

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

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

YEARS ENDED SEPTEMBER 30, 2014 AND 2013

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

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Years Ended September 30, 2014 and 2013

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Guam Visitors Bureau:

Report on the Financial Statements

We have audited the accompanying financial statements of the Guam Visitors Bureau (GVB), (a component of the Government of Guam) and its Special Tourist Attraction Fund Projects, which comprise the statements of net position/balance sheets as of September 30, 2014 and 2013, and the related statements of revenues, expenses, and changes in net position, of operations and changes in fund balance, and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of GVB and its Special Tourist Attraction Fund Projects as of September 30, 2014 and 2013, and the respective changes in net position/fund balance and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 9 as well as the Schedule of Funding Progress on page 25 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. This supplementary information is the responsibility of GVB's management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

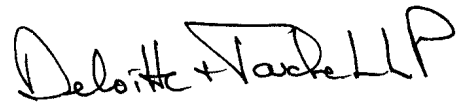
Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The Other Supplementary Information listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The Other Supplementary Information is the responsibility of GVB's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States of America. In our opinion, the Other Supplementary Information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2015 on our consideration of GVB's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financing reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering GVB's internal control over financial reporting and compliance.

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

January 29, 2015

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

Management's Discussion and Analysis
Years Ended September 30, 2014 and 2013

ABOUT THE GUAM VISITORS BUREAU

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

ADMINISTRATIVE HIGHLIGHTS

On February 4, 2014, GVB together with the Governor Eddie Calvo, the Guam International Airport Authority and Guam Economic Development Authority officially launched the *Tourism 2020* Strategic Plan. The GVB Board of Directors, led by Chairman Mark Baldyga with Deputy General Manager Nathan Denight and UOG Tourism Professor Dr. Fred Schumann, worked together with industry, government and community stakeholders to develop the strategic vision and plan for Guam tourism. The result was *Tourism 2020*, an actionable goal-oriented plan with measurable results that has the potential to move our island paradise to an entirely new level. The 8 Objectives outlined in the plan provide the roadmap to achieving the Vision (A world-class, first-tier resort destination of choice with 2 million visitors) and Mission (Economic opportunities and an enhanced quality of life for all Guamanians).

Other highlights include:

- Clean audit for the fourth year in a row
- Largest budget in the Bureau's history
- GVB Marketing winning Governor's MagPro Department of the Year Award

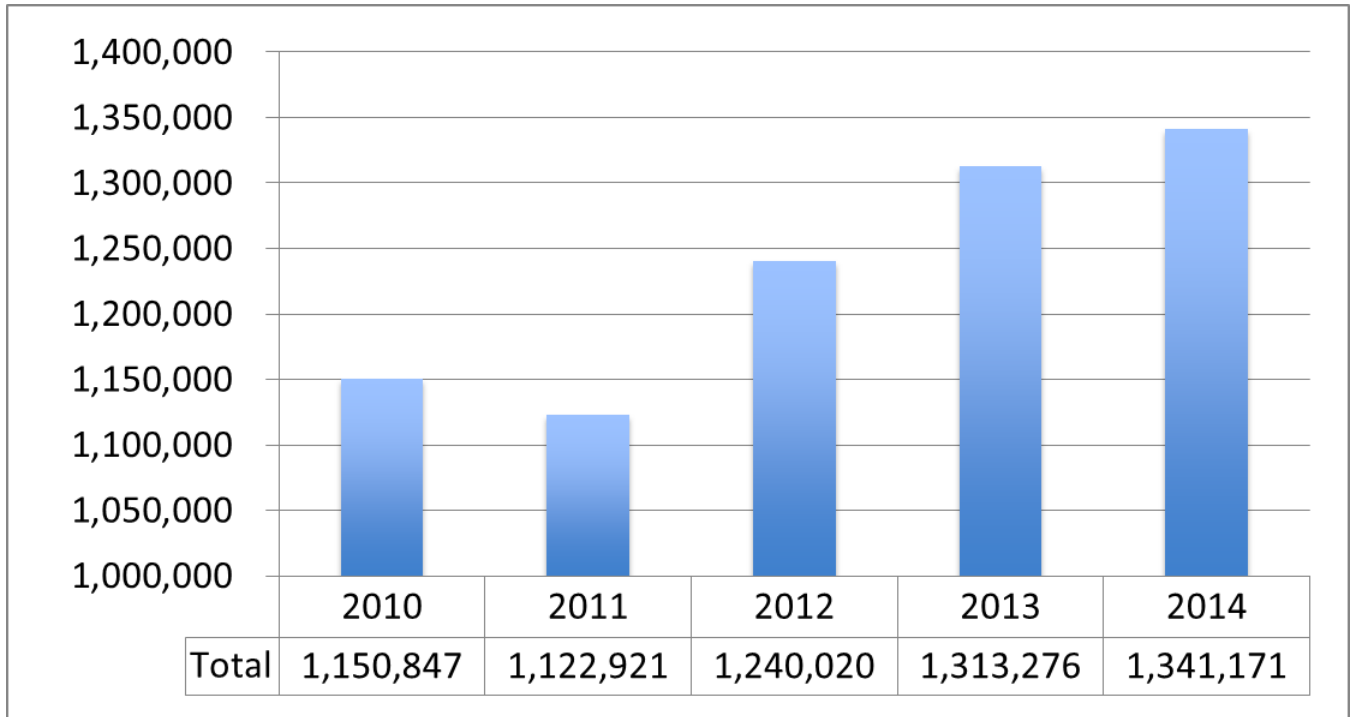
Visitor Arrivals

There was a slight increase in total visitor arrivals to Guam of 0.3% in FY 2014 (1,341,171) versus FY 2013 (1,313,276), with FY2014 supplanting FY2013 as the third best arrivals year in the island's history. A core objective of the *Tourism 2020* plan is the diversification of visitor source markets, and FY2014 saw Guam's market mix continue to shift, with Japan dropping to a historically low 61.6% of total arrivals, while Korea continued its increase, now representing 21.9% of total visitors. There was growth in other key market areas of Taiwan, China and Russia.

