

*Financial Statements, Required Supplementary Information  
and Supplementary Information*

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

*Years ended September 30, 2021 and 2020  
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, 2021 and 2020

**Contents**

Report of Independent Auditors .....	1
Management’s Discussion and Analysis .....	4
Audited Basic Financial Statements:	
Statements of Net Position.....	25
Statements of Revenues, Expenses and Changes in Net Position.....	27
Statements of Fiduciary Net Position.....	28
Statements of Changes in Fiduciary Net Position.....	29
Statements of Cash Flows.....	30
Notes to Financial Statements.....	32
Required Supplementary Information:	
Schedule 1 - Schedule of Proportional Share of Net Pension Liability – Defined Benefit Plan.....	68
Schedule 2 - Schedule of Contributions – Defined Benefit Plan.....	69
Schedule 3 - Schedule of Proportional Share of the Collective Total Pension Liability – Ad Hoc COLA/Supplemental Annuity Plan for DB Participants ....	70
Schedule 4 - Schedule of Contributions Ad Hoc COLA/Supplemental Annuity Plan for DB Participants .....	71
Schedule 5 - Schedule of Proportional Share of the Collective Total Pension Liability – Ad Hoc COLA Plan for DCRS Participants .....	72
Schedule 6 - Schedule of Contributions Ad Hoc COLA Plan for DCRS Participants .....	73
Schedule 7 - Schedule of Proportional Share of the Collective Total Other Postemployment Benefit Liability .....	74
Schedule 8 - Schedule of Contributions Other Postemployment Benefit Plan .....	75
Note to Required Supplementary Information .....	76
Supplementary and Other Information:	
Supplemental Comparative Divisional Schedules of Net Position.....	77
Supplemental Comparative Divisional Schedules of Revenues, Expenses and Changes in Net Position .....	78
Supplemental Comparative Divisional Schedules of Cash Flows.....	79
Supplemental Schedule of Salaries and Wages .....	80
Compliance and Internal Control	
Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financials Statements Performed In Accordance with <i>Government Auditing Standards</i> .....	81



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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 business-type activities and fiduciary activities of the Guam Economic Development Authority (GEDA), as of and for the year ended September 30, 2021 and 2020, 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 opinions 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 opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary activities of GEDA as of September 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

## **Adoption of Governmental Accounting Standards Board (GASB) Statement No. 84, “Fiduciary Activities”**

As discussed in Note 1, GEDA implemented GASB Statement No. 84, *Fiduciary Activities*, during the year ended September 30, 2021. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

U.S. generally accepted accounting principles require that the Management’s Discussion and Analysis on pages 4 through 24 as well as the Schedules of Proportional Share of the Net Pension Liability on pages 68, 70, and 72, the Schedule of Contributions on pages 69, 71, 73 and 75 and the Schedule of Proportional Share of the Collective Total Other Postemployment Benefit Liability on page 74 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 opinions on the financial statements that collectively comprise GEDA’s basic financial statements. The supplemental comparative divisional schedules on pages 77 through 79 and the supplemental schedule of salaries and wages on page 80 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 April 6, 2022 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*

April 6, 2022

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

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.

Fiscal Year (FY) 2021 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 Joann Camacho entered FY 2021 with the Delta variant causing additional stress in the existing state of emergency environment. The island went into a second "lockdown" just prior to the end of the previous fiscal year. The focus at the start of FY 2021 was continual aid to small businesses and an ongoing need for pandemic management within the core operations of the office.

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

Management's Discussion and Analysis, continued

**BUSINESS & ECONOMIC DEVELOPMENT DIVISION (BEDD)**

***COVID-19 ECONOMIC ASSISTANCE***

The Business & Economic Development Division (BEDD) was designated as the division to serve as the program manager for the following COVID-19 grant assistance programs:

***1. GUAM SMALL BUSINESS PANDEMIC ASSISTANCE GRANT***

Pursuant to Executive Order 2020-18, GEDA launched the Guam Small Business Pandemic Assistance Grant (GSBPAG) to provide direct financial assistance to small businesses that experience COVID-19 caused business interruption. Through the life of the program, a total of 2,352 grant applications were processed totaling \$17 million in grant awards. All grant awards were funded using CARES Act funds.

***2. HEALTHCARE SYSTEM STABILIZATION GRANT PROGRAM***

Pursuant to Executive Order No. 2020-35, GEDA launched the Healthcare System Stabilization (HSS) Grant Program. The program's goal was to help ensure the stable operation of Guam's healthcare industry during the COVID-19 pandemic. Through the life of the program, a total of 24 applications were processed totaling \$1,387,166 in grant awards. All grant awards were funded using CARES Act funds.

***3. GUAM SMALL BUSINESS RENT ASSISTANCE GRANT PROGRAM***

Pursuant to Executive Order 2021-22, GEDA launched the Guam Small Business Rent Assistance Grant (RAG) program. The grant provides financial assistance to small businesses that experienced COVID-19 business impacts that equals two months' worth of rent. A total of 681 applications were processed totaling \$4,648,635 in grant awards. All grant awards were funded using CARES Act funds.

***4. GUAM SMALL BUSINESS PANDEMIC ASSISTANCE GRANT 2021***

Pursuant to Executive Order 2021-22, GEDA launched the Guam Small Business Pandemic Assistance Grant 2021 (PAG2021) on September 9, 2021. The program was funded with American Rescue Plan Act (ARPA) funds and is aimed at providing direct financial assistance to small businesses that have experienced COVID-19 caused business interruption. GEDA began accepting applications on September 9, 2021 and continued receiving applications until December 9, 2021. A total of 1,894 applications were received, of which 1,505 were processed eligible, totaling \$16,624,318.

***ECONOMIC DEVELOPMENT TRADE MISSIONS***

In FY 2021, GEDA BEDD did not conduct any economic trade missions. This is due to the decreased ability to travel caused by COVID-19 health and safety concerns. Nevertheless, BEDD continued to provide assistance to the Chief Advisor Economic Development, National and International Affairs (EDNIA) to coordinate efforts of GEDA and EDNIA to support economic development efforts and other national/international affairs of importance to the government of Guam. Plans are ongoing to conduct Investment Trade Missions to key investment destinations, namely Taiwan, Philippines, Japan and Korea when conditions permit.

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

Management's Discussion and Analysis, continued

***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 2021, no QC applications were submitted to GEDA. However, BEDD 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.

***SPECIAL PROJECTS***

***Governor's Economic Diversification Working Group***

BEDD has been assisting the Governor's Economic Diversification Working Group with coordination of efforts and administration. The group is comprised of a combination of representatives from the government of Guam and the Guam Chamber of Commerce. In FY 2021, the Working Group further defined its priorities and mission and created various subcommittees to research various strategies and initiatives to diversify and expand Guam's economic base.

***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 provided funding for GEDA to take two Eligible Small Business Concerns (ESBC) to a trade show in Las Vegas to showcase Guam products and to network with possible buyers.

*Taking the Leap I and II:* Observing an emerging trend of micro business openings throughout the island, GEDA hosted what it hopes to be an annual conference called "Taking the Leap" in November 2020. Over 100 attendees attended the virtual symposium which took place over two half days. There were speakers who discussed licensing, permitting, sales, marketing, and programs available to entrepreneurs.

To follow up the first *Taking the Leap*, GEDA hosted a second conference called *Taking the Leap: Exporting* in September 2021. This virtual event was also attended by over 100 persons and the focus was on government programs such as STEP, as well as federal programs to aid in exporting. Panelists attended from various federal agencies including the Minority Small Business Development Agency (US Department of Commerce), and the Western United States Agricultural Trade Association.

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

Management's Discussion and Analysis, continued

Legislative Research

In FY 2021, 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 – captive insurance, hotel development, housing, 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 Finance Division participates in the strategic financial plans for government Capital Improvement and liquidity management. 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.

***Bond Market Update and Financing Summary***

With the onset of the COVID-19 pandemic in March 2020, global financial markets experienced extreme volatility in the municipal bond market for several weeks. Starting in March 2020, there was a liquidity crisis that caused significant market dislocation and unprecedented rate fluctuation. It wasn't until April 2020 that markets began to stabilize as the Federal Government began implement market stabilizing measures. Municipal markets were much slower to recover than corporate markets as investors remained uncertain as to how municipal governments would be impacted by COVID-19, however, investors started buying municipal bonds in May as the corporate credit spreads continued to tighten.

At the start of FY 2021, Treasury rates were at all-time lows at 0.24% versus 1.5% in 2018 and 1.7% in 2019, making it a very attractive market for bond refunding, both tax-exempt and taxable bonds. GEDA worked with all agencies to ensure the government maximizes savings and reduce outstanding debt.

***\$65.4 Million Guam Department of Education (JFK High School) Bond Refunding and Energy Efficiency, Certificates of Participation (COP) Series 2020A (October 2020)***

The Government of Guam (GovGuam), 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 \$9 million to finance solar and associated energy improvement projects for the school. Result of the \$64.5 million in refunding and solar project COP's included 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 FY 2021.

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

Management's Discussion and Analysis, continued

***\$58.9 Million Hotel Occupancy Tax Revenue Refunding Bonds Series 2021A (March 2021)***

The Government of Guam was successful in refunding the Series 2011 Hotel Occupancy Tax (HOT) Bonds. Despite the challenges with the recovery of Guam's Tourism industry, the Guam HOT bonds received very positive investor response which created an opportunity for Team Guam to lower the interest rates twice during the bond pricing process, going from an initial indicative pricing level of 3.42% to a final All in True Interest Cost of 3.23%. This overall effort allowed the Government of Guam to refund \$72.3 million in existing bonds with \$58.9 million of refunding bonds, Net Present Value savings of \$19 million.

***\$277.6 Million Government of Guam Business Privilege Tax Refunding Bonds Series E and F (May 2021)***

The Government of Guam successfully priced \$277.6 million in taxable and tax-exempt Business Privilege Tax Refunding Bonds to take advantage of low interest rates and significantly improving credit conditions for the Government's General Fund. The strong market demand yielded the lowest interest in Guam's history, lowering as much as 26 bps (0.26%) from the start of pricing, and producing a 2.96% all-in interest cost for the government.

The significantly improved GovGuam financial condition was acknowledged in April 2021 when Moody's Investor Service changed its credit rating outlook for the Government of Guam (and various other Guam credits) from negative to stable and then further confirmed by the unprecedented demand and success of the BPT refunding.

***\$143 Million A.B. Won Pat Guam International Airport Authority General Revenue Bonds, 2021 Series A (Federally Taxable) (August 2021)***

The A.B. Won Pat Guam International Airport Authority (GIAA) successfully sold \$143 million in taxable refunding bonds resulting in net present value savings of over \$3 million with All in True Interest Cost (TIC) of 4.07%, while reducing FY 2022 debt service payments to \$8.1 million, a \$5.6 million reduction compared to the prior FY 2021 debt service.

The successful refunding was driven by strong investor confidence in the way the GIAA and the government of Guam has handled the COVID-19 pandemic with the bonds being 18.1x oversubscribed with 9 firms placing orders for the entire series of bonds.

