

February 8, 2013

Board of Directors
Guam Visitors Bureau:

Dear Members of the Board of Directors:

We have performed an audit of the financial statements of Guam Visitors Bureau (GVB) as of and for the year ended September 30, 2012, in accordance with auditing standards generally accepted in the United States of America (“generally accepted auditing standards”) and have issued our report thereon dated February 8, 2013.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of GVB is responsible.

OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS AND GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

Our responsibility under generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, have been described in our engagement letter dated November 1, 2012. As described in that letter, the objective of a financial statement audit conducted in accordance with the aforementioned standards is:

- To express an opinion on the fairness of GVB’s financial statements and the accompanying supplementary information, and to disclaim an opinion on the required supplementary information for the year ended September 30, 2012 in conformity with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”), in all material respects;
- To express an opinion on whether the supplementary information that accompanies the basic financial statements is presented fairly, in all material respects, in relation to the basic financial statements taken as a whole; and
- To report on GVB’s internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended September 30, 2012 based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.

Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared with the oversight of management and the Board of Directors are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Board of Directors of their responsibilities.

We considered GVB’s internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of GVB’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of GVB’s internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared with the oversight management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in GVB's 2012 financial statements include management's estimate of the allowance for doubtful accounts, which is determined based upon past collection experience and aging of the accounts, and management's estimate of depreciation expense, which is based on estimated useful lives of the respective capital assets. During the year ended September 30, 2012, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

AUDIT ADJUSTMENTS AND UNCORRECTED MISSTATEMENTS

Our audit of the financial statements was designed to obtain reasonable, rather than absolute assurance about whether the financial statements are free of material misstatements, whether caused by error or fraud. The material misstatements listed in Appendix I were brought to the attention of management as a result of our audit procedures and were corrected by management during the current period.

We have attached to this letter, as Appendix II, a summary of disclosure items passed aggregated by us during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

SIGNIFICANT ACCOUNTING POLICIES

GVB's significant accounting policies are set forth in Note 1 to GVB's 2012 financial statements. During the year ended September 30, 2012, there were no significant changes in previously adopted accounting policies or their application, except for the following pronouncements adopted by GVB:

- GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which amends Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and addresses issues related to the frequency and timing of measurements for actuarial valuations first used to report funded status information in OPEB plan financial statements.
- GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions (an amendment of GASB Statement No. 53)*, which will improve financial reporting by state and local governments by clarifying the circumstances in which hedge accounting continues to be applied when a swap counterparty, or a swap counterparty's credit support provider, is replaced.

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

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

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

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

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

In April 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The provisions of this statement are effective for periods beginning after December 15, 2012. Management has not yet determined the effect of implementation of this statement on the financial statements of GVB.

In April 2012, GASB issued Statement No. 66, *Technical Corrections - 2012*, which enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The provisions of this statement are effective for periods beginning after December 15, 2012. Management has not yet determined the effect of implementation of this statement on the financial statements of GVB.

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans*, which revises existing guidance for the financial reports of most pension plans, and Statement No. 68, *Accounting and Financial Reporting for Pensions*, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The provisions in Statement 67 are effective for financial statements for periods beginning after June 15, 2013. The provisions in Statement 68 are effective for fiscal years beginning after June 15, 2014. Management has not yet determined the effect of implementation of these statements on the financial statements of GVB.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to GVB's 2012 financial statements.

CONSULTATION WITH OTHER ACCOUNTANTS

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2012.

MANAGEMENT'S REPRESENTATIONS

We have made specific inquiries of GVB's management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations GVB is required to provide to its independent auditors under generally accepted auditing standards. We have attached to this letter, as Appendix III, a copy of the representation letter we obtained from management.

MAJOR ISSUES DISCUSSED WITH MANAGEMENT PRIOR TO OUR RETENTION

Throughout the year, routine discussions regarding the application of accounting principles or auditing standards were held with management in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions were not held in connection with our retention as auditors.

SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

In our judgment, we received the full cooperation of GVB's management and staff and had unrestricted access to GVB's senior management in the performance of our audit.

CONTROL-RELATED MATTERS

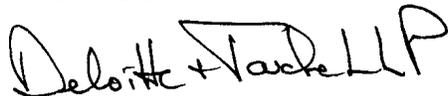
We have issued a separate report to you, also dated February 8, 2013, containing information regarding our consideration of GVB's internal control over financial reporting and our tests of its compliance with certain provisions of law, regulations, contracts and grant agreements.

We noted certain matters related to GVB's internal control over financial reporting that we reported to management of GVB in a separate letter dated February 8, 2013.