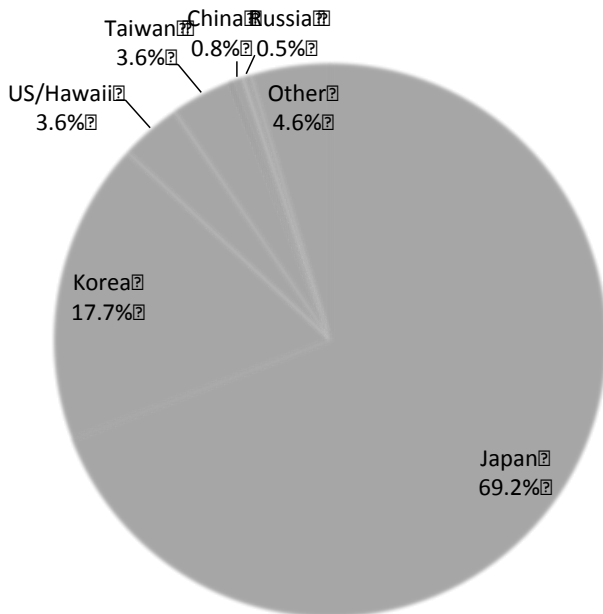
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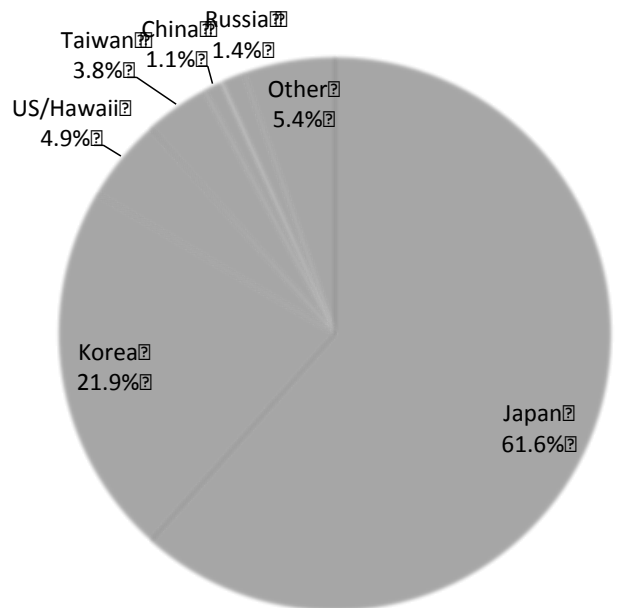
Visitor Arrivals FY2010-FY2014



2013 Market Mix



2014 Market Mix



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Marketing Highlights

GVB is the organization responsible for marketing Guam to the world as a premier tourist destination. To achieve maximum yield for the tourism industry from limited resources, GVB's marketing activity is carefully focused on a number of key markets and a select group of consumers within those key markets. As well as marketing to consumers, our trade training, marketing and media programs are designed to ensure that those who sell Guam have the knowledge and resources to be successful.

Japan: Total outbound travel from Japan continued to decline due to several factors including the weak Yen and an increase in consumption taxes. Arrivals from Japan to Guam followed that trend in FY2014, down 9.5%, with a decrease in airline seat capacity to the island also contributing to the drop. However, there was an increase in yield per visitor as Japanese travel agents raised prices of their Guam packages and hotels continued to bolster room rates. The meetings, incentive group and school segments also realized positive growth in FY2014. Both trends fit with Tourism 2020 core objectives to "improve on quality and yield" and "focus on Meetings, Incentives, Conferences, Exhibitions (MICE)."

One of the primary goals of FY2015 is to stimulate consumer demand from Japan and slow the negative arrivals trend. Initiatives include the Premium Guam advertising campaign, an aggressive public relations strategy, support for travel agent brochures and groups, and hosting major events in the slow periods. Attracting new flight service will also be a primary objective, especially from the Haneda (Tokyo) Airport. Lastly, reaching higher yield segments of the market such as the weddings and seniors with targeted promotions are planned.

Korea: Korea continues its phenomenal arrivals growth, up 26% with 293,347 visitors in FY2014. Much of that increase can be attributed to additional flight service including United Airlines launching daily service from Incheon and Korean Air flying four times a week from Busan, Korea's second largest city. FY2015 will see even more flight service with Jin Air upgrading equipment from a Boeing 737 (185 seats) to a 777 (355 seats) and Jeju Air starting flights from Busan. The goals for FY2015 include: 375,000 (+27.7%) visitor arrivals; increase on-island spending by 20% (\$517); and a 35% increase in MICE business.

Russia: Arrivals from Russia surpassed the target of 12,500, finishing the year at 18,291 arrivals. This was the result of Aviacharter-DV's direct flight service from the Russian Far East. However, internal issues caused them to cancel service in August 2014, but the Japanese travel agency H.I.S. is planning to re-launch direct flights in 2015. In the meantime, GVB will continue to support Korean Air, which currently offers a convenient connection to Russia through their Incheon hub.

China: China outbound travel continues to grow at a massive clip and represents the greatest opportunity for Guam tourism. Even though visa waiver has not been granted for Chinese to travel to Guam, the U.S. and China have agreed to extend visa validity from one year to ten years. This greatly reduces time and cost required for a U.S. visa and removes one of the roadblocks to attracting Chinese tourist to Guam. GVB's Board approved an airline incentive program that was successful in spurring United Airlines to launch regular service from Shanghai and Dynamic Airways direct charter service from Beijing. China arrivals were up 40% in FY2014 with 14,547 visitors, and the goal for next year is 20,000 arrivals.

