

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

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

YEARS ENDED SEPTEMBER 30, 2020 AND 2019

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

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Guam Visitors Bureau:

Report on the Financial Statements

We have audited the accompanying financial statements of the Guam Visitors Bureau (GVB), a component unit of the Government of Guam, which comprise the statements of net position as of September 30, 2020 and 2019, and the related statements of revenues, expenses, and changes in net position 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GVB as of September 30, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

COVID-19

As discussed in Note 13 to the financial statements, GVB determined that the COVID-19 pandemic may negatively impact its business, results of operations and net position. However, due to uncertainty surrounding the duration of the state of emergency, GVB is unable to reasonably estimate its ultimate financial impact. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 18 as well as the Schedule of Proportionate Share of the Net Pension Liability on pages 49 through 51, and the Schedule of Pension Contributions on page 52, the Schedule of Changes in the Proportionate Share of the Total OPEB Liability and Related Ratios on page 53, the Schedule of Proportionate Share of the Total OPEB Liability on page 54, and the Schedule of OPEB Contributions on page 55, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by 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.

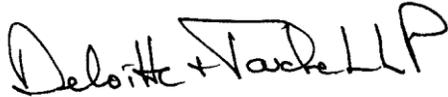
Other Supplementary Information

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

The additional information on page 58 has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2021 on our consideration of GVB's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of GVB's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering GVB's internal control over financial reporting and compliance.

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

March 18, 2021

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

Management's Discussion and Analysis
Years Ended September 30, 2020 and 2019

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

MANAGEMENT

Optimism over Guam's record trending first quarter trajectory in visitor arrivals suddenly dissipated, and then crumbled, under the weight of a protracted, and still lingering, COVID-19 pandemic. Total arrivals decreased -14% in February during the early stages of infection, but then plummeted -98% by March following international and local government quarantine restrictions.

The precipitous drop in visitor arrivals adversely impacted hotel occupancy taxes and the Tourism Attraction Fund, from which the Bureau's operating and capital budgets are derived. In anticipating the unknown duration of this pandemic, management took action to cut operating costs and shifted stewardship of resources toward containment of the pandemic and plans for recovery when the timing is appropriate.

Unlike SARS, which took Guam only five months in 2002 to return to pre-pandemic level of visitors, COVID-19 is a far different pandemic that has proven to be more devastating, triggering the deepest global economic recession in nearly a century. In the case of SARS, travel trade and institutional infrastructure were merely paused until travel demand picked up in a somewhat stable global economy. The COVID-19 impact, however, is much more profound because of the pandemic's widespread reach in disrupting economies; threatening or hurting the health and well-being of communities; and causing bankruptcies across all economic sectors. Compared to 2019, for instance, the \$1.3 trillion estimated loss in tourism receipts was more than 11 times the economic loss from the global crisis ten years ago. The result has been, and continuous to be, diminished global travel demand.

Guam's tourism recovery is impacted by the market environment and pandemic containment at home and in our key markets of Japan, South Korea, and Taiwan. Air service is also an issue. However, capacity and frequency issues will be responsive to the travel demand generated.

Destination Development

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.

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Marketing

The Marketing Department is responsible for aggregating a coherent set of messages that are segmented to generate volume, maximize yield, encourage diversification, and promote local business opportunities. Social media, communication with government officials, collaboration with industry stakeholders, and participation at trade events are the vehicles used to promote Guam as a superior alternative to the competition. And the adhesive, or brand identity, used to bring market operators, sales distribution channels, and consumers together are the differentiated attributes that make Guam stand out as a desirable travel destination.

Market environment

Tourism is an industry built on the volume driven marketing and distribution of diverse niche markets. This aggregation of consumers, often traveling in a group and enclosed environments, where island friendly hospitality and close personal contacts are ubiquitous, was a successful tourism model that well served the island for decades. These attributes, however, are the **anthesis** of COVID-19 health safety and hygiene protocols, fundamentally disrupting the scale, configuration, and consumer demand of the industry's entire value chain. Lingering unemployment from the deep global recession is another factor exacerbating an already difficult recovery climate in the island's source markets.

Pandemic Containment

Guam confronted the initial pandemic outbreak aggressively, and good progress was made in its containment by early summer. Relaxation of COVID-19 protocols prompted discussions on reopening tourism to Japan, South Korea, and Taiwan visitors using the operational concept of quarantine corridors or "travel bubbles." This dialogue with industry and government officials, however, was promptly halted in the light of "second wave" infections that was to prove an impediment to the industry's recovery at the end of FY 2020.

RESEARCH

As Guam's tourism industry continues to change, research has become a more essential aspect in the decision-making process for our island leaders. The rise of the secondary Korean market coupled with the genesis of low-cost carriers (LCCs) has diversified our visitor profiles considerably. It is the responsibility of the GVB Research Department 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.

Exit Surveys

A major component to understanding our changing visitor markets is the performance of our visitor "Exit Surveys." Since its inception in 1990, the GVB Research Department has conducted the visitor Exit Surveys from our major source markets. The survey's monthly, quarterly and annual results are a key instrument in allowing our local leaders and businesses to understand their respective target markets. The surveys provide a very comprehensive look into key metrics like visitor expenditures, demographics, and satisfaction levels all based on their most recent experiences on Guam. Visitor profiles from our top Japanese and Korean markets will continue to be conducted on a monthly basis, with Taiwan, Hong Kong, and Philippines and being conducted quarterly. The introduction of a US market Exit Survey and the possibility of relaunching a Russia and China exit surveys will be prioritized by market trends.

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Interactive Dashboard Expansion

With the implementation of an interactive dashboard into our corporate website scheduled for a 2019 launch, the Research Department will provide the general public with access to valuable information at the convenience of online accessibility. By publishing the statistical information derived from the customs forms, exit surveys, and onsite consumer surveys on an interactive dashboard, businesses and local leaders can dissect key data metrics that can be used in their efforts and strategies to provide a better experience for our visitors.

Present & Potential Market Research

Research is the fundamental source that helps the GVB formulate its plan for sustainability of Guam's tourism industry. The GVB utilizes market intelligence, historical and current visitor data that takes into account changes in seasonal trends, demographics, economic changes and current market trends. Qualitative and quantitative research in-country and on Guam allow us to better understand the drivers of visitor awareness, satisfaction, market conditions and identify potential new markets such as the "Lesbian, Gay, Bi-Sexual and Trans (LGBT)". As new events occur throughout the year, being able to formulate various impact studies within a reasonable timeframe is a proactive approach to understanding the implications these events will have on our visitor industry. We will expand our current research efforts to include specialized/niche market studies and surveys. More specifically our ability to track on-island spend by Guam's major source markets at retail and food/beverage establishments as well as on-site profiling surveys of GVB signature events (United Airlines Guam Marathon, BBQ Block Party, etc.). In our efforts to understand the return on investment from the bureau's operations, we will continue to administer studies that provide information that will educate and facilitate data-driven decision making that support GVB's strategic plans, brand maintenance, brand experience and brand management efforts.

Scanner and Software Maintenance

Preventative maintenance for the two OpScan10 scanners and the one i700c Optimal Image scanner including parts, service and supplies required for daily, weekly, monthly, semi-annual maintenance procedures (includes authorized scanner technician travel expenses) and on-call telephonic service. In addition, the presence of an arrival's forms processing clerk at the research satellite office enables the scanning and auditing of the data to be efficiently up to date, with only a one day lag in reporting.

Dues, Membership/ Supplies and Subscriptions

Maintaining and updating the GVB reference library through traditional and electronic methods to enhance the Research Department's ability to conduct desk research. Annual Subscriptions to Diio Mi market intelligence for the aviation industry, STR Global reports, TTRA membership are key to ensure accurate data is being captured and reported.

The Research Department is committed to providing valuable data and analytics on Guam's visitor industry. In the more than twenty years since its creation, the GVB Research Department has consistently implemented the core projects outlined in its enabling legislation by producing over 300 statistical reports, conducting and issuing information for more than 456 exit surveys analyzing responses of visitors from our major markets, producing reports on the visitor industry labor market, and analyzing data obtained from the arrival forms filled out by visitors.

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Years Ended September 30, 2020 and 2019

MARKETING

Tourism numbers in early FY2020 started off on a great note, regularly outperforming previous years. As Guam rang in the new year, arrivals were up 8%, visitor counts from both South Korea and Japan were on the rise, and our events were achieving record attendance. The Guam Visitors Bureau (GVB) was set to have yet another record-breaking year.

However, in early February, the world began to feel the tangible effects of the novel coronavirus (COVID-19). GVB observed a 15% decrease in arrivals, and out of an abundance of caution, marketing plans were re-evaluated, modified, and, where possible, reduced to shore up for what we thought would be a virus that would affect tourism for only a few months.

When it reached our shores in mid-March, the Bureau's COVID-19 Task Force was well underway to ensure that the tourism industry was up-to-date on the latest news. What was initially believed to be a small blip in Guam's arrivals turned into a global pandemic. Travel came to a nearly complete halt, as destinations across the world enforced quarantine measures and travel advisories. By late-April, Guam's arrivals had nosedived to an extraordinary -99% and GVB budgets had been slashed.

Concerned for our island and its people, the marketing department hunkered down and prepared for the eventual return to tourism. We began once again morphing marketing plans into recovery plans and minimally spending on social media to save for a bigger push in the future.

By the end of the fiscal year, with no vaccine in sight and travel still at a minimum, the future of global tourism has yet to be defined. The marketing department stands by to deploy creative plans and help boost the island economy when Guam and its people are ready. Over the next few pages, you will see the marketing department's accomplishments and adaptive responses during the unprecedented highs and lows of FY2020.

DESTINATION DEVELOPMENT

Destination Development focuses on improving tourism infrastructure, safety and satisfaction. Over the years, the Bureau has taken on an increased role in the upkeep of Guam's main tourist corridor, San Vitores Road.

In FY2020, the Bureau 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: 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.

Island Road Maintenance: From 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.

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

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Tumon Landscape Maintenance: 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).

Median Uplighting: Design and installation of accent lighting and uplighting in planter medians along San Vitores Road. This effort also provides GVB the ability to change the lights to coincide with the holiday seasons. This project replaced the existing lighting system and upgraded wiring, switches, grounding, feeders, and boxes.

