

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

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

**YEARS ENDED SEPTEMBER 30, 2009 AND 2008
(RESTATED)**

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

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Guam Visitors Bureau:

We have audited the accompanying statements of net assets and balance sheets of Guam Visitors Bureau (GVB) (a component of the Government of Guam) and its Special Tourist Attraction Fund Projects as of September 30, 2009 and 2008, and the related statements of revenue, expenses, and changes in net assets, operations and fund balance, and of cash flows for the years then ended. These financial statements are the responsibility of GVB's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of GVB's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

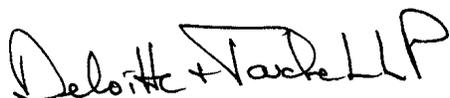
In our opinion, such financial statements present fairly, in all material respects, the financial position of GVB and its Special Tourist Attraction Fund Projects as of September 30, 2009 and 2008, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 11, the Guam Visitors Bureau restated its 2008 financial statements to reflect the effects of the redesignation of the Government of Guam Defined Benefit Pension Plan from a single-employer plan to a cost-sharing multiple-employer plan, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. Such information is the responsibility of the management of GVB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on pages 24 and 25 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This additional information is the responsibility of GVB's management. Such information has been subjected to the tests and other auditing procedures applied in our audit of the basic financial statements of GVB for the year ended September 30, 2009, and in our opinion, such information is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2010, on our consideration of the GVB's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

February 23, 2010

GUAM VISITORS BUREAU
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Management's Discussion and Analysis
Years Ended September 30, 2009 and 2008

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

ADMINISTRATIVE HIGHLIGHTS

A very difficult travel environment prevailed throughout the year, dominated first by the global financial meltdown and then later by the H1N1 virus. Financially, the Bureau was shorted nearly \$1.6 million or 12% of its authorized operating budget due to a -10.7% decline in total visitors. This was augmented by \$715,216 in membership "in-kind" contributions, which represented 6.2% of total cash allotments received during the year, and up more than two and a half times the \$268,513 contribution last year. As expected, Japan (78% of visitors) received nearly 70% of this in-kind support from a membership base of about 400 companies and individuals that contributed an additional \$41,969 in dues payment.

The dramatic rise in yen rate impacted our dollar based marketing allocation for Japan. The Bureau's foreign exchange account ended on a slightly negative note at \$24,872 due to the +12% yen gain. Timely funding transfers and quarterly payments based on the trailing quarter's exchange rates helped to lessen the impact of this exchange difference and is an improvement from last year's \$40,939 loss.

Of the \$10,820,017 received in 2009 allotments, 62% was spent on marketing, 20% in destination development, visitor satisfaction, and cultural or special events, and 18% on administrative expenses including payroll, building maintenance, rent, security, etc. An additional \$2 million was also appropriated (P.L. 30-22 and P.L. 30-23) and funds were used to intensify village outreach and cultural brand building initiatives, support eradication of the rhinoceros beetle, and update our Japan website. Some funding was also set aside to cover expenses from an allotment shortfall and provide for additional storage that will obviate the need to continue renting private warehouse space offsite.

MARKETING HIGHLIGHTS

Guam suffered an overall -10.7% drop in arrivals, ending the year with a combined 1,053,248 visitors from all markets. The serious decline in island visitors, which was anticipated to moderate following international measures aimed at resolving the global credit crisis in late 2008 and early 2009, worsened acutely in late April through July when fears from the H1N1 virus "epidemic" adversely impacted the leisure travel market. This negative travel environment was to linger through the rest of the year, although Japan saw some recovery in the last quarter with an increase of +8.6% YOY. This positive result was driven largely by a +21.9% September performance, which was the best September seen in four years. The combined late summer family travel and Japan's "silver week" can be credited for this outcome, but we ended the year at 817,628 visitors, a number well below the 894,035 seen in 2004 post two super typhoons, SARS, and the Gulf war combined. The H1N1 impact affected our Korea market the hardest. Despite a stronger Korean economy and more than a 10% strengthening (YOY) of the won, Korean arrivals ended the year down -27.9% to 83,803, a number even lower than the 92,451 visitors also seen in 2004.

This year's negative travel environment, however, did not significantly affect our smaller markets (11% of our visitor mix) which grew a combined +3% to 119,643. Taiwan's +4.5% increase and 22,191 visitors was a refreshing departure from last year's -6.1% performance and just 2% shy of matching the 22,621 visitors seen just two years prior. Visitors from the U.S. (+2.5%), the Philippines (+6.7%), and Micronesia (+1.6%) have all combined to help offset the steep drops from Japan and Korea, which in 2008 comprised 85% of total visitors.

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The progress made toward attracting more affluent visitors in Japan improved slightly from 36% to 37% of our Japanese visitor mix earning annual incomes of more than 7 million yen (\$74,000 @ 95 yen rate). And while this is a significant improvement from the 9% seen in 2005, the difficult business environment encouraged a volume driven strategy in the industry that increased the percentage mix of our Japan visitors earning less than 3 million yen (\$32,000) from 15% to 16% and eroded the average length of stay from 3.4 to 3.3 days. This "discounting" strategy to attract business did not improve our destination yield objectives, and local spending was essentially flat (+0.5%) to last year despite a +12% stronger yen. Part of this spending gap can be attributed to the shortened length of stay and the loss of extra local spending from a longer visit. In fact, the impact from this -0.1 day decline in visit duration represents an estimated loss of \$1,761,000 to the Tourist Attraction Fund and some \$16 million in hotel revenues alone. Put another way, this lost income could have improved average local spending by \$20.00 to \$625.71 per visitor.

