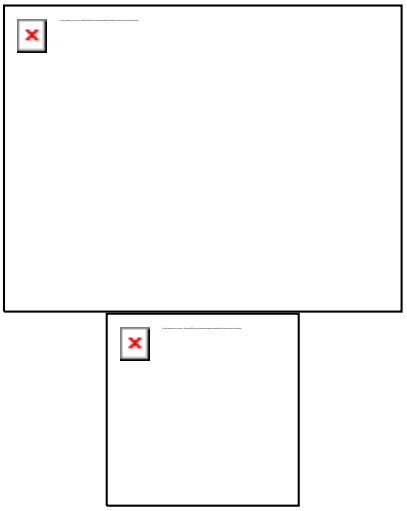
clerks@guamlegislature.org

From: Speaker's Office <speaker@guamlegislature.org>
Sent: Wednesday, June 3, 2020 11:19 AM
To: Clerks Office
Cc: Rennae Meno
Subject: M&C Fwd: Guam Visitors Bureau FY 2019 Financial Audit Reports
Attachments: GVB FY 2019 HL.pdf; GVB_fs19 [Final Jun 2 2020].pdf; GVB_mlc19 [Final Jun 2 2020].pdf; GVB_sas19 [Final Jun 2 2020]pdf.pdf

06-02-20	5:22 PM	06-02-20	Guam Visitors Bureau- Fiscal Year 2019 Financial Highlights.*	Office of Public Accountability	35GL-20-1850



Sinseru yan Minagåhet,

Office of the Speaker • Tina Rose Muña Barnes
Committee on Public Accountability, Human Resources & the Guam Buildup

35th Guam Legislature
I Mina'trentai Singko na Liheslaturan Guåhan

Guam Congress Building | 163 Chalan Santo Papa | Hagatna, GU 96910
T: (671) 477-2520/1
speaker@guamlegislature.org

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Gumai pribilehu yan konfedensia este siha na mensåhi. Solo espesiåtmente para hågu ma entensioña pat ma aturisa para unrisibi. Sen prubidu kumu ti un ma aturisa para manribisa, na'setbe, pat mandespåtcha. Yanggen lachi rinisibu-mu nu este na mensåhi , put fabot ago' guatu gi I numa'huyong gi as speaker@guamlegislature.org yan despues destrosa todu siha I kopian mensåhi. Si Yu'os ma'åse'.

---------- Forwarded message ---------
From: **Ira Palero** <ipalero@guamopa.com>
Date: Tue, Jun 2, 2020 at 5:22 PM
Subject: Guam Visitors Bureau FY 2019 Financial Audit Reports
To: <admin@guamopa.com>
Cc: Benjamin Cruz <bjcruz@guamopa.com>

Hafa Adai,

Transmitted electronically are the Guam Visitors Bureau (GVB) FY 2019 Financial Highlights, Financial Statements and Report on Compliance and Internal Control, Management Letter, and Letter to Those Charged with Governance. These reports may also be found at http://www.opaguam.org.

--

Best Regards,

Ira Palero, CPA

Auditor I | ***Office of Public Accountability - Guam***

w: www.opaguam.org

p: (671) 475-0390 ext. 215

f: (671) 472-7951

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OFFICE OF PUBLIC ACCOUNTABILITY

Suite 401 DNA Building, 238 Archbishop Flores Street, Hagåtña, Guam 96910
Tel (671) 475-0390 · Fax (671) 472-7951 · Hotline: 47AUDIT (472-8348)
www.opaguam.org

Guam Visitors Bureau – Fiscal Year 2019 Financial Highlights

June 2, 2020

Hagåtña, Guam – The Office of Public Accountability released the Guam Visitors Bureau (GVB) financial statements and report on compliance and internal controls, management letter, and letter to those charged with governance for fiscal year (FY) 2019. Independent auditors Deloitte & Touche, LLP rendered an unmodified (clean) opinion on GVB's financial statements and identified six deficiencies in its internal control.

GVB closed FY 2019 with a decrease in net position (net loss) of $2.6 million (M). This decreased GVB's cumulative net position to $11.6M, from GVB's FY 2018 restated net position of $14.2M. In FY 2019, GVB restated its FY 2018 financial statements to consolidate the Special Tourist Attraction Projects Fund with GVB's financial statements as it was reported separately.

Success in Tourism Growth

GVB continues its efforts in promoting the Guam brand. FY 2019 marked a historical celebration for Guam with visitor arrivals equating to 1.6M visitors, the most in Guam's history, resulting in $45M into the Tourist Attraction Fund (TAF). In addition, visitor arrivals infused an estimated $946.5M into the local economy.

GVB's airline incentive program proved to be a success with the rise in seat capacity serving Guam's leading source markets, Japan and South Korea. The South Korea market continues to be Guam's number one source market with tourist arrivals amounting to 734 thousand (K) in FY 2019. These arrival numbers were achieved and maintained through close partnership and cooperation with Guam's travel trade partners, GVB South Korea's hardworking staff, and innovative projects. In FY 2019, Japan tourist arrivals increased by 25.4% to 665K. As a result, air seat capacity continued to grow with over 860K from the main gateways of Tokyo, Osaka, Fukuoka, and Nagoya, and an additional increase in 142K seats from other qualified air service provides.

Efforts in Enhancing Guam's Tourist Experience

GVB works closely with other government of Guam (GovGuam) agencies and the private sector to enhance the image of our island. GVB entered various beautification projects to include island road maintenance, bus shelter maintenance, Tumon landscaping, sidewalk cleaning, holiday illumination projects, and the design and building of medians.

GVB's programs in ensuring a safe and satisfying experience for Guam's visitors include the Visitor Safety Office Program, Tour Guide Certification Program, Airport Ambassador Program, Welcome Service Program, and Hospitality Employees aRe Outstanding (HERO) Awards Program.

Overseas Marketing Activities

In FY 2019, GVB continued two key digital platform partnerships with TripAdvisor and Google to help promote #instaGuam and the Shop Guam campaign. Shop Guam's year-end sales and

Doc. No. 35GL-20-1850.*

special offers promoted on a global scale garnered $34.2M worth of publicity for Guam. GVB also increased its total social media following by 34% to 518K and continues to invest in other social media platforms. Through social media monitoring, GVB identified 22K international visitors who passionately promote Guam and recommend the destination to their online peers.

Revenues and Expenses
GVB's revenues are primarily appropriations from the TAF, funded by the Hotel Occupancy Tax (HOT). Although HOT and average room rates increased in FY 2019, GVB received total appropriations of $22.3M, which decreased by $4.7M in FY 2019.

GVB's operating expenses slightly increased by $694K to $26.4M in FY 2019. This increase was mainly due to increases in salaries of $457K and miscellaneous expenses of $2.5M. Increases in salaries were a result of increases in pension and Other Post-Employment Benefits (OPEB), while miscellaneous expense nearly doubled due to aggressive marketing in Japan through air service development programs, supporting charter flights, and sales campaigns. These increases were offset by a $1.5M decrease in GVB's largest expense, professional services, as a result of the Japan Overseas market restructuring.

Other Post-Employment Benefits
GASB No. 75 pertains to post-employment benefits other than pensions. These benefits provided by GovGuam include medical, dental, and life insurance to retirees, spouses, children, and survivors. For FY 2019, GVB's proportionate share of GovGuam's OPEB liability of approximately $1.9 billion amounted to $5.3M or 0.28%. GVB's OPEB expenses for FY 2019 amounted to $421K.

Outlook and Impact of COVID-19
GVB projects continued growth of arrivals to the island, but remains mindful of the global industry's fragile nature and sensitivity to global issues that may deter potential visitors from traveling to Guam at this time. Prior to the issuance of the FY 2019 GVB Financial Audit, the Governor declared a Public Health Emergency due to the COVID-19 outbreak. This pandemic severely impacted visitor arrivals and directly affected the TAF dollars, which GVB is a primary grant recipient. The overall financial impact of this unprecedented global crisis cannot be ascertained at this time. As a result, GVB placed a taskforce to address the issue and is working on a robust tourism industry recovery plan.

Report on Internal Control and Management Letter
The auditors did not identify any material weaknesses in GVB's report on internal control over financial reporting and compliance. However, the auditors issued a management letter that identified six deficiencies, including: (1) the lack of accounting for 38 receipts; (2) $32K of in-kind donations not timely recorded and lack of acknowledgment for receipt of $35K in in-kind donations; (3) $716 for food and beverage expenditures not supported with receipts; (4) overstatement of accounts payable and expenditures by $644K; (5) various professional services payments to advertising agencies totaling $1.7M not supported by documented evidence; and (6) lack of Board approval available to support transactions in excess of $1K and severance payments of $362K to Japan personnel. Three of the six were repeat deficiencies from prior year audits.

For more details, refer to the Management's Discussion and Analysis in the audit report at www.opaguam.org and www.guamvisitorsbureau.com.

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

FINANCIAL STATEMENTS, ADDITIONAL INFORMATION AND INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2019 AND 2018

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

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Deloitte & Touche LLP
361 South Marine Corps Drive
Tamuning, GU 96913-3973
USA

Tel: +1 (671) 646-3884
Fax: +1 (671) 649-4265

www.deloitte.com

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, 2019 and 2018, 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, 2019 and 2018, 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 14 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.

Restatement

As discussed on Note 13 to the financial statements, the 2018 financial statements have been restated due to a change in financial statement presentation. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 17 as well as the Schedule of Proportionate Share of the Net Pension Liability on pages 48 through 50, and the Schedule of Pension Contributions on page 51, the Schedule of Changes in the Proportionate Share of the Total OPEB Liability and Related Ratios on page 52, the Schedule of Proportionate Share of the Total OPEB Liability on page 53, and the Schedule of OPEB Contributions on page 54, 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.

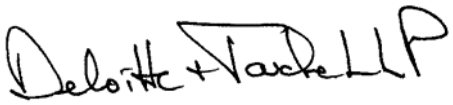
Other Supplementary Information

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 56 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 56 is fairly stated, in all material respects, in relation to the financial statements as a whole.

The additional information on page 57 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 May 29, 2020 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.



May 29, 2020

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 strategy and marketing plans; managing programs and activities that enhance and showcase Guam's people, place and culture 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

FY2019 was a banner year for the island's tourism with an increase in arrivals from our leading source markets, Japan and South Korea. GVB's airline incentive program proved to be a success with the rise in seat capacity serving Japan and South Korea. The program's renewal, coupled with the change in the island's leadership and GVB's Board of Directors, continued growth of Guam's most significant economic contributor.

In January of FY2019, Governor Lourdes Leon Guerrero was sworn in as the first female Governor of Guam – I Maga'Hagan Guahan – too much excitement for the future of the island under her leadership. This included Guam's economy and its largest industry, tourism.

A month later, in February of 2019, GVB's Board of Directors approved the choice of GVB's Global Marketing Manager, Pilar Laguaña, as GVB's new President and CEO. At the same time, the Board approved Laguaña's appointment of Robert Alvarez as Vice President.

Under Laguaña's leadership, a review of marketing strategies and initiatives was initiated to ensure proper resources were provided to achieve the goals and objectives set by the Board. She also led GVB in putting a greater focus on destination development, which was received with much support.

In fiscal year 2019, Guam celebrated historical visitor arrivals equating to 1,631,041 million visitors, the most in Guam's history, which resulted in revenues of $45 million into the Tourist Attraction Fund, compared to fiscal year 2018 visitor arrivals of 1,528,388. Visitor arrivals also infused an estimated $946.5 million into the local economy.

With the directive to put greater focus on destination product development, resources were made available to take past efforts further by prioritizing much-needed areas throughout the tourism district of Tumon that needed to be repaired and may pose a risk to the health and safety of the community, visitors and the environment.

RESEARCH

Survey of Tourism Attitudes among Residents (STAR 2019)

In 2018, GVB contracted Market Research & Development, Inc. (MR&D) to conduct the Survey of Tourism Attitudes among Residents (STAR) surveys. The first was held in 2017 with the follow up in 2019. The Survey of Tourism Attitudes of Residents or STAR survey is designed to ascertain how the people of Guam feel about the tourism industry and GVB. The survey is used to gain valuable insights regarding how residents feel towards the tourism industry and its overall impact on Guam's economy and the community. The design, methodology and parameters of the study were set and discussed with a final report to be released in 2020. The study will provide valuable insights into the role tourism plays in the community and its impact on key performance indicators that measure the quality of life for local residents.

Consumer surveys

In FY2019, GVB completed multiple "In-country consumer surveys" for the two major visitor markets, Japan and South Korea. To provide valuable insights into the Japanese and South Korean consumers, GVB conducted self-administered surveys throughout major consumer travel shows. Over 3,300 Japanese and South Korean travelers participated in these surveys, enabling GVB to gain a greater understanding of their profiles, travel motivations, and their overall view of Guam as a destination. While the studies yielded different results, some key findings showed an exciting shift to sightseeing and unique attractions over beaches/climate as the top travel motivation with an average of around 33.8% of survey participants stating it as their prime motivator.

