

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

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

**YEARS ENDED SEPTEMBER 30, 2017 AND 2016
(AS RESTATED)**

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

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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 unit 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, 2017 and 2016, 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, and the related notes to the financial statements.

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, 2017 and 2016, and the respective changes in net position/fund balance and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of Matter

Implementation of New Accounting Standards

As discussed in Note 1 to the financial statements, in 2017, GVB adopted Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68*, and *Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. As a result of adopting this standard, GVB has elected to restate its 2016 financial statements to reflect the adoption of this standard. Our opinion is not modified with respect to this matter.

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 14 as well as the Schedule of Funding Progress and Actuarial Accrued Liability – Post Employment Benefits Other than Pensions on page 43, the Schedule of Proportional Share of the Net Pension Liability on pages 44 through 46, and the Schedule of Pension Contributions on page 47, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by GASB who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

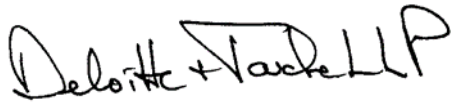
Other Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. 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 financial statements. The Other Supplementary Information is the responsibility of GVB's management. The additional information on pages 49 through 51 was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States of America. In our opinion, the additional information on pages 49 through 51 is fairly stated, in all material respects, in relation to the financial statements as a whole.

The additional information on page 52 has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2018 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 + Tatchell LLP". The signature is written in a cursive, slightly stylized font.

April 11, 2018

GUAM VISITORS BUREAU
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Management's Discussion and Analysis
Years Ended September 30, 2017 and 2016

ABOUT THE GUAM VISITORS BUREAU

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

In FY17, the Guam Visitors Bureau was honored to become the first tourism office to win the President's "E" Award, the highest recognition any U.S. entity can receive for making a significant contribution to the expansion of U.S. exports. U.S. Secretary of Commerce Wilbur Ross presented the recognition to GVB at a ceremony in Washington, D.C., May 22, 2017.

"The Guam Visitors Bureau has demonstrated a sustained commitment to export expansion," said Secretary Ross in his congratulatory letter to GVB announcing its selection as an award recipient. "The "E" Awards Committee was very impressed with GVB's Tourism 2020 strategic plan development and engagement, which resulted in exceptional year-over-year growth in tourism to Guam. The organization's innovative and broad-reaching program to capture larger segments of the Chinese tourism market was also particularly notable. GVB's achievements have undoubtedly contributed to national export expansion efforts that support the U.S. economy and create American jobs."

In 2017, Guam also celebrated 50 years of tourism, and the island has come a long way since the first Pan-Am jet landed with 109 Japanese travel agents and media. In FY17, Guam welcomed a record 1.56 million visitors, and in fact, FY13-FY17 were all Top 10 banner years for visitor arrivals. However, it will be a challenge to repeat this success in FY18 due to external forces that have slowed our growth. That being said, GVB is confident that with the continued support of the Government and the travel industry, destination Guam will recover.

RESEARCH

GVB conducts the Tourism Economic Impact Study in order to measure the effects of tourism on our island. This TSA (Tourism Satellite Account) report provides valuable key performance indicators relative to visitor expenditures, government revenues and job creation. GVB used to conduct the study every five years, but the information is so valuable that the study will now be updated annually. The latest 2016 report presents a direct correlation between tourism expenditures and overall visitor arrivals.

For FY2016, total tourism economy sales or the total impact of our visitors equated to around \$1.8 billion, an 8.4% increase from FY2015. For that same time period, our visitor arrivals grew by 10.1%. The tourism industry directly contributed to 12.1% of the total island's GDP, a 0.9% growth over 2015's 11.2% share.

This growth in the tourism industry along with visitor spending supported around 21,100 jobs, an additional 650 jobs for our economy compared to 2015. In other words, tourism supports around 34% (1 in every 3 jobs) of all employment on Guam. The TSA report stated that visitor spending directly supported 100% of employment in hotel lodging, 50% of retail employment and about 42% of employment in the food and beverage industry. This equates to around \$617 million in the form of tourism labor income or the compensation to our workforce.

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The last time the study was conducted back in 2015, tourism expenditures generated around \$246 million in government revenue. As of 2016, those revenues grew by 5.69% to around \$260M. With the revised arrivals projections and current supply of airline seats and rooms, GVB forecasts the FY18 Tourist Attraction Fund collections to be between \$40-42 million, based on current information and trends.

In FY17, GVB also completed the Survey of Tourism Attitudes of Resident (STAR) report, which is designed to ascertain how the people of Guam feel about the tourism industry. The survey is used to gain valuable insight regarding how residents view the tourism industry, and its impact on Guam's economy, preservation of culture, environment and quality of life. The last STAR survey was conducted by GVB in 2010.

Among its highlights, the STAR survey noted increased favorability toward tourism, with 69% of residents believing that tourism has a positive impact on them and their families and Guam overall. Most residents that took the survey also agreed that tourism creates many well-paying jobs. Based on information from the STAR survey, it was recommended that GVB focus more on traditions, history and food when promoting Guam's culture to visitors, as well as arts and crafts for community sponsored events.

MARKETING HIGHLIGHTS

Japan

Japan's total outbound travel was up approximately 4.5% in 2017 with 17.89 million Japanese overseas travelers. Top destinations for Japanese travelers included Korea, Taiwan, Hong Kong, Vietnam, and Hawaii. A significant factor contributing to Japan outbound travel is the country's aggressive approach to inbound tourism, with over 24 million international visitors choosing to travel to Japan in 2016, accounting for a 21.8% year-on-year growth. Intense inbound Japan travel creates tremendous outbound travel opportunities for Japanese residents providing intense competition for destinations to capture the stable and valuable Japan outbound travel market.

Guam in the Japan market suffered from a severe loss in airline seat capacity beginning in 2012, where there were more than 1.3 million seats available on direct flights. Since then, Guam has experienced a steady decline of approximately -9% air seats every year. In 2016, there were 972,436 seats available to travel to Guam from Japan, but in 2017 only 860,747 seats existed in the market equating to a year-on-year -13% loss of direct access to our island destination. These figures exclude charter operations, which occur on a seasonal basis with Guam's airline partners.

For FY17, GVB introduced a 2-year strategic plan to reverse the negative arrivals trend in the Japan market, with the primary initiative to develop additional air service. The airline charter incentive program was successful in encouraging travel agents to add extra flights, and the number of Guam charters almost doubled from 112 in cy16 to 196 in cy17. GVB also worked closely with existing carriers to support their sales and marketing efforts, while at the same time continued meeting with potential new carriers together with the Guam Airport.

Although the main reason for Japan visitor arrivals decline is the loss of direct air service, there are other factors to be considered. This includes the depreciation of Japanese yen, geo-political issues such as terrorism, security and foreign affairs. Furthermore, the North Korea missile threats were heavily detrimental to Guam in the Japan market causing cancellations with school groups, MICE trips and general consumers. These market conditions are considered uncontrollable but work against the sales, public relations and marketing work completed in-market.

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In FY2017, GVB focused on targeted sales efforts through education to traditional travel agents and working with online travel agents such as Expedia, Rakuten and DeNA to promote and sell Guam. The annual advertising strategy shifted to focus on online and digital channels providing a dynamic opportunity to shift targeting and messaging based on market conditions and product changes. GVB did not ignore traditional media such as TV, newspapers and magazine. Instead, the Japan marketing team identified public relations tie-up opportunities to gain exposure for Guam. Successes are noted in the regional ports of Fukuoka, Osaka, Nagoya and even Tokyo where Guam was featured in television programs, and travel-related print publications. GVB participated in 12 tradeshow, conducted 57 seminars about Guam, had 16 cooperative projects and executed 8 online promotions. These efforts garnered over \$118 million in exposure for Guam throughout Japan.

Korea

South Korea's total outbound travel increased to an amazing 26.5 million (+18.4%) in CY17. Considering that the country's total population is 51.4 million, that means more than 50% of the population traveled overseas. To put this in perspective, Japan's CY17 total outbound was 17.89 million with a population of 126 million.

Guam's Korea market ended the fiscal year 2017 with record-breaking arrival numbers that dramatically increased the market share to 41.6% of Guam total arrivals. Korean arrivals have rapidly grown over the past year from 544,957 in CY2016 to a 684,443 in CY2017, an overall increase of 25.6%. In December 2016, GVB conducted a "Hafa Millionth" Event, celebrating the 500,000th Korean visitor and their family.

New airlift service from Jeju Air and Jin Air contributed to additional seat capacity. On July 6, 2017, Jeju Air increased their Incheon-Guam fleet by adding an additional aircraft, making a total of (3) daily flights. Jeju Air had also increased their Busan-Guam route to daily flights. On October 29, 2017, Jin Air had also increased their Busan-Guam route to daily flights. On September 12, 2017, Air Seoul launched the Incheon-Guam route with six daily flights a week and increased to daily flights on October 30, 2017, which provided additional 56,000 seats per year.

The breaking record arrival performance is attributed to focused efforts and aggressive activity development in travel trade across the country to attract Korean visitors to Guam as well as to raise awareness of the beautiful island among Koreans through targeted media campaigns, travel trade co-op, consumer activities, location filming, and FAM tours. In FY 2017, GVB Korea had a total of 95 cooperative projects including TV home shopping, social commerce promotions, billboard advertisement, and incentive support programs.

Other Markets

Guam remains active in the Pacific Market as a member of the Pacific Asia Travel Association (PATA) and the PATA Micronesia Chapter. There has been remarkable progress for Guam and the region, participating in the ITB Asia 2016, PATA Annual Summit 2017, PATA Executive Board Meeting, PATA Micronesia Chapter Tri-Annual Meetings, and PATA Travel Mart 2017 where GVB had won the PATA Gold Award for Shop Guam e-Festival Campaign in the Marketing Media-Mobile Travel Application category competing against 220 submissions from 77 organizations. Guam increased its presence in the North America travel trade arena through its participation in major travel trade shows like USTA's IPW, DEMA Show, Scuba Show, and also continued expanding into the MICE and LGBT markets through participation in IMEX America and IGLTA Travel Show. On May 22, 2017, U.S. Secretary of Commerce, Wilbur Ross, presented GVB with the "President's "E" Award, the highest recognition any U.S. entity can receive for making a significant contribution to the expansion of U.S. exports.

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GVB continues to strengthen Guam's brand position to Filipino travelers, forging new trade and media partnerships. GVB participated in the TTM 2017, a B2B travel mart catering specifically to hospitality, tourism and travel stakeholders, which provided the opportunity to engage with over 650 Travel Agents in Manila and Davao. Guam participated in the Annual PTAA Travel Tour Expo, the largest travel trade show in Philippines and the Travel Madness Expo both held in Manila. The Russia market ended FY2017 with 3,151 visitors, a 26.6% increase compared to FY2016. Economic situations in Russia improved and Russian citizens started to get used to expensive currency. GVB continued to show presence in the market by working with travel trade partners and conducting workshops during travel shows. Guam participated in travel exhibitions such as MITT in Moscow and PITE in Vladivostok, which Guam received an award for the second best booth of the expo.

