

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

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**FINANCIAL STATEMENTS,  
ADDITIONAL INFORMATION AND  
INDEPENDENT AUDITORS' REPORT**

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**YEARS ENDED SEPTEMBER 30, 2015 AND 2014  
(AS RESTATED)**

**GUAM ECONOMIC DEVELOPMENT AUTHORITY  
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Deloitte & Touche LLP  
361 South Marine Corps Drive  
Tamuning, GU 96913-3911  
USA

Tel: (671)646-3884  
Fax: (671)649-4932  
[www.deloitte.com](http://www.deloitte.com)

## **Independent Auditors' Report**

The Board of Directors  
Guam Economic Development Authority:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Guam Economic Development Authority (the Authority), a component unit of the Government of Guam, which comprise the statements of net position as of September 30, 2015 and 2014, and the related statements of revenues, expenses, and changes in net position and of cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Guam Economic Development Authority as of September 30, 2015 and 2014, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of a Matter**

As discussed in Note 1 to the financial statements, in 2015, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. As a result of adopting these standards, the Authority has elected to restate its 2014 financial statements to reflect the adoption of these standards. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 16 as well as the Schedule of Funding Progress and Actuarial Accrued Liability-Post Employment Benefits Other than Pension on page 43, the Schedule of Proportional Share of the Net Pension Liability on page 44, and the Schedule of Pension Contributions on page 45, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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 and Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental divisional information on pages 17 through 19, the supplemental schedule of salaries and wages on page 46 and the supplemental comparative divisional schedules on pages 47 through 49 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2016, on our consideration of the Authority'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 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 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 the Authority's internal control over financial reporting and compliance.

*Deloitte & Touche LLP*

April 20, 2016

**GUAM ECONOMIC DEVELOPMENT AUTHORITY  
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Management's Discussion and Analysis  
Years Ended September 30, 2015 and 2014

**PREFACE**

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

As a public corporation (12GCA Chapter 50), GEDA has broad responsibility for 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 focused on key areas, serving as central financial manager for the Government of Guam (GovGuam), assisting local enterprise while promoting investments of entrepreneurial capital in Guam, along with an internal focus on program compliance, process improvement measures and leveraging limited resources. With that, the accomplishments and strides achieved have been milestones for both GEDA and Guam overall. Following are highlights of those milestones, overcoming great challenges and a vision to realize great opportunities for the sustainable growth of the island's economy.

**ASSISTING LOCAL ENTERPRISE/PROMOTING INVESTMENTS**

Developing Guam's economy by supporting local enterprise and attracting new investments through incentive programs and industry diversification efforts has been a top priority for GEDA. The following are highlights of projects and promotions over this past year:

**BUSINESS DEVELOPMENT DIVISION (BDD)**

**Economic Development Trade Missions**

The Business Development Division assisted in the promotion of the Administration's Economic Development Initiatives by coordinating, attending and fielding follow up inquires for the following Trade Missions:

- Select USA, Washington DC – March 23 to 26, 2015
- Seoul, Korea – April 6 to 9, 2015
- Manila, Philippines – June 17 to 20, 2015
- Shanghai, China – October 13 to 16, 2015
- Taipei, Taiwan / HongKong – November 6 to 9, 2015

The trade missions have resulted in a airline company entering the Guam market, new housing and hotel developments projects, numerous interest and bids for renewable energy projects with Guam Power Authority, interest in agriculture and farming initiatives and tourism related services.

**Qualifying Certificates (QC) Program**

The Legislature recognizes that the Qualifying Certificate program of the Guam Economic Development Authority was conceived as an economic incentive tool to entice investors into Guam. In use for over four (4) decades, it has had substantial positive impact upon the economic development of the territory, mainly in the tourist industry.

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In order to help develop industries on Guam, GEDA has been tasked with managing a Tax Qualifying Certificate Program (QC). In order to improve the program and make it more relevant to new investors, GEDA started revising the program in 2014 after using the master program for 49 years. In December 2014 legislation was created to establish the Special Hotel QC, which addressed the need for additional hotel rooms. GEDA recognizes that each industry has unique needs and community benefits. With this, it is GEDA's intent to continue to redraft the QC program with industry specific QCs comprised of incentives and community benefits appropriate for the specific industry.

**Guam Product Seal Program**

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

Each year GEDA hosts the "Made in Guam" Product Fair and in 2015 it was held on the Saturday, November 28, the day after Black Friday, at The Guam Premier Outlet food court. It was estimated that over a thousand mall customers visited the food court that day. Over 30 GPS members participated in the all-day affair. To support the marketing of the fair, a 30 second TV commercial was created and aired on various local stations and on social media.

At the end of 2015, GEDA issued 73 Guam Product Seal Certificates covering a range of products from snacks foods, souvenir items, clothing and art. GEDA will continue to drive membership by seeking out companies that manufacture locally. The Made in Guam Product Fair for 2016 will again take place the day after Black Friday. The location is yet to be determined.

**Film Industry – The Development of a Film Commission**

On January 4, 2012, Governor Calvo signed into law P.L. 343-31 establishing the Guam Film Office within GEDA. GEDA has been mandated to develop and organize Guam's Film Industry overseeing all film, video and photographic projects and activities on Guam. GEDA is in the process of establishing the Rules & Regulations for the Guam Film Office and will have it completed before the end of 2016.

**Imagine Guam Program**

GEDA continues to play an important role in supporting the Imagine Guam program. By the time of this writing, the last of three conventions would have been held to solicit input from the community on what Guam could be in year 2065. These gatherings are to refine the values that will drive Guam and its development for the next 50 years. A Comprehensive Master Plan will be developed and presented to the Governor in 2016.

**International Economic Development Council (IEDC)**

GEDA will attend the IEDC 2016 Annual Conference in Cleveland, Ohio from September 25-28. The conference will showcase how economic developers are shaping communities that emerge stronger and more resilient.

The IEDC is a non-profit membership organization serving economic developers. In 2015 the membership grew to over 4,500 members and is the largest organization of its kind. GEDA will register its membership in 2016.

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**Community Outreach and Marketing Program**

BDD has participated and continues to participate in numerous business associations and activities as part of our marketing and education outreach program. The Guam Chamber of Commerce, Guam Society of Realtor, various Rotary Organizations, Health Insurance forums are to name a few. BDD will also become more involved with the Guam Chamber of Commerce and other business chambers and associations in 2016.

**PUBLIC FINANCE DIVISION**

Mandated to serve as the Central Financial Manager for the Government of Guam, GEDA assists with, coordinates and monitors Financial Advisory Services, Capital Financing, Debt Management and access to the Capital Markets. Accomplishments in FY2015 include the following:

**The Industrial Development Authority of the City of Phoenix, Arizona Lease Revenue Bonds (Guam Facilities Foundation, Inc. Project), Series 2014 (November 2014).** GEDA provided key information on Guam's economic position for this bond as the Government of Guam is leasing the project site and facilities under an amended and restated lease purchase agreement, with Core Tech International Corporation (Core Tech) as lessor. The Phoenix IDA bonds were not issued by Guam but were structured within Coretech and their affiliates. This IDA bond is not a liability of GovGuam.

**Government of Guam BPT Bonds Series 2015 D (September 2015)**

GEDA assisted the Government of Guam who successfully sold the Business Privilege Tax (BPT), Series 2015D Bonds. The \$412.5 million bond issue is the largest ever sold by Guam with the final pricing achieving an all-time low interest rate for long-term Guam bonds of 4.02%. Investor demand for the issue was very strong, with orders exceeding the amount offered by over two times. Over 50 different investors participated in the sale.

The BPT Series 2015D Bonds refunded all of the 2007 General Obligation (GO) Bonds and all of the callable 2009 GO Bonds. The BPT Bonds were rated "A" by Standard and Poor's and "A-" by Fitch Ratings, both with a stable outlook.

**Rating Agency Activity**

GEDA assists with and facilitates meetings with bond rating agencies on an annual basis to provide updates on Guam's economy and its financial picture. These meetings involve hours of work with the financial analysts, obtaining the latest on the economic landscape and then providing a report that is indicative of the agencies performance. Over the past year, the following agencies were evaluated and all ratings were either affirmed or upgraded. Below are the details.

- Government of Guam General Obligation Bonds: S&P reaffirmed the rating at BB- with a Stable outlook (11/24/14).
- Limited Obligation (Section 30) Bonds: S&P reaffirmed the rating at an investment grade of BBB+, Stable (11/24/14)
- Hotel Occupancy Tax Revenue Bonds: S&P upgraded these bonds to A- with a Stable outlook (11/24/14)
- Business Privilege Bonds Series A, B & C: S&P reaffirmed at an investment grade A with a Stable outlook (8/20/15); Fitch reaffirmed its A- rating with a Stable outlook
- Guam Power Authority Bonds: S&P at BBB with a Stable outlook (10/2/15), Fitch rating at BBB- with a Stable outlook (9/30/15) and Moody's upgraded with a Baa2 with a Stable outlook (9/15/15). Fitch conducted a Guam site visit, August 2015.



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- Guam Waterworks Authority (GWA): S&P reaffirmed the GWA bonds at A-, stable outlook (7/14/14); Fitch upgraded GWA to BBB- with a Positive outlook and Moody's also upgraded the bonds to Baa2 with a Stable outlook. Stronger financial performance by GWA over the past 3 years attributed to the upgrades.

**Bond Disclosure Services (2015)**

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

- 2007 Guam Economic Development Authority Tobacco Settlement Asset-Backed Bonds – 2014 Bond Information Report, GEDA's FY 2014 audited financial statement;
- 2009 General Obligation Bonds - 2014 Bond Information Report, GovGuam FY2014 audited financial statement;
- 2009 Limited Obligation (Section 30) Bonds - 2014 Bond Information Report;
- 2010 Certificate of Participation's (John F. Kennedy project) - 2014 Bond Information Report, GovGuam FY2013 audited financial statement;
- 2011 Government of Guam Hotel Occupancy Tax Revenue Bonds – 2014 Bond Information Report, GovGuam FY2013 audited financial statement;
- 2011, 2012, 2013 Government of Guam Business Privilege Tax Bonds - 2014 Bond Information Report.

**Private Activity Bond Program**

Private Activity Bonds (PAB's) 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 Private Activity Bonds, 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 years.

2016 carry-over volume cap in the amount of approximately \$245,778,563.09 will be available during the year for any of the designated types of bonds.

**REAL PROPERTY**

GEDA manages three industrial parks: the E.T. Calvo Memorial Park, the Harmon Industrial Park and a small portion of Port Authority of Guam property generating an average of about 700 to 1,000 jobs annually, \$41.0 million in payroll, over \$130 million in gross sales and over \$6.0 million in GRT. In an effort to generate additional revenues for GEDA as a result of losing major properties within the Port Authority of Guam (equating to \$500K per year) and the Guam Shipyard Sublease in FY 2013 (equating to \$132K per year), GEDA purchased certain improvements which are situated within the E.T. Calvo Memorial Park at a combined cost of \$500,000. As a result of this purchase, GEDA sees annual lease rents collected at approximately \$110,000, well above the previous lease arrangements whereby the Authority collected only \$68,000 per annum from these two subleases.

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In seeking additional opportunities to recapture downward trending operational revenues by leveraging GEDA's real property management program, GEDA engaged in a management Memorandum of Understanding with the Guam Ancestral Lands Commission (GALC), to manage leases on the Spanish Crown properties. For the period October 2007 to September 2015, GEDA collected over \$3.9 million in ground lease rents and participation rents of which over \$3.3 million was remitted to GALC while the difference was retained by GEDA as provided for in the MOU.

The Authority also executed an MOU with the Chamorro Land Trust Commission (CLTC) which was approved by the Governor on April 24, 2013 for general consultancy and property management services for commercial land leases which could potentially generate over \$300K in management fees for GEDA annually if properties identified for commercial use are realized by CLTC and the Legislature. Overall, Industrial Parks along with GEDA's share of GALC leases revenues generate approximately \$1.3 million per year for the Authority's operating revenues.

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

As of the end of calendar year 2015, GEDA has completed nearly all of the projects listed to include the restoration of the Plaza De Espana and the Inarajan Community Center, construction of the Farmers' and Dededo Flea Market Facility, restoration of numerous public parks, scenic and informational signs and new village monuments around the island, renovation of the Mangilao Public Market, renovation of the Hagatna Swimming Pool and Tennis facility and over 90% of the Guam Museum. The other remaining projects anticipated for completion before the conclusion of 2016 include new Pedestrian Safety features in Hagatna and Tumon, restoration of the Malesso Bell Tower and Magellan Monument, completion of the Hagatna Master Plan, lighting improvements at Ypao Park and mitigation of flooding in Tumon. 2017 will see completion of improvements to the Fisherman's Cooperative facility along with reinforcement of the seawall at Paseo.

