

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

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**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

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**SEPTEMBER 30, 2000 AND 1999**

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Guam Visitors Bureau:

We have audited the accompanying balance sheets of Guam Visitors Bureau (GVB) and its Special Tourist Attraction Fund Projects as of September 30, 2000 and 1999, and the related statements of operations and deficit, operations and fund balance, and cash flows for the years then ended. These financial statements are the responsibility of GVB's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of GVB and its Special Tourist Attraction Fund Projects as of September 30, 2000 and 1999, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2003, on our consideration of GVB's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

April 30, 2003

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

Balance Sheets  
September 30, 2000 and 1999

<u>ASSETS</u>	<u>2000</u>	<u>1999</u>
Current assets:		
Cash	\$ 2,668,438	\$ 1,235,748
Accounts receivable - TAF special projects	3,534	317,455
Accounts receivable - Government of Guam, net of allowance for doubtful accounts of \$2,096,466 in 2000 and 1999	2,273,050	1,356,885
Accounts receivable - other	6,663	23,371
Prepaid expenses	45,295	70,155
	<hr/>	<hr/>
Total current assets	4,996,980	3,003,614
Other assets	91,038	91,038
Property and equipment, at cost, net of accumulated depreciation and amortization	8,023,654	8,144,790
	<hr/>	<hr/>
	\$ 13,111,672	\$ 11,239,442
	<hr/>	<hr/>
 <u>LIABILITIES AND FUND EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 4,763,696	\$ 4,932,491
Accrued liabilities	60,382	62,944
	<hr/>	<hr/>
Total current liabilities	4,824,078	4,995,435
Unfunded pension cost	415,822	386,051
Accrued annual leave	178,419	174,309
	<hr/>	<hr/>
Total liabilities	5,418,319	5,555,795
	<hr/>	<hr/>
Commitments		
Fund equity:		
Contributed capital:		
Tourist Attraction Fund	7,978,527	8,061,860
Deficit:		
Unappropriated deficit	(2,508,904)	(3,398,882)
Appropriated retained earnings	2,223,730	1,020,669
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Total deficit	(285,174)	(2,378,213)
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Total fund equity	7,693,353	5,683,647
	<hr/>	<hr/>
	\$ 13,111,672	\$ 11,239,442
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See accompanying notes to financial statements.

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

Statements of Operations and Deficit  
Years Ended September 30, 2000 and 1999

	2000	1999
Revenues:		
Grants-in-aid from Government of Guam	\$ 13,674,324	\$ 15,252,755
In-kind contributions from members and others	653,258	4,407,418
Consumption tax refund	313,735	458,231
Memberships	45,135	55,700
	<u>14,686,452</u>	<u>20,174,104</u>
Expenses: Guam operations		
Contractual, promotional	2,179,424	1,336,594
Provision for doubtful accounts	-	2,116,467
Personnel	1,122,395	1,071,674
Contractual, administrative	1,043,795	1,548,793
Contractual, developmental	979,727	939,301
Promotional in-kind contributions	338,226	235,032
Benefits	303,963	239,797
Depreciation and amortization	121,136	124,693
Travel	26,233	15,567
Miscellaneous	-	10,882
	<u>6,114,899</u>	<u>7,638,800</u>
Expenses: Japan operations		
Contractual, promotional	5,189,186	12,305,045
Personnel	360,192	320,966
Promotional in-kind contributions	315,032	4,172,386
Contractual, administrative	238,768	188,890
Benefits	45,153	43,886
Consumption tax expense	40,374	477,777
Travel	37,103	39,710
	<u>6,225,808</u>	<u>17,548,660</u>
Total expenses	12,340,707	25,187,460
Other (expense ) income	(389,931)	184,318
Interest income	53,892	66,905
	<u>2,009,706</u>	<u>(4,762,133)</u>
Excess (deficiency) of revenue over expense		
Add depreciation on fixed assets acquired by capital grants that reduces contributed capital from capital grants	83,333	83,333
Deficit at beginning of year	(2,378,213)	2,300,587
Deficit at end of year	<u>\$ (285,174)</u>	<u>\$ (2,378,213)</u>

See accompanying notes to financial statements.

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

Statements of Cash Flows  
Years Ended September 30, 2000 and 1999

	<u>2000</u>	<u>1999</u>
Cash flows from operating activities:		
Cash received from the Government of Guam	\$ 12,758,159	\$ 16,645,341
Cash received from members	45,135	55,700
Cash received from other sources	644,364	652,360
Cash paid to employees and suppliers	<u>(12,014,968)</u>	<u>(18,341,305)</u>
Net cash provided by (used in) operating activities	1,432,690	(987,904)
Cash at beginning of year	<u>1,235,748</u>	<u>2,223,652</u>
Cash at end of year	<u>\$ 2,668,438</u>	<u>\$ 1,235,748</u>
Reconciliation of excess (deficiency) of revenues over expenses to net cash provided by (used in) operating activities:		
Excess (deficiency) of revenues over expenses	\$ 2,009,706	\$ (4,762,133)
Add back (deduct) expenses (revenues) which do not use cash:		
In-kind contribution from members and others	(653,258)	(4,407,418)
In-kind expenses	653,258	4,407,418
Provision for doubtful accounts	-	2,116,467
Depreciation and amortization	121,136	124,693
Decrease (increase) in assets:		
Accounts receivable	(585,536)	1,586,715
Prepaid expenses	24,860	8,417
Other assets	-	(4,550)
Increase (decrease) in liabilities:		
Accounts payable	(168,795)	(61,918)
Accrued liabilities	1,548	59,838
Unfunded pension cost	<u>29,771</u>	<u>(55,433)</u>
Net cash provided by (used in) operating activities	<u>\$ 1,432,690</u>	<u>\$ (987,904)</u>

See accompanying notes to financial statements.