We continued to focus on PR driven initiatives to leverage our marketing expenditures efficiently. And the \$2.2 million spent on these activities generated \$21.2 million in free advertising exposure, or nearly 10 times the return on our investment and twice the 5:1 policy ratio for such activities.

A major breakthrough in our China initiative may be forthcoming following the enactment of U.S. Public Law 110-229 in May 2008 and the pending decision by U.S. Department of Homeland Security to allow easier entry by Chinese and Russian visitors. In anticipation of this decision, we continue to prime the China market by supporting privately arranged charters, becoming embedded in China's travel trade institutions and supporting organized familiarization tours while judiciously advertising and promoting the island in selected publications. The Bureau is also collaborating with Guam International Airport management to facilitate direct air service between Guam and China.

Guam may also have access to a larger Australian market when Pacific Flyer, a newly formed Australian Company, institutes direct service from Brisbane. And next year's completion of the additional runway at Haneda opens up the opportunity for more convenient service to Guam, details for which we plan to address in 2010.

DESTINATION MANAGEMENT HIGHLIGHTS

Strengthening our unique Guam brand is of enormous significance if we are to wean ourselves from a "distribution driven" dependency to one having strong enough destination appeal to attract visitors at full value.

The Bureau's community outreach and destination branding initiatives gained momentum following the "I am Guam" and "We are Guam" campaign, which the village mayors and increasingly more public and private organizations have adopted. This rebranding program is aimed at encouraging island residents to "live" the island brand by being who they are, showcasing the cultural and historical heritage at the root of our destination identity, differentiating Guam from other destinations, and developing institutional capacity to support these efforts.

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

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

FINANCIAL HIGHLIGHTS

We will overview our financial statements for the fiscal years ending September 30, 2009, 2008 and 2007 in the following discussion. The following table summarizes the financial condition and operations of the Bureau for the fiscal years ended 2009, 2008 and 2007:

	<u>2009</u>	<u>2008</u> <u>(As Restated)</u>	<u>2007</u> <u>(As Restated)</u>
Assets			
Current assets	\$ 6,620,999	\$ 6,408,758	\$ 5,711,335
Other assets	133,125	133,125	133,125
Property and equipment, at cost, net	<u>7,317,824</u>	<u>7,325,743</u>	<u>7,415,384</u>
Total assets	<u>\$14,071,948</u>	<u>\$13,867,626</u>	<u>\$13,259,844</u>
Liabilities:			
Current liabilities	\$ 1,908,848	\$ 2,030,384	\$ 2,718,233
Unfunded pension cost	-	-	-
Accrued annual and sick leave	<u>91,865</u>	<u>86,478</u>	<u>176,119</u>
Total liabilities	<u>2,000,713</u>	<u>2,116,862</u>	<u>2,894,352</u>
Net assets:			
Invested in capital assets	7,317,824	7,325,743	7,415,384
Unrestricted	<u>4,753,411</u>	<u>4,425,021</u>	<u>2,950,108</u>
Total net assets	<u>12,071,235</u>	<u>11,750,764</u>	<u>10,365,492</u>
	<u>\$14,071,948</u>	<u>\$13,867,626</u>	<u>\$13,259,844</u>
Operating revenue	\$ 888,793	\$ 623,750	\$ 636,263
Operating expense	<u>12,852,812</u>	<u>12,679,676</u>	<u>11,822,209</u>
Operating revenues net of operating expenses	(11,964,019)	(12,055,926)	(11,185,946)
Nonoperating revenues, net	<u>12,284,490</u>	<u>13,441,198</u>	<u>12,111,291</u>
Change in net assets	<u>\$ 320,471</u>	<u>\$ 1,385,272</u>	<u>\$ 925,345</u>

The restatement pertains to the redesignation of the DB Plan by GovGuam's Department of Administration from a single-employer plan to a cost-sharing multiple-employer plan. Please refer to note 11 of the accompanying financial statements for additional details concerning information on this restatement.

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An 11% hotel occupancy tax funds the Bureau's operations as authorized through the Legislature's annual budget appropriations. In fiscal year 2009, Public Law 29-113 appropriated \$13.1 million for GVB operations and special projects. Although the Bureau received its full allotment in fiscal year 2008, this was not the same for fiscal year 2009 as the Bureau only recognized \$10.7M. This equates to 88% of the fiscal year appropriation for operations of \$12.2M.

Membership dues, in-kind contributions and foreign exchange transactions represent other sources of revenue, their combined total accounting for 8.2% or \$983,793 of total income. The Bureau only received \$10,820,017 in operational allotments during the fiscal year and \$949,500 in special project allotment.