***\$9.5 Million Chalan Pago- Ordot Municipal Planning Council Financing***

Back in early 2020, the Mayor of the municipality of Chalan Pago- Ordot sought GEDA assistance to secure financing for a Multi-purpose Emergency and Community Facility. The construction of the facility is partly funded by a \$3.5 million federal grant from the Department of Defense's Office of Economic Adjustment Defense Community Infrastructure Pilot Program, a \$2.7 million guaranteed loan with Bank of Guam (BOG) to be taken out by the USDA, a \$2.8 million grant from the Office of the Governor and \$0.5 million from the mayor's office. GEDA provided assistance for the BOG Loan, the USDA loan and the grant from the Governor's office. The financing for the project closed in September 2021.

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

Management's Discussion and Analysis, continued

The proposed project will include a 30,000 square foot building adjacent to an existing baseball field. The Community Center will include a gymnasium, a basketball court, a weight room, a squash court and 3 multipurpose rooms. The Community Center will also serve as an emergency shelter during natural disasters or other situations, and will be able to accommodate 200 beds. The project completion date is targeted for the fall of 2023.

***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 assistance. As a result of the pandemic, the following ratings were issued during the year:
  - Moody's Actions
    - General Fund and Hotel Occupancy Tax 2/25/2021: Rating of "Ba1" the outlook is "Negative".
    - General Fund, 5/4/2021: Rating of "Ba1" revised the outlook from "Negative" to "Stable".
    - Hotel Occupancy Tax, 5/4/2021: Rating of "Ba2" revised the outlook from "Negative" to "Stable".
    - Certificate of Participation 5/4/21: Rating of "Ba2" revised the outlook from "Negative" to "Stable".

The Moody's report stated that the rating reflects the territory's small and concentrated economy that is heavily reliant on international tourism; a significant, though improving, accumulated general fund deficit; and debt levels that are notably above US state medians, though below those of other territories.

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

Management's Discussion and Analysis, continued

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:
    - 10/22/2020: Rating of "BB+" from "BBB+" and removed from "Credit Watch" and placed on "Negative".
  - Moody's Action
    - 5/13/2021: Rating of "Baa2" outlook remains "Negative".

The action taken by S&P was reflective of their severe outlook for airports nationwide. The downgrade and negative outlook reflect S&P's expectation that activity levels at GIAA will be depressed or unpredictable, or demonstrate anemic growth due to the COVID-19 pandemic and associated effects outside of management's control.

The Moody's rating reflects GIAA's position as Guam's sole commercial airport. The residual airline lease and operating agreement with signatory airlines supports adequate financial metrics even during times of volatile passenger enplanements during the pandemic.

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:
  - S&P Actions
    - Guam Power Authority 2/1/2021: Rating of "BBB outlook is Stable.
  - Moody's Actions
    - Port Authority of Guam 3/31/2021: Rating of "Baa2" the outlook is "Negative".
    - Guam Waterwork Authority, 5/4/2021: Rating of "Baa2" revised the outlook from "Negative" to "Stable".
    - Port Authority of Guam 5/13/2021: Rating of "Baa2" revised the outlook from "Negative" to "Stable".
    - Guam Power Authority 5/13/21: Rating of Baa2" the outlook is "Stable".
    - Business Privilege Tax Bonds 2021 Series E and F, 5/6/2021: Rating of "Ba1".

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

Management's Discussion and Analysis, continued

***Bond Disclosure Services (FY 2021)***

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. 2011, 2012, and 2015 Government of Guam Business Privilege Tax
3. 2014 Industrial Development Authority (Guam Facilities Foundation, Inc. Tiyan Project) COP's
4. 2016 Government of Guam Limited Obligation (Section 30) Bonds
5. 2016 Guam Department of Education (Guam Public Schools Facilities Project
6. 2019 General Obligation Bonds
7. 2020 Certificate of Participation (John F. Kennedy High School Refunding and Energy Efficient Project)
8. 2021 Government of Guam Hotel Occupancy Tax Revenue Refunding 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 2021 carry-over amount plus previous amounts carried forward now allows for approximately \$280.5 million in PAB's to be made available for approved activities.

**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. Additionally, GEDA also executed a Memorandum of Understanding (MOU) with the Guam Ancestral Lands Commission (GALC) to manage leases on the Spanish Crown properties, as well as an MOU with the Chamorro Land Trust Commission (CLTC) for general consultancy and property management services for commercial land leases. In total, there are 29 leases managed by the authority to include the Industrial Parks along with GEDA's share of GALC leases. The lease revenues generate approximately \$1.23 million of the Authority's operating revenues for Fiscal Year 2021 (FY21).

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

Management's Discussion and Analysis, continued

In 2016, the United States Department of Interior (DOI) awarded a grant 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. GEDA issued a Request for Proposal (RFP 16-005) that was awarded to Stanley Consultants with a Notice to Proceed issued in September 2017. The feasibility study along with a 30% design for a proposed boat ramp in Talofofo Bay was completed, however due to lockdowns caused by the COVID-19 pandemic, the project was stalled. Delays in obtaining additional funding deterred the Stanley Consultants from meeting its deadline. The option to extend its contract was not feasible due to the realignment of its operations in the region, amid the pandemic. GEDA received DOI approval in January 2021 to allow the use of an existing GEDA contract (RFP19-001) to obtain a subcontractor to complete the project. The Notice to Proceed was issued in January 2021 to TG Engineers (TGE) which completed the Feasibility Study and Design in September 2021. TGE prepared the solicitation for construction bids and construction specifications as well as the cost estimate for use in reviewing construction bids. GEDA and TGE have also communicated with the US Army Corps of Engineers (USACOE) to confirm permit requirements for incorporation into the development of construction specifications for the project. With the conclusion of the DOI grant, GEDA will continue to work with other agencies in an effort to obtain construction funding. In September 2021, Bill 186-36 was introduced to appropriate \$1.5 million for the purpose of constructing a Southern Emergency Access Boat Ramp in the south eastern village of Talofofo.

In addition to lease and property management for the Authority and other agencies, GEDA has been spear heading projects funded by the US Office of Economic Adjustment (OEA) and through the Office of the Governor. These include three (3) 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 have been successfully completed. As of the date of this report and in collaboration with the contractor and the Governor's Office, the Grants Management training was successfully redesigned into a virtual format with four core courses attended by 50 participants from over a dozen government agencies over the course of several months in 2021. As well, the FIAS grant study was completed in December 2020 and the FIAS Report was submitted to the Government of Guam. Third is the ongoing Guam Medical and Public Health Services Action Plan (MAP) which will enhance and inform the Governor and Lt. Governor, as they lead the Government of Guam to strategically tackle the systemic medical and public health care challenges. This project includes analyzing and updating existing Medical Services Delivery Plans, the 2016 Guam Memorial Hospital Task Force Report, the Army Corps of Engineers Report on GMH, identifying emerging trends and advances in technology or best managed practices relevant to Guam, evaluating medical services that should be available on Guam through the hospital and ultimately preparing a Medical Health Care Campus Master Plan.

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

Management's Discussion and Analysis, continued

As requested by the Governor and as indicated in the MOU with GALC, RPD has analyzed military use of federal property as part of the "Net Negative" strategy to reduce DoD footprint on Guam. Over 3,000 acres were identified that could be returned by the federal government to the government of Guam for local economic development and public use purposes, including 102 acres proposed for use as a medical complex. The Governor notified the Navy of her desires for the return of these properties. In January 2021, the Department of the Navy approved a total of 262 acres of terrestrial land and 6,225 acres of submerged land for potential release. 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 FY 2021, a total of \$8 million was identified and approved by the Governor for reprogram to other HOT Bond projects capital improvement projects to include the Guam and Chamorro Education Facility repairs, the Guam Farmer's Cooperative facility improvements, Tumon Street Lights, Guam Fishermen's Association facility and shoreline protection project, and the Hagatna Pool Assessment project.

In March 2021, GEDA received a grant from the United States Economic Development Administration for the Guam Aquaculture Industry Feasibility Study. The feasibility study will facilitate the development of aquaculture-related commercial activities that are instrumental in growing a local aquaculture industry and support potential new export products to meet the market demand in the Asia Pacific region. The intention is to provide strategic long-term recovery efforts and develop critical infrastructure to support economic resiliency that can withstand future natural disasters and other disruptions. GEDA issued RFP 21-004 in May 2021 that was awarded to Marine Genetics (MG) with a Notice to Proceed in September 2021. At the time of this report, MG continues to gather data through participation in the Guam Aquaculture Task Force, as well hiring of local consultants for efficiency of data gathering and coordination of site visits and meetings with regulatory agencies for the commercialization of the aquaculture industry.

In FY 2021, the COVID-19 pandemic continued to affect 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 were classified as essential businesses, to include: healthcare services, auto/industrial repair services and public safety related services. However, a handful of GEDA's tenants had to adjust their business operations and hours 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 tenants' 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. To date, only a single sub-sub lessee terminated their lease as a result of the ongoing pandemic.

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

Management's Discussion and Analysis, continued

**QUALIFYING CERTIFICATE COMMUNITY CONTRIBUTION GRANTS**

Realizing the impact COVID-19 had on Non Profit Organizations (NPO) and Government of Guam Agencies/Departments, GEDA launched the Qualifying Certificate Community Contribution Grant Program Series 3 in January and Series 4 in April to address the needs of these organizations. Similar to small businesses, these organizations also have suffered as a result of the COVID-19 Pandemic. Many continue to offer services while their operating budgets may be fragile due to less donor support and other income streams slowing down due to budget constraints.

This Grant Program was accessible to projects 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.

After an evaluation of five (5) evaluators, Series 3 awarded seven (7) grants totaling three hundred three thousand two hundred seventy five (\$303,275.00) dollars for training/retraining of the unemployed or unemployeed with the goal of obtaining marketable skills to gain re-employment and entrepreneurship development projects and Series 4 awarded fifteen (15) grants totaling two hundred ninety five thousand twenty six (\$295,026) dollars for various projects. 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 2021 GEDA made one farm loan in the amount of \$25,000.00.

***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 2021 GEDA made seven (7) commercial loans totaling \$538,000 for working capital and leasehold improvements.

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

Management's Discussion and Analysis, continued

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 2021 there were five (5) commercial TEAM loans funded by GDFA totaling \$265,000.00

***State Small Business Credit Initiative (SSBCI) - \$13.2 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.

This past fiscal year, the SSBCI loan guaranty program had enrolled eight (8) new and existing Guam businesses into the program guarantying an amount of six hundred fifty thousand (\$650,000) dollars that resulted in the creation of forty two (42) new jobs. Furthermore, GEDA signed a Memorandum of Understanding with an additional lender to the network of participating banks and credit unions offering the program.

To date the SSBCI Loan Guaranty Program has deployed over \$19.5 million to support eighty seven (87) loans to small businesses for start-ups, working capital and expansions circulating new money into Guam's economy through lending activities creating 1,394 new jobs and led to the retention of 891 jobs. Furthermore, of the loans granted since the start of the program, forty eight (48) have been fully paid putting \$5.3 million back into the SSBCI loan program to be recycled for new loans.

