

*Financial Statements, Required Supplementary Information,
and Supplementary and Other Information*

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

*Year ended September 30, 2022
With Report of Independent Auditors*



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

Financial Statements, Required Supplementary Information, and
Supplementary and Other Information

Year ended September 30, 2022

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Report of Independent Auditors

The Board of Directors
Guam Economic Development Authority

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise GEDA's basic financial statements as listed in the table of contents.

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, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibility for the Audit of the Financial Statements section of our report. We are required to be independent of GEDA, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about GEDA's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 GEDA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about GEDA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 26, the Schedule of Proportionate Share of the Net Pension Liability on pages 72, 74, and 76, the Schedule of Contributions on pages 73, 75, 77 and 79 and the Schedule of Proportionate Share of the Collective Total Other Postemployment Benefit Liability on page 78 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who 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 of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the 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 audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise GEDA's basic financial statements. The supplemental divisional schedules on pages 81 through 83 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 of America. In our opinion, the supplemental divisional schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the Supplemental Schedule of Salaries and Wages on page 84 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2023 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

August 31, 2023

Guam Economic Development Authority
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Management's Discussion and Analysis

PREFACE

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

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

Although GEDA has a series of broad mandates, GEDA regularly focuses on key areas which are the core of GEDA's regular activities. These activities include new industry development, local business support services, compliance monitoring for tax credit and tax incentive programs, commercial loan programs, and government real property management. Additionally, GEDA is the *Central Financial Manager* for the Government of Guam and assists agencies with financial advisory services, capital financing, debt management, annual financial reporting on debt instruments. It is common for GEDA to be assigned to lead or serve on special projects of the Office of the Governor, and this was especially true in the COVID19 pandemic environment, wherein GEDA served as a "fiscal first responder" along with other agencies to provide aid to the business community.

In summary, Fiscal Year (FY) 2022, was a mixed picture for the economy of Guam. While the construction industry was robust, primarily as a result of defense spending, tourism, a main driver of the economy, was still in flux. The primary visitors markets, Japan and Korea, still exercised a number of cautionary measures to prevent the spread of COVID-19 and instituted barriers to re-entry for its citizens, resulting in very little travel.

As the agency had done consistently since the original outbreak of the pandemic in FY2020, GEDA was called on by the Office of the Governor and the 36th Guam Legislature to design, implement, and monitor the Local Employers Assistance Program (LEAP), a program designed to mirror the federal Paycheck Protection Program (PPP), to provide aid to over 900 local businesses affecting 6,834 local employees. Other special projects included an emphasis on economic diversification projects in the areas of aquaculture, additive manufacturing, and transshipment. Lastly, the Real Property Team was asked to administer and staff the Governor's Medical Campus Working Group.

As the financial markets experienced the headwinds of inflation, geopolitical tensions, including war in Ukraine, as well as supply chain interruption, the public finance area of GEDA still managed to issue and close \$448 million in bonds to provide savings towards the recovery of the airport and new infrastructure work. GEDA resumed some trade mission travel, participating for the first time in Select USA, a summit hosted by the Department of Commerce to showcase the states and territories commercial offerings to over 3,000 participants. Lastly, GEDA's Compliance and Administrative Services Department expanded their scope to monitor programmatic and financial adherence to the plethora of programs undertaken over the last two years.

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The executive management team comprised of Board Chair David John, CEO/Administrator Melanie Mendiola, and Deputy Administrator Carlos Bordallo, who started with the agency in July of 2022. Board members and senior management remained unchanged through the duration of the fiscal year.

COVID-19 ECONOMIC ASSISTANCE

Two divisions of GEDA took a leading role in COVID-19 Economic Assistance Programs. The Business & Economic Development Division (BEDD) was designated as the division to serve as the program processor for multiple commercial grants while Public Finance was the program manager for the temporary Childcare Grants Division.

BUSINESS DEVELOPMENT LED INITIATIVES

1. 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 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 1,898 applications were received, of which 1,519 were processed eligible, totaling \$16,787,701.

2. THE COMMERCIAL FARMERS GRANT PROGRAM

Pursuant to Executive Order 2021-22, GEDA launched the Commercial Farmers Grant Program (CFGP) on April 20, 2022 to provide eligible bona fide commercial farmers with direct financial assistance to support economic recovery efforts and expansion of commercial production. GEDA accepted applications beginning April 20, 2022 and continued receiving applications until May 20, 2022. A total of 18 grants were awarded totaling \$163,000. The program was funded by American Rescue Plan Act (ARPA).

3. THE LOCAL EMPLOYERS' ASSISTANCE PROGRAM

Pursuant to Executive Order 2021-25, GEDA launched the Local Employers' Assistance Program (LEAP) to provide direct financial assistance to local small businesses still in distress as a result of the pandemic. GEDA began accepting applications on December 20, 2021 and continued receiving applications until February 25, 2022. Through the life of the program, a total of 1,269 applications were received and processed. 942 applications or 74% were determined eligible for funding totaling \$61,854,397 in awards. LEAP Awards were funded by the American Rescue Plan Act (ARPA) and local appropriations.

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GEDA CHILD CARE GRANT DIVISION

The Public Finance Division (PFD) was designated as the division to assist the Department of Public Health and Social Services (DPHSS) in the development and management of programs under the Coronavirus Aid Relief and Economic Security Act (CARES) and American Rescue Plan Act (ARPA). The initiative followed Governor Lou Leon Guerrero’s Executive Order 2022-07, which launched *Prugrâman i Pinilan i Famagu’on Guåhan* (Watching Over the Children of Guam Program). In addition to the administration of \$81.5 million in federal dollars, *Prugrâman Pinilan* tasked the GEDA with the development of eligibility criteria for grant recipients under the program, including before and after school care programs, relative care programs, extracurricular childcare providers, employer childcare assistance programs, and community care programs.

Beginning in April 2022, the following grant programs were launched:

CHILD CARE ASSISTANCE PROGRAM – STABILIZATION 2021

Pursuant to Executive Order 2021-28, GEDA launched the Child Care Assistance Program-Stabilization 2021 (CAPS2021) on November 19, 2021, to assist childcare centers to recover from COVID-19 and rebuild. ARPA appropriated \$20 million in direct aid to cover operational expenses. A total of 45 applications from Child Care Development Fund (CCDF) licensed childcare providers were processed totaling \$18 million in grant awards.

In April 2023, pursuant to Executive Order 2022-07, the Governor launched the *Prugrâman i Pinilan i Famagu’on Guåhan* (“*Prugrâman Pinilan*”), for the purpose of administering federal ARPA, CARES, CRRSA, CCDBG funds to the island’s child care providers, through the Guam Child Care Provider Assistance Program. Programs launched include the following:

1. The Child Care and Development Block Grant Program (Extension) – Since its launch on April 5, 2022, a total of 1,073 vouchers were processed. The voucher quarter average prior to April 5th was \$243,105.00. The voucher FY 2022 4th Quarter average was \$775,189.33.
2. Employers Program – Since its launch, seventy-five businesses were introduced to Employers Program and 44 potential new jobsite Child Care centers responded positively to this initiative. However, implementation was not achieved. The team has surveyed prospective applicants and received mixed feedback as to reasons for non-implementation.
3. Child Care Assistance Program-Support 2022 (CAPS2022) Grant Program – To provide support by providing a grant/reimbursement for the opening of a new CCDF licensed childcare facility, GEDA launched CAPS2022 on September 20, 2022, with a deadline of March 31, 2023. To date, GEDA processed two applications totaling \$283,297.32 in grant awards.

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4. Community Care and After School Grant Program – To assist Community Programs and before and after school programs offered by non-profit organizations, businesses, residential communities, and local private schools, GEDA launched the Community Care and After School Grant Program. The first round launched on June 6, 2022, with twenty-two applications processed totaling \$861,201.45. The second round launched on August 4, 2022, with sixty-seven applications processed totaling \$3,034,218.53. Combined total of \$3,895,419.98 in grant awards were processed. The application submission deadline was December 30, 2022.
5. Child Care Certification Program – In addition to making childcare more affordable for working families, GEDA, in partnership with DPHSS, launched the Child Care Certification Program to support childcare providers and grow jobs by providing skill building courses, paid on-the-job training, and certification to start a career as a childcare provider. Thirty-three students successfully graduated and are working at a childcare facility. The application submission deadline was December 30, 2022.
6. Relative Care Grant Program – The Relative Care Grant Program launched on August 16, 2022, to support relative care providers with an initiative that makes childcare more affordable and accessible for working families offering family members who care for children in a home setting. GEDA processed nine applications totaling \$45,000. The application submission deadline was December 30, 2022.

BUSINESS & ECONOMIC DEVELOPMENT DIVISION (BEDD)

ECONOMIC DEVELOPMENT TRADE MISSIONS

In FY 2022, GEDA BEDD attended 4 trade missions.

AQUACULTURE 2022

The Triennial is the largest aquaculture conference and tradeshow held in the world with nearly 4,000 attendees from over 90 countries. The Triennial combines the annual meeting of the Fish Culture Section of the American Fisheries Society, World Aquaculture Society, National Shellfisheries Association, and the National Aquaculture Association. At the time of the conference, GEDA was wrapping up its commercial aquaculture feasibility project, so it was an opportune time for industry research, competitive analysis, and to vet Guam's proposed strategies with industry experts.

CAPTIVE INSURANCE COMPANIES ASSOCIATION (CICA) INTERNATIONAL CONFERENCE 2022

CICA brings together the best captive professionals from around the world in a domicile-neutral setting to explore new uses of captives, to engage new talent, and to outline best practices. With 28 education sessions, 49 exhibitors, and networking events and receptions; the CICA Conference

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offered strategies for engaging future captive talent, innovative captive solutions for enterprise risks, creative uses of new technologies, and the latest tax and regulatory updates. Following the event, the Business Development team in conjunction with insurance industry stakeholders worked with local legislators to introduce an amendment to the law to meet a more competitive environment's expectations for a captive domicile. Although the bill did not become law, continued efforts will be made to improve and revitalize the captive insurance industry in Guam.

SELECTUSA SUMMIT 2022

The investment summit is a government program led by the U.S. Department of Commerce and is the highest profile and largest event dedicated to promoting Foreign Direct Investment (FDI) into the U.S. and its territories. GEDA was able to highlight potential foreign investment opportunities on the island and network with international investors from all over the world, including Guam's target market in Asia. Through this summit GEDA hosted the Pacific AA Group, a pharmaceutical manufacturing company from Myanmar with manufacturing in California, interested in the potential of investing in Guam.

DISCOVER GLOBAL MARKETS 2022

Following the enactment of Public Law 36-23, which formed a transshipment task force. The Governor appointed the head of business development as the Chairman of the task force. Discover Global Markets (DGM) business networking forums bring international buyers, foreign ministries, and U.S. commercial diplomats all to one location where firms learn about market opportunities, the project pipeline, and how to operationalize a strategy to bring increased export business. The conference allowed GEDA to understand this potential diversification opportunity, to network among industry stakeholders, and to develop the Transshipment Feasibility Study amongst U.S. International Trade Commercial Specialists and other industry experts, a document planned for FY2023.

INDUSTRY AND SMALL 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 into Guam. In FY 2022, GEDA received 6 QC applications; 3 healthcare insurance renewals, 1 affordable housing, 1 circular economy/recycling, and 1 tourism.

