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M&C Fwd: Guam Economic Development Authority - FY 2019 Financial Audit

1 message

Speaker's Office <speaker@guamlegislature.org>
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Cc: Rennae Meno <rennae@guamlegislature.org>

05-27-20	11:14 AM	05-21-20	Guam Economic Development Authority - FY 2019 Financial Audit.*	Office of Public Accountability

Sinseru yan Minagåhet,

Office of the Speaker • Tina Rose Muña Barnes
Committee on Public Accountability, Human Resources & the Guam Buildup

35th Guam Legislature
I Mina'trentai Singko na Liheslaturan Guåhan

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Gumai pribilehu yan konfedensia este siha na mensåhi. Solo espesiåtmente para hågu ma entensioña pat ma aturisa para unrisibi. Sen prubidu kumu ti un ma aturisa para manribisa, na'setbe, pat mandespåtcha. Yang mensåhi , put fabot ago' guatu gi I numa'huyong gi as speaker@guamlegislature.org yan despues destrosa todu siha I kopian mensåhi. Si Yu'os ma'åse'.

---------- Forwarded message ---------
From: **Jerrick Hernandez** <jhernandez@guamopa.com>
Date: Wed, May 27, 2020 at 11:14 AM
Subject: Guam Economic Development Authority - FY 2019 Financial Audit
To:

Hafa Adai,

Transmitted electronically are the Guam Economic Development Authority (GEDA) financial statements, report on compliance and internal control for GEDA, report on compliance and interna administered by GEDA, and letter to those charged with governance for fiscal year (FY) 2019. These reports may also be found at http://www.opaguam.org.

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Regards,

Jerrick J.J.G. Hernandez, MA, CGAP, CICA
Auditor
Office of Public Accountability – Guam
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5 attachments

- **GEDA FY2019 COMP Final.pdf** 50K
- **GEDA TF FY2019 COMP Final.pdf** 50K
- **GEDA FY 2019 HL Final.pdf** 97K
- **GEDA 2019-2018 FS Final(combined with TF).pdf** 306K
- **GEDA FY2019 ARC Final.pdf** 3281K

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Guam Economic Development Authority – Fiscal Year 2019 Financial Highlights

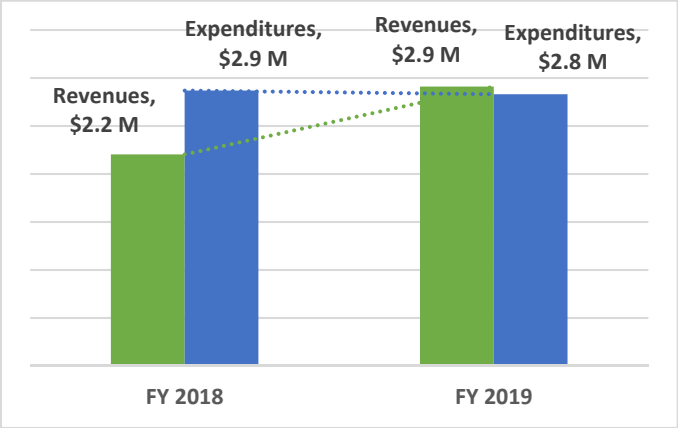
May 21, 2020

Hagåtña, Guam – The Office of Public Accountability (OPA) has released the Guam Economic Development Authority (GEDA) financial statements, report on compliance and internal control for GEDA, report on compliance and internal control for Trust Funds administered by GEDA, and letter to those charged with governance for fiscal year (FY) 2019. GEDA's total combined operating funds closed with a decrease in net position (net loss) of $95 thousand (K), a decrease of $695K from FY 2018's net loss of $790K.

Independent auditors Ernst & Young LLP issued an unmodified (clean) opinion on GEDA's FY 2019 financial statements and did not identify any material weaknesses or significant deficiencies in the reports on compliance and internal control for GEDA and Trust Funds administered by GEDA. GEDA is commended for its 16th year of having no instances of noncompliance in their financial statements.

GEDA Operating Fund

GEDA's main operating fund had an increase in net position of $207K. Net operating revenues increased by $707K, from $2.2 million (M) in FY 2018 to $2.9M in FY 2019. This was primarily due to the $695K increase in lease commission from Guam Ancestral Lands Commission (GALC) and no provision for bad debts, which was offset by a $413K decrease in bond fees earned and $50K decrease in other revenue. Operating expenses slightly decreased by $38K, from $2.9M in FY 2018 to $2.8M in FY 2019, which was mainly due to decreases in travel, miscellaneous, advertising and promotions, legal and professional services, and other expenses.



State Small Business Credit Initiative (SSBCI) & Tobacco Settlement Authority (TSA) Funds

The SSBCI program provides additional sources of credit to support small businesses and provide credit opportunities to women-owned and minority-owned businesses. GEDA's SSBCI closed with an increase in net position of $116K, an increase of $28K from FY 2018's net income of $88K. This was due to the $112K increase in other income and $16K decrease in salaries and benefits expenses. This was offset by the $82K decrease in net operating revenues, which was primarily due to no grants and loan guaranty recovery revenues in FY 2019 and increases in legal and professional services and miscellaneous expenses.

The TSA Fund is a separate fund that records the annual tobacco settlement revenues allocated to Guam. In turn, these revenues are used to pay annual debt service on the outstanding bond principal and interest. TSA fund revenues increased by $278K, from $1.2M in FY 2018 to $1.5M in FY 2019.

Guam Development Fund Act (GDFA) and Agricultural Development Fund (ADF)
GEDA administers two trust funds, GDFA and ADF, which had investments of $11.5M and $1.1M, respectively. Investment income is GDFA and ADF's main revenue source, which decreased to $404K in FY 2019 compared to the prior year's investment income of $952K. Meanwhile, interest income on the remaining loans amounted to $9K in FY 2019, an increase of $4K or 66%. Since FY 2014, GEDA had not issued a loan from either GDFA or ADF, but in FY 2019, GEDA made one farm loan from ADF in the amount of $50K for working capital and two commercial loans from GDFA totaling $50K for working capital and leasehold improvements that resulted in the creation of two new jobs.

Other Post-Employment Benefits (OPEB)
Governmental Accounting Standards Board (GASB) No. 75 pertains to post-employment benefits other than pensions. These benefits provided by the Government of Guam (GovGuam) include medical, dental, and life insurance to retirees, spouses, children, and survivors. For FY 2019, GEDA's proportionate share of GovGuam's OPEB liability was $2.2M, a $1.6M decrease from $3.9M in FY 2018.

FY 2019 Transition and Initiatives
The second quarter of FY 2019 began with a period of transition in executive management. The newly appointed Administrator and Deputy Administrator consolidated two divisions into one to form the Business and Economic Development Department (BEDD), with all other divisions remaining unchanged. In addition to their established programs, the newly formed BEDD was asked to assist and support the Office of the Governor of Guam's appointed Chief Advisor on Economic Development, National & International Affairs (EDNIA) in promoting economic development, as well as provide support for other national affairs.

In June 2019, the Chamorro Land Trust Commission (CLTC) passed a resolution officially authorizing GEDA to solicit proposals for the lease of five properties in Tamuning and Yigo, consisting of over 50 acres in prime locations. Leveraging the proceeds generated from these potential leases will provide additional resources to augment CLTC's current programs and initiatives, as well as provide GEDA with a new revenue source in terms of property management fees. Similar to CLTC, GALC has also authorized GEDA to solicit over 395 acres of land for lease in the Andersen South area of Yigo.

Public Law 35-21 authorized the issuance of bonds to finance a New Landfill Cell Development for the benefit of the Guam Solid Waste Authority. On July 16, 2019, GovGuam successfully sold General Obligation Bonds to fund a new Layon Landfill Cell 3 at a true interest rate of 3.25% after all costs. Guam's offering was well received, with initial interest rates being reduced by 25 basis points from pre-pricing levels and an oversubscription by investors of 12.9 times.

For more details, refer to Management's Discussion and Analysis in the audit report at www.opaguam.org and www.investguam.com.

Compliance and Internal Control

Guam Economic Development Authority

(A Component Unit of the Government of Guam)

Year ended September 30, 2019



Building a better working world

Doc. No. 35GL-20-1830.*

Guam Economic Development Authority

(A Component Unit of the Government of Guam)

Report on Compliance and Internal Control

Year ended September 30, 2019

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Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
Guam Economic Development Authority:

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Guam Economic Development Authority (GEDA), which comprise the statement of net position as of September 30, 2019, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 15, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered GEDA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of GEDA's internal control. Accordingly, we do not express an opinion on the effectiveness of GEDA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether GEDA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst + Young LLP

May 15, 2020

Compliance and Internal Control

Trust Funds Administered By The Guam Economic Development Authority

(A Component Unit of the Government of Guam)

Year ended September 30, 2019



Building a better working world

Trust Funds Administered By The
Guam Economic Development Authority

(A Component Unit of the Government of Guam)

Report on Compliance and Internal Control

Year ended September 30, 2019

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Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
Guam Economic Development Authority:

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Guam Development Fund Act (GDFA) and the Agricultural Development Fund (ADF), administered by the Guam Economic Development Authority (GEDA). which comprise the respective statements of fiduciary net position as of September 30, 2019, and the related statements of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 15, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered GEDA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of GEDA's internal control. Accordingly, we do not express an opinion on the effectiveness of GEDA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the respective financial statements of GDFA and ADF are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst & Young LLP

May 15, 2020

Financial Statements, Required Supplementary Information and Supplementary Information

Guam Economic Development Authority

(A Component Unit of the Government of Guam)

Years ended September 30, 2019 and 2018
With Report of Independent Auditors



Building a better working world

Guam Economic Development Authority
(A Component Unit of the Government of Guam)

Financial Statements, Required Supplementary Information, and Supplementary Information

Years ended September 30, 2019 and 2018

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Report of Independent Auditors

The Board of Directors
Guam Economic Development Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the Guam Economic Development Authority (GEDA), a component unit of the Government of Guam, which comprise the statement of net position as of September 30, 2019 and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise GEDA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Guam Economic Development Authority as of September 30, 2019 and the changes in its financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 4 through 22 as well as the Schedules of Proportional Share of the Net Pension Liability on pages 62, 64, and 66, the Schedule of Contributions on pages 63, 65, 67 and 69 and the Schedule of Proportional Share of the Collective Total Other Postemployment Benefit Liability on page 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise GEDA's basic financial statements. The supplemental schedule of salaries and wages on page 71 and the supplemental comparative divisional schedules on pages 72 through 74 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental divisional information, the supplemental schedule of salaries and wages and the supplemental comparative divisional schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the supplemental divisional information, the supplemental schedule of salaries and wages and the supplemental comparative divisional schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 15, 2020 on our consideration of GEDA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of GEDA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering GEDA's internal control over financial reporting and compliance.

Report of Other Auditors on September 30, 2018 Financial Statements

The financial statements of GEDA for the year ended September 30, 2018, were audited by other auditors who expressed an unmodified opinion on those statements on March 28, 2019.

Ernst + Young LLP

May 15, 2020

PREFACE

The mission of the Guam Economic Development Authority, *Aturidat Inadilanton Ikunumihan Guahan* (GEDA), is to develop a sound and sustainable economy through innovative programs that preserve and promote local culture, economic opportunities and quality of life.

As a public corporation (12GCA Chapter 50), GEDA has broad responsibility over the centralized direction, control and supervision of an integrated plan for the economic development of Guam through its programs and offerings, which include public financial services, business and investment assistance and incentive programs, and real property management.

Although GEDA has a series of broad mandates, GEDA regularly focuses on key areas which are the core of GEDA's regular activities. These activities include industry development activities, compliance monitoring, commercial loan programs, real property management, and serve as the Central Financial Manager for the Government of Guam by assisting with coordinating and monitoring Financial Advisory Services, Capital Financing, Debt Management and the Capital Markets.

At its core GEDA remains focused on assisting in the development of Guam's economy by supporting local enterprise and attracting new investments through incentive programs. Industry Diversification efforts also continue to be GEDA's top priority.

The accomplishments and strides achieved by GEDA have been milestones for both the agency and Guam overall. The following are highlights of those milestones, which include the overcoming of great challenges and involve a vision to realize great opportunities for the sustainable growth of the island's economy.

FY 2019 began with a period of transition, as the outgoing administration was replaced with the Leon Guerrero-Tenorio administration. The new executive management team comprised of Board Chair David John, Administrator Melanie Mendiola, and Deputy Administrator Artemio "Ricky" Hernandez. The team consolidated two divisions into one to form the Business and Economic Development Department (BEDD). Other divisions remained unchanged.

BUSINESS & ECONOMIC DEVELOPMENT DIVISION (BEDD)

ECONOMIC DEVELOPMENT TRADE MISSIONS

The Office of the Governor of Guam appointed a Chief Advisor on Economic Development, National & International Affairs (EDNIA), and filled the position with former Governor of Guam Carl T.C. Gutierrez. He requested the support and assistance of GEDA through providing staffing support to assist in carrying out his activities. Starting in the second quarter of FY 2019, the GEDA BEDD began providing assistance to the Chief Advisor on business trips to support the goals to promote economic development, as well as provide support for other national affairs that were important to the new administration. Over the course of the year, Investment Trade Missions were made to China, Philippines, Taiwan and California. In addition, business trips were made to conferences related to Opportunity Zones and Sports & Entertainment Facilities in California and Nevada, respectively.

All Investment Trade Missions had one overarching goal, namely to promote Guam over other countries as an ideal investment destination. The Guam delegations would market the value of Guam being America in Asia, and how this correlates to enhanced legal and financial security for investors. We targeted investors and businesses in hotel operations & development, cruise operators, hi-tech agriculture and focused on expanding network relationships with existing associations. We also promoted Guam as the "Gateway to the United States" for those investors looking for investment in the mainland U.S.

PHILIPPINES TRADE MISSIONS

The Philippines Trade Missions were organized by the Guam delegation to meet with various government officials, Philippine businesses and potential investors.

The government meetings focused on two different initiatives:

1. Support for the resolution of the H-2B issue Guam was experiencing with the 100% denials from the USCIS over the past several years and the more recent removal of the Philippines from the list of allowable countries for H-2B labor; and
2. To gain support for the inclusion of the Philippines into the Guam-CNMI Visa Waiver program.

The Guam delegation was able to meet Executive Secretary of the Philippines Mr. Salvador Medialdea, who at the time of the meeting was Acting President, and Justice Francisco Acosta (Ret.), Secretary, Commission on Filipinos Overseas. The Acting President knew of the US ban on importing Filipino workers into the United States, but he did not realize or consider how the ban impacted Guam. We informed him that the stay back rate on Guam was less than 3%, far less than the 40% in the US mainland.

With regards inclusion of the Philippines in the Guam-CNMI Visa Waiver program, the Executive Secretary expressed support and said if American citizens can enter the Philippines without a visa, then Filipinos should enjoy similar benefits when traveling to the US. The Executive Secretary directed his staff to work with the Guam delegation on the next course of action. Several meetings and many communications have taken place since the trade mission, including the visit to Guam by Justice Francisco Acosta (Ret.), Secretary, and Commission on Filipinos Overseas.

The business meetings consisted of the following:

Arcya Glass Corporation
LT Group, Inc.
Ever Bilena Cosmetics, Inc. / MaxBlocks Construction Corp.
Belle Corporation
The Manila Bulletin
Magsaysay People
JLL
Credit Suisse - Singapore Operations and Philippines Operations.

TAIWAN TRADE MISSION

The Taiwan Trade Mission was jointly organized by the Guam delegation to continue to promote Guam as a viable investment opportunity, as well as to introduce the new administration to the Mayors of Taoyuan and Taichung Cities. Both city mayors have expressed interest in developing a Sister City relationship with Guam to encourage bi-lateral investments.

Riant Capital Ltd.
Ever Rich Corporation
HCG – Hocheng Holding
Ying Fung Development Co., Ltd.
AM-TV Media Co., Ltd.
San Ya Da Chao Business Management Co., Ltd.
Yichin Enterprises Co. Ltd.
Genting Cruise Lines
United Real Estate Development (China Trust Bank)
Formosa Plastic Group
Delta Electronics, Inc.

CHINA TRADE MISSION

The Guam delegation conducted a trade mission to Shenyang, China to re-establish communication between EDNIA and the chairman and owner of the China First Mandarin Group (CFMG) Mr. Dong Qi Li.

CALIFORNIA TRADE MISSION

A trade mission to California was organized to meet potential investors interested in developing a world-class resort and aerial transportation system, cruise ship operations, and a data center. The meetings were arranged by GEDA to spur new interest from these companies that had previously expressed interest in investing in Guam. The Guam delegation had several meetings over a two-day period with senior officials of Hawaii Ranch Partners (HRP), a Recreational Facilities and Services Company in Southern California. HRP subsequently began the process of identifying property in Guam for possible acquisition and is working with the property owner to determine possible issues related to the development of a hotel. The Guam delegation conveyed our support for their project and offered several recommendations to help make their development unique and iconic.

HRP is planning on developing a 200-300 room hotel resort with aerial (Gondola) transportation, conference center, and a separate 200-300 room hotel/condominium for longer stay. The hotels will be 4-5 stories high and spread across the property to take full advantage of a resort destination. The proposed investment is upwards of $100m and will take approximately 30 months to complete once construction starts. The location has been determined, however they are in the process of acquiring the property and would like to keep the location undisclosed until the transaction is complete.

Other meetings included the following:
BrightView Design Group
AltaMira Capital Corporation

CONFERENCES AND TRADE SHOWS

2019 Opportunity Zones Expo
A Guam delegation attended the 2019 Opportunity Zones Expo held at the Mandalay Bay Hotel in Las Vegas, Nevada from May 9-10, 2019. The Expo enabled the Guam delegation to meet and network with potential investors that would not have otherwise had exposure to Guam as a potential site for investment.

2019 Convention, Sports, and Entertainment Facilities Conference (CSEF)
The 2019 CSEF Conference was held on May 16–17, 2019 at the Manchester Grand Hyatt in San Diego, California. The main takeaway from attending the conference was the contacts and relationship made, understanding the current market economics for convention facilities, the importance of conducting a "Needs Assessment" to determine buy in from the community, visitors market, government officials, surrounding customer region, demand over the past several years, financing options, and the importance of 3rd party experts to assist in any feasibility study. It was also recommended that the 3Ps (Public Private Partnership) is a good start for any new multi-purpose facility and the time is right to use of Opportunity Zones investment.

BUSINESS DEVELOPMENT PROGRAMS

Qualifying Certificate Program
The Qualifying Certificate (QC) program was established to be an incentive tool to entice investors into Guam, which in turn will spur new economic development. In use for over five (5) decades, it has had a substantial positive impact upon the economic development of the territory, primarily in the tourist industry.

GEDA has been the steward and administrator of the QC Program since its inception. As the program is well over fifty (50) years old, GEDA continually explores new ways to ensure that the program remains a viable, yet responsible tax incentive program for Guam. To that end, GEDA established an Ad Hoc Qualifying Certificate Committee made up of employees from BEDD, the Compliance Division, GEDA management and members of the GEDA Board. The purpose of this Committee is to conduct research and to recommend changes and/or additions to the QC program. The first initiative it undertook to improve the QC program was the passage of P.L. 32-233, which established the Special Hotel QC, which addressed the need for additional hotel rooms and also quantified the tax benefits provided to the QC beneficiary.

In 2018, former Governor Calvo issued several executive orders (EO 2018-2, 2018-06, 2018-08), which imposed a moratorium on the renewal of QCs. In addition, the FY 2019 & FY 2020 government of Guam budget acts contain similar language that imposes a moratorium on the renewal or extension of QCs. This moratorium mainly applies to QCs issued to domestic insurance companies. Additionally, the legislature included a provision that requires their approval prior to new QCs being submitted to the governor for final approval.

Since the imposition of the moratorium, the QC Committee has been evaluating the insurance QC program to determine if any adjustments need to be made and to make recommendations as to the program moving forward.

Guam Product Seal Program
Executive Order 2012-11 transferred the administration and compliance of the Guam Product Seal (GPS) to GEDA. The GPS program focuses on Guam's local manufacturers with the intent of authenticating products that are made in Guam.

In FY 2019, GEDA issued seventy (70) GPS Permits covering a range of products from snack foods, souvenir items, clothing and art. Each year, GEDA hosts "Made in Guam" Product Fairs and in FY 2019 the fair was held on December 15, 2018 at the Agana Shopping Center. The Holiday Fair targeted the local market with thousands of customers visiting and shopping during the day.

Guam Film Office
With the enactment of Public Law 35-48 on November 12, 2019, the Guam Film Office was transferred from GEDA to the Guam Educational Telecommunications Corporation. Under the new law, GEDA is to serve on the Advisory Committee, which is obliged to promulgate rules, regulations, and fees that govern filming activity in Guam. During the transition, GEDA provided an update to the Speaker of the Legislature on activities, so that there could be a smooth transition.