Operational expenditures (expenditures less pass thru appropriations and expense authorized under P.L. 30-22) decreased \$792,000 (6%) from fiscal year 2008 in reaction to the anticipated decrease in occupancy taxes as a result of significant drops in tourist arrivals due to the swine flu (H1N1) outbreak. This loss in revenue impacted most the months of April thru July. Cost cutting measures implemented by management early in the fiscal year allowed the Bureau to meet its mission.

The increase in current assets of 3.3% is due primarily to the timing and subsequent payment of liabilities, receipt of consumption tax rebated by the government of Japan, and an increase in allotments receivable from the Government of Guam. Additionally, the Bureau's Board of Directors authorized the forgiveness of \$95K in receivables from Duty Free Shoppers (DFS) for their investment in a joint internet marketing project with the Bureau. The Directors agreed that the DFS outlay of more than \$700K on the \$1.2M project exceeded the agreed upon \$200K cost share for the "Gohoubi" project, an Internet marketing initiative designed to stimulate interest in, and subsequent travel to, Guam.

Gohuobi literally means "reward" in Japanese. The project entails a virtual tour of Guam's historic, cultural, and other attractions, the objectives being to:

- Expose Guam's interesting features outside of Tumon;
- Stimulate travel and claim "rewards" from several hundred prizes offered by participating local merchants, hotels, and other businesses; and
- Maximize the island's exposure using social media.

The project was a big success in terms of demonstrating the effectiveness of Internet marketing, but was discontinued due to lack of funding. Alternatively, the Bureau's Japan website was upgraded to provide a fresh new look and restructured to accommodate mobile devices and social media communication.

A recent determination by the Department of Administration labeling the "Defined Benefit Plan" (Government of Guam sponsored retirement plan) a cost-sharing multiple employer plan resulted in the Bureau's restatement of fiscal year 2008, which increased the unrestricted fund balance by \$394K.

Bureau management and staff maintained a financially conservative philosophy in managing its expenditures to avoid statutory penalties associated with expenditures beyond allotments. However, inconsistent and delayed receipt of these allotments continued to impact the Bureau's ability to effectively function within a dynamic market environment. This inconsistency, coupled with the unforeseen impact of the H1N1 outbreak made the planning and implementation of promotional events and campaigns difficult and seriously hampered our overseas marketing and advertising initiatives.

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CAPITAL ASSETS AND LONG-TERM DEBT

The Bureau is not capital intensive and therefore, significant capital asset activity did not occur in 2009, 2008 and 2007. For additional information regarding capital assets, please refer to note 4 to the financial statements.

Additionally, the Bureau has no long-term borrowings. However, additional information concerning its other long-term liabilities can be found in notes 3 and 6 to the financial statements.

Management's Discussion and Analysis for the year ended September 30, 2008 is set forth in the Bureau's report on the audit of the financial statements, which is dated March 5, 2009, and that Discussion and Analysis explains the major factors impacting the 2008 financial statements and can be viewed at the Office of the Public Auditor's website at www.guamopa.com.

OUTLOOK

First quarter 2010 results were flat to last year at 254,122 visitors, and was buoyed by the +3.9% increase from Japan. This trend builds on a very strong +8.6% Japan 4th quarter finish YOY and slowed the rate of declining arrivals at year end to -10.7%, a significant total year improvement from the -22% and -35% decreases in May and June, respectively.

Arrivals for the rest of FY2010 will continue to be anemic given Japan's continuing economic problems and growing concerns over Prime Minister Hatoyama's performance. This assessment can change dramatically in 2011, however, when the impact from increased Haneda service to Guam is felt, providing a more convenient Tokyo gateway where 50% or more of Guam's Japan visitors originate.

Korea offers significant promise for the last half of FY2010, following the announced Jin Air daily service to start in April. This will provide more seat capacity, offer consumer choice, and strengthen Guam's marketing presence in Korea. And the visa waiver status now extended to Hong Kong under Public Law 110-229, combined with twice weekly air service also recently announced by Continental, should generate more visits in 2010. The new visa waiver rules that took effect November 28 also extend visitor stays from a maximum 15 days to 45 days. It will open up English language study tour package opportunities and encourage longer stays. Finally, last year's negative travel environment did not significantly affect our smaller markets (11% of visitor mix) which grew a combined +3%. These small markets are likely to remain a stabilizing force in overall visitor arrival numbers throughout 2010 and 2011.

A favorable final ruling by the U.S. Department of Homeland Security is also anticipated, allowing easier entry by Chinese and Russian visitors. Both markets are significant to Guam for the diversification value and spending they can inject into the island's concentrated (but declining) source markets of Japan and Korea. The positive impact from this development, however, will not be felt until FY2011 and beyond.

