



Tourist Attraction Fund FY 2014 Financial Highlights

March 31, 2015

The Tourist Attraction Fund (TAF), ended fiscal year (FY) 2014 with a decrease in total fund balance by \$5.7 million (M), a 9% change, going from \$61.7M in FY 2013 to \$55.9M in FY 2014. The total fund balance is comprised of three governmental operations funds: TAF Fund, Capital Projects Fund, and Debt Service Fund. Although the total fund balance generated a deficit of \$5.7M, the TAF Fund alone generated an operating surplus of \$9.6M before debt service.

Independent Auditors Deloitte & Touche, LLP rendered an unmodified (clean) opinion on TAF's financial audit, after six adjusting journal entries with a net effect of \$766K were made. In addition, the Auditors identified three internal control matters reported in the TAF management letter and one uncorrected misstatement totaling \$159K.

Revenues Increased by \$5.1M

Tax revenue collections were \$34.4M, an increase of \$5M or 17%, over \$29.3M in the prior year. This represents TAF's highest tax revenue collections in over a decade. The increase was mainly due to the rise in tourist arrivals and hotel room rates.

In 2014, Guam's tourism industry saw a slight growth in visitor arrivals of 1,341,171 during FY 2014, up from 1,337,665 in FY 2013. The FY 2014 market mix continued to shift, with Japan dropping to a historical low of 825K arrivals or 62%. Meanwhile Korea continued to increase in arrivals, from 233K in FY 2013 to 293K in FY 2014. Russian travelers finished the current year with 18K arrivals, increasing from close to 6K arrivals in FY 2013. Taiwan, Guam's third largest Asian source market, brought in 51K and China markets brought in a total of 14K visitors.

Expenditures Increased by \$6.4M

In FY 2014, TAF's total combined expenditures increased by \$6.4M or 19%, going from \$33.7M in FY 2013 to \$40.1M in FY 2014. The increase was primarily due to the following: (1) Payments made to the GVB for \$18.1M, which increased by \$1.9M or 12% over prior year, (2) Capital projects for \$8.3M, which increased by \$1.5M, of which \$6.2M was for the Guam Museum, and (3) transfers to the Hotel Occupancy Tax (HOT) Surplus Fund of \$3.5M.

Public Law 32-68 created the HOT Surplus Fund and required a separate bank account to be established into which revenue collections in excess of the revenue budget are to be deposited. In FY 2014, TAF identified and transferred \$3.5M into the HOT Surplus Fund. The law also authorized appropriations to the Guam Community College Lodging Management Program/Prostart and Apprenticeship Program for \$520K.

HOT Bond Funding and Capital Projects

In April 2011, the Government of Guam issued HOT Revenue Bonds 2011 Series A for the principal amount of \$90.7M for the purpose of constructing the Guam Museum and other tourism related projects.

There are 26 capital projects totaling \$70.8M in construction funds available for various projects to enhance tourism. Of the 26 projects, the five largest projects included the following: (1) Guam Museum for \$27.2M or 38% to include a consulting fee, (2) Other HOT Bond projects for \$11.8M or 17%, (3) San Vitores Flooding for \$11.5M or 16%, (4) Guam Preservation Trust Reimbursement for \$4.3M or 6%, and (5) Design/Construction of Guam Farmer's Cooperative Association Facility and Dededo Flea Market Relocation for \$3.9M or 6%.

Management Letter

TAF's management letter cited three deficiencies related to the following: (1) \$325K of unrecorded liabilities, (2) \$574K of misclassified gross receipts, and (3) \$202K of untimely liquidated encumbrances recorded from FY 2013 and prior. The Auditors also identified an internal control matter where a separate bank account was not established for the HOT Surplus Fund.

For a more detailed commentary of the TAF's operations, refer to the Management Discussion and Analysis in the audit report or visit our website at www.opaguam.org.