



## **Guam Visitors Bureau FY 2014 Financial Highlights**

February 1, 2015

The Guam Visitors Bureau (GVB) closed Fiscal Year (FY) 2014 with a \$735 thousand (K) decrease in net position (net loss) due to increased marketing and public relation activities needed in China and Japan, compared to the \$568K increase (net income) from the prior year. This brings the cumulative net position to \$16.8 million (M).

Independent Auditors Deloitte & Touche, LLP rendered an unmodified (clean) opinion on GVB's financial audit. FY 2014 marks GVB's fifth consecutive year that the auditors have not identified any material weaknesses and/or significant deficiencies in its Report on Internal Control over Financial Reporting and Compliance. This is the earliest that GVB has completed its financial audit and is the second agency to release. GVB is to be commended for these accomplishments.

### **Revenues and Expenditures**

GVB's revenues are primarily appropriated from the Tourist Attraction Fund (TAF). In FY 2014, GVB received \$18.1M in appropriations, \$15.5M for operations, \$2.1M for special projects, and \$437K as pass-thru appropriations. This amount increased by \$1.9M from the \$16.2M in appropriations received during FY 2013. Other revenue sources, which included in-kind contributions and memberships, increased \$252K, going from \$852.5K in FY 2013 to \$1.1M in FY 2014.

GVB's operating expenditures increased by \$2.4M from \$15.4M in FY 2013 to \$17.8M in FY 2014. The increase in GVB's operating expenditures was made up mostly by the \$2.2M increase in professional services, from \$9.7M in FY 2013 to \$12M. The \$297K increase in personnel (from \$2.1M to \$2.4M) and \$294K increase in travel (from \$503K to \$797K), were offset by the \$291K decrease in grants (from \$547K to \$255K) and \$232K decrease in pass thru appropriations (from \$669K to \$437K). Professional services continue to be GVB's largest line item expenditure increasing by 23% to \$12M, compared to last year's 24% increase to \$9.7M. The increase in professional services was due to an increase in GVB's marketing activities in Guam's source markets, aimed at steadying the declining Japan market, expanding the Korean market, and advancing opportunities in China. GVB also hosted new marketing events, such as the 2<sup>nd</sup> Shop Guam Festival campaign, Shop Guam/Taste Guam event, the #GuamLove campaign, 2<sup>nd</sup> Guam International Marathon, and Guam BBQ Block Party.

GVB's \$297K increase in personnel costs to \$2.4M was primarily due to (1) hiring four additional staff in its Guam and Japan offices and (2) salary increments.

Other TAF expenditures administered by GVB totaled \$1.4M for items such as Tumon Landscaping Maintenance, Tumon Bay lighting improvements, Island Beautification, beach cleaning and maintenance, and holiday illumination. This was an increase of \$222K from FY 2013's \$1.2M.

## **Trust Funds**

Other funds held in trust by GVB are the Rainy Day Fund per Public Law (PL) 30-116 and the FESTPAC & Folklife Festival Trust Account per PL 31-77. Both funds saw a growth in net position for FY 2014. The Rainy Day Fund increased from \$1.7M in FY 2013 to \$1.9M in FY 2014. This fund is 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.

The FESTPAC & Folklife Festival Trust Account increased from \$1M in FY 2013 to \$1.5M in FY 2014. These funds are to be used for FESTPAC 2016, a major event similar to the South Pacific Island Games. FESTPAC activities have an estimated budget of \$13M, of which GovGuam's cash contribution is expected to be \$5M. As of January 2015, a total of \$2.6M in FESTPAC appropriations have been received.

## **Overall Increase in Visitor Arrivals**

Guam's tourism industry saw a slight increase in visitor arrivals for a total of 1,341,171 visitors during FY 2014, up from 1,337,665 in FY 2013. The FY 2014 market mix continued to shift, with Japan dropping to a historically low 61.6% (825K arrivals), while Korea continued to increase from 233K arrivals in FY 2013 to 293K arrivals in FY 2014. This was the result of additional flight service from Incheon via United Airlines and four times a week from Busan via Korean Air. This positive trend is expected to continue in FY2015, when Jin Air upgrades its equipment from a Boeing 737 (185 seats) to a Boeing 777 (355 seats), and Jeju Air begins flights from Busan; thus, increasing GVB's overall Korea marketing budget to expand consumer and trade activities.

Russian travelers finished the year with 18K arrivals, increasing from close to 6K arrivals in FY 2013. Aviacharter-DV's direct flight service from the Russian Far East was canceled in August 2014 due to internal issues, but Japanese travel agency H.I.S. is planning to re-launch direct flights in 2015. In the meantime, GVB continues to support Korean Air, which offers a convenient connection to Russia through Incheon.

Taiwan, Guam's third largest Asian source market, brought in 51K and China markets brought in a total of 14K visitors.

## **Government Accounting Statements- Pension Liability**

The Government Accounting Standards Board (GASB) has issued several statements to be implemented in the next few years. GASB Statement No. 68 related to the *Financial Reporting for Pensions* will result in a change to GVB's statements as the GVB will be required to report its pro rata share of \$3.9M of the Government of Guam's (GovGuam) pension liability, which is currently at \$1.3 billion as of FY 2013. GVB will recognize its \$3.9M share of the pension liability in its FY 2015 financial statements.

## **Report on Internal Control and Management Letter**

The independent auditors did not identify any material weaknesses or significant deficiencies on GVB's Report on Internal Control over Financial Reporting. No management letter was issued. For a more detailed discussion on GVB's operations, refer to the Management's Discussion and Analysis in the audit report at [www.opaguam.org](http://www.opaguam.org) or [www.guamvisitorsbureau.com](http://www.guamvisitorsbureau.com).