In FY2022, 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. One such addition that was enacted in FY2022 was the expanded Special Hotel QC, which provided an increased tax benefit for the renovation and or expansion of existing hotel properties. In addition, a new Special QC program was enacted to provide tax incentives to businesses that construct and operate various types of elderly housing facilities.

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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. In the previous fiscal year, permitting procedures were done electronically due to COVID-19 health and safety protocols. However, with minimal to no COVID-19 restrictions in FY2022, BEDD started to see an increase in renewals and new applicants and subsequently resumed conducting onsite inspections. In FY2022, BEDD issued thirty (30) GPS permit renewals and six (6) new GPS permits. In addition, with the reduction in COVID-19 restrictions, BEDD staff began to undertake outreach efforts. During FY2022, BEDD attended ten (10) local events reaching over seventy-five (75) local manufacturers.

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 representatives from the government of Guam and the Guam Chamber of Commerce. In FY 2022, the Working Group further defined its priorities and mission and created subcommittees to research various strategies and initiatives to diversify and expand Guam's economic base. In FY 2022, the Working Group consolidated the various areas of interest into consolidated committees, with a focus on the development of economic activities in technology, healthcare, agriculture, aquaculture, environmental sustainability and captive insurance. The Working Group submitted budgets to further these efforts in diversifying Guam's economy which were funded via Executive Order 2021-22, wherein Governor Lou Leon Guerrero allocated \$3 million dollars for the establishment of additional economic recovery programs.

STATE TRADE EXPANSION PROGRAM (STEP)

GEDA was awarded a \$100,00 grant from the U.S. Small Business Administration (SBA) to develop a comprehensive export development Program. Grant funding will allow GEDA to support small businesses export to international markets by providing export readiness training, hosting a virtual export conference, providing export stipend assistance for eligible export activities, and supporting small businesses participation in the ASD Market Week trade show and Palau trade mission.

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.

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Management’s Discussion and Analysis, continued

BOND MARKET UPDATE AND FINANCING SUMMARY

The US Markets were under extreme pressure in Fiscal Year 2022 amid growing concerns over slowing economic activity, persistence inflation and geopolitical uncertainty. As a result, the year experienced weeks of record municipal outflows not seen since March 2020. The savings derived in previous years became less predictable, and the Federal Reserve began a steady rate hike to combat inflation.

Although a tough market, GEDA was able to work with the various government agencies in securing savings and favorable rates this past year. Financings completed this year include the following:

\$6.5 MILLION PROPOSED MULTIPUPOSE RECREATION/EMERGENCY CENTER (OCTOBER 2021)

Pursuant to Section 50103(k) of Division 2 of Title 12 of the Guam Code Annotated), GEDA provided assistance to Ordot Chalan Pago (OCP) Mayor Jesse Gogue and the OCP Municipal Council in securing a \$2.5 million interim construction loan with the Bank of Guam to be taken out with a USDA loan for the Chalan Pago-Ordot Multi-Purpose Recreation Center/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	<u>\$6.5 million</u>

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.

Preliminary construction planning started in December 2022 with groundbreaking scheduled for mid-2023.

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\$257.6 MILLION GUAM POWER AUTHORITY REVENUE REFUNDING BONDS, 2022 SERIES A (JULY 2022)

The Guam Power Authority (GPA) had a successful bond sale that generated up to \$10 million of cash flow savings in peak debt service years to accommodate capital payments for a new power plant that is expected to begin operation in FY2024. Despite a market environment that has seen an outflow of funds in the recent weeks due to increasing treasury rates and rising inflation, GPA achieved net present value savings of \$5.8 million with All in True Interest Cost (TIC) of 4.3%. The successful sale of \$257.6 million in bonds will refund \$285.8 million of outstanding GPA 2012 bonds, reducing overall debt by \$28.2 million.

\$47.1 Million A.B. WON PAT INTERNATIONAL AIRPORT AUTHORITY GUAM GENERAL REVENUE BONDS, 2023 SERIES A (AMT) (FORWARD DELIVERY)

The Guam International Airport Authority (GIAA) was able to secure a successful sale of \$47 million in refunding bond. GIAA will now be able to significantly reduce its debt service payments over the next few years and achieve net present value savings of \$2.28 million with All in True Interest Cost (TIC) of 5.24%. Despite the negative outlook assigned to the Guam airport along with airports across the nation at the height of the pandemic, the GIAA bonds were oversubscribed by 8.0 times, which allowed for an opportunity to lower borrowing rates for higher savings. The GIAA will close these bonds in July 2023.

RATING AGENCY ACTIVITY

Consistent with its annual reporting, GEDA facilitated meetings with bond rating agencies to provide updates on Guam's economy and its financial picture. These meetings involved significant preparation with financial analysts to obtain the latest on the economic landscape to provide a comprehensive report indicating the performance of the respective issuing agencies.

In FY22, ratings agencies were especially vigilant in monitoring credits, asking for monthly (versus semiannual or annual) reports. Below details the results of their review:

1. The General Fund and the Special Revenues Fund obligations were rated by two (2) rating agencies, Standard & Poor's (S&P) 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:
 - S&P Action
 - General Obligation Bonds 12/16/2021: Rating of "BB-" with a "Stable" outlook.
 - Section 30 and Business Privilege Tax Bonds, 12/16/2021: Rating of "BB" with revised outlook from "Negative" to "Stable".
 - Certificates of Participation 12/16/21: Rating of "B+" with outlook revised from "Negative" to "Stable".

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2. The credit of the Guam International 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:
 - 10/21/2022: Rating of "BB" from "BB+" with outlook changed to "Stable".
 - Moody's Action
 - 8/01/22: Rating of "Baa2" outlook remains "Negative".

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 4/08/22: Rating affirmed at "BBB" with a "Stable" outlook.
 - Port Authority of Guam 10/19/22: Rating affirmed at "BBB" with a "Stable" outlook.

BOND DISCLOSURE SERVICES (FY 2022)

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. 2012, 2015, and 2021 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

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 (MDA)* with the contract executed in January 2022. MDA assisted in the following areas in Fiscal Year

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2022:

- GIAA Advance Refunding Bonds
- Rating Agency Reports
- Assistance with the drafting of various financial procurement documents.

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 2022 PAB allocation plus previous carry-over amounts now allows for approximately \$280.4 million in PAB's to be made available for approved activities.

COMPLIANCE DIVISION

QUALIFYING CERTIFICATE COMMUNITY CONTRIBUTION GRANTS

In response to a Community Cash Contributions October 1, 2012 to September 30, 2017 performance audit report by the Office of the Public Auditor, GEDA created the Qualifying Certificate Community Contribution Program. GEDA launched the Qualifying Certificate Community Contribution Grant Program Series 5 in November 2021 and Series 6 in June 2022. Similar to small businesses, these organizations also reported financial distress as a result of the COVID-19 Pandemic. Many continued to offer services while their operating budgets were fragile due to less donor support and a slowdown of other income streams.

This Grant Program was accessible to projects within the following five (5) service areas: (1) health care, (2) public safety, (3) higher education, (4) cultural preservation, or (5) economic development.

After an evaluation of five (5) evaluators, Series 5 awarded fourteen (14) grants totaling three hundred thirty-nine thousand six hundred forty (\$339,640.00) dollars and Series 6 awarded fifteen (15) grants totaling three hundred twenty-three thousand four hundred forty six (\$323,446.00) 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.

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Management's Discussion and Analysis, continued

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 bona fide 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 2022 GEDA made one farm loan in the amount of \$50,000.00 and was servicing 6 loans.

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 2022 GEDA made four (4) commercial loans totaling \$232,271 for working capital and leasehold improvements. GEDA also received 10 inquiries on the GDFA program totaling approximately \$210,000. GEDA also has one (1) pending loan request for final decision, \$92,000. The compliance division was monitoring a total of 27 loans in FY2022.

QUALIFYING CERTIFICATE AND TAX CREDIT COMPLIANCE

QUALIFYING CERTIFICATE COMPLIANCE

The compliance process for active qualifying certificates is year-round. In the first quarter of the year, annual letters and notices are mailed out to QC Beneficiaries requesting for fees due, annual training plans, and compilation data reports to initiate annual reviews. This information is due in the 2nd quarter.

In the 3rd quarter, annual site inspections are done and annual reviews are continued.

In the 4th quarter, compliance reviews are finalized and a compliant or non-compliant letter is issued and sent to each QC Beneficiary.

If QC Beneficiary is deemed compliant, a Certificate of Compliance is issued, and a notification is sent to the Department of Revenue & Taxation.

If QC Beneficiary is deemed non-compliant, a notification and suspension of tax benefits is issued for offending tax year. QC Beneficiary has 12 months to cure. A notification is sent to the Department of Revenue & Taxation.

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If the non-compliance is not cured in the 12-month period, the revocation process is initiated. An accusation notice and hearing are prepared. As of the end of fiscal year 2022, there were 10 (ten) active Qualifying Certificates.

TAX CREDIT COMPLIANCE

Tax credit compliance is also year-round as tax credits are generally tied to capital projects with varying schedules. Tax credits authorized only by legislation are populated within a central spreadsheet utilized to track the credits utilized throughout the life of the credit.

The tax credit beneficiary must submit a tax credit application with the applicable application fee and inspection fee to GEDA with required documentation. GEDA CEO/Administrator approves or disapproves the application based on its adherence to its corresponding authorizing legislation. Approved credits are issued a Tax Credit Memo and presented to the Department of Revenue & Taxation by the Beneficiary with GRT filing as well as approved Tax Credit Certificate.

The current total amount of tax credits authorized are \$35,300,000.00 (thirty-five million three hundred thousand dollars) with \$5,600,000.00 (five million six hundred thousand dollars) newly authorized in FY2022 and \$819,088.00 (eight hundred nineteen thousand eighty-eight dollars) in credits issued in FY2022.

REAL PROPERTY DIVISION (RPD)

INDUSTRIAL PARKS

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 31 leases managed by the authority to include the Industrial Parks along with GEDA's share of GALC leases. The lease revenues generate approximately \$1.46 million of the Authority's operating revenues for Fiscal Year 2022 (FY22).

In FY 2022, the COVID-19 pandemic continued to result in financial difficulties for some GEDA tenants. Tenants facing financial strain communicated with GEDA requests for deferments of rent as well as temporary suspensions of increases, to which, the GEDA management handled consistently, providing deferments to be paid off within twelve months and stays in increases for one year. In consideration of pandemic challenges, GEDA waived late fees. To date, one sub-sub lessee terminated their lease as a result of the business loss due to pandemic.

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OFFICE OF LOCAL DEFENSE COMMUNITY COOPERATION (OLDCC)

The Office of Local Defense Community Cooperation (OLDCC), formerly known as the US Office of Economic Adjustment (OEA) awarded multiple grants to the Office of the Governor in FY2021 and FY2022. These grants were administered by GEDA through a memorandum of understanding with the Office of the Governor. These included three (3) projects beginning in 2021 and concluding in 2022. First was the Grants Management Capacity Building and Enhanced Grant Management which dealt 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 was a comprehensive update to the Financial Impact Assessment Study (FIAS) which analyzed 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. Third was 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 included 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 with an ultimate goal to potentially replace Guam's lone and aging public hospital and other public health facilities.

