GUAM ECONOMIC DEVELOPMENT AUTHORITY
(A Component Unit of the Government of Guam)

FINANCIAL STATEMENTS, ADDITIONAL INFORMATION AND INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2018 AND 2017
(AS RESTATED)

GUAM ECONOMIC DEVELOPMENT AUTHORITY
(A Component Unit of the Government of Guam)

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Years Ended September 30, 2018 and 2017

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Independent Auditors' Report

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 statements of net position as of September 30, 2018 and 2017, and the related statements of revenues, expenses, and changes in net position and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 audits to obtain reasonable assurance about whether the financial statements are free from 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.

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

Deloitte.

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, 2018 and 2017, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

Implementation of New Accounting Standards

As discussed in Note 1 to the financial statements, in 2018, GEDA adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result of adopting this standard, GEDA has elected to restate its 2017 financial statements to reflect the adoption of this standard. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 18 as well as the Schedules of Proportional Share of the Net Pension Liability on pages 54 through 56, the Schedule of Pension Contributions on page 57, the Schedule of Changes in Total OPEB Liability and Related Ratios on page 58, the Schedule of the Proportionate Share of the Total OPEB Liability on page 59, and the Schedule of OPEB Employer Contributions on page 60 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by GASB who considers it to be an essential part of financial reporting for placing the 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 of America, 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 financial statements, and other knowledge we obtained during our audit of the 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.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise GEDA's financial statements. The supplemental divisional information on pages 19 through 21, the supplemental schedule of salaries and wages on page 61 and the supplemental comparative divisional schedules on pages 62 through 64 are presented for purposes of additional analysis and are not a required part of the 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. 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 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 March 28, 2019 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.

Deloitte & Touche LLP

March 28, 2019

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.

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.

BUSINESS DEVELOPMENT DIVISION (BDD)

Economic Development Trade Missions

BDD assisted in the promotion of the Administration's Economic Development Initiatives by coordinating and leading Investment Trade Missions to Philippines and Taiwan during the summer of 2018.

The Philippines Trade Mission included meetings with various Philippine businesses that have substantial business interests and properties in Guam, namely the LT Group and SM Prime Holdings, Inc. The meetings were arranged to discuss and encourage further investments in Guam related to hotel development and tourism entertainment, as well as establish stronger relationships between these companies, the Guam Visitor Bureau (GVB) and GEDA. GEDA also discussed with them the Hagatna Master Plan. An invitation was extended to the leaders of these companies to visit Guam, and the delegation received assurances that trips to Guam will be planned in the near future.

The Guam delegation also met with management official of Philippines Airlines (PAL) to discuss adding additional flights between Philippines and Guam. PAL informed the delegation that they will be adding another flight to service Guam sometime in 2018 and will look into service between Guam and Japan. They recently received new planes for both domestic and international flights.

The trade mission also included GEDA's support of GVB's 2018 InstaGUAM Fair. GVB held its first tourist promotional fair in the Philippines to promote Guam as a world-class tourist destination. The fair was held in Manila at the Bonifacio Global City High Street from June 1 – 3, 2018. GVB was the organizer of the event and GEDA was the main presenter.

The event was held at Bonifacio Global City as it was identified to be a location with highly urbanized district populated by individuals with large disposable income. This is reflected by the high-end offices, branded shops and boutiques, and fancy restaurants that form at the core of the city center.

GEDA promoted products from its Guam Product Seal (GPS) program to visiting guests. Chamorro Chip Cookies, Tita's Guyuria, Latte Stone cookies, Chamorro Gourmet Pika Jelly and various flavors of Griffith Pacific Hafa Adai Honey were made available for visitors to sample. Additionally, to ensure brand recognition of our GPS logo, GEDA printed and distributed over a thousand of GPS flyers.

The Taiwan Trade Mission was led by Governor Edward Baza Calvo and then GEDA Administrator, Jay Rojas. The delegation's mission was to continue building trade relations with Taiwan businesses that could assist in the development of new industries or strengthen existing industries in Guam. During the course of the trade mission, Governor Calvo and the Guam Delegation met with a cross section of civic and business leaders who discussed a myriad of topics including medical tourism, agriculture, horticulture, aquaculture, as well as expanding and strengthening social and economic interest between Guam and Taiwan.

Meetings took place with government officials, including President Tsai Ing-Wen, President of Taiwan, Republic of China, Taipei City's Mayor Ko Wen-Je, Ministry of Foreign Affairs' Minister Janushief Joseph Wu and Taoyuan City's Mayor Cheng Wen-Tsan. Several business meetings also took place, including meetings with China Airlines, Yeshealth iFarm, King Car Biotechnology Corporation, the Agriculture & Fisheries Federation of Taiwan, China Medical University Hospital and Lihpao Investments.

Guam's first ever sister-city relationship resolution was signed 45 years ago with the city of Taipei, Republic of China. Governor Calvo and Taipei City officials commemorated the 45th year by signing a new Letter of Agreement for friendly exchanges of Economy, Tourism and Culture.

Qualifying Certificates (QC) Program

The Legislature recognizes that the QC program of GEDA was conceived as an economic incentive tool to entice investors into Guam. In use for over five (5) decades, it has had substantial positive impact upon the economic development of the territory, mainly in the tourist industry.

In order to help develop industries in Guam, GEDA has been tasked with managing the QC Tax Program. Although the QC program has significant benefits to attract new investment, GEDA must continue to improve the program and make it more relevant to new investors. The first step to improve the QC program was the passage of P.L. 32-233 establishing 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, Governor Calvo issued several executive orders (EO 2018-2, 2018-06, 2018-08) initiating and extending a moratorium on the renewal of QCs. EO 2018-8 indefinitely suspended all renewals until a new EO is issued or legislation is passed revoking the moratorium. In addition, the 34th Guam Legislature added language in the FY 2019 Government of Guam Budget extending the moratorium on all QC renewals until September 30, 2019. Additionally, the legislature included a provision that requires their approval prior to new QCs being submitted to the governor for final approval.

GPS Program

Executive Order 2012-11 transferred the administration and compliance of the 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 2018, GEDA issued sixty-two (62) 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 2018, two such events were held. The first event, "Made in Guam Spring Fair", was held at the Tumon Sands Plaza on May 4, 2018 and the second event, "Made in Guam Holiday Fair", was held on December 15, 2018 at the Agana Shopping Center. The Spring Fair was targeted towards the tourist market with hundreds of visitors exposed to Guam made products. The Holiday Fair had equal success. Thousands of customers visited the shopping center during the day, with hundreds visiting the fair located in the center court.

In addition to the fairs held in Guam and as previously mentioned, GEDA also participated in the 2018 InstaGuam Fair, hosted by GVB, which took place in Manila, Philippines in June 2018. Various Guam products were introduced and sampled by the attendees at the fair.

Film Industry – Guam Film Office
Through the enactment of P.L. 31-159, GEDA has been mandated to develop and organize Guam's Film Industry overseeing all film, video and photographic projects and activities on Guam. BDD has researched other jurisdictions and reached out to the local film industry to develop a draft of rules and regulations as an initial step towards creating the Guam Film Office. Once the new administration is in place, GEDA will identify and assemble members of the local film community to review and finalize the rules & regulations. GEDA is targeting 2019 as the year to officially open the Guam Film Office as one of its functions.

SPECIAL PROJECTS

Community Outreach and Marketing Program
BDD has participated and continues to participate in numerous business associations and activities as part of its marketing and education outreach programs such as the Guam Chamber of Commerce, Guam Association of Realtors, and Health Insurance forums to name a few. BDD has also been more involved with the Guam Chamber of Commerce and other business chambers and associations in 2018, and looks to continue this increased participation throughout 2019.

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 trade show within the Asia region. The grant is for two (2) years beginning October 1, 2018.

PUBLIC FINANCE DIVISION

$107.7 Million Guam Waterworks Authority (GWA) Bond Refunding (December 2017)
Given the improvement in interest rates, GWA was able to refinance certain maturities of its outstanding Series 2010 revenue bonds to achieve annual gross debt service savings.

On November 15, 2017, GEDA, GWA, and the Fiscal Team successfully sold $107,660,000 GWA Water and Wastewater System Revenue Refunding Bonds, Series 2017. The bonds were sold at a record low All-in True Interest Cost of 4.06%, saving GWA approximately $10.4 million equating to 9.56% savings. The bonds were closed on December 20, 2017.

$148.7 Million Guam Power Authority (GPA) Bond Refunding (December 2017)
The Tax Cuts and Jobs Act (TCJA) of 2017, signed into law by President Trump on December 22, 2017, proposed significant changes to tax rules that would, among other things, prohibit the execution of a tax-exempt advance refunding after December 31, 2017. Based on notice given in November, GPA had a very limited window of time (until December 31, 2017) to execute an advance refunding of its 2010A bonds for ratepayer savings.

The authorization to refinance the 2010A GPA Bonds was given by the Legislature on December 4, 2017. Under pressure to complete before the end of calendar year 2017, the closing of the $148,670,000 GPA Revenue Refunding Bonds, 2017 Series A took place on Thursday, December 21, 2017. The bonds were sold at a record low All-in True Interest Cost of 4.12% and total net cash flow savings of $11.5 million equating to a 5.17% savings.

$72.6 Million New Money Financing for the Port Authority of Guam (PAG) (July 2018)
P.L. 34-70 authorized a $72.6 Million financing for PAG to cover critical repairs to Port facilities as well as to refinance two (2) outstanding loans.

PAG and GEDA successfully sold a total of $71.445 million of PAG Revenue Bonds, realizing a savings of over $20 million from the initial estimated projections. With a total of fifty-four (54) investors participating, GEDA and PAG were able to significantly reduce the bond yields during the pricing process to an All-in True Interest Cost of 4.47%. PAG achieved the lowest tax-exempt 30-year spread to the benchmark (MMD) of any uninsured Guam financing (79 bps). Despite nearly 60% of the PAG's financing requiring the use of more expensive Alternative Minimum Tax and taxable bonds, it still achieved one of the lowest True Interest Cost for a Guam agency. The Bond closed on July 11, 2018 on Guam.

Rating Agency Activity
GEDA assists with and 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 agencies' performances. Over the past year, the following agencies were evaluated, and all ratings were either affirmed or upgraded. Below are the details.

- Guam International Airport Authority (GIAA) Revenue Bonds: Moody's has reaffirmed its Baa2 rating with a Stable outlook (3/14/18); Standard & Poor Global Ratings (S&P) affirms its BBB+ with a Stable outlook (9/27/18).
- GWA Revenue Bonds: S&P affirms its A- with a Stable outlook (11/6/17); Fitch reaffirmed the rating at BBB- with a Stable outlook (11/3/17); Moody's affirms its Baa2 with a Stable outlook (11/2/17).
- GPA Bonds: S&P affirms its BBB with a Stable outlook (12/11/17); Fitch reaffirmed the rating at BBB- with a Stable outlook (12/11/17); Moody's affirms its Baa2 with a Stable outlook (12/11/17).

TCJA of 2017 Impact on Government of Guam Rating (March 2018)
S&P: On March 5, 2018, S&P placed the Government of Guam's (GovGuam) General Obligation and lease bond rating on "Credit Watch" with negative implications. The action was tied to the immediate fiscal challenges facing Guam as a result of the enactment of the TCJA which was projected to reduce Guam's income tax collections by $67 million in the current fiscal year.

GovGuam and GEDA officials met with S&P at the end of May, reviewed the FY2017 GovGuam audit, and shared with the analysts a clear path of how GovGuam plans to address the TCJA impact. After extensive review, S&P removed the "Credit Watch" on the long-term rating on GovGuam's General Obligation Bonds and its "B+" Long-term rating on GovGuam's Certificates of Participation (September 6, 2018) and placed the bonds back on a Stable Outlook.

Moody's Investors Service (Moody's): On March 13, 2018, Moody's also changed their outlook on GovGuam's Issuer Rating from stable to negative, citing "the significant budget gap and liquidity pressures" resulting from the enactment of TCJA. At the same time, Moody's also changed their outlook on GWA, GPA and GIAA from stable to negative, citing that "further deterioration on the part of government could pressure the authority's finances."

It was not until January 11, 2019 that Moody's changed the outlook to "Stable," reflecting the steps taken by the Government to stabilize its finances by cutting operational costs by approximately $63 million and increasing tax collections during FY 2018. Moody's further recognized the stabilization of the Government's budget for FY 2019 by addressing the anticipated lost revenue "with a permanent extension of the increase in the business privilege tax and a continuation of most of the previously enacted spending cuts."

The rating outlook was also changed to "Stable" for GPA, GWA, GIAA and PAG bonds, all whose outlook was changed to "Negative" when the Government's General Fund was dealing with the potential revenue shortfall due to the TCJA.

Bond Disclosure Services (FY 2018)
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:

- 2007 GEDA Tobacco Settlement Asset-Backed Bonds
- 2009 General Obligation Bonds
- 2010 Certificate of Participation's (John F. Kennedy project)
- 2011 Government of Guam Hotel Occupancy Tax Revenue Bonds
- 2011, 2012, 2013, 2015 Government of Guam Business Privilege Tax
- 2015 Industrial Development Authority (Guam Facilities Foundation, Inc. Tiyan Project) COP's
- 2016 Limited Obligation (Section 30) Bonds
- 2016 Guam Department of Education (GDOE) Guam Education Facilities Foundation (GEFF) COP's

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 2018 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

Industrial Parks

GEDA manages three industrial parks: the E.T. Calvo Memorial Park, the Harmon Industrial Park and a small portion of PAG's 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 Business Privilege Taxes. 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 purchased certain improvements which are situated within the E.T. Calvo Industrial Memorial Park at a combined cost of $500,000. As a result of this purchase, GEDA sees annual lease rents collected at approximately $110,000, well above the previous lease arrangements whereby the Authority collected only $68,000 per annum from these two leases.