SPECIAL PROJECTS

Community Outreach and Marketing Program
BEDD has participated in a variety of community outreach and local marketing efforts. The agency has a long held membership in the Guam Chamber of Commerce. In 2019, the agency was invited to present concerning Opportunity Zones at multiple Guam Association of Realtor events. Additionally, to strengthen efforts in outreach towards women, GEDA became a sponsor in the Guam Women's Chamber's annual conference. In conjunction with work to reinvigorate the Recycling Qualifying Certificate Program, GEDA was a sponsor, presenter, and maintained a table during the 2019 Conference on Island Sustainability.

State Trade Expansion Program (STEP)

GEDA was awarded a $150,000 grant from the U.S. Small Business Administration to develop a comprehensive export development program. The program will educate and guide up to ten (10) Eligible Small Business Concerns (ESBC) interested in expanding their operation to include exporting. GEDA will develop the program with the cooperation of GVB and the University of Guam's Small Business Development Center. The program will also include accompanying of five (5) ESBCs to an international or regional trade show within the Asia or Micronesia region. The grant is for two (2) years beginning October 1, 2018.

PUBLIC FINANCE DIVISION

The Department participates in organized committees formulated to address the financial needs stemming from capital improvement or liquidity management of various Government agencies or the Government of Guam in its entirety. These duties include the financial status review, planning, formulation of cost effective financing strategies, review and finalization of necessary documents if necessary, and obtaining all statutory approvals (relative to all public finance issues). Finally, the department is responsible for the review of documents relating to specific Public Finance activities, including but not limited to, disclosure documents, term sheets, bond purchase agreements, certificates, and indentures.

$27.6 Million Government of Guam General Obligation 2019 Bonds (July 2019)

Public Law 35-21 authorized the issuance of bonds to finance a New Landfill Cell Development for the benefit of the Guam Solid Waste Authority. On July 16, 2019, the Government of Guam successfully sold General Obligation Bonds ("Bond") to fund a new Layon Landfill Cell 3 at a true interest rate of 3.25% after all costs. Guam's offering was well received, with initial interest rates being reduced by 25 basis points from pre-pricing levels and an oversubscription by investors of 12.9 times. Such investor interest in the Bond led to the ability to reduce annual debt service to $2.998 million from the originally projected $3.155 million contained in the original financial projections filed with the US District Court. This is an annual savings of approximately $157,000 for the government of Guam and the Guam Solid Waste Authority. The bond payments will be made for the next 12 years with final payment due on November 15, 2031. Sales proceeds totaled $31,637,746.80, comprising of the principal amount of the Bond, $27,610,000, plus original issue premium of $4,027,746.80.

Rating Agency Activity

GEDA facilitates meetings with bond rating agencies on an annual basis to provide updates on Guam's economy and its financial picture. These meetings involve hours of work with the financial analysts, obtaining the latest on the economic landscape and then providing a report that is indicative of the respective issuing agencies' performances. Over the past year, the following agencies were evaluated:

1. On October 22, 2018, Standard & Poor's Global Ratings (S&P) announced that they were going to change the criteria for rating priority-lien tax revenue debt issued by U.S. municipal governments where the pledged revenue stream was typically treated as limited obligations. The new methodology for evaluating these credits, previously treated as stand-alone credits, would now be linked to the "Obligor's Creditworthiness". They further announced that this new criteria would affect over 800 different bond credits in the market.

   On December 27, 2018, S&P's new criteria negatively impacted the following Guam's ratings in despite the deficit reduction efforts and improved transparency:
   - GovGuam Limited Obligation (Section 30) Bond rating lowered from "BBB+" to "BB"
   - Hotel Occupancy Tax (HOT) Revenue Bond credit lowered from "A-" to "BB"
   - Business Privilege Tax (Bond) credit lowered from "A" to "BB"

   The reports stated that although coverage and liquidity of these individual credits are very strong, S&P believes the "pledged revenues could have exposure to operating risk of the government in the event of a distress situation" by the Government of Guam.

2. Moody's Investors Service took the following actions during FY 2019:
   - affirmed the Government of Guam's Ba1 Issuer Rating and changed the outlook to stable from negative (January 10, 2019).
   - affirmed the Baa2 rating on the Guam Power Authority's senior lien revenue bonds and has changed the outlook to stable from negative (January 11, 2019).
   - affirmed the Baa2 rating on the Guam Waterworks Authority's water and wastewater system revenue bonds, and changed the outlook on the rating to stable from negative (January 11, 2019).
   - affirmed the Baa2 rating on the Port Authority of Guam's Port Revenue Bonds 2018 Series A, B and C and has changed the outlook to stable from negative (January 11, 2019).
   - affirmed the Baa2 rating on the Antonio B. Won Pat International Airport Authority, Guam's senior General Revenue Bonds and has changed the outlook to stable from negative (January 14, 2019).

3. Other actions taken by Standard & Poor's Global Ratings are as follows:
   - affirmed its 'BBB' long-term rating and underlying rating on Guam Power Authority's senior-lien revenue bonds outstanding. The outlook is stable (March 28, 2019).

- lowered its long-term rating to 'BB' from 'A' on Guam Education Financing Foundation's (GEFF) series 2016A Certificates of Participation (COPs). They also removed the rating from CreditWatch, where it had been placed with negative implications on April 10, 2019. GEFF issued the COPs on behalf of the Guam Department of Education (DOE), payable from federal compact impact funds (May 23, 2019).
- Assigned a 'BB-' long-term rating to the GovGuam Series 2019 General Obligation (GO) bonds. S&P also affirmed its 'BB-' long-term rating on GovGuam's outstanding GO debt and its 'B+' long-term rating on GovGuam's Certificates of Participation (COPs) and lease revenue bonds. The outlook is stable (June 28, 2019).

Bond Disclosure Services (FY 2019)

GEDA is the Dissemination Agent for the Government of Guam and is designated to file the required bond disclosure documents on the Municipal Securities Rulemaking Boards' Electronic Municipal Market Access (EMMA) system website, the official site for bond statements and trade data for the Municipal Market. Reports have been filed for the following bonds:

1. 2007 GEDA Tobacco Settlement Asset-Backed Bonds
2. 2009 General Obligation Bonds
3. 2010 Certificate of Participation's (John F. Kennedy project)
4. 2011 Government of Guam Hotel Occupancy Tax Revenue Bonds
5. 2011, 2012, and 2015 Government of Guam Business Privilege Tax
6. 2013 Certificate of Participation (Okkodo High School)
7. 2014 Industrial Development Authority (Guam Facilities Foundation, Inc. Tiyan Project) COP's
8. 2016 Government of Guam Limited Obligation (Section 30) Bonds,
9. 2019 Port Authority of Guam Revenue Bonds

Private Activity Bond (PAB) Program

PAB are tax-exempt bonds issued by public entities to provide below-market financing for certain types of private projects that serve a public purpose, as specified by Federal tax law. Federal tax law also imposes a number of other restrictions and requirements on the issuance of PAB, among which is a "volume cap" at the state level that limits the amount of PAB's that can be issued each year. Each state receives an annual PAB volume cap allocation, calculated according to a formula established by federal tax law. In addition, federal law allows unused volume cap to be carried forward for future use; carry forward amounts expire after three (3) years.

The FY 2019 carry-over amount plus previous amounts carried forward now allows for approximately $258.2 million in PAB's to be made available for approved activities.

REAL PROPERTY

GEDA manages three industrial parks: the E.T. Calvo Memorial Park, the Harmon Industrial Park and a small portion of Port Authority of Guam property generating an average of about 500 to 700 jobs annually, $21 million in payroll, over $52 million in gross sales and over $ 2 million in GRT. In an effort to generate additional revenues for GEDA as a result of losing major properties within the Port Authority of Guam (equating to $500K per year) and the Guam Shipyard Sublease in FY 2013 (equating to $132K per year), GEDA engaged in a management Memorandum of Understanding (MOU) with the Guam Ancestral Lands Commission (GALC), to manage leases on the Spanish Crown properties. For the period October 2007 to September 2019, GEDA collected over $6.6 million in ground lease rents and participation rents of which over $5.6 million was remitted to GALC while the difference was retained by GEDA as provided for in the MOU.

The Authority also executed an MOU with the Chamorro Land Trust Commission (CLTC) which was approved by the Governor on August 20, 2018 for general consultancy and property management services for commercial land leases which could potentially generate over $300K in management fees for GEDA annually if properties identified for commercial use are realized by CLTC and the Legislature. Overall, Industrial Parks along with GEDA's share of GALC leases revenues generate approximately $1.2 million per year of the Authority's operating revenues.

In June of 2019, the CLTC passed a resolution officially authorizing GEDA to solicit proposals for lease of 5 properties in Tamuning and Yigo consisting of over 50 acres in prime locations. Leveraging the proceeds generated from these potential leases will provide an additional resources to augment CLTC's current programs and initiatives as well as provide GEDA with a new revenue source in terms of property management fees. Similar to CLTC, the GALC has also authorized GEDA to solicit over 395 acres of land for lease in the Andersen South area of Yigo. Potential lease revenues from these properties will be a boon for the Authority.

In March of 2016, the United States Department of Interior awarded a grant in the amount of $260K to conduct a Boat Ramp Feasibility Study and Design to determine the most feasible boat ramp locations and enhance it to better provide emergency response to the Eastern seaboard of Guam. On July 27, 2016, the Guam Economic Development Authority (GEDA) issued a Request for Proposal (RFP16-005) soliciting proposals from qualified individuals or firms to provide professional technical services to assist GEDA in implementation of projects in a fashion that meets various objectives and expands and improves Guam's economy. Upon selection and award to the highest ranking proposal, the first Task Order was issued for the Southern Boat Ramp Feasibility Study and Design. GEDA completed contract negotiations with Stanley Consultants and issued a Notice to Proceed on September 25, 2017. As of December 2018, with the input of various community and public safety stakeholders and regulatory agencies, the feasibility study along with a 30% design for a proposed boat ramp in Talofofo Bay was completed. In April of 2019 Stanley Consultants determined that available funding would not be sufficient to complete the 100% design due to additional soil borings needed on the ocean floor. Given the importance of this project, the Department of Agriculture (DOAg) sought and received approval from their own federal grantors to augment the project's $45K shortfall. As of the date of this report, RPD is

working with DOAg staff to finalize an interagency MOU to utilize these funds to bring this project to 100% status.

In addition to lease and property management for the authority and other agencies, RPD has been spearheading projects funded by the US Office of Economic Adjustment (OEA) and through the Office of the Governor. These include 2 projects over the past year. First is the Grants Management Capacity Building and Enhanced Grant Management which deals with training relevant GovGuam agencies in identifying, addressing and overcoming political status, location and census challenges to better capitalize on grant funding opportunities. Second is a comprehensive update to the Financial Impact Assessment Study which analyzes the potential economic and financial impact to the whole of GovGuam primarily due to the US military buildup in order to better provide relevant data to the Governor's Office to aid in policy decisions.

LOAN PROGRAMS

Agriculture Development Fund (ADF)

The ADF program's target market is limited to individuals, corporations and partnerships that engage in commercial agriculture businesses. Activities include the areas of agriculture, aquaculture, horticulture, mariculture, commercial fishing and other related areas. The program enables bonafide farmers and commercial farming enterprises to obtain a line of credit financing for working capital needs and to provide funding for the purchase of supplies and inventory. In FY2019 GEDA made one farm loan in the amount of $50,000 for working capital.

Guam Development Fund Act (GDFA)

The GDFA program is targeted at businesses that are engaged or about to engage in activities in the areas of agriculture, fishing, manufacturing, tourism, and their support industries. GDFA enables start-ups and existing businesses to secure long-term financing for the acquisition of long-term fixed assets, working capital needs and to provide funding for the purchase of supplies and inventory. In FY2019 GEDA made two commercial loans totaling $50,000 for working capital and leasehold improvements that resulted in the creation of 2 new jobs.

State Small Business Credit Initiative (SSBCI) - $13.1 Million allocated for Guam

GEDA determined that in order to promote economic activity and help create jobs for its citizens, the government needed to assist local small businesses by providing access to capital that they may not otherwise be able to obtain on their own.

The Small Business Jobs Act of 2010 is a federal legislation that was created within the U. S. Treasury Department, the State Small Business Credit Initiative ("SSBCI"). GEDA applied for and qualified to receive federal funds totaling $13,227,911 to fund a Guam SSBCI Program that increased credit availability for small businesses located in under-served communities, and to provide credit opportunities to women-owned and minority-owned businesses. The overarching goal was to add new jobs to Guam's economy. Through its marketing outreach, GEDA established a network of participating banks and credit unions to leverage these funds and assist in dispensing these resources out to the community by the use of a loan guaranty.

The SSBCI loan guaranty program has slowed down and as of December 2019 has enrolled one existing Guam business into the program guarantying an amount of $100,000 that resulted in the creation of four new jobs. To address this slow down, GEDA signed a Memorandum of Understanding with an additional lender adding to the network of participating banks and credit unions offering the program.

To date the SSBCI Loan Guaranty Program has deployed over $11.1 million to support sixty three (63) loans to small business for start-ups, working capital and expansions circulating over $15.5 million in new money into Guam's economy through lending activities creating 539 new jobs and lead to the retention of 1,148 jobs. Furthermore, of the loans granted since the start of the program, thirty-two (32) have been fully paid putting $3.1 million back into the SSBCI loan program to be recycled for new loans.

FINANCIAL HIGHLIGHTS

The following table summarizes the Statements of Net Position of GEDA for 2019, 2018 and 2017:

	2019	2018	2017
Assets:			
Current Assets	$ 22,058,447	$ 21,861,236	$ 21,710,574
Long Term Assets:			
Notes receivables, net of current portion	-	-	-
Capital Assets, at cost, net	394,750	428,689	459,901
Equity investment	3,500	3,500	3,500
	22,456,697	22,293,425	22,173,975
Deferred Outflows of Resources			
Other post-employment benefits	360,946	598,001	529,794
Pension	627,017	584,353	628,550
Total assets and deferred outflows of resources	$ 23,444,660	$ 23,475,779	$ 23,332,319
Liabilities and Net Position:			
Current liabilities	$ 3,187,577	$ 3,312,802	$ 2,613,513
Non-current liabilities	37,161,773	38,238,654	38,533,573
	40,349,350	41,551,456	41,147,086
Deferred Inflows of Resources			
Other post-employment benefits	1,681,175	332,090	-
Pension	175,732	258,850	61,529
Total deferred inflows of resources	1,856,907	590,940	61,529
Net Position:			
Net investment in capital assets	394,750	428,689	459,901
Restricted	16,566,695	15,779,056	16,368,220
Unrestricted	(35,723,042)	(34,874,362)	(34,704,417)
Total net position	(18,761,597)	(18,666,617)	(17,876,296)
Total liabilities and net position	$ 23,444,660	$ 23,475,779	$ 23,332,319

The following table summarizes the Statements of Operations of GEDA for 2019, 2018 and 2017:

	2019	2018	2017
Revenues:			
Operating revenues	$ 2,910,697	$ 2,618,998	$ 2,642,070
SSBCI grants revenue	35,200	117,765	12,858,755
Tobacco Settlement revenue	1,461,989	1,184,355	2,393,542
	4,407,886	3,921,118	17,894,367
Provision for bad debts	-	(415,096)	(26,762)
	4,407,886	3,506,022	17,867,605
Operating expenses:			
Operating expenses	(2,969,294)	(3,037,934)	(3,525,762)
	1,438,592	468,088	14,341,843
Other expense, net	(1,533,572)	(1,258,409)	(1,534,723)
Change in net Position	(94,980)	(790,321)	12,807,120
Net position at beginning of year	(18,666,617)	(17,876,296)	(30,683,416)
Net position at end of year	$ (18,761,597)	$ (18,666,617)	$ (17,876,296)

Operating Revenues

GEDA generates its own revenues to sustain its operations from three primary sources. The first is the rental income from Industrial Parks, the second is application and surveillance fees from QC beneficiaries, and the third source is from the management of the GALC Lease properties under the current MOU. Bond fees and other federal and local grants are additional sources of revenues but may not represent recurring annual revenues.

In FY 2019, GEDA recorded operating revenues of $2,910,697 compared to $2,618,998 in FY 2018. The year-to-year change of $291,699 represents an increase of 11%. This increase in operating revenue was primarily due to the net effect from the increase in GALC lease commission and decrease in bond fees.

Rental Income from Industrial Parks

There was no significant change in rental income compared to the prior fiscal year. Rental income decreased by 0.75%, or $9,242 from $1,234,109 in FY 2018 to $1,224,867 in FY 2019. During FY 2019, there was one (1) new sublease and one (1) sublease expiration.

GALC Lease Commission

GALC Lease Commission increased by 599.27% or $694,891 from $115,956 in FY 2018 to $810,847 in FY 2019. This increase is attributed to the settlement of GALC lease agreement with AT&T for prior years.

QC Program

There was no significant change in QC revenues compared to the prior fiscal year. QC revenue increased by 1.80%, or $11,455 from $635,141 in FY2018 to $646,596 in FY 2019.

Bond Fees
Bond fees decreased by 82.36% or $413,046 from $501,486 in FY 2018 to $88,440 in FY 2019. As noted earlier, this decrease resulted from the closing of only one (1) bond, General Obligation Bond Series 2019.

Capital Assets
Land, building, improvements and equipment decreased 7.92% or $33,939 from $428,689 in FY 2018 to $394,750 in FY 2019. This decrease was generally from the recorded accumulated depreciation for the year. There were no significant capital transactions during the year. For additional information concerning capital assets, please refer to the notes to financial statements.

Operating Expense

GEDA's operating expenses in FY 2019 is $2,969,294, a decrease of $68,640 or 2.26% over FY 2018 of $3,037,934.

Salaries and Benefits
Salaries and benefits (including trust funds) decreased by $2,751 or 0.10% from $2,578,613 in FY 2018 to $2,575,862 in FY 2019.

Legal and Professional Services
Legal and Professional service expenses decreased by $58,409 or 16.31% from $358,154 in FY 2018 to $299,745 in FY 2019. This decrease is mainly attributed to the Tobacco Settlement Account legal services.

Office Space and Equipment Rental
Total office space and equipment rental (including allocation to trust funds) decreased $9,483 or 3.64% from $270,086 in FY 2018 to $260,244 in FY 2019. Decrease is attributed to a reduction in office space which is being lease out.

Travel
Travel expenses decreased by $12,899 or 15.29% from $84,351 in FY 2018 to $71,452 in FY 2019. Decrease is mainly attributed to trade missions to Philippines and Taiwan held in FY 2018 in efforts to continue building trade relationship.

FY 2020 INITIATIVES

Qualifying Certificate

The first goal of FY2020 was to extend the effectiveness of the Special Hotel QC Program, a tasked GEDA accomplished via the adoption of GEDA Board Resolution 20-03. Moving forward, the Qualifying Certificate Ad Hoc Committee continues to work to enhance and modernize the QC Program. In FY 2020, the Committee seeks to make progress on the following industries by formulating programs that grant targeted, controlled tax incentives while also taking into account government policy and current economic trends:

- Domestic Insurance – Revamping tax incentives to health insurance companies and captive insurance companies;
- Recycling – Expanding current recycling tax incentives to companies that engage in business activities that promote sustainability and circular economy by taking and remanufacturing materials that would otherwise end up in the waste stream;
- Agriculture – Exploring new ways to incentivize more significant investment in local agriculture; and
- Technology – researching appropriate technology investments and developing strategies to entice technology investment.

Guam Film Office

As indicated earlier, the Guam Film Office has been transferred to the Guam Educational Telecommunications Corporation, with GEDA serving as a member of the Advisory Committee. BEDD, in this new role, will continue to work on a draft of the Rules & Regulations for the Guam Film Office in full cooperation with the other members of the Committee.

Small Ship Cruise Industry

GEDA, via Executive Order 2019-17, was appointed as a leading member of the Small-Ship Cruise Industry Working Group. In 2020, GEDA plans to make substantial progress in conducting necessary research to formulate the appropriate framework through which will guide the Working Group to determine the best option towards the establishment of a small-ship cruise industry homeported in Guam. GEDA anticipates taking a significant role in the administrative obligations of the Working Group, and also expects to be the lead agency with regards to all research activities as well as the coordination of interagency activity to support the Working Group's goals and objectives.

Agriculture & Aquaculture

GEDA continually places emphasis on the growth and development of the agriculture and aquaculture industries. In addition to the QC program, which provides tax incentives to agriculture and aquaculture activities, GEDA has taken on a leadership role in an agriculture working group as well as an active role in the Guam Aquaculture Task Force established by Executive Order 2019-12.