GUAM MEDICAL CAMPUS

GEDA was requested by the Office of the Governor to administer the healthcare working group for the planning and execution of the Guam Medical Campus. In FY2022, in addition to managing the Medical Action Plan grant, GEDA also convened multiple agencies and stakeholders in in person and zoom meetings to discuss three key areas of planning: land and infrastructure, financing, and medical services. Outside of what was covered by the medical action plan, GEDA was also asked to research infrastructure needs as well as land planning issues for the proposed site.

FEDERAL PROPERTIES & THE GUAM ANCESTRAL LANDS COMMISSION

As requested by the Governor and as indicated in the MOU with the Guam Ancestral Lands Commission (GALC), RPD has analyzed military use of federal property as part of the "Net Negative" strategy to reduce the 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.

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At the request of GALC in 2022, GEDA entered into an MOA to educate and assist GALC in the financial management and investment of its Land Bank Trust funds, which is built solely on GALC lease revenues for the beneficiaries of the Land Bank Trust. In recognizing that the fund could be better managed by experienced professionals and grown over the longer term, GALC requested GEDA's aid. GEDA enlisted the assistance of its own financial advisors to aid GALC and its Land Bank Trust fund. This arrangement is expected to take shape in FY2023.

HOT BONDS

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 to include the Guam Farmer's Cooperative facility improvements completed in 2022, the Guam and Chamorro Education Facility repairs, improvements for Tumon Street Lights along San Vitores Road, and the Guam Fishermen's Association facility and shoreline protection project.

AQUACULTURE

In March 2021, GEDA received a grant from the United States Economic Development Administration (USEDA) for the Guam Aquaculture Industry Feasibility Study. In conjunction with the Business Development team, RPD took care of the federal reporting associated with the feasibility study which was completed by April 2022 and utilized as the basis to facilitate planning and further research 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.

GREEN MARKETS

In May 2022, GEDA was awarded a \$1,300,000 grant from USED A for the repair and construction of public market facilities in Agat, Sinajana, and Mangilao. The Guam Green Markets project is intended to improve and expand access to market facilities that encourage the incubation of small businesses and support local entrepreneurs and agricultural producers. This is expected to begin construction in FY2023.

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	<u>2022</u>	<u>2021</u>	<u>% increase/ (decrease)</u>
Assets:			
Current assets	\$ 29,920,558	\$ 27,333,550	9.5%
Capital assets, at cost, net	422,706	354,404	19.3%
Equity investment	3,500	3,500	0.0%
Lease asset	474,315	-	100.0%
Lease receivable, non-current portion	<u>27,664,342</u>	<u>-</u>	<u>100.0%</u>
	58,485,421	27,691,454	111.2%
Deferred outflows of resources:			
Other post-employment benefits	3,146,211	3,433,363	-8.4%
Pension	<u>911,182</u>	<u>1,199,855</u>	<u>-24.1%</u>
	<u>\$ 62,542,814</u>	<u>\$ 32,324,672</u>	<u>93.5%</u>
Liabilities and Net Position:			
Current liabilities	\$ 4,006,637	\$ 2,428,069	65.0%
Non-current liabilities	<u>41,875,386</u>	<u>41,439,470</u>	<u>1.1%</u>
	45,882,023	43,867,539	4.6%
Deferred inflows of resources:			
Leases	\$ 28,192,078	\$ -	100.0%
Other post-employment benefits	1,489,389	2,124,336	-29.9%
Pension	<u>626,680</u>	<u>229,729</u>	<u>172.8%</u>
Net position:			
Net investment in capital assets	897,021	354,404	153.1%
Restricted	7,261,107	5,881,410	23.5%
Unrestricted	<u>(21,805,484)</u>	<u>(20,132,746)</u>	<u>8.3%</u>
Total net position	<u>(13,647,356)</u>	<u>(13,896,932)</u>	<u>-1.8%</u>
	<u>\$ 62,542,814</u>	<u>\$ 32,324,672</u>	<u>93.5%</u>
Revenues:			
Operating revenues	\$ 9,068,328	\$ 3,779,673	139.9%
SSBCI grants revenue	30,775	21,247	44.8%
Tobacco Settlement revenue	<u>2,674,948</u>	<u>1,520,543</u>	<u>75.9%</u>
	11,774,051	5,321,463	121.3%
Operating expenses:			
Operating expenses	<u>7,043,970</u>	<u>4,172,441</u>	<u>68.8%</u>
	7,043,970	4,172,441	68.8%
Other income (expense), net	<u>(4,480,505)</u>	<u>550,590</u>	<u>-913.8%</u>
Change in net position	249,576	1,699,612	-85.3%
Net position at beginning of year	<u>(13,896,932)</u>	<u>(15,596,544)</u>	<u>-10.9%</u>
Net position at end of year	<u>\$ (13,647,356)</u>	<u>\$ (13,896,932)</u>	<u>-1.8%</u>

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Management's Discussion and Analysis, continued

OPERATING REVENUES

There are three primary sources of revenue that sustain 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. Additionally, in FY 2022 GEDA earned administrative fees for its part in handling COVID-19 related public assistance but these revenues are also not recurring and are based on a set amount as it relates to their respective assistance programs.

In FY 2022, GEDA recorded operating revenues of \$9,068,328 compared to \$3,779,673 in FY 2021. The year-to-year change of \$5,288,655 represents an increase of 139.9%, which was largely attributed to the COVID-19 related public assistance administrative fees.

RENTAL INCOME FROM INDUSTRIAL PARKS

There was a significant change in rental income compared to the prior fiscal year. Rental income decreased by 28.01% or \$347,198 from \$1,239,573 in FY 2021 to \$892,375 in FY 2022. This significant change is due to the implementation of GASB 87.

GALC LEASE COMMISSION

GALC Lease Commission increased by 24.02% or \$40,105 from \$166,953 in FY 2021 to \$207,058 in FY 2022. This increase is mainly attributed to an additional tenant in FY 2022.

QC PROGRAM

QC revenues slightly decreased by 2.40%, or \$35,966 from \$1,500,788 in FY 2021 to \$1,464,822 in FY 2022.

BOND FEES

Bond fees increased by 62.49% or \$427,592 from \$684,236 in FY 2021 to \$1,111,828 in FY 2022. As noted earlier, in FY 2022 resulted from the closing of two (2) bonds: Government of Guam Business Privilege Tax Refunding Bond Series 2021F and Guam Power Authority Refunding Bond Series 2022 A.

CAPITAL ASSETS

Land, building, improvements, and equipment increased 19.27% or \$68,302 from \$354,404 in FY 2021 to \$422,706 in FY 2022. This increase was generally from the purchase of upgraded computers, office equipment and furniture and office renovations.

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OPERATING EXPENSES

GEDA'S operating expenses in FY 2022 is \$7,043,970, an increase of \$2,871,529 or 68.82% over FY 2021 of \$4,172,441.

SALARIES AND BENEFITS

Salaries and benefits increased by \$313,747 or 14.20% from \$2,209,773 in FY 2021 to \$2,523,520 in FY 2022. An additional 12 Limited Term employees were hired in Fiscal Year 2022 to administer the Child Care Assistance Program.

LEGAL AND PROFESSIONAL SERVICES

Legal and Professional service expenses increased by \$2,484,950 or 1033.33% from \$240,479 in FY 2021 to \$2,725,429 in FY 2022. The increase was related to an increase marketing activities related to the Child Care Assistance Program and grant expenses related to professional consultations.

OFFICE SPACE AND EQUIPMENT RENTAL

Total office space and equipment rental increased by \$221,294 or 105.79% from \$209,192 in FY 2021 to \$430,486 in FY 2022. The increase relates to three months of prior years' rent outstanding balance that was paid as well as an additional adjustment related to GASB 87.

TRAVEL

Travel expenses increased by \$145,761 or 2480.62% from \$5,876 in FY 2021 to \$151,637 in FY 2022. For Fiscal Year 2021 travel was halted due to the Coronavirus pandemic. This increase is mainly attributed to an increase in attendance for various conferences, trainings, and bond meetings.

FISCAL YEAR 2023 INITIATIVES

QUALIFYING CERTIFICATE

Moving forward, the Qualifying Certificate Ad Hoc Committee will continue to work to enhance and modernize the QC Program. In FY 2023, the Committee will work towards the following:

- Implementing the expanded Special Hotel QC program for hotel renovation and expansion;
- Reinvigorating the QC program for captive insurance companies through legislative and other efforts;
- Continuing to implement Public Law 35-116 to provide tax incentives for business activities in circular economy and environmental sustainability; and

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- Continuing to evaluate how the QC program can aid in the development of other key industries.

ESTABLISHMENT OF TARGETED ECONOMIC DEVELOPMENT ZONES

In FY2023, GEDA will conduct research into the establishment of targeted economic development zones with the goal of diversifying Guam's economy through the promotion of high-tech manufacturing, agriculture, and other high-tech industries.

AMERICAN RESCUE PLAN ACT (ARPA) FINANCIAL ASSISTANCE PROGRAMS

In FY 2023, GEDA will continue to monitor economic recovery, and will assist in the implementation of additional COVID-19 recovery financial assistance programs, if determined necessary and appropriate under the direction from the Office of the Governor and the Guam Legislature.

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. Monies will be disbursed to working group initiatives based on their approved budgets. Beginning with the Agriculture/Aquaculture industry initiative in the amount of \$690,000; aiding in Sea Grant capacity enhancement, on-farm research and demonstration, community backyard aquaculture program, and professional development.

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 received federal funding to secure the services of a professional consultant to aid the Task Force in meeting the mandates of Public Law 36-23. Funds are from the U.S. Economic Development Administration (EDA) under the Statewide Planning Grant. GEDA will award a consultant to assist the Task Force in meeting the mandates of Public Law 36-23. In FY2023 GEDA will select the consultant to complete the requisite feasibility study and economic diversification plan as mandated by law for submission to the Guam Legislature and the Office of the Governor for further action.

ECONOMIC DEVELOPMENT TRADE MISSIONS

GEDA BEDD 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

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into new and emerging industries such as technology, pharmaceutical manufacturing, and regional healthcare. GEDA plans to attend several trade missions including: CICA International Conference 2023 in Rancho Mirage, CA from March 5 – 7, 2023; 2023 SelectUSA Investment Summit in National Harbor, MD from May 1 – May 4, 2023; International Economic Development Council (IEDC) 2023 Annual Conference in Dallas, TX from September 17 – 20, 2023.

SMALL BUSINESS DEVELOPMENT PROJECTS

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

GUAM PRODUCT SEAL (GPS)

BEDD will continue to drive membership by seeking out companies that manufacture locally. We will conduct outreach initiatives at local pop-up and business events, through various business chamber of commerce, and through our social media platforms to market and promote the GPS program. In FY2023 in person inspections will resume for new and existing companies.

CHILDCARE ASSISTANCE GRANT PROGRAM

In FY 2022 (April 2022), GEDA implemented a number of grant programs, at the direction from the Office of the Governor to provide further support in issuing over One Hundred Million (\$100,000.00) in grant funds to further support other sectors of the childcare industry in FY 2023 to include home care, after-school programs, village youth programs, new child care facilities and child care employee retention grants. These programs, for the most part, have launched already and GEDA will continue to work with applicants on finalizing program documents for each approved program.

GUAM HEALTHCARE CAMPUS LEASEBACK FINANCING

The 36th 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 law 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 2023.

