

*Financial Statements, Required Supplementary
Information, and Supplementary and Other
Information*

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

*Year Ended September 30, 2022
with Report of Independent Auditors*



Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Financial Statements, Required Supplementary Information, and
Supplementary and Other Information

Year Ended September 30, 2022

Contents

Report of Independent Auditors.....	1
Management’s Discussion and Analysis	5
Audited Financial Statements:	
Statement of Net Position	23
Statement of Revenues, Expenditures and Changes in Net Position	25
Statement of Cash Flows	26
Notes to Financial Statements.....	28
Required Supplementary Information:	
Schedule of Proportionate Share of the Net Pension Liability – Defined Benefit Plan	57
Schedule of Proportionate Share of the Net Pension Liability – Ad Hoc COLA/ Supplemental Annuity Plan for DB Retirees	58
Schedule of Proportionate Share of the Net Pension Liability – Ad Hoc COLA Plan for DCRS Retirees	59
Schedule of Pension Contributions.....	60
Schedule of Proportionate Share of the Total OPEB Liability	61
Schedule of OPEB Contributions	62
Notes to Required Supplementary Information	63
Supplementary and Other Information:	
Supplementary Schedule of Professional and Miscellaneous Expense	64
Schedule of Employees and Salaries	65

Report of Independent Auditors

The Board of Directors
Guam Visitors Bureau

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Guam Visitors Bureau (GVB), a component unit of the Government of Guam, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise GVB's financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of GVB as of September 30, 2022, and the changes in financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and in accordance with standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of GVB, and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about GVB's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 GVB's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about GVB's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 22 as well as the Schedule of Proportionate Share of the Net Pension Liability on pages 57 through 59, and the Schedule of Pension Contributions on page 60, the Schedule of Proportionate Share of the Total OPEB Liability on page 61, and the Schedule of OPEB Contributions on page 62, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise GVB's financial statements. The supplementary information included in page 64 is presented for additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the Schedule of Employees and Salaries on page 65 but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2023 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.

Ernst + Young LLP

September 26, 2023

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis

Year Ended September 30, 2022

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.

MANAGEMENT HIGHLIGHTS

Tourism recovery accelerated globally in 2022, ending at 63% of pre-pandemic levels. The Middle East, Europe, and Americas led the recovery at 83%, 79%, and 65%, respectively. However, the Asia Pacific region lagged at 23% because of the strictest and ubiquitous pandemic border controls discouraging international travel. Even more significant to us is the anemic 10% pre-pandemic recovery of Northeast Asia, specifically Japan, Korea, and Taiwan. These countries combined represent the island's largest market nexus and account for 90% of all visitor arrivals.

We are making steady progress and are tracking the outbound travel trends of our source markets, with Korean arrivals beating the market trend benchmark and leading recovery. To date, Guam's tourism pre-pandemic recovery was 3.8% in 2021 and 28.6% in 2022, with a 40% forecast in 2023, and an optimistic 70% in 2024.

The UN World Tourism Organization (UNWTO) and Pacific Asia Travel Association (PATA) do not see full recovery in our region until 2024 and, specifically, 2025 in our case and the Caribbean Islands.

Total arrivals in Guam for all markets in FY 2022 were 216,915 and reflect the lingering effects of the COVID-19 pandemic. Cautious travel consumer sentiment, domestic tourism focus, and weaker currencies in our NE Asian core markets have all contributed to this glacial rate of recovery. On the other hand, arrivals from the U.S., Philippines, and Korea have either breeched or exceeded 50 % of pre-covid numbers, giving us reason for optimism in meeting our 2023 and 2024 forecasts.

The outlook for FY23 is for arrivals to continue an upward trend tracking or exceeding the international departures in Japan, Korea, and Taiwan, which are generally below 60% of pre-pandemic volume. This positive trajectory is being facilitated by relaxed travel restrictions, industry trade groups such as the Japan Association of Travel Agents (JATA), and an aggressive GVB third and fourth quarter marketing agenda in Japan and Korea.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

The anticipation of scheduled air service from Taiwan is still several months away and, according to GVB sources, not likely to start before year end 2023. Because of this, we are currently supporting the ongoing charters being sold by Lion Travel, one of Taiwan's largest companies in the travel industry.

Seat capacity for 2023 is projected at 1,350,273, which is an increase of 100% over 2022. Airlines are gearing up to meet anticipated demand and some are either restoring service or adding service to existing routes.

Various overall highlights of fiscal year 2022 are detailed as follows:

GVB initiated the One Village One Attraction project which plans on enhancing and developing our destination as well as the experiences captured in Guam. The initiative is designed to develop unique cultural attractions across the 19 villages of Guam. These new attractions are being developed and designed in collaboration with the Mayors Council of Guam, to ensure the community plays a key role in determining the attractions developed within each community.

GVB successfully hosted around 50 travel trade partners for the 2021 #GuamAgain Familiarization Tour. It was held with the purpose of promoting the safety of Guam after the COVID-19 pandemic. The mission was to update partners about Guam's infrastructure, businesses and to showcase the island's safety and quarantine protocols.

GVB welcomed the hosts and crew from the ever popular 'Mukbang', also known as an 'eating show' called Tasty Guys. The special 400th anniversary episodes featured famous Korean comedians promoting Guam as a gourmet-food destination by exposing the island's best restaurants and unique cuisine. The project also highlighted Guam's tourist attractions and Instagram spots to further position Guam as a dynamic destination for Korean visitors.

Sister city agreement between Guam and Taichung city signed on February 23, 2022. This milestone not only elevated Guam's relationship with Taiwan, but it also raised more awareness of destination Guam.

Popular food and travel leisure TV show, Super Taste, filmed their four (4) episodes on Guam to introduce the destination to Taiwanese. The reach of each episode exceeded one million, of which more than 100K+ viewers are aged 25-39.

GVB brought back its weekly #InstaGuam photo and video contest. The contest was part of GVB's popular #InstaGuam theme that promoted Guam as an instant destination from its major source markets while encouraging local residents and visitors to create their own story driven content through the power of social media.

In FY2022, GVB oversaw the maintenance of major tourist infrastructure to include San Vitores Road, Tumon and Hagåtña Bays, Island Roadways, Tumon Bus Shelters, Sidewalks, and Tree Mitigation. GVB is also involved in activities for the Tumon landscape maintenance and anti-graffiti.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

Business Risk Compliance and Control

The General Manager (GM) is GVB's chief administrator with primary responsibility for development, operation, maintenance, and administration of GVB's business affairs. The GM created the Business Risk Compliance and Control Committee (BRCC) to help oversee ultimate administrative responsibility on behalf of GVB. The BRCC consists of GVB Director Jeff Jones, President, CEO & General Manager Carl T.C. Gutierrez, and Vice President & Deputy General Manager Gerald S.A. Perez, and advised by University of Guam Professor Ron Aguon and GVB Counsel Joe McDonald. The BRCC provides oversight for GVB's corrective actions.

Corrective Action Planning is used by the BRCC as a control oversight of material risks to GVB. It identifies specific corporate, administrative, regulatory, legal, and compliance/control risks and assigns a level of materiality to them. Higher-level risks need ongoing monitoring and immediate corrective action. Lower-level risks are less so.

Individual matters undergoing Corrective Action Planning (such individual matters referred to herein as "CAPs") fall within the administrative oversight of the BRCC. Individual CAPs are formally designated for purposes of internal administrative review and disposition. CAPs, therefore, provide GVB's position on identified risks, issues, and corrective action to be taken on them. As part of the planning process, CAPs schedule target dates for important milestones to controlling risks, including the date that a control over the identified risk is implemented. The BRCC assists the GM in his chief administrative officer role by creating continuing oversight of GVB's control over its CAPs.

The BRCC does not play a direct role in the members' governance over issues, risks, or corrective action associated with director elections and the Board's bylaws. Any such undertaking is the membership's, within the corporate structure provided for in the enabling act. Corporate governance through GVB's bylaws and its board of directors begins and ends with the members. The enabling law permits members to meet to conduct membership business. That business includes elections of four (4) Directors to the Board. Members are also authorized to adopt, amend, repeal, and enact bylaws. However, members may delegate this authority to a Board of Directors by a 2/3 vote.

MARKETING

The marketing department has shifted its focus to tourism recovery. Limited marketing dollars are carefully carved depending on travel conditions from each of Guam's core market sources to maximize exposure on promotional and campaign efforts. Such includes heavy digital promotions on our SNS platforms; cooperative support with the airlines to resume direct air service and/or increase capacity, as well as tie-ins with online and traditional travel agencies to boost FIT and group/MICE travels.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

Global travel has resumed but post-pandemic travel attitudes are changing in that consumers are much savvier in their search for destinations offering that unique experience. Guam must compete with this and therefore needs to elevate its marketing efforts and continue to work to deliver the promise to assure a culturally centric destination offering amazing experiences.

Described below are highlights from various source markets for FY2022:

Japan

FY2022 has been a tough year for the travel industry, including Japan, especially for overseas travel.

Conditional overseas travel, vaccination certificates when traveling abroad, PCR testing (appointments) in Japan and at the destination, submission of negative proof, and fast-track registration on the MySOS app.

Japan has the strictest waterfront measures of the G7 countries, although various surveys show that the intention to travel abroad and search is high. In FY2023, demand is expected to rise further, and in conjunction with the return of flights by airlines, the load factor and the share of Japanese tourists will also start to rise, offering safety, security, cleanliness and short distances, which are the keywords for overseas travel in the age of COVID. As a destination, we heard harsh and semi-confident voices from all concerned. Still, since October last year, we have been ahead of other destinations in demand development, local reports in FAM, and the results of our monthly and weekly FAM to embody safety, security and cleanliness ahead of other destinations.

The number of reaches, engagement, and web PV and SNS followers was significantly higher than in FY2021.

The COVID situation did not improve, with the reduction of the MoFA Level initially forecasted for the second half of Q2 to the first half of Q3, the return of flights by airlines, reduced flight numbers, and group package sales by travel agents, which will start in the second half of Q3. Curtailment of overseas travel.

Although the PCR test was abolished on September 7, 2022 with three vaccinations, the risk of contracting COVID while traveling, the cost of the PCR test, the soaring cost of airline tickets and the weak yen, among other negative conditions, did not lead to bookings concerning demand and search numbers.