Telecommunications & Technology

GEDA plans to place renewed emphasis on exploring new opportunities in the telecommunications and technology industries. Initial efforts will be placed on developing strategies to encourage workforce development for new, modern jobs in these fields in order to make Guam a more attractive destination for companies in these industries. GEDA is also exploring the possibility of encouraging increased data center presence to capitalize on the undersea cable network flowing through the island.

Economic Development Trade Missions

BEDD will develop and lead trade missions and business trips to the U.S. and Asia to market Guam's economic opportunities. Not only will BEDD focus on enticing investment in key industries such as tourism, commercial development, and agriculture & aquaculture, but the division will also try to secure investment into new and emerging industries technology and regional healthcare. Planned trade missions and conferences for 2020 include:

- National Agriculture Marketing Summit in Rosemont, Illinois
- CDFA National Development Finance Summit in Tampa, Florida
- Sea Trade Asia Pacific Cruise Conference in Shanghai, China
- IEDC Annual Conference
- Taipei, Taiwan Trade Mission
- Aquaculture America Convention in Honolulu, Hawaii
- Seoul, Korea Trade Mission

Small Business Development Projects

BEDD will spearhead projects in several small business development activities aimed at growing and providing more opportunities for local entrepreneurs. These projects in the following areas reaffirm GEDA's commitment to support local manufacturers, farmers and businesspeople.

Guam Product Seal (GPS)

BEDD will continue to drive membership by seeking out companies that manufacture locally, with a goal to have 90 GPS permit holders by the end of 2019. BEDD is also exploring the possibility of holding GPS related events in 2020.

Farmers' Cooperative Association of Guam (FCAG)

BEDD will continue to provide assistance to FCAG as they work to fully open and operate the Dededo Farmers Market. BEDD will coordinate between GEDA and FCAG to provide technical assistance and other programs to assist in FCAG's expansion efforts at the Farmers Market. BEDD will also provide assistance in generating marketing plans, potential business strategies and operational plans among others.

STEP Grant
BEDD will continue to work to engage in a cooperative arrangement with the Guam Small Business Development Center (SBDC) to provide training opportunities and workshops to local small businesses that are looking start or to expand their business to include export of goods and services from Guam. BEDD will also explore the utilization of grant funds to sponsor attendance at an international trade show in Asia for local exporters.

$40,610,000 Million A.B. Won Pat International Airport Authority General Revenue Bonds, Series 2019 A & B (November 2019)
Public Law 35-33 authorized the issuance of revenue bonds of the A.B. Won Pat International Airport Authority, Guam (GIAA), to refund all or a portion of its outstanding General Revenue Bonds, Series 2013 C.

On October 30, 2019, GIAA successfully sold $37.0 million in refunding bonds resulting in debt service savings of approximately 2.5%. In addition, the successful refunding resulted in cash flow relief of $18.4 million in fiscal years 2020 and 2021. The debt service savings and cash flow relief achieved with the refunding paved the way for GIAA to move forward with various capital improvement projects that will enhance service, safety and security at the Airport.

Port Authority of Guam (PAG) Bond Proceeds Reprogramming
GEDA and our bond counsel had been working with the Port Authority of Guam (PAG) management about their desire to reprogram a portion of the $71.4 million of bond proceeds secured in July 2018, to fund repairs at the F-1, F-3, F-4, F-5 and F-6 piers, with careful consideration that any reprogramming should not impair the tax-exempt status of the 2018 A Bonds or the 2018B Bonds. Bill 149-35 was introduced by PAG to accomplish this reprogramming

After a number of meetings, GEDA's bond counsel has provided a written statement dated June 3, 2019, confirming that the proposed use of bond funds as listed in Bill 149-35, would not adversely affect the tax status of the bond or impact the bondholders.

GEDA submitted testimony at a public hearing on Bill 149-35 held on August 12th in support of the efforts of the PAG. The bill was passed by the Legislature and was signed into law on October 16, 2019. GEDA will now work with Bond Counsel to amend the existing tax certificate to reflect the new arrangements.

Guam Waterworks Authority (GWA) New Revenue Bond Financing
The Guam Waterworks Authority (GWA) is looking to issue a bond in the principal amount of $134.0 million Water and Wastewater System Revenue Bonds, Series 2020 (Series 2020 Bonds). Proceeds of the Series 2020 Bonds will be used for the following: (1) to finance capital improvements, and (2) to pay certain costs related to the issuance and sale of the Series 2020 Bonds, including capitalized interest and a debt service reserve fund.

This bond issuance is subject to the approval of the GWA proposed 5-year Rate Plan. The latest 5-year rate plan was prepared in April 2019 for the years FYs 2020–24. The rate plan was approved by the CCU in June 2019 and is currently under review by the PUC. Action by the PUC on the rate case is anticipated by February 2020.

Simon Sanchez High School Leaseback Financing
P.L. 31-229, 32-120 and 32-121 authorized the financing for the rehabilitation, construction, expansion and renovation of the Simon Sanchez High School and the other thirty-four (34) public school facilities as well as to provide collateral equipment, maintenance and insurance.

After numerous protests, local legislation was passed that transferred the procurement to the Guam Department of Education. The land surveying part is on-going with the Architectural and Engineering Services to be awarded by February 2020. The leaseback financing will commence with a goal to conclude by the end of the current fiscal year.

John F. Kennedy Bond Refunding Opportunity
GEDA has is working with the Administration on the refunding of the outstanding Government of Guam's obligations with respect to the CaPFA Capital Corp. 2010A Certificates of Participation (John F. Kennedy High School Project) Series 2010A (the "2010A Certificates of Participation"), and capitalize on savings for the General Fund. The bonds can be refunded this year as we approach the 10 year call protection date and now have the opportunity to take advantage of the current low interest rate environment. The Guam Legislature will need to review and approve the refunding which can be done as early as September 2020.

Department of Land Management (DLM)
P.L. 29-135 authorized the financing for a new Land Resources Public Facility and for the purchase of collateral equipment in an amount not to exceed $15.75 million. The Land Resources Building Public Facility will house the DLM, CLTC, GALC and Hagåtña Restoration and Redevelopment Authority (HRRA). The subject site will be situated along West O'Brien Drive, between Father Duenas Avenue and Padre Palomo Street (vacant land across the Julale Center in Hagåtña).

This project has been put on hold until additional funding is made available to secure the financing.

$9.2 million Guam Memorial Hospital Authority (GMHA) – Labor and Delivery Ward Financing
P.L. 32-204 as amended by P.L. 33-151 authorized a $9.2 million financing for renovation of the Guam Memorial Hospital Labor and Delivery Ward. The loan will be secured by the unpledged portion of the Business Privilege Tax in an amount up to $600 thousand per year, for no more than twenty-five (25) years. GEDA has been working to close this loan with United State Department of Agriculture (USDA) at an interest rate of 2.75%. An RFP for interim financing was issued four times during FY 2017 and FY 2018 but GEDA was not successful in coming to terms with the proposer. GEDA will work with USDA and GMHA in FY 2019 to update and issue a new RFP in hopes of securing a financier, either on or off-island.

Challenges/Issues affecting GEDA

There are significant challenges/issues that GEDA faces:

- GEDA over the years has been mandated by the *I Liheslaturan Guahan* to perform duties that are not financially supported. These mandates, while in line with the GEDA's mission, impose a financial burden to the agency. Unlike the line agencies, GEDA is not supported by Legislative appropriations. All expenses incurred by GEDA to meet the unfunded mandates must come out of the agency's finite operating revenues.

- **H-2B VISAS** - Since August 2018, Guam employers have seen 100% approval of H-2B petition for foreign labor from the Philippines. The approvals are primarily due to the Guam Department of Labor associating all H-2B petition request with the NDAA and obtaining support and endorsement from the Naval Admiral on Guam. Petitions are being approved by the USCIS although the Philippines had been removed from the USCIS list of approved countries for H2B visas since January 19, 2019 and was again removed on the list that was published January 19, 2020. Small contractors are reluctant to test the new process and therefore the chilling effect of the denials of the past are still shared by many contractors and developers.

- **Land Availability/Loss**
  Property leases are the primary funding source of GEDA's operations. The vast majority of commercial leases under GEDA's purview were negotiated in the 70s and 80s. During that time, the primary goal of GEDA was to spur economic activity through attracting industrial and commercial development. Although accomplishing this goal and with many leases are locked until 2065, the revenue generated is less able to sustain GEDA's continuing operations and initiatives into the future. This was most apparent with GEDA's properties (along with its respective revenues) within the Commercial Port being transferred to the Port Authority of Guam (PAG) in 2010. Despite these lease revenues only accounting for a negligible fraction of port revenues, it was a third of GEDA's. Without additional properties it would be impractical for property lease revenues to sustain GEDA or implement any program regarding economic, free trade, or opportunity zones.

- P.L. 32-40 and later amended by P.L. 34-99 imposed a five (5) year duration limit on commercial leases. The law had unintended consequences for GEDA. This public law essentially created additional requirements to public land leasing, further complicated the process, and added additional time required to complete compliance with its process. This short-time period makes GEDA's commercial leases on available government-owned lands "less" attractive to potential developers.

- **Oka Point aka Ypao Point (CLTC property)**
  Although identified by CLTC as a leasable commercial property the Perez family may have claim to it. As well, the Hurao Academy leases an 8 acre portion and there seems to be no consensus on what constitutes highest and best use, further development and revenue generation has been difficult.

- **Ongoing and Potential Law Suits**
  As of the date of this report, GEDA is engaged in a potential **$2M** lawsuit with contractor Inland Builders Corporation (IBC) relative to work performed on the Guam Museum. As well, GEDA anticipates another potential **$400K** lawsuit with contractor Mega United Corporation (MUC) relative to work performed on the Farmer's Cooperative Association of Guam (FCAG) facility in Dededo.

Management's Discussion and Analysis for the year ended September 30, 2019, is set forth in GEDA's report on the audit of financial statements. That Discussion and Analysis explains in more detail major factors impacting the 2019 financial statements. A copy of that report can be obtained by contacting us at (671)-647-4332 or can be viewed at the Office of Public Accountability – Guam website at www.guamopa.org.

For additional information about this report, please contact Ms. Melanie Mendiola, Chief Executive Officer/Administrator, Guam Economic Development Authority, 590 South Marine Corps Drive, Tamuning, Guam 96913 or visit the website at www.investguam.com.

Guam Economic Development Authority
(A Component Unit of the Government of Guam)

Statements of Net Position

	September 30, 2019	2018
Assets		
Current assets:		
Cash and cash equivalents	$ 8,561,209	$ 9,946,377
Cash and cash equivalents - restricted	5,096,827	4,434,923
Investments	6,999,010	7,219,250
Due from trust funds administered by GEDA:		
Agricultural Development Fund	870	1,338
Guam Development Fund Act	24,400	20,418
Other receivables, net	1,362,212	228,423
Promotional supplies	7,706	7,706
Prepaid expenses	6,213	2,801
Total current assets	22,058,447	21,861,236
Equity investment	3,500	3,500
Capital assets, at cost, net	394,750	428,689
Total assets	22,456,697	22,293,425
Deferred Outflows of Resources		
Other post-employment benefits	360,946	598,001
Pension	627,017	584,353
	987,963	1,182,354
	23,444,660	23,475,779

See accompanying notes.

Guam Economic Development Authority
(A Component Unit of the Government of Guam)

Statements of Net Position, continued

	September 30, 2019	September 30, 2018
Liabilities		
Current liabilities:		
Current portion of bonds payable	$ 1,285,000	$ 1,200,000
Accounts payable	48,190	61,904
Accrued liabilities	262,858	322,917
Interest payable	439,738	439,738
Unearned rental income	100,523	100,523
Other liabilities	1,051,268	1,187,720
Total current liabilities	3,187,577	3,312,802
Non-current liabilities:		
Bonds payable, net of current portion and discount	29,894,605	29,501,993
DCRS sick leave liability	79,790	103,154
Deposits	18,322	18,322
Deposits due to GALC	77,410	77,410
Net pension liability	4,840,677	4,662,390
Collective total other post-employment benefits liability	2,250,969	3,875,385
Total non-current liabilities	37,161,773	38,238,654
Total liabilities	40,349,350	41,551,456
Deferred inflows of resources		
Other post-employment benefits	1,681,175	332,090
Pension	175,732	258,850
	1,856,907	590,940
Net position:		
Net investment in capital assets	394,750	428,689
Restricted	16,566,695	15,779,056
Unrestricted	(35,723,042)	(34,874,362)
Total net position	$(18,761,597)	$(18,666,617)

See accompanying notes.

Guam Economic Development Authority
(A Component Unit of the Government of Guam)

Statements of Revenues, Expenses and Changes in Net Position

Years ended September 30, 2019 and 2018

	Year ended September 30, 2019	2018
Revenues:		
Tobacco Settlement revenue	$ 1,461,989	$ 1,184,355
Rental income	1,224,867	1,234,109
GALC lease commission	810,847	115,956
Qualifying certificate application, surveillance and other	646,596	635,141
Others	94,509	132,386
Bond fees earned	88,440	501,486
Grants revenue	80,638	82,981
Loan guaranty recovery, net	---	34,704
Total operating revenues	4,407,886	3,921,118
Provision for bad debts	---	(415,096)
Net operating revenues	4,407,886	3,506,022
Operating expenses:		
Salaries and benefits	2,229,450	2,241,555
Legal and professional services	299,745	358,154
Office space and equipment rent	222,880	226,224
Travel	71,452	84,351
Miscellaneous	93,834	63,033
Depreciation and amortization	35,383	40,160
Advertising and promotions	5,731	12,664
Supplies	5,490	6,566
Utilities, telephone and communication	2,780	2,761
Insurance	1,985	2,070
Repairs and maintenance	564	396
Total operating expenses	2,969,294	3,037,934
Other income (expense):		
Investment income	277,246	160,797
Other income	75,721	210,669
Interest expense, net	(1,896,060)	(1,858,603)
Net increase in the fair value of investments	9,521	228,728
Other expense, net	(1,533,572)	(1,258,409)
Change in net position	(94,980)	(790,321)
Net position at beginning of year	(18,666,617)	(17,876,296)
Net position at end of year	$(18,761,597)	$(18,666,617)

See accompanying notes.

Guam Economic Development Authority
(A Component Unit of the Government of Guam)

Statements of Cash Flows

Years ended September 30, 2019 and 2018

	Year ended September 30, 2019	2018
Cash flows from operating activities:		
Cash received on grants and contracts	$ 34,135	$ 119,278
Cash received from customers	3,273,305	5,374,821
Cash paid to suppliers for goods and services	(879,234)	(710,497)
Cash paid to employees for services	(2,238,585)	(2,456,736)
Net cash provided by operating activities	189,621	2,326,866
Cash flows from investing activities:		
Interest and investment income	286,767	389,525
Rollover of interest into investment	(227,343)	(389,525)
Proceeds (purchases) from maturity of investment securities, net	447,583	(622,444)
Net cash provided by (used in) investing activities	507,007	(622,444)
Cash flows from capital and related financing activities:		
Purchase of capital assets	(1,444)	(8,948)
Cash used in capital and related financial activities	(1,444)	(8,948)
Cash flows from noncapital financing activities:		
Repayment of bond payable	(115,000)	(45,000)
Net interest paid on deposit accounts and bonds payable	(1,303,448)	(1,304,201)
Cash used in noncapital financing activities	(1,418,448)	(1,349,201)
Net change in cash and cash equivalents	(723,264)	346,273
Cash and cash equivalents at beginning of year	14,381,300	14,035,027
Cash and cash equivalents at end of year	$ 13,658,036	$ 14,381,300
Reconciliation of cash and cash equivalents to the statements of net position:		
Current assets:		
Cash and cash equivalents	$ 8,561,209	$ 9,946,377
Cash and cash equivalents - restricted	5,096,827	4,434,923
	$ 13,658,036	$ 14,381,300

See accompanying notes.

Guam Economic Development Authority
(A Component Unit of the Government of Guam)

Statements of Cash Flows, continued

	Year ended September 30, 2019	2018
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 1,438,592	$ 468,088
Other income, net	75,721	210,669
Adjustments to reconcile operating income to net cash provided by operating activities:		
Noncash pension cost (benefit)	515,697	(561,989)
Noncash other post employment (benefit) cost	(52,505)	341,733
Depreciation and amortization	35,383	40,160
Provision for bad debts	---	415,096
(Increase) decrease in assets:		
Due from trust funds administered by GEDA	---	4,045
Reimbursable expense	(3,514)	---
Other receivables	(1,133,789)	785,540
Prepaid expenses	(3,412)	2,899
Increase (decrease) in liabilities:		
Accounts payable	(12,175)	65,124
Accured liabilities	(60,059)	(192,331)
Other liabilities	(137,991)	741,047
Deferred rental income	---	1,711
DCRS sick leave liabilitity	(23,364)	(84,386)
Net pension liability	(463,192)	431,193
Total collective other postemployment liability	14,229	(341,733)
Net cash provided by operating activities	$ 189,621	$ 2,326,866

See accompanying notes.

1. Purpose and Summary of Significant Accounting Policies

Purpose

Guam Economic Development Authority (GEDA) was created by Public Law 8-80 on August 21, 1965, to assist in the implementation of an integrated program for the economic development of Guam. Enabling legislation set forth several specific purposes for the establishment of GEDA to include:

(a) Aiding private enterprise without competing with it,
(b) Expanding the money supply to finance housing facilities, and
(c) Providing the means necessary for acquisition of hospital facilities.

To accomplish the stated purposes, GEDA is authorized to conduct research of, invest in, provide loans to, operate and provide technical assistance to industries and/or agricultural projects; issue revenue bonds; obtain Government of Guam land; purchase mortgages; and recommend to the Governor of Guam businesses qualifying for tax rebates and abatements. GEDA utilizes certain Trust Funds, such as the Guam Development Fund Act (GDFA) and the Agricultural Development Fund (ADF) to accomplish certain of the stated purposes.

As a governmental entity created by public law, GEDA is not subject to taxes and is a component unit of the Government of Guam.

In 1998, the U.S. tobacco industry reached an agreement with state governments releasing the tobacco companies from present and future smoking-related claims that had been or potentially could be, filed by the states. A Master Settlement Agreement (MSA) was reached in 1998 and Guam became one of the beneficiaries of the settlement amounts received as a result of this agreement. Pursuant to the Guam Economic Development Authority Tobacco Settlement Revenue Bond Act, as amended by Public Law 29-19, the Government of Guam has irrevocably assigned to GEDA all of its right, title and interest in amounts payable after April 10, 2001 to Guam under the MSA. GEDA therefore created the Tobacco Settlement Authority (TSA) to receive future tobacco settlement resources, to obtain debt and to service such debt.

In 2011, the Government of Guam applied to receive an allocation of the total $1.5 billion funds available under the State Small Business Credit Initiative (SSBCI) Job Act of 2010. The funds are to support the fifty states and territories for use in programs designed to increase access to credit for small businesses. In June 2011, GEDA entered into a Memorandum of Agreement (MOA) with the Office of the Governor of Guam. In the MOA, GEDA was delegated the primary responsibility of administrating Guam's SSBCI's program. On September 30, 2011, the Government of Guam and the United States Department of the Treasury entered into an "Allocation Agreement" in which Guam was approved to receive a total of $13,168,380. The Allocation Agreement expired on March 31, 2017 (see note 11).

1. Purpose and Summary of Significant Accounting Policies, continued

Basis of Accounting

The accounting policies of GEDA conform to accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental entities, specifically proprietary funds. GEDA utilizes the flow of economic resources measurement focus. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statements of net position and cash flows, cash and cash equivalents include balances deposited in banks and money market accounts.

Other Receivables and Allowance for Doubtful Receivables

Other receivables consists of noninterest-bearing receivables from rent and reimbursement costs incurred for bond projects, and others. GEDA determines the adequacy of the allowance based upon reviews of individual accounts, recent loss experience, current economic conditions, the risk characteristics, and other pertinent factors. Accounts deemed uncollectible are written off against the allowance with the approval of the Board of Directors. GEDA determined an allowance of $512,357 of which $324,046 relate to reimbursable costs incurred for bond projects at September 30, 2019 and 2018.

Depreciation and Amortization

Buildings and improvements are depreciated on a straight-line basis over estimated useful lives of 7 to 30 years. Equipment and automobiles are depreciated on a straight-line basis over estimated useful lives of 3 to 5 years. GEDA generally capitalizes items with values of $500 or more and with useful lives extending beyond one year.

