



OFFICE OF THE PUBLIC AUDITOR

**Guam Visitors Bureau
FY 2008 Financial Highlights**

April 13, 2009

The deepening global recession, and high fuel surcharges to air travel, exacerbated an already difficult international travel environment and negatively affected Guam's visitor industry in 2008. According to Guam Visitor's Bureau (GVB), total visitors to Guam dropped by 3.6% during the year. Hotel occupancy taxes remained fairly stable at \$21 million (M), a .3% increase from the prior year. To sustain the tourist industry, the government of Guam appropriated \$13.4M, an increase of 11.7% or \$1.4M from the prior year. As a result, GVB's ending net assets increased by \$1.3M to \$11.4M in 2008. Independent auditors Deloitte & Touché issued an unqualified or clean opinion.

Overall Decline in Visitor Arrivals

Rising energy cost, the global credit crunch, and financial collapse of the U.S. housing market negatively impacted Guam's visitor's industry in 2008. GVB statistics reflect that total visitors went from 1,223,290 in 2007 to 1,179,246 in 2008, a drop of 3.6%. Guam experienced across the board decreases in tourist arrivals in three major markets:

- Japan: Arrivals declined 5.1% from 932,463 to 884,907 in 2008. This number is lower than in 2004 when the island was recovering from two super typhoons and the SARS epidemic in Asia.
- Korea: Arrivals declined 5.5% from 122,795 to 116,041 in 2008. GVB lost further share of this market, amounting to 5,168 fewer visitors from Korea's outbound travelers.
- Taiwan: Arrivals declined 6.1% from 22,617 to 21,237 in 2008.

Overall arrivals in the Asia Pacific region declined in 2008 and prospects for 2009 remain "bleak". Trends expected next year include shorter visits, more value conscious sensitivity, and cut back in business incentive trips. In addition to lower arrivals, Guam's hotel occupancy taxes tapered off in 2008 going from \$20.9M to \$21M¹.

Increase in Net Assets

In 2008, GVB's total operating expenses increased by 7.2% or \$857 thousand (K) going from \$11.9M to \$12.7M. The increase in expenses was primarily due to the 10.6% increase in professional services, going from \$7.2M in FY 2007 to \$8M in FY 2008. Of the \$8M, GVB spent \$5.2M for professional services in Japan, a 9% or \$428K increase from 2008, and \$1M for destination management and improvement, a 192% or \$651K increase from the prior year. Repairs and maintenance also increased over 240% from \$117K to \$402K. Miscellaneous expenses for consumption tax, food and beverage, and printing notably increased 38.1% going from \$573K to \$792K.

GVB's main source of revenues is derived from appropriations from the Tourist Attraction Fund (TAF). Appropriations from the TAF increased 11.7%, going from \$11.9M in FY 2007 to

¹ Figures reported by GVB do not reconcile to the Tourist Attraction Fund audited numbers.

\$13.4M in FY 2008. Membership dues and in-kind contributions decreased by \$81K. This decline was offset by the \$69K increase in Consumption Tax refunds. GVB ended the year with an increase in net assets of 13.4% an increase of \$1.3M, from \$10M in FY 2007 to \$11.4M in FY 2008. GVB's cash balances are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC). As of September 30, 2008, reported bank balances totaled \$5M and \$4.2M. Of these amounts \$145K and \$155K were FDIC insured. The remaining cash deposits are exposed to custodial credit risks².

Special Tourist Attraction Fund Projects

Expenses of the Special Tourist Attraction Fund Projects (STAFP) declined significantly in 2008. STAFP projects are primarily funded through legislative appropriations. Total STAFP expenditures decreased 84%, or approximately \$1M, from \$1.2M in FY 2007 to \$196K in FY 2008. The decrease is a result of the lack of Government of Guam contributions, going from \$1.3M in 2007 to \$0 in 2008.

Compliance

The independent auditors did not disclose any material weaknesses, but issued a separate Management Letter identifying four control deficiencies relative to unreconciled accounts, procurement, supporting documentation, and grants for non profit organizations.

- **Unreconciled Account:** Fund balance for FY 2008 does not agree with that of the prior year. GVB modified its account structure and was not able to reconcile accounts timely.
- **Procurement:** Competitive procurement was not exercised in three transactions totaling \$170K.
- **No Supporting Documentation:** Two invoices totaling \$46K lacked documentation; therefore, the appropriate procurement procedures could not be determined.
- **Grants:** GVB did not always ensure that grants were provided to the legitimate/legal non-profit organizations.

For more details view the reports in its entirety at www.guamopa.org

² The risks that in the event of bank failure, deposits may not be recovered.