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Other: GVB launched its English global consumer website, visitguam.com, in FY2014. The consumer site will be available in other languages in 2015. Additionally, the 2nd Shop Guam Festival launched from November 2013 to January 2014. A Shop Guam | Taste Guam event was also held successfully in the heart of Pleasure Island in Tumon with fashion, food and entertainment for everyone. The #GuamLove campaign was additionally well received by local residents and visitors between February - March 2014. Cebu Pacific, a Philippine low cost carrier, is planning to launch service from Manila in 2015.

Destination Development Highlights

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

Destination Management: In FY2014, GVB continued its focus on improving tourism infrastructure, safety and satisfaction. Streetlights along San Vitores Road were renovated and the graffiti problem in Tumon was eradicated. The San Vitores Road medians were also renovated. Additionally, the banner removal process began and the Gun Club and Restaurant building was demolished. Progress was also made in painting Tumon fire hydrants and there was an increase in beach cleaning.

Visitor Safety and Satisfaction: The Visitor Safety Officer program was launched to help guide tourists and keep everyone safe on the streets in Tumon. New Visitor Channel safety PSAs were also launched. In addition, the Tumon Police Precinct and Koban were renovated. Multi-language signs to encourage beach safety were also erected around Tumon Bay and GVB also donated a truck and jet ski to the Department of Parks and Recreation to help with water safety efforts. GVB also supported the Attorney General's Office during the Chad DeSoto trial.

Sports and Events: GVB drew record participation for the 2nd Guam International Marathon and the Guam Ko'ko' Half Marathon and Ekiden Relay. The first Guam Live International Music Festival also premiered in June 2014 with international, stateside and local acts sharing one stage at the Paseo Stadium. The Guam Micronesia Island Fair was also well received by the island's neighboring islands and local community. Other signature events that had note-worthy moments included the Tour of Guam/Guam Long Ride, Guam Ko'ko' Kids Run and Guam BBQ Block Party. In total, 20 events were sponsored and 9 grants were awarded.

Cultural Heritage and Community Outreach (CHaCO): GVB is leading the local and international marketing and promotion of the 12th Festival of Pacific Arts, which Guam is hosting in 2016. The Guam Chamorro Dance Academy in 2014 also saw two cultural houses established in Tokyo and Mito City. The U.S. Mainland Guam Chamorro Dance Academy was additionally launched. Meanwhile, as the cornerstone of the Guam Brand initiative, the Håfa Adai Pledge program reached 487 participants in FY2014. A total of 63 community and cultural grants were awarded.

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Years Ended September 30, 2014 and 2013

FINANCIAL HIGHLIGHTS

The following table summarizes the financial condition and Operations of the Bureau for the fiscal years ended 2014, 2013, and 2012:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Assets:			
Current assets	\$ 12,944,589	\$ 14,951,531	\$ 12,485,106
Other assets	1,665,000	1,268,321	882,309
Property and equipment, at cost, net	<u>6,824,454</u>	<u>6,895,193</u>	<u>6,980,510</u>
Total assets	<u>\$ 21,434,043</u>	<u>\$ 23,115,045</u>	<u>\$ 20,347,925</u>
Liabilities:			
Current liabilities	4,455,086	5,402,119	3,209,730
Accrued sick leave	<u>149,927</u>	<u>148,448</u>	<u>141,766</u>
Total liabilities	<u>4,605,013</u>	<u>5,550,567</u>	<u>3,351,496</u>
Net position:			
Net investment in capital assets	6,824,454	6,895,193	6,980,510
Unrestricted	6,589,202	7,963,280	9,071,735
Restricted	<u>3,415,374</u>	<u>2,706,005</u>	<u>944,184</u>
Total net position	<u>16,829,030</u>	<u>17,564,478</u>	<u>16,996,429</u>
	<u>\$ 21,434,043</u>	<u>\$ 23,115,045</u>	<u>\$ 20,347,925</u>
Operating revenues	\$ 1,104,760	\$ 852,543	\$ 566,069
Operating expenses	<u>17,777,576</u>	<u>15,404,691</u>	<u>12,767,333</u>
Operating revenues net of operating expenses	(16,672,816)	(14,552,148)	(12,201,264)
Nonoperating revenues, net	<u>15,937,368</u>	<u>15,120,197</u>	<u>15,326,605</u>
Change in net position	<u>\$ (735,448)</u>	<u>\$ 568,049</u>	<u>\$ 3,125,341</u>

An 11% hotel occupancy tax funds the Bureau's operations, authorized through the Legislature's annual budget appropriations. In fiscal year 2014, Public Law 32-068 appropriated \$17,487,134; \$15,487,134 for GVB operations and \$2,000,000 for Special Projects. The Bureau was able to recognize \$15,520,904 of its appropriation for Operations and \$2,132,378 of its Special Projects appropriation, of which \$182,378 was for prior year appropriations. Additionally, \$535,000 was appropriated to the Guam Visitors Bureau for pass-thru entities, of which \$436,550 was recognized as revenue. Of this amount, \$71,550 was for prior year appropriations.

The FY2014 Tourist Attraction Fund unaudited collections were 17% higher than the previous year, totaling \$34,451,301. The increase can be attributed to an increase in hotel room and occupancy rates. Direct appropriations from the Tourist Attraction Fund decreased about 14% in FY2014, from \$11,886,841 in FY2013 to \$10,205,774. Comparing the total FY2014 appropriation from the TAF (\$29,627,908) as amended by P.L. 32-181 and the actual unaudited collections (\$34,451,301), there was a surplus of \$4,823,293.

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Membership dues decreased from \$68,400 in FY2013 to \$35,400 in FY2014 because it was not an election year. In-kind contributions stayed steady at \$335,736, about a 2% increase over FY2013. Marketing was the largest expense totaling \$11.9 million in Professional Services, with Japan, Hong Kong/China and Korea representing the largest share at a combined \$8.1 million. At \$2,352,392, personnel salaries and benefits increased 14.5% over last year due to Merit Bonuses and 3 additional positions fully funded in FY2014 compared to FY2013, but were still only 13% of total expenses.

