

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

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**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY SCHEDULES AND  
INDEPENDENT AUDITORS' REPORT**

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**YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

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

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Years Ended September 30, 2011 and 2010

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## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Guam Visitors Bureau:

We have audited the accompanying statements of net assets and balance sheets of Guam Visitors Bureau (GVB) (a component of the Government of Guam) and its Special Tourist Attraction Fund Projects as of September 30, 2011 and 2010, and the related statements of revenue, expenses, and changes in net assets, operations and fund balance, and of 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.

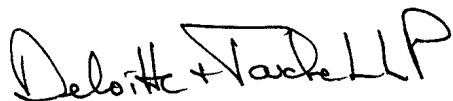
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of GVB's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, 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 Projects as of September 30, 2011 and 2010, 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.

The Management's Discussion and Analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. Such information is the responsibility of the management of GVB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on pages 24 and 25 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This additional information is the responsibility of GVB's management. Such information has been subjected to the tests and other auditing procedures applied in our audit of the basic financial statements of GVB and in our opinion, such information is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated, February 27, 2012, on our consideration of the GVB's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

February 27, 2012

**GUAM VISITORS BUREAU**  
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Management's Discussion and Analysis  
Years Ended September 30, 2011 and 2010

The Guam Visitors Bureau is a public, non-stock and non-profit corporation with the mission to efficiently and effectively promote and develop Guam as a safe and satisfying destination for visitors and to derive maximum benefits for the people of Guam. It is a unique organization that represents true public-private partnership, where tourism stakeholders and the Government come together to improve the island's visitor industry.

**ADMINISTRATIVE HIGHLIGHTS**

Hotel Occupancy Tax collections in Fiscal Year (FY) 2011 were up over 6.1% versus FY2010, which resulted in fully funding the Bureau's operational and Special Projects budget of \$13,177,625, authorized by Public Law 30-196. Bureau management and staff maintained a financially conservative philosophy in managing its expenditures to avoid statutory penalties associated with expenditures beyond allotments. Therefore, Operating expenditures totaled \$12,139,319 for the year, which does not include Pass-thru appropriations, Promotional In-Kind Contributions, Community Programs, Depreciation, and Consumption Tax expenditures.

Hotel room inventory (8,844) and the average room rate (\$114) increased slightly, up 1% and 4% respectively, while the weighted occupancy rate remained unchanged at 70%. This year, the Bureau recognized \$30,200 in membership dues, down 43% from the prior year due to it being a non-election year for Directors. Documented in-kind contributions continued to improve, up 14% to \$1,122,635 compared to FY2010 and 57% better than 2009.

**MARKETING HIGHLIGHTS**

Guam experienced an overall 2.0% decline in total arrivals, ending the year with a combined 1,147,134 visitors from all markets. Following the March 11th Triple Disaster, arrivals from Japan declined by an average of 16.1% from April to September, with the largest decrease of 27.2% in May. In response, GVB launched a marketing campaign promoting Guam as a safe destination, and by August the arrival numbers had almost fully recovered. Major increases in arrivals from Korea and Taiwan helped offset the downturn in the Japan market, due in large part to additional direct air service from both these countries. Korean arrivals were up 20.7% with 144,844 visitors, while Taiwan saw even greater gains, with a total of 40,707 arrivals, a 38.4% increase.

Travel from the Asian markets of Hong Kong (50.9%) and China (32.4%) saw significant gains, but together still account for only 1.3% of total arrivals. There was negative growth from the U.S. Mainland (-6.0%), Hawaii (-3.8%) and Philippines (-11.0%), collectively representing 5.3% of total arrivals, while Micronesia (CNMI, Palau, FSM, RMI) made up 2.9% of total arrivals with 1.0% growth over last year.

**JAPAN**

The first five months of FY2011 started strong, with arrivals increasing 7.1% compared to the same period the previous year, highlighted by a 6.4% market share of the total Japan outbound in January. However, during the four months following the March disaster, arrivals dropped an average of 23.4% a month, but started to rebound by August. Market share of total outbound Japanese dipped below 4% following 3/11, with many travelers preferring Asian destinations because of fears that the nuclear fallout was moving east towards Guam. Group travel was also severely impacted with companies canceling incentive tours, and many businesses had to shift work hours to weekends because of decreased power production after the nuclear disaster.

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The Bureau's marketing activities in Japan were halted immediately following the disaster, but resumed shortly after with an advertising campaign directed at areas not affected by the tsunami, with a special emphasis on families. GVB worked with industry partners to target Western Japan, resulting in an increase in Chubu (Nagoya) of 7.6%, while Kinki (Osaka) only declined 1.2%, with both areas accounting for 34.0% of the market mix for FY 2011. The Kanto (Tokyo) region, which made up 48.9%, experienced a sharp decline of -14.8% for the year. When compared to FY2010, the FY2011 seat capacity from major gateways in Japan was: Narita -17.2%, Haneda (seasonal charters) -26.1%, Osaka +5.2%, Nagoya +9.1%, Fukuoka +0.8%, Sendai -43.4%, Sapporo -4.1%, Okayama -4.9%, Niigata -26.1% and Hiroshima -14.2%.

While total arrivals from Japan (823,645 visitors) were 7.2% lower than FY 2010, the average on-island spend increased to \$558.50 from \$499.40 the previous year. Thus, if we multiply the total number of arrivals (823,645) by the on-island spend, and use the multiplier effect of 1.75, we reach a total destination yield of \$805,010,032, which is 3.7% higher than FY2010. However, on the downside, average length of stay remained constant at 3.1 nights.

