

**GUAM VISITORS BUREAU  
(A PUBLIC CORPORATION)**

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**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

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**SEPTEMBER 30, 1999 AND 1998**

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## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Guam Visitors Bureau:

We have audited the accompanying balance sheets of Guam Visitors Bureau (GVB) and its Special Tourist Attraction Fund Projects as of September 30, 1999 and 1998, and the related statements of operations and (deficit) retained earnings, operations and fund balance, and cash flows for the years then ended. These financial statements are the responsibility of GVB's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of GVB and its Special Tourist Attraction Fund Project as of September 30, 1999 and 1998, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in pages 11 through 13 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the responsibility of GVB's management. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2002, on our consideration of GVB's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink that reads "Deloitte Touche LLP".

December 10, 2002

**GUAM VISITORS BUREAU**  
(A Public Corporation)

Balance Sheets  
September 30, 1999 and 1998

<u>ASSETS</u>	<u>1999</u>	<u>1998</u>
Current assets:		
Cash	\$ 1,235,748	\$ 2,223,652
Accounts receivable - TAF special projects	317,455	320,818
Accounts receivable - Government of Guam, net of allowance for doubtful accounts of \$2,096,466 in 1999 and \$0 in 1998	1,356,885	4,865,938
Accounts receivable - other	23,371	214,137
Prepaid expenses	<u>70,155</u>	<u>78,572</u>
Total current assets	3,003,614	7,703,117
Other assets	91,038	86,488
Property and equipment, at cost, net of accumulated depreciation and amortization	<u>8,144,790</u>	<u>8,269,483</u>
	<u>\$ 11,239,442</u>	<u>\$ 16,059,088</u>
 <u>LIABILITIES AND FUND EQUITY</u> 		
Current liabilities:		
Accounts payable	\$ 4,932,491	\$ 4,994,409
Accrued liabilities	<u>62,944</u>	<u>30,502</u>
Total current liabilities	4,995,435	5,024,911
Unfunded pension cost	386,051	441,484
Accrued annual leave	<u>174,309</u>	<u>146,913</u>
Total liabilities	<u>5,555,795</u>	<u>5,613,308</u>
Commitments		
Fund equity:		
Contributed capital:		
Tourist Attraction Fund	<u>8,061,860</u>	<u>8,145,193</u>
(Deficit) retained earnings:		
Unappropriated (deficit) retained earnings	(3,398,882)	170,753
Appropriated retained earnings	<u>1,020,669</u>	<u>2,129,834</u>
Total (deficit) retained earnings	<u>(2,378,213)</u>	<u>2,300,587</u>
Total fund equity	<u>5,683,647</u>	<u>10,445,780</u>
	<u>\$ 11,239,442</u>	<u>\$ 16,059,088</u>

See accompanying notes to financial statements.

**GUAM VISITORS BUREAU**  
(A Public Corporation)

Statements of Operations and (Deficit) Retained Earnings  
Years Ended September 30, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Revenues:		
Grants-in-aid from Government of Guam	\$ 15,252,755	\$ 19,502,632
In-kind contributions from members and others	4,407,418	1,459,597
Consumption tax refund	458,231	389,145
Memberships	55,700	62,850
	<u>20,174,104</u>	<u>21,414,224</u>
Expenses: Guam operations		
Provision for doubtful accounts	2,116,467	-
Contractual, administrative	1,548,793	1,539,782
Contractual, promotional	1,336,594	2,610,880
Personnel	1,071,674	1,072,566
Contractual, developmental	939,301	1,341,024
Benefits	239,797	254,587
Promotional in-kind contributions	235,032	348,040
Depreciation and amortization	124,693	129,132
Travel	15,567	28,719
Miscellaneous	10,882	14,270
	<u>7,638,800</u>	<u>7,339,000</u>
Expenses: Japan operations		
Contractual, promotional	12,305,045	12,277,670
Promotional in-kind contributions	4,172,386	1,111,557
Consumption tax expense	477,777	81,800
Personnel	320,966	295,414
Contractual, administrative	188,890	229,231
Benefits	43,886	43,521
Travel	39,710	41,931
	<u>17,548,660</u>	<u>14,081,124</u>
Total Japan operations	<u>17,548,660</u>	<u>14,081,124</u>
Total expenses	25,187,460	21,420,124
Other income	184,318	1,157,920
Interest income	66,905	92,066
	<u>(4,762,133)</u>	<u>1,244,086</u>
Excess of (expense over revenue) revenue over expense	<u>(4,762,133)</u>	<u>1,244,086</u>
Add depreciation on fixed assets acquired by capital grants that reduces contributed capital from capital grants	83,333	83,333
Retained earnings at beginning of year	<u>2,300,587</u>	<u>973,168</u>
(Deficit) retained earnings at end of year	<u>\$ (2,378,213)</u>	<u>\$ 2,300,587</u>

See accompanying notes to financial statements.