Guam Ancestral Land Commission (GALC) Properties

GEDA engaged in a management Memorandum of Understanding (MOU) with GALC to manage leases on the Spanish Crown properties. For the period October 2007 to September 2018, GEDA collected over $5.6 million in ground lease rents and participation rents of which over $4.7 million was remitted to GALC while the difference was retained by GEDA as provided for in the MOU.

Chamorro Land Trust Commission (CLTC) Properties

The Authority also executed an MOU with CLTC which was approved by the Governor on August 20, 2018 for general consultancy and property management services for commercial land leases. This 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.

Department of Integrated Services for Individuals with Disabilities (DISID) Properties

In January 2017, the Governor signed P.L. 33-227 authorizing GEDA to solicit proposals to lease and develop approximately six (6) acres of land across JFK High School and adjacent to KMart. Leveraging the proceeds generated from this future development will fund a new facility and home for DISID, provide an additional resource to augment their current programs as well as provide GEDA with a new revenue source in terms of property management fees.

Management of Hotel Occupancy Tax (HOT) Bond Projects

P.L. 30-228 which authorized the use of over $55 million of the proceeds from the 2011 Hotel Occupancy Tax Bond requires the construction of various capital improvement projects throughout the island. GEDA, through a Memorandum of Agreement (MOA) with the Office of the Governor of Guam (OOGG), has established a Program Management Office (PMO) to oversee, coordinate and manage capital improvement projects and other programs assigned to the PMO by the OOGG. The establishment of the PMO at GEDA carries out the OOGG's objective of managing programs and projects to ensure that public resources are utilized in an efficient, expeditious and effective manner, to allow for the implementation of as many projects and programs as possible and to allow local businesses, residents and visitors to enjoy the economic and social benefits of these projects and programs.

As of the end of calendar year 2018, GEDA has completed nearly all of the projects listed to include the restoration of the Plaza De Espana and the Inarajan Community Center, construction of the Farmers' and Dededo Flea Market Facility, restoration of numerous public parks, scenic and informational signs, new village monuments around the island, renovation of the Mangilao Public Market, renovation of the Hagatna Swimming Pool and Tennis facility, new Pedestrian Safety features in Hagatna, lighting improvements at Ypao Park, restoration of the Malesso Bell Tower and Magellan Monument and over 99% of the Guam Museum. The other remaining projects anticipated for completion before the conclusion of 2019 include new Pedestrian Safety features in Tumon, completion of the Hagatna Master Plan, mitigation of flooding in Tumon and completion of improvements to the Fisherman's Cooperative facility along with reinforcement of the seawall at Paseo.

Boat Ramp Feasibility Study and Design
In March of 2016, the United States Department of Interior awarded a grant in the amount of $260,000 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, GEDA issued a Request for Proposal (RFP16-005) soliciting proposals from qualified individuals or firms to provide professional technical services to assist in implementation of projects in a fashion that meets various objectives and expand and improve 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 the selected firm 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 Talafofo Bay was completed. This 30% design will be forwarded for further regulatory review in order to finalize a 100% design for construction. Concurrently, GEDA is collaborating with public safety agencies to seek funding for construction.

COMMERCE AND ECONOMIC DEVELOPMENT (CED) DIVISION

CED Division was created to enhance GEDA's ability to conduct general economic research and financial analysis. The primary mission of this division is to respond to public inquiry concerning economic development initiatives for the territory of Guam, provide data collection for policy assessment, compile and disseminate investment related statistics and various metrics to gauge regional and local industry development, technical assistance and collateral research support as requested by government agencies and business entities. This encompasses a number of functions and activities initiated or supported by the division to include:

- Revenue forecasting using the Prevailing Economic Variables (PEV) model;
- Data repository and mining activities;
- Comprehensive economic development planning, including a review of existing Government of Guam master plans.
- Industry-specific research to improve the QC program as per P.L. 32-233;
- Economic analysis on large-scale projects (i.e. land use, asset location, hotel industry expansion, CLTC commercial lease program and alternative means of transportation, and the shipping industry);
- Review and input on social and economic studies and reports for Guam
- Fiscal policy and stabilization assessment;
- Input on proposed legislation on business and economic matters;
- Compile statistics and data to gauge economic climate; and
- Grant management for Federal Award #07-69-07392 provided by the U.S. Department of Commerce, Economic Development Administration's Planning and Local Technical Assistance Grant Program. Scope of administration action include:
    - Preparation a Comprehensive Economic Development Strategy
    - Establishment of a CED Strategy Committee inclusive of public and private sector partnerships
    - Establishment of a plan of action to network with local cooperative groups (i.e. farmers', fishermen's, agriculture and local manufacturers)

- Planning and execution of a CED's Economic Forum
- Review of economic guidelines for Guam's Economic Opportunity Zones (EOZ).

The CED Division is completing a review of all existing master plans within the Government of Guam. The division has also allocated time and resources to the task of integrated Capital Improvement Projects (CIP) planning and programming with the goal of developing necessary infrastructure capacity for Guam in light of the impending military build-up and its anticipated impact. GEDA's goal is to establish capacity to absorb island-wide economic growth and development.

A major role currently undertaken by CED involves monitoring the implementation of programs and projects that have favorable impact on job creation, tax revenue, gross domestic production and infrastructure capacity. As one of several research-oriented liaisons under the Fiscal Policy Committee, CED is designated to provide economic and financial analysis and recommendation, through which GEDA is able to facilitate development programs that support its primary mission.

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.

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.

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 proven to be more successful than what GEDA anticipated. As of December 2018, the Loan Guaranty Program has deployed $10.8 million to support loans to small business start-ups and expansion's circulating $15 million in new money into Guam's economy through lending activities creating 539 new jobs and lead to the retention of 638 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 and operations of GEDA for 2018, 2017 and 2016:

	2018	2017 (As Restated)	2016 (As Restated)
Assets:			
Current Assets	$ 21,861,236	$ 21,710,574	$ 21,843,442
Long Term Assets:			
Capital assets, at cost, net	428,689	459,901	490,378
Other Assets	3,500	3,500	3,500
	22,293,425	22,173,975	22,337,320
Deferred Outflows of Resources			
OPEB	598,001	529,794	47,416
Pension	584,353	628,500	687,466
Net position at end of year, as restated	$ 23,475,779	$ 23,332,319	$ 23,072,202
Liabilities and Net Position:			
Current Liabilities	$ 3,312,802	$ 2,613,513	$ 16,896,109
Non-Current Liabilities	38,238,654	38,533,573	36,837,545
	41,551,456	41,147,086	53,733,654
Deferred Inflows of Resources			
OPEB	332,090	-	-
Pension	258,850	61,529	21,964
Net Position:			
Investment in capital assets	428,689	459,901	490,378
Restricted	15,779,056	16,368,220	3,520,376
Unrestricted	(34,874,362)	(34,704,417)	(34,694,170)
	(18,666,617)	(17,876,296)	(30,683,416)
	$ 23,475,779	$ 23,332,319	$ 23,072,202
Revenues, Expenses and Changes in Net Position:			
Revenues:			
Operating Revenues	$ 2,618,998	$ 2,642,070	$ 3,066,460
SSBCI Grants Revenue	117,765	12,858,755	118,071
Tobacco Settlement Revenue	1,184,355	2,393,542	2,441,209
Provision for bad debts	(415,096)	(26,762)	(876)
	3,506,022	17,867,605	5,624,864
Expenses:			
Operating Expenses	(3,037,934)	(3,525,762)	(3,545,844)
Operating (loss) income	468,088	14,341,843	2,079,020
Other income (expense), net	(1,258,409)	(1,534,723)	(1,975,744)
Change in Net Position	(790,321)	12,807,120	103,276
Net position at beginning of year, as restated	(17,876,296)	(30,683,416)	(30,786,692)
Net position at end of year, as restated	$ (18,666,617)	$ (17,876,296)	$ (30,683,416)

****Financial statements represent Division Information for GEDA, SSBCI and TSA, as reflected on pages 19-21.**

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 2018, GEDA recorded operating revenues of $2,618,998 compared to $2,642,070 in FY 2017. The year-to-year change of $23,072 represents a decrease of .87%. This slight decrease in operating revenue was primarily due to the net effect from the increase in bond fees and decrease in Hotel Occupancy Tax (HOT) Bond fees.

During the FY 2018, GEDA recognized revenue for the closing of PAG Port Revenue Bond, Series 2018 A-C and GPA Revenue Refunding Bonds, 2017 Series A. The offsetting decrease in the balance was relevant to the timing of revenue recognition from the management of HOT Bond Projects. In FY 2017, GEDA was able to collect accumulated reimbursable expenditures incurred for related projects from FY 2011 to FY 2017.

Rental Income from Industrial Parks

Compared to FY 2017, rental income increased 5.36% or $62,780 from $1,171,329 in FY 2017 to $1,234,109 in FY 2018. This change was mainly attributed to rental increments from extended leases and additional participation rent earned from subleases. During the FY 2018, there were four (4) main lease extensions, two (2) sublease extensions and two (2) new subleases.

QC Program

There was no significant change in QC revenues compared to the prior fiscal year. QC revenues decreased by 1.82% or $11,769 from $646,910 in FY 2017 to $635,141 in FY 2018.

QC revenue source is, however, expected to dramatically decrease in the next fiscal year due to the passing of P.L. 34-147 and P.L. 34-148 which require the transmittal of community contribution from QC#252 to the Department of Administration.

Bond Fees

Bond fees increased 101% or $252,108 from $249,378 in FY 2017 to $501,486 in FY 2018. As noted earlier, this increase resulted from the closing of two (2) bonds, PAG Port Revenue Bond, Series 2018 A-C and GPA Revenue Refunding Bonds, 2017 Series A.

Capital Assets

Land, building, improvements and equipment decreased 6.79% or $31,212 from $459,901 in FY 2017 to $428,689 in FY 2018. 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 2018 is $3,037,934, a decrease of $487,828 or 13.84% over FY 2017 of $3,525,762.

Salaries and Benefits
Salaries and benefits (including trust funds) decreased by 656,820 or 20.30% from $3,235,433 in FY 2017 to $2,578,613 in FY 2018. Adjustment in sick leave accrual for employees who opted to change retirement plans from the Defined Contribution to the Defined Benefit 1.75 attributed to this change. However, adjustments for pensions and other post-employment benefit (OPEB), per compliance with Government Accounting Standard Board (GASB) 63, 75 and 78, essentially were the main reason for the decrease in the amount. For additional information concerning pensions and OPEB, please refer to the notes to financial statements.

Legal and Professional Services
Legal and Professional service expenses increased $47,818 or 20.09% from $237,960 in FY 2017 to $285,778 in FY 2018. This increase was mainly attributed to legal proceedings concerning Western Sales Trading Co. and Guam Resource Recovery Partners (GRRP).

Office Space and Equipment Rental
Total office space and equipment rental (including allocation to trust funds) increased $62,958 or 30.40% from $207,128 in FY 2017 to $270,086 in FY 2018. Difference in amount was attributed to credit applied in FY 2017 per office lease agreement.

Travel
Travel expenses decreased by $7,887 or 8.55% from $92,238 in FY 2017 to $84,351 in FY 2018. Decrease is mainly attributed to meetings held with representative from various federal agencies and organizations during the FY 2017 in efforts to address and resolve the H-2B Visa application issues.

FY2019 INITIATIVES

Qualifying Certificate
BDD started to hold regular meetings with GEDA's Compliance Division and members of the GEDA Board to review ways to improve and modernize the QC program. Since its inception, various industries, such as insurance and green technology, have been added to the QC program, many with their own distinct tax benefits. The most recent example of this was the enactment of the Special Hotel QC in 2015. GEDA plans to take a closer look at several of these industries such as Domestic Insurance, Recycling, Agriculture and Technology, among others, with the goal to make significant improvements over the next 12 months by granting targeted, controlled tax incentives to specific industries and activities. These strategies will also take into account the current financial situation of the Government of Guam as well as current economic trends.

Guam Film Office
BDD will continue to work on a draft of the Rules & Regulations for the Guam Film Office. The draft will be turned over to an advisory committee once the committee is empaneled, per P.L. 31-159. Once GEDA management and the Board of Directors review and approve the final draft, it will be submitted to the Guam Legislature for final action. GEDA is anticipating legislative adoption by August 2019.

Economic Development Trade Missions
BDD will develop and lead trade missions and business trips to the U.S. and Asia to market Guam's economic opportunities. Not only will BDD focus on enticing investment in key industries such as tourism, medical services and agriculture, but the division will also try to secure investment into new and emerging industries such as manufacturing and technology. In addition, BDD also plans to attend the International Economic Development Council (IEDC) annual conference. GEDA has been a member of IEDC since 2016 and attending the conference will provide a singular opportunity to

interact with a broad spectrum of economic development specialists. Planned trade missions for 2019 include:

- March 2019 – Shenyang, China
- April 2019 – Manila, Philippines (2019 InstaGUAM Fair)
- August 2019 – Taipei, Taiwan
- October 2019 – Vietnam (in conjunction with GVB)
- October 2019 – Indianapolis, IN (IEDC Annual Conference).

Small Business Development Projects
BDD 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.

GPS
BDD 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. BDD is also in the planning stages for 2019's GPS activities.

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

STEP Grant
BDD is GEDA's division who has been tasked with managing the STEP Grant. In 2019, BDD will 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. BDD will also start planning to utilize grant funds to sponsor attendance at an international trade show in Asia for local exporters.

$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 $600,000 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.

GDOE – Replacement or Renovation of Simon Sanchez High School and Other Guam Department of Education Facilities
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 a protest on the initial award was determined to have merit, Department of Public Works (DPW) cancelled the RFP and has reissued a new RFP in January 2017. A contractor has launched a protest once again which has placed the procurement on hold.