Progression with the Interactive Dashboard

GVB continues to serve as the primary source for tourism statistical data and information. To provide better accessibility to the massive amounts of data collected, GVB has been working on a user-friendly interactive dashboard platform. The dashboard will grant stakeholders, government officials, and the island community immediate access to crucial visitor arrival data derived from the processing of Guam Customs Declaration Forms. The GVB Research Department in 2019 worked on auditing all the data from every touchpoint to ensure a smooth, error-free transmission of the scanned forms into the dashboard platform.

Quarterly Visitor Profile Report (Arrival Summary)

To provide additional vital metrics to the island community, the research division generated a new quarterly report that provided data on visitor expenditures, length of stay, and seat capacity from the island's primary source markets. This data allows businesses and stakeholders an opportunity to determine their target markets based on the desired profiles that fit their respective business models. In addition, students and the general public can view a snapshot of the visitors that come to Guam.

LISTSERVE

In June of 2019, the GVB Director of Tourism Research and the Senior Tourism Research Analyst were instated into the global "LISTSERVE" platform. The platform allows for a direct global connection to various research and academic professionals in the tourism industry to collaborate on many studies, concepts, ideas and data collecting instruments. This platform assisted the research department in developing new studies as well as explore new opportunities to provide better data collection techniques.

MARKETING HIGHLIGHTS

Japan

The Japan market's aggressive approach to developing more access from Japan to Guam with its air service development programs, supporting charter flights and regular air services accomplished the goal by welcoming 664,784 visitor arrivals by fiscal year 2019, a 25.4% increase compared to FY2018. In addition, the increase also gained an additional 142,408 seats from Japan incorporated with qualified air service providers contributing additional seats from notable Japan gateways.

Air seat capacity continued to grow with over 860,000 seats from the main gateways of Tokyo, Osaka, Fukuoka and Nagoya. These seats also served smaller cities on a charter basis and regular air services also expanded with attractive incentive programs that supported the airlines to achieve our goals.

For the sales promotion segment, the strength of Japanese purchasing relied on three areas: traditional travel agencies, online, and direct booking to airlines. Closer working relationships with the Japan Guam Travel Council (JGTC) assisted with wholesalers and retailers focusing on leisure and group business. This included strategic placements and developments of travel packages with sales partners that allowed for growing air seat capacity. Additionally, this relationship also improved with coordination of more focused FAM Tours organized by agency, sales, and product development teams. Japan worked hard to renew the sales force and in strengthening the ability to focus on Guam when the main competition was in-market.

The focus of branding #instaguam throughout the fiscal year continued by utilizing the Google Display Network, train station advertisements, social networking, and a variety of media tie-ins to deliver the "instant vacation + sharing on SNS" message. The campaign generated 490 million impressions and over 1 million total page views. Co-op plans also took place with television shows such as "The Bachelor Japan" KTV HMB Manabu-kun, Niji Iro Jean, and other media channels to achieve over $12 million in exposure to Guam and over $165,000 in cooperative publicity value. Japan is valued at over $26 million with a balanced marketing mix of advertising on traditional channels through new media and with tie-ins.

The year 2019 also signified several special anniversary celebrations for Guam and Japan's sister-city relationships. The Guam-Niigata Friendship Association celebrated 15 years of friendship and 28 years with the city of Kashiwa. The relationship with Niigata began since 2004 after a delegation witnessed the damages from Typhoon Chata'an and Pongsona in 2004. The Kashiwa relationship grew from Guam's invitation to attend their Annual Summer event every year which now has evolved into our annual participation with Miss Guam participating in the Kashiwa Odori dance with the Mayor of Kashiwa city. These events showed our gradual progress in maintaining relationships for economic, historical, and cultural exchanges for the people of Guam and Japan. Lastly, Guam also hosted students from Kitanagoya on the island with English speaking presentations and showcased Guam's unique tourism offerings.

Japan market concluded FY2019 participating in 24 tradeshows and conventions, hosting 25 seminars/workshops and four (4) fam tours, conducted eight (8) cooperative projects, completing 110 travel trade fam tours, seven (7) online promotions, and collected more than $19.5 million dollars' worth of media exposure value.

South Korea

The South Korea market continues to be Guam's #1 source market. GVB South Korea's hard-working staff, strong travel partner support, and innovative projects achieved 734,339 arrivals from South Korea with majority of our arrivals coming from Seoul and a marketing mix of 45% of the total arrivals to Guam. These arrival numbers were achieved and maintained through close partnership and cooperation with Guam's travel trade partners. Throughout the year, GVB supported airlines through sales contests with travel agents, in-flight promotions, giveaway promotions, and more, to sustain and grow air service via Incheon and Busan.

Expanding within the Korea market will be essential to future growth. In the past years, Guam's focus on the family market from Korea has built a solid core base. In FY2019, expansion into the MICE and student markets to help build volume and to which additional seat capacity is needed.

Air service became a strong focus and priority in FY2019 as we built upon the increase in demand. Guam received a notable amount of new and frequent flight service from Korea. From January 7 to March 3, Jin Air changed its twice daily flight on a B738 aircraft (189 seats), to a once-daily flight on a B777 aircraft (393 seats), slightly increasing its seat capacity per flight. T'way added Incheon-Guam flight which operated once a week from April to October 23. Air Busan increased its Busan-Guam flight service from four times per week to five times per week from March 31 to October 28. Jin Air's Incheon-Guam route increased frequency from two times daily to three times from July 5 to October 26. Lastly, Jeju Air launched an indirect daily flight from Daegu to Guam via Narita in April.

GVB initiated multiple projects focused on providing support and updated information to travel trade partners and developing future opportunities within the Korean market. GVB conducted more than 144 cooperative projects with airlines, travel agencies, consumer brands, including business-to-business promotions, TV home shopping, social commerce, advertisements and incentive support. In particular, GVB hosted a MICE FAM Tour in June 2019, which provided in-depth knowledge to 18 travel agents and media partners about Guam's facilities and fostered business connections with 24 local vendors in a GVB-hosted travel mart.

GVB held ten (10) seminars and workshops in the market, the most notable being the Korea Roadshow in October 2018. The roadshow in Busan, Gwangju, and Daegu provided an opportunity for local organizations to promote their properties to travel agencies in outer regions of Korea. GVB also exhibited in Korea's most popular travel trade shows, including Hana Tour International Travel Show in Busan, Asia Pacific MICE Business Festival 2019, Honam International Tour Expo 2019 in Gwangju, Hanatour International Travel Show, Seoul International Tourism Industry Fair and Modetour Travel Mart in Seoul.

GVB collaborated with multiple TV broadcasting companies to strengthen Guam's consumer appeal and feature the island's culture, cuisine, and activities.

In January 2019, the 4th Annual MBC Sports + Golf Tournament premiered on Guam, together with the TV program "Shall We Guam" which highlighted Guam's golf and other outdoor activities. GVB also hosted the first-ever MBC Music K-pop Concert on Guam, garnering more than 4 million viewers on Korean television. Influential TV program "Soomi's Side Dishes" produced two Guam episodes promoting Chamoru food to Korean viewers. The Guam features accumulated more views than any other episode in the show's history. Finally, GVB created engaging editorials and advertisements for its #instaGuam campaign in collaboration with influential Korean newspapers and magazines; including Olive Magazine, National Geographic Traveler, KTX Magazine, and the Korea Travel Times.

Familiarization (FAM) Tours and Consumer Marketing GVB conducted four promotions with consumer brands, such as Kyobo Bookstore, Alvins, Canon and LG Electronics.

To create social media content for Guam and to portray unique experiences from digital influencers; GVB hosted a total of 16 FAM tours in conjunction with Guam's signature events. These events included the Shop Guam e-Festival, United Guam Marathon, Guam Micronesia Island Fair, 75th Guam Liberation Day, and the #instaGuam Travel Talks Digital Global Summit.

Taiwan

Smart use of limited resources resulted in a staggering 44.92:1 return on investment for media exposure in Taiwan.

Due to limited flight schedules and seat availability, the Taiwan market continues on a slow path of growth. Focusing however on-air service development to increase Guam arrivals should be enhanced to provide the much-needed capacity. Meetings were held with existing and potential new carriers to service the Guam route.

Guam's unique natural environment and culture has led to an appreciation of travel to Guam. The development of adventure travel packages including hiking, golfing, water sports, and skydiving have established a new niche market segment for our island.

Building relationships with established civic groups such as the Lions and Rotary in Taiwan and connecting them to the Chinese Chamber of Commerce of Guam has also increased arrivals.

Other Markets

The Russian market has shown an increase of 21% year over year. In FY2019, GVB continued its active membership participation in the Online Travel Mart. Workshops for this were held in Khabarovsk, Yuzhno-Sakhalinsk, Moscow, and Saint Petersburg along with a Visit Guam lecture for Tourism Management faculty and students at the Vladivostok State University of Economics and Service. Successful Guam Visa-Free campaigns were held with the use of social media.

The world's largest outbound market in China continues to be a challenging market for the United States. To build a base of enthusiastic travel partners, GVB launched the first Guam online trading program in mid-June. By September, there were 729 registers from 33 cities. All registrants are qualified as Guam product and sales exporters.

Facing the dynamic marketing conditions, GVB set up year-round co-ops with critical partners and applied sales incentive programs to stimulate exciting segments. GVB China invested in leading Chinese online travel agents (OTAs), with their access to tourist sources through their extensive network of online channels and online retail market share by using their widespread digital presence to capture large volumes of tourists. In FY2019, an OTA partner contributed the best performance with a 150% year-on-year sales incremental.

Hong Kong suffered from the loss of flights and worked harder with airlines who were able to sell packages transferring through another country. Philippine Airlines and China Air schedules and packages were communicated with partner travel agents.

Partnering with Skift was the highlight for FY2019 in the North American market. Skift, the largest industry intelligence platform defining global travel trends, featured stories about Guam, and provided insights to Guam to help build our global brand.

The Philippine market exceeded its goal by achieving arrivals of 20,708. Shopping and Pilgrimage tours featured in SNS campaigns continue to dominate our market messages.

Other Marketing Activities

The 75th Guam Liberation festivities turned into a global campaign with featured guests from North America, the Philippines, South Korea and Japan. World War II liberators Raymond Faulkner, Lloyd Glick, and Gordon Rosengren increased the marketing message of Guam being a part of the United States and brought value to the island-wide events.

Shop Guam continues to be a big draw for GVB. Highlighting the year-end sales season and working closely with our membership, special offers are promoted on a global scale garnering $34.2 million worth of publicity for Guam.

The Digital 360 system continues to allow GVB to keep track of online exposures across the markets. In 2019, the GVB team generated a total of 4.87 billion digital impressions via paid digital advertising. GVB also produced 1.14 billion key opinion leader post impressions, with 1.84 million digital clicks. The overall advertising effort resulted in more than 28,431 online travel bookings.

In FY19, GVB continued two key digital platform partnerships with TripAdvisor and Google to help GVB promote #instaGuam and Shop Guam campaign in late 2018 to early 2019. GVB also partnered with Skift to create articles in conjunction with our promotion of the first annual Travel Talks Digital Global Summit that was held in August. The summit saw more than 12.7 million in post impressions, with over $6 million in media value globally and 893 in online promotions. The Skift articles garnered 5,430 views and hosted banner ads produced 118,761 impressions, with 227 clicks. Lastly, with the development and launch of two pages targeting LGBT and Malaysia market, GVB hopes to gain more headway in growing these markets in Fiscal Year 2020.

In 2019, GVB increased its total social media following to 517,894, a 34% increase from 2018. GVB continued to aggressively invest in Instagram marketing capabilities globally, with more micro video content. There is also a total of 836,775 website visitors to GVB's global website, with performances increased for both the search (625,896) and direct (129,419) traffic sources.

For social media monitoring, GVB identified 21,849 international visitors (+3,000 from 2018), who passionately promote Guam and recommend the destination to their online peers.

DESTINATION DEVELOPMENT HIGHLIGHTS

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

The Destination Management Committee (DMC) focuses on improving tourism infrastructure, safety and satisfaction. Over the years, GVB has taken on additional responsibilities originally tasked to other Government of Guam agencies. In FY2019, GVB continued its commitment to projects that continue to enhance the image of our island. Tumon Landscape maintenance and Beach Cleaning maintenance helped to keep Guam's main corridor and the Tumon Bay Marine Preserve as an attractive area of high visitor activity. The Guam Visitors Bureau Annual Holiday Illumination project remains a popular draw during the Christmas holidays. Island Road maintenance helps to keep tour routes clean. Lastly and most importantly, GVB continues to uphold a close relationship with other GovGuam entities and the private sector to address and resolve infrastructure issues.

