

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

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

**YEARS ENDED SEPTEMBER 30, 2018 AND 2017
(AS RESTATED)**

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

Table of Contents
Years Ended September 30, 2018 and 2017

	<u>Page No.</u>
I. Independent Auditors' Report	1
II. Management's Discussion and Analysis	4
III. Financial Statements:	
Statements of Net Position	18
Statements of Revenues, Expenses, and Changes in Net Position	19
Statements of Cash Flows	20
Special Tourist Attraction Fund Projects Balance Sheets	21
Special Tourist Attraction Fund Projects Statements of Operations and Changes in Fund Balance	22
Notes to Financial Statements	23
IV. Schedules of Required Supplementary Information:	
Schedule of Proportionate Share of the Net Pension Liability-Defined Benefit Plan	49
Schedule of Proportionate Share of the Net Pension Liability- Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees	50
Schedule of Proportionate Share of the Net Pension Liability- Ad Hoc COLA Plan for DCRS Retirees	51
Schedule of Pension Contributions	52
Schedule of Changes in the Proportionate Share of the Total OPEB Liability and Related Ratios	53
Schedule of Proportionate Share of the Total OPEB Liability	54
Schedule of OPEB Contributions	55
V. Other Supplementary Information	
Special Tourist Attraction Fund Projects Supplementary Schedule of Cash Flows	57
Supplementary Schedule of Professional and Advertising Expenses	58
Supplementary Schedule of Miscellaneous Expenses	59
Supplementary Schedule of Employees and Salaries	60
VI. Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	61

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Guam Visitors Bureau:

Report on the Financial Statements

We have audited the accompanying financial statements of the Guam Visitors Bureau (GVB), (a component unit of the Government of Guam) and its Special Tourist Attraction Fund Projects, which comprise the statements of net position/balance sheets as of September 30, 2018 and 2017, and the related statements of revenues, expenses, and changes in net position, of operations and changes in fund balance, and of cash flows, where applicable, for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of GVB and its Special Tourist Attraction Fund Projects as of September 30, 2018 and 2017, and the respective changes in net position/fund balance and cash flows, where applicable, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of Matter

Implementation of New Accounting Standards

As discussed in Note 2 to the financial statements, in 2018, GVB adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result of adopting this standard, GVB has elected to restate its 2017 financial statements to reflect the adoption of this standard. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 17 as well as the Schedule of Proportionate Share of the Net Pension Liability on pages 49 through 51, and the Schedule of Pension Contributions on page 52, the Schedule of Changes in the Proportionate Share of the Total OPEB Liability and Related Ratios on page 53, the Schedule of Proportionate Share of the Total OPEB Liability on page 54, and the Schedule of OPEB Contributions on page 55, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by GASB who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

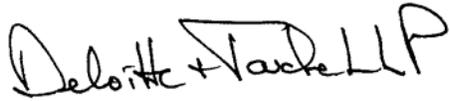
Other Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The Other Supplementary Information listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The Other Supplementary Information is the responsibility of GVB's management. The additional information on pages 57 through 60 was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States of America. In our opinion, the additional information on pages 57 through 60 is fairly stated, in all material respects, in relation to the financial statements as a whole.

The additional information on page 60 has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2019 on our consideration of GVB's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of GVB's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering GVB's internal control over financial reporting and compliance.

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

March 30, 2019

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

Management's Discussion and Analysis
Years Ended September 30, 2018 and 2017

ABOUT THE GUAM VISITORS BUREAU

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

ADMINISTRATIVE HIGHLIGHTS

Fiscal Year 2018 was the second-best year for total arrivals with Guam welcoming 1.52 million visitors. In fact, FY16 through FY18 hold the three top spots, with each year topping 1.5 million, becoming the most successful period in Guam's tourism history. Much of this accomplishment was due to GVB's focus on airline development initiatives and increased marketing efforts to include promotion of GVB signature events. The Bureau also increased digital marketing campaigns to include the award-winning #instaGuam campaign and Shop Guam app.

RESEARCH

Sales tax study

With the enactment of United States Public Law, no: 115-97, "The Tax Cut and Jobs Act of 2017," directly affecting the Government of Guam's fiscal position, lawmakers were challenged with creating new revenue streams to mitigate any deficits associated with the new tax law. As a result, a new "Sales Tax" along with an increase in Guam's Business Privilege Tax (BPT) were among the most feasible alternatives that were considered.

In an effort to understand the effects any increase in taxation may have on Guam's visitor industry, GVB completed the "Economic Impact of a New Sales Tax on Guam Tourism" and the "Economic Impact of Tax Increases to Guam Tourism" reports in June and July of 2018. Based on the reports, a new sales tax could cause Guam to lose approximately \$356 million to \$711 million while a combined increase in Hotel occupancy Tax (HOT) and BPT could realize a loss of \$201 million to \$525 million in visitor spending, over its first five years of implementation.

This represents a decrease of around 5.1% to 10.1% in visitor spending for a new sales tax and a 2.9% - 7.5% loss for a combined increase in HOT and BPT. Overall this equates to a loss of around 175,900 to 622,800 visitors over that same five-year period. The reports also stated the implementation of increased taxes could force the visitor industry, on average, to support 200-708 fewer jobs, with 156-553 of those being directly related to visitor establishments such as hotels, stores, and restaurants.

Consumer surveys

In FY2018, GVB also completed multiple "In-country consumer surveys" for the two major visitor markets, Japan and Korea. To provide valuable insights into the Japanese and Korean consumers, GVB conducted self-administered surveys throughout major consumer travel shows. Over 3,600 Japanese and Korean travelers participated in these surveys, enabling GVB to gain a greater understanding of their profiles, travel motivations, and their overall view of Guam as a destination. While the surveys yielded different results, some key findings showed online travel bookings continue to rise over the use of traditional travel agents with an average of about 68.5% of participants booking directly with hotels, airlines and travel websites.

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

Management's Discussion and Analysis
Years Ended September 30, 2018 and 2017

Soft launch of Interactive Dashboard

The Guam Visitors Bureau continues to serve as the main source for tourism statistical data and information. To provide better accessibility to the massive amounts of data collected, GVB has been working on a user-friendly interactive dashboard platform. An initial version of the platform was launched in August 2018 to GVB employees. This soft launch served as a tester phase for the platform providing stress test scenarios for our servers and allowed GVB's research team to make modifications accordingly. Once finalized, the research interactive dashboard will provide immediate access to the end-users and allow them to customize their data needs based on metrics like visitor arrival figures, demographics, and travel motivations.

MARKETING HIGHLIGHTS

Japan

The Japan market experienced several notable highlights in FY 2018, including the 2017 Guam MegaFam Tour which GVB hosted for over 300 Japan travel trade and media partners from November 30 – December 3, 2017.

The popular Japanese music sensation AKB48 brought hundreds of visitors to Guam and garnered millions in media exposure during the AKB48 Fan Tour on April 21, 2018. GVB also launched its Visit Guam 2018 theme of "#InstaGuam" with an endorsement from AKB48 members who were named Guam ambassadors for the annual campaign. In conjunction with the Japan Guam Travel Association, GVB welcomed nearly 30 top-level executives from Japan's travel trade industry for a VIP Fam Tour to experience the island as a world-class destination.

Overall, the number of Japanese travelers was expected to reach 329.4 million with 18.2 million people traveling overseas and 311.2 million traveling domestically within Japan. Japan outbound travel air seat capacity to Asian destinations may have increased by 5.7% and by 7.9% for destinations in Europe. Despite the increase for overseas destinations, research shows that short-haul destinations within Asia are still preferred. The outbound travel market has seen a decrease in overseas travel for people over 60 years of age, dropping from 17.5% in 2012 to 12.6% in the last five years. On the contrary, overseas travel for people in their late teens to their early twenties increased from 20% five years ago to 32.6%.

Women in their twenties represent the largest segment of female travelers and set new trends for destination choice and travel style. Outbound travel has increased as a result of tour package prices, the omission of fuel surcharges, and stronger JPY. Solo travel is a rising trend, especially among men and women over 60 years of age.

The decline in air service to Guam from the Japan market resulted in a year-over-year decrease in arrivals. To counteract the decline, air services development has become a top priority for the Bureau. In partnership with the Guam International Airport Authority (GIAA), GVB continued facilitation of two incentive programs, the Japan Air Service Support Program and the Japan Charter Flight Incentive Program. Since their launch, the programs have helped to minimize the impact of the decreased air service. Through these programs and partnerships with the travel trade community, the Japan market surpassed its goal for FY2018 achieving just over 530,000 arrivals.

The Bureau worked vigorously with airline partners this fiscal year to garner additional air service. As a result, Japan Airlines launched its second daily flight from Narita in March 2018 which will continue through March 2019. Jeju Air also increased service out of Osaka with a new flight that launched in July 2018. The Japan Charter Flight Incentive Program also helped to attract 324 charter flights equating to over 59,000 additional air seats.

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

Management's Discussion and Analysis
Years Ended September 30, 2018 and 2017

In sales, GVB worked closely with some of the most renowned Online Travel Agents (OTAs) including Rakuten and Expedia to develop campaigns that increased sales volume within specific periods. GVB also worked alongside airlines such as Korean Air, Japan Airlines, and T'way to launch campaigns that meet the diverse needs of Japanese travelers offering special discounted rates or special offers for choosing Guam as their next travel destination.

For advertising, GVB continued its aggressive approach in digital advertising by placing ads on various platforms with heavy traffic such as Google Display Network, Yahoo!, Expedia, and YouTube, using remarketing technology to draw potential visitors to campaign landing pages and partners' booking sites. There was also a strong presence in traditional media outlets, with transit and television ads running during the year. These advertisements were key factors in achieving over \$43 million in media value during FY2018.

And in Public Relations, tie-ins with popular Japanese television programs like "Pinko Izumi and IKKO's Pathway to Beauty" and "World Summer's Resort" also brought in millions of dollars in media value. Guam was also featured in various forms of print media such as the Travel with a Child Guam Guidebook and the GENIC Colorful Guam Guidebook, resources that Japanese travelers primarily use while traveling.

GVB continued this fiscal year in leveraging the power of social media to promote travel to Guam. Collaborations with AKB48 and Beautiful Destinations, establishing "InstaSpots" throughout the island, launching the InstaGuam landing page, and various contest activities led to increased followership on GVB Japan's Facebook, Twitter, and Instagram accounts.

GVB participated in 20 tradeshow and conventions and conducted 44 seminars/workshops, 1 cooperative project, 1 media FAM tour, and 2 travel trade fam tours in Japan. The Bureau garnered \$43,362,250 in traditional and online media exposure and held 3 online promotions. In all, GVB recorded FY2018 visitor arrivals from Japan at 530,057, a -21.4% variance from last year.

Korea

The South Korea market has grown to become Guam's top source market for the second year in a row. The island welcomed 752,715 Korean visitors in fiscal year 2018, making up more than 50% of the market share. These record-breaking numbers were achieved through the collaborative efforts of Guam's travel trade partners and Korean media.

Guam has seen an increase in overall seat capacity from Korea. In October 2017, Jin Air's Busan-Guam route increased flight service from four times per week to daily. In April 2018, Air Busan increased flight service from four times per week to five times per week. In June 2018, Air Seoul added a night flight. Lastly, Jeju Air launched indirect flights six times per week from Cheongju to Guam via Osaka.

GVB supported airlines with sales contests, marketing programs, and study tours with key agents, in an effort to sustain and grow service via Incheon and Busan. The Bureau also worked with airlines on collateral giveaways for seasonal promotions, destination marketing materials, and other media collaborations to feature our island destination.

In addition, GVB conducted more than 120 co-op projects with travel trade partners, media, and consumer brands in fiscal year 2018. The Bureau hosted three travel agent FAM tours in January, March, and July 2018 with niche and key travel agents in Seoul, Busan, Daegu, Gwangju, and Cheongju. Seminars were also held for more than 350 travel agents and media partners in Busan, Gwangju, and Daegu in October 2017. The Guam partners that participated were able to establish new business relationships with trade professionals and promote their properties and services.

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

Management's Discussion and Analysis
Years Ended September 30, 2018 and 2017

There was continued effort to promote the Guam brand on a global scale by exhibiting in top consumer and trade shows, including Mode Tour Travel Mart 2017, the inaugural Hana Tour International Show in Busan 2017, Hana Tour International Travel Show in Seoul 2018, KOTFA Show 2018, and Mode Tour Travel Mart 2018. Moreover, GVB conducted its second annual Guam Food Festival in June 2018 with more than 170 travel trade partners and media to increase awareness of Chamorro cuisine and culture.