In August of 2014, a Memorandum of Agreement was executed between GEDA and the Office of the Governor in which GEDA procured the services of a Consultant, Matrix Design Group, to conduct various studies associated with the military relocation to Guam. These studies included: an assessment of GovGuam assistance with regard to the relocation of US Marine Corps elements from Okinawa to Guam, development of a conceptual programmatic design of a Guam Cultural Repository Plan, a Mitigation plan for GovGuam Public Services in response to the US Marine Corps relocation to Guam and analyzing and those investments needed in Guam's water and wastewater infrastructure to support the realignment of US military forces to Guam. These studies are required by the Office of the Governor and the Department of Defense. Upon completion of these studies by Matrix in 2015, GEDA was able to realize \$109K as GEDA's management fee. The preparation of these reports allowed the Office of the Governor and the Department of Defense in satisfying the requirements of Section 2822(d) of the 2014 National Defense Authorization Act (NDAA) which directs the convening of the Economic Adjustment Committee (EAC) to consider all assistance necessary to support the preferred alternative for the relocation of Marine Corps forces to Guam.

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With the above reports completed and submitted by Matrix, the EAC was able to submit its report to Congress. This resulted in subsequent release of Japanese Government and Federal monies to support the relocation of US Marine Corps elements to Guam. This in turn meant further economic expansion for Guam in terms of construction opportunities with regard to infrastructure and facility upgrades and new construction on island.

**COMMERCE AND ECONOMIC**

The Commerce and Economic Development Division (CED), was established in the mid-part of 2013 as the newest division within GEDA. It was created to enhance GEDA's ability to conduct general economic research and financial analysis. The primary mission of this unit is to respond to public inquiry concerning economic development initiatives for the territory of Guam, provide data collection for policy assessment, compile and disseminate investment related statistics and various metrics to gauge regional and local industry development, technical assistance and collateral research support as requested by government agencies and business entities. This encompasses a number of functions and activities initiated or supported by the division to include:

- Revenue forecasting using the Prevailing Economic Variables (PEV) model
- Data repository and mining activities
- Comprehensive economic development planning, including a review of existing Government of Guam master plans to support the Imagine Guam program established by Executive Order 2014-13 and creation of a regional economic scorecard
- Industry-specific research to improve the Qualifying Certificate program as per Public Law 32-233
- Economic analysis on large-scale projects (i.e. medical marijuana, hotel industry, Chamorro Land Trust Commission commercial lease program, Gef Pa'go, interisland high speed ferry and alternative means of transportation, and the shipping industry)
- Review and input on social and economic studies and reports for Guam
- Fiscal policy and stabilization assessment
- Input on proposed legislation on business and economic matters
- Provide input and technical staff to support the GMHA's Hospital Management Advisory Team (HMAT)
- Compile an annual "Economic Indicator" booklet providing select statistics and data to gauge where the economy is headed
- Prepare a grant application package for the U.S. Department of Commerce, Economic Development Administration's Planning and Local Technical Assistance Program

The CED Division is in the process of the overly, merger, amendment, planning, programming, and sequencing of all existing master plans within the government of Guam. The unit has also allocated time and resources to the task of integrated CIP planning and programming with the goal of developing necessary infrastructure capacity for Guam in light of the impending military build-up and its anticipated impact.

A major role currently undertaken by CED unit involves monitoring the implementation of programs and projects that have favorable impact on job creation, tax revenue, gross domestic production and infrastructure capacity. As the coordinating entity for the Governor's Economic Coordination Task Force and Fiscal Policy Committee through which Analytics is designated to provide economic and financial analysis and recommendation, GEDA is able to facilitate development programs that support its primary mission.

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**LOANS**

**ADF, GDFA and SSBCI Loan Programs**

**Agriculture Development Fund (ADF)**

The program's target market is limited to individuals, corporations and partnerships that engage in commercial agriculture businesses. Activities include the areas of agriculture, aqua-culture, horticulture, mari-culture, commercial fishing and other related areas. The program enables bonifide farmers and commercial farming enterprises to obtain a line of credit financing for working capital needs and to provide funding for the purchase of supplies and inventory.

**Guam Development Fund Act (GDFA)**

This Program is targeted at businesses that are engaged or about to engage in activities in the areas of agriculture, fishing, manufacturing, tourism, and their support industries. GDFA enables start-ups and existing businesses to secure long-term financing for the acquisition of long-term fixed assets, working capital needs and to provide funding for the purchase of supplies and inventory.

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

On October 4, 2011, Governor Calvo received approval of the \$13,168,350 U.S. Treasury funding for the Guam SSBCI Program. The Guam SSBCI Programs provide credit enhancement to lenders and borrowers who cannot otherwise obtain loans or credit lines through standard commercial underwriting guidelines.

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**FINANCIAL HIGHLIGHTS**

The following table summarizes the Statements of Net Position and Operations of Guam Economic Development Authority for 2015, 2014 and 2013:

|  | 2015                   | 2014<br>(As Restated)  | 2013<br>(As Restated)  |
|--|------------------------|------------------------|------------------------|
| <b>Assets:</b>   |                        |                        |                        |
| Current Assets   | \$ 17,001,785          | \$ 16,813,747          | \$ 12,690,919          |
| Long Term Assets:                                      |                        |                        |                        |
| Note receivable, net of current portion                | 93,808                 | -                      | -                      |
| Building, improvements and equipment,<br>at cost, net  | 526,049                | 531,926                | 525,941                |
| Other assets   | <u>3,500</u>           | <u>3,500</u>           | <u>3,500</u>           |
|  | 17,625,142             | 17,349,173             | 13,220,360             |
| Deferred Outflows of Resources                         | <u>730,395</u>         | <u>981,197</u>         | <u>1,268,687</u>       |
|  | <u>\$ 18,355,537</u>   | <u>\$ 18,330,370</u>   | <u>\$ 14,489,047</u>   |
| <b>Liabilities and Net Position:</b>                   |                        |                        |                        |
| Current Liabilities                                    | \$ 12,071,143          | \$ 11,660,293          | \$ 7,450,451           |
| Non-Current Liabilities                                | <u>33,359,889</u>      | <u>34,607,453</u>      | <u>35,534,587</u>      |
|  | 45,431,032             | 46,267,746             | 42,985,038             |
| Deferred Inflows of Resources                          | <u>353,251</u>         | <u>270,932</u>         | <u>-</u>               |
| <b>Net Position:</b>                                   |                        |                        |                        |
| Net investment in capital assets                       | 526,049                | 531,926                | 525,941                |
| Unrestricted   | <u>(27,954,795)</u>    | <u>(28,740,234)</u>    | <u>(29,021,932)</u>    |
|  | <u>(27,428,746)</u>    | <u>(28,208,308)</u>    | <u>(28,495,991)</u>    |
|  | <u>\$ 18,355,537</u>   | <u>\$ 18,330,370</u>   | <u>\$ 14,489,047</u>   |
| <b>Revenues, Expenses and Changes in Net Position:</b> |                        |                        |                        |
| <b>Revenues:</b>                                       |                        |                        |                        |
| Operating Revenues                                     | \$ 2,415,060           | \$ 2,327,033           | \$ 3,380,768           |
| Tobacco Settlement Revenue                             | 2,968,356              | 2,524,077              | 2,386,117              |
| Provision for bad debts                                | <u>-</u>               | <u>(76,426)</u>        | <u>-</u>               |
|  | 5,383,416              | 4,774,684              | 5,766,885              |
| <b>Expenses:</b>                                       |                        |                        |                        |
| Operating Expenses                                     | <u>3,298,511</u>       | <u>3,313,954</u>       | <u>2,665,620</u>       |
| Operating income                                       | 2,084,905              | 1,460,730              | 3,101,265              |
| Other expense, net                                     | <u>(1,305,343)</u>     | <u>(1,173,047)</u>     | <u>(2,281,396)</u>     |
| Change in Net Position                                 | 779,562                | 287,683                | 819,869                |
| Net position at beginning of year, as restated         | <u>(28,208,308)</u>    | <u>(28,495,991)</u>    | <u>(29,315,860)</u>    |
| Net position at end of year, as restated               | <u>\$ (27,428,746)</u> | <u>\$ (28,208,308)</u> | <u>\$ (28,495,991)</u> |

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During FY2015, GEDA implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68, which revise and establish new financial reporting requirements for most governments that provide their employees with pension benefits. Due to the implementation of these pronouncements, prior year adjustment was made to record the effects of GEDA's share of the net pension liability, deferred inflows of resources and deferred outflows of resources for pension.

**Operating Revenues**

In FY2015, GEDA recorded operating revenues of \$2,265,123 compared to \$2,216,756 in FY2014. The year-to-year change of \$48,367 represents an increase of 2.19%. GEDA generates its own revenues to sustain annual operations from three primary sources. The first is the rental income from Industrial Parks, the second is application and surveillance fees from QC beneficiaries and the third source is from the management of the GALC and CLTC Lease properties under the current MOU. Bond fees and other federal and local grants additional sources of revenues, but may not represent recurring annual income.

**Industrial Park**

12 GCA Section 50103 authorizes GEDA to lease Government of Guam land to promote investments in entrepreneurial capital thereby increasing opportunity for employment in manufacturing, industrial, commercial, recreational, retail and service enterprises. GEDA maintains industrial parks under leases from the Government of Guam: the 18-acre Harmon Industrial Park, and the 26-acre E.T. Calvo Memorial Park, and the 15K-sq. meters Cabras Island.

Rental income increased by \$26,890 or 2.49% from \$1,080,091 in FY14 to \$1,106,981 in FY15. This is attributed to rent escalation in FY15.

**Qualifying Certificate (Q.C.) Program**

The Qualifying Certificate program is an economic incentive tool to entice investors into Guam. The program was created in early 1965 to foster the growth of the then fledgling tourism industry. The tax incentive program that offers corporate income tax and corporate dividends tax rebates and real property tax abatements has proven to be a successful tool in the development of the tourism industry and will now serve a critical role in supporting the growth of new and emerging industries. QC Revenues decreased by \$106,228 or 23.69% from \$448,415 in FY14 to \$342,187 in FY15. This is mainly attributed to a reduction of \$100,000 in Public Investment contribution from QC#250.

**Bond Fees**

GEDA's mandate establishes GEDA as the Central Financial Manager for the Government of Guam. This role is facilitated through the Financial Services Division, which assists with, coordinates and monitors, Capital Financing Debt Management and the Capital Markets. GEDA is authorized to receive fees when Government of Guam bonds are issued, based on a recognized formula. Bond fees increased by \$146,284 or 25.38% from \$576,460 in FY14 to \$722,744 in FY15. This is due to the timing of the issuance of a bond as well as the total amount of the bond.

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**Capital Assets and Long-term Debt**

Land, building, improvements and equipment decreased by \$5,300 from \$530,286 in FY14 to \$524,986 in FY15. The increase is the net of equipment purchases and accumulated depreciation for the year. There were no significant capital transactions during the year. For additional information concerning capital assets, please refer to note 3 to financial statements. No additions to long-term debt occurred in the year ended September 30, 2015. For additional information concerning long-term debt, please refer to note 4 to the financial statements.

**Operating Expense**

GEDA's operating expense in FY15 was \$3,117,421, an increase of \$32,512 or 1.05% over FY14 of \$3,084,909.

**Personnel Expenses**

Salaries and benefits (including allocation to trust funds) decrease of \$21,289 or .84% in FY15, which is attributed to a decrease in staff.

**Legal and Professional Services**

Legal and Professional service expense decrease by \$66,099 or 16.23% from \$407,260 in FY14 to \$341,161 in FY15. Decrease is due to a study of Guam Hotel Market Assessment and Outlook and Business and Sustainability Plan that was done in FY14.

**Office Space and Equipment Rental**

Total office space and equipment rental (including allocation to trust funds) increased by \$3,776 or 1.42% from \$268,281 in FY14 to \$272,057 in FY15. This is attributed to an increase in copier lease usage.

**Travel**

Travel expense increased by \$40,385 or 54.56% from \$74,021 in FY14 to \$114,406 in FY15. Increase is attributed to GEDA's State Trade and Export Grant which help fund trade missions had expired in FY14.

**FY2016 INITIATIVES / ECONOMIC OUTLOOK**

Over the last several years, Guam has attracted the attention of some of the largest investors in the municipal market. The continued strengthening of Guam's economy, improvement of GovGuam's financials and extensive investor outreach by GovGuam and GEDA have helped attract investors to Guam's municipal debt. As a U.S. Territory, Guam enjoys a unique benefit in that most of its debt is "triple tax-exempt" for most U.S. based investors meaning it is exempt from federal, state and local taxes which broadens the appeal of Guam to US investors. With limited other triple tax exempt alternatives, Guam has received strong demand for its municipal financings resulting in more than \$1 billion of investor orders on recent sales. In December 2014, Guam's municipal bonds were the subject of a Bloomberg Financial article in which Bloomberg said that in 2014 "Bonds from Guam are delivering the best returns in the U.S. municipal market." The increased investor demand has translated into record low borrowing rates in 2015 for Guam issuer municipal bonds.

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**The Permit Center**

BDD has drafted a preliminary report highlighting the operations and some of the actions items that would be required should GEDA assume management and operations of the Permit Center currently under Department of Public Works. The Governor has expressed his intent to move the Permit Center to GEDA, and GEDA would create a true One Stop Center for the issuance of Business Licenses.

BDD is currently drafting the Executive Order that will effectuate the transfer to take place in 2016.

