

*Financial Statements, Required Supplementary Information
and Supplementary Information*

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

*Years ended September 30, 2020 and 2019
With Report of Independent Auditors*



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

Financial Statements, Required Supplementary Information, and
Supplementary Information

Years ended September 30, 2020 and 2019

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

Financial Statements, Required Supplementary Information, and
Supplementary Information

Years ended September 30, 2020 and 2019

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Report of Independent Auditors

The Board of Directors
Guam Economic Development Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the Guam Economic Development Authority (GEDA), a component unit of the Government of Guam, which comprise the statements of net position as of September 30, 2020 and 2019, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise GEDA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Guam Economic Development Authority as of September 30, 2020 and 2019 and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 4 through 20 as well as the Schedules of Proportional Share of the Net Pension Liability on pages 61, 63, and 65, the Schedule of Contributions on pages 62, 64, 66 and 68 and the Schedule of Proportional Share of the Collective Total Other Postemployment Benefit Liability on page 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise GEDA's basic financial statements. The supplemental schedule of salaries and wages on page 70 and the supplemental comparative divisional schedules on pages 71 through 73 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2021 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.

Ernst + Young LLP

March 26, 2021

Guam Economic Development Authority
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Management's Discussion and Analysis

PREFACE

The mission of the Guam Economic Development Authority, *Aturidat Inadilanton Ikunumihan Guåhan* (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 for tax credit and tax incentive programs, commercial loan programs, government real property management, and serve as the Central Financial Manager for the Government of Guam by assisting with coordinating and monitoring Financial Advisory Services, Capital Financing, Debt Management and the Capital Markets.

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

Fiscal Year (FY) 2020 was a year of tremendous economic challenges in both the global economy and the local economy alike. As the COVID19 pandemic gutted our tourism economy, the island's fragility and dependence on few industries became apparent. GEDA mobilized its resources to become "fiscal" first responders to the island's small businesses. The following articulates how the agency overcame great challenges and became a focal point for small business assistance while maintaining a high level of productivity within the confines of the COVID19 work environment. .

The executive management team comprised of Board Chair David John, CEO/Administrator Melanie Mendiola, and Deputy Administrator Artemio "Ricky" Hernandez began the fiscal year in a largely "business as usual" manner with a focus on economic diversification and achieving savings for the government in a low interest rate environment. Upon the declaration of the state of emergency in March 2020, the organization adapted to government imposed limitations on movement and maintained a virtual working environment, which then became a hybrid environment until the reinstatement of Pandemic Condition of Readiness 3 (PCOR3), at which point, GEDA resumed full operations in-office with modified activities for social distancing and sanitization. Deputy Administrator Hernandez was tapped to lead another government agency and was replaced by former First Lady Joann Camacho.

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Management's Discussion and Analysis, continued

BUSINESS & ECONOMIC DEVELOPMENT DIVISION (BEDD)

Guam Small Business Pandemic Assistance Grant

Pursuant to Executive Order 2020-18, GEDA launched the Guam Small Business Pandemic Assistance Grant (GSBPAG) program funded by the Coronavirus Aid, Relief and Economic Security (CARES) Act. Since its launch, GEDA has processed 2,351 grant applications totaling \$17 million in grant awards. The Business & Economic Development Division (BEDD) was designated as the division to serve as the program manager.

Economic Development Trade Missions

In pre-pandemic FY 2020, GEDA BEDD continued to provide assistance to the Chief Advisor Economic Development, National and International Affairs (EDNIA) in support of economic development efforts and other national/international affairs of importance to the government of Guam. Investment Trade Missions to key destinations, namely Taiwan, Philippines, China, Japan, Korea and the United States were cancelled upon the declaration of the State of Emergency. The lone trade mission in FY 2020 was to Manila, Philippines in January 2020. BEDD provided support to EDNIA at meetings with business owners and government representatives with the main goals to entice new investment in to Guam as well as to garner support for a limited visa waiver between Guam and the Philippines.

Business Development Programs

Qualifying Certificate Program

The Qualifying Certificate (QC) program is an incentive tool, managed by GEDA, to provide tax benefits for qualified investments in to Guam. In FY 2020, BEDD performed the following under the QC program:

- Performed all administrative requirements for the GEDA Board to adopt Board Resolution 20-03, which extended the application period of the Special Hotel QC Program to December 31, 2021;
- Processed the Guam Brewery Corporation's QC application and obtained a recommendation for approval by the GEDA Board;
- Maintained the activities of the Ad Hoc Qualifying Certificate Committee made up of employees from BEDD, the Compliance Division, GEDA management and members of the GEDA Board. The purpose of this Committee is to conduct research and to recommend changes and/or additions to the QC program.

Guam Product Seal Program

GEDA BEDD has administered the Guam Product Seal (GPS) Program since 2012. The GPS program focuses on Guam's local manufacturers with the intent of authenticating products that are made in Guam. Due to COVID-19 constraints, permitting procedures were adjusted to a digital format. In addition, there was a marked decrease in permits issued during the year.

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Management's Discussion and Analysis, continued

Special Projects

State Trade Expansion Program (STEP)

GEDA was awarded a \$150,000 grant from the U.S. Small Business Administration (SBA) to develop a comprehensive export development program. The grant was scheduled to expire in September, 2020. However, due to COVID-19, SBA extended the expiration date to September 30, 2021.

BEDD made attempts to launch the program in FY 2020. However, the impact of COVID-19 on the economy stalled those efforts. In order to maximize use of grant funds, BEDD, with guidance from SBA, developed a new plan to assist local businesses through the program. A budget modification was prepared to adjust grant funds from primarily funding an international trade show to supporting ecommerce efforts, international marketing media design and a virtual reverse trade mission, among other efforts. The budget modification was approved in the first quarter of FY 2021.

Legislative Research

In FY 2020, BEDD assisted in the research and drafting of legislation on a wide range of economic development initiatives, including but not limited to:

- Commercial leasing of government real property;
- Qualifying certificates – insurance, recycling, tourism;
- Tax credits;
- Apprenticeship programs; and
- Agriculture.

Legislative research was utilized to guide GEDA in the formation economic development strategies.

PUBLIC FINANCE DIVISION (PFD)

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

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Management's Discussion and Analysis, continued

\$37.0 Million Guam A.B. Won Pat International Airport Authority 2019 Bonds (Nov 2019)

The A.B. Won Pat Guam International Airport Authority (GIAA) successfully sold \$37.0 million in refunding bonds resulting in debt service savings of approximately 2.5% or \$1 million, and a final interest rate of 3.4% for the 5-year bonds. In addition, the successful refunding resulted in cash flow relief of \$18.4 million in fiscal years 2020 and 2021. The debt service savings and cash flow relief achieved with the refunding paves the way for GIAA to move forward with various capital improvement projects that will enhance service, safety and security at the Airport. A total of \$252.72 million in orders were placed by investors representing 6.9 times more than the available amount in bonds.

\$134.0 Million Guam Waterworks Authority Revenue Bonds (June 2020)

Despite pricing during the COVID-19 pandemic and undertaking a remote bond process, the Guam Waterworks Authority (GWA) successfully sold \$134.0 million in revenue bonds with a 30-year maturity. Due to the extensive outreach by the financing team, the demand on the GWA bonds resulted in a record \$2.9 billion in orders by 70 different investors, of which 25 were new reported holders of any Guam bond. The result is evidence that the Government of Guam credit has a strong record with investors and stakeholders despite the on-going pandemic. With the strong demand, the all in true interest cost was lowered by 40 basis points from 4.96% to 4.59% and a deposit increase of \$10.0 million into the construction fund of \$124 million.

\$166.075 Million Guam Waterworks Authority Revenue Refunding Bonds (August 2020)

The Guam Waterworks Authority (GWA) successfully sold \$166.075 million in revenue refunding bonds with a 23-year maturity to refund a portion of the GWA Revenue Bonds Series 2013 for debt service savings. Following the March 2020 market dislocation as a result of the COVID-19 pandemic, the GWA team was able to take advantage of the favorable market conditions and secure \$12 million in savings. The bond achieved a final all in true interest rate of 3.70%.

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Management's Discussion and Analysis, continued

Rating Agency Activity

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

Over the past year, the rating agencies were monitoring the impacts of the COVID-19 pandemic on all the credits, requesting for data almost on a monthly basis. Below details the results of their review:

1. The General Fund and the Special Revenues Fund obligations are rated by two (2) rating agencies, Standard & Poor's and Moody's. During the pandemic, the general fund provided monthly updates on the revenues collected, the impact of COVID-19 and the distribution of Federal CARES Act assistance. As a result of the pandemic, the following ratings were issued during the year:
 - S&P Actions
 - General Fund, 4/07/2020: Rating of "BB-" maintained but outlook changed from "Stable" to "Negative".
 - General Fund, 9/22/2020: Rating of "BB-" and "Negative" outlook affirmed
 - Section 30, Hotel Occupancy Tax and Business Privilege Tax Bonds, 4/07/2020: Rating of "BB" maintained but outlook changed from "Stable" to "Negative".
 - Section 30, Hotel Occupancy Tax and Business Privilege Tax Bonds, 9/22/2020: Rating of "BB" maintained and "Negative" outlook affirmed
 - Moody's Actions
 - General Fund, 3/25/2020: Rating of "Ba1" maintained but outlook changed from "Stable" to "Review for Possible Downgrade".
 - General Fund, 5/19/2020: Rating of "Ba1" and outlook changed to "Negative"

The reports stated that the rating agencies were concerned about the impact of COVID-19 on the economy as well as the government's finances and liquidity in the near term. The further downgrade of the credit was due to the recognition of the ongoing military construction and the offsets of the federal assistance.

2. The credit of the Guam Airport Authority was most directly impacted by the COVID-19 pandemic because of the loss of visitors to the island. Details are as follows:
 - S&P Actions:
 - 3/26/2020: Rating affirmed at "BBB+", outlook changed from "Stable" to "Negative"
 - 8/07/2020: outlook changed from "Negative" to "Credit watch"
 - 10/22/2020: Rating downgraded from "BBB+" to "BB+", outlook "negative"
 - Moody's Action
 - 3/30/2020: Rating affirmed at "Baa2" with the outlook changed to "Negative"

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Management's Discussion and Analysis, continued

The action taken by S&P was reflective of their severe outlook for airports nationwide. They allude to the significant reduction in revenues due to the COVID-19 pandemic on all airports nationwide that led to the downgrade of all airport credits. The GIAA continues to reassure its investors that there is adequate debt service coverage and that they remain committed to remaining financially stable during the recovery of the island.

3. Other actions taken by rating agencies are as follows:
- Guam Power Authority Bonds: Moody's downgraded the outlook for this credit from "Stable" to "Negative" (5/20/2020)
 - Guam Waterworks Authority Bonds: Moody's downgraded the outlook for this credit from "Stable" to "Negative" (5/20/2020)
 - Port Authority of Guam Bonds: S&P affirmed the rating at "A" but downgraded the outlook for this credit from "Stable" to "Negative" (3/26/2020). Moody's affirmed the rating at "Baa2" but downgraded the outlook from "Stable" to "Negative" (5/20/2020).

Bond Disclosure Services (FY 2020)

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

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

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 2020 carry-over amount plus previous amounts carried forward now allows for approximately \$276.2 million in PAB's to be made available for approved activities.

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Management's Discussion and Analysis, continued

REAL PROPERTY DIVISION (RPD)

GEDA manages three industrial parks: the E.T. Calvo Memorial Park, the Harmon Industrial Park and a small portion of Port Authority of Guam property generating an average of about 500 to 700 jobs annually, \$21 million in payroll, over \$52 million in gross sales and over \$ 2 million in GRT. In an effort to generate additional revenues for GEDA as a result of losing major properties within the Port Authority of Guam (equating to \$500K per year) and the Guam Shipyard Sublease in FY 2013 (equating to \$132K per year), GEDA engaged in a management Memorandum of Understanding (MOU) with the Guam Ancestral Lands Commission (GALC), to manage leases on the Spanish Crown properties. For the period October 2007 to September 2020, GEDA collected over \$12.2 million in ground lease rents and participation rents of which over \$10.4 million was remitted to GALC while the difference was retained by GEDA as provided for in the MOU. This jump in revenue included the AT&T lease of property for a cable landing station in Dededo, previously leased from the United States General Services Agency before the property was returned to the Government of Guam. GEDA, in collaboration with the Attorney General of Guam's Office and the GALC, successfully negotiated a new lease as well as recovered back rent owed of over \$4.8 Million.