Now is the time for GVB Japan to shift its marketing activities, especially in terms of stimulating demand, raising awareness and shifting the brand image, from the 70% group package sales to travel agents that have been implemented by COVID, to the 30% F I T that has been implemented so far. Digital marketing, content and real-time communication of real information on social networking sites, using a total of nine ambassadors selected from the general public and interviews for promotion, strengthening TikTok ahead of other destinations, and strengthening women's travel-related Innovative marketing activities were implemented, ranging from Instagram-centered

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

influencers to young, energetic, fresh and fashionable male and female influencers who are mainly active on TikTok to initiatives with HYPEBEAST, a progressive digital fashion media company.

Guam welcomed 184,734 visitors in FY2022 (as of August 28, 2022), a 249% increase from last year. Japanese visited Guam 10,476, a 260.1% increase from last year. Japanese contribution is still 6% of total visitor arrival on Guam.

United Airlines daily flights from Narita have continued to operate seven times a week without suspension due to the COVID disaster, and the number of flights has increased since 9 May, with KIX returning in July, NGO, FUK and JL in August, making a total of 23 flights a week now. The load factor is 15% based on the number of Japanese travelers as of 28 August, which is five times lower than the average of 79% in 2019. This has led Japan Airlines to announce that it will suspend operations from October until January 2023, though.

In brighter news, TW plans to return flights from December, and UA also plans to increase KIX flights in the winter schedule.

South Korea

GVB successfully hosted around 50 travel trade partners for the 2021 #GuamAgain Familiarization Tour. It was held with the purpose of promoting the safety of Guam after the COVID-19 pandemic. The mission was to update partners about Guam's infrastructure, businesses and to showcase the island's safety and quarantine protocols. Participants inspected 10 local hotels and took part in a travel trade show, where almost 30 local partners provided useful information to Korean agents. Participants were able to network and learn about Guam's diverse products and experiences.

GVB participated in the Seoul International Travel Fair (SITF) from June 23 – 26, 2022. SITF is the largest comprehensive tourism expo in Korea with a plethora of countries participating to promote tourism, travel, and culture. GVB's local industry partners showcased their unique offerings and properties during the event. Guam's history and culture was also highlighted through cultural performances on the main stage of SITF and the Guam booth site. GVB won 'The Best Organizing Booth Award' at the event.

GVB welcomed the hosts and crew from the ever popular 'Mukbang', also known as an 'eating show' called Tasty Guys. The special 400th anniversary episodes featured famous Korean comedians promoting Guam as a gourmet-food destination by exposing the island's best restaurants and unique cuisine. The project also highlighted Guam's tourist attractions and Instagram spots to further position Guam as a dynamic destination for Korean visitors.

Under the aim of encouraging the growth of eco-tourism spots in Guam, GVB accomplished the 'Guam Color Wave' project in partnership with famous Korean artists and the Inalåhan Mayor's office. The vivid murals depict images of island life, showcasing Guam's local flora and fauna while also giving a glimpse of Inalåhan's legendary Chamorro chief, Gadao.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

Taiwan

GVB exhibited in several trade shows including Taipei International Travel Fair (TITF), Taipei International Travel Fair (ITF), Taipei Travel Expo (TTE) and Kaohsiung International Travel Fair (KITF). GVB secured free booths for every travel fair.

Guam and Taichung city signed a sister city agreement on February 23rd. This milestone not only elevated Guam's relationship with Taiwan, but it also raised more awareness of destination Guam. The media was very active in reporting the ceremony and called the move a step forward in relations with the U.S. A total of 59 media pieces were created, including seven reports on TV, 51 online news, and one post on social media.

GVB exhibited at the ASOA Food Taipei Show that highly impressed participants including Taiwan President Tsai-Ying Wen, who visited Guam's booth and learned about Guam's favorites snacks, chocolates, and beer. GVB attracted over 200 actual visits and exchanged business cards from partners and industry attendees. This highly anticipated event not only introduced and promoted Guam's food products to potential buyers and dealers but it also promoted Guam's culture and tourism spots.

GVB participated in one of Taipei's biggest events, the Taipei Lantern Festival. GVB gained over 700 new followers on our official Facebook page from this event. To maximize exposure of the Guam Lantern, GVB cooperated with one of Taiwan's biggest amusement park, Leofoo Village, to continue the display of the Guam Lantern and attract the family market.

GVB invited a travel and lifestyle KOL to Guam to experience Guam's beauty, nature and culture. The KOL shared her experience on her social media platforms to promote destination Guam. GVB arranged for a photographer to Guam to capture the island's beauty through the lens and to update our image library.

A popular and well-known food and travel leisure TV show, Super Taste, filmed their four episodes on Guam to introduce the destination to Taiwanese. The reach of each episode exceeded one million, of which more than 100K+ viewers are aged 25-39.

GVB frequently visited the American Institute in Taiwan (AIT), AmCham, ASOA, EVA Air, China Airlines, Starlux Airlines, Ministry of Foreign Affairs (MoFA), Civil Aeronautics Administration (CAA), Lion Travel, Phoenix Travel and other trade partners, to explore cooperative opportunities and the resumption of direct air service to Guam.

Philippines

GVB participated in the 28th PTAA TravelTour Expo at the SM Megatrade Hall in Manila on November 5-7, 2021, first physical travel expo since the pandemic; GVB team met travel agent partners who have extensively promoted Guam to their clients.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Management’s Discussion and Analysis, continued

GVB joined the International Travel Festival at Ayala Mall’s The Atrium in Cebu on February 18-20, 2022, first event attended outside Metro Manila since the pandemic, conducting surveys that showed Cebu market is ready for travel to Guam, with 40% of attendees possessing US visas.

GVB took part in the Worldmaster International Travel Mart at the Richmonde Eastwood Hotel and Royce Hotel in Clark on April 30 and May 2, 2022, respectively, largest B2B event GVB has participated in, with over 200 travel agents attending.

GVB Participated in the 29th PTAA TravelTour Expo at the SMX Convention Center in Manila on June 24-26, 2022, the biggest consumer travel expo since the pandemic, with 38,871 total visitors attending.

RESEARCH

With nations around the world lowering travel restrictions and shifting focus to recovering from the COVID-19 pandemic, research continues to be an essential aspect in the decision-making process for our island leaders. Issues of safety and public health have become top priorities for visitors and there is greater anticipation that the global profile of travelers will continue to transform. It is the responsibility of the GVB Research & Strategic Planning Division to work with other entities to collect, analyze, and evaluate pertinent data on the visitor industry in order to provide and disseminate comprehensive statistics for the benefit of our island.

Visitor Forecasts

Visitor arrivals for FY2023 are projected to reach 670,000 or about 41% of pre-pandemic levels. Korea is expected to lead the recovery with around 51% of 2019 levels recaptured in 2023, while Japan and Taiwan are expected to lag behind with only 20% and 32% respectively. Seat capacity to Guam for FY2023 is recorded at 1.3M seats from all markets. This represents only 60% of the total seats to the island in 2019 (pre-pandemic). Total arrivals anticipate a total load factor across all markets of around 49% of available seats to the island.

One Village One Attraction

In order to move tourism recovery efforts even further, the Research & Strategic Planning Division is focused on enhancing and developing our destination as well as the experiences captured on island. Our “One Village, One Attraction” Initiative is designed to develop unique cultural attractions across the 19 villages of Guam. These new attractions are being developed and designed in collaboration with the Mayors Council of Guam, to ensure the community plays a key role in determining the attractions developed within each community. Our goal is to create new economic opportunities for our people, enhance the visitor’s experiences, and perpetuate our island’s unique culture.

As the visitor industry continues to evolve to address the new travel demands in a post pandemic environment, the Research & Strategic Planning Division is committed to providing innovative strategic initiatives and programs driven by valuable data and analytics on Guam’s visitor industry. In the more than 20 years since its creation, the GVB Research & Strategic Planning Division has

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

consistently implemented the core projects outlined in its enabling legislation by producing over 300 statistical reports, conducting and issuing information for more than 460+ visitor surveys analyzing responses of visitors from our major source markets, producing reports on the visitor industry labor market and analyzing data obtained from the arrival forms completed upon entry to the destination.

CULTURAL HERITAGE, BRANDING AND COMMUNITY OUTREACH

Guam's culture plays a significant role in the island's attractiveness as a tourist destination. It is GVB's policy to actively maintain and provide avenues for the continued development and strengthening of our culture and heritage; in part to ensure that tourism is consistent with the cultural philosophies of our community.

GVB brought back its weekly #InstaGuam photo and video contest. The contest was part of GVB's popular #InstaGuam theme that promoted Guam as an instant destination from its major source markets while encouraging local residents and visitors to create their own story driven content through the power of social media. The #InstaGuam hashtag has also grown to over 210K posts over the past three years since the original campaign launched in 2018. GVB encouraged everyone to share and submit their best photos or videos for a chance to win weekly prizes, which include a Silver Guam Seal Wave Pendant and Tungsten Engraved Håfa Adai Guam Seal Ring, Silver Traditional Guam Seal Pendant with Bamboo Border and Tungsten Engraved Håfa Adai Guam Seal Ring, Joinus Restaurant Kayaki gift certificates, Footlocker gift cards, a PHR social membership card, an O Bag Purse, and cash prizes. Prizes were donated by Vince Jewelers, Rakuten Travel Guam, UOG Endowment Foundation, Micronesia Mall, DKSH Guam, Inc. dba Time & Style by Caronel.

GVB restarted its PCR testing program for visitors upon their return home. This program aimed to alleviate the COVID-19 testing cost in the new age of travel. This is a key competitive advantage to attract more visitors to Guam. The cost covered one PCR test per person, per week. In June 2022, four (4) testing sites were included: Hotel Nikko Guam, The Plaza, Hyatt Regency Guam and the Pacific Island Club.

DESTINATION DEVELOPMENT AND MANAGEMENT

Destination Development identifies projects and programs that will enhance Guam's visitor experience and improve the quality of life for island residents. While capital improvements are necessary to reinvigorate our product, consistent and effective maintenance is just as important in keeping a safe and positive image of Guam.

Collaborating with public and private institutions impacting the social, economic, and environmental dimensions of tourism is a major responsibility of the Destination Development and Management. The central goal of this department is delivering and exceeding the unique visitor experience promised in the marketing message conveyed to potential customers. And this goal is achieved by showcasing our cultural heritage, organizing exciting world-class events, and good stewardship of key infrastructure facilities that add value to the visitor experience and contribute to the safety and security of visitors and residents alike.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

The focus is on improving tourism infrastructure, safety, and satisfaction. Over the years, GVB has taken on an increased role in the upkeep of Guam's main tourist corridor, San Vitores Road.