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

Management's Discussion and Analysis, continued

**FINANCIAL HIGHLIGHTS**

	<u>2021</u>	<u>2020</u> (As Restated)	<u>2019</u> (As Restated)
<b>Assets:</b>			
Current Assets	\$ 27,333,550	\$ 24,837,163	\$ 23,702,329
Capital Assets, at cost, net	354,404	379,868	394,750
Equity investment	3,500	3,500	3,500
	<u>27,691,454</u>	<u>25,220,531</u>	<u>24,100,579</u>
<b>Deferred Outflows of Resources:</b>			
Other post-employment benefits	3,433,363	950,140	360,946
Pension	1,199,855	800,146	627,017
	<u>\$ 32,324,672</u>	<u>\$ 26,970,817</u>	<u>\$ 25,088,542</u>
<b>Liabilities and Net Position:</b>			
Current liabilities	\$ 2,428,069	\$ 2,469,907	\$ 2,137,565
Non-current liabilities	41,439,470	38,425,675	37,161,773
	<u>43,867,539</u>	<u>40,895,582</u>	<u>39,299,338</u>
<b>Deferred Inflows of Resources:</b>			
Other post-employment benefits	2,124,336	1,330,700	1,681,175
Pension	229,729	341,079	175,732
	<u>2,354,065</u>	<u>1,671,779</u>	<u>1,856,907</u>
<b>Net Position:</b>			
Net investment in capital assets	354,404	379,868	394,750
Restricted	5,881,410	5,915,502	5,096,827
Unrestricted	( 20,132,746 )	( 21,891,914 )	( 21,559,280 )
Total Net position	<u>( 13,896,932 )</u>	<u>( 15,596,544 )</u>	<u>( 16,067,703 )</u>
	<u>\$ 32,324,672</u>	<u>\$ 26,970,817</u>	<u>\$ 25,088,542</u>
<b>Revenues:</b>			
Operating revenues	\$ 3,779,673	\$ 3,723,341	\$ 3,832,267
SSBCI grants revenue	21,247	21,000	35,200
Tabacco Settlement revenue	1,520,543	1,449,072	1,461,989
	<u>5,321,463</u>	<u>5,193,413</u>	<u>5,329,456</u>
<b>Operating expenses:</b>			
Operating expenses	( 4,172,441 )	( 3,588,334 )	( 4,068,824 )
	<u>( 4,172,441 )</u>	<u>( 3,588,334 )</u>	<u>1,260,632</u>
Other income (expense), net	550,590	( 1,133,920 )	( 1,496,900 )
Change in net Position	<u>1,699,612</u>	<u>471,159</u>	<u>( 236,268 )</u>
Net position at beginning of year, as restated	( 15,596,544 )	( 16,067,703 )	( 15,831,435 )
Net position at end of year, as restated	<u>\$( 13,896,932 )</u>	<u>\$( 15,596,544 )</u>	<u>\$( 16,067,703 )</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 2021, GEDA recorded operating revenues of \$3,779,673 compared to \$3,723,341 in FY 2020. The year-to-year change of \$56,332 represents an increase of 1.51%.

***Rental Income from Industrial Parks***

There was no significant change in rental income compared to the prior fiscal year. Rental income decreased by -0.29%, or -\$3,635 from \$1,243,208 in FY 2020 to \$1,239,573 in FY 2021.

***GALC Lease Commission***

GALC Lease Commission increased by 9.07% or \$13,884 from \$153,069 in FY 2020 to \$166,953 in FY 2021. This increase is attributed to an additional tenant in FY 2021.

***QC Program***

QC revenue decreased by -0.91%, or -\$13,821 from \$1,514,609 in FY 2020 to \$1,500,788 in FY 2021.

***Bond Fees***

Bond fees decreased by -8.98% or -\$67,486 from \$751,722 in FY 2020 to \$684,236 in FY 2021. As noted earlier, in FY 2021 resulted from the closing of four (4) bonds: Department of Education (John F Kennedy) Series 2020A, Hotel Occupancy Tax (HOT) Revenue Refunding 2021A Bond, Business Privilege Tax (BPT) Refunding Bond and Guam International Airport Authority (GIAA) 2021A General Revenue Bond.

***Capital Assets***

Land, building, improvements and equipment decreased -6.70% or -\$25,464 from \$379,868 in FY 2020 to \$354,404 in FY 2021. 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 2021 is \$4,172,441, an increase of \$584,107 or 16.28% over FY 2020 of \$3,588,334.

***Salaries and Benefits***

Salaries and benefits increased by \$11,508 or 0.52% from \$2,198,265 in FY 2020 to \$2,209,733 in FY 2021.

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

Management's Discussion and Analysis, continued

***Legal and Professional Services***

Legal and Professional service expenses decreased by -\$35,587 or -12.89% from \$276,066 in FY 2020 to \$240,479 in FY 2021.

***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 decreased by \$12,793 or -5.76% from \$221,985 in FY 2020 to \$209,192 in FY 2021. This was due to a re-class of Other Revenue collected from our sub lease tenant and netted into Office Space expense.

***Travel***

Travel expenses decreased by \$21,977 or 78.90% from \$27,853 in FY 2020 to \$5,876 in FY 2021. This decrease is mainly attributed to the COVID-19 pandemic.

**FY 2022 INITIATIVES**

***Qualifying Certificate***

Moving forward, the Qualifying Certificate Ad Hoc Committee will continue to work to enhance and modernize the QC Program. In FY 2022, the Committee will work towards the following:

- Support legislation to enhance the Special Hotel QC program;
- Implement tax incentives to health insurance companies aimed specifically at maintaining more affordable health insurance premiums to local customers;
- Reinvigorate the QC program for captive insurance companies;
- Implement Public Law 35-116 to provide tax incentives for business activities in circular economy and environmental sustainability; and
- Continue to evaluate how the QC program can aid in the development of other key industries.

***American Rescue Plan Act (ARPA) Financial Assistance Programs***

In FY 2022, GEDA implemented two additional grant programs, both at the direction from the Office of the Governor.

- *Guam Small Business Pandemic Assistance Grant Program 2021 (PAG2021)*: As stated earlier, the application period for the PAG2021 program closed on December 9, 2022. GEDA will close out the PAG2021 program in FY2022.
- *Local Employers' Assistance Program (LEAP)*: Pursuant to Executive Order 2021-25, GEDA has been appointed the processor for LEAP. The goal of LEAP is to provide financial assistance to small businesses that have experienced the extreme levels of COVID-19 caused business interruption. The ninety (90) day application period opened on December 20, 2021.

***Industry Development / Governor's Economic Diversification Working Group***

GEDA will maintain its leadership role in the Governor's Economic Diversification Working Group. The Working Group plans to draft formal strategies and proposals to support the diversification of Guam's economy during the fiscal year.

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

Management's Discussion and Analysis, continued

*Transshipment Task Force*

GEDA, under Public Law 36-23, is a key member of the Transshipment Task Force. BEDD has been tasked with coordinating the activities of the Transshipment Task Force as well as to provide administrative support. GEDA anticipates receiving federal funding to secure the services of a professional consultant to aid the Task Force in meeting the mandates of Public Law 36-23.

*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 while also undertaking efforts to secure investment into new and emerging industries such as technology, pharmaceutical manufacturing 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. The annual *Taking the Leap* virtual summit is also planned.

*Guam Product Seal (GPS)*

BEDD will continue to drive membership by seeking out companies that manufacture locally. This drive will be coordinated with GEDA's launch of the "Bridging the Gap" entrepreneurship program.

*Guam Comprehensive Economic Development Strategy Update*

GEDA will complete the update to the 2020-2025 Comprehensive Economic Development Strategy (CEDS). BEDD has been appointed the lead within GEDA for the project, with the assistance and collaboration with the University of Guam Regional Center for Public Policy. The CEDS update will also contain a COVID-19 Pandemic Recovery Strategy. The CEDS update is funded through a grant received from the U.S. Department of Commerce's Economic Development Administration.

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

Management's Discussion and Analysis, continued

*Childcare Assistance Program Stabilization (CAPS 2021)*

In FY 2022 (November 2021), GEDA implemented a grant programs, at the direction from the Office of the Governor.

- The Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act, signed into law in December 2020, provided funds to states and territories to respond to the unprecedented challenges faced by children, families, and child care providers during the novel coronavirus (COVID-19) public health emergency.
- To assist Guam childcare centers to recover and rebuild, the Guam Child care Assistance Program-Stabilization 2021 (“CAPS2021”) was created pursuant to Governor Lourdes Leon Guerrero’s Executive Order (EO) 2021-28 executed on October 31, 2021.

GEDA is now working with the DPHSS to provide further support in issuing over One Hundred Million (\$100,000.00) in grant funds to further support other sectors of the child care industry in FY 2022 to include home care, after-school programs and other entities. This program is scheduled to launch in March 2023 subject to the standing up of the program and the securing the necessary approvals.

*GEDA Venture Capital Program funded by SSBCI Grant Funds*

GEDA’s PFD Division has been developing the corporate documents and forms to establish the first ever venture Capital Corporation, to be named the *Destinu Guahan Fund (DG Fund)*. The State Small Business Credit Initiative (SSBCI) is a \$1.5 billion federal program administered by the U.S. Department of Treasury to strengthen state programs that provide access to capital. GEDA has received initial approval of \$56 million to fund various programs to assist Guam in its economic recovery. The venture capital program may be funded with the majority of the funding, or up to Forty-Five Million Dollars (\$45,000.00) to assist startups and early state businesses especially in the field of agriculture, technology and shipping.

*Guam Healthcare Campus Leaseback Financing*

The 36<sup>th</sup> Guam Legislature passed legislation, now Public Law 36-56 that pledges Thirty-Five Million Dollars (\$35,000,000.00) as an annual lease payment for the new Healthcare Facility for up to forty (40) years. The bill further states that the first payment in FY 2022 will come from the Federal reimbursement of the Earned Income Tax Credit (EITC) with the following years payments to come from the General Fund. After all preliminary site work and leases terms are finalized; GEDA expects to issue an RFP for a developer in FY 2022.

*Guam Department of Corrections Leaseback Financing*

The 36<sup>th</sup> Guam Legislature passed legislation, now Public Law 36-57 that pledges Five Million Dollars (\$5,000,000.00) as an annual lease payment for the construction of a new and modernized Correctional Facility for up to thirty (30) years. The bill further states that the first payment in FY2022 will come from the Federal reimbursement of the Earned Income Tax Credit (EITC) with the following years payments to come from the General Fund. After all preliminary architectural and engineering studies are complete; GEDA expects to issue an RFP for a developer in FY 2022.

