumann, worked together with industry, government and community stakeholders to develop the strategic vision and plan for Guam tourism. The result was TOURISM 2020, an actionable goal-oriented plan with measurable results that has the potential to move our island paradise to an entirely new level. The 8 Objectives outlined in the plan provide the roadmap to achieving the Vision (A world-class, first-tier resort destination of choice) and Mission (Economic opportunities and an enhanced quality of life for all Guamanians). The plan will be officially launched in February of 2014.

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MARKETING HIGHLIGHTS

GVB is the organization responsible for marketing Guam to the world as a premier tourist destination. To achieve maximum yield for the tourism industry from limited resources, GVB's marketing activity is carefully focused on a number of key markets and a select group of consumers within those key markets. As well as marketing to consumers, our trade training, marketing and media programs are designed to ensure that those who sell Guam have the knowledge and resources to be successful.

Total visitor arrivals saw a substantial increase for FY2013, beating expectations (+3%) and increasing 5% over the previous year, from 1,270,161 to 1,337,665. In fact, March and August 2013 were the first and third best months for arrivals ever. The real standout was the Korean market, which posted an impressive 49% spike in arrivals, finishing the year with a record-setting 232,850 visitors. The primary reason for the increase was the additional seat capacity provided by Jeju Air, which started flights from Incheon in September 2012, and Korean Air flying regularly scheduled charters out of Busan in October 2012. This positive trend is expected to continue in FY2014, and GVB is increasing its overall Korea marketing budget to expand consumer and trade activities.

Public relations for the Guam brand is a major area that GVB manages, and the Bureau had to respond to several high profile incidents in FY2013. The most pressing was the 2/12 incident that resulted in the death of 3 Japanese visitors and generated much negative press, not just in Japan, but globally as well. GVB organized a coordinated response from the government, industry and community to deal with this tragic situation in a sincere, respectful way, including raising funds through the 2/12 Relief Fund to assist the victims and families with the expenses related to the incident. These efforts surely helped lessen the impact from this tragic incident. The other major issue affecting Guam was the North Korean missile threat in April, and the Bureau worked closely with our overseas offices to monitor and mitigate any security concerns in the different source markets.

Japan arrivals were up slightly (+0.5%) versus the previous year at 912,093 arrivals. The first six months of FY2012 saw a sharp 5% increase in visitors, on pace to reach 1 million arrivals for the year. However, this trend reversed during the second half of the year mainly due to weakening of the yen and the halt of marketing activities in Japan for the 2 months following the 2/12 incident. By May, the yen had fallen nearly 14 percent against the dollar, making travel to U.S. destinations more expensive, and many Japanese shifted to domestic travel. In fact, total outbound travel from Japan decreased leading to increased market share for Guam (FY13: 5.2% vs FY12: 4.9%). While Guam was still able to show arrival gains, the average on-island spend saw a decrease, which hurt local retailers and optional tours.

In an effort to encourage collaboration between similar areas, the GVB Board consolidated the three different Chinese markets into one committee called Greater China. Travel from the Greater China markets was mixed, with gains in Mainland China (+14.9%, 10,384 arrivals) and Hong Kong (+6.4%, 8,936 arrivals), and a slight decrease in Taiwan (-3%, 47,904 arrivals). Mainland China still has not been granted visa waiver status by the Federal government, but great progress has been made to shorten the time and lower the costs for Chinese tourists to apply for a U.S. Visa. In fact, Hawaii had over 100,000 visitors from China, and GVB will be launching an aggressive marketing strategy in 2014 to attract more visits from what has become the world's top source market, spending \$102 billion in international tourism (UNWTO 2013 Tourism Highlights Report).

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More than double the number of Russian travelers visited Guam compared to last year (+109%, 6,134 arrivals). This trend should continue with the addition of direct flight service from Vladivostok and Khabarovsk in November 2013. Along with China, Russia is driving the growth of the global tourism market, moving to 5th place on the list of top tourism spenders in 2012 (US\$ 43 billion), on the back of a 37% increase. While the volume was relatively small in FY2013, the average length of stay was two weeks and the total average expenditure per person was \$4,203 (prepaid plus on-island), with \$1,596 being spent on-island. The Russian traveler is definitely a high-yield, high-spending visitor that has boosted retail sales and room rates for the industry.

In FY2013, the Marketing Department launched several important Global initiatives across all the key markets. From October 2012 to January 2013, the Shop Guam Festival campaign branded Guam as a world-class shopping destination, delivering impressive results with over \$6 million in media value generated and +2 million campaign site visits. The Bureau also began work on the development of a new global website platform and customer relationship management system (CRM) that will provide a consistent website experience in all the primary languages we serve and link all GVB offices together with a central, cloud-based database. The CRM was implemented in May 2013, and the website will be launched in FY2014. Guam is known as a leisure destination, but GVB has been working to attract the business meeting market (MICE). Guam's close proximity to Asia makes it a great destination for corporate incentive travel and business meetings.

DESTINATION DEVELOPMENT HIGHLIGHTS

Destination Development's mission is to support the development and enhancement of tourism attractions and experiences that build on our competitive product strengths, ensuring that Guam delivers on its brand promise. The importance of this division has been growing in need as the Government lacks the resources to maintain infrastructure that is critical to tourism. Guam must improve its quality in order to attract a high spending visitor and thereby improve yield. GVB's Destination Development Division is comprised of three committees: Destination Management, Cultural Heritage and Community Outreach and Sports and Events.

The Destination Management Committee (DMC) focuses on improving tourism infrastructure, safety and satisfaction. Over the years, GVB has taken on additional responsibilities originally tasked to other Government of Guam agencies such as San Vitores landscaping, grass cutting and trash collection along major highways, and Hågatña and Tumon Bay beach cleaning. Additional progress was made in the following areas: funding was approved by the Legislature for a Tumon surveillance camera system; Tumon ponding basin and culvert cleaning; tree trimming and removal of rhino beetle infested trees; and the installation of "X-style" crosswalk in at DFS/Plaza intersection.

