

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

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**FINANCIAL STATEMENTS, ADDITIONAL  
INFORMATION AND  
INDEPENDENT AUDITORS' REPORT**

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**YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

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

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Years Ended September 30, 2016 and 2015

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## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Guam Visitors Bureau:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Guam Visitors Bureau (GVB), (a component unit of the Government of Guam) and its Special Tourist Attraction Fund Projects, which comprise the statements of net position/balance sheets as of September 30, 2016 and 2015, and the related statements of revenues, expenses, and changes in net position, of operations and changes in fund balance, and of cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of GVB and its Special Tourist Attraction Fund Projects as of September 30, 2016 and 2015, and the respective changes in net position/fund balance and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 11 as well as the Schedule of Proportional Share of the Net Pension Liability on page 35, and the Schedule of Pension Contributions on page 36, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

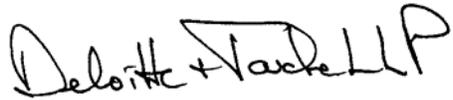
Management has omitted the Schedule of Funding Progress and Actuarial Accrued Liability – Post Employment Benefits Other Than Pension that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by GASB who considers it to be an essential part of the financial reporting for placing the financial statements in an appropriate operational, economic or historical context. Our opinion on the financial statements is not affected by this missing information.

### *Other Information*

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The Other Supplementary Information listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The Other Supplementary Information is the responsibility of GVB's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States of America. In our opinion, the Other Supplementary Information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2017 on our consideration of GVB's internal control over financial reporting and on 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 internal control over financing reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering GVB's internal control over financial reporting and compliance.

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

March 3, 2017

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Management's Discussion and Analysis  
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**ABOUT THE GUAM VISITORS BUREAU**

The Guam Visitors Bureau (GVB), a non-profit membership corporation, is the official tourism agency for the U.S. Territory of Guam. Among its responsibilities, GVB is charged with setting tourism policy and direction; developing and implementing Guam's tourism strategic and marketing plans; managing programs and activities that enhance and showcase Guam's people, place and culture in order to deliver an incomparable visitor experience; and coordinating tourism-related research, planning, events and outreach activities. GVB serves as a critical bridge linking government, the tourism industry, visitors and the local community, and aims to contribute successfully to a good quality of life for residents through tourism.

Tourism represents over 50% of Guam's economy. The importance of the industry to Guam's island economy cannot be overstated. As a result, GVB launched its Tourism 2020 strategic plan in 2014. This plan primarily seeks to transform Guam into world class, first-tier resort destination of choice, offering a U.S. island paradise with stunning ocean vistas, for two million business and leisure visitors from across the Asia-Pacific region with accommodations and activities ranging from value to five-star luxury — all in a safe, clean, family-friendly environment set amidst a unique 4,000-year old culture.

**ADMINISTRATIVE HIGHLIGHTS**

Under the leadership of GVB President & CEO Jon Nathan Denight, fiscal year 2016 saw the greatest number of visitor arrivals to Guam's shores in the history of the island's tourism industry. By placing a large focus on the MICE (Meetings, Incentives, Conferences & Exhibitions) market and events tourism, GVB's efforts realized a 10.1% increase in visitor arrivals over FY2015 or 1,510,944 arrivals.

In FY2016, GVB worked to update its tourism economic impact report. The last iteration of the Tourism Satellite Account (TSA) study was released in 2012. The 2016 TSA showed that over the last several years, tourism has grown to support over 33% of all employment on Guam, provides over \$245 million in government revenue and generates \$1.5billion dollars in economic activity for its 170,000 residents spread over 210 miles. GVB's efforts to grow the industry are clearly shown in the economic contributions the industry provides.

GVB has a presence in every visitor source market with offices in Japan, South Korea, Philippines, Hong Kong, Taiwan, Mainland China and Russia that develop relationships with the travel trade within their country of responsibility. The expertise given by the staff are used to provide the travel trade with new and relevant information aimed at generating Guam brand awareness in the country as well as interest for travel to Guam. While offices are located within first-tier cities, GVB staff plans and executes travel road shows to second and third tier cities to generate and diversify demand for travel to the island.

These efforts have not only proven successful in increasing consumer arrivals, but generating MICE group travel (Meetings, Incentives, Conferences & Exhibitions) to Guam. More recently, GVB was able to successfully attract and host over 700 delegates to the Pacific Asia Travel Association (PATA) Annual Summit 2016. This international MICE event was hosted in partnership with the United Nations World Tourism Organisation (UNWTO). Also in attendance was the World Tourism Council, which highlighted the growing importance the Pacific plays in the global tourism economy. This was the first time in history that the UNWTO held an event in the Pacific.

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In 2016, GVB was at the forefront in planning and executing the 12th Festival of Pacific Arts, which has come to be known as the Olympics of culture. GVB's President & CEO, Nathan Denight served as Chairman of the Coordinating Committee. Additionally, the committee tasked GVB's Finance & Administration Department to manage the funding for the festival, which was made available through the Tourist Attraction Fund, private sponsorships and fundraisers.

The Festival of the Pacific Arts is held every four years since 1972, and brings together artists and cultural practitioners from around the Pacific region for two weeks of festivity. It is recognized as a major regional cultural event, and is the largest gathering in which Pacific peoples unite to enhance their respect and appreciation of one another.

The 25 Pacific Island Countries and Territories that attended the festival on Guam include American Samoa, Australia, Cook Islands, Easter Island, Federated States of Micronesia, Fiji Islands, French Polynesia, Guam (2016 Host), Hawaii, Kiribati, Marshall Islands, Nauru, New Caledonia, New Zealand, Norfolk Island, Northern Mariana Islands, Palau, Papua New Guinea, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu, Taiwan and Wallis and Futuna.

During the Festival, from May 22 – June 4, 2016, Guam welcomed 65,846 visitors to our shores, a 25.5% increase compared to the same period in 2015. The success of the festival made a positive impact to Guam's economy. GVB's Research Department has estimated that the direct, indirect and induced economic activity to the island was over \$125.5 million, a \$25.5 million increase compared to 2015.

GVB's success would not be possible without the support of its membership. Working with our members, who comprise of hoteliers, airlines, shopping centers, financiers, restaurateurs, etc., GVB is able to continue promoting Guam as the world-class cultural destination of choice for business and consumer travelers at the largest travel trade consumer shows in Asia. This includes Japan Association of Travel Agents trade show, the International Travel Fair in Taiwan and the Hana Tour Travel Show in South Korea.

### **MARKETING HIGHLIGHTS**

GVB is the organization responsible for marketing Guam to the world as a premier tourist destination. To achieve maximum yield for the tourism industry from limited resources, GVB's marketing activity is carefully focused on a number of key markets and a select group of consumers within those key markets.

Annual strategic marketing plans are based on the direction provided by Tourism 2020. This includes a combination of consumer related marketing programs and events as well as in-country airline and travel agent workshops. The seminars and workshops delivered by GVB's staff provide a regular update of the Guam product and promote the unique attractions can be experienced only on Guam (i.e. the Chamorro Culture).

Visitor arrivals in fiscal year 2016 soared to a 10.1% increase over FY2015. FY2016 was confirmed as the top fiscal year in Guam's tourism history, beating out arrivals from fiscal year 1997, the previous best year in tourism. This is the fourth consecutive year Guam has surpassed the 1.3 million arrivals mark. Conservative arrival estimates keeps us on track to achieve the goal of 1.75 million visitors without China Visa Waiver by 2020.

Japan still remains Guam's top visitor source market, accounting for roughly 50% of all arrivals to the island. However, this market saw a slight drop in arrivals (-3.4%) versus the previous year at 752,757 arrivals. Arrivals from our largest source market have dropped in recent years due to a

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weaker Japanese Yen, a larger focus of the Japanese Government on domestic travel and a decline in airline seats servicing Japan and Guam. To combat the rapid decline of the Japan market, GVB focused its marketing efforts by adding a digital advertising component to reach online travel agents and free independent travelers, institute a targeted incentive plan for regional areas and to continue an aggressive group/MICE travel campaign.