The Authority also executed an MOU with the Chamorro Land Trust Commission (CLTC) which was approved by the Governor on August 20, 2018 for general consultancy and property management services for commercial land leases which could potentially generate over \$300K in management fees for GEDA annually if properties identified for commercial use are realized by CLTC and the Legislature. Overall, Industrial Parks along with GEDA's share of GALC leases revenues generate approximately \$1.4 million per year of the Authority's operating revenues.

In June of 2019, the CLTC passed a resolution officially authorizing GEDA to solicit proposals for lease of 5 properties in Tamuning and Yigo consisting of over 50 acres in prime locations. Leveraging the proceeds generated from these potential leases will provide additional resources to augment CLTC's current programs and initiatives as well as provide GEDA with a new revenue source in terms of property management fees. Similar to CLTC, the GALC has also authorized GEDA to solicit over 395 acres of land for lease in the Andersen South area of Yigo. Potential lease revenues from these properties will be a boon for the Authority. Although timing, the term expiration of a number of Commissioners on both CLTC and GALC boards stalled these initiatives over the past year, both commissions have since been reappointed and empaneled with a renewed interest to continue these efforts.

In March of 2016, the United States Department of Interior (DOI) awarded a grant in the amount of \$260K to conduct a Boat Ramp Feasibility Study and Design to determine the most feasible boat ramp locations and enhance it to better provide emergency response to the Eastern seaboard of Guam. On July 27, 2016, the Guam Economic Development Authority issued a Request for Proposal (RFP16-005) soliciting proposals from qualified individuals or firms to provide professional technical services to assist GEDA in implementation of projects in a fashion that meets various objectives and expands and improves Guam's economy. Upon selection and award to the highest ranking proposal, the first Task Order was issued for the Southern Boat Ramp Feasibility Study and Design. GEDA completed contract negotiations with Stanley Consultants and issued a Notice to Proceed on September 25, 2017. With the input of various community and

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Management's Discussion and Analysis, continued

public safety stakeholders and regulatory agencies, the feasibility study along with a 30% design for a proposed boat ramp in Talofof Bay was completed however; lockdowns due to COVID-19 over the past year has stalled this project. As of the date of this report RPD is collaborating with federal grantor DOI and the Department of Administration (DOA) to resume this project and see it to completion.

In addition to lease and property management for the Authority and other agencies, RPD has been spearheading projects funded by the US Office of Economic Adjustment (OEA) and through the Office of the Governor. These include two (2) projects over the past year. First is the Grants Management Capacity Building and Enhanced Grant Management which deals with training relevant Government of Guam agencies in identifying, addressing and overcoming political status, location and census challenges to better capitalize on grant funding opportunities. Second is a comprehensive update to the Financial Impact Assessment Study (FIAS) which analyzes the potential economic and financial impact to the of Government of Guam primarily due to the US military buildup in order to better provide relevant data to the Governor's Office to aid in policy decisions. Although COVID-19 lockdowns and restrictions on travel delayed the initial timeline on these two projects, they are still progressing. As of the date of this report and in collaboration with the contractor and the Governor's Office, the Grants Management training was redesigned into a virtual format with its first pilot session successfully completed in January 2021. As well, the FIAS nears completion for review by the Administration's Fiscal Team.

As requested by the Governor and as indicated in the MOU with GALC, RPD has analyzed military use of its property and identified over 3,000 acres that could be returned by the federal government to the government of Guam for local economic development and public use purposes, including property proposed for use as a medical complex. The Governor has notified the Navy of her desires for the return of these properties. RPD continues to analyze military responses and military needs for land while making recommendations to the Governor on the results of RPD's analyses.

RPD continues to manage the HOT Bond program which provided \$55 Million to construct 23 projects enumerated by P.L. 30-228 as amended. While most of the projects have been completed, a few projects, such as the Fishermen's Co-op, remain before RPD closes out the program.

In Fiscal Year 2020, the COVID-19 pandemic affected the operations of the RPD, which required the department to make necessary decisions to meet the needs of its tenants served. Fortunately, the majority of GEDA's tenants are classified as essential businesses, to include: healthcare services, auto/industrial repair services and public safety related services. However, a handful of GEDA's tenants closed their businesses during this period. These tenants were severely impacted by the lockdown and had communicated with GEDA a request for consideration regarding their increasing rent liability. RPD addressed these tenant's concerns on a case-by-case basis. RPD's response were based on a number of factors. These factors included whether or not these tenants were able to operate during the lockdowns, tenant payment history, and material business interruption affecting tenants operations. Other types of decisions made by RPD included waiving of late fees and collaborations with tenants regarding payment plans.

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Management's Discussion and Analysis, continued

QUALIFYING CERTIFICATE COMMUNITY CONTRIBUTION GRANTS

Realizing the impact COVID-19 had on Non Profit Organizations (NPO), GEDA launched the Qualifying Certificate Community Contribution Series 2 Grant Program to address the needs of these organizations. Similar to small businesses, NPOs have also suffered as a result of the COVID-19 Pandemic. Many NPOs continue to offer services while their operating budgets may be fragile due to less donor support and other income streams slowing down.

This Grant Program was accessible to NPOs within the following seven (7) service areas: (1) health care, (2) public safety, (3) higher education, (4) cultural preservation, (5) tourist attractions, (6) sports tourism, or (7) economic development. The grant application period opened on August 6th, 2020 and was to close on August 28th, 2020, but was subsequently extended to September 11th, 2020 to ensure that NPOs were given time to obtain the requirements necessary to apply for the grant.

After an evaluation of Four (4) evaluators, Forty-Nine (49) awards totaling Two Hundred Ninety-Nine Thousand Eight Hundred and Seventy-One dollars (\$299,871.00) were granted. GEDA continues to be committed to improving the quality of life for the people of Guam through sustainable economic opportunities and programs.

LOAN PROGRAMS

Agriculture Development Fund (ADF)

The ADF program's target market is limited to individuals, corporations and partnerships that engage in commercial agriculture businesses. Activities include the areas of agriculture, aquaculture, horticulture, mariculture, commercial fishing and other related areas. The program enables bonafide farmers and commercial farming enterprises to obtain a line of credit financing for working capital needs and to provide funding for the purchase of supplies and inventory. In FY 2020 GEDA made one farm loan in the amount of \$25,000.

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Management's Discussion and Analysis, continued

Guam Development Fund Act (GDFA)

The GDFA program is targeted at businesses that are engaged or about to engage in activities in the areas of agriculture, fishing, manufacturing, tourism, and their support industries. GDFA enables start-ups and existing businesses to secure long-term financing for the acquisition of long-term fixed assets, working capital needs and to provide funding for the purchase of supplies and inventory. In FY 2020 GEDA made seven (7) commercial loans totaling \$325,000 for working capital and leasehold improvements.

In coordination with the Administration's pandemic initiatives the Temporary Economic Assistance and Mitigation (TEAM) Guam Plan was established. This plan allowed small businesses in need of cash flow assistance due to the impact of the 2019 Novel Coronavirus (COVID-19) to apply for loans with deferred initial payment of ninety (90) days through GEDA's loan programs. In FY 20 there were five (5) commercial TEAM loans funded by GDFA.

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 enrolled eight (8) new and existing Guam businesses into the program guarantying an amount of \$1.7 Million that resulted in the creation of fifty-two (52) new jobs. Furthermore, GEDA signed a Memorandum of Understanding with an additional lender adding to the network of participating banks and credit unions offering the program.

To date the SSBCI Loan Guaranty Program has deployed over \$18 million to support seventy-three (73) loans to small businesses for start-ups, working capital and expansions circulating new money into Guam's economy through lending activities creating 1,234 new jobs and led to the retention of 824 jobs. Furthermore, of the loans granted since the start of the program, forty five (45) have been fully paid putting \$4.5 million back into the SSBCI loan program to be recycled for new loans.

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Management's Discussion and Analysis, continued

FINANCIAL HIGHLIGHTS

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Assets:			
Current Assets	\$ 23,206,805	\$ 22,058,447	\$ 21,861,236
Long Term Assets:			
Notes receivables, net of current portion	-	-	-
Capital Assets, at cost, net	379,868	394,750	428,689
Equity investment	3,500	3,500	3,500
	<u>23,590,173</u>	<u>22,456,697</u>	<u>22,293,425</u>
Deferred Outflows of Resources			
Other post-employment benefits	950,140	360,946	598,001
Pension	800,146	627,017	584,353
	<u>\$ 25,340,459</u>	<u>\$ 23,444,660</u>	<u>\$ 23,475,779</u>
Liabilities and Net Position:			
Current liabilities	\$ 3,695,640	\$ 3,187,577	\$ 3,312,802
Non-current liabilities	38,425,675	37,161,773	38,238,654
	<u>42,121,315</u>	<u>40,349,350</u>	<u>41,551,456</u>
Deferred Inflows of Resources			
Other post-employment benefits	1,330,700	1,681,175	332,090
Pension	341,079	175,732	258,850
	<u>1,671,779</u>	<u>1,856,907</u>	<u>590,940</u>
Net Position:			
Net investment in capital assets	379,868	394,750	428,689
Restricted	17,024,052	16,566,695	15,779,056
Unrestricted	(35,856,555)	(35,723,042)	(34,874,362)
	<u>(18,452,635)</u>	<u>(18,761,597)</u>	<u>(18,666,617)</u>
	<u>\$ 25,340,459</u>	<u>\$ 23,444,660</u>	<u>\$ 23,475,779</u>
Revenues:			
Operating revenues	\$ 2,949,716	\$ 2,910,697	\$ 2,618,998
SSBCI grants revenue	21,000	35,200	117,765
Tobacco Settlement revenue	1,449,072	1,461,989	1,184,355
	<u>4,419,788</u>	<u>4,407,886</u>	<u>3,921,118</u>
Provision for bad debts	-	-	(415,096)
	<u>4,419,788</u>	<u>4,407,886</u>	<u>3,506,022</u>
Operating expenses:			
Operating expenses	(2,902,150)	(2,969,294)	(3,037,934)
	<u>1,517,638</u>	<u>1,438,592</u>	<u>468,088</u>
Other expense, net	(1,208,676)	(1,533,572)	(1,258,409)
Change in net Position	308,962	(94,980)	(790,321)
Net position at beginning of year	<u>(18,761,597)</u>	<u>(18,666,617)</u>	<u>(17,876,296)</u>
Net position at end of year	<u>\$ (18,452,635)</u>	<u>\$ (18,761,597)</u>	<u>\$ (18,666,617)</u>

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

Management's Discussion and Analysis, continued

Operating Revenues

There are three primary sources of revenue that sustains GEDA's annual operations. These funding sources include: rental income from Industrial Park properties, application and surveillance fees from qualifying certificate beneficiaries and the property management of the Guam Ancestral Lands Commission's properties executed through a memorandum of understanding. Bond fees and other federal and local grants are additional sources of revenues, but are not considered recurring annual revenues.

In FY 2020, GEDA recorded operating revenues of \$2,949,716 compared to \$2,910,697 in FY 2019. The year-to-year change of \$39,019 represents an increase of 1.34%.

Rental Income from Industrial Parks

There was no significant change in rental income compared to the prior fiscal year. Rental income increased by 1.50%, or \$18,341 from \$1,224,867 in FY 2019 to \$1,243,208 in FY 2020. During FY 2020, there was one (1) sublease expiration and one (1) sublease termination.

GALC Lease Commission

GALC Lease Commission decreased by 81.12% or \$657,778 from \$810,847 in FY 2019 to \$153,069 in FY 2020. This decrease is attributed to the settlement of GALC lease agreement with AT&T in FY 2019 considered to be a revenue anomaly.

QC Program

QC revenue increased by 14.60%, or \$94,388 from \$646,596 in FY 2019 to \$740,984 in FY 2020. This increase is attributed to the net change related to the increase of FY 2019 TNN QC revenue recognized in FY2020 and the revenue collected related to the TakeCare rebate.

Bond Fees

Bond fees increased by 750% or \$663,282 from \$88,440 in FY 2019 to \$751,722 in FY 2020. As noted earlier, this increase resulted from the closing of three (3) bonds: Guam International Airport Authority (GIAA) 2019 Bond, Guam Waterworks Authority (GWA) Revenue Bond, and GWA Revenue Refunding Bond in the fiscal year 2020.

Capital Assets

Land, building, improvements and equipment decreased 3.77% or \$14,882 from \$394,750 in FY 2019 to \$379,868 in FY 2020. 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 2020 is \$2,902,150, a decrease of \$67,144 or 2.26% over FY 2019 of \$2,969,294.