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

Management’s Discussion and Analysis, continued

Guam Power Authority Proposed Revenue Financing

Bill 212-36 (COR) is in the legislative process to authorize a refunding of outstanding Guam Power Authority Bonds. GEDA has identified significant savings in the refunding of the 2012A GPA bonds, especially with the current record low Federal interest rates. Based on recent financial analysis, the use of a tax-exempt forward delivery refunding will result in up to \$15.3 million or 5.34% in net present value savings. It is anticipated that with the legislative approval, the bonds should be issued by summer 2022.

GEDA Municipal Financial Advisor - Montague DeRose and Associates

GEDA, on behalf of the Government of Guam, issued RFP 21-013 for a firm to provide financial advisory services to the Government of Guam to advise and assist in formulating and/or executing a debt financing plan for public purposes for a term of up to 2 years with an option to renew with the approval of the GEDA Chief Executive Officer / Administrator. With the option for GEDA to be the leaseback financing issuer, the financial advisor will assist GEDA with the upcoming leaseback financing project. GEDA awarded the RFP to *Montague DeRose and Associates* with the contract executed in January 2022.

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).

\$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 million 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

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

Management's Discussion and Analysis, continued

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 2022 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 FY 2021, estimated at \$5.0 million, and FY 2022 estimated at \$19.9 million with the refunding of the BPT 2011 A, the 2012B and a portion of the 2015D BPT bonds.

*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 (HRRRA). 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).

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

Management's Discussion and Analysis, continued

**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 35<sup>th</sup> *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.
  
- 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.

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

Management's Discussion and Analysis, continued

- **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, 2021, 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 2021 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](http://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](http://www.investguam.com).

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

Statements of Net Position

	Year ended	
	September 30,	
	2021	2020
		<i>(Restated)</i>
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 2,948,619	\$ 2,958,890
Cash and cash equivalents - restricted	5,881,410	5,915,502
Investments	17,046,997	14,413,023
Due from fiduciary fund	185,319	482,192
Other receivables, net	1,100,317	1,036,530
Grants receivable	135,534	---
Notes and accrued interest receivable, net	27,648	23,320
Other	7,706	7,706
Total current assets	27,333,550	24,837,163
Equity investment	3,500	3,500
Capital assets, at cost, net	354,404	379,868
Total assets	27,691,454	25,220,531
<b>Deferred Outflows of Resources</b>		
Other post-employment benefits	3,433,363	950,140
Pension	1,199,855	800,146
	4,633,218	1,750,286
	\$ 32,324,672	\$ 26,970,817

See accompanying notes.

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

Statements of Net Position, continued

	September 30,	
	2021	2020
		<i>(Restated)</i>
<b>Liabilities</b>		
Current liabilities:		
Current portion of bonds payable	\$ 1,480,000	\$ 1,380,000
Accounts payable	85,761	327,554
Accrued liabilities	245,125	222,092
Interest payable	435,625	439,738
Unearned rental income	106,559	100,523
Other liabilities	74,999	---
Total current liabilities	<u>2,428,069</u>	<u>2,469,907</u>
Non-current liabilities:		
Bonds payable, net of current portion and discount	30,723,941	30,322,625
DCRS sick leave liability	136,892	103,667
Deposits	18,322	18,322
Deposits due to GALC	77,410	77,410
Net pension liability	5,099,749	4,733,791
Collective total other post-employment benefits liability	<u>5,383,156</u>	<u>3,169,860</u>
Total non-current liabilities	<u>41,439,470</u>	<u>38,425,675</u>
Total liabilities	<u>43,867,539</u>	<u>40,895,582</u>
<b>Deferred inflows of resources</b>		
Other post-employment benefits	2,124,336	1,330,700
Pension	<u>229,729</u>	<u>341,079</u>
	<u>2,354,065</u>	<u>1,671,779</u>
<b>Net position:</b>		
Net investment in capital assets	354,404	379,868
Restricted - expendable	5,881,410	5,915,502
Unrestricted	<u>( 20,132,746 )</u>	<u>( 21,891,914 )</u>
Total net position	<u>\$ ( 13,896,932 )</u>	<u>\$ ( 15,596,544 )</u>

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,	
	<u>2021</u>	<u>2020</u>
		<i>(Restated)</i>
Revenues:		
Tobacco Settlement revenue	\$ 1,520,543	\$ 1,449,072
Qualifying certificate application, surveillance and other	1,500,788	1,514,609
Rental income	1,239,573	1,243,208
Bond fees earned	684,236	751,722
Grants revenue	188,123	60,733
GALC lease commission	166,953	153,069
Others	<u>21,247</u>	<u>21,000</u>
Total operating revenues	<u>5,321,463</u>	<u>5,193,413</u>
Operating expenses:		
Salaries and benefits	2,209,773	2,198,265
Grants expense	1,235,691	666,985
Legal and professional services	240,479	276,066
Office space and equipment rent	209,192	221,985
Miscellaneous	166,232	131,240
Advertising and promotions	69,845	21,286
Depreciation and amortization	25,464	27,881
Travel	5,876	27,853
Supplies	4,937	10,844
Insurance	3,157	2,611
Utilities, telephone and communication	1,540	3,126
Repairs and maintenance	<u>255</u>	<u>192</u>
Total operating expenses	<u>4,172,441</u>	<u>3,588,334</u>
Net operating income	<u>1,149,022</u>	<u>1,605,079</u>
Other income (expense):		
Net increase in the fair value of investments	2,514,588	533,542
Investment income	527,678	384,524
Interest expense, net	( 1,972,015 )	( 1,936,058 )
Other expense	<u>( 519,661 )</u>	<u>( 115,928 )</u>
Other income (expense), net	<u>550,590</u>	<u>( 1,133,920 )</u>
Change in net position	1,699,612	471,159
Net position at beginning of year, as restated	( <u>15,596,544</u> )	( <u>16,067,703</u> )
Net position at end of year	\$( <u>13,896,932</u> )	\$( <u>15,596,544</u> )

See accompanying notes.

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

Statements of Fiduciary Net Position

	September 30,	
	2021	2020
<b>Assets</b>		
Cash on hand in bank	\$ 174,488	\$ 189,279
Investments	12,985,252	11,994,761
Notes and accrued interest receivable	1,706,716	967,837
Less allowance for doubtful receivable	( 831,113 )	( 603,876 )
Net notes and accrued interest receivable	875,603	363,961
Other real estate:		
Leasehold interest, net	114,899	117,936
Capital assets, net	---	1,334
Other assets	18	18
Total assets	\$ 14,150,260	\$ 12,667,289
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 83,959	\$ 66,028
Due to Guam Economic Development Authority	185,319	482,192
Total liabilities	269,278	548,220
<b>Net Position</b>		
Net position held in trust	13,880,982	12,119,069
Total liabilities and net position	\$ 14,150,260	\$ 12,667,289

*See accompanying notes.*

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

Statements of Changes in Fiduciary Net Position

	September 30,	
	2021	2020
Additions:		
Investment income, net	\$ 2,473,341	\$ 745,228
Interest from loans	22,529	11,136
Other income, net	337	5,372
Total additions	2,496,207	761,736
Deductions:		
Salaries and benefits	362,932	342,573
Provision for doubtful notes receivable	222,105	7,719
Bank charges	94,771	83,639
Rent	36,916	38,505
Miscellaneous	7,142	6,932
Legal and professional services	6,057	5,961
Depreciation	4,371	5,269
Travel	---	8,422
Total deductions	734,294	499,020
Net change in net position	1,761,913	262,716
Net position at beginning of year	12,119,069	11,856,353
Net position at end of year	\$ 13,880,982	\$ 12,119,069

*See accompanying notes.*

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

Statements of Cash Flows

	Year ended	
	September 30,	
	2021	2020
		<i>(Restated)</i>
Cash flows from operating activities:		
Cash received on grants and contracts	\$ 1,574,624	\$ 1,535,609
Cash paid on grants and contracts	( 1,235,691 )	( 666,985 )
Cash received from tobacco settlement and customers	3,339,141	3,843,648
Cash paid to suppliers for goods and services	( 857,977 )	( 415,027 )
Cash paid to employees for services	( 1,797,940 )	( 2,309,834 )
Net cash provided by operating activities	1,022,157	1,987,411
Cash flows from investing activities:		
Interest and investment income	3,042,266	918,066
Rollover of interest into investment	( 3,042,145 )	( 897,201 )
Proceeds from maturity of (purchases of) investment securities, net	408,171	( 5,393,276 )
Net cash provided by (used in) investing activities	408,292	( 5,372,411 )
Cash flows from capital and related financing activities:		
Purchase of capital assets	( --- )	( 14,484 )
Cash used in capital and related financial activities	---	( 14,484 )
Cash flows from noncapital financing activities:		
Repayment of bond payable	( 175,000 )	( 110,000 )
Net interest paid on deposit accounts and bonds payable	( 1,299,812 )	( 1,303,038 )
Cash used in noncapital financing activities	( 1,474,812 )	( 1,413,038 )
Net change in cash and cash equivalents	( 44,363 )	( 4,812,522 )
Cash and cash equivalents at beginning of year	8,874,392	13,686,914
Cash and cash equivalents at end of year	\$ 8,830,029	\$ 8,874,392
Reconciliation of cash and cash equivalents to the statements of net position:		
Current assets:		
Cash and cash equivalents	\$ 2,948,619	\$ 2,958,890
Cash and cash equivalents - restricted	5,881,410	5,915,502
	\$ 8,830,029	\$ 8,874,392

See accompanying notes.

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

Statements of Cash Flows, continued

	Year ended September 30,	
	2021	2020 <i>(Restated)</i>
Reconciliation of operating income		
to net cash provided by operating activities:		
Operating income	\$ 1,149,022	\$ 1,605,079
Other expenses, net	( 519,661 )	( 115,928 )
Adjustments to reconcile operating income		
to net cash provided by operating activities:		
Noncash pension cost	400,573	347,679
Noncash other post employment cost	570,096	49,230
Depreciation and amortization	25,464	29,366
(Increase) decrease in assets:		
Due from fiduciary fund	377,492	( 457,792 )
Reimbursable expense	( 80,619 )	---
Other receivables	( 63,787 )	812,927
Grants receivable	( 135,534 )	---
Notes and accrued interest receivable, net	( 4,328 )	( 19,097 )
Prepaid expenses	---	6,213
Increase (decrease) in liabilities:		
Accounts payable	( 241,793 )	278,978
Accrued liabilities	23,033	( 40,766 )
Other liabilities	74,999	---
Unearned rental income	6,036	---
DCRS sick leave liability	33,225	23,877
Net pension liability	( 545,674 )	( 462,347 )
Total collective other postemployment liability	( <u>46,387</u> )	( <u>70,008</u> )
Net cash provided by operating activities	<u>\$ 1,022,157</u>	<u>\$ 1,987,411</u>

See accompanying notes.

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

Notes to Financial Statements

Years ended September 30, 2021 and 2020

**1. Purpose and Summary of Significant Accounting Policies**

**Purpose**

Guam Economic Development Authority (GEDA or primary government) 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 rights, 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**

**Primary Government Financial Statements**

The primary government financial statements consist of the statement of net position and statement of revenues, expenses and changes in net position. Fiduciary activities are not included in the government-wide financial statements.