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

GUAM VISITORS BUREAU
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Statements of Net Assets
September 30, 2009 and 2008

<u>ASSETS</u>	<u>2009</u>	<u>2008</u> (As Restated)
Current assets:		
Cash	\$ 3,896,404	\$ 4,479,624
Accounts receivable - Government of Guam	2,567,075	1,683,765
Accounts receivable - Membership	8,706	8,543
Accounts receivable - others	142,362	230,374
Prepaid expenses	<u>6,452</u>	<u>6,452</u>
Total current assets	6,620,999	6,408,758
Security deposit	133,125	133,125
Property and equipment, at cost, net	<u>7,317,824</u>	<u>7,325,743</u>
	<u>\$ 14,071,948</u>	<u>\$ 13,867,626</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 1,816,456	\$ 1,934,860
Accrued annual leave	<u>92,392</u>	<u>95,524</u>
Total current liabilities	1,908,848	2,030,384
Accrued sick leave	<u>91,865</u>	<u>86,478</u>
Total liabilities	<u>2,000,713</u>	<u>2,116,862</u>
Commitments and contingencies		
Net assets:		
Invested in capital assets	7,317,824	7,325,743
Unrestricted	<u>4,753,411</u>	<u>4,425,021</u>
Total net assets	<u>12,071,235</u>	<u>11,750,764</u>
	<u>\$ 14,071,948</u>	<u>\$ 13,867,626</u>

See accompanying notes to financial statements.

GUAM VISITORS BUREAU
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Statements of Revenue, Expenses, and Changes in Net Assets
Years Ended September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u> (As Restated)
Revenues:		
In-kind contributions from members and others	\$ 715,216	\$ 268,513
Consumption tax refund	226,608	299,216
Memberships	41,969	56,021
	<u>983,793</u>	<u>623,750</u>
Less:		
Bad debts	95,000	-
	<u>888,793</u>	<u>623,750</u>
Expenses:		
Professional services	7,302,377	8,005,287
Personnel	1,448,263	1,462,476
Community programs	743,750	-
Promotional in-kind contributions	715,216	268,513
Travel	359,155	477,309
Pass thru appropriations	340,467	70,328
Rent/lease	279,881	288,079
Repair and maintenance	258,031	402,340
Utilities	166,325	228,467
Grants	133,750	297,200
Depreciation	90,919	89,641
Material and supplies	49,931	83,579
Equipment	33,329	27,778
Advertising	31,860	158,639
Insurance	19,978	27,945
Miscellaneous	879,580	792,095
	<u>12,852,812</u>	<u>12,679,676</u>
Total operating expenses	<u>12,852,812</u>	<u>12,679,676</u>
Operating revenues net of operating expenses	<u>(11,964,019)</u>	<u>(12,055,926)</u>
Nonoperating revenues (expenses):		
Grants-in-aid from Government of Guam	12,162,519	13,358,948
Other nonoperating income (expense), net	96,869	61,116
Interest income	25,102	21,134
	<u>12,284,490</u>	<u>13,441,198</u>
Total nonoperating revenues, net	<u>12,284,490</u>	<u>13,441,198</u>
Change in net assets	320,471	1,385,272
Net assets at beginning of year	<u>11,750,764</u>	<u>10,365,492</u>
Net assets at end of year	<u>\$ 12,071,235</u>	<u>\$ 11,750,764</u>

See accompanying notes to financial statements.

GUAM VISITORS BUREAU
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Statements of Cash Flows
Years Ended September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u> (As Restated)
Cash flows from operating activities:		
Cash received from members	\$ 41,806	\$ 47,478
Cash received from other sources	314,996	311,665
Cash paid to employees	(1,081,137)	(1,114,514)
Cash paid to suppliers	<u>(11,080,196)</u>	<u>(11,898,832)</u>
Net cash used for operating activities	<u>(11,804,531)</u>	<u>(12,654,203)</u>
Cash flows from capital financing activities:		
Acquisition of property and equipment	<u>(83,000)</u>	<u>-</u>
Net cash used for capital financing activities	<u>(83,000)</u>	<u>-</u>
Cash flows from noncapital financing activities:		
Government of Guam appropriations	<u>11,279,209</u>	<u>13,343,383</u>
Net cash provided by noncapital financing activities	<u>11,279,209</u>	<u>13,343,383</u>
Cash flows from investing activities:		
Interest income	<u>25,102</u>	<u>21,134</u>
Net cash provided by investing activities	<u>25,102</u>	<u>21,134</u>
Net change in cash	(583,220)	710,314
Cash at beginning of year	<u>4,479,624</u>	<u>3,769,310</u>
Cash at end of year	<u>\$ 3,896,404</u>	<u>\$ 4,479,624</u>
Reconciliation of operating revenues net of operating expenses to net cash used for operating activities:		
Operating revenues net of operating expenses	\$ (11,964,019)	\$ (12,055,926)
Other nonoperating expense, net	96,869	61,116
Adjustments to reconcile operating revenues net of operating expenses to net cash used for operating activities:		
In-kind contribution from members and others	(715,216)	(268,513)
Promotional in-kind contributions	715,216	268,513
Depreciation	90,919	89,641
Decrease (increase) in assets:		
Accounts receivable	87,849	28,456
Increase (decrease) in liabilities:		
Accounts payable	(118,404)	(781,177)
Accrued annual and sick leave	<u>2,255</u>	<u>3,687</u>
Net cash used for operating activities	<u>\$ (11,804,531)</u>	<u>\$ (12,654,203)</u>

See accompanying notes to financial statements.

