

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

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

YEARS ENDED SEPTEMBER 30, 2008 AND 2007

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

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Years Ended September 30, 2008 and 2007

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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, 2008 and 2007, and the related statements of revenue, expenses, and changes in net assets, operations and fund balance, and cash flows for the years then ended. These financial statements are the responsibility of GVB's management. Our responsibility is to express an opinion on these financial statements based on our audits.

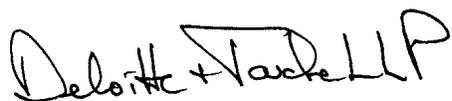
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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, 2008 and 2007, 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 6 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 for the year ended September 30, 2008, 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 March 5, 2009, 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, slightly stylized font.

March 5, 2009

GUAM VISITORS BUREAU
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Management's Discussion and Analysis
Year Ended September 30, 2008

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

Our China and Destination Branding initiatives headlined the Bureau's priorities in 2008. Guam will be a step closer to tapping the lucrative Chinese leisure group market if the Department of Homeland Security gives a favorable ruling to include China in a unified visa waiver program for Guam and the CNMI as authorized in Public Law 110-229. This decision was made in mid January 2009, but required security enhancement and other administrative processing measures prior to effective implementation in January 2009.

The first phase of our branding initiative was completed during the year and essentially entailed the procurement of professional services, market research, the brand positioning of Guam, and the creative effort to arrive at a unified brand image.

Total visitors to Guam dropped 3.6% from 1,223,290 in 2007 to 1,179,246 this year. The deteriorating travel and tourism environment in FY2008 accelerated toward the last half of the year. And although hotel occupancy taxes grew 0.3% in FY08 to \$21 million (unaudited at February 2009), the financial impact of the reduction in arrivals is somewhat delayed because the most drastic year on year declines accelerated toward the last half of calendar year 2008. Indeed, hotel occupancy taxes for the period from July 1 through December 31, 2008 declined approximately 5%, in sharp contrast to the 1% increase during the prior six month period, or a 6% negative swing in hotel occupancy taxes received. Going into 2009, we foresee continuing difficulty in both our Japan and Korean markets, at least until late in the year (or in 2010) when the "tonic effects" of market cleansing returns to normalcy and the global economy recovers from the contagion of past financial excesses.

Fiscal year 2008 was a time to "power up" our marketing effort because intra regional arrivals in Asia had not only recovered from SARS and "normalized" from the tsunami's aftermath (which benefited Guam), but also because emerging regional destinations were pulling our share of market for Japanese and Korean overseas travelers. Unfortunately, the Bureau's \$13.3 million approved budget (P.L. 29-19) was 2% below last year, leaving very little opportunity to increase investments in marketing and destination improvement initiatives. The good news, however, was that the Legislature left spending discretion to the Board, a departure in policy from previous years. This change can be attributed to the Bureau's demonstrated financial responsibility, corroborated by independent auditors.

After deducting \$7.4 million for debt service on the infrastructure bonds, and appropriations to other activities, the lion's share of the Bureau's \$13.3 million operating budget went to marketing (64%), followed by destination development and management functions (20%) which include various cultural and special events. The rest of the budget (16%) went to personnel salaries, building maintenance and other administrative expenses.

MARKETING HIGHLIGHTS

Rising energy costs, the global credit crunch, and financial collapse of the U.S. housing market negatively impacted Guam's visitor industry in 2008. Monthly arrivals, which for most of the year averaged 2% below 2007, accelerated to double digit losses from Japan and Korea (90% of total visitors) during the last quarter. The deepening global recession, and application of high fuel surcharges to air travel, exacerbated an already difficult international travel environment.

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Japan arrivals alone declined 5.1% from last year to 884,907, a percentage drop in line with the 5.4% decline in Japan's outbound travelers. This number is lower than in 2004 when the island was still recovering from two super typhoons, coping with global military conflicts and dealing with the SARS epidemic in Asia. Despite this decline, however, we were able to grow our market share .03 percentage points to 5.39% or an additional 4,938 visitors (\$5.2 million local economic gain) from Japan's 16,459,637 overseas travelers. Demographically, the number of Japanese visitors to Guam (36%) with incomes of more than 7 million yen remained essentially flat (-1%) to last year, as were the 15% of visitors with incomes of less than 3 million yen (+1%). Island spending per visitor improved 3%, but well short of matching a 10% stronger yen to the dollar.