**Fiduciary Fund Financial Statements**

Separate financial statements are provided for fiduciary funds. Fiduciary fund financial statements include assets of GDFA (the Fiduciary Fund), for which GEDA has been legally designated to control but GEDA itself is not a beneficiary. 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.

**Basis of Accounting**

The primary government financial statements and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Its financial statements are prepared in accordance with accounting principles generally accepted in the United States as applied to governmental units using the accrual basis of accounting. 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.

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**

**Other Receivables and Allowance for Doubtful Receivables**

Other receivables consist of noninterest-bearing receivables from rent and reimbursement costs incurred for bond and other projects, amounts due from Qualifying Certificate (QC) beneficiaries and others. GEDA determines the adequacy of the allowance for doubtful receivables 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.

**Notes and Accrued Interest Receivable and Allowance for Doubtful Receivables**

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 GEDA 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.

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.

**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  
(A Component Unit of the Government of Guam)

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.

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**

**Compensated Absences, continued**

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

**Pensions and Other Postemployment Benefits (OPEB)**

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

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

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**

**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.

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.

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**

**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, 2021 and 2020, 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 based on the specific identification method.

**Recently Adopted Accounting Pronouncement and Reclassification**

GEDA adopted GASB 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.

GEDA restated its previously issued financial statements to account for the effect for implementing GASB Statement No. 84. Additionally, \$11,108,550 was reclassified from restricted net position to unrestricted net position to reflect the actual amount GEDA is required to maintain in reserve funds under its SSBCI Loan Guarantee Program. GEDA's net position as of October 1, 2019 and GEDA's statement of revenues, expenses and changes in net position for the year ended September 30, 2020 have been restated to reflect the following:

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

Notes to Financial Statements, continued

**1. Organization and Summary of Significant Accounting Policies, continued**

**Recently Adopted Accounting Pronouncement and Reclassification, continued**

	As Previously Reported	Adjustment	As Restated
As of October 1, 2019			
Net Position	\$ ( <u>18,761,597</u> )	\$ <u>2,693,894</u>	\$ ( <u>16,067,703</u> )
As of September 30, 2020			
<b>Current assets:</b>			
Cash and cash equivalents	3,703,677	( 744,787 )	2,958,890
Cash and cash equivalents - restricted	5,142,931	772,571	5,915,502
Investments	13,217,617	1,195,406	14,413,023
Due from trust funds administered by GEDA:			
Agricultural Development Fund Act	34,551	( 34,551 )	---
Guam Development Fund Act	482,427	( 235 )	482,192
Other receivables, net	617,896	418,634	1,036,530
Notes and accrued interest receivable, net	---	23,320	23,320
	\$ <u>23,199,099</u>	\$ <u>1,630,358</u>	\$ <u>24,829,457</u>
<b>Total current assets</b>	\$ <u>23,206,805</u>	\$ <u>1,630,358</u>	\$ <u>24,837,163</u>
<b>Total assets</b>	\$ <u>23,590,173</u>	\$ <u>1,630,358</u>	\$ <u>25,220,531</u>
<b>Current liabilities:</b>			
Accounts payable	\$ 326,768	\$ 786	\$ 327,554
Other liabilities	<u>1,226,519</u>	( <u>1,226,519</u> )	<u>---</u>
	\$ <u>1,553,287</u>	\$ ( <u>1,225,733</u> )	\$ <u>327,554</u>
<b>Total current liabilities</b>	\$ <u>3,695,640</u>	\$ ( <u>1,225,733</u> )	\$ <u>2,469,907</u>
<b>Total liabilities</b>	\$ <u>42,121,315</u>	\$ ( <u>1,225,733</u> )	\$ <u>40,895,582</u>
<b>Net Position:</b>			
Restricted	\$ 17,024,052	\$ ( 11,108,550 )	\$ 5,915,502
Unrestricted	( <u>35,856,555</u> )	<u>13,964,641</u>	( <u>21,891,914</u> )
	\$ ( <u>18,832,503</u> )	\$ <u>2,856,091</u>	\$ ( <u>15,976,412</u> )
<b>Total Net Position - September 30, 2020</b>	\$ ( <u>18,452,635</u> )	\$ <u>2,856,091</u>	\$ ( <u>15,596,544</u> )
<b>Revenue:</b>			
Qualifying certificate application, surveillance and other	\$ <u>740,984</u>	\$ <u>773,625</u>	\$ <u>1,514,609</u>
<b>Total operating revenues</b>	\$ <u>4,419,788</u>	\$ <u>773,625</u>	\$ <u>5,193,413</u>
<b>Operating expenses:</b>			
Salaries and benefits	\$ 2,192,090	\$ 6,175	\$ 2,198,265
Grants expense	---	666,985	666,985
Miscellaneous	<u>118,216</u>	<u>13,024</u>	<u>131,240</u>
	\$ <u>2,310,306</u>	\$ <u>686,184</u>	\$ <u>2,996,490</u>
<b>Total operating expenses</b>	\$ <u>2,902,150</u>	\$ <u>686,184</u>	\$ <u>3,588,334</u>
<b>Other income (expense):</b>			
Investment income	\$ 310,289	\$ 74,235	\$ 384,524
Other (expense)	( <u>116,449</u> )	<u>521</u>	( <u>115,928</u> )
	\$ <u>193,840</u>	\$ <u>74,756</u>	\$ <u>268,596</u>
<b>Other expense, net</b>	\$ ( <u>1,208,676</u> )	\$ <u>74,756</u>	\$ ( <u>1,133,920</u> )
Increase in net position	\$ <u>308,962</u>	\$ <u>162,197</u>	\$ <u>471,159</u>

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

Notes to Financial Statements, continued

**1. Organization and Summary of Significant Accounting Policies, continued**

**Upcoming Accounting Pronouncements**

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 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 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.

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

Notes to Financial Statements, continued

**1. Organization 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, 2022.

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

Notes to Financial Statements, continued

**1. Organization and Summary of Significant Accounting Policies, continued**

**Upcoming Accounting Pronouncements, continued**

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 April 6, 2022, which is the date the financial statements were available to be issued.

**2. Cash and Cash Equivalents and Investments**

The deposits and investment policies of GEDA are governed by 5 GCA 21, *Investments and Deposits*, and policies set by the Board of Directors are 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, 2021 and 2020, deposits were comprised of the following:

	<u>2021</u>	<u>2020</u>
<i>Primary Government</i>		
FDIC Insured	\$ 4,943,612	\$ 5,238,216
Uncollateralized	<u>3,886,417</u>	<u>3,636,176</u>
Total deposits	<u>\$ 8,830,029</u>	<u>\$ 8,874,392</u>
<i>Fiduciary Fund</i>		
FDIC Insured	\$ 48,351	\$ 51,218
Uncollateralized	<u>126,137</u>	<u>138,061</u>
Total deposits	<u>\$ 174,488</u>	<u>\$ 189,279</u>

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

Notes to Financial Statements, continued

**2. Cash and Cash Equivalents and Investments, continued**

*A. Deposits, continued*

Cash and cash equivalents at September 30, 2021 and 2020 are restricted as follows:

	<u>2021</u>	<u>2020</u>
TSA trust fund	\$ 3,461,908	\$ 3,464,400
SSBCI risk reserve pool	<u>2,419,502</u>	<u>2,451,102</u>
Total restricted cash and cash equivalents	<u>\$ 5,881,410</u>	<u>\$ 5,915,502</u>

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. Funds held in the TSA trust fund 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.

Funds in the SSBCI risk reserve pool that are deposited with Lender banks are restricted to guarantee loans in accordance with the Lender Participation Agreements under the SSBCI program (see note 11).

*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, 2021 and 2020 is registered in GEDA's name and is held by three investment managers for GEDA.

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

Notes to Financial Statements, continued

**2. Cash and Cash Equivalents and Investments, continued**

*B. Investments, continued*

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

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

GEDA categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. GEDA has the following recurring fair value measurements as of September 30, 2021 and 2020:

		At September 30, 2021		
		Level 1	Level 2	Level 3
<i>Primary Government</i>				
Investments by fair value level:				
Exchange-traded and closed-end funds	<u>\$17,046,997</u>	<u>\$17,046,997</u>	<u>\$ ---</u>	<u>\$ ---</u>
<i>Fiduciary Fund</i>				
Investments by fair value level:				
Exchange-traded & closed-end funds	<u>\$12,985,252</u>	<u>\$12,985,252</u>	<u>\$ ---</u>	<u>\$ ---</u>
		At September 30, 2020		
		Level 1	Level 2	Level 3
<i>Primary Government</i>				
Investments by fair value level:				
Exchange-traded and closed-end funds	<u>\$14,413,023</u>	<u>\$14,413,023</u>	<u>\$ ---</u>	<u>\$ ---</u>
<i>Fiduciary Fund</i>				
Investments by fair value level:				
Exchange-traded & closed-end funds	<u>\$11,994,761</u>	<u>\$11,994,761</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.

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

Notes to Financial Statements, continued

**3. Capital Assets**

A summary of capital assets at September 30, 2021 and 2020 is as follows:

	Beginning Balance October 1, 2020	Transfers and Additions	Transfers and Deletions	Ending Balance September 30, 2021
Leasehold Improvements	\$ 792,537	\$ ---	\$ ---	\$ 792,537
Buildings	546,603	---	---	546,603
Furniture and equipment	601,926	---	---	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
	2,514,673	---	---	2,514,673
Less accumulated depreciation and amortization	( 2,134,805 )	( 25,464 )	---	( 2,160,269 )
	\$ 379,868	\$( 25,464 )	\$ ---	\$ 354,404
	Beginning Balance October 1, 2019	Transfers and Additions	Transfers and Deletions	Ending Balance September 30, 2020
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
	2,501,674	12,999	---	2,514,673
Less accumulated depreciation and amortization	( 2,106,924 )	( 27,881 )	---	( 2,134,805 )
	\$ 394,750	\$( 14,882 )	\$ ---	\$ 379,868

The Fiduciary Fund has acquired certain land and leasehold interest through loan foreclosure. Leasehold interests are reflected at cost of \$114,899 and \$117,936 (net of a valuation allowance of \$333,171) as of September 30, 2021 and 2020, respectively, net of accumulated amortization of \$52,101 and \$49,064 at September 30, 2021 and 2020, respectively.

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

Notes to Financial Statements, continued

**4. Long-Term Obligations**

*Bonds payable*

Bonds payable at September 30, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</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>	\$23,580,000	\$23,755,000
<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>	40,353,618	40,528,618
<p>Less current portion</p>	<u>( 1,480,000)</u>	<u>( 1,380,000)</u>
	38,873,618	39,148,618
<p>Less discount on Series B capital appreciation turbo term bonds</p>	<u>( 7,721,369)</u>	<u>( 8,344,249)</u>
<p>Less discount on issuance</p>	<u>( 428,308)</u>	<u>( 481,744)</u>
	<u>\$30,723,941</u>	<u>\$30,322,625</u>

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

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, 2021 and thereafter are as follows:

<u>Year ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Debt Service</u>
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	4,757,533	242,578	5,000,111
2027-2031	10,344,175	---	10,344,175
2032-2034	<u>18,656,910</u>	<u>---</u>	<u>18,656,910</u>
	<u>\$40,353,618</u>	<u>\$2,067,328</u>	<u>\$42,420,946</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.