To expand direct-to-consumer promotions, GVB launched official Naver Cafe and Kakao Friends SNS channels in South Korea. The Bureau additionally conducted a global marketing campaign with Beautiful Destinations and YouTube to promote the Visit Guam 2018 theme #instaGuam.

GVB also worked with digital influencers and artists in Fiscal Year 2018, including YouTuber Serim Hong in the production tour for the Shop Guam e-Festival. In January 2018, GVB announced child painter Hyun-Jin Lee and her family as the year's Honorary Guam Family Ambassadors. The family created a storybook of their trip to the island, produced by father, Kyu Chan and illustrated by his daughter Hyun Jin. The Lee family held an art exhibition entitled "Flower-Guam" that displayed Hyun-Jin's paintings of her unforgettable memories of Guam. In addition, GVB hosted a free Family Art Workshop at Plaza de España in collaboration with the Lee family on January 20. The Bureau also partnered with Lotte Department Store Gallery for an exhibition featuring paintings by local artist Dr. Judy Flores and influential Korean artists who produced paintings and murals during their visit to Guam in May 2018 for GVB's Eco-Wave Tour.

The artists produced a series of murals at Inarajan's natural pools, the largest of which focused on Guam's endemic Ko'ko' bird. Their artwork — inspired by Guam's natural beauty and clean environment — was displayed from August to October 2018 in three Lotte galleries in Youngdeungpo, Anyang, and Busan.

GVB promoted Guam as a sports destination via its memorandum of understanding with the Korea Professional Baseball Players Association. In December 2017, MBC Sports+ held its 3rd Annual Golf Tournament on Guam. The Bureau also hosted several media FAM tours during signature events, such as Korean model Eun Jung Hahm, singer Sean, and legendary marathon runner Lee Bong Ju during the United Guam Marathon. GVB also hosted Olympus and New Balance Kids during the Guam Micronesia Island Fair and worked with these two brands to recruit influential photographers who traveled to Guam to feature the Chamorro culture.

Furthermore, GVB participated in 5 trade shows and conventions, 8 seminars and workshops, and 127 cooperative projects. The Bureau garnered \$52,849,022,160.00 in total media exposure and held 7 travel trade FAM tours, 6 media FAM tours, and 45 online promotions in the Korea market.

Other Markets

The Guam Visitors Bureau participated in the Online Travel Mart (OTM) in Russia — an online expo which showed high efficiency and an excellent value for money for GVB members who participated. In all, Guam welcomed 3,995 pax from Russia in FY 2018, a 26.79% variance compared to FY 2017.

In North America, GVB partnered with leading advertising giant, Google, in an exclusive three-month program designed to maximize and transform GVB's digital marketing efforts. The campaign period covered both the 2017 Shop Guam e-Festival and 2018 instaGuam campaigns, during which GVB generated more than \$20 million in advertising impressions, 1.5 million video views, 100,000 click engagements, and 7,390 conversions. Guam welcomed 89,338 pax from North America, a 17.1% variance compared to last year.

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

Management's Discussion and Analysis
Years Ended September 30, 2018 and 2017

The Philippine market concluded FY 2018 tourism arrivals numbers with 19,025 pax from the Philippines, meeting its goal pax for the fiscal year. GVB also held its first ever #InstaGuam Fair from June 1-3, 2018, at the Bonifacio High Street in the Philippines.

The Bureau deepened its relations with China Airlines through strong networking meetings with the Guam government, Taiwan foreign ministry, and high-level China Airlines executives. The China market continued to shine in 2018 as the leader in spending, with the average on-island spend for Chinese visitors estimated at \$1,160.00 per person per trip. GVB completed 10 joint promotions with United Hong Kong Vacations and incorporated the production of a television program called "Fun Abroad" — the first TV program in the Hong Kong market about Guam in the past six years. They also reached an accumulative media value worth of \$442,300.00 in FY2018. In Taiwan, GVB participated in 4 shows, conducted 18 seminars and workshops, 12 cooperative projects, 2 media FAM tours, 1 trade FAM tour, and held 5 online promotions. They also garnered \$30,073,649 in total media exposure.

In the Pacific market, GVB secured a partnership with Apple Vacations in Kuala Lumpur, Malaysia as the Bureau looks to target new markets in Southeast Asia. An all-inclusive Guam travel package has been developed and is available in the market for approximate \$1,400. Finally, with more than 200 entries from 87 organizations worldwide, GVB won the 2018 Pacific Asia Travel Association Gold Award for its entry of the #instaGuam campaign in the "Marketing Media – Social Media Campaign, PG" category.

It is through its innovative programs and extraordinary efforts that the GVB marketing department was able to see a great return on its investments, programs and events in FY 2018, and make tangible progress for the visitor economy of our island.

Other Marketing Activities

During Fiscal Year 2018, the Guam Visitors Bureau successfully completed the 7th annual Shop Guam e-Festival. GVB attracted 178 merchants to participate in this award-winning international travel marketing campaign. There was a total of 265 exclusive retail offers promoted on the Shop Guam mobile app to visitors from Japan, Korea, Taiwan, Hong Kong, China, Russia, Philippines, North America, and to local residents here in Guam. The total new mobile app downloads reached 59,643 in less than 100 days driving more than 2 million mobile screen view exposures for our local businesses in Guam.

Meanwhile, the Bureau has produced 12 monthly digital 360 reports in Fiscal Year 2018. The report provides a global dashboard to capture the social media marketing, website marketing, and paid online advertising performances executed by the GVB overseas offices in Japan, Korea, Taiwan, Hong Kong, China, Philippines, Russia, and North America. The digital 360 report also monitors the online conversations mentioning Guam and its competitive in Japanese, Korean, Chinese, English, and Russian. The intelligence has helped the GVB management team to understand the online reputation sentiments toward Guam as a destination. GVB also utilizes the social media report dashboard and net promoter score analysis to develop marketing communications, campaign messaging, and a crisis response strategy.

Additionally, GVB successfully finished four industry stakeholder-training opportunities on emerging travel technology and mobile marketing. The Bureau provided education workshops to teach GVB members and local businesses about TripAdvisor marketing, ranking optimization and review management. GVB also introduced its iBeacon proximity marketing technique and QR Code mobile marketing technology. Moreover, GVB worked with the Google Brand Accelerator team from New York City in FY2018 to develop a comprehensive education and campaign to introduce the power of Google big data and programmatic advertising to its staff and industry members.

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

Management's Discussion and Analysis
Years Ended September 30, 2018 and 2017

To build upon stronger online presence, the end of 2018 set the stage for new and highly anticipated redesign of GVB's global websites. Each source market is now managing new responsive websites as part of a digital initiative for FY2018. With a 'mobile first' approach, the new sites include fully responsive design via secure HTTPS Domains that render seamlessly on desktops, tablets, and smartphones. Some of the benefits of advancing to responsive design that our source markets now benefit from include faster load times, better focus on relevant and desired content, as well as unlocked new capabilities like location detection (Geo Triggers). The responsive design of GVB's global sites also brings higher ranking among the search engines.

Other key components in the site redesign involve User Generated Content (UGC) and richer blog sections. The new responsive sites were built and are now managed with the latest CMS v3.0 (Content Management System), upgraded in recent months. The new CMS allows for 'real-time feedback' page-editing, making page-creating and editing faster and more efficient and better than ever. Another improvement features the Responsive Compatibility Module, an intuitive toggle that allows editors the ability to view their pages as it will appear on all major breakpoints (desktop, tablet, and mobile) while editing.

DESTINATION DEVELOPMENT HIGHLIGHTS

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

The Destination Management Committee (DMC) focuses on improving tourism infrastructure, safety and satisfaction. Over the years, GVB has taken on additional responsibilities originally tasked to other Government of Guam agencies. In FY2018, GVB continued its commitment to projects that continue to enhance the image of our island. Tumon Landscape maintenance and Beach Cleaning maintenance helped to keep Guam's main corridor and bay area in Tumon as an attractive area of high visitor activity. The annual Holiday Illumination project remains a popular draw during the Christmas holiday season. Island Road maintenance helps to keep tour routes clean. Lastly and most importantly, GVB continues to uphold a close relationship with other GovGuam entities and the private sector to address and resolve infrastructure issues.

Tumon Landscaping Maintenance: San Vitores Road from Bishop Flores Rotunda to Lotte Hotel, including JFK & Westin Hills. Scope of work includes tree & shrub trimming, grass cutting, sweeping/blowing of sidewalks, trash collection (including bus shelter trash collection).

Beach Cleaning Maintenance: Hagatna Bay (from Apotguan Beach Pavilion) to Onward Hotel and Tumon Bay (from Hilton to Gun Beach). Scope of work includes mechanical & manual beach raking, trash collection, tree and ground cover trimming.

Island Road Maintenance: Rt. 1 (Dededo Flea Market to Naval Station), Rt. 4 (Rt. 1-Chalan Laman, Inarajan) and Rt. 34 (Two Lovers Point). Scope of work included trash collection, grass cutting, scraping, edging and trimming.

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

Management's Discussion and Analysis
Years Ended September 30, 2018 and 2017

GVB further added to Guam's safety and beautification efforts by undertaking capital improvement projects and visitor attractions in Tumon, namely:

Bus Shelters: Total of 12 bus shelters at GVB, PIC, PIC across, Fountain Plaza, Hyatt across, Pacific Bay/Churrasco, Westin, Kracked Egg, Pacific Place, Holiday Resort, Sandcastle and Lotte Hotel.

Lastly, tied into the improvement of Guam's destination was the annual **Holiday Illumination**, which successfully featured a Christmas Village across Hyatt Regency. The Village attracted over several thousand visitors in FY18 from December 2018 to January 2019.

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

Aside from overseas marketing representation, the Cultural and Heritage division offers opportunities for on island projects that are coordinated by other organizations or government agencies. It awards qualified individuals, companies, or organizations with grant/sponsorship money related to promoting and perpetuating the Chamorro Culture.

Supported Organizations and Events:

- Agat Mango Festival
- Agat Mayor's Office – Christmas Lighting
- Chamorro Optimist Club – Cultural Workshops
- DFS Guam – Chamorro Month Activities
- DFS Guam – OBON 2018
- Guahan Publications – Book of Governors
- Guam Department of Education – Silibrasion Gupot Chamorro 2018
- Guam War Survivors Memorial Foundation – Gupot Chamorro
- Guam Women's Club – Mardi Gras 2018
- Japan Club of Guam – Japan Autumn Festival
- MagPro Awards
- Mayors Council of Guam – Senior Citizens Month
- Miss Earth Guam 2018
- Miss World Guam 2018
- Payu'Ta – 8th Non-Profit Congress
- PBS Guam – Liberation Day Live Broadcast
- Pink Ball
- Sanctuary, Inc. – 22nd Annual Too Cool To Do Drugs
- Sanctuary, Inc. – 8th Annual Youth Fest
- Sanctuary, Inc. – Love Our Kids 5K Run/Walk
- Sinajana Municipal Planning Council – St. Jude Thaddeus Fiesta Activities
- Tatuha Inc. – Guam Irensia Coming Home Tour
- Valley of the Latte – River Festival
- Westcare – 2018 Veteran Health Conference

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

Management's Discussion and Analysis
Years Ended September 30, 2018 and 2017

Guam Chamorro Dance Academy

The Guam Chamorro Dance Academy was first piloted in FY2010 in the Tokyo area targeting Hula Dance Clubs. Five two-day dance workshops were conducted with up to 70 pax attending each workshop conducted by Master of Chamorro Dance Frank Rabon. The program was successful in enticing people to learn more about Guam's unique heritage and people. As a result of growing interest, the program expanded to include other regions of Japan. A third Guma (cultural house) was also established in Tokyo by one of the participants of the academy. The dance academy also expanded in Taiwan to help foster not only cultural exchange between the Taiwanese and Chamorro people, but promoting travel between our two countries. Meanwhile, the Bureau also continues to work closely with various active stateside Chamorro dance group with the US-Guam Chamorro Dance Academy, which launched in California, Washington and North Carolina.

GVB has a vested interest in ensuring a safe and satisfying experience for our visitors. Visitor Safety & Satisfaction projects are aimed at improving conditions affecting visitor experiences of our island.

In 2014, the Visitor Safety Officer Program, which serves as a team of concierges, tour guides, security officers, and beach safety officers was created to be able to respond to safety and security incidents and provide basic visitor information for our visitors. In FY2016, beach safety and park patrol were added with a lifeguard tower set up North Tumon Bay and a roving patrol between Ypao & Matapang beach park to deter trash, public intoxication; and loitering. This program aims at augmenting the Guam Police Department and Department of Parks and Recreation services.