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

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

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

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

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

Lastly, tied into improvement of Guam's destination was the annual **Holiday Illumination**, which successfully featured a Christmas Village across Hyatt Regency. The Village attracted over several thousand visitors in FY19 from December 2019 to January 2020.

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

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

Supported Organizations and Events:

- Autism Community Together
- Capuchin Friars: Christmas Village
- Chamorro Hands in Education Links Unity: Sakman Project
- Chamorro Optimist Club
- GDOE Chamorro Studies: Chamoru Month
- Guam Beauty Organization: Miss Universe Guam
- Guam Heritage Association of Nevada
- Guam Humanities: Eat Your Heritage
- Guam Island Fair
- Guam Museum Foundation: Pastries in Paradise
- Guam Society of America
- Guam Unique Merchandise Art
- Haya Foundation: Eyak I Amot Apprenticeship Program
- Imahe: 2019 Unification
- Inetnon Gef Pago Cultural Arts: 3rd International Dance Festival
- Inspire Guam: Mr. Guam
- Japan Club of Guam: Japan Festival
- MagPro Awards
- Manenggon Memorial Foundation: 75th Memorial
- Mayors Council of Guam: Manamko Month
- Micronesian Chefs Association
- Chelu: 10th Annual Chamorro Cultural Festival
- DFS Guam: Obon and Chuseok Festival 2019
- DFS Guam: PRC Golden Week
- Micronesian Conservation Coalition: Ocean Gala
- Miss World Guam
- Pacific Historic Parks: 43rd Pacific Circle Consortium
- Payuta: 9th Micronesia Non-Profit CongressPBS Liberation Broadcast
- Sanctuary: 47th Anniversary
- Sanctuary: Love Our Kids 5K/Run Walk
- Sanctuary: Too Cool To Do Drugs
- Sanctuary: Youthfest
- Sinajana Municipal Planning Council
- T-Galleria CHamoru Month Festivities
- T-Galleria Holiday Cultural Presentation
- TASA: 3rd Annual Training Voyage
- Tourism Education Council
- Umatac Mayor's Office: Guam History & CHamoru Heritage
- Valley of the Latte River Festival
- Westcare: Bahaki Ball
- Westcare: Veterans Health Conference
- Yigo Mayor's Office: Citrus Festival

Guam Chamorro Dance Academy

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

31st Guam Micronesia Island Fair

The 31st annual Guam Micronesia Island Fair was celebrated from May 29 through June 2. For the first time in the event's history, it was held at the Plaza de España in heart of Hagåtña. This year's event theme, "Celebrating Peace and Friendship in the Pacific" served as a precursor for Guam's 75th Liberation festivities and theme, "A Legacy of Peace and Friendship." Guam hosted 7 island delegations and received over 50 vendor participations this year, ranging from food, arts, crafts and nonprofit organizations. Estimated over 10,000 attendees from both the local community and island visitors.

Branding

Guam has become a relevant and modern brand that is as attractive to visitors as it is to those who live here. It is a brand that celebrates who Guamanians are as a people, its culture, traditions and its unique sense of place as a destination. Although there has been much accomplished in the way of establishing and building the brand, it is certain that the importance of increasing visitors and community engagement does not end.

GVB continues to receive a tremendous amount of support from the Governor of Guam, the Guam Legislature, the Island's Mayors and community stakeholders. Since its inception in 2009, the local community branding program has expanded to include support of many events as well as synergizing the GVB marketing message at home and abroad.

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 our visitor's experiences.

GVB's exit surveys indicate that safety is a top travel motivator across all of Guam's tourism source markets. Crimes against tourists threaten Guam's image as a safe, family-friendly destination. GVB has a vested interest in protecting and ensuring the safety and security of all visitors and launched the Visitor Safety Officer program in 2014.

The Visitor Safety Officers serve multi-purpose roles in visitor relations acting as concierges, tour guides, security officers, and beach safety officers. The program has shown great success in providing service to visitors in Tumon and with working to support the Guam Police Department and the Department of Parks and Recreation's Park Patrol.

In May of 2019, the program was extended to provide the presence of concierge and safety to the foot traffic in our capital village of Hågatña.

2019 Visitor Safety Officer Report

CONCIERGE	
Traffic Assistance (Crosswalk, Traffic Control)	9,752
Assistance with Directions	5,031
Taking Photos for Visitors	2,870
TOTAL:	17,653

SAFETY & SECURITY	
Loitering	4,702
Public Intoxication	854
Automotive Incidents	304
Water Related Incidents	20
TOTAL:	5,880

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

GVB monitors tour guides and tour sites throughout Guam. The **Tour Guide Certification Program** was formed under Public Law 23-136 and 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. In FY19, GVB certified 44 new tour guides to add to the 300 certified tour guides registered under the program.

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

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

As part of GVB support to the front-line industry workforce, we partnered with the Guam Hotel and Restaurant Association (GHRA) to create the **Hospitality Employees aRe Outstanding "HERO" Awards**. These awards recognize the outstanding contributions of front-line hospitality employees of the tourism industry. Implemented in 1992 as the Excellence in Tourism Awards, this program continues to receive favorable participation and support from Guam's community. The intent of the

HERO program is to recognize outstanding front-line industry employees and organizations for their contribution to Guam's largest economic contributor. In doing so, GVB and GHRA have identified the categories of: Hafa Adai Spirit; Rookie of the Year; HERO Middle Management; HERO Supervisory; HERO Non- Supervisory; Life Saving Award; Integrity Award.

GVB continues to develop signature sporting and cultural events and activities that aim to attract visitors to Guam. The islands' yearly events and festivals provide visitors with enhanced value while also providing new and unique experiences only found on Guam.

Events such as the Pleasure Island Guam Barbeque Block Party, the United Guam Marathon, the Ko'ko' Kids Festival, the Guam Micronesia Island Fair and much more!

GVB also continues to work cooperatively with local sports and cultural organizations sponsoring events that benefit our visitor industry which we know equally supports our local residents and the island community.

2019 GVB Sponsored Events

- Guam Governors Cup LPGA Ladies Pro/Amateur Golf Tournament
- Upshift Events/Trench Challenge Event
- Rakuten Japan Tennis Open
- IBA Rubber Baseball Tourney (Japan)
- Korean Chuseok Festival
- NTA Cup Boys and Girls Baseball Tourney
- Guam LGBT Pride Event
- Guam Spraycation
- Payless "Kick The Fat" 5K
- Marianas Open Jiu Jitsu
- Submit Grappling Tournament
- Kids Fishing Derby Dept of Agriculture
- Pig Hunting Derby
- GAX POW WOW Art Exhibit
- 75th Liberation day Fireworks Festivities
- Guam Amateur Wrestling Federation Oceania Championships
- Shut up & Fish Tuna/Marlin Fishing Derby
- Guam Women's Chamber of Commerce
- Electric Island Festival EDM event
- Japan Akimatsuri Autumn Festival

GVB Sports Grant Awards (Non Profit)

- Guam ACES (Dragon Boat Racing)
- Tour of Guam (Cycling Event)
- Guam Racing Federation Smokin' Wheels
- Guam National Tennis Federation
- Cocos Crossing

GVB Sports Ambassador Grant Awards

- Guam Basketball Confederation (Team Guam Men's Basketball)
- Guam Cal Ripken Baseball
- Haggan Outrigger Canoe Club
- Guam Little League (9-12-year-old)
- Guam Dragon Boat Federation Inc
- Micronesian Chef's Association Guam American Seafood Cookoff
- Guahan Women Masters Softball Association
- Guam Islander Softball Association
- Sindalun Guahan Softball Association
- Guam Allstars 10 & under Baseball
- Guam Masters Basketball
- Team Hatsa Volleyball
- Guam National Golf Federation
- Rover's Soccer FC
- Y IMPACT under 17 Women's Basketball Championships
- Real Guahan Soccer Club
- Institute for Aikido and International Cultures
- Fat Tofu Band
- Local Deluxe Band
- Lady Regals
- Guam Bowling Congress
- Skip Entertainment
- Guam Women's Rugby 7's

FINANCIAL HIGHLIGHTS

The following table summarizes the financial condition and operations of GVB for the fiscal years ended 2019, 2018 and 2017:

	2019	2018 (As Restated)	2017 (As Restated)
Assets:			
Current and other assets	$ 20,668,839	$ 21,403,506	$ 20,752,858
Property and equipment, net	6,395,194	6,478,527	6,561,860
Deferred outflows from OPEB	1,512,028	620,916	657,515
Deferred outflows from pension	849,900	671,022	740,012
Total assets and deferred outflows	$ 29,425,961	$ 29,173,971	$ 28,712,245
Liabilities:			
Current and other liabilities	$ 5,375,875	$ 3,986,439	$ 4,948,058
OPEB liability	5,292,875	5,672,967	5,779,432
Net pension liability	4,909,463	4,553,021	5,445,987
Deferred inflows from OPEB	2,088,264	486,129	-
Deferred inflows from pension	167,345	267,393	53,500
Total liabilities and deferred inflows	17,833,822	14,965,949	16,226,977
Net position:			
Net investment in capital assets	6,395,194	6,478,527	6,561,860
Restricted-expendable	2,707,091	2,813,882	2,840,959
Unrestricted	2,489,854	4,915,613	3,082,449
Total net position	11,592,139	14,208,022	12,485,268
	$ 29,425,961	$ 29,173,971	$ 28,712,245
Operating revenues	$ 1,521,085	$ 2,272,218	$ 1,176,221
Operating expenses	26,449,818	25,755,337	25,594,144
Operating revenues, net of operating expense	(24,928,733)	(23,483,119)	(24,417,923)
Non-operating revenues, net	22,312,850	25,205,873	21,852,813
Change in net position	$ (2,615,883)	$ 1,722,754	$ (2,565,110)

Operating Revenues

In year FY19, GVB's operating revenues of $1,521,085 is primarily from the consumption tax refund from the Japan overseas office which represents 43%, in-kind contributions at 25%, other income significantly from monetary sponsorship/donation during tradeshows and various GVB events at 24%, and from membership which represent 8%. In FY18, GVB's operating revenues totaled $2,272,218 of which decreased by 33% as compared to FY19. This is due to the 70% decrease in in-kind contributions from $1,253,600 to $374,310. The significant drop of in-kind contributions is from events and marketing recoveries that occurred in FY18 in Japan after the North Korea's news events.

	FY2019	%	FY2018	%	FY2017	%
Revenues:						
Consumption Tax Refund	$ 656,158	43%	$ 715,657	31%	$ 411,083	18%
In-Kind contributions from members and others	374,310	25%	1,253,600	55%	120,424	5%
Other Income	366,817	24%	266,541	12%	551,303	24%
Memberships	123,800	8%	36,420	2%	93,411	4%
Total Operating Revenues	**$ 1,521,085**		**$ 2,272,218**		**$ 1,176,221**	

Membership dues increased from $36,420 in FY 2018 to $123,800. The significant increase was due to the membership election held in January 9, 2019.

The table below shows the Statement of Revenues, Expenses and Changes in Net Position of GVB for the fiscal years ended September 30, 2019, 2018 and 2017.

	FY 2019	FY 2018 (As Restated)	FY2017 (As Restated)
Revenues:			
Consumption tax refund	$ 656,158	$ 715,657	$ 551,303
In-kind contribution from members and others	374,310	1,253,600	411,083
Other income	366,817	266,541	120,424
Memberships	123,800	36,420	93,411
Total operating revenues	**1,521,085**	**2,272,218**	**1,176,221**
Expenses			
Professional services	15,319,920	17,029,880	18,743,135
Personnel	2,886,579	2,429,695	3,596,177
Travel	711,305	844,689	809,853
Promotional in-kind contributions	374,310	1,253,600	120,424
Mateial and supplies	372,758	169,439	224,414
Advertising	348,566	320,320	31,044
Rent/lease	180,993	203,981	225,449
Utilities	178,356	202,360	226,463
Grants	164,500	51,250	111,619
Equipment	133,116	141,218	37,231
Depreciation	83,333	83,333	87,532
Printing	68,197	101,514	107,554
Consumption tax	55,496	61,119	43,681
Repairs and maintenance	47,954	45,630	90,083
Miscellaneous	5,524,435	2,993,309	1,139,485
Total operating expenses	**26,449,818**	**25,931,337**	**25,594,144**
Operating revenues net of operating expenses	(24,928,733)	(23,659,119)	(24,417,923)
Nonoperating revenues (expenses):			
Grants-in-aid from Government of Guam:			
Operations	22,335,216	26,203,484	22,767,472
Pass through	-	790,000	1,085,000
Contribution from component units	176,000	180,556	95,911
Pass through appropriations	-	(790,000)	(1,085,000)
Federal revenues	-	-	35,000
Interest Income	77,685	48,426	33,949
Other nonoperating revenues (expenses), net	(276,051)	(1,050,593)	(1,079,519)
Total nonoperating revenues (expenses), net	**22,312,850**	**25,381,873**	**21,852,813**
Change in net position	**(2,615,883)**	**1,722,754**	**(2,565,110)**
Net position at beginning of year	**14,208,022**	**12,485,268**	**15,050,378**
Net position at end of year	**$ 11,592,139**	**$ 14,208,022**	**$ 12,485,268**

An 11% hotel occupancy tax funds GVB'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 2019, Public Law 34-116 appropriated $22,335,216 from the Tourist Attraction Fund (TAF) for GVB operations. GVB was able to recognize all of its appropriation for operations, of which $1,861,268 remained uncollected as of 09/30/19.