The goal for FY2012 is to recover lost market share of Japan overseas travelers, which decreased from 5.4% in FY 2010 to 4.9% in FY 2011. Guam had robust arrival numbers before the disaster in March, so it will be a challenge to surpass that strong start, but early signs show that FY 2012 should be comparable to early FY 2011. GVB will continue to work with our industry partners to promote longer stays, increased spending and more group travel. The U.S. dollar fell to record lows against the yen (FY 2011 Avg. \$76.62) which makes Guam an extremely affordable destination for Japanese travelers, but at the same time hurts export earnings and limits the spending power of GVB's Japan marketing budget.

## **KOREA**

For FY2011, the number of Korean outbound travelers choosing Guam as a destination continued to improve and posted 144,844 visitors, up 20.7%, and now makes up 12.7% of arrivals to Guam. The 24,842 Korean visitor increase over last year contributed \$18.5 million in additional income to the local economy. Increased airlift was a contributing factor with a 20.0% rise in capacity out of Incheon. However, Korean arrivals experienced an 8.7% decline in the months following the Japanese disaster, amid fears of possible radiation contamination in Guam. Immediately after 3/11, GVB launched a media campaign promoting the island as a "Clean & Safe" destination, which helped arrival numbers recover by June.

The Bureau continues to work with airline partners such as Korean Air and Jin Air to add more flights to Guam, while at the same time trying to attract new carriers. The on-island spend increased to \$424.40 in FY 2011, up from \$412.40 the previous year, but average length of stay remained the same at 3.6 days.

## **OTHER MARKETS**

The Chinese markets of Taiwan (38.4%), Hong Kong (50.9%) and China (32.4%) saw major increases versus 2010, but still make up just 4.8% of total arrivals. Taiwan benefited from increased air seat capacity with Taiwan-based EVA airways launching twice weekly direct flights in June. GVB continues to prime the China market by supporting charters flights, partnering with private and government travel institutions and building consumer awareness. However, the inclusion of Chinese visitors into the Guam-CNMI Visa Waiver program remains a top priority. In 2011, the Bureau worked extensively with Government and industry partners, including meeting with key officials in Washington D.C. and hosting a forum on November 29th to update the local community.

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While we continue to lobby for China visa waiver, the Secretary of Homeland Security, through her parole authority, announced that Russian tourists are allowed to visit Guam visa free starting on January 15, 2012. While the Russian outbound market is not as large as the Chinese, the Russian visitor typically stays longer and spends more providing a greater yield per visitor. The Marianas Visitors Authority reported a 13.5 night stay and \$3,703.70 average on-island spend by Russian visitors. As part of its strategic goals, GVB intends to work with the CNMI's Marianas Visitors Authority (MVA) to promote the region in Russia, mainly focusing on the far eastern region of the country that includes the cities of Vladivostok, Khabarovsk, Komsomolsk-on-Amur, Yakutsk and Yuzhno-Sakhalinsk.

Visitor arrivals from the U.S. mainland (-6.0%), Hawaii (-3.8%), CNMI (-2.4%) and Philippines (-10.6%) all saw decreases in 2011. The slowdown in U.S. travel can be attributed to the delay in the military buildup and downturn in the US economy, while the Philippine market was hampered by the challenges in obtaining U.S. Visas and Philippine Airlines flying four days a week instead of five.

### **DESTINATION MANAGEMENT**

Now in its third year, Guam branding initiatives continue to grow and gain more community buy-in, led by the Hafa Adai Pledge Program, now supported by more than 250 companies and organizations with over 20,000 employees participating. GVB also engaged the Mayors by funding colorful murals within each village and supporting village festivals. In March 2011, the Living the Guam Brand Conference was held to help bring together the culture and visitor industry. The Guam Island Fiesta Tour (GIFT) is another successful GVB project that enables visitors to experience local fiestas hosted by island residents.

Another of the year's highlights was the completion of the San Vitores streetlight project, which was funded with federal ARRA grant monies. The result is a well-lit, safer Tumon area that is enjoyed by both visitors and locals alike. The Bureau continues to oversee nearly a million dollars in contracts funded by the Tourist Attraction Fund for beach cleaning and roadside maintenance along Tumon Bay, Marine Corps Drive and several other main highways.

GVB also attracts visitors through sports and events marketing, spearheaded by two signature events, the Guam Micronesia Island Fair and Guam Ko'Ko Road Race. Other supported events included the GHRA New Year's fireworks, XTERRA Triathlon, Ladies Pro AM Golf Tournament, and Smokin' Wheels Racing Weekend to name a few. Several cultural and community events and programs also received funding through the GVB's Cultural, Heritage and Community (CHaCO) Committee grant program.

### **FINANCIAL HIGHLIGHTS**

We will overview our financial statements for the fiscal years ending September 30, 2011, 2010 and 2009 in the following discussion. The following table summarizes the financial condition and operations of the Bureau for the fiscal years ended 2011, 2010, and 2009:

|                                      | <u>2011</u>          | <u>2010</u>          | <u>2009</u>          |
|--------------------------------------|----------------------|----------------------|----------------------|
| <b>Assets</b>                        |                      |                      |                      |
| Current assets                       | \$ 9,202,818         | \$ 7,200,536         | \$ 6,620,999         |
| Other assets                         | 133,125              | 133,125              | 133,125              |
| Property and equipment, at cost, net | <u>7,089,874</u>     | <u>7,203,849</u>     | <u>7,317,824</u>     |
| <b>Total assets</b>                  | \$ <u>16,425,817</u> | \$ <u>14,537,510</u> | \$ <u>14,071,948</u> |

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**Liabilities:**

|                     |                  |                  |                  |
|---------------------|------------------|------------------|------------------|
| Current liabilities | \$ 2,428,377     | \$ 2,162,578     | \$ 1,908,848     |
| Accrued sick leave  | <u>126,352</u>   | <u>102,255</u>   | <u>91,865</u>    |
| Total liabilities   | <u>2,554,729</u> | <u>2,264,833</u> | <u>2,000,713</u> |

