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January 29, 2015

Board of Directors  
Guam Visitors Bureau:

Dear Members of the Board of Directors:

We have performed an audit of 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, 2014, in accordance with auditing standards generally accepted in the United States of America (“generally accepted auditing standards”) and have issued our report thereon dated January 29, 2015.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of GVB is responsible.

#### **OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS AND GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS**

Our responsibility under generally accepted auditing standards and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, have been described in our engagement letter dated October 3, 2014. As described in that letter, the objectives of a financial statement audit conducted in accordance with the aforementioned standards are:

- To express an opinion on the fairness of each opinion unit in GVB’s basic financial statements and the accompanying supplementary information and to disclaim an opinion on the required supplementary information for the year ending September 30, 2014 in conformity with accounting principles generally accepted in the United States of America, (“generally accepted accounting principles”), in all material respects;
- To express an opinion on whether the supplementary information that accompanies the basic financial statements is presented fairly, in all material respects, in relation to the basic financial statements as a whole; and
- To report on GVB’s internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended September 30, 2014 based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.

Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared with the oversight of management and the Board of Directors are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Board of Directors of their responsibilities.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether caused by fraud or error. In making those risk assessments, we considered internal control over financial reporting relevant to GVB's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of GVB's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of GVB's internal control over financial reporting. Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

### **ACCOUNTING ESTIMATES**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in GVB's 2014 financial statements include management's estimate of the allowance for doubtful accounts, which is determined based upon past collection experience and aging of the accounts, and management's estimate of depreciation expense, which is based on estimated useful lives of the respective capital assets. During the year ended September 30, 2014, there were no significant changes in accounting estimates or in management's judgments relating to such estimates.

### **UNCORRECTED MISSTATEMENTS AND OMITTED DISCLOSURE ITEMS**

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. We have attached to this letter, as Appendix A to Attachment I, a summary of uncorrected misstatements aggregated by us during the current engagement and pertaining to the prior period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, we have attached to this letter, as Appendix B to Attachment I, a summary of omitted disclosure items aggregated by us during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

### **MATERIAL CORRECTED MISSTATEMENTS**

Material misstatements were brought to the attention of management as a result of our audit procedures and were corrected by management during the current period. These corrected misstatements are listed in Attachment II and are reflected in the 2014 financial statements.

### **SIGNIFICANT ACCOUNTING POLICIES**

GVB's significant accounting policies are set forth in Note 1 to GVB's 2014 financial statements. During the year ended September 30, 2014, there were no significant changes in previously adopted accounting policies or their application, except for the following pronouncements adopted by GVB:

- GASB 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 implementation of this statement did not have a material effect on the financial statements of GVB.

- GASB Statement No. 67, *Financial Reporting for Pension Plans*, which revises existing guidance for the financial reports of most pension plans. The implementation of this statement did not have a material effect on the financial statements of GVB.
- GASB 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 implementation of this statement did not have a material effect on the financial statements of GVB.

In June 2012, GASB issued 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 68 are effective for fiscal years beginning after June 15, 2014. The implementation of this statement will have a material effect on the financial statements of GVB and will require a restatement upon implementation. As of September 30, 2014, the net pension liability that GVB will record upon implementation of Statement 68 is \$3,858,837.

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 November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68, Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions in Statement 71 are effective for fiscal years beginning after June 15, 2014. Management does not believe that the implementation of this statement will have a material effect on the financial statements of GVB.

#### **OTHER INFORMATION IN THE ANNUAL REPORTS OF GVB**

When audited financial statements are included in documents containing other information, such as Annual Reports, we will read such other information and consider whether it, or the manner of its presentation, is materially inconsistent with the information, or the manner of its presentation, in the financial statements audited by us. In the event that GVB issues an Annual Report or other documentation that includes the audited financial statements, we will be required to read the other information in GVB's 2014 Annual Report and will inquire as to the methods of measurement and presentation of such information. If we note a material inconsistency or if we obtain any knowledge of a material misstatement of fact in the other information, we will discuss this matter with management and, if appropriate, with the Board of Directors.

## **DISAGREEMENTS WITH MANAGEMENT**

We have not had any disagreements with management related to matters that are material to GVB's 2014 financial statements.