Salaries and Benefits

Salaries and benefits (including trust funds) decreased by \$35,024 or 1.36% from \$2,575,862 in FY 2019 to \$2,540,838 in FY 2020.

Legal and Professional Services

Legal and Professional service expenses decreased by \$23,679 or 7.90% from \$299,745 in FY 2019 to \$276,066 in FY 2020.

Guam Economic Development Authority
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Management's Discussion and Analysis, continued

Office Space and Equipment Rental

There was no significant change in office space and equipment rental compared to the prior fiscal year. Total office space and equipment rental (including allocation to trust funds) increased by \$246 or 0.09% from \$260,244 in FY 2019 to \$260,490 in FY 2020.

Travel

Travel expenses decreased by \$43,599 or 61% from \$71,452 in FY 2019 to \$27,853 in FY 2020. This decrease is mainly attributed to the COVID-19 pandemic.

FY 2021 INITIATIVES

Increased Funding through Federal Grants

- **Guam Comprehensive Economic Development Strategy (CEDS) Pandemic Recovery Plan:** In preliminary consideration for an Economic Development Administration grant of \$85,000 to update Guam CEDS 2020-2025 to include new and revised strategic development projects in order to reflect current economic conditions and the impact of COVID-19.
- **Guam Aquaculture Industry Feasibility Study:** In preliminary consideration for an Economic Development Administration grant of \$199,755 to develop an economic and marketing feasibility study for the establishment of an aquaculture industry on Guam.
- **Guam Green Market Facilities:** In preliminary consideration for an Economic Development Administration grant of \$1,300,000 to repair, renovate, storm-harden and construct new green market facilities in three strategic municipalities (Agat, Mangilao and Sinajana) and to expand existing facilities at the sites in order to add new small business space for minority entrepreneurs.

Qualifying Certificate (QC)

Moving forward, the Qualifying Certificate Ad Hoc Committee will continue to work to enhance and modernize the QC Program. In FY 2021, the Committee will focus on the development of new industries, efficiencies in the processing of QCs and reinvigorate QC programs such as Captive Insurance.

CARES Act Grants

In FY 2021, GEDA implemented two additional grant programs, both at the direction from the Office of the Governor.

- **Healthcare System Stabilization (HSS) Grant Program:** Pursuant to Executive Order 2020-35, GEDA launched the HSS Grant Program on October 26, 2020. The grant is aimed at providing much needed assistance to local healthcare providers impacted by COVID-19. A total of 24 applications were processed totaling \$1,387,166.
- **Small Business Rent Assistance Grant (RAG) program:** Pursuant to Executive Order 2020-40, GEDA launched the RAG program on November 25, 2020. The grant provides financial assistance equal to two months' worth of rent for eligible small businesses impacted by COVID-19. A total of 403 applications were processed totaling \$3 million.

Guam Economic Development Authority
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Management's Discussion and Analysis, continued

Industry Development / Governor's Economic Diversification Group

GEDA is taking a leadership role in the Governor's Economic Diversification Group. The group, which is a combination of the government of Guam and the Guam Chamber of Commerce, is tasked with implementing programs that will expand Guam's economic base beyond existing industries. BEDD will serve as the key division within GEDA to coordinate efforts in the group.

Economic Development Trade Missions

BEDD will continue to monitor COVID-19 to determine an appropriate date to undertake trade missions. If and when appropriate, GEDA will schedule trade missions and business trips to market Guam's economic opportunities, with a focus on enticing investment in key industries such as tourism, commercial development, and agriculture & aquaculture, but the division will also try to secure investment into new and emerging industries technology, Pharmaceutical and regional healthcare.

Small Business Development Projects

BEDD will continue to research and develop small business assistance programs. These programs will be aimed at providing more opportunities for local entrepreneurs, in particular workers who have been displaced due to COVID-19's impact on local businesses. These programs will aid in the diversification of Guam's economy.

Guam Product Seal (GPS)

BEDD will continue to drive membership by seeking out companies that manufacture locally.

State Trade Expansion Program (STEP) Grant

GEDA obtained approval for a budget modification in order to provide training opportunities and direct financial assistance to eligible small businesses under STEP. The budget modification also focuses on developing ecommerce services and other digital methods to assist local businesses with generating export sales, as COVID-19 has eliminated any prospects of traveling to an international trade show.

\$65.4 Million Series 2020 Certificates of Participation (October 2020)

The Government of Guam, along with current Leaseholder CAPFA Capital Corp., was successful in refunding the Series 2010 Certificates of Participation (COP's) (John F. Kennedy High School (JFK) Project) and securing an additional \$9 Million to finance Solar and associated energy improvement projects for the school.

With the support and assistance of the Office of the Governor, the Bureau of Budget and Management Research (BBMR), the Department of Administration (DOA) and the Guam Economic Development Authority (GEDA), the government was successful in selling \$64.5 Million in refunding and solar project COP's with a net present value savings of \$7.9 Million (13.99% PV savings), All in True Interest Cost (TIC) of 5.18%, and cash flow relief of about \$3 Million for Fiscal Year 2021 for this 20 year bond. This effort, designed to achieve upfront savings for the General Fund, will also realize well over \$8 Million Dollars in debt service savings in Fiscal Years 2022 – 2024. The fiscal year 2021 savings of approximately \$3 Million will be used to fund the budget shortfall of the Guam Department of Education (GDOE).

Guam Economic Development Authority
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Management’s Discussion and Analysis, continued

2011 Hotel Occupancy Tax (HOT) Bond Refunding

The government, through the passing of Public Law 35-127 is authorized to refund its outstanding Hotel Occupancy Tax Bonds issued in 2011. The plan is to issue approximately \$61 million in refunding bonds with a 20-year term with estimated present value savings, beginning in FY 2021, of an estimated \$18.1 million or 28.2%. These bonds are scheduled to close by March 2021.

A.B. Won Pat Guam Airport Bond Refunding and Restructuring

The A.B. Won Pat Guam Airport Authority (GIAA) has received authority to refinance its existing bonds for savings through Public Law 35-137. Based on various financing structures we have tested, GEDA believes that a potentially successful scenario exists in which savings is maximized over the next two (2) fiscal years and GIAA will be able to reduce debt service to accommodate reduced revenues associated with the COVID-19 pandemic. If the GIAA is given the flexibility to refund and restructure its outstanding bonds, it could time its entry into the market and achieve net present value saving estimated around \$7.0 million or an approximately 6% savings ratio. This assumes no extension of the current maturity and achieving the standard minimum refunding savings of at least 2%. This financing is scheduled to close by the summer of 2021.

\$6.5M Proposed Multipurpose Recreation/Emergency Center

The proposed project’s objective is to construct a 30,000 square feet Multi-Purpose Recreation Center/Emergency Center to be situated adjacent to an existing baseball field and community center in the district/village of Chalan Pago-Ordot, Guam on Lot 3458-R1 (36,864 square meters). Estimated total project cost is \$6.4 million. Anticipated project funding is \$3.5 million Federal funding from the Office of Economic Adjustment and \$3.0 local funding.

OEA Funding	\$3.5 million
Local Funding	\$2.5 million
CPO Mayor's office	<u>\$0.5 million</u>
TOTAL	\$6.5 million

The project includes a gymnasium for a basketball court/performing hall, weight room, squash court and 3 multipurpose rooms. Dual intent of the proposed project is to utilize the building as an emergency mass shelter site that will be able to accommodate approximately 200 beds. The proposed project can also be used as a cultural and performing arts center, accommodate social and business events, and would be able to host military ceremonies for Naval Hospital Guam. Project delivery includes procuring for design, construction and construction management.

Construction is projected to start in June of 2021 with completion of January 2023. Environmental Assessment is expected to be complete by January 2021 and anticipates no changes to project schedule.

Business Privilege Tax (BPT) Refunding Bonds

There is legislation being considered via Bill 40-36 to refinancing the current outstanding BPT bonds. The 2011A BPT Bonds and the 2012B BPT Bonds have a current call date of January 1, 2022, with the earliest date for a current refunding of October 3, 2021. With the improvement we have seen in the markets recently, we have found that there exist an opportunity to achieve over \$39 million in debt service savings and accelerate this savings into Fiscal Year 2021, estimated at \$5.0 million, and Fiscal Year 2022 estimated at \$19.9 million with the refunding of the BPT 2011 A, the 2012B and a portion of the 2015D BPT bonds.

Guam Economic Development Authority
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Management's Discussion and Analysis, continued

Simon Sanchez High School Leaseback Financing

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

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 (HARRA). 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).

CHALLENGES/ISSUES AFFECTING GEDA

There are significant challenges/issues that GEDA faces:

- GEDA over the years has been mandated by the *I Liheslaturan Guåhan* 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. Examples of these handed down in the 35th *I Liheslaturan Guåhan* alone include the following: the used oil task force, the Tumon Bay parametric insurance task force, the intraregional commerce commission, and the task force on submarine cables
- **Land Availability/Loss**
Property leases are the primary funding source of GEDA's operations. The vast majority of commercial leases under GEDA's purview were negotiated in the 70s and 80s. During that time, the primary goal of GEDA was to spur economic activity through attracting industrial and commercial development. Although accomplishing this goal and with many leases are locked until 2065, the revenue generated is less able to sustain GEDA's continuing operations and initiatives into the future. GEDA has entered into two Memorandums of Understanding with the Guam Ancestral Land Commission as well as the Chamorro Land Trust Commission to act as their land agent. This partnership has resulted in a mutually beneficial arrangement wherein GEDA does the footwork with regard to leasing and managing leased out properties while the agency can manage the inflows of revenue towards their respective missions. The productivity of these arrangements however are a function of the appetite of the board to undertake economic development driven leasing activities, the parameters of government leasing under the 5 year law, and the strategic direction of various leader/stakeholders including the oversight chair of land and the Office of the Governor.

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Management's Discussion and Analysis, continued

- 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.
- **Ongoing and Potential Lawsuits**
As of the date of this report, GEDA is engaged in a potentially \$2M lawsuit with contractor Inland Builders Corporation (IBC) relative to work performed on the Guam Museum. As well, GEDA anticipates another potential \$400K lawsuit with contractor Mega United Corporation (MUC) relative to work performed on the Farmer's Cooperative Association of Guam (FCAG) facility in Dededo.
- **Volatility in the municipal market**
The Government of Guam has been fortunate to be in a time of historically low interest rates, thus prompting the refinancing of government debt for savings. In the event the municipal markets experience volatility, it may become less prudent to press forward with new or refunded issuances of public debt. In addition, an overall increase in interest rates may erode savings or slow down capital projects which GEDA supports for the Government of Guam.

Management's Discussion and Analysis for the year ended September 30, 2020, is set forth in GEDA's report on the audit of financial statements. That Discussion and Analysis explains in more detail major factors impacting the 2020 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

	Year ended September 30,	
	2020	2019
Assets		
Current Assets:		
Cash and cash equivalents	\$ 3,703,677	\$ 8,561,209
Cash and cash equivalents - restricted	5,142,931	5,096,827
Investments	13,217,617	6,999,010
Due from trust funds administered by GEDA:		
Agricultural Development Fund	34,551	870
Guam Development Fund Act	482,427	24,400
Other receivables, net	617,896	1,362,212
Promotional supplies	7,706	7,706
Prepaid expenses	---	6,213
Total current assets	23,206,805	22,058,447
Equity investment	3,500	3,500
Capital assets, at cost, net	379,868	394,750
Total assets	23,590,173	22,456,697
Deferred Outflows of Resources		
Other post-employment benefits	950,140	360,946
Pension	800,146	627,017
	1,750,286	987,963
	25,340,459	23,444,660

See accompanying notes.

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

Statements of Net Position, continued

	September 30,	
	2020	2019
Liabilities		
Current liabilities:		
Current portion of bonds payable	\$ 1,380,000	\$ 1,285,000
Accounts payable	326,768	48,190
Accrued liabilities	222,092	262,858
Interest payable	439,738	439,738
Unearned rental income	100,523	100,523
Other liabilities	1,226,519	1,051,268
Total current liabilities	3,695,640	3,187,577
Non-current liabilities:		
Bonds payable, net of current portion and discount	30,322,625	29,894,605
DCRS sick leave liability	103,667	79,790
Deposits	18,322	18,322
Deposits due to GALC	77,410	77,410
Net pension liability	4,733,791	4,840,677
Collective total other post-employment benefits liability	3,169,860	2,250,969
Total non-current liabilities	38,425,675	37,161,773
Total liabilities	42,121,315	40,349,350
Deferred inflows of resources		
Other post-employment benefits	1,330,700	1,681,175
Pension	341,079	175,732
	1,671,779	1,856,907
Net position:		
Net investment in capital assets	379,868	394,750
Restricted	17,024,052	16,566,695
Unrestricted	(35,856,555)	(35,723,042)
Total net position	\$(18,452,635)	\$(18,761,597)

See accompanying notes.