* * * * *

This report is intended solely for the information and use of the Board of Directors and management of the Guam Visitors Bureau and the Office of Public Accountability of Guam and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

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

Guam Visitors Bureau
 Audit Proposed Adjustments
 9/30/2012

Fund 100-200

Account # Name	Debit	Credit
1 AJE To reverse uncollected FY12 appropriations.		
1200 Accounts Receivable - GovGuam	-	25,932.74
2410 Deferred Revenue	557,970.19	-
4001 Revenue - GovGuam Appropriations	-	532,037.45
	557,970.19	557,970.19
To properly recognize FY13 receipts applied as FY12 revenues.		
2 AJE To adjust to restricted net assets.		
2002 Other Payables	944,184.00	-
3110 Net Assets - Unrestricted	944,184.00	-
3130 Restricted Reserve	-	944,184.00
5998 Pass-Thru Appropriations	-	944,184.00
	1,888,368.00	1,888,368.00
To adjust Rainy Day Fund and FESTPAC & Folklife Festival Trust Account to restricted net assets - expendable.		

Fund 300

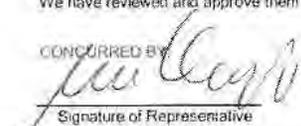
Account # Name	Debit	Credit
1 AJE To reverse uncollected FY12 appropriations for TAF.		
1200 Accounts Receivable - GovGuam	-	82,096.00
2410 Deferred Revenue	82,096.00	-
	82,096.00	82,096.00
To reverse uncollected FY12 appropriations for TAF.		

Note: Based on our understanding, we believe that the audit adjustments are not due to fraud or illegal acts. Rather, such constitute misstatements.

CONCURRENCE

We have reviewed and approve them on the basis of information we have provided to you.

CONCURRED BY



Signature of Representative

Rose Q. Cunliffe/Controller

Print Name and Title

APPENDIX II

Guam Visitors Bureau
Disclosure Item Passed
September 30, 2012

Appendix A

<u>Footnote Number</u>	<u>Footnote Title</u>	<u>Description of Omitted Disclosure</u>	<u>Dollar Amount of Omitted Disclosure</u>
none	none	Certain board members own or manage businesses with which the Guam Visitors Bureau transacts in the normal course of operations.	\$ 77,525

We have reviewed the disclosure items passed above as of September 30, 2012. The above disclosures are not material to the current fiscal year financial statements. The above are not the results of fraud or illegal acts.



Signature of Representative

Karl A. Pangelinan, General Manager
Print Name and Title



February 8, 2013

Deloitte & Touche LLP
361 South Marine Drive
Tamuning, Guam 96913

We are providing this letter in connection with your audits of the statements of net assets and balance sheets of the Guam Visitor's Bureau (a public corporation) and its Special Tourist Attraction Fund Projects, as of September 30, 2012 and 2011, and the related statements of revenue, expenses and changes in net assets and cash flows, and the related Fund statements of operations and fund balance, for the years then ended, for the purpose of expressing an opinion as to whether the financial statements and Fund financial statements present fairly, in all material respects, the financial positions, and results of operations and/or changes in fund balances and cash flows of the Corporation and of the Fund in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the following:

- a. The fair presentation in the financial statements and in the various Fund financial statements of the financial positions, results of operations and changes in the fund balances of the various funds and cash flows in conformity with accounting principles generally accepted in the United States of America (GAAP).
- b. The fair presentation of the required supplementary information, including Management's Discussion and Analysis, accompanying the basic financial statements and the Fund financial statements that are presented for the purpose of additional analysis for the basic financial statements and Fund financial statements.
- c. The design, implementation, and maintenance of programs and controls to prevent and detect fraud, including fraud related to federal awards.
- d. Establishing and maintaining effective internal control over financial reporting.
- e. The review and approval of the financial statements and related notes and acknowledge your role in the preparation of this information.

Certain representations in this letter are described as being limited to

matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audits.

1. The financial statements and Fund financial statements referred to above are fairly presented in conformity with GAAP. In addition:
 - a. The financial statements properly classify all funds and activities.
 - b. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved
 - c. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated
 - d. Required supplementary information is measured and presented within prescribed guidelines.
2. The Corporation has made available to you all:
 - a. Financial records and related data for all financial transactions of the Corporation and for all funds administered by the Corporation. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by the Corporation and provide the audit trail to be used in a review of accountability. Information presented in financial reports is supported by the books and records from which the financial statements have been prepared.
 - b. Minutes of meetings of directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There has been no:
 - a. Action taken by the Corporation's management that contravenes the provisions of federal laws and Guam laws and regulations or of contracts and grants applicable to the Corporation and for all funds administered by the Corporation.
 - b. Communication from other regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the financial statements.
4. We have completed our procedures to evaluate the accuracy and completeness of the disclosures in our financial statements. As a

result of the evaluation process, we identified certain disclosures that although required by GAAP, have been omitted from our financial statements. Those omitted disclosures that are regarded as more than clearly trivial are attached as Appendix A. We believe the effects of the omitted disclosures are quantitatively and qualitatively immaterial, both individually and in the aggregate, to the financial statements as a whole.