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

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 \$1,482,138 and \$1,422,519 for the years ended September 30, 2021 and 2020, respectively, or approximately 97% of pledged revenues for the years ended September 30, 2021 and 2020.

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

Notes to Financial Statements, continued

**4. Long-Term Obligations, continued**

During the years ended September 30, 2021 and 2020, 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, 2020	Additions	Reductions	Ending Balance September 30, 2021	Current	Noncurrent
Bonds payable	\$ 40,528,618	\$ ---	\$( 175,000 )	\$ 40,353,618	\$ 1,480,000	\$ 38,873,618
Deferred amount:						
Unamortized discount on bonds issued	( 8,825,993 )	---	676,316	( 8,149,677 )	---	( 8,149,677 )
	<u>31,702,625</u>	<u>---</u>	<u>501,316</u>	<u>32,203,941</u>	<u>1,480,000</u>	<u>30,723,941</u>
Other liabilities:						
DCRS sick leave liability	103,667	33,225	---	136,892	---	136,892
Deposits due to GALC	77,410	---	---	77,410	---	77,410
Deposits	18,322	---	---	18,322	---	18,322
Net pension liability	4,733,791	365,958	---	5,099,749	---	5,099,749
OPEB liability	3,169,860	2,213,296	---	5,383,156	---	5,383,156
	<u>8,103,050</u>	<u>2,612,479</u>	<u>---</u>	<u>10,715,529</u>	<u>---</u>	<u>10,715,529</u>
	<u>\$ 39,805,675</u>	<u>\$ 2,612,479</u>	<u>\$ 501,316</u>	<u>\$ 42,919,470</u>	<u>\$ 1,480,000</u>	<u>\$ 41,439,470</u>
	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
Net pension liability	4,840,677	---	( 106,886 )	4,733,791	---	4,733,791
OPEB liability	2,250,969	918,891	---	3,169,860	---	3,169,860
	<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>

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

Notes to Financial Statements, continued

**5. Employee Benefits**

*General Pension Plan Descriptions*

The Government of Guam Retirement Fund (GGRF) administers the Government of Guam Defined Benefit (DB) Plan, and the Defined Contribution Retirement System (DCRS) Plan. By statute, the Authority provides pension benefits for its employees through the GGRF.

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 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](http://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 26.97% and 26.28%, respectively, for the years ended September 30, 2021 and 2020. Employees are required to contribute 9.5% of their annual pay for the years ended September 30, 2021 and 2020.

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

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, 2019, the remaining period is 13.58 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.

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

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, 3.1 years in the 2018 actuarial valuation, at 3.3 years in the 2019 valuation and at 3.1 years in the 2020 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%	7.01%	1.82%
U.S. Equities (small cap)	4%	8.61%	0.34%
Non-U.S. Equities	17%	8.66%	1.47%
Non-U.S. Equities (emerging markets)	3%	10.59%	0.32%
U.S. Fixed Income (aggregate)	24%	3.33%	0.80%
Risk Parity	8%	5.66%	0.45%
High Yield Bonds	8%	6.11%	0.49%
Global Real Estate (REITs)	2.5%	8.55%	0.21%
Global Equity	7.5%	7.74%	0.58%
Expected average return for one year			6.49%
Expected geometric mean (50 years)			5.89%

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.

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

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](http://www.ggrf.com).

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

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

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

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

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

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

Actuarial cost method:	Entry age normal
Total payroll growth:	2.75%
Salary increases:	Graduated based on service with the GovGuam ranging from 4.0% for service in excess of 15 years to 7.5% for service from zero to five years.
Disability:	1974-78 SOA LTD Non-Jumbo, with rates reduced by 50% for males and 75% for females.
Retirement age:	50% of probability of retirement at earliest age of eligibility for unreduced retirement benefits; 20% per year thereafter until age 75, 100% at age 75.
Mortality:	Based on the RP-2000 combined mortality table, set forward 3 years for males and 2 years for females.
Amortization method:	Level percentage of payroll, closed.
Remaining Amortization period:	At September 30, 2019, the remaining period is 13.58 years.

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

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 2.21% and 2.66% for the years ended September 30, 2021 and 2020, 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](http://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.

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

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, 2019, the remaining period is 13.58 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, 2021	September 30, 2020
Measurement date:	September 30, 2020	September 30, 2019
Valuation date:	September 30, 2019	September 30, 2018

Net pension liability as of September 30, 2021 and 2020 for the aforementioned plans are as follows:

	<u>2021</u>	<u>2020</u>
DB Plan	\$4,372,935	\$4,154,814
Ad hoc COLA/SA Plan for DB Participants	434,615	384,125
Ad hoc COLA Plan for DCRS Participants	<u>292,199</u>	<u>194,852</u>
	<u>\$5,099,749</u>	<u>\$4,733,791</u>

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

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, 2021 and 2020 for the aforementioned plans are as follows:

	<u>2021</u>	<u>2020</u>
DB Plan	0.35%	0.34%
Ad hoc COLA/SA Plan for DB Participants	0.12%	0.12%
Ad hoc COLA Plan for DCRS Participants	0.44%	0.33%

Pension expense for the years ended September 30, 2021 and 2020 for the aforementioned Plans are as follows:

	<u>2021</u>	<u>2020</u>
DB Plan	\$331,268	\$313,696
Ad hoc COLA/SA Plan for DB Participants	41,098	21,232
Ad hoc COLA Plan for DCRS Participants	<u>28,207</u>	<u>12,751</u>
	<u>\$400,573</u>	<u>\$347,679</u>

As of September 30, 2021 and 2020, GEDA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	September 30, 2021					
	DB Plan		Ad Hoc COLA/SA Plan for DB Participants		Ad Hoc COLA Plan for DCRS Participants	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,916	\$( 21,350 )	\$ 276	\$( 6,940 )	\$ 28,180	\$( 6,851 )
Net difference between projected and actual earnings on pension plan investments	313,316	---	---	---	---	---
GEDA's contributions subsequent to the measurement date	511,207	---	32,714	---	10,000	---
Changes in assumption	---	---	34,084	( 619 )	71,097	( 22,153 )
Changes in proportion and difference between the GEDA's contributions and proportionate share of contributions	<u>73,538</u>	<u>( 106,575 )</u>	<u>33,680</u>	<u>( 15,477 )</u>	<u>80,847</u>	<u>( 49,764 )</u>
	<u>\$ 908,977</u>	<u>\$( 127,925 )</u>	<u>\$ 100,754</u>	<u>\$( 23,036 )</u>	<u>\$ 190,124</u>	<u>\$( 78,768 )</u>

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

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, 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>

Deferred outflows of resources at September 30, 2021 and 2020, resulting from GEDA's employer contributions for the following plans are as follows:

	<u>2021</u>	<u>2020</u>
DB Plan	\$511,207	\$425,711
Ad hoc COLA/SA Plan for DB Participants	32,714	30,714
Ad hoc COLA Plan for DCRS Participants	<u>10,000</u>	<u>10,000</u>
	<u>\$553,921</u>	<u>\$466,425</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:

2022	\$ 75,181
2023	131,489
2024	112,227
2025	49,595
2026	9,732
Thereafter	<u>37,981</u>
	<u>\$ 416,205</u>

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

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>5,481,173</u>	\$ <u>4,372,935</u>	\$ <u>3,419,082</u>

Ad Hoc COLA/SA for DB Participants

	1% Decrease <u>1.21%</u>	Current Discount <u>2.21%</u>	1% Increase <u>3.21%</u>
Total collective pension liability	\$ <u>477,785</u>	\$ <u>434,615</u>	\$ <u>397,114</u>

Ad Hoc COLA for DCRS Participants

	1% Decrease <u>1.21%</u>	Current Discount <u>2.21%</u>	1% Increase <u>3.21%</u>
Total collective pension liability	\$ <u>331,407</u>	\$ <u>292,199</u>	\$ <u>258,836</u>

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

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

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, 2021 and 2020 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, 2021 and 2020, contributions made and amounts accrued under the DCRS amounted to \$319,606 and \$264,750, 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, 2021 and 2020, GEDA has accrued an estimated liability of \$136,892 and \$103,667, 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, 2<sup>nd</sup> Floor, ITC Building, 590 South Marine Corps Drive, or by GEDA website – [www.investguam.com](http://www.investguam.com).

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

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:	6 percent for 2021 through 2023, decreasing 0.25 percent per year to an ultimate rate of 4.25 percent for 2030 and later years.
Dental trend rates:	4.25% per year, based on a blend of historical retiree premium rate increases as well as observed U.S. national trends.
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 2.21% and 2.66% for the years ended September 30, 2021 and 2020, 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.

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

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 5.66 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, 2021	September 30, 2020
Measurement date:	September 30, 2020	September 30, 2019
Valuation date:	September 30, 2020	September 30, 2018

Total OPEB liability as of September 30, 2021 and 2020 is \$5,383,156 and \$3,169,860, respectively.

Proportionate share of total OPEB liability at September 30, 2021 and 2020 is 0.21% and 0.12%, respectively.

OPEB expense for the years ended September 30, 2021 and 2020 is \$570,096 and \$49,230, respectively.

As of September 30, 2021 and 2020, GEDA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>2021</u>		<u>2020</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	\$ 67,709	\$ ---	\$ 78,790	\$ ---
Differences between expected and actual experience	492,823	( 515,161 )	( )	( 415,606 )
Changes in assumption	875,777	( 1,163,180 )	690,967	( 295,560 )
Changes in proportion and difference between the GEDA's contributions and proportionate share of contributions	1,997,054	( 445,995 )	180,383	( 619,534 )
	\$ 3,433,363	\$( 2,124,336 )	\$ 950,140	\$( 1,330,700 )

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

Notes to Financial Statements, continued

**5. Employee Benefits, continued**

*OPEB Plan, continued*

Deferred outflows of resources at September 30, 2021 and 2020, resulting from GEDA's employer contributions totaled \$67,709 and \$78,790 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:

2022	\$ 172,731
2023	60,729
2024	318,478
2025	469,227
2026	<u>220,153</u>
	<u>\$1,241,318</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>1.21%</u>	<u>2.21%</u>	<u>3.21%</u>
Total OPEB liability	<u>\$6,391,104</u>	<u>\$5,383,156</u>	<u>\$4,579,670</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>\$4,483,860</u>	<u>\$5,383,156</u>	<u>\$6,552,540</u>

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

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 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>	
2022	\$1,223,311
2023	1,025,251
2024	960,471
2025	627,691
2026	570,276
2027-2031	2,448,897
2032-2036	25,000
2037-2041	25,000
2042-2046	25,000
2047-2051	25,000
2052-2056	25,000
2057-2061	25,000
2062-2063	<u>5,416</u>
	<u>\$7,011,313</u>

**7. Commitments**

*Lease Commitments*

GEDA has an operating lease for office space which expired on February 28, 2022. GEDA is currently renegotiating to renew its lease agreement. 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, 2021, 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 the Fiduciary Fund</u>	<u>GEDA's Rent Expense</u>
2022	\$145,280	\$ 41,560	\$15,382	\$ 88,338

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

Notes to Financial Statements, continued

**7. Commitments, continued**

*Contract Commitments*

GEDA has one professional services contract expiring on February 28, 2023 which requires monthly payments of \$8,100. As of September 30, 2021 annual commitment for the years ending September 30, 2022 and 2023 is \$95,959 and \$40,500, 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, 2021, GEDA has not provided any grants or loans under the Program.