In FY2022, GVB oversaw the maintenance of major tourist infrastructure to include San Vitores Road, Tumon and Hagåtña Bays, Island Roadways, Tumon Bus Shelters, Sidewalks, and Tree Mitigation. To guarantee quality standards, GVB contracts a Quality Assurance Manager to ensure the protection of GVB's investment and to uphold a close relationship with GovGuam entities and the private sector to address and resolve issues, as well as an Architectural and Engineer Consultant to oversee Capital Improvement Projects.

Beach Cleaning Maintenance

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

Contract Administration and Inspection Services

The success of GVB contracts relies on a Quality Assurance Inspector to make certain that the scope of works is kept to standard. It includes overall infrastructure inspection and coordination with GovGuam agencies to ensure safety issues are addressed in a timely manner.

Planning & Architectural-Engineering Services

The WB Flores consultant possesses technical expertise and management capabilities to oversee Capital Improvement Projects meant to encourage more investment into the tourist district and to spur additional economic activity for the benefit of the people of Guam.

Insurance Claims

GVB, with assistance from the Guam Police Department, collects police reports for accidents occurring along Pale San Vitores Road that damage GVB infrastructure (i.e., landscape and hardscape). If a police report is available, GVB files a claim against the insurance to recoup costs for repairs.

Island Road Maintenance

Maintenance of Rt. 1 (Dededo Flea Market to Naval Station), Rt. 2A and 2 (Naval Station to Cetti Bay), Rt. 16 (Rt. 1 to Harmon McDonald's), Rt. 4 (Rt. 1-Chalan Laman, Inarajan), and Rt. 34 (Two Lovers Point). Scope of work includes trash collection, grass cutting, scraping, edging, and trimming.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

Tumon Bus Shelters

Maintenance of a total of 12 bus shelters at GVB, PIC, Across PIC, Fountain Plaza, Across Hyatt, Pacific Bay/Churrasco, Westin, Kracked Egg, Pacific Place, Holiday Resort, Sand Castle, and Lotte Hotel. Scope of work includes wiping down the shelters and keeping the structures graffiti-free.

Tumon Landscape Maintenance

Maintenance of Pale San Vitores Road from Archbishop Flores Rotunda to Lotte Hotel, including JFK and Westin hills. Scope of work includes tree and shrub trimming, grass cutting, sweeping/blowing of sidewalks, trash collection (including bus shelter trash collection).

Tree Mitigation

Proper pruning of trees along San Vitores Road to manage tree health, provide clearance, improve tree structure, and reduce the risk of branch failure. This includes the removal of trees that are dead, declining in health, interior decay or roots that pose a serious threat to infrastructure.

Anti-Graffiti

GVB has actively been involved in the Anti-Graffiti campaign by immediately responding to tagging of public infrastructure. Scope of work includes Pale San Vitores Road, San Vitores Road, Fujita Road, JFK Hill, Westin Hill, Carlos Camacho Road, Farenholt, Chalan San Antonio, Bishop Flores Rotunda, and Route 1 from Micronesia Mall intersection to Paseo.

SPORTS & EVENTS

GVB's top priority continues to be the safety of our island residents and visitors with the cancellation of all GVB's signature events as a result of COVID-19 restrictions and regulations which currently limit and restrict social/group gatherings.

The Sports and Events division of GVB remains committed to identifying, advocating, and further developing sports tourism as a tool for promoting Guam.

As regulations eased and in partnership with the Department of Parks and Recreation (DPR) and local food trucks, GVB held a free family-friendly event for the island community to enjoy – Fandanna Friday at the Governor Flores Memorial Park (Ypao Beach).

VISITOR SAFETY & SATISFACTION

Visitor Safety & Satisfaction is tasked to address issues that directly affect the experience of our visitors. The core objective of Visitor Safety & Satisfaction is to maintain Guam's reputation as a safe destination and provide quality control measures that will ensure a positive experience for our guests that will encourage new and repeat visitors.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

Visitor Safety Officer Program

The Visitor Safety Officer (VSO) program was established in 2014 to provide the presence of concierge and safety to the foot traffic of Tumon, our tourism district. Throughout the years, the program has seen great success in perpetuating the Håfa Adai spirit to both residents and visitors while also serving as a crime deterrent.

The VSO program is a community program that serves to uphold Guam's reputation as a safe and family friendly destination. The VSOs work to support the efforts of the Guam Police Department and the Department of Parks & Recreation's Park Patrol unit. In FY2022, the VSOs assisted in over 5,000 safety and security incidents. The program prides itself in the VSO's level of professionalism with many VSOs upholding skillsets that range from customer service, tourism relations, military and law enforcement training. They are frontline Håfa Adai ambassadors who demonstrate our island's renowned spirit of hospitality through their presence as demonstrated by over 100,000 recorded community advisory and assistance in FY2022.

Tour Guide Certification Program

GVB monitors tour guides and tour sites throughout Guam. The Tour Guide Certification Program (TGC) 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.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

FINANCIAL HIGHLIGHTS

The following table summarizes the change in net position of GVB for the fiscal years ended 2022 and 2021.

Statement of Net Position
September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets:		
Current assets	\$16,292,172	\$13,842,556
Security deposits	178,308	133,230
Cash - restricted	14,703,764	182,138
Capital assets	<u>6,489,602</u>	<u>6,510,171</u>
Total assets	37,663,846	20,668,095
Deferred outflows of resources	<u>2,823,364</u>	<u>3,719,902</u>
	<u>\$40,487,210</u>	<u>\$24,387,997</u>
Liabilities:		
Current liabilities	\$3,244,862	\$1,996,346
OPEB liability	7,323,969	6,649,220
Net pension liability	4,022,867	5,085,558
Advances from grantor - restricted	14,525,279	---
Accrued sick leave	57,257	40,003
Lease liability - net of current portion	<u>51,595</u>	<u>---</u>
Total liabilities	<u>29,225,829</u>	<u>13,771,127</u>
Deferred inflows of resources	<u>2,489,701</u>	<u>2,907,894</u>
Commitments and contingencies		
Net position:		
Net investment in capital assets	6,489,602	6,510,171
Restricted - expendable	346,786	392,705
Unrestricted	<u>1,935,292</u>	<u>806,100</u>
Total net position	<u>8,771,680</u>	<u>7,708,976</u>
	<u>\$40,487,210</u>	<u>\$24,387,997</u>

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

GVB's cash balance significantly increased in fiscal year 2022 due to the receipt of federal grant in the form of Coronavirus State and Local Fiscal Recovery Fund ("CSLFR"). A total of \$20 million was received at the beginning of the fiscal year. Consistent with other federal grants, CSLFR funds are restricted in nature for specific purposes as stipulated in the grant compliance supplement. In FY2022, GVB expended a total of \$5.5 million in CSLFR funds and is mandated by federal law to undergo an audit on federal expenditures. The audit report and required grant financials are published on a separate report. As of September 30, 2022, the grant's remaining cash balance is \$14.5 million and is recorded as a component of current assets.

Another notable increase in current asset is GVB's receivable balance of \$1.2M. This balance is comprised of receivables due from the Government of Guam for the remaining balance of GVB's FY2022 appropriations. Collection of this balance is expected within two months after the fiscal year end.

As required by the Government Accounting Standards Board ("GASB"), unexpended portion of monies received from federal grants are to be recorded as advances from grantor before eligibility requirements are met. As of fiscal year ending 2022, \$14.5 million from the CSLFR is unexpended and is recorded as a component of noncurrent liabilities. This remaining balance has been allocated to the *One Village, One Attraction* project and will be expended within the upcoming fiscal years.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

The following table presents a summary of GVB's statement of revenues, expenditures and change in net position for the fiscal years ended 2022 and 2021.

Statement of Revenues, Expenditures and Change in Net Position

September 30, 2022 and 2021

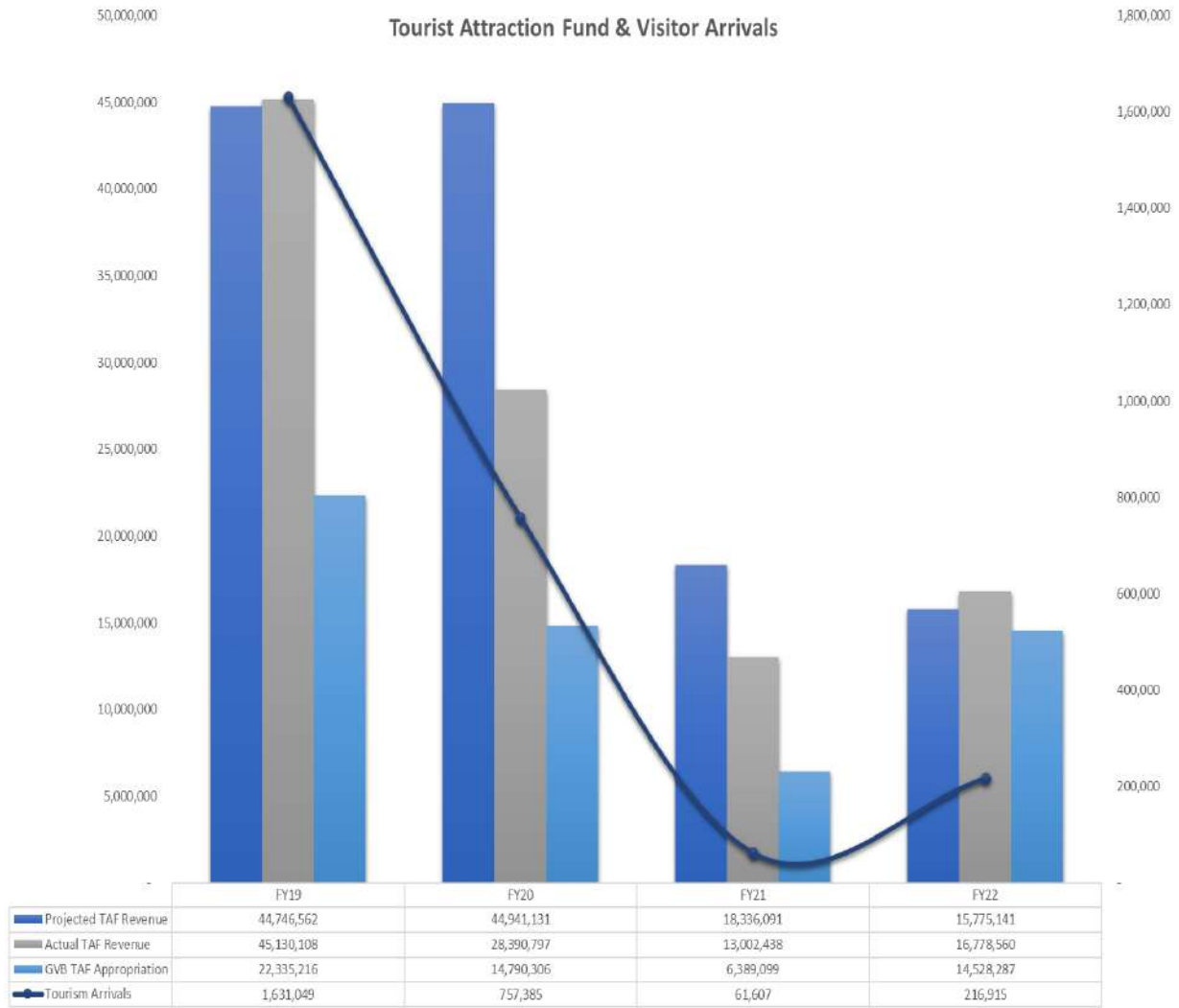
	<u>2022</u>	<u>2021</u>
Operating revenues	\$ <u>281,459</u>	\$ <u>139,299</u>
Expenses:		
Professional services	14,640,836	3,909,894
Personnel	3,165,813	3,158,025
Promotional in-kind contributions	802,368	70,121
Miscellaneous	762,122	545,153
Travel	226,906	14,764
Depreciation	188,941	115,420
Rent/Lease	166,738	175,380
Material and supplies	143,360	64,212
Utilities	117,711	125,778
Equipment	114,570	46,943
Repairs and maintenance	27,154	50,962
Foreign Currency Loss	23,344	3,570
Advertising	17,453	12,818
Printing	13,473	3,942
Grants	---	24,999
Consumption Tax	<u>---</u>	<u>1,213</u>
Total operating expenses	<u>20,410,789</u>	<u>8,323,194</u>
Operating revenues net of operating expenses	<u>(20,129,330)</u>	<u>(8,183,895)</u>
Nonoperating revenues (expenses):		
Grants-in-aid from Government of Guam	14,528,287	5,324,249
Federal contributions	5,919,554	436,028
In-kind contributions	802,368	70,121
Interest income	7,533	5,046
Other nonoperating expense	<u>(65,708)</u>	<u>(522,582)</u>
Total nonoperating revenues (expenses), net	<u>21,192,034</u>	<u>5,312,862</u>
Change in net position	1,062,704	(2,871,033)
Net position at beginning of year	<u>7,708,976</u>	<u>10,580,009</u>
Net position at end of year	<u>\$ 8,771,680</u>	<u>\$ 7,708,976</u>