Korean arrivals were also off 5.5% from last year, declining to 116,041 visitors, and underperformed the country's 1.2% trend in outbound travel. Unlike Japan, however, we also lost further share of market by another .04 percentage point or 5,168 fewer visitors from Korea's 12,921,026 overseas departures (\$4.4 million economic loss). This year, the Bureau did not renew its public relations contract with Edelman, opting instead to retain a sales agent (GSA) who will focus on distribution channels in driving visits and integrating PR supporting activities.

Taiwan arrivals also decreased 6.1% to 21,237 visitors this year. On the positive side, 7% of our arrivals mix grew 10% and include visitors from the Philippines (+31%), U.S. (+8%), Micronesia (+8%), and Australia (+6.3%). Although small in number at 1,672 visitors, China's 21% growth came in part from the first charter flown during the Chinese New Year in February.

The island's first direct flight from China was an organized charter that the Bureau jointly sponsored with Continental Airlines. About 145 Chinese visitors from Shanghai made this historic flight in February, and a similar number of GVB members and their families visited Shanghai to learn more about this potentially lucrative new market.

DESTINATION MANAGEMENT HIGHLIGHTS

The island's room inventory shrank slightly (-2%) in 2008 due to planned renovations. The renovated Aurora Hotel Resort (formerly Okura Hotel) and upgraded Country Club of the Pacific were both scheduled to open in early FY2009.

A rapid rise in oil prices resulted not only in higher cost of travel (fuel surcharges) but in some air service realignments. Direct air service to Bali and Hong Kong were suspended, but are of marginal impact to total arrivals. Air seats in the Korean market also shrank from reduced frequency and capacity, and ANA announced termination of their Osaka service, leaving that market with only two carriers. On the positive side, twice weekly service to Taiwan remained unchanged, but the upgrade in equipment (from B737 to A320) contributed to both product and capacity improvements.

Despite a 44% drop in their budget, the Destinations Development and Maintenance team was able to leverage \$200,000 into an edited and more focused series of grants that galvanized community involvement and support in meeting the Bureau's marketing and brand building objectives. This year the Bureau intensified its focus on shoring up selected events for international marketing opportunities and providing technical support and (or) seed money to incubate and grow promising events for the future.

As a public service to residents and visitors alike, the Bureau also facilitated an advanced training session for Guam maritime first responders. Four Hawaii personal watercraft instructors, and the Chief of Honolulu County's Lifeguard Service, were brought to Guam to train and assist local search and rescue personnel in achieving the U.S. Life Saving Association (USLA) Agency certification.

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An aggressive community outreach program is planned next year, and is aimed at galvanizing community support for, and active involvement in, the Bureau's destination branding initiative which was launched on January 28, 2009.

FINANCIAL HIGHLIGHTS

We will overview our financial statements for the fiscal year ended September 30, 2008 in the following discussion. The following table summarizes the financial condition and operations of the Bureau for the fiscal years ended September 30, 2008, 2007 and 2006:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Assets			
Current assets	\$ 6,408,758	\$ 5,711,335	\$ 4,496,620
Other assets	133,125	133,125	133,125
Property and equipment, at cost, net	<u>7,325,743</u>	<u>7,415,384</u>	<u>7,509,503</u>
Total assets	<u>\$ 13,867,626</u>	<u>\$ 13,259,844</u>	<u>\$ 12,139,248</u>
Liabilities:			
Current liabilities	\$ 1,934,860	\$ 2,718,233	\$ 2,541,737
Unfunded pension cost	393,934	348,032	301,827
Accrued annual and sick leave	<u>182,002</u>	<u>176,119</u>	<u>157,364</u>
Total liabilities	<u>2,510,796</u>	<u>3,242,384</u>	<u>3,000,928</u>
Net assets:			
Invested in capital assets	7,325,743	7,415,384	7,509,503
Unrestricted	<u>4,031,087</u>	<u>2,602,076</u>	<u>1,628,817</u>
Total net assets	<u>11,356,830</u>	<u>10,017,460</u>	<u>9,138,320</u>
	<u>\$ 13,867,626</u>	<u>\$ 13,259,844</u>	<u>\$ 12,139,248</u>
Operating revenue	\$ 623,750	\$ 636,263	\$ 577,776
Operating expense	<u>12,725,578</u>	<u>11,868,414</u>	<u>10,610,666</u>
Operating revenues net of operating expenses	(12,101,828)	(11,232,151)	(11,032,890)
Nonoperating revenues, net	<u>13,441,198</u>	<u>12,111,291</u>	<u>11,031,474</u>
Change in net assets	<u>\$ 1,339,370</u>	<u>\$ 879,140</u>	<u>\$ (1,416)</u>