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.

S&P Rating Criteria Change
On October 22, 2018, 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.

This new criteria has caused the downgrade of the following Guam Bonds:

- GovGuam Limited Obligation (Section 30) Bond rating lowered from "BBB+" to "BB"
- HOT Revenue Bond credit lowered from "A-" to "BB"
- Business Privilege Tax (BPT) Bond credit lowered from "A" to "BB"

The new ratings will not have any immediate effects on Guam's outstanding HOT, Section 30 or BPT bonds as those bond interest rates were locked in at the time of the sale. The new rating will only affect future borrowing efforts pledged by these revenues by the Government of Guam.

Other Public Finance Projects

A. Debt Abstract: the Public Finance Department issued the latest GovGuam Debt Abstract reflecting the government's debt position as of November 2018. The abstract further details our current debt capacity, bond ratings per bond and annual debt service due on all bonds. The Debt Abstract can be downloaded on the GEDA website.

   Please note that the GovGuam Debt Abstract is a publication issued by GEDA's Public Finance Division and is updated every November and May.

B. GovGuam Debt Management Plan: As part of the Office of the Public Accountability (OPA) audit on the Government of Guam Public Debt (OPA Report No. 14-01), it was recommended that GEDA work with the Office of the Governor on a Formal Debt Management Policy which would describe the process of establishing and executing a strategy for managing the government's debt.

Challenges / Issues affecting GEDA

There are significant challenges/issues that GEDA faces:

a) 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.

b) 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.

c) 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 1970's and 1980's. During those times, the primary goal of GEDA was to spur economic activity through attracting industrial and commercial development. Although these goals were accomplished, many leases were locked until year 2065 and the revenue generated is less able to sustain GEDA's continuing operations and initiatives into the future. This impact was most apparent when GEDA's properties (along with its respective revenues) within the Commercial Port were transferred to PAG in 2010. Despite these lease revenues only accounting for a negligible fraction of PAG's total 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.

- Oka Point aka Ypao Point (CLTC property)

  Although identified by CLTC as a leasable commercial property, the Perez family may have claim to it. Also, the Hurao Academy leases an eight (8) acre portion and there seems to be no consensus on what constitutes highest and best use. Further development and revenue generation has also been difficult.

- Ongoing and Potential Law Suits

  GEDA is engaged in a potential lawsuit with contractor Inland Builders Corporation (IBC) relative to work performed on the Guam Museum. GEDA also anticipates another potential lawsuit with contractor Mega United Corporation (MUC) relative to work performed on the Farmer's Cooperative Association of Guam (FCAG) facility in Dededo.

d) H-2B VISAS - Since December 2015, Guam employers have been experiencing extremely high incidents of H-2B petition denials and requests for evidence notices (RFE) from U.S. Citizenship & Immigration Services (USCIS). Denials have been approximately 95% compared to an approval rate of about 96% for the past 30 years. These denials are based on a new interpretation by USCIS of "temporary need." While USCIS claims no change in policy, regulation or statute, the previous 96% approval rate was for the same job categories and based on the same law and relevant facts. This drastic change in USCIS adjudication appears to be due to a Returning Workers provision included in the 2016 Omnibus Spending Bill that quadrupled the number of alien workers eligible under the U.S. Mainland's H-2B cap, and the resultant pressure by construction labor unions to drastically reduce foreign workers in the U.S. but Guam does not have an H-2B cap nor construction labor unions, so the impact from the Returning Workers provision on Guam is nil.

Guam is an isolated insular economy, 6,000 miles from the continental U.S. (CONUS) with a small population of about 170,000. Guam's remoteness and size have historically made it very difficult to recruit and retain U.S. construction workers from CONUS. Despite an active vocational training system and apprenticeship program, Guam is not able to train enough construction tradespersons to match our current and projected economic growth. Without the ability to import temporary labor under the H-2B program, hundreds of millions in ongoing and future private sector, local government and federal government construction projects are in jeopardy. In addition, GEDA's efforts to market its Special Hotel QC program for the development of 1,600 new hotel rooms to meet GVB's expected growth in arrivals by year 2020 is currently affected. Investors and developer on-island and abroad are cognizant of our labor issues and projects are being pushed back as a result.

Recently, federal legislation was enacted to provide an avenue for direct, on base military construction projects in Guam to obtain H-2B labor. This avenue is also available for construction projects outside of the military fences for projects that are determined to be directly correlated to the military buildup in Guam. However, there has been no resolution to H-2B denials for any other local construction projects. Additionally, the United States Department of Homeland Security has issued an order that bans any and all new H-2B labor from the Philippines. The Philippines is the main source of Guam's H-2B workforce, and this latest action further exacerbates the impact of reduced H-2B labor in Guam.

Management's Discussion and Analysis for the year ended September 30, 2017, is set forth in GEDA's report on the audit of financial statements which is dated, May 2, 2018. That Discussion and Analysis explains in more detail major factors impacting the 2017 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, 2018 and 2017

ASSETS	Divisional Information GEDA	SSBCI	TSA	2018	2017 (As Restated)
Current assets:					
Cash and cash equivalents	$ 920,960	$ 8,322,949	$ 702,468	$ 9,946,377	$ 8,967,558
Cash and cash equivalents - restricted	-	1,616,867	2,818,056	4,434,923	5,067,469
Investments	4,182,596	3,036,654	-	7,219,250	6,207,280
Due from trust funds administered by GEDA:					
Agricultural Development Fund	1,338	-	-	1,338	27
Guam Development Fund Act	20,418	-	-	20,418	25,773
Reimbursable expense	2,565	(2,565)	-	-	-
Other receivables, net of an allowance for doubtful receivables of $512,357 in 2018 and $101,879 in 2017	229,323	(900)	-	228,423	1,429,061
Promotional supplies	7,706	-	-	7,706	7,706
Prepaid expenses	2,801	-	-	2,801	5,700
Total current assets	5,367,707	12,973,005	3,520,524	21,861,236	21,710,574
Equity investment	3,500	-	-	3,500	3,500
Capital assets, at cost, net	428,689	-	-	428,689	459,901
Total assets	5,799,896	12,973,005	3,520,524	22,293,425	22,173,975
DEFERRED OUTFLOWS OF RESOURCES					
Other post-employment benefits	598,001	-	-	598,001	529,794
Pension	584,353	-	-	584,353	628,550
	$ 6,982,250	$ 12,973,005	$ 3,520,524	$ 23,475,779	$ 23,332,319
LIABILITIES AND NET POSITION					
Current liabilities:					
Current portion of bonds payable	$ -	$ -	$ 1,200,000	$ 1,200,000	$ 1,115,000
Accounts payable	1,249,624	-	-	1,249,624	443,453
Accrued liabilities	395,492	12,005	(84,580)	322,917	515,248
Interest payable	-	-	439,738	439,738	441,000
Unearned rental income	100,523	-	-	100,523	98,812
Total current liabilities	1,745,639	12,005	1,555,158	3,312,802	2,613,513
Non-current liabilities:					
Bonds payable, net of current portion and discount	-	-	29,501,993	29,501,993	29,076,329
DCRS sick leave liability	103,154	-	-	103,154	187,540
Deposits	18,322	-	-	18,322	18,322
Deposits due to GALC	77,410	-	-	77,410	77,410
Other post-employment benefits liability	3,875,385	-	-	3,875,385	3,905,495
Net pension liability	4,662,390	-	-	4,662,390	5,268,477
Total non-current liabilities	8,736,661	-	29,501,993	38,238,654	38,533,573
Total liabilities	10,482,300	12,005	31,057,151	41,551,456	41,147,086
DEFERRED INFLOWS OF RESOURCES					
Other post-employment benefits	332,090	-	-	332,090	-
Pension	258,850	-	-	258,850	61,529
Commitments and contingencies					
Net position:					
Net investment in capital assets	428,689	-	-	428,689	459,901
Restricted	-	12,961,000	2,818,056	15,779,056	16,368,220
Unrestricted	(4,519,679)	-	(30,354,683)	(34,874,362)	(34,704,417)
Net position	(4,090,990)	12,961,000	(27,536,627)	(18,666,617)	(17,876,296)
	$ 6,982,250	$ 12,973,005	$ 3,520,524	$ 23,475,779	$ 23,332,319

See accompanying notes to financial statements.

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, 2018 and 2017

	Divisional Information				2017
	GEDA	SSBCI	TSA	2018	(As Restated)
Revenues:					
Rental income	$ 1,234,109	$ -	$ -	$ 1,234,109	$ 1,171,329
Tobacco Settlement revenue	-	-	1,184,355	1,184,355	2,393,542
Qualifying certificate application, surveillance and other	635,141	-	-	635,141	646,910
Bond fees earned	501,486	-	-	501,486	249,378
Grants revenue	23,420	59,561	-	82,981	12,824,715
GALC lease commission	115,956	-	-	115,956	105,278
Loan guaranty recovery, net	-	34,704	-	34,704	-
Others	108,886	23,500	-	132,386	503,215
Total operating revenues	2,618,998	117,765	1,184,355	3,921,118	17,894,367
Provision for bad debts	(415,096)	-	-	(415,096)	(26,762)
Net operating revenues	2,203,902	117,765	1,184,355	3,506,022	17,867,605
Operating expenses:					
Salaries and benefits	2,152,138	89,417	-	2,241,555	2,876,814
Legal and professional services	285,778	152	72,224	358,154	251,166
Office space and equipment rent	226,224	-	-	226,224	169,490
Travel	84,351	-	-	84,351	92,238
Depreciation and amortization	40,160	-	-	40,160	40,632
Advertising and promotions	12,664	-	-	12,664	19,041
Supplies	6,566	-	-	6,566	6,819
Utilities, telephone and communication	2,761	-	-	2,761	3,495
Insurance	2,070	-	-	2,070	2,756
Repairs and maintenance	396	-	-	396	4,111
Miscellaneous	56,046	18	6,969	63,033	59,200
	2,869,154	89,587	79,193	3,037,934	3,525,762
Operating (loss) income	(665,252)	28,178	1,105,162	468,088	14,341,843
Other income (expense):					
Interest income (expense), net	827	15,367	(1,874,797)	(1,858,603)	(1,905,090)
Investment income	88,698	41,016	31,083	160,797	321,858
Net increase (decrease) in the fair value of investments	225,663	3,065	-	228,728	(75,900)
Other income, net	32,462	582	177,625	210,669	124,409
Other income (expense), net	347,650	60,030	(1,666,089)	(1,258,409)	(1,534,723)
Change in net position	(317,602)	88,208	(560,927)	(790,321)	12,807,120
Net position at beginning of year, as restated	(3,773,388)	12,872,792	(26,975,700)	(17,876,296)	(30,683,416)
Net position at end of year	$ (4,090,990)	$ 12,961,000	$ (27,536,627)	$ (18,666,617)	$ (17,876,296)

See accompanying notes to financial statements.

GUAM ECONOMIC DEVELOPMENT AUTHORITY
(A Component Unit of the Government of Guam)

Statements of Cash Flows
Years Ended September 30, 2018 and 2017

	Divisional Information				2017
	GEDA	SSBCI	TSA	2018	(As Restated)
Cash flows from operating activities:					
Cash received on grants and contracts	$ -	$ 119,278	$ -	$ 119,278	$ 34,040
Cash received from customers	4,012,841	-	1,361,980	5,374,821	4,726,471
Cash paid to suppliers for goods and services	(594,913)	(5,117)	(110,467)	(710,497)	(750,685)
Cash paid to employees for services	(2,025,617)	(89,417)	-	(2,115,034)	(2,334,237)
Cash paid for retirement benefits	(341,702)	-	-	(341,702)	(90,484)
Net cash provided by operating activities	1,050,609	24,744	1,251,513	2,326,866	1,585,105
Cash flows from investing activities:					
Interest and investment income	314,361	44,081	31,083	389,525	245,958
Rollover of interest into investment	(314,361)	(44,081)	(31,083)	(389,525)	(245,958)
(Purchases) proceeds from maturity of investment securities, net	(653,527)	-	31,083	(622,444)	(748,245)
Net cash (used in) provided by investing activities	(653,527)	-	31,083	(622,444)	(748,245)
Cash flows from capital and related financing activities:					
Purchase of capital assets	(8,948)	-	-	(8,948)	(10,155)
Net cash used in capital and related financing activities	(8,948)	-	-	(8,948)	(10,155)
Cash flows from noncapital financing activities:					
Repayment of bond payable	-	-	(45,000)	(45,000)	(980,000)
Net interest received (paid) on deposit accounts and bonds payable	827	15,367	(1,320,395)	(1,304,201)	(1,355,790)
Net cash provided by (used in) noncapital financing activities	827	15,367	(1,365,395)	(1,349,201)	(2,335,790)
Net change in cash and cash equivalents	388,961	40,111	(82,799)	346,273	(1,509,085)
Cash and cash equivalents at beginning of year	531,999	9,899,705	3,603,323	14,035,027	15,544,112
Cash and cash equivalents at end of year	$ 920,960	$ 9,939,816	$ 3,520,524	$ 14,381,300	$ 14,035,027
Reconciliation of cash and cash equivalents to the statements of net position:					
Current assets:					
Cash and cash equivalents	$ 920,960	$ 8,322,949	$ 702,468	$ 9,946,377	$ 8,967,558
Cash and cash equivalents - restricted	-	1,616,867	2,818,056	4,434,923	5,067,469
	$ 920,960	$ 9,939,816	$ 3,520,524	$ 14,381,300	$ 14,035,027
Reconciliation of operating (loss) income to net cash provided by operating activities:					
Operating (loss) income	$ (665,252)	$ 28,178	$ 1,105,162	$ 468,088	$ 14,341,843
Other income, net	32,462	582	177,625	210,669	124,409
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:					
Noncash pension (benefit) cost	(130,796)	-	-	(130,796)	457,509
Depreciation and amortization	40,160	-	-	40,160	40,632
Provision for bad debts	415,096	-	-	415,096	26,762
(Increase) decrease in assets:					
Due from trust funds administered by GEDA	4,045	-	-	4,045	191,147
Reimbursable expense	2,389	(2,389)	-	-	4,954
Other receivables	784,610	930	-	785,540	(599,177)
Prepaid expenses	2,899	-	-	2,899	(5,700)
Increase (decrease) in liabilities:					
Accounts payable	806,171	-	-	806,171	4,801
Due to trust funds administered by GEDA	-	-	-	-	(38,898)
Accrued liabilities	(158,500)	(2,557)	(31,274)	(192,331)	(98,797)
Unearned grant revenue	-	-	-	-	(12,824,715)
Deferred rental income	1,711	-	-	1,711	7,013
Due to GALC	-	-	-	-	(72,000)
DCRS sick leave liability	(84,386)	-	-	(84,386)	25,322
Net cash provided by operating activities	$ 1,050,609	$ 24,744	$ 1,251,513	$ 2,326,866	$ 1,585,105

See accompanying notes to financial statements.