China saw a reduction of charter flights in FY2017. With the limited seat capacity, arrivals decreased 11.8% from last year reaching 23,169 pax. Despite the arrivals, China market continues to be active having signed an MOU with Fliggy, China's number one travel e-commerce platform of the Alibaba group, thus making Guam the first U.S. destination and the first island destination to build up strategic cooperation with Fliggy. In addition, GVB has partnered with movie studio Huayi Media Group and United Airlines for the movie "Beautiful Accident". This project included a "Ride to Guam" contest that attracted 110,000 participants and gained nearly 16 million impressions.

Hong Kong and Taiwan had also seen a reduction in seat capacity with the cessation of Hong Kong Express LLC and suspension of Eva Air in June 2017. GVB continued to support partners in Hong Kong by participating in the ITE MICE, which Guam received with the "Most Romantic Holiday Award". GVB showed its continued commitment to the Taiwan market by participating in major consumer shows such as the Kaohsiung International Travel Fair and Taipei International Travel Fair where top level government officials including Governor Eddie B. Calvo took the opportunity to also meet with the travel trade and airline partners in the market. This resulted in China Airlines announcement in December 2017 to increase its flight frequency effective March 25, 2018.

DESTINATION DEVELOPMENT HIGHLIGHTS

Destination Development's mission is to support the responsible 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, Visitor Safety and Satisfaction 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. In FY2017, GVB continued its commitment to complete maintenance projects that include the San Vitores landscaping, grass cutting and trash collection along major highways, and Hagatna and Tumon Bay beach cleaning.

GVB attained its goals through maintenance and beautification projects that included:

Tumon Landscaping Maintenance, which covers Tumon from Bishop Flores Rotunda to Lotte Hotel, including JFK & Westin Hills. Scope of work includes tree & shrub trimming, grass cutting, sweeping/blowing of sidewalks, and trash collection along sidewalks, including bus shelters.

Beach Cleaning Maintenance, covering Hagatna Bay (from Onward to Shell Gas Station across) and Tumon Bay (from Hilton to Gun Beach). Scope of work includes mechanical & manual beach raking, trash collection, tree trimming of trees and ground cover; and

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Island Road Maintenance, covering Rt. 1 (from Dededo Flea Market to Naval Station), Rt. 4 (from Rt. 1-Chalan Laman, Inarajan) and Rt 34 (Two Lovers Point). Scope of work includes trash collection, grass cutting, scraping, edging and trimming.

GVB further added to the Guam's safety and beautification efforts by undertaking capital improvement projects and visitor attractions in Tumon, namely:

Bus Shelters, which consist of a total of 12 bus shelters. Eleven completed to date are: GVB, PIC, PIC across, Fountain Plaza, Hyatt across, Pacific Bay/Churrasco, Westin, Kracked Egg, Pacific Place, Holiday Resort and Lotte Hotel. Pending completion is Sandcastle.

Streetlight Repairs, which were made to a total of 393 streetlights and 18 streetlight panels.

Lastly, tied in to improvement of Guam's destination was the annual **Holiday Illumination**, which successfully featured a Christmas Village across Hyatt Regency. The Village attracted over several thousand visitors from December 8, 2017 to January 14, 2018.

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 and Heritage Committee (CHC) supports the development and promotion of the Chamorro culture and other community outreach projects. Its key programs include cultural presentations for international marketing events, village festival support and development grants for cultural, educational, medical and ecotourism.

Aside from overseas marketing representation, the Cultural and Heritage division offers opportunities for on island projects that are coordinated by other organizations or government agencies. It awards qualified individuals, companies, or organizations with grant/sponsorship money related to promoting and perpetuating the Chamorro Culture.

Supported Organizations and Events:

- American Cancer Society – Plane Pull
- Chamorro Optimist Club – Cultural Workshops
- DFS Guam – Chamorro Month Activities
- Guam Arts Exhibit – GAX
- Guam Cancer Care – Plane Pull
- Guam Department of Education – Silibrasion Gupot Chamorro 2017
- Guam Nikkei Association – 3rd Annual Guam Lantern
- Guam Society of America, Inc. – Capitol Hill Reception Liberation of Guam
- Guam War Survivors Memorial Foundation – Sentimental Journey 2
- Guam Women's Chamber of Commerce – Hightide Women's Summit
- Guma Imahe – Annual Recital
- Japan Club of Guam – Japan Autumn Festival
- MagPro Awards
- Mayors Council of Guam – Senior Citizens Month
- Micronesia Chefs Association – Maila Ta Fan Chesa
- Payu'Ta – 7th Non Profit Congress
- PBS Guam – Liberation Day Live Broadcast
- PBS Guam – Kids Breakfast Summer Festival
- Sanctuary, Inc. – 21st Annual Too Cool To Do Drugs
- Sanctuary, Inc. – 7th Annual Youth Fest
- Sheraton Guam – Invest Guam Symposium
- Sinajana Municipal Planning Council – St. Jude Thaddeus Fiesta Activities
- Soroptimist – Earrings for Erica Valentine
- St. Francis School – Kashiwa Sister City Cultural Exchange
- Ulitao – Canoe Festival
- US Explorer & Study, Inc. – WWII Peace Memorial Service
- Valley of the Latte – River Festival

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Guam Chamorro Dance Academy

The Guam Chamorro Dance Academy was first piloted in FY2010 in the Tokyo area targeting Hula Dance Clubs. Five two-day dance workshops were conducted with up to 70 pax attending each workshop conducted by Master of Chamorro Dance Frank Rabon. The program was successful in enticing people to learn more about Guam's unique heritage and people. As a result of growing interest, the program expanded to include other regions of Japan. A third Guma (cultural house) was also established in Tokyo by one of the participants of the academy. The dance academy also expanded in Taiwan to help foster not only cultural exchange between the Taiwanese and Chamorro people, but promoting travel between our two countries. Meanwhile, the Bureau also continues to work closely with various active stateside Chamorro dance group with the US-Guam Chamorro Dance Academy, which launched in California and Washington.

Visitor safety and satisfaction projects are aimed at improving conditions affecting the visitor experiences of our island. With safety as a top priority, GVB manages programs that ensure the safety of our visitors.

In 2014, the **Visitor Safety Officer Program**, which serves as a team of concierges, tour guides, security officers, and beach safety officers was created to be able to respond to safety and security incidents and provide basic visitor information for our visitors. In FY2016, beach safety and park patrol were added with a lifeguard tower set up North Tumon Bay and a roving patrol between Ypao & Matapang beach park to deter trash, public intoxication; and loitering. This program aims at augmenting the Guam Police Department and Department of Parks and Recreation services. Summary (as of the 4th quarter 2017 report)

<u>CONCIERGE</u>	<u>AUG</u>	<u>SEPT</u>	<u>OCT</u>
<i>Traffic Assistance</i>	375	929	851
<i>Giving Directions</i>	452	789	227
<i>Taking photos</i>	296	415	168
<i>Community feedback</i>	19	63	2
TOTAL:	1139	2196	1248

<u>SAFETY & SECURITY</u>	<u>AUG</u>	<u>SEPT</u>	<u>OCT</u>
<i>Security service</i>	351	1024	246
<i>Automotive</i>	9	10	0
<i>Water related incidents</i>	4	32	0
<i>Injuries</i>	3	0	2
TOTAL:	367	1065	248

With an increase of the Korea market, the Legislature saw the need to assist the industry and community and created the **Korean Concierge Pilot Program**. Legislation was passed into law on February 03, 2016 with the enactment of P.L. 33-112. The Legislature found that the Korean Visitor market proved to be an important market and efforts to sustain the increase for support services that will provide concierge, emergency hotline, translation, language – friendly hospital / clinic referral, transportation assistance was appropriating funding from the FY2014 HOT Tax Surplus Fund.

GVB monitors tour guides and tour sites throughout Guam. The **Tour Guide Certification Program** was formed under Public Law 23-136 requires the training and certification of all Guam tour guides. This law requires GVB to establish guidelines regulating the conduct and operations of tour companies, inclusive of personnel. The Guam Community College conducts the instructional portion of the program, while GVB issues identification badges and handles compliance activities. To ensure efficient and effective compliance with this program, GVB has contracted a Tour Guide Enforcement Officer. Under the TGC Program, we will continue working with the Guam Community College to conduct instructional review and update the program based on the current needs of Guam's tourism industry.

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GVB also recognizes the change in the kind of visitor that comes and with an increase in the FIT market, a more intimate visit has moved travelers to lodge into the local community with online bookings of bed and breakfast and vacation short term rental accommodations. GVB has partnered with the Department of Revenue and Taxation to do a **Bed & Breakfast outreach program** that ensures lodging businesses are aware of the laws, safety and health issues of our visitors.

The experience that every visitor departs with leaves a life long impression and this surmounts the satisfaction programs that showcases GVB's commitment to ensure the Hafa Adai spirit and the quality of each experience. In partnership with the Guam International Airport Authority, the **Airport Ambassador Program** augments, when necessary, a service to provide passengers additional services at Customs & Quarantine / Customs & Border Patrol during the peak arrivals periods. Airport ambassadors direct passengers to where they need to go and assist them in completing forms required for entry into Guam.

GVB also provides a **Welcome Service Program** that extends a true Hafa Adai welcome for airport and cruise ship passengers as well as for incentive groups, inaugural flights, dignitaries, media and other special groups and events. Services include shell / flower lei greeting as well as cultural welcome dances.

As part of GVB support to the front line industry workforce, we partnered with the Guam Hotel and Restaurant Association (GHRA) to create the **Hospitality Employees aRe Outstanding "HERO" Awards**. These awards recognize the outstanding contributions of front line hospitality employees of the tourism industry. Implemented in 1992 as the Excellence in Tourism Awards, this program continues to receive favorable participation and support from Guam's the community. The intent of the (HERO) for supervisory and non-supervisory program is to recognize outstanding front line industry employees and organizations for their contribution to Guam's largest economic contributor. In doing so, GVB and GHRA have identified the categories of: Hafa Adai Spirit; Rookie of the Year; HERO Middle Management; HERO Supervisory; HERO Non- Supervisory; Life Saving Award; Integrity Award.