Guam's 11% hotel occupancy tax funds the Bureau's operations as authorized through the Legislature's annual budget appropriations. In fiscal year 2008, Public Law 29-19 appropriated \$13.3 million for GVB operations and special projects. Although the Bureau received its full allotment, the final allotment for September 2008 was not received until October 31, 2008.

Membership dues, in-kind contributions and foreign exchange transactions represent other sources of revenue, their combined total accounting for 4.0% or \$623,750 of total income. The overall increase in expenditures of 8.0% is attributed to an increase in contractual marketing expenses. Although there was an increase in expenditures, the result of operations was a positive change in net assets of \$1,339,370 for fiscal year 2008.

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The increase/decrease in current assets of 12.2% is due primarily to the timing and subsequent payment of liabilities, receipt of consumption tax rebated by the government of Japan, and an increase in allotments from the Government of Guam. The 22% decrease in liabilities is attributed to the timing of subsequent vendor payments as well as required accruals for payroll, unfunded pension liabilities, and annual and sick leave.

Bureau management and staff maintained a financially conservative philosophy in managing its expenditures to avoid mandatory statutory penalties associated with expenditures beyond allotments. However, inconsistent and delayed receipt of these allotments impacted the Bureau's ability to effectively function within a dynamic market environment. This inconsistency made the planning and implementation of promotional events and campaigns difficult and seriously hampered our overseas marketing and advertising initiatives.

CAPITAL ASSETS AND LONG-TERM DEBT

The Bureau is not capital intensive and therefore, significant capital asset activity did not occur in 2008, 2007 and 2006. 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 pension and other long-term liabilities can be found in notes 3 and 6 to the financial statements.

OUTLOOK

Overall arrivals in the Asia Pacific region declined in 2008 and prospects for 2009 remain bleak. And while a stronger yen and the drop in fuel surcharges are positive factors for Japan's outbound travel market in 2009, a key factor offsetting them is the negative economic environment. Not since the SARS epidemic of 2003 has the number of Japanese overseas travelers dipped below 17 million. Departures of 16 million this year are expected to grow marginally at best in 2009.

Trends expected next year include shorter visits, more value conscious sensitivity, and cut back in business incentive trips. Guam is geographically positioned, however, to harvest the short trip opportunity and marketing plans for 2009 are being made accordingly. Korea and Taiwan basically mirror travel environment conditions in Japan, all of them dominated by the U.S. led down turn in the global economy.

The Bureau's focus for 2009 will be to reinvigorate our key markets, develop the China opportunity, improve destination product, and intensify our community outreach and brand building initiatives.

Management's Discussion and Analysis for the year ended September 30, 2007 is set forth in the report on the audit of the Bureau's financial statements, which is dated May 14, 2008, and that Discussion and Analysis explains the major factors impacting the 2007 financial statements and can be viewed at the Office of the Public Auditor's website at www.guamopa.com.