## **OUR VIEWS ABOUT SIGNIFICANT MATTERS THAT WERE THE SUBJECT OF CONSULTATION WITH OTHER ACCOUNTANTS**

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2014.

## **SIGNIFICANT ISSUES DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT PRIOR TO OUR RETENTION**

Throughout the year, routine discussions were held, or were the subject of correspondence, with management regarding the application of accounting principles or auditing standards in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions or correspondence were not held in connection with our retention as auditors.

## **SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT**

In our judgment, we received the full cooperation of GVB's management and staff and had unrestricted access to GVB's senior management in the performance of our audit.

## **MANAGEMENT'S REPRESENTATIONS**

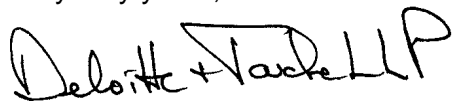
We have made specific inquiries of GVB's management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations GVB is required to provide to its independent auditors under generally accepted auditing standards. We have attached to this letter, as Attachment I, a copy of the representation letter we obtained from management.

## **CONTROL-RELATED MATTERS**

We have issued a separate report to you, dated January 29, 2015, on GVB's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, which was based upon the audit performed in accordance with *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, the management and the Office of Public Accountability - 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,

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



January 29, 2015

Deloitte & Touche LLP  
361 South Marine Drive  
Tamuning, Guam 96913

We are providing this letter in connection with your audits of the statements of net position/balance sheets of the Guam Visitor's Bureau (GVB), a component unit of the Government of Guam (GovGuam), and its Special Tourist Attraction Fund Projects, as of September 30, 2014 and 2013, and the related statements of revenues, expenses, and changes in net position, of operations and changes in fund balance, and of cash flows for the years then ended for the purpose of expressing an opinion as to whether the basic financial statements present fairly, in all material respects, the financial position, results of operations or changes in fund balances, and cash flows of GVB in conformity with the accounting principles generally accepted in the United States of America (GAAP).

We confirm that we are responsible for the following:

- a. The fair presentation in the basic financial statements of financial position, results of operations, and cash flows of GVB and its Special Tourist Attraction Fund Projects in conformity with GAAP.
- b. The fair presentation of the required supplementary information, including Management's Discussion and Analysis, accompanying the basic financial statements that are required by the Governmental Accounting Standards Board.
- c. The fair presentation of the additional information accompanying the basic financial statements that is presented for the purpose of additional analysis of the basic financial statements.
- d. The design, implementation, and maintenance of programs and controls to prevent and detect fraud.
- e. Establishing and maintaining effective internal control over financial reporting.
- f. The review and approval of the financial statements and related notes and acknowledge your role in the preparation of this information.

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.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audits.

1. The basic financial statements referred to above are fairly presented in conformity with GAAP and the notes to financial statements include all disclosures required by laws and regulations to which GVB is subject. In addition:
  - a. Net position components (net investment in capital assets; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
  - b. Deposits and investments are properly classified in the category of custodial credit risk.
  - c. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
  - d. Required supplementary information is measured and presented within prescribed guidelines.
  - e. Other supplementary information is measured and presented within prescribed guidelines.
  - f. Applicable laws and regulations are followed in adopting, approving, and amending budgets.
  - g. The financial statements properly classify all fund and activities.
  - h. Fund balance restrictions, commitments, and assignments are properly classified and, if applicable, approved.
2. GVB has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.
3. GVB has provided you:
  - a. Minutes of meetings of directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
  - b. Financial records and related data for all financial transactions of GVB and for all funds administered by GVB. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by GVB and provide the audit trail to be used in a review of accountability. Information presented in financial reports is supported by the books and records from which the financial statements have been prepared.