GVB is committed to support the industry on workplace development, raise the quality of service, increase job opportunities and advance job positions that will increase on island spend. We recognize the need to equip employees with standard fundamental language, phrases and etiquette in order to meet the needs and expectations of our visitors from all source markets. The **Visitor Industry Professional (VIP)** program will provide the necessary tools to set the Hafa Adai spirit standard. The VIP program is an online education website that will feature a broad library of custom made tutorial videos and training for tourism front line employees that can be accessed from a computer, tablet or smartphone. The VIP program 2nd phase is currently wrapping up the completion of the video modules production.

As we continue to build and strengthen our industry, it is crucial to ensure that our local community, as the biggest stakeholders to the destination product play an active role. Community outreach programs that have begun are the Tourism Works talks campaign that reaches out to the school children educating them about what tourism brings to the island and supporting other campaigns like the **Year of the Reef Campaign**. This is a program that partners with NOAA, UOG Sea Grant and Bureau of Statistics and Planning to educate the community on the coral reefs and importance of building sustainability to protect and preserve.

GVB continues to develop signature sporting and cultural events that aim to attract visitors to Guam. In addition, GVB's signature events also provide visitors on island added value while also providing new and unique experiences only found on Guam.

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Most notably, in 2017, 4,335 runners with 812 full marathon runners, 1,044 half-marathon runners, 1,092 10K participants and 1,387 5K participants took to Guam's roads at the 2017 United Guam Marathon. This was the largest turnout of international visitors taking part in a marathon race on Guam.

Runners from around the world – Australia, Canada, China, Czech Republic, Estonia, Finland, Germany, Hong Kong, Japan, Macao, New Zealand, Russia, Serbia, Singapore, South Korea, the Philippines and Palau enjoyed Guam's biggest marathon event held each year in April.

GVB additionally creates other signature events to bring our visitors and local community together. Other GVB Signature events taking place in FY2017 included:

Guam Live International Music Festival
Guam Barbeque Block Party
Guam Ko'ko Half Marathon 10K and 5K
Ko'ko Kids Fun Run
New Year's Eve Fantasy Fireworks
29th Guam Micronesia Island Fair

In FY2017, GVB continued to work with various local non-profit groups/organizations to develop and/or enhance local sports activities, programs and events that bring value, raise credibility and spread awareness about Guam's sporting facilities, events and products.

In 2017, the Guam Visitors Bureau proudly sponsored Smokin' Wheels (Guam Racing Federation), Tour of Guam (Guam Cycling Federation), Dragon Boat Racing (Guam ACES, inc), Cocos Crossing (Guam Cocos Crossing) and Guam Futures Tennis Tournament (Guam National Tennis Federation).

Additionally, each year, the Bureau continues to work cooperatively with local organizations to sponsor and support events that benefit our local community and tourism alike. Sponsorship funding provide enhance experiences, increased services, amenities and products to help raise the standard and attractiveness of events on Guam. In FY2017, GVB sponsored:

World Food Championships
14th Annual Guam Amateur Golf Championship
GAX Pow Wow Art Exhibit
Department of Agriculture Kids Fishing Derby
LGBT Guam Pride 2017 Festival
Marianas Open Jiu Jitsu Tournament
Payless 5K Kick the Fat Run
2017 Rick reef Classic Surf Competition
Royce Gracie & Mugsy Bogues Anti Bully Campaign
TrenchFest Sponsorship
Asia Rugby Council Meeting/Seminar
Dept Agriculture 6th Annual Pig Hunting Derby
Konqer Obstacle Course Run
Upshift Entertainment Events

Through our support of these events, we were able to realize bringing thousands of visitors to Guam's shores, offering the opportunity for visitors and local residents to share in many different aspects of Guam's hospitality.

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

Management's Discussion and Analysis
Years Ended September 30, 2017 and 2016

FINANCIAL HIGHLIGHTS

Effective October 1, 2016, GVB implemented GASB Statement No. 73, which resulted in the restatement of GVB's 2016 financial statements to reflect the reporting of net pension liability for ad hoc Cost of Living Adjustments and supplemental annuity payments. Refer to Note 4 for more information regarding GVB's pensions.

The following table summarizes the financial condition and Operations of the Bureau for the fiscal years ended 2017, 2016, and 2015:

	<u>2017</u>	2016 (As restated)	2015 (As restated)
Assets:			
Current assets	\$ 20,010,727	\$ 18,573,431	\$ 17,164,698
Other assets	133,230	118,202	118,202
Property and equipment, net	<u>6,561,860</u>	<u>6,649,392</u>	<u>6,736,923</u>
Total assets	26,705,817	25,341,025	24,019,823
Deferred outflows from pension	<u>740,012</u>	<u>744,507</u>	<u>571,172</u>
Total assets and deferred outflows	\$ <u>27,445,829</u>	\$ <u>26,085,532</u>	\$ <u>24,590,995</u>
Liabilities:			
Current liabilities	\$ 4,720,898	\$ 3,511,452	\$ 4,516,525
Net pension liability	5,445,987	5,012,556	4,098,479
Accrued sick leave	<u>166,006</u>	<u>170,108</u>	<u>155,338</u>
Total liabilities	10,386,391	8,694,116	8,770,342
Deferred inflows from pension	<u>53,500</u>	<u>10,652</u>	<u>291,234</u>
Total liabilities and deferred inflows	<u>10,386,391</u>	<u>8,704,768</u>	<u>9,061,576</u>
Net position:			
Net investment in capital assets	6,561,860	6,649,392	6,736,923
Unrestricted	8,204,366	7,836,364	3,791,386
Restricted	<u>2,293,212</u>	<u>2,895,008</u>	<u>5,001,110</u>
Total net position	<u>17,059,438</u>	<u>17,380,764</u>	<u>15,529,419</u>
Total liabilities, net position	\$ <u>27,445,829</u>	\$ <u>26,085,532</u>	\$ <u>24,590,995</u>
Operating revenues	\$ 1,176,221	\$ 1,302,861	\$ 1,373,972
Operating expenses	<u>23,254,449</u>	<u>21,620,864</u>	<u>19,742,349</u>
Operating revenues net of operating expenses	(22,078,228)	(20,318,003)	(18,368,377)
Non-operating revenues, net	<u>21,756,902</u>	<u>22,169,348</u>	<u>21,162,705</u>
Change in net position	\$ <u>(321,326)</u>	\$ <u>1,851,345</u>	\$ <u>2,794,328</u>

An 11% hotel occupancy tax funds the Bureau's operations, authorized through the Legislature's annual budget appropriations. In fiscal year 2017, Public Law 33-185 appropriated \$22,367,472 for GVB operations. The Bureau was able to recognize \$22,367,472 of its appropriation for Operations, of which \$140,000 remained uncollected as of 09/30/17.

PL 33-185 also appropriated \$1,085,000 to the Guam Visitors Bureau for pass-thru entities, \$200,000 to the Rainy Day Fund, and \$200,000 for Cultural and Sports Ambassador Fund. The Bureau was able to recognize all appropriations for pass-thru entities, the Rainy Day Fund, and the Cultural and Sports Ambassador Fund.

GUAM VISITORS BUREAU
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Management's Discussion and Analysis
Years Ended September 30, 2017 and 2016

In FY 2017, two other public laws appropriated additional monies to the GVB from the unappropriated, unallocated fund balance of the FY 2016 Tourist Attraction Fund, all of which the Bureau was able to recognize in FY 2017. PL 33-232 appropriated \$150,000 from the FY 2016 Tourist Attraction Fund for the *Hurão* Academy's development of *Chamoru* language "immersion" pre-school program. PL 33-233 appropriated \$50,000 from the FY 2016 Tourist Attraction Fund to *Guinahan Famagu'on* Corporation for the printing and distribution of *Chamoru* literature for schoolchildren in the *Chamoru* Language and Culture Program of the Guam Department of Education.

The Bureau also recognized \$106,433 in Federal revenues, of which \$71,433 was a FY 2015 reimbursement from FEMA related to Typhoon Dolphin and \$35,000 which was part of a memorandum of understanding with the University of Guam Marine Laboratory regarding the Recreational User Certification Course: Diver Damage Study.

The FY17 unaudited Tourist Attraction Fund (TAF) collections were 10% higher than the previous year, totaling \$44,011,958. Hotel occupancy increased from 80% in FY16 to 84.1% in FY17, while the average room rate increased to \$206 from \$198.

Direct appropriations from the Tourist Attraction Fund increased about 10% in FY 2017, from \$16,218,172 in FY 2016 to \$17,849,983. In PL 33-185, TAF revenue projections for FY 2017 were \$41,502,455 and total appropriations from the TAF were \$41,502,455. Comparing the total FY 2017 appropriation from the TAF (\$41,502,455) to the actual unaudited collections (\$44,011,958), there was a surplus of \$2,309,503.

Membership dues increased 147% from \$37,889 in FY 2016 to \$93,411 in FY 2017. This significant increase was due to the membership election held in January 2017. In-kind contributions decreased about 24% to \$120,424 in FY 2017 from \$157,799 in FY 2016.

Marketing was the largest expense at \$16.9 million in Professional Services, with Japan and Korea representing the largest share at a combined \$8.4 million. At \$2,667,901, personnel salaries and benefits decreased 2% over last year due to the retirement of 2 employees, but still only 11% of total expenses.

Management's Discussion and Analysis for the year ended September 30, 2016 is set forth in the Bureau's report on the audit of the financial statements, which is dated March 3, 2017, and that Discussion and Analysis explains the major factors impacting the 2016 financial statements and can be viewed at the Office of the Public Auditor's website at www.opaguam.org.

CAPITAL ASSETS AND LONG-TERM DEBT

The Bureau is not capital intensive and therefore, significant capital asset activity did not occur in 2017, 2016 and 2015. For additional information regarding capital assets, please refer to Note 5 to the financial statements.

Additionally, the Bureau has no long-term borrowings. However, for additional information concerning its other long-term liabilities, please refer to Note 7 to the financial statements.

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

Management's Discussion and Analysis
Years Ended September 30, 2017 and 2016

OUTLOOK

Before the North Korea news event in August, total arrivals for Guam were 5% higher than 2016, with August ending at -0.5%, still making it the second best arrivals month in Guam's history. However, the months following August showed decreases of -12.4% (Sept.), -7.4% (Oct.), -2.7% (Nov.), and -2.3% (Dec.). All our major source markets except Korea experienced serious declines in the months following August, with Japan -30% for the 1st Quarter of FY18. Despite this, the +23.1% increase in Korea arrivals offset some of these decreases, and 1st quarter FY18 finished at -3.9% YOY. For FY18, based on current capacity and trends, the GVB Research department forecasts visitor arrivals of 1.44 million (-7.6% YOY).