**GUAM VISITORS BUREAU**  
(A Public Corporation)

Statements of Cash Flows  
Years Ended September 30, 1999 and 1998

	1999	1998
Cash flows from operating activities:		
Cash received from the Government of Guam	\$ 16,645,341	\$ 19,502,632
Cash received from members	55,700	62,850
Cash received from other sources	652,360	1,639,131
Cash paid to employees and suppliers	(18,341,305)	(20,804,661)
Net cash (used in) provided by operating activities	(987,904)	399,952
Cash at beginning of year	2,223,652	1,823,700
Cash at end of year	\$ 1,235,748	\$ 2,223,652
Reconciliation of excess of (expenses over revenues) revenues over expenses to net cash (used in) provided by operating activities:		
Excess of (expenses over revenues) revenues over expenses	\$ (4,762,133)	\$ 1,244,086
Add back (deduct) expenses (revenues) which do not use cash:		
In-kind contribution from members and others	(4,407,418)	(1,459,597)
In-kind expenses	4,407,418	1,459,597
Provision for doubtful accounts	2,116,467	-
Depreciation and amortization	124,693	129,132
(Increase) decrease in assets:		
Accounts receivable	1,586,715	(5,382,518)
Prepaid expenses	8,417	(25,878)
Other assets	(4,550)	14,581
Increase (decrease) in liabilities:		
Accounts payable	(61,918)	4,412,708
Accrued liabilities	59,838	31,077
Unfunded pension cost	(55,433)	(23,236)
Net cash (used in) provided by operating activities	\$ (987,904)	\$ 399,952

See accompanying notes to financial statements.

## SPECIAL TOURIST ATTRACTION FUND PROJECTS

Balance Sheets  
September 30, 1999 and 1998

<u>ASSETS</u>	<u>1999</u>	<u>1998</u>
Restricted cash	\$ 282,744	\$ 822,867
Accounts receivable	-	160,000
	<u>\$ 282,744</u>	<u>\$ 982,867</u>
 <u>LIABILITIES AND FUND EQUITY</u>		
Current liabilities:		
Interfund payable - GVB operations	\$ 317,455	\$ 320,818
Fund balance:		
Appropriated (deficit) retained earnings	<u>(34,711)</u>	<u>662,049</u>
	<u>\$ 282,744</u>	<u>\$ 982,867</u>

See accompanying notes to financial statements.

**SPECIAL TOURIST ATTRACTION FUND PROJECTS**

Statements of Operations and Fund Balance  
Years Ended September 30, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Revenues:		
Government of Guam contribution	\$ 483,000	\$ 1,639,850
Interest	9,969	16,580
Other	<u>91,642</u>	<u>-</u>
Total revenues	<u>584,611</u>	<u>1,656,430</u>
Expenses		
Beach cleaning	479,555	461,138
Provision for doubtful accounts	280,000	-
Two Lovers Point bike and jogging trails	221,212	181,270
Guam Micronesia Island Fair	100,650	-
Maintenance	85,036	393,927
Tropical fantasy	65,000	-
Tumon Beautification	35,382	116,395
Educational promotion - scenic route project	14,085	178,869
Promotional activities	451	560,303
Donation	<u>-</u>	<u>4,700</u>
Total expenses	<u>1,281,371</u>	<u>1,896,602</u>
Excess of expense over revenue	(696,760)	(240,172)
Fund balance at beginning of year	<u>662,049</u>	<u>902,221</u>
(Deficit) fund balance at end of year	<u><u>\$ (34,711)</u></u>	<u><u>\$ 662,049</u></u>

See accompanying notes to financial statements.

## SPECIAL TOURIST ATTRACTION FUND PROJECTS

### Statements of Cash Flows Years Ended September 30, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Cash flows from operating activities:		
Cash received from the Government of Guam	\$ 363,000	\$ 1,479,850
Cash received from other sources	91,642	-
Cash received from interest	9,969	16,580
Cash paid to suppliers	<u>(1,004,734)</u>	<u>(1,587,426)</u>
Net cash used in operating activities	(540,123)	(90,996)
Cash at beginning of year	<u>822,867</u>	<u>913,863</u>
Cash at end of year	<u><u>\$ 282,744</u></u>	<u><u>\$ 822,867</u></u>
Reconciliation of excess of expenses over revenues to net cash used in operating activities:		
Excess of expenses over revenues	\$ (696,760)	\$ (240,172)
Add back expenses which do not use cash:		
Provision for doubtful accounts	280,000	-
Increase in assets:		
Accounts receivable	(120,000)	(160,000)
Increase (decrease) in liabilities:		
Due to GVB operations	<u>(3,363)</u>	<u>309,176</u>
Net cash used in operating activities	<u><u>\$ (540,123)</u></u>	<u><u>\$ (90,996)</u></u>

See accompanying notes to financial statements.