**Economic Development Trade Missions planned for 2016**

GEDA will be coordinating a number of trade missions to the US and Asia with an aggressive goal to bring new investment to the island in the field of Tourism, Agriculture, Manufacturing, Technology, Medical and Financial Services. The Guam Investment Portfolio will include a new and improved tax incentive program via the Qualifying Certificate Program, the development of a database of investment ready public and private projects and properties, Public-Private-Partnership initiatives, EB-5 Investor Visa program updates, and an updated Guam Economic Indicators handbook. Planned trade missions for 2016 include:

- Taipei, Taiwan – April 18 to 22, 2016
- U.S. Mainland – July or August
- Jakarta, Indonesia – September
- Beijing / Shanghai, China - October

**Future Public Finance Projects**

*Guam Waterworks Authority:* Authorized pursuant to Chapter 14 of Title 12 of the Guam Code Annotated, GWA authorized the issue of the Series 2016 bonds to fund Phase II of their new capital improvement projects. The GEDA Board, during its November meeting passed a resolution approving the financing as required by statute.

In February 2016, through the work of GEDA and the Governors Fiscal Team in maintaining a strong relationship with our rating agency and investor partners, GWA was able to take advantage of the market, borrow \$143.3M and achieve an all in TIC of 4.26% with demand exceeding available bonds by over ten times. Guam investors were given the first priority in submitting orders of which over \$900,000 was placed for the GWA bonds.

*Department of Land Management (target to close financing by June 2016)*

Public Law 29-135 authorized the Department of Land Management to borrow an amount not to exceed Fifteen Million Seven Hundred Fifty Thousand Dollars (\$15,750,000.00) for the construction for a new Land Resources Public Facility and for the purchase of collateral equipment. GEDA issued RFP 16-001 for this financing which we expect to close by June 2016.

*Department of Public Works GARVEE Bond (1<sup>st</sup> Qtr. of 2017)*

P.L. 31-233 authorizes the issuance of GARVEE bonds in a not to exceed \$75 million for the purpose of implementing the capital improvement highway projects identified in the 2030 Guam Transportation Plan (GTP) to improve Guam's highway infrastructure.



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*Public School Financing – Guam Department of Education (Summer 2016)*

Public Law's 31-229, 32-120, 32-121 authorizes approximately \$100,000,000.00 to provide a comprehensive capital improvement plan, financing for the rehabilitation, construction, expansion and of Simon Sanchez High School and Other Guam Department of Education Facilities and to provide collateral equipment, buses, bus shelters, maintenance and insurance. Negotiations on-going with a team led by DPW.

*University of Guam (UOG) and Guam Community College (GCC) (Summer 2016)*

Public Laws 30-201, 31-229, 31-277 and 32-063 authorizes funding for the construction of the UOG Student Services Center and the Annex Building for the School of Engineering, and the extension of the GCC Gregorio Perez Crime Lab Building and for the renovation and hardening of GCC Buildings 100 and 200. UOG working to secure a direct loan with USDA for their construction project.

**Government of Guam Financing**

1. *The Guam Education Financing Foundation (Guam Public School Facilities Project) Certificates of Participation, Series 2006 A* can be refinanced with significant savings for the General Funds, and ensures that any bond issued would not be public indebtedness. COP refunding should be completed by April 2016.
2. *Guam Memorial Hospital Labor & Delivery Room.* Public Law 32-204 authorized a \$7.0 million financing for renovation of the Guam Memorial Hospital Labor and Delivery Ward. The law states the financing may be secured by the unpledged portion of the Business Privilege Tax (currently one percentage point of the current four percent Business Privilege Tax rate) in an amount up to \$600K per year, for no more than 20 years. GEDA is working with the GMHA on the project design to ensure the project will be completed in a timely manner.
3. *Harmon Industrial Park Association.* The Harmon Industrial Park Association (HIPA) has approached GEDA in efforts to finance the rehabilitation of the Harmon Industrial Park main road. HIPA is comprised of 36 business entities that employ approximately 4,000 employees. The association is seeking a Public Private Partnership to finance the project and move forward. With estimated costs of \$7,000,000.00 and a project life of 3-5 years, GEDA is exploring EDA grant options to assist these businesses located in the Harmon economic zone.

**Other Public Finance Projects**

- A. **Debt Abstract:** the Public Finance Department issued the latest GovGuam Debt Abstract reflecting the government's debt position as of November 2015. The abstract further details our current debt capacity, bond ratings per bond and annual debt service due on all bonds. The Debt Abstract can be downloaded on the GEDA website.

Note: The GovGuam Debt Abstract is a publication issued by GEDA's Public Finance Department and is updated every October and March.

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

GEDA has been working with the Governor's Fiscal Policy Team in the development of this document with a first draft to be available for review by April 2015.

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**Challenges affecting GEDA**

There are two significant challenges that GEDA faces: (a) unfunded legislative mandates and (b) Public Law 32-040's imposes limitation on commercial leases.

- a) GEDA over the years has been mandated by the *I Liheslaturan Guahan* to perform duties that are not financially supported. These mandates, while in line with the GEDA mission, imposes a financial burden to the agency. Unlike the line agencies, GEDA is not supported by GovGuam appropriations. All expenses incurred by GEDA to meet the unfunded mandates must come out of our finite operating revenues.
- b) Public Law 32-040 imposes a five (5) year duration limit on commercial leases. The law has unintended consequences for GEDA. This short time period makes GEDA's commercial leases less attractive to private investors.

Management's Discussion and Analysis for the year ended September 30, 2014 is set forth in GEDA's report on the audit of financial statements which is dated March 23, 2015. That Discussion and Analysis explains in more detail major factors impacting the 2014 financial statements. A copy of that report can be obtained by contacting us at (671) 647-4332 or can be viewed at the Office of Public Accountability - Guam website at [www.guamopa.org](http://www.guamopa.org).

For additional information about this report, please contact Mr. Jay Rojas, Administrator, Guam Economic Development Authority, 590 South Marine Corps Drive, Tamuning, Guam 96913 or visit the website at [www.investguam.com](http://www.investguam.com).

**GUAM ECONOMIC DEVELOPMENT AUTHORITY**  
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Statements of Net Position  
September 30, 2015 and 2014

| <u>ASSETS</u>   | Divisional Information |              |              | 2014          |               |
|---|------------------------|--------------|--------------|---------------|---------------|
|   | GEDA                   | SSBCI        | TSA          | 2015          | (As Restated) |
| Current assets:   |                        |              |              |               |               |
| Cash and cash equivalents   | \$ 1,545,740           | \$ 5,546,948 | \$ 3,601,719 | \$ 10,694,407 | \$ 12,223,109 |
| Investments   | 2,803,643              | 2,973,421    | -            | 5,777,064     | 4,032,699     |
| Due from trust funds administered by GEDA:  |                        |              |              |               |               |
| Agricultural Development Fund   | 22,106                 | -            | -            | 22,106        | 10,186        |
| Guam Development Fund Act   | 69,589                 | -            | -            | 69,589        | 13,076        |
| Reimbursable expense  | (3,685)                | 3,685        | -            | -             | -             |
| Other receivables, net of an allowance for doubtful receivables of \$113,235 in 2015 and 2014 | 403,977                | -            | -            | 403,977       | 525,246       |
| Note receivable, current  | 6,192                  | -            | -            | 6,192         | -             |
| Promotional supplies  | 7,706                  | -            | -            | 7,706         | 9,431         |
| Prepaid expenses  | 20,744                 | -            | -            | 20,744        | -             |
| Total current assets  | 4,876,012              | 8,524,054    | 3,601,719    | 17,001,785    | 16,813,747    |
| Equity investment   | 3,500                  | -            | -            | 3,500         | 3,500         |
| Note receivable, net of current portion   | 93,808                 | -            | -            | 93,808        | -             |
| Building, improvements and equipment, at cost, net  | 524,986                | 1,063        | -            | 526,049       | 531,926       |
| Total assets  | 5,498,306              | 8,525,117    | 3,601,719    | 17,625,142    | 17,349,173    |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u>   |                        |              |              |               |               |
| Pension   | 536,117                | -            | -            | 536,117       | 476,077       |
| Bond defeasance cost, net   | -                      | -            | 194,278      | 194,278       | 505,120       |
| Total deferred outflows of resources  | 536,117                | -            | 194,278      | 730,395       | 981,197       |
|   | \$ 6,034,423           | \$ 8,525,117 | \$ 3,795,997 | \$ 18,355,537 | \$ 18,330,370 |
| <u>LIABILITIES AND NET POSITION</u>   |                        |              |              |               |               |
| Current liabilities:  |                        |              |              |               |               |
| Current portion of bonds payable  | \$ -                   | \$ -         | \$ 2,270,000 | \$ 2,270,000  | \$ 2,120,000  |
| Accounts payable  | 397,251                | -            | -            | 397,251       | 242,778       |
| Due to trust funds administered by GEDA:  |                        |              |              |               |               |
| Agricultural Development Fund   | -                      | 30,737       | -            | 30,737        | -             |
| Accrued liabilities   | 426,358                | 5,903        | (69,107)     | 363,154       | 194,723       |
| Interest payable  | -                      | -            | 475,000      | 475,000       | 500,000       |
| Unearned grant revenues   | -                      | 8,436,547    | -            | 8,436,547     | 8,506,204     |
| Unearned rental income  | 98,454                 | -            | -            | 98,454        | 96,588        |
| Total current liabilities   | 922,063                | 8,473,187    | 2,675,893    | 12,071,143    | 11,660,293    |
| Non-current liabilities:  |                        |              |              |               |               |
| Bonds payable, net of current portion and discount  | -                      | -            | 28,785,153   | 28,785,153    | 29,794,140    |
| DCRS sick leave liability   | 158,047                | -            | -            | 158,047       | 112,730       |
| Deposits  | 18,322                 | -            | -            | 18,322        | 18,322        |
| Deposits due to GALC  | 149,410                | -            | -            | 149,410       | 149,410       |
| Net pension liability   | 4,248,957              | -            | -            | 4,248,957     | 4,532,851     |
| Total non-current liabilities   | 4,574,736              | -            | 28,785,153   | 33,359,889    | 34,607,453    |
| Total liabilities   | 5,496,799              | 8,473,187    | 31,461,046   | 45,431,032    | 46,267,746    |
| <u>DEFERRED INFLOWS OF RESOURCES</u>  |                        |              |              |               |               |
| Pension   | 353,251                | -            | -            | 353,251       | 270,932       |
| Commitments and contingencies   |                        |              |              |               |               |
| Net position:   |                        |              |              |               |               |
| Net investment in capital assets  | 524,986                | 1,063        | -            | 526,049       | 531,926       |
| Unrestricted  | (340,613)              | 50,867       | (27,665,049) | (27,954,795)  | (28,740,234)  |
| Net position  | 184,373                | 51,930       | (27,665,049) | (27,428,746)  | (28,208,308)  |
|   | \$ 6,034,423           | \$ 8,525,117 | \$ 3,795,997 | \$ 18,355,537 | \$ 18,330,370 |

See accompanying notes to financial statements.

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Statements of Revenues, Expenses and Changes in Net Position  
Years Ended September 30, 2015 and 2014