Two major considerations in arrival forecasts are seat capacity and hotel room inventory, as these are the main supply factors. There have been both positive and negative developments in regards to flights to Guam. For Japan, Delta suspended its twice-daily service from Narita and Hong Kong Express postponed its Nagoya flight planned for October. Moreover, United canceled direct service from Sapporo and Sendai, and decreased some capacity from Narita, Osaka and Nagoya. On a positive note, GVB together with GIAA was able to attract a second Narita departure with Japan Airlines, which will start in March 2018. Moreover, GVB continues to incentivize travel agents to fly charters, and are expecting 30,000 - 40,000 charter flight seats in FY18.

For the Korea market, Guam welcomed Air Seoul in September, the sixth Korean carrier to fly to the island. China Airlines announced that it will add a 5th frequency in March after Governor Calvo's Taiwan trade mission. This should offset some of the seats lost with the suspension of the Eva Air flights last June. United recently announced the suspension of the 2x a week Shanghai route, but a majority of mainland China visitors travel to Guam via Incheon airport.

While Guam has added many new airlines in the last 7 years, the island has not developed the additional room inventory needed to reach the Tourism 2020 goal of 1.75 million visitors. GVB thanks GEDA and the Legislature for implementing the Special Hotel QC program, which helped incentivize the groundbreaking of Guam's first new hotel in nearly a decade. Yet, the 350 rooms provided by the Tsubaki Tower will still leave Guam short of the 1600 rooms needed, and the recent issues with H-2 labor have been a roadblock to attracting new hotel development. With occupancy and room rates at all time highs, the island is close to our limit in accommodations for our visitor industry.

GVB anticipates FY18's decline in arrivals can still be mitigated with increased efforts in promoting Guam as a world-class resort destination of choice. The volatile nature of the travel industry only strengthens our belief that we need to continue to invest into our main economic driver, in order to ensure manageable and sustainable growth for our island.

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

Statements of Net Position
September 30, 2017 and 2016

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>2017</u>	<u>2016</u> (As Restated)
Current assets:		
Cash - unrestricted	\$ 14,390,076	\$ 9,302,906
Cash - restricted	2,504,198	2,455,079
Investments	2,537,450	2,525,177
Accounts receivable - Government of Guam	140,000	3,829,000
Accounts receivable - others	421,414	390,519
Due from Special TAF Projects fund	-	64,298
Prepaid expenses	17,589	6,452
Total current assets	<u>20,010,727</u>	<u>18,573,431</u>
Security deposit	133,230	118,202
Capital assets:		
Nondepreciable capital assets	5,992,415	5,992,415
Depreciable capital assets, net of accumulated depreciation	569,445	656,977
Total assets	<u>26,705,817</u>	<u>25,341,025</u>
Deferred outflows of resources:		
Deferred outflows from pension	740,012	744,507
	<u>\$ 27,445,829</u>	<u>\$ 26,085,532</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u>		
Current liabilities:		
Accounts payable	\$ 4,559,222	\$ 3,269,774
Accrued annual leave	142,976	159,693
Due to FESTPAC	-	10,080
Unearned income	18,700	71,905
Total current liabilities	<u>4,720,898</u>	<u>3,511,452</u>
Net pension liability	5,445,987	5,012,556
Accrued sick leave	166,006	170,108
Total liabilities	<u>10,332,891</u>	<u>8,694,116</u>
Deferred inflows of resources:		
Deferred inflows from pension	53,500	10,652
Commitments and contingencies		
Net position:		
Net investment in capital assets	6,561,860	6,649,392
Restricted - expendable	2,293,212	2,895,008
Unrestricted	8,204,366	7,836,364
Total net position	<u>17,059,438</u>	<u>17,380,764</u>
	<u>\$ 27,445,829</u>	<u>\$ 26,085,532</u>

See accompanying notes to financial statements.

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

Statements of Revenues, Expenses, and Changes in Net Position
Years Ended September 30, 2017 and 2016

	2017	2016 (As Restated)
Revenues:		
Other income	\$ 551,303	\$ 604,618
Consumption tax refund	411,083	502,555
In-kind contributions from members and others	120,424	157,799
Memberships	93,411	37,889
Total operating revenues	1,176,221	1,302,861
Expenses:		
Professional services	16,850,942	15,604,827
Personnel	3,148,675	3,185,184
Travel	809,853	823,001
Utilities	226,463	210,361
Rent/lease	225,449	164,203
Material and supplies	224,414	168,428
Promotional in-kind contributions	120,424	157,799
Grants	111,619	184,200
Printing	107,554	130,200
Repairs and maintenance	90,083	19,816
Depreciation	87,532	87,531
Consumption tax	43,681	70,727
Equipment	37,231	43,991
Advertising	31,044	16,483
Miscellaneous	1,139,485	754,113
Total operating expenses	23,254,449	21,620,864
Operating revenues net of operating expenses	(22,078,228)	(20,318,003)
Nonoperating revenues (expenses):		
Grants-in-aid from Government of Guam:		
Operations	22,767,472	24,749,192
Pass through	1,085,000	1,375,500
FESTPAC	-	3,330,000
Pass through appropriations	(1,085,000)	(1,375,500)
Other collections - FESTPAC	150	2,023,572
Donation expense - FESTPAC	(10,230)	(8,079,292)
Federal revenues	35,000	80,000
Interest income	33,949	18,397
Other nonoperating revenues (expenses), net	(1,069,439)	47,479
Total nonoperating revenues (expenses), net	21,756,902	22,169,348
Change in net position	(321,326)	1,851,345
Net position at beginning of year	17,380,764	15,529,419
Net position at end of year	\$ 17,059,438	\$ 17,380,764

See accompanying notes to financial statements.

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

Statements of Cash Flows
Years Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u> (As Restated)
Cash flows from operating activities:		
Cash received from members	\$ 40,206	\$ 98,194
Cash received from other sources	916,464	1,010,003
Cash paid to employees	(1,892,728)	(1,885,493)
Cash paid to suppliers	<u>(19,361,282)</u>	<u>(20,154,867)</u>
Net cash used for operating activities	<u>(20,297,340)</u>	<u>(20,932,163)</u>
Cash flows from noncapital financing activities:		
Government of Guam appropriations	27,541,472	25,625,692
Other FESTPAC receipts received	150	2,023,572
Federal grants received	35,000	80,000
Other receipts (disbursements), net	(1,069,439)	47,479
Cash paid for FESTPAC activities	(10,230)	(8,069,212)
Cash paid to pass-through entities	<u>(1,085,000)</u>	<u>(1,375,500)</u>
Net cash provided by noncapital financing activities	<u>25,411,953</u>	<u>18,332,031</u>
Cash flows from investing activities:		
Interest income received	<u>21,676</u>	<u>9,943</u>
Net change in cash	5,136,289	(2,590,189)
Cash at beginning of year	<u>11,757,985</u>	<u>14,348,174</u>
Cash at end of year	<u>\$ 16,894,274</u>	<u>\$ 11,757,985</u>
Consisting of:		
Unrestricted	\$ 14,390,076	\$ 9,302,906
Restricted	<u>2,504,198</u>	<u>2,455,079</u>
Cash at end of year	<u>\$ 16,894,274</u>	<u>\$ 11,757,985</u>
Reconciliation of operating revenues net of operating expenses to net cash used for operating activities:		
Operating revenues net of operating expenses	\$ (22,078,228)	\$ (20,318,003)
Adjustments to reconcile operating revenues net of operating expenses to net cash used for operating activities:		
In-kind contributions from members and others	(120,424)	(157,799)
Promotional in-kind contributions	120,424	157,799
Depreciation	87,532	87,531
Non-cash pension costs, net	480,774	460,159
Decrease (increase) in assets:		
Accounts receivable - other	(45,923)	(97,170)
Due from Special TAF Projects fund	64,298	(64,298)
Prepaid expense	(11,137)	-
Increase (decrease) in liabilities:		
Accounts payable	1,279,368	(1,092,717)
Accrued annual and sick leave	(20,819)	32,030
Unearned income	<u>(53,205)</u>	<u>60,305</u>
Net cash used for operating activities	<u>\$ (20,297,340)</u>	<u>\$ (20,932,163)</u>

See accompanying notes to financial statements.

SPECIAL TOURIST ATTRACTION FUND PROJECTS

Balance Sheets
September 30, 2017 and 2016

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Current assets:		
Restricted cash	\$ 604,666	\$ 2,564,095
Accounts receivable	<u>4,235</u>	<u>9,980</u>
	<u>\$ 608,901</u>	<u>\$ 2,574,075</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Accounts payable	\$ 61,154	\$ 165,748
Due to operations fund	<u>-</u>	<u>64,298</u>
	61,154	230,046
Fund balance:		
Committed - Tourism	<u>547,747</u>	<u>2,344,029</u>
	<u>\$ 608,901</u>	<u>\$ 2,574,075</u>

See accompanying notes to financial statements.

SPECIAL TOURIST ATTRACTION FUND PROJECTS

Statements of Operations and Changes in Fund Balance
Years Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Revenues:		
Other	\$ 95,911	\$ 38,458
Expenditures:		
Tumon Bay lighting improvements	1,673,998	111,851
Tumon and Hagatna Beach cleaning and maintenance	44,387	-
Tumon landscaping maintenance	20,187	-
Tumon bus shelters	18,700	35,000
Graffiti Removal	14,850	35,847
Streetlight repair	14,100	-
Holiday illumination	-	10,000
Tumon Bay sidewalk, crosswalk and retaining wall improvemer	-	120,630
Project management:		
Tumon Bay lighting improvements	100,276	-
Miscellaneous	<u>5,695</u>	<u>3,721</u>
Total expenditures	<u>1,892,193</u>	<u>317,049</u>
Deficiency from operations	(1,796,282)	(278,591)
Government of Guam contributions	<u>-</u>	<u>1,095,654</u>
Changes in fund balance	(1,796,282)	817,063
Fund balance at beginning of year	<u>2,344,029</u>	<u>1,526,966</u>
Fund balance at end of year	<u>\$ 547,747</u>	<u>\$ 2,344,029</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements
September 30, 2017 and 2016

(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 Governmental Accounting Standards Board (GASB) Statement No. 14, GVB is a component unit of the Government of Guam (GovGuam). 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 Guam 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, 2017 and 2016.

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. Investments in time certificates of deposit with original maturity dates greater than three months are separately classified on the statements of net position.

Capital Assets

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 and Risk

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.

As of September 30, 2017 and 2016, GVB's unrestricted cash includes \$874,605 and \$433,256 respectively, that are settled in a foreign currency. GVB is exposed to the risk of unfavorable changes in the exchange rate that may occur.

A (gain)/loss on foreign exchange transactions of \$62,041 and (\$96,455) was reported as of September 30, 2017 and 2016, respectively.