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

Statements of Revenues, Expenses and Changes in Net Position

	Year ended	
	September 30,	
	2020	2019
Revenues:		
Tobacco Settlement revenue	\$ 1,449,072	\$ 1,461,989
Rental income	1,243,208	1,224,867
Bond fees earned	751,722	88,440
Qualifying certificate application, surveillance and other	740,984	646,596
GALC lease commission	153,069	810,847
Grants revenue	60,733	80,638
Others	21,000	94,509
Total operating revenues	4,419,788	4,407,886
Operating expenses:		
Salaries and benefits	2,192,090	2,229,450
Legal and professional services	276,066	299,745
Office space and equipment rent	221,985	222,880
Miscellaneous	118,216	93,834
Depreciation and amortization	27,881	35,383
Travel	27,853	71,452
Advertising and promotions	21,286	5,731
Supplies	10,844	5,490
Utilities, telephone and communication	3,126	2,780
Insurance	2,611	1,985
Repairs and maintenance	192	564
Total operating expenses	2,902,150	2,969,294
Other income (expense):		
Net increase in the fair value of investments	533,542	9,521
Investment income	310,289	277,246
Interest expense, net	(1,936,058)	(1,896,060)
Other income	(116,449)	75,721
Other expense, net	(1,208,676)	(1,533,572)
Change in net position	308,962	(94,980)
Net position at beginning of year	(18,761,597)	(18,666,617)
Net position at end of year	\$(18,452,635)	\$(18,761,597)

See accompanying notes.

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

Statements of Cash Flows

	Year ended September 30,	
	2020	2019
Cash flows from operating activities:		
Cash received on grants and contracts	\$ 21,000	\$ 34,135
Cash received from tobacco settlement and customers	4,675,932	3,273,305
Cash paid to suppliers for goods and services	(403,888)	(879,234)
Cash paid to employees for services	(2,303,659)	(2,238,585)
Net cash provided by operating activities	1,989,385	189,621
Cash flows from investing activities:		
Interest and investment income	843,831	286,767
Rollover of interest into investment	(822,966)	(227,343)
(Purchases of) proceeds from maturity of investment securities, net	(5,395,641)	447,583
Net cash (used in) provided by investing activities	(5,374,776)	507,007
Cash flows from capital and related financing activities:		
Purchase of capital assets	(12,999)	(1,444)
Cash used in capital and related financial activities	(12,999)	(1,444)
Cash flows from noncapital financing activities:		
Repayment of bond payable	(110,000)	(115,000)
Net interest paid on deposit accounts and bonds payable	(1,303,038)	(1,303,448)
Cash used in noncapital financing activities	(1,413,038)	(1,418,448)
Net change in cash and cash equivalents	(4,811,428)	(723,264)
Cash and cash equivalents at beginning of year	13,658,036	14,381,300
Cash and cash equivalents at end of year	\$ 8,846,608	\$ 13,658,036
Reconciliation of cash and cash equivalents to the statements of net position:		
Current assets:		
Cash and cash equivalents	\$ 3,703,677	\$ 8,561,209
Cash and cash equivalents - restricted	5,142,931	5,096,827
	\$ 8,846,608	\$ 13,658,036

See accompanying notes.

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

Statements of Cash Flows, continued

	Year ended September 30,	
	2020	2019
Reconciliation of operating income		
to net cash provided by operating activities:		
Operating income	\$ 1,517,638	\$ 1,438,592
Other (expenses) income, net	(116,449)	75,721
Adjustments to reconcile operating income		
to net cash provided by operating activities:		
Noncash pension cost	347,679	515,697
Noncash other post employment cost (benefit)	49,230	(52,505)
Depreciation and amortization	27,881	35,383
(Increase) decrease in assets:		
Due from trust funds administered by GEDA	(491,708)	---
Reimbursable expense	---	(3,514)
Other receivables	744,316	(1,133,789)
Prepaid expenses	6,213	(3,412)
Increase (decrease) in liabilities:		
Accounts payable	278,578	(12,175)
Accrued liabilities	(40,766)	(60,059)
Other liabilities	175,251	(137,991)
Deferred rental income	---	---
DCRS sick leave liability	23,877	(23,364)
Net pension liability	(462,347)	(463,192)
Total collective other postemployment liability	(70,008)	14,229
Net cash provided by operating activities	\$ 1,989,385	\$ 189,621

See accompanying notes.

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

Notes to Financial Statements

Years ended September 30, 2020 and 2019

1. Purpose and Summary of Significant Accounting Policies

Purpose

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

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

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

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

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

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

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

Notes to Financial Statements, continued

1. Purpose and Summary of Significant Accounting Policies, continued

Basis of Accounting

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

Estimates

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

Cash and Cash Equivalents

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

Other Receivables and Allowance for Doubtful Receivables

Other receivables consists of noninterest-bearing receivables from rent and reimbursement costs incurred for bond projects, and others. GEDA determines the adequacy of the allowance based upon reviews of individual accounts, recent loss experience, current economic conditions, the risk characteristics, and other pertinent factors. Accounts deemed uncollectible are written off against the allowance with the approval of the Board of Directors. GEDA determined an allowance of \$512,357 of which \$324,046 relates to reimbursable costs incurred for bond projects at September 30, 2020 and 2019.

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.

Guam Economic Development Authority
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Notes to Financial Statements, continued

1. Purpose and Summary of Significant Accounting Policies, continued

Deferred Outflows of Resources

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

Deferred Inflows of Resources

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

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

Bond Discounts

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

Compensated Absences

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

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.

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Notes to Financial Statements, continued

1. Purpose and Summary of Significant Accounting Policies, continued

Pensions and Other Postemployment Benefits (OPEB)

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

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

Guam Economic Development Authority
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Notes to Financial Statements, continued

1. Purpose and Summary of Significant Accounting Policies, continued

Operating Revenues

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

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

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

Bond fees are earned when the underlying bonds are issued.

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

Operating Expenses

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

Non-Operating Revenue and Expenses

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

Net Position

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

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

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

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

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Notes to Financial Statements, continued

1. Purpose and Summary of Significant Accounting Policies, continued

Net Position, continued

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

All of GEDA's restricted net position is expendable.

Risk Management

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

Concentrations of Credit Risk

Financial instruments which potentially subject GEDA to concentrations of credit risk consist principally of cash demand deposits and accounts receivable. At September 30, 2020 and 2019, GEDA has cash deposits in bank accounts that exceed federal depository insurance limits. Additionally, GEDA has investments in mutual funds and U.S. Government agency or sponsored-agency securities that are not subject to insurance. GEDA has not experienced any losses in such accounts. Substantially all of GEDA's accounts receivables are due from companies and government agencies based in Guam. GEDA establishes an allowance for doubtful accounts based on management's evaluation of potential collectability. Bad debts are written-off against the allowance on the specific identification method.

Upcoming Accounting Pronouncements

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. GASB Statement No. 84 will be effective for fiscal year ending September 30, 2021.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. GASB Statement No. 87 will be effective for fiscal year ending September 30, 2023.

Guam Economic Development Authority
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Notes to Financial Statements, continued

1. Organization and Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB Statement No. 89 will be effective for fiscal year ending September 30, 2022.

In March 2018, GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. GASB Statement No. 90 will be effective for fiscal year ending September 30, 2021.

In May 2019, GASB issued Statement No. 91, *Conduit debt obligations*. The primary objectives of this statement are to provide a single method reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. GASB Statement No. 91 will be effective for fiscal year ending September 30, 2023.

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Notes to Financial Statements, continued

1. Organization and Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements. This Statement addresses a variety of topics and includes specific provisions about leases; reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan; applicability of Statement no. 73 and 84 for postemployment benefits, measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature and terminology used to refer to derivative instruments. GASB Statement No. 92 will be effective for fiscal year ending September 30, 2021.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates (IBOR)*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; clarifying the definition of reference rate, as it is used in Statement 53, as amended. GASB Statement No. 93 will be effective for fiscal year ending September 30, 2022.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. GASB Statement No. 94 will be effective for fiscal year ending September 30, 2023.

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Notes to Financial Statements, continued

1. Organization and Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. GASB Statement No. 96 will be effective for fiscal year ending September 30, 2023.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. GASB Statement No. 97 will be effective for fiscal year ending September 30, 2021.

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

Subsequent Events

GEDA has evaluated subsequent events through March 26, 2021, which is the date the financial statements were available to be issued.

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Notes to Financial Statements, continued

2. Deposits and Investments

Investments are carried at fair value. Cash and cash equivalents and investments at September 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Cash on hand and deposits in banks	\$ 5,218,793	\$10,041,475
Money market accounts	<u>3,627,815</u>	<u>3,616,561</u>
Cash and cash equivalents	\$ <u>8,846,608</u>	\$ <u>13,658,036</u>
Investments - Exchange-traded and closed-end funds	\$ <u>13,217,617</u>	\$ <u>6,999,010</u>

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, 2020 and 2019, the carrying amount of cash was \$5,218,793 and \$10,041,475, respectively, and the corresponding bank balances were \$5,142,587 and \$10,090,917, respectively, which are maintained in financial institutions subject to insurance coverage by the Federal Deposit Insurance Corporation (FDIC). Cash balances of \$500,000 are insured by the FDIC at September 30, 2020 and 2019. 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.

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Notes to Financial Statements, continued

2. Deposits and Investments, continued

A. Deposits, continued

The bond indenture for the 2007 Series A and B Tobacco settlement bonds require the establishment of special funds to be held and administered by the trustees. As of September 30, 2020 and 2019, cash and cash equivalents of \$3,464,400 and \$3,489,547, respectively, held by TSA are restricted for bond services and are invested in money market accounts and are held and administered by TSA's trustees in accordance with the bond indentures. Accordingly, these balances are exposed to custodial credit risk.

In accordance with the terms of Lender Participation Agreements under the SSBCI program (see note 11), cash and cash equivalents of \$1,678,531 and \$1,607,280, at September 30, 2020 and 2019, 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, 2020 and 2019 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.

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Notes to Financial Statements, continued

2. Deposits and Investments, continued

B. Investments, continued

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, 2020 and 2019:

		At September 30, 2020		
		Level 1	Level 2	Level 3
Investments by fair value level:				
Exchange-traded & closed-end funds	<u>\$13,217,617</u>	<u>\$13,217,617</u>	<u>\$ ---</u>	<u>\$ ---</u>
		At September 30, 2019		
		Level 1	Level 2	Level 3
Investments by fair value level:				
Exchange-traded & closed-end funds	<u>\$6,999,010</u>	<u>\$6,999,010</u>	<u>\$ ---</u>	<u>\$ ---</u>

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

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Notes to Financial Statements, continued

3. Capital Assets

A summary of capital assets at September 30, 2020 and 2019 is as follows:

	<u>Beginning Balance</u> <u>October 1, 2019</u>	<u>Transfers and</u> <u>Additions</u>	<u>Transfers and</u> <u>Deletions</u>	<u>Ending Balance</u> <u>September 30,</u> <u>2020</u>
Leasehold Improvements	\$ 792,537	\$ ---	\$ ---	\$ 792,537
Buildings	546,603	---	---	546,603
Furniture and equipment	588,927	12,999	---	601,926
Other improvements	428,325	---	---	428,325
Land improvements	129,642	---	---	129,642
Leasehold interests	1,551	---	---	1,551
Automobiles	14,089	---	---	14,089
	<u>2,501,674</u>	<u>12,999</u>	<u>---</u>	<u>2,514,673</u>
Less accumulated depreciation and amortization	(<u>2,106,924</u>)	(<u>27,881</u>)	<u>---</u>	(<u>2,134,805</u>)
	<u>\$ 394,750</u>	<u>\$(14,882)</u>	<u>\$ ---</u>	<u>\$ 379,868</u>
	<u>Beginning Balance</u> <u>October 1, 2018</u>	<u>Transfers and</u> <u>Additions</u>	<u>Transfers and</u> <u>Deletions</u>	<u>Ending Balance</u> <u>September 30,</u> <u>2019</u>
Leasehold Improvements	\$ 792,537	\$ ---	\$ ---	\$ 792,537
Buildings	546,603	---	---	546,603
Furniture and equipment	587,483	1,444	---	588,927
Other improvements	428,325	---	---	428,325
Land improvements	129,642	---	---	129,642
Leasehold interests	1,551	---	---	1,551
Automobiles	14,089	---	---	14,089
	<u>2,500,230</u>	<u>1,444</u>	<u>---</u>	<u>2,501,674</u>
Less accumulated depreciation and amortization	(<u>2,071,541</u>)	(<u>35,383</u>)	<u>---</u>	(<u>2,106,924</u>)
	<u>\$ 428,689</u>	<u>\$(33,939)</u>	<u>\$ ---</u>	<u>\$ 394,750</u>