For tourism to be thriving and sustainable, the community must have a sense of ownership and share a stake in industry processes and outcomes. The Cultural Heritage and Community Outreach Committee (CHaCO) supports the development and promotion of the Chamorro culture and other community outreach projects. Its key programs include cultural presentations for international marketing events, the Guam Chamorro Dance Academy, Guam Island Fiesta Tour (GIFT), village festival support and development grants for cultural, educational, medical and ecotourism. The cornerstone of the Guam Brand initiative is the Håfa Adai Pledge program now reaching over 500 participating organizations.

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Sports and events can draw new visitors, provide publicity in key source markets, enhance the image of Guam and improve the quality of life for residents. Recognizing these benefits, GVB's Sports and Events Committee supports the development and promotion of local sports and events that drive visitors to our island. The Bureau's longest running signature event, the Guam Micronesia Island Fair, was moved from October to May in 2013 to avoid the rainy typhoon season. The Ko'ko' Road Race continued to grow in participation, and a new signature running event, the Guam International Marathon, was successfully launched in April. In honor of GVB's 50th Anniversary, two fireworks shows were sponsored by the Bureau in Tumon Bay and Hagatna Bay. Some of the other signature events included the XTERRA Triathlon, Ladies Pro-Am Golf Tournament, Junko Baseball Tournament and Smokin' Wheels Racing Weekend.

FINANCIAL HIGHLIGHTS

The following table summarizes the financial condition and Operations of the Bureau for the fiscal years ended 2013, 2012, and 2011:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Assets			
Current assets	\$ 14,951,531	\$ 12,485,106	\$ 9,202,818
Noncurrent assets	1,135,196	749,184	-
Other assets	133,125	133,125	133,125
Property and equipment, at cost, net	<u>6,895,193</u>	<u>6,980,510</u>	<u>7,089,874</u>
	<u>\$ 23,115,045</u>	<u>\$ 20,347,925</u>	<u>\$ 16,425,817</u>
Liabilities:			
Current liabilities	5,402,119	3,209,730	2,428,377
Accrued sick leave	<u>148,448</u>	<u>141,766</u>	<u>126,352</u>
Total liabilities	<u>5,550,567</u>	<u>3,351,496</u>	<u>2,554,729</u>
Net position:			
Net investment in capital assets	6,895,193	6,980,510	7,089,874
Unrestricted	7,963,280	9,071,735	6,718,797
Restricted	<u>2,706,005</u>	<u>944,184</u>	<u>62,417</u>
Total net position	<u>17,564,478</u>	<u>16,996,429</u>	<u>13,871,088</u>
	<u>\$ 23,115,045</u>	<u>\$ 20,347,925</u>	<u>\$ 16,425,817</u>
Operating revenue	\$ 526,489	\$ 318,208	\$ 1,375,473
Operating expense	<u>15,404,691</u>	<u>12,767,333</u>	<u>13,618,458</u>
Operating revenues net of operating expenses	(14,878,202)	(12,449,125)	(12,242,985)
Nonoperating revenues, net	<u>15,446,251</u>	<u>15,574,466</u>	<u>13,841,396</u>
Change in net position	<u>\$ 568,049</u>	<u>\$ 3,125,341</u>	<u>\$ 1,598,411</u>

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An 11% hotel occupancy tax funds the Bureau's operations, authorized through the Legislature's annual budget appropriations. In fiscal year 2013, Public Law 31-233 appropriated \$16,018,239; \$14,022,384 for GVB operations and \$1,215,855 for Special Projects. The Bureau was able to recognize \$13,849,317 of its appropriation for Operations of which \$1,000,000 was for prior year appropriations and \$1,115,573 of its Special Projects appropriation, of which \$82,096 was for prior year appropriations. Additionally, \$780,000 was appropriated to the Guam Visitors Bureau for pass-thru entities, of which \$892,728 was recognized as revenue. Of this amount, \$215,154 was for prior year appropriations. GVB Board and Management followed through with the OPA's suggestion to seek high rates of returns on its cash, and moved \$2.5 million into a TCD.

In December 2012, PL 31-270 and PL 31-281 appropriated additional monies to the Guam Visitors Bureau. PL 31-270 appropriated \$150,000 for Security Cameras along Pale San Vitores Rd, which the Bureau was able to collect and recognize in FY2013. PL 31-281 appropriated additional funding for the hiring of four (4) additional staff: Management Analyst IV, Computer Operator II, Marketing Officer I, and a Computer Specialist. While GVB's mandates have been expanding, its staffing level has not increased, and these additional personnel will fill critical areas, especially in procurement and information technology. Total appropriation for the salaries of these positions was \$170,958 of which the Bureau collected and recognized \$64,000.

The FY13 TAF collections were 11% higher than the previous year, totaling a healthy \$28,606,196. The increase can be attributed to the average room rate and occupancy rates increasing, and while FY13 room data was not yet available, from FY11 to FY12, room rates increased from \$114 to \$123, and occupancy rates went from 70% to 81%. This trend was projected to continue for FY13. Moreover, many of the hotel properties underwent major renovation, and the June 2013 Employment Report from Department of Labor noted that the hotel industry added 250 additional jobs compared to the previous year, both good signs for the economy.

Direct appropriations from the Tourist Attraction Fund increased about 75% in FY2013, from \$6,792,247 in FY 2012 to \$11,886,841. The TAF revenue projections in PL 31-233 of \$25,500,082 was amended by PL 32-057 to \$26,507,329. Comparing the total FY2013 appropriation from the TAF (\$28,253,038) and the actual collections (\$28,606,196), there was a surplus of \$353,158.

Membership dues increased from \$37,000 in FY12 to \$68,400 in FY13 because it was an election year. In-kind contributions also showed a significant increase, up 200% at \$327,992, but more efforts are needed to record all in-kind donations. GVB experienced savings of \$30,521 in rent expenses due to the construction of storage facilities at the main office, and utilities were reduced \$26,689 through a new phone system and energy efficient lighting and air conditioning.