Storm Water Management System Maintenance – Phase I: Culvert Cleaning: The complete reconstruction of San Vitores Road began in 1996 through 2000 as part of the Tumon Bay Infrastructure and Beautification Project (TBIB), a special bond-funded capital improvement. Phase I of this capital improvement project included the removal of hardened sediment in the culvert systems and flushing of the storm drains.

Storm Water Management System Maintenance – Phase II: Fujita Ponding Basin: Maintenance includes dewatering measures, the desilting of Fujita Ponding Basin, construction survey and staking, installation and maintenance of erosion controls, monitoring and protective measures required for the protection of the resident moorhens.

CHAMORRO CULTURAL HERITAGE

Guam's culture plays a significant role in the island's attractiveness as a tourist destination. It is the Bureau'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.

The Cultural Heritage, Branding and Community Outreach is tasked with the responsibility to provide the Bureau's promotional efforts, both locally and abroad, with a strong representation of Guam's culture; promote and support (or facilitate) the revitalization and display of Guam's heritage, cultural values and natural history.

During the first half of the fiscal year prior to Governor Lou Leon Guerrero signing Executive Order No. 2020-03, Declaring a State of Emergency for Guam in Respond to Novel Coronavirus (COVID-19) on March 14, 2020, GVB offered opportunities for on island projects that are coordinated by other organizations or government agencies by awarding grant/sponsorship money related to promoting and perpetuating the Chamoru Culture.

Supported Organizations and Events:

- Capuchin Franciscan Friars: Christmas Village
- Chamorro Hands in Education Links Unity: Chamoru Cultural Festival
- Chamorro Optimist Club of San Diego Annual Gala
- DFS Guam: Chamoru Month
- DFS Guam: Holiday Cultural Festival
- GDOE Chamorro Studies: Chamoru Month
- Guam Women's Chamber of Commerce: Fanachu Famalao'an
- Guma Imahe Cultural Event
- Irencia Dance Troupe Cultural Event
- Japan Club of Guam: Japan Festival
- Merizo Municipal Planning Council: Gupot Chamorro/Crab Festival

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- Mr. Guam
- Rosanna Perez Barcinas: Visualizing History
- Sinajana Municipal Planning Council
- Soroptimist: Earrings for Erica Annual Event
- St. Francis Catholic School: CHamoru Food Fest
- Talofofu Mayor's Office: Banana Festival
- Umatac Municipal Planning Council: Guam History and Chamorro Heritage
- Western Pacific Islands Association of Fire Chiefs

By March 2020, most cultural activities on and off island were indefinitely closed and in-person exhibitions, events, and performances were cancelled or postponed. In response, there were intensive efforts to provide alternative or additional services through digital platforms, to maintain essential activities with minimal resources, and to document the events themselves.

The impact of the coronavirus situation has had a significant impact on Guam's visitor industry and across Guam's economy. The visitor industry has been and will continue to be the primary driver of Guam's economy, as it directly and indirectly accounts for 60% of the island's total revenues and more than 21,000 jobs on Guam. Local businesses continue to face new issues due to the coronavirus. It is important that Guam Visitors Bureau (GVB) continues to be the link in providing the latest information from industry experts to assist businesses navigate through these difficult times and have the support to make the right decisions.

As we navigate during this challenging time in the island, industry and people's history, GVB has the opportunity to refocus to support its local and international audiences with the recovery campaign such as the Give Us A Moment, Give Us A Moment, Together and Get Up And Move videos by showing its care and support, highlighting Guam's unique brand and inform the community on how to remain top of mind for when Guam is ready to welcome visitors once again.

The outreach efforts in support of the Guam COVID Alert team was to raise awareness and encourage downloads of the mobile app to reach the 60% benchmark of smartphone users on island. In partnership with Department of Public Health and Social Services, a Download@thon was broadcasted live on September 26, 2020 to encourage positive community participation to mitigate the spread of COVID-19.

The GVB developed a free downloadable COVID-19 signage toolkit for industry partners to utilize. The creation of this toolkit was developed to create a unified voice amongst the tourism industry in times of crisis. The COVID-19 signs are available for download in the Signage Toolkit tab in the Resources section at guamvisitorsbureau.com. Special thanks to the Guam International Airport Authority for making the safety signs available for use island wide.

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.

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Years Ended September 30, 2020 and 2019

Visitor Safety Officer Program

The Guam Visitors Bureau (GVB) has a vested interest in ensuring a safe and satisfying experience for our visitors. Visitor Safety & Satisfaction projects are aimed at improving conditions affecting the tourism industry and visitor experiences of our island.

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

In the face of the COVID-19 pandemic which brought challenges to our tourism industry with the loss of visitors in early 2020. GVB’s VSO program quickly adapted to serve the community in protecting the parks and beaches of Tumon.

In FY2020 the VSOs documented over 12,000 reports of assisting residents with Covid-19 advisories on social distancing and use of public parks and beaches. This essential service is supported by first responders and locally based consulate offices due to limited translation and interpretation resources that are currently available. The COVID-19 pandemic has demonstrated the need for these services to continue. The program is a key communication tool that reinforces Guam as a safe destination. It is also a resource that can be integrated into Guam’s safety protocols.

2020 Report

Traffic Assistance	8,066
Giving Directions	2,685
Taking Photos	3,071
Community Feedback	2,496
Security Services	7,521
Automotive Assistance	92
Water Related Services	12
Injury Assistance	11
COVID-19 Advisory & Assistance	12,128

Tour Guide Certification Program

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

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GVB Industry Briefings

To assist in industry readiness, GVB held Visitor Industry Briefing. The first briefing was done in partnership with the Department of Public Health & Social Services on February 18, 2020. The briefing afforded tourism industry stakeholders the opportunity to learn about the latest information on the Novel Coronavirus as well as the protective measures implemented by the Government of Guam.

As the island came through a full month of the COVID-19 pandemic, GVB hosted a digital briefing event on May 1, 2020 to provide pertinent information to its members and tourism industry stakeholders as to how they can obtain the necessary support they need to survive the crisis.

GVB hosted the event with other key membership-based organizations, the Guam Hotel and Restaurant Association and the Guam Chamber of commerce, to provide helpful information to members, stakeholders and the media. The guest speaker for the event was Director David Dell'Isola from the Guam Department of Labor who provided insights on pandemic unemployment assistance.

SPORTS & EVENTS

The COVID-19 pandemic has had a gutting effect on the event industry in 2020, and the economic impact has been significant to Guam's thriving sports tourism sector.

The infectious worldwide spread of COVID-19 imposed several unprecedented challenges throughout 2020. Enforcement of travel bans, airline shutdowns, port closures, mandatory quarantines and stringent containment measures bringing tourism to an abrupt halt.

2020 Olympics

Due to the one-year postponement of Japan's hosting of the 2020 Olympic games, the Bureau will now have its sights on implementing its strategy to intercept travelers converging to Japan for the rescheduled games scheduled next summer 2021. The Bureau remains hopeful that the island will benefit considerably as a viable short-stay transitional hub destination during the games.

United Guam Marathon (UGM)

The United Guam Marathon, Guam's premiere running event with only weeks away from its event date eventually succumbed to COVID-19 restrictions resulting in the cancellation of the April 6th expo and April 7th run event.

Fielding over 3,000 international runners primarily from Japan and Korea, marathon organizers managed to transform the event into an online virtual run engaging its local and international runners during peak isolation periods.

2020 event registration data reveal a reported loss of roughly \$5.4 million in visitor stimulus spend not captured as a result of the cancellation.

Looking ahead all 2020 UGM registrants can look forward to transferring their original entree on to the next scheduled event when that is determined.

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Other notable 2020 event cancellations:

Guam Ko'ko' Kids Fest	March 22, 2020
Smokin' Wheels	April 11-12, 2020
Guam Micronesia Island Fair	May 1-3, 2020
Guam Barbeque Block Party	July 11, 2020
Electric Island Festival	June 20, 2020
Tour of Guam	December 13, 2020

Event Sponsorship/NPO Grant support

Prior to COVID-19, the development and enhancement of local sporting and recreational events supported by the Bureau have proved to be value added in luring thousands of visitors to engage in sporting events and cultural events unique to Guam i.e. United Guam Marathon, Guam Barbeque Block Party and Guam Micronesia Island Fair.

Although priorities have been set to assist in the containment of COVID-19 for most of 2020, the Bureau continued to work diligently to upgrade event offerings to include and ensure sure better hygiene safety protocols and best practices when traveling and engaging socially on Guam.

The Bureau remains optimistic in future opportunities to revive local event sponsorship support along with nonprofit grant support, which will be vital to Guam's tourism recovery efforts.

Here's a list of events sponsored and supported by the Guam Visitors Bureau in 2020:

GVB Sponsored Events

United Guam Marathon
Guam Governors Cup LPGA Ladies Pro/Amateur Golf Tournament
Upshift Events/Trench Kids Event

GVB Sports Grant Awards (Non Profit)

Guam ACES (Dragon Boat Racing)
Tour of Guam (Cycling Event)
Guam Beach Volleyball Federation
Guam National Tennis Federation

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FINANCIAL HIGHLIGHTS

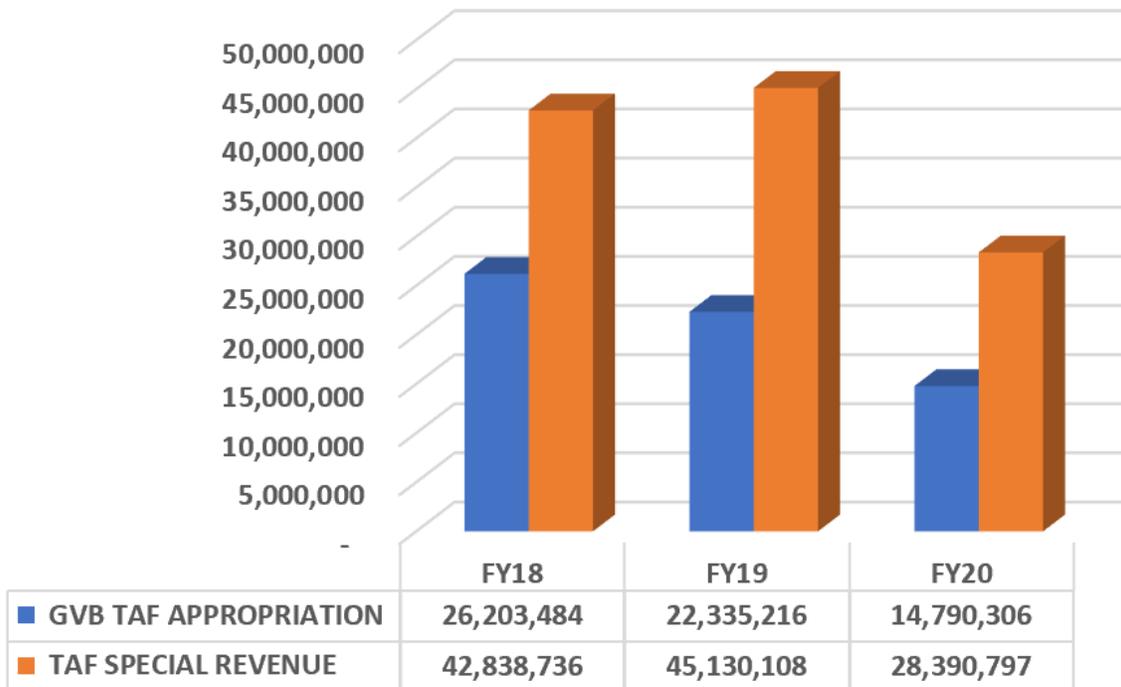
The following table summarizes the change in net position of the bureau for the fiscal years ended 2020, 2019 and 2018.