**GUAM VISITORS BUREAU**  
(A Public Corporation)

Notes to Financial Statements  
September 30, 1999 and 1998

(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 GASB #14, the GVB is a component unit of the Government of Guam.

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.

Grants-in-Aid from the Government of Guam. GVB received grants-in-aid from the Government of Guam for its operations. These grants are subject to a matching requirement by GVB either in cash or services, as determined by the Governor of Guam.

In-Kind Contributions. GVB records contributions in the period received based on the value assigned by the grantor.

Depreciation and Amortization. Depreciation and amortization of property and equipment are provided over the estimated useful lives of the respective assets on a straight-line basis.

Annual Leave. Annual leave is accrued in the period earned. Unused leave is payable to employees upon termination of employment.

Foreign Currency Translation. The financial transactions of the Japan office are translated in accordance with Statement of Financial Accounting Standards No. 52 at the year end exchange rate for balance sheet accounts, and an average exchange rate for the year for statement of operations accounts.

Cash. For purposes of the 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.

Credit risk associated with deposits is categorized into three levels generally described as follows:

Category 1 - Insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3 - Uncollateralized.

GVB and the Special Tourist Attraction Fund Projects, combined, have approximately \$215,216 of deposits insured through the FDIC and approximately \$1,284,234 of uninsured and uncollateralized deposits as of September 30, 1999.

Contributed Capital. The Bureau has adopted the accounting principle generally accepted in the United States of America of reducing contributed capital for depreciation on related assets acquired through capital grants.

Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**GUAM VISITORS BUREAU**  
(A Public Corporation)

Notes to Financial Statements  
September 30, 1999 and 1998

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

Accounting Standards. Pursuant to Government Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Facilities that use Proprietary Fund Accounting*, GVB has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

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.

(2) Employees' Retirement Plan

Employees of the Bureau hired before October 1, 1995 are members of the Government of Guam Employee's Retirement System, a defined benefit, contributory pension plan. The plan is administered by the Government of Guam Retirement Fund to which GVB contributes based upon a fixed percentage of the payroll for those employees who are members of the plan.

As a result of the most recent actuarial valuation performed as of September 30, 1997, it has been determined that for the year ended September 30, 1999, a minimum combined employer and employee contribution rate of 25.87% of covered defined benefit plan is required to appropriately fund the current cost, amortize prior service costs and provide for interest on the unfunded accrued liability. Statutory contribution rates for employee and employer contributions were 9.5% and 18.6%, respectively, for the year ended September 30, 1999. The effect of the Bureau's prior year accruals for its share of pension underfunding reduces the actuarially determined employer contribution rate from 16.37% to an effective rate of 13.43% for the year ended September 30, 1999. In recognition of the above, an accrual reduction of 5.17% of covered payroll is necessary to reduce the unfunded liability based on the difference between the effective rate of 13.43% and the employer's statutory rate of 18.6%.

The plan utilized the actuarial cost method termed "entry age normal" with an assumed rate of return of 8% and an assumed salary scale increase of 6.5% per annum. The most recent actuarial valuation performed as of September 30, 1997, did not provide a breakdown of actuarial present value of vested and non-vested accumulated plan benefits by sponsor or net assets available for benefits by sponsor.

On September 29, 1995, the Guam Legislature passed Public Law 23-43 which created the Defined Contribution Retirement System (DCRS). All employees of the Bureau, hired after October 1, 1995, are members of the DCRS, a defined contribution, contributory pension plan. The Board of Trustees of the Government of Guam Retirement Fund are responsible for the administration of the DCRS. Investment management and plan administration services for the DCRS are administered by a private firm contracted by the Board of Trustees.

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

Employer contributions into the DCRS are based on a statutory amount of 18.6% of the member's regular base pay. Of the amount contributed by the employer, only 5% of the member's regular base pay is deposited into the member's individual annuity account. The remaining 13.6% is contributed towards the unfunded liability of the defined benefit plan.

**GUAM VISITORS BUREAU**  
(A Public Corporation)

Notes to Financial Statements  
September 30, 1999 and 1998

(2) Employees' Retirement Plan, 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 in the member's individual annuity account, plus any earnings thereon.