Korea Arrivals for FY2016 garnered a larger share of Guam's market mix than ever before. Arrivals totaled 519,430 visitors, which is 34% of all visitors to the island. This marked the first time arrivals from Korea surpassed the half a million mark. The growth in the market is attributed to the collaboration between GVB and the AB Won Pat Guam International Airport to attract new airlines, increase seat capacity and open new gateways from Korea to Guam. In FY2016, Jeju Air launched direct services between Busan and Guam, 4 times a week. Additionally, Jin Air and Jeju Air increased flight frequency to daily flights.

Arrivals from the People's Republic of China also grew 11.4% over FY2015. This represented 26,271 arrivals to the island, with the bulk of arrivals coming directly from Shanghai. GVB continues to strengthen brand awareness among travel agents and consumers through the launch of new social media campaigns, conducting exclusive road shows and exhibiting at major travel shows in China.

FY2016 was also a major year for the Philippine market. Arrivals grew to 18,704 in FY2016, which represented a 52.3% increase over FY2015. The continued growth of the market is attributed to pent-up demand for travel and an increase in seat capacity with the introduction of Cebu Pacific servicing the Manila – Guam route in March. GVB continued social media marketing efforts, which highlighted Guam's tax-free shopping and close proximity to the Philippines, to attain this exponential growth.

Other source markets also showed strong growth including domestic and regional travel from the Micronesian region due to FESTPAC. Arrivals from the US Mainland & Hawaii grew 10%, Palau arrivals grew by 46.6%, the Marshall Islands by 31.4% and arrivals from Europe grew 19.2%.

GVB saw tremendous success in FY2016 due to the Visit Guam 2016: Only on Guam campaign. Building upon this success, GVB hosted another Visit Guam Expo for 2017 announcing the "Year of Love." The Visit Guam 2017: the Year of Love Expo was held in Guam's capital city of Hagatña at the Agana Shopping center, which featured all of Guam's great community events and things to do while visitors are enjoying our island. At this event, GVB hosted close to a hundred media to promote Guam events throughout our villages such as the Agat Mango Festival and Merizo Crab Festival; the Guam Live International Music Festival and the Guam Micronesian Island Fair, which makes its return in 2017; and other great things to do.

**DESTINATION DEVELOPMENT HIGHLIGHTS**

Destination Development's mission is to support the responsible development and enhancement of tourism attractions and experiences that build on our competitive product strengths, ensuring that Guam delivers on its brand promise. The importance of this division has been growing in need as the Government lacks the resources to maintain infrastructure that is critical to tourism. Guam must improve its quality in order to attract a high spending visitor and thereby improve yield. GVB's Destination Development Division is comprised of three committees: Destination Management, Cultural Heritage and Community Outreach, Visitor Safety and Satisfaction and Sports and Events.

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The Destination Management Committee (DMC) focuses on improving tourism infrastructure, safety and satisfaction. Over the years GVB has taken on additional responsibilities originally tasked to other Government of Guam agencies. In FY2016, GVB continued its commitment to complete maintenance projects that include the San Vitores landscaping, grass cutting and trash collection along major highways, and Hågatña and Tumon Bay beach cleaning. In FY2016, GVB's Capital Improvement Projects request was not funded, however the DMC continued to work on the Tumon Bay Improvement Plan to identify projects related to safety, beautification and maintenance. With Capital Improvement Project funds carried over from FY2015 and the supplemental appropriation from P.L. 33-150, GVB will complete the much-needed repair and overhaul of streetlights along Pale San Vitores Road.

FY2016 also saw the re-introduction of the Holiday Illumination project in Tumon – a project of the DMC. Named the Christmas Light Park, GVB brought the village back in FY2016 welcoming hundreds of visitors on a daily basis from the tourist and local community. GVB featured different local bands and school choirs as well as local vendors to make the light park more festive, which was well received by the community.

For tourism to be thriving and sustainable, the community must have a sense of ownership and share a stake in industry processes and outcomes. The Cultural and Heritage Committee (CHC) supports the development and promotion of the Chamorro culture and other community outreach projects. Its key programs include cultural presentations for international marketing events, village festival support and development grants for cultural, educational, medical and ecotourism.

In FY2016, the CHC's Guam Chamorro Dance Academy played a major role in Guam's hosting of the 12<sup>th</sup> FESTPAC. This program was first piloted in FY2010 in the Tokyo area targeting Hula Dance Clubs. Led by Master of Chamorro Dance, Frank Rabon, five two-day dance workshops were conducted with up to 50 pax attending each workshop. The program was successful in enticing people to learn more about Guam's unique heritage and people. As a result of growing interest, the program expanded to include other regions of Japan. A third Guma (cultural house) was also established in Tokyo by one of the participants of the academy.

Meanwhile, the US-Guam Chamorro Dance Academy launched in California and Washington in preparation for the 12<sup>th</sup> FESTPAC. To achieve the successful launch of the program in the US Mainland, the Bureau worked closely with various active stateside Chamorro dance groups that were in need of more training to be qualified for FESTPAC. In August 2016, the dance academy expanded to Taiwan helping foster not only cultural exchange between Taiwanese and Chamorro people, but promoting travel between our two countries.

GVB's mission is to promote Guam as a safe and satisfying destination, and to seek maximum benefits of the tourism industry for the people of Guam. In order to meet the need to maintain this aspect Guam is known for, GVB launched a number of different projects aimed at keeping our community and visitors safe throughout the Tumon Tourist District. This includes the Visitor Safety Officers and Beach Safety Program (VSO). During fiscal year 2016, VSOs responded to over 1,500 safety and security related issues that include homelessness, public intoxication, water related incidents, stray animals and other cases. In addition, they have provided nearly 13,000 concierge services that include traffic assistance, giving directions, taking photos, recovering lost property and escorting island residents and visitors.

In FY2016, GVB recognized the need to strengthen Guam's hospitality workforce with the training needed to deliver consistent, high-quality service to the community and visitors. The Visitor Industry Professional program completed the first phase of development through the completion of the curriculum and training modules to be offered as a free program online. Currently it is in the

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process of developing an online education website featuring a broad library of custom made tutorial videos and training for tourism front line employees that can be accessed from a computer, tablet or smartphone. This approach will also facilitate cost effective remedial training for Guam's thousands of hospitality workers in a manner that would be nearly impossible to accomplish in a traditional classroom environment. Basic quizzes and tests can also be administered automatically online. The program will offer a variety of convenient training modules. These modules will be geared to front line staff including but not limited to subject areas such as: customer service, basic job skills, basic language skills, visitor cultural familiarization, Guam offerings, and Guam's culture and history. The VIP program is now in its second phase with the launch targeted for the end of FY2017.

Sports, Entertainment and Events tourism played a major role in GVB's mission in FY2016. GVB believes that by creating major events on island, visitors will have more reasons to visit Guam with their family and friends. Sports, Entertainment and Events tourism provide publicity in key source markets, enhance the image of Guam and improve the quality of life for residents. Recognizing these benefits, GVB's Sports and Events Committee expanded its local sports grant program to include an off-island assistance component for athletes to take advantage of and to partake in international sports competitions while promoting their island home. GVB also increased its support for major signature events such as the Festival of Pacific Arts, Guam International Marathon, Guam Live International Music Festival, Guam Micronesia Island Fair, Guam BBQ Block Party, and the Guam Ko'ko' Half Marathon and Ekiden Relay. These events brought thousands of visitors to Guam's shores, offering the opportunity for visitors and local residents to share in many different aspects of Guam's hospitality.