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Management’s Discussion and Analysis, continued

GVB’s financial position is heavily reliant on appropriations from the Government of Guam, which are recorded in the financial statements as Grants-in-aid from the Government of Guam. Historical data indicate that GVB’s annual appropriation is directly correlated with the success of tourism arrivals and the Tourist Attraction Fund, which is funded by the 11% hotel occupancy tax, a statutory mandated levy for all residing in a hotel or alternative accommodation.

Below represents the fluctuation of visitor arrivals in the current and previous years, and its impact to the Tourist Attraction Fund and GVB’s appropriations.

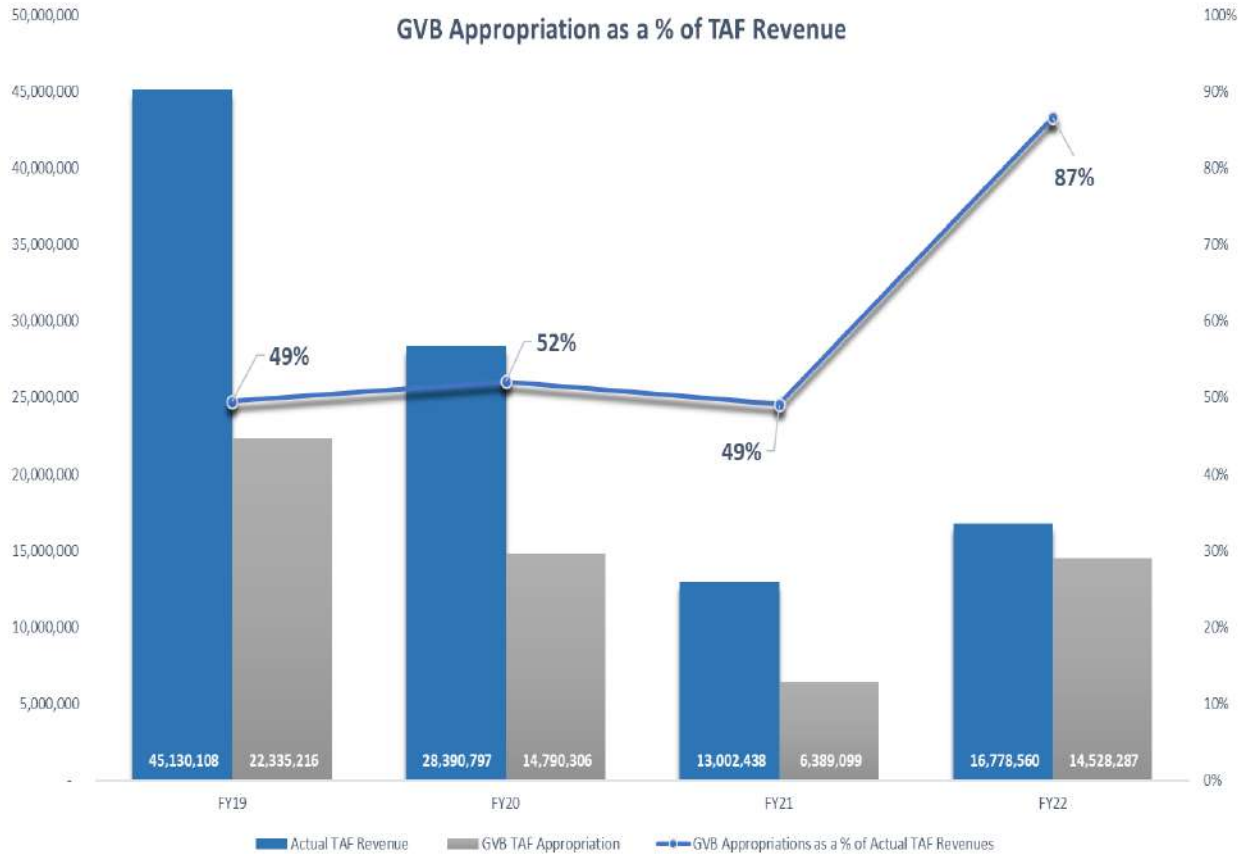


COVID-19 continues its negative impact on GVB’s financial position. The decreased funding had forced GVB to re-strategize its goals and objective. A silver lining, however, is the 87% allocation of GVB’s budget relative to TAF revenue for fiscal year 2022. Allocation in prior fiscal years range from 49% to 52%. GVB aims to continue the 87% allocation in the upcoming fiscal year through its budgetary request.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Management’s Discussion and Analysis, continued

The graph below illustrates the fluctuation of GVB’s appropriation relative to the overall TAF revenues for the current and previous fiscal years.

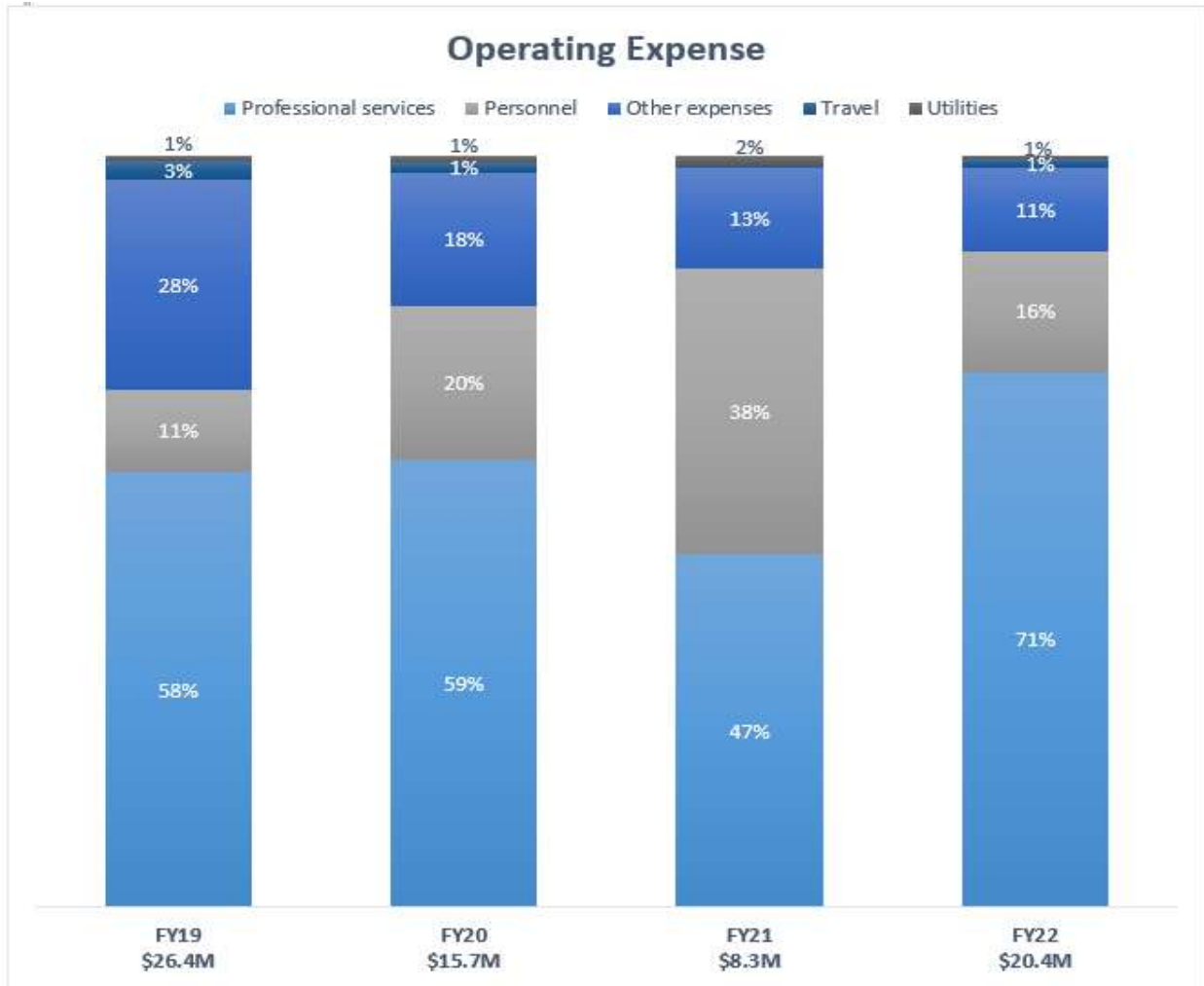


In fiscal year 2022, GVB concentrated a larger portion of its budget on marketing initiatives and destination development projects. Recorded as professional services, the necessary shift aimed to revitalize Guam’s tourism economy and prepare the island for the resumption of international travel. These marketing initiatives include raising awareness through various media platforms, digital campaigns, and engagement in tourism fairs across Japan, South Korea and Taiwan. Travel restrictions in key source markets provided the opportunity to enhance popular tourist sites. GVB capitalized on this opportunity and initiated projects involving capital improvement, as well as consistent and effective maintenance. The following fiscal year is anticipated to continue these initiatives and projects.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Management’s Discussion and Analysis, continued

The graph below illustrates the distribution of expenses for the current and previous fiscal years. For purpose of the graph, other expenses include promotional in-kind contribution, depreciation, materials and supplies, utilities, equipment, printing and other miscellaneous operational expense.