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Statements of Net Assets
September 30, 2008 and 2007

<u>ASSETS</u>	<u>2008</u>	<u>2007</u>
Current assets:		
Cash	\$ 4,479,624	\$ 3,769,310
Accounts receivable - Government of Guam	1,683,765	1,668,200
Accounts receivable - Membership	8,543	-
Accounts receivable - others	230,374	267,373
Prepaid expenses	6,452	6,452
Total current assets	<u>6,408,758</u>	<u>5,711,335</u>
Security deposit	133,125	133,125
Property and equipment, at cost, net	<u>7,325,743</u>	<u>7,415,384</u>
	<u>\$ 13,867,626</u>	<u>\$ 13,259,844</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 1,934,860	\$ 2,693,233
Accounts payable - TAF special projects	-	25,000
Total current liabilities	<u>1,934,860</u>	<u>2,718,233</u>
Unfunded pension cost	393,934	348,032
Accrued annual leave	95,524	100,878
Accrued sick leave	<u>86,478</u>	<u>75,241</u>
Total liabilities	<u>2,510,796</u>	<u>3,242,384</u>
Commitments and contingencies		
Net assets:		
Invested in capital assets	7,325,743	7,415,384
Unrestricted	<u>4,031,087</u>	<u>2,602,076</u>
Total net assets	<u>11,356,830</u>	<u>10,017,460</u>
	<u>\$ 13,867,626</u>	<u>\$ 13,259,844</u>

See accompanying notes to financial statements.

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Statements of Revenue, Expenses, and Changes in Net Assets
Years Ended September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues:		
In-kind contributions from members and others	\$ 268,513	\$ 336,566
Consumption tax refund	299,216	229,941
Memberships	56,021	69,756
	<u>623,750</u>	<u>636,263</u>
Total revenues		
Expenses:		
Professional services	8,005,287	7,240,312
Personnel	1,508,378	1,554,018
Travel	477,309	639,917
Repair and maintenance	402,340	117,217
Grants	297,200	470,645
Rent/lease	288,079	287,110
Promotional in-kind contributions	268,513	336,566
Utilities	228,467	120,668
Advertising	158,639	211,216
Depreciation	89,641	94,118
Material and supplies	83,579	148,340
Pass thru appropriations	70,328	-
Insurance	27,945	35,952
Equipment	27,778	30,178
Consumption tax	-	8,554
Miscellaneous	792,095	573,603
	<u>12,725,578</u>	<u>11,868,414</u>
Total operating expenses		
Operating revenues net of operating expenses	<u>(12,101,828)</u>	<u>(11,232,151)</u>
Nonoperating revenues (expenses):		
Grants-in-aid from Government of Guam	13,358,948	11,956,367
Other nonoperating income (expense), net	61,116	127,578
Interest income	21,134	27,346
	<u>13,441,198</u>	<u>12,111,291</u>
Total nonoperating revenues, net		
Change in net assets	1,339,370	879,140
Net assets at beginning of year	<u>10,017,460</u>	<u>9,138,320</u>
Net assets at end of year	<u>\$ 11,356,830</u>	<u>\$ 10,017,460</u>

See accompanying notes to financial statements.

GUAM VISITORS BUREAU
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Statements of Cash Flows
Years Ended September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Cash received from members	\$ 47,478	\$ 69,756
Cash received (paid) from other sources	311,665	(1,001)
Cash paid to employees	(1,114,514)	(1,114,639)
Cash paid to suppliers	<u>(11,898,832)</u>	<u>(9,954,056)</u>
Net cash used for operating activities	<u>(12,654,203)</u>	<u>(10,999,940)</u>
Cash flows from noncapital financing activities:		
Government of Guam appropriations	<u>13,343,383</u>	<u>11,598,013</u>
Net cash provided by noncapital financing activities	<u>13,343,383</u>	<u>11,598,013</u>
Cash flows from investing activities:		
Interest income	<u>21,134</u>	<u>27,346</u>
Net cash provided by investing activities	<u>21,134</u>	<u>27,346</u>
Net change in cash	710,314	625,419
Cash at beginning of year	<u>3,769,310</u>	<u>3,143,891</u>
Cash at end of year	<u>\$ 4,479,624</u>	<u>\$ 3,769,310</u>
Reconciliation of operating revenues net of operating expenses to net cash used for operating activities:		
Operating revenues net of operating expenses	\$ (12,101,828)	\$ (11,232,151)
Other nonoperating expense, net	61,116	127,578
Adjustments to reconcile operating revenues net of operating expenses to net cash used for operating activities:		
In-kind contribution from members and others	(268,513)	(336,566)
Promotional in-kind contributions	268,513	336,566
Depreciation	89,641	94,119
Decrease (increase) in assets:		
Accounts receivable	28,456	(230,942)
Increase (decrease) in liabilities:		
Accounts payable	(783,373)	176,496
Accrued annual and sick leave	5,883	18,755
Unfunded pension cost	<u>45,902</u>	<u>46,205</u>
Net cash used for operating activities	<u>\$ (12,654,203)</u>	<u>\$ (10,999,940)</u>

See accompanying notes to financial statements.