Marketing was the largest expenditure at \$9.7 million, almost 24% more than FY2012 with Japan and Korea representing the largest share at a combined \$5.9 million. At \$2,054,929, personnel salaries and benefits increased 12% over last year due to Merit Bonuses paid to active employees, to include increments and the increases in employee benefits, but only makes up 13% of total expenditures.

CAPITAL ASSETS AND LONG-TERM DEBT

The Bureau is not capital intensive and therefore, significant capital asset activity did not occur in 2013, 2012 and 2011. For additional information regarding capital assets, please refer to note 5 to the financial statements.

Additionally, the Bureau has no long-term borrowings. However, additional information concerning its other long-term liabilities can be found in note 7 to the financial statements.

GUAM VISITORS BUREAU
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Management's Discussion and Analysis
Years Ended September 30, 2013 and 2012

Management's Discussion and Analysis for the year ended September 30, 2012 is set forth in the Bureau's report on the audit of the financial statements, which is dated February 8, 2013, and that Discussion and Analysis explains the major factors impacting the 2012 financial statements and can be viewed at the Office of Public Accountability-Guam website at www.guamopa.com.

OUTLOOK

The Bureau's efforts to diversify were clearly apparent in 2013, with the Korean market now a strong number two market representing 17% of total arrivals to Guam. Continued arrival growth of around 20% is expected for FY2014 with an increase in flights from Busan, which is important, since total outbound travel from Japan is expected to decline in 2014. Japan continues to be the island's number one source market, but now at a more comfortable level of 68% of total arrivals. While Guam has traditionally been a leisure destination for Japanese, GVB is working to attract higher yield segments such as the MICE (meetings, incentives, conferences, exhibitions), weddings and the silver (senior) markets. Flight service from Haneda airport, located in the heart of Tokyo, is also an objective that would boost arrivals from Japan.

GVB's TAF projection for FY2014 is \$28,978,077, a conservative 1.3% increase over the previous year. This is certainly achievable, especially with the opening of two new luxury hotels—the Lotte Hotel in May and the Dusit Thani in late 2014. The additional rooms are required especially for new markets such as Russia and China. The Bureau will be launching an aggressive marketing strategy for the China market, utilizing incentive support for both airlines and travel agents.

In addition to all the efforts in our primary source markets, the GVB Board is committed to improving the destination and has several projects planned in 2014, foremost of which is a Tumon surveillance system that will provide video to the Frankie Smith Precinct. Video surveillance is being successfully used in major cities throughout the world as crime deterrent, and the Bureau believes this solution can help protect the thousands of visitors and residents in our hotel zone. Other major planned improvements include bus shelters, landscape improvements, lighting and sidewalk renovations and graffiti removal. In order for Guam to improve its image and attract higher yield visitors, we must improve our brand and that starts at home.

GUAM VISITORS BUREAU
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Statements of Net Position
September 30, 2013 and 2012

<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
Current assets:		
Cash - unrestricted	\$ 10,717,092	\$ 10,358,543
Cash - restricted	1,660,291	195,000
Investments	2,508,296	-
Accounts receivable - Government of Guam	19,520	1,779,996
Accounts receivable - others	39,880	145,115
Prepaid expenses	6,452	6,452
	<hr/>	<hr/>
Total current assets	14,951,531	12,485,106
Cash - restricted	1,135,196	749,184
Security deposit	133,125	133,125
Capital assets:		
Nondepreciable capital assets	5,992,415	5,992,415
Depreciable capital assets, net of accumulated depreciation	902,778	988,095
	<hr/>	<hr/>
	<u>\$ 23,115,045</u>	<u>\$ 20,347,925</u>
<u>LIABILITIES AND NET POSITION</u>		
Current liabilities:		
Accounts payable	\$ 5,269,273	\$ 3,061,715
Accrued annual leave	123,646	104,915
Unearned income	9,200	43,100
	<hr/>	<hr/>
Total current liabilities	5,402,119	3,209,730
Accrued sick leave	148,448	141,766
	<hr/>	<hr/>
Total liabilities	5,550,567	3,351,496
Commitments and contingencies		
Net position:		
Net investment in capital assets	6,895,193	6,980,510
Unrestricted	7,963,280	9,071,735
Restricted - expendable	2,706,005	944,184
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Total net position	17,564,478	16,996,429
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	<u>\$ 23,115,045</u>	<u>\$ 20,347,925</u>

See accompanying notes to financial statements.

GUAM VISITORS BUREAU
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Statements of Revenue, Expenses, and Changes in Net Position
Years Ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Revenues:		
In-kind contributions from members and others	\$ 327,992	\$ 84,490
Consumption tax refund	130,097	196,118
Memberships	68,400	37,600
Total revenues	<u>526,489</u>	<u>318,208</u>
Expenses:		
Professional services	9,749,172	7,879,383
Personnel	2,054,929	1,838,358
Pass through appropriations	668,836	530,376
Grants	546,890	188,850
Travel	503,284	473,445
Promotional in-kind contributions	327,992	84,490
Rent/lease	240,967	271,488
Utilities	143,820	170,509
Material and supplies	105,735	152,570
Depreciation	85,317	109,364
Repair and maintenance	78,619	16,437
Equipment	52,690	42,039
Advertising	43,184	35,022
Community programs	-	162,315
Miscellaneous	803,256	812,687
Total operating expenses	<u>15,404,691</u>	<u>12,767,333</u>
Operating revenues net of operating expenses	<u>(14,878,202)</u>	<u>(12,449,125)</u>
Nonoperating revenues (expenses):		
Grants-in-aid from Government of Guam:		
Operations	14,416,348	14,639,228
Pass through	677,573	530,376
Federal revenues	17,755	172,243
Other nonoperating income (expense), net	319,092	219,694
Interest income	15,483	12,925
Total nonoperating revenues, net	<u>15,446,251</u>	<u>15,574,466</u>
Change in net position	568,049	3,125,341
Net position at beginning of year	<u>16,996,429</u>	<u>13,871,088</u>
Net position at end of year	<u>\$ 17,564,478</u>	<u>\$ 16,996,429</u>

See accompanying notes to financial statements.