|  | Divisional Information |                  |                        | 2015                   | 2014<br>(As Restated)  |
|--|------------------------|------------------|------------------------|------------------------|------------------------|
|  | GEDA                   | SSBCI            | TSA                    |                        |                        |
| Revenues:  |                        |                  |                        |                        |                        |
| Rental income  | \$ 1,106,981           | \$ -             | \$ -                   | \$ 1,106,981           | \$ 1,080,091           |
| Tobacco Settlement revenue                                 | -                      | -                | 2,968,356              | 2,968,356              | 2,524,077              |
| Qualifying certificate application, surveillance and other | 342,187                | -                | -                      | 342,187                | 448,415                |
| Bond fees earned   | 722,744                | -                | -                      | 722,744                | 576,460                |
| Grants revenue   | 3,677                  | 69,657           | -                      | 73,334                 | 82,598                 |
| GALC lease commission                                      | 89,534                 | -                | -                      | 89,534                 | 89,089                 |
| Guarantee fees   | -                      | 80,280           | -                      | 80,280                 | 50,380                 |
| <b>Total operating revenues</b>                            | <b>2,265,123</b>       | <b>149,937</b>   | <b>2,968,356</b>       | <b>5,383,416</b>       | <b>4,851,110</b>       |
| Provision for bad debts                                    | -                      | -                | -                      | -                      | (76,426)               |
| <b>Net operating revenues</b>                              | <b>2,265,123</b>       | <b>149,937</b>   | <b>2,968,356</b>       | <b>5,383,416</b>       | <b>4,774,684</b>       |
| Operating expenses:  |                        |                  |                        |                        |                        |
| Salaries and benefits                                      | 2,156,365              | 79,535           | -                      | 2,235,900              | 2,222,998              |
| Legal and professional services                            | 341,161                | 2,598            | 21,495                 | 365,254                | 505,910                |
| Office space and equipment rent                            | 208,016                | -                | -                      | 208,016                | 201,503                |
| Advertising and promotions                                 | 196,408                | 25,991           | -                      | 222,399                | 162,123                |
| Travel   | 114,406                | -                | -                      | 114,406                | 88,709                 |
| Guarantee loss   | -                      | 40,989           | -                      | 40,989                 | -                      |
| Depreciation and amortization                              | 37,399                 | 578              | -                      | 37,977                 | 43,096                 |
| Supplies   | 6,147                  | -                | -                      | 6,147                  | 11,139                 |
| Utilities, telephone and communication                     | 4,588                  | -                | -                      | 4,588                  | 7,540                  |
| Insurance  | 1,877                  | -                | -                      | 1,877                  | 5,126                  |
| Repairs and maintenance                                    | 1,381                  | -                | -                      | 1,381                  | 4,103                  |
| Miscellaneous  | 49,673                 | 246              | 9,658                  | 59,577                 | 61,707                 |
|  | <b>3,117,421</b>       | <b>149,937</b>   | <b>31,153</b>          | <b>3,298,511</b>       | <b>3,313,954</b>       |
| <b>Operating (loss) income</b>                             | <b>(852,298)</b>       | <b>-</b>         | <b>2,937,203</b>       | <b>2,084,905</b>       | <b>1,460,730</b>       |
| Other income (expense):                                    |                        |                  |                        |                        |                        |
| Interest income (expense), net                             | 1,748                  | 9,617            | (2,309,699)            | (2,298,334)            | (2,325,416)            |
| Investment income  | 31,398                 | 32,548           | -                      | 63,946                 | 42,245                 |
| Net increase (decrease) in the fair value of investments   | 56,823                 | (27,701)         | -                      | 29,122                 | 65,779                 |
| Other income, net  | 899,923                | -                | -                      | 899,923                | 1,044,345              |
| <b>Other income (expense), net</b>                         | <b>989,892</b>         | <b>14,464</b>    | <b>(2,309,699)</b>     | <b>(1,305,343)</b>     | <b>(1,173,047)</b>     |
| <b>Change in net position</b>                              | <b>137,594</b>         | <b>14,464</b>    | <b>627,504</b>         | <b>779,562</b>         | <b>287,683</b>         |
| Net position at beginning of year, as restated             | 46,779                 | 37,466           | (28,292,553)           | (28,208,308)           | (28,495,991)           |
| <b>Net position at end of year, as restated</b>            | <b>\$ 184,373</b>      | <b>\$ 51,930</b> | <b>\$ (27,665,049)</b> | <b>\$ (27,428,746)</b> | <b>\$ (28,208,308)</b> |

See accompanying notes to financial statements.

**GUAM ECONOMIC DEVELOPMENT AUTHORITY**  
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Statements of Cash Flows  
Years Ended September 30, 2015 and 2014

|  | Divisional Information |                     |                     | 2014                 |                      |
|--|------------------------|---------------------|---------------------|----------------------|----------------------|
|  | GEDA                   | SSBCI               | TSA                 | 2015                 | (As Restated)        |
| <b>Cash flows from operating activities:</b>   |                        |                     |                     |                      |                      |
| Cash received on grants and contracts  | \$ -                   | \$ 80,280           | \$ -                | \$ 80,280            | \$ 4,395,935         |
| Cash received from customers   | 3,209,610              | -                   | 2,968,356           | 6,177,966            | 6,455,595            |
| Cash paid to suppliers for goods and services  | (672,792)              | (68,486)            | (69,333)            | (810,611)            | (1,738,356)          |
| Cash paid to employees for services  | (2,320,404)            | (48,798)            | -                   | (2,369,202)          | (2,347,484)          |
| Cash paid for retirement benefits  | (52,259)               | -                   | -                   | (52,259)             | (46,126)             |
| Net cash provided by (used in) operating activities  | <u>164,155</u>         | <u>(37,004)</u>     | <u>2,899,023</u>    | <u>3,026,174</u>     | <u>6,719,564</u>     |
| <b>Cash flows from investing activities:</b>   |                        |                     |                     |                      |                      |
| Interest and investment income   | 88,221                 | 4,847               | -                   | 93,068               | 108,024              |
| Rollover of interest into investment   | (88,221)               | (4,847)             | -                   | (93,068)             | (108,024)            |
| (Purchase) maturity of investment securities, net  | (1,651,298)            | -                   | -                   | (1,651,298)          | 1,814,593            |
| Net cash (used in) provided by investing activities  | <u>(1,651,298)</u>     | <u>-</u>            | <u>-</u>            | <u>(1,651,298)</u>   | <u>1,814,593</u>     |
| <b>Cash flows from capital and related financing activities:</b>   |                        |                     |                     |                      |                      |
| Purchase of property and equipment   | (32,100)               | -                   | -                   | (32,100)             | (49,081)             |
| Net cash used in capital and related financing activities  | <u>(32,100)</u>        | <u>-</u>            | <u>-</u>            | <u>(32,100)</u>      | <u>(49,081)</u>      |
| <b>Cash flows from noncapital financing activities:</b>  |                        |                     |                     |                      |                      |
| Repayment of bond payable  | -                      | -                   | (1,385,000)         | (1,385,000)          | (890,000)            |
| Net interest received (paid) on deposit accounts and bonds payable                                       | 1,749                  | 9,617               | (1,497,844)         | (1,486,478)          | (1,532,425)          |
| Net cash provided by (used in) noncapital financing activities   | <u>1,749</u>           | <u>9,617</u>        | <u>(2,882,844)</u>  | <u>(2,871,478)</u>   | <u>(2,422,425)</u>   |
| Net change in cash and cash equivalents  | (1,517,494)            | (27,387)            | 16,179              | (1,528,702)          | 6,062,651            |
| Cash and cash equivalents at beginning of year   | 3,063,234              | 5,574,335           | 3,585,540           | 12,223,109           | 6,160,458            |
| Cash and cash equivalents at end of year   | <u>\$ 1,545,740</u>    | <u>\$ 5,546,948</u> | <u>\$ 3,601,719</u> | <u>\$ 10,694,407</u> | <u>\$ 12,223,109</u> |
| <b>Reconciliation of operating (loss) income to net cash provided by (used in) operating activities:</b> |                        |                     |                     |                      |                      |
| Operating (loss) income  | \$ (852,298)           | \$ -                | \$ 2,937,203        | \$ 2,084,905         | \$ 1,460,730         |
| Other income, net  | 899,923                | -                   | -                   | 899,923              | 1,044,346            |
| Adjustments to reconcile operating (loss) income to net cash provided by (used in) operating activities: |                        |                     |                     |                      |                      |
| Noncash pension cost   | (261,615)              | -                   | -                   | (261,615)            | (186,823)            |
| Depreciation and amortization  | 37,399                 | 578                 | -                   | 37,977               | 43,096               |
| Provision for bad debts  | -                      | -                   | -                   | -                    | 76,426               |
| (Increase) decrease in assets:   |                        |                     |                     |                      |                      |
| Due from trust funds administered by GEDA  | (68,433)               | -                   | -                   | (68,433)             | 9,515                |
| Reimbursable expense   | 6,714                  | (6,714)             | -                   | -                    | -                    |
| Other receivables  | 121,269                | -                   | -                   | 121,269              | 152,674              |
| Note receivable  | (100,000)              | -                   | -                   | (100,000)            | -                    |
| Promotional supplies   | 1,725                  | -                   | -                   | 1,725                | 524                  |
| Prepaid expenses   | (20,744)               | -                   | -                   | (20,744)             | 4,300                |
| Increase (decrease) in liabilities:  |                        |                     |                     |                      |                      |
| Accounts payable   | 154,473                | -                   | 30,927              | 185,400              | (180,079)            |
| Due to trust funds administered by GEDA  | -                      | 30,737              | -                   | 30,737               | (12,366)             |
| Accrued liabilities  | 198,559                | 8,052               | (69,107)            | 137,504              | (16,029)             |
| Unearned grant revenue   | -                      | (69,657)            | -                   | (69,657)             | 4,285,658            |
| Deferred rental income   | 1,866                  | -                   | -                   | 1,866                | (2,528)              |
| Due to GALC  | -                      | -                   | -                   | -                    | 23,909               |
| DCRS sick leave liability  | 45,317                 | -                   | -                   | 45,317               | 16,211               |
| Net cash provided by (used in) operating activities  | <u>\$ 164,155</u>      | <u>\$ (37,004)</u>  | <u>\$ 2,899,023</u> | <u>\$ 3,026,174</u>  | <u>\$ 6,719,564</u>  |

See accompanying notes to financial statements.

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

Notes to Financial Statements  
September 30, 2015 and 2014

(1) Purpose and Summary of Significant Accounting Policies

Purpose

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

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

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

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

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

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

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

Notes to Financial Statements  
September 30, 2015 and 2014

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

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. In accordance with the accrual method, revenues are recognized when they are earned and expenses are recognized when they are incurred. GEDA's revenues are derived primarily from fees relating to subleasing of industrial parks, Qualifying Certificates (QCs) lease commissions, bond issuance fees and non-capital grant revenues, which are reported as operating revenues. Financing or investing related transactions are reported as non-operating revenues. All expenses related to operating GEDA are reported as operating expenses. Financing, investing and typhoon damages, net of recoveries are reported as non-operating revenues and expenses.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

Net Position

Net position represent the residual interest in GEDA's assets, deferred outflows of resources, after liabilities and deferred inflows of resources, are deducted and consist of two sections: invested in capital assets and unrestricted. Net position invested in capital assets includes capital assets, restricted and unrestricted, net of accumulated depreciation. All other net position is unrestricted.

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.

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 three to five years. GEDA generally capitalizes items with values \$500 or more and with useful lives extending beyond one year.

Deferred Outflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (deduction of net position) until then. GEDA has determined the loss on defeasance of the Series 2001 A bonds, the differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability and pension contributions made subsequent to the measurement date qualify for reporting in this category.

**GUAM ECONOMIC DEVELOPMENT AUTHORITY  
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Notes to Financial Statements  
September 30, 2015 and 2014

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

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 and changes in proportion and differences between GEDA pension contributions and proportionate share of contributions qualify for reporting in this category.

Bond Discounts

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

Compensated Absences

Compensated absences are accrued and reported as liability in the period earned. Annual leave expected to be paid out within the next fiscal year is accrued and included in current liabilities. All annual leave credit is convertible to pay upon termination of employment. The maximum accumulation amount of annual leave is limited to 320 hours. Pursuant to Public Law 27-106, employees who have accumulated annual leave in excess of 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 to receive a lump sum payment of one-half of their accumulated sick leave upon retirement.

Pensions

Pensions are required to be recognized and disclosed using the accrual basis of accounting. GEDA recognizes a net pension liability for the 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 plan, measured as of the fiscal year-end. 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 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.



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

Notes to Financial Statements  
September 30, 2015 and 2014

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

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.

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, 2015 and 2014, GEDA has cash deposits in bank accounts that exceed federal depository insurance limits. Additionally, GEDA has investments in mutual fund and U.S. Government agency or sponsored-agency securities that are not subject to insurance. GEDA has not experienced any losses in such accounts. Substantially all of GEDA's accounts receivables are due from companies and government agencies based in Guam. GEDA establishes an allowance for doubtful accounts based on management's evaluation of potential uncollectibility. Bad debts are written-off against the allowance on the specific identification method.

New Accounting Standards

During fiscal year 2015, GEDA implemented the following pronouncements:

- *GASB Statement No. 68, Accounting and Financial Reporting for Pensions, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, which revise and establish new financial reporting requirements for most governments that provide their employees with pension benefits. The implementation of these statements did have a material effect on the accompanying financial statements resulting in the restatement of GEDA's fiscal year 2014 financial statements to reflect the reporting of net pension liabilities and deferred inflows of resources and deferred outflows of resources for its qualified pension plan and the recognition of pension expense in accordance with the provisions of GASB Statement No. 68. The implementation of GASB Statement No. 68 results in GEDA reporting deferred outflows of resources of \$452,725 and a net pension liability of \$4,938,636 as of October 1, 2013. GEDA's net position as of October 1, 2013 and GEDA's statement of revenues, expenses and changes in net position for the year ended September 30, 2014 have been restated to reflect the required adjustments as follows:

**GUAM ECONOMIC DEVELOPMENT AUTHORITY**  
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Notes to Financial Statements  
September 30, 2015 and 2014

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

New Accounting Standards, Continued

|   | <u>As Previously<br/>Reported</u> | <u>Adjustment</u>     | <u>As Restated</u>     |
|---|-----------------------------------|-----------------------|------------------------|
| As of October 1, 2013:                  |                                   |                       |                        |
| Net position                            | \$ <u>(23,981,462)</u>            | \$ <u>(4,514,529)</u> | \$ <u>(28,495,991)</u> |
| For the year ended September 30, 2014:  |                                   |                       |                        |
| Salaries, wages and benefits<br>expense | \$ <u>2,409,821</u>               | \$ <u>(186,823)</u>   | \$ <u>2,222,998</u>    |
| Change in net position                  | \$ <u>100,860</u>                 | \$ <u>186,823</u>     | \$ <u>287,683</u>      |
| As of September 30, 2014:               |                                   |                       |                        |
| Deferred outflows from pensions         | \$ <u>-</u>                       | \$ <u>476,077</u>     | \$ <u>476,077</u>      |
| Net pension liability                   | \$ <u>-</u>                       | \$ <u>(4,532,851)</u> | \$ <u>(4,532,851)</u>  |
| Deferred inflows from pensions          | \$ <u>-</u>                       | \$ <u>(270,932)</u>   | \$ <u>(270,932)</u>    |
| Net position                            | \$ <u>(23,880,602)</u>            | \$ <u>(4,327,706)</u> | \$ <u>(28,208,308)</u> |

- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, which improves accounting and financial reporting for state and local governments' combinations and disposals of government operations. Government combinations include mergers, acquisitions, and transfers of operations. A disposal of government operations can occur through a transfer to another government or a sale. The implementation of this statement did not have a material effect on the accompanying financial statements.