SPECIAL TOURIST ATTRACTION FUND PROJECTS

Balance Sheets
September 30, 2008 and 2007

<u>ASSETS</u>	<u>2008</u>	<u>2007</u>
Current assets:		
Restricted cash	\$ 207,990	\$ 224,712
Interfund receivable - GVB operations	-	25,000
Accounts receivable - Government of Guam	-	314,340
	<u>207,990</u>	<u>564,052</u>
	<u>\$ 207,990</u>	<u>\$ 564,052</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
Current liabilities:		
Accounts payable	\$ 13,880	\$ 195,611
Fund balance:		
Appropriated retained earnings	<u>194,110</u>	<u>368,441</u>
	<u>207,990</u>	<u>564,052</u>
	<u>\$ 207,990</u>	<u>\$ 564,052</u>

See accompanying notes to financial statements.

SPECIAL TOURIST ATTRACTION FUND PROJECTS

Statements of Operations and Fund Balance
Years Ended September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues:		
Interest	\$ 727	\$ 1,249
Others	<u>21,710</u>	<u>1,697</u>
Total revenues	<u>22,437</u>	<u>2,946</u>
Expenses:		
Tumon Beach Improvement Project	170,101	-
Tumon and Hagatna Beach Cleaning and Maintenance	26,667	262,140
Tumon Landscaping Maintenance	-	351,227
Islandwide Roadway and Beautification	-	297,724
Gef' Pago	-	100,000
Pa'a Taotao Tano	-	100,000
Tumon Illumination	-	96,150
Guam Museum Design	-	41,000
Total expenses	<u>196,768</u>	<u>1,248,241</u>
Loss from operations	(174,331)	(1,245,295)
Government of Guam contribution	<u>-</u>	<u>1,316,000</u>
Change in fund balance	(174,331)	70,705
Fund balance at beginning of year	<u>368,441</u>	<u>297,736</u>
Fund balance at end of year	<u><u>\$ 194,110</u></u>	<u><u>\$ 368,441</u></u>

See accompanying notes to financial statements.

SPECIAL TOURIST ATTRACTION FUND PROJECTS

Statements of Cash Flows
Years Ended September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Cash received from interest	\$ 727	\$ 1,249
Cash received from other sources	46,710	1,697
Cash paid to suppliers	<u>(378,499)</u>	<u>(1,159,453)</u>
Net cash used for operating activities	<u>(331,062)</u>	<u>(1,156,507)</u>
Cash flows from noncapital financing activities:		
Government of Guam contribution	<u>314,340</u>	<u>1,126,660</u>
Net cash provided by noncapital financing activities	<u>314,340</u>	<u>1,126,660</u>
Net change in cash	(16,722)	(29,847)
Cash at beginning of year	<u>224,712</u>	<u>254,559</u>
Cash at end of year	<u>\$ 207,990</u>	<u>\$ 224,712</u>
Reconciliation of loss from operations to net cash used for operating activities:		
Loss from operations	\$ (174,331)	\$ (1,245,295)
Decrease in assets:		
Interfund receivable - GVB operations	25,000	-
(Decrease) increase in liabilities:		
Accounts payable	<u>(181,731)</u>	<u>88,788</u>
Net cash used for operating activities	<u>\$ (331,062)</u>	<u>\$ (1,156,507)</u>

See accompanying notes to financial statements.

GUAM VISITORS BUREAU
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Notes to Financial Statements
September 30, 2008 and 2007

(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, 2008 and 2007.

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

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

Compensated Absences

Earned unpaid employee vacation leave is accrued at year end for financial statement purposes. Included in liabilities at September 30, 2008 and 2007 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.

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Notes to Financial Statements
September 30, 2008 and 2007

(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, 2008 and 2007, 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.