SPECIAL TOURIST ATTRACTION FUND PROJECTS

Balance Sheets
September 30, 2009 and 2008

<u>ASSETS</u>	<u>2009</u>	<u>2008</u>
Current assets:		
Restricted cash	\$ 422,358	\$ 207,990
Accounts receivable - Government of Guam	<u>79,125</u>	<u>-</u>
	<u>\$ 501,483</u>	<u>\$ 207,990</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
Current liabilities:		
Accounts payable	\$ 78,476	\$ 13,880
Fund balance:		
Appropriated retained earnings	<u>423,007</u>	<u>194,110</u>
	<u>\$ 501,483</u>	<u>\$ 207,990</u>

See accompanying notes to financial statements.

SPECIAL TOURIST ATTRACTION FUND PROJECTS

Statements of Operations and Fund Balance
Years Ended September 30, 2009 and 2008

	2009	2008
Revenues:		
Interest	\$ 709	\$ 727
Others	-	21,710
Total revenues	709	22,437
Expenses:		
Islandwide Roadway and Beautification	213,785	-
Tumon Landscaping Maintenance	205,863	-
Tumon and Hagatna Beach Cleaning and Maintenance	187,987	26,667
Contractual Services	75,685	-
Utilities	24,439	-
Miscellaneous	13,553	-
Tumon Beach Improvement Project	-	170,101
Total expenses	721,312	196,768
Loss from operations	(720,603)	(174,331)
Government of Guam contribution	949,500	-
Change in fund balance	228,897	(174,331)
Fund balance at beginning of year	194,110	368,441
Fund balance at end of year	\$ 423,007	\$ 194,110

See accompanying notes to financial statements.

SPECIAL TOURIST ATTRACTION FUND PROJECTS

Statements of Cash Flows
Years Ended September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Cash received from interest	\$ 709	\$ 727
Cash received from other sources	-	46,710
Cash paid to suppliers	<u>(656,716)</u>	<u>(378,499)</u>
Net cash used for operating activities	<u>(656,007)</u>	<u>(331,062)</u>
Cash flows from noncapital financing activities:		
Government of Guam contribution	<u>870,375</u>	<u>314,340</u>
Net cash provided by noncapital financing activities	<u>870,375</u>	<u>314,340</u>
Net change in cash	214,368	(16,722)
Cash at beginning of year	<u>207,990</u>	<u>224,712</u>
Cash at end of year	<u><u>\$ 422,358</u></u>	<u><u>\$ 207,990</u></u>
Reconciliation of loss from operations to net cash used for operating activities:		
Loss from operations	\$ (720,603)	\$ (174,331)
Decrease in assets:		
Interfund receivable - GVB operations	-	25,000
(Decrease) increase in liabilities:		
Accounts payable	<u>64,596</u>	<u>(181,731)</u>
Net cash used for operating activities	<u><u>\$ (656,007)</u></u>	<u><u>\$ (331,062)</u></u>

See accompanying notes to financial statements.

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

Notes to Financial Statements
September 30, 2009 and 2008

(1) Organization and Summary of Significant Accounting Policies

Organization

The Guam Visitors Bureau (GVB) is a public corporation established for the purpose of promoting the visitor industry in Guam. As a result of the application of Government Accounting Standards Board (GASB) Statement No. 14, the GVB is a component unit of the Government of Guam. GVB receives operating appropriations that derive from the Tourist Attraction Fund, as appropriated by the Guam Legislature.

Tourist Attraction Fund Projects

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

In-Kind Contributions

GVB receives in-kind contributions from its members and records such as of the date of receipt of the attendant goods or services. Title 12 of the Government Code Annotated states that the Legislature may condition payment of grants-in-aid to a matching requirement of in-kind contributions at a rate of no more than 20 cents for every 80 cents appropriated. However, this requirement was not imposed during the years ended September 30, 2009 and 2008.

GVB records in-kind contributions in the period received based on the value assigned by the grantor.

Cash

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

Property and Equipment

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

Foreign Currency Translation

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

Compensated Absences

Earned unpaid employee vacation leave is accrued at year end for financial statement purposes. Included in liabilities at September 30, 2009 and 2008 are amounts related to compensated absences earned but unused. The amounts are also included as a component of operating expense in the Statement of Revenues, Expenses, and Changes in Net Assets.

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

Notes to Financial Statements
September 30, 2009 and 2008

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

Estimates

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

Concentrations of Credit Risk

Financial instruments which potentially subject GVB to concentrations of credit risk consist principally of cash demand deposits and accounts receivable.

At September 30, 2009 and 2008, GVB has cash deposits in bank accounts that exceed federal depository insurance limits. GVB has not experienced any losses as a result of this practice.

Substantially all of GVB's accounts receivable are due from companies and government agencies based in Guam. GVB establishes an allowance for doubtful accounts based on management's evaluation of potential uncollectibility.

Risk Management

GVB is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries and illnesses; natural disasters and employee health, dental and accident benefits. Commercial insurance coverage is provided for claims arising from such matters. No losses as a result of this practice have occurred during the past three years.