The Guam Visitors Bureau closed fiscal year 2014 with a \$735,000 decrease in net position (net loss) due to increased marketing and public relation activities needed in China and Japan.

CAPITAL ASSETS AND LONG-TERM DEBT

The Bureau is not capital intensive and therefore, significant capital asset activity did not occur in 2014, 2013 and 2012. For additional information regarding capital assets, please refer to note 5 to the financial statements.

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

Management's Discussion and Analysis for the year ended September 30, 2013 is set forth in the Bureau's report on the audit of the financial statements, which is dated February 5, 2014, and that Discussion and Analysis explains the major factors impacting the 2013 financial statements and can be viewed at the Office of Public Accountability website at www.opaquam.org.

OUTLOOK

The outlook for FY2015 is positive, with a slight 1-2% increase in total arrivals expected. Japan still remains a challenge with the Yen continuing to weaken against the dollar, making Guam a more expensive destination. However, the Bureau remains committed to the Japanese market, and will be very active in the coming year to reverse this trend. The growth in the Korean market will make up for declines in Japan, as there will be more than half a million air seats from Korea. The China market should see growth, but there is still a lot of work to be done, as Guam is still a relatively unknown destination for Chinese travelers. GVB has contracted a prominent Chinese travel marketing company for in-market representation. The massive decline of the Russian economy and currency are major threats to arrivals from Russia, and numbers will decline unless direct air service is re-launched. Guam can expect a slight uptick in visitors from the U.S., Philippines and Taiwan.

The Bureau is also committed to improving the destination. Several capital improvement projects for Tumon are scheduled including new bus shelters, streetlight repairs and roadway renovation. Visitor safety and satisfaction is always a top priority, and the installation of a CCTV system and the establishment of a Tourism Academy are planned for 2015. Promoting Guam's unique Chamorro culture, local events and attractions is also a key objective for the year. One of the limiting factors for growth is the lack of hotel rooms, especially during the peak holiday season. The Bureau has been and will continue to partner with the Guam Economic Development Authority to aggressively attract new hotel investment and encourage improvement to existing properties.

GUAM VISITORS BUREAU
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Statements of Net Position
September 30, 2014 and 2013

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
Current assets:		
Cash - unrestricted	\$ 7,939,858	\$ 10,717,092
Cash - restricted	1,872,412	1,660,291
Investments	2,511,793	2,508,296
Accounts receivable - Government of Guam	450,000	19,520
Accounts receivable - others	164,074	39,880
Prepaid expenses	6,452	6,452
	12,944,589	14,951,531
Total current assets		
Cash - restricted	1,546,798	1,135,196
Security deposit	118,202	133,125
Capital assets:		
Nondepreciable capital assets	5,992,415	5,992,415
Depreciable capital assets, net of accumulated depreciation	832,039	902,778
	\$ 21,434,043	\$ 23,115,045
<u>LIABILITIES AND NET POSITION</u>		
Current liabilities:		
Accounts payable	\$ 4,294,617	\$ 5,269,273
Accrued annual leave	141,969	123,646
Unearned income	18,500	9,200
	4,455,086	5,402,119
Total current liabilities		
Accrued sick leave	149,927	148,448
	4,605,013	5,550,567
Total liabilities		
Commitments and contingencies		
Net position:		
Net investment in capital assets	6,824,454	6,895,193
Unrestricted	6,589,202	7,963,280
Restricted - expendable	3,415,374	2,706,005
	16,829,030	17,564,478
Total net position		
	\$ 21,434,043	\$ 23,115,045

See accompanying notes to financial statements.

GUAM VISITORS BUREAU
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Statements of Revenues, Expenses, and Changes in Net Position
Years Ended September 30, 2014 and 2013

	2014	2013
Revenues:		
Other income	\$ 421,198	\$ 326,054
In-kind contributions from members and others	335,736	327,992
Consumption tax refund	312,426	130,097
Memberships	35,400	68,400
Total operating revenues	1,104,760	852,543
Expenses:		
Professional services	11,995,304	9,749,172
Personnel	2,352,392	2,054,929
Travel	797,542	503,284
Pass through appropriations	436,550	668,836
Promotional in-kind contributions	335,736	327,992
Grants	255,304	546,890
Rent/lease	226,098	240,967
Material and supplies	166,856	105,735
Utilities	135,668	143,820
Depreciation	83,333	85,317
Equipment	63,582	52,690
Repairs and maintenance	51,117	78,619
Advertising	12,151	43,184
Community programs	1,888	-
Miscellaneous	864,055	803,256
Total operating expenses	17,777,576	15,404,691
Operating revenues net of operating expenses	(16,672,816)	(14,552,148)
Nonoperating revenues (expenses):		
Grants-in-aid from Government of Guam:		
Operations	15,520,904	14,416,348
Pass through	436,550	677,573
Federal revenues	-	17,755
Other nonoperating expense	(34,066)	(6,962)
Interest income	13,980	15,483
Total nonoperating revenues (expenses), net	15,937,368	15,120,197
Change in net position	(735,448)	568,049
Net position at beginning of year	17,564,478	16,996,429
Net position at end of year	\$ 16,829,030	\$ 17,564,478

See accompanying notes to financial statements.