2018 Report

CONCIERGE	2018
Traffic Assistance	6,685
Giving Directions	8,805
Taking photos	1,745
Crosswalk Assistance	7,252
TOTAL:	24,487

SAFETY & SECURITY	2018
Homeless Encounters	2,405
Theft of Property	137
Automotive	143
Water related incidents	35
TOTAL:	2,720

Due to the massive growth in the Korean visitor market, the Guam Legislature saw the need to assist the industry and community and created the Korean Concierge Program. Since its inception, the program has served to provide concierge services to all visitors arriving from Korea to include a 24/7 call-center.

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

Management's Discussion and Analysis
Years Ended September 30, 2018 and 2017

2018 Report

FIT Top Ten Inquiries	2018
<i>Shopping Coupons</i>	16,614
<i>Shopping Mall Info</i>	12,213
<i>Shopping Shuttle Info</i>	8,587
<i>Airport Shuttle Bus</i>	5,363
<i>Optional Tour Info</i>	4,238
<i>Directions</i>	3,803
<i>Restaurant Info</i>	3,465
<i>Translation Services</i>	3,323
<i>Telephone</i>	2,398
<i>Airport Information</i>	1,843
TOTAL:	61,847

Travel Agency Traveler Top Ten Inquiries	2018
<i>Shopping Coupons</i>	13,372
<i>Shopping Shuttle Info</i>	4,216
<i>Shopping Mall Info</i>	3,667
<i>Directions</i>	3,052
<i>Airport Shuttle Info</i>	640
<i>Telephone</i>	632
<i>Option Tour Info</i>	594
<i>Translation</i>	334
<i>Restaurant Info</i>	271
<i>Trolley Bus Info</i>	261
TOTAL:	27,039

GVB monitors tour guides and tour sites throughout Guam. The **Tour Guide Certification Program** was formed under Public Law 23-136 requires the training and certification of all Guam tour guides. This law requires GVB to establish guidelines regulating the conduct and operations of tour companies, inclusive of personnel. The Guam Community College conducts the instructional portion of the program, while GVB issues identification badges and handles compliance activities. To ensure efficient and effective compliance with this program, GVB has contracted a Tour Guide Enforcement Officer. Under the TGC Program, we will continue to conduct an instructional review and update the program based on the current needs of Guam's tourism industry.

The experience that every visitor departs leaves a lifelong impression and this surmounts the satisfaction programs that showcase GVB's commitment to ensure the Håfa Adai spirit and the quality of each experience. In partnership with the Guam International Airport Authority (GIAA), the **Airport Ambassador Program** augments, when necessary, a service to provide passengers additional services at Customs & Quarantine / Customs & Border Patrol during the peak arrival periods. Airport ambassadors direct passengers to where they need to go and assist them in completing forms required for entry into Guam.

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

Management's Discussion and Analysis
Years Ended September 30, 2018 and 2017

GVB also provides a **Welcome Service Program** that extends a true Håfa Adai welcome for airport and cruise ship passengers as well as for incentive groups, inaugural flights, dignitaries, media and other special groups and events. Services include shell and flower lei greetings as well as cultural welcome dances.

As part of GVB support to the front-line industry workforce, GVB partnered with the Guam Hotel and Restaurant Association (GHRA) to create the **Hospitality Employees aRe Outstanding "HERO" Awards**. These awards recognize the outstanding contributions of front-line hospitality employees of the tourism industry. Implemented in 1992 as the Excellence in Tourism Awards, this program continues to receive favorable participation and support from Guam's community. The intent of the (HERO) for supervisory and non-supervisory program is to recognize outstanding front-line industry employees and organizations for their contribution to Guam's largest economic contributor. In doing so, GVB and GHRA have identified the categories of Håfa Adai Spirit; Rookie of the Year; HERO Middle Management; HERO Supervisory; HERO Non- Supervisory; Life Saving Award; Integrity Award.

GVB continues to develop signature sporting and cultural events and activities that aim to attract visitors to Guam. In addition, the islands yearly GVB's signature events provide visitors on island with added value while also providing new and unique experiences only found on Guam.

2018 GVB Signature Events

MBC Music K-Pop Concert on Guam
Guam BBQ Block Party
United Guam Marathon
Guam Ko'ko' Kids Fun Run
New Year's Eve Fireworks
30th Guam Micronesia Island Fair

GVB's Sports & Events division also continued to work cooperatively with local sports and cultural organizations to sponsor and support events that benefit the local community and tourism. GVB sponsorship funds allowed local events to enhance their visitor offering and experience with increased services, amenities, and products to help raise the standard and attractiveness of events on Guam.

Once again, the United Guam Marathon, Guam's premier running event, attracted runners from around the world – Australia, Canada, China, Czech Republic, Estonia, Finland, Germany, Hong Kong, Japan, Macao, New Zealand, Russia, Serbia, Singapore, South Korea, the Philippines and Palau - to enjoy Guam's biggest marathon event held each year in April.

2018 GVB Sponsored Events

17th Annual Guam Governors Cup Ladies Golf Tournament
Upshift Events/Trench Events
Rakuten Japan Tennis Open
IBA Rubber Baseball Tourney (Japan)
Korean Festival
GHRA Friday Night Market
NTA Cup Boys and Girls Baseball Tourney
Roque Martinez Risin MMA
NESTA FEST GUAM
T GALLERIA by DFS Food Festival
Nissan Guam Amateur Golf Championship
Shoyoroll & Friends Guam
Inspire Guam
International Gospel Fest
Guam LGBT Pride Event
House of Diosa Pride LGBTQ event

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

Management's Discussion and Analysis
Years Ended September 30, 2018 and 2017

Guam Spraycation
KTF Payless 5K
Food Obsession
Marianas Open Jiu Jitsu
Heineken Laugh Factory
Submit Bronze
Kids Fishing Derby Dept of Agriculture
Pig Hunting Derby
Boyz to Men Concert

GVB Sports Grant Awards (Non-Profit)

Guam ACES Dragon Boat Racing
Tour of Guam
36th Smokin' Wheels
Guam Futures Tennis Tournament

GVB Sports Ambassador Grant Awards

Micronesian Sports Foundation/Guam Elite Basketball
Figo'/Bonsai Jui Jitsu
Guam Cal Ripken 9 year old
Rovers Club International
Jasmine Nadres
Outrigger Guam Canoe Club
Guam Little League (9-12 year old)
Raymond Blas Guam Junior Golf
Guam Dragon Boat Federation Inc
Guahan Women Masters Softball Association
World Baseball Showcase
Ivan Sablan (Junior Golf)
Guam Women Islanders Softball Association
Guam Islander Softball
Guam Rugby Union Women's National 7's Team
Skip Entertainment
Cara Flores
Guam Bowling Congress
Guam Under 15 Boys
Guam Basketball Confederation
Trench Challenge

Through GVB's support of these events, the Bureau was able to attract thousands of people to Guam's shores, offering the opportunity for visitors and local residents to share in many different aspects of the island's hospitality.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The implementation of this statement had a material effect on the accompanying financial statements resulting in the restatement of GVB's 2017 financial statements to reflect the reporting of an OPEB liability, deferred inflows of resources and deferred outflows of resources for its OPEB program and the recognition of OPEB expense in accordance with the provisions of GASB Statement No. 75. Refer to note 1 for cumulative change and Note 5 for details of GASB No. 75.

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

Management's Discussion and Analysis
Years Ended September 30, 2018 and 2017

FINANCIAL HIGHLIGHTS

The following table summarizes the financial condition and Operations of the Bureau for the fiscal years ended 2018, 2017, and 2016:

	2018□	2017 (As Restated)	2016 (As Restated)
Assets			
Current assets	\$ 20,568,765	\$ 20,010,727	\$ 18,573,431
Other assets	133,230	133,230	118,202
Property and equipment, at cost, net	6,478,527	6,561,860	6,649,392
Total assets	27,180,522	26,705,817	25,341,025
Deferred outflows from OPEB	620,916	657,515	53,697
Deferred outflows from pension	642,778	740,012	744,507
Total assets and deferred outflows	\$ 28,444,216	\$ 28,103,344	\$ 26,139,229
Liabilities:			
Current liabilities	\$ 3,771,867	\$ 4,720,898	\$ 3,511,452
OPEB liability	5,672,967	5,779,432	4,728,112
Net pension liability	4,553,021	5,445,987	5,012,556
Accrued sick leave	34,016	166,006	170,108
Total liabilities	14,031,871	16,112,323	13,422,228
Deferred inflows from OPEB	486,129	-	-
Deferred inflows from pension	239,149	53,500	10,652
Total liabilities and deferred inflows	14,757,149	16,165,823	13,432,880
Net position:			
Net investment in capital assets	6,478,527	6,561,860	6,649,392
Unrestricted	4,915,613	3,082,449	7,836,364
Restricted	2,292,927	2,293,212	(1,779,407)
Total net position	13,687,067	11,937,521	12,706,349
Total liabilities, net position	\$ 28,444,216	\$ 28,103,345	\$ 26,139,229
Operating revenue	\$ 2,272,218	\$ 1,176,221	\$ 1,302,861
Operating expense	(25,723,329)	(23,701,951)	(26,295,279)
Operating revenues net of operating expenses	(23,451,111)	(22,525,730)	(24,992,418)
Non-operating revenues, net	25,200,657	21,756,902	22,169,348
Change in net position	\$ 1,749,546	\$ (768,828)	\$ (2,823,070)

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

Management's Discussion and Analysis
Years Ended September 30, 2018 and 2017

The 11% hotel occupancy tax funds the Bureau's operations, authorized through the Legislature's annual budget appropriations. In fiscal year 2018, Public Law 34-42 appropriated \$22,335,216 from the Tourist Attraction Fund (TAF) and \$1,500,000 from the TAF fund balance for GVB operations. The Bureau was able to recognize \$23,835,216 of its appropriation for Operations, of which \$2,039,601 remained uncollected as of 09/30/18. Of the appropriations recognized, \$4,000,000 was appropriated and allocated to the Korean Visitors Market Pilot Program.

PL 34-42 also appropriated \$790,000 to the Guam Visitors Bureau for pass-thru entities, \$200,000 to the Rainy Day Fund, and \$200,000 for Cultural and Sports Ambassador Fund, and \$50,000 for the Cruise Ship Industry Development Program. The Bureau was able to recognize all appropriations for pass-thru entities, the Rainy Day Fund, the Cultural and Sports Ambassador Fund, and the Cruise Ship Industry Development Program.

The FY18 TAF collections were 2% less than the previous year, totaling \$43,181,165. Hotel occupancy was 85.1% in FY18 compared to 85.4% in FY17 and average room rates increased to \$206 from \$203 in FY17.

Direct appropriations from the Tourist Attraction Fund increased about 18% in FY 2018, from \$17,849,983 in FY 2017 to \$21,087,281. In PL 34-42, TAF revenue projections for FY 2018 were \$44,662,497 and total appropriations from the TAF were \$44,662,497. Comparing the total FY 2018 appropriation from the TAF (\$44,662,497) to the actual collections (\$43,181,165), resulted in a shortage of \$1,481,332.

Membership dues decreased 61% from \$93,411 in FY 2017 to \$36,420. The decrease is attributed to a non-voting year for the Board of Directors. In-kind contributions increased about 941% to \$1,253,600 from \$120,424 in FY 2017. This significant increase is due to the recovery and marketing efforts in Japan after the North Korea news event.

Marketing was the largest expenditure at \$16.8 million in Professional Services, with Japan and Korea representing the largest share at a combined \$10 million. Personnel salaries and benefits accounted for 9% of total expenditures at \$2,429,695.

CAPITAL ASSETS AND LONG-TERM DEBT

The Bureau is not capital intensive and therefore, significant capital asset activity did not occur in 2018, 2017 and 2016. For additional information regarding capital assets, please refer to Note 6 to the financial statements.

Additionally, the Bureau has no long-term borrowings. However, for additional information concerning its other long-term liabilities, please refer to Note 8 to the financial statements.

Management's Discussion and Analysis for the year ended September 30, 2017 is set forth in the Bureau's report on the audit of the financial statements, which is dated April 11, 2018, and that Discussion and Analysis explains the major factors impacting the 2017 financial statements and can be viewed at the Office of the Public Auditor's website at www.opaguam.org.

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

Management's Discussion and Analysis
Years Ended September 30, 2018 and 2017

OUTLOOK

Guam's tourism industry continues to be the foundation of our island economy. In the 55 years since its inception, it has never evolved as rapidly as it has over the past several years. The continued diversification of Guam's visitor market mix coupled with the rise of Low Cost Carriers (LCCs) has seen record numbers year-over-year for the island. Guam welcomed 1.52 million visitors from around the world in FY2018. While this establishes 2018 as the second highest year in visitor arrivals, it also marks the first overall decline for the industry since 2009. Although many factors contributed to this regression, the North Korean rhetoric with the United States back in August 2017 along with recent natural disasters have all but shaken the island's very delicate industry.