**Net assets:**

|                                      |                             |                             |                             |
|--------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| Invested in capital assets           | 7,089,874                   | 7,203,849                   | 7,317,824                   |
| Unrestricted                         | 6,718,797                   | 5,068,828                   | 4,753,411                   |
| Restricted                           | <u>62,417</u>               | <u>-</u>                    | <u>-</u>                    |
| Total net assets                     | <u>13,871,088</u>           | <u>12,272,677</u>           | <u>12,071,235</u>           |
| <b>Total liabilities, net assets</b> | <b>\$ <u>16,425,817</u></b> | <b>\$ <u>14,537,510</u></b> | <b>\$ <u>14,071,948</u></b> |

|  |                            |                          |                          |
|--|----------------------------|--------------------------|--------------------------|
| Operating revenue                            | \$ 1,375,473               | \$ 1,251,159             | \$ 888,793               |
| Operating expense                            | <u>13,618,458</u>          | <u>13,837,060</u>        | <u>12,852,812</u>        |
| Operating revenues net of operating expenses | (12,242,985)               | (12,585,901)             | (11,964,019)             |
| Nonoperating revenues, net                   | <u>13,841,396</u>          | <u>12,787,343</u>        | <u>12,284,490</u>        |
| <b>Change in net assets</b>                  | <b>\$ <u>1,598,411</u></b> | <b>\$ <u>201,442</u></b> | <b>\$ <u>320,471</u></b> |

An 11% hotel occupancy tax funds the Bureau's operations as authorized through the Legislature's annual budget appropriations. In fiscal year 2011, Public Law 30-196 appropriated \$13,177,625; \$12,191,179 for GVB operations and \$986,446 for special projects. The Bureau was able to recognize the full operations appropriation of \$12,191,179, including an additional \$1,151,605 for pass-thru appropriations totaling \$13,342,784 in allotment revenues.

In addition, direct appropriations from the Tourist Attraction Fund increased 34% in FY2011, adding up to \$10,001,716. Comparing the total appropriation from the TAF (\$24,319,341) and the actual collections (\$23,050,767), there was a \$1,268,574 shortfall. Marketing was the largest expenditure at \$7.2 million, but almost 11% less than FY2010 with Japan and Korea representing the largest share at a combined \$5,071,076. At \$1,738,183, personnel salaries and benefits increased 13% over last year due to implementation of the Hay Study pay adjustment, but still only make up 14% of all expenditures.

**CAPITAL ASSETS AND LONG-TERM DEBT**

The Bureau is not capital intensive and therefore, significant capital asset activity did not occur in 2011, 2010 and 2009. For additional information regarding capital assets, please refer to note 4 to the financial statements.

Additionally, the Bureau has no long-term borrowings. However, additional information concerning its other long-term liabilities can be found in note 6 to the financial statements.

Management's Discussion and Analysis for the year ended September 30, 2010 is set forth in the Bureau's report on the audit of the financial statements, which is dated January 21, 2011, and that Discussion and Analysis explains the major factors impacting the 2010 financial statements and can be viewed at the Office of the Public Auditor's website at [www.guamopa.com](http://www.guamopa.com).



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**OUTLOOK**

Assuming no catastrophic events occur, arrivals should see an increase in FY 2012, due to Japan's recovery and the continued growth of Korea and Taiwan. The strong yen remains a concern, but GVB will continue to work with industry partners to encourage longer stays and increased spending. We predict that the delay in the military buildup will slow business and military related travel from the US. Our forecast for FY 2012 is an 8% to 10% increase in total visitor arrivals, which would lead to an increase in the Tourist Attraction Fund of 4.9% at \$24,175,003.

Moving forward, the Bureau's focus will be to grow market share in Japan with an effective consumer marketing advertising campaign and ramping up efforts to attract more group travel. Increasing air service from Korea and Taiwan will be key to growing these markets, and GVB will work with the Guam Airport and airline partners to attract new carriers and increase flight frequency. The Bureau will also continue to diversify by developing untapped markets like Singapore and Russia, which are both visa waiver countries, while we continue to lay the groundwork in China so Guam is prepared if China is granted visa waiver status.

**MANAGEMENT CONTACT**

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**GUAM VISITORS BUREAU**  
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Statements of Net Assets  
September 30, 2011 and 2010

| <u>ASSETS</u>                                 | <u>2011</u>          | <u>2010</u>          |
|---|----------------------|----------------------|
| Current assets:                               |                      |                      |
| Cash  | \$ 6,995,138         | \$ 5,977,651         |
| Accounts receivable - Government of Guam, net | 2,059,646            | 955,335              |
| Accounts receivable - Membership              | 8,416                | 8,476                |
| Accounts receivable - others                  | 133,166              | 181,409              |
| Accounts receivable - TAF Special Projects    | -                    | 71,213               |
| Prepaid expenses                              | 6,452                | 6,452                |
|   | <u>9,202,818</u>     | <u>7,200,536</u>     |
| Total current assets                          | 9,202,818            | 7,200,536            |
| Security deposit                              | 133,125              | 133,125              |
| Property and equipment, at cost, net          | <u>7,089,874</u>     | <u>7,203,849</u>     |
|   | <u>\$ 16,425,817</u> | <u>\$ 14,537,510</u> |
| <u>LIABILITIES AND NET ASSETS</u>             |                      |                      |
| Current liabilities:                          |                      |                      |
| Accounts payable                              | \$ 2,328,492         | \$ 2,062,734         |
| Accrued annual leave                          | <u>99,885</u>        | <u>99,844</u>        |
|   | 2,428,377            | 2,162,578            |
| Total current liabilities                     | 2,428,377            | 2,162,578            |
| Accrued sick leave                            | <u>126,352</u>       | <u>102,255</u>       |
|   | <u>2,554,729</u>     | <u>2,264,833</u>     |
| Total liabilities                             | 2,554,729            | 2,264,833            |
| Commitments and contingencies                 |                      |                      |
| Net assets:                                   |                      |                      |
| Invested in capital assets                    | 7,089,874            | 7,203,849            |
| Unrestricted                                  | 6,718,797            | 5,068,828            |
| Restricted - expendable                       | <u>62,417</u>        | <u>-</u>             |
|   | <u>13,871,088</u>    | <u>12,272,677</u>    |
| Total net assets                              | 13,871,088           | 12,272,677           |
|   | <u>\$ 16,425,817</u> | <u>\$ 14,537,510</u> |

