

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

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

YEARS ENDED SEPTEMBER 30, 2010 AND 2009

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

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Guam Visitors Bureau:

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, 2010 and 2009, 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.

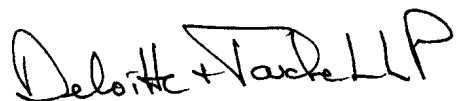
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan 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, 2010 and 2009, 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 23 and 24 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, January 21, 2011, 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 + Tuckers LLP". The signature is written in a cursive, stylized font.

January 21, 2011

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

Management's Discussion and Analysis
Years Ended September 30, 2010 and 2009

The Guam Visitors Bureau is a public, non-stock and non-profit corporation. It is a unique organization where its members and the people of Guam share an interest in the island's tourist industry.

ADMINISTRATIVE HIGHLIGHTS

Rebounding visitor numbers and the associated improvement in hotel occupancies contributed to the increase in room tax collections that fully funded the Bureau's \$12,196,595 FY2010 operating budget authorized in Public Law 30-55. Hotel room occupancy rose 10 percentage points to 70% (weighted average), and while average room rates remained the same at \$110, it is encouraging to note the +5%, +2%, and +7% improvements for each of the trailing three months through October 31, 2010 (GHRA). Hotel room taxes collected for the year were up +11.9% year on year to \$21.7 million. This year, the Bureau had 347 paid up individual and corporate members who contributed a combined \$1,040,783 in cash and in-kind support, up +37% from last year. This improvement can be attributed to the updating of membership dues prior to an election year for Directors (+26% to \$52,700) and continuing improvements in documented in-kind support (+38% to \$988,083), the latter a whopping +368% improvement over the \$268,513 documented in 2008.

MARKETING HIGHLIGHTS

We finished the year very strong with the best September arrivals in the last five years. A total of 1,170,857 visitors came to Guam in 2010, up +11.2% over 2009, and exceeded expectations despite the weak global economy and continuing economic and political uncertainties in Japan.

Key drivers for this overall increase were the +8.6% and 43.3% growth in Japanese and Korean visitors, respectively, Taiwan's +32.6% performance and the significant +11.7% contribution from the U.S. The four markets of Japan (75.6%), Korea (10.2%), the U.S. (4.5%) and Taiwan (2.5%), which comprise 92.8% of our visitors in 2009, had a combined growth of +12.3% in 2010. Growth in the smaller markets were led by Hong Kong (+101.3%) following resumption of Continental's twice weekly service, China (+62.2%), Australia (+14.8%), the Philippines (+5.5%), Micronesia (+2.8%), and Russia (+8.1%). These six markets alone, which made up just 5% of our arrivals mix, grew +12.5% and added 55,118 to our total 2010 visitor count.

JAPAN

Airlift capacity and frequency from Japan increased +12% in total seats before the October 2010 forced bankruptcy announcement of Japan Airlines, which subsequently led to the carrier's suspension of Osaka service, a reduction of Tokyo flights, and down gauging of their daily jumbo service to a smaller B-757 aircraft. Continental's resumption of Osaka service, additional flights by Delta Airlines, and charters at Haneda all contributed to the increase in Japan's seat inventory, as did Skymark Airlines' Haneda charters in the summer and Korean Air's incremental impact at both Osaka and Tokyo.

Kansai's once moribund market outperformed total Japan, in part because of the improved airlift (+40.5% seats) and limited options travel agents faced from capacity reductions to other destinations, political unrest in Thailand, frigid relations with China and other security issues in nearby Asian destinations. Visitors from Osaka increased +20.6%, compared to Nagoya's +8.4%, Tokyo's +5.8%, and total Japan's +8.6% increase. The positive impact from Osaka, Nagoya and Tokyo, where 84.1% of all Guam visitors originate, drove total Japan arrivals to 887,986.

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But while there is reason to celebrate the +8.6% increase in Japanese visitors, and the +0.12% gain in our share of Japan's international travelers, there is more reason to be concerned over the stalled progress we are beginning to see in destination yield objectives. The volume driven momentum that rekindled demand and a turnaround in declining arrivals last year, following the H1N1 outbreak, sub-prime mortgage collapse in 2008, and overall market weakness, spilled over into 2010, and resulted in significant erosion in visitor spending. Shorter package and group tours negatively impacted average length of stay for the second straight year, declining to 3.0 days visit, or -12% from 2008 and -14% from 2007.