**FINANCIAL HIGHLIGHTS**

The following table summarizes the financial condition and Operations of the Bureau for the fiscal years ended 2016, 2015, and 2014:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Assets:			
Current assets	\$ 18,573,431	\$ 17,164,698	\$ 12,944,589
Other assets	118,202	118,202	1,665,000
Capital assets	<u>6,649,392</u>	<u>6,736,923</u>	<u>6,824,454</u>
Total assets	25,341,025	24,019,823	21,434,043
Deferred outflows from pension	<u>648,508</u>	<u>549,170</u>	<u>415,911</u>
Total assets and deferred outflows	\$ <u>25,989,533</u>	\$ <u>24,568,993</u>	\$ <u>21,849,954</u>
Liabilities:			
Current liabilities	\$ 3,511,452	\$ 4,516,524	\$ 4,455,086
Net pension liability	4,513,916	3,826,415	3,783,577
Accrued sick leave	<u>170,108</u>	<u>155,338</u>	<u>149,927</u>
Total liabilities	8,195,476	8,498,277	8,388,590
Deferred inflows from pension	<u>-</u>	<u>291,234</u>	<u>226,147</u>
Total liabilities and deferred inflows	<u>8,195,476</u>	<u>8,789,511</u>	<u>8,614,737</u>

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	<u>2016</u>	<u>2015</u>	<u>2014</u>
Net position:			
Net investment in capital assets	6,649,392	6,736,923	6,824,454
Restricted	2,895,008	5,001,110	3,415,374
Unrestricted	<u>8,249,657</u>	<u>4,041,449</u>	<u>2,995,389</u>
Total net position	<u>17,794,057</u>	<u>15,779,482</u>	<u>13,235,217</u>
Total Liabilities, net position	\$ <u>25,989,533</u>	\$ <u>24,568,993</u>	\$ <u>21,849,954</u>
Operating revenues	\$ 1,302,861	\$ 1,373,972	\$ 1,104,760
Operating expenses	<u>21,457,634</u>	<u>19,992,412</u>	<u>17,169,069</u>
Operating revenues net of operating expenses	(20,154,773)	(18,618,440)	(16,064,309)
Non-operating revenues, net	<u>22,169,348</u>	<u>21,162,705</u>	<u>15,500,818</u>
Change in net position	\$ <u>2,014,575</u>	\$ <u>2,544,265</u>	\$ <u>(563,491)</u>

An 11% hotel occupancy tax funds the Bureau's operations, authorized through the Legislature's annual budget appropriations. In fiscal year 2016, Public Law 33-66 appropriated \$22,279,191 for GVB operations. The Bureau was able to fully recognize this appropriation for Operations as well as \$2,040,001 from FY 2015 appropriations.

PL 33-66 also appropriated \$712,750 to the Guam Visitors Bureau for pass-thru entities, \$200,000 to the Rainy Day Fund, and \$200,000 for Cultural and Sports Ambassador Fund. The Bureau was able to recognize \$712,500 for pass-thru appropriations as well as \$63,000 from FY 2015 appropriations; the total appropriation of \$200,000 for the Rainy Day Fund; and the total appropriation of \$200,000 for the Cultural and Sports Ambassador Fund as well as \$30,000 from FY 2015 appropriations.

Additionally, the Bureau was able to recognize \$2,030,000 for the balance of FESTPAC's FY 2015 appropriation per PL 33-43, \$200,000 for the Park or Attraction per Village appropriation per PL 33-73, and \$95,654 for the FY 2015 balance of the Capital Improvement Projects appropriation.

In FY 2016, three other public laws appropriated additional monies to GVB from the HOT (Hotel Occupancy Tax) Surplus Fund, all of which the Bureau was able to recognize in FY 2016. PL 33-89 appropriated \$400,000 from the HOT Surplus Fund for the Guam Football Association hosting, attending, and participating in the FIFA 2018 World Cup and the AFC Asian Cup 2019. PL 33-112 appropriated \$250,000 from the HOT Surplus Fund for a Pilot Program to support the needs of the growing Korean Market. PL 33-150 appropriated \$2,300,000 from the HOT Surplus Fund, of which \$1,300,000 was additional monies for FESTPAC Programming and \$1,000,000 for Capital Improvement Projects.

Total uncollected appropriations as of 09/30/16 were \$3,829,000: \$3,760,250 for Operations, \$28,750 for Pass-thru entities, and \$40,000 for the Cultural and Sports Ambassador Fund.

The Bureau also recognized \$80,000 in Federal revenues, the remaining balance of an MOU with the Department of Public Health and Social Services to host the WHO (World Health Organization) conference, held October 12 – 16, 2015.

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The FY16 unaudited Tourist Attraction Fund (TAF) collections were 10% higher than the previous year, totaling \$40,192,651. This was due to the increase in hotel occupancy and the increase in the average room rate. In FY2016, hotel occupancy increased to 80% from 74% in FY2015, while the average room rate increased to \$198 from \$158. For FY2017, the average room rate and hotel occupancy is projected to steadily increase.

Direct appropriations from the TAF unaudited balances increased about 57% in FY 2016, from \$10,330,357 in FY 2015 to \$16,218,172. This direct appropriation is inclusive of the \$1,337,000 appropriated in PL 33-150 from revenue collected in excess of the FY 2016 adopted revenues in PL 33-66, to the Guam Police Department, Department of Public Works, and the Guam Fire Department. In PL 33-66, TAF revenue projections for FY 2016 was \$38,623,000 and total appropriations from the TAF, were \$37,131,172. Comparing the total FY 2016 appropriation from the TAF (\$37,131,172) plus the additional appropriation (\$1,337,000), using FY 2016 excess revenues to the actual unaudited collections (\$40,192,651), there was a surplus of \$1,724,479.

Membership dues decreased about 46% to \$37,889 from \$70,710 in FY 2015. This large decrease was due to the membership election in FY 2015. In-kind contributions decreased about 61% to \$157,799 from \$409,087 in FY 2015.

Marketing was the largest expenditure at \$15.6 million in Professional Services, with Japan and Hong Kong/China representing the largest share at a combined \$7.9 million. At \$2,725,025, personnel salaries and benefits increased 10% over last year largely due to 2 additional FTE's; one hired the latter part of FY 2015 and the other hired the beginning of FY 2016, but still only 9% of total expenditures.

### **CAPITAL ASSETS AND LONG-TERM DEBT**

The Bureau is not capital intensive and therefore, significant capital asset activity did not occur in 2016, 2015 and 2014. For additional information regarding capital assets, please refer to Note 5 to the financial statements.

Additionally, the Bureau has no long-term borrowings. However, for additional information concerning other long-term liabilities, please refer to Note 7 to the financial statements.

Management's Discussion and Analysis for the year ended September 30, 2015 is set forth in the Bureau's report on the audit of the financial statements, which is dated March 2, 2016, and that Discussion and Analysis explains the major factors impacting the 2015 financial statements and can be viewed at the Office of the Public Auditor's website at [www.opaguam.org](http://www.opaguam.org).

### **OUTLOOK**

The total visitor arrivals for FY17 are forecasted to increase 4%, translating to 60,000 additional visitors. Japan arrivals will continue to decline with the decrease of air service from Osaka and Nagoya. This decrease will be offset by the continued growth in the Korean market as well the Philippines and Hong Kong. Driven by this demand, hotels are performing well in 2016 with overall hotel occupancy at 80% and average daily room rate of \$199. In order for arrivals to continue to grow, additional room inventory is needed.

GVB's TAF projection for FY2017 is \$41,502,455, which is a conservative 3.3% increase over the previous year. This will be achieved by the projected increase in arrivals coupled with the steady increase of Guam's average daily hotel room rate.

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In addition to all the efforts to market Guam internationally, the GVB Board is committed to improving the destination through the completion of the Tumon Bay Improvement Plan, the completion of the Pale San Vitores Streetlight Repair and Restoration project, and the installation of the new bus shelters.