See accompanying notes to financial statements.

**GUAM VISITORS BUREAU**  
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Statements of Revenue, Expenses, and Changes in Net Assets  
Years Ended September 30, 2011 and 2010

|   | <u>2011</u>          | <u>2010</u>          |
|---|----------------------|----------------------|
| Revenues:                                     |                      |                      |
| In-kind contributions from members and others | \$ 1,120,805         | \$ 988,083           |
| Consumption tax refund                        | 224,468              | 210,376              |
| Memberships                                   | 30,200               | 52,700               |
| Total revenues                                | <u>1,375,473</u>     | <u>1,251,159</u>     |
| Expenses:                                     |                      |                      |
| Professional services                         | 7,125,180            | 7,983,850            |
| Personnel                                     | 1,738,183            | 1,542,224            |
| Pass thru appropriations                      | 1,151,605            | 391,395              |
| Promotional in-kind contributions             | 1,120,805            | 988,083              |
| Travel  | 442,102              | 451,233              |
| Rent/lease                                    | 286,979              | 283,172              |
| Grants  | 276,607              | 275,585              |
| Utilities                                     | 154,792              | 149,199              |
| Material and supplies                         | 115,706              | 184,357              |
| Depreciation                                  | 113,975              | 113,975              |
| Advertising                                   | 77,848               | 69,009               |
| Community programs                            | 45,735               | 282,600              |
| Repair and maintenance                        | 31,741               | 51,107               |
| Equipment                                     | 22,744               | 72,723               |
| Insurance                                     | 19,940               | 21,500               |
| Miscellaneous                                 | 894,516              | 977,048              |
| Total operating expenses                      | <u>13,618,458</u>    | <u>13,837,060</u>    |
| Operating revenues net of operating expenses  | <u>(12,242,985)</u>  | <u>(12,585,901)</u>  |
| Nonoperating revenues (expenses):             |                      |                      |
| Grants-in-aid from Government of Guam:        |                      |                      |
| Operations                                    | 12,191,179           | 12,196,595           |
| Pass thru                                     | 1,151,605            | 391,395              |
| Federal revenues                              | 100,000              | -                    |
| Other nonoperating income (expense), net      | 388,465              | 188,605              |
| Interest income                               | 10,147               | 10,748               |
| Total nonoperating revenues, net              | <u>13,841,396</u>    | <u>12,787,343</u>    |
| Change in net assets                          | 1,598,411            | 201,442              |
| Net assets at beginning of year               | <u>12,272,677</u>    | <u>12,071,235</u>    |
| Net assets at end of year                     | <u>\$ 13,871,088</u> | <u>\$ 12,272,677</u> |

See accompanying notes to financial statements.

**GUAM VISITORS BUREAU**  
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Statements of Cash Flows  
Years Ended September 30, 2011 and 2010

|  | <u>2011</u>            | <u>2010</u>            |
|--|------------------------|------------------------|
| Cash flows from operating activities:  |                        |                        |
| Cash received from members   | \$ 30,260              | \$ 52,930              |
| Cash received from other sources   | 343,924                | 100,106                |
| Cash paid to employees   | (1,245,375)            | (1,116,405)            |
| Cash paid to suppliers   | <u>(10,459,942)</u>    | <u>(11,165,862)</u>    |
| Net cash used for operating activities   | <u>(11,331,133)</u>    | <u>(12,129,231)</u>    |
| Cash flows from noncapital financing activities:   |                        |                        |
| Government of Guam appropriations  | 12,238,473             | 14,199,730             |
| Federal grant  | <u>100,000</u>         | <u>-</u>               |
| Net cash provided by noncapital financing activities   | <u>12,338,473</u>      | <u>14,199,730</u>      |
| Cash flows from investing activities:  |                        |                        |
| Interest income  | <u>10,147</u>          | <u>10,748</u>          |
| Net cash provided by investing activities  | <u>10,147</u>          | <u>10,748</u>          |
| Net change in cash   | 1,017,487              | 2,081,247              |
| Cash at beginning of year  | <u>5,977,651</u>       | <u>3,896,404</u>       |
| Cash at end of year  | <u>\$ 6,995,138</u>    | <u>\$ 5,977,651</u>    |
| Reconciliation of operating revenues net of operating expenses to net cash used for operating activities:        |                        |                        |
| Operating revenues net of operating expenses   | \$ (12,242,985)        | \$ (12,585,901)        |
| Other nonoperating income, net   | 388,465                | 188,605                |
| Adjustments to reconcile operating revenues net of operating expenses to net cash used for operating activities: |                        |                        |
| In-kind contribution from members and others   | (1,120,805)            | (988,083)              |
| Promotional in-kind contributions  | 1,120,805              | 988,083                |
| Depreciation   | 113,975                | 113,975                |
| Decrease (increase) in assets:   |                        |                        |
| Accounts receivable  | 119,516                | (110,030)              |
| Increase (decrease) in liabilities:  |                        |                        |
| Accounts payable   | 265,758                | 246,278                |
| Accrued annual and sick leave  | <u>24,138</u>          | <u>17,842</u>          |
| Net cash used for operating activities   | <u>\$ (11,331,133)</u> | <u>\$ (12,129,231)</u> |

See accompanying notes to financial statements.

