



## **Guam Visitors Bureau FY 2012 Financial Highlights**

February 21, 2013

The Guam Visitors Bureau (GVB) closed Fiscal Year (FY) 2012 with a \$3.1 million (M) increase in net assets (income), nearly double of FY 2011's \$1.6M change in net assets. Guam's tourism industry saw an 11% increase in arrivals for a total of 1.3M visitors during FY 2012, primarily due to Japan's recovery from the March 2011 Triple Disaster and continued upward arrival trends from Guam's other market sources, namely Korea, Taiwan, China, and Russia. GVB experienced an increase in total revenues during the year and simultaneously took proactive measures to control its operating expenses. Independent Auditors Deloitte & Touche, LLP rendered an unqualified (clean) opinion on GVB's financial audit. Although GVB is not a recipient of federal grants, it is to be commended for its equivalence to a "low-risk auditee" as the auditors have not identified any material weaknesses and significant deficiencies for the past three years.

### ***Revenues and Expenditures***

The Tourist Attraction Fund (TAF) derives its revenues from the 11% occupancy tax imposed on occupants of hotels and similar facilities on Guam. GVB's revenues are primarily appropriated from the TAF at \$14.6M and in-kind contributions at \$84 thousand (K). GVB saw a \$2.4M increase in Government of Guam (GovGuam) appropriations, going from \$12.2M in 2011 to \$14.6M in 2012. Furthermore, GVB was granted \$172K in American Recovery and Reinvestment Act (ARRA) funds for the completion of the Design Build Energy Upgrade project. GVB saw a 93% or \$1M decline in in-kind contributions to \$84K from \$1.1M the prior year. According to GVB's Deputy Director and Controller, the decrease in in-kind contributions was primarily due to the lack of appropriate documents that resulted in the transactions not being recorded accordingly.

GVB's operating expenditures decreased by \$851K, from \$13.6M to \$12.8M. When pass-thru appropriations and in-kind contributions are removed, the operating expenses increased by \$806K from \$11.3M in FY 2011 to \$12.2M in FY 2012. In FY 2012, professional services continue to be GVB's largest line item expenditure at \$7.6M, an 11% or \$754K increase from last year's \$7.1M. As the Japan market fully recovers from the March 2011 Triple Disaster, combined with progressively upward trends in Korea, Taiwan and most recently Russia, GVB continues to prioritize its efforts in strengthening the island's economy through tourism.

GVB's salaries and benefits increased \$100K or 6% from \$1.7M to \$1.8M primarily due to one filled position, increments, and increased benefit expenses.

### ***Cash Position***

GVB ended FY 2012 with a strong cash position at \$11.3M compared to \$7.0M in the prior year. However, GVB earned only \$13K in interest income and is currently exposed to custodial credit risk in which cash deposit levels are in excess of the Federal Direct Insurance Corporation uncollateralized insurance coverage. GVB should seek more effective means in maximizing their rate of return on their cash.

### ***Overall Increase in Visitor Arrivals***

In lieu of GVB's concerted campaign with its global partners in promoting Guam as a premier tourist destination, Guam experienced an increase of 11% in visitors, ending the year with a combined 1.3M in total arrivals from all markets. The island welcomed 908K travelers from its largest source market, Japan, and another 165K from Korea. Taiwan, Guam's third largest Asian source market, brought in 50K and China markets reached a record high with a total of 9K visitors.

In less than nine months from the opening of Guam's visas to Russia in January 2012, Guam saw 3K Russian travelers. This new source market is a good way for Guam to diversify its tourist demographics as Russian visitors tend to stay longer and purchase more than the average Asian traveler.

### ***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. However, the auditors issued a separate Management Letter identifying three findings, one of which is regarding the timeliness of recording in-kind contributions. This and has been an ongoing issue since FY 2011. The two remaining findings pertain to the untimely filing of trip expense report and competitive procurement.

See the Management Discussion and Analysis for more details. These reports may be downloaded at [www.guamopa.org](http://www.guamopa.org) or [www.visitguam.org](http://www.visitguam.org).