Fiscal Year 2018 recorded a 2.3% decrease compared to 2017, but arrivals for FY2019 are anticipated to make a full recovery. Initial projections are targeting 1.60 million visitors, a 5.5% increase compared to 2018. This growth originates from the news of increased seat capacity and additional flights from Guam's airline partners.

Based on GVB's Tourism 2020 strategic plan, Guam anticipated visitor arrivals to reach heights of around 1.75 million by 2020. This goal was contingent upon the island's ability to provide additional rooms and incentivize reinvestment into existing properties. As local partnerships were formed to bring new hotel investments with the Special Hotel Qualifying Certificate Program, the issues with our H-2 labor force has left investors contemplating the viability and timelines of their projects. With only the Tsubaki Tower currently in development, the goal of reaching 10,000 rooms in the next two years has proven to be a more difficult task than anticipated. As of 2018, there are around 8,883 available rooms for Guam's visitors. In addition, occupancy rates are currently averaging around 87%, indicating the island's hotels are reaching its limits in accommodations.

Another significant challenge the island must consider is the declining infrastructure and overall quality of our "product." With the rise of social media playing a more primary role in the visitor experience, the need to reinvest in Guam's parks, roads, hotels, and overall infrastructure is crucial in establishing a sustainable visitor industry. As visitors seek more spectacles and sights for unique experiences, Guam must provide updated and easily accessible settings for them to discover.

Guam's tourism industry continues to diversify and evolve as it faces new challenges in the coming years. The rise of the Korean market combined with growing numbers from emerging and secondary markets have all played a key role in keeping the island's visitor industry thriving. However, the volatile nature of the travel industry only strengthens the importance of continuing to invest in Guam's main economic driver in order to ensure manageable and sustainable growth for island residents.

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

Statements of Net Position
September 30, 2018 and 2017

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>2018</u>	<u>2017</u> (As Restated)
Current assets:		
Cash - unrestricted	\$ 13,885,027	\$ 14,390,076
Cash - restricted	1,535,353	2,504,198
Investments	2,567,898	2,537,450
Accounts receivable - Government of Guam	2,039,601	140,000
Accounts receivable - others	522,161	421,414
Prepaid expenses	<u>18,725</u>	<u>17,589</u>
Total current assets	20,568,765	20,010,727
Security deposit	133,230	133,230
Capital assets:		
Nondepreciable capital assets	5,992,415	5,992,415
Depreciable capital assets, net of accumulated depreciation	<u>486,112</u>	<u>569,445</u>
Total assets	<u>27,180,522</u>	<u>26,705,817</u>
Deferred outflows of resources:		
Deferred outflows from OPEB	620,916	657,515
Deferred outflows from pension	<u>642,778</u>	<u>740,012</u>
Total deferred outflows of resources	<u>1,263,694</u>	<u>1,397,527</u>
	<u>\$ 28,444,216</u>	<u>\$ 28,103,344</u>
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u>		
Current liabilities:		
Accounts payable	\$ 3,572,849	\$ 4,559,222
Accrued annual leave	154,718	142,976
Unearned income	<u>44,300</u>	<u>18,700</u>
Total current liabilities	3,771,867	4,720,898
OPEB liability	5,672,967	5,779,432
Net pension liability	4,553,021	5,445,987
Accrued sick leave	<u>34,016</u>	<u>166,006</u>
Total liabilities	<u>14,031,871</u>	<u>16,112,323</u>
Deferred inflows of resources:		
Deferred inflows from OPEB	486,129	-
Deferred inflows from pension	<u>239,149</u>	<u>53,500</u>
Total deferred inflows of resources	<u>725,278</u>	<u>53,500</u>
Commitments and contingencies		
Net position:		
Net investment in capital assets	6,478,527	6,561,860
Restricted - expendable	2,292,927	2,293,212
Unrestricted	<u>4,915,613</u>	<u>3,082,449</u>
Total net position	<u>13,687,067</u>	<u>11,937,521</u>
	<u>\$ 28,444,216</u>	<u>\$ 28,103,344</u>

See accompanying notes to financial statements.

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

Statements of Revenues, Expenses, and Changes in Net Position
Years Ended September 30, 2018 and 2017

	2018	2017 (As Restated)
Revenues:		
In-kind contributions from members and others	\$ 1,253,600	\$ 120,424
Consumption tax refund	715,657	411,083
Other income	266,541	551,303
Memberships	36,420	93,411
Total operating revenues	2,272,218	1,176,221
Expenses:		
Professional services	16,821,872	16,850,942
Personnel	2,429,695	3,596,177
Promotional in-kind contributions	1,253,600	120,424
Travel	844,689	809,853
Advertising	320,320	31,044
Rent/lease	203,981	225,449
Utilities	202,360	226,463
Material and supplies	169,439	224,414
Equipment	141,218	37,231
Printing	101,514	107,554
Depreciation	83,333	87,532
Consumption tax	61,119	43,681
Grants	51,250	111,619
Repairs and maintenance	45,630	90,083
Miscellaneous	2,993,309	1,139,485
Total operating expenses	25,723,329	23,701,951
Operating revenues net of operating expenses	(23,451,111)	(22,525,730)
Nonoperating revenues (expenses):		
Grants-in-aid from Government of Guam:		
Operations	26,203,484	22,767,472
Pass through	790,000	1,085,000
Pass through appropriations	(790,000)	(1,085,000)
Federal revenues	-	35,000
Interest income	48,426	33,949
Other nonoperating revenues (expenses), net	(1,051,253)	(1,079,519)
Total nonoperating revenues (expenses), net	25,200,657	21,756,902
Change in net position	1,749,546	(768,828)
Net position at beginning of year	11,937,521	12,706,349
Net position at end of year	\$ 13,687,067	\$ 11,937,521

See accompanying notes to financial statements.

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

Statements of Cash Flows
Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u> (As Restated)
Cash flows from operating activities:		
Cash received from members	\$ 62,020	\$ 40,206
Cash received from other sources	881,452	916,464
Cash paid to employees	(1,920,675)	(1,892,728)
Cash paid to suppliers	<u>(23,767,299)</u>	<u>(19,361,282)</u>
Net cash used for operating activities	<u>(24,744,502)</u>	<u>(20,297,340)</u>
Cash flows from noncapital financing activities:		
Government of Guam appropriations	25,093,883	27,541,472
Federal grants received	-	35,000
Other receipts (disbursements), net	(1,051,254)	(1,079,519)
Cash paid to pass-through entities	<u>(790,000)</u>	<u>(1,085,000)</u>
Net cash provided by noncapital financing activities	<u>23,252,629</u>	<u>25,411,953</u>
Cash flows from investing activities:		
Interest income received	<u>17,979</u>	<u>21,676</u>
Net change in cash	(1,473,894)	5,136,289
Cash at beginning of year	<u>16,894,274</u>	<u>11,757,985</u>
Cash at end of year	<u>\$ 15,420,380</u>	<u>\$ 16,894,274</u>
Consisting of:		
Unrestricted	\$ 13,885,027	\$ 14,390,076
Restricted	<u>1,535,353</u>	<u>2,504,198</u>
Cash at end of year	<u>\$ 15,420,380</u>	<u>\$ 16,894,274</u>
Reconciliation of operating revenues net of operating expenses to net cash used for operating activities:		
Operating revenues net of operating expenses	\$ (23,451,111)	\$ (22,525,730)
Adjustments to reconcile operating revenues net of operating expenses to net cash used for operating activities:		
Depreciation	83,333	87,532
Non-cash OPEB costs, net	416,263	447,502
Non-cash pension costs (benefits), net	(610,083)	480,774
Decrease (increase) in assets:		
Accounts receivable - other	(100,747)	(45,923)
Due from Special TAF Projects fund	-	64,298
Prepaid expense	(1,136)	(11,137)
Increase (decrease) in liabilities:		
Accounts payable	(986,373)	1,279,368
Accrued annual and sick leave	(120,248)	(20,819)
Unearned income	<u>25,600</u>	<u>(53,205)</u>
Net cash used for operating activities	<u>\$ (24,744,502)</u>	<u>\$ (20,297,340)</u>

See accompanying notes to financial statements.

SPECIAL TOURIST ATTRACTION FUND PROJECTS

Balance Sheets
September 30, 2018 and 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Current assets:		
Restricted cash	\$ 520,955	\$ 604,666
Accounts receivable	<u>180,556</u>	<u>4,235</u>
	<u>\$ 701,511</u>	<u>\$ 608,901</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Accounts payable	\$ <u>180,556</u>	\$ <u>61,154</u>
Fund balance:		
Committed - Tourism	<u>520,955</u>	<u>547,747</u>
	<u>\$ 701,511</u>	<u>\$ 608,901</u>

See accompanying notes to financial statements.

SPECIAL TOURIST ATTRACTION FUND PROJECTS

Statements of Operations and Changes in Fund Balance
Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenues:		
Other	\$ <u>181,216</u>	\$ <u>95,911</u>
Expenditures:		
Palacio reconstruction	176,000	-
Tumon Bay lighting improvements	18,927	1,673,998
Graffiti Removal	4,556	14,850
Tumon bus shelters	2,125	18,700
Tumon and Hagatna Beach cleaning and maintenance	-	44,387
Tumon landscaping maintenance	-	20,187
Streetlight repair	-	14,100
Project management:		
Tumon Bay lighting improvements	6,400	100,276
Miscellaneous	<u>-</u>	<u>5,695</u>
Total expenditures	<u>208,008</u>	<u>1,892,193</u>
Changes in fund balance	(26,792)	(1,796,282)
Fund balance at beginning of year	<u>547,747</u>	<u>2,344,029</u>
Fund balance at end of year	\$ <u><u>520,955</u></u>	\$ <u><u>547,747</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, 2018 and 2017

(1) Organization and Summary of Significant Accounting Policies

Organization

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

Tourist Attraction Fund Projects

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

In-Kind Contributions

GVB receives in-kind contributions from its members and records such as of the date of receipt of the attendant goods or services. Title 12 of the Guam Code Annotated states that the Legislature may condition payment of grants-in-aid to a matching requirement of in-kind contributions at a rate of no more than 20 cents for every 80 cents appropriated. However, this requirement was not imposed during the years ended September 30, 2018 and 2017.

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

Cash

For purposes of the statements of net position, balance sheets and the statements of cash flows, cash is defined as cash on hand, cash deposits in banks, and time certificates of deposit with initial maturities of three months or less. Investments in time certificates of deposit with original maturity dates greater than three months are separately classified on the statements of net position.

Capital Assets

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

Foreign Currency Translation and Risk

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

As of September 30, 2018 and 2017, GVB's unrestricted cash includes \$540,691 and \$874,605 respectively, settled in a foreign currency. GVB is exposed to the risk of unfavorable changes in the exchange rate that may occur.

A loss on foreign exchange transactions of \$66,301 and \$62,041 was recognized for the years ended September 30, 2018 and 2017, respectively.

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

Notes to Financial Statements
September 30, 2018 and 2017

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

Deferred Outflows of Resources

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

Deferred Inflows of Resources

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

Compensated Absences

Earned unpaid employee vacation leave is accrued at year end for financial statement purposes. Included in liabilities at September 30, 2018 and 2017 are amounts related to compensated absences earned but unused. The amounts are also included as a component of operating expense in the statements of revenues, expenses, and changes in net position.

Pensions

Pensions are required to be recognized and disclosed using the accrual basis of accounting. GVB recognizes a net pension liability for the defined benefit pension plan in which it participates, which represents GVB's proportional share of excess total pension liability over the pension plan assets – actuarially calculated – of a single employer defined benefit plan, measured one year prior to fiscal year-end and rolled forward. The total pension liability also includes GVB's proportionate share of the liability for ad hoc cost-of-living adjustments (COLA) and supplemental annuity payments that are anticipated to be made to defined benefit plan members and for anticipated future COLA to DCRS members. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and are amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

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

Notes to Financial Statements
September 30, 2018 and 2017

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

Other Postemployment Benefits (OPEB)

OPEB is required to be recognized and disclosed using the accrual basis of accounting. GVB recognizes an OPEB liability for the defined benefit OPEB plan in which it participates, which represents GVB's proportionate share of total OPEB liability - actuarially calculated - of an agent multiple employer defined benefit plan, measured one year prior to fiscal year-end and rolled forward. An OPEB trust has not been established, thus the OPEB plan does not presently report OPEB plan fiduciary net position. Instead, the OPEB plan is financed on a substantially "pay-as-you-go" basis.