## SPECIAL TOURIST ATTRACTION FUND PROJECTS

Balance Sheets  
September 30, 2011 and 2010

| <u>ASSETS</u>                            | <u>2011</u>       | <u>2010</u>       |
|--|-------------------|-------------------|
| Current assets:                          |                   |                   |
| Restricted cash                          | \$ 364,330        | \$ 500,892        |
| Accounts receivable - Government of Guam | 123,304           | 79,122            |
| Accounts receivable - others             | 176               | -                 |
|  | <u>487,810</u>    | <u>580,014</u>    |
|  | <u>\$ 487,810</u> | <u>\$ 580,014</u> |
| <br><u>LIABILITIES AND FUND BALANCE</u>  |                   |                   |
| Current liabilities:                     |                   |                   |
| Accounts payable                         | \$ 103,458        | \$ 92,304         |
| Interfund payable - GVB operations       | -                 | 71,213            |
|  | <u>103,458</u>    | <u>163,517</u>    |
| Total liabilities                        | <u>103,458</u>    | <u>163,517</u>    |
| Fund balance:                            |                   |                   |
| Committed - Tourism                      | <u>384,352</u>    | <u>416,497</u>    |
|  | <u>\$ 487,810</u> | <u>\$ 580,014</u> |

See accompanying notes to financial statements.

**SPECIAL TOURIST ATTRACTION FUND PROJECTS**

Statements of Operations and Fund Balance  
Years Ended September 30, 2011 and 2010

|  | <u>2011</u>       | <u>2010</u>       |
|--|-------------------|-------------------|
| Revenues:  |                   |                   |
| In-kind contributions                              | \$ 1,830          | \$ -              |
| Others   | <u>1,707</u>      | <u>1,331</u>      |
| Total revenues                                     | <u>3,537</u>      | <u>1,331</u>      |
| Expenses:  |                   |                   |
| Islandwide roadway and beautification              | 277,400           | 277,400           |
| Tumon landscaping maintenance (contract)           | 271,500           | 271,500           |
| Tumon and Hagatna Beach cleaning and maintenance   | 224,890           | 264,618           |
| Tumon landscaping maintenance (project management) | 106,000           | 106,000           |
| Tumon holiday illumination                         | 81,578            | -                 |
| Utilities  | 56,792            | 37,407            |
| In-kind contributions                              | 1,830             | -                 |
| Miscellaneous                                      | <u>2,138</u>      | <u>416</u>        |
| Total expenses                                     | <u>1,022,128</u>  | <u>957,341</u>    |
| Loss from operations                               | (1,018,591)       | (956,010)         |
| Government of Guam contribution                    | <u>986,446</u>    | <u>949,500</u>    |
| Change in fund balance                             | (32,145)          | (6,510)           |
| Fund balance at beginning of year                  | <u>416,497</u>    | <u>423,007</u>    |
| Fund balance at end of year                        | <u>\$ 384,352</u> | <u>\$ 416,497</u> |

See accompanying notes to financial statements.

**SPECIAL TOURIST ATTRACTION FUND PROJECTS**

Statements of Cash Flows  
Years Ended September 30, 2011 and 2010

|  | <u>2011</u>           | <u>2010</u>         |
|--|-----------------------|---------------------|
| Cash flows from operating activities:  |                       |                     |
| Cash received from other sources   | \$ 1,531              | \$ 1,331            |
| Cash paid to suppliers   | <u>(1,080,357)</u>    | <u>(872,300)</u>    |
| Net cash used for operating activities   | <u>(1,078,826)</u>    | <u>(870,969)</u>    |
| Cash flows from noncapital financing activities:                                     |                       |                     |
| Government of Guam contribution  | <u>942,264</u>        | <u>949,503</u>      |
| Net cash provided by noncapital financing activities                                 | <u>942,264</u>        | <u>949,503</u>      |
| Net change in cash   | (136,562)             | 78,534              |
| Cash at beginning of year  | <u>500,892</u>        | <u>422,358</u>      |
| Cash at end of year  | <u>\$ 364,330</u>     | <u>\$ 500,892</u>   |
| Reconciliation of loss from operations to net cash<br>used for operating activities: |                       |                     |
| Loss from operations   | \$ (1,018,591)        | \$ (956,010)        |
| Decrease (increase) in assets:   |                       |                     |
| Accounts receivable - others   | (176)                 | -                   |
| (Decrease) increase in liabilities:  |                       |                     |
| Accounts payable   | 11,154                | 13,828              |
| Interfund payable - GVB operations   | <u>(71,213)</u>       | <u>71,213</u>       |
| Net cash used for operating activities   | <u>\$ (1,078,826)</u> | <u>\$ (870,969)</u> |

See accompanying notes to financial statements.

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

Notes to Financial Statements  
September 30, 2011 and 2010

(1) Organization and Summary of Significant Accounting Policies

Organization

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

Tourist Attraction Fund Projects

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

In-Kind Contributions

GVB receives in-kind contributions from its members and records such as of the date of receipt of the attendant goods or services. Title 12 of the Government Code Annotated states that the Legislature may condition payment of grants-in-aid to a matching requirement of in-kind contributions at a rate of no more than 20 cents for every 80 cents appropriated. However, this requirement was not imposed during the years ended September 30, 2011 and 2010.

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 assets, 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.