GUAM DEPARTMENT OF CORRECTIONS LEASEBACK FINANCING

The 36th 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 law further states that the first payment in

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FY2022 will come from the Federal reimbursement of the Earned Income Tax Credit 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 2023 - 2024.

SIMON SANCHEZ HIGH SCHOOL LEASEBACK FINANCING

P.L. 31-229, 32-120, 32-121 and 36-107 authorized the financing for the rehabilitation, construction, expansion and renovation of the Simon Sanchez High School. As part of the Government of Guam FY 2023 Appropriations act, the program now includes key amendments that will move this project forward to include the following:

1. Authorizes the issuance of Lease Revenue Bonds in an aggregate principal amount of \$166.4 million to finance the design, renovation or construction and maintenance of the SSHS facility, with a max term of thirty (30) years and at a max interest rate of 7.50%;
2. Identifies the funding source for rental payments as any lawfully available moneys of the government of Guam; and
3. Establishes a maximum \$16.4 million per year to cover annual rental payments to include, but is not limited to, debt service, insurance and maintenance costs and GEDA expenses.

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, Chamorro Land Trust Commission, Guam Ancestral Lands Commission and Hagåtña Restoration and Redevelopment Authority. 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).

STATE SMALL BUSINESS CREDIT INITIATIVE (SSBCI) - \$58.2 MILLION ALLOCATED FOR GUAM

The American Rescue Plan Act of 2021 reauthorizes and expands the State Small Business Credit Initiative (SSBCI) Program, which was originally established in 2010. SSBCI will provide a combined \$10 billion to states, the District of Columbia, territories, and Tribal governments to expand access to capital for small businesses emerging from the pandemic, build ecosystems of opportunity and entrepreneurship, and create high-quality jobs.

Guam, approved for up to \$58.6 million in December 2022, will operate three programs: a \$36 million loan guarantee program, a \$12.4 million collateral support program, and a \$10 million venture capital program. The first 2 programs are designed to incentivize lenders to make loans to borrowers. The equity/venture capital program, will provide seed, early and growth stage equity investment in Guam-based startups.

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CHALLENGES/ISSUES AFFECTING GEDA

There are significant challenges/issues that GEDA faces:

- GEDA over the years has been mandated by the *I Liheslaturan Guåhan* to perform duties that are not financially supported. These mandates, while in line with the GEDA's mission, impose a financial burden to the agency. Unlike the line agencies, GEDA is not supported by Legislative appropriations. All expenses incurred by GEDA to meet the unfunded mandates must come out of the agency's finite operating revenues. Examples of these handed down in the 35th *I Liheslaturan Guåhan* alone include the following: the used oil task force, the Tumon Bay parametric insurance task force, the intraregional commerce commission, and the task force on submarine cables and three tax credit programs.
- 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 respective partner agency's 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. The agency has found a misalignment among these parties on numerous occasions with regard to entering into commercial leases.
- 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.
- An example includes GEDA's role as the Central Financial Manager and Consultant for the government of Guam. In recent years, GEDA had to record hundreds of thousands in write-offs from work done on anticipated financing request not completed for various reasons, primarily from failure to secure legislative support.

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- We are hampered by legislation that restricts GEDA's ability to receive bond fees, specifically P.L. 34-57 which states, "All fees that the Corporation may be eligible for resulting from its role as the Central Financial Manager for the government of Guam, shall be paid from the source of repayment for the bonds and other obligations and shall not be included in the amount to be borrowed."

Management's Discussion and Analysis for the year ended September 30, 2022, 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 2022 financial statements. A copy of that report can be obtained by contacting us at (671)-647-4332 or can be viewed at the Office of Public Accountability – Guam website at www.guamopa.org.

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

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Statement of Net Position

September 30, 2022

Assets

Current Assets:

Cash and cash equivalents	\$ 4,112,556
Cash and cash equivalents - restricted	6,142,107
Investments	14,282,238
Due from fiduciary fund	393,446
Other receivables, net	4,211,716
Current portion of lease receivable	694,564
Notes and accrued interest receivable, net	76,225
Other	<u>7,706</u>
Total current assets	<u>29,920,558</u>

Equity investment	3,500
Lease receivable, net of current portion	27,664,342
Capital assets, net	<u>897,021</u>
Total assets	<u>58,485,421</u>

Deferred outflows of Resources

Other post-employment benefits	3,146,211
Pension	<u>911,182</u>
	<u>4,057,393</u>
	<u>\$ 62,542,814</u>

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Statement of Net Position, continued

Liabilities

Current liabilities:

Current portion of bonds payable	\$ 1,590,000
Accounts payable	1,089,679
Accrued liabilities	310,911
Interest payable	428,975
Unearned rental income	106,885
Current portion of lease liability	405,188
Other liabilities	<u>74,999</u>
Total current liabilities	<u>4,006,637</u>

Non-current liabilities:

Bonds payable, net of current portion and discount	31,120,284
Lease liability, net of current portion	175,708
DCRS sick leave liability	185,481
Deposits	18,322
Deposits due to GALC	77,410
Net pension liability	4,016,348
Collective total other post-employment benefits liability	<u>6,281,833</u>
Total non-current liabilities	<u>41,875,386</u>
Total liabilities	<u>45,882,023</u>

Deferred inflows of resources

Leases	28,192,078
Other post-employment benefits	1,489,389
Pension	<u>626,680</u>
	<u>30,308,147</u>

Net position:

Investment in capital assets	897,021
Restricted for	
Debt services	4,586,605
Loan guarantees	2,674,502
Unrestricted	<u>(21,805,484)</u>
Total net position	<u><u>\$ (13,647,356)</u></u>

See accompanying notes.

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

Statement of Revenues, Expenses and Changes in Net Position

Year ended September 30, 2022

Operating revenues:	
Operating grants	\$ 5,392,245
Tobacco settlement revenue	2,674,948
Qualifying certificate application, surveillance and other	1,464,822
Bond fees earned	1,111,828
Rental income	892,375
GALC lease commission	207,058
Others	<u>30,775</u>
Total operating revenues	<u>11,774,051</u>
Operating expenses:	
Legal and professional services	2,725,429
Salaries and benefits	2,523,520
Grants expense	890,889
Office space and equipment rent	430,486
Miscellaneous	227,179
Travel	151,637
Advertising and promotions	53,426
Depreciation and amortization	25,760
Supplies	7,725
Insurance	3,287
Utilities, telephone and communication	2,975
Repairs and maintenance	<u>1,657</u>
Total operating expenses	<u>7,043,970</u>
Net operating income	<u>4,730,081</u>
Nonoperating revenues (expenses):	
Grant revenue	585,295
Interest on leases	417,822
Investment income	256,073
Other expense	(651,344)
Interest expense, net	(1,894,453)
Net decrease in the fair value of investments	<u>(3,193,898)</u>
Nonoperating expenses, net	<u>(4,480,505)</u>
Change in net position	249,576
Net position at beginning of year	<u>(13,896,932)</u>
Net position at end of year	\$ <u>(13,647,356)</u>

See accompanying notes.

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

Statement of Fiduciary Net Position

September 30, 2022

Assets	
Cash on hand in bank	\$ 335,313
Investments	9,971,525
Notes and accrued interest receivable	1,927,431
Less allowance for doubtful receivable	(727,668)
Net notes and accrued interest receivable	<u>1,199,763</u>
Other real estate:	
Leasehold interest, net	111,862
Other assets	<u>18</u>
Total assets	<u>\$ 11,618,481</u>
Liabilities	
Accounts payable and accrued expenses	\$ 98,460
Due to Guam Economic Development Authority	<u>393,446</u>
Total liabilities	<u>491,906</u>
Net Position	
Net position held in trust	<u>11,126,575</u>
Total liabilities and net position	<u>\$ 11,618,481</u>

See accompanying notes.

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

Statement of Changes in Fiduciary Net Position

Year ended September 30, 2022

Additions:	
Interest from loans	\$ 52,234
Other income, net	<u>20</u>
Total additions	<u>52,254</u>
Deductions:	
Net decrease in the fair value of investments	2,376,855
Salaries and benefits	266,666
Bank charges	93,253
Rent	39,517
Travel	9,178
Legal and professional services	8,602
Provision for doubtful notes receivable	8,009
Depreciation	3,036
Miscellaneous	<u>1,545</u>
Total deductions	<u>2,806,661</u>
Net change in net position	(2,754,407)
Net position at beginning of year	<u>13,880,982</u>
Net position at end of year	\$ <u>11,126,575</u>

See accompanying notes.

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

Statement of Cash Flows

Year ended September 30, 2022

Cash flows from operating activities:	
Cash received from operating grants and contracts	\$ 6,967,543
Cash received from tobacco settlement and customers	3,166,314
Cash paid on grants and contracts	(2,883,288)
Cash paid to suppliers for goods and services	(2,427,516)
Cash paid to employees for services	(<u>2,321,826</u>)
Net cash provided by operating activities	<u>2,501,227</u>
Cash flows from investing activities:	
Interest and investment expense	(2,937,825)
Rollover of interest into investment	2,948,815
Purchases of investment securities, net	(<u>184,056</u>)
Net cash used in investing activities	(<u>173,066</u>)
Cash flows from capital and related financing activities:	
Purchase of capital assets	(<u>94,062</u>)
Cash used in capital and related financing activities	(<u>94,062</u>)
Cash flows from noncapital financing activities:	
Grants received from Government of Guam	585,295
Repayment of bond payable	(215,000)
Net interest paid on deposit accounts and bonds payable	(<u>1,179,760</u>)
Net cash used in noncapital financing activities	(<u>809,465</u>)
Net change in cash and cash equivalents	1,424,634
Cash and cash equivalents at beginning of year	<u>8,830,029</u>
Cash and cash equivalents at end of year	<u>\$ 10,254,663</u>
Reconciliation of cash and cash equivalents to the statement of net position:	
Current assets:	
Cash and cash equivalents	\$ 4,112,556
Cash and cash equivalents - restricted	<u>6,142,107</u>
	<u>\$ 10,254,663</u>

See accompanying notes.

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

Statement of Cash Flows, continued

Reconciliation of operating income	
to net cash provided by operating activities:	
Operating income	\$ 4,730,081
Other expenses, net	(651,344)
Interest on leases	417,822
Adjustments to reconcile operating income	
to net cash provided by operating activities:	
Noncash pension cost	174,086
Noncash other post employment cost	624,612
Depreciation and amortization	25,760
(Increase) decrease in assets:	
Due from fiduciary fund	(327,555)
Other receivables	(2,950,004)
Notes and accrued interest receivable, net	(48,487)
Prepaid expenses	93,477
Lease receivable	(166,828)
Increase (decrease) in liabilities:	
Accounts payable	1,003,918
Accrued liabilities	65,786
Unearned rental income	326
DCRS sick leave liability	48,589
Lease liability	106,581
Net pension liability	(571,863)
Collective other post-employment benefit liability	(<u>73,730</u>)
Net cash provided by operating activities	\$ <u><u>2,501,227</u></u>

See accompanying notes.

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

Notes to Financial Statements

Year ended September 30, 2022

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 administering 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 accounting principles generally accepted in the United States of America (US 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.

Investments

Investments and related investment earnings are recorded at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

Compensated Absences

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

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

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.