1. Purpose and Summary of Significant Accounting Policies, continued

Deferred Outflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (deduction of net position) until then. GEDA has determined the differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability, changes in actuarial assumptions or other inputs, pension and OPEB contributions made subsequent to the measurement date and changes in proportion and differences between GEDA pension and OPEB contributions and proportionate share of contributions qualify for reporting in this category.

Deferred Inflows of Resources

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (additions to net position) until then.

GEDA has determined the differences between projected and actual earnings on pension plan investments, changes in actuarial assumptions or other inputs, and changes in proportion and differences between GEDA pension and OPEB contributions and proportionate share of contributions qualify for reporting in this category.

Bond Discounts

Bond discounts associated with the 2001 and 2007 series bonds are being amortized over the weighted average lives of the bonds using the straight-line method, which approximates the effective interest method.

Compensated Absences

Vesting annual leave is accrued and reported as an expense and a liability in the period earned. No liability is accrued for non-vesting sick leave benefits. Annual leave expected to be paid out within the next fiscal year is accrued and is included in current liabilities. The maximum accumulation of annual leave convertible to pay upon termination of employment is limited to 320 hours. Pursuant to Public Law 27-106, employees who have accumulated annual leave in excess of three hundred twenty (320) hours as of February 28, 2003, may carry over their excess and shall use the excess amount of leave prior to retirement or termination from service. Any unused leave over 320 hours shall be lost upon retirement.

1. Purpose and Summary of Significant Accounting Policies, continued

Compensated Absences, continued

Public Law 26-86 allows members of the Defined Contribution Retirement System (DCRS) to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. A liability is accrued for estimated sick leave to be paid out to DCRS members upon retirement.

Pensions and Other Postemployment Benefits (OPEB)

Pensions are required to be recognized and disclosed using the accrual basis of accounting. GEDA recognizes a net pension liability for the defined benefit pension plan in which it participates, which represents GEDA's proportional share of excess total pension liability over the pension plan assets – actuarially calculated – of a single employer defined benefit plan, measured one year prior to fiscal year-end and rolled forward. The total pension liability also includes GEDA's proportionate share of the liability for ad hoc cost-of-living adjustments (COLA) and supplemental annuity payments that are anticipated to be made to defined benefit plan members and for anticipated future COLA to DCRS members. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and are amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

OPEB is required to be recognized and disclosed using the accrual basis of accounting. GEDA recognizes a net OPEB liability for the defined benefit OPEB plan in which it participates, which represents GEDA's proportional share of total OPEB liability - actuarially calculated - of an agent multiple employer defined benefit plan, measured one year prior to fiscal year-end and rolled forward. An OPEB trust has not been established thus the OPEB plan does not presently report OPEB plan fiduciary net position. Instead, the OPEB plan is financed on a substantially "pay- as-you-go" basis. Changes in the net OPEB liability during the period are recorded as OPEB expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net OPEB liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the qualified OPEB plan and recorded as a component of OPEB expense beginning with the period in which they are incurred.

1. Purpose and Summary of Significant Accounting Policies, continued

Operating Revenues

Significant sources of operating revenues and their respective recognition policies are as follows:

Rent income under operating leases are recognized as they become due under the terms of long-term lease agreements.

Qualifying Certificate (QC) application and surveillance fees are earned based on contractual terms and when collectability is reasonably assured.

Bond fees are earned when the underlying bonds are issued.

Tobacco Settlement Revenue (TSR) is recognized on a cash-basis upon receipt by the trustee, which typically occurs annually.

Operating Expenses

Certain general and administrative expenses of the Funds administered by GEDA, other than legal expenses specifically related to the activities of a particular Fund, are borne by GEDA as part of its cost of administering the Funds. Additionally, GEDA allocates a percentage of payroll expense to the Funds based upon actual time personnel spend on the respective Fund. Additionally, GEDA allocates a percentage of rent expense to the Funds.

Non-Operating Revenue and Expenses

Non-operating revenues and expenses result from capital and financing activities, costs and related recoveries from natural disasters, and certain other non-recurring income and costs.

Net Position

Net position represents the residual interest in GEDA's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted and consists of four sections:

Net investment in capital assets - includes capital assets, restricted and unrestricted, net of accumulated depreciation, reduced by outstanding debt net of debt service reserve.

Restricted expendable - net position whose use is subject to externally imposed stipulations that can be fulfilled by actions of GEDA pursuant to those stipulations or that expire with the passage of time.

Restricted nonexpendable - net position subject to externally imposed stipulations that require GEDA to maintain them permanently.

1. Purpose and Summary of Significant Accounting Policies, continued

Net Position, continued

Unrestricted - net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by management or may otherwise be limited by contractual agreements with outside parties.

All of GEDA's restricted net position is expendable.

Risk Management

GEDA purchases automobile insurance covering $300,000 for general single limited liability, inclusive of $3,000 per person medical. GEDA also purchases commercial liability insurance against fire and typhoon damages to its leasehold improvements and contents. GEDA is self-insured against all other potential risks and losses. No losses in excess of insurable limits have been recognized in the past three years.

Concentrations of Credit Risk

Financial instruments which potentially subject GEDA to concentrations of credit risk consist principally of cash demand deposits and accounts receivable. At September 30, 2019 and 2018, GEDA has cash deposits in bank accounts that exceed federal depository insurance limits. Additionally, GEDA has investments in mutual funds and U.S. Government agency or sponsored-agency securities that are not subject to insurance. GEDA has not experienced any losses in such accounts. Substantially all of GEDA's accounts receivables are due from companies and government agencies based in Guam. GEDA establishes an allowance for doubtful accounts based on management's evaluation of potential collectability. Bad debts are written-off against the allowance on the specific identification method.

Recently Adopted Accounting Pronouncements

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance of this statement.

In April 2018, GASB issued Statement no. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

The implementation of these statements did not have a material effect on the accompanying financial statements.

1. Purpose and Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. GASB Statement No. 84 will be effective for fiscal year ending September 30, 2020.

In June 2017, GASB issued Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. GASB Statement No. 87 will be effective for fiscal year ending September 30, 2021.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period.* The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB Statement No. 89 will be effective for fiscal year ending September 30, 2021.

In March 2018, GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. GASB Statement No. 90 will be effective for fiscal year ending September 30, 2020.

1. Organization and Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. GASB Statement No.91 will be effective for fiscal year ending September 30, 2021.

In January 2020, GASB issued statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, Leases and Implementation Guide No. 2019-3, Leases, for interim financial reports, the terminology used to refer to derivative instruments and the applicability of certain requirements of Statement No. 84 Fiduciary Activities, to post employment benefits. The requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reissuance recoveries and terminology used to refer to derivative instruments are effective upon issuance. The remaining requirements of GASB Statement No. 92 is effective for the fiscal year ending September 30, 2021.

In April 2020, GASB issued Statement No. 93 Replacement of Interbank Offered Rates. The primary objective of this statement is to address those and other accounting and financial reporting implications of the replacement of an IBOR. GASB Statement No. 93 will be effective for fiscal year ending September 30, 2021

GEDA is currently evaluating whether or not the above listed new GASB pronouncements will have a significant impact to GEDA's financial statements.

Reclassifications

Certain items in the 2018 financial statements have been reclassified to correspond with the 2019 financial statement presentation.

Subsequent Events

GEDA has evaluated subsequent events through May 15, 2020, which is the date the financial statements were available to be issued.

2. Deposits and Investments

Investments are carried at fair value. Cash and cash equivalents and investments at September 30, 2019 and 2018 consist of the following:

	2019	2018
Cash on hand and deposits in banks	$10,041,475	$10,860,776
Money market accounts	3,616,561	3,520,524
Cash and cash equivalents	$13,658,036	$14,381,300
Mutual funds	$ ---	$ 3,993,788
Exchange-traded and closed-end funds	6,999,010	3,225,462
Investments	$ 6,999,010	$ 7,219,250

The deposits and investment policies of GEDA are governed by 5 GCA 21, Investments and Deposits and policies set by the Board of Directors in conjunction with applicable bond indentures. Legally authorized investments include securities issued or guaranteed by the U.S. Treasury or agencies of the United States government; demand and time deposits in or certificates of deposit of, or bankers' acceptances issued by, any eligible financial institution; corporate debt obligations, including commercial paper; certain money market funds; state and local government securities, including municipal bonds; and repurchase and investment agreements. With the exception of investments in U.S. government securities, which are explicitly guaranteed by the United States government, all other investments must be rated Aa1/P-1 by Moody's.

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, GEDA's deposits may not be returned. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. GEDA does not have a deposit policy for custodial credit risk.

At September 30, 2019 and 2018, the carrying amount of cash was $10,041,475 and $10,860,776, respectively, and the corresponding bank balances were $10,090,917 and $11,414,471, respectively, which are maintained in financial institutions subject to insurance coverage by the Federal Deposit Insurance Corporation (FDIC). Cash balances of $500,000 are insured by the FDIC at September 30, 2019 and 2018. GEDA does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposit levels are exposed to custodial credit risk.

2. Deposits and Investments, continued

A. Deposits, continued

The bond indenture for the 2007 Series A and B Tobacco settlement bonds require the establishment of special funds to be held and administered by the trustees. As of September 30, 2019 and 2018, cash and cash equivalents of $3,489,547 and $2,818,056, respectively, held by TSA are restricted for bond services and are invested in money market accounts and are held and administered by TSA's trustees in accordance with the bond indentures. Accordingly, these balances are exposed to custodial credit risk.

In accordance with the terms of Lender Participation Agreements under the SSBCI program (see note 11), cash and cash equivalents of $1,607,280 and $1,616,867, at September 30, 2019 and 2018, respectively, deposited with the Lender banks are restricted for terms of guarantees.

B. Investments

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. With the exception of investments in U.S. government securities, which are explicitly or implicitly guaranteed by the United States government, all other investments must be rated Aa1/P-1 by Moody's.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, GEDA will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. GEDA's investment in shares of mutual funds, municipal bonds and U.S. government securities at September 30, 2019 and 2018 is registered in GEDA's name and is held by three investment managers for GEDA.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. GEDA does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure by issuer and amount of investments in any one issuer that represents five percent (5%) or more of total investments for GEDA.

GEDA categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. GEDA has the following recurring fair value measurements as of September 30, 2019 and 2018:

2. Deposits and Investments, continued

B. Investments, continued

		At September 30, 2019		
		Level 1	Level 2	Level 3
Investments by fair value level:				
Exchange-traded & closed-end funds	$6,999,010	$6,999,010	$ ---	$ ---

		At September 30, 2018		
		Level 1	Level 2	Level 3
Investments by fair value level:				
Exchange-traded and closed-end funds	$3,225,462	$3,225,462	$ ---	$ ---
Mutual funds	3,993,788	3,993,788	---	---
Total investments by fair value level	$7,219,250	$7,219,250	$ ---	$ ---

Mutual funds and exchange-traded and closed-end funds classified in level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

3. Capital Assets

A summary of capital assets at September 30, 2019 and 2018 is as follows:

	Beginning Balance October 1, 2018	Transfers and Additions	Transfers and Deletions	Ending Balance September 30, 2019
Leasehold Improvements	$ 792,537	$ ---	$ ---	$ 792,537
Buildings	546,603	---	---	546,603
Furniture and equipment	587,483	1,444	---	588,927
Other improvements	428,325	---	---	428,325
Land improvements	129,642	---	---	129,642
Leasehold interests	1,551	---	---	1,551
Automobiles	14,089	---	---	14,089
	2,500,230	1,444	---	2,501,674
Less accumulated depreciation and amortization	(2,071,541)	(35,383)	---	(2,106,924)
	$ 428,689	$(33,939)	$ ---	$ 394,750

	Beginning Balance October 1, 2017	Transfers and Additions	Transfers and Deletions	Ending Balance September 30, 2018
Leasehold Improvements	$ 792,537	$ ---	$ ---	$ 792,537
Buildings	546,603	---	---	546,603
Furniture and equipment	578,535	8,948	---	587,483
Other improvements	428,325	---	---	428,325
Land improvements	129,642	---	---	129,642
Leasehold interests	1,551	---	---	1,551
Automobiles	14,089	---	---	14,089
	2,491,282	8,948	---	2,500,230
Less accumulated depreciation and amortization	(2,031,381)	(40,160)	---	(2,071,541)
	$ 459,901	$(31,212)	$ ---	$ 428,689

4. Long-Term Obligations

Bonds payable

Bonds payable at September 30, 2019 and 2018 consist of the following:

	2019	2018
Tobacco settlement bonds, 2007 Series A current interest turbo term bonds, original principal amounts of $17,505,000 and $16,070,000, with interest rates at 5.25% and 5.625% per annum, respectively, payable semiannually on June 1 and December 1 ("Distribution Date"), principal payments due in varying annual installments commencing with a payment of $1,025,000 on June 1, 2008 and increasing to $3,840,000 on June 1, 2026. The Series A bonds are primarily secured by Tobacco Settlement Revenue (TSR) and Guam's right to be paid the TSR under the MSA (which was irrevocably assigned to GEDA as discussed in note 1)	$23,865,000	$23,980,000
Tobacco settlement bonds, 2007 Series B capital appreciation turbo term bonds, original principal amount of $3,407,077. Interest on the Series B bonds is not paid currently, but is compounded based on an imputed interest rate of 7.25% on each Distribution Date to become part of the accreted value until the maturity date or earlier redemptions. The bonds bear an original maturity value of $115,455,000 with final maturity date of June 1, 2057. The projected turbo redemption date, however, is June 1, 2034 with a total projected principal amount of $16,773,618. Under the Turbo Redemption assumption, principal payments are due in varying annual installments commencing with a payment of $917,533 on June 1, 2008 and increasing to $1,191,488 on June 1, 2034. The Series B bonds are also secured by TSR with the Series A bonds; however, they are subordinate to the Series 2007A Bonds	16,773,618	16,773,618
Total	40,638,618	40,753,618
Less current portion	(1,285,000)	(1,200,000)
	39,353,618	39,553,618
Less discount on Series B Capital appreciation Turbo terms bonds	(8,923,833)	(9,463,009)
Less discount on issuance	(535,180)	(588,616)
	$29,894,605	$29,501,993

4. Long-Term Obligations, continued

Bonds payable, continued

The annual payments on series 2007 bonds payable, assuming that turbo redemption occurs, subsequent to September 30, 2019 and thereafter are as follows:

Year ending September 30,	Principal	Interest	Total Debt Service
2020	$ 1,285,000	$ 737,719	$ 2,022,719
2021	1,380,000	665,226	2,045,226
2022	1,480,000	587,461	2,067,461
2023	1,590,000	504,000	2,094,000
2024	1,700,000	414,562	2,114,562
2025-2029	12,710,509	561,305	13,271,814
2030-2034	20,493,109	---	20,493,109
	$40,638,618	$3,470,273	$44,108,891

On December 13, 2007, GEDA issued $36,982,077 (original principal) in Series 2007 Tobacco Settlement Bonds. Net proceeds were $35,478,149 ($34,359,109 of original principal after issuance discount, underwriter discount and other issuance costs, plus an additional $794,040 from the Series 2001 funds plus $325,000 received in connection with the termination of Series 2001 Reserve Fund Agreement). Of this amount, $8,345,278 was transferred into a custodial account for the benefit of the Government of Guam. The remaining $27,132,871 was deposited in an irrevocable trust with an escrow agent to provide for the future service of the Series 2001 bonds through May 15, 2016. Except to the extent of any excess which is to be released upon termination (when all transfers and payments required are satisfied), GEDA has no interest in the funds or investments held in the escrow fund and as a result, the Series 2001 bond indenture was satisfied and discharged. Additionally, the transaction meets the requirement of an in-substance defeasance and as a result, the Series 2001 bonds and the related funds held by the escrow agent are not included in the accompanying financial statements.

Additionally, the defeasance resulted in a loss of $2,628,344, representing the difference between the reacquisition price and the carrying amount of the Series 2001 bonds. The loss has been deferred and amortized over the remaining life of the Series 2001 bonds, which was been fully amortized as of September 30, 2016.

4. Long-Term Obligations, continued

Bonds payable, continued

The defeasance of the bonds resulted in an increase of GEDA's aggregate debt service payment by approximately $36 million over the life of the new Series 2007 bonds and an economic loss (difference between the present value of the old and new debt service payments, plus the $8,345,278 received) of approximately $455,000.

The difference between the original principal amount of $3,407,077 and the projected turbo redemption projected value of $16,773,618 represents the discount that is amortized as interest expense using the straight-line method through the weighted average life of the Series 2007 bonds.

The Series 2007 bonds are subject to mandatory redemption, in whole or in part, prior to their stated maturity dates from amounts on deposit in the Turbo Redemption Account on each Distribution Date. Due to a number of factors, including actual shipment of cigarettes in the United States and the actual level of payments received by the settling states under the MSA, the amount available to pay the principal or accredited value of and interest on the Series 2007 bonds may fluctuate from year to year.

As discussed in the above section, all Tobacco Settlement Revenue and interest earned in trust funds have been pledged to repay bond principal and interest. The debt service for the bonds was $1,434,213 and $1,365,395 for the years ended September 30, 2019 and 2018, respectively, or approximately 94% and 112% of pledged revenues for the years ended September 30, 2019 and 2018, respectively.

4. Long-Term Obligations, continued

During the years ended September 30, 2019 and 2018, the following changes occurred in liabilities reported as part of GEDA's long-term liabilities in the statements of net position:

	Beginning Balance October 1, 2018	Additions	Reductions	Ending Balance September 30, 2019	Current	Noncurrent
Bonds payable	$ 40,753,618	$ ---	$(115,000)	$ 40,638,618	$ 1,285,000	$ 39,353,618
Deferred amount:						
Unamortized discount on bonds issued	(10,051,625)	---	592,612	(9,459,013)	---	(9,459,013)
	30,701,993	---	477,612	31,179,605	1,285,000	29,894,605
Other liabilities:						
DCRS sick leave liability	103,154	---	(23,364)	79,790	---	79,790
Deposits due to GALC	77,410	---	---	77,410	---	77,410
Deposits	18,322	---	---	18,322	---	18,322
OPEB liability	3,875,385	---	(1,624,416)	2,250,969	---	2,250,969
Net pension liability	4,662,390	178,287	---	4,840,677	---	4,840,677
	8,736,661	178,287	(1,647,780)	7,267,168	---	7,267,168
	$ 39,438,654	$ 178,287	$ 1,170,168	$ 38,446,773	$ 1,285,000	$ 37,161,773

	Beginning Balance October 1, 2017	Additions	Reductions	Ending Balance September 30, 2018	Current	Noncurrent
Bonds payable	$ 40,798,618	$ ---	$(45,000)	$ 40,753,618	$ 1,200,000	$ 39,553,618
Deferred amount:						
Unamortized discount on bonds issued	(10,607,289)	---	555,664	(10,051,625)	---	(10,051,625)
	30,191,329	---	510,664	30,701,993	1,200,000	29,501,993
Other liabilities:						
DCRS sick leave liability	187,540	---	(84,386)	103,154	---	103,154
Deposits due to GALC	77,410	---	---	77,410	---	77,410
Deposits	18,322	---	---	18,322	---	18,322
OPEB liability	3,905,495	---	(30,110)	3,875,385	---	3,875,385
Net pension liability	5,268,477	---	(606,087)	4,662,390	---	4,662,390
	9,457,244	---	(720,583)	8,736,661	---	8,736,661
	$ 39,648,573	$ ---	$(209,919)	$ 39,438,654	$ 1,200,000	$ 38,238,654

5. Employee Benefits

General Pension Plan Descriptions

Defined Benefit Plan (DB Plan)

The DB Plan is a single-employer plan. A single actuarial valuation is performed annually covering all plan members and the same contribution rate applies to each employer. The Government of Guam Retirement Fund (GGRF) issues a publicly available financial report that includes financial statements and required supplementary information for the DB Plan. That report may be obtained by writing to the Government of Guam Retirement Fund, 424 A Route 8, Maite, Guam 96910, or by visiting GGRF's website - www.ggrf.com.

The Guam Retirement Security Plan (GRSP) is the primary retirement plan for new employees beginning January 1, 2018, unless the employee elects to participate in the DCRS within 60 days of the employee's hire date. Certain existing and reemployed employees are also provided limited opportunity to participate in the GRSP. Employee contributions are made by mandatory pre-tax payroll deduction at the rate of 6.2% of the employee's base salary. The employer makes matching contributions at the same rate of 6.2% of the employee's base salary.

In September 2016, Public Law 33-186 was enacted to create two benefits under the DB Plan. Beginning January 2018, the DB 1.75 Plan and GRSP are to become the primary retirement systems for all new hires. Members of the DB 1.75 Plan also automatically participate in the GovGuam deferred compensation plan, pursuant to which employees are required to contribute 1% of base salary as a pre-tax mandatory contribution.