	<u>2020</u>	<u>2019</u>	<u>2018</u> (As Restated)
Assets:			
Current assets	\$ 16,052,535	\$ 20,535,609	\$ 21,270,276
Other assets	133,230	133,230	133,230
Property and equipment, at cost, net	6,339,885	6,395,194	6,478,527
Deferred outflows from OPEB	2,630,159	1,512,028	620,916
Deferred outflows from pension	<u>1,031,159</u>	<u>849,900</u>	<u>671,022</u>
Total assets and deferred outflows	<u>\$ 26,186,968</u>	<u>\$ 29,425,961</u>	<u>\$ 29,173,971</u>
Liabilities:			
Current liabilities	\$ 1,354,740	\$ 5,337,207	\$ 3,952,423
OPEB liability	7,392,672	5,292,875	5,672,967
Net pension liability	4,739,535	4,909,463	4,553,021
Accrued sick leave	42,891	38,668	34,016
Deferred inflows from OPEB	1,658,564	2,088,264	486,129
Deferred inflows from pension	<u>418,557</u>	<u>167,345</u>	<u>267,393</u>
Total liabilities and deferred inflows	15,606,959	17,833,822	14,965,949
Net position:			
Net investment in capital assets	6,339,885	6,395,194	6,478,527
Restricted - expendable	1,668,070	2,707,091	2,813,882
Unrestricted	<u>2,572,054</u>	<u>2,489,854</u>	<u>4,915,613</u>
Total net position	<u>10,580,009</u>	<u>11,592,139</u>	<u>14,208,022</u>
Total liabilities, net position	<u>26,186,968</u>	<u>29,425,961</u>	<u>29,173,971</u>
Operating revenue	786,935	1,521,085	2,272,218
Operating expense	<u>15,704,425</u>	<u>26,441,717</u>	<u>25,931,337</u>
Operating revenues net of operating expenses	(14,917,490)	(24,920,632)	(23,659,119)
Non-operating revenues, net	<u>13,905,360</u>	<u>22,304,749</u>	<u>25,381,873</u>
Change in net position	<u>\$ (1,012,130)</u>	<u>\$ (2,615,883)</u>	<u>\$ 1,722,754</u>

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

Management’s Discussion and Analysis
Years Ended September 30, 2020 and 2019

An 11% hotel occupancy tax funds the Bureau’s operations which shows as Grants-in-aid from Government of Guam. This is authorized through the Legislature’s annual budget appropriations. In fiscal year 2020, Public Law 35-36 originally appropriated \$21,850,650 from the Tourist Attraction Fund (TAF) for GVB operations. With the challenges that the COVID-19 brought, and deflated the tourist arrivals, the Bureau was able to recognize only 69% of the funds appropriated, of which \$1,730,293 remained uncollected, as of September 30, 2020, but which was subsequently collected.



TAF revenue projections for FY20 was \$44,941,131, but unaudited actual collections were 37% short at \$28,390,797, resulting in a shortfall of \$16,550,334 below TAF projections during the fiscal year.

At \$15,704,425, FY20 operating expense were lower by 41% compared to FY19. Drastic cost cutting measures were instituted in anticipation of acute revenue shortfalls in TAF funding.

Professional services were cut 39% from the FY2019 budget and all marketing representations overseas were adjusted to a minimum fee just to maintain market presence. Japan \$4.08M, Destination Management \$2.5M and Korea \$863K accounted for 47% of the bureau’s total operating expense.

The second major expenditure category is professional services for the management improvement and maintenance of destination facilities, attractions, and safety.

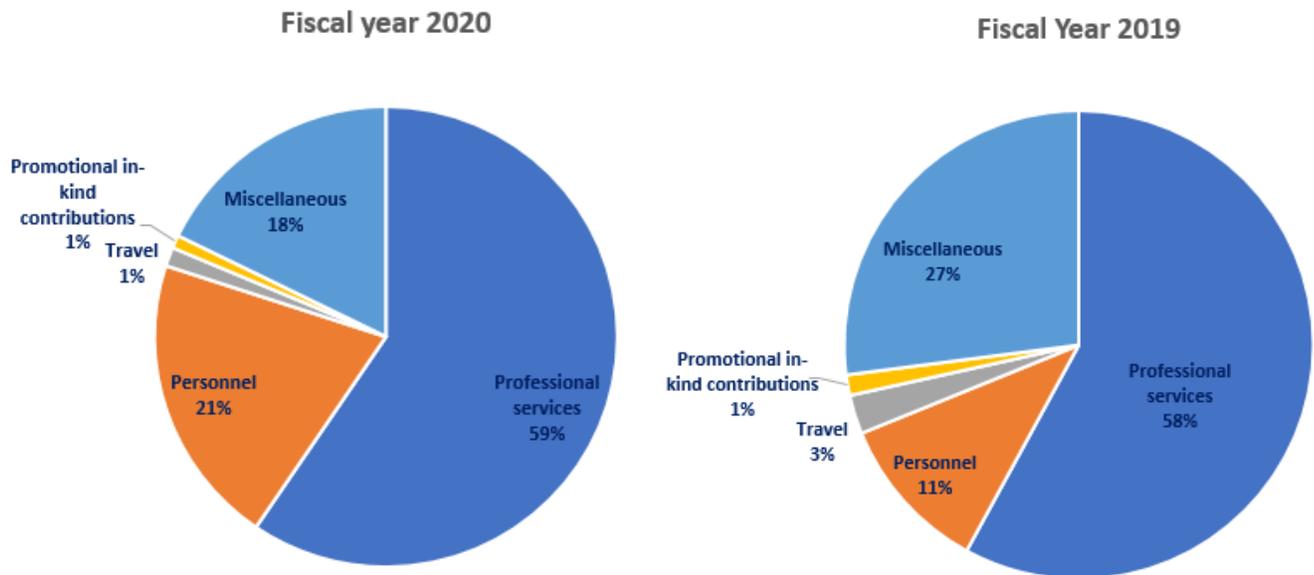
Personnel expenses increased by 12% and attributed to several filled positions previously vacated since FY19. Travel authorizations in FY20 were controlled by the Bureau of Budget and Management Research (BBMR) but subsequently reverted to the new GVB board in FY21.

GUAM VISITORS BUREAU
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The majority of GVB's variable expenses decreased because of the COVID-19 impact, and included 71% reduction in travel. Promotional and in-kind expenses were also down 62% this year.

Consolidated other expenses, such as supplies, depreciation, utilities, printing, and foreign currency loss, among others, decreased. A record 41% over the previous year and also reflective of inactive air service initiatives to conserve cash.



During this COVID-19 pause in activity, the finance and administration department is working to automate admin and accounting processes that will enable staff to work remotely when needed. In FY20, the bureau shifted most of its payment processing through an online banking platform.

Finally, the bureau also received the Gold Award for the Excellence in Citizen-Centric Reporting for FY19 and is included among other agencies of Government of Guam on the Accountability and Transparency in Citizen-Centric Reporting Award for fiscal years 2010-2019.

The unrestricted cash decreased by 30% compared to previous years. The \$4.7M decrease is attributed to the cash needed to augment the shortfall on the actual allotment received and provide funding to continuously sustain maintenance and work under the Destination and Development management. This is necessary to preserve the island infrastructure while the tourism industry is at a pause.

The accounts payable has also drastically decreased by 77% from prior year which is relative to the efficient and timely processing of payment, use of an online banking platform, and additional staffing in addition to the decrease in operational activity.

GUAM VISITORS BUREAU
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Management's Discussion and Analysis
Years Ended September 30, 2020 and 2019

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

(Fiscal Year Ended September 30, 2018, 2019, and 2020)

Revenues:	2020	2019	2018
Consumption tax refund	\$ 576,480	\$ 656,158	\$ 715,657
In-kind contributions from members and others	143,675	374,310	1,253,600
Other income	49,078	366,817	266,541
Memberships	17,702	123,800	36,420
	<u>786,935</u>	<u>1,521,085</u>	<u>2,272,218</u>
Expenses:			
Professional services	9,343,475	15,319,920	16,853,880
Personnel	3,219,026	2,886,579	2,429,695
Travel	208,245	711,305	844,689
Rent/Lease	188,788	180,993	203,981
Utilities	155,429	178,356	202,360
Promotional in-kind contributions	143,675	374,310	1,253,600
Material and supplies	99,734	372,758	169,439
Equipment	91,114	133,116	141,218
Depreciation	87,292	83,333	83,333
Consumption Tax	76,799	55,496	61,119
Grants	58,750	164,500	51,250
Printing	44,178	68,197	101,514
Repairs and maintenance	34,246	47,954	45,630
Advertising	31,995	348,566	320,320
Foreign currency loss (gain)	25,186	(8,101)	66,301
Miscellaneous	1,896,493	5,524,435	2,993,309
Total operating expenses	<u>15,704,425</u>	<u>26,441,717</u>	<u>25,821,638</u>
Operating revenues net of operating expenses	<u>(14,917,490)</u>	<u>(24,920,632)</u>	<u>(23,549,420)</u>
Non-operating revenues (expenses):			
Grants-in-aid from Government of Guam	15,430,306	22,335,216	26,993,484
Federal Contributions	111,699	-	-
Contribution from component units	87,691	176,000	180,556
Pass through appropriations	(640,000)	-	(790,000)
Interest income	44,779	77,685	49,086
Other non-operating expense	(1,129,115)	(284,152)	(1,160,952)
Total non-operating revenues (expenses), net	<u>13,905,360</u>	<u>22,304,749</u>	<u>25,272,174</u>
Change in net position	(1,012,130)	(2,615,883)	1,722,754
Net position at beginning of year	<u>11,592,139</u>	<u>14,208,022</u>	<u>12,485,268</u>
Net position at end of year	<u>\$ 10,580,009</u>	<u>\$ 11,592,139</u>	<u>\$ 14,208,022</u>

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Management's Discussion and Analysis
Years Ended September 30, 2020 and 2019

Consumption tax refund decreased by 12% due to the Japan Marketing activity which was mostly put-on hold. The in-kind contributions and other income from sponsorship also decreased by an average of 86% from prior year because of the various GVB signature events that were postponed and or cancelled.

