



Guam Visitors Bureau FY 2015 Financial Highlights

March 02, 2016

The Guam Visitors Bureau (GVB) closed Fiscal Year (FY) 2015 with a \$2.5 million (M) increase in net position (net income) due to increased appropriations, compared to the \$563K decrease (net loss) from the prior year. This brings the cumulative net position of GVB to \$15.8M.

Independent Auditors Deloitte & Touche, LLP rendered an unmodified (clean) opinion on GVB's financial audit. GVB is to be commended as FY 2015 marks GVB's sixth 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.

Revenues and Expenditures

GVB's revenues are primarily appropriated from the Tourist Attraction Fund (TAF). In FY 2015, GVB received \$24.2M in appropriations, of which \$21M was for operations, \$2.4M was for special projects, and \$942K were pass-thru appropriations. This amount increased by \$6.2M from the \$18.1M in appropriations received during FY 2014. Other revenue sources, which included in-kind contributions and memberships, increased \$269K, going from \$1.1M in FY 2014 to \$1.4M in FY 2015.

GVB's operating expenditures increased by \$3.3M from \$17.6M in FY 2014 to \$20.9M in FY 2015. The increase in expenditures comprised primarily of professional services, which increased from \$12M in FY 2014 to \$13.6M in FY 2015 and accounts for 65% of the total expenditures. The increase in professional services was due to an increase in GVB's marketing activities in Guam's source markets, and events such as the Visit Guam 2015 Expo, Agat Mango Festival, and Merizo Crab Festival. Personnel is the second largest expenditure accounting for 12% of expenditures, increasing from \$2.2M in FY 2014 to \$2.5M in FY 2015. This was primarily due to the addition of one unclassified employee, as well as one full time employee. The third largest expenditure, miscellaneous expenses, increased by \$737K, from \$864K in FY 2014 to \$1.6M in FY 2015. The increase in miscellaneous expenses was due to a \$782K increase in sponsorship.

Other TAF expenditures administered by GVB totaled \$2.2M for items such as Tumon Bay lighting improvements, Tumon landscaping maintenance, Islandwide roadway and beautification, holiday illumination, and Tumon Bay sidewalk, crosswalk, and retaining wall improvements. This was an increase of \$732K from FY 2014's \$1.4M.

Trust Funds

Other funds held in trust by GVB are the Rainy Day Fund per Public Law (P.L.) 30-116, the FESTPAC & Folklife Festival Trust Account per P.L. 31-77, and the Cultural and Sports Ambassadors Fund per P.L. 33-10. The Rainy Day Fund increased from \$1.9M in FY 2014 to \$2.1M

in FY 2015. The Rainy Day Fund is used to support identified activities to meet unforeseen or unanticipated challenges resulting from natural or man-made disasters that have occurred on Guam or from external economic conditions that severely affect tourism.

The FESTPAC & Folklife Festival Trust Account increased from \$1.5M in FY 2014 to \$2.7M in FY 2015. These funds are to be used in May 2016 for FESTPAC, a major event similar to the South Pacific Island Games. While GVB is the administrator of the Trust Account, the responsibility to expend said funds is borne upon the 12th Festival of Pacific Arts Coordinating Committee (Committee), which the GVB General Manager is the Chairman. In October 2015, GVB transferred \$2.7M to the Committee.

The Cultural and Sports Ambassadors Fund was created in FY 2015 to provide grants for transportation expenses for off-island travel by cultural and sports ambassadors. This fund received \$170K in its first year.

Overall Increase in Visitor Arrivals

Guam's tourism industry saw a 2.3% increase in visitor arrivals for a total of 1,372,531 visitors during FY 2015 compared to the 1,341,171 visitors in FY 2014. This was the result of increased air capacity coming from Korea. The additional support from T'way Air and Air Busan along with the expansion of Jeju Air gateway cities has helped arrivals grow.

Japan arrivals saw a 5.6% decrease for a total of 779,405 visitors in FY 2015 compared to the 825,830 visitors in FY 2014, primarily due to domestic issues affecting international travel and the increased focus on domestic visits within Japan. Taiwan travelers totaled 42,315. Republic of China travelers increased about 62.2% for a total of 23,589 visitors in FY 2015 compared to the 14,547 visitors in FY 2014.

Government Accounting Statement – Pension Liability

With the implementation of GASB 68 related to Accounting and Financial Reporting for Pensions in FY 2015, GVB's pro rata share of GovGuam's net pension liability was recognized. In FY 2015, GovGuam's pension liability was at \$1.2 billion (B), which decreased from \$1.3B in FY 2014. GVB's pro rata share increased by \$43K, going from \$3.78M to \$3.83M in FY 2015.

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 and Compliance. The auditors issued a Management Letter that identified three areas of concern: (1) untimely reconciliations, in which unrecorded expenditures were identified; (2) agent contracts where agent fees exceeded agreed amounts when invoiced; and (3) project management, in which project overruns occurred.

Summary of Adjustments and Uncorrected Misstatements

The auditors proposed seven journal entries that resulted in a decrease of \$25K to net position. There was one uncorrected misstatement relating to the overstatement of accrued liabilities of \$182K that management determined to be immaterial. The auditors commented that the disclosure of related party transactions amounting to \$333K was omitted.

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 or www.guamvisitorsbureau.com.