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

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

Notes to Financial Statements
September 30, 2008 and 2007

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

Accounting Standards, Continued

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, 2008 and 2007.

New Accounting Standards

During fiscal year 2008, GVB implemented the following pronouncements:

- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, which establishes standards for the measurement, recognition, and display of other post-employment benefits expense/expenditures and related liabilities, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers.

The Government of Guam has determined that implementation of GASB Statement No 45 does not have a material effect on its financial statements or on the financial statements of its component units.

- GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfer of Assets and Future Revenues*, which establishes criteria that governments will use to ascertain whether certain transactions should be regarded as a sale or a collateralized borrowing, and includes a provision that stipulates that governments should not revalue assets that are transferred between financial reporting entity components.
- GASB Statement No. 50, *Pension Disclosures an amendment of GASB Statements No. 25 and 27*, which more closely aligns the financial reporting requirements for pensions with those for other post-employment benefits.

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

GUAM VISITORS BUREAU
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Notes to Financial Statements
September 30, 2008 and 2007

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

New Accounting Standards, Continued

In December 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. GASB Statement No. 49 provides guidance and consistency under which a governmental entity would be required to report a liability related to pollution remediation. The provisions of this statement are effective for periods beginning after December 15, 2007. Management does not believe that the implementation of this statement will have a material effect on the financial statements of GVB.

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. GASB Statement No. 51 addresses whether and when intangible assets should be considered capital assets for financial reporting purposes. The provisions of this statement are effective for periods beginning after June 15, 2009. Management does not believe that the implementation of this statement will have a material effect on the financial statements of GVB.

In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The provisions of this statement are effective for periods beginning after June 15, 2008. Management does not believe that the implementation of this statement will have a material effect on the financial statements of GVB.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB Statement No. 53 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. The provisions of this statement are effective for periods beginning after June 15, 2009. Management does not believe that the implementation of this statement will have a material effect on the financial statements of GVB.

Reclassifications

Certain items in the 2007 financial statements have been reclassified to correspond with the 2008 presentation.

(2) Cash

Deposits

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

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

GUAM VISITORS BUREAU
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Notes to Financial Statements
September 30, 2008 and 2007

(2) Cash, Continued

Deposits, Continued

- 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, 2008 and 2007, the carrying amount of GVB's total cash was \$4,479,624 and \$3,769,310, respectively, and \$207,990 and \$224,712, respectively, for the Special Tourist Attraction Fund projects. The corresponding bank balances were \$5,072,166 and 4,624,237, respectively. Of the bank balances, \$5,002,231 and \$4,228,691, respectively, are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2008 and 2007, bank deposits in the amount of \$144,776 and \$154,678, 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, 2008 and 2007, cash and cash equivalents held by GVB in the Special Tourist Attraction Funds Project are \$207,990 and \$224,712. 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
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Notes to Financial Statements
September 30, 2008 and 2007

(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:

The GovGuam Defined Benefit (DB) Plan is a single-employer defined benefit contributory pension plan administered by the GovGuam Retirement Fund (GGRF) to which all funds and agencies, including component units, as well as employees who are members of the DB Plan, contribute a fixed percentage of qualifying payroll. The DB Plan provides retirement, disability, and survivor benefits to members and beneficiaries 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. All new employees whose employment commences on or after October 1, 1995, are required to participate in the new Defined Contribution Retirement System (DCRS). Hence, the DB Plan became a closed group. Membership in the DB Plan was mandatory for all full-time employees, except for those compensated on a fee basis, independent contractors, and persons aged 60 or over upon employment. Most employees may retire with full benefits at age 60 with at least 10 years of service, or after 25 years of service, regardless of age. Vesting of benefits is optional for employees with 3 to 19 years of service, but is mandatory for employees with 20 or more years of service. 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, 2006, 2005, and 2004, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2008, 2007 and 2006, respectively, have been determined as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Normal costs (% of DB Plan payroll)	17.94%	18.21%	17.83%
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>8.44%</u>	<u>8.71%</u>	<u>8.33%</u>
Employer portion of normal costs (% of total payroll)	3.99%	4.26%	4.64%
Unfunded liability cost (% of total payroll)	<u>20.75%</u>	<u>20.66%</u>	<u>21.36%</u>
Government contribution as a % of total payroll	<u>24.74%</u>	<u>24.92%</u>	<u>26.00%</u>
Statutory contribution rates as a % of DB Plan payroll			
Employer	<u>24.07%</u>	<u>22.94%</u>	<u>21.81%</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, 2008 and 2007