Changes in the total OPEB liability during the period are recorded as OPEB expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in total OPEB liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the qualified OPEB plan and recorded as a component of OPEB expense beginning with the period in which they are incurred.

Estimates

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

Concentrations of Credit Risk

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

At September 30, 2018 and 2017, 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.

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

Notes to Financial Statements
September 30, 2018 and 2017

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

Basis of Accounting

GVB utilizes the flow of economic resources measurement focus. Its financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units using the accrual basis of accounting. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

Net Position

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

- Net investment in capital assets:
Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- Restricted:
Nonexpendable – Net position subject to externally imposed stipulations that require GVB to maintain them permanently.

Expendable – Net position whose use by GVB is subject to externally imposed stipulations that can be fulfilled by actions of GVB pursuant to those stipulations or that expire with the passage of time.

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

Fund Balance

Governmental fund balances are classified as follows:

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

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

Notes to Financial Statements
September 30, 2018 and 2017

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

Fund Balance, Continued

- Unassigned - includes negative fund balances in other governmental funds.

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

A formal minimum fund balance policy has not been adopted.

New Accounting Standards

During the year ended September 30, 2018, GVB implemented the following pronouncements:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The implementation of this statement had a material effect on the accompanying financial statements resulting in the restatement of GVB's 2017 financial statements to reflect the reporting of an OPEB liability, deferred inflows of resources, and deferred outflows of resources for its OPEB program and the recognition of OPEB expense in accordance with the provisions of GASB Statement No. 75. The implementation of GASB Statement No. 75 results in GVB reporting deferred outflows of resources of \$53,697 and an OPEB liability of \$4,728,112 as of October 1, 2016. GVB's net position as of October 1, 2016 and GVB's statement of revenues, expenses, and changes in net position for the year ended September 30, 2017 have been restated to reflect the required adjustments as follows:

	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
As of October 1, 2016:			
Net position	\$ <u>17,380,764</u>	\$ <u>(4,674,415)</u>	\$ <u>12,706,349</u>
For the year ended September 30, 2017:			
Change in net position	\$ <u>(321,326)</u>	\$ <u>(447,502)</u>	\$ <u>(768,828)</u>
As of September 30, 2017:			
Deferred outflows of resources related to OPEB	\$ <u> -</u>	\$ <u> 657,515</u>	\$ <u> 657,515</u>
OPEB liability	\$ <u> -</u>	\$ <u> 5,779,432</u>	\$ <u> 5,779,432</u>
Net position	\$ <u>17,059,438</u>	\$ <u>(5,121,917)</u>	\$ <u>11,937,521</u>

- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, which improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

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

Notes to Financial Statements
September 30, 2018 and 2017

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

New Accounting Standards, Continued

- GASB Statement No. 85, *Omnibus 2017*, which address practice issues that have been identified during implementation and application of certain GASB Statements including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt.

Except for GASB Statement No. 75, the implementation of these statements did not have a material effect on GVB's financial statements.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset. The provisions in Statement No. 83 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The provisions in Statement No. 88 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions in Statement No. 89 are effective for fiscal years beginning after December 15, 2019. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The provisions in Statement No. 90 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

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

Notes to Financial Statements
September 30, 2018 and 2017

(2) Cash

Deposits

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

GASB Statement No. 40 requires disclosures for deposits that have exposure to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, GVB's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. GVB does not have a deposit policy for custodial credit risk.

As of September 30, 2018 and 2017, the carrying amount of GVB's total cash was \$15,420,380 and \$16,894,274, respectively, and \$520,955 and \$604,666, respectively, for the Special Tourist Attraction Fund projects. The corresponding bank balances were \$15,556,716 and \$17,099,291, respectively. Of the bank balances, \$15,033,447 and \$16,224,686, respectively, are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance and deposits in the amount of \$338,843 and \$359,986, 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 balances are classified as restricted due to the specific nature and purpose of their existence. As of September 30, 2018 and 2017, cash held by GVB in the Special Tourist Attraction Funds Project is \$520,955 and \$604,666, respectively. These funds are for landscaping and beautification of Tumon Bay and other Tourist Attraction Projects.

As of September 30, 2018 and 2017, restricted cash held by GVB in the Rainy Day Fund is \$1,227,958 and \$2,025,363, respectively. These funds are used to support identified activities to meet unforeseen or unanticipated challenges resulting from a natural or man-made disaster that has occurred on Guam or from external economic conditions that severely affect tourism.

As of September 30, 2018 and 2017, restricted cash held by GVB in the Cultural and Sports Ambassadors Fund is \$307,395 and \$478,835, respectively. These funds are to be used to provide grants for transportation expenses for off-island travel by cultural and sports ambassadors.

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

Notes to Financial Statements
September 30, 2018 and 2017

(3) Short-term Investments

Short-term investments at September 30, 2018 and 2017, include certificates of deposit in the amount of \$2,567,898 and \$2,537,450, respectively, which are fully FDIC insured.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, GVB will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. As of September 30, 2018 and 2017, GVB's short-term investments are held and administered by investment managers in the name of GVB in accordance with GVB's investment policy.

(4) Pensions

GVB is statutorily responsible for providing pension benefits for GVB employees through the GovGuam Retirement Fund (GGRF).

A. General Information About the Pension Plans:

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

Members of the DB Plan who retired prior to October 1, 1995, or their survivors, are eligible to receive annual supplemental annuity payments. In addition, members of the DB Plan and the DCRS Plan who retired prior to September 30, 2017 are eligible to receive an annual ad hoc cost of living allowance (COLA).

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.

Plan Membership: As of September 30, 2017 (the measurement date), plan membership consisted of the following:

DB members:	
Inactive employees or beneficiaries currently receiving benefits	7,279
Inactive employees entitled to but not yet receiving benefits	4,289
Active employees	<u>2,058</u>
	13,626
DCRS members:	
Active employees	<u>9,027</u>
	<u>22,653</u>

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

Notes to Financial Statements
September 30, 2018 and 2017

(4) Pensions, Continued

A. General Information About the Pension Plans, Continued:

Benefits Provided: The DB Plan provides pension benefits to retired employees generally based on age and/or years of credited service and an average of the three highest annual salaries received by a member during years of credited service, or \$6,000, whichever is greater. Members who joined the DB Plan prior to October 1, 1981 may retire with 10 years of service at age 60 (age 55 for uniformed personnel); or with 20 to 24 years of service regardless of age with a reduced benefit if the member is under age 60; or upon completion of 25 years of service at any age. Members who joined the DB Plan on or after October 1, 1981 and prior to August 22, 1984 may retire with 15 years of service at age 60 (age 55 for uniformed personnel); or with 25 to 29 years of service regardless of age with a reduced benefit if the member is under age 60; or upon completion of 30 years of service at any age.

Members who joined the DB Plan after August 22, 1984 and prior to October 1, 1995 may retire with 15 years of service at age 65 (age 60 for uniformed personnel); or with 25 to 29 years of service regardless of age with a reduced benefit if the member is under age 65; or upon completion of 30 years of service at any age. Upon termination of employment before attaining at least 25 years of total service, a member is entitled to receive a refund of total contributions including interest. A member who terminates after completing at least 5 years of service has the option of leaving contributions in the GGRF and receiving a service retirement benefit upon attainment of the age of 60 years. In the event of disability during employment, members under the age of 65 with six or more years of credited service who are not entitled to receive disability payments from the United States Government are eligible to receive sixty six and two-thirds of the average of their three highest annual salaries received during years of credited service. The DB Plan also provides death benefits.

Supplemental annuity benefit payments are provided to DB retiree members in the amount of \$4,238 per year, but not to exceed \$40,000 per year when combined with their regular annual retirement annuity. Annual COLA payments are provided to DB retiree and DCRS members in a lump sum amount of \$2,000. Both supplemental annuity benefit payments and COLA payments are made at the discretion of the Guam Legislature, but are funded on a "pay-as-you-go" basis so there is no plan trust. It is anticipated that ad hoc COLA and supplemental annuity payments will continue to be made for future years at the same level currently being paid.

On September 20, 2016, the Guam Legislature enacted Public Law 33-186, which created two new government retirement plans; the DB 1.75 Plan and the Guam Retirement Savings Plan (GRSP). Commencing April 1, 2017 through September 30, 2018, eligible employees may elect, during the "election window", to participate in the DB 1.75 Plan or the GRSP with an effective date of January 1, 2018. Beginning January 1, 2018, all new employees shall be automatically enrolled in the GRSP. New employees have sixty (60) days from the date of hire to elect to participate in the DCRS.

The DB 1.75 Plan is open for participation by certain existing employees, new employees, and reemployed employees who would otherwise participate in the DC Plan or the new GRSP and who make election on a voluntary basis to participate in the DB 1.75 Plan by December 31, 2017. Employee contributions are made by mandatory pre-tax payroll deduction at the rate of 9.5% of the employee's base salary while employer contributions are actuarially determined. Members of the DB 1.75 Plan automatically participate in the GovGuam deferred compensation plan, pursuant to which employees are required to contribute 1% of base salary as a pre-tax mandatory contribution.

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

Notes to Financial Statements
September 30, 2018 and 2017

(4) Pensions, Continued

A. General Information About the Pension Plans, Continued:

Contributions and Funding Policy: Contribution requirements of participating employers and active members to the DB Plan are determined in accordance with Guam law. Employer contributions are actuarially determined under the One-Year Lag Methodology. Under this methodology, the actuarial valuation date is used for calculating the employer contributions for the second following fiscal year. For example the September 30, 2016 actuarial valuation was used for determining the year ended September 30, 2018 statutory contributions. Member contributions are required at 9.55% of base pay.

As a result of actuarial valuations performed as of September 30, 2016, 2015 and 2014, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2018, 2017 and 2016, respectively, have been determined as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Normal costs (% of DB Plan payroll)	15.97%	16.27%	15.86%
Employee contributions (DB Plan employees)	<u>9.55%</u>	<u>9.55%</u>	<u>9.54%</u>
Employer portion of normal costs (% of DB Plan payroll)	<u>6.42%</u>	<u>6.72%</u>	<u>6.32%</u>
Employer portion of normal costs (% of total payroll)	1.60%	1.87%	1.94%
Unfunded liability cost (% of total payroll)	<u>22.12%</u>	<u>21.60%</u>	<u>22.42%</u>
Government contribution as a % of total payroll	<u>23.72%</u>	<u>23.47%</u>	<u>24.36%</u>
Statutory contribution rates as a % of DB Plan payroll:			
Employee	<u>27.83%</u>	<u>27.41%</u>	<u>28.16%</u>
Employee	<u>9.55%</u>	<u>9.55%</u>	<u>9.54%</u>

GVB's contributions to the DB Plan for the years ended September 30, 2018, 2017 and 2016 were \$310,130, \$97,875 and \$126,775, respectively, which were equal to the statutorily required contributions for the respective years then ended.

GVB's contributions for supplemental annuity benefit and COLA payments for the years ended September 30, 2018, 2017 and 2016 were \$30,000, \$24,000 and \$24,000, respectively, which were equal to the statutorily required contributions for the respective years then ended.

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

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

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

Notes to Financial Statements
September 30, 2018 and 2017

(4) Pensions, Continued

A. General Information About the Pension Plans, Continued:

Statutory employer contributions for the DCRS plan for the years ended September 30, 2018 and 2017 are determined using the same rates as the DB Plan. Of the amount contributed by the employer, only 5% of the member's regular pay is deposited into the DCRS. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

GVB's contributions to the DCRS Plan for the years ended September 30, 2018, 2017 and 2016 were \$224,146, \$409,874 and \$399,579, respectively, which were equal to the required contributions for the respective years then ended. Of these amounts, \$183,875, \$335,107 and \$328,795 were contributed toward the unfunded liability of the DB Plan for the years ended September 30, 2018, 2017 and 2016, respectively.

