

Guam Visitors Bureau FY 2003 Financial Highlights

December 22, 2005

The Guam Visitor's Bureau (GVB) Fiscal Year 2003 financial audit has been issued almost a year and a half beyond the June 30th deadline stipulated in 1 G.C.A. §1909. The audit was conducted by Grant Thornton (formerly Slater Nakamura and Co). In the last year and a half, GVB has issued five years of audited financials (FY 1999 through FY 2003) in an effort to catch up with other Government of Guam agencies that have already met the deadline for FY 2004. GVB is only one of two Government of Guam agencies that have not issued timely audits by the June 30 deadline. The untimely audits have continuously contributed to qualified audit opinions on the overall financial statements of the Government of Guam.

GVB received \$10.7 million in cash from the Government of Guam in FY 2003, compared to \$3.7 received in FY 2002, or an increase of \$7.0 million. This cash infusion came mainly from \$5.4 million in bond interest income associated with the Tumon Bay redevelopment project as well as \$2.1 million in collections on accounts receivables. Meanwhile, GVB's deferred revenue account had grown by \$3.4 million to \$6.4 million, from \$3.0 million in FY 2002. Deferred revenues represent appropriated amounts that have not yet been remitted to GVB. The increase in deferred revenues also represent the decline in FY 2003 Tourist Attraction Fund (TAF) revenues, GVB's source of operating funds. The TAF is audited separately and its FY 2003 audit showed a 17% decline in hotel tax collections. This decline was similarly reflected in GVB revenues, which were \$9.0 million, a decline of 17%, or \$1.9 million, from FY 2002 revenues of \$10.9. GVB and the TAF have not yet reconciled the amounts paid to GVB. The TAF audited financial statements do not report a payable to GVB although a corresponding receivable is reported in GVB's financial statements of \$5.4 million.

GVB realized an increase in net assets of \$1.5 million, a vast improvement from the \$1.5 million loss reported in FY 2002. The increase was attributed to a 41% reduction in overall expenses by \$5.1 million. Total expenses for operations totaled \$7.5 million compared to \$12.6 million in FY 2002. Of the \$7.5 million, Guam operations incurred \$3.2 million and Japan operations incurred \$4.3 million. Promotional expenses totaled \$4.3 million of which \$3.3 million was spent by the Japan office and the remaining \$1.0 million was spent by the Guam office for markets in Korea (\$621,000), Hong Kong (\$145,000), Taiwan (\$140,000), North America (\$83,000), Philippines (\$34,000), and others (\$3,000). Personnel costs amounted to \$1.7 million for GVB's 34 employees in both Guam and Japan.

GVB is trustee of the Tourist Attraction Fund Projects, (TAF Projects) which receives legislative appropriations separate from GVB operations. The TAF Projects realized a loss of \$500,000, an increase from the FY 2002 loss of \$240,000. Because the TAF Projects received only \$50,000 of the \$640,000 appropriated, it now owes GVB operations \$890,000 spent for projects such as beach cleaning and maintenance, park improvements, and landscaping.

The report on compliance and internal control reported six findings in FY 2003, the same number of findings as FY 2002, where three were prior year findings and three were new findings. Among the new findings, GVB unnecessarily created new general ledger expense accounts each fiscal year contributing to a cumbersome accounting system. GVB also did not maintain accurate fixed asset and budget schedules. Recurring findings include unaccounted purchase orders, unspecified written agreements of marketing agent fees, and unrecorded in-kind contributions.

For more information, see Management's Discussion and Analysis.