(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, 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 12).

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.

(1) Purpose and Summary of Significant Accounting Policies, Continued

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 and $101,879, of which $324,046 and $3,038 relate to reimburseable costs incurred for bond projects at September 30, 2018 and 2017, respectively.

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.

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.

(1) Purpose and Summary of Significant Accounting Policies, Continued

Deferred Inflows of Resources, Continued

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.

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.

(1) Purpose and Summary of Significant Accounting Policies, Continued

Pensions and Other Postemployment Benefits (OPEB), Continued

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.

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 collectibility 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.

(1) Purpose and Summary of Significant Accounting Policies, Continued

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.

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, 2018 and 2017, 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 uncollectibility. Bad debts are written-off against the allowance on the specific identification method.

(1) Purpose and Summary of Significant Accounting Policies, Continued

New Accounting Standards

During fiscal year 2018, GEDA implemented the following pronouncements:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The implementation of this statement had a material effect on the accompanying financial statements resulting in the restatement of GEDA's fiscal year 2017 financial statements to reflect the reporting of OPEB liability, deferred inflows of resources and deferred outflows of resources and the recognition of OPEB in accordance with the provisions of GASB Statement No. 75. The 2017 financial statements were restated as follows:

	As Previously Reported	Adjustment	As Restated
As of October 1, 2016:			
Net position	$ (27,565,042)	$ (3,118,374)	$ (30,683,416)
For the year ended September 30, 2017:			
Operating expenses	$ 3,268,435	$ 257,327	$ 3,525,762
Change in net position	$ 13,064,447	$ (257,327)	$ 12,807,120
As of September 30, 2017:			
Deferred outflows from OPEB	$ -	$ 529,794	$ 529,794
OPEB liability	$ -	$ (3,905,495)	$ (3,905,495)
Net position	$ (14,500,595)	$ (3,375,701)	$ (17,876,296)

- GASB Statement No. 81, *Irrevocable Split-Interest Agreements,* which improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

- GASB Statement No. 85, *Omnibus 2017*, which addresses practice issues that have been identified during implementation and application of certain GASB Statements including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

- GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt.

Except for GASB Statement No. 75, the implementation of these statements did not have a material effect on GEDA's financial statements.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset. The provisions in Statement No. 83 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

(1) Purpose and Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The provisions in Statement No. 88 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions in Statement No. 89 are effective for fiscal years beginning after December 15, 2019. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61,* which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The provisions in Statement No. 90 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

Reclassifications

Certain items in the 2017 financial statements has been reclassified to correspond with the 2018 financial statement presentation.

(2) Deposits and Investments

Investments are carried at fair value. Cash and cash equivalents and investments at September 30, 2018 and 2017 consist of the following:

	2018	2017
Cash on hand and deposits in banks	$ 10,860,776	$ 10,431,704
Money market accounts	3,520,524	3,603,323
Cash and cash equivalents	$ 14,381,300	$ 14,035,027
Total shares in mutual funds	$ 3,993,788	$ 3,758,152
Exchange-traded & closed-end funds	3,225,462	2,449,128
Investments	$ 7,219,250	$ 6,207,280

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, 2018 and 2017, the carrying amount of cash was $10,860,776 and $10,431,704, respectively, and the corresponding bank balances were $11,414,471 and $12,408,786, respectively, which are maintained in financial institutions subject to Federal Deposit Insurance Corporation insurance. Cash balances of $500,000 are insured by the Federal Deposit Insurance Corporation (FDIC) at September 30, 2018 and 2017. 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.

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, 2018 and 2017, cash and cash equivalents of $2,818,056 and $3,495,428, 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.

(2) Deposits and Investments, Continued

A. Deposits, Continued

In accordance with the terms of Lender Participation Agreements under the SSBCI program (see note 12), cash and cash equivalents of $1,616,867 and $1,572,041, at September 30, 2018 and 2017, 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, 2018 and 2017 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.

As of September 30, 2018, investments at fair value are as follows:

	Amount	Maturity	Moody's Rating
Shares in mutual funds invested in:			
Federated Ultra Short Bond Funds (FULAX)	$ 3,036,654	N/A	N/A
Morgan Stanley Instl High Yield Cl1 (MSYIX)	246,582	N/A	N/A
Goldman Sachs Emrg Markets Debt Instl (GSDIX)	209,363	N/A	N/A
Allianzgi Short Duration Hi Inc Cl A (ASHAX)	184,472	N/A	N/A
Jpmorgan Global Bond Opportunities Cl1 (GBOSX)	160,556	N/A	N/A
Fidelity Advisor Int L Small Cap Opp Cl I (FOPIX)	156,161	N/A	N/A
Exchange-traded & closed-end funds:			
Ishares Core S&p 500 Etf (IVV)	1,742,329	N/A	N/A
Ishares Trust Core Msci Eafe Etf (IEFA)	337,125	N/A	N/A
Dbx Etf Trust X-trackers Msci Eafe Hdg Equity Fund (DBEF)	362,111	N/A	N/A
Ishares Inc Core Msci Emerging Mkts Etf (IEMG)	281,424	N/A	N/A
Ishares Core S&p Mid-cap Etf (IJH)	283,014	N/A	N/A
Ishares Inc Msci Jpn Etf New (EWJ)	111,606	N/A	N/A
Ishares Europe Etf (IEF)	107,853	N/A	N/A
	$ 7,219,250		

(2) Deposits and Investments, Continued

B. Investments, Continued

As of September 30, 2017, investments at fair value are as follows:

	Amount	Maturity	Moody's Rating
Shares in mutual funds invested in:			
Federated Ultra Short Bond Funds (FULAX)	$ 2,992,572	N/A	N/A
Morgan Stanley Instl High Yield Cl1 (MSYIX)	190,617	N/A	N/A
Goldman Sachs Emrg Markets Debt Instl (GSDIX)	174,657	N/A	N/A
Allianzgi Short Duration Hi Inc Cl A (ASHAX)	141,045	N/A	N/A
Fidelity Advisor Int L Small Cap Opp Cl I (FOPIX)	132,324	N/A	N/A
Jpmorgan Global Bond Opportunities Cl1 (GBOSX)	126,937	N/A	N/A
Exchange-traded & closed-end funds:			
Ishares Core S&p 500 Etf (IVV)	1,257,821	N/A	N/A
Ishares Trust Core Msci Eafe Etf (IEFA)	277,856	N/A	N/A
Dbx Etf Trust X-trackers Msci Eafe Hdg Equity Fund (DBEF)	273,343	N/A	N/A
Ishares Inc Core Msci Emerging Mkts Etf (IEMG)	252,490	N/A	N/A
Ishares Core S&p Mid-cap Etf (IJH)	207,882	N/A	N/A
Ishares Inc Msci Jpn Etf New (EWJ)	90,027	N/A	N/A
Ishares Europe Etf (IEF)	89,709	N/A	N/A
	$ 6,207,280		

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, 2018 and 2017:

		Fair Value Measurements Using		
	September 30, 2018	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Exchange-traded & 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	-	-
	$ 7,219,250	$ 7,219,250	$ -	$ -

(2) Deposits and Investments, Continued

B. Investments, Continued

	September 30, 2017	Fair Value Measurements Using: Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Exchange-traded & closed-end funds	$ 2,449,128	$ 2,449,128	$ -	$ -
Mutual funds	3,758,152	3,758,152	-	-
Total investments by fair value level	6,207,280	6,207,280	-	-
	$ 6,207,280	$ 6,207,280	$ -	$ -

Mutual funds and exchange-traded & 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, 2018 and 2017 is as follows:

	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

	Beginning Balance October 1, 2016	Transfers and Additions	Transfers and Deletions	Ending Balance September 30, 2017
Leasehold improvements	$ 792,537	$ -	$ -	$ 792,537
Buildings	546,603	-	-	546,603
Furniture and equipment	504,657	10,155	63,723	578,535
Other improvements	428,325	-	-	428,325
Land improvements	129,642	-	-	129,642
Leasehold interests	1,551	-	-	1,551
Automobiles	14,089	-	-	14,089
	2,417,404	10,155	63,723	2,491,282
Less accumulated depreciation and amortization	(1,927,026)	(40,632)	(63,723)	(2,031,381)
	$ 490,378	$ (30,477)	$ -	$ 459,901

(4) Long-Term Obligations

Bonds Payable

Bonds payable at September 30, 2018 and 2017 consist of the following:

	2018	2017
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).	$ 23,980,000	$ 24,025,000
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	40,753,618	40,798,618
Less current portion	(1,200,000)	(1,115,000)
	39,553,618	39,683,618
Less discount on Series B capital appreciation turbo term bonds	(9,463,009)	(9,965,238)
Less discount on issuance	(588,616)	(642,051)
	$ 29,501,993	$ 29,076,329

(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, 2018 and thereafter are as follows:

Year ending September 30,	Principal	Interest	Debt Service
2019	$ 1,200,000	$ 805,219	$ 2,005,219
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 through 2028	12,342,013	975,867	13,317,880
2029 through 2033	10,605,117	-	10,605,117
2034	10,871,488	-	10,871,488
	$ 40,753,618	$ 4,275,492	$ 45,029,110

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.

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.

(4) Long-Term Obligations, Continued

Bonds Payable, Continued

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 $1,365,395 and $2,352,369 for the years ended September 30, 2018 and 2017, respectively, or approximately 112% and 98% of pledged revenues the years ended September 30, 2018 and 2017, respectively.

During the years ended September 30, 2018 and 2017, the following changes occurred in liabilities reported as part of GEDA's long-term liabilities in the statements of net position:

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

(4) Long-Term Obligations, Continued

Bonds Payable, Continued

	Balance October 1, 2016 (As Restated)	Additions (As Restated)	Reductions (As Restated)	Balance September 30, 2017 (As Restated)	Due within one year
Bonds payable	$ 41,778,618	$ -	$ (980,000)	$ 40,798,618	$ 1,115,000
Deferred amount:					
Unamortized discount on bonds issued	(11,173,589)	-	566,300	(10,607,289)	-
	30,605,029	-	(413,700)	30,191,329	1,115,000
Other liabilities:					
DCRS sick leave liability	162,218	25,322	-	187,540	-
Deposits due to GALC	149,410	-	(72,000)	77,410	-
Deposits	18,322	-	-	18,322	-
OPEB liability	3,165,790	739,705	-	3,905,495	-
Net pension liability	5,166,776	601,072	(499,371)	5,268,477	-
	8,662,516	1,366,099	(571,371)	9,457,244	-
	$ 39,267,545	$ 1,366,099	$ (985,071)	$ 39,648,573	$ 1,115,000

(5) Pensions

GEDA is statutorily responsible for providing pension benefits for GEDA employees through the GovGuam Retirement Fund (GGRF).

A. General Information About the Pension Plans:

Plan Description: GGRF administers the GovGuam Defined Benefit (DB) Plan, a single-employer defined benefit pension plan, and the Defined Contribution Retirement System (DCRS). The DB Plan provides retirement, disability, and survivor benefits to plan members who enrolled in the plan prior to October 1, 1995. Article 1 of 4 GCA 8, Section 8105, requires that all employees of GovGuam, regardless of age or length of service, become members of the DB Plan prior to the operative date. Employees of a public corporation of GovGuam, which includes GEDA, have the option of becoming members of the DB Plan prior to the operative date. All employees of GovGuam, including employees of GovGuam public corporations, whose employment commences on or after October 1, 1995, are required to participate in the Defined Contribution Retirement System (DCRS) Plan. Hence, the DB Plan became a closed group.

Members of the DB Plan who retired prior to October 1, 1995, or their survivors, are eligible to receive annual supplemental annuity payments. In addition, members of the DB Plan and the DCRS Plan who retired prior to September 30, 2017 are eligible to receive an annual ad hoc cost of living allowance (COLA).

(5) Pensions, Continued

A. General Information About the Pension Plans, Continued:

A single actuarial valuation is performed annually covering all plan members and the same contribution rate applies to each employer. 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.

Plan Membership: As of September 30, 2017 (the measurement date), plan membership consisted of the following:

DB members:	
Inactive employees or beneficiaries currently receiving benefits	7,279
Inactive employees entitled to but not yet receiving benefits	4,289
Active employees	2,058
	13,626
DCRS members:	
Active employees	9,027
	22,653

Benefits Provided: 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. Members who joined the DB Plan prior to October 1, 1981 may retire with 10 years of service at age 60 (age 55 for uniformed personnel); or with 20 to 24 years of service regardless of age with a reduced benefit if the member is under age 60; or upon completion of 25 years of service at any age. Members who joined the DB Plan on or after October 1, 1981 and prior to August 22, 1984 may retire with 15 years of service at age 60 (age 55 for uniformed personnel); or with 25 to 29 years of service regardless of age with a reduced benefit if the member is under age 60; or upon completion of 30 years of service at any age.