In retrospect, the market share gained in 2010 came at an expensive cost to the local economy because the \$17.2 million economic benefit from this incremental improvement was far out weighed by the estimated \$23 million economic loss in island income had we stayed even with spending levels previously seen just four years ago. In 2006, when the yen was at JPY116 to the dollar, local spending was \$666.21, or 33% better than the \$499.40 in 2010. In short, this +0.12% market share improvement came at a cost of \$5.8 million to the local economy.

The obvious challenge for 2011 and beyond is sustaining or growing Guam's share of market while working with our travel industry partners to improve destination yields by lengthening visitor stays, attracting more affluent visitors, creating more events or purchasing opportunities, and promoting higher value tours in today's domestic environment where consumer spending is on the wane and export earnings stymied by a very strong yen (83.77 @ 11/26/10).

KOREA

The number of Korean visitors improved dramatically in 2010, the result of an expanded air bridge (+43.8% seat increase), normalizing travel (post H1N1 concerns) and differentiated destination acceptance of the new U.S. Visa Waiver policy, which was once a significant competitive advantage enjoyed only by Guam and the CNMI. The entry of low cost carrier Jin Air last April heightened Guam's consumer awareness, improved market reach and penetration, and afforded consumer choices not previously available because of Korean Air's (KE) monopoly service, daylight flights being a notable example aside from price.

Unlike last year, when our General Sales Agent (TLK) was penalized some \$30,000 for underperforming agreed visitor targets, Korea's performance ended 2010 with a results-based bonus of \$100,000. This added cost was budgeted and worth the extra expense that produced 36,258 more visitors than last year and \$26.2 million in additional income to the local economy.

OTHER MARKETS

While small in number compared to Japan and Korea, the smaller markets that made up 10% of total visitors in 2010 gained +20% in additional arrivals to finish the year at 148,223 and an improved 12.7% arrivals mix while Japan and Korea still grew in absolute number. Taiwan (+32.6%), the U.S. (+12.5%), Hong Kong (+101.3%), Micronesia (+2.8%), Russia (+8.1%), Australia (+14.8), and the Philippines (+5.5%) all contributed to this year's total visitor count of 1,170,857. These markets not only add incremental income to the island, but also provide market diversification value and aircraft utilization opportunities that help sustain our Japan airlift capacity.

Business and government-related travelers associated with the current military buildup have increasingly augmented the U.S. leisure travel and military R&R visitor market segments. Moreover, MICE market opportunities from Taichung, expanded use of social media channels, and +10.7% increase in airlift strengthened Taiwan's visitor arrival performance.

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CHINA

Chinese New Year charters contributed largely to the 4,669 visitors recorded for the year and a significant +59.8% increase from last year's 2,922 total. We continue to have a presence in this market in anticipation of a more favorable non-immigrant visa process that awaits a U.S. Department of Homeland Security decision regarding the Guam-CNMI Visa Waiver Program authorized by P.L. 110-229 more than two years ago. Priming this market is an important long-term objective because of the volume and revenue impact it will bring to Guam's future tourism viability. Indeed, a favorable resolution by DHS can very quickly open direct air service and 60,000 Chinese visitors within five years.

DESTINATION MANAGEMENT HIGHLIGHTS

Destination branding initiatives gained more traction in the community, anchored by active participation of the Mayors' Council and emerging green shoots of newly created events and festivals sprouting up in the villages. Colorful murals designed by village residents themselves are also starting to appear around the island and more than 5,000 employees in more than 50 companies and organizations are now participating in the Hafa Adai Pledge project, a program designed to promote and practice the island's cultural and hospitality spirit.