4. There has been no:
  - a. Action taken by GVB's management that contravenes the provisions of federal laws and Guam laws and regulations or of contracts and grants applicable to GVB and for all funds administered by GVB.
  - 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.
5. We believe the effects of the uncorrected misstatements detected in the current year that relate to the prior year presented, when combined with those misstatements aggregated by you during the prior-year audit engagement and pertaining to the prior year presented, are immaterial, both individually and in the aggregate, to the financial statements for the year ended September 30, 2013 taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix A.
6. We have completed our procedures to evaluate the accuracy and completeness of the disclosures in our financial statements. As a result of the evaluation process, we identified certain disclosures that although required by GAAP, have been omitted from our financial statements. Those omitted disclosures that are regarded as more than clearly trivial are attached as Appendix B. We believe the effects of the omitted disclosures are quantitatively and qualitatively immaterial, both individually and in the aggregate, to the financial statements as a whole.
7. GVB 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 risk of fraud in GVB and do not believe that the financial statements are materially misstated as a result of fraud.
8. We have no knowledge of any fraud or suspected fraud affecting GVB involving:
  - a. Management
  - b. Employees who have significant roles in internal control over financial reporting;  
or
  - c. Others if the fraud could have a material effect on the financial statements.
9. We have no knowledge of any allegations of fraud or suspected fraud affecting GVB received in communications from employees, former employees, analysts, regulators, or others.
10. There are no unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards ("GASB Codification") Section C50, *Claims and Judgments*.
11. Significant assumptions used by us in making accounting estimates are reasonable.

12. Except where otherwise stated below, matters less than \$14,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the financial statements.
13. Except as listed in Appendix A, there are no transactions that have not been properly recorded in the accounting records underlying the financial statements.
14. GVB has no plans or intentions that may affect the carrying value or classification of assets and liabilities.
15. The following, to the extent applicable, have been appropriately identified, properly recorded, and disclosed in the financial statements:
  - a. Related-party transactions and associated amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral).
  - b. Guarantees, whether written or oral, under which GVB is contingently liable.
  - c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements.
16. In preparing the financial statements in conformity with GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:
  - a. It is at least reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events.
  - b. The effect of the change would be material to the financial statements.
17. There are no:
  - a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
  - b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Codification Section C50, *Claims and Judgments*, except as disclosed in note 8 to the financial statements.
18. GVB has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except as disclosed in note 2 to the financial statements.
19. GVB has complied with all aspects of contractual agreements that would have an effect on the financial statements in the event of noncompliance.



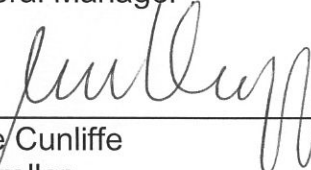
20. No department or agency of GVB has reported a material instance of noncompliance to us.
21. GVB has identified all derivative instruments as defined by GASB Codification Section D40, *Derivative Instruments*, and appropriately recorded and disclosed, where applicable, such derivatives in accordance with GASB Codification Section D40.
22. No events have occurred subsequent to September 30, 2014, but before January 29, 2015, the date the financial statements were available to be issued, that require consideration as adjustments to or disclosures in the financial statements.
23. Regarding required supplementary information:
  - a. We confirm that we are responsible for the required supplementary information.
  - b. The required supplementary information is measured and presented in accordance with GASB Codification Section 2200, *Comprehensive Annual Financial Report*.
  - c. The methods of measurement and presentation of the supplementary information have not changed from those in the prior period.
24. Regarding supplementary information:
  - a. We are responsible for the fair presentation of the supplementary information in accordance with GASB Codification Section 2200, *Comprehensive Annual Financial Report*.
  - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with GASB Codification Section 2200, *Comprehensive Annual Financial Report*.
  - c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.
25. There are no control deficiencies in the design or operation of internal control over financial reporting that could adversely affect GVB's ability to initiate, record, process, and report financial information.
26. We are aware of the requirement to disclose to you any change in GVB's internal control over financial reporting that occurred during GVB's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, GVB's internal control over financial reporting. However, no such disclosure has been made as no changes in GVB's internal control over financial reporting have occurred.
27. Receivables recorded in the financial statements represent valid claims or other charges arising on or before the date of the statements of net position/balance sheets and have been appropriately reduced to their estimated net realizable value.