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Notes to Financial Statements, continued

4. Long-Term Obligations

Bonds payable

Bonds payable at September 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
<p>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)</p>	\$23,755,000	\$23,865,000
<p>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</p>	<u>16,773,618</u>	<u>16,773,618</u>
<p>Total</p>	40,528,618	40,638,618
<p>Less current portion</p>	<u>(1,380,000)</u>	<u>(1,285,000)</u>
	39,148,618	39,353,618
<p>Less discount on Series B capital appreciation turbo term bonds</p>	<u>(8,344,249)</u>	<u>(8,923,833)</u>
<p>Less discount on issuance</p>	<u>(481,744)</u>	<u>(535,180)</u>
	<u>\$30,322,625</u>	<u>\$29,894,605</u>

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Notes to Financial Statements, continued

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, 2020 and thereafter are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2021	\$ 1,380,000	\$ 665,226	\$ 2,045,226
2022	1,480,000	587,461	2,067,461
2023	1,590,000	504,000	2,094,000
2024	1,700,000	414,562	2,114,562
2025	1,825,000	318,727	2,143,727
2026-2030	12,980,268	242,578	13,222,846
2031-2034	<u>19,573,350</u>	<u>---</u>	<u>19,573,350</u>
	<u>\$40,528,618</u>	<u>\$2,732,554</u>	<u>\$43,261,172</u>

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.

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Notes to Financial Statements, continued

4. Long-Term Obligations, continued

Bonds payable, continued

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

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

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

As discussed in the above section, all Tobacco Settlement Revenue and interest earned in trust funds have been pledged to repay bond principal and interest. The debt service for the bonds was \$1,422,519 and \$1,434,213 for the years ended September 30, 2020 and 2019, respectively, or approximately 97% and 94% of pledged revenues for the years ended September 30, 2020 and 2019, respectively.

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Notes to Financial Statements, continued

4. Long-Term Obligations, continued

During the years ended September 30, 2020 and 2019, the following changes occurred in liabilities reported as part of GEDA's long-term liabilities in the statements of net position:

	Beginning Balance October 1, 2019	Additions	Reductions	Ending Balance September 30, 2020	Current	Noncurrent
Bonds payable	\$ 40,638,618	\$ ---	\$(110,000)	\$ 40,528,618	\$ 1,380,000	\$ 39,148,618
Deferred amount:						
Unamortized discount on bonds issued	(9,459,013)	---	633,020	(8,825,993)	---	(8,825,993)
	<u>31,179,605</u>	<u>---</u>	<u>523,020</u>	<u>31,702,625</u>	<u>1,380,000</u>	<u>30,322,625</u>
Other liabilities:						
DCRS sick leave liability	79,790	23,877	---	103,667	---	103,667
Deposits due to GALC	77,410	---	---	77,410	---	77,410
Deposits	18,322	---	---	18,322	---	18,322
OPEB liability	2,250,969	918,891	---	3,169,860	---	3,169,860
Net pension liability	<u>4,840,677</u>	<u>---</u>	<u>(106,886)</u>	<u>4,733,791</u>	<u>---</u>	<u>4,733,791</u>
	<u>7,267,168</u>	<u>942,768</u>	<u>(106,886)</u>	<u>8,103,050</u>	<u>---</u>	<u>8,103,050</u>
	<u>\$ 38,446,773</u>	<u>\$ 942,768</u>	<u>\$ 416,134</u>	<u>\$ 39,805,675</u>	<u>\$ 1,380,000</u>	<u>\$ 38,425,675</u>
	Beginning Balance October 1, 2018	Additions	Reductions	Ending Balance September 30, 2019	Current	Noncurrent
Bonds payable	\$ 40,753,618	\$ ---	\$(115,000)	\$ 40,638,618	\$ 1,285,000	\$ 39,353,618
Deferred amount:						
Unamortized discount on bonds issued	(10,051,625)	---	592,612	(9,459,013)	---	(9,459,013)
	<u>30,701,993</u>	<u>---</u>	<u>477,612</u>	<u>31,179,605</u>	<u>1,285,000</u>	<u>29,894,605</u>
Other liabilities:						
DCRS sick leave liability	103,154	---	(23,364)	79,790	---	79,790
Deposits due to GALC	77,410	---	---	77,410	---	77,410
Deposits	18,322	---	---	18,322	---	18,322
OPEB liability	3,875,385	---	(1,624,416)	2,250,969	---	2,250,969
Net pension liability	<u>4,662,390</u>	<u>178,287</u>	<u>---</u>	<u>4,840,677</u>	<u>---</u>	<u>4,840,677</u>
	<u>8,736,661</u>	<u>178,287</u>	<u>(1,647,780)</u>	<u>7,267,168</u>	<u>---</u>	<u>7,267,168</u>
	<u>\$ 39,438,654</u>	<u>\$ 178,287</u>	<u>\$(1,170,168)</u>	<u>\$ 38,446,773</u>	<u>\$ 1,285,000</u>	<u>\$ 37,161,773</u>

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Notes to Financial Statements, continued

5. Employee Benefits

General Pension Plan Descriptions

Defined Benefit Plan (DB Plan)

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

In accordance with Public Law 33-186, the Defined Benefit 1.75 Plan became effective January 1, 2018. Members of the DB 1.75 Plan also automatically participate in the GovGuam deferred compensation plan, pursuant to which employees are required to contribute 1% of base salary as a pre-tax mandatory contribution.

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

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

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

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

GEDA's statutory contribution rates were 26.28% and 26.56%, respectively, for the years ended September 30, 2020 and 2019. Employees are required to contribute 9.5% of their annual pay for the years ended September 30, 2020 and 2019.

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Notes to Financial Statements, continued

5. Employee Benefits, continued

General Pension Plan Descriptions, continued

Defined Benefit Plan (DB Plan), continued

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

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

Actuarial cost method:	Entry age normal
Valuation of assets:	3-year phase in of gain/losses relative to interest rate assumption.
Investment income:	7.0% per year
Total payroll growth:	2.75%
Salary increases:	Graduated based on service with the GovGuam ranging from 4.0% for service in excess of 15 years to 7.5% for service from zero to five years.
Disability:	1974-78 SOA LTD Non-Jumbo, with rates reduced by 50% for males and 75% for females.
Retirement age:	50% of probability of retirement at earliest age of eligibility for unreduced retirement benefits; 20% per year thereafter until age 75, 100% at age 75.
Return of contributions:	100% withdrawing before retirement with less than 20 years of service assumed to elect a return of contributions. All those who have previously withdrawn assumed to elect a return of contributions. Contributions earn 4.5% interest.
Mortality:	Based on the RP-2000 combined mortality table, set forward 3 years for males and 2 years for females.
Amortization method:	Level percentage of payroll, closed.
Remaining amortization period:	At September 30, 2018, the remaining period is 14.58 years.

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

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Notes to Financial Statements, continued

5. Employee Benefits, continued

General Pension Plan Descriptions, continued

Defined Benefit Plan (DB Plan), continued

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

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Nominal Return</u>	<u>Component Return</u>
U.S. Equities (large cap)	26%	6.81%	1.77%
U.S. Equities (small cap)	4%	8.12%	0.32%
Non-U.S. Equities	17%	8.33%	1.42%
Non-U.S. Equities (emerging markets)	3%	10.28%	0.31%
U.S. Fixed Income (aggregate)	24%	3.87%	0.93%
Risk Parity	8%	5.56%	0.45%
High Yield Bonds	8%	5.45%	0.44%
Global Real Estate (REITs)	5%	8.01%	0.40%
Global Equity	5%	7.44%	0.37%
Expected average return for one year			6.40%
Expected geometric mean (50 years)			5.85%

The assumption used in the actuarial valuation (7.0%) is slightly lower than the expected geometric average return over the next 50 years. If the investments do not return the expected results, future pension expense will increase.

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Notes to Financial Statements, continued

5. Employee Benefits, continued

General Pension Plan Descriptions, continued

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

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

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

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

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

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

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

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

Actuarial cost method:	Entry age normal
Total payroll growth:	2.75%
Salary increases:	Graduated based on service with the GovGuam ranging from 4.0% for service in excess of 15 years to 7.5% for service from zero to five years.
Disability:	1974-78 SOA LTD Non-Jumbo, with rates reduced by 50% for males and 75% for females.
Retirement age:	50% of probability of retirement at earliest age of eligibility for unreduced retirement benefits; 20% per year thereafter until age 75, 100% at age 75.
Mortality:	Based on the RP-2000 combined mortality table, set forward 3 years for males and 2 years for females.
Amortization method:	Level percentage of payroll, closed.
Remaining Amortization period:	At September 30, 2018, the remaining period is 14.58 years.

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Notes to Financial Statements, continued

5. Employee Benefits, continued

General Pension Plan Descriptions, continued

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

Discount Rate: The discount rate used to measure the Ad Hoc COLA/SA was a municipal bond rate of 2.66% and 4.18% for the years ended September 30, 2020 and 2019, respectively. This rate was used as the benefits are not funded with the accumulated assets; they are funded historically through appropriations from the Government of Guam.

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

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

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

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

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

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

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

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

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Notes to Financial Statements, continued

5. Employee Benefits, continued

General Pension Plan Descriptions, continued

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

Actuarial Assumptions, continued

Retirement age:	5% per year from age 55 to 64, 10% per year from age 65 to 74, 100% at age 75.
Mortality:	Based on the RP-2000 combined mortality table, set forward 3 years for males and 2 years for females.
Amortization method:	Level percentage of payroll, closed.
Remaining Amortization period:	At September 30, 2018, the remaining period is 14.58 years.

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

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

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

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

Reporting date	September 30, 2020	September 30, 2019
Measurement date:	September 30, 2019	September 30, 2018
Valuation date:	September 30, 2018	September 30, 2017

Net pension liability as of September 30, 2020 and 2019 for the aforementioned plans are as follows:

	<u>2020</u>	<u>2019</u>
DB Plan	\$4,154,814	\$4,300,654
Ad hoc COLA/SA Plan for DB Participants	384,125	382,043
Ad hoc COLA Plan for DCRS Participants	<u>194,852</u>	<u>157,980</u>
	<u>\$4,733,791</u>	<u>\$4,840,677</u>

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Notes to Financial Statements, continued

5. Employee Benefits, continued

General Pension Plan Descriptions, continued

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

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

Proportionate share of net pension liabilities at September 30, 2020 and 2019 for the aforementioned plans are as follows:

	<u>2020</u>	<u>2019</u>
DB Plan	0.34%	0.36%
Ad hoc COLA/SA Plan for DB Participants	0.12%	0.13%
Ad hoc COLA Plan for DCRS Participants	0.33%	0.32%

Pension expense for the years ended September 30, 2020 and 2019 for the aforementioned Plans are as follows:

	<u>2020</u>	<u>2019</u>
DB Plan	\$313,696	\$517,539
Ad hoc COLA/SA Plan for DB Participants	21,232	42,870
Ad hoc COLA Plan for DCRS Participants	<u>12,751</u>	<u>(44,712)</u>
	<u>\$347,679</u>	<u>\$515,697</u>

As of September 30, 2020 and 2019, GEDA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	September 30, 2020					
	DB Plan		Ad Hoc COLA/SA Plan for DB Participants		Ad Hoc COLA Plan for DCRS Participants	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,964	\$(36,831)	\$ 2,662	\$(1,181)	\$ 20,521	\$(5,660)
Net difference between projected and actual earnings on pension plan investments	146,097	---	---	---	---	---
GEDA's contributions subsequent to the measurement date	425,711	---	30,714	---	10,000	---
Changes in assumption	---	---	34,487	(5,971)	46,911	(18,903)
Changes in proportion and difference between the GEDA's contributions and proportionate share of contributions	<u>38,850</u>	<u>(188,555)</u>	<u>2,286</u>	<u>(27,383)</u>	<u>35,943</u>	<u>(56,595)</u>
	<u>\$ 616,622</u>	<u>\$(225,386)</u>	<u>\$ 70,149</u>	<u>\$(34,535)</u>	<u>\$ 113,375</u>	<u>\$(81,158)</u>

