

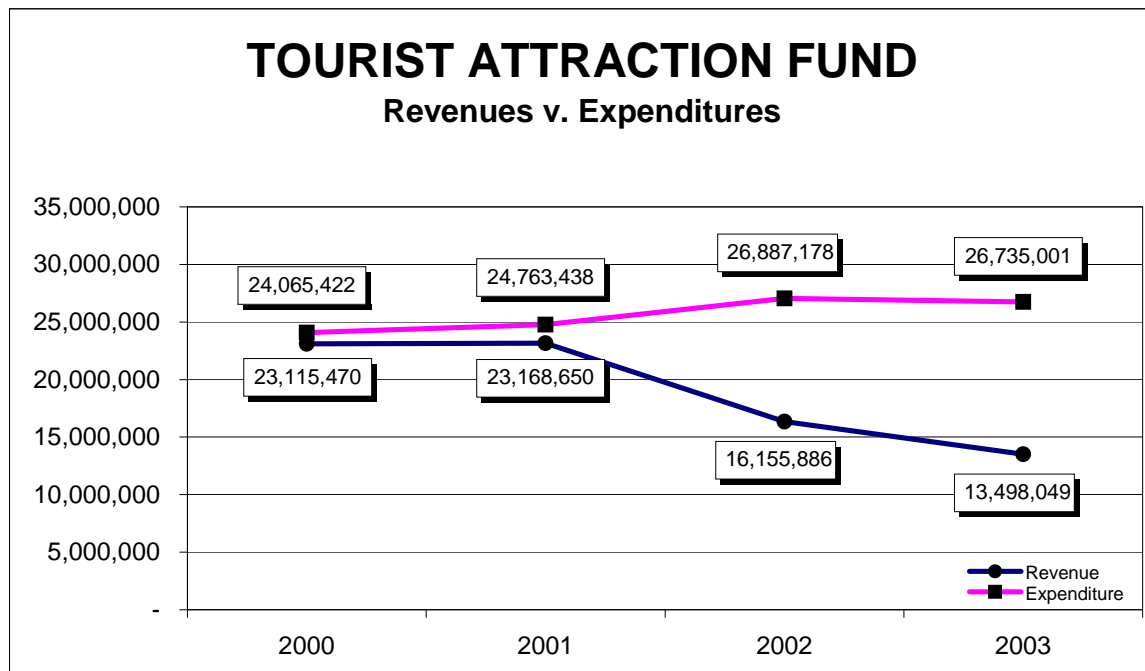
Tourist Attraction Fund FY 2003 Financial Highlights

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Deloitte & Touche, LLP, conducted the FY 2002 and 2003 financial audits of the Tourist Attraction Fund (TAF). The audits show that in 2003, the TAF has collected \$13.5 million in hotel occupancy tax revenues, a 17% drop from the prior year's hotel occupancy tax collections of \$16.2 million.

FY 2003 expenditures totaled \$26.7 million, a slight improvement from 2002's \$26.9 million. The \$26.7 million in expenditures includes debt service payments of \$7.3 million and capital outlay expenditures of \$9.7 million. Additionally, \$9.7 million was transferred to Guam Visitors' Bureau for their FY 2003 operations.

Over the years, the TAF has seen a steady decline in revenues. Events that have contributed to this decline include the 9/11 attacks, typhoons Chata'an and Pongsona, Severe Acute Respiratory Syndrome (SARS) outbreak, and more recently, the war in Iraq. However, despite the declining revenues, expenditures have been on a steady upward trend. The growing disparity between revenues and expenditures is creating a burgeoning deficit, which is currently at \$11.2 million. Because of the deficit, the General Fund has been advancing cash to the TAF, and is owed \$4.2 million as of FY 2003.



The Independent Auditors' Report on Compliance and on Internal Control depicted four findings, of which three pertain to the lack of timely reconciliation of bank accounts, taxes receivable, and contract retention payable. The audit also cites two capital projects that have exceeded their respective budgets for a cumulative overexpenditure of \$454,277.