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

Notes to Financial Statements
September 30, 2017 and 2016

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

Deferred Outflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (deduction of net position) until then. GVB has determined the differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability, differences between projected and actual earnings on pension plan investments, changes in assumptions, pension contributions made subsequent to the measurement date and changes in proportion and differences between GVB pension contributions and proportionate share of contributions qualify for reporting in this category.

Deferred Inflows of Resources

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (additions to net position) until then. GVB has determined the differences between projected and actual earnings on pension plan investments qualify for reporting in this category.

Compensated Absences

Earned unpaid employee vacation leave is accrued at year end for financial statement purposes. Included in liabilities at September 30, 2017 and 2016 are amounts related to compensated absences earned but unused. The amounts are also included as a component of operating expense in the Statements of Revenues, Expenses, and Changes in Net Position.

Pensions

Pensions are required to be recognized and disclosed using the accrual basis of accounting. GVB recognizes a net pension liability for the defined benefit pension plan in which it participates, which represents GVB's proportional share of excess total pension liability over the pension plan assets – actuarially calculated – of a single employer defined benefit plan, measured one year prior to fiscal year-end and rolled forward. The total pension liability also includes GVB's proportionate share of the liability for ad hoc cost-of-living adjustments (COLA) and supplemental annuity payments that are anticipated to be made to defined benefit plan members and for anticipated future COLA to DCRS members. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and are amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

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

Notes to Financial Statements
September 30, 2017 and 2016

(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 deferred outflows of resources, liabilities and deferred inflows of resources, 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, 2017 and 2016, 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.

Basis of Accounting

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. 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.

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

Notes to Financial Statements
September 30, 2017 and 2016

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

Net Position

Net position represents the residual interest in GVB's assets and deferred outflows of resources after liabilities and deferred inflows of resources 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.
- 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 is not subject to externally imposed stipulations. Unrestricted net position 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.

Reclassification

Certain balances in the 2016 presentation have been reclassified to conform to the 2017 presentation.

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Notes to Financial Statements
September 30, 2017 and 2016

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

New Accounting Standards

During the year ended September 30, 2017, GVB implemented the following pronouncements:

- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which aligns the reporting requirements for pensions and pension plans not covered in GASB Statements 67 and 68 with the reporting requirements in Statement 68. The implementation of this statement had a material effect on the accompanying financial statements resulting in the restatement of GVB's 2016 financial statements to reflect the reporting of pension liabilities, deferred inflows of resources and deferred outflows of resources for ad hoc COLAs and supplemental annuity payments and the recognition of pension expense in accordance with the provisions of GASB Statement No. 73. The 2016 financial statements were also restated as follows due to changes in actuarial assumptions and other inputs used to determine the pension liabilities, deferred inflows of resources and deferred outflows of resources for the qualified pension plan.

	<u>As Previously Reported</u>	<u>Adjustment</u>		<u>As Restated</u>
As of October 1, 2015:				
Net position	\$ 15,779,482	\$ (250,063)	\$	15,529,419
For the year ended September 30, 2016:				
Operating expense:				
Personnel	\$ 3,021,954	\$ 163,230	\$	3,185,184
As of September 30, 2016:				
Deferred outflows of resources:				
Deferred outflows from pension	\$ 648,508	\$ 95,998	\$	744,506
Net pension liability	\$ 4,513,916	\$ 498,640	\$	5,012,556
Deferred inflows of resources:				
Deferred inflows from pension	\$ -	\$ 10,651	\$	10,651
Net position	\$ 17,794,057	\$ (413,293)	\$	17,380,764

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and addresses financial reporting requirements for governments whose employees are provided with postemployment benefits other than pensions (other postemployment benefits or OPEB).

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Notes to Financial Statements
September 30, 2017 and 2016

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

New Accounting Standards, Continued

- GASB Statement No. 77, *Tax Abatement Disclosures*, which requires governments that enter into tax abatement agreements to disclose certain information about the agreements.
- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*.
- GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*, which improves financial reporting by clarifying the financial statement presentation requirements for certain component units.
- GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*, which addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Except for GASB Statement No. 73, the implementation of these statements did not have a material effect on the GVB's financial statements.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The provisions in Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Based on an actuarial valuation dated October 1, 2015, the net OPEB obligation that GVB will record upon implementation of Statement 75 is anticipated to be \$3,964,054 as of September 30, 2017.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, which improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions in Statement No. 81 are effective for fiscal years beginning after December 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset. The provisions in Statement No. 83 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

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Notes to Financial Statements
September 30, 2017 and 2016

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

New Accounting Standards, Continued

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*, which address practice issues that have been identified during implementation and application of certain GASB Statements including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The provisions in Statement No. 85 are effective for fiscal years beginning after June 15, 2017. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt. The provisions in Statement No. 86 are effective for fiscal years beginning after June 15, 2017. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

(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 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.

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Notes to Financial Statements
September 30, 2017 and 2016

(2) Cash, Continued

Deposits, Continued

As of September 30, 2017 and 2016, the carrying amount of GVB's total cash was \$16,894,274 and \$11,757,985, respectively, and \$604,666 and \$2,564,095, respectively, for the Special Tourist Attraction Fund projects. The corresponding bank balances were \$17,099,291 and \$14,379,167, respectively. Of the bank balances, \$16,224,686 and \$13,945,911, respectively, are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance and deposits in the amount of \$359,986 and \$381,191, 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, 2017 and 2016, cash held by GVB in the Special Tourist Attraction Funds Project is \$604,666 and \$2,564,095, respectively. These funds are for landscaping and beautification of Tumon Bay and other Tourist Attraction Projects.

As of September 30, 2017 and 2016, restricted cash held by GVB in the Rainy Day Fund is \$2,025,363 and \$2,083,621, 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, 2017 and 2016, restricted cash held by GVB in the Cultural and Sports Ambassadors Fund is \$478,835 and \$0, respectively. These funds are to be used to provide grants for transportation expenses for off-island travel by cultural and sports ambassadors.

As of September 30, 2017 and 2016, restricted cash held by GVB in the FESTPAC & Folklife Festival Trust Account is \$0 and \$371,458, respectively. These funds are to be used for FESTPAC 2016.

(3) Short-term Investments

Short-term investments at September 30, 2017 and 2016, include time certificates of deposit in the amount of \$2,537,450 and \$2,525,177, respectively, which are fully FDIC insured.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, GVB will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. As of September 30, 2017 and 2016, GVB's short-term investments are held and administered by investment managers in the name of GVB in accordance with GVB's investment policy.

GUAM VISITORS BUREAU
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Notes to Financial Statements
September 30, 2017 and 2016

(4) Employees' Retirement Plans

A. General Information About the Pension Plans:

Defined Benefit Plan

Plan Description: GVB participates in the GovGuam Defined Benefit (DB) Plan, a single-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. 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.

Plan Membership: As of September 30, 2016, the date of the most recent valuation, plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	7,298
Terminated employees entitled to benefits but not yet receiving them	4,463
Current members	<u>2,208</u>
	<u>13,969</u>

Benefits Provided: The DB Plan provides pension benefits to retired employees generally based on age and/or years of credited service and an average of the three highest annual salaries received by a member during years of credited service, or \$6,000, whichever is greater.

Members who joined the DB Plan prior to October 1, 1981 may retire with 10 years of service at age 60 (age 55 for uniformed personnel); or 20 to 24 years of service regardless of age with a reduced benefit if the member is under age 60; or upon completion of 25 years of service at any age.

Members who joined the DB Plan on or after October 1, 1981 and prior to August 22, 1984 may retire with 15 years of service at age 60 (age 55 for uniformed personnel); or with 25 to 29 years of service regardless of age with a reduced benefit if the member is under age 60; or upon completion of 30 years of service at any age.

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Notes to Financial Statements
September 30, 2017 and 2016

(4) Employees' Retirement Plans, Continued

A. General Information About the Pension Plans, Continued:

Defined Benefit Plan, Continued

Members who joined the DB Plan after August 22, 1984 and prior to October 1, 1995 may retire with 15 years of service at age 65 (age 60 for uniformed personnel); or with 25 to 29 years of service regardless of age with a reduced benefit if the member is under age 65; or upon completion of 30 years of service at any age.

Upon termination of employment before attaining at least 25 years of total service, a member is entitled to receive a refund of total contributions including interest. A member who terminates after completing at least 5 years of service has the option of leaving contributions in the GGRF and receiving a service retirement benefit upon attainment of the age of 60 years. In the event of disability during employment, members under the age of 65 with six or more years of credited service who are not entitled to receive disability payments from the United States Government are eligible to receive sixty six and two-thirds of the average of their three highest annual salaries received during years of credited service. The DB Plan also provides death benefits.

Contributions and Funding Policy: Contribution requirements of participating employers and active members are determined in accordance with Guam law. Employer contributions are actuarially determined under the One-Year Lag Methodology. Under this methodology, the actuarial valuation date is used for calculating the employer contributions for the second following fiscal year. For example the September 30, 2015 actuarial valuation was used for determining the year ended September 30, 2017 statutory contributions. Member contributions are required at 9.55% of base pay (9.54% in 2016).

As a result of actuarial valuations performed as of September 30, 2015, 2014, and 2013, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2017, 2016 and 2015, respectively, have been determined as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Normal costs (% of DB Plan payroll)	16.27%	15.86%	15.92%
Employee contributions (DB Plan employees)	<u>9.55%</u>	<u>9.54%</u>	<u>9.55%</u>
Employer portion of normal costs (% of DB Plan payroll)	<u>6.72%</u>	<u>6.32%</u>	<u>6.37%</u>
Employer portion of normal costs (% of total payroll)	1.87%	1.94%	2.05%
Unfunded liability cost (% of total payroll)	<u>21.60%</u>	<u>22.42%</u>	<u>24.09%</u>
Government contribution as a % of total payroll	<u>23.47%</u>	<u>24.36%</u>	<u>26.14%</u>
Statutory contribution rates as a % of DB Plan payroll:			
Employer	<u>27.41%</u>	<u>28.16%</u>	<u>29.85%</u>
Employee	<u>9.55%</u>	<u>9.54%</u>	<u>9.55%</u>

GUAM VISITORS BUREAU
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Notes to Financial Statements
September 30, 2017 and 2016

(4) Employees' Retirement Plans, Continued

A. General Information About the Pension Plans, Continued:

Defined Benefit Plan, Continued

GVB's contributions to the DB Plan for the years ended September 30, 2017, 2016 and 2015 totaled \$97,875, \$126,775 and \$119,343, respectively, which were equal to the required contributions for the respective years then ended.