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Notes to Financial Statements, continued

5. Employee Benefits, continued

General Pension Plan Descriptions, continued

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

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

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

Deferred outflows of resources at September 30, 2020 and 2019, resulting from GEDA's employer contributions for the following plans are as follows:

	<u>2020</u>	<u>2019</u>
DB Plan	\$425,711	\$413,930
Ad hoc COLA/SA Plan for DB Participants	30,714	30,714
Ad hoc COLA Plan for DCRS Participants	<u>10,000</u>	<u>8,000</u>
	<u>\$466,425</u>	<u>\$452,644</u>

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

2021	\$(64,971)
2022	(38,641)
2023	16,262
2024	54,227
2025	4,059
Thereafter	<u>21,706</u>
	<u>\$(7,358)</u>

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Notes to Financial Statements, continued

5. Employee Benefits, continued

General Pension Plan Descriptions, continued

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

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

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

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

DB Plan

	1% Decrease <u>6.00%</u>	Current Discount <u>7.00%</u>	1% Increase <u>8.00%</u>
Net pension liability	\$ <u>5,245,248</u>	\$ <u>4,154,814</u>	\$ <u>3,216,471</u>

Ad Hoc COLA/SA for DB Participants

	1% Decrease <u>1.66%</u>	Current Discount <u>2.66%</u>	1% Increase <u>3.66%</u>
Total collective pension liability	\$ <u>423,790</u>	\$ <u>384,125</u>	\$ <u>350,308</u>

Ad Hoc COLA for DCRS Participants

	1% Decrease <u>1.66%</u>	Current Discount <u>2.66%</u>	1% Increase <u>3.66%</u>
Total collective pension liability	\$ <u>220,805</u>	\$ <u>194,852</u>	\$ <u>172,636</u>

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

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Notes to Financial Statements, continued

5. Employee Benefits, continued

DCRS

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

Statutory employer contributions into the DCRS for the years ended September 30, 2020 and 2019 are determined using the same rates as the DB plan. Of the amount contributed by the employer, only 6.2% of the member's regular base pay is deposited into the member's individual annuity account. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

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

During the years ended September 30, 2020 and 2019, contributions made and amounts accrued under the DCRS amounted to \$264,750 and \$223,678, respectively.

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

Accrued Sick Leave

Public Law 26-86 allows members of the DCRS to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. As of September 30, 2020 and 2019, GEDA has accrued an estimated liability of \$103,667 and \$79,790, respectively, which is reported as a component of accrued compensated absences in the accompanying statements of net position. However, this amount is an estimate and actual payout could differ from those estimates.

Other Post-employment Benefit (OPEB) Plan

OPEB Plan Description

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

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Notes to Financial Statements, continued

5. Employee Benefits, continued

OPEB Plan, continued

OPEB Plan Description, continued

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

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

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

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

Inflation:	2.75%
Healthcare cost trend rate (Non-Medicare):	13.5% for 2019, 6.75% for 2020, decreasing 0.25% per year to an ultimate rate of 4.25% for 2030 and later years.
Healthcare cost trend rate (Medicare):	-25% for 2019, 6.75% for 2020, decreasing 0.25% per year to an ultimate rate of 4.25% for 2030 and later years.
Health retiree mortality rates:	RP-2000 Combined Health Mortality Table, set forward 3 years and 2 years for males and females, respectively, projected generationally using 30% of Scale BB.
Disabled retiree mortality rates:	RP-2000 Disabled Mortality Table for set forward 6 years and 4 years for males and females, respectively, projected generationally using 30% of Scale BB.

Discount Rate: The discount rate used to measure the total OPEB liability was 2.66% and 4.18% for the years ended September 30, 2020 and 2019, respectively. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefits of current plan members. Therefore, the municipal bond rate at each year end was applied to all periods to determine the total OPEB liability.

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Notes to Financial Statements, continued

5. Employee Benefits, continued

OPEB Plan, continued

Expected Remaining Service Lives: Under GASB Statement No. 75, gains and losses that are deferred and amortized over future periods are presented as deferred inflows or gains, and deferred outflows or losses. Economic and demographic gains and losses and changes in the total pension liability due to changes in assumptions are recognized over a closed period equal to the average expected remaining services lives of all covered active and inactive members, determined as of the beginning of the measurement period. The amortization period was calculated at 5.57 years. The amortization period is calculated as the weighted average of expected remaining service lives assuming zero years for all inactive members.

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

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

Reporting date:	September 30, 2020	September 30, 2019
Measurement date:	September 30, 2019	September 30, 2018
Valuation date:	September 30, 2018	September 30, 2018

Total OPEB liability as of September 30, 2020 and 2019 is \$3,169,860 and \$2,250,969, respectively.

Proportionate share of total OPEB liability at September 30, 2020 and 2019 is 0.12%.

OPEB expense (benefit) for the years ended September 30, 2020 and 2019 is \$49,230 and \$(59,773), respectively.

As of September 30, 2020 and 2019, GEDA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>2020</u>		<u>2019</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
GEDA's contributions subsequent to the measurement date	\$ 78,790	\$ ---	\$ 74,358	\$ ---
Differences between expected and actual experience		(415,606)	---	(514,522)
Changes in assumption	690,967	(295,560)	163,029	(373,580)
Changes in proportion and difference between the GEDA's contributions and proportionate share of contributions	<u>180,383</u>	<u>(619,534)</u>	<u>123,559</u>	<u>(793,073)</u>
	<u>\$ 950,140</u>	<u>\$(1,330,700)</u>	<u>\$ 360,946</u>	<u>\$(1,681,175)</u>

Guam Economic Development Authority
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Notes to Financial Statements, continued

5. Employee Benefits, continued

OPEB Plan, continued

Deferred outflows of resources at September 30, 2020 and 2019, resulting from GEDA's employer contributions totaled \$78,790 and \$74,358 respectively.

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

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

2021	\$(142,932)
2022	(142,932)
2023	(215,448)
2024	(41,641)
2025	<u>83,603</u>
	<u>\$(459,350)</u>

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

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

	1% Decrease	Current Discount	1% Increase
	<u>1.66%</u>	<u>2.66%</u>	<u>3.66%</u>
Total OPEB liability	\$ <u>3,786,354</u>	\$ <u>3,169,860</u>	\$ <u>2,679,871</u>

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

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
Total OPEB liability	\$ <u>2,575,860</u>	\$ <u>3,169,860</u>	\$ <u>3,956,910</u>

Guam Economic Development Authority
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Notes to Financial Statements, continued

6. Rental Income

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

<u>Years ending September 30:</u>	
2021	\$1,212,167
2022	1,119,044
2023	922,427
2024	849,900
2025	531,595
2026-2030	2,361,894
2031-2035	193,857
2036-2040	25,000
2041-2045	25,000
2046-2050	25,000
2051-2055	25,000
2056-2060	25,000
2061-2063	<u>10,416</u>
	<u>\$7,326,300</u>

7. Commitments

Lease Commitments

GEDA has an operating lease for office space expiring on February 28, 2022. Concurrently, GEDA and the Guam Housing Corporation (GHC), a Government of Guam agency, entered into a Memorandum of Understanding (MOU) in which GEDA charges GHC for use of a portion of the office space.

At September 30, 2020, annual lease commitment and reimbursement from GHC under the MOU are as follows:

	<u>Total Lease Commitment</u>	<u>GHC's Reimbursement</u>	<u>Allocated to GEDA's Trust Funds</u>	<u>GEDA's Rent Expense</u>
2021	\$348,672	\$ 99,744	\$36,916	\$212,012
2022	<u>145,280</u>	<u>41,560</u>	<u>15,382</u>	<u>88,338</u>
	<u>\$493,952</u>	<u>\$141,304</u>	<u>\$52,298</u>	<u>\$300,350</u>

Guam Economic Development Authority
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Notes to Financial Statements, continued

7. Commitments, continued

Contract Commitments

GEDA has one professional services contract expiring on February 28, 2022 which requires monthly payments of \$7,852. At September 30, 2020, annual commitment for the years ending September 30, 2021 and 2022 is \$94,222 and \$39,259, respectively.

Government of Guam (GovGuam) Mitigation Program for Business Interruption

On March 30, 2011, Public Law 31-13 authorized GEDA to develop, implement and administer the Government of Guam Mitigation Program for Business Interruption, (the “Program”), which provides financial relief to businesses adversely affected by government projects, including, but not limited to road construction. The Program provides financial assistance through grants and loans to small and mid-sized businesses. As of September 30, 2020 and 2019, GEDA has not provided any grants or loans under the Program.

8. Related Party Transactions

Trust Funds Administered by GEDA

At September 30, 2020 and 2019, the following trust funds were administered by GEDA:

<u>Fund</u>	<u>Total Assets</u>	
	<u>2020</u>	<u>2019</u>
Guam Development Fund Act (GDFA)	\$12,667,524	\$11,929,578
Agricultural Development Fund (ADF)	\$ 1,246,510	\$ 1,156,637

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, 2020 and 2019, GEDA earned related commission income of \$153,069 and \$810,847, respectively. At September 30, 2020 and 2019, there was no collected rent net of commissions withheld payable to GALC.

Guam Economic Development Authority
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Notes to Financial Statements, continued

8. Related Party Transactions, continued

GovGuam and Others, continued

Additionally, in accordance with ground lease agreements, certain lessees are required, upon execution of the lease agreements, to remit a security deposit to GEDA on behalf of the GALC. As of September 30, 2020 and 2019, security deposits in the amount of \$77,410 are maintained by GEDA on behalf of the GALC.

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

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

In addition, GEDA has recorded payables to different GovGuam agencies of \$99,503 and \$11,907 as of September 30, 2020 and 2019, respectively.

9. Qualifying Certificates

In addition to the application, filing 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, 2020 and 2019, \$487,259 and \$837,245, respectively, were due from QC recipients, of which \$68,625 and \$350,000 were recorded as part of other receivables for the years ended September 30, 2020 and 2019, respectively. At September 30, 2020 and 2019, \$911,720 and \$944,612, respectively, are included in other liabilities and represent approved allocated contributions not yet disbursed or specific recipients not yet identified. Additionally, at September 30, 2020 and 2019, \$314,799 and \$106,656, respectively, included in other liabilities represent QC receipts to be disbursed to designated GovGuam agencies or programs pending proof of expenditures for eligible purposes.

Guam Economic Development Authority
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Notes to Financial Statements, continued

10. Contingencies

Tobacco Settlement Bonds Reserve Fund Agreement

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

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

Claims and Litigation

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

11. SSBCI

On October 4, 2011, Guam received initial SSBCI program funding of \$4,345,556, approximating 33% of total funding. On March 24, 2014, GEDA received \$4,345,555 which approximates the second 33% of total funding. On January 25, 2016 and May 1, 2016, GEDA received \$2,000,000 and \$2,477,239, respectively, representing the third and final tranche of the SSBCI funding. Additionally, the SSBCI program agreement allows certain direct and indirect costs for administering the program at 5% of initial funding and 3% of subsequent funding. During the years ended September 30, 2020 and 2019, GEDA had incurred administrative costs of \$121,920 and \$90,825, respectively.

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Notes to Financial Statements, continued

11. SSBCI, continued

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

At September 30, 2020 and 2019, outstanding loans under the guaranty program had total principal balances of \$8,392,657 and \$8,036,398, respectively. At September 30, 2020, four loans amounting to \$1.4 million were in default status.