Property and Equipment

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

Foreign Currency Translation

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

Compensated Absences

Earned unpaid employee vacation leave is accrued at year end for financial statement purposes. Included in liabilities at September 30, 2011 and 2010 are amounts related to compensated absences earned but unused. The amounts are also included as a component of operating expense in the Statement of Revenues, Expenses, and Changes in Net Assets.



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

Notes to Financial Statements  
September 30, 2011 and 2010

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

Estimates

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

Concentrations of Credit Risk

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

At September 30, 2011 and 2010, GVB has cash deposits in bank accounts that exceed federal depository insurance limits. GVB has not experienced any losses as a result of this practice.

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

Risk Management

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

Accounting Standards

GVB utilizes the flow of economic resources measurement focus. Its financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units using the accrual basis of accounting. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting* requires that proprietary activities apply all applicable GASB pronouncements as well as Statements and Interpretations issued by the Financial Accounting Standards Board (FASB), Accounting Principle Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989. GVB has implemented GASB 20 and elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

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

Notes to Financial Statements  
September 30, 2011 and 2010

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

Accounting Standards, Continued

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

Net Assets

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

- Invested in capital assets, net of related debt:  
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 assets subject to externally imposed stipulations that require GVB to maintain them permanently.  
Expendable – Net assets 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 assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action by management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Fund Balance

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, 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.

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

Notes to Financial Statements  
September 30, 2011 and 2010

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

Fund Balance, Continued

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.

New Accounting Standards

During fiscal year 2011, GVB implemented the following pronouncements:

- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.
- GASB Statement No. 59, *Financial Instruments Omnibus*, which updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools.

The implementation of these pronouncements did not have a material effect on the accompanying financial statements.

In December 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which amends Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans. The provisions of Statement 57 related to the use and reporting of the alternative measurement method are effective immediately. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in OPEB plan financial statements for periods beginning after June 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of GVB.

In December 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of GVB.

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

Notes to Financial Statements  
September 30, 2011 and 2010

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

New Accounting Standards, Continued

In December 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*, which is designed to improve financial reporting for governmental entities by amending the requirements of Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively. The provisions of this statement are effective for periods beginning after June 15, 2012. Management does not believe that the implementation of this statement will have a material effect on the financial statements of GVB.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of GVB.

In July 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of GVB.

In July 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* (an amendment of GASB Statement No. 53), which will improve financial reporting by state and local governments by clarifying the circumstances in which hedge accounting continues to be applied when a swap counterparty, or a swap counterparty’s credit support provider, is replaced. The provisions of this statement are effective for periods beginning after June 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of GVB.

(2) Cash

Deposits

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

**GUAM VISITORS BUREAU**  
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Notes to Financial Statements  
September 30, 2011 and 2010

(2) Cash, Continued

Deposits, Continued

GASB Statement No. 3 previously required government entities to present deposit risks in terms of whether the deposits fell into the following categories:

- Category 1 Deposits that are federally insured or collateralized with securities held by GVB or its agent in GVB's name;
- Category 2 Deposits that are uninsured but fully collateralized with securities held by the pledging financial institution's trust department or agent in GVB's name; or
- Category 3 Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent but not in GVB's name and non-collateralized deposits.

GASB Statement No. 40 amended GASB Statement No. 3 to in effect eliminate disclosure for deposits falling into categories 1 and 2 but retained disclosures for deposits falling under category 3. Category 3 deposits are those 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.

As of September 30, 2011 and 2010, the carrying amount of GVB's total cash was \$6,995,138 and \$5,977,651, respectively, and \$364,330 and \$500,892, respectively, for the Special Tourist Attraction Fund projects. The corresponding bank balances were \$8,029,897 and \$6,973,171, respectively. Of the bank balances, \$7,935,467 and \$6,657,844, respectively, are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance and deposits in the amount of \$515,742 and \$533,563, 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, 2011 and 2010, cash held by GVB in the Special Tourist Attraction Funds Project is \$364,330 and \$500,892, respectively. These funds are for landscaping and beautification of Tumon Bay and other Tourist Attraction Projects.

(3) Employees' Retirement Plan

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

**GUAM VISITORS BUREAU**  
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Notes to Financial Statements  
September 30, 2011 and 2010

(3) Employees' Retirement Plan, Continued

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

Defined Benefit Plan

Plan Description:

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

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

Funding Policy:

As a result of actuarial valuations performed as of September 30, 2009, 2008, and 2007, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2011, 2010 and 2009, respectively, have been determined as follows:

|   | <u>2011</u>   | <u>2010</u>   | <u>2009</u>   |
|---|---------------|---------------|---------------|
| Normal costs (% of DB Plan payroll)                     | 17.00%        | 18.34%        | 17.36%        |
| Employee contributions (DB Plan employees)              | <u>9.50%</u>  | <u>9.50%</u>  | <u>9.50%</u>  |
| Employer portion of normal costs (% of DB Plan payroll) | <u>7.50%</u>  | <u>8.84%</u>  | <u>7.86%</u>  |
| Employer portion of normal costs (% of total payroll)   | 3.03%         | 3.73%         | 3.70%         |
| Unfunded liability cost (% of total payroll)            | <u>21.75%</u> | <u>22.69%</u> | <u>19.68%</u> |
| Government contribution as a % of total payroll         | <u>24.78%</u> | <u>26.42%</u> | <u>23.38%</u> |
| Statutory contribution rates as a % of DB Plan payroll  |               |               |               |
| Employer  | <u>27.46%</u> | <u>26.04%</u> | <u>25.20%</u> |
| Employee  | <u>9.50%</u>  | <u>9.50%</u>  | <u>9.50%</u>  |

GVB's contributions to the DB Plan for the years ended September 30, 2011, 2010 and 2009 were \$97,294, \$85,104 and \$78,384, respectively, which were equal to the required contributions for the respective year ended.