28. We have communicated with the marketing committees and are unaware of any unreported in-kind contributions.
29. During the year ended September 30, 2014, GVB implemented GASB 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 implementation of this statement did not have a material effect on the financial statements of GVB.
30. During the year ended September 30, 2014, GVB implemented GASB Statement No. 67, *Financial Reporting for Pension Plans*, which revises existing guidance for the financial reports of most pension plans. The implementation of this statement did not have a material effect on the financial statements of GVB.
31. During the year ended September 30, 2014, GVB implemented GASB 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 implementation of this statement did not have a material effect on the financial statements of GVB.
32. In June 2012, GASB issued 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 68 are effective for fiscal years beginning after June 15, 2014. The implementation of this statement will have a material effect on the financial statements of GVB and will require a restatement disclosure upon implementation. As of September 30, 2014, the net pension liability that GVB will record upon implementation of Statement 68 is \$3,858,837.
33. 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.
34. In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, which addresses an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions in Statement 71 are effective for fiscal years beginning after June 15, 2014. Management does not believe that the implementation of this statement will have a material effect on the financial statements of GVB.

- 35. GVB is responsible for determining and maintaining the adequacy of the allowance for doubtful notes, loans, interfund receivables, and accounts receivable, as well as estimates used to determine such amounts. Management believes the allowances are adequate to absorb currently estimated bad debts in the account balances.
- 36. We have no intention of terminating any of our pension plans or taking any other action that could result in an effective termination or reportable event for any of the plans. We are not aware of any occurrences that could result in the termination of any of our pension plans to which we contribute.
- 37. We represent to you that, subsequent to September 30, 2014, there were no changes in internal control or other factors that might significantly affect internal control, including any corrective action taken by management with regard to reportable conditions (including material weaknesses).
- 38. GVB 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.
- 39. Money or similar assets handled by GVB on behalf of the Government of Guam have been properly and legally administered and the accounting and recordkeeping related thereto is proper, accurate, and in accordance with law.
- 40. GVB is involved in litigation, which is inherent to the operations of GVB. Management is of the opinion that liabilities of a material nature will not be realized.

  
\_\_\_\_\_  
Karl Pangelinan  
General Manager

1/29/15  
Date

  
\_\_\_\_\_  
Rose Cunliffe  
Controller

1/29/15  
Date

APPENDIX A

	Assets		Liabilities		Equity		Income	
	Dr.	(Cr.)	Dr.	(Cr.)	Dr.	(Cr.)	Dr.	(Cr.)
# 1 Overstatement of accounts payable			216,470					(216,470)
	-	-	216,470	-	-	-	-	(216,470)

## APPENDIX B

SUMMARY OF UNCORRECTED DISCLOSURE MISSTATEMENTS					
Footnote Number	Disclosure title	Description of Disclosure Misstatement	Year Ended September 30	Amount	Total Amount of Disclosure Misstatement
N/A	Related Party Transactions	Certain board members own or manage businesses with which the Guam Visitors Bureau transacts in the normal course of operations.		110,152	110,152

Guam Visitors Bureau  
 Summary of Corrected Misstatements  
 September 30, 2014

Fund 100-200

GL Acct#	Name	Debit	Credit
<b>1 AJE To capitalize system upgrades</b>			
1520	Equipment	12,594	-
5553	Equipment - Network Upgrade	-	12,594
		<u>12,594</u>	<u>12,594</u>
<b>2 AJE To reverse uncollected receivables</b>			
1200	Accounts Receivable - GovGuam	-	1,725,730
2410	Deferred Revenue	1,725,730	-
		<u>1,725,730</u>	<u>1,725,730</u>
<b>3 AJE To record payable due to pass-thru entity</b>			
4007	Revenue - Pass-thru Appropriations	70,500	-
1200	Accounts Receivable - GovGuam	-	70,500
2001	Accounts Payable	46,750	-
5998	Pass-Thru Appropriations	-	46,750
		<u>117,250</u>	<u>117,250</u>
<b>4 AJE To record FESTPAC reappropriation</b>			
2002	Other payables	84,184	-
4230	Other income	-	84,184
3110	Net Assets - Unrestricted	84,184	-
3130	Restricted Reserve	-	84,184
		<u>168,368</u>	<u>168,368</u>

Fund 300

GL Acct#	Name	Debit	Credit
<b>1 AJE To reverse uncollected receivable</b>			
1200	Accounts Receivable - GovGuam	-	50,000
2410	Deferred Revenue	50,000	-
		<u>50,000</u>	<u>50,000</u>
<b>2 AJE To record retention costs-Tumon Bay Lighting Improvements</b>			
2001	Accounts Payable	-	8,438
5360	Contractual Services	8,438	-
		<u>8,438</u>	<u>8,438</u>