



Financial Highlights

Tourist Attraction Fund Financial Audit

Fiscal Year 2023

June 3, 2025

The Office of Public Accountability (OPA) has released the Government of Guam (GovGuam) Tourist Attraction Fund's (TAF) financial statements, reports on compliance and internal control, and auditor's communication with those charged with governance for Fiscal Year (FY) 2023. Independent auditors, Ernst & Young, LLP (EY), rendered an unmodified (clean) opinion; however, they identified one material weakness related to internal control.

TAF was established to fund various recreational projects and tourism-related activities using revenues derived from the Hotel Occupancy Taxes (HOT) generated by the visitor industry. TAF is comprised of three governmental funds: (1) Tourist Attraction Special Revenue Fund, (2) Capital Projects Fund, and (3) Debt Service Fund. The Tourist Attraction Special Revenue Fund accounts for an excise tax levied and imposed on transient occupants of a room or rooms in a hotel, lodging house, or similar facility in Guam. The Capital Projects Fund accounts for constructing capital improvement projects from bond proceeds. The Debt Service Fund accounts for funds required by the bond indenture to redeem the bond principal and pay bond interest as it becomes due.

Increase in Revenues and Expenditures

Total combined revenues increased by \$12 million (M), or 66%, from \$18.2M in FY 2022 to \$30.2M in FY 2023. The HOT revenues constituted a substantial fraction of the total combined revenues, driven primarily by a rise in inbound tourism in FY 2023.

Total combined expenditures increased by \$5.1M (or 26%) from \$19.6M in FY 2022 to \$24.7M in FY 2023. Mainly supported by HOT revenue collections, the increase in expenditures was largely due to a \$6.4M increase in payments to the Guam Visitors Bureau (GVB) from \$14.5M in FY 2022 to \$20.9M in FY 2023. These expenditures were offset by a \$750 thousand (K) decrease in capital projects, a \$302K decrease in Mayor's Council of Guam payments, a \$70K decrease for interest debt service payments, and a \$16K decrease in general government.

Increase in Fund Balance

At the end of FY 2023, the Tourist Attraction Special Revenue Fund, Capital Projects Fund, and Debt Service Fund held a fund balance of \$980K, \$6M, and \$7.2M, respectively. Although, the fund has been severely impacted by the direct reduction in tourist activity caused by the global COVID-19 pandemic, TAF's fund balance increased by \$500K (or 4%), from \$13.6M in FY 2022 to \$14.1M in FY 2023.

HOT Revenue Bonds: 2021 Series A

The Debt Service Fund accounts for the principal and interest due on the HOT Revenue Bonds, 2021 Series A, wherein these funds are restricted for (1) capital projects associated with the new

Guam Museum and certain other related projects that benefit Guam's tourism industry, and (2) future debt service. In FY 2023, TAF paid only \$2.9M in interest on the 2021 Series A, HOT Bonds.

Report on Internal Control Over Financial Reporting

Independent auditors identified certain deficiencies in internal control, one of which, Finding 2023-001, was considered a material weakness. EY observed that, although approximately \$980K of HOT Revenues were available by the end of FY 23 and collected within 90 days after the fiscal year end, GovGuam did not account for HOT revenues filed online. As a result, the reported HOT revenues were incomplete. An audit adjustment was proposed to correct the understatement of tax revenues. EY recommended that GovGuam consider allocating collections in the clearing account for the accrual of HOTs filed online.

Post-Coronavirus (COVID-19) Pandemic Impact and Outlook

Prior to the COVID-19 pandemic, Guam experienced a record high of 1.6M visitors. In FY 2023, Guam ended on a high note with increased visitors arrivals of 603K compared to the FY 2022 figure of 217K, a 386K visitor arrival increase. The increase in arrivals remains aligned with Guam's plan to rehabilitate Guam as a world-class destination focusing on safety, natural beauty, and cultural heritage.

Super Typhoon Mawar

On May 25, 2023, Super Typhoon Mawar devastated the island of Guam. Although COVID-19 and international travel restrictions drove the tourism industry downward in FY 2020, the post-Mawar aftermath has delayed its recovery even further. Mawar produced sustained winds of 150 miles per hour, flooding and damaging tourism-dependent hotels and businesses. Nearly 5,000 visitors were left stranded in Guam after the storm caused disruptions on the island. According to then-GVB acting president Gerry Perez, "Recovery from the typhoon is likely to take 24 to 30 months based on historical recoveries of private facilities, public infrastructure, operational restoration of the island's destination value chain, and consumer confidence in our source markets."

For a more detailed discussion of TAF's operations, see the Management's Discussion and Analysis or review the reports in their entirety on our website at www.opaguam.org.