In FY20, there were about 17 non-profit entities funded by pass-through appropriation. Compared to FY18, there were stringent administrative processes in place of which the finance department has to monitor compliance required by public law. The finance team worked closely with the non-profit organizations. At the close of FY20, about 71% of the pass-thru appropriation were already disbursed and the remainder is ready for release of funding contingent on submission of requirements.

In FY20, the Bureau also recorded federal contributions primarily from CARES Act funding amounting to \$111,699. The funds were used to facilitate remote work and set up online meeting platforms and implement various protocols for the health and safety of the Bureau's staff and visitors.

CAPITAL ASSETS AND LONG-TERM DEBT

The Bureau is not capital intensive and therefore, significant capital asset activity did not occur in 2020, 2019 and 2018. For additional information regarding capital assets, please refer to Note 5 of the Financial Statements.

Additionally, the Bureau has no long-term borrowings. However, for additional information concerning other long-term liabilities, please refer to Notes 9 of the Financial Statements.

OUTLOOK

The outlook for visitor arrivals in 2021 and beyond remains uncertain at a time when the survival of businesses remain at risk.

Domestic tourism has been leading the recovery in larger and more populated countries. However, Guam is several years away from the number of pre-COVID-19 visitors because of the island's small population and a tourism industry that is tethered to the East Asian market.

Major tourism trade and aviation organizations like the WTTC, UNWTO, ICAO, and IATA share the common sentiment of a recovery to pre-COVID-19 levels not before 2024 at the earliest. Travel experts in a UNWTO survey were cautious in their outlook, the majority of whom do not expect a return to pre-pandemic levels before 2023. Consulting company McKinsey is projecting 70% of 2019 international visitors in 2023. And the Pacific Asia Travel Association is forecasting a "mid-range" estimate of three-quarters the 2019 volume of international visitors in 2023, or a "severe scenario" of less than half the 2019 volume.

Besides structural and macroeconomic factors, cross country restrictions and consumer safety concerns are expected to determine the pace and degree of Guam's tourism recovery. Managing the second pandemic spike proved to be very difficult toward the end of FY 2020, and harsher public health restrictions were instituted. Although unpopular, this policy resulted in much improvement on the containment of COVID-19 by early December.

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

Management's Discussion and Analysis
Years Ended September 30, 2020 and 2019

Visitor Arrival Projections

Forecasting the number of visitors for FY 21 is difficult at best, and is dependent on how well Japan, South Korea, and Taiwan manage the COVID-19 problem. In the current environment 83,000 visitors was estimated for FY 2021. However, this estimate can be revised upward +25% with sufficient control of the virus and a more practical visitor sensitive protocol policy for the island. This increase can be supported by the number of scheduled airline seats to the island. A practical protocol policy to manage travel-related risk reduction measures, testing, contact tracing and vaccinations can be used to convey the promise of a safe destination experience. This message would appeal to pent-up demand; initially among younger and less risk averse travelers, followed by the broader market.

Based on scheduled airlift and actual loads for the first four months of the year, the estimated number of visitors to the island in this scenario could possibly reach 105,600 or more.

Management's Discussion and Analysis for the year ended September 30, 2019 is set forth in GVB's report on the audit of the financial statements, which is dated May 29, 2020, and that Discussion and Analysis explains the major factors impacting the 2019 financial statements and can be viewed at the Office of the Public Auditor's website at www.opaguam.org.

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

Statements of Net Position
September 30, 2020 and 2019

	2020	2019
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>		
Current assets:		
Cash - unrestricted	\$ 11,165,030	\$ 15,848,274
Cash - restricted	1,415,490	1,570,551
Investments	1,397,140	835,376
Due from Government of Guam	1,730,293	1,861,268
Accounts receivable - others	332,877	377,315
Prepaid expenses	11,705	42,825
Total current assets	16,052,535	20,535,609
Security deposit	133,230	133,230
Capital assets:		
Nondepreciable capital assets	5,992,415	5,992,415
Depreciable capital assets, net of accumulated depreciation	347,470	402,779
Total assets	22,525,650	27,064,033
Deferred outflows of resources:		
Deferred outflows from OPEB	2,630,159	1,512,028
Deferred outflows from pension	1,031,159	849,900
Total deferred outflows of resources	3,661,318	2,361,928
	\$ 26,186,968	\$ 29,425,961
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u>		
Current liabilities:		
Accounts payable	\$ 1,191,650	\$ 5,198,333
Accrued annual leave	152,890	122,423
Unearned income	10,200	16,451
Total current liabilities	1,354,740	5,337,207
OPEB liability	7,392,672	5,292,875
Net pension liability	4,739,535	4,909,463
Accrued sick leave	42,891	38,668
Total liabilities	13,529,838	15,578,213
Deferred inflows of resources:		
Deferred inflows from OPEB	1,658,564	2,088,264
Deferred inflows from pension	418,557	167,345
Total deferred inflows of resources	2,077,121	2,255,609
Commitments and contingencies		
Net position:		
Net investment in capital assets	6,339,885	6,395,194
Restricted - expendable	1,668,070	2,707,091
Unrestricted	2,572,054	2,489,854
Total net position	10,580,009	11,592,139
	\$ 26,186,968	\$ 29,425,961

See accompanying notes to financial statements.

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

Statements of Revenues, Expenses, and Changes in Net Position
Years Ended September 30, 2020 and 2019

	2020	2019
Revenues:		
Consumption tax refund	\$ 576,480	\$ 656,158
In-kind contributions from members and others	143,675	374,310
Other income	49,078	366,817
Memberships	17,702	123,800
Total operating revenues	786,935	1,521,085
Expenses:		
Professional services	9,343,475	15,319,920
Personnel	3,219,026	2,886,579
Travel	208,245	711,305
Rent/lease	188,788	180,993
Utilities	155,429	178,356
Promotional in-kind contributions	143,675	374,310
Material and supplies	99,734	372,758
Equipment	91,114	133,116
Depreciation	87,292	83,333
Consumption tax	76,799	55,496
Grants	58,750	164,500
Printing	44,178	68,197
Repairs and maintenance	34,246	47,954
Advertising	31,995	348,566
Foreign currency loss (gain)	25,186	(8,101)
Miscellaneous	1,896,493	5,524,435
Total operating expenses	15,704,425	26,441,717
Operating revenues net of operating expenses	(14,917,490)	(24,920,632)
Nonoperating revenues (expenses):		
Grants-in-aid from Government of Guam:		
Operations	14,790,306	22,335,216
Pass through	640,000	-
Federal contributions	111,699	-
Contribution from component units	87,691	176,000
Pass through appropriations	(640,000)	-
Interest income	44,779	77,685
Other nonoperating revenues (expenses), net	(1,129,115)	(284,152)
Total nonoperating revenues (expenses), net	13,905,360	22,304,749
Change in net position	(1,012,130)	(2,615,883)
Net position at beginning of year	11,592,139	14,208,022
Net position at end of year	\$ 10,580,009	\$ 11,592,139

See accompanying notes to financial statements.

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

Statements of Cash Flows
Years Ended September 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Cash received from members	\$ 11,451	\$ 95,951
Cash received from other sources	644,960	1,348,376
Cash paid to employees	(1,478,036)	(1,400,761)
Cash paid to suppliers	(17,459,268)	(22,781,680)
Net cash used for operating activities	(18,280,893)	(22,738,114)
Cash flows from noncapital financing activities:		
Government of Guam appropriations	15,614,843	22,513,549
Federal grant	58,137	-
Receipts from component units	-	176,000
Other receipts (disbursements), net	(1,041,188)	(293,417)
Cash paid to pass-through entities	(640,000)	-
Net cash provided by noncapital financing activities	13,991,792	22,396,132
Cash flows from investing activities:		
Investment in TCD	(517,221)	1,364,786
Purchase of capital assets	(31,983)	-
Net cash used for investing activities	(549,204)	1,364,786
Net change in cash	(4,838,305)	1,022,804
Cash at beginning of year	17,418,825	16,396,021
Cash at end of year	\$ 12,580,520	\$ 17,418,825
Consisting of:		
Unrestricted	\$ 11,165,030	\$ 15,848,274
Restricted	1,415,490	1,570,551
Cash at end of year	\$ 12,580,520	\$ 17,418,825
Reconciliation of operating revenues net of operating expenses to net cash used for operating activities:		
Operating revenues net of operating expenses	\$ (14,917,490)	\$ (24,920,632)
Adjustments to reconcile operating revenues net of operating expenses to net cash used for operating activities:		
Depreciation	87,292	83,333
Non-cash OPEB costs, net	551,966	330,931
Non-cash pension costs (benefits), net	(99,975)	77,516
Decrease (increase) in assets:		
Accounts receivable - others	44,438	325,402
Prepaid expenses	31,120	(24,100)
Increase (decrease) in liabilities:		
Accounts payable	(4,006,683)	1,444,928
Accrued annual and sick leave	34,690	(27,643)
Unearned income	(6,251)	(27,849)
Net cash used for operating activities	\$ (18,280,893)	\$ (22,738,114)

See accompanying notes to financial statements.

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

Notes to Financial Statements
September 30, 2020 and 2019

(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:

A. 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.

B. Net Position

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

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

C. 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.

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

Notes to Financial Statements
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

D. 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 statements of net position.

E. 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.

F. 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, 2020 and 2019, GVB's unrestricted cash includes \$189,603 and \$27,924, respectively, settled in a foreign currency. GVB is exposed to the risk of unfavorable changes in the exchange rate that may occur.