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:

Lease 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) relate to payments made by tobacco companies in exchange for states releasing tobacco companies from present and future litigation. TSR is based on an estimate of domestic cigarette sales during the year

Operating grants is recognized for GEDA's administration of programs of GovGuam.

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:

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, 2022, 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 Pronouncements

In 2020, GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance, which postponed the effective date of GASB Statement No. 89 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. In accordance with GASB Statement No. 95, management has elected to postpone implementation of these statements.

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. The adoption of GASB Statement No. 87 did not have an effect on beginning net position. At October 1, 2021, GEDA recorded lease receivable and related deferred inflow of resources of \$29,191,512 for its lease agreements as a lessor.

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

Recently Adopted Accounting Pronouncements, continued

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The adoption of GASB Statement No. 89 did not have an effect on GEDA's financial statements.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The requirements of this Statement enhances comparability in the application of accounting and financial reporting requirements and improves the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements. This Statement addresses a variety of topics and includes specific provisions about leases; reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan; applicability of Statement no. 73 and 84 for postemployment benefits, measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature and terminology used to refer to derivative instruments. The adoption of GASB Statement No. 92 did not have an effect on GEDA's financial statements.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR) – most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates by either (a) changing the reference rate or (b) adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address the accounting and financial reporting effects that result from the replacement of IBORs with other reference rates in order to preserve the reliability, consistency, and comparability of reported information. The adoption of GASB Statement No. 93 did not have an effect on GEDA's financial statements.

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

Recently Adopted Accounting Pronouncements, continued

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code 457 Deferred Compensation Plans*. The primary objectives of this Statement are to (a) 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; (b) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund financial statements; and (c) 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. The adoption of GASB Statement No. 97 did not have an effect on GEDA's financial statements.

In October 2021, GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. This statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The adoption of GASB Statement No. 98 did not have an effect on the Authority's financial statements.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. This statement provides clarification guidance on several of its recent statements that addresses different accounting and financial reporting issues identified during implementation of the new standards and during the GASB's review of recent pronouncements. GASB Statement No. 99:

- Amends guidance in GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, requiring that the accounting and financial reporting of Supplemental Nutrition Assistance Program (SNAP) transactions should follow the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions, as amended*. These provisions were effective upon issuance and implementation did not have a material effect on the accompanying financial statements.
- Requires disclosures related to nonmonetary transactions, in the notes to financial statements, of the measurement attribute(s) applied to the assets transferred rather than the basis of accounting for those assets. These provisions were effective upon issuance and implementation did not have a material effect on the accompanying financial statements.

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

Recently Adopted Accounting Pronouncements, continued

- Provides guidance on accounting for pledges of future revenues when resources are not received by the pledging government. The guidance addresses the process of blending a component unit created to issue debt on behalf of a primary government when that component unit is required to be presented as a blended component unit. This guidance was effective upon issuance and implementation did not have a material effect on the accompanying financial statements.
- Provides clarification of provisions in GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as amended*, related to the focus of the government-wide financial statements. This guidance was effective upon issuance and implementation did not have a material effect on the accompanying financial statements.
- Provides terminology updates related to certain provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and terminology used in GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. These updates were effective upon issuance and implementation did not have a material effect on the accompanying financial statements.
- GASB Statement No. 93, *Replacement of Interbank Offered Rates*, which amended GASB Statement No. 53 to address transition away from the London Interbank Offered Rate (LIBOR). GASB Statement No. 99 extends the period during which the LIBOR is considered an appropriate benchmark interest rate to when LIBOR ceases to be determined using methodology in place as of December 31, 2021. This guidance was effective upon issuance and implementation did not have a material effect on the accompanying financial statements.

Upcoming Accounting Pronouncements

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.

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

Notes to Financial Statements, continued

1. Purpose and Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

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

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

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. This Statement contains guidance whose effective dates are in future periods. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 99:

- Modifies guidance in GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, to bring all guarantees under the same financial reporting requirements and disclosures effective for fiscal year ending September 30, 2024.
- Provides guidance on classification and reporting of derivative instruments within the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for fiscal year ending September 30, 2024.

Guam Economic Development Authority
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Notes to Financial Statements, continued

1. Purpose and Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

- Provides clarification of provisions in GASB Statement No. 87 related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives effective for fiscal year ending September 30, 2023.
- Provides clarification of provisions in GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset. Guidance is effective for fiscal year ending September 30, 2023.
- Provides clarification of provisions in GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability. Guidance is effective for fiscal year ending September 30, 2023.
- Modifies accounting and reporting guidance in GASB Statement No. 53 related to termination of hedge. Guidance is effective for fiscal year ending September 30, 2023.

In June 2022, GASB issues Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections. GASB Statement No. 100 will be effective for fiscal year ending September 30, 2024.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation.

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Notes to Financial Statements, continued

1. Purpose and Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences. GASB Statement No. 101 will be effective for fiscal years ending September 30, 2025.

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

Subsequent Events

GEDA has evaluated subsequent events through August 31, 2023, which is the date the financial statements were available to be issued.

On May 24, 2023, the island of Guam suffered severe damages caused by super typhoon Mawar. As a result of super typhoon Mawar, the GEDA office space luckily avoided structural damage and only suffered minimal surface damage, primarily water damage to the floor, carpet, some equipment and furnishings. Despite no immediate nor substantial costs associated with expelling and drying the stormwater, there are likely to be significant future costs by way of addressing the resulting mold growing under the carpet, flooring and air ducts, which several employees have already stated is affecting their collective respiratory health.

As management continues long term assessment and weighs several options to mitigate mold damage in the flooring and possibly in the air ducting system to avoid future similar instance, GEDA anticipates the cost to be significant should it be denied assistance from Federal Emergency Management Agency (FEMA). Upon the assessment of the damages, we submitted our government agency application to FEMA on June 23, 2023.

As of the date of this report, the application is still pending review and GEDA is unable to reasonably estimate super typhoon Mawar's potential impact on its financial statements.

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.

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Notes to Financial Statements, continued

2. Cash and Cash Equivalents and Investments, continued

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, 2022 deposits were comprised of the following:

<i>Primary Government</i>	
Insured	\$ 1,239,570
Uncollateralized	<u>9,049,340</u>
Total deposits	<u>\$ 10,288,910</u>
 <i>Fiduciary Fund</i>	
Insured	\$ 330,792
Uncollateralized	<u>---</u>
Total deposits	<u>\$ 330,792</u>

Cash and cash equivalents at September 30, 2022 is restricted as follows:

TSA trust fund	\$3,467,605
SSBCI risk reserve pool	<u>2,674,502</u>
Total restricted cash and cash equivalents	<u>\$6,142,107</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).

Guam Economic Development Authority
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Notes to Financial Statements, continued

2. Cash and Cash Equivalents and Investments, continued

B. Investments

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

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, GEDA will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. GEDA's investment in shares of mutual funds, municipal bonds and U.S. government securities at September 30, 2022 is registered in GEDA's name and is held by three investment managers for GEDA.

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

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

GEDA categorizes its fair value measurements within the fair value hierarchy established by US 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, 2022:

		Level 1	Level 2	Level 3
<i>Primary Government</i>				
Investments by fair value level:				
Exchange-traded and closed-end funds	\$ 7,746,321	\$ 7,746,321	\$ ---	\$ ---
Equities	4,288,474	4,288,474	---	---
U.S. Treasury securities	1,142,522	1,142,522	---	---
Fixed corporate bonds	815,214	---	815,214	---
Mutual funds	<u>289,707</u>	<u>289,707</u>	<u>---</u>	<u>---</u>
Total investment by fair value level	<u>\$14,282,238</u>	<u>\$13,467,024</u>	<u>\$815,214</u>	<u>\$ ---</u>
<i>Fiduciary Fund</i>				
Investments by fair value level:				
Exchange-traded & closed-end funds	<u>\$ 9,971,525</u>	<u>\$ 9,971,525</u>	<u>\$ ---</u>	<u>\$ ---</u>

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Notes to Financial Statements, continued

3. Capital Assets

A summary of capital assets at September 30, 2022 is as follows:

	Beginning Balance October 1, 2021	Transfers and Additions	Transfers and Deletions	Ending Balance September 30, 2022
Depreciable capital assets:				
Leasehold Improvements	\$ 792,537	\$ ---	\$ ---	\$ 792,537
Furniture and equipment	601,926	60,744	---	662,670
Buildings	546,603	---	---	546,603
Other improvements	428,325	---	---	428,325
Land improvements	129,642	---	---	129,642
Leasehold interests	1,551	33,318	---	34,869
Automobiles	14,089	---	---	14,089
	<u>2,514,673</u>	<u>94,062</u>	<u>---</u>	<u>2,608,735</u>
Less accumulated depreciation and amortization	(2,160,269)	(25,760)	---	(2,186,029)
Depreciable capital assets, net	<u>354,404</u>	<u>68,302</u>	<u>---</u>	<u>422,706</u>
Lease assets - building:	---	948,730	---	948,730
Less accumulated depreciation and amortization	---	(474,415)	---	(474,415)
Lease assets, net	<u>---</u>	<u>474,315</u>	<u>---</u>	<u>474,315</u>
Capital assets, net	<u>\$ 354,404</u>	<u>\$ 542,617</u>	<u>\$ ---</u>	<u>\$ 897,021</u>

The Fiduciary Fund has acquired certain land and leasehold interest through loan foreclosure. Leasehold interests are reflected at cost of \$111,862 (net of a valuation allowance of \$55,138) as of September 30, 2022, net of accumulated amortization of \$55,138.

Guam Economic Development Authority
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Notes to Financial Statements, continued

4. Long-Term Obligations

Bonds payable

Bonds payable at September 30, 2022 consist of the following:

Tobacco settlement bonds, 2007 Series A current interest turbo term bonds, original principal amounts of \$17,505,000 and \$16,070,000, with interest rates at 5.25% and 5.625% per annum, respectively, payable semiannually on June 1 and December 1 (“Distribution Date”), principal payments due in varying annual installments commencing with a payment of \$1,025,000 on June 1, 2008 and increasing to \$3,840,000 on June 1, 2026. The Series A bonds are primarily secured by Tobacco Settlement Revenue (TSR) and Guam’s right to be paid the TSR under the MSA (which was irrevocably assigned to GEDA as discussed in note 1)	\$23,365,000
Tobacco settlement bonds, 2007 Series B capital appreciation turbo term bonds, original principal amount of \$3,407,077. Interest on the Series B bonds is not paid currently, but is compounded based on an imputed interest rate of 7.25% on each Distribution Date to become part of the accreted value until the maturity date or earlier redemptions. The bonds bear an original maturity value of \$115,455,000 with final maturity date of June 1, 2057. The projected turbo redemption date, however, is June 1, 2034 with a total projected principal amount of \$16,773,618. Under the Turbo Redemption assumption, principal payments are due in varying annual installments commencing with a payment of \$917,533 on June 1, 2008 and increasing to \$1,191,488 on June 1, 2034. The Series B bonds are also secured by TSR with the Series A bonds; however, they are subordinate to the Series 2007A Bonds	<u>16,773,618</u>
Total	40,138,618
Less current portion	<u>(1,590,000)</u>
	38,548,618
Less discount on Series B capital appreciation turbo term bonds	<u>(7,053,462)</u>
Less discount on issuance	<u>(374,872)</u>
	<u>\$31,120,284</u>

Guam Economic Development Authority
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Notes to Financial Statements, continued

4. Long-Term Obligations, continued

Bonds payable, continued

The annual payments on series 2007 bonds payable, assuming that turbo redemption occurs, subsequent to September 30, 2022 and thereafter are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
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	2,017,055	---	2,017,055
2028-2032	10,473,732	---	10,473,732
2033-2034	<u>17,775,298</u>	<u>---</u>	<u>17,775,298</u>
	<u>\$40,138,618</u>	<u>\$1,479,867</u>	<u>\$41,618,485</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.