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

Pension Liability: At September 30, 2018 and 2017, GVB reported a net pension liability for its proportionate share of the net pension liabilities measured as of September 30, 2017 and 2016, respectively, which is comprised of the following:

	<u>2018</u>	<u>2017</u>
Defined Benefit Plan	\$ 4,082,300	\$ 4,994,178
Ad Hoc COLA/supplemental annuity Plan for DB retirees	243,095	191,430
Ad Hoc COLA Plan for DCRS retirees	<u>227,626</u>	<u>260,379</u>
	<u>\$ 4,553,021</u>	<u>\$ 5,445,987</u>

GVB's proportion of the GovGuam net pension liabilities was based on GVB's expected plan contributions relative to the total expected contributions received by the respective pension plans for GovGuam and GovGuam's component units. At September 30, 2018 and 2017, GVB's proportionate shares of the GovGuam net pension liabilities were as follows:

	<u>2018</u>	<u>2017</u>
Defined Benefit Plan	0.36%	0.36%
Ad Hoc COLA/supplemental annuity Plan for DB retirees	0.08%	0.08%
Ad Hoc COLA Plan for DCRS retirees	0.36%	0.42%

Pension Expense (Benefit): For the years ended September 30, 2018 and 2017, GVB recognized pension expense (benefit) for its proportionate share of plan pension expense from the above pension plans as follows:

	<u>2018</u>	<u>2017</u>
Defined Benefit Plan	\$ (156,963)	\$ 886,244
Ad Hoc COLA/supplemental annuity Plan for DB retirees	72,428	22,083
Ad Hoc COLA Plan for DCRS retirees	<u>23,932</u>	<u>29,801</u>
	<u>\$ (60,603)</u>	<u>\$ 938,128</u>

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

Notes to Financial Statements
September 30, 2018 and 2017

(4) Pensions, Continued

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

Deferred Outflows and Inflows of Resources: At September 30, 2018 and 2017, GVB reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018					
	<u>Defined Benefit Plan</u>		<u>Ad Hoc COLA/ Supplemental Annuity Plan for DB Retirees</u>		<u>Ad Hoc COLA Plan for DCRS Retirees</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ -	\$ -	\$ -	\$ 10,342	\$ 1,768
Net difference between projected and actual earnings on pension plan investments	-	198,394	-	-	-	-
Changes of assumptions	-	-	-	-	22,990	15,139
Contributions subsequent to the measurement date	494,005	-	24,000	-	6,000	-
Changes in proportion and difference between GVB contributions and proportionate share of contributions	<u>-</u>	<u>23,848</u>	<u>501</u>	<u>-</u>	<u>84,940</u>	<u>-</u>
	<u>\$ 494,005</u>	<u>\$ 222,242</u>	<u>\$ 24,501</u>	<u>\$ -</u>	<u>\$ 124,272</u>	<u>\$ 16,907</u>
	2017					
	<u>Defined Benefit Plan</u>		<u>Ad Hoc COLA/ Supplemental Annuity Plan for DB Retirees</u>		<u>Ad Hoc COLA Plan for DCRS Retirees</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 16,453	\$ 15	\$ -	\$ 5,026	\$ 2,192
Net difference between projected and actual earnings on pension plan investments	-	26,122	-	-	-	-
Changes of assumptions	14,220	-	197	-	28,436	-
Contributions subsequent to the measurement date	432,982	-	20,000	-	4,000	-
Changes in proportion and difference between GVB contributions and proportionate share of contributions	<u>113,304</u>	<u>-</u>	<u>1,052</u>	<u>-</u>	<u>120,780</u>	<u>8,733</u>
	<u>\$ 560,506</u>	<u>\$ 42,575</u>	<u>\$ 21,264</u>	<u>\$ -</u>	<u>\$ 158,242</u>	<u>\$ 10,925</u>

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

Notes to Financial Statements
September 30, 2018 and 2017

(4) Pensions, Continued

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

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as reduction of the net pension liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at September 30, 2018 will be recognized in pension expense as follows:

<u>Year Ending September 30</u>	<u>Defined Benefit Plan</u>	<u>Ad Hoc COLA/ Supplemental Annuity Plan for DB Retirees</u>	<u>Ad Hoc COLA Plan for DCRS Retirees</u>
2019	\$ (49,698)	\$ 501	\$ 4,773
2020	(13,232)	-	4,773
2021	(95,062)	-	4,773
2022	(64,250)	-	4,773
2023	-	-	4,773
Thereafter	<u>-</u>	<u>-</u>	<u>77,500</u>
	\$ <u>(222,242)</u>	\$ <u>501</u>	\$ <u>101,365</u>

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

Valuation Date:	September 30, 2016
Actuarial Cost Method:	Entry age normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	May 1, 2031 (14.58 years remaining as of September 30, 2016)
Asset Valuation Method:	3-year smoothed market value (effective September 30, 2009)
Inflation:	2.75% per year
Total payroll growth:	2.75% per year
Salary Increases:	4% to 7.50%
Retirement age:	50% are assumed to retire upon first eligibility for unreduced retirement. Thereafter, the probabilities of retirement are 20% until age 75, and 100% at age 75.
Mortality:	RP-2000 healthy mortality table set forward by 3 years for males and 2 year for females. Mortality for disabled lives is the RP 2000 disability mortality table set forward by 6 years for males and 4 year for females.

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

Notes to Financial Statements
September 30, 2018 and 2017

(4) Pensions, Continued

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

The actuarial assumptions used in the September 30, 2016 valuation were based on the results of an actuarial experience study for the period October 1, 2011 to September 30, 2015.

The investment rate assumption as of September 30, 2016 was 7%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of the expected nominal return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Nominal Return</u>
U.S. Equities (large cap)	29%	8.78%
U.S. Equities (small cap)	7%	9.45%
Non-U.S. Equities	13%	9.15%
Non-U.S. Equities (small cap)	4%	9.15%
Non-U.S. Equities (emerging markets)	1%	10.75%
U.S. Fixed Income (aggregate)	25%	4.85%
Risk parity	8%	8.36%
High yield bonds	8%	7.35%
Global Real Estate (REITs)	5%	8.71%

Changes in Actuarial Assumptions: The following changes in actuarial assumptions occurred from the September 30, 2015 valuation to the September 30, 2016 valuation:

Mortality: The mortality table used as of September 30, 2016, is the RP-2000 combined mortality table, set forward by 3 years for males and 2 years for females. The mortality table used for disabled lives is the RP-2000 disability mortality table, set forward by 6 years for males and 4 years for females. Mortality improvement is assumed to be 30% of Scale BB, projected generationally from 2016. For the prior valuation, the mortality table used was the RP-2000 combined mortality table, set forward by 4 years for males and 1 year for females. The mortality table used for disabled lives was the RP-2000 disability mortality table for males and females. No provision was made for future mortality improvement in the prior valuation.

Salary Increases: Salaries are assumed to increase 7.5% per year for employees in their first 5 years of service, 6.0% for service between 6 and 10 years, 5.0% for service between 11 and 15 years, and 4.0% for service after 15 years. For the prior valuation, salaries were assumed to increase 7.5% per year for employees in their first 5 years of service, 6.0% for service between 6 and 10 years, 5.0% for service between 11 and 15 years, and 4.5% for service after 15 years.

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

Notes to Financial Statements
September 30, 2018 and 2017

(4) Pensions, Continued

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

Total Payroll Growth: Total payroll for defined benefit and defined contribution members is assumed to increase 2.75% per year. For the prior valuation, total payroll for defined benefit and defined contribution members was assumed to increase 3.0% per year.

Retirement Age: 50% of employees are assumed to retire when first eligible for unreduced retirement. Thereafter, 20% of employees will retire at each year until age 75, at which time all remaining employees are assumed to retire. For the prior valuation, 40% of employees are assumed to retire when first eligible for unreduced retirement. Thereafter, 15% of employees would retire at each year until age 65, and 20% of employees would retire from age 65 until age 70, at which time all remaining employees were assumed to retire.

Rates of Disability: The assumed rates of disability are based on the 1974-78 Society of Actuaries Long Term Disability Non-Jumbo table, with rates reduced by 50% for males and 75% for females. For the prior valuation, these rates were based on the 1974-78 Society of Actuaries Long Term Disability Non-Jumbo, with rates reduced by 50% for both males and females.

Leave Adjustments: Unused leave is assumed to increase a member's service by 1.5 years and increases average earnings by 5% at retirement. For the prior valuation, unused leave is assumed to increase service by 1.5 years and increased average earnings by 10% at retirement.

Survivor Benefit - Minor Children: An average of 0.2 eligible child survivors is assumed at the time of a retiree's death, with payments to the child survivor continuing for 6 years. For the prior valuation, this survivor benefit was assumed to increase the value of retirement benefits by 0.67% and survivor benefits by 20% for active members.

Discount Rate: The discount rate used to measure the total pension liability for the DB Plan as of September 30, 2017 was 7.0% (6.7% as of September 30, 2016), which is equal to the expected investment rate of return. The expected investment rate of return applies to benefit payments that are funded by plan assets (including future contributions), which includes all plan benefits except supplemental annuity payments to DB retirees and ad hoc COLA to both DB and DCRS retirees. The discount rate used to measure the total pension liability for the supplemental annuity and ad hoc COLA payments as of September 30, 2017 was 3.64% (3.058% as of September 30, 2016), which is equal to the rate of return of a high quality bond index.

Discount Rate Sensitivity Analysis: The following presents the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to GVB's proportionate share of the net pension liability if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

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

Notes to Financial Statements
September 30, 2018 and 2017

(4) Pensions, Continued

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

Defined Benefit Plan:

	1% Decrease in Discount Rate <u>6.0%</u>	Current Discount Rate <u>7.0%</u>	1% Increase in Discount Rate <u>8.0%</u>
Net Pension Liability	\$ <u>5,066,610</u>	\$ <u>4,082,300</u>	\$ <u>3,234,524</u>

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees:

	1% Decrease in Discount Rate <u>2.64%</u>	Current Discount Rate <u>3.64%</u>	1% Increase in Discount Rate <u>4.64%</u>
Net Pension Liability	\$ <u>265,240</u>	\$ <u>243,095</u>	\$ <u>223,838</u>

Ad Hoc COLA Plan for DCRS Retirees:

	1% Decrease in Discount Rate <u>2.64%</u>	Current Discount Rate <u>3.64%</u>	1% Increase in Discount Rate <u>4.64%</u>
Net Pension Liability	\$ <u>258,835</u>	\$ <u>227,626</u>	\$ <u>201,037</u>

C. Payables to the Pension Plans:

As of September 30, 2018 and 2017, GVB recorded payable to GGRF of \$35,549 and \$32,174, respectively, representing statutorially required contributions unremitted as of the respective year-ends.

(5) Other Post-Employment Benefits (OPEB)

GVB participates in the retiree health care benefits program. GovGuam's Department of Administration is responsible for administering the GovGuam Group Health Insurance Program, which provides medical, dental, and life insurance benefits to retirees, spouses, children and survivors. Active employees and retirees who waive medical and dental coverage are considered eligible for the life insurance benefit only. The program covers retirees and is considered an other postemployment benefits plan.

A. General Information About the OPEB Plan:

Plan Description: The other postemployment benefits plan is an agent multiple-employer defined benefit plan that provides healthcare benefits to eligible employees and retirees who are members of the GovGuam Retirement Fund. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Governor's recommended budget and the annual General Appropriations Act enacted by the Guam Legislature provide for a premium level necessary for funding the program each year on a "pay-as-you-go" basis. Because the OPEB 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.

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

Notes to Financial Statements
September 30, 2018 and 2017

(5) Other Post-Employment Benefits (OPEB), Continued

A. General Information About the OPEB Plan, Continued:

Plan Membership: As of September 30, 2016, the date of the most recent valuation (the actuarial valuation date), plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	7,342
Active plan members	<u>10,282</u>
	<u>17,624</u>

Benefits Provided: The OPEB Plan provides post employment medical, dental and life insurance benefits to GVB retirees, spouses, children and survivors, which are the same benefits as provided to active employees. Active employees and retirees who waive medical and dental coverage are considered eligible for the life insurance benefit only. GVB contributes a portion of the medical and dental premiums, based on a schedule of semi-monthly rates, and reimburses certain Medicare premiums to eligible retirees. Retirees are also required to pay a portion of the medical and dental insurance premiums. Three types of health plans are offered to eligible participants:

- Standard islandwide Preferred Provider Organization (PPO) Plan
- High Deductible (Health Savings Account - HSA) PPO Plan
- Retiree Supplement Plan (RSP)

The PPO and HSA Plans apply to both active employees and retirees and work with set deductible amounts whereas the RSP Plan is an added option for retirees only.