The DB Plan is administered by the GGRF, to which GEDA contributes based upon a fixed percentage of the payroll for those employees who are members of the Plan.

Membership: Employees of GEDA hired before September 30, 1995 are under the Government of Guam Employees Retirement System, the DB Plan. Until December 31, 1999, and for several limited periods after December 31, 1999, those employees who are members of the defined benefit plan with less than 20 years of service at September 30, 1995, had the option to switch to the DCRS. Otherwise, they remained under the old plan.

The DB 1.75 Plan is open for participation by certain existing employees, new employees and reemployed employees who would otherwise participate in the DCRS or the new GRSP and who make election on a voluntary basis to participate in the DB 1.75 plan by December 31, 2017.

Contributions: Plan members of the DB Plan are required to contribute a certain percentage of their annual covered salary. The contribution requirements of the plan members and GEDA are established and may be amended by the GGRF.

GEDA's statutory contribution rates were 26.56% and 27.83%, respectively, for the years ended September 30, 2019 and 2018. Employees are required to contribute 9.5% of their annual pay for the years ended September 30, 2019 and 2018.

5. Employee Benefits, continued

General Pension Plan Descriptions, continued

Defined Benefit Plan (DB Plan), continued

Benefits: The DB Plan provides pension benefits to retired employees generally based on age and/or years of credited service and an average of the three highest annual salaries received by a member during years of credited service, or $6,000, whichever is greater.

Actuarial Assumptions: The actuarial assumptions used are based upon recommendations from the actuarial experience study for the period October 1, 2011 through September 30, 2015. A summary of actuarial assumptions applied to all periods included in the measurement is shown below.

Actuarial cost method:	Entry age normal
Valuation of assets:	3-year phase in of gain/losses relative to interest rate assumption.
Investment income:	7.0% per year
Total payroll growth:	2.75%
Salary increases:	Graduated based on service with the GovGuam ranging from 4.0% for service in excess of 15 years to 7.5% for service from zero to five years.
Disability:	1974-78 SOA LTD Non-Jumbo, with rates reduced by 50% for males and 75% for females.
Retirement age:	50% of probability of retirement at earliest age of eligibility for unreduced retirement benefits; 20% per year thereafter until age 75, 100% at age 75.
Return of contributions:	100% withdrawing before retirement with less than 20 years of service assumed to elect a return of contributions. All those who have previously withdrawn assumed to elect a return of contributions. Contributions earn 4.5% interest.
Mortality:	Based on the RP-2000 combined mortality table, set forward 3 years for males and 2 years for females.
Amortization method:	Level percentage of payroll, closed.
Remaining amortization period:	At September 30, 2019, the remaining period is 15.58 years.

Discount Rate: The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

5. Employee Benefits, continued

General Pension Plan Descriptions, continued

Defined Benefit Plan (DB Plan), continued

Expected Remaining Service Lives: Under GASB Statement No. 68, gains and losses that are deferred and amortized over future periods are presented as deferred inflows or gains, and deferred outflows or losses. Economic and demographic gains and losses and changes in the total pension liability due to changes in assumptions are recognized over a closed period equal to the average expected remaining services lives of all covered active and inactive members, determined as of the beginning of the measurement period. The amortization period was calculated at 1.5 years in the 2014 valuation, at 1.4 in the 2015 actuarial valuation, at 1.3 years in the 2016 actuarial valuation, at 1.0 in the 2017 actuarial valuation and 3.1 years in the 2018 actuarial valuation. The amortization period is calculated as the weighted average of expected remaining service lives assuming zero years for all inactive members.

Expected Rate of Return and Asset Allocation: The Fund has a target asset allocation based on the investment policy adopted by the GGRF Board of Trustees. The target allocation and best estimates of the expected nominal return for each major asset class are summarized as follows:

Asset Class	Target Asset Allocation	Expected Nominal Return	Component Return
U.S. Equities (large cap)	29%	7.47%	2.17%
U.S. Equities (small cap)	7%	8.73%	0.61%
Non-U.S. Equities	16.5%	9.27%	1.53%
Non-U.S. Equities (emerging markets)	2%	11.09%	0.22%
U.S. Fixed Income (aggregate)	21.5%	4.67%	1.00%
Risk Parity	8%	6.50%	0.52%
High Yield Bonds	8%	6.59%	0.53%
Global Real Estate (REITs)	5%	8.60%	0.43%
Master Limited Partnerships	3%	6.56%	0.20%
Expected average return for one year			7.21%
Expected geometric mean (30 years)			6.69%

The assumption used in the actuarial valuation (7.0%) is slightly lower than the expected geometric average return over the next 30 years. If the investments do not return the expected results, future pension expense will increase.

5. Employee Benefits, continued

General Pension Plan Descriptions, continued

Ad Hoc COLA/Supplemental Annuity (COLA/SA) Plan for DB Participants

Members of the DB Plan also receive ad hoc cost of living allowance and supplemental annuity benefits that are appropriated yearly by the Guam Legislature. Those benefits are deemed to be substantively automatic, requiring reporting under GASB Statement No. 73. The Ad Hoc COLA/SA Plan for DB Participants is a single-employer plan. A single actuarial valuation is performed annually covering all plan members. GGRF issues a publicly available financial report that includes financial statements and required supplementary information for the Ad Hoc COLA/SA Plan for DB Participants. That report may be obtained by writing to the Government of Guam Retirement Fund, 424 A Route 8, Maite, Guam 96910, or by visiting GGRF's website - www.ggrf.com.

Membership: The plan membership is the same as the DB Plan described above.

Benefits: The supplemental annuity is an amount which, when added to a retiree's annuity increase the annual annuity up to $40,000.

The COLA payment is $2,000 per DB retiree.

Contributions: GEDA's contribution to the supplemental annuity portion of the Plan, when added to a retiree's annuity, increases the annual annuity to $40,000.

GEDA's contribution to the COLA payment of the Plan is $2,000 per DB retiree.

Actuarial Assumptions: The actuarial assumptions used are based upon recommendations from the actuarial experience study for the period October 1, 2011 through September 30, 2015. A summary of actuarial assumptions applied to all periods included in the measurement is shown below.

Actuarial cost method:	Entry age normal
Total payroll growth:	2.75%
Salary increases:	Graduated based on service with the GovGuam ranging from 4.0% for service in excess of 15 years to 7.5% for service from zero to five years.
Disability:	1974-78 SOA LTD Non-Jumbo, with rates reduced by 50% for males and 75% for females.
Retirement age:	50% of probability of retirement at earliest age of eligibility for unreduced retirement benefits; 20% per year thereafter until age 75, 100% at age 75.
Mortality:	Based on the RP-2000 combined mortality table, set forward 3 years for males and 2 years for females.
Amortization method:	Level percentage of payroll, closed.
Remaining Amortization period:	At September 30, 2019, the remaining period is 15.58 years.

5. Employee Benefits, continued

General Pension Plan Descriptions, continued

Ad Hoc COLA/Supplemental Annuity (COLA/SA) Plan for DB Participants, continued

Discount Rate: The discount rate used to measure the Ad Hoc COLA/SA was a municipal bond rate of 4.18% and 3.64% for the years ended September 30, 2019 and 2018, respectively. This rate was used as the benefits are not funded with the accumulated assets; they are funded historically through appropriations from the Government of Guam.

Expected Remaining Service Lives: The expected remaining service life is the same as that used in the DB Plan.

Ad Hoc COLA Plan for Defined Contribution Retirement System (DCRS) Participants

The DCRS is administered by the GGRF. Members of DCRS receive ad hoc cost of living allowance (COLA) that are appropriated yearly by the Guam Legislature. Those benefits are deemed to be substantively automatic, requiring reporting under GASB Statement No. 73. The Ad Hoc COLA Plan for DCRS Participants is a single-employer plan. A single actuarial valuation is performed annually covering all plan members. GGRF issues a publicly available financial report that includes financial statements and required supplementary information for the Ad Hoc COLA Plan for DCRS Participants. That report may be obtained by writing to the Government of Guam Retirement Fund, 424 A Route 8, Maite, Guam 96910, or by visiting GGRF's website - www.ggrf.com.

Membership: Employees hired after September 30, 1995, are members of the DCRS.

Benefits: Ad Hoc COLA Plan for DCRS participants are the same as those for DB Participants.

Contributions: GEDA's contribution to the COLA payment of the Plan is $2,000 per DCRS retiree.

Actuarial Assumptions: The actuarial assumptions used are based upon recommendations from the actuarial experience study for the period October 1, 2011 through September 30, 2015. A summary of actuarial assumptions applied to all periods included in the measurement is shown below.

Actuarial cost method:	Entry age normal
Total payroll growth:	2.75%
Salary increases:	Graduated based on service with the GovGuam ranging from 4.0% for service in excess of 15 years to 7.5% for service from zero to five years.
Disability:	1974-78 SOA LTD Non-Jumbo, with rates reduced by 50% for males and 75% for females.

5. Employee Benefits, continued

General Pension Plan Descriptions, continued

Ad Hoc COLA Plan for Defined Contribution Retirement System (DCRS) Participants, continued

Actuarial Assumptions, continued

Actuarial cost method:	Entry age normal
Retirement age:	5% per year from age 55 to 64, 10% per year from age 65 to 74, 100% at age 75.
Mortality:	Based on the RP-2000 combined mortality table, set forward 3 years for males and 2 years for females.
Amortization method:	Level percentage of payroll, closed.
Remaining Amortization period:	At September 30, 2019, the remaining period is 15.58 years.

Discount Rate: The discount rate is the same as that used in the Ad Hoc COLA/SA Plan for DB Participants.

Expected Remaining Service Lives: The expected remaining service life is the same as that used in the DB Plan.

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

Net pension liability at the fiscal years presented for the aforementioned plans were measured on and was determined by actuarial valuations as of the following dates:

Reporting date	September 30, 2019	September 30, 2018
Measurement date:	September 30, 2018	September 30, 2017
Valuation date:	September 30, 2017	September 30, 2016

Net pension liability as of September 30, 2019 and 2018 for the aforementioned plans are as follows:

	2019	2018
DB Plan	$4,300,654	$4,061,443
Ad hoc COLA/SA Plan for DB Participants	382,043	373,321
Ad hoc COLA Plan for DCRS Participants	157,980	227,626
	$4,840,677	$4,662,390

5. Employee Benefits, continued

General Pension Plan Descriptions, continued

Ad Hoc COLA Plan for Defined Contribution Retirement System (DCRS) Participants, continued

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions, continued

Proportionate share of net pension liabilities at September 30, 2019 and 2018 for the aforementioned plans are as follows:

	2019	2018
DB Plan	0.36%	0.36%
Ad hoc COLA/SA Plan for DB Participants	0.13%	0.13%
Ad hoc COLA Plan for DCRS Participants	0.32%	0.36%

Pension expense for the years ended September 30, 2019 and 2018 for the aforementioned Plans are as follows:

	2019	2018
DB Plan	$517,539	$(654,327)
Ad hoc COLA/SA Plan for DB Participants	42,870	80,521
Ad hoc COLA Plan for DCRS Participants	(44,712)	11,817
	$515,697	$(561,989)

As of September 30, 2019 and 2018, GEDA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	September 30, 2019					
	DB Plan		Ad Hoc COLA/SA Plan for DB Participants		Ad Hoc COLA Plan for DCRS Participants	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ ---	$ ---	$ ---	$ ---	$ 22,698	$(1,444)
Net difference between projected and actual earnings on pension plan investments	---	(77,097)	---	---	---	---
GEDA's contributions subsequent to the measurement date	413,930	---	30,714	---	8,000	---
Changes in assumption	---	---	---	(12,680)	18,815	(21,085)
Changes in proportion and difference between the GEDA's contributions and proportionate share of contributions	86,305	---	10,017	---	36,538	(63,426)
	$ 500,235	$(77,097)	$ 40,731	$(12,680)	$ 86,051	$(85,955)

5. Employee Benefits, continued

General Pension Plan Descriptions, continued

Ad Hoc COLA Plan for Defined Contribution Retirement System (DCRS) Participants, continued

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions, continued

	September 30, 2018					
	DB Plan		Ad Hoc COLA/SA Plan for DB Participants		Ad Hoc COLA Plan for DCRS Participants	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ ---	$ ---	$ ---	$ ---	$ 10,342	$(1,768)
Net difference between projected and actual earnings on pension plan investments	---	(197,381)	---	---	---	---
GEDA's contributions subsequent to the measurement date	474,370	---	30,713	---	6,000	---
Changes in assumption	---	---	---	---	22,990	(15,139)
Changes in proportion and difference between the GEDA's contributions and proportionate share of contributions	---	(---)	772	(---)	39,166	(44,562)
	$ 474,370	$(197,381)	$ 31,485	$(---)	$ 78,498	$(61,469)

Deferred outflows of resources at September 30, 2019 and 2018, resulting from GEDA's employer contributions for the following plans are as follows:

	2019	2018
DB Plan	$413,930	$474,370
Ad hoc COLA/SA Plan for DB Participants	30,714	30,713
Ad hoc COLA Plan for DCRS Participants	8,000	6,000
	$452,644	$511,083

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2020	$ 61,495
2021	(64,696)
2022	(36,626)
2023	21,904
2024	1,882
Thereafter	14,682
	$(1,359)

5. Employee Benefits, continued

General Pension Plan Descriptions, continued

Ad Hoc COLA Plan for Defined Contribution Retirement System (DCRS) Participants, continued

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions, continued

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Sensitivity analysis: The following presents the net pension liability calculated using a discount rate that is one percentage point (1.0%) lower or 1% higher than the current rate:

DB Plan

	1% Decrease 6.00%	Current Discount 7.00%	1% Increase 8.00%
Net pension liability	$5,483,803	$4,300,654	$3,285,057

Ad Hoc COLA/SA for DB Participants

	1% Decrease 3.18%	Current Discount 4.18%	1% Increase 5.18%
Total collective pension liability	$ 417,941	$ 382,043	$ 351,016

Ad Hoc COLA for DCRS Participants

	1% Decrease 3.18%	Current Discount 4.18%	1% Increase 5.18%
Total collective pension liability	$ 177,724	$ 157,980	$ 141,117

Detailed information about the DB Plan's fiduciary net position is available in the separately issued GGRF financial report.

5. Employee Benefits, continued

DCRS

The DCRS was created by Public Law 23-42:3 to provide an individual account retirement system for any person who is employed by the Government of Guam. Contributions into the DCRS, by members are based on an automatic deduction of 6.2% of the member's regular base pay. The contribution is periodically deposited into an individual annuity account within the DCRS. Employees are afforded the opportunity to select from different annuity accounts available under the DCRS.

Statutory employer contributions into the DCRS for the years ended September 30, 2019 and 2018 are determined using the same rates as the DB plan. Of the amount contributed by the employer, only 6.5% of the member's regular base pay is deposited into the member's individual annuity account. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

Members of the DCRS who have completed five years of government service, have a vested balance of 100% of both member and employer contributions plus any earnings thereon.

During the years ended September 30, 2019 and 2018, contributions made and amounts accrued under the DCRS amounted to $223,678 and $306,302, respectively.

Employee contributions are made by mandatory pre-tax payroll deduction at the rate of 6.2% of the employee's base salary while employer contributions are actuarially determined.

Other Post-employment Benefit (OPEB) Plan

OPEB Plan Description

GovGuam, through its substantive commitment to provide other post-employment benefits (OPEB), maintains an agent multiple employer defined benefit plan to provide certain post-retirement healthcare benefits to retirees who are members of the GGRF known as the GovGuam Group Health Insurance Program. GovGuam issues a publicly available financial report that includes financial statements and required supplementary information for the OPEB Plan. That report may be obtained by writing to the Government of Guam Department of Administration, Suite 224, 2nd Floor, ITC Building, 590 South Marine Corps Drive, or by GEDA website – www.investguam.com.

Membership: All employees of GEDA who are members of the GGRF are members of the OPEB Plan.

Contributions: GEDA is invoiced a portion of the medical and dental premiums. Retirees are required to pay a portion of the medical and dental insurance premiums.

5. Employee Benefits, continued

OPEB Plan, continued

OPEB Plan Description, continued

Benefits: GovGuam provides postemployment medical, dental and life insurance benefits to retirees, spouses, children and survivors. Active employees and retirees who waive medical and dental coverage are considered eligible for the life insurance benefit only.

Actuarial Assumptions: A summary of actuarial assumptions applied to all periods included in the measurement is shown below:

Inflation:	2.75%
Healthcare cost trend rate:	Non-Medicare 13.5%, Medicare -25% and Part B 5.33%. For the second year, 6.75% then reducing 0.25% annually to an ultimate rate of 4.25% for 2029 and later years.
Health retiree mortality rates:	RP-2000 Combined Health Mortality Table, set forward 3 years and 2 year for males and females, respectively.
Disabled retiree mortality rates:	RP-2000 Disabled Mortality Table for set forward 6 years and 4 years for males and females, respectively, projected generationally using 30% of Scale BB.

Discount Rate: The discount rate used to measure the total OPEB liability was 4.18% and 3.63% for the years ended September 30, 2019 and 2018, respectively. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefits of current plan members. Therefore, the municipal bond rate at each year end was applied to all periods to determine the total OPEB liability.

Expected Remaining Service Lives: Under GASB Statement No. 75, gains and losses that are deferred and amortized over future periods are presented as deferred inflows or gains, and deferred outflows or losses. Economic and demographic gains and losses and changes in the total pension liability due to changes in assumptions are recognized over a closed period equal to the average expected remaining services lives of all covered active and inactive members, determined as of the beginning of the measurement period. The amortization period was calculated at 6.02 years. The amortization period is calculated as the weighted average of expected remaining service lives assuming zero years for all inactive members.

5. Employee Benefits, continued

OPEB Plan, continued

OPEB liabilities, OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

Total OPEB liability at the fiscal years presented for the OPEB Plan was measured on and was determined by actuarial valuations as of the following dates:

Reporting date:	September 30, 2019	September 30, 2018
Measurement date:	September 30, 2018	September 30, 2017
Valuation date:	September 30, 2018	September 30, 2016

Total OPEB liability as of September 30, 2019 and 2018 is $2,250,969 and $3,875,385, respectively.

Proportionate share of total OPEB liability at September 30, 2019 and 2018 is 0.12% and 0.16%, respectively.

OPEB (benefit) expense for the years ended September 30, 2019 and 2018 is $(59,773) and $341,733, respectively.

As of September 30, 2019 and 2018, GEDA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
GEDA's contributions subsequent to the measurement date	$ 74,358	$ ---	$ 107,929	$ ---
Differences between expected and actual experience	---	(514,522)		
Changes in assumption	163,029	(373,580)	288,157	(322,090)
Changes in proportion and difference between the GEDA's contributions and proportionate share of contributions	123,559	(793,073)	201,915	(---)
	$ 360,946	$(1,681,175)	$ 598,001	$(322,090)

Deferred outflows of resources at September 30, 2019 and 2018, resulting from GEDA's employer contributions totaled $74,358 and $107,929 respectively.

5. Employee Benefits, continued

OPEB Plan, continued

OPEB Liabilities, OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2020	$ 284,627
2021	284,628
2022	284,628
2023	355,343
2024	185,361
	$1,394,587

In the table above, positive amounts will increase OPEB expense, while negative amounts will decrease pension OPEB.

Sensitivity analysis: The following presents the total OPEB liability calculated using a discount rate that is one percentage point (1.0%) lower or 1% higher than the current rate:

		2019	
	1% Decrease 3.18%	Current Discount 4.18%	1% Increase 5.18%
Total OPEB liability	$ 2,654,614	$ 2,250,969	$1,926,728

The following presents the total OPEB liability calculated using a healthcare cost trend rate that is one percentage point (1.0%) lower or 1% higher than the current rate:

		2018	
	1% Decrease 3.50%	Current Discount 4.50%	1% Increase 5.50%
Total OPEB liability	$ 1,877,075	$ 2,250,969	$2,734,956

Accrued Sick Leave

Public Law 26-86 allows members of the DCRS to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. As of September 30, 2019 and 2018, GEDA has accrued an estimated liability of $79,790 and $103,154, respectively, which is reported as a component of accrued compensated absences in the accompanying statements of net position. However, this amount is an estimate and actual payout could differ from those estimates.