Actuarial Assumptions: Actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported. The methods and assumptions used to determine contribution rates are as follows:

Valuation Date:	September 30, 2015
Actuarial Cost Method:	Entry age normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	14.58 years
Asset Valuation Method:	3-year smoothed market value
Inflation:	2.75%
Total payroll growth:	3.00% per year
Salary Increases:	4.50% to 7.50%
Expected Rate of Return:	7.00%
Discount Rate:	6.70%
Retirement age:	40% are assumed to retire upon first eligibility for unreduced retirement. Thereafter, the probabilities of retirement are 15% until age 65, 20% from 65-69, and 100% at age 70.
Mortality:	RP-2000 healthy mortality table set forward by 4 years for males and 1 year for females. Mortality for disabled lives is the RP 2000 disability mortality table with no set forwards.
Other information:	Actuarial assumptions are based upon periodic experience studies. The last experience study reviewed experience from 2007-2011, and was first reflected in the actuarial valuation as of September 30, 2012.

GUAM VISITORS BUREAU
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Notes to Financial Statements
September 30, 2017 and 2016

(4) Employees' Retirement Plans, Continued

A. General Information About the Pension Plans, Continued:

Defined Benefit Plan, Continued

Discount Rate: The total pension liability is calculated using a discount rate that is a blend of the expected investment rate of return and a high quality bond index rate. The expected investment rate of return applies to benefit payments that are funded by plan assets (including future contributions), which includes all plan benefits except ad hoc cost-of-living adjustments (COLA) and supplemental annuity (SA) payments to DB retirees. The rate of return of a high quality bond index applies to the ad hoc COLAs and SA payments to DB retirees, which are not funded by the plan assets. The blended rate calculated as described above is 6.70%.

Discount Rate Sensitivity Analysis: The following schedule shows the impact on the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.70%) in measuring the 2016 Net Pension Liability.

	1% Decrease in Discount Rate <u>5.70%</u>	Current Discount Rate <u>6.70%</u>	1% Increase in Discount Rate <u>7.70%</u>
Net Pension Liability	\$ <u>6,089,298</u>	\$ <u>4,994,178</u>	\$ <u>4,051,576</u>

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees

Plan Description: GVB participates in the GovGuam ad hoc COLA/supplemental annuity plan for DB retirees, a single-employer defined benefit pension plan administered by the GGRF. GVB considers this as a separate pension plan for DB retirees. A single actuarial calculation 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 this 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.

Plan Membership: The plan membership is the same as the DB plan described above.

Benefits Provided, Contributions and Funding Policy: Ad hoc COLA and supplemental annuity benefits are provided to members and beneficiaries at the discretion of the Guam Legislature, but are funded on a "pay-as-you-go" basis so there is no plan trust. Ad hoc COLAs are made through annual allocations to provide DB Plan retired members and spouse survivors with COLA payments of \$2,000 per year. In addition, DB Plan retired members and survivors whose benefits commenced prior to October 1, 1995, have received supplemental annuity payments in the amount of \$4,238 per year, but not to exceed \$40,000 per year when combined with their regular annual retirement annuity. It is anticipated that ad hoc COLA and supplemental annuity payments will continue to be made for future years at the same level currently being paid.

GVB's contributions to the Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees for the years ended September 30, 2017, 2016 and 2015 totaled \$20,000, \$20,000 and \$20,000, respectively, which were equal to the statutorily required contributions for the respective years then ended.

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Notes to Financial Statements
September 30, 2017 and 2016

(4) Employees' Retirement Plans, Continued

A. General Information About the Pension Plans, Continued:

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees, Continued

Actuarial Assumptions: The methods and assumptions used to determine contribution rates are as follows:

Valuation Date:	September 30, 2015
Actuarial Cost Method:	Entry age normal
Amortization Method:	Level percentage of payroll, closed
Inflation:	2.75%
Total payroll growth:	3.00% per year
Salary Increases:	4.50% to 7.50%
Discount Rate:	6.70%
Retirement age:	40% are assumed to retire upon first eligibility for unreduced retirement. Thereafter, the probabilities of retirement are 15% until age 65, 20% from 65-69, and 100% at age 70.
Mortality:	RP-2000 healthy mortality table set forward by 4 years for males and 1 year for females. Mortality for disabled lives is the RP 2000 disability mortality table with no set forwards.
Other information:	Actuarial assumptions are based upon periodic experience studies. The last experience study reviewed experience from 2007-2011, and was first reflected in the actuarial valuation as of September 30, 2012

Discount Rate: The total pension liability is calculated using a discount rate that is a blend of the expected investment rate of return and a high quality bond index rate. The expected investment rate of return applies to benefit payments that are funded by plan assets (including future contributions), which includes all plan benefits except ad hoc cost-of-living adjustments (COLA) and supplemental annuity payments to DB retirees. The rate of return of a high quality bond index applies to the ad hoc COLAs and supplemental annuity payments to DB retirees, which are not funded by plan assets. The blended rate calculated as described above is 6.70%.

Discount Rate Sensitivity Analysis: The following schedule shows the impact on the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.70%) in measuring the 2016 Net Pension Liability.

	1% Decrease in Discount Rate <u>5.70%</u>	Current Discount Rate <u>6.70%</u>	1% Increase in Discount Rate <u>7.70%</u>
Net Pension Liability	\$ <u>205,983</u>	\$ <u>191,430</u>	\$ <u>178,548</u>

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Notes to Financial Statements
September 30, 2017 and 2016

(4) Employees' Retirement Plans, Continued

A. General Information About the Pension Plans, Continued:

Ad Hoc COLA Plan for DCRS Retirees

Plan Description: GVB participates in the GovGuam ad hoc COLA plan for DCRS retirees, a single-employer defined benefit pension plan administered by the GGRF. GVB considers this as a separate pension plan for DCRS retirees. A single actuarial calculation 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 this 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.

Plan Membership: As of September 30, 2016, the most recent measurement date, plan membership consisted of 8,858 active DCRS participants.

Benefits Provided, Contributions and Funding Policy: Ad hoc COLA benefits, contributions and funding policy are the same as those for DB retirees.

GVB's contributions to the Ad Hoc COLA Plan for DCRS Retirees for the years ended September 30, 2017, 2016 and 2015 totaled \$4,000, \$4,000 and \$2,000, respectively, which were equal to the statutorily required contributions for the respective years then ended.

Actuarial Assumptions: The methods and assumptions used to determine contribution rates are as follows:

Valuation Date:	September 30, 2015
Actuarial Cost Method:	Entry age normal
Amortization Method:	Level percentage of payroll
Inflation:	2.75%
Total payroll growth:	3.00% per year
Salary Increases:	4.50% to 7.50%
Discount Rate:	3.058%
Retirement age:	5% per year from age 55 to 64, 10% per year from age 65 to age 74, 100% at age 75
Mortality:	RP-2000 healthy mortality table set forward by 4 years for males and 1 year for females. Mortality for disabled lives is the RP 2000 disability mortality table with no set forwards.
Other information:	Actuarial assumptions are based upon periodic experience studies. The last experience study reviewed experience from 2007-2011, and was first reflected in the actuarial valuation as of September 30, 2012.

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Notes to Financial Statements
September 30, 2017 and 2016

(4) Employees' Retirement Plans, Continued

A. General Information About the Pension Plans, Continued:

Ad Hoc COLA Plan for DCRS Retirees, Continued

Discount Rate: The total pension liability is calculated using a discount rate of 3.058% that is the high quality bond index rate. The rate of return of a high quality bond index applies to benefit payments that are not funded by plan assets.

Discount Rate Sensitivity Analysis: The following schedule shows the impact on the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.058%) in measuring the 2016 Net Pension Liability.

	1% Decrease in Discount Rate <u>2.058%</u>	Current Discount Rate <u>3.058%</u>	1% Increase in Discount Rate <u>4.058%</u>
Net Pension Liability	\$ <u>297,427</u>	\$ <u>260,379</u>	\$ <u>228,855</u>

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

Pension Liability: At September 30, 2017 and 2016, GVB reported a net pension liability for its proportionate shares of the GovGuam net pension liabilities which comprised of the following:

	<u>2017</u>	<u>2016</u>
Defined benefit plan	\$ 4,994,178	\$ 4,733,456
Ad hoc COLA/supplemental annuity plan for DB retirees	191,430	192,124
Ad hoc COLA plan for DCRS retirees	<u>260,379</u>	<u>86,976</u>
	\$ <u>5,445,987</u>	\$ <u>5,012,556</u>

GVB's proportion of the GovGuam net pension liabilities was based on projection of GVB's long-term share of contributions to the pension plans relative to the projected contributions of GovGuam and GovGuam's component units, actuarially determined. At September 30, 2017 and 2016, GVB's proportionate shares of the GovGuam net pension liabilities were as follows:

	<u>2017</u>	<u>2016</u>
Defined benefit plan	5.20%	5.19%
Ad hoc COLA/supplemental annuity plan for DB retirees	4.77%	4.67%
Ad hoc COLA plan for DCRS retirees	6.19%	6.51%

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Notes to Financial Statements
September 30, 2017 and 2016

(4) Employees' Retirement Plans, Continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued:

Pension Expense: For the years ended September 30, 2017 and 2016, GVB recognized pension expense from the above pension plans as follows:

	<u>2017</u>	<u>2016</u>
Defined benefit plan	\$ 866,244	\$ 903,390
Ad hoc COLA/supplemental annuity plan for DB retirees	22,083	24,140
Ad hoc COLA plan for DCRS retirees	<u>29,801</u>	<u>7,138</u>
	<u>\$ 938,128</u>	<u>\$ 934,668</u>

Deferred Outflows and Inflows of Resources: At September 30, 2017 and 2016, GVB reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2017					
	<u>Defined Benefit Plan</u>		<u>Ad Hoc COLA/SA Plan for DB Retirees</u>		<u>Ad Hoc COLA Plan for DCRS Retirees</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 16,453	\$ 15	\$ -	\$ 5,026	\$ 2,192
Net difference between projected and actual earnings on pension plan investments	-	26,122	-	-	-	-
Changes of assumptions	14,220	-	197	-	28,436	-
Contributions subsequent to the measurement date	432,982	-	20,000	-	4,000	-
Changes in proportion and difference between GVB contributions and proportionate share of contributions	<u>113,304</u>	<u>-</u>	<u>1,052</u>	<u>-</u>	<u>120,780</u>	<u>8,733</u>
	<u>\$ 560,506</u>	<u>\$ 42,575</u>	<u>\$ 21,264</u>	<u>\$ -</u>	<u>\$ 158,242</u>	<u>\$ 10,925</u>

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Notes to Financial Statements
September 30, 2017 and 2016

(4) Employees' Retirement Plans, Continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued:

	2016					
	<u>Defined Benefit Plan</u>		<u>Ad Hoc COLA/SA Plan for DB Retirees</u>		<u>Ad Hoc COLA Plan for DCRS Retirees</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 56,610	\$ -	\$ -	\$ 420	\$ -	\$ 924
Net difference between projected and actual earnings on pension plan investment	51,009	-	-	-	-	-
Changes of assumptions	63,590	-	976	-	3,947	-
Contributions subsequent to the measurement date	455,570	-	20,000	-	4,000	-
Changes in proportion and difference between GVB contributions and proportionate share of contributions	<u>85,319</u>	<u>-</u>	<u>3,486</u>	<u>-</u>	<u>-</u>	<u>9,308</u>
	<u>\$ 712,098</u>	<u>\$ -</u>	<u>\$ 24,462</u>	<u>\$ 420</u>	<u>\$ 7,947</u>	<u>\$ 10,232</u>

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as reduction of the net pension liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at September 30, 2017 will be recognized in pension expense as follows:

<u>Year Ending September 30</u>	<u>Defined Benefit Plan</u>	<u>Ad Hoc COLA/SA Plan for DB Retirees</u>	<u>Ad Hoc COLA Plan for DCRS Retirees</u>
2018	\$ 53,273	\$ 1,264	\$ 9,008
2019	13,263	-	9,008
2020	46,498	-	9,008
2021	(28,085)	-	9,008
2022	-	-	9,008
Thereafter	<u>-</u>	<u>-</u>	<u>98,277</u>
	<u>\$ 84,949</u>	<u>\$ 1,264</u>	<u>\$ 143,317</u>

Defined Contribution Retirement System (DCRS)

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 investment accounts within the DCRS. Employees are afforded the opportunity to select from different investment options available under the DCRS.