GUAM VISITORS BUREAU
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Statements of Cash Flows
Years Ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Cash received from members	\$ 68,400	\$ 46,016
Cash received from other sources	235,332	184,169
Cash paid to employees	(1,368,707)	(1,314,326)
Cash paid to suppliers	<u>(11,104,512)</u>	<u>(10,242,692)</u>
Net cash used for operating activities	<u>(12,169,487)</u>	<u>(11,326,833)</u>
Cash flows from noncapital financing activities:		
Government of Guam appropriations	16,854,397	15,449,254
Federal grant	<u>17,755</u>	<u>172,243</u>
Net cash provided by noncapital financing activities	<u>16,872,152</u>	<u>15,621,497</u>
Cash flows from investing activities:		
Investment in TCDs	(2,508,296)	-
Interest income	<u>15,483</u>	<u>12,925</u>
Net cash provided by (used for) noncapital financing activities	<u>(2,492,813)</u>	<u>12,925</u>
Net change in cash	2,209,852	4,307,589
Cash at beginning of year	<u>11,302,727</u>	<u>6,995,138</u>
Cash at end of year	<u>\$ 13,512,579</u>	<u>\$ 11,302,727</u>
Consisting of:		
Unrestricted	\$ 10,717,092	\$ 10,358,543
Restricted	<u>2,795,487</u>	<u>944,184</u>
Cash at end of year	<u>\$ 13,512,579</u>	<u>\$ 11,302,727</u>
Reconciliation of operating revenues net of operating expenses to net cash used for operating activities:		
Operating revenues net of operating expenses	\$ (14,878,202)	\$ (12,449,125)
Other nonoperating income, net	319,092	219,694
Adjustments to reconcile operating revenues net of operating expenses to net cash used for operating activities:		
In-kind contribution from members and others	(327,992)	(84,490)
Promotional in-kind contributions	327,992	84,490
Depreciation	85,317	109,364
Decrease (increase) in assets:		
Accounts receivable	105,235	(3,533)
Increase (decrease) in liabilities:		
Accounts payable	2,207,558	733,223
Accrued annual and sick leave	25,413	20,444
Unearned income	<u>(33,900)</u>	<u>43,100</u>
Net cash used for operating activities	<u>\$ (12,169,487)</u>	<u>\$ (11,326,833)</u>

See accompanying notes to financial statements.

SPECIAL TOURIST ATTRACTION FUND PROJECTS

Balance Sheets
September 30, 2013 and 2012

<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
Current assets:		
Restricted cash	\$ 598,626	\$ 351,945
Accounts receivable - Government of Guam	-	93,824
Accounts receivable - others	-	50
	<u>598,626</u>	<u>445,819</u>
	<u>\$ 598,626</u>	<u>\$ 445,819</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
Current liabilities:		
Accounts payable	\$ 255,789	\$ 67,170
	<u>255,789</u>	<u>67,170</u>
Total liabilities	255,789	67,170
Fund balance:		
Committed - Tourism	<u>342,837</u>	<u>378,649</u>
	<u>\$ 598,626</u>	<u>\$ 445,819</u>

See accompanying notes to financial statements.

SPECIAL TOURIST ATTRACTION FUND PROJECTS

Statements of Operations and Fund Balance
Years Ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Revenues:		
In-kind contributions	\$ -	\$ 4,060
Others	<u>55,195</u>	<u>1,530</u>
Total revenues	<u>55,195</u>	<u>5,590</u>
Expenses:		
Tumon landscaping maintenance (contract)	325,243	271,500
Tumon and Hagatna Beach cleaning and maintenance	287,815	224,889
Islandwide roadway and beautification	274,964	270,900
Tumon holiday illumination	151,300	115,070
Utilities	85,371	40,455
Tumon landscaping maintenance (project management)	81,718	80,632
In-kind contributions	-	4,060
Professional services - legal	-	2,000
Miscellaneous	<u>169</u>	<u>92,493</u>
Total expenses	<u>1,206,580</u>	<u>1,101,999</u>
Loss from operations	(1,151,385)	(1,096,409)
Government of Guam contributions	<u>1,115,573</u>	<u>1,090,706</u>
Change in fund balance	(35,812)	(5,703)
Fund balance at beginning of year	<u>378,649</u>	<u>384,352</u>
Fund balance at end of year	<u><u>\$ 342,837</u></u>	<u><u>\$ 378,649</u></u>

See accompanying notes to financial statements.

SPECIAL TOURIST ATTRACTION FUND PROJECTS

Statements of Cash Flows Years Ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Cash received from other sources	\$ 55,245	\$ 1,656
Cash paid to suppliers	<u>(1,017,961)</u>	<u>(1,134,227)</u>
Net cash used for operating activities	<u>(962,716)</u>	<u>(1,132,571)</u>
Cash flows from noncapital financing activities:		
Government of Guam contribution	<u>1,209,397</u>	<u>1,120,186</u>
Net change in cash	246,681	(12,385)
Cash at beginning of year	<u>351,945</u>	<u>364,330</u>
Cash at end of year	<u>\$ 598,626</u>	<u>\$ 351,945</u>
Reconciliation of loss from operations to net cash used for operating activities:		
Loss from operations	\$ (1,151,385)	\$ (1,096,409)
Decrease in assets:		
Accounts receivable - others	50	126
(Decrease) increase in liabilities:		
Accounts payable	<u>188,619</u>	<u>(36,288)</u>
Net cash used for operating activities	<u>\$ (962,716)</u>	<u>\$ (1,132,571)</u>

See accompanying notes to financial statements.