A loss on foreign exchange transactions of \$25,186 and a gain on foreign exchange transactions of \$8,101 was recognized for the years ended September 30, 2020 and 2019, respectively.

G. Deferred Outflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (deduction of net position) until then. GVB has determined the differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability, 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.

H. Deferred Inflows of Resources

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (additions to net position) until then. GVB has determined the differences between expected and actual experience with regard to economic and demographic factors in the measurement of the total pension 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.

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

Notes to Financial Statements
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

I. Compensated Absences

Earned unpaid employee vacation leave is accrued at year end for financial statement purposes. Included in liabilities at September 30, 2020 and 2019 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.

J. 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.

K. 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.

L. 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.

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

Notes to Financial Statements
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

M. 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, 2020 and 2019.

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

N. 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.

O. 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, 2020 and 2019, 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.

P. 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.

Q. New Accounting Standards

During the year ended September 30, 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective dates of GASB Statement No. 84, 89, 90, 91, 92 and 93 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.

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(2) Summary of Significant Accounting Policies, Continued

Q. New Accounting Standards, Continued

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 84 will be effective for fiscal year ending September 30, 2021.

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. Management believes that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 87 will be effective for fiscal year ending September 30, 2022.

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. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 89 will be effective for fiscal year ending September 30, 2022.

In March 2018, GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 90 will be effective for fiscal year ending September 30, 2021.

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September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

Q. New Accounting Standards, Continued

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of 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 debt 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. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 91 will be effective for fiscal year ending *September 30, 2023*.

In January 2020, GASB issued statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports, the terminology used to refer to derivative instruments and the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefits. The requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reissuance recoveries and terminology used to refer to derivative instruments are effective upon issuance. The remaining requirements of GASB Statement No. 92 is effective for the fiscal year ending September 30, 2022.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The primary objective of this statement is to address those and other accounting and financial reporting implications of the replacement of an IBOR. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 93 will be effective for fiscal year ending September 30, 2022.

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. This statement also provides guidance for accounting and financial reporting for availability payment arrangements. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 94 will be effective for fiscal year ending *September 30, 2023*.

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. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 96 will be effective for fiscal year ending September 30, 2023.

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Notes to Financial Statements
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(2) Summary of Significant Accounting Policies, Continued

Q. New Accounting Standards, Continued

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) 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; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) 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. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 97 will be effective for fiscal year ending September 30, 2022.

(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, 2020 and 2019, the carrying amount of GVB's total cash was \$12,580,520 and \$17,418,825, respectively. The corresponding bank balances were \$12,651,588 and \$17,590,787, respectively. Of the bank balances, \$12,461,986 and \$17,562,863, respectively, are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance with the remaining amounts of \$189,602 and \$27,924, respectively, being maintained in a financial institution not subject to depository insurance. As of September 30, 2020 and 2019, bank deposits in the amount of \$340,801 and \$379,623, respectively, 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, 2020, 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.

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(3) Cash, Continued

As of September 30, 2020 and 2019, restricted cash held by GVB in the Rainy Day Fund is \$1,247,432 and \$1,246,103, 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, 2020 and 2019, restricted cash held by GVB in the Cultural and Sports Ambassadors Fund is \$168,058 and \$324,448, respectively. These funds are to be used to provide grants for transportation expenses for off-island travel by cultural and sports ambassadors.

(4) Short-term Investments

Short-term investments at September 30, 2020 and 2019, represent certificates of deposit in the amount of \$1,397,140 and \$835,376, respectively, which are fully FDIC insured.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, GVB will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. As of September 30, 2020 and 2019, 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 years ended September 30, 2020 and 2019 are as follows:

	Beginning Balance <u>October 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>September 30, 2020</u>
Non-depreciable:				
Land	\$ <u>5,992,415</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>5,992,415</u>
Depreciable:				
Building	2,500,000	-	-	2,500,000
Leasehold improvements	140,846	-	-	140,846
Furniture and fixtures	83,023	31,983	-	115,006
Equipment	<u>148,775</u>	<u>-</u>	<u>-</u>	<u>148,775</u>
	2,872,644	31,983	-	2,904,627
Less: accumulated depreciation	<u>(2,469,865)</u>	<u>(87,292)</u>	<u>-</u>	<u>(2,557,157)</u>
Depreciable capital assets, net	<u>402,779</u>	<u>(55,309)</u>	<u>-</u>	<u>347,470</u>
	\$ <u>6,395,194</u>	\$ <u>(55,309)</u>	\$ <u>-</u>	\$ <u>6,339,885</u>

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(5) Capital Assets, Continued

	<u>Beginning Balance</u> <u>October 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u> <u>September 30, 2019</u>
Non-depreciable:				
Land	\$ <u>5,992,415</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>5,992,415</u>
Depreciable:				
Building	2,500,000	-	-	2,500,000
Leasehold improvements	140,846	-	-	140,846
Furniture and fixtures	83,023	-	-	83,023
Equipment	<u>148,775</u>	<u>-</u>	<u>-</u>	<u>148,775</u>
	2,872,644	-	-	2,872,644
Less: accumulated depreciation	<u>(2,386,532)</u>	<u>(83,333)</u>	<u>-</u>	<u>(2,469,865)</u>
Depreciable capital assets, net	<u>486,112</u>	<u>(83,333)</u>	<u>-</u>	<u>402,779</u>
	<u>\$ 6,478,527</u>	<u>\$ (83,333)</u>	<u>\$ -</u>	<u>\$ 6,395,194</u>

(6) Pensions

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

A. General Information About the Pension Plans:

Plan Description: GGRF administers the GovGuam Defined Benefit (DB) Plan, a single-employer defined benefit pension plan, and the Defined Contribution Retirement System (DCRS) 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, are 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 are eligible to receive an annual ad hoc cost of living allowance (COLA).

A single actuarial valuation is performed annually covering all plan members and the same contribution rate applies to each employer. GGRF issues a publicly available financial report that includes financial statements and required supplementary information for the DB Plan. That report may be obtained by writing to the Government of Guam Retirement Fund, 424 A Route 8, Maite, Guam 96910, or by visiting GGRF's website – www.ggrf.com.

Plan Membership: As of September 30, 2019 (the measurement date), plan membership consisted of the following:

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Notes to Financial Statements
September 30, 2020 and 2019

(6) Pensions, Continued

A. General Information About the Pension Plans, Continued:

DB members:	
Inactive employees or beneficiaries currently receiving benefits	7,360
Inactive employees entitled to but not yet receiving benefits	3,162
Active employees	<u>4,850</u>
	<u>15,372</u>
DCRS members:	
Active employees	<u>6,286</u>
	<u>21,658</u>

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

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

Supplemental annuity benefit payments are provided to DB 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). Commencing April 1, 2017 through September 30, 2018, eligible employees may elect, during the “election window”, to participate in the DB 1.75 Plan or the GRSP with an effective date of January 1, 2018. Beginning January 1, 2018, all new employees shall be automatically enrolled in the GRSP. New employees have sixty (60) days from the date of hire to elect to participate in the DCRS.

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Notes to Financial Statements
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(6) Pensions, Continued

A. General Information About the Pension Plans, Continued:

The DB 1.75 Plan is open for participation by certain existing employees, new employees, and reemployed employees who would otherwise participate in the DC Plan or the new GRSP and who make election on a voluntary basis to participate in the DB 1.75 Plan by December 31, 2017. Employee contributions are made by mandatory pre-tax payroll deduction at the rate of 9.5% of the employee's base salary while employer contributions are actuarially determined. Members of the DB 1.75 Plan automatically participate in the GovGuam deferred compensation plan, pursuant to which employees are required to contribute 1% of base salary as a pre-tax mandatory contribution. Benefits are fully vested upon attaining 5 years of credited service.

Members of 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 ½ 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 GovGuam 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 three years of service which produce the highest average.

Contributions and Funding Policy: Contribution requirements of participating employers and active members to the DB Plan are determined in accordance with Guam law. Employer contributions are actuarially determined under the One-Year Lag Methodology. Under this methodology, the actuarial valuation date is used for calculating the employer contributions for the second following fiscal year. For example, the September 30, 2018 actuarial valuation was used for determining the year ended September 30, 2020 statutory contributions. Member contributions are required at 9.52% of base pay.

As a result of actuarial valuations performed as of September 30, 2018, 2017 and 2016, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2020, 2019 and 2018, respectively, have been determined as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Normal costs (% of DB Plan payroll)	13.86%	13.54%	15.97%
Employee contributions (DB Plan employees)	<u>9.52%</u>	<u>9.52%</u>	<u>9.55%</u>
Employer portion of normal costs (% of DB Plan payroll)	<u>4.34%</u>	<u>4.02%</u>	<u>6.42%</u>
Employer portion of normal costs (% of total payroll)	2.39%	2.29%	1.60%
Unfunded liability cost (% of total payroll)	<u>20.70%</u>	<u>21.29%</u>	<u>22.12%</u>
Government contribution as a % of total payroll	<u>23.09%</u>	<u>23.58%</u>	<u>23.72%</u>
Statutory contribution rates as a % of DB Plan payroll:			
Employer	<u>26.28%</u>	<u>26.56%</u>	<u>27.83%</u>
Employee	<u>9.52%</u>	<u>9.52%</u>	<u>9.55%</u>

GVB's contributions to the DB Plan for the years ended September 30, 2020, 2019 and 2018 were \$257,762, \$315,603 and \$387,920, respectively, which were equal to the statutorily required contributions for the respective years then ended.

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Notes to Financial Statements
September 30, 2020 and 2019

(6) Pensions, Continued

A. General Information About the Pension Plans, Continued:

GVB's contributions for supplemental annuity benefit and COLA payments for the years ended September 30, 2020, 2019 and 2018 were \$36,000, \$30,000 and \$30,000, respectively, which were equal to the statutorily required contributions for the respective years then ended.