Beach cleaning and roadside maintenance along Marine Corps Drive and Tumon Bay are special projects that the Bureau continued to oversee during the year. These special projects represent nearly one million dollars in contracts funded entirely by the Tourist Attraction Fund. The Guam Power Authority and Department of Public Works continue to provide assistance in the repair or replacement of burned out light bulbs along San Vitores Road, but more attention is needed to fix damaged paver blocks, ruts in the road, safety related signage and landscaping enhancements.

The Bureau also continued its support for the airport ambassador program, a visitor assistance service designed to ease passenger facilitation through immigration and customs formalities. Providing a pleasant sense of arrival is but a small part of what we can do to enhance a unique island destination experience. Working with village mayors, private organizations and other public institutions, the Bureau has begun to enlarge the critical nucleus that will drive this effort in the months and years ahead.

FINANCIAL HIGHLIGHTS

We will overview our financial statements for the fiscal years ending September 30, 2010, 2009 and 2008 in the following discussion. The following table summarizes the financial condition and operations of the Bureau for the fiscal years ended 2010, 2009, and 2008:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Assets			
Current assets	\$ 7,200,536	\$ 6,620,999	\$ 6,408,758
Other assets	133,125	133,125	133,125
Property and equipment, at cost, net	<u>7,203,849</u>	<u>7,317,824</u>	<u>7,325,743</u>
Total assets	\$ <u>14,537,510</u>	\$ <u>14,071,948</u>	\$ <u>13,867,626</u>

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Liabilities:			
Current liabilities	\$ 2,162,578	\$ 1,908,848	\$ 2,030,384
Accrued sick leave	<u>102,255</u>	<u>91,865</u>	<u>86,478</u>
Total liabilities	<u>2,264,833</u>	<u>2,000,713</u>	<u>2,116,862</u>
Net assets:			
Invested in capital assets	7,203,849	7,317,824	7,325,743
Unrestricted	<u>5,068,828</u>	<u>4,753,411</u>	<u>4,425,021</u>
Total net assets	<u>12,272,677</u>	<u>12,071,235</u>	<u>11,750,764</u>
	<u>\$ 14,537,510</u>	<u>\$ 14,071,948</u>	<u>\$ 13,867,626</u>
Operating revenue	\$ 1,251,159	\$ 888,793	\$ 623,750
Operating expense	<u>13,837,060</u>	<u>12,852,812</u>	<u>12,679,676</u>
Operating revenues net of operating expenses	(12,585,901)	(11,964,019)	(12,055,926)
Nonoperating revenues, net	<u>12,787,343</u>	<u>12,284,490</u>	<u>13,441,198</u>
Change in net assets	\$ <u>201,442</u>	\$ <u>320,471</u>	\$ <u>1,385,272</u>

An 11% hotel occupancy tax funds the Bureau's operations as authorized through the Legislature's annual budget appropriations. In fiscal year 2010, Public Law 30-55 appropriated \$13.1 million for GVB operations and special projects. Although the Bureau received its full allotment in fiscal year 2008, this was not the same for fiscal year 2009 as the Bureau only recognized \$10.7M. This equates to 88% of the fiscal year appropriation for operations of \$12.2M.

Bureau management and staff maintained a financially conservative philosophy in managing its expenditures to avoid statutory penalties associated with expenditures beyond allotments. Buoyant arrivals enabled us to fully fund the projects planned during the year, while staying within budget. At \$8 million, marketing represented the largest expenditure category in 2010, with Japan and Korea consuming the largest share combined (\$7.1 million). At \$1,542,224 GVB personnel salaries and benefits accounted for 11% of all expenditures and professional services; 57%, or \$7.9 million mostly for contracted advertising and marketing vendors in Japan, Korea, Taiwan, Hong Kong/China, and the Philippines.

Our purchasing power in source markets was seriously impacted by the yen's +17% rise since 2008, thereby limiting our advertising and public relations expenditures, especially in Japan. The Bureau's foreign exchange account ended with a loss of \$55,843.48, and more than twice the \$24,872 amount recorded last year because of the stronger yen impact.

Off island travel expenses for sales, marketing and promotional events, which accounted for 3% of expenditures, increased +26% over last year to \$451,233 in 2010, but still -6% below the \$477,309 spent two years prior.