Members who joined the DB Plan after August 22, 1984 and prior to October 1, 1995 may retire with 15 years of service at age 65 (age 60 for uniformed personnel); or with 25 to 29 years of service regardless of age with a reduced benefit if the member is under age 65; or upon completion of 30 years of service at any age. Upon termination of employment before attaining at least 25 years of total service, a member is entitled to receive a refund of total contributions including interest. A member who terminates after completing at least 5 years of service has the option of leaving contributions in the GGRF and receiving a service retirement benefit upon attainment of the age of 60 years. In the event of disability during employment, members under the age of 65 with six or more years of credited service who are not entitled to receive disability payments from the United States Government are eligible to receive sixty six and two-thirds of the average of their three highest annual salaries received during years of credited service. The DB Plan also provides death benefits.

Supplemental annuity benefit payments are provided to DB retiree members in the amount of $4,238 per year, but not to exceed $40,000 per year when combined with their regular annual retirement annuity. Annual COLA payments are provided to DB retiree and DCRS members in a lump sum amount of $2,000. Both supplemental annuity benefit payments and COLA payments are made at the discretion of the Guam Legislature, but are funded on a "pay-as-you-go" basis so there is no plan trust. It is anticipated that ad hoc COLA and supplemental annuity payments will continue to be made for future years at the same level currently being paid.

(5) Pensions, Continued

A. General Information About the Pension Plans, Continued:

On September 20, 2016, the Guam Legislature enacted Public Law 33-186, which created two new government retirement plans; the DB 1.75 Plan and the GRSP. Commencing April 1, 2017 through September 30, 2018, eligible employees may elect, during the "election window", to participate in the DB 1.75 Plan or the GRSP with an effective date of January 1, 2018. Beginning January 1, 2018, all new employees shall be automatically enrolled in the GRSP. New employees have sixty (60) days from the date of hire to elect to participate in the DCRS.

The DB 1.75 Plan is open for participation by certain existing employees, new employees, and reemployed employees who would otherwise participate in the DC Plan or the new GRSP and who make election on a voluntary basis to participate in the DB 1.75 Plan by December 31, 2017. Employee contributions are made by mandatory pre-tax payroll deduction at the rate of 9.5% of the employee's base salary while employer contributions are actuarially determined. Members of the DB 1.75 Plan 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.

Contributions and Funding Policy: Contribution requirements of participating employers and active members to the DB Plan are determined in accordance with Guam law. Employer contributions are actuarially determined under the One-Year Lag Methodology. Under this methodology, the actuarial valuation date is used for calculating the employer contributions for the second following fiscal year. For example the September 30, 2016 actuarial valuation was used for determining the year ended September 30, 2018 statutory contributions. Member contributions are required at 9.55% of base pay.

As a result of actuarial valuations performed as of September 30, 2016, 2015 and 2014, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2018, 2017 and 2016, respectively, have been determined as follows:

	2018	2017	2016
Normal costs (% of DB Plan payroll)	15.97%	16.27%	15.86%
Employee contributions (DB Plan employees)	9.55%	9.55%	9.54%
Employer portion of normal costs (% of DB Plan payroll)	6.42%	6.72%	6.32%
Employer portion of normal costs (% of total payroll)	1.60%	1.87%	1.94%
Unfunded liability cost (% of total payroll)	22.12%	21.60%	22.42%
Government contribution as a % of total payroll	23.72%	23.47%	24.36%
Statutory contribution rates as a % of DB Plan payroll:			
Employer	27.83%	27.41%	28.16%
Employee	9.55%	9.55%	9.54%

GEDA's contributions to the DB Plan for the years ended September 30, 2018, 2017 and 2016 were $231,121, $109,101 and $100,791, respectively, which were equal to the required contributions for the respective year ended.

(5) Pensions, Continued

A. General Information About the Pension Plans, Continued:

GEDA's contributions to the supplemental annuity benefit payments and the COLA payments for each of the three years ended September 30, 2018, 2017 and 2016 were $36,713, $36,713 and $38,713, respectively, which were equal to the statutorily required contributions for the respective years then ended.

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

Contributions into the DCRS plan by members are based on an automatic deduction of 5% 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 for the DCRS plan for the year ended September 30, 2018 are determined using the same rates as the DB Plan. Of the amount contributed by the employer, only 5% of the member's regular pay is deposited into the DCRS. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

GEDA's contributions to the DCRS Plan for the years ended September 30, 2018, 2017 and 2016 were $306,302, $407,732 and $437,344, respectively, which were equal to the required contributions for the respective years then ended. Of these amounts, $243,239, $333,502 and $359,867 were contributed toward the unfunded liability of the DB Plan for the years ended September 30, 2018, 2017 and 2016, respectively.

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. GEDA has accrued an estimated liability of $103,154 and $187,540 at September 30, 2018 and 2017, respectively, for potential future sick leave payments as a result of this law. However, this amount is an estimate and the actual payout may be materially different than estimated.

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

Pension Liability: At September 30, 2018 and 2017, GEDA reported a net pension liability for its proportionate share of the net pension liabilities measured as of September 30, 2017 and 2016, respectively, which is comprised of the following:

	2018	2017
Defined benefit plan	$ 4,061,443	$ 4,911,548
Ad hoc COLA/supplemental annuity plan for DB retirees	373,321	293,970
Ad hoc COLA plan for DCRS retirees	227,626	260,379
Subtotal	4,662,390	5,465,897
Discount rate variance	-	(197,420)
	$ 4,662,390	$ 5,268,477

(5) Pensions, Continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued:

GEDA's proportion of the GovGuam net pension liabilities was based on GEDA's expected plan contributions relative to the total expected contributions received by the respective pension plans for GovGuam and GovGuam's component units. At September 30, 2018 and 2017, GEDA's proportionate shares of the GovGuam net pension liabilities were as follows:

	2018	2017
Defined benefit plan	0.36%	0.36%
Ad hoc COLA/supplemental annuity plan for DB retirees	0.13%	0.13%
Ad hoc COLA plan for DCRS retirees	0.36%	0.42%

Pension Expense (Benefit): For the years ended September 30, 2018 and 2017, GEDA recognized pension expense (benefit) for its proportionate share of plan pension expense from the above pension plans as follows:

	2018	2017
Defined benefit plan	$ (654,327)	$ 608,885
Ad hoc COLA/supplemental annuity plan for DB retirees	80,521	30,202
Ad hoc COLA plan for DCRS retirees	11,817	24,260
	$ (561,989)	$ 663,347

Deferred Outflows and Inflows of Resources: At September 30, 2018 and 2017, GEDA reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

(5) Pensions, Continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued:

	2017					
	Defined Benefit Plan		Ad Hoc COLA/SA Plan for DB		Ad Hoc COLA Plan for DCRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 16,180	$ 23	$ -	$ 5,026	$ 2,192
Net difference between projected and actual earnings on pension plan investments	-	25,690	-	-	-	-
Changes of assumptions	13,985	-	303	-	28,436	-
Contributions subsequent to the measurement date	442,603	-	30,713	-	6,000	-
Changes in proportion and difference between GEDA contributions and proportionate share of contributions	58,049	-	1,616	-	41,796	17,467
	$ 514,637	$ 41,870	$ 32,655	$ -	$ 81,258	$ 19,659

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as reduction of the net pension liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at September 30, 2018 will be recognized in pension expense as follows:

Year Ending September 30	Defined Benefit Plan	Ad Hoc COLA/SA Plan for DB Retirees	Ad Hoc COLA Plan for DCRS Retirees
2019	$ (44,140)	$ 772	$ (752)
2020	(11,753)	-	(752)
2021	(84,426)	-	(752)
2022	(57,062)	-	(752)
2023	-	-	(752)
Thereafter	-	-	14,789
	$ (197,381)	$ 772	$ 11,029

Actuarial Assumptions: Actuarially determined contribution rates for the DB Plan are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported. The methods and assumptions used to determine contribution rates are as follows:

Valuation Date:	September 30, 2016
Actuarial Cost Method:	Entry age normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	May 1, 2031 (14.58 years remaining as of September 30, 2016)

(5) Pensions, Continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued:

Asset Valuation Method:	3-year smoothed market value (effective September 30, 2009)
Inflation:	2.75% per year
Total payroll growth:	2.75% per year
Salary Increases:	4.00% to 7.50%
Retirement age:	50% are assumed to retire upon first eligibility for unreduced retirement. Thereafter, the probabilities of retirement are 20% until age 75, and increases to 100% at age 70.
Mortality:	RP-2000 healthy mortality table set forward by 3 years for males and 2 years for females. Mortality for disabled lives is the RP 2000 disability mortality table set forward by 6 years for males and 4 years for females.
Other information:	Actuarial assumptions are based upon periodic experience studies. The last experience study reviewed experience from 2011-2015.

The actuarial assumptions used in the September 30, 2016 valuation were based on the results of an actuarial experience study for the period October 1, 2011 to September 30, 2015.

The investment rate assumption as of September 30, 2016 was 7%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of the expected nominal return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Nominal Return
U.S. Equities (large cap)	29%	8.78%
U.S. Equities (small cap)	7%	9.45%
Non-U.S. Equities	13%	9.15%
Non-U.S. Equities (small cap)	4%	9.15%
Non-U.S. Equities (emerging markets)	1%	10.75%
U.S. Fixed Income (aggregate)	25%	4.85%
Risk parity	8%	8.36%
High yield bonds	8%	7.35%
Global Real Estate (REITs)	5%	8.71%

(5) Pensions, Continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued:

Changes in Actuarial Assumptions: The following changes in actuarial assumptions occurred from the September 30, 2015 valuation to the September 30, 2016 valuation:

Mortality: The mortality table used as of September 30, 2016, is the RP-2000 combined mortality table, set forward by 3 years for males and 2 years for females. The mortality table used for disabled lives is the RP-2000 disability mortality table, set forward by 6 years for males and 4 years for females. Mortality improvement is assumed to be 30% of Scale BB, projected generationally from 2016. For the prior valuation, the mortality table used was the RP-2000 combined mortality table, set forward by 4 years for males and 1 year for females. The mortality table used for disabled lives was the RP-2000 disability mortality table for males and females. No provision was made for future mortality improvement in the prior valuation.

Salary Increases: Salaries are assumed to increase 7.5% per year for employees in their first 5 years of service, 6.0% for service between 6 and 10 years, 5.0% for service between 11 and 15 years, and 4.0% for service after 15 years. For the prior valuation, salaries were assumed to increase 7.5% per year for employees in their first 5 years of service, 6.0% for service between 6 and 10 years, 5.0% for service between 11 and 15 years, and 4.5% for service after 15 years.

Total Payroll Growth: Total payroll for defined benefit and defined contribution members is assumed to increase 2.75% per year. For the prior valuation, total payroll for defined benefit and defined contribution members was assumed to increase 3.0% per year.

Retirement Age: 50% of employees are assumed to retire when first eligible for unreduced retirement. Thereafter, 20% of employees will retire at each year until age 75, at which time all remaining employees are assumed to retire. For the prior valuation, 40% of employees are assumed to retire when first eligible for unreduced retirement. Thereafter, 15% of employees would retire at each year until age 65, and 20% of employees would retire from age 65 until age 70, at which time all remaining employees were assumed to retire.

Rates of Disability: The assumed rates of disability are based on the 1974-78 Society of Actuaries Long Term Disability Non-Jumbo table, with rates reduced by 50% for males and 75% for females. For the prior valuation, these rates were based on the 1974-78 Society of Actuaries Long Term Disability Non-Jumbo, with rates reduced by 50% for both males and females.

Leave Adjustments: Unused leave is assumed to increase a member's service by 1.5 years and increases average earnings by 5% at retirement. For the prior valuation, unused leave is assumed to increase service by 1.5 years and increased average earnings by 10% at retirement.

Survivor Benefit - Minor Children: An average of 0.2 eligible child survivors is assumed at the time of a retiree's death, with payments to the child survivor continuing for 6 years. For the prior valuation, this survivor benefit was assumed to increase the value of retirement benefits by 0.67% and survivor benefits by 20% for active members.

(5) Pensions, Continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued:

Discount Rate: The discount rate used to measure the total pension liability for the DB Plan as of September 30, 2017 was 7.0% (6.7% as of September 30, 2016), which is equal to the expected investment rate of return. The expected investment rate of return applies to benefit payments that are funded by plan assets (including future contributions), which includes all plan benefits except supplemental annuity payments to DB retirees and ad hoc COLA to both DB and DCRS retirees. The discount rate used to measure the total pension liability for the supplemental annuity and ad hoc COLA payments as of September 30, 2017 was 3.64% (3.058% as of September 30, 2016), which is equal to the rate of return of a high quality bond index.

Discount Rate Sensitivity Analysis: The following presents the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to GEDA's proportionate share of the net pension liability if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Defined Benefit Plan:

	1% Decrease in Discount Rate 6.0%	Current Discount Rate 7.0%	1% Increase in Discount Rate 8.0%
Net Pension Liability	$ 5,040,725	$ 4,061,443	$ 3,217,998

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees:

	1% Decrease in Discount Rate 2.64%	Current Discount Rate 3.64%	1% Increase in Discount Rate 4.64%
Net Pension Liability	$ 407,329	$ 373,321	$ 343,747

Ad Hoc COLA Plan for DCRS Retirees:

	1% Decrease in Discount Rate 2.64%	Current Discount Rate 3.64%	1% Increase in Discount Rate 4.64%
Net Pension Liability	$ 258,835	$ 227,626	$ 201,037

C. Payables to the Pension Plans:

As of September 30, 2018 and 2017, GEDA recorded payables to GGRF of $25,378 and $25,262, respectively, representing statutorily required contributions unremitted as of the respective year-ends.