Although benefits from these projects and initiatives are not expected to be realized until the upcoming fiscal years due to existing travel restrictions hindering ease of travel for Guam’s key markets, GVB believes that the investment made will result in an upward trajectory for both visitors and island residents.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

CAPITAL ASSETS AND LONG-TERM DEBT

GVB is not capital intensive and therefore, significant capital asset activity did not occur in fiscal year 2022 or 2021. For additional information regarding capital assets, please refer to Note 5 of the Financial Statements.

Additionally, GVB has no long-term borrowings.

^^^Management's Discussion and Analysis for the year ended September 30, 2021 is set forth in GVB's report on the audit of the financial statements, which is dated April 6, 2022, and that Discussion and Analysis explain the major factors impacting the 2020 financial statements and can be viewed at the Office of the Public Auditor's website at <https://www.opaguam.org/reports-audits/financial-audits?page=2>.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Statement of Net Position

September 30, 2022

Assets and deferred outflows of resources

Current assets:	
Cash - unrestricted	\$ 12,324,937
Cash - restricted	168,301
Investments	2,404,280
Due from the Government of Guam	1,210,691
Accounts receivable - others	102,013
Prepaid expenses	<u>81,950</u>
Total current assets	16,292,172
Security deposits	178,308
Cash - restricted	14,703,764
Capital assets:	
Nondepreciable capital assets	5,992,415
Depreciable capital assets, net	<u>497,187</u>
Total assets	<u>37,663,846</u>
Deferred outflows of resources:	
Deferred outflows from OPEB	1,991,356
Deferred outflows from pension	<u>832,008</u>
Total deferred outflows of resources	<u>2,823,364</u>
Total assets and deferred outflows of resources	<u>\$ 40,487,210</u>

See accompanying notes.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Statement of Net Position, continued

Liabilities, deferred inflows of resources and net position

Current liabilities:	
Accounts payable	\$ 3,003,110
Accrued annual leave	193,836
Current portion of lease liability	24,616
Unearned income	<u>23,300</u>
Total current liabilities	3,244,862
OPEB liability	7,323,969
Net pension liability	4,022,867
Advances from grantor - restricted	14,525,279
Accrued sick leave	57,257
Lease liability - net of current portion	<u>51,595</u>
Total liabilities	<u>29,225,829</u>
Deferred inflows of resources:	
Deferred inflows from OPEB	1,850,695
Deferred inflows from pension	<u>639,006</u>
Total deferred inflows of resources	<u>2,489,701</u>
Commitments and contingencies	
Net position:	
Net investment in capital assets	6,489,602
Restricted for:	
Capital projects	178,485
Cultural and sports ambassadors travels	125,836
Other purposes	42,465
Unrestricted	<u>1,935,292</u>
Total net position	<u>8,771,680</u>
Total liabilities, deferred outflows of resources and net position	<u>\$ 40,487,210</u>

See accompanying notes.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Statement of Revenues, Expenses and Changes in Net Position

Year Ended September 30, 2022

Revenues:	
Consumption tax refund	\$ 126,186
Other income	138,072
Memberships	<u>17,201</u>
Total operating revenues	<u>281,459</u>
Expenses:	
Professional services	14,640,836
Personnel	3,165,813
Promotional in-kind contributions	802,368
Miscellaneous	762,122
Travel	226,906
Depreciation	188,941
Rent/lease	166,738
Materials and supplies	143,360
Utilities	117,711
Equipment	114,570
Repairs and maintenance	27,154
Foreign currency loss (gain)	23,344
Advertising	17,453
Printing	<u>13,473</u>
Total operating expenses	<u>20,410,789</u>
Operating revenues net of operating expenses	<u>(20,129,330)</u>
Nonoperating revenues (expenses):	
Grants-in-aid from GovGuam:	14,528,287
Federal contributions	5,919,554
In-kind contributions from members and others	802,368
Interest income	7,533
Other nonoperating expenses, net	<u>(65,708)</u>
Total nonoperating revenues, net	<u>21,192,034</u>
Change in net position	1,062,704
Net position at the beginning of the year	<u>7,708,976</u>
Net position at the end of the year	<u>\$ 8,771,680</u>

See accompanying notes.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Statement of Cash Flows

Year Ended September 30, 2022

Cash flows from operating activities:	
Cash received from members	\$ 38,301
Cash received from other sources	264,258
Cash paid to employees	(3,142,469)
Cash paid to suppliers	<u>(15,133,252)</u>
Net cash used for operating activities	<u>(17,973,162)</u>
Cash flows from noncapital financing activities:	
Government of Guam appropriations	13,328,700
Federal grants	20,444,833
Other disbursement, net	<u>(58,175)</u>
Net cash provided by noncapital financing activities	<u>33,715,358</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	(67,682)
Lease payments	<u>(24,479)</u>
Cash used for capital and related financing activities	<u>(92,161)</u>
Cash flows from investing activity:	
Investment in TCD	<u>(654,445)</u>
Net change in cash	14,995,590
Cash at beginning of year	<u>12,201,412</u>
Cash at end of year	<u>\$27,197,002</u>
Consisting of:	
Unrestricted	\$12,324,937
Restricted	<u>14,872,065</u>
Cash at end of year	<u>\$27,197,002</u>

See accompanying notes.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Statement of Cash Flows, continued

Reconciliation of operating revenues net of operating expense to net cash used for operating activities:

Operating revenues net of operating expenses	\$(20,129,330)
Adjustments to reconcile operating revenues net of operating expenses to net cash used for operating activities:	
Promotional in-kind contributions	802,368
Depreciation	188,941
Non-cash OPEB costs	479,230
Non-cash pension costs	201,601
Decrease (increase) in assets:	
Accounts receivable - others	(64,693)
Prepaid expenses	(56,927)
Security deposit	(45,078)
Increase (decrease) in liabilities:	
Accounts payable	1,196,710
Unearned income	21,100
Net pension liability	(481,384)
OPEB liability	(109,044)
Accrued annual and sick leave	<u>23,344</u>
Net cash used for operating activities	\$(<u>17,973,162</u>)

See accompanying notes.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Notes to Financial Statements

Year Ended September 30, 2022

1. 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, as amended by GASB Statement No. 61, GVB is considered a component unit of the Government of Guam (GovGuam). GVB receives operating appropriations that derive from the GovGuam Tourist Attraction Fund, as appropriated by the Guam Legislature.

GVB is governed by a thirteen member Board of Directors. The Board members comprise, GVB General Manager, Directors elected at large by GVB members and appointments made by the Governor and the Guam Legislature.

2. Summary of Significant Accounting Policies

The accompanying financial statements of GVB have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). GASB is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. GVB's significant accounting policies are described below:

Basis of Accounting

GVB utilizes the flow of economic resources measurement focus. Its financial statements are prepared in accordance with GAAP as applied to governmental units using the accrual basis of accounting.

GVB's revenues are derived primarily from consumption tax refunds, in-kind contributions, other income (sponsorship and donations) and memberships 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 GVB's operations 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.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Net Position, continued

- 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.

Budget

An annual appropriated budget has not been formally adopted on a legal basis or a basis consistent with GAAP. Accordingly, a budget to actual presentation is not required or presented.

Cash

For purposes of the statements of net position and 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 statement 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 quarterly average exchange rate as of 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, 2022, GVB's unrestricted cash includes \$25,021 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 \$23,344 was recognized for the year ended September 30, 2022.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Advances from Grantor

Advances from grantor represents federal funds received in advance of eligible expenditures which have not been earned or do not meet the "available" criterion for revenue recognition under the modified accrual basis of accounting. Such funds are restricted until eligibility requirements are met.

Deferred Outflows of Resources

In addition to assets, the statement 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, changes of assumptions, pension and OPEB contributions made subsequent to the measurement date, and changes in proportion and difference between pension and OPEB contributions and proportionate share of contributions qualify for reporting in this category.

In addition to liabilities, the statement 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 and OPEB liabilities, differences between projected and actual earnings on pension plan investments, changes of assumptions, and changes in proportion and difference between pension contributions and proportionate share of contributions qualify for reporting in this category, the measurement of the total pension and OPEB liabilities, differences between projected and actual earnings on pension plan investments, changes of assumptions, and changes in proportion and difference between pension 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, 2022 are amounts related to compensated absences earned but unused. The amounts are also included as a component of operating expense in the statement of revenues, expenses, and changes in net position.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

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.

Other Postemployment Benefits (OPEB)

OPEB is required to be recognized and disclosed using the accrual basis of accounting. OPEB offered to GVB retirees includes health and life insurance. GVB recognizes OPEB liability for the defined benefit OPEB plan in which it participates, which represents GVB's proportional share of total OPEB liability - actuarially calculated - of a single 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 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 the 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.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Consumption Tax Refund

GVB receives a consumption tax refund from the Japanese treasury by quarter based the Japan Consumption Tax rate, which is between 8-10% of certain expenditures incurred in Japan and reported to the Japanese treasury by the GVB Japan overseas office.

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 year ended September 30, 2022.