(3) Employees' Retirement Plan, Continued

Defined Benefit Plan, Continued

GVB's required and actual contributions for the years ended September 30, 2008, 2007 and 2006 (including DCRS plan contributions) were as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Required contributions	\$ 312,674	\$ 305,631	\$ 338,216
Actual contributions	266,772	259,426	241,211

Annual Pension Cost and Net Pension Obligation:

GVB's annual pension cost and net pension obligation to the DB Plan for the year ended September 30, 2008, 2007 and 2006 are as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Annual Required Contribution	\$ 316,359	\$ 308,827	\$ 340,384
Interest on Net Pension Obligation	24,361	21,128	14,338
Adjustment to Annual Required Contribution	<u>(28,046)</u>	<u>(24,324)</u>	<u>(16,506)</u>
Annual pension cost	312,674	305,631	338,216
Contributions made	<u>(266,772)</u>	<u>(259,426)</u>	<u>(241,211)</u>
Increase in Net Pension Obligation	45,902	46,205	97,005
Net Pension Obligation beginning of year	<u>348,032</u>	<u>301,827</u>	<u>204,822</u>
Net Pension Obligation end of year	\$ <u>393,934</u>	\$ <u>348,032</u>	\$ <u>301,827</u>

The plan utilized the actuarial cost method termed "entry age normal". Significant actuarial assumptions for 2006, 2005 and 2004 actuarial valuations were:

Interest rate and rate of return	7.0%
Payroll growth	3.5%
Salary increases	4.0% - 8.5%

The unfunded liability is being amortized as a level percentage of total payroll through May 1, 2031.

The actuarial valuations performed as of September 30, 2006, 2005 and 2004, did not provide a breakdown of actuarial present value of vested and non-vested accumulated plan benefits by sponsor or net assets available for benefits by sponsor. If the actuarial valuation were performed for GVB as a separate sponsor, the accrued unfunded liability at September 30, 2008 and 2007 may be materially different than that recorded in the accompanying financial statements.

The actuarial valuations and contribution rates are based on estimates and assumptions. Changes in estimates and actuarial assumptions may result in revisions in actuarial valuations and contribution rates. The effects of such revisions are recognized in the period in which the revisions are determined.

GUAM VISITORS BUREAU
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Notes to Financial Statements
September 30, 2008 and 2007

(3) Employees' Retirement Plan, Continued

Defined Benefit 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, 2008 and 2007 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.

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 \$86,478 and \$75,241 at September 30, 2008 and 2007, 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.

(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, 2008 and 2007 is as follows:

	<u>Beginning Balance</u> <u>October 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u> <u>September 30, 2008</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>-</u>	<u>-</u>	<u>53,181</u>
	2,777,050	-	-	2,777,050
Less accumulated depreciation	<u>(1,354,081)</u>	<u>(89,641)</u>	<u>-</u>	<u>(1,443,722)</u>
	1,422,969	(89,641)	-	1,333,328
Land	<u>5,992,415</u>	<u>-</u>	<u>-</u>	<u>5,992,415</u>
	<u>\$ 7,415,384</u>	<u>\$ (89,641)</u>	<u>\$ -</u>	<u>\$ 7,325,743</u>

GUAM VISITORS BUREAU
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Notes to Financial Statements
September 30, 2008 and 2007

(4) Property and Equipment, Continued

	Beginning Balance <u>October 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>September 30, 2007</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>-</u>	<u>-</u>	<u>53,181</u>
	2,777,050	-	-	2,777,050
Less accumulated depreciation	<u>(1,259,962)</u>	<u>(94,119)</u>	<u>-</u>	<u>(1,354,081)</u>
	1,517,088	(94,119)	-	1,422,969
Land	<u>5,992,415</u>	<u>-</u>	<u>-</u>	<u>5,992,415</u>
	\$ <u>7,509,503</u>	\$ <u>(94,119)</u>	\$ <u>-</u>	\$ <u>7,415,384</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>
2009	\$ 132,240
2010	<u>98,924</u>
	\$ <u>231,164</u>