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

Required Supplementary Information

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

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

Defined Benefit Plan
(Unaudited)

Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
GEDA's proportionate share of the net pension liability	\$ 4,154,814	\$ 4,300,654	\$ 4,061,443	\$ 4,911,548	\$ 4,895,210	\$ 4,248,957	\$ 4,532,851
GEDA's proportion of the net pension liability	0.34%	0.36%	0.36%	0.36%	0.34%	0.34%	0.35%
GEDA's covered payroll	\$ 1,735,736	\$ 1,889,503	\$ 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 a percentage of its covered-employee payroll	239.37%	227.61%	224.72%	270.31%	280.98%	246.82%	283.11%
Plan fiduciary net position as a percentage of total pension liability	62.25%	63.28%	60.63%	54.62%	52.32%	56.60%	53.94%

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

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

Schedule 2
Required Supplementary Information
Schedule of Contributions

Defined Benefit Plan
(Unaudited)

Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 413,001	\$ 464,661	\$ 428,406	\$ 445,434	\$ 446,494	\$ 458,262	\$ 457,202
Contribution in relation to the contractually required contribution	<u>425,711</u>	<u>413,930</u>	<u>474,370</u>	<u>442,603</u>	<u>460,658</u>	<u>504,594</u>	<u>476,077</u>
Contribution (deficiency) excess	<u>\$ 12,710</u>	<u>\$(50,731)</u>	<u>\$ 45,964</u>	<u>\$(2,831)</u>	<u>\$ 14,164</u>	<u>\$ 46,332</u>	<u>\$ 18,875</u>
GEDA's covered payroll	<u>\$ 1,848,798</u>	<u>\$ 1,735,736</u>	<u>\$ 1,889,503</u>	<u>\$ 1,807,340</u>	<u>\$ 1,816,999</u>	<u>\$ 1,742,220</u>	<u>\$ 1,721,471</u>
Contribution as a percentage of the GEDA's covered-employee payroll	23.03%	23.85%	25.11%	24.49%	25.35%	28.96%	27.66%

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

Guam Economic Development Authority
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Schedule 3
Required Supplementary Information
Schedule of Proportional Share of the Collective Total Pension Liability

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

Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
GEDA's proportional share of the collective total pension liability	\$ 384,125	\$ 382,043	\$ 373,321	\$ 293,970	\$ 295,035
GEDA's proportion of the collective total pension liability	0.12%	0.13%	0.13%	0.13%	0.13%

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

Guam Economic Development Authority
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Schedule 4
Required Supplementary Information
Schedule of Contributions

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

Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 30,714	\$ 30,713	\$ 30,713	\$ 30,713
Contribution in relation to the contractually required contribution	<u>\$ 30,714</u>	<u>\$ 30,714</u>	<u>\$ 30,713</u>	<u>\$ 30,713</u>
Contribution excess (deficiency)	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>

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

Guam Economic Development Authority
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Schedule 5
Required Supplementary Information
Schedule of Proportional Share of the Collective Total Pension Liability

Ad Hoc COLA Plan for DCRS Participants
(Unaudited)

Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
GEDA's proportional share of the collective total pension liability	\$ 194,852	\$ 157,980	\$ 227,626	\$ 260,379	\$ 173,951
GEDA's proportion of the collective total pension liability	0.33%	0.32%	0.36%	0.42%	0.33%

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

Guam Economic Development Authority
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Schedule 6
Required Supplementary Information
Schedule of Contributions

Ad Hoc COLA Plan for DCRS Participants
(Unaudited)

Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 8,000	\$ 6,000	\$ 6,000	\$ 6,000
Contribution in relation to the contractually required contribution	<u>\$ 10,000</u>	<u>\$ 8,000</u>	<u>\$ 8,000</u>	<u>\$ 8,000</u>
Contribution excess (deficiency)	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 2,000</u>

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

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

Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
GEDA's proportional share of the collective total other postemployment liability	\$ 3,169,860	\$ 2,250,969	\$ 3,875,385	\$ 3,905,495
GEDA's proportion of the collective total other postemployment liability	0.12%	0.12%	0.16%	0.15%

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

Guam Economic Development Authority
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Schedule 8
Required Supplementary Information
Schedule of Contributions

Other Postemployment Benefit Plan
(Unaudited)

Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 78,790	74,358	\$ 107,929	\$ 90,484
Contribution in relation to the contractually required contribution	78,790	74,358	\$ 107,929	\$ 90,484
Contribution excess (deficiency)	\$ -	\$ -	\$ -	\$ -

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

Guam Economic Development Authority
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Note to Required Supplementary Information
(Unaudited)

Changes in Assumptions – Pension Plans

Amounts reported in 2019 actuarial valuation reflected an assumption related to administrative expenses to decrease to \$6,860,000 per year.

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

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

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

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

Supplementary and Other Information

Guam Economic Development Authority
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Schedule of Salaries and Wages (including Trust Funds)
Years ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Salaries and wages:		
Salaries	1,730,538	1,608,507
Benefits	<u>810,300</u>	<u>967,355</u>
 Total salaries and wages	 <u><u>2,540,838</u></u>	 <u><u>2,575,862</u></u>
 Employees at end of year	 32	 31

Guam Economic Development Authority
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Comparative Divisional Schedules of Net Position
September 30, 2020 and 2019

	GEDA		SSBCI		TSA	
	2020	2019	2020	2019	2020	2019
Assets						
Current assets:						
Cash and cash equivalents	\$ 970,514	\$ 202,900	\$ 2,569,748	\$ 8,231,295	\$ 163,415	\$ 127,014
Cash and cash equivalents-restricted	---	---	1,678,531	1,607,280	3,464,400	3,489,547
Investments	3,956,902	3,848,240	9,260,715	3,150,770	---	---
Due from trust funds administered by GEDA:						
Agricultural Development Fund	34,551	870	---	---	---	---
Guam Development Fund Act	482,427	24,400	---	---	---	---
Reimbursable expense	(62,296)	(96,562)	62,296	96,562	---	---
Other receivables, net	617,896	1,362,212	---	---	---	---
Promotional supplies	7,706	7,706	---	---	---	---
Prepaid expense	---	6,213	---	---	---	---
Total current assets	<u>6,007,700</u>	<u>5,355,979</u>	<u>13,571,290</u>	<u>13,085,907</u>	<u>3,627,815</u>	<u>3,616,561</u>
Equity investment	3,500	3,500	---	---	---	---
Capital assets, at cost, net	379,868	394,750	---	---	---	---
Total assets	<u>6,391,068</u>	<u>5,754,229</u>	<u>13,571,290</u>	<u>13,085,907</u>	<u>3,627,815</u>	<u>3,616,561</u>
Deferred outflows of resources						
Other post-employment benefits	950,140	360,946	---	---	---	---
Pension	800,146	627,017	---	---	---	---
	<u>8,141,354</u>	<u>6,742,192</u>	<u>13,571,290</u>	<u>13,085,907</u>	<u>3,627,815</u>	<u>3,616,561</u>
Liabilities						
Current liabilities:						
Current portion of bonds payable	---	---	---	---	1,380,000	1,285,000
Accounts payable	326,768	48,190	---	---	---	---
Accrued liabilities	251,509	301,846	11,638	8,759	(41,055)	(47,747)
Interest payable	---	---	---	---	439,738	439,738
Unearned rental income	100,523	100,523	---	---	---	---
Other liabilities	1,226,519	1,051,268	---	---	---	---
Total current liabilities	<u>1,905,319</u>	<u>1,501,827</u>	<u>11,638</u>	<u>8,759</u>	<u>1,778,683</u>	<u>1,676,991</u>
Non-current liabilities:						
Bonds payable, net of current portion and discount	---	---	---	---	30,322,625	29,894,605
DCRS sick leave liability	103,667	79,790	---	---	---	---
Deposits	18,322	18,322	---	---	---	---
Deposits due to GALC	77,410	77,410	---	---	---	---
Net pension liability	4,733,791	4,840,677	---	---	---	---
Other post-employment benefits liability	3,169,860	2,250,969	---	---	---	---
Total non-current liabilities	<u>8,103,050</u>	<u>7,267,168</u>	<u>---</u>	<u>---</u>	<u>30,322,625</u>	<u>29,894,605</u>
Total liabilities	<u>10,008,369</u>	<u>8,768,995</u>	<u>11,638</u>	<u>8,759</u>	<u>32,101,308</u>	<u>31,571,596</u>
Deferred inflows of resources						
Other post-employment benefits	1,330,700	1,681,175	---	---	---	---
Pension	341,079	175,732	---	---	---	---
	<u>1,671,779</u>	<u>1,856,907</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Net position						
Net investment in capital assets	379,868	394,750	---	---	---	---
Restricted	---	---	13,559,652	13,077,148	3,464,400	3,489,547
Unrestricted	(3,918,662)	(4,278,460)	---	---	(31,937,893)	(31,444,582)
Total net position	<u>\$(3,538,794)</u>	<u>\$(3,883,710)</u>	<u>\$ 13,559,652</u>	<u>\$ 13,077,148</u>	<u>\$(28,473,493)</u>	<u>\$(27,955,035)</u>

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, 2020 and 2019

	GEDA		SSBCI		TSA	
	2020	2019	2020	2019	2020	2019
Revenues:						
Tobacco Settlement revenue	\$ ---	\$ ---	\$ ---	\$ ---	\$ 1,449,072	\$ 1,461,989
Rental Income	1,243,208	1,224,867	---	---	---	---
Bond fees earned	751,722	88,440	---	---	---	---
Qualifying certificate application	740,984	646,596	---	---	---	---
GALC lease commission	153,069	810,847	---	---	---	---
Grants revenue	60,733	80,638	---	---	---	---
Others	---	59,309	21,000	35,200	---	---
Total operating revenues	2,949,716	2,910,697	21,000	35,200	1,449,072	1,461,989
Operating expenses:						
Salaries and benefits	2,137,068	2,155,968	55,022	73,482	---	---
Legal and professional services	238,096	280,230	175	8,874	37,795	10,641
Office space and equipment rent	221,985	222,880	---	---	---	---
Miscellaneous	44,802	48,531	66,723	8,469	6,691	36,834
Depreciation and amortization	27,881	35,383	---	---	---	---
Travel	27,853	71,452	---	---	---	---
Advertising and promotions	21,286	5,731	---	---	---	---
Supplies	10,844	5,490	---	---	---	---
Utilities, telephone and communication	3,126	2,780	---	---	---	---
Insurance	2,611	1,985	---	---	---	---
Repairs and maintenance	192	564	---	---	---	---
Total operating expenses	2,735,744	2,830,994	121,920	90,825	44,486	47,475
Other income (expense):						
Net increase (decrease) in the fair value of investments	160,137	(61,750)	373,405	71,271	---	---
Investment income	87,693	132,460	201,731	85,362	20,865	59,424
Investment income (expense), net	1,193	459	8,288	15,305	(1,945,539)	(1,911,824)
Other income, net	(118,079)	56,408	---	(165)	1,630	19,478
Other income (expense), net	130,944	127,577	583,424	171,773	(1,923,044)	(1,832,922)
Change in net position	344,916	207,280	482,504	116,148	(518,458)	(418,408)
Net position at beginning of year	(3,883,710)	(4,090,990)	13,077,148	12,961,000	(27,955,035)	(27,536,627)
Net position at end of year	\$(3,538,794)	\$(3,883,710)	\$ 13,559,652	\$ 13,077,148	\$(28,473,493)	\$(27,955,035)

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

Comparative Divisional Schedules of Cash Flows
Years ended September 30, 2020 and 2019