(6) Other Post-Employment Benefits (OPEB)

GEDA participates in the retiree health care benefits program. GovGuam's Department of Administration is responsible for administering the GovGuam Group Health Insurance Program, which provides 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. The program covers retirees and is considered an other postemployment benefits plan.

A. General Information About the OPEB Plan:

Plan Description: The other postemployment benefits plan is an agent multiple-employer defined benefit plan that provides healthcare benefits to eligible employees and retirees who are members of the GovGuam Retirement Fund. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Governor's recommended budget and the annual General Appropriations Act enacted by the Guam Legislature provide for a premium level necessary for funding the program each year on a "pay-as-you-go" basis. Because the OPEB Plan consists solely of GovGuam's firm commitment to provide OPEB through the payment of premiums to insurance companies on behalf of its eligible retirees, no stand-alone financial report is either available or generated.

Plan Membership: As of September 30, 2016, the date of the most recent valuation (the actuarial valuation date), plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	7,342
Active plan members	10,282
	17,624

Benefits Provided: The OPEB Plan provides post employment medical, dental and life insurance benefits to GEDA retirees, spouses, children and survivors, which are the same benefits as provided to active employees. Active employees and retirees who waive medical and dental coverage are considered eligible for the life insurance benefit only. GEDA contributes a portion of the medical and dental premiums, based on a schedule of semi-monthly rates, and reimburses certain Medicare premiums to eligible retirees. Retirees are also required to pay a portion of the medical and dental insurance premiums.

Three types of health plans are offered to eligible participants:

- Standard islandwide Preferred Provider Organization (PPO) Plan
- High Deductible (Health Savings Account - HSA) PPO Plan
- Retiree Supplement Plan (RSP)

The PPO and HSA Plans apply to both active employees and retirees and work with set deductible amounts whereas the RSP Plan is an added option for retirees only.

Contributions: No employer contributions are assumed to be made since an OPEB trust has not been established. Instead, the OPEB Plan is financed on a substantially "pay-as-you-go" basis whereby contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

For the years ended September 30, 2018, 2017 and 2016, GEDA reimbursed GovGuam for its contributions to the abovementioned Plan of $107,929, $90,484 and $58,176, respectively, which were equal to the statutorily required contributions.

(6) Other Post-Employment Benefits (OPEB), Continued

B. Total OPEB Liability:

As of September 30, 2018 and 2017, GEDA reported a total OPEB liability of $3,875,385 and $3,905,495, respectively, for its proportionate share of the GovGuam total OPEB liability measured as of September 30, 2017 and 2016. The following presents GEDA's proportion change in proportion since the prior measurement date:

Proportion at prior measurement date, September 30, 2016	0.15%
Proportion at measurement date, September 30, 2017	0.16%
Increase in proportion	0.01%

The total OPEB liability for the OPEB Plan was determined by an actuarial valuation as of September 30, 2016 rolled forward to September 30, 2017 (the measurement date) using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	3%.
Amortization method:	Level dollar amount over 30 years on an open amortization period for pay-as-you-go funding.
Salary increases:	7.5% per year for the first 5 years of service, 6% for 5-10 years, 5% for 11-15 years and 4.5% for service over 15 years.
Healthcare cost trend rates:	8% for 2016, decreasing 0.25% per year to an ultimate rate of 4.5% for 2030 and later years. Health care trend assumptions begin at current levels and grade down over a period of years to a lower level equal to some real rate plus inflation. The principal components of health trend are medical inflation, deductible erosion, cost shifting, utilization, technology and catastrophic claims. The overall effect of these components are expected to decline year by year.
Dental trend rates:	4% per year.
Participation rates:	Medical - 100% of eligible retired employees will elect to participate. Dental - 100% of eligible retires will elect to participate. Life - 100% of eligible retirees will elect to participate.
Medicare enrollment:	15% of current and future retirees are assumed to enroll in Medicare and will enroll in a Retiree Supplemental Plan upon attainment of age 65. All employees retired prior to September 30, 2008 are assumed ineligible for Medicare upon attainment of age 65 and therefore will not enroll in a Medicare Supplemental Plan.

(6) Other Post-Employment Benefits (OPEB), Continued

B. Total OPEB Liability, Continued:

Dependent status:	Male spouses are assumed to be three years older and female spouses are assumed to be three years younger than the retired employee. 60% of employees are assumed to retire with a covered spouse. For current retired employees, the actual census information is used.
Actuarial cost method:	Entry Age Normal. The costs of each employee's post-employment benefits are allocated as a level basis over the earnings of the employee between the employee's date of hire and the assumed exit ages.
Healthy Retiree mortality rates:	RP-2000 Combined Healthy Mortality Table, set forward 4 years and 1 year for males and females, respectively.
Disabled Retiree mortality rates:	RP-2000 Disabled Mortality Table for males and females.
Withdrawal rates:	15% for less than 1 year of service, decreasing 1% for each additional year of service up to 10 years, further decreasing 0.5% for each additional year of service up to 15 years, and 2% for service over 15 years.
Disability rates:	0.05% for beneficiaries aged 20-39 years, 0.1% - 0.53% for beneficiaries aged 40-59 years, and 0.76% for beneficiaries aged 60-64 years.
Retirement rates:	40% of employees are assumed to retire at earliest eligibility for unreduced benefits under the Government of Guam Retirement Fund, 15% per year thereafter until age 65, 20% per year thereafter until age 70 and 100% at age 70. Previously, 50% of employees were assumed to retire at first eligibility for postretirement health benefits, 20% per year thereafter until age 70, and 100% at age 70.

OPEB plan fiduciary net position: As of September 30, 2018 and 2017, an OPEB trust has not been established thus the OPEB Plan does not presently report OPEB plan fiduciary net position.

Discount rate: The discount rate used to measure the total OPEB liability was 3.63% as of September 30, 2017 (3.058% as of September 30, 2016). The projection of cash flows used to determine the discount rate assumed that contributions from GEDA 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 benefit payments of current plan members. Therefore, the 3.63% municipal bond rate as of September 30, 2017 (3.058% as of September 30, 2016) was applied to all periods of projected benefit payments to determine the total OPEB liability.

(6) Other Post-Employment Benefits (OPEB), Continued

C. Changes in the Total OPEB Liability:

Changes in GEDA's proportionate share of the net OPEB liability is as follows:

	2018	2017
At October 1	$ 3,905,495	$ 3,165,790
Changes for the year:		
Service cost	299,537	239,286
Interest	127,865	125,449
Change of assumptions	(410,096)	422,386
Benefit payments	(47,416)	(47,416)
Net change at September 30	(30,110)	739,705
	$ 3,875,385	$ 3,905,495

Sensitivity of the total OPEB liability to changes in the discount rate: The following presents the sensitivity of the total OPEB liability to changes in the discount rate. The sensitivity analysis shows the impact to GEDA's proportionate share of the total OPEB liability if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease in Discount Rate 2.63%	Current Discount Rate 3.63%	1% Increase in Discount Rate 4.63%
Total OPEB Liability	$ 4,606,809	$ 3,875,385	$ 3,288,717

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates: The following presents the sensitivity of the total OPEB liability to changes in the healthcare cost trend rate. The sensitivity analysis shows the impact to GEDA's proportionate share of the total OPEB liability if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	1% Decrease 7% Year 1 Decreasing to 3.5%	Healthcare Cost Trend Rates 8% Year 1 Decreasing to 4.5%	1% Increase 9% Year 1 Decreasing to 5.5%
Total OPEB Liability	$ 3,181,690	$ 3,875,385	$ 4,780,853

(6) Other Post-Employment Benefits (OPEB), Continued

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

For the years ended September 30, 2018 and 2017, GEDA reported total OPEB expense of $341,733 and $347,811, respectively, for its proportionate share of the GovGuam total OPEB expense measured for the years ended September 30, 2017 and 2016. At September 30, 2018 and 2017, GEDA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2018		2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 288,157	$ 332,090	$ 348,072	$ -
Contributions subsequent to the measurement date	107,929	-	90,484	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	201,915	-	91,238	-
	$ 598,001	$ 332,090	$ 529,794	$ -

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as reduction of the total OPEB liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB at September 30, 2018 will be recognized in OPEB expense as follows:

Year Ending September 30	
2019	$ 49,726
2020	49,726
2021	49,726
2022	49,726
2023	(40,083)
Thereafter	(839)
	$ 157,982

(7) 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:	
2019	$ 1,188,100
2020	1,050,400
2021	692,400
2022	404,100
2023	208,100
2024 – 2028	226,900
2029 – 2033	25,000
2034 – 2038	25,000
2039 – 2043	25,000
2044 – 2048	25,000
2049 – 2053	25,000
2054 – 2058	25,000
2059 – 2063	20,400
	$ 3,940,400

(8) Commitments

Lease Commitments

GEDA has an operating lease for office space expiring on February 28, 2020. Concurrently, GEDA and 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, 2018, annual lease commitment and reimbursement from GHC under the MOU are $348,672 and $99,744, respectively, for the year ending September 30, 2019, and $145,280 and $41,560, respectively, for the year ending September 30, 2020. Rent expense, net of GHC reimbursements for the years ended September 30, 2018 and 2017, was $248,928 and $186,696, respectively, of which $40,426 and $40,316, respectively, was allocated to trust funds administered by GEDA.

Contract Commitments

Two professional services contracts expiring on February 28, 2019 and March 6, 2019, which are currently undergoing bid process, require monthly payments of $14,706. At September 30, 2018, annual commitment for the year ending September 30, 2019 is $74,000.

(8) Commitments, Continued

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, 2018 and 2017, GEDA has not provided any grants or loans under the Program.

(9) Related Party Transactions

Trust Funds Administered by GEDA

At September 30, 2018 and 2017, the following trust funds were administered by GEDA:

	Total Assets	
Fund	2018	2017
Guam Development Fund Act (GDFA)	$ 12,006,410	$ 11,735,738
Agricultural Development Fund (ADF)	1,135,752	1,045,912

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, 2018 and 2017, GEDA earned related commission income of $115,956 and $105,278, respectively. At September 30, 2018 and 2017, there was no collected rent net of commissions withheld payable to GALC.

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, 2018 and 2017, security deposits in the amount of $77,410 are maintained by GEDA on behalf of the GALC.

(9) Related Party Transactions, Continued

GovGuam and Others, Continued

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%. As of September 30, 2018 and 2017, GEDA has recorded reimbursable expenses of $0 and $97,834, respectively, which are included as a component of other receivables in the accompanying statements of net position.

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 improvements programs established under Public Law 30-228 funded by the Hotel Occupancy Tax (HOT) Revenue Bonds. In 2017, GEDA received $682,000 as reimbursements for managing the HOT bond projects, of which $469,175 was recorded as other revenue, $118,844 was for collection of reimbursable expenses and other receivable and the remaining $100,980 recorded as unearned revenue.

In addition, GEDA has recorded payables to different GovGuam agencies of $162,739 and $185,947 as of September 30, 2018 and 2017, respectively.

(10) 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, 2018 and 2017, $581,695 and $887,250, respectively, were due from QC recipients, of which $68,625 and $318,625 were recorded as part of other receivables. At September 30, 2018 and 2017, $667,754 and $308,146, respectively, are included in accounts payable and accrued liabilities and represent approved allocated contributions not yet disbursed or specific recipients not yet identified. Additionally, at September 30, 2018 and 2017, $521,205 and $139,766 included in accounts payable represent QC receipts to be disbursed to designated GovGuam agencies or programs pending proof of expenditures for eligible purposes.

(11) 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.

(11) Contingencies, Continued

Tobacco Settlement Bonds Reserve Fund Agreement, Continued

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.

(12) 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, 2018 and 2017, GEDA had incurred administrative costs of $89,587 and $85,011, respectively.

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, 2018 and 2017, outstanding loans under the guaranty program had total principal balances of $8,084,335 and $5,527,931, respectively. At September 30, 2018 and 2017, loans totaling $0 and $32,297, respectively, were in default status. In 2018, GEDA collected $34,704 from previously defaulted loans and recorded a recovery in loan guaranty in the accompanying statements 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.

GUAM ECONOMIC DEVELOPMENT AUTHORITY
(A Component Unit of the Government of Guam)

Required Supplemental Information (Unaudited)
Schedule of Proportional Share of the Net Pension Liability
Last 10 Fiscal Years*

Defined Benefit Plan

	2018	2017	2016	2015	2014
Total net pension liability	$ 1,142,249,393	$ 1,368,645,126	$ 1,436,814,230	$ 1,246,306,754	$ 1,303,304,636
GEDA's proportionate share of the net pension liability	$ 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%	0.34%	0.34%	0.35%
GEDA's covered-employee payroll**	$ 1,807,340	$ 1,816,999	$ 1,742,220	$ 1,721,471	$ 1,601,075
GEDA's proportionate share of the net pension liability as percentage of its covered employee payroll	224.72%	270.31%	280.98%	246.82%	283.11%
Plan fiduciary net position as a percentage of the total pension liability	60.63%	54.62%	52.32%	56.60%	53.94%

* This data is presented for those years for which information is available.
** Covered-employee payroll data from the actuarial valuation date with one-year lag.

See Accompanying Independent Auditors' Report.