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

Estimates

The preparation of financial statements in accordance with GAAP 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, 2022, 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, continued

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements

In 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the effective date of GASB Statement No. 89 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. In accordance with GASB Statement No. 95, management has elected to postpone implementation of these statements.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. The adoption of GASB Statement No. 87 did not have an effect on beginning net position. At October 1, 2021, GVB recorded a leased asset of \$100,690, for its lease agreement as a lessee.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The adoption of GASB Statement No. 89 did not have an effect on GVB's financial statements.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The requirements of this Statement enhances comparability in the application of accounting and financial reporting requirements and improves the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements. This Statement addresses a variety of topics and includes specific provisions about leases; reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan; applicability of Statement no. 73 and 84 for postemployment benefits, measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature and terminology used to refer to derivative instruments. The adoption of GASB Statement No. 92 did not have an effect on GVB's financial statements.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements, continued

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR) – most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates by either (a) changing the reference rate or (b) adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address the accounting and financial reporting effects that result from the replacement of IBORs with other reference rates in order to preserve the reliability, consistency, and comparability of reported information. The adoption of GASB Statement No. 93 did not have an effect on GVB's

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code 457 Deferred Compensation Plans*. The primary objectives of this Statement are to (a) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (b) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund financial statements; and (c) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The adoption of GASB Statement No. 97 did not have an effect on GVB's financial statements.

In October 2021, GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. This statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The adoption of GASB Statement No. 98 did not have an effect on GVB's financial statements.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements, continued

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. This statement provides clarification guidance on several of its recent statements that addresses different accounting and financial reporting issues identified during implementation of the new standards and during the GASB's review of recent pronouncements. GASB Statement No. 99:

- Amends guidance in GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, requiring that the accounting and financial reporting of Supplemental Nutrition Assistance Program (SNAP) transactions should follow the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions, as amended*. These provisions were effective upon issuance and implementation did not have a material effect on the accompanying financial statements.
- Requires disclosures related to nonmonetary transactions, in the notes to financial statements, of the measurement attribute(s) applied to the assets transferred rather than the basis of accounting for those assets. These provisions were effective upon issuance and implementation did not have a material effect on the accompanying financial statements.
- Provides guidance on accounting for pledges of future revenues when resources are not received by the pledging government. The guidance addresses the process of blending a component unit created to issue debt on behalf of a primary government when that component unit is required to be presented as a blended component unit. This guidance was effective upon issuance and implementation did not have a material effect on the accompanying financial statements.
- Provides clarification of provisions in GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as amended*, related to the focus of the government-wide financial statements. This guidance was effective upon issuance and implementation did not have a material effect on the accompanying financial statements.
- Provides terminology updates related to certain provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and terminology used in GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. These updates were effective upon issuance and implementation did not have a material effect on the accompanying financial statements.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements, continued

- GASB Statement No. 93, *Replacement of Interbank Offered Rates*, which amended GASB Statement No. 53 to address transition away from the London Interbank Offered Rate (LIBOR). GASB Statement No. 99 extends the period during which the LIBOR is considered an appropriate benchmark interest rate to when LIBOR ceases to be determined using methodology in place as of December 31, 2021. This guidance was effective upon issuance and implementation did not have a material effect on the accompanying financial statements.

Upcoming Accounting Pronouncements

In May 2019, GASB issued Statement No. 91, *Conduit debt obligations*. The primary objectives of this statement are to provide a single method reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. GASB Statement No. 91 will be effective for fiscal year ending September 30, 2023.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. GASB Statement No. 94 will be effective for fiscal year ending September 30, 2023.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases, as amended*. GASB Statement No. 96 will be effective for fiscal year ending September 30, 2023.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. This Statement contains guidance whose effective dates are in future periods. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 99:

- Modifies guidance in GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, to bring all guarantees under the same financial reporting requirements and disclosures effective for fiscal year ending September 30, 2024.
- Provides guidance on classification and reporting of derivative instruments within the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for fiscal year ending September 30, 2024.
- Provides clarification of provisions in GASB Statement No. 87 related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives effective for fiscal year ending September 30, 2023.
- Provides clarification of provisions in GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset. Guidance is effective for fiscal year ending September 30, 2023.
- Provides clarification of provisions in GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability. Guidance is effective for fiscal year ending September 30, 2023.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

- Modifies accounting and reporting guidance in GASB Statement No. 53 related to termination of hedge. Guidance is effective for fiscal year ending September 30, 2023.

In June 2022, GASB issues Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections. GASB Statement No. 100 will be effective for fiscal year ending September 30, 2024.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation.

GVB is currently evaluating the effects the above upcoming accounting pronouncements might have on its financial statements.

Subsequent Events

GVB has evaluated subsequent events through September 26, 2023. It is also the date that the financial statements were available to be issued.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

3. Cash

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, 2022, the carrying amount of GVB's total cash was \$27,197,002 and the corresponding bank balance was \$27,267,357. Of the bank balance, \$27,242,336 are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance with the remaining amount of \$25,021 being maintained in a financial institution not subject to depository insurance. As of September 30, 2022, bank deposits in the amount of \$404,105 were FDIC insured. In accordance with 5 GCA 21, Investments and Deposits, GovGuam requires collateralization of deposits in excess of depository insurance limits in an amount in value at least ten percent in excess of the amount of monies deposited with the financial institution. Such collateralization shall be in securities in U.S. treasury notes or bonds or in U.S. government agencies for which the faith and credit of the United States are pledged for the payment of principal and interest; evidence of indebtedness of GovGuam; investment certificates of the Federal Home Loan Bank; or such other securities as may be approved by the Director of Administration and the Governor of Guam. As of September 30, 2022, substantially all of GVB's bank deposits in excess of depository insurance limits are collateralized with securities held by the pledging financial institution but not in GVB's name.

As of September 30, 2022, restricted cash presented under current assets consists of cash held by GVB in the Rainy Day Fund and Cultural and Sports Ambassadors Fund of \$5,011 and \$125,836, respectively, and funds restricted for other purposes of \$37,454.

Rainy Day Fund is 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.

Cultural and Sports Ambassadors Fund is used to provide grants for transportation expenses for off-island travel by cultural and sports ambassadors.

As of September 30, 2022, cash amounting to \$14,703,764 that are restricted for capital projects is presented as a noncurrent asset.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

4. Short-term Investments

Short-term investments at September 30, 2022 represent certificates of deposit in the amount of \$2,404,280 are FDIC insured. These investments will mature within the next year.

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, 2022, GVB's short-term investments are held and administered by investment managers in the name of GVB in accordance with GVB's investment policy.

5. Capital Assets

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

A summary of capital asset activities for the year ended September 30, 2022 follow:

	<u>Beginning Balance</u> <u>October 1, 2021</u>	<u>Additions</u>	<u>Transfers</u>	<u>Ending Balance</u> <u>September 30, 2022</u>
Non-depreciable:				
Land	\$5,992,415	\$ ---	\$ ---	\$5,992,415
Construction in progress	<u>54,893</u>	<u>---</u>	<u>(54,893)</u>	<u>---</u>
	<u>6,047,308</u>	<u>---</u>	<u>(54,893)</u>	<u>5,992,415</u>
Depreciable:				
Building	2,500,000	---	---	2,500,000
Building improvements	---	19,467	43,608	63,075
Leasehold improvements	140,846	---	---	140,846
Furniture and fixtures	115,006	---	---	115,006
Software and programming	122,513	---	---	122,513
Equipment	257,075	16,625	---	273,700
Vehicles and automobiles	---	42,875	---	42,875
Leased assets	<u>---</u>	<u>100,690</u>	<u>---</u>	<u>100,690</u>
	<u>3,135,440</u>	<u>179,657</u>	<u>43,608</u>	<u>3,358,705</u>
Less: accumulated depreciation	(2,672,577)	(188,941)	---	(2,861,518)
Depreciable capital assets, net	<u>462,863</u>	<u>(9,284)</u>	<u>43,608</u>	<u>497,187</u>
	<u>\$6,510,171</u>	<u>\$ (9,284)</u>	<u>\$(11,285)</u>	<u>\$6,489,602</u>

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

6. Pensions

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

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) plan. 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 and prior to January 1, 2018, were required to participate in the 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, retirees under the DB and DCRS Plans who retired prior to September 30, 2020 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.

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.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

6. Pensions, continued

General Information About the Pension Plans, continued

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 retirees 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 and DCRS retirees 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 Government of Guam Retirement Security Plan (GRSP).

On February 4, 2020, the Guam Legislature terminated the GRSP. Commencing April 1, 2017, 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.

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 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. Benefits are fully vested upon attaining 5 years of credited service.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

6. Pensions, continued

General Information About the Pension Plans, continued

Members of the DB 1.75 Plan may retire at age 62 with 5 years of credited service, or at age 60 with 5 years of credited service without survivor benefits, or at age 55 with 25 years of credited service but the retirement annuity shall be reduced $\frac{1}{2}$ of 1% for each month that the age of the member is less than 62 years (6% per year). Credited service is earned for each year of actual employment by the member as an employee. Upon retirement, a retired member is entitled to a basic retirement annuity equal to an annual payment of 1.75% of average annual salary multiplied by years of credited service. Average annual salary means the average of annual base salary for the three years of service that produce the highest average.

Contributions: Plan members of the DB Plan are required to contribute a certain percentage of their annual covered salary. The contribution requirements of the plan members and GVB are established and may be amended by the GGRF.

GVB's statutory contribution rates were 28.32% for the year ended September 30, 2022. Employees are required to contribute 9.5% of their annual pay for the year ended September 30, 2022.

GVB's contributions to the DB Plan for the year ended September 30, 2022 was \$236,765 which was equal to the statutorily required contributions for the year then ended.

GVB's contributions for supplemental annuity benefit and COLA payments for the year ended September 30, 2022 was \$40,000 which was equal to the statutorily required contributions for the year 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 6.2% 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.