	GEDA		SSBCI		TSA	
	2020	2019	2020	2019	2020	2019
Cash flows from operating activities:						
Cash received on grants and contracts	\$ ---	\$ ---	\$ 21,000	\$ 34,135	\$ ---	\$ ---
Cash received from tobacco settlement and customers	3,225,230	1,791,838	---	---	1,450,702	1,481,467
Cash paid to suppliers for goods and services	(336,341)	(748,876)	(29,753)	(119,716)	(37,794)	(10,642)
Cash paid to employees for services	(2,248,637)	(2,165,103)	(55,022)	(73,482)	---	---
Net cash provided by (used in) operating activities	<u>640,252</u>	<u>(1,122,141)</u>	<u>(63,775)</u>	<u>(159,063)</u>	<u>1,412,908</u>	<u>1,470,825</u>
Cash flows from investing activities:						
Interest and investment income	247,830	70,710	575,136	156,633	20,865	59,424
Rollover of interest into investment	(247,830)	(70,710)	(575,136)	(156,633)	---	---
(Purchases) proceeds from maturity of investment securities, net	<u>139,168</u>	<u>405,066</u>	<u>(5,534,809)</u>	<u>42,517</u>	---	---
Net cash provided by (used in) investing activities	<u>139,168</u>	<u>405,066</u>	<u>(5,534,809)</u>	<u>42,517</u>	<u>20,865</u>	<u>59,424</u>
Cash flows from capital and related financing activities:						
Purchase of capital assets	(12,999)	(1,444)	---	---	---	---
Cash used in capital and related financial activities	<u>(12,999)</u>	<u>(1,444)</u>	---	---	---	---
Cash flows from noncapital financing activities:						
Repayment of bond payable	---	---	---	---	(110,000)	(115,000)
Net interest received (paid) on deposit accounts and bonds payable	<u>1,193</u>	<u>459</u>	<u>8,288</u>	<u>15,305</u>	<u>(1,312,519)</u>	<u>(1,319,212)</u>
Net cash provided by (used in) noncapital financing activities	<u>1,193</u>	<u>459</u>	<u>8,288</u>	<u>15,305</u>	<u>(1,422,519)</u>	<u>(1,434,212)</u>
Net change in cash and cash equivalents	767,614	(718,060)	(5,590,296)	(101,241)	11,254	96,037
Cash and cash equivalents at beginning of year	<u>202,900</u>	<u>920,960</u>	<u>9,838,575</u>	<u>9,939,816</u>	<u>3,616,561</u>	<u>3,520,524</u>
Cash and cash equivalents at end of year	<u>\$ 970,514</u>	<u>\$ 202,900</u>	<u>\$ 4,248,279</u>	<u>\$ 9,838,575</u>	<u>\$ 3,627,815</u>	<u>\$ 3,616,561</u>
Reconciliation of cash and cash equivalents to the statements of net position:						
Current assets:						
Cash and cash equivalents	\$ 970,514	\$ 202,900	\$ 2,569,748	\$ 8,231,295	\$ 163,415	\$ 127,014
Cash and cash equivalents - restricted	---	---	<u>1,678,531</u>	<u>1,607,280</u>	<u>3,464,400</u>	<u>3,489,547</u>
	<u>\$ 970,514</u>	<u>\$ 202,900</u>	<u>\$ 4,248,279</u>	<u>\$ 9,838,575</u>	<u>\$ 3,627,815</u>	<u>\$ 3,616,561</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ 213,972	\$ 79,703	\$(100,920)	\$(55,625)	\$ 1,404,586	\$ 1,414,514
Other income, net	(118,079)	56,408	---	(165)	1,630	19,478
Adjustments to reconcile operating income (loss) to net cash (used in) provided by operating activities:						
Noncash pension cost(benefit)	347,679	515,697	---	---	---	---
Noncash other post employment (benefit) cost	49,230	(52,505)	---	---	---	---
Depreciation and amortization	27,881	35,383	---	---	---	---
(Increase) decrease in assets:						
Due from trust funds administered by GEDA	(491,708)	(3,514)	---	---	---	---
Reimbursable expense	(34,266)	99,127	34,266	(99,127)	---	---
Other receivables	744,316	(1,132,889)	---	(900)	---	---
Prepaid expenses	6,213	(3,412)	---	---	---	---
Increase (decrease) in liabilities:						
Accounts payable	278,578	(12,175)	---	---	---	---
Accrued liabilities	(50,337)	(93,646)	2,879	(3,246)	6,692	36,833
Other liabilities	175,251	(137,991)	---	---	---	---
DCRS sick leave liability	23,877	(23,364)	---	---	---	---
Net pension liability	(462,347)	(463,192)	---	---	---	---
Total collective other postemployment liability	<u>(70,008)</u>	<u>14,229</u>	---	---	---	---
Net cash provided by (used in) operating activities	<u>\$ 640,252</u>	<u>\$(1,122,141)</u>	<u>\$(63,775)</u>	<u>\$(159,063)</u>	<u>\$ 1,412,908</u>	<u>\$ 1,470,825</u>

Financial Statements and Independent Auditors' Report

**Trust Funds Administered by the
Guam Economic Development Authority**
(A Component Unit of the Government of Guam)

*Years ended September 30, 2020 and 2019
with Report of Independent Auditors*





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Report of Independent Auditors

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, 2020 and 2019, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements, which collectively comprise the GDFA and ADF basic financial statements as listed in the table of contents. GDFA and ADF are administered by the Guam Economic Development Authority (GEDA) which is a component unit of the Government of Guam.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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, 2020 and 2019, and the changes in their financial position and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2021, 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.

Ernst + Young LLP

March 26, 2021

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

Statements of Fiduciary Net Position
September 30, 2020 and 2019

	Guam Development Fund Act		Agricultural Development Fund	
	2020	2019	2020	2019
Assets				
Cash on hand in bank	\$ 189,279	\$ 36,807	\$ 27,784	\$ 28,878
Investments	11,994,761	11,545,543	1,195,406	1,123,536
Notes and accrued interest receivable	967,837	831,846	34,617	12,231
Less allowance for doubtful receivable	(603,876)	(609,175)	(11,297)	(8,008)
Net notes and accrued interest receivable	<u>363,961</u>	<u>222,671</u>	<u>23,320</u>	<u>4,223</u>
Due from other funds:				
Agricultural Development Fund	<u>235</u>	<u>---</u>	<u>---</u>	<u>---</u>
Other real estate:				
Leasehold interest, net	117,936	120,972	---	---
Capital assets, net	1,334	3,567	---	---
Other assets	<u>18</u>	<u>18</u>	<u>---</u>	<u>---</u>
Total assets	<u>\$ 12,667,524</u>	<u>\$ 11,929,578</u>	<u>\$ 1,246,510</u>	<u>\$ 1,156,637</u>
Liabilities				
Accounts payable and accrued expenses	\$ 66,028	\$ 48,825	\$ 786	\$ 386
Due to other funds:				
Guam Economic Development Authority	482,427	24,400	34,551	870
Guam Development Fund Act	<u>---</u>	<u>---</u>	<u>235</u>	<u>---</u>
Total liabilities	<u>548,455</u>	<u>73,225</u>	<u>35,572</u>	<u>1,256</u>
Net Position				
Net position held in trust	<u>12,119,069</u>	<u>11,856,353</u>	<u>1,210,938</u>	<u>1,155,381</u>
Total liabilities and net position	<u>\$ 12,667,524</u>	<u>\$ 11,929,578</u>	<u>\$ 1,246,510</u>	<u>\$ 1,156,637</u>

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, 2020 and 2019

	Guam Development Fund Act		Agricultural Development Fund	
	2020	2019	2020	2019
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Additions:				
Investment income, net	\$ 745,228	\$ 367,651	\$ 74,235	\$ 35,970
Interest from loans	11,136	9,139	---	212
Other income, net	<u>5,372</u>	<u>24</u>	<u>521</u>	<u>490</u>
Total additions	<u>761,736</u>	<u>376,814</u>	<u>74,756</u>	<u>36,672</u>
Deductions:				
Salaries and benefits	342,573	338,126	6,175	8,286
Bank charges	83,639	75,166	8,260	7,309
Rent	38,505	37,364	---	---
Travel	8,422	---	---	---
Provision for doubtful notes receivable	7,719	---	3,279	---
Miscellaneous	6,932	4,800	1,485	88
Legal and professional services	5,961	8,849	---	---
Depreciation	<u>5,269</u>	<u>5,269</u>	<u>---</u>	<u>---</u>
Total deductions	<u>499,020</u>	<u>469,574</u>	<u>19,199</u>	<u>15,683</u>
Net change in net position	262,716	(92,760)	55,557	20,989
Net position at beginning of year	<u>11,856,353</u>	<u>11,949,113</u>	<u>1,155,381</u>	<u>1,134,392</u>
Net position at end of year	\$ <u><u>12,119,069</u></u>	\$ <u><u>11,856,353</u></u>	\$ <u><u>1,210,938</u></u>	\$ <u><u>1,155,381</u></u>

See accompanying notes to financial statements

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

Notes to Financial Statements
Years ended September 30, 2020 and 2019

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, 2020 and 2019 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.

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

Notes to Financial Statements, continued

1. Purpose and Summary of Significant Accounting Policies, continued

Estimates

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

Cash

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

Notes and Accrued Interest Receivable

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

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

Allowance for Doubtful Receivables

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

Expenses

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

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

Notes to Financial Statements, continued

1. Purpose and Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. GASB Statement No. 84 will be effective for fiscal year ending September 30, 2021.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. GASB Statement No. 87 will be effective for fiscal year ending September 30, 2023.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB Statement No. 89 will be effective for fiscal year ending September 30, 2022.

In March 2018, GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. GASB Statement No. 90 will be effective for fiscal year ending September 30, 2021.

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

Notes to Financial Statements, continued

1. Purpose and Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In May 2019, GASB issued Statement No. 91, *Conduit debt obligations*. The primary objectives of this statement are to provide a single method reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. GASB Statement No. 91 will be effective for fiscal year ending September 30, 2023.

In January 2020, GASB issued Statement No. 92, Omnibus 2020. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements. This Statement addresses a variety of topics and includes specific provisions about leases; reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan; applicability of Statement no. 73 and 84 for postemployment benefits, measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature and terminology used to refer to derivative instruments. GASB Statement No. 92 will be effective for fiscal year ending September 30, 2021.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates (IBOR)*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; clarifying the definition of reference rate, as it is used in Statement 53, as amended. GASB Statement No. 93 will be effective for fiscal year ending September 30, 2022.

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

Notes to Financial Statements, continued

1. Purpose and Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. GASB Statement No. 94 will be effective for fiscal year ending September 30, 2023.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. GASB Statement No. 96 will be effective for fiscal year ending September 30, 2023.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. GASB Statement No. 97 will be effective for fiscal year ending September 30, 2021.

Trust Funds Administered by the
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Notes to Financial Statements, continued

1. Purpose and Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

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

2. Deposits and Investments

Investments are carried at market value. Cash and cash equivalents and investments at September 30, 2020 and 2019 consist the following:

	<u>2020</u>		<u>2019</u>	
	<u>G DFA</u>	<u>A DF</u>	<u>G DFA</u>	<u>A DF</u>
Cash on hand and deposits in banks	\$ <u>189,279</u>	\$ <u>27,784</u>	\$ <u>36,807</u>	\$ <u>28,878</u>
Investments- Exchange-traded and closed-end funds	<u>\$11,994,761</u>	<u>\$1,195,406</u>	<u>\$11,545,543</u>	<u>\$1,123,536</u>

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, 2020 and 2019, the carrying amount of cash and cash equivalents were \$217,063 and \$65,685, respectively, and the corresponding bank balances were \$216,663 and \$65,285, respectively, which are maintained in financial institutions subject to insurance coverage by the Federal Deposit Insurance Corporation (FDIC). Cash balances of \$70,241 and \$19,565 are insured by the FDIC at September 30, 2020 and 2019, 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.

Trust Funds Administered by the
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Notes to Financial Statements, continued

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, 2020 and 2019 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.

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, 2020 and 2019:

Trust Funds Administered by the
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Notes to Financial Statements, continued

2. Deposits and Investments, continued

		At September 30, 2020		
		Level 1	Level 2	Level 3
G DFA:				
Investments by fair value level:				
Exchange-traded & closed-end funds	\$ <u>11,994,761</u>	\$ <u>11,994,761</u>	\$ <u> </u>	\$ <u> </u>
A DF:				
Investments by fair value level:				
Exchange-traded & closed-end funds	\$ <u>1,195,406</u>	\$ <u>1,195,406</u>	\$ <u> </u>	\$ <u> </u>
		At September 30, 2019		
		Level 1	Level 2	Level 3
G DFA:				
Investments by fair value level:				
Exchange-traded & closed-end funds	\$ <u>11,545,543</u>	\$ <u>11,545,543</u>	\$ <u> </u>	\$ <u> </u>
A DF:				
Investments by fair value level:				
Exchange-traded & closed-end funds	\$ <u>1,123,536</u>	\$ <u>1,123,536</u>	\$ <u> </u>	\$ <u> </u>

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

3. Other Real Estate

G DFA 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, 2020 and 2019, respectively, net of accumulated amortization of \$49,064 and \$46,028 at September 30, 2020 and 2019, respectively.

4. Contingencies

G EDA 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.

Compliance and Internal Control

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

Year ended September 30, 2020



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

The Board of Directors
Guam Economic Development Authority:

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Guam Economic Development Authority (GEDA), which comprise the statement of net position as of September 30, 2020, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 26, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Ernst + Young LLP

March 26, 2021

Compliance and Internal Control

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

Year ended September 30, 2020





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

The Board of Directors
Guam Economic Development Authority:

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Guam Development Fund Act (GDFA) and the Agricultural Development Fund (ADF), administered by the Guam Economic Development Authority (GEDA), which comprise the respective statements of fiduciary net position as of September 30, 2020, and the related statements of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 26, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Ernst + Young LLP

March 26, 2021