Statutory employer contributions for the DCRS plan for the years ended September 30, 2017 and 2016 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.

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Notes to Financial Statements
September 30, 2017 and 2016

(4) Employees' Retirement Plans, Continued

Defined Contribution Retirement System (DCRS), Continued

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, 2017, 2016 and 2015 totaled \$409,874, \$399,579 and \$394,947, respectively, which were equal to the required contributions for the respective years then ended. Of these amounts, \$335,107, \$328,795 and \$328,829 were contributed toward the unfunded liability of the DB Plan for the years ended September 30, 2017, 2016 and 2015, respectively.

Public Law 26-86 allows members of the DCRS plan to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. GVB has accrued an estimated liability of \$166,006 and \$170,108 at September 30, 2017 and 2016, 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

Plan Description: 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 postemployment medical, dental and life insurance benefits to retirees, spouses, children and survivors. Active employees and retirees who waive medical and dental coverage are considered eligible for the life insurance benefit only. 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.

Funding Policy: GovGuam contributes to the Plan a portion of the medical and dental premiums based on a schedule of semi-monthly rates provided through insurance companies, with GovGuam's contribution amount set each year at renewal. Retirees are also required to pay a portion of the medical and dental insurance premiums. Medical coverage continues to the spouse after the death of the retiree provided the spouse makes the required contributions. Retirees and covered spouses are eligible for a \$10,000 life insurance benefit. Retirees do not share in the cost of this benefit. Monthly life insurance premium is \$15.52 per covered life.

For the years ended September 30, 2017, 2016 and 2015, GVB reimbursed GovGuam for its contributions to the abovementioned Plan of \$56,304, \$53,697 and \$47,426, respectively, which were equal to the statutorily required contributions.

GVB's net OPEB obligation at September 30, 2017, 2016 and 2015 for the above mentioned Plan is as follows:

<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ <u>3,964,054</u>	\$ <u>3,553,094</u>	\$ <u>3,163,000</u>

GUAM VISITORS BUREAU
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Notes to Financial Statements
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(4) Employees' Retirement Plans, Continued

Defined Benefit 1.75 Retirement System (the DB 1.75 Plan) and the Guam Retirement Security Plan (GRSP)

In September 2016, Public Law 33-186 was enacted to create two new retirement plans; the Defined Benefit 1.75 plan (DB 1.75 Plan) and the Guam Retirement Security Plan (GRSP). Beginning 2018, the DB 1.75 plan and GRSP are to become the primary retirement systems for all new hires.

The DB 1.75 Plan is open for participation by certain existing employees, new employees, and reemployed employees who would otherwise participate in the DC Plan or the new GRSP and who make election on a voluntary basis to participate in the DB 1.75 Plan by December 31, 2017. Employee contributions are made by mandatory pre-tax payroll deduction at the rate of 9.5% of the employee's base salary while employer contributions are actuarially determined. Members of the DB 1.75 Plan automatically participate in the GovGuam deferred compensation plan, pursuant to which employees are required to contribute 1% of base salary as a pre-tax mandatory contribution.

The GRSP will be the primary retirement plan for new employees beginning January 1, 2018, unless the employee elects to participate in the DC Plan within 60 days of the employee's hire date. Certain existing and reemployed employees are also provided limited opportunity to participate in the GRSP. Employee contributions are made by mandatory pre-tax payroll deduction at the rate of 6.2% of the employee's base salary. The employer makes matching contributions at the same rate of 6.2% of the employee's base salary.

No actuarial valuation of the DB 1.75 Plan or the GRSP has been performed.

(5) Capital Assets

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 GVB. 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 GVB be dissolved or no longer need the property, then the property, inclusive of any and all improvements, shall revert back to GovGuam.

A summary of capital asset activities for the years ended September 30, 2017 and 2016 are as follows:

	Beginning Balance <u>October 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>September 30, 2017</u>
Depreciable:				
Building	\$ 2,500,000	\$ -	\$ -	\$ 2,500,000
Leasehold improvements	140,846	-	-	140,846
Furniture and fixtures	83,023	-	-	83,023
Equipment	<u>148,775</u>	<u>-</u>	<u>-</u>	<u>148,775</u>
	2,872,644	-	-	2,872,644
Less accumulated depreciation	<u>(2,215,667)</u>	<u>(87,532)</u>	<u>-</u>	<u>(2,303,199)</u>
	656,977	(87,532)	-	569,445
Non-depreciable:				
Land	<u>5,992,415</u>	<u>-</u>	<u>-</u>	<u>5,992,415</u>
	<u>\$ 6,649,392</u>	<u>\$ (87,532)</u>	<u>\$ -</u>	<u>\$ 6,561,860</u>

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September 30, 2017 and 2016

(5) Capital Assets, Continued

	<u>Beginning Balance</u> <u>October 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u> <u>September 30, 2016</u>
Depreciable:				
Building	\$ 2,500,000	\$ -	\$ -	\$ 2,500,000
Leasehold improvements	140,846	-	-	140,846
Furniture and fixtures	83,023	-	-	83,023
Equipment	<u>148,775</u>	<u>-</u>	<u>-</u>	<u>148,775</u>
	2,872,644	-	-	2,872,644
Less accumulated depreciation	<u>(2,128,136)</u>	<u>(87,531)</u>	<u>-</u>	<u>(2,215,667)</u>
	744,508	(87,531)	-	656,977
Non-depreciable:				
Land	<u>5,992,415</u>	<u>-</u>	<u>-</u>	<u>5,992,415</u>
	<u>\$ 6,736,923</u>	<u>\$ (87,531)</u>	<u>\$ -</u>	<u>\$ 6,649,392</u>

(6) Commitments

GVB leases commercial space for its Japan offices with an annual rental commitment through September 30, 2019 as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Annual Lease</u>
2018	\$ 132,548
2019	<u>127,930</u>
	<u>\$ 260,478</u>

The Japan office leases require a refundable security deposit. As of September 30, 2017 and 2016, security deposits were \$133,230 and \$118,202, respectively.

(7) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the years ended September 30, 2017 and September 30, 2016 follows:

	<u>Outstanding</u> <u>October 1,</u> <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding</u> <u>September 30,</u> <u>2017</u>
Net pension liability	\$ 5,012,556	\$ 938,128	\$ (504,697)	\$ 5,445,987
Accrued sick leave	<u>170,108</u>	<u>56,300</u>	<u>(60,402)</u>	<u>166,006</u>
	<u>\$ 5,182,664</u>	<u>\$ 994,428</u>	<u>\$ (565,099)</u>	<u>\$ 5,611,993</u>
	<u>Outstanding</u> <u>October 1,</u> <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding</u> <u>September 30,</u> <u>2016</u>
Net pension liability	\$ 4,098,479	\$ 934,668	(20,591)	\$ 5,012,556
Accrued sick leave	<u>155,338</u>	<u>58,303</u>	<u>(43,533)</u>	<u>170,108</u>
	<u>\$ 4,253,817</u>	<u>\$ 992,971</u>	<u>\$ (64,124)</u>	<u>\$ 5,182,664</u>

(8) Contingencies

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

GUAM VISITORS BUREAU
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Notes to Financial Statements
September 30, 2017 and 2016

(9) Appropriations from the Government of Guam

The Tourist Attraction Fund is a governmental fund of GovGuam that was established to fund various recreational projects and visitor industry activities. The Hotel Occupancy Tax (HOT) Surplus Fund was created by Public Law 32-068 to account for HOT tax collections received by the Tourist Attraction Fund in excess of Bureau of Budget and Management Research revenue estimates.

During the years ended September 30, 2017 and 2016, total appropriations recorded by GVB from GovGuam are as follows:

	<u>2017</u>			<u>2016</u>		
	Tourist			Tourist		
	Attraction Fund	HOT Surplus Fund	Total	Attraction Fund	HOT Surplus Fund	Total
Operations	\$22,367,472	\$ -	\$22,367,472	\$23,169,192	\$ 900,000	\$24,069,192
Restricted	<u>400,000</u>	<u>-</u>	<u>400,000</u>	<u>430,000</u>	<u>250,000</u>	<u>680,000</u>
Total	22,767,472	-	22,767,472	23,599,192	1,150,000	24,749,192
Special Projects	-	-	-	95,654	1,000,000	1,095,654
FESTPAC	-	-	-	2,030,000	1,300,000	3,330,000
Pass-through to non-profit organizations	<u>1,085,000</u>	<u>-</u>	<u>1,085,000</u>	<u>775,500</u>	<u>600,000</u>	<u>1,375,500</u>
	<u>\$23,852,472</u>	<u>\$ -</u>	<u>\$23,852,472</u>	<u>\$26,500,346</u>	<u>\$4,050,000</u>	<u>\$30,550,346</u>

As of September 30, 2017 and 2016, receivables due from GovGuam associated with the above appropriations were \$140,000 and \$3,829,000, respectively.

(10) Restricted Net Position

As of September 30, 2017 and 2016, restricted net position is for The Rainy Day Fund per Public Law 30-116, Cultural and Sports Ambassadors Fund per Public Law 33-10, Korean Visitor Market Pilot Program per Public Law 33-112, and the Pale San Vitores Road Project per Public Law 30-196.

