



Guam Visitors Bureau FY 2016 Financial Highlights

March 09, 2017

The Guam Visitors Bureau (GVB) closed Fiscal Year (FY) 2016 with a \$2 million (M) increase in net position (net income), compared to the \$2.5M increase from the prior year. This brings the cumulative net position of GVB to approximately \$17.8M.

Independent Auditors Deloitte & Touche, LLP rendered an unmodified (clean) opinion on GVB's financial audit. GVB is to be commended as FY 2016 marks GVB's seventh 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.

Overall Increase in Visitor Arrivals

Guam's tourism industry saw a 10.1% increase in visitor arrivals for a total of 1,510,944 visitors during FY 2016 compared to the 1,372,531 visitors in FY 2015. This resulted from the collaboration of GVB and the Guam International Airport to attract new airlines and increased air capacity coming from Korea. The additional support from T'way Air, Jin Air, and Jeju Air has helped arrivals grow.

Despite continued decrease in Japan arrivals, Japan still remains Guam's largest visitor market. Japan arrivals saw a 3.4% decrease for a total of 752,757 visitors in FY 2016 compared to the 779,405 visitors in FY 2015, primarily due to a weaker Japanese Yen, Japanese Government's focus on domestic travel, as well as a decline in airline seats servicing Guam and Japan. Korea now represents Guam's second largest visitor market. Korea arrivals grew 35.2%, going from 384,112 in FY 2015 to 519,430 in FY 2016. United States travelers totaled 76,727, while Taiwan travelers totaled 41,534. Republic of China arrivals grew 11.4% for a total of 26,271 visitors in FY 2016 compared to the 23,589 visitors in FY 2015.

Revenues and Expenditures

GVB's revenues are primarily appropriated from the Tourist Attraction Fund (TAF). In FY 2016, GVB received \$30.6M in appropriations, of which \$24.7M was for operations, \$1.1M was for special projects, \$3.3M was for the 12th Festival of Pacific Arts (FESTPAC), and \$1.4M were pass-thru appropriations. This represents a \$6.3M increase from the prior year of \$24.3M.

GVB's operating expenditures increased by \$1.5M from \$20M in FY 2015 to \$21.5M in FY 2016. The increase in expenditures comprised primarily of professional services, which increased from \$13.6M in FY 2015 to \$15.6M in FY 2016 and accounts for 73% of the total expenditures. The increase in professional services was due to the Visit Guam 2016: Only on Guam campaign, and events such as the Visit Guam 2017: Year of Love Expo. Personnel is the second largest expenditure accounting for 14% of expenditures, increasing from \$2.5M in FY 2015 to \$3M in FY 2016, due to the addition of two full-time employees.

Other GVB-administered TAF expenditures totaled \$317K, down from \$2.2M in FY 2015, for items such as Tumon Bay lighting improvements, holiday illumination, Tumon Bay sidewalk, crosswalk, and retaining wall improvements, graffiti removal, and bus shelters.

Trust Funds

Other funds held in trust by GVB are the Rainy Day Fund per Public Law (P.L.) 30-116, the Cultural and Sports Ambassadors Fund per P.L. 33-10, the Korean Visitor Market Pilot Program per P.L. 33-112, and the Pale San Vitores Road Project per P.L. 29-113. The Rainy Day Fund, which 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, decreased from \$2.1M in FY 2015 to \$2.08M in FY 2016.

The Cultural and Sports Ambassadors Fund, created in FY 2015 to provide grants for transportation expenses for off-island travel by cultural and sports ambassadors, increased from \$170K in FY 2015 to \$379K in FY 2016.

The Korean Visitor Pilot Program, established in FY 2016 to sustain the growing number of first-time Korean visitors to the island and maintain growth in visitor arrivals through the creation of a pilot program for support services, received \$250K in its first year. The Pale San Vitores Road Project received a transfer of \$182K in FY 2016.

FESTPAC

The FESTPAC & Folklife Festival Trust Account, another GVB trust fund established by P.L. 31-77, was used to fund the 12th FESTPAC in May 2016. In addition to the \$2.7M previously appropriated and already in this fund from FY 2015, GVB received \$3.3M in additional appropriations and \$311K in sponsorships and other collections. Of the \$6.4M in total revenues received between FY 2015 and FY 2016, FESTPAC expenses also amounted to \$6.4M, of which the top expenses were: \$2.6M in net transfers out to the Council on the Arts and Humanities Agency (\$4.3M was initially transferred out, of which \$1.7M was later transferred back into GVB), \$1.8M for professional services, \$590K for food and beverages, \$490K for materials and supplies, \$312K for lease and rental, and \$224K for utilities. OPA is conducting a separate follow-up audit to its performance audit on FESTPAC, OPA Report No. 16-02 that was issued in April 2016.

Government Accounting Statement – Pension Liability

The implementation of Government Accounting Standards Board (GASB) Statement No. 68 and 71 related to accounting and financial reporting for pensions in FY 2016 recognizes GVB's pro rata share of the Government of Guam's net pension liability. In FY 2016, GVB's pro rata share was \$4.5M, which is a \$688K increase from \$3.8M 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) agent contracts where agent services and fees exceeded agreed amounts when invoiced; (2) untimely reconciliations, in which \$25K in unrecorded expenditures were identified; and (3) collections from ticket sales should be controlled, monitored, and supported by a controlled receipt.

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.