**SPECIAL TOURIST ATTRACTION FUND PROJECTS**

Balance Sheets  
September 30, 2000 and 1999

<u>ASSETS</u>	<u>2000</u>	<u>1999</u>
Restricted cash	\$ 265,382	\$ 282,744
	<u>\$ 265,382</u>	<u>\$ 282,744</u>
 <u>LIABILITIES AND FUND EQUITY</u>		
Current liabilities:		
Interfund payable - GVB operations	\$ 3,534	\$ 317,455
Fund balance:		
Appropriated retained earnings (deficit)	<u>261,848</u>	<u>(34,711)</u>
	<u>\$ 265,382</u>	<u>\$ 282,744</u>

See accompanying notes to financial statements.

**SPECIAL TOURIST ATTRACTION FUND PROJECTS**

Statements of Operations and Fund Balance (Deficit)  
Years Ended September 30, 2000 and 1999

	<u>2000</u>	<u>1999</u>
Revenues:		
Government of Guam contribution	\$ 966,000	\$ 483,000
Interest	2,304	9,969
Other	-	91,642
	<u>968,304</u>	<u>584,611</u>
Expenses		
Beach cleaning	360,940	479,555
Tropical fantasy	100,000	65,000
Guam Micronesia Island Fair	88,389	100,650
Maintenance	75,300	85,036
Two Lovers Point bike and jogging trails	42,166	221,212
Asia Pacific Council of American Chambers	2,583	-
Educational promotion - scenic route project	2,367	14,085
Provision for doubtful accounts	-	280,000
Tumon Beautification	-	35,382
Promotional activities	-	451
	<u>671,745</u>	<u>1,281,371</u>
Total expenses		
Excess (deficiency) of revenue over expense	296,559	(696,760)
(Deficit) fund balance at beginning of year	<u>(34,711)</u>	<u>662,049</u>
Fund balance (deficit) at end of year	<u><u>\$ 261,848</u></u>	<u><u>\$ (34,711)</u></u>

See accompanying notes to financial statements.

**SPECIAL TOURIST ATTRACTION FUND PROJECTS**

Statements of Cash Flows  
Years Ended September 30, 2000 and 1999

	<u>2000</u>	<u>1999</u>
Cash flows from operating activities:		
Cash received from the Government of Guam	\$ 966,000	\$ 363,000
Cash received from other sources	-	91,642
Cash received from interest	2,304	9,969
Cash paid to suppliers	<u>(985,666)</u>	<u>(1,004,734)</u>
Net cash used in operating activities	(17,362)	(540,123)
Cash at beginning of year	<u>282,744</u>	<u>822,867</u>
Cash at end of year	<u>\$ 265,382</u>	<u>\$ 282,744</u>
Reconciliation of excess (deficiency) of revenues over expenses to net cash used in operating activities:		
Excess (deficiency) of revenues over expenses	\$ 296,559	\$ (696,760)
Add back expenses which do not use cash:		
Provision for doubtful accounts	-	280,000
Increase in assets:		
Accounts receivable	-	(120,000)
Decrease in liabilities:		
Due to GVB operations	<u>(313,921)</u>	<u>(3,363)</u>
Net cash used in operating activities	<u>\$ (17,362)</u>	<u>\$ (540,123)</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements  
September 30, 2000 and 1999

(1) Organization and Summary of Significant Accounting Policies

Organization. The Guam Visitors Bureau (GVB) is a Public Corporation established for the purpose of promoting the visitor industry in Guam. As a result of the application of GASB #14, the GVB is a component unit of the Government of Guam.

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

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

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

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

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

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

Cash. For purposes of the balance sheets and the statements of cash flows, cash is defined as cash on hand, cash deposits in banks and time certificates of deposit with initial maturities of three months or less.

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

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

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

Category 3 - Uncollateralized.

GVB and the Special Tourist Attraction Fund Projects, combined, have approximately \$135,619 of deposits insured through the FDIC and approximately \$2,778,921 of uninsured and uncollateralized deposits as of September 30, 2000.

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

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

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

Notes to Financial Statements  
September 30, 2000 and 1999

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

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

Risk Management. GVB is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries and illnesses; natural disasters and employee health, dental and accident benefits. Commercial insurance coverage is provided for claims arising from such matters.