The FY19 unaudited TAF collections were 5% more than the previous year, totaling $45,130,108. Hotel occupancy was 88.5% in FY19 compared to 85.1% in FY18 and average room rates increased to $211 from $206 in FY18.

GVB's direct appropriations from the TAF decreased in FY19 by 6%, from $23,835,216 in FY18 to $22,335,216 in FY19. In PL 34-116, TAF revenue projections for FY19 were $44,746,562 of which actual collections were $45,130,108 which result to an overage of $383,546 or 1% above TAF projection during the fiscal year.

Month	**FY19**	**FY18**	**FY17**
October	$ 3,491,511	$ 3,117,363	$ 3,645,108
November	3,147,390	2,851,304	3,056,702
December	3,277,741	3,035,574	3,399,476
January	4,201,286	3,922,838	4,465,705
February	4,575,021	4,395,390	4,135,417
March	4,302,124	4,047,195	4,216,841
April	4,017,332	3,666,966	3,896,317
May	3,125,362	3,133,749	3,291,997
June	3,248,954	3,069,071	3,319,630
July	3,250,871	3,686,719	2,949,948
August	3,392,504	3,526,348	3,637,488
September	5,100,012	4,386,221	4,002,049
Total	**$ 45,130,108**	**$ 42,838,738**	**$ 44,016,678**
GVB	**$22,335,216**	**$23,835,216**	**$22,367,472**
% of TAF to GVB	49%	56%	51%
Public Law	34-116	34-42	33-185

Operating Expenses

FY19 operating expense totals $26,449,818 which is higher by 2% compared to FY18 total operational expenses of $25,931,337.

GVB's major expense is professional services. For FY19, professional services represent 57% of the total operating expense which includes overseas marketing professional services of $5.5M for Japan and $2.8M for Korea, respectively. The professional services are $1,533,960 or 9% lower compared to FY18 as a result of the Japan Overseas market restructuring.

Personnel salaries accounted for 11% of total expenses for FY19 totaling to $2,886,579 which is higher by $456,884, an increase by 19% as compared to FY18. This is a result of increases in pension and other post-employment benefits.

Promotional in-kind contribution expenses decreased by 70% compared to FY18. This decrease is attributed to the events and marketing recoveries from the North Korean threat in FY18 which did not exist in FY19.

FY19 Miscellaneous Expense has increased by $2,531,126, which nearly double compared to FY18. The significant increase was due to aggressive marketing in Japan through air service development programs, supporting charter flights and sales campaigns.

Capital Assets and Long-term Liabilities

GVB is not capital intensive and therefore, significant capital asset activity did not occur in 2019 and 2018. For additional information regarding capital assets, please refer to Note 5.

Additionally, GVB has no long-term borrowings. However, for additional information concerning its other long-term liabilities, please refer to Note 9.

Management's Discussion and Analysis for the year ended September 30, 2018 is set forth in GVB's report on the audit of the financial statements, which is dated April 15, 2019, and that Discussion and Analysis explains the major factors impacting the 2018 financial statements and can be viewed at the Office of the Public Auditor's website at www.opaguam.org.

OUTLOOK

GVB projects continued growth of arrivals to the island as we continue to provide successful programs, the resources necessary, to innovate newer ways of extending our marketing efforts in our source markets and reach potential consumers directly. However, GVB still remains mindful of the fragile nature of the global travel industry and the sensitivity to global issues that may deter potential visitors from traveling to Guam.

South Korea is projected to claim the top spot among visitor source markets in FY2020, regardless of the market performance posting a 2.4% decrease in FY2019. However, with continued strong growth from Japan arrivals to Guam will offset the decrease in South Korea, while reports with actual arrival data provide more definite trend for the year.

GVB believes diversification both in-market and through the opening of new ones, as well as the commitment to develop the destination, will only provide an avenue for better recreational services for our people and an increase in visitors to the island. Diversity will pave the way for growing economic opportunities for residents and the ability to become a business owner.

Achieving this feat and building on Guam's success over the last several years, will also require investments into the destination. GVB will continue its efforts to solidify a capital investment plan for the redevelopment of the Tumon tourist district. Prioritizing and addressing immediate project needs, that may negatively affect the health and safety of our community, visitors and the environment is crucial.

This plan, once endorsed and approved by the Board will allow GVB to begin discussions with Governor Leon Guerrero's Administration and the Guam Legislature on ways to fund the priority emergency projects in the interim, and then work on developing a long term funding solution for the full execution of the projects contained therein and provide for maintenance for at least one (1) year from the date of completion.

Prior to the issuance of FY19 GVB audit report, Governor Lou Leon Guerrero, in consultation with the Department of Public Health and Social Services (DPHSS) and the U.S. Centers for Disease Control Prevention (CDC), declared a Public Health Emergency on March 14, 2020. This declaration came shortly after the President of the United States declared a national emergency over the COVID-19 outbreak in the continental United States. This declaration was later followed by Governor Leon Guerrero's numerous executive orders in the suspension of non-essential Government of Guam operations and mandates of social isolation to fight the community spread of COVID-19. This pandemic severely impacted visitor arrivals which directly affect the Tourist Attraction Fund (TAF) dollars of which GVB is primary a grant recipient of the TAF special fund. The overall financial impact of this unprecedented global crisis cannot be ascertained at this time and GVB had placed a taskforce to address this and is working on a robust tourism industry recovery plan.

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

Statements of Net Position
September 30, 2019 and 2018

	2019	2018 (As Restated)
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current assets:		
Cash - unrestricted	$ 15,848,274	$ 14,860,668
Cash - restricted	1,570,551	1,535,353
Investments	835,376	2,113,212
Due from Government of Guam	1,861,268	2,039,601
Accounts receivable - others	377,315	702,717
Prepaid expenses	42,825	18,725
Total current assets	20,535,609	21,270,276
Security deposit	133,230	133,230
Capital assets:		
Nondepreciable capital assets	5,992,415	5,992,415
Depreciable capital assets, net of accumulated depreciation	402,779	486,112
Total assets	27,064,033	27,882,033
Deferred outflows of resources:		
Deferred outflows from OPEB	1,512,028	620,916
Deferred outflows from pension	849,900	671,022
Total deferred outflows of resources	2,361,928	1,291,938
	$ 29,425,961	$ 29,173,971
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current liabilities:		
Accounts payable	$ 5,198,333	$ 3,753,405
Accrued annual leave	122,423	154,718
Unearned income	16,451	44,300
Total current liabilities	5,337,207	3,952,423
OPEB liability	5,292,875	5,672,967
Net pension liability	4,909,463	4,553,021
Accrued sick leave	38,668	34,016
Total liabilities	15,578,213	14,212,427
Deferred inflows of resources:		
Deferred inflows from OPEB	2,088,264	486,129
Deferred inflows from pension	167,345	267,393
Total deferred inflows of resources	2,255,609	753,522
Commitments and contingencies		
Net position:		
Net investment in capital assets	6,395,194	6,478,527
Restricted - expendable	2,707,091	2,813,882
Unrestricted	2,489,854	4,915,613
Total net position	11,592,139	14,208,022
	$ 29,425,961	$ 29,173,971

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, 2019 and 2018

	2019	2018 (As Restated)
Revenues:		
Consumption tax refund	$ 656,158	$ 715,657
In-kind contributions from members and others	374,310	1,253,600
Other income	366,817	266,541
Memberships	123,800	36,420
Total operating revenues	1,521,085	2,272,218
Expenses:		
Professional services	15,319,920	16,853,880
Personnel	2,886,579	2,429,695
Travel	711,305	844,689
Promotional in-kind contributions	374,310	1,253,600
Material and supplies	372,758	169,439
Advertising	348,566	320,320
Rent/lease	180,993	203,981
Utilities	178,356	202,360
Grants	164,500	51,250
Equipment	133,116	141,218
Depreciation	83,333	83,333
Printing	68,197	101,514
Consumption tax	55,496	61,119
Repairs and maintenance	47,954	45,630
Miscellaneous	5,524,435	2,993,309
Total operating expenses	26,449,818	25,755,337
Operating revenues net of operating expenses	(24,928,733)	(23,483,119)
Nonoperating revenues (expenses):		
Grants-in-aid from Government of Guam:		
Operations	22,335,216	26,203,484
Pass through	-	790,000
Contribution from component units	176,000	180,556
Pass through appropriations	-	(790,000)
Interest income	77,685	49,086
Other nonoperating revenues (expenses), net	(276,051)	(1,227,253)
Total nonoperating revenues (expenses), net	22,312,850	25,205,873
Change in net position	(2,615,883)	1,722,754
Net position at beginning of year	14,208,022	12,485,268
Net position at end of year	$ 11,592,139	$ 14,208,022

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, 2019 and 2018

	2019	2018 (As Restated)
Cash flows from operating activities:		
Cash received from members	$ 95,951	$ 62,020
Cash received from other sources	1,348,376	881,452
Cash paid to employees	(1,400,761)	(1,920,675)
Cash paid to suppliers	(22,789,781)	(23,856,226)
Net cash used for operating activities	(22,746,215)	(24,833,429)
Cash flows from noncapital financing activities:		
Government of Guam appropriations	22,513,549	25,093,883
Receipts from component units	176,000	180,556
Other receipts (disbursements), net	(285,316)	(1,227,254)
Cash paid to pass-through entities	-	(790,000)
Net cash provided by noncapital financing activities	22,404,233	23,257,185
Cash flows from investing activities:		
Interest income received	1,364,786	473,325
Net change in cash	1,022,804	(1,102,919)
Cash at beginning of year	16,396,021	17,498,940
Cash at end of year	$ 17,418,825	$ 16,396,021
Consisting of:		
Unrestricted	$ 15,848,274	$ 14,860,668
Restricted	1,570,551	1,535,353
Cash at end of year	$ 17,418,825	$ 16,396,021
Reconciliation of operating revenues net of operating expenses to net cash used for operating activities:		
Operating revenues net of operating expenses	$ (24,928,733)	$ (23,483,119)
Adjustments to reconcile operating revenues net of operating expenses to net cash used for operating activities:		
Depreciation	83,333	83,333
Non-cash OPEB costs, net	330,931	416,263
Non-cash pension costs (benefits), net	77,516	(610,083)
Decrease (increase) in assets:		
Accounts receivable - others	325,402	(277,068)
Prepaid expenses	(24,100)	(1,136)
Increase (decrease) in liabilities:		
Accounts payable	1,444,928	(866,971)
Accrued annual and sick leave	(27,643)	(120,248)
Unearned income	(27,849)	25,600
Net cash used for operating activities	$ (22,746,215)	$ (24,833,429)

See accompanying notes to financial statements.

(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.

(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 monthly 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, 2019 and 2018, GVB's unrestricted cash includes $27,924 and $540,691, 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 $8,101 and a gain on foreign exchange transactions of $66,301 was recognized for the years ended September 30, 2019 and 2018, 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.

(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, 2019 and 2018 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.

(2) Summary of Significant Accounting Policies, Continued

L. 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, 2019 and 2018.

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

M. 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.

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, 2019 and 2018, 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.

(2) Summary of Significant Accounting Policies, Continued

Q. New Accounting Standards

During the year ended September 30, 2019, GVB implemented the following pronouncements:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset.

- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements.

The implementation of these statements did not have a material effect on GVB's financial statements.

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

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

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

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

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies 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. The provisions in Statement No. 91 are effective for fiscal years beginning after December 15, 2020. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

(2) Summary of Significant Accounting Policies, Continued

Q. New Accounting Standards, Continued

In May 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 and 91 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. Management has yet to ascertain whether implementation of these statements will be postponed as provided in GASB Statement No. 95.