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

Contributions into the DCRS plan by members are based on an automatic deduction of 5% of the member's regular base pay, which increased to 6.2% effective January 1, 2018. 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, 2020 are determined using the same rates as the DB Plan. Of the amount contributed by the employer, only 5% of the member's regular pay is deposited into the DCRS, which increased to 6.2% effective January 1, 2018. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

GVB's contributions to the DCRS Plan for the years ended September 30, 2020, 2019 and 2018 were \$234,610, \$138,810 and \$149,525, respectively, which were equal to the required contributions for the respective years then ended. Of these amounts, \$181,602, \$106,393 and \$117,977 were contributed toward the unfunded liability of the DB Plan for the years ended September 30, 2020, 2019 and 2018, respectively.

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

Pension Liability: At September 30, 2020 and 2019, GVB reported a net pension liability for its proportionate share of the net pension liabilities measured as of September 30, 2019 and 2018, respectively, which is comprised of the following:

	<u>2020</u>	<u>2019</u>
Defined Benefit Plan	\$ 4,199,571	\$ 4,502,701
Ad Hoc COLA/supplemental annuity Plan for DB retirees	345,112	248,782
Ad Hoc COLA Plan for DCRS retirees	<u>194,852</u>	<u>157,980</u>
	<u>\$ 4,739,535</u>	<u>\$ 4,909,463</u>

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September 30, 2020 and 2019

(6) Pensions, Continued

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

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, 2020 and 2019, GVB's proportionate shares of the GovGuam net pension liabilities were as follows:

	<u>2020</u>	<u>2019</u>
Defined Benefit Plan	0.35%	0.38%
Ad Hoc COLA/supplemental annuity Plan for DB retirees	0.11%	0.09%
Ad Hoc COLA Plan for DCRS retirees	0.33%	0.32%

Pension Expense (Benefit): For the years ended September 30, 2020 and 2019, GVB recognized pension expense (benefit) for its proportionate share of plan pension expense (benefit) from the above pension plans as follows:

	<u>2020</u>	<u>2019</u>
Defined Benefit Plan	\$ 328,309	\$ 586,834
Ad Hoc COLA/supplemental annuity Plan for DB retirees	47,716	27,917
Ad Hoc COLA Plan for DCRS retirees	<u>18,292</u>	<u>(39,171)</u>
	<u>\$ 394,317</u>	<u>\$ 575,580</u>

Deferred Outflows and Inflows of Resources: At September 30, 2020 and 2019, GVB reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020					
	<u>Defined Benefit Plan</u>		Ad Hoc COLA/ Supplemental Annuity Plan for DB Retirees		Ad Hoc COLA Plan for DCRS Retirees	
	<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	\$ 6,028	\$ 37,228	\$ 2,391	\$ 1,061	\$ 20,521	\$ 5,660
Net difference between projected and actual earnings on pension plan investments	147,670	-	-	-	-	-
Changes of assumptions	-	-	30,985	5,365	46,911	18,903
Contributions subsequent to the measurement date	492,373	-	30,000	-	6,000	-
Changes in proportion and difference between GVB contributions and proportionate share of contributions	<u>104,317</u>	<u>300,757</u>	<u>43,937</u>	-	<u>100,026</u>	<u>49,583</u>
	<u>\$ 750,388</u>	<u>\$ 337,985</u>	<u>\$ 107,313</u>	<u>\$ 6,426</u>	<u>\$ 173,458</u>	<u>\$ 74,146</u>

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(6) Pensions, Continued

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

	2019					
	Defined Benefit Plan		Ad Hoc COLA/ Supplemental Annuity Plan for DB Retirees		Ad Hoc COLA Plan for DCRS Retirees	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 12,707	\$ -	\$ 3,681	\$ -	\$ 22,698	\$ 1,444
Net difference between projected and actual earnings on pension plan investments	-	80,719	-	-	-	-
Changes of assumptions	-	-	-	8,257	18,815	21,085
Contributions subsequent to the measurement date	454,413	-	24,000	-	6,000	-
Changes in proportion and difference between GVB contributions and proportionate share of contributions	<u>199,150</u>	<u>-</u>	<u>2,848</u>	<u>-</u>	<u>105,588</u>	<u>55,840</u>
	<u>\$ 666,270</u>	<u>\$ 80,719</u>	<u>\$ 30,529</u>	<u>\$ 8,257</u>	<u>\$ 153,101</u>	<u>\$ 78,369</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, 2020 will be recognized in pension expense as follows:

Year Ending September 30	Defined Benefit Plan	Ad Hoc COLA/ Supplemental Annuity Plan for DB Retirees	Ad Hoc COLA Plan for DCRS Retirees
2021	\$ (53,206)	\$ 30,118	\$ 6,218
2022	(112,618)	31,330	6,218
2023	33,242	9,439	6,218
2024	52,612	-	6,218
2025	-	-	6,218
Thereafter	<u>-</u>	<u>-</u>	<u>62,222</u>
	<u>\$ (79,970)</u>	<u>\$ 70,887</u>	<u>\$ 93,312</u>

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(6) Pensions, Continued

- B. 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:

Valuation Date:	September 30, 2018
Actuarial Cost Method:	Entry age normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	May 1, 2033 (14.58 years remaining as of September 30, 2018)
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, 2018 valuation were based on the results of an actuarial experience study for the period October 1, 2011 to September 30, 2015.

The investment rate assumption as of September 30, 2018 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:

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(6) Pensions, Continued

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Nominal Return</u>
U.S. Equities (large cap)	26.0%	6.81%
U.S. Equities (small cap)	4.0%	8.12%
Non-U.S. Equities	17.0%	8.33%
Non-U.S. Equities (emerging markets)	3.0%	10.28%
U.S. Fixed Income (aggregate)	24.0%	3.87%
Risk parity	8.0%	5.56%
High yield bonds	8.0%	5.45%
Global Real Estate (REITs)	5.0%	8.01%
Global Equity	5.0%	7.44%

Discount Rate: The discount rate used to measure the total pension liability for the DB Plan as of September 30, 2019 and 2018 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, 2019 was 2.66% (4.18% as of September 30, 2018), which is equal to the rate of return of a high quality bond index.

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

Defined Benefit Plan:

	1% Decrease in Discount Rate <u>6.0%</u>	Current Discount Rate <u>7.0%</u>	1% Increase in Discount Rate <u>8.0%</u>
Net Pension Liability	\$ <u>5,199,395</u>	\$ <u>4,199,571</u>	\$ <u>3,114,684</u>

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees:

	1% Decrease in Discount Rate <u>1.66%</u>	Current Discount Rate <u>2.66%</u>	1% Increase in Discount Rate <u>3.66%</u>
Net Pension Liability	\$ <u>337,576</u>	\$ <u>345,112</u>	\$ <u>283,520</u>

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(6) Pensions, Continued

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

Ad Hoc COLA Plan for DCRS Retirees:

	1% Decrease in Discount Rate <u>1.66%</u>	Current Discount Rate <u>2.66%</u>	1% Increase in Discount Rate <u>3.66%</u>
Net Pension Liability	\$ <u>180,615</u>	\$ <u>194,852</u>	\$ <u>143,413</u>

- C. Payables to the Pension Plans:

As of September 30, 2020 and 2019, GVB recorded payable to GGRF of \$5,868 and \$23,498, respectively, representing statutorily required contributions unremitted as of the respective year-ends.

(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.

- A. General Information About the OPEB Plan:

Plan Description: The other postemployment benefits 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. Because the OPEB Plan consists solely of GovGuam’s firm commitment to provide OPEB through the payment of premiums to insurance companies on behalf of its eligible retirees, no stand-alone financial report is either available or generated.

Plan Membership: As of September 30, 2019 and 2018 (the respective measurement dates), OPEB plan membership consisted of the following as of September 30, 2019 (the respective actuarial valuation dates for both years):

	<u>2019</u>	<u>2018</u>
Inactive plan members or beneficiaries currently receiving benefits	7,462	7,930
Active plan members	<u>10,832</u>	<u>10,136</u>
	<u>18,294</u>	<u>18,066</u>

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

A. General Information About the OPEB Plan, Continued:

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

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

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

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

B. Total OPEB Liability:

As of September 30, 2020 and 2019, GVB reported a total OPEB liability of \$7,392,672 and \$5,292,875, respectively, for its proportionate share of the GovGuam total OPEB liability measured as of September 30, 2019 and 2018. The following presents GVB’s proportion change in proportion since the prior measurement date:

Proportion at prior measurement date, September 30, 2018	0.28%
Proportion at measurement date, September 30, 2019	<u>0.29%</u>
Increase in proportion	<u>0.01%</u>

Actuarial Assumptions: The total OPEB liability for the OPEB Plan was determined by an actuarial valuation as of September 30, 2019 (the measurement date) using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.75%.
Amortization method:	Level dollar amount over 30 years on an open amortization period for pay-as-you-go funding.
Salary increases:	7.5% per year for the first 5 years of service, 6% for 6-10 years, 5% for 11-15 years and 4% for service over 15 years.

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

B. Total OPEB Liability, Continued:

Healthcare cost trend rates:	For 2019, Non-Medicare 13.5%; Medicare -25%; and Part B 5.33%. For the second year, 6.75% then reducing 0.25% annually to an ultimate rate of 4.25% for 2029 and later years. Health care trend assumptions begin at current levels and grade down over a period of years to a lower level equal to some real rate plus inflation. The principal components of health trend are medical inflation, deductible erosion, cost shifting, utilization, technology and catastrophic claims. The overall effect of these components are expected to decline year by year. Medical trend rates are applied to retiree contributions, Medicare Part B and Medicare Part D premium reimbursements.
Dental trend rates:	3.8% in year one, 3.75% per year thereafter, based on a blend of historical retiree premium rate increases as well as observed U.S. national trends.
Participation rates:	Medical - 100% of active employees covered under a GovGuam medical plan will elect to participate at retirement. Dental - 100% of active employees under a GovGuam dental plan will elect to participate at retirement. Life - 100% of eligible retirees will elect to participate at retirement. Current retirees will continue in the GovGuam plan as provided in the data, and upon attainment of age 65, will remain in that plan or enroll in a Retiree Supplemental Plan per Medicare Enrollment assumption below.
Medicare enrollment:	15% of current and future retirees are assumed to enroll in Medicare and will enroll in a Retiree Supplemental Plan upon attainment of age 65. All employees retired prior to September 30, 2008 are assumed ineligible for Medicare upon attainment of age 65 and therefore will not enroll in a Medicare Supplemental Plan.
Dependent status:	Male spouses are assumed to be three years older and female spouses are assumed to be three years younger than the retired employee. Medical - 100% of spouses of active employees covered under a GovGuam medical plan will elect to participate at the active employee's retirement. Dental - 100% of spouses of active employees covered under a GovGuam dental plan will elect to participate at the active employee's retirement. Life - 100% of spouses of active employees will elect to participate at the active employee's retirement. For current retired employees, the actual census information is used.