Statutory employer contributions for the DCRS plan for the year ended September 30, 2022 are determined using the same rates as the DB Plan. Of the amount contributed by the employer, only 6.2% 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 year ended September 30, 2022 was \$343,907 which was equal to the required contributions for the respective year then ended. Of these amounts, \$268,493 was contributed toward the unfunded liability of the DB Plan for the year ended September 30, 2022.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

6. Pensions, continued

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

Pension Liability: Net pension liability at the fiscal year presented for the aforementioned plans was measured on and was determined by actuarial valuations as of the following dates:

Reporting Date:	September 30, 2022
Measurement Date:	September 30, 2021
Valuation Date:	September 30, 2020

As of September 30, 2022, GVB's reported a net pension liability for its proportionate share of the net pension liabilities measured as of September 30, 2021, which is comprised of the following:

Defined Benefit Plan	\$3,381,379
Ad Hoc COLA/supplemental annuity Plan for DB retirees	464,824
Ad Hoc COLA Plan for DCRS retirees	<u>176,664</u>
	<u>\$4,022,867</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, 2022, GVB's proportionate shares of the GovGuam net pension liabilities follow:

Defined Benefit Plan	0.35%
Ad Hoc COLA/supplemental annuity Plan for DB retirees	0.15%
Ad Hoc COLA Plan for DCRS retirees	0.25%

Pension Expense: For the year ended September 30, 2022, GVB recognized pension expense for its proportionate share of plan pension expense from the above pension plans as follows:

Defined Benefit Plan	\$ 86,266
Ad Hoc COLA/supplemental annuity Plan for DB retirees	101,427
Ad Hoc COLA Plan for DCRS retirees	<u>13,908</u>
	<u>\$201,601</u>

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

6. Pensions, continued

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, 2022, GVB reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Defined Benefit Plan</u>		<u>Ad Hoc COLA/SA Plan for DB</u>		<u>Ad Hoc COLA Plan for DCRS</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	\$ 5,427	\$ 34,381	\$ ---	\$ 6,457	\$ 19,428	\$ 3,440
Net difference between projected and actual investment earnings on pension plan investments	---	408,469	---	---	---	---
Changes of assumptions	---	---	12,666	1,378	35,883	11,653
Contributions subsequent to the measurement date	505,257	---	34,000	---	6,000	---
Changes in proportion and difference between GVB contributions and proportionate share of contributions	<u>59,131</u>	<u>107,582</u>	<u>69,838</u>	<u>---</u>	<u>84,378</u>	<u>65,646</u>
	<u>\$ 569,815</u>	<u>\$ 550,432</u>	<u>\$ 116,504</u>	<u>\$ 7,835</u>	<u>\$ 145,689</u>	<u>\$ 80,739</u>

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, 2022 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>
2023	\$(80,962)	\$30,442	\$11,373
2024	(98,296)	22,388	11,373
2025	(141,212)	21,839	10,794
2026	(165,404)	---	4,936
2027	---	---	4,936
Thereafter	<u>---</u>	<u>---</u>	<u>15,538</u>
	<u>\$(485,874)</u>	<u>\$74,669</u>	<u>\$58,950</u>

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

6. Pensions, continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued

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:

Actuarial Cost Method:	Entry age normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	May 1, 2033 (12.58 years remaining as of September 30, 2020)
Asset valuation method:	3-year smoothed market value (effective September 30, 2009)
Inflation:	2.50% per year
Total payroll growth:	2.75% per year
Salary increases:	4% to 7.5%
Retirement age:	50% probability of retirement upon first eligibility for unreduced retirement. Thereafter, the probability of retirement is 20% for each year until age 75, and increases to 100% at age 75.
Mortality:	RP-2000 healthy mortality table (males +3, females +2). Mortality for disabled lives is the RP 2000 disability mortality (males +6, females +4). Both tables are projected generationally from 2016 using 30% of Scale BB.

The actuarial assumptions used in the September 30, 2020 valuation were based on the results of an actuarial experience study for the period October 1, 2011 to September 30, 2015. The rationale for each significant assumption is provided in the experience study. To the extent that actual experience differs from the assumptions, future pension costs will differ.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

6. Pensions, continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued

The investment rate assumption as of September 30, 2021 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 Asset Allocation</u>	<u>Expected Nominal Return</u>	<u>Component Return</u>
U.S. Equities (large cap)	26%	7.44%	1.93%
U.S. Equities (small cap)	4%	9.23%	0.37%
Non-U.S. Equities	17%	9.28%	1.58%
Non-U.S. Equities (emerging markets)	3%	11.32%	0.34%
U.S. Fixed Income (aggregate)	22%	3.89%	0.86%
Risk Parity	8%	5.92%	0.47%
High Yield Bonds	8%	6.42%	0.51%
Global Real Estate (REITs)	2.5%	8.55%	0.21%
Global Equity	7%	8.20%	0.57%
Global Infrastructure	2.5%	7.58%	0.19%
Expected average return for one year			7.04%
Expected geometric mean (50 years)			6.36%

Discount Rate: The discount rate used to measure the total pension liability for the DB Plan as of September 30, 2021 was 7.0%, 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, 2021 was 2.26%, which is equal to the rate of return of a high quality bond index.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

6. Pensions, continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued

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:

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	\$4,269,435	\$3,381,379	\$2,281,493

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees:

	1% Decrease in Discount Rate <u>1.26%</u>	Current Discount Rate <u>2.26%</u>	1% Increase in Discount Rate <u>3.26%</u>
Net Pension Liability	\$509,751	\$464,824	\$425,603

Ad Hoc COLA Plan for DCRS Retirees:

	1% Decrease in Discount Rate <u>1.26%</u>	Current Discount Rate <u>2.26%</u>	1% Increase in Discount Rate <u>3.26%</u>
Net Pension Liability	\$200,549	\$176,664	\$156,286

Payables to the Pension Plans

As of September 30, 2022, GVB has no outstanding payable to GGRF representing statutorily required contributions as of year-end.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

7. 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.

OPEB Plan Description

Plan Description: The OPEB plan is a single-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. GovGuam issues a publicly available financial report that includes financial statements and required supplementary information for the OPEB Plan. That report may be obtained by writing to the Government of Guam Department of Administration, Suite 224, 2nd Floor, ITC Building, 590 South Marine Corps Drive, or by visiting the Guam Department of Administration website – <https://da.doa.guam.gov/reports/guam-other-post-employment-benefits-opeb-reports/>.

Benefits: GovGuam provides postemployment 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.

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.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

7. Other Post-Employment Benefits (OPEB), continued

OPEB Plan Description, continued

Actuarial Assumptions: The total OPEB liability for the OPEB Plan was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.75%.
Healthcare cost trend rates:	19% and 31% for FY2021 Non-Medicare and Medicare plans respectively. 6% for FY2022 through FY2023, decreasing 0.25 percent per year to an ultimate rate of 4.25 percent for FY2030 and later years.
Dental trend rates:	4.25% per year, based on a blend of historical retiree premium rate increases as well as observed U.S. national trends.
Healthy Retiree mortality rates:	Head-count weighted PUB-2010 Table, set forward 4 years for males and 2 years for females, respectively, projected generationally using 50% of MP-2020.
Disabled Retiree mortality rates:	PUB-2010 Disabled Retiree Amount Weighted mortality table set forward 4 years for males and 2 years for females, respectively, using 130% of the rates before age 80 and projected generationally from 2010 using 50% of mortality improvement scale MP-2020.

Discount rate: The discount rate used to measure the total OPEB liability was 2.26% as of September 30, 2021. The projection of cash flows used to determine the discount rate assumed that contributions from GovGuam 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 municipal bond rate was applied to all periods to determine the total OPEB liability.

OPEB plan fiduciary net position: As of September 30, 2022, an OPEB trust has not been established, thus the OPEB Plan does not presently report OPEB plan fiduciary net position.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

7. Other Post-Employment Benefits (OPEB), continued

OPEB Liabilities, OPEB expense, deferred outflows of resources and deferred inflows of resources related to OPEB

Total OPEB liability at the fiscal year presented for the OPEB Plan was measured on and was determined by actuarial valuations as of the following dates:

Reporting Date:	September 30, 2022
Measurement Date:	September 30, 2021
Valuation Date:	September 30, 2020

Collective total OPEB liability as of September 30, 2022 is \$7,323,969.

Proportionate share of collective total OPEB liability at September 30, 2022 is 0.26%.

For the year ended September 30, 2022, GVB recognized OPEB expense of \$479,230.

At September 30, 2022, GVB reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Changes of assumptions	\$ 855,115	\$1,029,782
Difference between expected and actual experience	638,213	389,036
Contributions subsequent to the measurement date	94,753	---
Changes in proportion and difference between employer contributions and proportionate share of contributions	<u>403,275</u>	<u>431,877</u>
	<u>\$1,991,356</u>	<u>\$1,850,695</u>

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as reduction of the total OPEB liability in the following year.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

7. Other Post-Employment Benefits (OPEB), continued

OPEB Liabilities, OPEB expense, deferred outflows of resources and deferred inflows of resources related to OPEB, continued

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB at September 30, 2022 will be recognized in OPEB expense as follows:

Year Ending <u>September 30</u>	
2023	\$ (58,273)
2024	87,495
2025	34,000
2026	(65,483)
2027	<u>48,169</u>
	<u>\$ 45,908</u>

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>1.26%</u>	Current Discount Rate <u>2.26%</u>	1% Increase in Discount Rate <u>3.26%</u>
Total OPEB Liability	<u>\$8,421,678</u>	<u>\$7,323,969</u>	<u>\$6,069,236</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:

	<u>1% Decrease</u>	Healthcare Cost <u>Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	<u>\$5,887,522</u>	<u>\$7,323,969</u>	<u>\$8,714,535</u>

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

8. Commitments and Contingencies

A. Leases

GVB leases commercial space for its Japan offices which require a refundable security deposit. As of September 30, 2022, the security deposit amounted to \$178,308. This amount consists of security deposits for two (2) offices, with one space expiring on September 30, 2022. The lease was not renewed, and the security deposit was refunded in the next fiscal year.

At September 30, 2022, the minimum rental commitment is \$59,502 for the next fiscal year.

GVB also leases photocopier machines for its administrative offices in Guam and Japan. The lease contracts were effective on October 1, 2021, with terms ranging from three to five years. The lease contract includes fixed monthly payments ranging from \$126 to \$1,954. For the year ended September 30, 2022, the measure of the lease asset, net of accumulated amortization of \$24,689, amounted to \$76,001.

B. Marketing Representation and Research

GVB entered into various marketing representation contracts in Japan, Korea, Philippines and Taiwan. Additional contracts were also entered for market research, community brand building support services and other marketing efforts. The initial term of these contracts is one year, with an option to extend annually for up to three additional fiscal years upon mutual agreement.

At September 30, 2022, the minimum future contract fees are \$1,152,000 for the next fiscal year.

C. Beautification Projects

GVB entered into various beautification project contracts for island road maintenance, bus shelter maintenance, Tumon landscaping, sidewalk cleaning and holiday illumination projects.

At September 30, 2022, the minimum future contract fees are \$1,156,620 for the next fiscal year.

D. Visitor Safety

GVB entered into a contract to provide visitor safety to Tumon and parts of Hagatna.

At September 30, 2022, the minimum future contract fees are \$839,858 for the next fiscal year.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

8. Commitments and Contingencies, continued

E. Palacio Building

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. Since inception, a total of \$352,000 was used for initial planning and construction. During the year ended September 30, 2022, no collections or additional expenses were incurred. Ownership of the building has not been determined.