Accounting Standards

GVB utilizes the flow of economic resources measurement focus. Its financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units using the accrual basis of accounting. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting* requires that proprietary activities apply all applicable GASB pronouncements as well as Statements and Interpretations issued by the Financial Accounting Standards Board (FASB), Accounting Principle Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989. GVB has implemented GASB 20 and elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

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

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

Notes to Financial Statements
September 30, 2009 and 2008

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

Accounting Standards, Continued

Net Assets:

Net assets represent the residual interest in GVB's assets after liabilities are deducted and consist of the following three sections:

- Invested in capital assets, net of related debt:
Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- Restricted:
Nonexpendable – Net assets subject to externally imposed stipulations that require GVB to maintain them permanently.
Expendable – Net assets whose use by GVB is subject to externally imposed stipulations that can be fulfilled by actions of GVB pursuant to those stipulations or that expire with the passage of time.
- Unrestricted:
Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action by management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

GVB does not have restricted net assets at September 30, 2009 and 2008.

New Accounting Standards

During fiscal year 2009, GVB implemented the following pronouncements:

- GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, which improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income.
- GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which improves financial reporting by contributing to the GASB's efforts to codify all GAAP for state and local governments so that they derive from a single source.
- GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, which incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants (AICPA) auditing literature into the GASB's accounting and financial reporting literature for state and local governments, and addresses three issues from the AICPA's literature - related party transactions, going concern considerations, and subsequent events.

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

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

Notes to Financial Statements
September 30, 2009 and 2008

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

New Accounting Standards, Continued

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

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which is intended to improve how state and local governments report information about derivative instruments - financial arrangements used by governments to manage specific risks or make investments - in their financial statements. The provisions of this statement are effective for periods beginning after June 15, 2009. The effect of the implementation of this statement on the financial statements of GVB has not been determined.

In December 2008, GASB issued Technical Bulletin No. 2008-1, *Determining the Annual Required Contribution Adjustment for Postemployment Benefits*, which clarifies the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for calculating the annual required contribution (ARC) adjustment. The provisions of this statement are effective for periods beginning after December 15, 2008. Management does not believe that the implementation of this statement will have a material effect on the financial statements of GVB.

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 will have a material effect on the financial statements of GVB.

(2) Cash

Deposits

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

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

- Category 1 Deposits that are federally insured or collateralized with securities held by GVB or its agent in GVB's name;
- Category 2 Deposits that are uninsured but fully collateralized with securities held by the pledging financial institution's trust department or agent in GVB's name; or

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

Notes to Financial Statements
September 30, 2009 and 2008

(2) Cash, Continued

Deposits, Continued

Category 3 Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent but not in GVB's name and non-collateralized deposits.

GASB Statement No. 40 amended GASB Statement No. 3 to in effect eliminate disclosure for deposits falling into categories 1 and 2 but retained disclosures for deposits falling under category 3. Category 3 deposits are those deposits that have exposure to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, GVB's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. GVB does not have a deposit policy for custodial credit risk.

As of September 30, 2009 and 2008, the carrying amount of GVB's total cash was \$3,896,404 and \$4,479,624, respectively, and \$422,358 and \$207,990, respectively, for the Special Tourist Attraction Fund projects. The corresponding bank balances were \$5,012,959 and \$5,072,166, respectively. Of the bank balances, \$4,994,861 and \$5,002,231, respectively, are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2009 and 2008, bank deposits in the amount of \$529,078 and \$144,776, 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, 2009 and 2008, cash held by GVB in the Special Tourist Attraction Funds Project are \$422,358 and \$207,990. These funds are for landscaping and beautification of Tumon Bay and other Tourist Attraction Projects.

(3) Employees' Retirement Plan

Employees of GVB hired before September 30, 1995 are under the Government of Guam Employees' Retirement System (a defined benefit, contributory pension plan). Employees hired after September 30, 1995, are members of the new Defined Contribution Retirement System (DCRS). Until December 31, 1999, and for several limited periods after December 31, 1999, those employees who are members of the defined benefit plan with less than 20 years of service at September 30, 1995, had the option to switch to the Defined Contribution Retirement System. Otherwise, they remained under the old plan.

The Defined Benefit Plan (DB Plan) and the DCRS are administered by the Government of Guam Retirement Fund, to which GVB contributes based upon a fixed percentage of the payroll for those employees who are members of the Plan. Statutory contribution rates are established by the Guam Legislature annually.

GUAM VISITORS BUREAU
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Notes to Financial Statements
September 30, 2009 and 2008

(3) Employees' Retirement Plan, Continued

Defined Benefit Plan

Plan Description:

GVB participates in the GovGuam Defined Benefit (DB) Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the GovGuam Retirement Fund (GGRF). The DB Plan provides retirement, disability, and survivor benefits to plan members who enrolled in the plan prior to October 1, 1995. Cost-of-living adjustments are provided to members and beneficiaries at the discretion of the Guam Legislature. Article 1 of 4 GCA 8, Section 8105, requires that all employees of GovGuam, regardless of age or length of service, become members of the DB Plan prior to the operative date. Employees of a public corporation of GovGuam, which includes GVB, have the option of becoming members of the DB Plan prior to the operative date. All employees of GovGuam, including employees of GovGuam public corporations, whose employment commences on or after October 1, 1995, are required to participate in the Defined Contribution Retirement System (DCRS). Hence, the DB Plan became a closed group.