Retirement expense for the years ended September 30, 1999 and 1998 is as follows:

	<u>1999</u>	<u>1998</u>
Cash contribution	\$ 197,510	\$ 207,482
Reduction of accrued unfunded liability	<u>(55,433)</u>	<u>(23,236)</u>
	<u>\$ 142,077</u>	<u>\$ 184,246</u>

(3) Property And Equipment And Contributed Capital

Public Law 20-221, passed in December of 1990, authorized the Governor to transfer all title, right and interest in Lot No. 5174-C-3, containing an area of 3757+ square meters, to the Bureau. The Governor transferred the property in April of 1991 through a Grant Deed filed with the Department of Land Management. The value of the land is based on estimated fair value at the date of transfer. Public Law 20-221 states that should the Bureau be dissolved or no longer need the property, then the property, inclusive of any and all improvements, shall revert to the Government of Guam. The total cost of the building was \$2,500,000 which was completed in July of 1994. Depreciation of the building is closed out to contributed capital on an annual basis.

A summary of contributed capital is as follows:

	<u>Tourist Attraction Fund</u>	
	<u>1999</u>	<u>1998</u>
Contributed capital - building	\$ 2,500,000	\$ 2,500,000
Contributed capital - land	5,992,415	5,992,415
Less: Accumulated depreciation, building	<u>(430,555)</u>	<u>(347,222)</u>
Contributed capital, September 30, 1999	<u>\$ 8,061,860</u>	<u>\$ 8,145,193</u>

A summary of property and equipment and their estimated useful lives as of September 30, 1999 and 1998, are as follows:

<u>Category</u>	<u>Estimated Useful Life</u>	<u>1999</u>	<u>1998</u>
Building	30 years	\$ 2,500,000	\$ 2,500,000
Furniture and fixtures	5 to 10 years	272,570	272,570
Equipment	3 to 7 years	268,838	268,837
Vehicles		<u>-</u>	<u>12,468</u>
		3,041,408	3,053,875
Less accumulated depreciation		<u>(889,033)</u>	<u>(776,807)</u>
		2,152,375	2,277,068
Land		<u>5,992,415</u>	<u>5,992,415</u>
Total property and equipment		<u>\$ 8,144,790</u>	<u>\$ 8,269,483</u>

**GUAM VISITORS BUREAU**  
(A Public Corporation)

Notes to Financial Statements  
September 30, 1999 and 1998

(4) Commitments

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

Years Ended September 30,	
2000	\$ 105,651
2001	105,651
2002	67,647

The Japan future rentals are based on an annual commitment of 12,466,800 yen. The Japan lease also requires a refundable security deposit in the amount of \$91,038 which is presented as other assets in the accompanying balance sheet.

(5) Grants-in-Aid Restriction

Funds appropriated to GVB by the Guam Legislature bear certain restrictions. One restriction is that unencumbered funds as of year end revert to the Tourist Attraction Fund. However, the Guam Legislature has not established a legal definition of "encumbrance" and GVB has utilized its historic definition consistently since inception. As a result, until a formal definition of "encumbrance" is established, it is not possible to determine if any unencumbered funds should revert to the Tourist Attraction Fund.

(6) In-Kind Contributions

GVB receives in-kind contributions from its members and records such as of the date of receipt of the attendant goods or services. Title 12 of the Government Code Annotated states that the Legislature may condition payment of grants-in-aid to a matching requirement of in-kind contributions at a rate of no more than 20 cents for every 80 cents appropriated. However, this requirement was not imposed during the years ended September 30, 1999 and 1998.

**GUAM VISITORS BUREAU**

Supplementary Schedule of Employees and Salaries  
Year Ended September 30, 1999

Guam office:

Number of employees	<u>31</u>
Annual payroll	<u>\$ 1,141,940</u>

Japan office:

Number of employees	<u>6</u>
Annual payroll (dollar equivalent)	<u>\$ 313,580</u>

See accompanying independent auditors' report.

**GUAM VISITORS BUREAU**

Supplementary Schedule of Contractual Promotions  
Year Ended September 30, 1999

North America	\$	210,531
Pacific/Australia		8,624
Taiwan Promotions		295,044
Korea Promotions		569,915
Hong Kong Promotions		154,946
Philippines Promotion		<u>97,534</u>
Total contractual promotions	\$	<u><u>1,336,594</u></u>

See accompanying independent auditors' report.

**GUAM VISITORS BUREAU**

Supplementary Schedule of Guam Contractual Developmental  
Year Ended September 30, 1999

Community Development	\$ 167,409
Cultural and Heritage	344,927
Tourist Industry Relations	86,798
Research and Evaluation	278,658
Membership Account	<u>61,509</u>
Total Guam contractual development	\$ <u><u>939,301</u></u>

See accompanying independent auditors' report.