GUAM VISITORS BUREAU
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2013 and 2012

(1) Organization and Summary of Significant Accounting Policies

Organization

The Guam Visitors Bureau (GVB) is a public corporation established for the purpose of promoting the visitor industry in Guam. As a result of the application of Government Accounting Standards Board (GASB) Statement No. 14, the GVB is a component unit of the Government of Guam. GVB receives operating appropriations that derive from the Tourist Attraction Fund, as appropriated by the Guam Legislature.

Tourist Attraction Fund Projects

GVB is a trustee of funds, as provided for under Public Law 23-45, for landscaping and beautification of Tumon Bay and for other Tourist Attraction projects. GVB is responsible for the receipt, disbursement, and accounting of these funds and, accordingly, maintains a separate cash account for these funds.

In-Kind Contributions

GVB receives in-kind contributions from its members and records such as of the date of receipt of the attendant goods or services. Title 12 of the Government Code Annotated states that the Legislature may condition payment of grants-in-aid to a matching requirement of in-kind contributions at a rate of no more than 20 cents for every 80 cents appropriated. However, this requirement was not imposed during the years ended September 30, 2013 and 2012.

GVB records in-kind contributions in the period received based on the value assigned by the grantor.

Cash

For purposes of the statements of net position, balance sheets and the statements of cash flows, cash is defined as cash on hand, cash deposits in banks, and time certificates of deposit with initial maturities of three months or less. Time certificates of deposit with original maturity dates greater than three months are separately classified on the statement of net position.

Property and Equipment

Property and equipment with a cost that equals or exceeds \$5,000 are capitalized. Such assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 20 years.

Foreign Currency Translation

Transactions in foreign currencies are recorded at the exchange rate in effect on the transaction date. Amounts receivable and payable in foreign currencies are translated to U.S. dollars at the exchange rate in effect on the statement of net position date.

Compensated Absences

Earned unpaid employee vacation leave is accrued at year end for financial statement purposes. Included in liabilities at September 30, 2013 and 2012 are amounts related to compensated absences earned but unused. The amounts are also included as a component of operating expense in the Statement of Revenues, Expenses, and Changes in Net Position.

GUAM VISITORS BUREAU
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2013 and 2012

(1) Organization and Summary of Significant Accounting Policies, Continued

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

Concentrations of Credit Risk

Financial instruments which potentially subject GVB to concentrations of credit risk consist principally of cash demand deposits and accounts receivable.

At September 30, 2013 and 2012, GVB has cash deposits in bank accounts that exceed federal depository insurance limits. GVB has not experienced any losses as a result of this practice.

Substantially all of GVB's accounts receivable are due from companies and government agencies based in Guam. GVB establishes an allowance for doubtful accounts based on management's evaluation of potential uncollectibility.

Risk Management

GVB is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries and illnesses; natural disasters and employee health, dental and accident benefits. Commercial insurance coverage is provided for claims arising from such matters. No losses as a result of this practice have occurred during the past three years.

Accounting Standards

GVB utilizes the flow of economic resources measurement focus. Its financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units using the accrual basis of accounting. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

GVB's revenues are derived primarily from in-kind contributions and memberships and are reported as operating revenues. Capital, grants, financing or investing related transactions are reported as non-operating revenues/expenses. Revenue is recognized on the accrual basis. All expenses related to operating GVB are reported as operating expenses.

Net Position

Net position represent the residual interest in GVB's assets after liabilities are deducted and consist of the following three sections:

- Net investment in capital assets:

Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

GUAM VISITORS BUREAU
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2013 and 2012

(1) Organization and Summary of Significant Accounting Policies, Continued

Net Position, Continued

- Restricted:

- Nonexpendable – Net position subject to externally imposed stipulations that require GVB to maintain them permanently.

- Expendable – Net position whose use by GVB is subject to externally imposed stipulations that can be fulfilled by actions of GVB pursuant to those stipulations or that expire with the passage of time.

- Unrestricted:

- Net position that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action by management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Fund Balance

Governmental fund balances are classified as follows:

- Non-spendable - includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints.
- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and do not lapse at year-end.
- Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed.
- Unassigned includes negative fund balances in other governmental funds.

Restricted/committed amounts are spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this. In addition, committed, then assigned, and lastly unassigned amounts of unrestricted fund balance are expended in that order.

A formal minimum fund balance policy has not been adopted.

02/12 Memorial Fund

In fiscal year 2013, GVB created the GVB 02/12 Memorial Fund. This fund consists of contributions/donations from the community to assist families of victims, who were affected by the catastrophic incident in Tumon. Total collection was \$127,255 and total related expenses were \$86,520. The net amount, \$40,735, is included in the non-operating revenue account. Cash in bank is \$49,732, which is unrestricted and use of such funds will be determined by the Board of Directors.

GUAM VISITORS BUREAU
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2013 and 2012

(1) Organization and Summary of Significant Accounting Policies, Continued

New Accounting Standards

During the year ended September 30, 2013, GVB implemented the following pronouncements:

- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which addressed how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. The implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, which improved financial reporting for governmental entities by amending the requirements of Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively. The implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which enhanced the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements issued on or before November 30, 1989, which does not conflict or contradict GASB pronouncements. GASB Statement No. 62 superseded GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. The implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which established guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. These Statements amend the net asset reporting requirements in Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. With the implementation of GASB Statement No. 63 and Statement No. 65, the Statement of Net Assets was renamed the Statement of Net Position. In addition, the Statement of Net Position includes two new classifications separate from assets and liabilities. Amounts reported as deferred outflows of resources are reported in a separate section following assets. Likewise, amounts reported as deferred inflows of resources are reported in a separate section following liabilities.

GUAM VISITORS BUREAU
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2013 and 2012

(1) Organization and Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In April 2012, GASB issued Statement No. 66, *Technical Corrections - 2012*, which enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The provisions of this statement are effective for periods beginning after December 15, 2012. Management has not yet determined the effect of implementation of this statement on the financial statements of GVB.