GUAM VISITORS BUREAU
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Statements of Cash Flows
Years Ended September 30, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Cash received from members	\$ 35,400	\$ 68,400
Cash received from other sources	609,430	561,386
Cash paid to employees	(1,601,612)	(1,368,707)
Cash paid to suppliers	<u>(16,721,592)</u>	<u>(11,430,566)</u>
Net cash used for operating activities	<u>(17,678,374)</u>	<u>(12,169,487)</u>
Cash flows from noncapital financing activities:		
Government of Guam appropriations	15,526,974	16,854,397
Federal grant	-	17,755
Net cash provided by noncapital financing activities	<u>15,526,974</u>	<u>16,872,152</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	<u>(12,594)</u>	-
Cash flows from investing activities:		
Investment in time certificates of deposit	(3,497)	(2,508,296)
Interest income	<u>13,980</u>	<u>15,483</u>
Net cash provided by (used for) noncapital financing activities	<u>10,483</u>	<u>(2,492,813)</u>
Net change in cash	(2,153,511)	2,209,852
Cash at beginning of year	<u>13,512,579</u>	<u>11,302,727</u>
Cash at end of year	<u>\$ 11,359,068</u>	<u>\$ 13,512,579</u>
Consisting of:		
Unrestricted	\$ 7,939,858	\$ 10,717,092
Restricted	<u>3,419,210</u>	<u>2,795,487</u>
Cash at end of year	<u>\$ 11,359,068</u>	<u>\$ 13,512,579</u>
Reconciliation of operating revenues net of operating expenses to net cash used for operating activities:		
Operating revenues net of operating expenses	\$ (16,672,816)	\$ (14,552,148)
Other nonoperating expense	(34,066)	(6,962)
Adjustments to reconcile operating revenues net of operating expenses to net cash used for operating activities:		
In-kind contributions from members and others	(335,736)	(327,992)
Promotional in-kind contributions	335,736	327,992
Depreciation	83,333	85,317
(Increase) decrease in assets:		
Accounts receivable	(109,271)	105,235
(Decrease) increase in liabilities:		
Accounts payable	(974,656)	2,207,558
Accrued annual and sick leave	19,802	25,413
Unearned income	<u>9,300</u>	<u>(33,900)</u>
Net cash used for operating activities	<u>\$ (17,678,374)</u>	<u>\$ (12,169,487)</u>

See accompanying notes to financial statements.

SPECIAL TOURIST ATTRACTION FUND PROJECTS

Balance Sheets
September 30, 2014 and 2013

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
Restricted cash	\$ 1,562,981	\$ 598,626
	<u>\$ 1,562,981</u>	<u>\$ 598,626</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Accounts payable	\$ 249,559	\$ 255,789
Fund balance:		
Committed - Tourism	<u>1,313,422</u>	<u>342,837</u>
	<u>\$ 1,562,981</u>	<u>\$ 598,626</u>

See accompanying notes to financial statements.

SPECIAL TOURIST ATTRACTION FUND PROJECTS

Statements of Operations and Changes in Fund Balance
Years Ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Revenues:		
Others	\$ 266,367	\$ 55,195
	<u>266,367</u>	<u>55,195</u>
Total revenues		
Expenditures:		
Tumon landscaping maintenance (contract)	488,892	325,243
Islandwide roadway and beautification	273,349	274,964
Holiday illumination	200,000	151,300
Tumon and Hagatna Beach cleaning and maintenance	197,581	287,815
Tumon Bay lighting improvements	84,382	-
Utilities	70,452	85,371
Project management:		
Tumon landscaping maintenance	87,129	81,718
Tumon Bay lighting improvements	14,420	-
Miscellaneous projects	11,700	-
Miscellaneous	255	169
	<u>1,428,160</u>	<u>1,206,580</u>
Total expenditures		
Deficiency from operations	(1,161,793)	(1,151,385)
Government of Guam contributions	<u>2,132,378</u>	<u>1,115,573</u>
Changes in fund balance	970,585	(35,812)
Fund balance at beginning of year	<u>342,837</u>	<u>378,649</u>
Fund balance at end of year	<u>\$ 1,313,422</u>	<u>\$ 342,837</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements
September 30, 2014 and 2013

(1) Organization and Summary of Significant Accounting Policies

Organization

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

Tourist Attraction Fund Projects

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

In-Kind Contributions

GVB receives in-kind contributions from its members and records such as of the date of receipt of the attendant goods or services. Title 12 of the Guam Code Annotated states that the Legislature may condition payment of grants-in-aid to a matching requirement of in-kind contributions at a rate of no more than 20 cents for every 80 cents appropriated. However, this requirement was not imposed during the years ended September 30, 2014 and 2013.

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

Cash

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

Property and Equipment

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

Foreign Currency Translation

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

Compensated Absences

Earned unpaid employee vacation leave is accrued at year end for financial statement purposes. Included in liabilities at September 30, 2014 and 2013 are amounts related to compensated absences earned but unused. The amounts are also included as a component of operating expense in the Statements of Revenues, Expenses, and Changes in Net Position.

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

Notes to Financial Statements
September 30, 2014 and 2013

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

Estimates

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

Concentrations of Credit Risk

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

At September 30, 2014 and 2013, GVB has cash deposits in bank accounts that exceed federal depository insurance limits. GVB has not experienced any losses as a result of this practice.

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

Risk Management

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

Basis of Accounting

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

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

Net Position

Net position represents the residual interest in GVB's assets after liabilities 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
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Notes to Financial Statements
September 30, 2014 and 2013

(1) Organization and 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.

Fund Balance

Governmental fund balances are classified as follows:

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

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

A formal minimum fund balance policy has not been adopted.

02/12 Memorial Fund

In fiscal year 2013, GVB created the GVB 02/12 Memorial Fund. This fund consists of contributions/donations from the community to assist families of victims, who were affected by the catastrophic incident in Tumon. Total collections as of September 30, 2013 was \$127,255. No additional collections were noted during fiscal year 2014. Total related expenses were \$40,735 and \$86,520 for the respective years ended September 30, 2014 and 2013.