	<u>2017</u>	<u>2016</u>
Rainy Day Fund	\$ 1,636,389	\$ 2,083,620
Cultural and Sports Ambassadors Fund	474,685	379,250
Korean Visitor Market Pilot Program	-	250,000
Pale San Vitores Road Project	<u>182,138</u>	<u>182,138</u>
Total restricted	<u>\$ 2,293,212</u>	<u>\$ 2,895,008</u>

Changes in restricted net position are as follows:

	<u>2017</u>	<u>2016</u>
Rainy Day Fund:		
Beginning of year	\$ 2,083,620	\$ 2,095,310
Appropriations	200,000	200,000
Expenses	(649,844)	(214,258)
Interest	<u>2,613</u>	<u>2,568</u>
End of year	<u>\$ 1,636,389</u>	<u>\$ 2,083,620</u>

GUAM VISITORS BUREAU
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Notes to Financial Statements
September 30, 2017 and 2016

(10) Restricted Net Position, Continued

Changes in restricted net position are as follows:

	<u>2017</u>	<u>2016</u>
FESTPAC Folklife & Festival Trust Account:		
Beginning of year	\$ -	\$ 2,735,800
Transfer to CAHA	-	(4,289,776)
Transfer from CAHA	-	1,712,464
Appropriations	-	3,330,000
Other income	-	309,821
Expenses	-	(3,789,450)
Bank charges	-	(66)
Interest	-	1,287
Due to FESTPAC	-	(10,080)
End of year	\$ <u>-</u>	\$ <u>-</u>
Cultural and Sports Ambassadors Fund:		
Beginning of year	\$ 379,250	\$ 170,000
Appropriations	200,000	230,000
Expenses	(104,850)	(20,750)
Interest	<u>285</u>	<u>-</u>
End of year	\$ <u>474,685</u>	\$ <u>379,250</u>
Korean Visitor Market Pilot Program:		
Beginning of year	\$ 250,000	\$ -
Appropriations	-	250,000
Expenses	(250,000)	<u>-</u>
End of year	\$ <u>-</u>	\$ <u>250,000</u>
Pale San Vitores Road Project:		
Beginning of year	\$ 182,138	\$ -
Transfer	<u>-</u>	<u>182,138</u>
End of year	\$ <u>182,138</u>	\$ <u>182,138</u>

(11) Related Party Transactions

During the years ended September 30, 2017 and 2016, GVB contracted and purchased goods from businesses that are associated with GVB Board Directors totaling \$479,469 and \$151,646, respectively.

GUAM VISITORS BUREAU

**REQUIRED SUPPLEMENTARY
INFORMATION**

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

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

The Schedule of Funding Progress presents GASB 45 results of Other Post Employment Benefits (OPEB) valuations as of fiscal year ends September 30, 2017, 2016, 2011, 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 benefits.

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, 2011	\$ -	\$ 4,371,000	\$ 4,371,000	0.0%	\$ 1,335,000	327%
October 1, 2015	\$ -	\$ 4,470,547	\$ 4,470,547	0.0%	\$ 1,758,383	254%
October 1, 2016*	\$ -	\$ 4,836,504	\$ 4,836,504	0.0%	\$ 1,917,523	252%

*Projected

See Accompanying Independent Auditors' Report.

GUAM VISITORS BUREAU
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Required Supplemental Information (Unaudited)
Schedule of Proportional Share of the Net Pension Liability
Last 10 Fiscal Years*

Defined Benefit Plan

	2017	2016	2015	2014
Total net pension liability	\$ 1,368,645,126	\$ 1,436,814,230	\$ 1,246,306,754	\$ 1,303,304,636
GVB's proportionate share of the net pension liability	\$ 4,994,178	\$ 4,733,456	\$ 3,826,415	\$ 3,786,577
GVB's proportion of the net pension liability	0.36%	0.33%	0.31%	0.29%
GVB's covered-employee payroll**	\$ 1,847,567	\$ 1,684,651	\$ 1,550,278	\$ 1,337,479
GVB's proportionate share of the net pension liability as percentage of its covered employee payroll	270.31%	280.98%	246.82%	283.11%
Plan fiduciary net position as a percentage of the total pension liability	54.62%	52.32%	56.60%	53.94%

* This data is presented for those years for which information is available.

** Covered-employee payroll data from the actuarial valuation date with one-year lag.

See Accompanying Independent Auditors' Report.

GUAM VISITORS BUREAU
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Required Supplemental Information (Unaudited)
Schedule of Proportional Share of the Net Pension Liability
Last 10 Fiscal Years*

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees

	2017	2016
Total net pension liability***	\$ 229,486,687	\$ 235,799,709
GVB's proportionate share of the net pension liability	\$ 191,430	\$ 192,124
GVB's proportion of the net pension liability	0.08%	0.08%
GVB's covered-employee payroll**	\$ 422,357	\$ 416,649
GVB's proportionate share of the net pension liability as percentage of its covered employee payroll	45.32%	46.11%

* This data is presented for those years for which information is available.

** Covered-employee payroll data from the actuarial valuation date with one-year lag.

*** No assets accumulated in a trust to pay the benefits.

See Accompanying Independent Auditors' Report.

GUAM VISITORS BUREAU
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Required Supplemental Information (Unaudited)
Schedule of Proportional Share of the Net Pension Liability
Last 10 Fiscal Years*

Ad Hoc COLA Plan for DCRS Retirees

	2017	2016
Total net pension liability***	\$ 61,688,067	\$ 52,115,736
GVB's proportionate share of the net pension liability	\$ 260,379	\$ 86,976
GVB's proportion of the net pension liability	0.42%	0.17%
GVB's covered-employee payroll**	\$ 1,540,921	\$ 593,954
GVB's proportionate share of the net pension liability as percentage of its covered employee payroll	16.90%	14.64%

* This data is presented for those years for which information is available.

** Covered-employee payroll data from the actuarial valuation date with one-year lag.

*** No assets accumulated in a trust to pay the benefits.

See Accompanying Independent Auditors' Report.

GUAM VISITORS BUREAU
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Required Supplemental Information (Unaudited)
Schedule of Pension Contributions
Last 10 Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 455,570	\$ 448,171	\$ 415,912	\$ 356,516
Contributions in relation to the statutorily required contribution	<u>454,006</u>	<u>443,119</u>	<u>411,735</u>	<u>354,283</u>
Contribution (excess) deficiency	<u>\$ 1,564</u>	<u>\$ 5,052</u>	<u>\$ 4,177</u>	<u>\$ 2,233</u>
GVB's covered-employee payroll **	<u>\$1,847,567</u>	<u>\$1,684,651</u>	<u>\$1,550,278</u>	<u>\$ 1,337,479</u>
Contribution as a percentage of covered-employee payroll	24.57%	26.30%	26.56%	26.49%

* This data is presented for those years for which information is available.

** Covered-employee payroll data from the actuarial valuation date with one-year lag.

See Accompanying Independent Auditors' Report.

GUAM VISITORS BUREAU

**OTHER SUPPLEMENTARY
INFORMATION**

GUAM VISITORS BUREAU
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Special Tourist Attraction Fund Projects
Supplementary Schedule of Cash Flows
Years Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Cash received from other sources	\$ 37,357	\$ 92,775
Cash paid to suppliers	<u>(1,996,786)</u>	<u>(532,978)</u>
Net cash used for operating activities	<u>(1,959,429)</u>	<u>(440,203)</u>
Cash flows from noncapital financing activities:		
Government of Guam contributions	<u>-</u>	<u>1,095,654</u>
Net change in cash	(1,959,429)	655,451
Cash at beginning of year	<u>2,564,095</u>	<u>1,908,644</u>
Cash at end of year	<u>\$ 604,666</u>	<u>\$ 2,564,095</u>
Reconciliation of deficiency from operations to net cash used for operating activities:		
Deficiency from operations	\$ (1,796,282)	\$ (278,591)
Decrease (increase) in assets:		
Accounts receivable - others	5,745	(9,980)
(Decrease) increase in liabilities:		
Accounts payable	(104,594)	(215,930)
Due to operations fund	<u>(64,298)</u>	<u>64,298</u>
Net cash used for operating activities	<u>\$ (1,959,429)</u>	<u>\$ (440,203)</u>

See Accompanying Independent Auditors' Report.

GUAM VISITORS BUREAU
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Supplementary Schedule of Professional and Advertising Expenses
Years Ended September 30, 2017 and 2016

<u>Professional Services</u>	<u>2017</u>	<u>2016</u>
Japan	\$ 5,864,061	\$ 6,559,489
Hong Kong/China	1,674,692	1,342,404
Korea	2,560,062	1,836,780
All Markets (Branding)	790,473	724,269
Destination Management and Improvement	3,145,761	2,805,095
Admin., Research, and Printing	1,607,160	1,257,104
Russia	188,436	241,293
Taiwan	393,750	348,962
Website	262,333	132,689
Australia, Philippines, and Pacific	184,322	230,817
United States	<u>179,892</u>	<u>125,925</u>
Total Professional Services	<u>\$ 16,850,942</u>	<u>\$ 15,604,827</u>
 <u>Advertising Expenses</u>		
All others	\$ 7,310	\$ 4,538
Australia, Philippines, and Pacific	5,000	9,400
Japan	17,000	1,240
Destination Management and Improvement	<u>1,734</u>	<u>1,305</u>
Total Advertising Expenses	<u>\$ 31,044</u>	<u>\$ 16,483</u>

See Accompanying Independent Auditors' Report.

GUAM VISITORS BUREAU

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Supplementary Schedule of Miscellaneous Expenses
Years Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Sponsorship	\$ 489,241	\$ 309,845
Other	312,359	210,281
Printing	107,554	-
Food and beverage	137,942	91,104
Dues and membership	39,315	38,065
Gifts and prizes	17,941	36,554
Postal and courier	24,900	35,872
Fees	3,302	27,720
Bank charges	6,931	4,672
	<u>\$ 1,139,485</u>	<u>\$ 754,113</u>

See Accompanying Independent Auditors' Report.

GUAM VISITORS BUREAU

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Supplementary Schedule of Employees and Salaries
Years Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Guam office:		
Annual payroll	\$ <u>1,871,909</u>	\$ <u>1,917,523</u>
Number of employees	<u>36</u>	<u>38</u>
Japan office:		
Annual payroll	\$ <u>399,462</u>	\$ <u>367,535</u>
Number of employees	<u>9</u>	<u>9</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 the 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, which comprise the statement of net position/balance sheet as of September 30, 2017, 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 year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 11, 2018.

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.

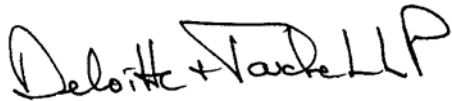
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

April 11, 2018