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.

Guam Economic Development Authority
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Notes to Financial Statements, continued

4. Long-Term Obligations, continued

Bonds payable, continued

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 accreted 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 \$1,512,950 for the year ended September 30, 2022 or approximately 97% of pledged revenues for the year ended September 30, 2022.

During the year ended September 30, 2022, the following changes occurred in liabilities reported as part of GEDA's long-term liabilities in the statement of net position:

	Beginning Balance October 1, 2021	Additions	Reductions	Ending Balance September 30, 2022	Current	Noncurrent
Bonds payable	\$ 40,353,618	\$ ---	\$(215,000)	\$ 40,138,618	\$ 1,590,000	\$ 38,548,618
Deferred amount:						
Unamortized discount on bonds issued	(8,149,677)	---	721,343	(7,428,334)	---	(7,428,334)
	<u>32,203,941</u>	<u>---</u>	<u>506,343</u>	<u>32,710,284</u>	<u>1,590,000</u>	<u>31,120,284</u>
Other liabilities:						
Lease payable	---	580,896	---	580,896	405,188	175,708
DCRS sick leave liability	136,892	48,589	---	185,481	---	185,481
Deposits due to GALC	77,410	---	---	77,410	---	77,410
Deposits	18,322	---	---	18,322	---	18,322
Net pension liability	5,099,749	---	(1,083,401)	4,016,348	---	4,016,348
OPEB liability	<u>5,383,156</u>	<u>898,677</u>	<u>---</u>	<u>6,281,833</u>	<u>---</u>	<u>6,281,833</u>
	<u>10,715,529</u>	<u>1,528,162</u>	<u>(1,083,401)</u>	<u>11,160,290</u>	<u>405,188</u>	<u>10,755,102</u>
	<u>\$ 42,919,470</u>	<u>\$ 1,528,162</u>	<u>\$(577,058)</u>	<u>\$ 43,870,574</u>	<u>\$ 1,995,188</u>	<u>\$ 41,875,386</u>

Guam Economic Development Authority
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Notes to Financial Statements, continued

5. Employee Benefits

General Pension Plan Descriptions

The Government of Guam Retirement Fund (GGRF or the Fund) 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.

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 28.32% for the year ended September 30, 2022. Employees are required to contribute 9.5% of their annual pay for the year ended September 30, 2022.

Guam Economic Development Authority
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Notes to Financial Statements, continued

5. Employee Benefits, continued

General Pension Plan Descriptions, continued

Defined Benefit Plan (DB Plan), continued

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

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

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

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 GGRF's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Notes to Financial Statements, continued

5. Employee Benefits, continued

General Pension Plan Descriptions, continued

Defined Benefit Plan (DB Plan), continued

Expected 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)	26.0%	7.44%	1.93%
U.S. Equities (small cap)	4.0%	9.23%	0.37%
Non-U.S. Equities	17.0%	9.28%	1.58%
Non-U.S. Equities (emerging markets)	3.0%	11.32%	0.34%
U.S. Fixed Income (aggregate)	22.0%	3.89%	0.86%
Risk Parity	8.0%	5.92%	0.47%
High Yield Bonds	8.0%	6.42%	0.51%
Global Real Estate (REITs)	2.5%	8.55%	0.21%
Global Equity	7.0%	8.20%	0.57%
Global Infrastructure	2.5%	7.58%	0.19%
Expected average return for one year			7.04%
Expected geometric mean (30 years)			6.36%

The assumption used in the actuarial valuation (7.0%) is about equal to the average arithmetic return for one year, but higher than the expected geometric mean over 30 years. The geometric mean is lower than the arithmetic mean due to the expected volatility of investments. If the investments fail to achieve the assumed interest rate, future required contributions will increase.

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.

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Notes to Financial Statements, continued

5. Employee Benefits, continued

General Pension Plan Descriptions, continued

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

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.

Discount Rate: The discount rate used to measure the Ad Hoc COLA/SA was a municipal bond rate of 2.26% for the year ended September 30, 2022. 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.

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Notes to Financial Statements, continued

5. Employee Benefits, continued

General Pension Plan Descriptions, continued

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

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

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

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

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

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

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

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

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Notes to Financial Statements, continued

5. Employee Benefits, continued

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

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

Reporting date	September 30, 2022
Measurement date:	September 30, 2021
Valuation date:	September 30, 2020

Net pension liability as of September 30, 2022 for the aforementioned plans is as follows:

DB Plan	\$3,274,679
Ad hoc COLA/SA Plan for DB Participants	447,229
Ad hoc COLA Plan for DCRS Participants	<u>294,440</u>
	<u>\$4,016,348</u>

Proportionate share of net pension liability at September 30, 2022 for the aforementioned plans is as follows:

DB Plan	0.34%
Ad hoc COLA/SA Plan for DB Participants	0.15%
Ad hoc COLA Plan for DCRS Participants	0.42%

Pension expense for the year ended September 30, 2022 for the aforementioned Plans is as follows:

DB Plan	\$ 94,593
Ad hoc COLA/SA Plan for DB Participants	51,885
Ad hoc COLA Plan for DCRS Participants	<u>27,608</u>
	<u>\$174,086</u>

Guam Economic Development Authority
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Notes to Financial Statements, continued

5. Employee Benefits, continued

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

As of September 30, 2022, GEDA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	DB Plan		COLA/SA Plan for DB Participants		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	\$ 5,256	\$ (33,296)	\$ ---	\$ (6,213)	\$ 32,380	\$ (5,734)
Net difference between projected and actual earnings on pension plan investments	---	(395,579)	---	---	---	---
GEDA's contributions subsequent to the measurement date	612,638	---	32,714	---	10,000	---
Changes in assumption	---	---	12,186	(1,326)	59,805	(19,421)
Changes in proportion and difference between GEDA's contributions and proportionate share of contributions	36,669	(108,334)	37,369	(3,571)	72,165	(53,206)
	<u>\$ 654,563</u>	<u>\$ (537,209)</u>	<u>\$ 82,269</u>	<u>\$ (11,110)</u>	<u>\$ 174,350</u>	<u>\$ (78,361)</u>

Deferred outflows of resources at September 30, 2022 resulting from GEDA's employer contributions for the following plans is as follows:

DB Plan	\$612,638
Ad hoc COLA/SA Plan for DB Participants	32,714
Ad hoc COLA Plan for DCRS Participants	<u>10,000</u>
	<u>\$655,352</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:

2023	\$(50,619)
2024	(69,276)
2025	(125,374)
2026	(146,368)
2027	5,713
Thereafter	<u>15,074</u>
	<u>\$(370,850)</u>

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

Guam Economic Development Authority
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Notes to Financial Statements, continued

5. Employee Benefits, continued

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

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>\$4,134,712</u>	<u>\$3,274,679</u>	<u>\$2,209,500</u>

Ad Hoc COLA/SA for DB Participants

	1% Decrease <u>1.26%</u>	Current Discount <u>2.26%</u>	1% Increase <u>3.26%</u>
Total collective pension liability	<u>\$490,456</u>	<u>\$447,229</u>	<u>\$409,492</u>

Ad Hoc COLA for DCRS Participants

	1% Decrease <u>1.26%</u>	Current Discount <u>2.26%</u>	1% Increase <u>3.26%</u>
Total collective pension liability	<u>\$334,249</u>	<u>\$294,440</u>	<u>\$260,477</u>

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

Guam Economic Development Authority
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Notes to Financial Statements, continued

5. Employee Benefits, continued

DCRS

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

Statutory employer contributions into the DCRS for the year ended September 30, 2022 is 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 year ended September 30, 2022, contributions made and amounts accrued under the DCRS amounted to \$430,224.

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, 2022, GEDA has accrued an estimated liability of \$146,309, which is reported as a component of accrued compensated absences in the accompanying statement of net position. However, this amount is an estimate and actual payout could differ from those estimates.

Guam Economic Development Authority
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Notes to Financial Statements, continued

5. Employee Benefits, continued

Other Post-employment Benefit (OPEB) Plan

OPEB Plan Description

GovGuam, through its substantive commitment to provide other post-employment benefits (OPEB), maintains a single-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 ITC Building Suite 224, 590 South Marine Corps Drive, Tamuning, Guam 96913, or by visiting <https://da.doa.guam.gov/reports/guam-other-post-employment-benefits-opeb-reports/>.

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. GovGuam contributes a portion of the medical and dental premiums, based on a schedule of semi-monthly rates, and reimburses certain Medicare premiums to eligible retirees. Retirees may also pay a portion of the medical and dental insurance premiums, depending on the plan and coverage selected.

Guam Economic Development Authority
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Notes to Financial Statements, continued

5. Employee Benefits, continued

OPEB Plan, continued

OPEB Plan Description, continued

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

Inflation:	2.75%
Healthcare cost trend rate:	Non-Medicare and Medicare - 19% and 31%, respectively, for Year 1, 6% for Year 2-3 then reducing 0.25% annually to an ultimate rate of 4.25%. Part B 2.7% for Year 1 and 4.25% thereafter. Health care trend assumptions begin at current levels and grade down over a period of years to a lower level equal to some real rate plus inflation. The principal components of health trend are medical inflation, deductible erosion, cost shifting, utilization, technology, and catastrophic claims. The overall effect of these components are expected to decline year by year. Medical trend rates are applied to claims cost and retiree contributions, Medicare Part B and Medicare Part D reimbursements are assumed to be 4.25% per year..
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:	Head-count weighted PUB-2010 Table, set forward 4 years for males and 2 years for females, respectively, projected generationally using 50% of MP-2020.
Disabled retiree mortality rates:	PUB-2010 Disabled Retiree Amount Weighted mortality table set forward 4 years for males and 2 years for females, respectively, using 130% of the rates before age 80 and projected generationally from 2010 using 50% of mortality improvement scale MP-2020.

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Notes to Financial Statements, continued

5. Employee Benefits, continued

OPEB Plan, continued

OPEB Plan Description, continued

Discount Rate: The discount rate used to measure the total OPEB liability was 2.26% as of September 30, 2021. The projection of cash flows used to determine the discount rate assumed that contributions from GovGuam will be made in accordance with the plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments of current plan members. Therefore, the 2.26% tax-exempt, high quality municipal bond rate as of September 30, 2021 was applied to all periods to determine the total OPEB liability.

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, 2022
Measurement date:	September 30, 2021
Valuation date:	September 30, 2020

Total OPEB liability as of September 30, 2022 is \$6,281,833.

Proportionate share of collective total OPEB liability at September 30, 2022 is 0.23%.

OPEB expense for the years ended September 30, 2022 is \$624,612.