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

Notes to Financial Statements
September 30, 2014 and 2013

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

New Accounting Standards

During fiscal year 2014, GVB implemented the following pronouncements:

- GASB Statement No. 66, *Technical Corrections - 2012*, which enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 67, *Financial Reporting for Pension Plans*, which revises existing guidance for the financial reports of most pension plans. The implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. The implementation of this statement did not have a material effect on the accompanying financial statements.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The provisions in Statement 68 are effective for fiscal years beginning after June 15, 2014. The implementation of this statement will have a material effect on the financial statements of GVB and will require a restatement upon implementation. As of September 30, 2014, the net pension liability that GVB will record upon implementation of 68 is \$3,858,837.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, which improves accounting and financial reporting for state and local governments' combinations and disposals of government operations. Government combinations include mergers, acquisitions, and transfers of operations. A disposal of government operations can occur through a transfer to another government or a sale. The provisions in Statement 69 are effective for fiscal years beginning after December 15, 2013. Management has not yet determined the effect of implementation of these statements on the financial statements of GVB.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68, Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions in Statement 71 are effective for fiscal years beginning after June 15, 2014. Management does not believe that the implementation of this statement will have a material effect on the financial statements of GVB.

GUAM VISITORS BUREAU
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Notes to Financial Statements
September 30, 2014 and 2013

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

Reclassification

Certain 2013 account balances have been reclassified to correspond to the 2014 financial statement presentation.

(2) Cash

Deposits

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

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

As of September 30, 2014 and 2013, the carrying amount of GVB's total cash was \$11,359,068 and \$13,512,579, respectively, and \$1,562,981 and \$598,626, respectively, for the Special Tourist Attraction Fund projects. The corresponding bank balances were \$13,023,789 and \$14,252,621, respectively. Of the bank balances, \$12,876,671 and \$14,152,109, respectively, are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance and deposits in the amount of \$315,002 and \$562,769, respectively, were FDIC insured. GVB does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

Cash and cash equivalents balances are classified as restricted due to the specific nature and purpose of their existence. As of September 30, 2014 and 2013, cash held by GVB in the Special Tourist Attraction Funds Project is \$1,562,981 and \$598,626, respectively. These funds are for landscaping and beautification of Tumon Bay and other Tourist Attraction Projects.

As of September 30, 2014 and 2013, cash held by GVB in the Rainy Day Fund is \$1,872,412 and \$1,660,291, respectively. These funds are used to support identified activities to meet unforeseen or unanticipated challenges resulting from a natural or man-made disaster that has occurred on Guam or from external economic conditions that severely affect tourism.

As of September 30, 2014 and 2013, cash held by GVB in the FESTPAC & Folklife Festival Trust Account is \$1,546,798 and \$1,135,196, respectively. These funds are to be used for FESTPAC 2016.

GUAM VISITORS BUREAU
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Notes to Financial Statements
September 30, 2014 and 2013

(3) Short-term Investments

Short-term investments at September 30, 2014 and 2013, include time certificates of deposit in the amount of \$980,516 and \$2,507,031, respectively, which are fully FDIC insured, and money market funds in the amount of \$1,531,277 and \$1,265, respectively, which are subject to Securities Investor Protection Corporation insurance.

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, 2014 and 2013, GVB's short-term investments are held and administered by investment managers in the name of GVB in accordance with GVB's investment policy.

(4) Employees' Retirement Plan

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

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

Plan Description:

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

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.

GUAM VISITORS BUREAU
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Notes to Financial Statements
September 30, 2014 and 2013

(4) Employees' Retirement Plan, Continued

Funding Policy:

As a result of actuarial valuations performed as of September 30, 2013, 2012, and 2011, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2014, 2013 and 2012, respectively, have been determined as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Normal costs (% of DB Plan payroll)	16.61%	17.52%	17.07%
Employee contributions (DB Plan employees)	<u>9.50%</u>	<u>9.50%</u>	<u>9.50%</u>
Employer portion of normal costs (% of DB Plan payroll)	<u>7.11%</u>	<u>8.02%</u>	<u>7.57%</u>
Employer portion of normal costs (% of total payroll)	2.39%	3.00%	3.03%
Unfunded liability cost (% of total payroll)	<u>24.01%</u>	<u>24.33%</u>	<u>23.75%</u>
Government contribution as a % of total payroll	<u>26.40%</u>	<u>27.33%</u>	<u>26.78%</u>
Statutory contribution rates as a % of DB Plan payroll:			
Employer	<u>30.03%</u>	<u>30.09%</u>	<u>28.30%</u>
Employee	<u>9.50%</u>	<u>9.50%</u>	<u>9.50%</u>

GVB's contributions to the DB Plan for the years ended September 30, 2014, 2013 and 2012 were \$98,134, \$97,753 and \$98,812, respectively, which were equal to the required contributions for the respective years then ended.

Defined Contribution Plan

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

Statutory employer contributions into the DCRS for the years ended September 30, 2014 and 2013 are determined using the same rates as the DB plan. Of the amount contributed by the employer, only 5% of the member's regular base pay is deposited into the member's individual account. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

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

GVB's contributions to the DCRS plan for the years ended September 30, 2014, 2013 and 2012 were \$381,293, \$310,264 and \$273,691, respectively, which were equal to the required contributions for the respective years then ended.

Public Law 26-86 allows members of the DCRS to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. GVB has accrued an estimated liability of \$149,927 and \$148,448 at September 30, 2014 and 2013, respectively, for potential future sick leave payments as a result of this law. However, this amount is an estimate and actual payout may be materially different than estimated.

