



OFFICE OF THE PUBLIC AUDITOR

Tourist Attraction Fund FY 2006 Financial Highlights

May 17, 2007

The FY 2006 Tourist Attraction Fund (TAF) audit was conducted by Deloitte & Touche, LLP. Total revenue, primarily derived from hotel occupancy taxes, increased for the third year in a row to \$20.1 million, up from \$19.1 million in FY 2005 for a 5% increase. This, however, is still short of the \$23 million reported in FY 2001.

Expenditures for FY 2006 totaled \$20.8 million. Major areas of expenditures were payments of \$12.1 million to Guam Visitor's Bureau for their FY 2006 operations, up 19% from payments of \$10.2 million in FY 2005; \$7.3 million for debt service; \$636 thousand to the Guam Police Department and \$553 thousand to the Mayor's Council of Guam for island beautification.

The operating fund of the TAF has no cash because it is owed \$1.7 million by the General Fund. Due to the liquidity crisis of the government of Guam, Standard and Poor's Rating Services has placed its "B" rating on the General Fund General Obligation debt on Credit Watch. The action is based on the government of Guam's disclosure of the need to borrow up to \$6 million from local banks to meet its current obligation for public school system employees. It is not known when the General Fund will be able to repay the \$1.7 million to the TAF.

In October 2006, Public Law 28-151 appropriated \$4 million from the TAF Construction Fund. In November 2006, \$4 million was transferred to the General Fund for the purpose stated in the law.

The Independent Auditors' Report on Compliance and on Internal Control reported no findings, compared to three found in the FY 2005 report. It did, however, report two management comments. One involved an overstatement in the investment account of \$32,037. The second one required an audit adjustment by DOA in the amount of \$294,906 to match the hotel occupancy taxes as recorded by the Department of Revenue and Taxation.