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

B. Total OPEB Liability, Continued:

Actuarial cost method: Entry Age Normal. The costs of each employee's post-employment benefits are allocated on a level basis over the earnings of the employee between the employee's date of hire and the assumed exit ages.

Healthy Retiree mortality rates: RP-2000 Combined Healthy Mortality Table, set forward 3 years and 2 years for males and females, respectively, projected generationally using 30% of Scale BB.

Disabled Retiree mortality rates: RP-2000 Disabled Mortality Table, set forward 6 years and 4 years for males and females, respectively, projected generationally using 30% of Scale BB.

Withdrawal rates: 15% for less than 1 year of service, decreasing 1% for each additional year of service up to 10 years, further decreasing 0.5% for each additional year of service up to 15 years, and 2% for service over 15 years.

Disability rates: 1974-78 SOA LTD Non-Jumbo, with rates reduced by 50% for males and 75% for females as follows: 0.05% for males aged 20-39 years (0.03% for females); 0.10% - 0.18% for males aged 40-49 years (0.05% - 0.09% for females); 0.32% - 0.53% for males aged 50-59 years (0.16% - 0.27% for females); and 0.76% for males aged 60-64 years (0.38% for females).

Retirement rates: 50% of employees are assumed to retire at first eligibility for unreduced benefits under the GovGuam Retirement Fund, 20% per year thereafter until age 75, and 100% at age 75.

Discount rate: The discount rate used to measure the total OPEB liability was 2.66% as of September 30, 2019 (4.18% as of September 30, 2018). 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 2.66% municipal bond rate as of September 30, 2019 (4.18% as of September 30, 2018) was applied to all periods to determine the total OPEB liability.

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

B. Total OPEB Liability, Continued:

OPEB plan fiduciary net position: As of September 30, 2020 and 2019, an OPEB trust has not been established, thus the OPEB Plan does not presently report OPEB plan fiduciary net position.

C. Changes in the Total OPEB Liability:

Changes in GVB's proportionate share of the total OPEB liability for the years ended September 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Balance at beginning of the year	\$ <u>5,292,875</u>	\$ <u>5,672,967</u>
Changes for the year:		
Service cost	244,458	320,228
Interest	229,537	216,268
Change in proportionate share	74,280	1,224,925
Difference between expected and actual experience	-	(1,474,570)
Change of assumptions	1,643,568	(596,170)
Benefit payments	<u>(92,046)</u>	<u>(70,773)</u>
Net change	<u>2,099,797</u>	<u>(380,092)</u>
Balance at end of the year	\$ <u>7,392,672</u>	\$ <u>5,292,875</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>1.66%</u>	Current Discount Rate <u>2.66%</u>	1% Increase in Discount Rate <u>3.66%</u>
Total OPEB Liability	\$ <u>6,249,931</u>	\$ <u>7,392,672</u>	\$ <u>8,830,444</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 Trend Rates	<u>1% Increase</u>
Total OPEB Liability	\$ <u>6,007,358</u>	\$ <u>7,392,672</u>	\$ <u>9,228,211</u>

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

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

For the years ended September 30, 2020 and 2019, GVB recognized OPEB expense of \$652,293 and \$420,775, respectively, for its proportionate share of the GovGuam total OPEB expense measured for the years ended September 30, 2019 and 2018. At September 30, 2020 and 2019, GVB reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 1,611,456	\$689,298	\$ 383,342	\$ 878,428
Difference between expected and actual experience	-	969,266	-	1,209,836
Contributions subsequent to the measurement date	91,481	-	83,200	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	<u>927,222</u>	-	<u>1,045,486</u>	-
	<u>\$ 2,630,159</u>	<u>\$ 1,658,564</u>	<u>\$ 1,512,028</u>	<u>\$ 2,088,264</u>

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as reduction of the total OPEB liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB at September 30, 2020 will be recognized in OPEB expense as follows:

<u>Year Ending September 30</u>	
2021	\$ 204,134
2022	204,136
2023	59,746
2024	229,198
2025	<u>182,900</u>
	<u>\$ 880,114</u>

(8) Commitments

A. Leases

GVB leases commercial space for its Japan offices which require a refundable security deposit. As of September 30, 2020 and 2019, the security deposit was \$133,230. Annual rental commitments are as follows:

<u>Year Ending September 30</u>	
2021	\$ 144,721
2022	<u>144,721</u>
	<u>\$ 289,442</u>

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(8) Commitments, Continued

B. Marketing Representation and Research

GVB entered into various marketing representation contracts in Japan, Korea, China, Hong Kong, Philippines, Taiwan and the United States. Additional contracts were also entered for market research, community brand building support services and other marketing efforts.

At September 30, 2020, the minimum future contract fees are as follows:

Year Ending <u>September 30</u>	
2021	\$ 899,037
2022	1,125,136
2023	615,136
2024	615,136
2025	<u>318,060</u>
	<u>\$ 3,572,505</u>

C. Beautification Projects

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

At September 30, 2020, the minimum future contract fees are as follows:

Year Ending <u>September 30</u>	
2021	\$ 880,086
2022	<u>511,306</u>
	<u>\$ 1,391,392</u>

D. Visitor Safety

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

At September 30, 2020, the minimum future contract fees are as follows:

Year Ending <u>September 30</u>	
2021	\$ 678,475
2022	884,940
2023	884,940
2024	<u>884,940</u>
	<u>\$ 3,333,295</u>

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(8) Commitments, Continued

E. Professional services

GVB entered into various contracts for professional services such as tour guide and inspector fees, equipment maintenance fees, quality assurance inspector fees and audit fees.

At September 30, 2020, the minimum future contract fees are as follows:

<u>Year Ending</u> <u>September 30</u>	
2021	\$ 384,301
2022	<u>60,400</u>
	<u>\$ 444,701</u>

F. 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. During the years ended September 30, 2020 and 2019, GVB received \$0 and \$176,000, respectively, for initial planning and construction costs. Ownership of the building has not been determined at this time.

(9) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the years ended September 30, 2020 and 2019 follows:

	2020			
	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>
Net pension liability	\$ 4,909,463	\$ 394,317	\$ (564,245)	\$ 4,739,535
OPEB liability	5,292,875	2,227,051	(127,254)	7,392,672
Accrued sick leave	<u>38,668</u>	<u>16,493</u>	<u>(12,270)</u>	<u>42,891</u>
	<u>\$ 10,241,006</u>	<u>\$ 2,637,861</u>	<u>\$ (703,769)</u>	<u>\$ 12,175,098</u>
	2019			
	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>
Net pension liability	\$ 4,553,021	\$ 575,580	\$ (219,138)	\$ 4,909,463
OPEB liability	5,672,967	1,761,421	(2,141,513)	5,292,875
Accrued sick leave	<u>34,016</u>	<u>16,881</u>	<u>(12,229)</u>	<u>38,668</u>
	<u>\$ 10,260,004</u>	<u>\$ 2,353,882</u>	<u>\$ (2,372,880)</u>	<u>\$ 10,241,006</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.

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(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 years ended September 30, 2020 and 2019, total appropriations received by GVB from GovGuam's Tourist Attraction Fund are as follows:

	<u>2020</u>	<u>2019</u>
Operations	\$14,790,306	\$22,335,216
Pass-through to non-profit organizations	<u>640,000</u>	<u>-</u>
	<u>\$15,430,306</u>	<u>\$22,335,216</u>

No collections were received from the HOT Surplus Fund during the fiscal years ended 2020 and 2019.

As of September 30, 2020 and 2019, receivables due from GovGuam associated with the above appropriations were \$1,730,293 and \$2,039,601, respectively.

(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, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Rainy Day Fund	\$ 1,247,432	\$ 1,246,103
Special Projects Fund	215,125	703,738
Korean Visitor Market Pilot Program	-	532,186
Cultural and Sports Ambassadors Fund	168,059	187,610
Cruise Ship Industry Development Program	<u>37,454</u>	<u>37,454</u>
Total restricted	<u>\$ 1,668,070</u>	<u>\$ 2,707,091</u>

Changes in restricted net position are as follows:

	<u>Rainy Day Fund</u>	<u>Korean Visitor Market Pilot Program</u>	<u>Cultural and Sports Ambassadors Fund</u>	<u>Special Projects Fund</u>	<u>Cruise Industry Development Program</u>	<u>2020</u>
Beginning of year	\$ 1,246,103	\$ 532,186	\$ 187,610	\$ 703,738	\$ 37,454	\$ 2,707,091
Revenues	-	-	-	120,677	-	120,677
Expenses	-	(532,186)	(19,850)	(609,831)	-	(1,161,867)
Interest and bank charges	<u>1,329</u>	<u>-</u>	<u>299</u>	<u>541</u>	<u>-</u>	<u>2,169</u>
End of year	<u>\$ 1,247,432</u>	<u>\$ -</u>	<u>\$ 168,059</u>	<u>\$ 215,125</u>	<u>\$ 37,454</u>	<u>\$ 1,668,070</u>

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(11) Restricted Net Position, Continued

Changes in restricted net position are as follows, Continued:

	<u>Rainy Day Fund</u>	Korean Visitor Market Pilot <u>Program</u>	Cultural and Sports Ambassadors <u>Fund</u>	Special Projects <u>Fund</u>	Cruise Industry Development <u>Program</u>	<u>2019</u>
Beginning of year	\$ 1,244,625	\$ 532,186	\$ 296,524	\$ 703,093	\$ 37,454	\$ 2,813,882
Revenues	-	-	-	176,000	-	176,000
Expenses	-	-	(109,300)	(176,000)	-	(285,300)
Interest and bank charges	<u>1,478</u>	<u>-</u>	<u>386</u>	<u>645</u>	<u>-</u>	<u>2,509</u>
End of year	<u>\$ 1,246,103</u>	<u>\$ 532,186</u>	<u>\$ 187,610</u>	<u>\$ 703,738</u>	<u>\$ 37,454</u>	<u>\$ 2,707,091</u>

(12) Related Party Transactions

During the years ended September 30, 2020 and 2019, GVB contracted and purchased goods from businesses that are associated with GVB Board Directors totaling \$138,467 and \$212,631, respectively.