**GUAM VISITORS BUREAU**  
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Notes to Financial Statements  
September 30, 2011 and 2010

(3) Employees' Retirement Plan, Continued

Defined Contribution Plan

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

Statutory employer contributions into the DCRS for the years ended September 30, 2011 and 2010 are determined using the same rates as the DB plan. Of the amount contributed by the employer, only 5% of the member's regular base pay is deposited into the member's individual account. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

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

GVB's contributions to the DCRS plan for the years ended September 30, 2011, 2010 and 2009 were \$261,662, \$215,537 and \$146,135, respectively.

Public Law 26-86 allows members of the DCRS to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. GVB has accrued an estimated liability of \$126,352 and \$102,255 at September 30, 2011 and 2010, respectively, for potential future sick leave payments as a result of this law. However, this amount is an estimate and actual payout may be materially different than estimated.

Other Post Employment Benefits

GovGuam, through its substantive commitment to provide other post-employment benefits (OPEB), maintains a cost-sharing multiple employer defined benefit plan to provide certain postretirement healthcare benefits to retirees who are members of the GovGuam Retirement Fund. Under the Plan, known as the GovGuam Group Health Insurance Program, GovGuam provides medical, dental, and life insurance coverage. The retiree medical and dental plans are fully-insured products provided through insurance companies. GovGuam shares in the cost of these plans, with GovGuam's contribution amount set each year at renewal. Current statutes prohibit active and retired employees from contributing different amounts for the same coverage. As such, GovGuam contributes substantially more to the cost of retiree healthcare than to active healthcare. For the life insurance plan, GovGuam provides retirees with \$10,000 of life insurance coverage through an insurance company. Retirees do not share in the cost of this coverage. Because the Plan consists solely of GovGuam's firm commitment to provide OPEB through the payment of premiums to insurance companies on behalf of its eligible retirees, no stand-alone financial report is either available or generated. During the years ended September 30, 2011, 2010 and 2009, actual contributions paid were \$31,468, \$53,127 and \$39,158, respectively.

**GUAM VISITORS BUREAU**  
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Notes to Financial Statements  
September 30, 2011 and 2010

(4) Property and Equipment

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

A summary of building, improvements and equipment at September 30, 2011 and 2010 is as follows:

|                               | <u>Beginning Balance</u><br><u>October 1, 2010</u> | <u>Additions</u>    | <u>Deletions</u> | <u>Ending Balance</u><br><u>September 30, 2011</u> |
|-------------------------------|--|---------------------|------------------|--|
| Depreciable:                  |  |                     |                  |  |
| Building                      | \$ 2,500,000                                       | \$ -                | \$ -             | \$ 2,500,000                                       |
| Leasehold improvements        | 140,846  | -                   | -                | 140,846  |
| Furniture and fixtures        | 83,023   | -                   | -                | 83,023   |
| Equipment                     | <u>136,181</u>                                     | <u>-</u>            | <u>-</u>         | <u>136,181</u>                                     |
|                               | 2,860,050  | -                   | -                | 2,860,050  |
| Less accumulated depreciation | <u>(1,648,616)</u>                                 | <u>(113,975)</u>    | <u>-</u>         | <u>(1,762,591)</u>                                 |
| Non-depreciable:              | 1,211,434  | (113,975)           | -                | 1,097,459  |
| Land                          | <u>5,992,415</u>                                   | <u>-</u>            | <u>-</u>         | <u>5,992,415</u>                                   |
|                               | <u>\$ 7,203,849</u>                                | <u>\$ (113,975)</u> | <u>\$ -</u>      | <u>\$ 7,089,874</u>                                |

|                               | <u>Beginning Balance</u><br><u>October 1, 2009</u> | <u>Additions</u>    | <u>Deletions</u> | <u>Ending Balance</u><br><u>September 30, 2010</u> |
|-------------------------------|--|---------------------|------------------|--|
| Depreciable:                  |  |                     |                  |  |
| Building                      | \$ 2,500,000                                       | \$ -                | \$ -             | \$ 2,500,000                                       |
| Leasehold improvements        | 140,846  | -                   | -                | 140,846  |
| Furniture and fixtures        | 83,023   | -                   | -                | 83,023   |
| Equipment                     | <u>136,181</u>                                     | <u>-</u>            | <u>-</u>         | <u>136,181</u>                                     |
|                               | 2,860,050  | -                   | -                | 2,860,050  |
| Less accumulated depreciation | <u>(1,534,641)</u>                                 | <u>(113,975)</u>    | <u>-</u>         | <u>(1,648,616)</u>                                 |
|                               | 1,325,409  | (113,975)           | -                | 1,211,434  |
| Non-depreciable:              | 5,992,415  | -                   | -                | 5,992,415  |
| Land                          | <u>5,992,415</u>                                   | <u>-</u>            | <u>-</u>         | <u>5,992,415</u>                                   |
|                               | <u>\$ 7,317,824</u>                                | <u>\$ (113,975)</u> | <u>\$ -</u>      | <u>\$ 7,203,849</u>                                |

(5) Commitments

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

| <u>Year ending September 30,</u> | <u>Total</u>      |
|----------------------------------|-------------------|
| 2012                             | \$ 184,664        |
| 2013                             | <u>157,700</u>    |
|                                  | <u>\$ 342,364</u> |

The Japan lease requires a refundable security deposit of \$133,125.