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<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>2016</u>	<u>2015</u>
Current assets:		
Cash - unrestricted	\$ 9,302,906	\$ 9,513,048
Cash - restricted	2,455,079	4,835,126
Investments	2,525,177	2,516,723
Accounts receivable - Government of Guam	3,829,000	-
Accounts receivable - others	390,519	293,349
Due from Special TAF Projects fund	64,298	-
Prepaid expenses	<u>6,452</u>	<u>6,452</u>
Total current assets	18,573,431	17,164,698
Security deposit	118,202	118,202
Capital assets:		
Nondepreciable capital assets	5,992,415	5,992,415
Depreciable capital assets, net of accumulated depreciation	<u>656,977</u>	<u>744,508</u>
Total assets	<u>25,341,025</u>	<u>24,019,823</u>
Deferred outflows of resources:		
Deferred outflows from pension	<u>648,508</u>	<u>549,170</u>
	<u>\$ 25,989,533</u>	<u>\$ 24,568,993</u>
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u>		
Current liabilities:		
Accounts payable	\$ 3,269,774	\$ 4,362,491
Accrued annual leave	159,693	142,433
Due to FESTPAC	10,080	-
Unearned income	<u>71,905</u>	<u>11,600</u>
Total current liabilities	3,511,452	4,516,524
Net pension liability	4,513,916	3,826,415
Accrued sick leave	<u>170,108</u>	<u>155,338</u>
Total liabilities	<u>8,195,476</u>	<u>8,498,277</u>
Deferred inflows of resources:		
Deferred inflows from pension	<u>-</u>	<u>291,234</u>
Commitments and contingencies		
Net position:		
Net investment in capital assets	6,649,392	6,736,923
Restricted - expendable	2,895,008	5,001,110
Unrestricted	<u>8,249,657</u>	<u>4,041,449</u>
Total net position	<u>17,794,057</u>	<u>15,779,482</u>
	<u>\$ 25,989,533</u>	<u>\$ 24,568,993</u>

See accompanying notes to financial statements.

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

Statements of Revenues, Expenses, and Changes in Net Position  
Years Ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Revenues:		
Other income	\$ 604,618	\$ 428,610
Consumption tax refund	502,555	465,565
In-kind contributions from members and others	157,799	409,087
Memberships	<u>37,889</u>	<u>70,710</u>
Total operating revenues	<u>1,302,861</u>	<u>1,373,972</u>
Expenses:		
Professional services	15,604,827	13,647,257
Personnel	3,021,954	2,477,382
Travel	823,001	865,235
Utilities	210,361	124,122
Grants	184,200	204,300
Material and supplies	168,428	173,133
Rent/lease	164,203	201,253
Promotional in-kind contributions	157,799	409,087
Depreciation	87,531	87,531
Consumption tax	70,727	22,871
Equipment	43,991	48,364
Repairs and maintenance	19,816	95,508
Advertising	16,483	57,517
Miscellaneous	<u>884,313</u>	<u>1,578,852</u>
Total operating expenses	<u>21,457,634</u>	<u>19,992,412</u>
Operating revenues net of operating expenses	<u>(20,154,773)</u>	<u>(18,618,440)</u>
Nonoperating revenues (expenses):		
Grants-in-aid from Government of Guam:		
Operations	24,749,192	19,770,088
Pass through	1,375,500	942,000
FESTPAC	3,330,000	1,190,000
Pass through appropriations	(1,375,500)	(942,000)
Other collections - FESTPAC	2,023,572	-
Donation expense - FESTPAC	(8,079,292)	-
Federal revenues	80,000	215,561
Interest income	18,397	14,865
Other nonoperating revenues (expenses), net	<u>47,479</u>	<u>(27,809)</u>
Total nonoperating revenues (expenses), net	<u>22,169,348</u>	<u>21,162,705</u>
Change in net position	2,014,575	2,544,265
Net position at beginning of year	<u>15,779,482</u>	<u>13,235,217</u>
Net position at end of year	<u>\$ 17,794,057</u>	<u>\$ 15,779,482</u>

See accompanying notes to financial statements.

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

Statements of Cash Flows  
Years Ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Cash received from members	\$ 98,194	\$ 63,810
Cash received from other sources	1,010,003	764,900
Cash paid to employees	(1,885,493)	(1,752,509)
Cash paid to suppliers	<u>(20,154,867)</u>	<u>(17,694,870)</u>
Net cash used for operating activities	<u>(20,932,163)</u>	<u>(18,618,669)</u>
Cash flows from noncapital financing activities:		
Government of Guam appropriations	25,625,692	22,352,088
Other FESTPAC receipts received	2,023,572	-
Federal grants received	80,000	215,561
Other receipts (disbursements), net	47,479	(27,809)
Cash paid for FESTPAC activities	(8,069,212)	-
Cash paid to pass-through entities	<u>(1,375,500)</u>	<u>(942,000)</u>
Net cash provided by noncapital financing activities	<u>18,332,031</u>	<u>21,597,840</u>
Cash flows from investing activities:		
Interest income received	<u>9,943</u>	<u>9,935</u>
Net change in cash	(2,590,189)	2,989,106
Cash at beginning of year	<u>14,348,174</u>	<u>11,359,068</u>
Cash at end of year	<u>\$ 11,757,985</u>	<u>\$ 14,348,174</u>
Consisting of:		
Unrestricted	\$ 9,302,906	\$ 9,513,048
Restricted	<u>2,455,079</u>	<u>4,835,126</u>
Cash at end of year	<u>\$ 11,757,985</u>	<u>\$ 14,348,174</u>
Reconciliation of operating revenues net of operating expenses to net cash used for operating activities:		
Operating revenues net of operating expenses	\$ (20,154,773)	\$ (18,618,440)
Adjustments to reconcile operating revenues net of operating expenses to net cash used for operating activities:		
In-kind contributions from members and others	(157,799)	(409,087)
Promotional in-kind contributions	157,799	409,087
Depreciation	87,531	87,531
Non-cash pension costs, net	296,929	(25,334)
Increase in assets:		
Accounts receivable - other	(97,170)	(129,275)
Due from Special TAF Projects fund	(64,298)	-
Increase (decrease) in liabilities:		
Accounts payable	(1,092,717)	67,874
Accrued annual and sick leave	32,030	5,875
Unearned income	<u>60,305</u>	<u>(6,900)</u>
Net cash used for operating activities	<u>\$ (20,932,163)</u>	<u>\$ (18,618,669)</u>

See accompanying notes to financial statements.

**SPECIAL TOURIST ATTRACTION FUND PROJECTS**

Balance Sheets  
September 30, 2016 and 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Current assets:		
Restricted cash	\$ 2,564,095	\$ 1,908,644
Accounts receivable	9,980	-
	<u>2,574,075</u>	<u>1,908,644</u>
	<u>\$ 2,574,075</u>	<u>\$ 1,908,644</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Accounts payable	\$ 165,748	\$ 381,678
Due to operations fund	64,298	-
	<u>230,046</u>	<u>381,678</u>
Fund balance:		
Committed - Tourism	<u>2,344,029</u>	<u>1,526,966</u>
	<u>\$ 2,574,075</u>	<u>\$ 1,908,644</u>

See accompanying notes to financial statements.

**SPECIAL TOURIST ATTRACTION FUND PROJECTS**

Statements of Operations and Changes in Fund Balance  
Years Ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Revenues:		
Other	\$ 38,458	\$ 2,608
	<u>38,458</u>	<u>2,608</u>
Total revenues		
Expenditures:		
Tumon Bay lighting improvements	111,851	423,668
Tumon landscaping maintenance (contract)	-	355,313
Islandwide roadway and beautification	-	291,814
Holiday illumination	10,000	290,000
Tumon Bay sidewalk, crosswalk and retaining wall improvements	120,630	251,880
Tumon and Hagatna Beach cleaning and maintenance	-	218,872
Typhoon debris cleanup	-	102,068
Graffiti Removal	35,847	-
Bus shelters	35,000	-
Utilities	-	70,523
Project management:		
Tumon Bay sidewalk, crosswalk and retaining wall improvement	-	24,065
Tumon landscaping, island roadway, and beach cleaning	-	56,600
Tumon Bay lighting improvements	-	35,580
Bus shelters	-	35,088
Miscellaneous	3,721	4,259
	<u>317,049</u>	<u>2,159,730</u>
Total expenditures		
Deficiency from operations	(278,591)	(2,157,122)
Government of Guam contributions	<u>1,095,654</u>	<u>2,370,666</u>
Changes in fund balance	817,063	213,544
Fund balance at beginning of year	<u>1,526,966</u>	<u>1,313,422</u>
Fund balance at end of year	<u>\$ 2,344,029</u>	<u>\$ 1,526,966</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements  
September 30, 2016 and 2015

(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 Governmental Accounting Standards Board (GASB) Statement No. 14, GVB is a component unit of the Government of Guam (GovGuam). 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 Guam 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, 2016 and 2015.