F. Sick Leave

It is the policy of GVB to record the cost of sick leave when leave is actually taken and a liability is actually incurred. Generally, sick leave is paid only when an employee is absent due to illness, injury or related-family illnesses. Under the Defined Contribution Retirement System (DCRS), an employee may convert into cash up to 50% of the accrued sick leave liability. For this reason, a sick leave liability is recorded. The accumulated amount of unused sick leave at September 30, 2022 is \$211,690 of which \$57,257 may be convertible by DCRS employees upon retirement as of September 30, 2022.

G. Unrealized, Unasserted, Reasonably Probable Gain on Contingency

GVB's enabling act mandates that its board of directors take action to correct deficiencies and recover sums expended in violation of existing laws, rules, regulations or policies. Management herein discloses an unrealized gain contingency in connection with an unasserted claim arising from GVB's funding of sports events that were organized, managed, and co-sponsored by a third-party. In its ordinary course of business, GVB provides funding, material, and logistics support for entertainment, cultural, and sports events held in Guam. These events may be organized/sponsored and or managed by GVB or third parties. GVB records show that from calendar years 2014 to 2020, a substantial amount of payments to or on behalf of a third-party sponsor and organizer of sporting events were authorized by the board. In FY2022, management investigated the third-party sponsorship and referred its factual findings to the Guam Office of the Attorney General and the Public Auditor for their respective dispositions and independent determinations of whether such payments were made in violation of existing laws, rules or policies. Although no claims regarding payments to or on behalf of the third-party sponsor have been asserted by the board, and the likelihood of its doing so is unknown as of the date of this disclosure, management believes that there is a reasonable probability of a favorable outcome.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

9. Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended September 30, 2022 follow:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amount due</u> <u>within one year</u>
Net pension liability	\$ 5,085,558	\$ 201,601	\$(1,264,292)	\$ 4,022,867	\$ ---
OPEB liability	6,649,220	853,627	(178,878)	7,323,969	---
Lease liability	---	100,690	(24,479)	76,211	24,616
Accrued sick leave	<u>40,003</u>	<u>17,254</u>	<u>---</u>	<u>57,257</u>	<u>---</u>
	<u>\$11,774,781</u>	<u>\$1,173,172</u>	<u>\$(1,467,649)</u>	<u>\$11,480,304</u>	<u>\$24,616</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.

10. 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 year ended September 30, 2022, GVB received \$13,317,596 from GovGuam's Tourist Attraction Fund for operations.

No collections were received from the HOT Surplus Fund during fiscal year 2022.

As of September 30, 2022, receivables due from GovGuam associated with the above appropriations and grants amounted to \$1,210,691.

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

11. Restricted Net Position

Restricted net position represents 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. A summary of restricted net position as of September 30, 2022 follows:

Special Projects Fund	\$178,485
Cultural and Sports Ambassadors Fund	125,836
Cruise Ship Industry Development Program	37,454
Rainy Day Fund	<u>5,011</u>
 Total restricted	 <u>\$346,786</u>

Changes in restricted net position are as follows:

	Rainy Day Fund	Cultural and Sports Ambassadors Fund	Special Projects Fund	Cruise Industry Development Program	Total
Beginning of year	\$5,003	\$168,111	\$182,137	\$37,454	\$392,705
Transfers In	7	---	919	---	926
Expenses	---	(42,302)	(4,571)	---	(46,873)
Interest	<u>1</u>	<u>27</u>	<u>---</u>	<u>---</u>	<u>28</u>
End of year	<u>\$5,011</u>	<u>\$125,836</u>	<u>\$178,485</u>	<u>\$37,454</u>	<u>\$346,786</u>

12. Related Party Transactions

During the year ended September 30, 2022, GVB contracted and purchased goods from businesses that are associated with GVB Board Directors totaling \$366,379.

Required Supplementary Information

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

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

Defined Benefit Plan

	2022	2021	2020	2019	2018	2017	2016	2015	2014
GVB's proportion of the net pension liability	0.35%	0.36%	0.35%	0.38%	0.36%	0.36%	0.33%	0.31%	0.29%
GVB's proportionate share of the net pension liability	\$ 3,381,379	\$ 4,485,714	\$ 4,199,571	\$ 4,502,701	\$ 4,082,300	\$ 4,994,178	\$ 4,733,456	\$ 3,826,415	\$ 3,786,577
GVB's covered payroll	\$ 1,964,716	\$ 1,781,565	\$ 1,800,427	\$ 1,871,909	\$ 1,917,523	\$ 1,758,383	\$ 1,621,414	\$ 1,394,120	\$ 1,334,770
GVB's proportionate share of the net pension liability as percentage of its covered payroll	172.11%	251.79%	233.25%	240.54%	212.89%	284.02%	291.93%	274.47%	283.69%

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

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

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

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
GVB's proportionate share of the net pension liability	\$ 464,824	\$ 424,525	\$ 345,112	\$ 248,782	\$ 243,095	\$ 191,430	\$ 192,124
GVB's proportion of the net pension liability	0.15%	0.13%	0.11%	0.09%	0.08%	0.08%	0.08%

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

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

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

Ad Hoc COLA Plan for DCRS Retirees

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
GVB's proportionate share of the net pension liability	\$ 176,664	\$ 175,319	\$ 194,852	\$ 157,980	\$ 227,626	\$ 260,379	\$ 260,379
GVB's proportion of the net pension liability	0.25%	0.26%	0.33%	0.32%	0.36%	0.42%	0.50%

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

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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 505,257	\$ 507,321	\$ 491,791	\$ 447,634	\$ 537,445	\$ 507,749	\$ 525,143	\$ 514,072	\$ 356,516
Contributions in relation to the statutorily required contribution	<u>505,257</u>	<u>505,534</u>	<u>492,373</u>	<u>454,413</u>	<u>537,445</u>	<u>507,749</u>	<u>526,353</u>	<u>514,290</u>	<u>354,283</u>
Contribution (excess) deficiency	<u>\$ -</u>	<u>\$ 1,787</u>	<u>\$ (582)</u>	<u>\$ (6,779)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,210)</u>	<u>\$ (218)</u>	<u>\$ 2,233</u>
GVB's covered payroll	<u>\$ 2,052,926</u>	<u>\$ 1,964,716</u>	<u>\$ 1,781,565</u>	<u>\$ 1,800,427</u>	<u>\$ 1,871,909</u>	<u>\$ 1,917,523</u>	<u>\$ 1,758,383</u>	<u>\$ 1,621,414</u>	<u>\$ 1,394,120</u>
Contributions as a percentage of covered payroll	24.61%	25.73%	27.64%	25.24%	28.71%	26.48%	29.93%	31.72%	25.41%

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

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

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

	2022	2021	2020	2019	2018	2017
GVB's proportionate share of the total OPEB liability	\$ 7,323,969	\$ 6,649,220	\$ 7,392,672	\$ 5,292,875	\$ 5,672,967	\$ 5,779,432
GVB's proportionate of the total OPEB liability	0.26%	0.26%	0.29%	0.28%	0.23%	0.23%

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

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 624,460	\$ 774,660	\$ 567,445	\$ 645,393	\$ 673,124	\$ 563,308
Contributions in relation to the actuarially determined contribution	<u>117,018</u>	<u>94,684</u>	<u>92,046</u>	<u>70,773</u>	<u>54,850</u>	<u>54,850</u>
Contribution deficiency	<u>\$ 507,442</u>	<u>\$ 679,976</u>	<u>\$ 475,399</u>	<u>\$ 574,620</u>	<u>\$ 618,274</u>	<u>\$ 508,458</u>

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

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Notes to Required Supplementary Information
(Unaudited)

Changes of Assumptions – Pension Plans

Amounts reported in 2021 actuarial valuation reflected an assumption related to administrative expenses to decrease to \$6,565,000 per year.

Amounts reported in 2020 actuarial valuation reflected an assumption related to administrative expenses to decrease to \$6,439,000 per year.

Amounts reported in 2019 actuarial valuation reflected an assumption related to administrative expenses to decrease to \$6,860,000 per year.

Amounts reported in 2018 actuarial valuation reflected an assumption related to administrative expenses to increase to \$7,082,000 per year.

Amounts reported in 2017 actuarial valuation reflect a change in assumption of payroll growth to 2.75% rather than 3%. The mortality, retirement age and disability assumption were changed to more closely reflect actual experience. Assumption related to administrative expense reflected an increase to \$6,344,000 per year and a revised allocation to the various pension plans to reflect actual experience.

Amounts reported in 2016 actuarial valuation reflect a change in assumption of administrative expenses to \$6,078,000 per year rather than \$5,806,000.

Amounts reported in 2015 actuarial valuation reflect a change in assumption of payroll growth to 3% rather than 3.5% which was used to determine amounts reported prior to 2015. Amounts reported in 2014 reflect an adjustment of the expectations of salary increases, disability and retirement age to more closely reflect actual experience. The amounts reported in the 2011 actuarial valuation reflect an expectation of retired life mortality based on the RP-2000 Mortality Table rather than the 1994 U.S. Uninsured Pensioners Table, which was used to determine amounts reported prior to 2011. Amounts reported in 2011 also reflect a change in assumption on valuation of assets to a 3-year phase in for gains/losses relative to interest rate assumption from market value, with fixed income investments at amortized costs which was used to determine amounts reported prior to 2011.

Supplementary and Other Information

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Supplementary Schedule of Professional and Miscellaneous Expenses
Year Ended September 30, 2022

Professional Services

Korea	\$ 3,998,183
PCR, Antigen Testing	3,859,169
Japan	2,883,400
Destination Management and Improvement	2,005,514
Taiwan	852,927
Admin., Research, and Printing	681,962
Website	199,060
Australia, Philippines, and Pacific	108,282
All Markets (Branding)	<u>52,339</u>
Total Professional Services	<u>\$ 14,640,836</u>

Miscellaneous Expenses

Sponsorship	\$ 371,200
Other	117,282
Food and beverage	77,326
Training and development	71,933
Subscription	34,045
Building and other insurance	31,628
Dues and membership	17,991
Gifts and prizes	16,731
Postal and courier	14,120
Bank charges	6,843
Booths	2,312
Fees	<u>711</u>
	<u>\$ 762,122</u>

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Supplementary Schedule of Employees and Salaries
Year Ended September 30, 2022

Annual payroll	\$ <u>3,045,676</u>
Number of employees	<u>57</u>