6. Rental Income

GEDA leases industrial parks from the Government of Guam for an annual rent of $1 with terms expiring in 2063. GEDA subleases space to various tenants under agreements that call for advance rental payments of one month's to one year's rent. GEDA records such advance rent as a receivable at the anniversary or due date; related income is deferred and recognized over the period to which it applies. Future minimum rentals to be received under noncancelable subleases are as follows:

Years ending September 30:	
2020	$1,180,700
2021	786,800
2022	507,800
2023	354,200
2024	285,500
2025-2029	65,600
2030-2034	25,000
2035-2039	25,000
2040-2044	25,000
2045-2049	25,000
2050-2054	25,000
2055-2059	25,000
2060-2063	15,400
	$3,346,000

7. Commitments

Lease Commitments

GEDA has an operating lease for office space expiring on February 28, 2020. Concurrently, GEDA and the Guam Housing Corporation (GHC), a Government of Guam agency, entered into a Memorandum of Understanding (MOU) in which GEDA charges GHC for use of a portion of the office space.

At September 30, 2019, annual lease commitment and reimbursement from GHC under the MOU are as follows:

	Total Lease Commitment	GHC's Reimbursement	Allocated to GEDA's Trust Funds	GEDA's Rent Expense
2020	$145,280	$41,560	$14,894	$ 88,826

7. Commitments, continued

Contract Commitments

GEDA has two professional services contracts with one expiring on February 28, 2021 and the other on March 8, 2020 and is currently undergoing bid process, which require monthly payments of $14,706. At September 30, 2019, annual commitment for the years ending September 30, 2020 and 2021 is $128,495 and $39,259, respectively.

Government of Guam (GovGuam) Mitigation Program for Business Interruption

On March 30, 2011, Public Law 31-13 authorized GEDA to develop, implement and administer the Government of Guam Mitigation Program for Business Interruption, (the "Program"), which provides financial relief to businesses adversely affected by government projects, including, but not limited to road construction. The Program provides financial assistance through grants and loans to small and mid-sized businesses. As of September 30, 2019 and 2018, GEDA has not provided any grants or loans under the Program.

8. Related Party Transactions

Trust Funds Administered by GEDA

At September 30, 2019 and 2018, the following trust funds were administered by GEDA:

	Total Assets	
Fund	2019	2018
Guam Development Fund Act (GDFA)	$11,929,578	$12,006,410
Agricultural Development Fund (ADF)	$ 1,156,637	$ 1,135,752

GovGuam and Others

GEDA is a GovGuam component unit and is therefore affiliated with all GovGuam-owned and affiliated entities, including all departments and agencies of GovGuam.

On July 12, 2006, GEDA entered into a Memorandum of Agreement with the Guam Ancestral Lands Commission (GALC) to assist with the development, management, and maintenance of certain trust land for the purpose of maximizing benefit to dispossessed landowners and be responsible for the collection and remittance of security deposits and lease rental payments to the GALC. GEDA shall remit all rents received from the lease of Trust Lands but shall retain 14.3% of the base rent and 20% of the participation rent paid by all developers and/or lessees of the Trust Lands as payment for GEDA services. Base rent collected from developers and/or lessees shall be remitted to the GALC no later than twenty (20) calendar days after receipt from the developers and/or lessees. Participation rent collected from developers and/or lessees shall be remitted to the GALC no later than ninety (90) calendar days after receipt from the developers and/or lessees. During the years ended September 30, 2019 and 2018, GEDA earned related commission income of $810,847 and $115,956, respectively. At September 30, 2019 and 2018, there was no collected rent net of commissions withheld payable to GALC.

8. Related Party Transactions, continued

GovGuam and Others, continued

Additionally, in accordance with ground lease agreements, certain lessees are required, upon execution of the lease agreements, to remit a security deposit to GEDA on behalf of the GALC. As of September 30, 2019 and 2018, security deposits in the amount of $77,410 are maintained by GEDA on behalf of the GALC.

GEDA is under a Memorandum of Agreement (MOA) with the Office of the Governor (OOG) to manage and perform work relating to the U.S. Department of Defense Impact Task Orders for which the Office of Economic Adjustment has approved a program of assistance of $1,767,000. In connection with the MOA, GEDA has entered into a professional services consulting contract (the "Contract). Additionally, under the MOA, GEDA is compensated at a management fee of 14%.

GEDA is under a MOA with the OOG as the designated Program Management Office (PMO) to manage and coordinate the implementation of programs such as the capital improvement programs established under Public Law 30-228 funded by the Hotel Occupancy Tax (HOT) Revenue Bonds.

In addition, GEDA has recorded payables to different GovGuam agencies of $11,907 and $162,739 as of September 30, 2019 and 2018, respectively.

9. Qualifying Certificates

In addition to the application, filling and annual surveillance fees required of QCs, certain QCs include contributions for community, investment and economic development purposes. Additionally, GEDA acts as custodian for disbursements of certain QC receipts. During the years ended September 30, 2019 and 2018, $837,245 and $581,695, respectively, were due from QC recipients, of which $350,000 and $68,625 were recorded as part of other receivables. At September 30, 2019 and 2018, $944,612 and $667,754, respectively, are included in other liabilities and represent approved allocated contributions not yet disbursed or specific recipients not yet identified. Additionally, at September 30, 2019 and 2018, $106,656 and $521,505, respectively, included in other liabilities represent QC receipts to be disbursed to designated GovGuam agencies or programs pending proof of expenditures for eligible purposes.

10. Contingencies

Tobacco Settlement Bonds Reserve Fund Agreement

In connection with its Series 2007 Tobacco Settlement Bonds, GEDA entered into a Reserve Fund Agreement (the "Agreement") with Lehman Brothers Special Financing, Inc. (LBSF), which requires LBSF to cause Lehman Brothers, Inc., as qualified dealer, to deliver securities that mature on or before the next interest payment date, at a price designed to produce a rate of return of at least 4.365%. The contractual termination date for the Reserve Fund Agreement is June 1, 2047. LBSF's obligation under the Agreement was guaranteed by Lehman Brothers Holdings Inc. (LBHI). On September 15, 2008, LBSF and LBHI filed for Chapter 11 bankruptcy protection. LBSF failed to deliver new qualified securities under the Agreement on the next scheduled delivery date of December 1, 2008, and as a result, Co-Trustee U.S. Bank National Association declared an event of default under the Agreement and invested the amount on deposit in the Reserve Fund in short-term securities as required under the Agreement.

On September 22, 2009, GEDA filed claims with the United States Bankruptcy Court against LBSF and LBHI, each for approximately $1.8 million, as the estimated replacement market value of the Reserve Fund Agreement. Such replacement value represents the present value of the difference between the guaranteed rate and the market interest rate over the remaining term of the Agreement, i.e. through June 1, 2047. If the termination claim is not favorably resolved, GEDA's earnings from the investment of the Reserve Fund could be lower than originally expected, but no loss of principal has occurred or would occur. These events are not expected to have an adverse impact on the timely repayment of the Series 2007 Tobacco Settlement Bonds.

Claims and Litigation

GEDA is involved in various litigation which is inherent in its operations. Management is of the opinion that liabilities of a material nature will not be realized.

11. SSBCI

On October 4, 2011, Guam received initial SSBCI program funding of $4,345,556, approximating 33% of total funding. On March 24, 2014, GEDA received $4,345,555 which approximates the second 33% of total funding. On January 25, 2016 and May 1, 2016, GEDA received $2,000,000 and $2,477,239, respectively, representing the third and final tranche of the SSBCI funding. Additionally, the SSBCI program agreement allows certain direct and indirect costs for administering the program at 5% of initial funding and 3% of subsequent funding. During the years ended September 30, 2019 and 2018, GEDA had incurred administrative costs of $90,825 and $89,587, respectively.

11. SSBCI, continued

Pursuant to Allocation Agreement term, GEDA has entered into a Lender Participation Agreement (the "Agreement") with four financial institutions ("Lenders"). Under the Agreements, GEDA will guarantee loans made by the lenders to eligible Guam small businesses not to exceed 75% of each loan, with total loan enrollments not to exceed $5 million under each Agreement. GEDA has sole and absolute right to approve or reject enrollment of any loan in the program where the amount of the loan exceeds $500,000. For each loan enrolled by the Lenders under the Agreements, the Lenders shall pay GEDA up to 2% of the amount of the loan as guarantee fees. The guarantees are made in the form of cash deposits with the Lenders, not to exceed 20% of the total enrolled loan amount.

At September 30, 2019 and 2018, outstanding loans under the guaranty program had total principal balances of $8,036,398 and $8,084,335, respectively. At September 30, 2019, one loan amounting to $150,000 was in default status. In 2018, GEDA collected $34,704 from previously defaulted loans and recorded a recovery in loan guaranty in the accompanying 2018 statement of revenues, expenses and changes in net position.

On March 31, 2017, the Allocation Agreement expired. The expiration results in certain changes including the termination of the authorities and duties of the United States Department of Treasury to implement and administer the SSBCI program and termination of certain reporting requirements, the restrictions set forth in the enabling act and policy guidelines will remain in effect and govern the original use of funds disbursed by the SSBCI program. GEDA intends to maintain the same SSBCI program and has not made any modifications relating to the Agreements with the participating lenders.

Required Supplementary Information

Guam Economic Development Authority
(A Component Unit of the Government of Guam)

Schedule 1
Required Supplementary Information
Schedule of Proportional Share of the Net Pension Liability

Defined Benefit Plan
(Unaudited)

Last 10 Fiscal Years*

	2019	2018	2017	2016	2015	2014
GEDA's proportional share of the net pension liability	$ 4,300,654	$ 4,061,443	$ 4,911,548	$ 4,895,210	$ 4,248,957	$ 4,532,851
GEDA's proportion of the net pension liability	0.36 %	0.36 %	0.36 %	0.34 %	0.34 %	0.35 %
GEDA's covered payroll	$ 1,889,503	$ 1,807,340	$ 1,816,999	$ 1,742,220	$ 1,721,471	$ 1,601,075
GEDA's proportional share of the net pension liability as percentage of its covered employee payroll	227.61 %	224.72 %	270.31 %	280.98 %	246.82 %	283.11 %
Plan fiduciary net position as a percentage of the total pension liability	63.28 %	60.63 %	54.62 %	52.32 %	56.60 %	53.94%

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Guam Economic Development Authority
(A Component Unit of the Government of Guam)

Schedule 2
Required Supplementary Information
Schedule of Contributions

Defined Benefit Plan
(Unaudited)

Last 10 Fiscal Years*

	2019	2018	2017	2016	2015	2014
Contractually required contributions	$ 464,661	$ 428,406	445,434	446,494	458,262	457,202
Contribution in relation to the contractually required contribution	413,930	474,370	442,603	460,658	504,594	476,077
Contribution (deficiency) excess	$ (50,731)	$ 45,964	$ (2,831)	$ 14,164	$ 46,332	$ 18,875
GEDA's covered payroll	1,735,736	1,889,503	1,807,340	1,816,999	1,742,220	1,721,471
Contribution as a percentage of the GEDA's covered-employee payroll	23.85%	25.11%	24.49%	25.35%	28.96%	27.66%

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Guam Economic Development Authority
(A Component Unit of the Government of Guam)

Schedule 3
Required Supplementary Information
Schedule of Proportional Share of the Collective Total Pension Liability

Ad Hoc COLA/Supplemental Annuity Plan for DB Participants
(Unaudited)

Last 10 Fiscal Years*

	2019	2018	2017	2016
GEDA's proportional share of the collective total pension liability	$ 382,043	$ 373,321	$ 293,970	$ 295,035
GEDA's proportion of the collective total pension liability	0.13 %	0.13 %	0.13 %	0.13 %

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Guam Economic Development Authority
(A Component Unit of the Government of Guam)

Schedule 4
Required Supplementary Information
Schedule of Contributions

Ad Hoc COLA/Supplemental Annuity Plan for DB Participants
(Unaudited)

Last 10 Fiscal Years*

	2019	2018	2017
Contractually required contribution	$ 30,713	$ 30,713	$ 30,713
Contribution in relation to the contractually required contribution	$ 30,714	$ 30,713	$ 30,713
Contribution excess (deficiency)	$ 1	$ -	$ -

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Guam Economic Development Authority
(A Component Unit of the Government of Guam)

Schedule 5
Required Supplementary Information
Schedule of Proportional Share of the Collective Total Pension Liability

Ad Hoc COLA Plan for DCRS Participants
(Unaudited)

Last 10 Fiscal Years*

	2019	2018	2017	2016
GEDA's proportional share of the collective total pension liability	$ 157,980	$ 227,626	$ 260,379	$ 173,951
GEDA's proportion of the collective total pension liability	0.32 %	0.36 %	0.42 %	0.33 %

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Guam Economic Development Authority
(A Component Unit of the Government of Guam)

Schedule 6
Required Supplementary Information
Schedule of Contributions

Ad Hoc COLA Plan for DCRS Participants
(Unaudited)

Last 10 Fiscal Years*

	2019	2018	2017
Contractually required contribution	$ 6,000	$ 6,000	$ 6,000
Contribution in relation to the contractually required contribution	$ 8,000	$ 8,000	$ 8,000
Contribution excess (deficiency)	$ 2,000	$ 2,000	$ 2,000

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Guam Economic Development Authority
(A Component Unit of the Government of Guam)

Schedule 7
Required Supplementary Information
Schedule of Proportional Share of the Collective Total Other Postemployment Benefit Liability
(Unaudited)

Last 10 Fiscal Years*

	2019	2018	2017
GEDA's proportional share of the collective total other postemployment liability	$ 2,250,969	$ 3,875,385	$ 3,905,495
GEDA's proportion of the collective total other postemployment liability	0.12 %	0.16 %	0.15 %

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Guam Economic Development Authority
(A Component Unit of the Government of Guam)

Schedule 8
Required Supplementary Information
Schedule of Contributions

Other Postemployment Benefit Plan
(Unaudited)

Last 10 Fiscal Years*

	2019	2018	2017
Contractually required contribution	74,358	$ 107,929	$ 90,484
Contribution in relation to the contractually required contribution	74,358	$ 107,929	$ 90,484
Contribution excess (deficiency)	$ -	$ -	$ -

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Note to Required Supplementary Information
(Unaudited)

Changes in Assumptions – Pension Plans

Amounts reported in 2018 actuarial valuation reflected an assumption related to administrative expenses to increase to $7,082,000 per year.

Amounts reported in the 2017 actuarial valuation reflect a change in assumption of payroll growth to 2.75% rather than 3%. The mortality, retirement age and disability assumption were changed to more closely reflect actual experience. Assumption related to administrative expense reflected an increase to $6,344,000 per year and a revised allocation to the various pension plans to reflect actual experience.

Amounts reported in 2016 actuarial valuation reflect a change in assumption of administrative expenses to $6,078,000 per year rather than $5,806,000.

Amounts reported in 2015 actuarial valuation reflect a change in assumption of payroll growth to 3% rather than 3.5% which was used to determine amounts reported prior to 2015. Amounts reported in 2014 reflect an adjustment of the expectations of salary increases, disability and retirement age to more closely reflect actual experience. The amounts reported in the 2011 actuarial valuation reflect an expectation of retired life mortality based on the RP-2000 Mortality Table rather than the 1994 U.S. Uninsured Pensioners Table, which was used to determine amounts reported prior to 2011. Amounts reported in 2011 also reflect a change in assumption on valuation of assets to a 3-year phase in for gains/losses relative to interest rate assumption from market value, with fixed income investments at amortized costs which was used to determine amounts reported prior to 2011.

Supplementary and Other Information

Guam Economic Development Authority
(A Component Unit of the Government of Guam)

Schedule of Salaries and Wages (including Trust Funds)
Year ended September 30, 2019 and 2018

	2019	2018
Salaries and wages:		
Salaries	$ 1,608,507	$ 1,730,772
Benefits	967,355	847,841
Total salaries and wages	$ 2,575,862	$ 2,578,613
Employees at end of year	31	29

Guam Economic Development Authority
(A Component Unit of the Government of Guam)

Comparative Divisional Schedules of Net Position
September 30, 2019 and 2018

	GEDA		SSBCI		TSA	
Assets	2019	2018	2019	2018	2019	2018
Current assets:						
Cash and cash equivalents	$ 202,900	$ 920,960	$ 8,231,295	$ 8,322,949	$ 127,014	$ 702,468
Cash and cash equivalents-restricted	---	---	1,607,280	1,616,867	3,489,547	2,818,056
Investments	3,848,240	4,182,596	3,150,770	3,036,654	---	---
Due from trust funds administered by GEDA:						
Agricultural Development Fund	870	1,338	---	---	---	---
Guam Development Fund Act	24,400	20,418	---	---	---	---
Reimbursable expense	(96,562)	2,565	96,562	(2,565)	---	---
Other receivables, net	1,362,212	229,323	---	(900)	---	---
Promotional supplies	7,706	7,706	---	---	---	---
Prepaid expense	6,213	2,801	---	---	---	---
Total current assets	5,355,979	5,367,707	13,085,907	12,973,005	3,616,561	3,520,524
Equity investment	3,500	3,500	---	---	---	---
Capital assets, at cost, net	394,750	428,689	---	---	---	---
Total assets	5,754,229	5,799,896	13,085,907	12,973,005	3,616,561	3,520,524
Deferred outflows of resources						
Other post-employment benefits	360,946	598,001	---	---	---	---
Pension	627,017	584,353	---	---	---	---
	$ 6,742,192	$ 6,982,250	$ 13,085,907	$ 12,973,005	$ 3,616,561	$ 3,520,524
Liabilities						
Current liabilities:						
Current portion of bonds payable	$ ---	$ ---	$ ---	$ ---	$ 1,285,000	$ 1,200,000
Accounts payable	48,190	60,365	---	---	---	---
Accrued liabilities	301,846	395,492	8,759	12,005	(47,747)	(84,580)
Interest payable	---	---	---	---	439,738	439,738
Unearned grants	---	---	---	---	---	---
Unearned rental income	100,523	100,523	---	---	---	---
Other liabilities	1,051,268	1,189,259	---	---	---	---
Total current liabilities	1,501,827	1,745,639	8,759	12,005	1,676,991	1,555,158
Non-current liabilities:						
Bonds payable, net of current portion and discount	---	---	---	---	29,894,605	29,501,993
DCRS sick leave liability	79,790	103,154	---	---	---	---
Deposits	18,322	18,322	---	---	---	---
Deposits due to GALC	77,410	77,410	---	---	---	---
Net pension liability	4,840,677	4,662,390	---	---	---	---
Other post-employment benefits liability	2,250,969	3,875,385	---	---	---	---
Total non-current liabilities	7,267,168	8,736,661	---	---	29,894,605	29,501,993
Total liabilities	8,768,995	10,482,300	8,759	12,005	31,571,596	31,057,151
Deferred inflows of resources						
Other post-employment benefits	1,681,175	332,090	---	---	---	---
Pension	175,732	258,850	---	---	---	---
	1,856,907	590,940	---	---	---	---
Net position						
Net investment in capital assets	394,750	428,689	---	---	---	---
Restricted	---	---	13,077,148	12,961,000	3,489,547	2,818,056
Unrestricted	(4,278,460)	(4,519,679)	---	---	(31,444,582)	(30,354,683)
Net Position	$(3,883,710)	$(4,090,990)	$ 13,077,148	$ 12,961,000	$(27,955,035)	$(27,536,627)

Guam Economic Development Authority
(A Component Unit of the Government of Guam)

Comparative Divisional Schedules of Revenues, Expenses and Changes in Net Position
Years ended September 30, 2019 and 2018

	GEDA		SSBCI		TSA	
	2019	2018	2019	2018	2019	2018
Revenues:						
Tobacco Settlement revenue	$ ---	$ ---	$ ---	$ ---	$ 1,461,989	$ 1,184,355
Rental Income	1,224,867	1,234,109	---	---	---	---
GALC lease commission	810,847	115,956	---	---	---	---
Qualifying certificate application	646,596	635,141	---	---	---	---
Others	59,309	108,886	35,200	23,500	---	---
Bond fees earned	88,440	501,486	---	---	---	---
Grants revenue	80,638	23,420	---	59,561	---	---
Loan guaranty recovery, net	---	---	---	34,704	---	---
Total operating revenues	2,910,697	2,618,998	35,200	117,765	1,461,989	1,184,355
Provision for bad debts	---	(415,096)	---	---	---	---
Net operating revenues	2,910,697	2,203,902	35,200	117,765	1,461,989	1,184,355
Operating expenses:						
Salaries and benefits	2,155,968	2,152,138	73,482	89,417	---	---
Legal and professional services	280,230	285,778	8,874	152	10,641	72,224
Office space and equipment rent	222,880	226,224	---	---	---	---
Travel	71,452	84,351	---	---	---	---
Miscellaneous	48,531	56,046	8,469	18	36,834	6,969
Depreciation and amortization	35,383	40,160	---	---	---	---
Advertising and promotions	5,731	12,664	---	---	---	---
Supplies	5,490	6,566	---	---	---	---
Utilities, telephone and communication	2,780	2,761	---	---	---	---
Insurance	1,985	2,070	---	---	---	---
Repairs and maintenance	564	396	---	---	---	---
Total operating expenses	2,830,994	2,869,154	90,825	89,587	47,475	79,193
Other income (expense):						
Investment income	132,460	88,698	85,362	41,016	59,424	31,083
Other income, net	56,408	32,462	(165)	582	19,478	177,625
Interest income (expense), net	459	827	15,305	15,367	(1,911,824)	(1,874,797)
Net increase (decrease) in the fair value of	(61,750)	225,663	71,271	3,065	---	---
Other income (expense), net	127,577	347,650	171,773	60,030	(1,832,922)	(1,666,089)
Change in net position	207,280	(317,602)	116,148	88,208	(418,408)	(560,927)
Net position at beginning of year	(4,090,990)	(3,773,388)	12,961,000	12,872,792	(27,536,627)	(26,975,700)
Net position at end of year	$(3,883,710)	$(4,090,990)	$ 13,077,148	$ 12,961,000	$(27,955,035)	$(27,536,627)