(2) Employees' Retirement Plan

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

As a result of the most recent actuarial valuation performed as of September 30, 1999, it has been determined that for the year ended September 30, 2000, a minimum combined employer and employee contribution rate of 33.41% of covered defined benefit plan is required to appropriately fund the current cost, amortize prior service costs and provide for interest on the unfunded accrued liability. Statutory contribution rates for employee and employer contributions were 9.5% and 18.6%, respectively, for the year ended September 30, 2000. The effect of the Bureau's prior year accruals for its share of pension underfunding reduces the actuarially determined employer contribution rate from 23.91% to an effective rate of 21.26% for the year ended September 30, 2000. In recognition of the above, an accrual of 2.66% of covered payroll is necessary to increase the unfunded liability based on the difference between the effective rate of 21.26% and the employer's statutory rate of 18.6%.

The plan utilized the actuarial cost method termed "entry age normal" with an assumed rate of return of 8% and an assumed salary scale increase of 6.5% per annum. The most recent actuarial valuation performed as of September 30, 1999, did not provide a breakdown of actuarial present value of vested and non-vested accumulated plan benefits by sponsor or net assets available for benefits by sponsor.

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

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

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

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

Notes to Financial Statements  
September 30, 2000 and 1999

(2) Employees' Retirement Plan, Continued

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

Retirement expense for the years ended September 30, 2000 and 1999 are as follows:

	<u>2000</u>	<u>1999</u>
Cash contribution	\$ 209,704	\$ 197,510
Increase (decrease) in accrued unfunded liability	<u>29,771</u>	<u>(55,433)</u>
	<u>\$ 239,475</u>	<u>\$ 142,077</u>

(3) Property And Equipment And Contributed Capital

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

A summary of contributed capital is as follows:

	<u>Tourist Attraction Fund</u>	
	<u>2000</u>	<u>1999</u>
Contributed capital - building	\$ 2,500,000	\$ 2,500,000
Contributed capital - land	5,992,415	5,992,415
Less: Accumulated depreciation, building	<u>(513,888)</u>	<u>(430,555)</u>
Contributed capital, September 30, 2000	<u>\$ 7,978,527</u>	<u>\$ 8,061,860</u>

A summary of property and equipment and their estimated useful lives as of September 30, 2000 and 1999, are as follows:

<u>Category</u>	<u>Estimated Useful Life</u>	<u>2000</u>	<u>1999</u>
Building	30 years	\$ 2,500,000	\$ 2,500,000
Furniture and fixtures	5 to 10 years	272,570	272,570
Equipment	3 to 7 years	<u>268,838</u>	<u>268,838</u>
		3,041,408	3,041,408
Less accumulated depreciation		<u>(1,010,169)</u>	<u>(889,033)</u>
		2,031,239	2,152,375
Land		<u>5,992,415</u>	<u>5,992,415</u>
Total property and equipment		<u>\$ 8,023,654</u>	<u>\$ 8,144,790</u>

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

Notes to Financial Statements  
September 30, 2000 and 1999

(4) Commitments

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

Years Ended September 30,	
2001	\$ 117,136
2002	75,001

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

(5) Grants-in-Aid Restriction

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

(6) In-Kind Contributions

GVB receives in-kind contributions from its members and records such as of the date of receipt of the attendant goods or services. Title 12 of the Government Code Annotated states that the Legislature may condition payment of grants-in-aid to a matching requirement of in-kind contributions at a rate of no more than 20 cents for every 80 cents appropriated. However, this requirement was not imposed during the years ended September 30, 2000 and 1999.

**GUAM VISITORS BUREAU**

Supplementary Schedule of Employees and Salaries  
Years Ended September 30, 2000 and 1999

	<u>2000</u>	<u>1999</u>
Guam office:		
Number of employees	<u>30</u>	<u>31</u>
Annual payroll	<u>\$ 1,175,778</u>	<u>\$ 1,141,940</u>
Japan office:		
Number of employees	<u>6</u>	<u>6</u>
Annual payroll (dollar equivalent)	<u>\$ 343,446</u>	<u>\$ 313,580</u>

See accompanying independent auditors' report.

## GUAM VISITORS BUREAU

### Supplementary Schedule of Contractual Promotions Years Ended September 30, 2000 and 1999

	<u>2000</u>	<u>1999</u>
North America	\$ 290,235	\$ 210,531
Pacific/Australia	73,487	8,624
Taiwan Promotions	421,791	295,044
Korea Promotions	978,870	569,915
Hong Kong Promotions	325,448	154,946
Philippines Promotion	76,138	97,534
Other	<u>13,455</u>	<u>-</u>
 Total contractual promotions	 <u>\$ 2,179,424</u>	 <u>\$ 1,336,594</u>

See accompanying independent auditors' report.

## GUAM VISITORS BUREAU

### Supplementary Schedule of Guam Contractual Developmental Years Ended September 30, 2000 and 1999

	<u>2000</u>	<u>1999</u>
Community Development	\$ 213,997	\$ 167,409
Cultural and Heritage	358,867	344,927
Tourist Industry Relations	88,159	86,798
Research and Evaluation	286,584	278,658
Membership Account	<u>32,120</u>	<u>61,509</u>
 Total Guam contractual development	 <u>\$ 979,727</u>	 <u>\$ 939,301</u>

See accompanying independent auditors' report.