(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, 2019 and 2018, the carrying amount of GVB's total cash was $17,418,825 and $16,396,021, respectively. The corresponding bank balances were $17,591,521 and $16,532,356, respectively. Of the bank balances, $17,562,863 and $16,009,087, respectively, are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance with the remaining amounts of $28,658 and $523,269, respectively, being maintained in a financial institution not subject to depository insurance. As of September 30, 2019 and 2018, bank deposits in the amount of $379,623 and $338,843, respectively, were FDIC insured. GVB does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

As of September 30, 2019 and 2018, restricted cash held by GVB in the Rainy Day Fund is $1,246,103 and $1,227,958, 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, 2019 and 2018, restricted cash held by GVB in the Cultural and Sports Ambassadors Fund is $324,448 and $307,395, 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, 2019 and 2018, represent certificates of deposit in the amount of $835,376 and $2,113,212, 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, 2019 and 2018, 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, 2019 and 2018 are as follows:

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

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

(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, 2018 (the measurement date), plan membership consisted of the following:

DB members:	
Inactive employees or beneficiaries currently receiving benefits	7,273
Inactive employees entitled to but not yet receiving benefits	3,170
Active employees	5,188
	15,631
DCRS members:	
Active employees	5,921
	21,552

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.

(6) Pensions, Continued

A. General Information About the Pension Plans, Continued:

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

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

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

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

(6) Pensions, Continued

A. General Information About the Pension Plans, Continued:

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, 2017 actuarial valuation was used for determining the year ended September 30, 2019 statutory contributions. Member contributions are required at 9.52% of base pay.

As a result of actuarial valuations performed as of September 30, 2017, 2016 and 2015, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2019, 2018 and 2017, respectively, have been determined as follows:

	2019	2018	2017
Normal costs (% of DB Plan payroll)	13.54%	15.97%	16.27%
Employee contributions (DB Plan employees)	9.52%	9.55%	9.55%
Employer portion of normal costs (% of DB Plan payroll)	4.02%	6.42%	6.72%
Employer portion of normal costs (% of total payroll)	2.29%	1.60%	1.87%
Unfunded liability cost (% of total payroll)	21.29%	22.12%	21.60%
Government contribution as a % of total payroll	23.58%	23.72%	23.47%
Statutory contribution rates as a % of DB Plan payroll:			
Employer	26.56%	27.83%	27.41%
Employee	9.52%	9.55%	9.55%

GVB's contributions to the DB Plan for the years ended September 30, 2019, 2018 and 2017 were $315,603, $387,920 and $97,875, respectively, which were equal to the statutorily required contributions for the respective years then ended.

(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, 2019, 2018 and 2017 were $30,000, $30,000 and $24,000, respectively, which were equal to the statutorily required contributions for the respective years then ended.

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

Contributions into the DCRS plan by members are based on an automatic deduction of 5% of the member's regular base pay, 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, 2019 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, 2019, 2018 and 2017 were $138,810, $149,525 and $409,874, respectively, which were equal to the required contributions for the respective years then ended. Of these amounts, $106,393, $117,977 and $335,107 were contributed toward the unfunded liability of the DB Plan for the years ended September 30, 2019, 2018 and 2017, respectively.

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

Pension Liability: At September 30, 2019 and 2018, GVB reported a net pension liability for its proportionate share of the net pension liabilities measured as of September 30, 2018 and 2017, respectively, which is comprised of the following:

	2019	2018
Defined Benefit Plan	$ 4,502,701	$ 4,082,300
Ad Hoc COLA/supplemental annuity Plan for DB retirees	248,782	243,095
Ad Hoc COLA Plan for DCRS retirees	157,980	227,626
	$ 4,909,463	$ 4,553,021

(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, 2019 and 2018, GVB's proportionate shares of the GovGuam net pension liabilities were as follows:

	2019	2018
Defined Benefit Plan	0.38%	0.36%
Ad Hoc COLA/supplemental annuity Plan for DB retirees	0.09%	0.08%
Ad Hoc COLA Plan for DCRS retirees	0.32%	0.36%

Pension Expense (Benefit): For the years ended September 30, 2019 and 2018, GVB recognized pension expense (benefit) for its proportionate share of plan pension expense (benefit) from the above pension plans as follows:

	2019	2018
Defined Benefit Plan	$ 586,834	$ (156,963)
Ad Hoc COLA/supplemental annuity Plan for DB retirees	27,917	72,428
Ad Hoc COLA Plan for DCRS retirees	(39,171)	23,932
	$ 575,580	$ (60,603)

Deferred Outflows and Inflows of Resources: At September 30, 2019 and 2018, GVB reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	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	199,150	-	2,848	-	105,588	55,840
	$ 666,270	$ 80,719	$ 30,529	$ 8,257	$ 153,101	$ 78,369

(6) Pensions, Continued

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

	2018					
	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	$ -	$ -	$ -	$ -	$ 10,342	$ 1,768
Net difference between projected and actual earnings on pension plan investments	-	198,394	-	-	-	-
Changes of assumptions	-	-	-	-	22,990	15,139
Contributions subsequent to the measurement date	494,005	-	24,000	-	6,000	-
Changes in proportion and difference between GVB contributions and proportionate share of contributions	-	23,848	501	-	113,184	28,244
	$ 494,005	$ 222,242	$ 24,501	$ -	$ 152,516	$ 45,151

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, 2019 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
2020	$ 106,600	$ (823)	$ 3,175
2021	28,556	(823)	3,175
2022	(32,537)	(82)	3,175
2023	28,519	-	3,175
2024	-	-	3,175
Thereafter	-	-	52,857
	$ 131,138	$ (1,728)	$ 68,732

(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, 2017
Actuarial Cost Method:	Entry age normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	May 1, 2033 (15.58 years remaining as of September 30, 2017)
Asset valuation method:	3-year smoothed market value (effective September 30, 2009)
Inflation:	2.75% per year
Total payroll growth:	2.75% per year
Salary increases:	4% to 7.5%
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, 2017 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, 2017 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:

(6) Pensions, Continued

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

Asset Class	Target Allocation	Nominal Return
U.S. Equities (large cap)	29.0%	7.47%
U.S. Equities (small cap)	7.0%	8.73%
Non-U.S. Equities	16.5%	9.27%
Non-U.S. Equities (emerging markets)	2.0%	11.09%
U.S. Fixed Income (aggregate)	21.5%	4.67%
Risk parity	8.0%	6.50%
High yield bonds	8.0%	6.59%
Global Real Estate (REITs)	5.0%	8.60%
Master Limited Partnerships	3.0%	6.56%

Changes in Actuarial Assumptions: The following changes in actuarial assumptions occurred from the September 30, 2016 valuation to the September 30, 2017 valuation:

Remaining Amortization Period: The unfunded liability was being amortized over a closed period ending on May 1, 2031. This was extended by 2 years to May 1, 2033 by Public Law 33-186.

Discount Rate: The discount rate used to measure the total pension liability for the DB Plan as of September 30, 2018 and 2017 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, 2018 was 4.18% (3.64% as of September 30, 2017), 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 6.0%	Current Discount Rate 7.0%	1% Increase in Discount Rate 8.0%
Net Pension Liability	$ 5,741,435	$ 4,502,701	$ 3,439,391

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees:

	1% Decrease in Discount Rate 3.18%	Current Discount Rate 4.18%	1% Increase in Discount Rate 5.18%
Net Pension Liability	$ 272,159	$ 248,782	$ 228,578

(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 3.18%	Current Discount Rate 4.18%	1% Increase in Discount Rate 5.18%
Net Pension Liability	$ 177,724	$ 157,980	$ 141,117

B. Payables to the Pension Plans:

As of September 30, 2019 and 2018, GVB recorded payable to GGRF of $23,498 and $35,549, 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, 2018 and 2017 (the respective measurement periods), OPEB plan membership consisted of the following as of September 2018 and 2016 (the respective actuarial valuation dates):

	2018	2017
Inactive plan members or beneficiaries currently receiving benefits	7,930	7,342
Active plan members	10,136	10,282
	18,066	17,624

(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, 2019 and 2018, GVB reported a total OPEB liability of $5,292,875 and $5,672,967, respectively, for its proportionate share of the GovGuam total OPEB liability measured as of September 30, 2018 and 2017. The following presents GVB's proportion change in proportion since the prior measurement date:

Proportion at prior measurement date, September 30, 2017	0.23%
Proportion at measurement date, September 30, 2018	0.28%
Increase in proportion	0.05%

Actuarial Assumptions: The total OPEB liability for the OPEB Plan was determined by an actuarial valuation as of September 30, 2018 (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. Previously, 7.5% per year for the first 5 years of service, 6% for 6-10 years, 5% for 11-15 years and 4.5% for service over 15 years.

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

B. Total OPEB Liability, Continued:

Healthcare cost trend rates:	For 2018, 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. Previously, 8% for 2016, decreasing 0.25% per year to an ultimate rate of 4.5% for 2030 and later years. Health care trend assumptions begin at current levels and grade down over a period of years to a lower level equal to some real rate plus inflation. The principal components of health trend are medical inflation, deductible erosion, cost shifting, utilization, technology and catastrophic claims. The overall effect of these components are expected to decline year by year.
Dental trend rates:	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. Previously, 4% per year.
Participation rates:	Medical - 100% of eligible retired employees will elect to participate. Dental - 100% of eligible retires will elect to participate. Life - 100% of eligible retirees will elect to participate. 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. Previously, 60% of employees are assumed to retire with a covered spouse. For current retired employees, the actual census information is used.
Actuarial cost method:	Entry Age Normal. The costs of each employee's post-employment benefits are allocated as a level basis over the earnings of the employee between the employee's date of hire and the assumed exit ages.

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

B. Total OPEB Liability, Continued:

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. Previously, set forward 4 years and 1 year for males and females, respectively.
Disabled Retiree mortality rates:	RP-2000 Disabled Mortality Table, set forward 6 years and 4 years for males and females, respectively, projected generally 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% - .18% for males aged 40-49 years (0.05% - 0.09% for females); 0.32% - 0.523% 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). Previously, 1974-78 SOA LTD Non-Jumbo, with rates reduced by 50% for males and females.
Retirement rates:	50% of employees are assumed to retire at first eligibility for unreduced benefits under the Government of Guam Retirement Fund, 20% per year thereafter until age 75, and 100% at age 75. Previously, 40% of employees are assumed to retire at earliest eligibility for unreduced benefits under the Government of Guam Retirement Fund, 15% per year thereafter until age 65, 20% per year thereafter until age 70 and 100% at age 70.

Discount rate: The discount rate used to measure the total OPEB liability was 4.18% as of September 30, 2018 (3.63% as of September 30, 2017). The projection of cash flows used to determine the discount rate assumed that contributions from GVB will be made in accordance with the plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments of current plan members. Therefore, the 4.18% municipal bond rate as of September 30, 2018 (3.63% as of September 30, 2017) was applied to all periods of projected benefit payments to determine the total OPEB liability.

OPEB plan fiduciary net position: As of September 30, 2019 and 2018, an OPEB trust has not been established, thus the OPEB Plan does not presently report OPEB plan fiduciary net position.

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

C. Changes in the Total OPEB Liability:

Changes in GVB's proportionate share of the total OPEB liability for the years ended September 30, 2019 and 2018 are as follows:

	2019	2018
Balance at beginning of the year	$ 5,672,967	$ 5,779,432
Changes for the year:		
Service cost	320,228	364,900
Interest	216,268	187,055
Change in proportionate share	1,224,925	(21,995)
Difference between expected and actual experience	(1,474,570)	-
Change of assumptions	(596,170)	(581,575)
Benefit payments	(70,773)	(54,850)
Net change	(380,092)	(106,465)
Balance at end of the year	$ 5,292,875	$ 5,672,967

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% point lower or 1% point higher than the current rate:

	1% Decrease in Discount Rate 3.18%	Current Discount Rate 4.18%	1% Increase in Discount Rate 5.18%
Total OPEB Liability	$ 6,241,997	$ 5,292,875	$ 4,530,462

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% point lower or 1% point higher than the current healthcare cost trend rate:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability	$ 4,413,710	$ 5,292,875	$ 6,430,911

(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, 2019 and 2018, GVB recognized OPEB expense of $420,775 and $478,938, respectively. At September 30, 2019 and 2018, GVB reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 383,342	$ 878,428	$ 421,818	$ 486,129
Difference between expected and actual experience	-	1,209,836	-	-
Contributions subsequent to the measurement date	83,200	-	64,129	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	1,045,486	-	134,969	-
	$ 1,512,028	$ 2,088,264	$ 620,916	$ 486,129

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, 2019 will be recognized in OPEB expense as follows:

Year Ending September 30	
2020	$ (107,941)
2021	(107,943)
2022	(107,942)
2023	(249,151)
2024	(86,459)
	$ (659,436)

(8) Commitments

A. Leases

GVB leases commercial space for its Japan offices and require a refundable security deposit. As of September 30, 2019 and 2018, security deposit was $133,230. Annual rental commitments are as follows:

Year Ending September 30	
2020	$ 128,360
2021	128,360
2022	128,360
	$ 385,080

(8) Commitments, Continued

B. 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, 2019 and 2018, GVB received $176,000 and $176,000, respectively, for initial planning and construction costs. Ownership of the building has not been determined at this time.