Guam Economic Development Authority
(A Component Unit of the Government of Guam)

Comparative Divisional Schedules of Cash Flows
Years ended September 30, 2019 and 2018

	GEDA		SSBCI		TSA	
	2019	2018	2019	2018	2019	2018
Cash flows from operating activities:						
Cash received on grants and contracts	$ ---	$ ---	$ 34,135	$ 119,278	$ ---	$ ---
Cash received from customers	1,791,838	4,012,841	---	---	1,481,467	1,361,980
Cash paid to suppliers for goods and services	(748,876)	(594,913)	(119,716)	(5,117)	(10,642)	(110,467)
Cash paid to employees for services	(2,165,103)	(2,367,319)	(73,482)	(89,417)	---	---
Net cash (used in) provided by operating activities	(1,122,141)	1,050,609	(159,063)	24,744	1,470,825	1,251,513
Cash flows from investing activities:						
Interest and investment income	70,710	314,361	156,633	44,081	59,424	31,083
Rollover of interest into investment	(70,710)	(314,361)	(156,633)	(44,081)	---	(31,083)
(Purchases) proceeds from maturity of investment securities, net	405,066	(653,527)	42,517	---	---	31,083
Net cash provided by investing activities	405,066	(653,527)	42,517	---	59,424	31,083
Cash flows from capital and related financing activities:						
Purchase of capital assets	(1,444)	(8,948)	---	---	---	---
Cash used in capital and related financial activities	(1,444)	(8,948)	---	----	---	---
Cash flows from noncapital financing activities:						
Repayment of bond payable	---	---	---	---	(115,000)	(45,000)
Net interest received (paid) on deposit accounts and bonds payable	459	827	15,305	15,367	(1,319,212)	(1,320,395)
Net cash provided by (used in) noncapital financing activities	459	827	15,305	15,367	(1,434,212)	(1,365,395)
Net change in cash and cash equivalents	(718,060)	388,961	(101,241)	40,111	96,037	(82,799)
Cash and cash equivalents at beginning of year	920,960	531,999	9,939,816	9,899,705	3,520,524	3,603,323
Cash and cash equivalents at end of year	$ 202,900	$ 920,960	$ 9,838,575	$ 9,939,816	$ 3,616,561	$ 3,520,524
Reconciliation of cash and cash equivalents to the statements of net position:						
Current assets:						
Cash and cash equivalents	$ 202,900	$ 920,960	$ 8,231,295	$ 8,322,949	$ 127,014	$ 702,468
Cash and cash equivalents - restricted	---	---	1,607,280	1,616,867	3,489,547	2,818,056
	$ 202,900	$ 920,960	$ 9,838,575	$ 9,939,816	$ 3,616,561	$ 3,520,524
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	$ 79,703	$(665,252)	$(55,625)	$ 28,178	$ 1,414,514	$ 1,105,162
Other income, net	56,408	32,462	(165)	582	19,478	177,625
Adjustments to reconcile operating income (loss) to net cash (used in) provided by operating activities:						
Noncash pension cost(benefit)	515,697	(561,989)	---	---	---	---
Noncash other post employment (benefit) cost	(52,505)	341,733	---	---	---	---
Depreciation and amortization	35,383	40,160	---	---	---	---
Provision for bad debts	---	415,096	---	---	---	---
(Increase) decrease in assets:						
Due from trust funds administered by GEDA	(3,514)	4,045	---	---	---	---
Reimbursable expense	99,127	2,389	(99,127)	(2,389)	---	---
Other receivables	(1,132,889)	784,610	(900)	930	---	---
Prepaid expenses	(3,412)	2,899	---	---	---	---
Increase (decrease) in liabilities:						
Accounts payable	(12,175)	65,124	---	---	---	---
Due to trust funds administered by GEDA	---	---	---	---	---	---
Accured liabilities	(93,646)	(158,500)	(3,246)	(2,557)	36,833	(31,274)
Other liabilities	(137,991)	741,047	---	---	---	---
Deferred rental income	---	1,711	---	---	---	---
DCRS sick leave liabilitity	(23,364)	(84,386)	---	---	---	---
Net pension liability	(463,192)	431,193	---	---	---	---
Total collective other postemployment liability	14,229	(341,733)	---	---	---	---
Net cash provided by operating activities	$(1,122,141)	$ 1,050,609	$(159,063)	$ 24,744	$ 1,470,825	$ 1,251,513

Financial Statements and Independent Auditors' Report

Trust Funds Administered By The Guam Economic Development Authority

(A Component Unit of the Government of Guam)

Years ended September 30, 2019 and 2018
with Report of Independent Auditors



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Independent Auditors' Report

The Board of Directors
Guam Economic Development Authority:

Report on Financial Statements

We have audited the accompanying statements of fiduciary net position of the Guam Development Fund Act (GDFA) and the Agricultural Development Fund (ADF) as of September 30, 2019, and the related statements of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, which collectively comprise the GDFA and ADF basic financial statements as listed in the table of contents. GDFA and ADF are administered by the Guam Economic Development Authority (GEDA) which is a component unit of the Government of Guam.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Guam Development Fund Act and the Agricultural Development Fund as of September 30, 2019, and the changes in their financial position and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. Our opinion on the financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2020, on our consideration of GDFA and ADF's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the effectiveness of GDFA and ADF's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering GDFA and ADF's internal control over financial reporting and compliance.

Report of Other Auditors on September 30, 2018 Financial Statements

The financial statements of the GDFA and ADF for the year ended September 30, 2018 were audited by other auditors who expressed an unmodified opinion on those statements on March 28, 2019.

Ernst + Young LLP

May 15, 2020

Trust Funds Administered By The
Guam Economic Development Authority
(A Component Unit of the Government of Guam)

Statements of Fiduciary Net Position
September 30, 2019 and 2018

	Guam Development Fund Act		Agricultural Development Fund	
	2019	2018	2019	2018
Assets				
Cash on hand in bank	$ 36,807	$ 315,700	$ 28,878	$ 37,719
Investments	11,545,543	11,360,665	1,123,536	1,086,032
Notes and accrued interest receivable	831,846	872,997	12,231	16,389
Less allowance for doubtful receivables	(609,175)	(672,778)	(8,008)	(7,988)
Net noted and accured interest receivable	222,671	200,219	4,223	8,401
Due from other funds:				
Guam Development Fund Act	---	---	---	3,600
Other real estate:				
Leasehold interest, net	120,972	124,008	---	---
Capital assets, net	3,567	5,800	---	---
Other asset	18	18	---	---
Total assets	$ 11,929,578	$ 12,006,410	$ 1,156,637	$ 1,135,752
Liabilities and net position				
Liabilities:				
Accounts payable and accrued expenses	$ 48,825	$ 33,279	$ 386	$ 22
Due to other funds:				
Guam Economic Development Authority	24,400	20,418	870	1,338
Agricultural Development Program	---	3,600	---	---
Total liabilities	73,225	57,297	1,256	1,360
Net Position				
Net position held in trust	11,856,353	11,949,113	1,155,381	1,134,392
Total liabilities and net position	$ 11,929,578	$ 12,006,410	$ 1,156,637	$ 1,135,752

See accompanying notes to financial statements

Trust Funds Administered By The
Guam Economic Development Authority
(A Component Unit of the Government of Guam)

Statements of Changes in Fiduciary Net Position
Years ended September 30, 2019 and 2018

	Guam Development Fund Act		Agricultural Development Fund	
	2019	2018	2019	2018
Additions:				
Investment income, net	$ 367,651	$ 860,890	$ 35,970	$ 91,456
Interest from loans	9,139	5,502	212	143
Other income, net	24	---	490	(1,000)
Total additions	376,814	866,392	36,672	90,599
Dedeductions:				
Salaries and benefits	338,126	337,058	8,286	---
Bank charges	75,166	67,508	7,309	6,883
Provision for doubtful notes receivable	---	108,279	---	(5,128)
Rent	37,364	43,862	---	---
Legal and professional services	8,849	7,549	---	315
Depreciation	5,269	5,269	---	---
Miscellaneous	4,800	5,972	88	---
Travel	---	10,686	---	---
Total deductions	469,574	586,183	15,683	2,070
Net change in net position	(92,760)	280,209	20,989	88,529
Net position at beginning of year	11,949,113	11,668,904	1,134,392	1,045,863
Net position at end of year	$ 11,856,353	$ 11,949,113	$ 1,155,381	$ 1,134,392

See accompanying notes to financial statements

1. Purpose and Summary of Significant Accounting Policies

Purpose

The Guam Development Fund Act (GDFA) and the Agricultural Development Fund (ADF) are administered by the Guam Economic Development Authority (GEDA). GEDA utilizes the Funds to carry out its stated purpose of providing an integrated program for the economic development of Guam. The Funds are Fiduciary Fund Types and are component units of the Government of Guam. The specific purpose of each fund is as follows:

GDFA - GDFA was created to further the economic development of private business on Guam through loans and loan guarantees from a Revolving Loan Fund. The initial capital for this Fund was derived from a grant by the U.S. Government. Subsequent contributions have been made through appropriations by the Guam Legislature.

ADF - ADF was created to aid in the development or subsidization of poultry, pork and beef production, agricultural products, processing plants and equipment. This is done primarily through direct loans to individuals at a 4% interest rate. All contributions to this Fund have been appropriated by the Guam Legislature.

Additionally, GEDA administered the Microenterprise Development Program (MDP), the Guam Territorial Aquarium Foundation (GTAF), and the Music and Legends of Guam Fund (MLGF), the Housing and Urban Development Fund (HUD), Agricultural Expense Insurance Fund (AEIF), the Aquacultural Training Fund (ATF), Landowner's Recovery Fund (LRF), the Local Arts Revolving Fund (LARF), and the U.S. Base Realignment and Closure Committee (BRAC) which have no assets, liabilities or net position as of September 30, 2019 and 2018 and have no activities during the years then ended. Therefore, they are not presented in the accompanying financial statements.

As government entities created by public laws, the Funds are not subject to taxes.

Basis of Accounting

The Funds are accounted for as Fiduciary Fund Type – Private Purpose Trust Funds and are component units of the Government of Guam.

The Funds have adopted GASB Statement No. 34, “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments” (GASB 34) as amended by GASB Statement No.’s 37 and 38. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments.

All net position, pursuant to GASB 34, are held in trust for specified purposes.

1. Purpose and Summary of Significant Accounting Policies, continued

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

For the purpose of the statements of net position, cash includes cash on hand and in banks.

Notes and Accrued Interest Receivable

Notes receivable consist of loans made to Guam businesses and individuals. In accordance with Section 3 of the Guam Development Fund Act of 1968, the term of a loan shall not exceed twenty-five years. Additionally, loans bear interest above the U.S. Treasury rate. All loans are secured by collateral and long-term loans are secured by real property.

It is the policy of GDFA and ADF to cease accrual of interest on delinquent loans when, in the opinion of management, the past due condition is an indication of possible uncollectibility.

Allowance for Doubtful Receivables

The allowance for doubtful receivables, which includes uncollectible loan principal balances and applicable costs of collection, is maintained at a level adequate to absorb probable losses. GEDA determines the adequacy of the allowance based upon reviews of individual loans, recent loss experience, current economic conditions, the risk characteristics of the various categories of loans and other pertinent factors. Loans deemed uncollectible are charged to the allowance with the approval of the Board of Directors.

Expenses

Certain general and administrative expenses of the Funds administered by GEDA, other than legal expenses specifically related to the activities of a particular Fund, are borne by GEDA as part of its cost of administering the Funds. Additionally, GEDA allocates a percentage of payroll expense to the Funds based upon actual time personnel spend on the respective Fund. Additionally, GEDA allocates a percentage of rent expense to the Funds.

1. Purpose and Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance of this statement. The implementation of this statement did not have a material effect on the accompanying financial statements.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of this statement did not have a material effect on the accompanying financial statements.

Upcoming Accounting Pronouncements

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. GASB Statement No. 84 will be effective for fiscal year ending September 30, 2020.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. GASB Statement No. 87 will be effective for fiscal year ending September 30, 2021.

1. Purpose and Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB Statement No. 89 will be effective for fiscal year ending September 30, 2021.

In March 2018, GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. GASB Statement No. 90 will be effective for fiscal year ending September 30, 2020.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. GASB Statement No. 91 will be effective for fiscal year ending September 30, 2022.

1. Purpose and Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements. This Statement addresses a variety of topics and includes specific provisions about leases; reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan; applicability of Statement no. 73 and 84 for postemployment benefits, measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature and terminology used to refer to derivative instruments. GASB Statement No. 92 will be effective for fiscal year ending September 30, 2020.

In April 2020, GASB issued Statement No. 93 Replacement of Interbank Offered Rates. The primary objective of this statement is to address those and other accounting and financial reporting implications of the replacement of an IBOR. GASB Statement No. 93 will be effective for fiscal year ending September 30, 2021

Management is currently evaluating the effects the above upcoming accounting pronouncements might have on the financial statements.

2. Deposits and Investments

Investments are carried at market value. Cash and cash equivalents and investments at September 30, 2019 and 2018 consist the following:

	2019		2018	
	GDFA	ADF	GDFA	ADF
Cash on hand and deposits in banks	$ 36,807	$ 28,878	$ 315,700	$ 37,719
Total shares in mutual funds	---	---	2,598,147	236,302
Exchange-traded and closed-end funds	11,545,543	1,123,536	8,762,518	849,730
Investments	$11,545,543	$1,123,536	$11,360,665	$1,086,032

The deposits and investment policies of GEDA are governed by 5 GCA 21, Investments and Deposits and policies set by the Board of Directors. Legally authorized investments include securities issued or guaranteed by the U.S. Treasury or agencies of the United States government; demand and time deposits in or certificates of deposit of, or bankers' acceptances issued by, any eligible financial institution; corporate debt obligations, including commercial paper; certain money market funds; state and local government securities, including municipal bonds; and repurchase and investment agreements. With the exception of investments in U.S. government securities, which are explicitly guaranteed by the United States government, all other investments must be rated Aa1/P-1 by Moody's.

2. Deposits and Investments, continued

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, GEDA's deposits may not be returned. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. GEDA does not have a deposit policy for custodial credit risk.

At September 30, 2019 and 2018, the carrying amount of cash and cash equivalents were $65,685 and $353,419, respectively, and the corresponding bank balances were $65,285 and $353,019, respectively, which are maintained in financial institutions subject to insurance coverage by the Federal Deposit Insurance Corporation (FDIC). Cash balances of $19,565 and $130,328 are insured by the FDIC at September 30, 2019 and 2018, respectively. GEDA does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposit levels are exposed to custodial credit risk.

B. Investments

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. With the exception of investments in U.S. government securities, which are explicitly or implicitly guaranteed by the United States government, all other investments must be rated Aa1/P-1 by Moody's.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, GEDA will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. GEDA's investment in shares of mutual funds, exchange-traded and closed-end funds, municipal bonds and U.S. government securities at September 30, 2019 and 2018 is registered in GEDA's name and is held by three investment managers for GEDA.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. GEDA does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure by issuer and amount of investments in any one issuer that represents five percent (5%) or more of total investments for GEDA.

2. Deposits and Investments, continued

Brokered CDs are placed with FDIC insured banks, under applicable federal insurance deposit coverage, and all mature within one year.

Investments of GEDA and Trust Funds are maintained in pooled accounts. Related earnings and gains/losses are allocated based on percentage weight of total balances.

GEDA categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. GEDA has the following recurring fair value measurements as of September 30, 2019 and 2018:

		At September 30, 2019		
		Level 1	Level 2	Level 3
GDFA:				
Investments by fair value level:				
Exchange-traded & closed-end funds	$11,545,543	$11,545,543	$ ---	$ ---
ADF:				
Investments by fair value level:				
Exchange-traded & closed-end funds	$ 1,123,536	$ 1,123,536	$ ---	$ ---

		At September 30, 2018		
		Level 1	Level 2	Level 3
GDFA:				
Investments by fair value level:				
Exchange-traded & closed-end funds	$ 8,762,518	$ 8,762,518	$ ---	$ ---
Mutual funds	2,598,147	2,598,147	---	---
Total investments by fair value level	$11,360,665	$11,360,665	---	---
ADF:				
Investments by fair value level:				
Exchange-traded & closed-end funds	$ 849,730	$ 849,730	$ ---	$ ---
Mutual funds	236,302	236,302	---	---
Total investments by fair value level	$1,086,032	$1,086,032	---	---

Mutual funds and exchange-traded and closed-end funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

3. Other Real Estate

GDFA has acquired certain land and leasehold interest through loan foreclosure. Leasehold interests are reflected at cost of $167,000 (net of a valuation allowance of $333,171) as of September 30, 2019 and 2018, respectively, net of accumulated amortization of $46,028 and $42,992 at September 30, 2019 and 2018, respectively.

4. Contingencies

GEDA is involved in various litigation that is inherent in the operations of the Funds. Management is of the opinion that liabilities of a material nature will not be realized.

The Auditor's Communication With Those Charged With Governance

Guam Economic Development Authority

(A Component Unit of the Government of Guam)

Year ended September 30, 2019



Building a better working world

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Building a better working world

May 15, 2020

The Board of Directors
Guam Economic Development Authority:

We have performed an audit of the financial statements of Guam Economic Development Authority (GEDA), Guam Development Fund Act and Agricultural Development Fund (collectively, the "Funds") as of and for the year ended September 30, 2019, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and have issued our report thereon dated May 15, 2020.

This report summarizes our communications with those charged with governance as required by our professional standards to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process.

REQUIRED COMMUNICATIONS

Overview of the planned scope and timing of the audit

Our audit scope and timing is consistent with the plan communicated in our engagement letter dated December 3, 2019 and at our audit planning meeting with management.

Auditor's responsibility under professional standards, including discussion of the type of auditor's report we are issuing and if there are any events or conditions that cause us to conclude that there is substantial doubt about the entity's ability to continue as a going concern

The financial statements, required supplementary information and supplementary information are the responsibility of management as prepared with the oversight of those charged with governance. Our audit was designed in accordance with auditing standards generally accepted in the United States, as established by the American Institute of Certified Public Accountants, to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we will express no such opinion.

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An audit also includes the evaluation of the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the evaluation of the overall presentation of the financial statements.

Our responsibilities are included in our audit engagement letter.

The Adoption of, or a Change in Significant Accounting Policies

We determined that the Board is informed about the initial selection of, and any changes in significant accounting principles or their application when the accounting principle or its application, including alternative methods of applying the accounting principle, has a material effect on the financial statements.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance of this statement.

In April 2018, GASB issued Statement no. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

The implementation of these statements did not have a material effect on the accompanying financial statements.

Sensitive Accounting Estimates

A discussion of sensitive accounting estimates has been included in footnote 1 of the financial statements.

We determined that those charged with governance are informed about management's process for formulating particularly sensitive estimates and about the basis to our conclusions regarding the reasonableness of those estimates.

Management's judgment is called upon in:

- Determining the adequacy of the recorded allowance for doubtful accounts.
- Preparing budgets that are used to administer and monitor GEDA and the Funds' operations. These budgets include determining how existing financial resources will be used in GEDA and the Funds' operations.
- Determining useful lives in the calculation of depreciation expense.
- Determining the assumptions utilized in measuring pension and other employee-related reserves and related costs for financial accounting purposes.

Our views about the qualitative aspects of the entity's significant accounting practices

We are not aware of any significant accounting policies used by GEDA in controversial or emerging areas or for which there is a lack of authoritative guidance.

Our views about the qualitative aspects of the entity's significant accounting practices, continued

We are not aware of any significant unusual transactions recorded by GEDA.

A discussion of significant accounting policies has been included in footnote 1 of the financial statements.

Material corrected misstatements, related to accounts and disclosures

Refer to "Summary of Corrected Misstatements" in Appendix A.