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 position, 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. Investments in time certificates of deposit with original maturity dates greater than three months are separately classified on the statements of net position.

Capital Assets

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

Foreign Currency Translation

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

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

Notes to Financial Statements  
September 30, 2016 and 2015

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

Deferred Outflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (deduction of net position) until then. GVB has determined the differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability, differences between projected and actual earnings on pension plan investments, pension contributions made subsequent to the measurement date and changes in proportion and differences between GVB pension contributions and proportionate share of contributions qualify for reporting in this category.

Deferred Inflows of Resources

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (additions to net position) until then. GVB has determined the differences between projected and actual earnings on pension plan investments qualify for reporting in this category.

Compensated Absences

Earned unpaid employee vacation leave is accrued at year end for financial statement purposes. Included in liabilities at September 30, 2016 and 2015 are amounts related to compensated absences earned but unused. The amounts are also included as a component of operating expense in the Statements of Revenues, Expenses, and Changes in Net Position.

Pensions

Pensions are required to be recognized and disclosed using the accrual basis of accounting. GVB recognizes a net pension liability for the pension plan in which it participates, which represents GVB's proportional share of excess total pension liability over the pension plan assets – actuarially calculated – of a single employer plan, measured as of the fiscal year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

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

Notes to Financial Statements  
September 30, 2016 and 2015

(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 deferred outflows of resources, liabilities and deferred inflows of resources, 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, 2016 and 2015, 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.

Basis of Accounting

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. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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, 2016 and 2015

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

Net Position

Net position represents the residual interest in GVB's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted and consist of the following three sections:

- Net investment in capital assets:

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 position subject to externally imposed stipulations that require GVB to maintain them permanently.

Expendable – Net position 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 position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action by management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Fund Balance

Governmental fund balances are classified as follows:

- Non-spendable - includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints.
- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and do not lapse at year-end.
- Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed.
- Unassigned - includes negative fund balances in other governmental funds.

Restricted/committed amounts are spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this. In addition, committed, then assigned, and lastly unassigned amounts of unrestricted fund balance are expended in that order.

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

Notes to Financial Statements  
September 30, 2016 and 2015

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

Fund Balance, Continued

A formal minimum fund balance policy has not been adopted.

New Accounting Standards

During the year ended September 30, 2016, GVB implemented the following pronouncements:

- GASB Statement No. 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurements and requires entities to expand their fair value disclosures by determining major categories of debt and equity securities within the fair value hierarchy on the basis of the nature and risk of the investment. The implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which eliminates two of the four categories of authoritative GAAP that exist under the existing hierarchy prescribed by Statement No. 55. The two categories that will remain under the new standard are (1) GASB Statements and (2) GASB technical bulletins and implementation guides in addition to AICPA guidance that the GASB clears. The implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, addresses for certain external investment pools and their participants the accounting and financial reporting implications that result from changes in the regulatory provisions referenced by previous accounting and financial reporting standards. Those provisions were based on the Investment Company Act of 1940, Rule 2a7. Rule 2a7 contains the Securities and Exchange Commission's regulations that apply to money market funds and were significantly amended in 2014. The implementation of this statement did not have a material effect on the accompanying financial statements.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*, which aligns the reporting requirements for pensions and pension plans not covered in GASB Statements No. 67 and No. 68 with the reporting requirements in Statement No. 68. The provisions in Statement No. 73 are effective for fiscal years beginning after June 15, 2016. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and addresses financial reporting requirements for governments whose employees are provided with postemployment benefits other than pensions (other postemployment benefits or OPEB). The provisions in Statement No. 74 are effective for fiscal years beginning after June 15, 2016. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

**GUAM VISITORS BUREAU**  
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Notes to Financial Statements  
September 30, 2016 and 2015

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

New Accounting Standards, Continued

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The provisions in Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*, which requires governments that enter into tax abatement agreements to disclose certain information about the agreements. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*, which improves financial reporting by clarifying the financial statement presentation requirements for certain component units. The provisions in Statement No. 80 are effective for fiscal years beginning after June 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, which improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions in Statement No. 81 are effective for fiscal years beginning after December 15, 2016. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

In March 2016, GASB issued Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*, which addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The provisions in Statement No. 82 are effective for fiscal years beginning after June 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

**GUAM VISITORS BUREAU**  
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Notes to Financial Statements  
September 30, 2016 and 2015

(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. 40 requires disclosures for 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, 2016 and 2015, the carrying amount of GVB's total cash was \$11,757,985 and \$14,348,174, respectively, and \$2,564,095 and \$1,908,644, respectively, for the Special Tourist Attraction Fund projects. The corresponding bank balances were \$14,379,167 and \$16,273,716, respectively. Of the bank balances, \$14,379,167 and \$16,273,716, respectively, are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance and deposits in the amount of \$381,191 and \$335,855, 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, 2016 and 2015, cash held by GVB in the Special Tourist Attraction Funds Project is \$2,564,095 and \$1,908,644, respectively. These funds are for landscaping and beautification of Tumon Bay and other Tourist Attraction Projects.

As of September 30, 2016 and 2015, restricted cash held by GVB in the Rainy Day Fund is \$2,083,621 and \$2,095,490, respectively. These funds are used to support identified activities to meet unforeseen or unanticipated challenges resulting from a natural or man-made disaster that has occurred on Guam or from external economic conditions that severely affect tourism.

As of September 30, 2016 and 2015, restricted cash held by GVB in the FESTPAC & Folklife Festival Trust Account is \$371,458 and \$2,739,636, respectively. These funds are to be used for FESTPAC 2016.

(3) Short-term Investments

Short-term investments at September 30, 2016 and 2015, include time certificates of deposit in the amount of \$2,525,177 and \$2,403,886, respectively, which are fully FDIC insured, and money market funds in the amount of \$0 and \$112,837, respectively, which are subject to Securities Investor Protection Corporation insurance.

**GUAM VISITORS BUREAU**  
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Notes to Financial Statements  
September 30, 2016 and 2015

(3) Short-term Investments, Continued

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, GVB will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. As of September 30, 2016 and 2015, GVB's short-term investments are held and administered by investment managers in the name of GVB in accordance with GVB's investment policy.

(4) Employees' Retirement Plan

Defined Benefit Plan

A. General Information About the Pension Plan:

*Plan Description:* GVB participates in the GovGuam Defined Benefit (DB) Plan, a single-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. Article 1 of 4 GCA 8, Section 8105, requires that all employees of GovGuam, regardless of age or length of service, become members of the DB Plan prior to the operative date. Employees of a public corporation of GovGuam, which includes GVB, have the option of becoming members of the DB Plan prior to the operative date. All employees of GovGuam, including employees of GovGuam public corporations, whose employment commences on or after October 1, 1995, are required to participate in the Defined Contribution Retirement System (DCRS). Hence, the DB Plan became a closed group.

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

*Plan Membership:* As of September 30, 2015, the date of the most recent valuation, plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	7,197
Terminated employees entitled to benefits but not yet receiving them	4,701
Current members	<u>2,460</u>
	<u>14,358</u>

*Benefits Provided:* The DB Plan provides pension benefits to retired employees generally based on age and/or years of credited service and an average of the three highest annual salaries received by a member during years of credited service, or \$6,000, whichever is greater. Cost-of-living adjustments and other supplemental annuity benefits are provided to members and beneficiaries at the discretion of the Guam Legislature, but are provided outside of the Plan.