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

(6) Long-Term Liabilities

A summary of changes in long-term liabilities during fiscal years 2008 and 2007 follows:

	Outstanding September 30, <u>2007</u>	<u>Additions</u>	<u>Reductions</u>	Outstanding September 30, <u>2008</u>
Unfunded pension cost	\$ 348,032	\$ 45,902	\$ -	\$ 393,934
Accrued annual leave	100,878	73,835	79,189	95,524
Accrued sick leave	<u>75,241</u>	<u>55,553</u>	<u>44,316</u>	<u>86,478</u>
	\$ <u>524,151</u>	\$ <u>175,290</u>	\$ <u>123,505</u>	\$ <u>575,936</u>
	Outstanding September 30, <u>2006</u>	<u>Additions</u>	<u>Reductions</u>	Outstanding September 30, <u>2007</u>
Unfunded pension cost	\$ 301,827	\$ 46,205	\$ -	\$ 348,032
Accrued annual leave	94,707	78,582	72,411	100,878
Accrued sick leave	<u>62,657</u>	<u>46,767</u>	<u>34,183</u>	<u>75,241</u>
	\$ <u>459,191</u>	\$ <u>171,554</u>	\$ <u>106,594</u>	\$ <u>524,151</u>

GUAM VISITORS BUREAU
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Notes to Financial Statements
September 30, 2008 and 2007

(7) Reclassifications

Certain 2007 balances have been reclassified to conform to the 2008 financial statement presentation.

(8) 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.

(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.

GUAM VISITORS BUREAU

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Supplementary Schedule of Professional and Advertising Expenses
Years Ended September 30, 2008 and 2007

<u>Professional Expenses</u>	<u>2008</u>	<u>2007</u>
Japan	\$ 5,237,733	\$ 4,809,539
Destination Management & Improvement	990,635	339,312
Korea	664,045	967,317
Admin., Research, & Printing	428,447	354,260
Taiwan	292,905	340,317
Hong Kong/China	286,569	296,141
Australia, Phillipines, & Pacific	90,110	92,434
United States	14,843	40,992
Total Professional Expenses	<u>\$ 8,005,287</u>	<u>\$ 7,240,312</u>
 <u>Advertising Expenses</u>		
United States	\$ 55,378	\$ 111,957
Destination Management & Improvement	47,802	12,814
Japan	20,387	(1,334)
Australia, Phillipines, & Pacific	18,610	17,496
Korea	12,285	29,048
All others	4,177	41,235
Total Advertising Expenses	<u>\$ 158,639</u>	<u>\$ 211,216</u>

See accompanying independent auditors' report.

GUAM VISITORS BUREAU

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Supplementary Schedule of Miscellaneous Expenses
Years Ended September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Other	\$ 182,057	\$ 104,462
Food and beverage	110,802	57,715
Printing	102,362	65,144
Consumption tax	101,757	-
Sponsorship	99,058	(850)
Fees	68,776	32,857
Dues and membership	67,428	38,265
Postal and courier	33,771	16,400
Gifts and prizes	25,704	13,425
Bank charges	380	667
Services	-	245,518
	<u>\$ 792,095</u>	<u>\$ 573,603</u>

Supplementary Schedule of Employees and Salaries
Years Ended September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Guam office:		
Number of employees	<u>26</u>	<u>29</u>
Annual payroll	<u>\$ 1,118,201</u>	<u>\$ 1,133,394</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, 2008, and have issued our report thereon dated March 5, 2009. 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 control deficiency 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects GVB's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of GVB's financial statements that is more than inconsequential will not be prevented or detected by GVB's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by GVB's internal control.

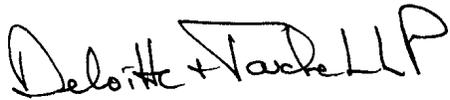
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in 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 other matters involving the internal control over financial reporting that we have reported to management of GVB in a separate letter dated March 5, 2009.

This report is intended solely for the information and use of the Board of Directors and management of GVB, the Office of the Public Auditor 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.

March 5, 2009