**8. Related Party Transactions**

*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, 2021 and 2020, GEDA earned related commission income of \$166,953 and \$153,069, respectively. At September 30, 2021 and 2020, there was no collected rent net of commissions withheld payable to GALC.

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

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, 2021 and 2020, 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 \$16,144 and \$99,503 as of September 30, 2021 and 2020, respectively.

**9. Other receivables**

Other receivables for the years ended September 30, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
QC receivables	\$ 800,000	\$ 487,259
Industrial park rent	349,550	254,665
Reimbursement costs	112,395	798,930
Others	<u>5,188</u>	<u>8,033</u>
Total	1,267,133	1,548,887
Less allowance for doubtful receivables	<u>( 166,816)</u>	<u>( 512,357)</u>
	<u>\$1,100,317</u>	<u>\$1,036,530</u>

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

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 litigations which are inherent in its operations. Management is of the opinion that liabilities of a material nature will not be realized.

*The Farmers Market*

Contractor filed a claim for \$460 thousand in damages, citing delay on the part of the GovGuam and increase in construction material prices. After disputing this claim over the course of several years, a settlement agreement was reached in October 2021. In the end, GEDA was able to settle with the contractor in the amount of \$287 thousand, inclusive of retainage due to the contractor of approximately \$55 thousand.

*The Museum*

Contractor filed a claim for \$2.9 million in damages, citing delays on the part of the GovGuam and its designer, resulting in the delays on the project. After disputing this claim over the course of several years, a settlement agreement was reached in December 2021. In the end, GEDA was able to settle with the contractor in the amount of \$850 thousand, inclusive of retainage due to the contractor of approximately \$450 thousand.

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

Notes to Financial Statements, continued

**10. Contingencies, continued**

*Claims and Litigation, continued*

Given that the above two projects were listed and funded by the HOT Bonds pursuant to Public Law 30-228 and the bond indenture states capital improvement projects eligible under the Act to be financed with Bonds, including, without limitation, the acquisition of land and furnishings therefor of the payment of any claims or judgements relating thereto, these settlement amounts were turned over to the Department of Administration for payment by the HOT Bonds.

**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, 2021 and 2020, GEDA had incurred administrative costs of \$226,365 and \$121,920, respectively.

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

At September 30, 2021 and 2020, outstanding loans under the guaranty program had total principal balances of \$8,057,758 and \$8,392,657, respectively. At September 30, 2021, two loans amounting to \$690,230 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>2021</u>	<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	\$ 4,372,935	\$ 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	0.35%	0.34%	0.36%	0.36%	0.36%	0.34%	0.34%	0.35%
GEDA's covered payroll	\$ 1,848,798	\$ 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	236.53%	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	61.48%	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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 425,510	\$ 413,001	\$ 464,661	\$ 428,406	\$ 445,434	\$ 446,494	\$ 458,262	\$ 457,202
Contribution in relation to the contractually required contribution	<u>511,207</u>	<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>\$ 85,697</u>	<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>\$ 1,559,080</u>	<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	32.79%	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  
(A Component Unit of the Government of Guam)

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

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

Last 10 Fiscal Years\*

	<u>2021</u>	<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	\$ 434,615	\$ 384,125	\$ 382,043	\$ 373,321	\$ 293,970	\$ 295,035
GEDA's proportion of the collective total pension liability	0.12%	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  
(A Component Unit of the Government of Guam)

Schedule 4  
Required Supplementary Information  
Schedule of Contributions

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

Last 10 Fiscal Years\*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 32,714	\$ 30,714	\$ 30,713	\$ 30,713	\$ 30,713
Contribution in relation to the contractually required contribution	<u>\$ 32,714</u>	<u>\$ 30,714</u>	<u>\$ 30,714</u>	<u>\$ 30,713</u>	<u>\$ 30,713</u>
Contribution excess (deficiency)	<u>\$ -</u>	<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  
(A Component Unit of the Government of Guam)

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

Ad Hoc COLA Plan for DCRS Participants  
(Unaudited)

Last 10 Fiscal Years\*

	<u>2021</u>	<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	\$ 292,199	\$ 194,852	\$ 157,980	\$ 227,626	\$ 260,379	\$ 173,951
GEDA's proportion of the collective total pension liability	0.44%	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  
(A Component Unit of the Government of Guam)

Schedule 6  
Required Supplementary Information  
Schedule of Contributions

Ad Hoc COLA Plan for DCRS Participants  
(Unaudited)

Last 10 Fiscal Years\*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 10,000	\$ 8,000	\$ 6,000	\$ 6,000	\$ 6,000
Contribution in relation to the contractually required contribution	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 8,000</u>	<u>\$ 8,000</u>	<u>\$ 8,000</u>
Contribution excess (deficiency)	<u>\$ -</u>	<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  
(A Component Unit of the Government of Guam)

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

Last 10 Fiscal Years\*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
GEDA's proportional share of the collective total other postemployment liability	\$ 5,383,156	\$ 3,169,860	\$ 2,250,969	\$ 3,875,385	\$ 3,905,495
GEDA's proportion of the collective total other postemployment liability	0.21%	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  
(A Component Unit of the Government of Guam)

Schedule 8  
Required Supplementary Information  
Schedule of Contributions

Other Postemployment Benefit Plan  
(Unaudited)

Last 10 Fiscal Years\*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 67,709	\$ 78,790	\$ 74,358	\$ 107,929	\$ 90,484
Contribution in relation to the contractually required contribution	<u>\$ 67,709</u>	<u>\$ 78,790</u>	<u>\$ 74,358</u>	<u>\$ 107,929</u>	<u>\$ 90,484</u>
Contribution excess (deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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  
(A Component Unit of the Government of Guam)

Note to Required Supplementary Information  
(Unaudited)

*Changes in Assumptions – Pension Plans*

Amounts reported in 2020 actuarial valuation reflected an assumption related to administrative expenses to decrease to \$6,439,000 per year.

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**  
(A Component Unit of the Government of Guam)

**Comparative Divisional Schedules of Net Position**  
**September 30, 2021 and 2020**

	GEDA		SSBCI		TSA		ADF	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Assets</b>								
Current assets:								
Cash and cash equivalents	\$ 939,792	\$ 970,514	\$ 1,852,110	\$ 1,797,177	\$ 129,683	\$ 163,415	\$ 27,034	\$ 27,784
Cash and cash equivalents- restricted	---	---	2,419,502	2,451,102	3,461,908	3,464,400	---	---
Investments	4,507,248	3,956,902	11,152,263	9,260,715	---	---	1,387,486	1,195,406
Due from trust funds administered by GEDA:								
Agricultural Development Fund	12,403	34,551	---	---	---	---	( 12,403 )	( 34,551 )
Guam Development Fund Act	184,554	482,427	---	---	---	---	765	( 235 )
GEDA	---	---	( 80,619 )	---	---	---	---	---
Reimbursable expense	80,619	( 62,296 )	---	62,296	---	---	---	---
Notes and accrued interest receivable, net	---	---	---	---	---	---	27,648	23,320
Other receivables, net	1,100,317	1,036,530	---	---	---	---	---	---
Grants receivable	135,534	---	---	---	---	---	---	---
Other	7,706	7,706	---	---	---	---	---	---
<b>Total current assets</b>	<u>6,968,173</u>	<u>6,426,334</u>	<u>15,343,256</u>	<u>13,571,290</u>	<u>3,591,591</u>	<u>3,627,815</u>	<u>1,430,530</u>	<u>1,211,724</u>
Equity investment	3,500	3,500	---	---	---	---	---	---
Capital assets, at cost, net	354,404	379,868	---	---	---	---	---	---
<b>Total assets</b>	<u>7,326,077</u>	<u>6,809,702</u>	<u>15,343,256</u>	<u>13,571,290</u>	<u>3,591,591</u>	<u>3,627,815</u>	<u>1,430,530</u>	<u>1,211,724</u>
<b>Deferred outflows of resources</b>								
Other post-employment benefits	3,433,363	950,140	---	---	---	---	---	---
Pension	1,199,855	800,146	---	---	---	---	---	---
	<u>4,633,218</u>	<u>1,750,286</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
	<u>11,959,295</u>	<u>8,559,988</u>	<u>15,343,256</u>	<u>13,571,290</u>	<u>3,591,591</u>	<u>3,627,815</u>	<u>1,430,530</u>	<u>1,211,724</u>
<b>Liabilities</b>								
Current liabilities:								
Current portion of bonds payable	---	---	---	---	1,480,000	1,380,000	---	---
Accounts payable	82,986	326,768	---	---	---	---	2,775	786
Accrued liabilities	302,767	251,509	19,490	11,638	( 77,132 )	( 41,055 )	---	---
Interest payable	---	---	---	---	435,625	439,738	---	---
Unearned rental income	106,559	100,523	---	---	---	---	---	---
Other liabilities	74,999	---	---	---	---	---	---	---
<b>Total current liabilities</b>	<u>567,311</u>	<u>678,800</u>	<u>19,490</u>	<u>11,638</u>	<u>1,838,493</u>	<u>1,778,683</u>	<u>2,775</u>	<u>786</u>
Non-current liabilities:								
Bonds payable, net of current portion and discount	---	---	---	---	30,723,941	30,322,625	---	---
DCRS sick leave liability	136,892	103,667	---	---	---	---	---	---
Deposits	18,322	18,322	---	---	---	---	---	---
Deposits due to GALC	77,410	77,410	---	---	---	---	---	---
Net pension liability	5,099,749	4,733,791	---	---	---	---	---	---
Other post-employment benefits liability	5,383,156	3,169,860	---	---	---	---	---	---
<b>Total non-current liabilities</b>	<u>10,715,529</u>	<u>8,103,050</u>	<u>---</u>	<u>---</u>	<u>30,723,941</u>	<u>30,322,625</u>	<u>---</u>	<u>---</u>
<b>Total liabilities</b>	<u>11,282,840</u>	<u>8,781,850</u>	<u>19,490</u>	<u>11,638</u>	<u>32,562,434</u>	<u>32,101,308</u>	<u>2,775</u>	<u>786</u>
<b>Deferred inflows of resources</b>								
Other post-employment benefits	2,124,336	1,330,700	---	---	---	---	---	---
Pension	229,729	341,079	---	---	---	---	---	---
	<u>2,354,065</u>	<u>1,671,779</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
<b>Net position</b>								
Net investment in capital assets	354,404	379,868	---	---	---	---	---	---
Restricted	---	---	2,419,502	2,451,102	3,461,908	3,464,400	---	---
Unrestricted	( 2,032,014 )	( 2,273,509 )	12,904,264	11,108,550	( 32,432,751 )	( 31,937,893 )	1,427,755	1,210,938
<b>Total net position</b>	<u>\$ ( 1,677,610 )</u>	<u>\$ ( 1,893,641 )</u>	<u>\$ 15,323,766</u>	<u>\$ 13,559,652</u>	<u>\$ ( 28,970,843 )</u>	<u>\$ ( 28,473,493 )</u>	<u>\$ 1,427,755</u>	<u>\$ 1,210,938</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, 2021 and 2020**