(13) COVID-19

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommend containment and mitigation measures worldwide. On March 13, 2010, President Donald J. Trump declared a national emergency within the United States. In response to the national emergency declared by the U.S. President, on March 14, 2020, Governor Lourdes A. Leon Guerrero issued Executive Order 2020-03 declaring a state of emergency in response to COVID-19. Further, Executive Order 2020-04 ordered the closure of all non-essential Government of Guam offices, prohibited large gatherings, and restricted entry into Guam from countries with confirmed COVID-19 cases. As a result, schools and non-essential government agencies and businesses have closed. GVB has closed its offices to the public and has required all non-essential employees to work from home. On May 10, 2020, certain businesses and government agencies were allowed to reopen. While this matter is expected to negatively impact GVB's business, results of operations and financial position, the related financial impact cannot be reasonably estimated at this time.

(14) Reclassification

Certain reclassifications have been made to the 2019 financial statements to correspond to the 2020 presentation.

GUAM VISITORS BUREAU

**REQUIRED SUPPLEMENTARY
INFORMATION**

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

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

Defined Benefit Plan

	2020	2019	2018	2017	2016	2015	2014
Total net pension liability	\$ 1,214,462,675	\$ 1,179,192,550	\$ 1,142,249,393	\$ 1,368,645,126	\$ 1,436,814,230	\$ 1,246,306,754	\$ 1,303,304,636
GVB's proportionate share of the net pension liability	\$ 4,199,571	\$ 4,502,701	\$ 4,082,300	\$ 4,994,178	\$ 4,733,456	\$ 3,826,415	\$ 3,786,577
GVB's proportion of the net pension liability	0.35%	0.38%	0.36%	0.36%	0.33%	0.31%	0.29%
GVB's covered-employee payroll**	\$ 1,761,826	\$ 1,962,179	\$ 1,816,622	\$ 1,847,567	\$ 1,684,651	\$ 1,569,999	\$ 1,337,479
GVB's proportionate share of the net pension liability as percentage of its covered-employee payroll	238.36%	229.47%	224.72%	270.31%	280.98%	243.72%	283.11%
Plan fiduciary net position as a percentage of the total pension liability	62.25%	63.28%	60.63%	54.62%	52.32%	56.60%	53.94%

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

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

See Accompanying Independent Auditors' Report.

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

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

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees

	2020	2019	2018	2017	2016
Total net pension liability***	\$ 324,192,725	\$ 289,875,672	\$ 288,147,121	\$ 229,486,687	\$ 235,799,709
GVB's proportionate share of the net pension liability	\$ 345,112	\$ 248,782	\$ 243,095	\$ 191,430	\$ 192,124
GVB's proportion of the net pension liability	0.11%	0.09%	0.08%	0.08%	0.08%
GVB's covered-employee payroll**	\$ 542,374	\$ 441,019	\$ 428,827	\$ 422,357	\$ 416,649
GVB's proportionate share of the net pension liability as percentage of its covered-employee payroll	63.63%	56.41%	56.69%	45.32%	46.11%

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

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

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

See Accompanying Independent Auditors' Report.

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

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

Ad Hoc COLA Plan for DCRS Retirees

	2020	2019	2018	2017	2016
Total net pension liability***	\$ 59,884,407	\$ 49,342,424	\$ 62,445,490	\$ 61,688,067	\$ 52,115,736
GVB's proportionate share of the net pension liability	\$ 194,852	\$ 157,980	\$ 227,626	\$ 260,379	\$ 260,379
GVB's proportion of the net pension liability	0.33%	0.32%	0.36%	0.42%	0.50%
GVB's covered-employee payroll**	\$ 766,288	\$ 846,773	\$ 1,373,458	\$ 1,540,921	\$ 1,778,114
GVB's proportionate share of the net pension liability as percentage of its covered-employee payroll	25.43%	18.66%	16.57%	16.90%	14.64%

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

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

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

See Accompanying Independent Auditors' Report.

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 491,791	\$ 447,634	\$ 537,445	\$ 507,749	\$ 525,143	\$ 514,072	\$ 356,516
Contributions in relation to the statutorily required contribution	<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>\$ (582)</u>	<u>\$ (6,779)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,210)</u>	<u>\$ (218)</u>	<u>\$ 2,233</u>
GVB's covered-employee payroll **	<u>\$1,870,221</u>	<u>\$1,685,370</u>	<u>\$1,931,172</u>	<u>\$1,852,424</u>	<u>\$1,864,853</u>	<u>\$1,722,183</u>	<u>\$1,337,479</u>
Contributions as a percentage of covered-employee payroll	26.33%	26.96%	27.83%	27.41%	28.22%	29.86%	26.49%

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

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

See Accompanying Independent Auditors' Report.

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability:				
Service cost	244,458	320,228	\$ 364,900	\$ 289,166
Interest	229,537	216,268	187,055	185,124
Expected benefit payments	(92,046)	(70,773)	(54,850)	(54,850)
Change in proportionate share	74,280	1,224,925	(21,995)	-
Differences between expected and actual experience	-	(1,474,570)	-	-
Changes of assumptions	<u>1,643,568</u>	<u>(596,170)</u>	<u>(581,575)</u>	<u>631,880</u>
Net change in total OPEB liability	2,099,797	(380,092)	(106,465)	1,051,320
Total OPEB liability - beginning	<u>5,292,875</u>	<u>5,672,967</u>	<u>5,779,432</u>	<u>4,728,112</u>
Total OPEB liability - ending **	<u>\$ 7,392,672</u>	<u>\$ 5,292,875</u>	<u>\$ 5,672,967</u>	<u>\$ 5,779,432</u>
Covered-employee payroll	1,460,616	1,970,213	1,106,332	1,081,836
GVB's total OPEB liability as a percentage of covered-employee payroll	506.13%	268.64%	512.77%	534.22%

Notes to schedule

<i>Discount rate</i>	2.66%	4.18%	3.63%	3.058%
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Changes of benefit terms:

None.

Changes of assumptions:

Discount rate has changed from respective measurement dates.

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

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

See Accompanying Independent Auditors' Report.

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability **	\$2,553,523,376	\$1,874,970,335	\$2,431,048,672	\$2,532,753,040
GVB's proportionate share of the total OPEB liability	\$ 7,392,672	\$ 5,292,875	\$ 5,672,967	\$ 5,779,432
GVB's proportionate of the total OPEB liability	0.29%	0.28%	0.23%	0.23%
GVB's covered-employee payroll	\$ 1,460,616	\$ 1,970,213	\$ 1,106,332	\$ 1,081,836
GVB's proportionate share of the total OPEB liability as percentage of its covered-employee payroll	506.13%	268.64%	512.77%	534.22%

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

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

See Accompanying Independent Auditors' Report.

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 567,445	\$ 645,393	\$ 673,124	\$ 563,808
Contributions in relation to the actuarially determined contribution	<u>92,046</u>	<u>70,773</u>	<u>54,850</u>	<u>54,850</u>
Contribution deficiency	<u>\$ 475,399</u>	<u>\$ 574,620</u>	<u>\$ 618,274</u>	<u>\$ 508,958</u>
GVB's covered-employee payroll	\$ 1,460,616	\$ 1,970,213	\$ 1,887,611	\$ 1,106,332
Contributions as a percentage of covered-employee payroll	6.30%	3.59%	2.91%	4.96%

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

See Accompanying Independent Auditors' Report.

GUAM VISITORS BUREAU

**OTHER SUPPLEMENTARY
INFORMATION**

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

Supplementary Schedule of Professional, Miscellaneous and Advertising Expenses
Years Ended September 30, 2020 and 2019

<u>Professional Services</u>	<u>2020</u>	<u>2019</u>
Japan	\$ 4,087,610	\$ 5,472,393
Destination Management and Improvement	2,482,551	2,453,376
Korea	863,140	2,835,478
Admin., Research, and Printing	822,506	481,448
All Markets (Branding)	374,280	790,112
Taiwan	224,509	494,288
Website	215,906	307,511
Hong Kong/China	204,203	987,631
Australia, Philippines, and Pacific	57,629	1,166,720
United States	11,041	184,709
New Market Development	100	-
Russia	-	146,254
	<hr/>	<hr/>
Total Professional Services	\$ 9,343,475	\$ 15,319,920
	<hr/> <hr/>	<hr/> <hr/>
 <u>Miscellaneous Expenses</u>		
Sales campaign	\$ 878,193	\$ 1,254,555
Sponsorship	565,247	716,940
Air service support	211,556	2,990,468
Gifts and prizes	39,328	33,406
Subscription	37,802	20,696
Food and beverage	36,558	134,576
Dues and membership	31,854	32,894
Booths	29,843	-
Building and other insurance	27,593	19,708
Fees	10,558	35,516
Bank charges	7,340	9,025
Postal and courier	5,333	14,070
MICE	-	126,376
Marketing support	-	83,163
Banquet	-	40,403
Other	15,288	12,639
	<hr/>	<hr/>
	\$ 1,896,493	\$ 5,524,435
	<hr/> <hr/>	<hr/> <hr/>
 <u>Advertising Expenses</u>		
Australia, Philippines, and Pacific	\$ 6,640	\$ 24,525
Japan	6,353	292,084
Destination Management and Improvement	880	840
New market development	480	-
United States	-	5,000
All others	17,642	26,117
	<hr/>	<hr/>
Total Advertising Expenses	\$ 31,995	\$ 348,566
	<hr/> <hr/>	<hr/> <hr/>

See Accompanying Independent Auditors' Report.

GUAM VISITORS BUREAU

(A Component Unit of the Government of Guam)

Supplementary Schedule of Employees and Salaries
Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Guam office:		
Annual payroll	\$ <u>1,964,716</u>	\$ <u>1,781,565</u>
Number of employees	<u>39</u>	<u>35</u>
Japan office:		
Annual payroll	\$ <u>106,890</u>	\$ <u>559,540</u>
Number of employees	<u>1</u>	<u>8</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, 2020, and the related statements of revenues, expenses and changes in net position, of operations and changes in fund balance and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 18, 2021.

Internal Control over Financial Reporting

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

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

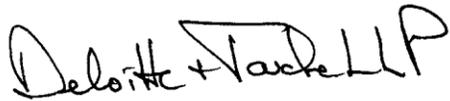
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

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

March 18, 2021