GUAM ECONOMIC DEVELOPMENT AUTHORITY
(A Component Unit of the Government of Guam)

Required Supplemental Information (Unaudited)
Schedule of Proportional Share of the Net Pension Liability, Continued
Last 10 Fiscal Years*

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees

	2018	2017	2016
Total net pension liability***	$ 288,147,121	$ 229,486,687	$ 235,799,709
GEDA's proportionate share of the net pension liability	$ 373,321	$ 293,970	$ 295,035
GEDA's proportion of the net pension liability	0.13%	0.13%	0.13%
GEDA's covered-employee payroll**	$ 658,550	$ 648,593	$ 639,827
GEDA's proportionate share of the net pension liability as percentage of its covered employee payroll	56.69%	45.32%	46.11%

* This data is presented for those years for which information is available.
** Covered-employee payroll data from the actuarial valuation date with one-year lag.
*** No assets accumulated in a trust to pay benefits.

See Accompanying Independent Auditors' Report.

GUAM ECONOMIC DEVELOPMENT AUTHORITY
(A Component Unit of the Government of Guam)

Required Supplemental Information (Unaudited)
Schedule of Proportional Share of the Net Pension Liability, Continued
Last 10 Fiscal Years*

Ad Hoc COLA Plan for DCRS Retirees

	2018	2017	2016
Total net pension liability***	$ 62,445,490	$ 61,688,067	$ 52,115,736
GEDA's proportionate share of the net pension liability	$ 227,626	$ 260,379	$ 173,951
GEDA's proportion of the net pension liability	0.36%	0.42%	0.33%
GEDA's covered-employee payroll**	$ 1,373,458	$ 1,540,921	$ 1,187,902
GEDA's proportionate share of the net pension liability as percentage of its covered employee payroll	16.57%	16.90%	14.64%

* This data is presented for those years for which information is available.
** Covered-employee payroll data from the actuarial valuation date with one-year lag.
*** No assets accumulated in a trust to pay benefits.

See Accompanying Independent Auditors' Report.

GUAM ECONOMIC DEVELOPMENT AUTHORITY
(A Component Unit of the Government of Guam)

Required Supplemental Information (Unaudited)
Schedule of Pension Contributions
Last 10 Fiscal Years*

	2018	2017	2016	2015	2014
Statutorily determined contribution	$ 445,434	$ 446,494	$ 458,262	$ 457,202	$ 430,282
Contribution in relation to the statutorily determined contribution	442,603	460,658	504,594	476,077	452,725
Contribution deficiency (excess)	$ 2,831	$ (14,164)	$ (46,332)	$ (18,875)	$ (22,443)
GEDA's covered-employee payroll **	$ 1,807,340	$ 1,816,999	$ 1,742,220	$ 1,721,471	$ 1,601,075
Contribution as a percentage of covered-employee payroll	24.49%	25.35%	28.96%	27.66%	28.28%

* This data is presented for those years for which information is available.
** Covered-employee payroll data from the actuarial valuation date with one-year lag.

See Accompanying Independent Auditors' Report.

GUAM ECONOMIC DEVELOPMENT AUTHORITY
(A Component Unit of the Government of Guam)

Required Supplemental Information (Unaudited)
Schedule of Changes in Total OPEB Liability and Related Ratios
Last 10 Fiscal Years*

	2018	2017	2016
Service cost	$ 299,537	$ 239,286	Not Available
Interest	127,865	125,449	Not Available
Change of assumptions	(410,096)	422,386	Not Available
Benefit payments	(47,416)	(47,416)	Not Available
Net change in total OPEB liability	(30,110)	739,705	
Toal OPEB liability - beginning	3,905,495	$ 3,165,790	Not Available
Total OPEB liability - ending	$ 3,875,385	$ 3,905,495	$ 3,165,790
Covered payroll as of valuation date	$ 1,770,679	$ 1,770,679	
Total OPEB liability as a percentage of covered employee payroll	218.86%	220.56%	
Notes to schedule:			
Discount rate	3.63%	3.058%	3.71%

Changes of benefit terms:

None

Changes of assumptions:

Discount rate has changed from respective measurement dates

* Information for 2009 - 2015 is not available

See Accompanying Independent Auditors' Report.

GUAM ECONOMIC DEVELOPMENT AUTHORITY
(A Component Unit of the Government of Guam)

Required Supplemental Information (Unaudited)
Schedule of the Proportionate Share of the Total OPEB Liability
Last 10 Fiscal Years*

	2018	2017
Total OPEB liability **	$ 2,431,048,672	$ 2,532,753,040
GEDA's proportionate share of the total OPEB Liability	$ 3,875,385	$ 3,905,495
GEDA's proportion of the total OPEB Liability	0.16%	0.15%
GEDA's covered-employee payroll	1,770,679	1,770,679
GEDA's proportionate share of the total OPEB Liability as a percentage of its covered employee payroll	218.86%	220.56%

* Information for 2009 - 2015 is not available
** No assets accumulated in a trust to pay the benefits.

See Accompanying Independent Auditors' Report.

GUAM ECONOMIC DEVELOPMENT AUTHORITY
(A Component Unit of the Government of Guam)

Required Supplemental Information (Unaudited)
Schedule of OPEB Employer Contributions
Last 10 Fiscal Years*

	2018	2017
Actuarially determined contribution	$ 509,441	$ 424,872
Contributions in relation to the actuarially determined contribution	47,416	47,416
Contribution deficiency	$ 462,025	$ 377,456
Covered payroll as of valuation date	$ 1,770,679	$ 1,770,679
Contributions as a percentage of covered employee payroll	26.09%	21.32%

Notes to Schedule

Valuation date:

Actuarially determined contributions rates are calculated as of September 30, 2016.

Method and assumptions used to determine contributions rates:

Actuarial cost method:	Entry age normal.
Amortization method:	Level dollar amount on an open amortization period for pay-as-you-go funding.
Amortization period:	30 years
Inflation:	3%
Healthcare cost trend rates:	8% initial, decreasing 0.25% per year to an ultimate rate of 4.5%
Salary increase:	4.5% to 7.5%
Mortality (Healthy Retiree):	RP-2000 Combined Healthy Mortality Table, set forward 4 years and 1 year for males and females, respectively.
Mortality (Disabled Retiree):	RP-2000 Disabled Mortality Table for males and females.

* Information for 2009 - 2016 is not available

See Accompanying Independent Auditors' Report.

GUAM ECONOMIC DEVELOPMENT AUTHORITY
(A Component Unit of the Government of Guam)

Schedule 1
Schedule of Salaries and Wages (Including Trust Funds)
Years Ended September 30, 2018 and 2017

	2018	2017
Salaries and wages:		
Salaries	$ 1,730,772	$ 1,729,006
Benefits	847,841	1,506,427
Total salaries and wages	$ 2,578,613	$ 3,235,433
Employees at end of year	29	32

See Accompanying Independent Auditors' Report.

GUAM ECONOMIC DEVELOPMENT AUTHORITY
(A Component Unit of the Government of Guam)

Comparative Divisional Schedules of Net Position
September 30, 2018 and 2017

	GEDA		SSBCI		TSA	
ASSETS	2018	2017 (As Restated)	2018	2017	2018	2017
Current assets:						
Cash and cash equivalents	$ 920,960	$ 531,999	$ 8,322,949	$ 8,327,664	$ 702,468	$ 107,895
Cash and cash equivalents - restricted	-	-	1,616,867	1,572,041	2,818,056	3,495,428
Investments	4,182,596	3,214,708	3,036,654	2,992,572	-	-
Due from trust funds administered by GEDA:						
Agricultural Development Fund	1,338	27	-	-	-	-
Guam Development Fund Act	20,418	25,773	-	-	-	-
Reimbursable expense	2,565	4,954	(2,565)	(4,954)	-	-
Other receivables, net	229,323	1,429,031	(900)	30	-	-
Promotional supplies	7,706	7,706	-	-	-	-
Prepaid expense	2,801	5,700	-	-	-	-
Total current assets	5,367,707	5,219,898	12,973,005	12,887,353	3,520,524	3,603,323
Equity investment	3,500	3,500	-	-	-	-
Capital assets, at cost, net	428,689	459,901	-	-	-	-
Total assets	5,799,896	5,683,299	12,973,005	12,887,353	3,520,524	3,603,323
DEFERRED OUTFLOWS OF RESOURCES						
Other post-employment benefits	598,001	529,794	-	-	-	-
Pension	584,353	628,550	-	-	-	-
	$ 6,982,250	$ 6,841,643	$ 12,973,005	$ 12,887,353	$ 3,520,524	$ 3,603,323
LIABILITIES AND NET POSITION						
Current liabilities:						
Current portion of bonds payable	$ -	$ -	$ -	$ -	$ 1,200,000	$ 1,115,000
Accounts payable	1,249,624	443,453	-	-	-	-
Accrued liabilities	395,492	553,993	12,005	14,561	(84,580)	(53,306)
Interest payable	-	-	-	-	439,738	441,000
Unearned rental income	100,523	98,812	-	-	-	-
Total current liabilities	1,745,639	1,096,258	12,005	14,561	1,555,158	1,502,694
Non-current liabilities:						
Bonds payable, net of current portion and discount	-	-	-	-	29,501,993	29,076,329
DCRS sick leave liability	103,154	187,540	-	-	-	-
Deposits	18,322	18,322	-	-	-	-
Deposits due to GALC	77,410	77,410	-	-	-	-
Other post-employment benefits liability	3,875,385	3,905,495	-	-	-	-
Net pension liability	4,662,390	5,268,477	-	-	-	-
Total non-current liabilities	8,736,661	9,457,244	-	-	29,501,993	29,076,329
Total liabilities	10,482,300	10,553,502	12,005	14,561	31,057,151	30,579,023
DEFERRED INFLOWS OF RESOURCES						
Other post-employment benefits	332,090	-	-	-	-	-
Pension	258,850	61,529	-	-	-	-
Net position:						
Net investment in capital assets	428,689	459,901	-	-	-	-
Restricted	-	-	12,961,000	12,872,792	2,818,056	3,495,428
Unrestricted	(4,519,679)	(4,233,289)	-	-	(30,354,683)	(30,471,128)
Net position	(4,090,990)	(3,773,388)	12,961,000	12,872,792	(27,536,627)	(26,975,700)
	$ 6,982,250	$ 6,841,643	$ 12,973,005	$ 12,887,353	$ 3,520,524	$ 3,603,323

See Accompanying Independent Auditors' Report.

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, 2018 and 2017

	GEDA		SSBCI		TSA	
	2018	2017 (As Restated)	2018	2017	2018	2017
Revenues:						
Rental income	$ 1,234,109	$ 1,171,329	$ -	$ -	$ -	$ -
Tobacco Settlement revenue	-	-	-	-	1,184,355	2,393,542
Qualifying certificate application, surveillance and other	635,141	646,910	-	-	-	-
Bond fees earned	501,486	249,378	-	-	-	-
Grants revenue	23,420	-	59,561	12,824,715	-	-
GALC lease commission	115,956	105,278	-	-	-	-
Loan guaranty recovery, net	-	-	34,704	-	-	-
Others	108,886	469,175	23,500	34,040	-	-
Total operating revenues	2,618,998	2,642,070	117,765	12,858,755	1,184,355	2,393,542
Provision for bad debts	(415,096)	(26,762)	-	-	-	-
Net operating revenues	2,203,902	2,615,308	117,765	12,858,755	1,184,355	2,393,542
Operating expenses:						
Salaries and benefits	2,152,138	2,793,558	89,417	83,256	-	-
Legal and professional services	285,778	237,960	152	1,101	72,224	12,105
Office space and equipment rent	226,224	169,490	-	-	-	-
Advertising and promotions	12,664	19,041	-	-	-	-
Travel	84,351	92,238	-	-	-	-
Depreciation and amortization	40,160	40,099	-	533	-	-
Supplies	6,566	6,819	-	-	-	-
Utilities, telephone and communication	2,761	3,495	-	-	-	-
Insurance	2,070	2,756	-	-	-	-
Repairs and maintenance	396	4,111	-	-	-	-
Miscellaneous	56,046	33,201	18	121	6,969	25,878
	2,869,154	3,402,768	89,587	85,011	79,193	37,983
Operating (loss) income	(665,252)	(787,460)	28,178	12,773,744	1,105,162	2,355,559
Other income (expense):						
Interest income (expense), net	827	1,402	15,367	15,177	(1,874,797)	(1,921,669)
Investment income	88,698	297,625	41,016	18,646	31,083	5,587
Net increase (decrease) in the fair value of investments	225,663	(79,321)	3,065	3,421	-	-
Other income, net	32,462	111,957	582	-	177,625	12,452
Other income (expense), net	347,650	331,663	60,030	37,244	(1,666,089)	(1,903,630)
Change in net position	(317,602)	(455,797)	88,208	12,810,988	(560,927)	451,929
Net position at beginning of year, as restated	(3,773,388)	(3,317,591)	12,872,792	61,804	(26,975,700)	(27,427,629)
Net position at end of year	$ (4,090,990)	$ (3,773,388)	$ 12,961,000	$ 12,872,792	$ (27,536,627)	$ (26,975,700)

See Accompanying Independent Auditors' Report.