GUAM VISITORS BUREAU
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Notes to Financial Statements
September 30, 2014 and 2013

(4) Employees' Retirement Plan, Continued

Other Post Employment Benefits

GovGuam, through its substantive commitment to provide other post-employment benefits (OPEB), maintains a cost-sharing multiple employer defined benefit plan to provide certain postretirement healthcare benefits to retirees who are members of the GovGuam Retirement Fund. Under the Plan, known as the GovGuam Group Health Insurance Program, GovGuam provides medical, dental, and life insurance coverage. The retiree medical and dental plans are fully-insured products provided through insurance companies. GovGuam shares in the cost of these plans, with GovGuam's contribution amount set each year at renewal. Current statutes prohibit active and retired employees from contributing different amounts for the same coverage. As such, GovGuam contributes substantially more to the cost of retiree healthcare than to active healthcare. For the life insurance plan, GovGuam provides retirees with \$10,000 of life insurance coverage through an insurance company. Retirees do not share in the cost of this coverage. Because the Plan consists solely of GovGuam's firm commitment to provide OPEB through the payment of premiums to insurance companies on behalf of its eligible retirees, no stand-alone financial report is either available or generated. During the years ended September 30, 2014, 2013 and 2012, actual contributions paid were \$55,378, \$31,003 and \$32,178, respectively.

(5) Property and Equipment

Public Law 20-221, passed in December of 1990, authorized the Governor to transfer all title, right and interest in Lot No. 5174-C-3, containing an area of 3757+ square meters, to 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 building, improvements and equipment at September 30, 2014 and 2013 is as follows:

	Beginning Balance <u>October 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>September 30, 2014</u>
Depreciable:				
Building	\$ 2,500,000	\$ -	\$ -	\$ 2,500,000
Leasehold improvements	140,846	-	-	140,846
Furniture and fixtures	83,023	-	-	83,023
Equipment	<u>136,181</u>	<u>12,594</u>	<u>-</u>	<u>148,775</u>
	2,860,050	12,594	-	2,872,644
Less accumulated depreciation	<u>(1,957,272)</u>	<u>(83,333)</u>	<u>-</u>	<u>(2,040,605)</u>
	902,778	(70,739)	-	832,039
Non-depreciable:				
Land	<u>5,992,415</u>	<u>-</u>	<u>-</u>	<u>5,992,415</u>
	<u>\$ 6,895,193</u>	<u>\$ (70,739)</u>	<u>\$ -</u>	<u>\$ 6,824,454</u>

GUAM VISITORS BUREAU
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Notes to Financial Statements
September 30, 2014 and 2013

(5) Property and Equipment, Continued

	Beginning Balance <u>October 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>September 30, 2013</u>
Depreciable:				
Building	\$ 2,500,000	\$ -	\$ -	\$ 2,500,000
Leasehold improvements	140,846	-	-	140,846
Furniture and fixtures	83,023	-	-	83,023
Equipment	<u>136,181</u>	<u>-</u>	<u>-</u>	<u>136,181</u>
	2,860,050	-	-	2,860,050
Less accumulated depreciation	<u>(1,871,955)</u>	<u>(85,317)</u>	<u>-</u>	<u>(1,957,272)</u>
Non-depreciable:	988,095	(85,317)	-	902,778
Land	<u>5,992,415</u>	<u>-</u>	<u>-</u>	<u>5,992,415</u>
	<u>\$ 6,980,510</u>	<u>\$ (85,317)</u>	<u>\$ -</u>	<u>\$ 6,895,193</u>

(6) Commitments

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

<u>Year ending September 30,</u>	<u>Total</u>
2015	\$ 128,495
2016	<u>128,495</u>
	<u>\$ 256,990</u>

The Japan leases require a refundable security deposit. As of September 30, 2014 and 2013, security deposits were \$118,202 and 133,125, respectively.

(7) Long-Term Liabilities

A summary of changes in long-term liabilities during fiscal years 2014 and 2013 follows:

	Outstanding October 1, <u>2013</u>	<u>Additions</u>	<u>Reductions</u>	Outstanding September 30, <u>2014</u>
Accrued sick leave	\$ <u>148,448</u>	\$ <u>37,346</u>	\$ <u>(35,867)</u>	\$ <u>149,927</u>
	Outstanding October 1, <u>2012</u>	<u>Additions</u>	<u>Reductions</u>	Outstanding September 30, <u>2013</u>
Accrued sick leave	\$ <u>141,766</u>	\$ <u>36,342</u>	\$ <u>(29,660)</u>	\$ <u>148,448</u>

(8) Contingencies

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

GUAM VISITORS BUREAU
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Notes to Financial Statements
September 30, 2014 and 2013

(9) Appropriations from the Government of Guam

The Tourist Attraction Fund is a governmental fund of GovGuam that was established to fund various recreational projects and visitor industry activities. During the years ended September 30, 2014 and 2013, total appropriations received and receivable by GVB from GovGuam are as follows:

	<u>2014</u>	<u>2013</u>
Tourist Attraction Fund:		
Operations	\$ 14,900,904	\$ 13,935,818
Restricted	<u>620,000</u>	<u>480,530</u>
Total	15,520,904	14,416,348
Special projects	2,132,378	1,115,573
Pass-through to non-profit organizations	<u>436,550</u>	<u>677,573</u>
	<u>\$ 18,089,832</u>	<u>\$ 16,209,494</u>

Total appropriations that remain uncollected for the operations, the restricted funds, the pass-through to non-profit organizations, and the special projects fund are \$586,230, \$1,040,000, \$170,000 and \$50,000, respectively. These amounts will be recorded as revenue upon collection and have not been recorded in the financial statements as of and the year ended September 30, 2014.

(10) Restricted Net Position

As of September 30, 2014 and 2013, restricted net position is for The Rainy Day Fund per Public law 30-116 and for FESTPAC & Folklife Festival Trust Account per Public Law 31-77, Chapter 10, Section 10, and Public Law 31-233, Chapter 10, Section 13.

