



Tourist Attraction Fund FY 2015 Financial Highlights

March 31, 2016

For fiscal year (FY) 2015, the Tourist Attraction Fund (TAF) had another banner year as revenues increased to \$37 million (M) from \$ 34.4M or an 8% increase from the prior year. This represents TAF's highest tax collections in over a decade. The increase was mainly due to the rise in tourist arrivals and increased hotel room rates. The TAF is comprised of three governmental funds with a combined fund balance of \$40.7M as follows: Operating Fund balance of \$5.4M, Capital Projects Fund balance of \$23M, and the Debt Service Fund balance of \$12.3M.

Independent Auditors Deloitte & Touche, LLP rendered an unmodified (clean) opinion on TAF's financial audit. In the management letter, the Auditors also identified one finding pertaining to the overstatement in the recording of Hotel Occupancy Tax (HOT) revenue by \$24.7 thousand (K) and HOT tax receivable by \$148.6K. There were two adjusting entries, one of which decreased the prior year fund balance by \$281K.

Operating Fund

Despite record revenues of \$37M, expenditures and transfers out totaled \$39.6M, resulting in a deficit of \$2.6M, thus leaving a cumulative fund balance of \$5.4M in the operating fund. Among these expenditures were to Guam Visitors Bureau for \$24.3M or an increase of 34% over the prior year of \$18.1M, followed by a transfer of \$2.5M to the HOT Surplus Fund. Other payments included Mayors Council of Guam at \$2.2M; public safety expenditures of \$2.1M, of which \$1.3M went to the Guam Police Department and \$800K to the Department of Corrections; and Department of Parks and Recreation at \$700K. In FY 2015, TAF also paid \$7M to the debt service on the bonds.

Capital Projects Fund/HOT Fund Bonding

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 27 capital projects with a budget totaling \$70.8M. Of the 27 projects, the five largest projects included the following: (1) Guam Museum for \$25.3M or 36%, (2) Other HOT Bond projects for \$11.7M or 17%, (3) San Vitores Flooding for \$10.9M or 15%, (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 \$3.8M or 5%.

During 2015, expenditures from the Capital Projects Fund totaled \$12.5M, of which the two largest were \$7.5M for the Guam Museum and \$2.6M for the Guam Farmer's Cooperative. Other HOT Bond Projects totaling \$11.7M and Guam Fisherman's Cooperative for \$2M have yet to begin.

HOT Surplus Fund

Public Law 32-68 created the HOT Surplus Fund authorizing the transfer of revenue collections in excess of the revenue budget. Transfers to the fund were \$2.5M in 2015 and \$3.5M in 2014, for total transfers of \$6M from the TAF. As of FY 2015, the fund has a balance of \$6M as no expenditures were incurred yet. For FY 2016, \$5.1M was appropriated leaving an unappropriated amount of \$780K.

Management Letter and Adjustments

In the management letter, the Auditors identified one finding pertaining to overstatements in the recording of HOT revenue by \$24.7K and HOT tax receivable by \$148.6K. However, the overstatements were not considered material to the financial statements, therefore no audit adjustment was proposed by the auditors.

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.