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About \$900,000 (6%) was spent on signature events such as the Guam Micronesia Island Fair (GMIF), Guam Ko'Ko' Road Race, GHRA New Year's fireworks, Ladies Pro Am Golf Tournament, and a number of cultural or community events such as Historic Inalahan and the Miss Universe and Miss Earth pageants, in addition to group travel campaigns.

CAPITAL ASSETS AND LONG-TERM DEBT

The Bureau is not capital intensive and therefore, significant capital asset activity did not occur in 2010, 2009 and 2008. 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 the notes to the financial statements.

Management's Discussion and Analysis for the year ended September 30, 2009 is set forth in the Bureau's report on the audit of the financial statements, which is dated April 5, 2010, and that Discussion and Analysis explains the major factors impacting the 2009 financial statements and can be viewed at the Office of Public Accountability website at www.guamopa.org.

Outlook

Guam is well positioned to see continuing improvement in 2011's visitor arrivals, assuming no catastrophic events occur. This optimism, however, is tempered by the uncertain sustainability of Japan's recovering economy, which just marked the fourth consecutive quarterly growth in the country's seasonally adjusted GDP. A weakening in domestic spending, combined with a weak export environment due to a very strong yen, remain issues that will dictate consumer travel sentiment.

There is also concern over the full impact of JAL's 66% fewer seats instituted in October 2010 as part of the carrier's bankruptcy recovery plan. Fortunately, however we can expect more seasonally operated charters originating from the new Haneda International Airport under Japan's new open skies policy.

Korea's continuing improvement is likely to be supported by both KE's seasonal charters and Jin Air, the latter to see year on year passenger comparables normalize following the carrier's late April first anniversary of service. The Korean won had remained fairly stable in the ¥1170 ~ ¥1200 range throughout most of 2010. Recent expectations of repatriated export income are strengthening the won and should also sustain the won's stability in the near term. And since the shock to financial markets from north Korea's recent shelling of Yeonpyeong island has been mostly absorbed, according to Finance Minister Yoon Hyun, Korean travel to Guam appear not to be adversely affected.

Air service to our smaller regional markets is expected to remain stable, with Hong Kong arrivals outperforming them and demand expected to pick up in that market, as will charter-driven visitors from the tri-polar source markets of Beijing in the north, Shanghai in the east, and Guandong/Shengyang in the south of China.

Our forecast for 2011 is a conservative +4% to 5% increase in total visitors and an improvement in hotel average room rates, both of which bode well for an increase in the Tourist Attraction Fund in 2011. On the strength of this increase and firming average room rates, we forecast hotel occupancy tax collections to be up +5.9% or \$23 million.

The Bureau's focus for 2011 will continue to be on key markets, development of the China opportunity, improvements in our destination product, and vigorous support of our community outreach and brand building initiatives. Key metrics in the new 2010 Japan marketing contract relate to improvements in market share, repeat visits, average lengths of stay, local spending, and affluent visitor mix.

GUAM VISITORS BUREAU
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Statements of Net Assets
September 30, 2010 and 2009