C. 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, 2019, the minimum future contract fees are as follows:

Year Ending September 30	
2020	$ 2,208,097
2021	1,372,076
2022	807,076
2023	297,076
2024	20,500
	$ 4,704,825

D. 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, 2019, the minimum future contract fees are as follows:

Year Ending September 30	
2020	$ 1,592,143
2021	944,738
2022	531,905
	$ 3,068,786

(8) Commitments, Continued

E. Visitor Safety

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

At September 30, 2019, the minimum future contract fees are as follows:

Year Ending September 30	
2020	$ 734,750
2021	884,940
2022	884,940
2023	884,940
2024	884,940
	$ 4,274,510

F. 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, 2019, the minimum future contract fees are as follows:

Year Ending September 30	
2020	$ 175,995
2021	62,220
2022	18,000
	$ 256,215

(9) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the years ended September 30, 2019 and 2018 follows:

	2019			
	Beginning Balance	Additions	Reductions	Ending Balance
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	34,016	16,881	(12,229)	38,668
	$ 10,260,004	$ 2,353,882	$ (2,372,880)	$ 10,241,006

	2018			
	Beginning Balance	Additions	Reductions	Ending Balance
Net pension liability	$ 5,445,987	$ 130,172	$ (1,023,138)	$ 4,553,021
OPEB liability	5,779,432	551,955	(658,420)	5,672,967
Accrued sick leave	166,006	16,881	(148,871)	34,016
	$ 11,391,425	$ 699,008	$ (1,830,429)	$ 10,260,004

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

(10) Appropriations from the Government of Guam

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

During the years ended September 30, 2019 and 2018, total appropriations received by GVB from GovGuam are as follows:

	2019			2018		
	Tourist Attraction Fund	HOT Surplus Fund	Total	Tourist Attraction Fund	HOT Surplus Fund	Total
Operations	$22,335,216	$ -	$22,335,216	$19,835,216	$1,918,268	$21,753,484
Restricted	-	-	-	4,450,000	-	4,450,000
Total	22,335,216	-	22,335,216	24,285,216	-	26,203,484
Pass-through to non-profit organizations	-	-	-	790,000	-	790,000
	$22,335,216	$ -	$22,335,216	$25,075,216	$1,918,268	$26,993,484

As of September 30, 2019 and 2018, receivables due from GovGuam associated with the above appropriations were $1,861,268 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, 2019 and 2018 is as follows:

	2019	2018
Rainy Day Fund	$ 1,246,103	$ 1,244,625
Special Projects Fund	703,738	703,093
Korean Visitor Market Pilot Program	532,186	532,186
Cultural and Sports Ambassadors Fund	187,610	296,524
Cruise Ship Industry Development Program	37,454	37,454
Total restricted	$ 2,707,091	$ 2,813,882

Changes in restricted net position are as follows:

	Rainy Day Fund	Korean Visitor Market Pilot Program	Cultural and Sports Ambassadors Fund	Special Projects Fund	Cruise Industry Development Program	2019
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	1,478	-	386	645	-	2,509
End of year	$ 1,246,103	$ 532,186	$ 187,610	$ 703,738	$ 37,454	$ 2,707,091

(11) Restricted Net Position, Continued

	Rainy Day Fund	Korean Visitor Market Pilot Program	Cultural and Sports Ambassadors Fund	Special Projects Fund	Cruise Industry Development Program	2018
Beginning of year	$ 1,636,389	$ -	$ 474,685	$729,885	$ -	$ 2,840,959
Revenues	200,000	4,000,000	200,000	180,556	50,000	4,630,556
Expenses	(593,716)	(3,467,814)	(378,525)	(208,008)	(12,546)	(4,660,609)
Interest and bank charges	1,952	-	364	660	-	2,976
End of year	$ 1,244,625	$ 532,186	$ 296,524	$ 703,093	$ 37,454	$ 2,813,882

(12) Related Party Transactions

During the years ended September 30, 2019 and 2018, GVB contracted and purchased goods from businesses that are associated with GVB Board Directors totaling $212,631 and $397,836, respectively.

(13) Restatement and Reclassifications

In 2019, GVB consolidated the Special Tourist Attraction Projects Fund with the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, due to the absence of appropriations to the Special Tourist Attractions Fund Projects. Certain reclassifications were also presented. The 2018 financial statements were restated as follows:

	As Previously Reported	Adjustment	As Restated
As of October 1, 2018:			
Net position	$ 11,937,521	$ 547,747	$ 12,485,268
For the year ended September 30, 2018:			
Operating expense:			
Professional services	$ 16,821,872	$ 32,008	$ 16,853,880
Non-operating revenues:			
Contributions from component units	$ -	$ 180,556	$ 180,556
Interest income	$ 48,426	$ 660	$ 49,086
Other nonoperating revenues (expense), net	$ (1,051,253)	$ (176,000)	$ (1,227,253)
As of September 30, 2018:			
Current assets:			
Cash - unrestricted	$ 13,885,027	$ 975,641	$ 14,860,668
Investments	$ 2,567,898	$ (454,686)	$ 2,113,212
Accounts receivable - others	$ 522,161	$ 180,556	$ 702,717
Deferred outflows of resources:			
Deferred outflows from pension	$ 642,778	$ 28,244	$ 671,022
Current liabilities:			
Accounts payable	$ 3,572,849	$ 180,556	$ 3,753,405
Deferred inflows of resources:			
Deferred inflows from pension	$ 239,149	$ (28,244)	$ 267,393
Net position	$ 13,687,067	$ 520,955	$ 14,208,022

(14) Subsequent Event

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.

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

	2019	2018	2017	2016	2015	2014
Total net pension liability	$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	$ 4,502,701	$ 4,082,300	$ 4,994,178	$ 4,733,456	$ 3,826,415	$ 3,786,577
GVB's proportion of the net pension liability	0.38%	0.36%	0.36%	0.33%	0.31%	0.29%
GVB's covered-employee payroll**	$ 1,933,372	$ 1,809,552	$ 1,847,567	$ 1,684,651	$ 1,550,278	$ 1,337,479
GVB's proportionate share of the net pension liability as percentage of its covered-employee payroll	232.89%	225.60%	270.31%	280.98%	246.82%	283.11%
Plan fiduciary net position as a percentage of the total pension liability	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

	2019	2018	2017	2016
Total net pension liability***	$ 289,875,672	$ 288,147,121	$ 229,486,687	$ 235,799,709
GVB's proportionate share of the net pension liability	$ 248,782	$ 243,095	$ 191,430	$ 192,124
GVB's proportion of the net pension liability	0.09%	0.08%	0.08%	0.08%
GVB's covered-employee payroll**	$ 434,544	$ 427,158	$ 422,357	$ 416,649
GVB's proportionate share of the net pension liability as percentage of its covered-employee payroll	57.25%	56.91%	45.32%	46.11%

* This data is presented for those years for which information is available.
** Covered-employee payroll data from the actuarial valuation date with one-year lag.
*** No assets accumulated in a trust to pay the benefits.

See Accompanying Independent Auditors' Report.

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

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

Ad Hoc COLA Plan for DCRS Retirees

	2019	2018	2017	2016
Total net pension liability***	$ 49,342,424	$ 62,445,490	$ 61,688,067	$ 52,115,736
GVB's proportionate share of the net pension liability	$ 157,980	$ 227,626	$ 260,379	$ 86,976
GVB's proportion of the net pension liability	0.32%	0.36%	0.42%	0.17%
GVB's covered-employee payroll**	$ 1,168,846	$ 1,330,750	$ 1,540,921	$ 593,954
GVB's proportionate share of the net pension liability as percentage of its covered-employee payroll	13.52%	17.11%	16.90%	14.64%

* This data is presented for those years for which information is available.
** Covered-employee payroll data from the actuarial valuation date with one-year lag.
*** No assets accumulated in a trust to pay the benefits.

See Accompanying Independent Auditors' Report.

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

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

	2019	2018	2017	2016	2015	2014
Statutorily required contribution	$ 447,634	$ 537,445	$ 507,749	$ 525,143	$ 514,072	$ 415,912
Contributions in relation to the statutorily required contribution	454,413	537,445	507,749	526,353	514,290	415,912
Contribution (excess) deficiency	$ (6,779)	$ 0	$ 0	$ (1,210)	$ (218)	$ -
GVB's covered-employee payroll **	$1,685,370	$1,931,172	$1,852,424	$1,864,853	$ 1,722,183	$ 1,337,479
Contributions as a percentage of covered-employee payroll	26.96%	27.83%	27.41%	28.22%	29.86%	31.10%

* 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*

	2019	2018	2017	2016
Total OPEB liability:				
Service cost	320,228	$ 364,900	$ 289,166	
Interest	216,268	187,055	185,124	
Expected benefit payments	(70,773)	(54,850)	(54,850)	
Change in proportionate share	1,224,925	(21,995)	-	
Differences between expected and actual experience	(1,474,570)	-	-	
Changes of assumptions	(596,170)	(581,575)	631,880	
Net change in total OPEB liability	(380,092)	(106,465)	1,051,320	
Total OPEB liability - beginning	5,672,967	5,779,432	4,728,112	
Total OPEB liability - ending **	$ 5,292,875	$ 5,672,967	$ 5,779,432	$ 4,728,112
Covered-employee payroll	1,970,213	1,887,611	1,887,611	
GVB's total OPEB liability as a percentage of covered-employee payroll	269%	301%	306%	
Notes to schedule				
Discount rate	4.18%	3.63%	3.058%	3.710%

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*

	2019	2018	2017
Total OPEB liability **	$1,874,970,335	$ 2,431,048,672	$2,532,753,040
GVB's proportionate share of the total OPEB liability	$ 5,292,875	$ 5,672,967	$ 5,779,432
GVB's proportionate of the total OPEB liability	0.28%	0.23%	0.23%
GVB's covered-employee payroll	$ 1,970,213	$ 1,887,611	$ 1,887,611
GVB's proportionate share of the total OPEB liability as percentage of its covered-employee payroll	268.64%	300.54%	306.18%

* 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*

	2019	2018	2017
Actuarially determined contribution	$ 645,393	$ 673,124	$ 563,808
Contributions in relation to the actuarially determined contribution	70,773	54,850	54,850
Contribution deficiency	$ 574,620	$ 618,274	$ 508,958
GVB's covered-employee payroll	$ 1,970,213	$ 1,887,611	$ 1,887,611
Contributions as a percentage of covered-employee payroll	3.59%	2.91%	2.91%

Notes to Schedule

Valuation date:

Actuarially determined contributions rates are calculated as of September 30, 2018.

Method and assumptions used to determine contributions rates:

Actuarial cost method:	Entry age normal.
Amortization method:	Level dollar amount on an open amortization period for pay-as-you-go funding.
Amortization period:	30 years
Inflation:	2.75%, Previously 3%
Healthcare cost trend rates:	Non-Medicare-13.5% for initial, decreasing by 6.75% following year, decreasing 0.25% per year to an ultimate rate of 4.25%. Previously, 8% initial, decreasing 0.25% per year to an ultimate rate of 4.5% Medicare-(0.25%) for initial, decreasing by 6.75% following year, decreasing 0.25% per year to an ultimate rate of 4.25%. Previously, 8% initial, decreasing 0.25% per year to and ultimate rate of 4.5%
Salary increase:	4.0% to 7.5%
Mortality (Healthy Retiree):	RP-2000 Combined Healthy Mortality Table, set forward 3 years and 2 years for males and females, respectively, using 30% of Scale BB. Previously, RP-2000 Combined Healthy Mortality Table, set forward 4 years and 1 year for males and females, respectively.
Mortality (Disabled Retiree):	RP-2000 Disabled Mortality Table for males and females, set forward 6 years and 4 years for males and females, respectively, projected using 30% of Scale BB.