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurements and requires entities to expand their fair value disclosures by determining major categories of debt and equity securities within the fair value hierarchy on the basis of the nature and risk of the investment. The provisions in Statement 72 are effective for fiscal years beginning after June 15, 2015. Management believes that the implementation of this statement only requires additional disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques and will not have a material effect on the financial statements.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which aligns the reporting requirements for pensions and pension plans not covered in GASB Statements 67 and 68 with the reporting requirements in Statement 68. The provisions in Statement No. 73 are effective for fiscal years beginning after June 15, 2015, with the exception of the provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. Management has not evaluated the impact that the implementation of this statement will have a material effect on the financial statements.

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Notes to Financial Statements  
September 30, 2015 and 2014

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

New Accounting Standards, Continued

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and addresses financial reporting requirements for governments whose employees are provided with postemployment benefits other than pensions (other postemployment benefits or OPEB). The provisions in Statement No. 74 are effective for fiscal years beginning after June 15, 2016. Management has not evaluated the impact that the implementation of this statement will have a material effect on the financial statements.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The provisions in Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Management has not evaluated the impact that the implementation of this statement will have a material effect on the financial statements.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which eliminates two of the four categories of authoritative GAAP that exist under the existing hierarchy prescribed by Statement 55. The two categories that will remain under the new standard are (1) GASB Statements and (2) GASB technical bulletins and implementation guides in addition to AICPA guidance that the GASB clears. The provisions in Statement No. 76 are effective for fiscal years beginning after June 15, 2015. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*, which requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The provisions in Statement No. 77 are effective for fiscal years beginning after December 15, 2015. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

**GUAM ECONOMIC DEVELOPMENT AUTHORITY**  
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Notes to Financial Statements  
September 30, 2015 and 2014

(2) Deposits and Investments

Investments are carried at market value. Cash and cash equivalents and investments at September 30, 2015 and 2014 consist of the following:

|  | <u>2015</u>          | <u>2014</u>          |
|--|----------------------|----------------------|
| Cash on hand and deposits in banks     | \$ 7,092,688         | \$ 8,637,569         |
| Money market accounts                  | <u>3,601,719</u>     | <u>3,585,540</u>     |
| Cash and cash equivalents              | \$ <u>10,694,407</u> | \$ <u>12,223,109</u> |
| Total shares in mutual funds           | \$ 2,973,421         | \$ 2,968,575         |
| Municipal bonds                        | 2,352,740            | 883,975              |
| Brokered certificates of deposit (CDs) | <u>450,903</u>       | <u>180,149</u>       |
| Investments                            | \$ <u>5,777,064</u>  | \$ <u>4,032,699</u>  |

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

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, 2015 and 2014, the carrying amount of cash was \$7,092,688 and \$8,637,569, respectively, and the corresponding bank balances were \$7,334,125 and \$7,527,700, respectively, which are maintained in financial institutions subject to Federal Deposit Insurance Corporation insurance. Cash balances of \$750,000 and \$400,994 are insured by the Federal Deposit Insurance Corporation (FDIC) at September 30, 2015 and 2014, respectively. GEDA does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposit levels are exposed to custodial credit risk.

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. Cash and cash equivalents held by TSA are restricted for bond services and are invested in money market accounts and are held and administered by TSA's trustees in accordance with the bond indentures. Accordingly, these balances are exposed to custodial credit risk.

**GUAM ECONOMIC DEVELOPMENT AUTHORITY  
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Notes to Financial Statements  
September 30, 2015 and 2014

(2) Deposits and Investments, Continued

B. Investments

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

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, GEDA will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. GEDA's investment in shares of mutual funds, municipal bonds and U.S Government securities at September 30, 2015 and 2014 is registered in GEDA's name and is held by three and two investment managers, respectively, for GEDA.

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

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

As of September 30, 2015, investments at fair value are as follows:

|   | <u>Amount</u>       | <u>Maturity</u> | <u>Moody's<br/>Rating</u> |
|---|---------------------|-----------------|---------------------------|
| Shares in mutual funds invested in:                     |                     |                 |                           |
| Federated Ultra Short Bond Funds (FULAX)                | \$ 2,973,421        | N/A             | N/A                       |
| Municipal bonds:  |                     |                 |                           |
| Arizona St CTFS Partn PFDG-Dept (040588B38)             | 164,143             | 10/01/18        | A1                        |
| Conway Ark Sch Dist (212597ZT8)                         | 134,068             | 02/01/19        | AA2                       |
| Delaware Transn Auth Transn Sys Rev (246428XZ4)         | 103,621             | 07/01/28        | AA2                       |
| District Columbia Wtr & Swr Auth Pub (254845AL4)        | 187,215             | 10/01/23        | AA2                       |
| Forth Woth Tex Rfdg Impt (349425V51)                    | 159,974             | 03/01/20        | AA1                       |
| Hawaii St Er Eh (419791Z27)                             | 181,351             | 08/01/23        | AA2                       |
| Illinois Fin Auth Rev Rfdg Cent Dupage (45200FD89)      | 141,270             | 11/01/21        | AA                        |
| Illinois Fin Auth Rev for Issues dtd (45203HJE3)        | 124,959             | 08/15/25        | AA3                       |
| Jefferson Cnty Ky Sch Dist Fin Corp (472904K83)         | 129,882             | 01/01/17        | AA2                       |
| Maryland St Dept Transn Cons Transn (574204XR9)         | 70,191              | 02/15/27        | AA1                       |
| Massachusetts St Dev Fin Agy Rev For (57583UTT5)        | 115,383             | 07/01/19        | A2                        |
| Massachusetts St Health Edl Facs Auth (57586EQQ7)       | 147,919             | 12/15/21        | AAA                       |
| Metropolitan Govt Nashville & Davidson (592030ZC7)      | 139,835             | 05/15/20        | AA+                       |
| Metropolitan Transn Auth N Y Rev for (59259YXH7)        | 241,536             | 11/15/21        | A2                        |
| New York N Y Cith Transitional Fin (64971MW81)          | 84,615              | 11/01/26        | AA1                       |
| Wisconsin St Clean Wtr Rev Rfdg-Ser (977092WF8)         | 128,359             | 06/01/25        | AA1                       |
| Wisconsin St Gen Fd Annual Appropriation<br>(977100BH8) | 98,419              | 05/01/17        | AA3                       |
| Brokered CDs  | <u>450,903</u>      | N/A             | N/A                       |
|   | <u>\$ 5,777,064</u> |                 |                           |

**GUAM ECONOMIC DEVELOPMENT AUTHORITY  
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Notes to Financial Statements  
September 30, 2015 and 2014

(2) Deposits and Investments, Continued

B. Investments, Continued

As of September 30, 2014, investments at fair value are as follows:

|   | <u>Amount</u>       | <u>Maturity</u> | <u>Moody's<br/>Rating</u> |
|---|---------------------|-----------------|---------------------------|
| Shares in mutual funds invested in:                     |                     |                 |                           |
| Federated Ultra Short Bond Funds (FULAX)                | \$ 2,968,575        | N/A             | N/A                       |
| Municipal bonds:  |                     |                 |                           |
| Arizona St CTFS Partn PFDG-Dept (040588B38)             | 62,193              | 10/01/18        | A1                        |
| Conway Ark Sch Dist (212597ZT8)                         | 49,867              | 02/01/19        | AA2                       |
| Delaware Transn Auth Transn Sys Rev (246428XZ4)         | 39,284              | 07/01/28        | AA2                       |
| District Columbia Wtr & Swr Auth Pub (254845AL4)        | 71,099              | 10/01/23        | AA2                       |
| Forth Woth Tex Rfdg Impt (349425V51)                    | 60,558              | 03/01/20        | AA1                       |
| Hawaii St Er Eh (419791Z27)                             | 67,089              | 08/01/23        | AA2                       |
| Illinois Fin Auth Rev Rfdg Cent Dupage (45200FD89)      | 52,279              | 11/01/21        | AA                        |
| Illinois Fin Auth Rev for Issues dtd (45203HJE3)        | 46,560              | 08/15/25        | AA3                       |
| Jefferson Cnty Ky Sch Dist Fin Corp (472904K83)         | 50,243              | 01/01/17        | AA2                       |
| Maryland St Dept Transn Cons Transn (574204XR9)         | 26,368              | 02/15/27        | AA1                       |
| Massachusetts St Dev Fin Agy Rev For (57583UTT5)        | 43,466              | 07/01/19        | A2                        |
| Massachusetts St Health Edl Facs Auth (57586EQQ7)       | 55,418              | 12/15/21        | AAA                       |
| Metropolitan Govt Nashville & Davidson (592030ZC7)      | 52,656              | 05/15/20        | AA+                       |
| Metropolitan Transn Auth N Y Rev for (59259YXH7)        | 89,454              | 11/15/21        | A2                        |
| New York N Y Cith Transitional Fin (64971MW81)          | 31,656              | 11/01/26        | AA1                       |
| Wisconsin St Clean Wtr Rev Rfdg-Ser (977092WF8)         | 47,823              | 06/01/25        | AA1                       |
| Wisconsin St Gen Fd Annual Appropriation<br>(977100BH8) | 37,962              | 05/01/17        | AA3                       |
| Brokered CDs  | <u>180,149</u>      | N/A             | N/A                       |
|   | <u>\$ 4,032,699</u> |                 |                           |

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

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

**GUAM ECONOMIC DEVELOPMENT AUTHORITY  
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Notes to Financial Statements  
September 30, 2015 and 2014

**(3) Building, Improvements and Equipment**

A summary of building, improvements and equipment at September 30, 2015 and 2014 is as follows:

|   | Beginning Balance<br><u>October 1, 2014</u> | Transfers and<br><u>Additions</u> | Transfers and<br><u>Deletions</u> | Ending Balance<br><u>September 30, 2015</u> |
|---|---|-----------------------------------|-----------------------------------|---|
| Leasehold improvements                            | \$ 792,537                                  | \$ -                              | \$ -                              | \$ 792,537                                  |
| Buildings   | 546,603                                     | -                                 | -                                 | 546,603                                     |
| Furniture and equipment                           | 579,576                                     | 32,100                            | (115,862)                         | 495,814                                     |
| Other improvements                                | 428,325                                     | -                                 | -                                 | 428,325                                     |
| Land improvements                                 | 129,642                                     | -                                 | -                                 | 129,642                                     |
| Leasehold interests                               | 1,551                                       | -                                 | -                                 | 1,551                                       |
| Automobiles                                       | <u>14,471</u>                               | <u>-</u>                          | <u>(382)</u>                      | <u>14,089</u>                               |
|   | 2,492,705                                   | 32,100                            | (116,244)                         | 2,408,561                                   |
| Less accumulated depreciation<br>and amortization | <u>(1,960,779)</u>                          | <u>(37,977)</u>                   | <u>116,244</u>                    | <u>(1,882,512)</u>                          |
|   | <u>\$ 531,926</u>                           | <u>\$ (5,877)</u>                 | <u>\$ -</u>                       | <u>\$ 526,049</u>                           |

  

|   | Beginning Balance<br><u>October 1, 2013</u> | Transfers and<br><u>Additions</u> | Transfers and<br><u>Deletions</u> | Ending Balance<br><u>September 30, 2014</u> |
|---|---|-----------------------------------|-----------------------------------|---|
| Leasehold improvements                            | \$ 792,537                                  | \$ -                              | \$ -                              | \$ 792,537                                  |
| Buildings   | 546,603                                     | -                                 | -                                 | 546,603                                     |
| Furniture and equipment                           | 532,046                                     | 47,530                            | -                                 | 579,576                                     |
| Other improvements                                | 428,325                                     | -                                 | -                                 | 428,325                                     |
| Land improvements                                 | 129,642                                     | -                                 | -                                 | 129,642                                     |
| Leasehold interests                               | -   | 1,551                             | -                                 | 1,551                                       |
| Automobiles                                       | <u>14,471</u>                               | <u>-</u>                          | <u>-</u>                          | <u>14,471</u>                               |
|   | 2,443,624                                   | 49,081                            | -                                 | 2,492,705                                   |
| Less accumulated depreciation<br>and amortization | <u>(1,917,683)</u>                          | <u>(43,096)</u>                   | <u>-</u>                          | <u>(1,960,779)</u>                          |
|   | <u>\$ 525,941</u>                           | <u>\$ 5,985</u>                   | <u>\$ -</u>                       | <u>\$ 531,926</u>                           |