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

Funding Policy:

As a result of actuarial valuations performed as of September 30, 2007, 2006, and 2005, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2009, 2008 and 2007, respectively, have been determined as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Normal costs (% of DB Plan payroll)	17.36%	17.94%	18.21%
Employee contributions (DB Plan employees)	<u>9.50%</u>	<u>9.50%</u>	<u>9.50%</u>
Employer portion of normal costs (% of DB Plan payroll)	<u>7.86%</u>	<u>8.44%</u>	<u>8.71%</u>
Employer portion of normal costs (% of total payroll)	3.70%	3.99%	4.26%
Unfunded liability cost (% of total payroll)	<u>19.68%</u>	<u>20.75%</u>	<u>20.66%</u>
Government contribution as a % of total payroll	<u>23.38%</u>	<u>24.74%</u>	<u>24.92%</u>
Statutory contribution rates as a % of DB Plan payroll			
Employer	<u>25.20%</u>	<u>24.07%</u>	<u>22.94%</u>
Employee	<u>9.50%</u>	<u>9.50%</u>	<u>9.50%</u>

GUAM VISITORS BUREAU
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Notes to Financial Statements
September 30, 2009 and 2008

(3) Employees' Retirement Plan, Continued

Defined Benefit Plan, Continued

Funding Policy:, Continued

GVB's contributions to the DB Plan for the years ended September 30, 2009, 2008 and 2007 were \$78,384, \$82,322 and \$86,865, respectively, which were equal to the required contributions for the respective year ended.

Defined Contribution Plan

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

Statutory employer contributions into the DCRS for the years ended September 30, 2009 and 2008 are determined using the same rates as the DB plan. Of the amount contributed by the employer, only 5% of the member's regular base pay is deposited into the member's individual account. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

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

GVB's contributions to the DCRS plan for the years ended September 30, 2009, 2008 and 2007 were \$146,135, \$184,450 and \$172,561, 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 \$91,865 and \$86,478 at September 30, 2009 and 2008, 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, 2009, 2008 and 2007, actual contributions paid were \$39,158, \$30,561 and \$8,434, respectively.

GUAM VISITORS BUREAU
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Notes to Financial Statements
September 30, 2009 and 2008

(4) Property and Equipment

Public Law 20-221, passed in December of 1990, authorized the Governor to transfer all title, right and interest in Lot No. 5174-C-3, containing an area of 3757+ square meters, to the Bureau. The Governor transferred the property in April of 1991 through a Grant Deed filed with the Department of Land Management. The value of the land is based on estimated fair value at the date of transfer. Public Law 20-221 states that should the Bureau be dissolved or no longer need the property, then the property, inclusive of any and all improvements, shall revert to the Government of Guam.

A summary of building, improvements and equipment at September 30, 2009 and 2008 is as follows:

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

	<u>Beginning Balance</u> <u>October 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u> <u>September 30, 2008</u>
Building	\$ 2,500,000	\$ -	\$ -	\$ 2,500,000
Leasehold improvements	140,846	-	-	140,846
Furniture and fixtures	83,023	-	-	83,023
Equipment	<u>53,181</u>	<u>-</u>	<u>-</u>	<u>53,181</u>
	2,777,050	-	-	2,777,050
Less accumulated depreciation	<u>(1,354,081)</u>	<u>(89,641)</u>	<u>-</u>	<u>(1,443,722)</u>
	1,422,969	(89,641)	-	1,333,328
Land	<u>5,992,415</u>	<u>-</u>	<u>-</u>	<u>5,992,415</u>
	<u>\$ 7,415,384</u>	<u>\$ (89,641)</u>	<u>\$ -</u>	<u>\$ 7,325,743</u>

(5) Commitments

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

<u>Year ending September 30,</u>	<u>Total</u>
2010	\$ <u>116,439</u>
	\$ <u>116,439</u>

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

GUAM VISITORS BUREAU
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Notes to Financial Statements
September 30, 2009 and 2008

(6) Long-Term Liabilities

A summary of changes in long-term liabilities during fiscal years 2009 and 2008 follows:

	Outstanding September 30, <u>2008</u>	<u>Additions</u>	<u>Reductions</u>	Outstanding September 30, <u>2009</u>
Accrued annual leave	\$ 95,524	\$ 75,096	\$ 78,228	\$ 92,392
Accrued sick leave	<u>86,478</u>	<u>28,265</u>	<u>22,878</u>	<u>91,865</u>
	\$ <u>182,002</u>	\$ <u>103,361</u>	\$ <u>101,106</u>	\$ <u>184,257</u>
	Outstanding September 30, <u>2007</u>	<u>Additions</u>	<u>Reductions</u>	Outstanding September 30, <u>2008</u>
Accrued annual leave	\$ 100,878	\$ 73,835	\$ 79,189	\$ 95,524
Accrued sick leave	<u>75,241</u>	<u>55,553</u>	<u>44,316</u>	<u>86,478</u>
	\$ <u>176,119</u>	\$ <u>129,388</u>	\$ <u>123,505</u>	\$ <u>182,002</u>

(7) Reclassifications

Certain 2008 balances have been reclassified to conform to the 2009 financial statement presentation.