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Notes to Financial Statements  
September 30, 2016 and 2015

(4) Employees' Retirement Plan, Continued

Defined Benefit Plan, Continued

A. General Information About the Pension Plan, Continued:

Members who joined the DB Plan prior to October 1, 1981 may retire with 10 years of service at age 60 (age 55 for uniformed personnel); or 20 to 24 years of service regardless of age with a reduced benefit if the member is under age 60; or completion of 25 years of service at any age.

Members who joined the DB Plan on or after October 1, 1981 and prior to August 22, 1984 may retire with 15 years of service at age 60 (age 55 for uniformed personnel); or 25 to 29 years of service regardless of age with a reduced benefit if the member is under age 60; or completion of 30 years of service at any age.

Members who joined the DB Plan after August 22, 1984 and prior to October 1, 1995 may retire with 15 years of service at age 65 (age 60 for uniformed personnel); or 25 to 29 years of service regardless of age with a reduced benefit if the member is under age 65; or completion of 30 years of service at any age.

Upon termination of employment before attaining at least 25 years of total service, a member is entitled to receive a refund of total contributions including interest. A member who terminates after completing at least 5 years of service has the option of leaving contributions in the GGRF and receiving a service retirement benefit upon attainment of the age of 60 years. In the event of disability during employment, members under the age of 65 with six or more years of credited service who are not entitled to receive disability payments from the United States Government are eligible to receive sixty six and two-thirds of the average of their three highest annual salaries received during years of credited service. The DB Plan also provides death benefits.

*Contributions and Funding Policy:* Contribution requirements of participating employers and active members are determined in accordance with Guam law. Employer contributions are actuarially determined under the One-Year Lag Methodology. Under this methodology, the actuarial valuation date is used for calculating the employer contributions for the second following fiscal year. For example the September 30, 2014 actuarial valuation was used for determining the year ended September 30, 2016 statutory contributions. Member contributions are required at 9.54% of base pay (9.55% in 2015).

As a result of actuarial valuations performed as of September 30, 2014, 2013, and 2012, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2016, 2015 and 2014, respectively, have been determined as follows:

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

Notes to Financial Statements  
September 30, 2016 and 2015

(4) Employees' Retirement Plan, Continued

Defined Benefit Plan, Continued

A. General Information About the Pension Plan, Continued:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Normal costs (% of DB Plan payroll)	15.86%	15.92%	16.61%
Employee contributions (DB Plan employees)	<u>9.54%</u>	<u>9.55%</u>	<u>9.50%</u>
Employer portion of normal costs (% of DB Plan payroll)	<u>6.32%</u>	<u>6.37%</u>	<u>7.11%</u>
Employer portion of normal costs (% of total payroll)	1.94%	2.05%	2.39%
Unfunded liability cost (% of total payroll)	<u>22.42%</u>	<u>24.09%</u>	<u>24.01%</u>
Government contribution as a % of total payroll	<u>24.36%</u>	<u>26.14%</u>	<u>26.40%</u>
Statutory contribution rates as a % of DB Plan payroll:			
Employer	<u>28.16%</u>	<u>29.85%</u>	<u>30.03%</u>
Employee	<u>9.54%</u>	<u>9.55%</u>	<u>9.50%</u>

GVB's contributions to the DB Plan for the years ending September 30, 2016, 2015 and 2014 were \$126,775, \$119,343 and \$98,134, respectively, which were equal to the required contributions for the respective years then ended.

*Actuarial Assumptions:* Actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported. The methods and assumptions used to determine contribution rates are as follows:

Valuation Date:	September 30, 2014
Actuarial Cost Method:	Entry age normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	16.58 years
Asset Valuation Method:	3-year smoothed market value
Inflation:	2.75%
Total payroll growth:	3.00% per year
Salary Increases:	4.50% to 7.50%
Expected Rate of Return:	7.00%
Discount Rate:	7.00%

**GUAM VISITORS BUREAU**  
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Notes to Financial Statements  
September 30, 2016 and 2015

(4) Employees' Retirement Plan, Continued

Defined Benefit Plan, Continued

A. General Information About the Pension Plan, Continued:

Retirement age:	40% are assumed to retire upon first eligibility for unreduced retirement. Thereafter, the probabilities of retirement are 15% until age 65, 20% from 65-69, and 100% at age 70.
Mortality:	RP-2000 healthy mortality table set forward by 4 years for males and 1 year for females. Mortality for disabled lives is the RP 2000 disability mortality table with no set forwards.
Other information:	Actuarial assumptions are based upon periodic experience studies. The last experience study reviewed experience from 2007-2011, and was first reflected in the actuarial valuation as of September 30, 2012.

*Discount Rate:* The total pension liability is calculated using a discount rate of 7.0% that is a blend of the expected investment rate of return and a high quality bond index rate. There was no change in the discount rate since the previous year. The expected investment rate of return applies for as long as the plan assets (including future contributions) are projected to be sufficient to make the projected benefit payments. If plan assets are projected to be depleted at some point in the future, the rate of return of a high quality bond index is used for the period after the depletion date.

*Discount Rate Sensitivity Analysis:* The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7%) in measuring the 2015 Net Pension Liability.

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
	<u>6.0%</u>	<u>7.0%</u>	<u>8.0%</u>
Net Pension Liability	\$ <u>5,484,700</u>	\$ <u>4,513,916</u>	\$ <u>3,678,852</u>

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

*Pension Liability:* At September 30, 2016 and 2015, GVB reported a liability of \$4,513,916 and \$3,826,415, respectively, for its proportionate share of the net pension liability. GVB's proportion of the net pension liability was based on projection of GVB's long-term share of contributions to the pension plan relative to the projected contributions of GovGuam and GovGuam's component units, actuarially determined. At September 30, 2016 and 2015, GVB's proportion was .33% and .31%, respectively.

**GUAM VISITORS BUREAU**  
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Notes to Financial Statements  
September 30, 2016 and 2015

(4) Employees' Retirement Plan, Continued

Defined Benefit Plan, Continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued:

*Pension Expense:* For the years ended September 30, 2016 and 2015, GVB recognized pension expense of \$747,439 and \$405,641, respectively.

*Deferred Outflows and Inflows of Resources:* At September 30, 2016 and 2015, GVB reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2016		2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 56,610	\$ -	\$ 28,388	\$ -
Net difference between projected and actual earnings on pension plan investments	51,009	-	-	291,234
Contributions subsequent to the measurement date	455,570	-	448,171	-
Changes in proportion and difference between GVB contributions and proportionate share of contributions	<u>85,319</u>	<u>-</u>	<u>72,611</u>	<u>-</u>
	<u>\$ 648,508</u>	<u>\$ -</u>	<u>\$ 549,170</u>	<u>\$ 291,234</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at September 30, 2016 will be recognized in pension expense as follows:

<u>Year Ended</u> <u>September 30</u>	
2017	\$ 115,100
2018	\$ (26,830)
2019	\$ 37,332
2020	\$ 67,336

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, 2016 and 2015 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.

**GUAM VISITORS BUREAU**  
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Notes to Financial Statements  
September 30, 2016 and 2015

(4) Employees' Retirement Plan, Continued

Defined Contribution 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 plus any earnings thereon.

GVB's contributions to the DCRS plan for the years ended September 30, 2016, 2015 and 2014 were \$399,579, \$394,947 and \$381,293, respectively, which were equal to the required contributions for the respective years then ended. Of these amounts \$328,795, \$328,828 and \$317,777 were contributed toward the unfunded liability of the DB Plan for the years ended September 30, 2016, 2015 and 2014, 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 \$170,108 and \$155,338 at September 30, 2016 and 2015, 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, 2016, 2015 and 2014, actual contributions paid were \$62,950, \$52,454 and \$35,578, respectively.

(5) Capital Assets

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 GVB. 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 GVB be dissolved or no longer need the property, then the property, inclusive of any and all improvements, shall revert back to GovGuam.