* 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 and Advertising Expenses
Years Ended September 30, 2019 and 2018

Professional Services	2019	2018
Japan	$ 5,472,393	$ 6,708,354
Korea	2,835,478	3,312,852
Destination Management and Improvement	2,453,376	2,570,688
Australia, Philippines, and Pacific	1,166,720	365,970
Hong Kong/China	987,631	1,382,659
All Markets (Branding)	790,112	673,579
Taiwan	494,288	340,288
Admin., Research, and Printing	481,448	852,365
Website	307,511	288,907
United States	184,709	191,021
Russia	146,254	167,197
Total Professional Services	$ 15,319,920	$ 16,853,880
Miscellaneous Expenses		
Charter flights and air support	$ 2,990,468	$ 1,000,000
Sales campaign	1,254,555	997,903
Sponsorship	716,940	390,704
Food and beverage	134,576	95,932
MICE	126,376	102,465
Marketing support	83,163	104,669
Banquet	40,403	4,847
Fees	35,516	33,684
Gifts and prizes	33,406	14,373
Dues and membership	32,894	32,920
Subscription	20,696	49,267
Building insurance	19,708	20,484
Postal and courrier	14,070	34,868
Bank charges	9,025	6,718
Recovery plan	-	54,750
Other	12,639	49,725
	$ 5,524,435	$ 2,993,309
Advertising Expenses		
Japan	$ 292,084	$ 171,831
All others	26,117	119,303
Australia, Philippines, and Pacific	24,525	21,662
United States	5,000	6,984
Destination Management and Improvement	840	540
Total Advertising Expenses	$ 348,566	$ 320,320

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, 2019 and 2018

	2019	2018
Guam office:		
Annual payroll	$ 1,781,565	$ 1,800,427
Number of employees	35	37
Japan office:		
Annual payroll	$ 559,540	$ 328,094
Number of employees	8	8

See Accompanying Independent Auditors' Report.

Deloitte & Touche LLP
361 South Marine Corps Drive
Tamuning, GU 96913-3973
USA

Tel: +1 (671) 646-3884
Fax: +1 (671) 649-4265

www.deloitte.com

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, 2019, 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 May 29, 2020.

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.

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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.

Deloitte & Touche LLP

May 29, 2020

Deloitte & Touche LLP
361 South Marine Corps Drive
Tamuning, GU 96913-3973
USA

Tel: +1 (671) 646-3884
Fax: +1 (671) 649-4265

www.deloitte.com

May 29, 2020

Ms. Pilar Laguana
General Manager
Guam Visitors Bureau
401 Pale San Vitores Road
Tumon, Guam 96913

Dear Ms. Laguana:

In planning and performing our audit of the financial statements of Guam Visitors Bureau (GVB) as of and for the year ended September 30, 2019 (on which we have issued our report dated May 29, 2020), 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, we considered GVB's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of GVB's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of GVB's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, in connection with our audit, we identified, and included in the attached Appendix I, deficiencies related to GVB's internal control over financial reporting and other matters as of September 30, 2019 that we wish to bring to your attention.

We have also issued a separate report to the Board of Directors, also dated May 29, 2020, on our consideration of GVB's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The definition of a deficiency is also set forth in the attached Appendix I.

A description of the responsibility of management for establishing and maintaining internal control over financial reporting and of the objectives of and inherent limitations of internal control over financial reporting, is set forth in the attached Appendix II and should be read in conjunction with this report.

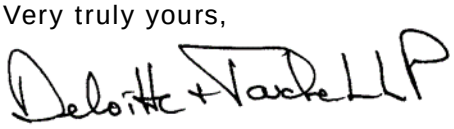
This report is intended solely for the information and use of management, the Board of Directors, others within the organization, and the Office of Public Accountability - Guam and is not intended to be and should not be used by anyone other than these specified parties.

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We will be pleased to discuss the attached comments with you and, if desired, to assist you in implementing any of the suggestions.

We wish to thank the staff and management of GVB for their cooperation and assistance during the course of this engagement.

Very truly yours,



SECTION I – DEFICIENCIES

We identified the following deficiencies involving GVB's internal control over financial reporting as of September 30, 2019 that we wish to bring to your attention:

1. Revenues

   Comment: Collections should be monitored through pre-numbered cash receipts to ascertain that all cash collections are reported and timely deposited.

   Approximately 38 receipts were not accounted for during FY2019.

   Prior Year Status: The above condition was identified as a deficiency in prior year audits.

   Recommendation: We recommend GVB implement controls to ascertain that all collections received are reported and deposited.

2. In-kind Donations

   Comment 1: A post-closing entry was provided to record an additional $31,697 of in-kind donations.

   Comment 2: Internal Revenue Service (IRS) Publication 1771, *Charitable Contributions-Substantiation and Disclosure Requirements*, require donors to obtain a written acknowledgement from a charity for any single contribution of $250 or more before the donors can claim a charitable contribution on their federal income tax returns.

   For $34,999 (or 9%) of $374,310 reported in-kind donations, GVB did not acknowledge receipt of the donation.

   Prior Year Status: The above condition was identified as a deficiency in the prior year audit.

   Recommendation: We recommend GVB strengthen controls requiring all in-kind donations be recorded and comply with IRS Publication 1771 by providing an acknowledged receipt of donation.

3. Credit card Receipts

   Comment: $716 of expenditures for food and beverage were supported with a credit card receipt. A vendor invoice was not provided to support the transaction details.

   Recommendation: All expenses should be supported with a detailed invoice.

4. Journal Entries

   Comment: Accounts payable and expenses were overstated by $643,989 due to erroneous journal entries. A subsequent entry was recorded to correct this matter.

   Recommendation: We recommend a full understanding of the liability account be determined, and a thorough examination of invoices be performed before adjusting journal entries are posted. The above entry resulted in an overstatement of liabilities and expenditures.

5. Professional services – Advertising Agency

   Comment 1: For three of fifty-five (or 5%) professional service invoices examined, $385,909 of web media costs were paid to an agent with no documented confirmation that the costs were incurred.

SECTION I – DEFICIENCIES, CONTINUED

5. Professional services – Advertising Agency, Continued

Comment 2: For three of fifty-five (or 5%) professional service invoices examined, a total of $1,172,242 of sales campaign costs were paid to a marketing agent for posters advertised at various train stations. No supporting invoice from a third-party or contract to support a calculated formula was provided to show how advertising costs were determined.

Comment 3: For two of fifty-five (or 4%) of professional service invoices examined, a monthly retainer fee for public relation activity services was paid to an off-island agent with no supporting contract. GVB paid approximately $111,766 of retainer fees during FY2019 to the off-island agent for services provided by a third party vendor.

Recommendations: Web media costs should be supported by documented evidence of the number of hits or impressions charged.

Advertising costs should be supported by documented evidence demonstrating how the costs were determined, such as invoices paid to train stations for advertisement costs.

Contracts that bind the agent to the benefit of GVB should be supported by signed and approved contracts before reimbursement is requested.

6. Board Approval

Comment 1: For twenty-one of ninety-nine (or 21%) expenses tested totaling $3,006,746, budgets approved by the Board were used to support transactions in excess of $1,000. Expenses primarily consist of charter flights, air support and sales campaign expenses.

Per 12 GCA Chapter 9 § 9111. Contracts and Purchases:

> The Bureau will always seek the most reasonable prices for services and products needed, giving due consideration to the urgency of the requirement. Purchase orders or letters of authorization will be executed by the General Manager for needed products or provisions, pursuant to the current budget. Such purchase orders or letter of authorization for expenditures in excess of One Thousand Dollars ($1,000) except salaries, shall require prior approval by the Board of Directors.

Prior Year Status: The above condition was identified as a deficiency in prior year audits.

Comment 2: Japan personnel received severance payments totaling $361,721. While a motion was passed, no vote was made to approve the payments.

Recommendation: We recommend the Board consider working with the legislature to revise the above requirement as stated on comment 1. At this time, we recommend the Board consider authorizing transactions below an agreed threshold for management to approve, and review all transactions above that threshold at monthly Board meetings. Thresholds may also be subject to change at the discretion and approval of the Board as they become familiar with the activities of GVB.

Furthermore, we recommend all motions passed undergo a vote to document that the Board concurs with the motion.

SECTION II – DEFINITION

The definition of a deficiency is as follows:

A *deficiency* in internal control over financial reporting 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 deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when (a) a properly designed control does not operate as designed, or (b) the person performing the control does not possess the necessary authority or competence to perform the control effectively.

MANAGEMENT'S RESPONSIBILITY FOR, AND THE OBJECTIVES AND LIMITATIONS OF, INTERNAL CONTROL OVER FINANCIAL REPORTING

The following comments concerning management's responsibility for internal control over financial reporting and the objectives and inherent limitations of internal control over financial reporting are adapted from auditing standards generally accepted in the United States of America.

Management's Responsibility

GVB's management is responsible for the overall accuracy of the financial statements and their conformity with generally accepted accounting principles. In this regard, management is also responsible for establishing and maintaining effective internal control over financial reporting.

Objectives of Internal Control over Financial Reporting

Internal control over financial reporting is a process affected by those charged with governance, management, and other personnel and designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Internal control over the safeguarding of assets against unauthorized acquisition, use, or disposition may include controls related to financial reporting and operations objectives. Generally, controls that are relevant to an audit of financial statements are those that pertain to the entity's objective of reliable financial reporting (i.e., the preparation of reliable financial statements that are fairly presented in conformity with generally accepted accounting principles).

Inherent Limitations of Internal Control over Financial Reporting

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Deloitte & Touche LLP
361 South Marine Corps Drive
Tamuning, GU 96913-3973
USA

Tel: +1 (671) 646-3884
Fax: +1 (671) 649-4265

www.deloitte.com

May 29, 2020

Board of Directors
Guam Visitors Bureau:

Dear Members of the Board of Directors:

We have performed an audit of the financial statements of Guam Visitors Bureau (GVB) as of and for the year ended September 30, 2019, in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our report thereon dated May 29, 2020.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of GVB is responsible.

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

Yours truly,

Deloitte & Touche LLP

cc: The Management of Guam Visitors Bureau

OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS AND GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

Our responsibility under generally accepted auditing standards and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, have been described in our engagement letter dated September 10, 2019. As described in that letter, the objectives of a financial statement audit conducted in accordance with the aforementioned standards are:

- To express an opinion on whether the statement of net position of GVB as of September 30, 2019, and the related statements of revenues, expenses, and changes in net position and of cash flows for the year ending September 30, 2019 (the "financial statements"), are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), and perform specified procedures on the required supplementary information for the year ending September 30, 2019;

- To express an opinion on whether the supplementary information that accompanies the financial statements, are fairly stated, in all material respects, in relation to the financial statements as a whole; and

- To report on GVB's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ending September 30, 2019 based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in generally accepted government auditing standards.

Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared with the oversight of management and the Board of Directors are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Board of Directors of their responsibilities.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether caused by fraud or error. In making those risk assessments, we considered internal control over financial reporting relevant to GVB's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of GVB's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of GVB's internal control over financial reporting. Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

SIGNIFICANT ACCOUNTING POLICIES

GVB's significant accounting policies are set forth in Note 2 to GVB's 2019 financial statements. During the year ended September 30, 2019, there were no significant changes in previously adopted accounting policies or their application, except for the following pronouncements adopted by GVB:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset.

- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements.

The implementation of these statements did not have a material effect on GVB's financial statements.

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

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

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

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

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies 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. The provisions in Statement No. 91 are effective for fiscal years beginning after December 15, 2020. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

In May 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 and 91 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. Management has yet to ascertain whether implementation of these statements will be postponed as provided in GASB Statement No. 95.

We have evaluated the significant qualitative aspects of GVB's accounting practices, including accounting policies, accounting estimates and financial statement disclosures and concluded that the policies are appropriate, adequately disclosed, and consistently applied by management.

ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in GVB's 2019 financial statements include management's estimate of the allowance for doubtful accounts, which is determined based upon past collection experience and aging of the accounts, and management's estimate of depreciation expense, which is based on estimated useful lives of the respective capital assets. During the year ended September 30, 2019, there were no significant changes in accounting estimates or in management's judgments relating to such estimates.

UNCORRECTED MISSTATEMENTS

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. There were no uncorrected misstatements or disclosure items passed identified during our audit.

MATERIAL CORRECTED MISSTATEMENTS

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Material misstatements were brought to the attention of management as a result of our audit procedures and were corrected by management during the current period. We have attached to this letter as Appendix A to Attachment I, a summary of misstatements corrected by management.

OTHER INFORMATION IN THE ANNUAL REPORTS OF GVB

When audited financial statements are included in documents containing other information, such as Annual Reports, we will read such other information and consider whether it, or the manner of its presentation, is materially inconsistent with the information, or the manner of its presentation, in the financial statements audited by us. In the event that GVB issues an Annual Report or other documentation that includes the audited financial statements, we will be required to read the other information in GVB's 2019 Annual Report and will inquire as to the methods of measurement and presentation of such information. If we note a material inconsistency or if we obtain any knowledge of a material misstatement of fact in the other information, we will discuss this matter with management and, if appropriate, with the Board of Directors.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to GVB's 2019 financial statements.

OUR VIEWS ABOUT SIGNIFICANT MATTERS THAT WERE THE SUBJECT OF CONSULTATION WITH OTHER ACCOUNTANTS

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2019.