(8) Contingencies

GVB is involved in various litigation inherent to its operations. Management is of the opinion that liabilities of a material nature will not be realized.

(9) Payments from Tourist Attraction Fund

The Tourist Attraction Fund is a governmental fund of the Government of Guam that was established to fund various recreational projects and visitor industry activities. During the years ended September 30, 2009 and 2008, appropriations received by GVB for operations and special projects from the Tourist Attraction Funds are \$13,112,019 and \$13,358,948, respectively, of which \$340,467 and \$70,328, respectively, is considered as pass-through funds to non-profit organizations.

(10) Related Party Disclosure

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

GUAM VISITORS BUREAU
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Notes to Financial Statements
September 30, 2009 and 2008

(11) Restatement

Subsequent to the issuance of GVB's 2008 financial statements, GovGuam's Department of Administration issued a determination concerning the redesignation of the DB Plan as a cost-sharing multiple-employer plan. Prior to this determination, the DB Plan was designated as a single-employer plan, requiring GVB to measure and disclose an amount for annual pension cost. Annual pension cost amounted to GVB's annual required contributions (ARC) to the plan with the difference between the ARC and actual required contributions recognized as a net pension obligation.

The redesignation of the DB Plan as a cost-sharing multiple-employer plan resulted in the reversal of the previously reported unfunded pension liability, totaling \$393,934, and related pension costs of \$45,902 as well as related disclosure. The effect on the 2008 financial statements as a result of this restatement is as follows:

	As Previously <u>Reported</u>	<u>As Restated</u>
At September 30, 2008:		
Unfunded pension liability	\$ <u>393,934</u>	\$ <u>-</u>
Net assets:		
Unrestricted	\$ <u>4,031,087</u>	\$ <u>4,425,021</u>
For the year ended September 30, 2008:		
Operating expenses:		
Personnel	\$ <u>1,508,378</u>	\$ <u>1,462,476</u>
Operating loss	\$ <u>(12,101,828)</u>	\$ <u>(12,055,926)</u>
Net assets:		
Beginning of the year	\$ <u>10,017,460</u>	\$ <u>10,365,492</u>
End of the year	\$ <u>11,356,830</u>	\$ <u>11,750,764</u>

GUAM VISITORS BUREAU
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Supplementary Schedule of Professional and Advertising Expenses
Years Ended September 30, 2009 and 2008

<u>Professional Expenses</u>	<u>2009</u>	<u>2008</u>
Japan	\$ 4,945,065	\$ 5,237,733
Destination Management & Improvement	723,283	990,635
Korea	721,181	664,045
Admin., Research, & Printing	273,578	428,447
Taiwan	215,141	292,905
Hong Kong/China	322,157	286,569
Australia, Phillipines, & Pacific	101,638	90,110
United States	334	14,843
	<hr/>	<hr/>
Total Professional Expenses	\$ <u>7,302,377</u>	\$ <u>8,005,287</u>
<u>Advertising Expenses</u>		
United States	\$ 12,310	\$ 55,378
Destination Management & Improvement	7,835	47,802
Japan	-	20,387
Australia, Phillipines, & Pacific	1,834	18,610
Korea	-	12,285
All others	9,881	4,177
	<hr/>	<hr/>
Total Advertising Expenses	\$ <u>31,860</u>	\$ <u>158,639</u>

See accompanying independent auditors' report.

GUAM VISITORS BUREAU

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Supplementary Schedule of Miscellaneous Expenses
Years Ended September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Other	\$ 173,039	\$ 182,057
Food and beverage	81,601	110,802
Printing	93,936	102,362
Consumption tax	131,748	101,757
Sponsorship	286,823	99,058
Fees	(771)	68,776
Dues and membership	52,931	67,428
Postal and courier	31,057	33,771
Gifts and prizes	28,000	25,704
Bank charges	1,216	380
	<u>\$ 879,580</u>	<u>\$ 792,095</u>

Supplementary Schedule of Employees and Salaries
Years Ended September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Guam office:		
Number of employees	<u>28</u>	<u>26</u>
Annual payroll	<u>\$ 1,083,392</u>	<u>\$ 1,118,201</u>

See accompanying independent auditors' report.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors
Guam Visitors Bureau:

We have audited the financial statements of the Guam Visitors Bureau (GVB), as of and for the year ended September 30, 2009, and have issued our report thereon dated February 23, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered GVB's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of GVB's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of GVB's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects GVB's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of GVB's financial statements that is more than inconsequential will not be prevented or detected by GVB's internal control.

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

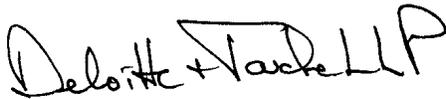
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether GVB's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted other matters involving the internal control over financial reporting that we have reported to management of GVB in a separate letter dated February 23, 2010.

This report is intended solely for the information and use of the Board of Directors and management of GVB, the Office of Public Accountability of Guam, the cognizant audit and other federal agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

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

February 23, 2010