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans*, which revises existing guidance for the financial reports of most pension plans, and Statement No. 68, *Accounting and Financial Reporting for Pensions*, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The provisions in Statement 67 are effective for financial statements for periods beginning after June 15, 2013. The provisions in Statement 68 are effective for fiscal years beginning after June 15, 2014. Management has not yet determined the effect of implementation of these statements on the financial statements of GVB.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, which improves accounting and financial reporting for state and local governments' combinations and disposals of government operations. Government combinations include mergers, acquisitions, and transfers of operations. A disposal of government operations can occur through a transfer to another government or a sale. The provisions in Statement 69 are effective for fiscal years beginning after December 15, 2013. Management has not yet determined the effect of implementation of these statements on the financial statements of GVB.

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. The provisions in Statement 69 are effective for fiscal years beginning after June 15, 2013. Management has not yet determined the effect of implementation of these statements on the financial statements of GVB.

(2) Cash

Deposits

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

GASB Statement No. 40 requires disclosures for deposits that have exposure to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, GVB'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. GVB does not have a deposit policy for custodial credit risk.

GUAM VISITORS BUREAU
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2013 and 2012

(2) Cash, Continued

Deposits, Continued

As of September 30, 2013 and 2012, the carrying amount of GVB's total cash was \$13,512,579 and \$11,302,727, respectively, and \$598,626 and \$351,945, respectively, for the Special Tourist Attraction Fund projects. The corresponding bank balances were \$14,252,621 and \$12,026,924, respectively. Of the bank balances, \$14,152,109 and \$11,813,628, respectively, are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance and deposits in the amount of \$562,769 and \$561,423, respectively, were FDIC insured. GVB 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.

Cash and cash equivalents balances are classified as restricted due to the specific nature and purpose of their existence. As of September 30, 2013 and 2012, cash held by GVB in the Special Tourist Attraction Funds Project is \$598,626 and \$351,945, respectively. These funds are for landscaping and beautification of Tumon Bay and other Tourist Attraction Projects.

As of September 30, 2013 and 2012, cash held by GVB in the Rainy Day Fund is \$1,660,291 and \$195,000, respectively. These funds are used to support identified activities to meet unforeseen or unanticipated challenges resulting from a natural or man-made disaster that has occurred on Guam or from external economic conditions that severely affect tourism.

As of September 30, 2013 and 2012, cash held by GVB in the FESTPAC & Folklife Festival Trust Account is \$1,135,196 and \$749,184, respectively. These funds are to be used for FESTPAC 2016.

(3) Short-term Investments

Short-term investments at September 30, 2013, include time certificates of deposit in the amount of \$2,508,296 with original maturities of more than three months, which are fully FDIC insured.

(4) Employees' Retirement Plan

Employees of GVB hired before September 30, 1995 are under the Government of Guam Employees' Retirement System (a defined benefit, contributory pension plan). Employees hired after September 30, 1995, are members of the Defined Contribution Retirement System (DCRS). Until December 31, 1999, and for several limited periods after December 31, 1999, those employees who are members of the defined benefit plan with less than 20 years of service at September 30, 1995, had the option to switch to the Defined Contribution Retirement System. Otherwise, they remained under the old plan.

The Defined Benefit Plan (DB Plan) and the DCRS are administered by the Government of Guam Retirement Fund, to which GVB contributes based upon a fixed percentage of the payroll for those employees who are members of the Plan. Statutory contribution rates are established by the Guam Legislature annually.

GUAM VISITORS BUREAU
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2013 and 2012

(4) Employees' Retirement Plan, Continued

Plan Description:

GVB participates in the GovGuam Defined Benefit (DB) Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the GovGuam Retirement Fund (GGRF). The DB Plan provides retirement, disability, and survivor benefits to plan members who enrolled in the plan prior to October 1, 1995. Cost-of-living adjustments are provided to members and beneficiaries at the discretion of the Guam Legislature. Article 1 of 4 GCA 8, Section 8105, requires that all employees of GovGuam, regardless of age or length of service, become members of the DB Plan prior to the operative date. Employees of a public corporation of GovGuam, which includes GVB, have the option of becoming members of the DB Plan prior to the operative date. All employees of GovGuam, including employees of GovGuam public corporations, whose employment commences on or after October 1, 1995, are required to participate in the Defined Contribution Retirement System (DCRS). Hence, the DB Plan became a closed group.

A single actuarial valuation is performed annually covering all plan members and the same contribution rate applies to each employer. GGRF issues a publicly available financial report that includes financial statements and required supplementary information for the DB Plan. That report may be obtained by writing to the Government of Guam Retirement Fund, 424 A Route 8, Maite, Guam 96910, or by visiting GGRF's website – www.ggrf.com.

Funding Policy:

As a result of actuarial valuations performed as of September 30, 2011, 2010, and 2009, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2013, 2012 and 2011, respectively, have been determined as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Normal costs (% of DB Plan payroll)	17.52%	17.07%	17.00%
Employee contributions (DB Plan employees)	<u>9.50%</u>	<u>9.50%</u>	<u>9.50%</u>
Employer portion of normal costs (% of DB Plan payroll)	<u>8.02%</u>	<u>7.57%</u>	<u>7.50%</u>
Employer portion of normal costs (% of total payroll)	3.00%	3.03%	3.03%
Unfunded liability cost (% of total payroll)	<u>24.33%</u>	<u>23.75%</u>	<u>21.75%</u>
Government contribution as a % of total payroll	<u>27.33%</u>	<u>26.78%</u>	<u>24.78%</u>
Statutory contribution rates as a % of DB Plan payroll:			
Employer	<u>30.09%</u>	<u>28.30%</u>	<u>27.46%</u>
Employee	<u>9.50%</u>	<u>9.50%</u>	<u>9.50%</u>

GVB's contributions to the DB Plan for the years ended September 30, 2013, 2012 and 2011 were \$97,753, \$98,812 and \$97,294, respectively, which were equal to the required contributions for the respective years ended.