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
Current assets:		
Cash	\$ 5,977,651	\$ 3,896,404
Accounts receivable - Government of Guam	955,335	2,567,075
Accounts receivable - Membership	8,476	8,706
Accounts receivable - others	181,409	142,362
Accounts receivable - TAF Special Projects	71,213	-
Prepaid expenses	6,452	6,452
Total current assets	7,200,536	6,620,999
Security deposit	133,125	133,125
Property and equipment, at cost, net	7,203,849	7,317,824
	<u>\$ 14,537,510</u>	<u>\$ 14,071,948</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 2,062,734	\$ 1,816,456
Accrued annual leave	99,844	92,392
Total current liabilities	2,162,578	1,908,848
Accrued sick leave	102,255	91,865
Total liabilities	2,264,833	2,000,713
Commitments and contingencies		
Net assets:		
Invested in capital assets	7,203,849	7,317,824
Unrestricted	5,068,828	4,753,411
Total net assets	12,272,677	12,071,235
	<u>\$ 14,537,510</u>	<u>\$ 14,071,948</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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Revenues:		
In-kind contributions from members and others	\$ 988,083	\$ 715,216
Consumption tax refund	210,376	226,608
Memberships	<u>52,700</u>	<u>41,969</u>
Total revenues	1,251,159	983,793
Less:		
Bad debts	<u>-</u>	<u>95,000</u>
Net revenues	<u>1,251,159</u>	<u>888,793</u>
Expenses:		
Professional services	7,983,850	7,302,377
Personnel	1,542,224	1,448,263
Promotional in-kind contributions	988,083	715,216
Travel	451,233	359,155
Pass thru appropriations	391,395	340,467
Rent/lease	283,172	279,881
Community programs	282,600	743,750
Grants	275,585	133,750
Material and supplies	184,357	49,931
Utilities	149,199	166,325
Depreciation	113,975	90,919
Equipment	72,723	33,329
Advertising	69,009	31,860
Repair and maintenance	51,107	258,031
Insurance	21,500	19,978
Miscellaneous	<u>977,048</u>	<u>879,580</u>
Total operating expenses	<u>13,837,060</u>	<u>12,852,812</u>
Operating revenues net of operating expenses	<u>(12,585,901)</u>	<u>(11,964,019)</u>
Nonoperating revenues (expenses):		
Grants-in-aid from Government of Guam	12,587,990	12,162,519
Other nonoperating income (expense), net	188,605	96,869
Interest income	<u>10,748</u>	<u>25,102</u>
Total nonoperating revenues, net	<u>12,787,343</u>	<u>12,284,490</u>
Change in net assets	201,442	320,471
Net assets at beginning of year	<u>12,071,235</u>	<u>11,750,764</u>
Net assets at end of year	<u>\$ 12,272,677</u>	<u>\$ 12,071,235</u>

See accompanying notes to financial statements.

GUAM VISITORS BUREAU
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Statements of Cash Flows
Years Ended September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Cash received from members	\$ 52,930	\$ 41,806
Cash received from other sources	100,106	314,996
Cash paid to employees	(1,116,405)	(1,081,137)
Cash paid to suppliers	<u>(11,165,862)</u>	<u>(11,080,196)</u>
Net cash used for operating activities	<u>(12,129,231)</u>	<u>(11,804,531)</u>
Cash flows from capital financing activities:		
Acquisition of property and equipment	<u>-</u>	<u>(83,000)</u>
Net cash used for capital financing activities	<u>-</u>	<u>(83,000)</u>
Cash flows from noncapital financing activities:		
Government of Guam appropriations	<u>14,199,730</u>	<u>11,279,209</u>
Net cash provided by noncapital financing activities	<u>14,199,730</u>	<u>11,279,209</u>
Cash flows from investing activities:		
Interest income	<u>10,748</u>	<u>25,102</u>
Net cash provided by investing activities	<u>10,748</u>	<u>25,102</u>
Net change in cash	2,081,247	(583,220)
Cash at beginning of year	<u>3,896,404</u>	<u>4,479,624</u>
Cash at end of year	<u>\$ 5,977,651</u>	<u>\$ 3,896,404</u>
Reconciliation of operating revenues net of operating expenses to net cash used for operating activities:		
Operating revenues net of operating expenses	\$ (12,585,901)	\$ (11,964,019)
Other nonoperating income, net	188,605	96,869
Adjustments to reconcile operating revenues net of operating expenses to net cash used for operating activities:		
In-kind contribution from members and others	(988,083)	(715,216)
Promotional in-kind contributions	988,083	715,216
Depreciation	113,975	90,919
Decrease (increase) in assets:		
Accounts receivable	(110,030)	87,849
Increase (decrease) in liabilities:		
Accounts payable	246,278	(118,404)
Accrued annual and sick leave	<u>17,842</u>	<u>2,255</u>
Net cash used for operating activities	<u>\$ (12,129,231)</u>	<u>\$ (11,804,531)</u>

See accompanying notes to financial statements.