As of September 30, 2022, GEDA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
GEDA's contributions subsequent to the measurement date	\$ 76,229	\$ ---
Differences between expected and actual experience	547,401	(333,680)
Changes in assumption	733,439	(883,253)
Changes in proportion and difference between the GEDA's contributions and proportionate share of contributions	<u>1,789,142</u>	<u>(272,456)</u>
	<u>\$ 3,146,211</u>	<u>\$(1,489,389)</u>

Guam Economic Development Authority
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Notes to Financial Statements, continued

5. Employee Benefits, continued

OPEB Plan, continued

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

Deferred outflows of resources at September 30, 2022 resulting from GEDA's employer contributions totaled \$76,229.

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

2023	\$ 160,814
2024	430,632
2025	585,048
2026	329,887
2027	<u>74,212</u>
	<u>\$1,580,593</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:

	<u>1% Decrease</u> <u>1.26%</u>	<u>Current Discount</u> <u>2.26%</u>	<u>1% Increase</u> <u>3.26%</u>
Total OPEB liability	<u>\$7,223,348</u>	<u>\$6,281,833</u>	<u>\$5,205,637</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>\$5,049,781</u>	<u>\$6,281,833</u>	<u>\$7,474,534</u>

Guam Economic Development Authority
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Notes to Financial Statements, continued

6. Leases

Lease of Industrial Parks

Effective June 15, 2021, 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.

Pursuant to its enabling legislation under Public Law 8-80 and later amended by Public Law 26-76, the GEDA is a lessee of the Government of Guam and in turn, subleases these properties to: (1) promote industry and economic development for Guam and (2) utilize the sublease revenues to fund its operations in fulfillment of its mission described in its enabling legislation.

GEDA, as a lessor, recognizes a lease receivable and deferred inflow of resources at the commencement of the lease term, with exceptions for short-term leases. As a lessor, the asset underlying the lease is not derecognized. The lease receivable is measured as the present value of the lease payments expected to be received during the lease term. The deferred inflow of resources is measured at the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relate to the future periods.

GEDA leases industrial parks from the Government of Guam for an annual rent of \$1 with terms expiring in 2065. GEDA subleases space to various commercial tenants under agreements that call for advance rental payments of one month's to one year's rent. Majority of the subleases have various terms of "initial term" and "optional terms". Initial terms vary from 10-20 years with several optional terms of 5-10 years each.

GEDA has adopted policies to assist in determining lease treatment in accordance with the requirements of GASB Statement No. 87, which include the following: (1) maximum possible lease term is non-cancelable by both lessee and lessor and is more than 12 months and (2) the terms of the lease will include possible extension periods that are deemed to be reasonably certain given all available information, regarding the likelihood of renewal.

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Notes to Financial Statements, continued

6. Leases, continued

Future minimum payments that are included in the measurement of the lease receivable as of September 30, 2022 are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 694,564	\$ 478,303	\$ 1,172,867
2024	612,458	468,830	1,081,288
2025	620,845	459,225	1,080,070
2026	618,021	449,451	1,067,472
2027	607,836	439,529	1,047,365
2028 - 2032	3,064,875	2,046,358	5,111,233
2033 - 2037	3,155,659	1,780,131	4,935,790
2038 - 2042	3,483,848	1,495,986	4,979,834
2043 - 2047	3,847,756	1,180,621	5,028,377
2048 - 2052	4,252,208	831,534	5,083,742
2053 - 2057	4,221,260	299,506	4,520,766
2058 - 2062	2,864,955	266,902	3,131,857
2063 - 2065	<u>314,621</u>	<u>6,856</u>	<u>321,477</u>
	<u>\$28,358,906</u>	<u>\$10,203,232</u>	<u>\$38,562,138</u>

Office Space Lease Agreement with Fujita Properties, Inc.

GEDA has an operating lease for office space which expires on February 28, 2024. Their lease agreement contain renewal option and rental amount is subject to escalation.

Future minimum payments that are included in the measurement of the lease liability as of September 30, 2022 are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$405,188	\$723	\$405,911
2024	<u>175,708</u>	<u>80</u>	<u>175,788</u>
	<u>\$580,896</u>	<u>\$803</u>	<u>\$581,699</u>

The carrying amounts of GEDA's lease assets, net and lease liability are as follows:

	<u>Sept 30, 2022</u>	<u>Oct 1, 2022</u>
Lease assets, net	\$474,315	\$948,730
Lease liability	\$580,896	\$948,730

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Notes to Financial Statements, continued

6. Leases, continued,

Sublease Agreements with Guam Housing Corporation and Professional Engineers, Architects and Land Surveyors

GEDA has an operating lease for office space which shall expire on February 28, 2024. 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. GHC extended the lease term for a one-year period and shall expire on February 28, 2024.

Concurrently, GEDA and Professional Engineers, Architects and Land Surveyors (PEALS), a Government of Guam agency, entered into a MOU in which GEDA provided a portion of office space for use by PEALS. On a monthly basis, PEALS provides the lease payment to GEDA for their portion of the office space. PEALS extended their lease term, which shall expire on May 31, 2026.

7. Commitments

Contract Commitments

GEDA has one professional services contract expiring on February 28, 2024 which requires monthly payments of \$8,100. As of September 30, 2022, annual commitment for the years ending September 30, 2023 and 2024 are \$97,200 and \$40,500, respectively.

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 year ended September 30, 2022, GEDA earned related commission income of \$205,914. At September 30, 2022, the collected rent net of commissions withheld payable to GALC amounted to \$120,423.

Guam Economic Development Authority
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Notes to Financial Statements, continued

8. Related Party Transactions, continued

GovGuam and Others, continued

Additionally, in accordance with ground lease agreements, certain lessees are required, upon execution of the lease agreements, to remit a security deposit to GEDA on behalf of the GALC. As of September 30, 2022, 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 \$159,674 as of September 30, 2022.

9. Other receivables

Other receivables for the year ended September 30, 2022 consist of the following:

Reimbursement costs receivables	\$2,200,886
Tobacco settlement receivable	1,119,000
QC receivable	600,000
Lease receivable	<u>320,726</u>
Total	4,240,612
Less allowance for doubtful receivables	(<u>28,896</u>)
	<u>\$4,211,716</u>

Guam Economic Development Authority
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Notes to Financial Statements, continued

10. Contingencies

Tobacco Settlement Bonds Reserve Fund Agreement

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

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

Claims and Litigation

GEDA is involved in various 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
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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 year ended September 30, 2022, GEDA had incurred administrative costs of \$365,577.

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, 2022, outstanding loans under the guaranty program had total principal balances of \$6,143,346. At September 30, 2022, three loans amounting to \$364,720 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
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Schedule 1
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability

Defined Benefit Plan
(Unaudited)

Last 10 Fiscal Years*

	<u>2022</u>	<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	\$ 3,274,679	\$ 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	0.34%	0.35%	0.34%	0.36%	0.36%	0.36%	0.34%	0.34%	0.35%
GEDA's covered payroll	\$ 1,859,080	\$ 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	176.15%	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	70.14%	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>2022</u>	<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	\$ 428,808	\$ 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>612,638</u>	<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>183,830</u>	\$ <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>2,096,188</u>	\$ <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	29.23%	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 Proportionate Share of the Collective Total Pension Liability

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

Last 10 Fiscal Years*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
GEDA's proportionate share of the collective total pension liability	\$ 447,229	\$ 434,615	\$ 384,125	\$ 382,043	\$ 373,321	\$ 293,970	\$ 295,035
GEDA's proportion of the collective total pension liability	0.15%	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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contributions	\$ 32,713	\$ 32,714	\$ 32,714	\$ 30,713	\$ 30,713	\$ 30,713
Contribution in relation to the contractually required contribution	<u>32,714</u>	<u>32,714</u>	<u>32,714</u>	<u>30,714</u>	<u>30,713</u>	<u>30,713</u>
Contribution (deficiency) excess	\$(<u>1</u>)	\$ <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 Proportionate Share of the Collective Total Pension Liability

Ad Hoc COLA Plan for DCRS Participants
(Unaudited)

Last 10 Fiscal Years*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
GEDA's proportionate share of the collective total pension liability	\$ 294,440	\$ 292,199	\$ 194,852	\$ 157,980	\$ 227,626	\$ 260,379	\$ 295,035
GEDA's proportion of the collective total pension liability	0.15%	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 6
Required Supplementary Information
Schedule of Contributions

Ad Hoc COLA Plan for DCRS Participants
(Unaudited)

Last 10 Fiscal Years*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contributions	\$ 10,000	\$ 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>10,000</u>	<u>8,000</u>	<u>8,000</u>	<u>8,000</u>
Contribution (deficiency) excess	\$ <u>---</u>	\$ <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 Proportionate Share of the Collective Total Other Postemployment Benefit Liability
(Unaudited)

Last 10 Fiscal Years*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
GEDA's proportionate share of the collective total pension liability	\$ 6,281,833	\$ 5,383,156	\$ 3,169,860	\$ 2,250,969	\$ 2,250,969
GEDA's proportion of the collective total pension liability	0.23%	0.21%	0.12%	0.12%	0.16%

*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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contributions	\$ 76,229	\$ 67,709	\$ 78,790	\$ 74,358	\$ 107,929	\$ 90,484
Contribution in relation to the contractually required contribution	<u>76,229</u>	<u>67,709</u>	<u>78,790</u>	<u>74,358</u>	<u>107,929</u>	<u>90,484</u>
Contribution (deficiency) excess	<u>\$ ---</u>	<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 2021 actuarial valuation reflected an assumption related to administrative expenses to decrease to \$6,565,000 per year.

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)

Divisional Schedules of Net Position

September 30, 2022

	GEDA	SSBCI	TSA	ADF
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,932,491	\$ 1,989,686	\$ 150,445	\$ 39,934
Cash and cash equivalents-restricted	---	2,674,502	3,467,605	---
Investments	4,311,185	8,848,319	---	1,122,734
Due from trust funds administered by GEDA:				
Agricultural Development Fund	94,652	---	---	(776)
Guam Development Fund Act	390,906	---	---	1,365
State Small Business Credit Initiative	278,772	(80,776)	---	---
GEDA	776	(197,996)	---	(93,477)
Current portion of lease receivable	694,564	---	---	---
Notes and accrued interest receivable, net	90	---	---	76,135
Other receivables, net	3,092,716	---	1,119,000	---
Other	7,706	---	---	---
Total current assets	<u>10,803,858</u>	<u>13,233,735</u>	<u>4,737,050</u>	<u>1,145,915</u>
Equity investment	3,500	---	---	---
Lease receivable	27,664,342	---	---	---
Capital assets, net	897,021	---	---	---
Total assets	<u>39,368,721</u>	<u>13,233,735</u>	<u>4,737,050</u>	<u>1,145,915</u>
Deferred outflows of resources				
Other post-employment benefits	3,146,211	---	---	---
Pension	911,182	---	---	---
	<u>4,057,393</u>	<u>---</u>	<u>---</u>	<u>---</u>
	<u>43,426,114</u>	<u>13,233,735</u>	<u>4,737,050</u>	<u>1,145,915</u>
Liabilities				
Current liabilities:				
Current portion of bonds payable	---	---	1,590,000	---
Accounts payable	1,089,679	---	---	---
Accrued liabilities	350,400	32,452	(74,837)	2,896
Interest payable	---	---	428,975	---
Unearned rental income	106,885	---	---	---
Current portion of lease liability	405,188	---	---	---
Other liabilities	74,999	---	---	---
Total current liabilities	<u>2,027,151</u>	<u>32,452</u>	<u>1,944,138</u>	<u>2,896</u>
Non-current liabilities:				
Bonds payable, net of current portion and discount	---	---	31,120,284	---
Lease liability	175,708	---	---	---
DCRS sick leave liability	185,481	---	---	---
Deposits	18,322	---	---	---
Deposits due to GALC	77,410	---	---	---
Net pension liability	4,016,348	---	---	---
Other post-employment benefits liability	6,281,833	---	---	---
Total non-current liabilities	<u>10,755,102</u>	<u>---</u>	<u>31,120,284</u>	<u>---</u>
Total liabilities	<u>12,782,253</u>	<u>32,452</u>	<u>33,064,422</u>	<u>2,896</u>
Deferred inflows of resources				
Leases	28,192,078	---	---	---
Other post-employment benefits	1,489,389	---	---	---
Pension	626,680	---	---	---
	<u>30,308,147</u>	<u>---</u>	<u>---</u>	<u>---</u>
Net position				
Investment in capital assets	897,021	---	---	---
Restricted				
Debt services	---	---	4,586,605	---
Loan guarantees	---	2,674,502	---	---
Unrestricted	(561,307)	10,526,781	(32,913,977)	1,143,019
Total net position	<u>\$ 335,714</u>	<u>\$ 13,201,283</u>	<u>\$(28,327,372)</u>	<u>\$ 1,143,019</u>