SIGNIFICANT ISSUES DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT PRIOR TO OUR RETENTION

Throughout the year, routine discussions were held, or were the subject of correspondence, with management regarding the application of accounting principles or auditing standards in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions or correspondence were not held in connection with our retention as auditors.

OTHER SIGNIFICANT ISSUES ARISING FROM THE AUDIT DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT

Throughout the year, routine discussions were held, or were the subject of correspondence, with management. In our judgment, such discussions or correspondence did not involve significant findings or issues requiring communication to the Board of Directors or the Guam Office of Public Accountability.

SIGNIFICANT DIFFICULTIES ENCOUNTED IN PERFORMING THE AUDIT

In our judgment, we received the full cooperation of GVB's management and staff and had unrestricted access to GVB's senior management in the performance of our audit.

MANAGEMENT'S REPRESENTATIONS

We have made specific inquiries of GVB's management about the representations embodied in the financial statements. In addition, we have requested that management provide to us the written representations GVB is required to provide to its independent auditors under generally accepted auditing standards. We have attached to this letter, as Attachment I, a copy of the representation letter we obtained from management].

EMPHASIS OF MATTERS

COVID-19

As discussed in Note 14 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.

Restatement

As discussed on Note 13 to the financial statements, the 2018 financial statements have been restated due to a change in financial statement presentation. Our opinion is not modified with respect to this matter.

CONTROL-RELATED MATTERS

We have issued a separate report to you, dated May 29, 2020, on GVB's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, which was based upon the audit performed in accordance with *Government Auditing Standards.*

We have communicated to management, in a separate letter also dated May 29, 2020, certain deficiencies and other matters related to GVB's internal control that we identified during our audit.

ATTACHMENT I

GUAM VISITORS BUREAU
SETBISION BISITAN GUÅHAN

FO-2020-0072

May 29, 2020

Deloitte & Touche LLP
361 South Marine Corps Drive
Tamuning, GU 96913-3973

We are providing this letter in connection with your audit of the statements of net position of the Guam Visitors Bureau ("GVB"), a component unit of the Government of Guam (GovGuam), as of and for the years ended September 30, 2019 and 2018, and the related statements of revenues, expenses and changes in net position, of operations, and changes in fund balance, and of cash flows for the years then ended, which collectively comprise GVB's basic financial statements for purpose of expressing an opinion as to whether the basic financial statements present fairly, in all material respects, the financial position, results of operations or changes in fund balances, and cash flows, as applicable, of GVB in accordance with accounting principles generally accepted in the United States of America (GAAP).

We confirm that we are responsible for the following:

a. The preparation and fair presentation in the basic financial statements of financial position, in accordance with GAAP.

b. 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.
- To prevent and detect fraud.

c. The review and approval of the financial statements and related notes, and we acknowledge your role in the preparation of this information. Specifically, we acknowledge that your role in the preparation of the financial statements was a matter of convenience rather than one of necessity. We have reviewed the financial statements preparation assistance provided by you and acknowledge that the financial statements are prepared in accordance with GAAP. Our review was based on the use of the financial statement disclosure checklist for general purpose financial statements obtained from the Government Finance Officers Association. Additionally, we agreed with the adjusting entries included in Appendix A.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

1. The basic financial statements referred to above are fairly presented in accordance with GAAP. In addition:

   a. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.

   b. Net position components (net investment in capital assets, restricted, and unrestricted) are properly classified and, if applicable, approved.

   c. Deposits and investment securities are properly classified in the category of custodial credit risk.

   d. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.

   e. Required supplementary information is measured and presented within prescribed guidelines.

   f. Applicable laws and regulations are followed in adopting, approving, and amending budgets.

   g. GVB's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available is appropriately disclosed and the related net position is properly recognized under the policy.

   h. The financial statements properly classify all funds and activities, including special and extraordinary items.

i. All funds that meet the quantitative criteria in the GASB Codification Section 2200.159 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

j. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

k. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

l. GVB has followed GASB Codification Section 1800.178 regarding which resources (restricted, committed, assigned, or unassigned) are considered to be spent for expenditures to determine the fund balance classifications for financial reporting purposes.

m. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

n. Fund balance restrictions, commitments, and assignments are properly classified and, if applicable, approved.

2. GVB has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.

3. GVB has made available to you:

   a. All minutes of the meetings of Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.

   b. All financial records and related data for all financial transactions of GVB and for all funds administered by GVB. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by GVB and provide the audit trail to be used in a review of accountability. Information presented in financial reports is supported by the books and records from which the financial statements have been prepared.

   c. Contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies.

4. There has been no:

   a. Action taken by Entity management that contravenes the provisions of federal laws and GovGuam laws and regulations, or of contracts and grants applicable to GVB.

   b. Communications with other regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the financial statements.

5. Management has not performed a risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud. However, management has made available to you their understanding about the risks of fraud in GVB and do not believe that the financial statements are materially misstated as a result of fraud.

6. We have no knowledge of any fraud or suspected fraud affecting GVB involving:

   a. Management.

   b. Employees who have significant roles in GVB's internal control over financial reporting.

   c. Others, where the fraud could have a material effect on the financial statements.

7. We have no knowledge of any allegations of fraud or suspected fraud affecting GVB's financial statements communicated by employees, former employees, analysts, regulators, or others.

8. There are no unasserted claims or assessments that we are aware of or that legal counsel has advised us are probable of assertion and must be disclosed in accordance with GASB Codification Section C50, *Claims and Judgments*.

9. Significant assumptions used by us in making accounting estimates are reasonable.

10. Management has identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.

11. We believe that we have properly identified, reported, and classified each component unit of GVB and each organization that meets the criteria established in GASB Codification Section 2100.

12. GVB has maintained an appropriate composition of assets in amounts needed to comply with all donor restrictions.

13. We believe that any reclassification between net position classes is correct.

Except where otherwise stated below, immaterial matters less than $103,800 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to, or disclosure in, the basic financial statements.

14. Except as listed in Appendix A, there are no transactions that have not been properly recorded and reflected in the financial statements.

15. GVB has no plans or intentions that may affect the carrying value or classification of assets and liabilities.

16. Regarding related parties:

    a. We have disclosed to you the identity of GVB's related parties and all the related-party relationships and transactions of which we are aware.
    b. To the extent applicable, related parties and all the related-party relationships and transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral) have been appropriately identified, properly accounted for, and disclosed in the financial statements.

17. In preparing the financial statements in accordance with GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:

    a. It is reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events.
    b. The effect of the change would be material to the financial statements.

18. There are no:

    a. Instances of identified or suspected noncompliance with laws, regulations, or provisions of contracts or grant agreements whose effects should be considered when preparing the financial statements, or other instances that warrant the attention of those charged with governance.
    b. Known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and that have not been disclosed to you and accounted for and disclosed in accordance with GAAP.
    c. Known actual or likely instances of abuse that have occurred that could be quantitatively or qualitatively material to the financial statements.
    d. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Codification Section C50, *Claims and Judgments*.

19. GVB has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.

20. GVB has complied with all aspects of contractual agreements that may affect the financial statements.

21. No department or agency of GVB has reported a material instance of noncompliance to us.

22. GVB has identified all derivative instruments as defined by GASB Codification Section D40, Derivative *Instruments*, and appropriately recorded and disclosed such derivatives in accordance with GASB Codification Section D40.

23. Other than those described in Note 14 to the financial statements, No events have occurred after September 30, 2019, but before May 29, 2020, the date the financial statements were issued that require consideration as adjustments to, or disclosures in, the financial statements.

24. Regarding required supplementary information:

    a. We confirm that we are responsible for the required supplementary information.

    b. The required supplementary information is measured and presented in accordance with GASB Codification Section 2200, *Comprehensive Annual Financial Report*.

    c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.

25. Regarding supplementary information:

    a. We are responsible for the preparation and fair presentation of the supplementary information in accordance with [*insert description of the applicable criteria*].

    b. We believe the supplementary information, including its form and content, is fairly presented in accordance with [*insert description of the applicable criteria*].

    c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.

26. During the year ended September 30, 2019, GVB implemented the following pronouncements:

    - GASB Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset.

    - GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements.

    The implementation of these statements did not have a material effect on GVB's financial statements.

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

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

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

30. In August 2018, GASB issued Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The provisions in Statement

No. 90 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

31. In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies 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. The provisions in Statement No. 91 are effective for fiscal years beginning after December 15, 2020. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

32. We have appropriately identified and properly recorded and disclosed in the financial statements all interfund transactions, including repayment terms.

33. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed in the financial statements.

34. We have disclosed to you all new or changes to the existing pension and other postretirement benefits.

35. We believe that the actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purposes are appropriate in the circumstances. These amounts have been appropriately recognized and displayed as assets, liabilities, and, where applicable, deferred inflows, deferred outflows, net position and changes in net position in the statement of net position in accordance with GASB Codification Section P20, *Pension Activities — Reporting for Benefits Provided through Trusts That Meet Specified Criteria — Defined Benefit*; GASB Codification Section P21, *Pension Activities — Reporting for Benefits Provided through Trusts That Meet Specified Criteria — Defined Contribution*; GASB Codification Section P22, *Pension Activities — Reporting for Benefits Not Provided through Trusts That Meet Specified Criteria — Defined Benefit*; GASB Codification Section P23, *Reporting Assets Accumulated for Defined Benefit Pensions Not Provided through Trusts That Meet Specified Criteria*; *and* GASB Codification Section P24, *Pension Activities — Reporting for Benefits Not Provided through Trusts That Meet Specified Criteria — Defined Contribution.*

36. We believe that the actuarial assumptions and methods used to measure postretirement liabilities and costs for financial accounting purposes are appropriate in the circumstances. These amounts have been appropriately recognized and displayed as assets, liabilities, and, where applicable, net position and changes in net position in the statement of net position in accordance with GASB Codification Section P50, *Postemployment Benefits Other than Pensions — Reporting for Benefits Provided through Trusts That Meet Specified Criteria — Defined Benefit*; GASB Codification Section P52, *Postemployment Benefits Other than Pensions — Reporting for Benefits Not Provided through Trusts That Meet Specified Criteria — Defined Benefit*; *and* GASB Codification Section P53, *Reporting Assets Accumulated for Defined Benefit Postemployment Benefits Other than Pensions Not Provided through Trusts That Meet Specified Criteria.*

37. We have no intention of terminating any of our pension plans or taking any other action that could result in an effective termination or reportable event for any of the plans. We are not aware of any occurrences that could result in the termination of any of our pension plans to which we contribute.

38. No evidence of fraud, possible irregularities, or dishonesty in fiscal operations of programs administered by the Department has been discovered.

39. The Department has disclosed all contracts or other agreements with the Entity's service organization.

40. There are no control deficiencies in the design or operation of internal control over financial reporting that could adversely affect GVB's ability to initiate, record, process, and report financial information.

41. We are aware of the requirement to disclose to you any change in GVB's internal control over financial reporting that occurred during GVB's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, GVB's internal control over financial reporting. However, no such disclosure has been made as no changes in GVB's internal control over financial reporting have occurred.

42. We have communicated with the marketing committees and are not unaware of any unreported in-kind contributions.

43. GVB is responsible for determining and maintaining the adequacy of the allowance for doubtful notes, loans, interfund receivables, and accounts receivable, as well as estimates used to determine such amounts. Management believes the allowances are adequate to absorb currently estimated bad debts in the account balances.

44. GVB has obligated, expended, received, and used public funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by Guam or federal law. Such obligation, expenditure, receipt, or use of public funds was in accordance with any limitations, conditions, or mandatory directions imposed by Guam or federal law.

45. Money or similar assets handled by GVB on behalf of GovGuam have been properly and legally administered and the accounting and recordkeeping related thereto is proper, accurate, and in accordance with law.

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

5/29/20
PILAR LAGUAÑA
President and CEO

5/29/20
JOSEPHINE G. VILLANUEVA
Director of Finance and Administration

Guam Visitors Bureau **APPENDIX A**
Summary of Corrected Misstatements
September 30, 2019

Adjustments			
#	**Name**	**Debit**	**Credit**
	1 AJE To reconcile opening net position		
100-5917	Miscellaneous - other		21,533
100-3110	Net Assets - Unrestricted	21,533	
		21,533	21,533
	2 AJE To adjust Pension liability		
	Pension expense	77,516	
100-1560	Deferred Outflows of Pension	207,122	
100-2222	Unfunded Retirement Liability		356,442
100-2223	Deferred Inflows of Pension	71,804	
		356,442	356,442
	3 AJE To adjust OPEB liability		
100-2224	OPEB Liabiliaty	380,092	
100-2225	Deferred Inflows of OPEB Liability		1,602,135
100-1561	Deferred Outflows of OPEB Liability	891,112	
GASB 75	OPEB expense	330,931	
		1,602,135	1,602,135