GUAM VISITORS BUREAU
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Notes to Financial Statements
September 30, 2013 and 2012

(4) Employees' Retirement Plan, Continued

Defined Contribution Plan

Contributions into the DCRS by members are based on an automatic deduction of 5% of the member's regular base pay. Contributions are periodically deposited into individual accounts within the DCRS. Employees are afforded the opportunity to select from different investment options available under the DCRS.

Statutory employer contributions into the DCRS for the years ended September 30, 2013 and 2012 are determined using the same rates as the DB plan. Of the amount contributed by the employer, only 5% of the member's regular base pay is deposited into the member's individual account. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

Members of the DCRS who have completed five years of government service, have a vested balance of 100% of both member and employer contributions plus any earnings thereon.

GVB's contributions to the DCRS plan for the years ended September 30, 2013, 2012 and 2011 were \$310,264, \$273,691 and \$261,662, respectively, which were equal to the required contributions for the respective years ended.

Public Law 26-86 allows members of the DCRS to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. GVB has accrued an estimated liability of \$148,448 and \$141,766 at September 30, 2013 and 2012, respectively, for potential future sick leave payments as a result of this law. However, this amount is an estimate and actual payout may be materially different than estimated.

Other Post Employment Benefits

GovGuam, through its substantive commitment to provide other post-employment benefits (OPEB), maintains a cost-sharing multiple employer defined benefit plan to provide certain postretirement healthcare benefits to retirees who are members of the GovGuam Retirement Fund. Under the Plan, known as the GovGuam Group Health Insurance Program, GovGuam provides medical, dental, and life insurance coverage. The retiree medical and dental plans are fully-insured products provided through insurance companies. GovGuam shares in the cost of these plans, with GovGuam's contribution amount set each year at renewal. Current statutes prohibit active and retired employees from contributing different amounts for the same coverage. As such, GovGuam contributes substantially more to the cost of retiree healthcare than to active healthcare. For the life insurance plan, GovGuam provides retirees with \$10,000 of life insurance coverage through an insurance company. Retirees do not share in the cost of this coverage. Because the Plan consists solely of GovGuam's firm commitment to provide OPEB through the payment of premiums to insurance companies on behalf of its eligible retirees, no stand-alone financial report is either available or generated. During the years ended September 30, 2013, 2012 and 2011, actual contributions paid were \$31,003, \$32,178 and \$31,468, respectively.

GUAM VISITORS BUREAU
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2013 and 2012

(5) Property and Equipment

Public Law 20-221, passed in December of 1990, authorized the Governor to transfer all title, right and interest in Lot No. 5174-C-3, containing an area of 3757+ square meters, to the Bureau. The Governor transferred the property in April of 1991 through a Grant Deed filed with the Department of Land Management. The value of the land is based on estimated fair value at the date of transfer. Public Law 20-221 states that should the Bureau be dissolved or no longer need the property, then the property, inclusive of any and all improvements, shall revert to the Government of Guam.

A summary of building, improvements and equipment at September 30, 2013 and 2012 is as follows:

	<u>Beginning Balance</u> <u>October 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u> <u>September 30, 2013</u>
Depreciable:				
Building	\$ 2,500,000	\$ -	\$ -	\$ 2,500,000
Leasehold improvements	140,846	-	-	140,846
Furniture and fixtures	83,023	-	-	83,023
Equipment	<u>136,181</u>	<u>-</u>	<u>-</u>	<u>136,181</u>
	2,860,050	-	-	2,860,050
Less accumulated depreciation	<u>(1,871,955)</u>	<u>(85,317)</u>	<u>-</u>	<u>(1,957,272)</u>
Non-depreciable:	988,095	(85,317)	-	902,778
Land	<u>5,992,415</u>	<u>-</u>	<u>-</u>	<u>5,992,415</u>
	<u>\$ 6,980,510</u>	<u>\$ (85,317)</u>	<u>\$ -</u>	<u>\$ 6,895,193</u>

	<u>Beginning Balance</u> <u>October 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u> <u>September 30, 2012</u>
Depreciable:				
Building	\$ 2,500,000	\$ -	\$ -	\$ 2,500,000
Leasehold improvements	140,846	-	-	140,846
Furniture and fixtures	83,023	-	-	83,023
Equipment	<u>136,181</u>	<u>-</u>	<u>-</u>	<u>136,181</u>
	2,860,050	-	-	2,860,050
Less accumulated depreciation	<u>(1,762,591)</u>	<u>(109,364)</u>	<u>-</u>	<u>(1,871,955)</u>
Non-depreciable:	1,097,459	(109,364)	-	988,095
Land	<u>5,992,415</u>	<u>-</u>	<u>-</u>	<u>5,992,415</u>
	<u>\$ 7,089,874</u>	<u>\$ (109,364)</u>	<u>\$ -</u>	<u>\$ 6,980,510</u>

GUAM VISITORS BUREAU
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2013 and 2012

(6) Commitments

GVB leases commercial space for its Japan office. A summary of minimum future rental commitments for the Japan office follows:

<u>Year ending September 30,</u>	<u>Total</u>
2014	\$ 138,952
2015	120,012
2016	<u>90,009</u>
	<u>\$ 348,973</u>

The Japan lease requires a refundable security deposit of \$133,125 in the fiscal year 2013.

(7) Long-Term Liabilities

A summary of changes in long-term liabilities during fiscal years 2013 and 2012 follows:

	<u>Outstanding October 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding September 30, 2013</u>
Accrued sick leave	\$ <u>141,766</u>	\$ <u>36,342</u>	\$ <u>(29,660)</u>	\$ <u>148,448</u>

	<u>Outstanding October 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding September 30, 2012</u>
Accrued sick leave	\$ <u>126,352</u>	\$ <u>32,124</u>	\$ <u>(16,710)</u>	\$ <u>141,766</u>

(8) Contingencies

GVB is exposed to various litigations inherent to its operations. However, there are no known cases pending in which GVB is exposed to liability.