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

Divisional Schedules of Revenues, Expenses and Changes in Net Position

Year ended September 30, 2022

	GEDA	SSBCI	TSA	ADF
Operating revenues:				
Operating grants	\$ 5,392,245	\$ ---	\$ ---	\$ ---
Tobacco Settlement revenue	---	---	2,674,948	---
Qualifying certificate application	1,464,822	---	---	---
Bond fees earned	1,111,828	---	---	---
Rental Income	892,375	---	---	---
GALC lease commission	207,058	---	---	---
Others	1,075	29,700	---	---
Total operating revenues	9,069,403	29,700	2,674,948	---
Operating expenses:				
Legal and professional services	2,664,934	11,575	41,004	7,916
Salaries and benefits	2,299,398	222,400	---	1,722
Grants expense	890,889	---	---	---
Office space and equipment rent	390,969	17,736	---	21,781
Miscellaneous	95,109	113,866	6,598	11,606
Travel	131,411	---	20,226	---
Advertising and promotions	53,426	---	---	---
Depreciation and amortization	25,760	---	---	---
Supplies	7,725	---	---	---
Insurance	3,287	---	---	---
Utilities, telephone and communication	2,975	---	---	---
Repairs and maintenance	1,657	---	---	---
Total operating expenses	6,567,540	365,577	67,828	43,025
Net operating income (loss)	2,501,863	(335,877)	2,607,120	(43,025)
Nonoperating revenues (expenses):				
Grants revenue	585,295	---	---	---
Interest income - leases	417,822	---	---	---
Investment income	121,696	92,626	10,990	30,761
Other (expense) income, net	(689,348)	---	38,004	---
Interest income (expense), net	(1,141)	118,630	(2,012,643)	701
Net decrease in the fair value of investments	(922,863)	(1,997,862)	---	(273,173)
Nonoperating (expenses) income, net	(488,539)	(1,786,606)	(1,963,649)	(241,711)
Change in net position	2,013,324	(2,122,483)	643,471	(284,736)
Net position at beginning of year	(1,677,610)	15,323,766	(28,970,843)	1,427,755
Net position at end of year	\$ 335,714	\$ 13,201,283	\$(28,327,372)	\$ 1,143,019

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

Divisional Schedules of Cash Flows

Year ended September 30, 2022

	GEDA	SSBCI	TSA	ADF
Cash flows from operating activities:				
Cash received from operating grants and contracts	\$ 6,857,067	\$ 110,476	\$ ---	\$ ---
Cash received from tobacco settlement and customers	1,422,222	117,377	1,593,952	32,763
Cash paid on grants and contracts	(2,883,288)	---	---	---
Cash paid to suppliers for goods and services	(2,190,586)	(130,215)	(65,533)	(41,182)
Cash paid to employees for services	(2,097,704)	(222,400)	---	(1,722)
Net cash provided by (used in) operating activities	1,107,711	(124,762)	1,528,419	(10,141)
Cash flows from investing activities:				
Interest and investment income (expense)	(801,167)	(1,905,236)	10,990	(242,412)
Rollover of interest into investment	801,167	1,905,236	---	242,412
(Purchases) proceeds from maturity of investment securities, net	(605,104)	398,708	---	22,340
Net cash (used in) provided by investing activities	(605,104)	398,708	10,990	22,340
Cash flows from capital and related financing activities:				
Purchase of capital assets	(94,062)	---	---	---
Cash used in capital and related financial activities	(94,062)	---	---	---
Cash flows from noncapital financing activities:				
Grants received from Government of Guam	585,295	---	---	---
Repayment of bond payable	---	---	(215,000)	---
Net interest (paid) received on deposit accounts and bonds payable	(1,141)	118,630	(1,297,950)	701
Net cash provided by (used in) noncapital financing activities	584,154	118,630	(1,512,950)	701
Net change in cash and cash equivalents	992,699	392,576	26,459	12,900
Cash and cash equivalents at beginning of year	939,792	4,271,612	3,591,591	27,034
Cash and cash equivalents at end of year	\$ 1,932,491	\$ 4,664,188	\$ 3,618,050	\$ 39,934
Reconciliation of cash and cash equivalents to the statement of net position:				
Current assets:				
Cash and cash equivalents	\$ 1,932,491	\$ 1,989,686	\$ 150,445	\$ 39,934
Cash and cash equivalents - restricted	---	2,674,502	3,467,605	---
	\$ 1,932,491	\$ 4,664,188	\$ 3,618,050	\$ 39,934
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 2,501,863	\$(335,877)	\$ 2,607,120	\$(43,025)
Other (expenses) income, net	(689,348)	---	38,004	---
Interest on leases	417,822	---	---	---
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Noncash pension cost	174,086	---	---	---
Noncash other post employment cost	624,612	---	---	---
Depreciation and amortization	25,760	---	---	---
(Increase) decrease in assets:				
Due from fiduciary fund	(432,705)	117,377	---	(12,227)
Other receivables	(1,911,780)	80,776	(1,119,000)	---
Notes and accrued interest receivable, net	---	---	---	(48,487)
Prepaid expenses	---	---	---	93,477
Lease receivable	(166,828)	---	---	---
Increase (decrease) in liabilities:				
Accounts payable	1,006,693	---	---	(2,775)
Accrued liabilities	47,633	12,962	2,295	2,896
Unearned rental income	326	---	---	---
DCRS sick leave liability	48,589	---	---	---
Lease liability	106,581	---	---	---
Net pension liability	(571,863)	---	---	---
Collective other post-employment liability	(73,730)	---	---	---
Net cash provided by (used in) operating activities	\$ 1,107,711	\$(124,762)	\$ 1,528,419	\$(10,141)

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

Schedule of Salaries and Wages (including the Fiduciary Fund)

Year ended September 30, 2022

Salaries and wages:		
Salaries	\$	2,220,289
Benefits		<u>569,897</u>
Total salaries and wages	\$	<u>2,790,186</u>
Employees at end of year		51

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 (*Government Auditing Standards*), the financial statements of the Guam Economic Development Authority (GEDA), which comprise the statement of net position as of September 30, 2022, and the related statement of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes (collectively referred to as the “financial statements”), and have issued our report thereon dated August 31, 2023.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of GEDA’s internal control. Accordingly, we do not express an opinion on the effectiveness of GEDA’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control described in the accompanying schedule of findings and responses as items 2022-001 and 2022-002 that we consider to be a significant deficiencies.

Report on 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 financial statements. 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*.

GEDA's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on GEDA's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. GEDA's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

August 31, 2023

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

Schedule of Findings and Responses

Year ended September 30, 2022

Finding No. 2022-001

Area: Implementation of the Governmental Accounting Standards Board (GASB) Codification (Cod.) L20, *Leases*

Criteria:

GASB Cod. L20.144 states that the lessor should measure the lease receivable at the present value of lease payments expected to be received during the lease term. Measurement of the lease receivable should include the following, if required by lease: (1) fixed payments and (2) variable payments that depend on index or rate (e.g. rate escalation). Further, L20.153 states that the deferred inflow of resources shall be measured based on the initial measurement of lease receivable.

Condition:

The calculation of lease receivable and deferred inflow of resources did not consider the impact of (1) rate escalation and (2) discount rate appropriate to the remaining lease term. Revised lease amortization worksheet and trial balance were provided to correct these errors.

Cause:

Management did not obtain adequate training on the aforementioned provisions of GASB L20, *Leases*.

Effect or potential effect:

Lease receivables and deferred inflow of resources may be misstated in the financial statements.

Recommendation:

We recommend the management to consider undergoing additional training to understand the aforementioned provisions of the standard.

Views of responsible officials:

We have noted the findings raised by the audit team regarding the calculation of lease receivable and deferred inflow of resources. However, we would like to clarify our position on the matter.

Regarding the application of GASB Statement No. 87, we have been careful in our efforts to adhere to the provisions of the statement. Our calculations were based on our understanding and interpretation of the standards and best possible approach available at the time of reporting.

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

Schedule of Findings and Responses, continued

Views of responsible officials, continued:

Action Plan:

Further Analysis: We believe it would be beneficial to undertake further review on this matter. We will look into a third party who specializes in GASB standards to provide an expert review of our calculations and procedures related to the lease receivables and deferred inflows of resources. This will help us determine the validity of the audit finding.

Review of Training: Concurrently, we will assess the skill set and training of our accounting personnel in relation to the GASB standards. While we have faith in the competency of our team, we are open to providing future training and learning opportunities, if necessary.

Internal Controls Review: As a routine practice, we will continue reviewing our internal controls and procedures to ensure they are in alignment with the industry standards.

Monitoring: We are committed to monitoring our financial statements, to ensure that any potential discrepancies would be identified and resolved in a timely manner.

We look forward to the completion of these steps and believe that they will provide a resolution to the findings made by the audit team. We value their efforts in bringing this matter to our attention and aim to use this as an opportunity for further improving our processes.

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

Schedule of Findings and Responses, continued

Finding No. 2022-002

Area: Recognition of Grant Revenues

Criteria:

GASB Cod. N50.127(d) states that recipients of grants considered voluntary nonexchange transactions should recognize revenues in the period when all applicable eligibility requirements have been met and the resources are available.

Condition:

At September 30, 2022, grant revenues were included related to eligible expenditures incurred for the Guam Small Business Pandemic Assistance Grant Program in FY2021 which amounted to approximately \$60 thousand.

Cause:

GEDA did not obtain sufficient clarification on its arrangement to administer the aforementioned programs to determine the appropriate timing for the recognition of grant revenues.

Effect or potential effect:

Revenues from voluntary non-exchange transactions may be recorded in the incorrect period.

Recommendation:

We recommend the management to ensure controls are in place to timely record of grant revenues in accordance with applicable GASB Codification.

Views of responsible officials:

GEDA will work closely with our granting agency and have a Memorandum of Understanding in place to document all terms of the grant requirements and GEDA's role in accurately recording grant transactions. We are also actively working to enhance our procedures and controls to ensure the prompt recognition of grant revenues in a more effective and timely manner.