**(4) Long-Term Obligations**

**Bonds Payable**

Bonds payable at September 30, 2015 and 2014 consist of the following:

|   | <u>2015</u>   | <u>2014</u>   |
|---|---------------|---------------|
| 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). | \$ 26,010,000 | \$ 27,395,000 |

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(4) Long-Term Obligations, Continued

|  | <u>2015</u>          | <u>2014</u>          |
|--|----------------------|----------------------|
| 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>    | <u>16,773,618</u>    |
| Total  | 42,783,618           | 44,168,618           |
| Less current portion   | <u>(2,270,000)</u>   | <u>(2,120,000)</u>   |
|  | 40,513,618           | 42,048,618           |
| Less discount on Series B capital appreciation turbo term bonds  | (10,869,250)         | (11,275,652)         |
| Less discount on issuance  | <u>(859,215)</u>     | <u>(978,826)</u>     |
|  | <u>\$ 28,785,153</u> | <u>\$ 29,794,140</u> |

The annual payments on series 2007 bonds payable, assuming that turbo redemption occurs, subsequent to September 30, 2015 and thereafter are as follows:

| <u>Year ending September 30,</u> | <u>Principal</u>     | <u>Interest</u>     | <u>Debt Service</u>  |
|----------------------------------|----------------------|---------------------|----------------------|
| 2016                             | \$ 2,270,000         | \$ 1,116,300        | \$ 3,386,300         |
| 2017                             | 2,430,000            | 996,380             | 3,426,380            |
| 2018                             | 1,115,000            | 885,891             | 2,000,891            |
| 2019                             | 1,200,000            | 805,219             | 2,005,219            |
| 2020                             | 1,285,000            | 737,719             | 2,022,719            |
| 2021 through 2025                | 7,975,000            | 2,489,977           | 10,464,977           |
| 2026 through 2030                | 10,885,508           | 242,578             | 11,128,086           |
| 2031 through 2034                | <u>15,623,110</u>    | <u>-</u>            | <u>15,623,110</u>    |
|                                  | <u>\$ 42,783,618</u> | <u>\$ 7,274,064</u> | <u>\$ 50,057,682</u> |



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(4) Long-Term Obligations, Continued

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 and is presented as a deferred outflow of resources in the accompanying statements of net position.

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

The difference between the original principal amount of \$3,407,077 and the projected turbo redemption projected value of \$16,773,618 represents discount that is amortizing into 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 \$2,882,844 and \$2,434,700 for the years ended September 30, 2015 and 2014, respectively, or approximately 97% and 96%, respectively, of pledged revenues for those years.

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September 30, 2015 and 2014

**(4) Long-Term Obligations, Continued**

During the years ended September 30, 2015 and 2014, the following changes occurred in liabilities reported as part of GEDA's long-term liabilities in the statements of net position:

|   | Balance<br>October 1,<br>2014<br><u>(As Restated)</u> | <u>Additions</u> | <u>Reductions</u>     | Balance<br>September 30,<br>2015                         | Due within<br><u>one year</u> |
|---|---|------------------|-----------------------|--|-------------------------------|
| Bonds payable                           | \$ 44,168,618   | \$ -             | \$ (1,385,000)        | \$ 42,783,618  | \$ 2,270,000                  |
| Deferred amount:                        |   |                  |                       |  |                               |
| Unamortized discount on<br>bonds issued | <u>(12,254,478)</u>                                   | <u>-</u>         | <u>526,013</u>        | <u>(11,728,465)</u>                                      | <u>-</u>                      |
|   | <u>31,914,140</u>                                     | <u>-</u>         | <u>(858,987)</u>      | <u>31,055,153</u>  | <u>2,270,000</u>              |
| Other liabilities:                      |   |                  |                       |  |                               |
| DCRS sick leave liability               | 112,730   | 45,317           | -                     | 158,047  | -                             |
| Deposits due to GALC                    | 149,410   | -                | -                     | 149,410  | -                             |
| Deposits                                | 18,322  | -                | -                     | 18,322   | -                             |
| Net pension liability                   | <u>4,532,851</u>                                      | <u>-</u>         | <u>(283,894)</u>      | <u>4,248,957</u>   | <u>-</u>                      |
|   | <u>4,813,313</u>                                      | <u>45,317</u>    | <u>(283,894)</u>      | <u>4,574,736</u>   | <u>-</u>                      |
|   | <u>\$ 36,727,453</u>                                  | <u>\$ 45,317</u> | <u>\$ (1,142,881)</u> | <u>\$ 35,629,889</u>                                     | <u>\$ 2,270,000</u>           |
|   |   |                  |                       |  |                               |
|   | Balance<br>October 1,<br>2013<br><u>(As Restated)</u> | <u>Additions</u> | <u>Reductions</u>     | Balance<br>September 30,<br>2014<br><u>(As Restated)</u> | Due within<br><u>one year</u> |
| Bonds payable                           | \$ 45,058,618   | \$ -             | \$ (890,000)          | \$ 44,168,618  | \$ 2,120,000                  |
| Deferred amount:                        |   |                  |                       |  |                               |
| Unamortized discount on<br>bonds issued | <u>(12,751,627)</u>                                   | <u>-</u>         | <u>497,149</u>        | <u>(12,254,478)</u>                                      | <u>-</u>                      |
|   | <u>32,306,991</u>                                     | <u>-</u>         | <u>(392,851)</u>      | <u>31,914,140</u>  | <u>2,120,000</u>              |
| Other liabilities:                      |   |                  |                       |  |                               |
| DCRS sick leave liability               | 96,519  | 16,211           | -                     | 112,730  | -                             |
| Deposits due to GALC                    | 132,213   | 17,197           | -                     | 149,410  | -                             |
| Deposits                                | 11,610  | 6,712            | -                     | 18,322   | -                             |
| Net pension liability                   | <u>4,938,636</u>                                      | <u>-</u>         | <u>(405,785)</u>      | <u>4,532,851</u>   | <u>-</u>                      |
|   | <u>5,178,978</u>                                      | <u>40,120</u>    | <u>(405,785)</u>      | <u>4,813,313</u>   | <u>-</u>                      |
|   | <u>\$ 37,485,969</u>                                  | <u>\$ 40,120</u> | <u>\$ (798,636)</u>   | <u>\$ 36,727,453</u>                                     | <u>\$ 2,120,000</u>           |

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(5) Employees' Retirement Plan

Defined Benefit Plan

A. General Information About the Pension Plan:

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

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

*Plan Membership:* As of September 30, 2014, the date of the most recent valuation, plan membership consisted of the following:

|  |               |
|--|---------------|
| Retirees and beneficiaries currently receiving benefits              | 7,226         |
| Terminated employees entitled to benefits but not yet receiving them | 4,941         |
| Current members  | <u>2,692</u>  |
|  | <u>14,859</u> |

*Benefits Provided:* The DB Plan provides pension benefits to retired employees generally based on age and/or years of credited service and an average of the three highest annual salaries received by a member during years of credited service, or \$6,000, whichever is greater. Cost-of-living adjustments and other supplemental annuity benefits are provided to members and beneficiaries at the discretion of the Guam Legislature.

Members who joined the DB Plan prior to October 1, 1981 may retire with 10 years of service at age 60 (age 55 for uniformed personnel); or 20 to 24 years of service regardless of age with a reduced benefit if the member is under age 60; or completion of 25 years of service at any age.

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

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Notes to Financial Statements  
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(5) Employees' Retirement Plan, Continued

Defined Benefit Plan, Continued

A. General Information About the Pension Plan, Continued:

Members who joined the DB Plan after August 22, 1984 and prior to October 1, 1995 may retire with 15 years of service at age 65 (age 60 for uniformed personnel); or 25 to 29 years of service regardless of age with a reduced benefit if the member is under age 65; or completion of 30 years of service at any age.

Upon termination of employment before attaining at least 25 years of total service, a member is entitled to receive a refund of total contributions including interest. A member who terminates after completing at least 5 years of service has the option of leaving contributions in the GGRF and receiving a service retirement benefit upon attainment of the age of 60 years. In the event of disability during employment, members under the age of 65 with six or more years of credited service who are not entitled to receive disability payments from the United States Government are eligible to receive sixty six and two-thirds of the average of their three highest annual salaries received during years of credited service. The DB Plan also provides death benefits.

*Contributions and Funding Policy:* Contribution requirements of participating employers and active members are determined in accordance with Guam law. Employer contributions are actuarially determined under the One-Year Lag Methodology. Under this methodology, the actuarial valuation date is used for calculating the employer contributions for the second following fiscal year. For example the September 30, 2013 actuarial valuation was used for determining the year ended September 30, 2015 statutory contributions. Member contributions are required at 9.55% and 9.50% of base pay during the years ended September 30, 2015 and 2014, respectively.

As a result of actuarial valuations performed as of September 30, 2013, 2012, and 2011, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2015, 2014 and 2013, respectively, have been determined as follows:

|   | <u>2015</u>   | <u>2014</u>   | <u>2013</u>   |
|---|---------------|---------------|---------------|
| Normal costs (% of DB Plan payroll)                     | 15.92%        | 16.61%        | 17.52%        |
| Employee contributions (DB Plan employees)              | <u>9.55%</u>  | <u>9.50%</u>  | <u>9.50%</u>  |
| Employer portion of normal costs (% of DB Plan payroll) | <u>6.37%</u>  | <u>7.11%</u>  | <u>8.02%</u>  |
| Employer portion of normal costs (% of total payroll)   | 2.05%         | 2.39%         | 3.00%         |
| Unfunded liability cost (% of total payroll)            | <u>24.09%</u> | <u>24.01%</u> | <u>24.33%</u> |
| Government contribution as a % of total payroll         | <u>26.14%</u> | <u>26.40%</u> | <u>27.33%</u> |
| Statutory contribution rates as a % of DB Plan payroll: |               |               |               |
| Employer  | <u>29.85%</u> | <u>30.03%</u> | <u>30.09%</u> |
| Employee  | <u>9.55%</u>  | <u>9.50%</u>  | <u>9.50%</u>  |

GEDA's contributions to the DB Plan for the years ended September 30, 2015, 2014 and 2013 were \$160,912, \$138,260 and \$196,666, respectively, which were equal to the required contributions for the respective year ended.

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Notes to Financial Statements  
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(5) Employees' Retirement Plan, Continued

Defined Benefit Plan, Continued

A. General Information About the Pension Plan, Continued:

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

|                                |  |
|--------------------------------|--|
| Valuation Date:                | September 30, 2013   |
| Actuarial Cost Method:         | Entry age normal   |
| Amortization Method:           | Level percentage of payroll, closed  |
| Remaining Amortization Period: | 16.58 years  |
| Asset Valuation Method:        | 3-year smoothed market value   |
| Inflation:                     | 2.75%  |
| Total payroll growth:          | 3.00% per year   |
| Salary Increases:              | 4.50% to 7.50%   |
| Expected Rate of Return:       | 7.00%  |
| Discount Rate:                 | 7.00%  |
| Retirement age:                | 40% are assumed to retire upon first eligibility for unreduced retirement. Thereafter, the probabilities of retirement are 15% until age 65, 20% from 65-69, and 100% at age 70.                             |
| Mortality:                     | RP-2000 healthy mortality table set forward by 4 years for males and 1 year for females. Mortality for disabled lives is the RP 2000 disability mortality table with no set forwards.                        |
| Other information:             | Actuarial assumptions are based upon periodic experience studies. The last experience study reviewed experience from 2007-2011, and was first reflected in the actuarial valuation as of September 30, 2012. |

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(5) Employees' Retirement Plan, Continued

Defined Benefit Plan, Continued

A. General Information About the Pension Plan, Continued

*Discount Rate:* The total pension liability is calculated using a discount rate of 7.0% that is a blend of the expected investment rate of return and a high quality bond index rate. There was no change in the discount rate since the previous year. The expected investment rate of return applies for as long as the plan assets (including future contributions) are projected to be sufficient to make the projected benefit payments. If plan assets are projected to be depleted at some point in the future, the rate of return of a high quality bond index is used for the period after the depletion date.

*Discount Rate Sensitivity Analysis:* The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7%) in measuring the 2014 Net Pension Liability.

|                       | 1% Decrease in<br>Discount Rate<br><u>6.0%</u> | Current<br>Discount Rate<br><u>7.0%</u> | 1% Increase in<br>Discount Rate<br><u>8.0%</u> |
|-----------------------|--|---|--|
| Net Pension Liability | \$ <u>5,445,734</u>                            | \$ <u>4,248,957</u>                     | \$ <u>3,345,232</u>                            |

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

*Pension Liability:* At September 30, 2015 and 2014, GEDA reported a liability of \$4,248,957 and \$4,532,851, respectively, for its proportionate share of the net pension liability. GEDA's proportion of the net pension liability was based on projection of GEDA's long-term share of contributions to the pension plan relative to the projected contributions of GovGuam and GovGuam's component units, actuarially determined. At September 30, 2015 and 2014, GEDA's proportion was 0.3409% and 0.3478%, respectively.