**GUAM VISITORS BUREAU**  
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Notes to Financial Statements  
September 30, 2016 and 2015

(5) Capital Assets, Continued

A summary of capital asset activities for the years ended September 30, 2016 and 2015 are as follows:

	Beginning Balance <u>October 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>September 30, 2016</u>
Depreciable:				
Building	\$ 2,500,000	\$ -	\$ -	\$ 2,500,000
Leasehold improvements	140,846	-	-	140,846
Furniture and fixtures	83,023	-	-	83,023
Equipment	<u>148,775</u>	<u>-</u>	<u>-</u>	<u>148,775</u>
	2,872,644	-	-	2,872,644
Less accumulated depreciation	<u>(2,128,136)</u>	<u>(87,531)</u>	<u>-</u>	<u>(2,215,667)</u>
	744,508	(87,531)	-	656,977
Non-depreciable:				
Land	<u>5,992,415</u>	<u>-</u>	<u>-</u>	<u>5,992,415</u>
	\$ <u>6,736,923</u>	\$ <u>(87,531)</u>	\$ <u>-</u>	\$ <u>6,649,392</u>

	Beginning Balance <u>October 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>September 30, 2015</u>
Depreciable:				
Building	\$ 2,500,000	\$ -	\$ -	\$ 2,500,000
Leasehold improvements	140,846	-	-	140,846
Furniture and fixtures	83,023	-	-	83,023
Equipment	<u>148,775</u>	<u>-</u>	<u>-</u>	<u>148,775</u>
	2,872,644	-	-	2,872,644
Less accumulated depreciation	<u>(2,040,605)</u>	<u>(87,531)</u>	<u>-</u>	<u>(2,128,136)</u>
	832,039	(87,531)	-	744,508
Non-depreciable:				
Land	<u>5,992,415</u>	<u>-</u>	<u>-</u>	<u>5,992,415</u>
	\$ <u>6,824,454</u>	\$ <u>(87,531)</u>	\$ <u>-</u>	\$ <u>6,736,923</u>

(6) Commitments

GVB leases commercial space for its Japan offices with an annual rental commitment through September 30, 2019 as follows:

<u>Fiscal year</u>	<u>Annual Lease</u>
2017	\$181,026
2018	\$224,562
2019	\$224,562

The Japan office leases require a refundable security deposit. As of September 30, 2016 and 2015, security deposits were \$118,202 and \$118,202, respectively.

**GUAM VISITORS BUREAU**  
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Notes to Financial Statements  
September 30, 2016 and 2015

(7) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the years ended September 30, 2016 and September 30, 2015 follows:

	Outstanding October 1, <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	Outstanding September 30, <u>2016</u>
Accrued sick leave	\$ 155,338	\$ 58,303	\$ (43,533)	\$ 170,108
Net pension liability	<u>3,826,415</u>	<u>747,439</u>	<u>(59,938)</u>	<u>4,513,916</u>
	<u>\$ 3,981,753</u>	<u>\$ 805,742</u>	<u>\$ (103,471)</u>	<u>\$ 4,684,024</u>
	Outstanding October 1, <u>2014</u>	<u>Additions</u>	<u>Reductions</u>	Outstanding September 30, <u>2015</u>
Accrued sick leave	\$ 149,927	\$ 48,671	\$ (43,260)	\$ 155,338
Net pension liability	<u>3,783,577</u>	<u>260,418</u>	<u>(217,580)</u>	<u>3,826,415</u>
	<u>\$ 3,933,504</u>	<u>\$ 309,089</u>	<u>\$ (260,840)</u>	<u>\$ 3,981,753</u>

(8) Contingencies

GVB is exposed to various litigation inherent to its operations. However, there are no known cases pending in which GVB is exposed to liability.

(9) Appropriations from the Government of Guam

The Tourist Attraction Fund is a governmental fund of GovGuam that was established to fund various recreational projects and visitor industry activities. The Hotel Occupancy Tax (HOT) Surplus Fund was created by Public Law 32-068 to account for HOT tax collections received by the Tourist Attraction Fund in excess of Bureau of Budget and Management Research revenue estimates. During the years ended September 30, 2016 and 2015, total appropriations recorded by GVB from GovGuam are as follows:

	<u>2016</u>			<u>2015</u>		
	Tourist Attraction Fund	HOT Surplus Fund	<u>Total</u>	Tourist Attraction Fund	HOT Surplus Fund	<u>Total</u>
Operations	\$23,169,192	\$ 900,000	\$24,069,192	\$19,380,088	\$ -	\$19,380,088
Restricted	<u>430,000</u>	<u>250,000</u>	<u>680,000</u>	<u>390,000</u>	-	<u>390,000</u>
Total	23,599,192	1,150,000	24,749,192	19,770,088	-	19,770,088
Special Projects	95,654	1,000,000	1,095,654	2,370,666	-	2,370,666
FESTPAC	2,030,000	1,300,000	3,330,000	1,190,000	-	1,190,000
Pass-through to non-profit organizations	<u>775,500</u>	<u>600,000</u>	<u>1,375,500</u>	<u>942,000</u>	-	<u>942,000</u>
	<u>\$26,500,346</u>	<u>\$4,050,000</u>	<u>\$30,550,346</u>	<u>\$24,272,754</u>	<u>\$ -</u>	<u>\$24,272,754</u>

As of September 30, 2016 and 2015 receivables due from GovGuam associated with the above appropriations were \$3,829,000 and \$0, respectively.

**GUAM VISITORS BUREAU**  
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Notes to Financial Statements  
September 30, 2016 and 2015

(10) Restricted Net Position

As of September 30, 2016 and 2015, restricted net position is for The Rainy Day Fund per Public Law 30-116, FESTPAC & Folklife Festival Trust Account per Public Law 31-77, Chapter 10, Section 10, Public Law 31-233, Chapter 10, Section 13, Cultural and Sports Ambassadors Fund per Public Law 33-10, Korean Visitor Market Pilot Program per Public Law 33-112 and the Pale San Vitores Road Project per Public Law 29-113.

	<u>2016</u>	<u>2015</u>
Rainy Day Fund	\$ 2,083,620	\$ 2,095,310
FESTPAC & Folklife Festival Trust Account	-	2,735,800
Cultural and Sports Ambassadors Fund	379,250	170,000
Korean Visitor Market Pilot Program	250,000	-
Pale San Vitores Road Project	<u>182,138</u>	<u>-</u>
Total restricted	<u>\$ 2,895,008</u>	<u>\$ 5,001,110</u>

The changes in the restricted net position for the Rainy Day Fund, FESTPAC Folklife & Festival Trust Account, Cultural and Sports Ambassadors Fund, Korean Visitor Market Pilot Program, Pale San Vitores Road Project and PATA Meeting Fund are as follows:

	<u>2016</u>	<u>2015</u>
<b>Rainy Day Fund:</b>		
Beginning of year	\$2,095,310	\$ 1,872,412
Appropriations	200,000	220,000
Disbursements	(214,258)	(180)
Transfer from unrestricted	-	681
Interest	<u>2,568</u>	<u>2,397</u>
End of year	<u>\$2,083,620</u>	<u>\$ 2,095,310</u>
<b>FESTPAC Folklife &amp; Festival Trust Account:</b>		
Beginning of year	\$ 2,735,800	\$ 1,542,962
Transfer to CAHA	(4,289,776)	-
Transfer from CAHA	1,712,464	-
Appropriations	3,330,000	1,190,000
Other income	309,821	-
Disbursements	(3,789,450)	-
Bank charges	(66)	-
Interest	1,287	2,838
Due to FESTPAC	<u>(10,080)</u>	<u>-</u>
End of year	<u>\$ -</u>	<u>\$ 2,735,800</u>
<b>Cultural and Sports Ambassadors Fund:</b>		
Beginning of year	\$ 170,000	\$ -
Appropriations	230,000	170,000
Disbursements	<u>(20,750)</u>	<u>-</u>
End of year	<u>\$ 379,250</u>	<u>\$ 170,000</u>