Contributions: No employer contributions are assumed to be made since an OPEB trust has not been established. Instead, the OPEB Plan is financed on a substantially "pay-as-you-go" basis whereby contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

B. Total OPEB Liability:

As of September 30, 2018 and 2017, GVB reported a total OPEB liability of \$5,672,967 and \$5,779,432, respectively, for its proportionate share of the GovGuam total OPEB liability measured as of September 30, 2017 and 2016. The following presents GVB's proportion change in proportion since the prior measurement date:

Proportion at prior measurement date, September 30, 2016	<u>0.23%</u>
Proportion at measurement date, September 30, 2017	<u>0.23%</u>
Increase/(decrease) in proportion	<u>0.00%</u>

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

Notes to Financial Statements
September 30, 2018 and 2017

(5) Other Post Employment Benefits (OPEB), Continued

B. Total OPEB Liability, Continued:

The total OPEB liability for the OPEB Plan was determined by an actuarial valuation as of September 30, 2016 rolled forward to September 30, 2017 (the measurement date) using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	3%.
Amortization method:	Level dollar amount over 30 years on an open amortization period for pay-as-you-go funding.
Salary increases:	7.5% per year for the first 5 years of service, 6% for 5-10 years, 5% for 11-15 years and 4.5% for service over 15 years.
Healthcare cost trend rates:	8% for 2016, decreasing 0.25% per year to an ultimate rate of 4.5% for 2030 and later years. Health care trend assumptions begin at current levels and grade down over a period of years to a lower level equal to some real rate plus inflation. The principal components of health trend are medical inflation, deductible erosion, cost shifting, utilization, technology and catastrophic claims. The overall effect of these components are expected to decline year by year.
Dental trend rates:	4% per year.
Participation rates:	Medical - 100% of eligible retired employees will elect to participate. Dental - 100% of eligible retirees will elect to participate. Life - 100% of eligible retirees will elect to participate.
Medicare enrollment:	15% of current and future retirees are assumed to enroll in Medicare and will enroll in a Retiree Supplemental Plan upon attainment of age 65. All employees retired prior to September 30, 2008 are assumed ineligible for Medicare upon attainment of age 65 and therefore will not enroll in a Medicare Supplemental Plan.
Dependent status:	Male spouses are assumed to be three years older and female spouses are assumed to be three years younger than the retired employee. 60% of employees are assumed to retire with a covered spouse. For current retired employees, the actual census information is used.
Actuarial cost method:	Entry Age Normal. The costs of each employee's post-employment benefits are allocated as a level basis over the earnings of the employee between the employee's date of hire and the assumed exit ages.
Healthy Retiree mortality rates:	RP-2000 Combined Healthy Mortality Table, set forward 4 years and 1 year for males and females, respectively.

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

Notes to Financial Statements
September 30, 2018 and 2017

(5) Other Post Employment Benefits (OPEB), Continued

B. Total OPEB Liability, Continued:

Disabled Retiree mortality rates:	RP-2000 Disabled Mortality Table for males and females.
Withdrawal rates:	15% for less than 1 year of service, decreasing 1% for each additional year of service up to 10 years, further decreasing 0.5% for each additional year of service up to 15 years, and 2% for service over 15 years.
Disability rates:	0.05% for beneficiaries aged 20-39 years, 0.1% - 0.53% for beneficiaries aged 40-59 years, and 0.76% for beneficiaries aged 60-64 years.
Retirement rates:	40% of employees are assumed to retire at earliest eligibility for unreduced benefits under the Government of Guam Retirement Fund, 15% per year thereafter until age 65, 20% per year thereafter until age 70 and 100% at age 70. Previously, 50% of employees were assumed to retire at first eligibility for postretirement health benefits, 20% per year thereafter until age 70, and 100% at age 70.

OPEB plan fiduciary net position: As of September 30, 2018 and 2017, an OPEB trust has not been established thus the OPEB Plan does not presently report OPEB plan fiduciary net position.

Discount rate: The discount rate used to measure the total OPEB liability was 3.63% as of September 30, 2017 (3.058% as of September 30, 2016). The projection of cash flows used to determine the discount rate assumed that contributions from GVB will be made in accordance with the plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments of current plan members. Therefore, the 3.63% municipal bond rate as of September 30, 2017 (3.058% as of September 30, 2016) was applied to all periods of projected benefit payments to determine the total OPEB liability.

C. Changes in the Total OPEB Liability:

Changes in GVB's proportionate share of the total OPEB liability for the years ended September 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Balance at beginning of the year	\$ <u>5,779,432</u>	\$ <u>4,728,112</u>
Changes for the year:		
Service cost	364,900	289,166
Interest	187,055	185,124
Change of assumptions	(603,570)	631,880
Benefit payments	<u>(54,850)</u>	<u>(54,850)</u>
Net change	<u>(106,465)</u>	<u>1,051,320</u>
Balance at end of the year	\$ <u>5,672,967</u>	\$ <u>5,779,432</u>

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

Notes to Financial Statements
September 30, 2018 and 2017

(5) Other Post Employment Benefits (OPEB), Continued

C. Changes in the Total OPEB Liability, Continued:

Sensitivity of the total OPEB liability to changes in the discount rate: The following presents the sensitivity of the total OPEB liability to changes in the discount rate. The sensitivity analysis shows the impact to GVB's proportionate share of the total OPEB liability if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease in Discount Rate <u>2.63%</u>	Current Discount Rate <u>3.63%</u>	1% Increase in Discount Rate <u>4.63%</u>
Total OPEB Liability	\$ <u>6,743,660</u>	\$ <u>5,672,967</u>	\$ <u>4,814,175</u>

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates: The following presents the sensitivity of the total OPEB liability to changes in the healthcare cost trend rate. The sensitivity analysis shows the impact to GVB's proportionate share of the total OPEB liability if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	1% Decrease 7% Year 1 Decreasing to <u>3.5%</u>	Healthcare Cost Trend Rates 8% Year 1 Decreasing to <u>4.5%</u>	1% Increase 9% Year 1 Decreasing to <u>5.5%</u>
Total OPEB Liability	\$ <u>4,657,505</u>	\$ <u>5,672,967</u>	\$ <u>6,998,433</u>

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

For the years ended September 30, 2018 and 2017, GVB reported total OPEB expense of \$478,938 and \$504,959, respectively, for its proportionate share of the GovGuam total OPEB expense measured for the years ended September 30, 2017 and 2016. At September 30, 2018 and 2017, GVB reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2018		2017	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 421,818	\$ 486,129	\$ 515,084	\$ -
Contributions subsequent to the measurement date	64,129	-	56,304	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	<u>134,969</u>	-	<u>86,127</u>	-
	<u>\$ 620,916</u>	<u>\$ 486,129</u>	<u>\$ 657,515</u>	<u>\$ -</u>

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

Notes to Financial Statements
September 30, 2018 and 2017

(5) Other Post Employment Benefits (OPEB), Continued

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB, Continued:

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as reduction of the total OPEB liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB at September 30, 2018 will be recognized in OPEB expense as follows:

Year Ending <u>September 30</u>	
2019	\$ 38,446
2020	38,446
2021	38,446
2022	38,446
2023	(81,011)
Thereafter	<u>(2,115)</u>
	 \$ <u>70,658</u>

(6) Capital Assets

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

A summary of capital asset activities for the years ended September 30, 2018 and 2017 are as follows:

	<u>Beginning Balance</u> <u>October 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u> <u>September 30, 2018</u>
Depreciable:				
Building	\$ 2,500,000	\$ -	\$ -	\$ 2,500,000
Leasehold improvements	140,846	-	-	140,846
Furniture and fixtures	83,023	-	-	83,023
Equipment	<u>148,775</u>	<u>-</u>	<u>-</u>	<u>148,775</u>
	2,872,644	-	-	2,872,644
Less accumulated depreciation	<u>(2,303,199)</u>	<u>(83,333)</u>	<u>-</u>	<u>(2,386,532)</u>
	569,445	(83,333)	-	486,112
Non-depreciable:				
Land	<u>5,992,415</u>	<u>-</u>	<u>-</u>	<u>5,992,415</u>
	<u>\$ 6,561,860</u>	<u>\$ (83,333)</u>	<u>\$ -</u>	<u>\$ 6,478,527</u>

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

Notes to Financial Statements
September 30, 2018 and 2017

(6) Capital Assets, Continued

	Beginning Balance <u>October 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>September 30, 2017</u>
Depreciable:				
Building	\$ 2,500,000	\$ -	\$ -	\$ 2,500,000
Leasehold improvements	140,846	-	-	140,846
Furniture and fixtures	83,023	-	-	83,023
Equipment	<u>148,775</u>	<u>-</u>	<u>-</u>	<u>148,775</u>
	2,872,644	-	-	2,872,644
Less accumulated depreciation	<u>(2,215,667)</u>	<u>(87,532)</u>	<u>-</u>	<u>(2,303,199)</u>
	656,977	(87,532)	-	569,445
Non-depreciable:				
Land	<u>5,992,415</u>	<u>-</u>	<u>-</u>	<u>5,992,415</u>
	<u>\$ 6,649,392</u>	<u>\$ (87,532)</u>	<u>\$ -</u>	<u>\$ 6,561,860</u>

(7) Commitments

GVB leases commercial space for its Japan offices with an annual rental commitment through September 30, 2019 totaling \$126,491.

The Japan office leases require a refundable security deposit. As of September 30, 2018 and 2017, security deposits were \$133,230 and \$133,230, respectively.

(8) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the years ended September 30, 2018 and September 30, 2017 follows:

	Outstanding October 1, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Outstanding September 30, <u>2018</u>
Net pension liability	\$ 5,445,987	\$ 130,172	\$ (1,023,138)	\$ 4,553,021
OPEB liability	5,779,432	478,938	(585,403)	5,672,967
Accrued sick leave	<u>166,006</u>	<u>16,881</u>	<u>(148,871)</u>	<u>34,016</u>
	<u>\$11,391,425</u>	<u>\$ 625,991</u>	<u>\$ (1,757,412)</u>	<u>\$ 10,260,004</u>

	Outstanding October 1, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Outstanding September 30, <u>2017</u>
Net pension liability	\$ 5,012,556	\$ 938,128	\$ (504,697)	\$ 5,445,987
OPEB liability	4,728,112	1,051,320	-	5,779,432
Accrued sick leave	<u>170,108</u>	<u>56,300</u>	<u>(60,402)</u>	<u>166,006</u>
	<u>\$ 9,910,776</u>	<u>\$ 2,045,748</u>	<u>\$ (565,099)</u>	<u>\$ 11,391,425</u>

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

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

Notes to Financial Statements
September 30, 2018 and 2017

(9) Appropriations from the Government of Guam

The Tourist Attraction Fund is a governmental fund of GovGuam that was established to fund various recreational projects and visitor industry activities. The Hotel Occupancy Tax (HOT) Surplus Fund was created by Public Law 32-068 to account for HOT tax collections received by the Tourist Attraction Fund in excess of Bureau of Budget and Management Research revenue estimates.

During the years ended September 30, 2018 and 2017, total appropriations recorded by GVB from GovGuam are as follows:

	<u>2018</u>			<u>2017</u>		
	Tourist	HOT Surplus	Total	Tourist	HOT Surplus	Total
	Attraction Fund	Fund		Attraction Fund	Fund	
Operations	\$19,835,216	\$1,918,268	\$21,753,484	\$22,367,472	\$ -	\$22,367,472
Restricted	<u>4,450,000</u>	-	<u>4,450,000</u>	<u>400,000</u>	-	<u>400,000</u>
Total	24,285,216	-	26,203,484	22,767,472	-	22,767,472
Pass-through to non-profit organizations	<u>790,000</u>	-	<u>790,000</u>	<u>1,085,000</u>	-	<u>1,085,000</u>
	<u>\$25,075,216</u>	<u>\$1,918,268</u>	<u>\$26,993,484</u>	<u>\$23,852,472</u>	<u>\$ -</u>	<u>\$23,852,472</u>

As of September 30, 2018 and 2017, receivables due from GovGuam associated with the above appropriations were \$2,039,601 and \$140,000, respectively.

(10) Restricted Net Position

As of September 30, 2018 and 2017, restricted net position is for The Rainy Day Fund per Public Law 30-116, Korean Visitor Market Pilot Program per Public Law 33-112, Cultural and Sports Ambassadors Fund per Public Law 33-10, the Pale San Vitores Road Project per Public Law 30-196, and the Cruise Ship Industry Development Program per Public Law 32-42.