Uncorrected misstatements, related to accounts and disclosures, considered by management to be immaterial

Refer to "Summary of Uncorrected Misstatements" in Appendix B.

Our responsibility, any procedures performed and the results relating to other information in documents containing audited financial statements

Our auditor's report on the financial statements relates only to the financial statements and the accompanying notes.

We have reviewed the Management Discussion and Analysis and found the information presented to be consistent with the information in the audited financial statements.

Fraud and illegal acts

We are not aware of any matters that require communication.

Independence matters

We are not aware of any matters that in our professional judgment would impair our independence.

Representations from management

We have obtained from management a representations letter related to the audit and a copy of the management representations letter is included in Appendix C.

Changes to the terms of the audit with no reasonable justification for the change

We are not aware of any matters that require communication.

Significant findings and issues arising during the audit relating to related parties

We are not aware of any matters that require communication.

Significant findings or issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management

We are not aware of any matters that require communication. We have issued a report on compliance and internal control outlining a control deficiency.

Significant difficulties encountered during the audit

There were no serious difficulties encountered in dealing with management in performing the audit.

Disagreements with management

There were no material disagreements with GEDA's management on financial accounting and reporting matters during the audit.

Management's consultations with other accountants

We are not aware of any consultations made by management with other accountants or specialists.

AICPA ethics ruling regarding third-party service providers

Our responsibilities are included in our audit engagement letter.

Other findings or issues regarding the oversight of the financial reporting process

There are no other findings or issues arising from the audit that are, in our judgment, significant and relevant to those charged with governance regarding the oversight of the financial reporting process.

****

This report is intended solely for the information and use of the Board of Directors and management. It is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Ernst & Young LLP

The Board of Directors
Guam Economic Development Authority

Appendix

A – Summary of Corrected Misstatements

B – Summary of Uncorrected Misstatements

C – Management Representations Letter

Communication schedule for corrected misstatements

Entity: Guam Economic Development Authority **Period ended:** 30-Sep-2019 **Currency:** USD

Corrected misstatements			Analysis of misstatements Debit/(Credit)							
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period	
		(misstatements are recorded as journal entries with a description)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable
RJE01	Q0120	To correct current portion of long-term debt								
		Bonds Payable				170,000				
		Current Portion of Long-Term Debt			(170,000)					
RJE02	N0110	To reclassifiy community contribution as other liabilities								
		Accounts payable			1,051,268					
		Other liabilities			(1,051,268)					
RJE03	E0300	To reclassify SSBCI restricted and unrestricted cash for FS presentation								
		Cash and cash equivalents - restricted	145,969							
		Cash and cash equivalents	(145,969)							
AJE01	P0600	To adjust the OPEB balances based on the audited actuarial reports of KMS for Plan year ended September 30, 2018								
		Deferred Outflow - OPEB		(237,055)						
		Deferred Inflow - OPEB		(1,349,085)						
		Total collective OPEB liability				1,624,416				
		Other Income (expense) - OPEB Expense							(38,276)	
AJE02	P0400	To record the adjustment to pension amounts based on the Septmeber 30, 2019 audited pension schedules								
		Deferred outflow - Pensions		42,664						
		Deferred inflow - pensions				83,118				
		Net pension liability				(178,287)				
		Personnel services: Pension Expense							52,505	
Total of corrected misstatements before income tax			0	(1,543,476)	(170,000)	1,699,247	0	0	14,229	
Financial statement amounts			22,058,447	1,386,213	(3,187,577)	(39,018,680)	18,761,597		94,980	
Effect of corrected misstatements on F/S amounts			0.0%	-111.3%	5.3%	-4.4%	0.0%		15.0%	

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1 August 2018

Communication schedule for corrected misstatements

Entity: Guam Economic Development Authority Period ended: 30-Sep-2019 Currency: USD

Corrected misstatements			Analysis of misstatements Debit/(Credit)							
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period	
		(misstatements are recorded as journal entries with a description)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable

I have reviewed, agreed and approved the foregoing proposed adjusting and reclassifying journal entries as listed above and have reflected those in the financial statements.

05/16/2020
Melanie Mendiola, Chief Executive Officer/Administrator

5/15/2020
Bernice Torres, Administrative Services Manager

Communication schedule for corrected misstatements

Entity: Guam Development Fund Act | Period ended: 30-Sep-2019 | Currency: USD

Corrected misstatements			Analysis of misstatements Debit/(Credit)							
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period	
		(misstatements are recorded as journal entries with a description)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable
GDFA AJE01	E0210	To correct booking of AR writeoff during the year.								
		Allowance for Doubtful Accounts	63,653							
		Provision for doubtful notes receivable							(63,653)	
Total of corrected misstatements before income tax			63,653	0	0	0	0	0	(63,653)	
Financial statement amounts			11,929,578	0	(73,225)	0	(11,856,353)		92,760	
Effect of corrected misstatements on F/S amounts			0.5%	0.0%	0.0%	0.0%	0.0%		-68.6%	

I have reviewed, agreed and approved the foregoing proposed adjusting journal entry as listed above and have reflected in the financial statements.

5/15/2020

Melanie Mendiola, Chief Executive Officer/Administrator

5/15/2020

Bernice Torres, Administrative Services Manager

Communication schedule for uncorrected misstatements

Entity: Guam Economic Development Authority | Period Ended: 30-Sep-2019 | Currency: USD

Uncorrected misstatements			Analysis of misstatements Debit/(Credit)								Income statement effect of the prior period	
No.	W/P ref.	Account (Note 1)	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period			
		(misstatements are recorded as journal entries with a description)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable	Prior period Debit/(Credit)	Non taxable
Factual misstatements:												
SAD01	UA0130	To book unrecorded OC contribution revenue										
		Other receivable	68,625									
		OC Application/Surv /Other Fee							(68,625)			
Projected misstatements:												
		None identified										
Judgmental misstatements:												
		None identified										
Total of uncorrected misstatements before income tax			68,625	0	0	0	0	0	(68,625)		0	
Total of uncorrected misstatements			68,625	0	0	0	0	0	(68,625)		0	
Financial statement amounts			22,058,447	1,386,213	(3,187,577)	(39,018,680)	18,761,597		94,980			
Effect of uncorrected misstatements on F/S amounts			0.3%	0.0%	0.0%	0.0%	0.0%		-72.3%		0.0%	
		Memo: Total of non-taxable items (marked 'X' above)							0		0	
		Uncorrected misstatements before income tax						-72.3%	(68,625)		0	
		Less: Tax effect of misstatements at current year marginal rate						0%	0		0	
		Uncorrected misstatements in income tax							0		0	
		Cumulative effect of uncorrected misstatements after tax but before turnaround						-72.3%	(68,625)		0	

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Appendix B – Summary of Uncorrected Misstatements, continued

Communication schedule for uncorrected misstatements

Entity: Guam Economic Development Authority | Period Ended: 30-Sep-2019 | Currency: USD

Uncorrected misstatements			Analysis of misstatements Debit/(Credit)										Income statement effect of the prior period	
No.	WP ref.	Account (Note 1)	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period		Prior period Debit/(Credit)	Non taxable
		(misstatements are recorded as journal entries with a description)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable		
		Turnaround effect of prior period uncorrected misstatements							After tax	Memo: Before tax		
		All factual and projected misstatements:							0	0		
		Judgmental misstatements (Note 3):							0	0		
		Cumulative effect of uncorrected misstatements, after turnaround effect							#VALUE!	#VALUE!		
		Current year income before tax							94,960			
		Current year income after tax							94,960			

I believe that the effect of the above uncorrected misstatements, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

5/19/2020

Melanie Mendiola, Chief Executive Officer/Administrator

5/19/2020

Bernice Torres, Administrative Services Manager

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1 August 2018

Appendix C – Management Representations Letter

LOURDES A. LEON GUERRERO
Governor of Guam
I Maga'Haga Guahan

JOSHUA F. TENORIO
Lt. Governor of Guam
I Segundo Na Maga'Lahen Guahan

GUAM ECONOMIC DEVELOPMENT AUTHORITY
America in Asia
Aturidåd Inadilånton Ihunumihan Guahan

MELANIE MENDIOLA
Chief Executive Officer/Administrator
Ge'helo' Ekseketibu Ofisiåt

ARTEMIO "RICKY" HERNANDEZ, Ph.D.
Deputy Administrator
Sigundo Ge'helo'

May 15, 2020

Ernst & Young LLP
231 Ypao Road
Suite 201
Tamuning, Guam 96913

In connection with your audit of the basic financial statements of Guam Economic Development Authority (the Authority or GEDA) as of September 30, 2019 and for the period then ended, and the basic financial statements of Guam Development Fund Act (GDFA) and the Agricultural Development Fund (ADF) (together, the Funds) as of September 30, 2019 and for the period then ended, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Authority and the Funds in conformity with US generally accepted accounting principles (US GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief.

Management's responsibilities

We have fulfilled our responsibilities, as set forth in the terms of the audit engagement agreement dated December 3, 2019 for the preparation and fair presentation of the financial statements (including disclosures) in conformity with (US GAAP) applied on a basis consistent with that of the preceding periods.

We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. We have provided you with:

- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, data, documentation and other matters
- Additional information that you have requested from us for the purpose of the audit

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- Unrestricted access to persons within the Authority from whom you determined it necessary to obtain evidence

We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

Uncorrected misstatements

We believe that the effects of any uncorrected misstatements, summarized in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements for each opinion unit.

Internal control

There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

There have been no significant changes in internal control since September 30, 2019.

Minutes and contracts

The dates of meetings of the Board of Directors and important management committees from October 1, 2019 to May 15, 2020 are as follows:

October 18, 2018	March 21, 2019	August 22, 2019	January 1, 2020
November 15, 2018	April 16, 2019	September 19, 2019	February 20, 2020
December 19, 2018	June 5, 2019	October 17, 2019	April 13, 2020
January 10, 2019	July 8, 2019	December 31, 2019	May 1, 2020

We have made available to you all minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.

We also have made available to you all significant contracts, including amendments, and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.

Significant assumptions

Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and supportable.

We confirm that no adjustments are required to the accounting estimate and disclosures in the financial statements due to the COVID-19 pandemic.

Ownership and pledging of assets

There are no assets capitalized under capital leases. The Authority has satisfactory title to all assets appearing in the statements of net position. No security agreements have been executed under the provisions of the Uniform Commercial Code, and there are no liens or encumbrances on assets, nor has any asset been pledged, except as disclosed in the financial statements. All assets to which the Authority has satisfactory title appear in the statements of net position.

Receivables and revenues

Receivables recorded in the financial statements of the Authority represent valid claims against the debtors indicated and do not include amounts for services provided subsequent to the statement of net position date, or other types of arrangements not constituting revenue. Receivables have been determined in accordance with all relevant GASB Statements, including GASB Statements No. 33 and 62—as amended.

Adequate provision has been made for losses, costs and expenses that may be incurred subsequent to the statement of net position date in respect of services rendered prior to that date and for uncollectible accounts that may be incurred in the collection of receivables at that date.

We have disclosed to you all revenue terms (both expressed and implied). We have made available to you all significant contracts, communications (either written or oral), and other relevant information pertaining to arrangements with our customers.

Loans are correctly described in the Funds' financial statements, in all material respects, and represent valid claims against the debtors indicated arising on or before the dates indicated in the financial statements. Our disclosures related to the credit quality of financing receivables and the allowance for credit losses are complete and adequate.

Appropriate provision has been made for credit losses inherent in the Funds' loan portfolio that has been incurred as of the statement of net position dates. Significant assumptions used by us in estimating the allowance for credit losses are reasonable and supportable.

The Funds have no loans in the financial statements that should be classified as held for sale. The Authority has the positive intent and ability to hold for the foreseeable future or until maturity or payoff all loans that are classified as held for investment.

Fair value measurements

We are responsible for the estimation methods and assumptions used in measuring assets and liabilities reported or disclosed at fair value, including information obtained from brokers, pricing services or other third parties. Our valuation techniques have been consistently applied from period to period. The fair value measurements reported or disclosed represent our best estimate of fair value as of the measurement date in accordance with the requirements of GASB Statement No. 72-as amended. In addition, our disclosures related to fair value measurements are consistent with the objectives outlined in GASB Statement No. 72-as amended.

Appendix C – Management Representations Letter, continued

Related party relationships and transactions

We have made available to you the names of all related parties and all relationships and transactions with related parties.

The substance of transactions with related parties as defined in GASB Statement No. 56 – as amended, has been considered and appropriate adjustments or disclosures are made in the basic financial statements, and information concerning these transactions and amounts have been made available to you.

Side agreements and other arrangements

There have been no side agreements or other arrangements (either written or oral) that have not been disclosed to you.

Arrangements with financial institutions

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements have been properly recorded or disclosed in the financial statements.

Events of default under debt agreements

No events of default have occurred with respect to any of the Authority's debt agreements.

Contingent liabilities

There are no unasserted claims or assessments, including those our lawyers have advised us of that are probable of assertion and must be disclosed in accordance with GASB Statement No. 62-as amended.

There have been no violations or possible violations of laws or regulations in any jurisdiction whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency

There have been no internal investigations or communications from regulatory agencies or government representatives concerning investigations or allegations of noncompliance with laws or regulations in any jurisdiction, noncompliance with or deficiencies in financial reporting practices, or other matters that could have a material effect on the financial statements.

There are no other liabilities or gain or loss contingencies considered material, individually or in the aggregate, that are required to be accrued or disclosed GASB Statement No. 62-as amended, nor are there any accruals for loss contingencies included in the statements of net position or gain contingencies reflected in earnings that are not in conformity with the provisions of GASB Statement No. 62-as amended.

Oral or written guarantees

There are no oral or written guarantees, including guarantees of the debt of others.

Purchase commitments

At September 30, 2019, the Authority had no purchase commitments for inventories in excess of normal requirements or at prices that were in excess of market at those dates.

There were no agreements or commitments to repurchase assets previously sold. There were no material commitments outstanding at September 30, 2019 as a result of being a party to futures or forwards contracts, short sales or hedge transactions.

Fraud

We acknowledge our responsibility for the design, implementation and maintenance of programs and internal control to prevent and detect fraud.

We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Authority's internal control over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees where the fraud could have a material effect on the financial statements.

We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud. We have disclosed that there are no allegations of financial improprieties, including fraud or suspected fraud, coming to our attention (regardless of the source or form and including, without limitation, allegations by "whistle-blowers") where such allegations could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Authority.

Independence

We are not aware of any capital lease, material cooperative arrangement or other business relationship between the Authority and Ernst & Young LLP or any other member firm of the global Ernst & Young organization.

We are not aware of any reason that Ernst & Young LLP would not be considered to be independent for purposes of the Authority's audit.

Conflicts of interest

There are no instances where any officer or employee of the Authority has an interest in a company with which the Authority does business that would be considered a "conflict of interest."- Such an interest would be contrary to Authority policy.

Effects of new accounting principles

As discussed in Note I to the financial statements, we have not completed the process of evaluating the effects that will result from adopting the amendments to the following codifications provided in Governmental Accounting Standards Board (GASB):

- GASB Statement No. 84
- GASB Statement No. 87
- GASB Statement No. 89
- GASB Statement No. 90
- GASB Statement No. 91
- GASB Statement No. 92
- GASB Statement No. 93

The Authority is therefore unable to disclose the effects that adopting the amendments in the aforementioned GASB Statements will have on its financial position and the changes in its financial position when such statements are adopted.

Required supplementary information

We acknowledge our responsibility for the required supplementary information on the Management's Discussion and Analysis on pages 4 through 22 as well as the Schedules of Proportional Share of the Net Pension Liability on pages 62, 64, and 66, the Schedule of Contributions on pages 63, 65, 67 and 69 and the Schedule of Proportional Share of the Collective Total Other Postemployment Benefit Liability on page 68 which have been measured and presented in conformity with the guidelines established by the GASB in its applicable GASB Statement. There have been no changes in the methods of measurement or presentation of the required supplementary information from those used in the prior period. We are responsible for the significant assumptions and interpretations underlying the measurement and presentation of the required supplementary information. We believe that the significant assumptions and interpretations used are reasonable.

Other supplementary information

We are responsible for the preparation and fair presentation of the following schedules (the "Other Supplementary Information"):

- Supplemental Schedule of Salaries and Wages
- Supplemental Comparative Divisional Schedules of Net Position
- Supplemental Comparative Divisional Schedules of Revenue, Expenses and Changes in Net Position
- Supplemental Comparative Divisional Schedules of Cash Flows

We believe the supplementary information, including its form and content, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Appendix C – Management Representations Letter, continued

There have been no changes in the methods of measurement or presentation of the supplementary information from those used in the prior period.

There are no significant assumptions or interpretations underlying the measurement or presentation of the information.

Going concern

The Authority's ability to continue as a going concern was evaluated and appropriate disclosures are made in the financial statements as necessary under GASB requirements.

Pension benefits

We have disclosed to you all significant pension benefits promised and have made available to you all significant summary plan descriptions, benefit communications and all other relevant information, including plan changes, that constitute the plan.

Other representations

We have identified and disclosed to you all provisions of laws, and regulations that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.

We have followed all applicable laws and regulations in adopting, approving and amending budgets, tax or debt limits and covenants and secondary market disclosures, deposits and investments, including collateral requirements on depository accounts and investments.

Components of net position (net investment in capital assets: restricted; and unrestricted), and classifications of fund balance (nonspendable fund balance, and restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.

Expenses have been appropriately classified in or allocated to functions and programs in the statements of activities, and allocations have been made on a reasonable basis.

Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments or contributions to permanent fund principal.

Provisions for uncollectible receivables have been properly identified and recorded.

Interfund, internal and intra-entity activity and balances have been appropriately classified and reported.

Special and extraordinary items are appropriately classified and reported.

Risk disclosures associated with deposits and investment securities and derivatives transactions are presented in accordance with GASB requirements.

Investments, derivative transactions, and land and other real estate held by endowments are properly valued.

Capital assets, including infrastructure and intangible assets, are properly capitalized, reported and, if applicable, depreciated.

Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available is appropriately disclosed and net position was properly recognized under the policy.

Subsequent events have been evaluated and classified as recognized or nonrecognized through the date of this letter.

We have disclosed the names of all governments with which we have a tax abatement agreement, the total gross amount of taxes abated during the period, the specific taxes that were abated, and whether any commitments other than to reduce taxes were made as part of any tax abatement agreement as required by GASB Statement No. 77.

We have disclosed tax abatements entered into by other governments that affect our revenues, including the names of the governments that entered into the agreements, the specified taxes being abated and the gross dollar amount of taxes abated during the period, as required by GASB Statement No. 77.

We have no intention of terminating our participation in the Government of Guam Retirement plans or taking any other action that could result in an effective termination or reportable event for any of the plans. We are not aware of any occurrences that could result in the termination of any of our pension plans to which we contribute.

The Authority has obligated, expended, received and used public funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by the Guam or federal law. Such obligation, expenditure, receipt or use of public funds was in accordance with any limitations, conditions or mandatory directions imposed by Guam or federal law.

Money or similar assets handled by the Authority on behalf of the Government of Guam or Federal Government have been properly and legally administered and the accounting and recordkeeping related thereto is proper, accurate and in accordance with law.

In 1991, Public Law 21-59 was enacted to establish a bonus system for employees of the Government of Guam, autonomous agencies, public corporations and other public instrumentalities of the Government of Guam who earn a superior performance grade. The bonus is calculated at 3.5% of the employee's base salary beginning 1991. The Authority has determined that is not subject to the law as its employees are not classified and as such, has not paid or recorded any merit bonus through the date of this letter.

We have determined that recording of Tobacco Settlement Revenue receipts on a cash basis is appropriate as the annual payments are contingent on various factors and difficult to predict. Additionally, we do not believe that the net difference of recording of the receipts on a cash basis and accrual basis is significant to the Authority's financial statements.

Subsequent events

Subsequent to September 30, 2019, no events or transactions, including events related to the COVID-19 pandemic, have occurred or are pending that would have a material effect on the basic financial statements at that date or for the period then ended, or that are of such significance in relation to the Authority and the Funds' affairs to require mention in a note to the basic financial statements in order to make them not misleading regarding the financial position, changes in financial position and cash flows of the Authority and the Funds.

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We understand that your audit was conducted in accordance with auditing standards generally accepted in the United States as established by the American Institute of Certified Public Accountants and the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and were, therefore, designed primarily for the purpose of expressing an opinion on the financial statements of the Authority and the Funds as a whole, and that your tests of the accounting records and other auditing procedures were limited to those that you considered necessary for that purpose.

Very truly yours,

5/15/2020
Melanie Mendiola
Chief Executive Officer/Administrator

Artemio Hernandez
Deputy Administrator

5/15/2020
Bernice Torres
Administrative Services Manager

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