*Pension Expense:* For the years ended September 30, 2015 and 2014, GEDA recognized pension expense of \$229,459 and \$289,254, respectively.

*Deferred Outflows and Inflows of Resources:* At September 30, 2015 and 2014, GEDA reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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(5) Employees' Retirement Plan, Continued

Defined Benefit Plan, Continued

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

|   | 2015                                 |                                     | 2014                                 |                                     |
|---|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
| Difference between expected and actual experience   | \$ 31,523                            | \$ -                                | \$ -                                 | \$ -                                |
| Net difference between projected and actual earnings<br>on pension plan investments                         | -                                    | 323,394                             | -                                    | 270,932                             |
| Contributions subsequent to the measurement date  | 504,594                              | -                                   | 476,077                              | -                                   |
| Changes in proportion and difference between GEDA<br>contributions and proportionate share of contributions | -                                    | 29,857                              | -                                    | -                                   |
|   | <u>\$ 536,117</u>                    | <u>\$ 353,251</u>                   | <u>\$ 476,077</u>                    | <u>\$ 270,932</u>                   |

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as reduction of the net pension liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at September 30, 2015 will be recognized in pension expense as follows:

| Year Ended<br><u>September 30</u> |             |
|-----------------------------------|-------------|
| 2016                              | \$ (79,181) |
| 2017                              | \$ (80,849) |
| 2018                              | \$ (80,849) |
| 2019                              | \$ (80,849) |

Defined Contribution Plan

Contributions into the Defined Contribution Retirement System (DCRS) plan by members are based on an automatic deduction of 5% of the member's regular base pay. The contribution is periodically deposited into an individual investment account within the DCRS. Employees are afforded the opportunity to select from different investment accounts available under the DCRS.

Statutory employer contributions into the DCRS plan for the years ended September 30, 2015 and 2014 are determined using the same rates as the DB Plan. Of the amount contributed by the employer, only 5% of the member's regular pay is deposited into the member's individual investment account. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

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

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(5) Employees' Retirement Plan, Continued

Defined Contribution Plan, Continued

GEDA's contributions to the DCRS plan for the years ended September 30, 2015, 2014 and 2013 were \$412,807, \$405,296 and \$307,202, respectively, which were equal to the required contributions for the respective years then ended. Of these amounts, \$343,682, \$337,817 and \$256,059 were contributed toward the unfunded liability of the DB Plan at September 30, 2015, 2014 and 2013, respectively.

Public Law 26-86 allows members of the DCRS to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. GEDA has accrued an estimated liability of \$158,047 and \$112,730 at September 30, 2015 and 2014, respectively, for potential future sick leave payments as a result of this law. However, this amount is an estimate and the actual payout may be materially different than estimated.

Other Post-Employment Benefits

GovGuam, through its substantive commitment to provide other post-employment benefits (OPEB), maintains a cost-sharing multiple employer defined benefit plan to provide certain postretirement healthcare benefits to retirees who are members of the GovGuam Retirement Fund. Under the Plan, known as the GovGuam Group Health Insurance Program, GovGuam provides medical, dental, and life insurance coverage. The retiree medical and dental plans are fully-insured products provided through insurance companies. GovGuam shares in the cost of these plans, with GovGuam's contribution amount set each year at renewal. Current statutes prohibit active and retired employees from contributing different amounts for the same coverage. As such, GovGuam contributes substantially more to the cost of retiree healthcare than to active healthcare. For the life insurance plan, GovGuam provides retirees with \$10,000 of life insurance coverage through an insurance company. Retirees do not share in the cost of this coverage. Because the Plan consists solely of GovGuam's firm commitment to provide OPEB through the payment of premiums to insurance companies on behalf of its eligible retirees, no stand-alone financial report is either available or generated. During the years ended September 30, 2015, 2014 and 2013, actual contributions paid were \$52,259, \$46,126 and \$37,941, respectively.

(6) Rental Income

GEDA leases industrial parks from the Government of Guam for an annual rent of \$1 with terms expiring in 2064. GEDA subleases space to various tenants under agreements that call for advance rental payments of one month's to one year's rent. GEDA records such advance rent as a receivable at the anniversary or due date; related income is deferred and recognized over the period to which it applies.

Future minimum rentals to be received under noncancelable subleases are as follows:

Years ending September 30:

|             |              |
|-------------|--------------|
| 2016        | \$ 1,131,900 |
| 2017        | 1,041,900    |
| 2018        | 650,200      |
| 2019        | 495,500      |
| 2020        | 348,400      |
| 2021 – 2025 | 857,500      |



**GUAM ECONOMIC DEVELOPMENT AUTHORITY  
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Notes to Financial Statements  
September 30, 2015 and 2014

(6) Rental Income, Continued

|             |                     |
|-------------|---------------------|
| 2026 – 2030 | 25,000              |
| 2031 – 2035 | 25,000              |
| 2036 – 2040 | 25,000              |
| 2041 – 2045 | 25,000              |
| 2046 – 2050 | 25,000              |
| 2051 – 2055 | 25,000              |
| 2056 – 2060 | 25,000              |
| 2061 – 2064 | <u>10,400</u>       |
|             | <u>\$ 4,710,800</u> |

(7) Commitments

Lease Commitments

GEDA has an operating lease for office space expiring February 28, 2017. Concurrently, GEDA and Guam Housing Corporation (GHC), a Government of Guam agency, entered into a Memorandum of Understanding (MOU) in which GEDA charges GHC for use of a portion of the office space. At September 30, 2015, annual lease commitment and reimbursement from GHC under the MOU for the year ending September 30, 2016 are \$348,672 and \$99,744, respectively, and for the year ending September 30, 2017 are \$145,280 and \$41,560, respectively.

Rent expense, net of GHC reimbursements for the years ended September 30, 2015 and 2014, was \$248,928, of which \$60,041 was allocated to trust funds administered by GEDA.

Reimbursement receivable from GHC is \$16,624 at September 30, 2015 and is included as a component of other receivables in the accompanying statements of net position.

Contract Commitments

GEDA is under two professional services contracts, currently expiring on February 28, 2018, which require monthly payments of \$14,280. At September 30, 2015, annual commitments for the year ending September 30, 2016, 2017 and 2018 are \$171,360, \$171,360 and \$71,400, respectively.

Government of Guam (GovGuam) Mitigation Program for Business Interruption

On March 30, 2011, Public Law 31-13 authorized GEDA to develop, implement and administer the Government of Guam Mitigation Program for Business Interruption, (the Program), which provides financial relief to businesses adversely affected by government projects, including, but not limited to road construction. The Program provides financial assistance through grants and loans to small and mid-sized businesses. As of September 30, 2015 and 2014, GEDA has provided \$0 in grants. GEDA has not provided loans under the Program as of September 30, 2015 and 2014.

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Notes to Financial Statements  
September 30, 2015 and 2014

(8) Related Party Transactions

Trust Funds Administered by GEDA

At September 30, 2015 and 2014, the following trust funds were administered by GEDA:

| <u>Fund</u>                         | <u>Total Assets</u> |               |
|-------------------------------------|---------------------|---------------|
|                                     | <u>2015</u>         | <u>2014</u>   |
| Guam Development Fund Act (GDFA)    | \$ 11,351,111       | \$ 12,076,103 |
| Agricultural Development Fund (ADF) | 988,032             | 1,005,658     |

During the year ended September 30, 2015, ADF sold foreclosed property carried at zero net book value for cash proceeds of \$170,025 (which is net of related cost of \$29,975) and an interest-bearing note receivable of \$100,000 (see note 11). The gain on sale of \$270,025 was transferred to GEDA and included as a component of other income in the accompanying statement of revenues, expenses and changes in net position for the year ended September 30, 2015.

During the year ended September 30, 2014, GDFA sold foreclosed real estate with total net book value of \$1,145,166 for \$2,350,000, net of related cost of \$120,136. The gain on sale of \$1,084,698 was transferred to GEDA and included as a component of other income in the accompanying statement of revenues, expenses and changes in net position for the year ended September 30, 2014.

GovGuam and Others

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

On July 12, 2006, GEDA entered into a memorandum of agreement with the Guam Ancestral Lands Commission (GALC) to assist with the development, management, and maintenance of certain trust land for the purpose of maximizing benefit to dispossessed landowners and be responsible for the collection and remittance of security deposits and lease rental payments to the GALC. GEDA shall remit all rents received from the lease of Trust Lands but shall retain 14.3% of the base rent and 20% of the participation rent paid by all developers and/or lessees of the Trust Lands as payment for GEDA services. Base rent collected from developers and/or lessees shall be remitted to the GALC no later than twenty (20) calendar days after receipt from the developers and/or lessees. Participation rent collected from developers and/or lessees shall be remitted to the GALC no later than ninety (90) calendar days after receipt from the developers and/or lessees. During the years ended September 30, 2015 and 2014, GEDA earned related commission income of \$89,534 and \$89,089, respectively. At September 30, 2015, collected rent net of commissions withheld payable to GALC was \$32,982 and is included as a component of accounts payable in the accompanying statement of net position.

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, 2015 and 2014, security deposits in the amount of \$149,410 are maintained by GEDA on behalf of the GALC.

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Notes to Financial Statements  
September 30, 2015 and 2014

(8) Related Party Transactions, Continued

GovGuam and Others, Continued

GEDA is under a Memorandum of Agreement (MOA) with the Office of the Governor (OOG) to manage and perform work relating to the U.S. Department of Defense Impact Task Orders for which the Office of Economic Adjustment has approved a program of assistance of \$1,767,000. In connection with the MOA, GEDA has entered into a professional services consulting contract (the "Contract"). Additionally under the MOA, GEDA is compensated at a management fee of 14%. As of September 30, 2015, total payments relating to the contract approximated \$1.43 million of which \$1.332 million have been reimbursed from the OOG during the year and \$98,000 is included as a component of other receivables in the accompanying statement of net position. During the year ended September 30, 2015, GEDA recorded \$186,583 as management fees, which are included a component of other income in the accompanying statement of revenues, expenses and changes in net position.

On June 9, 2014, GEDA entered into a promissory note receivable from the Government of Guam (GovGuam) for \$2,200,737, payable in ten (10) quarterly installments at fixed interest rate of 3%. The loan was paid in full on July 16, 2014.

(9) Contingencies

Tobacco Settlement Bonds Reserve Fund Agreement

In connection with its Series 2007 Tobacco Settlement Bonds, GEDA entered into a Reserve Fund Agreement (the "Agreement") with Lehman Brothers Special Financing, Inc. ("LBSF"), which requires LBSF to cause Lehman Brothers, Inc., as qualified dealer, to deliver securities that mature on or before the next interest payment date, at a price designed to produce a rate of return of at least 4.365%. The contractual termination date for the Reserve Fund Agreement is June 1, 2047. LBSF's obligation under the Agreement was guaranteed by Lehman Brothers Holdings Inc. ("LBHI"). On September 15, 2008, LBSF and LBHI filed for Chapter 11 bankruptcy protection. LBSF failed to deliver new Qualified Securities under the Agreement on the next scheduled delivery date of December 1, 2008, and, as a result, Co-Trustee U.S. Bank National Association declared an event of default under the Agreement and invested the amount on deposit in the Reserve Fund in short-term securities as required under the Agreement. On September 22, 2009, GEDA filed claims with the United States Bankruptcy Court against LBSF and LBHI, each for approximately \$1.8 million, as the estimated replacement market value of the Reserve Fund Agreement. Such replacement value represents the present value of the difference between the guaranteed rate and the market interest rate over the remaining term of the Agreement, i.e. through June 1, 2047. If the termination claim is not favorably resolved, GEDA's earnings from the investment of the Reserve Fund could be lower than originally expected, but no loss of principal has occurred or would occur. These events are not expected to have an adverse impact on the timely repayment of the Series 2007 Tobacco Settlement Bonds.

Claims and Litigation

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

**GUAM ECONOMIC DEVELOPMENT AUTHORITY  
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Notes to Financial Statements  
September 30, 2015 and 2014

(10) 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. 80% of the amount received must be obligated before the next tranche of funding can be received. Additionally, the Agreement allows certain direct and indirect costs for administering the program at 5% of initial funding and 3% of subsequent funding. During the years ended September 30, 2015 and 2014, GEDA had incurred administrative costs of \$140,710 and \$110,277, respectively.

Pursuant to Allocation Agreement term, GEDA has entered into a Lender Participation Agreement (“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 enrolments 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 75% of the total enrolled loan amount.

As of September 30, 2014, two Lenders have enrolled thirty-six loans totaling \$6,469,756 in the program and remitted \$128,395 in guarantee fees to GEDA; additionally, \$4,802,317 of the total of total deposits and investments of \$8,542,910 with these lenders is restricted under the Agreement.

As of September 30, 2015, two Lenders have enrolled forty-eight loans totaling \$10,483,756 in the program and remitted \$80,280 in guarantee fees to GEDA; additionally, \$7,750,317 of the total of total deposits and investments of \$8,520,369 with these lenders is restricted under the Agreement.