GUAM ECONOMIC DEVELOPMENT AUTHORITY
(A Component Unit of the Government of Guam)

Comparative Divisional Schedules of Cash Flows
Years Ended September 30, 2018 and 2017

	GEDA		SSBCI		TSA	
	2018	2017 (As Restated)	2018	2017	2018	2017
Cash flows from operating activities:						
Cash received on grants and contracts	$ -	$ -	$ 119,278	$ 34,040	$ -	$ -
Cash received from customers	4,012,841	2,320,477	-	-	1,361,980	2,405,994
Cash paid to suppliers for goods and services	(594,913)	(704,506)	(5,117)	(34,074)	(110,467)	(12,105)
Cash paid to employees for services	(2,025,617)	(2,220,244)	(89,417)	(113,993)	-	-
Cash paid for retiree benefits	(341,702)	(90,484)	-	-	-	-
Net cash provided by (used in) operating activities	1,050,609	(694,757)	24,744	(114,027)	1,251,513	2,393,889
Cash flows from investing activities:						
Interest and investment income	314,361	218,304	44,081	22,067	31,083	5,587
Rollover of interest into investment	(314,361)	(218,304)	(44,081)	(22,067)	(31,083)	(5,587)
(Purchase) maturity of investment securities, net	(653,527)	(753,832)	-	-	31,083	5,587
Net cash (used in) provided by investing activities	(653,527)	(753,832)	-	-	31,083	5,587
Cash flows from capital and related financing activities:						
Purchase of capital assets	(8,948)	(10,155)	-	-	-	-
Net cash used in capital and related financing activities	(8,948)	(10,155)	-	-	-	-
Cash flows from noncapital financing activities:						
Repayment of bond payable	-	-	-	-	(45,000)	(980,000)
Net interest received (paid) on deposit accounts and bonds payable	827	1,402	15,367	15,177	(1,320,395)	(1,372,369)
Net cash provided by (used in) noncapital financing activities	827	1,402	15,367	15,177	(1,365,395)	(2,352,369)
Net change in cash and cash equivalents	388,961	(1,457,342)	40,111	(98,850)	(82,799)	47,107
Cash and cash equivalents at beginning of year	531,999	1,989,341	9,899,705	9,998,555	3,603,323	3,556,216
Cash and cash equivalents at end of year	$ 920,960	$ 531,999	$ 9,939,816	$ 9,899,705	$ 3,520,524	$ 3,603,323
Reconciliation of operating (loss) income to net cash provided by (used in) operating activities:						
Operating (loss) income	$ (665,252)	$ (787,460)	$ 28,178	$ 12,773,744	$ 1,105,162	$ 2,355,559
Other income, net	32,462	111,957	582	-	177,625	12,452
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:						
Depreciation and amortization	40,160	40,099	-	533	-	-
Noncash pension (benefit) cost	(130,796)	457,509	-	-	-	-
Provision for bad debts	415,096	26,762	-	-	-	-
(Increase) decrease in assets:						
Due from trust funds administered by GEDA	4,045	191,147	-	-	-	-
Reimbursable expense	2,389	39,467	(2,389)	(34,513)	-	-
Other receivables	784,610	(599,177)	930	-	-	-
Prepaid expenses	2,899	(5,700)	-	-	-	-
Increase (decrease) in liabilities:						
Accounts payable	806,171	(74,383)	-	-	-	79,184
Due to trust funds administered by GEDA	-	(8,161)	-	(30,737)	-	-
Accrued liabilities	(158,500)	(47,152)	(2,557)	1,661	(31,274)	(53,306)
Unearned grant revenue	-	-		(12,824,715)	-	-
Unearned rental income	1,711	7,013	-	-	-	-
Due to GALC	-	(72,000)	-	-	-	-
DCRS sick leave liability	(84,386)	25,322	-	-	-	-
Net cash provided by (used in) operating activities	$ 1,050,609	$ (694,757)	$ 24,744	$ (114,027)	$ 1,251,513	$ 2,393,889

See Accompanying Independent Auditors' Report.

TRUST FUNDS ADMINISTERED BY THE GUAM ECONOMIC DEVELOPMENT AUTHORITY
(A Component Unit of the Government of Guam)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2018 and 2017

Deloitte.

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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, 2018 and 2017, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements. 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 accordance with accounting principles generally accepted in the United States of America; 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 opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 audits to obtain reasonable assurance about whether the financial statements are free from 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.

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

Deloitte.

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, 2018 and 2017, and the changes in their net position and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 March 28, 2019, 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.

Deloitte & Touche LLP

March 28, 2019

TRUST FUNDS ADMINISTERED BY THE
GUAM ECONOMIC DEVELOPMENT AUTHORITY
(A Component Unit of the Government of Guam)

Statements of Fiduciary Net Position
September 30, 2018 and 2017

	Guam Development Fund Act		Agricultural Development Fund	
ASSETS	2018	2017	2018	2017
Cash on hand and in bank	$ 315,700	$ 127,595	$ 37,719	$ 19,795
Time certificates of deposits	-	2,012,069	-	-
Investments	11,360,665	8,878,169	1,086,032	1,020,005
Notes and accrued interest receivable	872,997	1,061,057	16,389	19,228
Less allowance for doubtful receivables	(672,778)	(564,499)	(7,988)	(13,116)
Net notes and accrued interest receivable	200,219	496,558	8,401	6,112
Due from other funds:				
Guam Development Fund Act	-	-	3,600	-
Other real estate:				
Leasehold interest, net	124,008	127,044	-	-
Capital assets, net	5,800	8,033	-	-
Other asset	18	86,270	-	-
	129,826	221,347	3,600	-
Total assets	$ 12,006,410	$ 11,735,738	$ 1,135,752	$ 1,045,912
LIABILITIES AND NET POSITION				
Liabilities:				
Accounts payable and accrued expenses	$ 33,279	$ 41,061	$ 22	$ 22
Due to other funds:				
Guam Economic Development Authority	20,418	25,773	1,338	27
Agricultural Development Program	3,600	-	-	-
Total liabilities	57,297	66,834	1,360	49
Commitments and Contingencies				
Net position held in trust	11,949,113	11,668,904	1,134,392	1,045,863
Total liabilities and net position	$ 12,006,410	$ 11,735,738	$ 1,135,752	$ 1,045,912

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, 2018 and 2017

	Guam Development Fund Act		Agricultural Development Fund	
	2018	2017	2018	2017
Additions:				
Interest from loans	$ 5,502	$ 23,244	$ 143	$ -
Investment income, net	860,890	960,516	91,456	68,656
Other	-	4,548	(1,000)	(634)
Total additions	866,392	988,308	90,599	68,022
Deductions:				
Salaries and benefits	337,058	358,619	-	-
Provision for doubtful notes receivable and accrued interest	108,279	80,337	(5,128)	(7,661)
Bank charges	67,508	16,575	6,883	4,720
Rent	43,862	37,638	-	-
Travel	10,686	6,496	-	-
Legal and professional services	7,549	9,026	315	-
Depreciation	5,269	5,269	-	-
Miscellaneous	5,972	8,175	-	-
Total deductions	586,183	522,135	2,070	(2,941)
Net change in net position	280,209	466,173	88,529	70,963
Net position at beginning of year	11,668,904	11,202,731	1,045,863	974,900
Net position at end of year	$ 11,949,113	$ 11,668,904	$ 1,134,392	$ 1,045,863

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, 2018 and 2017 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.

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.

(1) Purpose and Summary of Significant Accounting Policies, Continued

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.

New Accounting Standards

During fiscal year 2018, the Trust Funds implemented the following pronouncements:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments.

- GASB Statement No. 81, *Irrevocable Split-Interest Agreements,* which improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

- GASB Statement No. 85, *Omnibus 2017*, which addresses practice issues that have been identified during implementation and application of certain GASB Statements including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

(1) Purpose and Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

- GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt.

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

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset. The provisions in Statement No. 83 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The provisions in Statement No. 88 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions in Statement No. 89 are effective for fiscal years beginning after December 15, 2019. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61,* which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The provisions in Statement No. 90 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

(2) Deposits and Investments

Investments are carried at market value. Cash and cash equivalents, time certificates of deposits and investments at September 30, 2018 and 2017 consist the following:

	2018		2017	
	GDFA	ADF	GDFA	ADF
Cash on hand and deposits in banks	$ 315,700	$ 37,719	$ 127,595	$ 19,795
Cash and cash equivalents	315,700	37,719	127,595	19,795
Time certificates of deposits	-	-	2,012,069	-
Total cash and cash equivalents and time certificates of deposits	$ 315,700	$ 37,719	$ 2,139,664	$ 19,795
Total shares in mutual funds	$ 2,598,147	$ 236,302	$ 2,127,538	$ 242,781
Exchange-traded & closed-end funds			6,750,631	777,224
Municipal bonds	8,762,518	849,730	-	-
Investments	$ 11,360,665	$ 1,086,032	$ 8,878,169	$ 1,020,005

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.

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, 2018 and 2017, the carrying amount of cash and cash equivalents and time certificates of deposits were $353,419 and $2,159,459, respectively, and the corresponding bank balances were $353,019 and $2,159,459, respectively, which are maintained in financial institutions subject to Federal Deposit Insurance Corporation insurance (FDIC). Cash balances of $130,328 and $49,672 are insured by the Federal Deposit Insurance Corporation (FDIC) at September 30, 2018 and 2017, 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.

(2) Deposits and Investments, Continued

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, 2018 and 2017 is registered in GEDA's name and is held by three and two investment managers, respectively, 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.

As of September 30, 2018, investments at fair value are as follows:

	Amount			Moody's
	GDFA	ADF	Maturity	Rating
Shares in mutual funds invested in:				
Fidelity Advisor Int L Small Cap Opp Cl I (FOPIX)	$ 423,884	$ 43,539	N/A	N/A
Allianzgi Short Duration Hi Inc Cl A (ASHAX)	500,753	43,996	N/A	N/A
Goldman Sachs Emrg Markets Debt Instl (GSDIX)	568,332	50,244	N/A	N/A
JPmorgan Global Bond Opportunities Cl1 (GBOSX)	435,825	39,201	N/A	N/A
Morgan Stanley Instl High Yield Cl1 (MSYIX)	669,353	59,322	N/A	N/A
Exchange-traded & closed-end funds:				
Dbx Etf Trust X-trackers Msci Eafe Hdg Equity Fund (DBEF)	983,621	90,390	N/A	N/A
Ishares Core S&p 500 Etf (IVV)	4,734,322	461,928	N/A	N/A
Ishares Core S&p Mid-cap Etf (IJH)	768,727	74,276	N/A	N/A
Ishares Europe Etf (IEV)	292,910	27,402	N/A	N/A
Ishares Trust Core Msci Eafe Etf (IEFA)	915,511	88,046	N/A	N/A
Ishares Inc Core Msci Emerging Mkts Etf (IEMG)	764,169	76,790	N/A	N/A
Ishares Inc Msci Jpn Etf New (EWJ)	303,258	30,898	N/A	N/A
	$ 11,360,665	$ 1,086,032		

(2) Deposits and Investments, Continued

B. Investments, Continued

As of September 30, 2017, investments at fair value are as follows:

	Amount			
	GDFA	ADF	Maturity	Moody's Rating
Shares in mutual funds invested in:				
Fidelity Advisor Int L Small Cap Opp Cl I (FOPIX)	$ 358,706	$ 41,948	N/A	N/A
Allianzgi Short Duration Hi Inc Cl A (ASHAX)	398,083	44,731	N/A	N/A
Goldman Sachs Emrg Markets Debt Instl (GSDIX)	485,636	55,391	N/A	N/A
JPmorgan Global Bond Opportunities Cl1 (GBOSX)	353,795	40,257	N/A	N/A
Morgan Stanley Instl High Yield Cl1 (MSYIX)	531,318	60,453	N/A	N/A
Exchange-traded & closed-end funds:				
Dbx Etf Trust X-trackers Msci Eafe Hdg Equity Fund (DBEF)	756,946	86,729	N/A	N/A
Ishares Core S&p 500 Etf (IVV)	3,472,982	399,124	N/A	N/A
Ishares Core S&p Mid-cap Etf (IJH)	578,026	66,014	N/A	N/A
Ishares Europe Etf (IEV)	245,927	28,497	N/A	N/A
Ishares Trust Core Msci Eafe Etf (IEFA)	758,810	88,170	N/A	N/A
Ishares Inc Core Msci Emerging Mkts Etf (IEMG)	694,265	80,112	N/A	N/A
Ishares Inc Msci Jpn Etf New (EWJ)	243,675	28,579	N/A	N/A
	$ 8,878,169	$ 1,020,005		

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, 2018 and 2017:

		Fair Value Measurements Using		
	September 30, 2018	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservab le Inputs (Level 3)
GDFA:				
Investments by fair value level:				
Exchange-traded and 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 and 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	$ -	$ -

(2) Deposits and Investments, Continued

B. Investments, Continued

		Fair Value Measurements Using		
	September 30, 2017	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
GDFA:				
Investments by fair value level:				
Exchange-traded and closed-end funds	$ 6,750,631	$ 6,750,631	$ -	$ -
Mutual funds	2,127,538	2,127,538	-	-
Total investments by fair value level	$ 8,878,169	$ 8,878,169	$ -	$ -
ADF:				
Investments by fair value level:				
Exchange-traded and closed-end funds	$ 777,224	$ 777,224	$ -	$ -
Mutual funds	242,781	242,781	-	-
Total investments by fair value level	$ 1,020,005	$ 1,020,005	$ -	$ -

Mutual funds and exchange-traded & 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, 2018 and 2017, respectively, net of accumulated amortization of $42,992 and $39,956 at September 30, 2018 and 2017, 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.

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INDEPENDENT AUDITORS' REPORT 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 the auditing standards generally accepted in the United States of America 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, 2018, and the related statements of revenues, expenses, and changes in net position and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 28, 2019.

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 a 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.

Deloitte.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether GEDA's financial statements are free from 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.

Deloitte & Touche LLP

March 28, 2019

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INDEPENDENT AUDITORS' REPORT 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 the auditing standards generally accepted in the United States of America 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 and the Agricultural Development Fund, administered by the Guam Economic Development Authority (GEDA), which comprise the respective statements of fiduciary net position as of September 30, 2018, 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 March 28, 2019.

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 a 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.

Deloitte.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the respective financial statements of the Guam Development Fund Act and the Agricultural Development Fund are free from 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.

Deloitte & Touche LLP

March 28, 2019