(9) Appropriations from the Government of Guam

The Tourist Attraction Fund is a governmental fund of the Government of Guam that was established to fund various recreational projects and visitor industry activities. During the years ended September 30, 2013 and 2012, total appropriations received and receivable by GVB from the Government of Guam are as follows:

	<u>2013</u>	<u>2012</u>
Tourist Attraction Fund:		
Operations	\$ 13,935,818	\$ 13,695,044
Restricted	<u>480,530</u>	<u>944,184</u>
Total	14,416,348	14,639,228
Special projects	1,115,573	1,090,706
Pass-through to non-profit organizations	<u>677,573</u>	<u>530,376</u>
	<u>\$ 16,209,494</u>	<u>\$ 16,260,310</u>

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Notes to Financial Statements
September 30, 2013 and 2012

(9) Appropriations from the Government of Guam, Continued

Total appropriations that remain uncollected for the operations, the pass-through to non-profit organizations, and the special projects fund are \$1,340,025, \$131,550, and \$182,378, respectively. These amounts will be recorded as revenue upon collection and have not been recorded in the financial statements as of and the year ended September 30, 2013.

(10) Restricted Net Position

As of September 30, 2013 and 2012, restricted net position is for The Rainy Day Fund per Public law 30-116 and for FESTPAC & Folklife Festival Trust Account per Public Law 31-77, Chapter 10, Section 10, and Public Law 31-233, Chapter 10, Section 13.

	<u>2013</u>	<u>2012</u>
Rainy Day Fund	\$ 1,660,291	\$ 195,000
FESTPAC & Folklife Festival Trust Account	<u>1,045,714</u>	<u>749,184</u>
Total restricted	\$ <u>2,706,005</u>	\$ <u>944,184</u>

The changes in the restricted net position for the Rainy Day Fund and FESTPAC Folklife & Festival Trust Account are as follows:

Rainy Day Fund:	
Beginning of year restricted net position	\$ 195,000
2013 appropriations	184,000
Transfer from unrestricted	1,337,849
Interest	2,205
Disbursements	<u>(58,763)</u>
End of year restricted net position	\$ <u>1,660,291</u>
FESTPAC Folklife & Festival Trust Account:	
Beginning of year restricted net position	\$ 749,184
2013 appropriations	<u>296,530</u>
End of year restricted net position	\$ <u>1,045,714</u>

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Schedule of Funding Progress and Actuarial Accrued Liability - Post
Employment Benefits Other than Pension (Unaudited)

The Schedule of Funding Progress presents GASB 45 results of Other Post Employment Benefits (OPEB) valuations as of fiscal year ends September 30, 2011, 2009, and 2007 for the Guam Visitors Bureau's share of the Government of Guam Post Employment Benefits other than Pensions. The schedule provides an information trend about whether the actuarial values of Plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
October 1, 2007	\$ -	\$ 2,145,000	\$ 2,145,000	0.0%	\$ 1,118,000	192%
October 1, 2009	\$ -	\$ 3,878,000 *	\$ 3,878,000 *	0.0%	\$ 1,134,000	342%
October 1, 2011	\$ -	\$ 4,371,000	\$ 4,371,000	0.0%	\$ 1,335,000	327%

* No formal valuation was performed. The liabilities as of October 1, 2009 represent discounted October 1, 2011 liabilities.

The actuarial accrued liability presented above is for GVB's active employees only. It does not include the actuarial accrued liability for GVB's retirees, which was not separately presented in the OPEB valuation.

See Accompanying Independent Auditors' Report.

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Supplementary Schedule of Professional and Advertising Expenses
Years Ended September 30, 2013 and 2012

<u>Professional Services</u>	<u>2013</u>	<u>2012</u>
Japan	\$ 4,955,785	\$ 4,326,461
Korea	963,368	740,065
Hong Kong/China	705,641	696,218
Destination Management and Improvement Admin., Research, and Printing	673,803	499,093
Taiwan	643,588	742,198
Russia	390,985	272,551
Australia, Philippines, and Pacific	240,644	-
United States	115,302	90,957
All Markets (Branding)	58,368	9,438
	<u>1,001,688</u>	<u>502,402</u>
 Total Professional Services	 <u>\$ 9,749,172</u>	 <u>\$ 7,879,383</u>
 <u>Advertising Expenses</u>		
Australia, Philippines, and Pacific	\$ 25,110	\$ 17,638
United States	2,700	6,010
Japan	16	876
Destination Management and Improvement	-	963
All others	15,358	9,535
	<u>43,184</u>	<u>35,022</u>
 Total Advertising Expenses	 <u>\$ 43,184</u>	 <u>\$ 35,022</u>

See accompanying independent auditors' report.

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Supplementary Schedule of Miscellaneous Expenses
Years Ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Sponsorship	\$ 288,201	\$ 222,415
Other	191,182	165,222
Food and beverage	94,934	90,698
Printing	73,459	105,425
Gifts and prizes	43,991	110,769
Dues and membership	37,785	49,036
Fees	33,704	25,057
Postal and courier	21,667	17,588
Consumption tax	16,061	24,073
Bank charges	2,272	2,404
	<u>\$ 803,256</u>	<u>\$ 812,687</u>

Supplementary Schedule of Employees and Salaries
Years Ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Guam office: Annual payroll	\$ <u>1,394,120</u>	\$ <u>1,334,770</u>
Number of employees	<u>31</u>	<u>28</u>

See accompanying independent auditors' report.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors
Guam Visitors Bureau:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Guam Visitors Bureau (GVB) and its Special Tourist Attraction Fund Projects as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise GVB's basic financial statements, and have issued our report thereon dated February 5, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered GVB's internal control over financial reporting (internal control) to determine 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 GVB's internal control. Accordingly, we do not express an opinion on the effectiveness of GVB's 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.

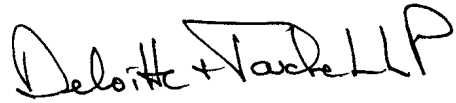
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether GVB's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

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

Tamuning, Guam

February 5, 2014