	<u>2018</u>	<u>2017</u>
Rainy Day Fund	\$ 1,244,625	\$ 1,636,389
Korean Visitor Market Pilot Program	532,186	-
Cultural and Sports Ambassadors Fund	296,524	474,685
Pale San Vitores Road Project	182,138	182,138
Cruise Ship Industry Development Program	<u>37,454</u>	<u>-</u>
Total restricted	<u>\$ 2,292,927</u>	<u>\$ 2,293,212</u>

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

Notes to Financial Statements
September 30, 2018 and 2017

(10) Restricted Net Position, Continued

Changes in restricted net position are as follows:

	<u>2018</u>	<u>2017</u>
Rainy Day Fund:		
Beginning of year	\$ 1,636,389	\$ 2,083,620
Appropriations	200,000	200,000
Expenses	(593,716)	(649,844)
Interest and bank charges	<u>1,952</u>	<u>2,613</u>
End of year	\$ <u>1,244,625</u>	\$ <u>1,636,389</u>
Korean Visitor Market Pilot Program:		
Beginning of year	\$ -	\$ 250,000
Appropriations	4,000,000	-
Expenses	<u>(3,467,814)</u>	<u>(250,000)</u>
End of year	\$ <u>532,186</u>	\$ <u>-</u>
Cultural and Sports Ambassadors Fund:		
Beginning of year	\$ 474,685	\$ 379,250
Appropriations	200,000	200,000
Expenses	(378,525)	(104,850)
Interest and bank charges	<u>364</u>	<u>285</u>
End of year	\$ <u>296,524</u>	\$ <u>474,685</u>
Pale San Vitores Road Project:		
Beginning of year	\$ 182,138	\$ 182,138
Expenses	<u>-</u>	<u>-</u>
End of year	\$ <u>182,138</u>	\$ <u>182,138</u>
Cruise Ship Industry Development Program:		
Beginning of year	\$ -	\$ -
Appropriations	50,000	-
Expenses	<u>(12,546)</u>	<u>-</u>
End of year	\$ <u>37,454</u>	\$ <u>-</u>

Expenses recorded for the Korean Visitor Market Pilot Program are included as operating expenses. Remaining restricted expenses are reported as non-operating expenses.

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

Notes to Financial Statements
September 30, 2018 and 2017

(11) Related Party Transactions

During the years ended September 30, 2018 and 2017, GVB contracted and purchased goods from businesses that are associated with GVB Board Directors totaling \$397,836 and \$479,469, respectively.

(12) Commitments

In 2018, GVB signed a memorandum of agreement with the Guam Economic Development Authority (GEDA) to manage the construction of the Palacio Building. Funding of \$5 million will come from the Hot Bond, maintained by GEDA. During the year ended September 30, 2018, GVB received \$176,000 for initial planning and construction costs. Funds are recorded in the Special Tourist Attraction Fund Projects financial statements. Ownership of the building has not been determined at this time.

GUAM VISITORS BUREAU

**REQUIRED SUPPLEMENTARY
INFORMATION**

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

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

Defined Benefit Plan

	2018	2017	2016	2015	2014
Total net pension liability	\$ 1,142,249,393	\$ 1,368,645,126	\$ 1,436,814,230	\$ 1,246,306,754	\$ 1,303,304,636
GVB's proportionate share of the net pension liability	\$ 4,082,300	\$ 4,994,178	\$ 4,733,456	\$ 3,826,415	\$ 3,786,577
GVB's proportion of the net pension liability	0.36%	0.36%	0.33%	0.31%	0.29%
GVB's covered-employee payroll**	\$ 1,809,552	\$ 1,847,567	\$ 1,684,651	\$ 1,550,278	\$ 1,337,479
GVB's proportionate share of the net pension liability as percentage of its covered-employee payroll	225.60%	270.31%	280.98%	246.82%	283.11%
Plan fiduciary net position as a percentage of the total pension liability	60.63%	54.62%	52.32%	56.60%	53.94%

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

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

See Accompanying Independent Auditors' Report.

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

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

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees

	2018	2017	2016
Total net pension liability***	\$ 288,147,121	\$ 229,486,687	\$ 235,799,709
GVB's proportionate share of the net pension liability	\$ 243,095	\$ 191,430	\$ 192,124
GVB's proportion of the net pension liability	0.08%	0.08%	0.08%
GVB's covered-employee payroll**	\$ 427,158	\$ 422,357	\$ 416,649
GVB's proportionate share of the net pension liability as percentage of its covered-employee payroll	56.91%	45.32%	46.11%

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

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

*** No assets accumulated in a trust to pay the benefits.

See Accompanying Independent Auditors' Report.

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

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

Ad Hoc COLA Plan for DCRS Retirees

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total net pension liability***	\$ 62,445,490	\$ 61,688,067	\$ 52,115,736
GVB's proportionate share of the net pension liability	\$ 227,626	\$ 260,379	\$ 86,976
GVB's proportion of the net pension liability	0.36%	0.42%	0.17%
GVB's covered-employee payroll**	\$ 1,330,750	\$ 1,540,921	\$ 593,954
GVB's proportionate share of the net pension liability as percentage of its covered-employee payroll	17.11%	16.90%	14.64%

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

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

*** No assets accumulated in a trust to pay the benefits.

See Accompanying Independent Auditors' Report.

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

Schedules of Required Supplemental Information (Unaudited)
Schedule of Pension Contributions
Last 10 Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 432,982	\$ 455,570	\$ 448,171	\$ 415,912	\$ 356,516
Contributions in relation to the statutorily required contribution	<u>444,664</u>	<u>454,006</u>	<u>443,119</u>	<u>411,735</u>	<u>354,283</u>
Contribution (excess) deficiency	<u>\$ (11,682)</u>	<u>\$ 1,564</u>	<u>\$ 5,052</u>	<u>\$ 4,177</u>	<u>\$ 2,233</u>
GVB's covered-employee payroll **	<u>\$1,809,552</u>	<u>\$1,847,567</u>	<u>\$1,684,651</u>	<u>\$1,550,278</u>	<u>\$ 1,337,479</u>
Contributions as a percentage of covered-employee payroll	24.57%	24.57%	26.30%	26.56%	26.49%

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

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

See Accompanying Independent Auditors' Report.

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

Schedules of Required Supplemental Information
Schedule of Changes in the Proportionate Share of the Total OPEB Liability and Related Ratios
Last 10 Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total OPEB liability:			
Service cost	\$ 364,900	\$ 289,166	
Interest	187,055	185,124	
Changes of benefit terms	-	-	
Differences between expected and actual experience	-	-	
Changes of assumptions	(603,570)	631,880	
Benefit payments	<u>(54,850)</u>	<u>(54,850)</u>	
Net change in total OPEB liability	(106,465)	1,051,320	
Total OPEB liability - beginning	<u>5,779,432</u>	<u>4,728,112</u>	
Total OPEB liability - ending **	<u>\$ 5,672,967</u>	<u>\$ 5,779,432</u>	<u>\$ 4,728,112</u>
Covered-employee payroll	1,887,611	1,887,611	
GVB's total OPEB liability as a percentage of covered-employee payroll	301%	306%	

Notes to schedule

<i>Discount rate</i>	3.63%	3.058%	3.71%
----------------------	-------	--------	-------

Changes of benefit terms:

None.

Changes of assumptions:

Discount rate has changed from respective measurement dates.

* Information for 2009 - 2015 is not available

** No assets accumulated in a trust to pay the benefits

See Accompanying Independent Auditors' Report.

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

Schedules of Required Supplemental Information (Unaudited)
Schedule of Proportionate Share of the Total OPEB Liability
Last 10 Fiscal Years*

	2018	2017
Total OPEB liability **	\$2,431,048,672	\$ 2,532,753,040
GVB's proportionate share of the total OPEB liability	\$ 5,672,967	5,779,432
GVB's proportionate of the total OPEB liability	0.23%	0.23%
GVB's covered-employee payroll	\$ 1,919,785	\$ 1,847,567
GVB's proportionate share of the total OPEB liability as percentage of its covered-employee payroll	295.50%	312.81%

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

** No assets accumulated in a trust to pay the benefits.

See Accompanying Independent Auditors' Report.

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

Schedules of Required Supplemental Information
Schedule of OPEB Contributions
Last 10 Fiscal Years*

	2018	2017
Actuarially determined contribution	\$ 673,124	\$ 563,808
Contributions in relation to the actuarially determined contribution	54,850	54,850
Contribution deficiency	\$ 618,274	\$ 508,958
GVB's covered-employee payroll	\$ 1,887,611	\$ 1,887,611
Contributions as a percentage of covered-employee payroll	2.91%	2.91%

Notes to Schedule

Valuation date:

Actuarially determined contributions rates are calculated as of September 30, 2016.

Method and assumptions used to determine contributions rates:

Actuarial cost method:	Entry age normal.
Amortization method:	Level dollar amount on an open amortization period for pay-as-you-go funding.
Amortization period:	30 years
Inflation:	3%
Healthcare cost trend rates:	8% initial, decreasing 0.25% per year to an ultimate rate of 4.5%
Salary increase:	4.5% to 7.5%
Mortality (Healthy Retiree):	RP-2000 Combined Healthy Mortality Table, set forward 4 years and 1 year for males and females, respectively.
Mortality (Disabled Retiree):	RP-2000 Disabled Mortality Table for males and females.

* Information for 2009 - 2016 is not available

See Accompanying Independent Auditors' Report.

GUAM VISITORS BUREAU

**OTHER SUPPLEMENTARY
INFORMATION**

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

Special Tourist Attraction Fund Projects
Supplementary Schedule of Cash Flows
Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Cash received from other sources	\$ 4,896	\$ 37,357
Cash paid to suppliers	<u>(88,607)</u>	<u>(1,996,786)</u>
Net cash used for operating activities	<u>(83,711)</u>	<u>(1,959,429)</u>
Net change in cash	(83,711)	(1,959,429)
Cash at beginning of year	<u>604,666</u>	<u>2,564,095</u>
Cash at end of year	<u>\$ 520,955</u>	<u>\$ 604,666</u>
Reconciliation of deficiency from operations to net cash used for operating activities:		
Deficiency from operations	\$ (26,792)	\$ (1,796,282)
Decrease (increase) in assets:		
Accounts receivable - others	(176,321)	5,745
(Decrease) increase in liabilities:		
Accounts payable	119,402	(104,594)
Due to operations fund	<u>-</u>	<u>(64,298)</u>
Net cash used for operating activities	<u>\$ (83,711)</u>	<u>\$ (1,959,429)</u>

See Accompanying Independent Auditors' Report.

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

Supplementary Schedule of Professional and Advertising Expenses
Years Ended September 30, 2018 and 2017

<u>Professional Services</u>	<u>2018</u>	<u>2017</u>
Japan	\$ 6,708,354	\$ 5,864,061
Korea	3,312,852	2,560,062
Destination Management and Improvement	2,538,680	3,145,761
Hong Kong/China	1,382,659	1,674,692
Admin., Research, and Printing	852,365	1,607,160
All Markets (Branding)	673,579	790,473
Australia, Philippines, and Pacific	365,970	184,322
Taiwan	340,288	393,750
Website	288,907	262,333
United States	191,021	179,892
Russia	167,197	188,436
	<u>16,821,872</u>	<u>16,850,942</u>
Total Professional Services	\$ <u>16,821,872</u>	\$ <u>16,850,942</u>
<u>Advertising Expenses</u>		
All others	\$ 119,303	\$ 7,310
Australia, Philippines, and Pacific	21,662	5,000
United States	6,984	-
Japan	171,831	17,000
Destination Management and Improvement	540	1,734
	<u>320,320</u>	<u>31,044</u>
Total Advertising Expenses	\$ <u>320,320</u>	\$ <u>31,044</u>

See Accompanying Independent Auditors' Report.

GUAM VISITORS BUREAU

(A Component Unit of the Government of Guam)

Supplementary Schedule of Miscellaneous Expenses
Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Charter flight support	\$ 1,000,000	\$ -
Other fees	441,932	3,301
Sales campaign	439,290	-
Sponsorship	390,704	489,241
Other	219,538	312,360
MICE support	102,465	-
Printing	101,124	107,554
Food and beverage	91,892	137,942
Recovery support	62,770	-
Participation, venue, seminar, sales call fees	47,281	-
Postal and courier	34,868	24,900
Dues and membership	32,920	39,315
Gifts and prizes	14,373	17,941
Other markets	7,432	-
Bank charges	6,720	6,931
	<u>\$ 2,993,309</u>	<u>\$ 1,139,485</u>

See Accompanying Independent Auditors' Report.

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

Supplementary Schedule of Employees and Salaries
Years Ended September 30, 2018 and 2017

	2018	2017
Guam office:		
Annual payroll	\$ 1,800,427	\$ 1,871,909
Number of employees	37	36
Japan office:		
Annual payroll	\$ 328,094	\$ 399,462
Number of employees	8	9

See Accompanying Independent Auditors' Report.

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

The Board of Directors
Guam Visitors Bureau:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Guam Visitors Bureau (GVB) and its Special Tourist Attraction Fund Projects, which comprise the statement of net position/balance sheet as of September 30, 2018, and the related statements of revenues, expenses and changes in net position, of operations and changes in fund balance and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 30, 2019.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

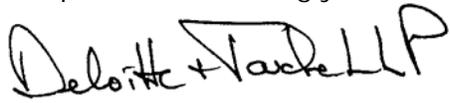
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

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

March 30, 2019