	<u>2014</u>	<u>2013</u>
Rainy Day Fund	\$ 1,872,412	\$ 1,660,291
FESTPAC & Folklife Festival Trust Account	<u>1,542,962</u>	<u>1,045,714</u>
Total restricted	<u>\$ 3,415,374</u>	<u>\$ 2,706,005</u>

The changes in the restricted net position for the Rainy Day Fund and FESTPAC Folklife & Festival Trust Account are as follows:

	<u>2014</u>	<u>2013</u>
Rainy Day Fund:		
Beginning of year	\$ 1,660,291	\$ 195,000
Appropriations	210,000	184,000
Transfer from unrestricted	-	2,205
Interest	2,121	1,337,849
Disbursements	<u>-</u>	<u>(58,763)</u>
End of year	<u>\$ 1,872,412</u>	<u>\$ 1,660,291</u>
FESTPAC Folklife & Festival Trust Account:		
Beginning of year	\$ 1,045,714	\$ 749,184
Appropriations	410,000	296,530
Other income	84,184	-
Interest	<u>3,064</u>	<u>-</u>
End of year	<u>\$ 1,542,962</u>	<u>\$ 1,045,714</u>

GUAM VISITORS BUREAU
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Schedule of Funding Progress and Actuarial Accrued Liability - Post
Employment Benefits Other than Pension (Unaudited)

The Schedule of Funding Progress presents GASB 45 results of Other Post Employment Benefits (OPEB) valuations as of fiscal year ends September 30, 2011, 2009, and 2007 for the Guam Visitors Bureau's share of the Government of Guam Post Employment Benefits other than Pensions. The schedule provides an information trend about whether the actuarial values of Plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
October 1, 2007	\$ -	\$ 2,145,000	\$ 2,145,000	0.0%	\$ 1,118,000	192%
October 1, 2009	\$ -	\$ 3,878,000 *	\$ 3,878,000 *	0.0%	\$ 1,134,000	342%
October 1, 2011	\$ -	\$ 4,371,000	\$ 4,371,000	0.0%	\$ 1,335,000	327%

* No formal valuation was performed. The liabilities as of October 1, 2009 represent discounted October 1, 2011 liabilities.

The actuarial accrued liability presented above is for GVB's active employees only. It does not include the actuarial accrued liability for GVB's retirees, which was not separately presented in the OPEB valuation.

See Accompanying Independent Auditors' Report.

GUAM VISITORS BUREAU
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Special Tourist Attraction Fund Projects
Supplementary Schedule of the Statements of Cash Flows
Years Ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Cash received from other sources	\$ 266,367	\$ 55,245
Cash paid to suppliers	<u>(1,434,390)</u>	<u>(1,017,961)</u>
Net cash used for operating activities	<u>(1,168,023)</u>	<u>(962,716)</u>
Cash flows from noncapital financing activities:		
Government of Guam contributions	<u>2,132,378</u>	<u>1,209,397</u>
Net change in cash	964,355	246,681
Cash at beginning of year	<u>598,626</u>	<u>351,945</u>
Cash at end of year	<u>\$ 1,562,981</u>	<u>\$ 598,626</u>
Reconciliation of deficiency from operations to net cash used for operating activities:		
Deficiency from operations	\$ (1,161,793)	\$ (1,151,385)
Decrease in assets:		
Accounts receivable - others	-	50
(Decrease) increase in liabilities:		
Accounts payable	<u>(6,230)</u>	<u>188,619</u>
Net cash used for operating activities	<u>\$ (1,168,023)</u>	<u>\$ (962,716)</u>

See Accompanying Independent Auditors' Report.

GUAM VISITORS BUREAU

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Supplementary Schedule of Professional and Advertising Expenses
Years Ended September 30, 2014 and 2013

<u>Professional Services</u>	<u>2014</u>	<u>2013</u>
Japan	\$ 5,212,273	\$ 4,955,785
Hong Kong/China	1,651,366	705,641
Korea	1,253,650	963,368
All Markets (Branding)	1,033,946	1,001,688
Destination Management and Improvement	980,384	673,803
Admin., Research, and Printing	579,110	643,588
Russia	469,255	240,644
Taiwan	348,354	390,985
Website	300,000	-
Australia, Philippines, and Pacific	118,326	115,302
United States	48,640	58,368
	<u>\$ 11,995,304</u>	<u>\$ 9,749,172</u>
 <u>Advertising Expenses</u>		
Destination Management and Improvement	\$ 5,293	\$ -
Japan	3,982	16
All others	2,876	15,358
United States	-	2,700
Australia, Philippines, and Pacific	-	25,110
	<u>\$ 12,151</u>	<u>\$ 43,184</u>

See Accompanying Independent Auditors' Report.

GUAM VISITORS BUREAU

(A Component Unit of the Government of Guam)

Supplementary Schedule of Miscellaneous Expenses
Years Ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Gifts and prizes	\$ 337,270	\$ 43,991
Sponsorship	143,867	288,201
Other	115,878	191,182
Food and beverage	114,781	94,934
Dues and membership	48,486	37,785
Fees	39,651	33,704
Postal and courier	39,243	21,667
Printing	19,931	73,459
Bank charges	2,605	2,272
Consumption tax	2,343	16,061
	<u>\$ 864,055</u>	<u>\$ 803,256</u>

Supplementary Schedule of Employees and Salaries
Years Ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Guam office:		
Annual payroll	<u>\$ 1,621,414</u>	<u>\$ 1,394,120</u>
Number of employees	<u>34</u>	<u>31</u>
Japan office:		
Annual payroll	<u>\$ 396,182</u>	<u>\$ 423,017</u>
Number of employees	<u>8</u>	<u>7</u>

See Accompanying Independent Auditors' Report.

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

The Board of Directors
Guam Visitors Bureau:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Guam Visitors Bureau (GVB) and its Special Tourist Attraction Fund Projects, which comprise the statement of net position/balance sheet as of September 30, 2014, and the related statements of revenues, expenses and changes in net position, of operations and changes in fund balance and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 29, 2015.

Internal Control Over Financial Reporting

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

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

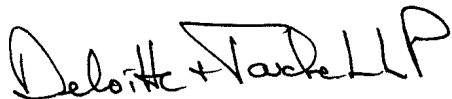
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

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

January 29, 2015