SPECIAL TOURIST ATTRACTION FUND PROJECTS

Balance Sheets
September 30, 2010 and 2009

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
Current assets:		
Restricted cash	\$ 500,892	\$ 422,358
Accounts receivable - Government of Guam	<u>79,122</u>	<u>79,125</u>
	<u>\$ 580,014</u>	<u>\$ 501,483</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Current liabilities:		
Accounts payable	\$ 92,304	\$ 78,476
Interfund payable - GVB operations	<u>71,213</u>	<u>-</u>
Total liabilities	<u>163,517</u>	<u>78,476</u>
Fund balance:		
Appropriated retained earnings	<u>416,497</u>	<u>423,007</u>
	<u>\$ 580,014</u>	<u>\$ 501,483</u>

See accompanying notes to financial statements.

SPECIAL TOURIST ATTRACTION FUND PROJECTS

Statements of Operations and Fund Balance
Years Ended September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Revenues:		
Interest	\$ -	\$ 709
Others	<u>1,331</u>	<u>-</u>
Total revenues	<u>1,331</u>	<u>709</u>
Expenses:		
Islandwide roadway and beautification	277,400	213,785
Tumon landscaping maintenance	271,500	205,863
Tumon and Hagatna Beach cleaning and maintenance	264,618	187,987
Contractual services	106,000	75,685
Utilities	37,407	24,439
Miscellaneous	<u>416</u>	<u>13,553</u>
Total expenses	<u>957,341</u>	<u>721,312</u>
Loss from operations	(956,010)	(720,603)
Government of Guam contribution	<u>949,500</u>	<u>949,500</u>
Change in fund balance	(6,510)	228,897
Fund balance at beginning of year	<u>423,007</u>	<u>194,110</u>
Fund balance at end of year	<u><u>\$ 416,497</u></u>	<u><u>\$ 423,007</u></u>

See accompanying notes to financial statements.

SPECIAL TOURIST ATTRACTION FUND PROJECTS

Statements of Cash Flows Years Ended September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Cash received from interest	\$	\$ 709
Cash received from other sources	1,331	-
Cash paid to suppliers	<u>(872,300)</u>	<u>(656,716)</u>
Net cash used for operating activities	<u>(870,969)</u>	<u>(656,007)</u>
Cash flows from noncapital financing activities:		
Government of Guam contribution	<u>949,503</u>	<u>870,375</u>
Net cash provided by noncapital financing activities	<u>949,503</u>	<u>870,375</u>
Net change in cash	78,534	214,368
Cash at beginning of year	<u>422,358</u>	<u>207,990</u>
Cash at end of year	<u>\$ 500,892</u>	<u>\$ 422,358</u>
Reconciliation of loss from operations to net cash used for operating activities:		
Loss from operations	\$ (956,010)	\$ (720,603)
(Decrease) increase in liabilities:		
Accounts payable	13,828	64,596
Interfund payable - GVB operations	<u>71,213</u>	<u>-</u>
Net cash used for operating activities	<u>\$ (870,969)</u>	<u>\$ (656,007)</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements
September 30, 2010 and 2009

(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, 2010 and 2009.

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 balance sheet date.

Compensated Absences

Earned unpaid employee vacation leave is accrued at year end for financial statement purposes. Included in liabilities at September 30, 2010 and 2009 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, 2010 and 2009

(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, 2010 and 2009, 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, 2010 and 2009

(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.

GVB does not have restricted net assets at September 30, 2010 and 2009.

New Accounting Standards

During fiscal year 2010, GVB implemented the following pronouncements:

- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which addresses whether and when intangible assets should be considered capital assets for financial reporting purposes.
- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which is intended to improve how state and local governments report information about derivative instruments - financial arrangements used by governments to manage specific risks or make investments - in their financial statements.
- GASB Technical Bulletin No. 2008-1, *Determining the Annual Required Contribution Adjustment for Postemployment Benefits*, which clarifies the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for calculating the annual required contribution (ARC) adjustment.

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

Notes to Financial Statements
September 30, 2010 and 2009

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

New Accounting Standards, Continued

- GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*, which provides guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code, and establishes requirements for recognizing and measuring the effects of the bankruptcy process on assets and liabilities, and for classifying changes in those items and related costs.

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

In March 2009, GASB issued 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. The provisions of this statement are effective for periods beginning after June 15, 2010. Management has not evaluated the effect that the implementation of this statement will have on the financial statements of GVB.