5. We have no knowledge of any fraud or suspected fraud affecting the Corporation involving (a) management, (b) employees who have significant roles in internal control over financial reporting, or (c) others if the fraud could have a material effect on the financial statements.
6. We have no knowledge of any allegations of fraud or suspected fraud affecting the Corporation received in communications from employees, former employees, analysts, regulators, or others.
7. There are no unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (ASC) No. 450, *Contingencies*.
8. We are responsible for compliance with local, state and federal laws, rules and regulations, and provisions of grants and contracts relating to the Corporation’s operations. We are responsible for establishing and maintaining the components of internal control relating to our activities in order to achieve the objectives of providing reliable financial reports, effective and efficient operations, and compliance with laws and regulations. The Corporation is responsible for maintaining accounting and administrative control over revenues, obligations, expenditures, assets, and liabilities.
9. There are no reportable conditions, including significant deficiencies and material weaknesses, in the design or operation of internal control that could adversely affect the Corporation’s ability to initiate, record, process, and report financial information.
10. Management has identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.
11. Based on our discussions during the course of the audit, management has made available to you the results of our assessment of the risk of whether the financial statements may be materially misstated as a result of fraud.

Except where otherwise stated below, matters less than \$12,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the financial statements.

12. There are no transactions that have not been properly recorded in the accounting records underlying the financial statements.
13. The Corporation has no plans or intentions that may affect the carrying value or classification of assets and liabilities.
14. The following, to the extent applicable, have been appropriately identified, properly recorded, and disclosed in the financial statements:
 - a. Except as disclosed in Appendix A, related-party transactions and associated amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral).
 - b. Guarantees, whether written or oral, under which the Corporation is contingently liable.
 - c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements.
15. In preparing the financial statements in conformity with GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:
 - a. It is at least reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events.
 - b. The effect of the change would be material to the financial statements.
16. The Corporation has not performed a formal risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud. However, management has made available to you their understanding about the risks of fraud in the Corporation and do not believe that the financial statements are materially misstated as a result of fraud.
17. There are no:
 - a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB ASC No. 450, *Contingencies*, except as disclosed and/or recorded in the financial statements.

18. The Corporation has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except as disclosed in the financial statements.
19. The Corporation has complied with all aspects of contractual agreements that would have an effect on the financial statements in the event of noncompliance.
20. No events have occurred subsequent to September 30, 2012, but before February 8, 2013, the date the financial statements were available to be issued, that require consideration as adjustments to or disclosures in the financial statements.
21. There are no control deficiencies in the design or operation of internal control over financial reporting that could adversely affect the Corporation's ability to initiate, record, process, and report financial information.
22. We are aware of the requirement to disclose to you any change in the Corporation's internal control over financial reporting that occurred during the Corporation's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting. However, no such disclosure has been made as no changes in the Corporation's internal control over financial reporting have occurred.
23. No Corporation or agency of the Federal Government or of the Government of Guam has reported a material instance of noncompliance to us.
24. In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The provisions of this statement are effective for periods beginning after June 15, 2010. Management does not believe that the implementation of this statement had a material effect on the financial statements of GVB.
25. In December 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which amends Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans. The provisions of Statement 57 related to the use and reporting of the alternative measurement method are effective immediately. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in OPEB plan financial statements for periods beginning

after June 15, 2011. Management does not believe that the implementation of this statement had a material effect on the financial statements of GVB.

26. In December 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of GVB.
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when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The provisions of this statement are effective for periods beginning after June 15, 2011. The implementation of this statement did not have a material effect on the financial statements of GVB.

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34. The Corporation is responsible for determining and maintaining the adequacy of the allowance for doubtful notes, loans, interfund receivables, and accounts receivable, as well as estimates used to determine such amounts. Management believes the allowances are adequate to absorb currently estimated bad debts in the account balances.
35. We have no intention of terminating any of our pension plans or taking any other action that could result in an effective termination or reportable event for any of the plans. We are not aware of any occurrences that could result in the termination of any of our pension plans to which we contribute.
36. We represent to you that, subsequent to September 30, 2012, there were no changes in internal control or other factors that might significantly affect internal control, including any corrective action taken by management with regard to reportable conditions (including material weaknesses).

37. The Corporation has obligated, expended, received, and used public funds of the Corporation in accordance with the purpose for which such funds have been appropriated or otherwise authorized by Guam or federal law. Such obligation, expenditure, receipt, or use of public funds was in accordance with any limitations, conditions, or mandatory directions imposed by Guam or federal law.
38. Money or similar assets handled by the Corporation on behalf of the Government of Guam or Federal Government have been properly and legally administered and the accounting and recordkeeping related thereto is proper, accurate, and in accordance with law.
39. GVB is involved in litigation, which is inherent to the operations of the Corporation. Management is of the opinion that liabilities of a material nature will not be realized.



Karl A. Pangelinan
General Manager



Rose Cunliffe
Controller

APPENDIX III, CONTINUED

Guam Visitors Bureau
Disclosure Item Passed
September 30, 2012

Appendix A

<u>Footnote Number</u>	<u>Footnote Title</u>	<u>Description of Omitted Disclosure</u>	<u>Dollar Amount of Omitted Disclosure</u>
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Signature of Representative

Karl A. Pangelinan, General Manager

Print Name and Title