	GEDA		SSBCI		TSA		ADF	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Revenues:</b>								
Tobacco Settlement revenue	\$ ---	\$ ---	\$ ---	\$ ---	\$ 1,520,543	\$ 1,449,072	\$ ---	\$ ---
Qualifying certificate application	1,500,788	1,514,609	---	---	---	---	---	---
Rental income	1,239,573	1,243,208	---	---	---	---	---	---
Bond fees earned	684,236	751,722	---	---	---	---	---	---
Grants revenue	188,123	60,733	---	---	---	---	---	---
GALC lease commission	166,953	153,069	---	---	---	---	---	---
Others	---	---	21,247	21,000	---	---	---	---
Total operating revenues	<u>3,779,673</u>	<u>3,723,341</u>	<u>21,247</u>	<u>21,000</u>	<u>1,520,543</u>	<u>1,449,072</u>	<u>---</u>	<u>---</u>
<b>Operating expenses:</b>								
Salaries and benefits	2,027,471	2,137,068	147,802	55,022	---	---	34,500	6,175
Grants expense	1,235,691	666,985	---	---	---	---	---	---
Legal and professional services	196,404	238,096	683	175	43,392	37,795	---	---
Office space and equipment rent	209,192	221,985	---	---	---	---	---	---
Miscellaneous	85,246	44,802	77,880	66,723	---	6,691	3,106	13,024
Advertising and promotions	69,845	21,286	---	---	---	---	---	---
Depreciation and amortization	25,464	27,881	---	---	---	---	---	---
Travel	5,876	27,853	---	---	---	---	---	---
Supplies	4,937	10,844	---	---	---	---	---	---
Insurance	3,157	2,611	---	---	---	---	---	---
Utilities, telephone and communication	1,540	3,126	---	---	---	---	---	---
Repairs and maintenance	255	192	---	---	---	---	---	---
Total operating expenses	<u>3,865,078</u>	<u>3,402,729</u>	<u>226,365</u>	<u>121,920</u>	<u>43,392</u>	<u>44,486</u>	<u>37,606</u>	<u>19,199</u>
Net operating income (loss)	<u>( 85,405 )</u>	<u>320,612</u>	<u>( 205,118 )</u>	<u>( 100,920 )</u>	<u>1,477,151</u>	<u>1,404,586</u>	<u>( 37,606 )</u>	<u>( 19,199 )</u>
<b>Other income (expense):</b>								
Net increase (decrease) in the fair value of investments	746,660	160,137	1,767,928	373,405	---	---	---	---
Investment income	79,974	87,693	194,202	201,731	121	20,865	253,381	74,235
Interest income (expense), net	222	1,193	7,102	8,288	( 1,979,339 )	( 1,945,539 )	---	---
Other (expense) income, net	( 525,420 )	( 118,079 )	---	---	4,717	1,630	1,042	521
Other income (expense), net	<u>301,436</u>	<u>130,944</u>	<u>1,969,232</u>	<u>583,424</u>	<u>( 1,974,501 )</u>	<u>( 1,923,044 )</u>	<u>254,423</u>	<u>74,756</u>
Change in net position	216,031	451,556	1,764,114	482,504	( 497,350 )	( 518,458 )	216,817	55,557
Net position at beginning of year	<u>( 1,893,641 )</u>	<u>( 2,345,197 )</u>	<u>13,559,652</u>	<u>13,077,148</u>	<u>( 28,473,493 )</u>	<u>( 27,955,035 )</u>	<u>1,210,938</u>	<u>1,155,381</u>
Net position at end of year	<u><u>\$ ( 1,677,610 )</u></u>	<u><u>\$ ( 1,893,641 )</u></u>	<u><u>\$ 15,323,766</u></u>	<u><u>\$ 13,559,652</u></u>	<u><u>\$ ( 28,970,843 )</u></u>	<u><u>\$ ( 28,473,493 )</u></u>	<u><u>\$ 1,427,755</u></u>	<u><u>\$ 1,210,938</u></u>

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

**Comparative Divisional Schedules of Cash Flows**  
Years ended September 30, 2021 and 2020

	GEDA		SSBCI		TSA		ADF	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Cash flows from operating activities:</b>								
Cash received on grants and contracts	\$ 1,553,377	\$ 1,514,609	\$ 21,247	\$ 21,000	\$ ---	\$ ---	\$ ---	\$ ---
Cash paid on grants and contracts	( 1,235,691 )	( 666,985 )	---	---	---	---	---	---
Cash received from tobacco settlement and customers	1,759,696	2,377,606	80,619	---	1,525,260	1,450,702	( 26,434 )	15,340
Cash paid to suppliers for goods and services	( 768,976 )	( 336,341 )	( 8,415 )	( 29,753 )	( 79,469 )	( 37,794 )	( 1,117 )	( 11,139 )
Cash paid to employees for services	( 1,615,638 )	( 2,248,637 )	( 147,802 )	( 55,022 )	---	---	( 34,500 )	( 6,175 )
Net cash provided by (used in) operating activities	( 307,232 )	640,252	( 54,351 )	( 63,775 )	1,445,791	1,412,908	( 62,051 )	( 1,974 )
<b>Cash flows from investing activities:</b>								
Interest and investment income	826,634	247,830	1,962,130	575,136	121	20,865	253,381	74,235
Rollover of interest into investment	( 826,634 )	( 247,830 )	( 1,962,130 )	( 575,136 )	---	---	( 253,381 )	( 74,235 )
(Purchases) proceeds from maturity of investment securities, net	276,288	139,168	70,582	( 5,534,809 )	---	---	61,301	2,365
Net cash provided by (used in) investing activities	276,288	139,168	70,582	( 5,534,809 )	121	20,865	61,301	2,365
<b>Cash flows from capital and related financing activities:</b>								
Purchase of capital assets	---	( 12,999 )	---	---	---	---	---	( 1,485 )
Cash used in capital and related financial activities	---	( 12,999 )	---	---	---	---	---	( 1,485 )
<b>Cash flows from noncapital financing activities:</b>								
Repayment of bond payable	---	---	---	---	( 175,000 )	( 110,000 )	---	---
Net interest received (paid) on deposit accounts and bonds payable	222	1,193	7,102	8,288	( 1,307,136 )	( 1,312,519 )	---	---
Net cash provided by (used in) noncapital financing activities	222	1,193	7,102	8,288	( 1,482,136 )	( 1,422,519 )	---	---
Net change in cash and cash equivalents	( 30,722 )	767,614	23,333	( 5,590,296 )	( 36,224 )	11,254	( 750 )	( 1,094 )
Cash and cash equivalents at beginning of year	970,514	202,900	4,248,279	9,838,575	3,627,815	3,616,561	27,784	28,878
Cash and cash equivalents at end of year	\$ 939,792	\$ 970,514	\$ 4,271,612	\$ 4,248,279	\$ 3,591,591	\$ 3,627,815	\$ 27,034	\$ 27,784
<b>Reconciliation of cash and cash equivalents to the statements of net position:</b>								
<b>Current assets:</b>								
Cash and cash equivalents	\$ 939,792	\$ 970,514	\$ 1,852,110	\$ 1,797,177	\$ 129,683	\$ 163,415	\$ 27,034	\$ 27,784
Cash and cash equivalents - restricted	---	---	2,419,502	2,451,102	3,461,908	3,464,400	---	---
	\$ 939,792	\$ 970,514	\$ 4,271,612	\$ 4,248,279	\$ 3,591,591	\$ 3,627,815	\$ 27,034	\$ 27,784
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>								
Operating income (loss)	\$( 85,405 )	\$ 320,612	\$( 205,118 )	\$( 100,920 )	\$ 1,477,151	\$ 1,404,586	\$( 37,606 )	\$( 19,199 )
Other (loss) income, net	( 525,420 )	( 118,079 )	---	---	4,717	1,630	1,042	521
<b>Adjustments to reconcile operating income (loss) to net cash (used in) provided by operating activities:</b>								
<b>to net cash (used in) provided by operating activities:</b>								
Noncash pension cost	400,573	347,679	---	---	---	---	---	---
Noncash other post employment cost	570,096	49,230	---	---	---	---	---	---
Depreciation and amortization	25,464	27,881	---	---	---	---	---	1,485
<b>(Increase) decrease in assets:</b>								
Due from trust funds administered by GEDA	320,021	( 491,708 )	80,619	---	---	---	( 23,148 )	33,916
Reimbursable expense	( 142,915 )	( 34,266 )	62,296	34,266	---	---	---	---
Other receivables	( 63,787 )	812,927	---	---	---	---	---	---
Grant receivables	( 135,534 )	---	---	---	---	---	---	---
Notes and accrued interest receivable, net	---	---	---	---	---	---	( 4,328 )	( 19,097 )
Prepaid expenses	---	6,213	---	---	---	---	---	---
<b>Increase (decrease) in liabilities:</b>								
Accounts payable	( 243,782 )	278,578	---	---	---	---	1,989	400
Accrued liabilities	51,258	( 50,337 )	7,852	2,879	( 36,077 )	6,692	---	---
Other liabilities	74,999	---	---	---	---	---	---	---
Unearned rental income	6,036	---	---	---	---	---	---	---
DCRS sick leave liability	33,225	23,877	---	---	---	---	---	---
Net pension liability	( 545,674 )	( 462,347 )	---	---	---	---	---	---
Total collective other postemployment liability	( 46,387 )	( 70,008 )	---	---	---	---	---	---
Net cash provided by (used in) operating activities	\$( 307,232 )	\$ 640,252	\$( 54,351 )	\$( 63,775 )	\$ 1,445,791	\$ 1,412,908	\$( 62,051 )	\$( 1,974 )

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

Schedule of Salaries and Wages (including the Fiduciary Fund)  
Years ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Salaries and wages:		
Salaries	\$ 1,938,620	\$ 1,884,600
Benefits	<u>634,085</u>	<u>656,238</u>
Total salaries and wages	<u>\$ 2,572,705</u>	<u>\$ 2,540,838</u>
Employees at end of year	31	32



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

The Board of Directors  
Guam Economic Development Authority:

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Guam Economic Development Authority (GEDA), which comprise the statement of net position as of September 30, 2021, 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 April 6, 2022.

### **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*

April 6, 2022