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 June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*, which updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. The provisions of this statement are effective for periods beginning after June 15, 2010. Management has not evaluated the effect that the implementation of this statement will have on the financial statements of GVB.

Subsequent Events

Management has considered subsequent events through January 21, 2011, the date upon which the financial statements were available to be issued.

(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
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2010 and 2009

(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, 2010 and 2009, the carrying amount of GVB's total cash was \$5,977,651 and \$3,896,404, respectively, and \$500,892 and \$422,358, respectively, for the Special Tourist Attraction Fund projects. The corresponding bank balances were \$6,973,171 and \$5,012,959, respectively. Of the bank balances, \$6,657,844 and \$4,994,861, respectively, are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance and deposits in the amount of \$533,563 and \$529,078, 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, 2010 and 2009, cash held by GVB in the Special Tourist Attraction Funds Project is \$500,892 and \$422,358, 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 new 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
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2010 and 2009

(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.

The DB Plan was originally designated as a single-employer plan but was redesignated by GovGuam's Department of Administration as a cost-sharing multiple-employer plan, effective October 1, 2008. The redesignation was based on the determination as outlined under GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*, that all risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to the separate employers. A single actuarial valuation is performed annually covering all plan members and the same contribution rate applies to each employer. GGRF issues a publicly available financial report that includes financial statements and required supplementary information for the DB Plan. That report may be obtained by writing to the Government of Guam Retirement Fund, 424 A Route 8, Maite, Guam 96910, or by visiting GGRF's website – www.ggrf.com.

Funding Policy:

As a result of actuarial valuations performed as of September 30, 2008, 2007, and 2006, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2010, 2009 and 2008, respectively, have been determined as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Normal costs (% of DB Plan payroll)	18.34%	17.36%	17.94%
Employee contributions (DB Plan employees)	<u>9.50%</u>	<u>9.50%</u>	<u>9.50%</u>
Employer portion of normal costs (% of DB Plan payroll)	<u>8.84%</u>	<u>7.86%</u>	<u>8.44%</u>
Employer portion of normal costs (% of total payroll)	3.73%	3.70%	3.99%
Unfunded liability cost (% of total payroll)	<u>22.69%</u>	<u>19.68%</u>	<u>20.75%</u>
Government contribution as a % of total payroll	<u>26.42%</u>	<u>23.38%</u>	<u>24.74%</u>
Statutory contribution rates as a % of DB Plan payroll			
Employer	<u>26.04%</u>	<u>25.20%</u>	<u>24.07%</u>
Employee	<u>9.50%</u>	<u>9.50%</u>	<u>9.50%</u>

GUAM VISITORS BUREAU
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Notes to Financial Statements
September 30, 2010 and 2009

(3) Employees' Retirement Plan, Continued

Defined Benefit Plan, Continued

Funding Policy:, Continued

GVB's contributions to the DB Plan for the years ended September 30, 2010, 2009 and 2008 were \$85,104, \$78,384 and \$82,322, respectively, which were equal to the required contributions for the respective year ended.

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, 2010 and 2009 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, 2010, 2009 and 2008 were \$215,537, \$146,135 and \$184,450, 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 \$102,255 and \$91,865 at September 30, 2010 and 2009, 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, 2010, 2009 and 2008, actual contributions paid were \$53,127, \$39,158 and \$30,561, respectively.

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

Notes to Financial Statements
September 30, 2010 and 2009

(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, 2010 and 2009 is as follows:

	<u>Beginning Balance</u> <u>October 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u> <u>September 30, 2010</u>
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
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>