**GUAM VISITORS BUREAU**  
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Notes to Financial Statements  
September 30, 2016 and 2015

(10) Restricted Net Position, Continued

	<u>2016</u>	<u>2015</u>
Korean Visitor Market Pilot Program:		
Beginning of year	\$ -	\$ -
Appropriations	<u>250,000</u>	<u>-</u>
End of year	\$ <u>250,000</u>	\$ <u>-</u>
Pale San Vitores Road Project:		
Beginning of year	\$ -	\$ -
Transfer	<u>182,138</u>	<u>-</u>
End of year	\$ <u>182,138</u>	\$ <u>-</u>

**GUAM VISITORS BUREAU**

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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**YEAR ENDED SEPTEMBER 30, 2016**

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

Required Supplemental Information (Unaudited)  
Schedule of Proportional Share of the Net Pension Liability  
Last 10 Fiscal Years\*

	2016	2015	2014
Total net pension liability	\$ 1,370,173,934	\$ 1,246,306,754	\$ 1,303,304,636
GVB's proportionate share of the net pension liability	\$ 4,513,916	\$ 3,826,415	\$ 3,783,577
GVB's proportion of the net pension liability	0.33%	0.31%	0.29%
GVB's covered-employee payroll**	\$ 449,193	\$ 399,808	\$ 324,561
GVB's proportionate share of the net pension liability as percentage of its covered employee payroll	1004.89%	957.06%	1165.75%
Plan fiduciary net position as a percentage of the total pension liability	53.50%	56.60%	53.45%

\* This data is presented for those years for which information is available.

\*\* Covered-employee payroll data from the actuarial valuation date with one-year lag.

See Accompanying Independent Auditors' Report.

**GUAM VISITORS BUREAU**  
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Required Supplemental Information (Unaudited)  
Schedule of Pension Contributions  
Last 10 Fiscal Years\*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 444,245	\$ 414,109	\$ 359,157
Contribution in relation to the actuarially determined contribution	<u>455,570</u>	<u>415,911</u>	<u>356,516</u>
Contribution deficiency (excess)	<u>\$ (11,325)</u>	<u>\$ (1,802)</u>	<u>\$ 2,641</u>
GVB's covered-employee payroll **	<u>\$ 449,193</u>	<u>\$ 399,808</u>	<u>\$ 324,561</u>
Contribution as a percentage of covered-employee payroll	101.42%	104.03%	109.85%

\* This data is presented for those years for which information is available.

\*\* Covered-employee payroll data from the actuarial valuation date with one-year lag.

See Accompanying Independent Auditors' Report.

**GUAM VISITORS BUREAU**

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**OTHER SUPPLEMENTARY  
INFORMATION**

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**YEAR ENDED SEPTEMBER 30, 2016**

**GUAM VISITORS BUREAU**  
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Special Tourist Attraction Fund Projects  
Supplementary Schedule of Cash Flows  
Years Ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Cash received from other sources	\$ 92,775	\$ 2,608
Cash paid to suppliers	<u>(532,978)</u>	<u>(2,027,611)</u>
Net cash used for operating activities	<u>(440,203)</u>	<u>(2,025,003)</u>
Cash flows from noncapital financing activities:		
Government of Guam contributions	<u>1,095,654</u>	<u>2,370,666</u>
Net change in cash	655,451	345,663
Cash at beginning of year	<u>1,908,644</u>	<u>1,562,981</u>
Cash at end of year	<u>\$ 2,564,095</u>	<u>\$ 1,908,644</u>
Reconciliation of deficiency from operations to net cash used for operating activities:		
Deficiency from operations	\$ (278,591)	\$ (2,157,122)
Increase in assets:		
Accounts receivable - others	(9,980)	-
(Decrease) increase in liabilities:		
Accounts payable	(215,930)	132,119
Due to operations fund	<u>64,298</u>	<u>-</u>
Net cash used for operating activities	<u>\$ (440,203)</u>	<u>\$ (2,025,003)</u>

See Accompanying Independent Auditors' Report.

**GUAM VISITORS BUREAU**

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Supplementary Schedule of Professional and Advertising Expenses  
Years Ended September 30, 2016 and 2015

<u>Professional Services</u>	<u>2016</u>	<u>2015</u>
Japan	\$ 6,559,489	\$ 5,782,019
Hong Kong/China	1,342,404	1,794,419
Korea	1,836,780	1,780,838
All Markets (Branding)	724,269	661,837
Destination Management and Improvement	2,805,095	1,512,256
Admin., Research, and Printing	1,257,104	701,954
Russia	241,293	419,848
Taiwan	348,962	385,658
Website	132,689	300,500
Australia, Philippines, and Pacific	230,817	191,979
United States	<u>125,925</u>	<u>115,949</u>
Total Professional Services	<u>\$ 15,604,827</u>	<u>\$ 13,647,257</u>
<u>Advertising Expenses</u>		
All others	\$ 4,538	\$ 30,676
Australia, Philippines, and Pacific	9,400	19,250
United States	-	3,750
Japan	1,240	2,933
Destination Management and Improvement	<u>1,305</u>	<u>908</u>
Total Advertising Expenses	<u>\$ 16,483</u>	<u>\$ 57,517</u>

See Accompanying Independent Auditors' Report.

**GUAM VISITORS BUREAU**

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Supplementary Schedule of Miscellaneous Expenses  
Years Ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Sponsorship	\$ 309,845	\$ 1,119,823
Other	210,281	167,203
Printing	130,200	90,963
Food and beverage	91,104	110,682
Dues and membership	38,065	33,494
Gifts and prizes	36,554	3,068
Postal and courier	35,872	24,751
Fees	27,720	23,031
Bank charges	<u>4,672</u>	<u>5,837</u>
	<u>\$ 884,313</u>	<u>\$ 1,578,852</u>

Supplementary Schedule of Employees and Salaries  
Years Ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Guam office:		
Annual payroll	<u>\$ 1,917,523</u>	<u>\$ 1,758,383</u>
Number of employees	<u>38</u>	<u>36</u>
Japan office:		
Annual payroll	<u>\$ 367,535</u>	<u>\$ 373,134</u>
Number of employees	<u>9</u>	<u>9</u>

See Accompanying Independent Auditors' Report.

**GUAM VISITORS BUREAU**

(A Component Unit of the Government of Guam)

Supplementary Schedule - Due to FESTPAC  
Year Ended September 30, 2016

Revenues:	
Legislative appropriations	\$ 3,330,000
Other collections	
Transfer in from CAHA	1,712,464
Sponsorship	221,666
Vendor fees	62,169
Media accreditation	16,975
Miscellaneous donations	9,011
Interest income	1,287
Total other collections	<u>2,023,572</u>
Total revenues	<u>5,353,572</u>
Expenditures:	
Transfer out to CAHA	4,289,776
Professional services	1,821,214
Food and beverage	590,046
Materials and supplies	490,488
Lease/Rental	311,977
Utility	224,047
Printing	91,595
Travel	81,392
Equipment	77,957
Miscellaneous	61,769
Advertising	38,965
Bank service charges	66
Total expenditures	<u>8,079,292</u>
Change in fund balance	<u>(2,725,720)</u>
Restricted fund balance at beginning of year	<u>2,735,800</u>
Ending fund balance - Due to FESTPAC	<u><u>\$ 10,080</u></u>

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

The Board of Directors  
Guam Visitors Bureau:

We have audited, in accordance with the 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, the financial statements of the Guam Visitors Bureau (GVB) and its Special Tourist Attraction Fund Projects, which comprise the statement of net position/balance sheet as of September 30, 2016, and the related statements of revenues, expenses and changes in net position, of operations and changes in fund balance and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 3, 2017.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered GVB's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of GVB's internal control. Accordingly, we do not express an opinion on the effectiveness of GVB's internal control.

*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 and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

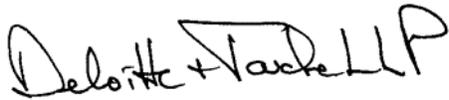
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## 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 grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

March 3, 2017