**GUAM VISITORS BUREAU**  
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Notes to Financial Statements  
September 30, 2011 and 2010

(6) Long-Term Liabilities

A summary of changes in long-term liabilities during fiscal years 2011 and 2010 follows:

|                    | Outstanding<br>September 30,<br><u>2010</u> | <u>Additions</u> | <u>Reductions</u> | Outstanding<br>September 30,<br><u>2011</u> |
|--------------------|---|------------------|-------------------|---|
| Accrued sick leave | \$ <u>102,255</u>                           | \$ <u>36,134</u> | \$ <u>12,037</u>  | \$ <u>126,352</u>                           |
|                    | Outstanding<br>September 30,<br><u>2009</u> | <u>Additions</u> | <u>Reductions</u> | Outstanding<br>September 30,<br><u>2010</u> |
| Accrued sick leave | \$ <u>91,865</u>                            | \$ <u>10,390</u> | \$ <u>      -</u> | \$ <u>102,255</u>                           |

(7) Contingencies

GVB is involved in various litigation inherent to its operations. Management is of the opinion that liabilities of a material nature will not be realized.

(8) Appropriations from the Government of Guam

The Tourist Attraction Fund is a governmental fund of the Government of Guam that was established to fund various recreational projects and visitor industry activities. During the years ended September 30, 2011 and 2010, total appropriations received and receivable by GVB from the Government of Guam are as follows:

|  | <u>2011</u>          | <u>2010</u>          |
|--|----------------------|----------------------|
| Tourist Attraction Fund:                 |                      |                      |
| Operations                               | \$ 12,191,179        | \$ 12,196,595        |
| Special projects                         | 986,446              | 949,500              |
| San Vitores Road Phase II and III        | 480,000              | -                    |
| Pass-through to non-profit organizations | 460,000              | 315,000              |
| Rainy Day Fund                           | <u>191,000</u>       | <u>      -</u>       |
|  | 14,308,625           | 13,461,095           |
| General Fund:                            |                      |                      |
| Pass-through to non-profit organizations | <u>20,605</u>        | <u>76,395</u>        |
|  | \$ <u>14,329,230</u> | \$ <u>13,537,490</u> |

(9) Restricted Net Assets

At September 30, 2011 restricted net assets are for the Energy Efficient Retrofit Project, which is funded through the American Recovery and Reinvestment Act of 2009, per memorandum of understanding between the Guam Energy Office and GVB:

|                                 |                  |
|---------------------------------|------------------|
| Total received                  | \$ 100,000       |
| Total spent in fiscal year 2011 | <u>37,583</u>    |
| Total restricted                | \$ <u>62,417</u> |

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

Supplementary Schedule of Professional and Advertising Expenses  
Years Ended September 30, 2011 and 2010

| <u>Professional Expenses</u>         | <u>2011</u>         | <u>2010</u>         |
|--------------------------------------|---------------------|---------------------|
| Japan                                | \$ 4,343,242        | \$ 5,396,556        |
| Destination Management & Improvement | 372,799             | 493,712             |
| Korea                                | 727,834             | 843,576             |
| Admin., Research, & Printing         | 464,358             | 456,407             |
| Taiwan                               | 184,583             | 240,149             |
| Hong Kong/China                      | 486,670             | 442,910             |
| Australia, Philippines, & Pacific    | 90,343              | 104,049             |
| United States                        | 8,708               | 6,491               |
| All Markets (Branding)               | <u>446,643</u>      | <u>-</u>            |
| Total Professional Expenses          | <u>\$ 7,125,180</u> | <u>\$ 7,983,850</u> |
| <br>                                 |                     |                     |
| <u>Advertising Expenses</u>          |                     |                     |
| United States                        | \$ 27,713           | \$ 14,285           |
| Destination Management & Improvement | 21,568              | 33,760              |
| Japan                                | -                   | 1,425               |
| Australia, Philippines, & Pacific    | 1,000               | 4,281               |
| All others                           | <u>27,567</u>       | <u>15,258</u>       |
| Total Advertising Expenses           | <u>\$ 77,848</u>    | <u>\$ 69,009</u>    |

See accompanying independent auditors' report.

**GUAM VISITORS BUREAU**

(A Component Unit of the Government of Guam)

Supplementary Schedule of Miscellaneous Expenses  
Years Ended September 30, 2011 and 2010

|                     | <u>2011</u>       | <u>2010</u>       |
|---------------------|-------------------|-------------------|
| Other               | \$ 230,996        | \$ 417,729        |
| Food and beverage   | 149,624           | 100,002           |
| Printing            | 129,778           | 91,734            |
| Consumption tax     | 93,473            | 97,639            |
| Sponsorship         | 119,466           | 154,665           |
| Fees                | 73,592            | 10,553            |
| Dues and membership | 46,778            | 47,823            |
| Postal and courier  | 20,377            | 20,229            |
| Gifts and prizes    | 28,919            | 35,317            |
| Bank charges        | 1,513             | 1,357             |
|                     | <u>\$ 894,516</u> | <u>\$ 977,048</u> |

Supplementary Schedule of Employees and Salaries  
Years Ended September 30, 2011 and 2010

|                     | <u>2011</u>         | <u>2010</u>         |
|---------------------|---------------------|---------------------|
| Guam office:        |                     |                     |
| Number of employees | <u>29</u>           | <u>28</u>           |
| Annual payroll      | <u>\$ 1,269,516</u> | <u>\$ 1,134,247</u> |

See accompanying independent auditors' report.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Board of Directors  
Guam Visitors Bureau:

We have audited the financial statements of the Guam Visitors Bureau (GVB), as of and for the year ended September 30, 2011, and have issued our report thereon dated February 27, 2012. We conducted our audit 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.

Internal Control Over Financial Reporting

Management of GVB is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered GVB's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of GVB's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of GVB's internal control over financial reporting.

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 misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

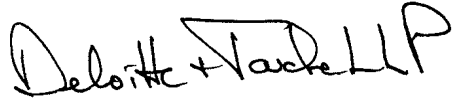
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of GVB in a separate letter dated February 27, 2012.

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

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

February 27, 2012