	<u>Beginning Balance</u> <u>October 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u> <u>September 30, 2009</u>
Building	\$ 2,500,000	\$ -	\$ -	\$ 2,500,000
Leasehold improvements	140,846	-	-	140,846
Furniture and fixtures	83,023	-	-	83,023
Equipment	<u>53,181</u>	<u>83,000</u>	<u>-</u>	<u>136,181</u>
	2,777,050	83,000	-	2,860,050
Less accumulated depreciation	<u>(1,443,722)</u>	<u>(90,919)</u>	<u>-</u>	<u>(1,534,641)</u>
	1,333,328	(7,919)	-	1,325,409
Land	<u>5,992,415</u>	<u>-</u>	<u>-</u>	<u>5,992,415</u>
	<u>\$ 7,325,743</u>	<u>\$ (7,919)</u>	<u>\$ -</u>	<u>\$ 7,317,824</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>
2011	\$ 167,374
2012	148,153
2013	<u>125,206</u>
	<u>\$ 440,733</u>

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

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

Notes to Financial Statements
September 30, 2010 and 2009

(6) Long-Term Liabilities

A summary of changes in long-term liabilities during fiscal years 2010 and 2009 follows:

	Outstanding September 30, <u>2009</u>	<u>Additions</u>	<u>Reductions</u>	Outstanding September 30, <u>2010</u>
Accrued sick leave	\$ <u>91,865</u>	\$ <u>10,390</u>	\$ <u>-</u>	\$ <u>102,255</u>
	Outstanding September 30, <u>2008</u>	<u>Additions</u>	<u>Reductions</u>	Outstanding September 30, <u>2009</u>
Accrued sick leave	\$ <u>86,478</u>	\$ <u>28,265</u>	\$ <u>22,878</u>	\$ <u>91,865</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) Payments from Tourist Attraction Fund

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, 2010 and 2009, appropriations received by GVB for operations and special projects from the Tourist Attraction Funds are \$13,443,740 and \$13,112,019, respectively, of which \$297,645 and \$340,467, respectively, is considered as pass-through funds to non-profit organizations.

(9) Related Party Disclosure

In the ordinary course of business, GVB enters into contracts with various entities. In 2008 and 2007, an agreement was entered into with a company affiliated with a Board member to supplement certain advertising costs in the amount of \$100,000. In 2009, the Board of Directors agreed to record \$95,000 of this pledge receivable as a bad debt. Applicable revenues were recognized during the year ended September 30, 2007.

GUAM VISITORS BUREAU
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Supplementary Schedule of Professional and Advertising Expenses
Years Ended September 30, 2010 and 2009

<u>Professional Expenses</u>	<u>2010</u>	<u>2009</u>
Japan	\$ 5,396,556	\$ 4,945,065
Destination Management & Improvement	493,712	723,283
Korea	843,576	721,181
Admin., Research, & Printing	456,407	273,578
Taiwan	240,149	215,141
Hong Kong/China	442,910	322,157
Australia, Philippines, & Pacific	104,049	101,638
United States	6,491	334
	<hr/>	<hr/>
Total Professional Expenses	\$ 7,983,850	\$ 7,302,377
	<hr/> <hr/>	<hr/> <hr/>
<u>Advertising Expenses</u>		
United States	\$ 14,285	\$ 12,310
Destination Management & Improvement	33,760	7,835
Japan	1,425	-
Australia, Philippines, & Pacific	4,281	1,834
Korea	-	-
All others	15,258	9,881
	<hr/>	<hr/>
Total Advertising Expenses	\$ 69,009	\$ 31,860
	<hr/> <hr/>	<hr/> <hr/>

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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Other	\$ 417,729	\$ 173,039
Food and beverage	100,002	81,601
Printing	91,734	93,936
Consumption tax	97,639	131,748
Sponsorship	154,665	286,823
Fees	10,553	(771)
Dues and membership	47,823	52,931
Postal and courier	20,229	31,057
Gifts and prizes	35,317	28,000
Bank charges	1,357	1,216
	<u>\$ 977,048</u>	<u>\$ 879,580</u>

Supplementary Schedule of Employees and Salaries
Years Ended September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Guam office:		
Number of employees	<u>28</u>	<u>28</u>
Annual payroll	<u>\$ 1,134,247</u>	<u>\$ 1,083,392</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, 2010, and have issued our report thereon dated January 21, 2011. 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

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.

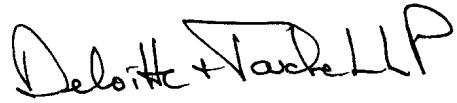
A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, 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*.

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.

January 21, 2011