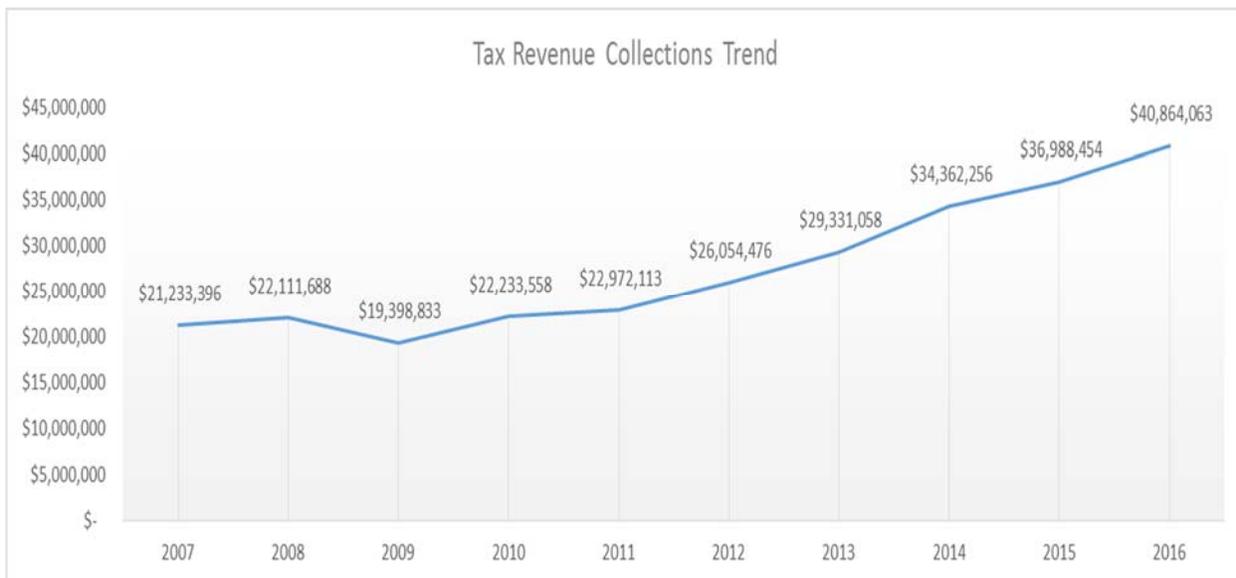




Tourist Attraction Fund FY 2016 Financial Highlights

March 29, 2017

For fiscal year (FY) 2016, the Tourist Attraction Fund (TAF) revenues continue to escalate to \$40.9 million (M) from \$37.0M or a \$3.9M (10%) increase from the prior year. This represents TAF's highest tax collections in over a decade. Growth for the last 10 years averaged 8%. The increase was mainly due to the increase in tourist arrivals in 2016 and in hotel room rates. The TAF's combined three governmental fund balances (Operating Fund, Capital Projects Fund, and Debt Service Fund) of \$29.1M, saw a decrease of \$11.6M from \$40.7M in FY 2015, primarily due to an overall deficit of the same amount. This deficit, however, was a decrease of \$3.6M from the prior year's deficit of \$15.2M. Independent Auditors Deloitte & Touche, LLP rendered an unmodified (clean) opinion on TAF's financial audit.



TAF Operating Fund

The FY 2016 revenue increase of \$3.9M was primarily due to the 10% increase in tourist arrivals from 1,372,531 in FY 2015 to 1,510,944 in FY 2016, with the primary increase in Korean visitors representing 34% of the market. Japan still remains Guam's largest visitor market although just 753 thousand (K) compared to a high of 912K in FY 2013.

Despite record revenues of \$40.9M, expenditures and transfers for debt service totaled \$44.5M, resulting in a deficit of \$3.6M, thus leaving a cumulative fund balance of \$1.8M in the operating fund. The top five expenditures, were payments to Guam Visitors Bureau for \$26.5M, a 9% increase from \$24.3M; followed by the debt service of \$7.0M; then the Department of Parks and

Recreation for \$3.6M, a 414% increase from \$700K; Mayors Council of Guam for \$3.1M, a 38% increase from \$2.2M; and to the 12th Festival of Pacific Arts (FESTPAC) for \$1.2M. Payments for FESTPAC went to the Guam Police Department for \$537K, Department of Public Works for \$536K, and Guam Fire Department for \$128K. Other new expenditures for FY 2016 were for the Department of Agriculture at \$341K and Customs and Quarantine Agency at \$100K.

Capital Projects

During 2016, the Capital Projects Fund expenditures totaling \$8.0M decreased by \$4.5M (36%) from \$12.6M in FY 2015 leaving a balance of \$15.1M. This is associated with construction of the Guam Museum and other tourism related projects. The Guam Museum was officially opened on November 4, 2016.

For the six largest projects (of the 27 capital projects), the Guam Museum and Dededo Flea Market Relocation have been completed. While the San Vitores flooding project of \$10.9M has just started, the Other Hotel Occupancy Tax (HOT) Bond projects for \$11.7M, project for the Guam Preservation Trust for \$4.3M, and Guam Fisherman's Cooperative for \$2.0M have yet to start.

Guam Museum Fund

Public Laws No. 32-181 and No. 33-066 authorized appropriations to the Guam Museum Fund to fund operational start-up costs of the new Guam Museum. During FY 2016, the Guam Museum Fund received a total of \$3.0M funding from the Hot Surplus Fund, TAF, and building permit fees. As of the end of FY 2016, the fund has a remaining balance of \$930K.

In March 2016, the Department of Chamorro Affairs entered into a two- year contract with a vendor to perform the management, operations, and maintenance of the Guam Museum and Chamorro Educational Facility. The vendor was paid \$1.5M during the first year of the contract from the fund.

HOT Surplus Fund

Public Law 32-68 created the HOT Surplus Fund authorizing the transfer of revenue collections in excess of the revenue budget. Transfers to the fund of \$904K decreased by \$1.6M (64%) from the prior year of \$2.5M. Fund balance as of end of FY 2016 amounted to \$1.3M.

Minor Audit Adjustments and No Management Letter

Department of Administration is to be commended for having only two audit adjustments which affect investment income by \$30K, no passed adjustments, and did not receive a Management Letter for FY 2016.

For a more detailed commentary of the TAF's operations, refer to the Management Discussion and Analysis in the audit report or visit our website at www.opaguam.org.