At September 30, 2015 and 2014, loans under the guaranty program had total outstanding balances of \$5,971,557 and \$3,728,301, respectively. At September 30, 2015 and 2014, two loans totaling \$40,522 and \$38,477, respectively, were in default status. In 2015, GEDA paid out two defaulted loans totaling \$40,989 and recorded a guaranty loss in the accompanying statement of revenues, expenses and changes in net position.

(11) Note Receivable

At September 30, 2015, note receivable of \$100,000 bears interest fixed at 4% per annum and is payable over monthly installments of \$1,012 starting January 1, 2016.

Future receipts under the promissory note are as follows:

| <u>Year ending September 30,</u> | <u>Principal</u>  | <u>Interest</u>  | <u>Total</u>      |
|----------------------------------|-------------------|------------------|-------------------|
| 2016                             | \$ 6,192          | \$ 2,920         | \$ 9,112          |
| 2017                             | 8,541             | 3,608            | 12,149            |
| 2018                             | 8,879             | 3,270            | 12,149            |
| 2019                             | 9,231             | 2,918            | 12,149            |
| 2020                             | 9,597             | 2,552            | 12,149            |
| 2021 through 2025                | <u>57,560</u>     | <u>6,788</u>     | <u>64,348</u>     |
|                                  | <u>\$ 100,000</u> | <u>\$ 22,056</u> | <u>\$ 122,056</u> |

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

**Schedule of Funding Progress and Actuarial Accrued Liability - Post  
Employment Benefits Other than Pension (Unaudited)**

The Schedule of Funding Progress presents GASB 45 results of OPEB valuations as of fiscal year ends September 30, 2011, 2009, and 2007 for GovGuam's Post Employment Benefits other than Pensions. The schedule provides an information trend about whether the actuarial values of Plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

| <u>Actuarial<br/>Valuation Date</u> | <u>Actuarial<br/>Value of<br/>Assets</u> | <u>Actuarial<br/>Accrued<br/>Liability (AAL)</u> | <u>Unfunded<br/>AAL (UAAL)</u> | <u>Funded<br/>Ratio</u> | <u>Covered<br/>Payroll</u> | <u>UAAL as a %<br/>of Covered<br/>Payroll</u> |
|-------------------------------------|--|--|--------------------------------|-------------------------|----------------------------|---|
| October 1, 2007                     | \$ -                                     | \$ 2,135,000                                     | \$ 2,135,000                   | 0.0%                    | \$ 904,590                 | 236.0%  |
| October 1, 2009                     | \$ -                                     | \$ 1,665,295 *                                   | \$ 1,665,295 *                 | 0.0%                    | \$ 1,235,125               | 134.8%  |
| October 1, 2011                     | \$ -                                     | \$ 1,877,000                                     | \$ 1,877,000                   | 0.0%                    | \$ 1,375,250               | 136.5%  |

\* No formal valuation was performed. The liabilities as of October 1, 2009 represent discounted October 1, 2011 liabilities.

The actuarial accrued liability presented above is only for the Authority's active employees. It does not include the actuarial accrued liability for the Authority's retirees, which was not separately presented in the OPEB valuation.

See Accompanying Independent Auditors' Report.

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

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

|   | 2015             | 2014             |
|---|------------------|------------------|
| Total net pension liability   | \$ 1,246,306,754 | \$ 1,303,304,636 |
| GEDA's proportionate share of the net pension liability   | \$ 4,248,957     | \$ 4,532,851     |
| GEDA's proportion of the net pension liability  | 0.34%            | 0.35%            |
| GEDA's covered-employee payroll**   | \$ 1,683,621     | \$ 1,641,380     |
| GEDA's proportionate share of the net pension liability as percentage of its covered employee payroll | 252.37%          | 276.16%          |
| Plan fiduciary net position as a percentage of the total pension liability                            | 56.60%           | 53.94%           |

\* This data is presented for those years for which information is available.

\*\* Covered-employee payroll data from the actuarial valuation date with one-year lag.

See Accompanying Independent Auditors' Report.

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

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

|   | 2015         | 2014         |
|---|--------------|--------------|
| Actuarially determined contribution                                 | \$ 459,838   | \$ 430,282   |
| Contribution in relation to the actuarially determined contribution | 476,077      | 452,725      |
| Contribution excess   | \$ (16,239)  | \$ (22,443)  |
| GEDA's covered-employee payroll **                                  | \$ 1,683,621 | \$ 1,641,380 |
| Contribution as a percentage of covered-employee payroll            | 28.28%       | 27.58%       |

\* This data is presented for those years for which information is available.

\*\* Covered-employee payroll data from the actuarial valuation date with one-year lag.

See Accompanying Independent Auditors' Report.

**GUAM ECONOMIC DEVELOPMENT AUTHORITY  
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Schedule 1  
Schedule of Salaries and Wages (Including Trust Funds)  
Years Ended September 30, 2015 and 2014

|                          | <u>2015</u>         | <u>2014</u>         |
|--------------------------|---------------------|---------------------|
| Salaries and wages:      |                     |                     |
| Salaries                 | \$ 1,683,621        | \$ 1,641,380        |
| Benefits                 | <u>827,824</u>      | <u>891,354</u>      |
| Total salaries and wages | <u>\$ 2,511,445</u> | <u>\$ 2,532,734</u> |
| <br>                     |                     |                     |
| Employees at end of year | 34                  | 35                  |

See Accompanying Independent Auditors' Report.



**GUAM ECONOMIC DEVELOPMENT AUTHORITY  
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Comparative Divisional Schedules of Net Position  
September 30, 2015 and 2014

|  | GEDA                |                       | SSBCI               |                     | TSA                 |                     |
|--|---------------------|-----------------------|---------------------|---------------------|---------------------|---------------------|
|  | 2015                | 2014<br>(As Restated) | 2015                | 2014                | 2015                | 2014                |
| <b>ASSETS</b>                                      |                     |                       |                     |                     |                     |                     |
| Current assets:                                    |                     |                       |                     |                     |                     |                     |
| Cash and cash equivalents                          | \$ 1,545,740        | \$ 3,063,234          | \$ 5,546,948        | \$ 5,574,335        | \$ 3,601,719        | \$ 3,585,540        |
| Investments  | 2,803,643           | 1,064,124             | 2,973,421           | 2,968,575           | -                   | -                   |
| Due from trust funds administered by GEDA:         |                     |                       |                     |                     |                     |                     |
| Agricultural Development Fund                      | 22,106              | 10,186                | -                   | -                   | -                   | -                   |
| Guam Development Fund Act                          | 69,589              | 13,076                | -                   | -                   | -                   | -                   |
| Reimbursable expense                               | (3,685)             | 3,029                 | 3,685               | (3,029)             | -                   | -                   |
| Other receivables, net                             | 403,977             | 525,246               | -                   | -                   | -                   | -                   |
| Note receivable, current                           | 6,192               | -                     | -                   | -                   | -                   | -                   |
| Promotional supplies                               | 7,706               | 9,431                 | -                   | -                   | -                   | -                   |
| Prepaid expense                                    | 20,744              | -                     | -                   | -                   | -                   | -                   |
| Total current assets                               | <u>4,876,012</u>    | <u>4,688,326</u>      | <u>8,524,054</u>    | <u>8,539,881</u>    | <u>3,601,719</u>    | <u>3,585,540</u>    |
| Equity investment                                  | 3,500               | 3,500                 | -                   | -                   | -                   | -                   |
| Note receivable, net of current portion            | 93,808              | -                     | -                   | -                   | -                   | -                   |
| Building, improvements and equipment, at cost, net | 524,986             | 530,286               | 1,063               | 1,640               | -                   | -                   |
| Total assets                                       | <u>5,498,306</u>    | <u>5,222,112</u>      | <u>8,525,117</u>    | <u>8,541,521</u>    | <u>3,601,719</u>    | <u>3,585,540</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>              |                     |                       |                     |                     |                     |                     |
| Pension  | 536,117             | 476,077               | -                   | -                   | -                   | -                   |
| Bond defeasance cost, net                          | -                   | -                     | -                   | -                   | 194,278             | 505,120             |
| Total deferred outflows of resources               | <u>536,117</u>      | <u>476,077</u>        | <u>-</u>            | <u>-</u>            | <u>194,278</u>      | <u>505,120</u>      |
|  | <u>\$ 6,034,423</u> | <u>\$ 5,698,189</u>   | <u>\$ 8,525,117</u> | <u>\$ 8,541,521</u> | <u>\$ 3,795,997</u> | <u>\$ 4,090,660</u> |
| <b>LIABILITIES AND NET POSITION</b>                |                     |                       |                     |                     |                     |                     |
| Current liabilities:                               |                     |                       |                     |                     |                     |                     |
| Current portion of bonds payable                   | \$ -                | \$ -                  | \$ -                | \$ -                | \$ 2,270,000        | \$ 2,120,000        |
| Accounts payable                                   | 397,251             | 242,778               | -                   | -                   | -                   | -                   |
| Due to trust funds administered by GEDA:           |                     |                       |                     |                     |                     |                     |
| Guam Development Fund Act                          | -                   | -                     | 30,737              | -                   | -                   | -                   |
| Accrued liabilities                                | 426,358             | 227,799               | 5,903               | (2,149)             | (69,107)            | (30,927)            |
| Interest payable                                   | -                   | -                     | -                   | -                   | 475,000             | 500,000             |
| Unearned grant revenues                            | -                   | -                     | 8,436,547           | 8,506,204           | -                   | -                   |
| Unearned rental income                             | 98,454              | 96,588                | -                   | -                   | -                   | -                   |
| Total current liabilities                          | <u>922,063</u>      | <u>567,165</u>        | <u>8,473,187</u>    | <u>8,504,055</u>    | <u>2,675,893</u>    | <u>2,589,073</u>    |
| Non-current liabilities:                           |                     |                       |                     |                     |                     |                     |
| Bonds payable, net of current portion and discount | -                   | -                     | -                   | -                   | 28,785,153          | 29,794,140          |
| DCRS sick leave liability                          | 158,047             | 112,730               | -                   | -                   | -                   | -                   |
| Deposits   | 18,322              | 18,322                | -                   | -                   | -                   | -                   |
| Deposits due to GALC                               | 149,410             | 149,410               | -                   | -                   | -                   | -                   |
| Net pension liability                              | 4,248,957           | 4,532,851             | -                   | -                   | -                   | -                   |
| Total non-current liabilities                      | <u>4,574,736</u>    | <u>4,813,313</u>      | <u>-</u>            | <u>-</u>            | <u>28,785,153</u>   | <u>29,794,140</u>   |
| Total liabilities                                  | <u>5,496,799</u>    | <u>5,380,478</u>      | <u>8,473,187</u>    | <u>8,504,055</u>    | <u>31,461,046</u>   | <u>32,383,213</u>   |
| <b>DEFERRED INFLOW OF RESOURCES</b>                |                     |                       |                     |                     |                     |                     |
| Pension  | 353,251             | 270,932               | -                   | -                   | -                   | -                   |
| Net position:                                      |                     |                       |                     |                     |                     |                     |
| Net investment in capital assets                   | 524,986             | 530,286               | 1,063               | 1,640               | -                   | -                   |
| Unrestricted                                       | (340,613)           | (483,507)             | 50,867              | 35,826              | (27,665,049)        | (28,292,553)        |
| Net position                                       | <u>184,373</u>      | <u>46,779</u>         | <u>51,930</u>       | <u>37,466</u>       | <u>(27,665,049)</u> | <u>(28,292,553)</u> |
|  | <u>\$ 6,034,423</u> | <u>\$ 5,698,189</u>   | <u>\$ 8,525,117</u> | <u>\$ 8,541,521</u> | <u>\$ 3,795,997</u> | <u>\$ 4,090,660</u> |

See Accompanying Independent Auditors' Report.

**GUAM ECONOMIC DEVELOPMENT AUTHORITY**  
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Comparative Divisional Schedules of Revenues, Expenses and Changes in Net Position  
Years Ended September 30, 2015 and 2014

|  | GEDA              |                       | SSBCI            |                  | TSA                    |                        |
|--|-------------------|-----------------------|------------------|------------------|------------------------|------------------------|
|  | 2015              | 2014<br>(As Restated) | 2015             | 2014             | 2015                   | 2014                   |
| Revenues:  |                   |                       |                  |                  |                        |                        |
| Rental income  | \$ 1,106,981      | \$ 1,080,091          | \$ -             | \$ -             | \$ -                   | \$ -                   |
| Tobacco Settlement revenue                                 |                   |                       | -                | -                | 2,968,356              | 2,524,077              |
| Qualifying certificate application, surveillance and other | 342,187           | 448,415               | -                | -                | -                      | -                      |
| Bond fees earned   | 722,744           | 576,460               | -                | -                | -                      | -                      |
| Grants revenue   | 3,677             | 22,701                | 69,657           | 59,897           | -                      | -                      |
| GALC lease commission                                      | 89,534            | 89,089                | -                | -                | -                      | -                      |
| Guarantee fees   | -                 | -                     | 80,280           | 50,380           | -                      | -                      |
| Total operating revenues                                   | <u>2,265,123</u>  | <u>2,216,756</u>      | <u>149,937</u>   | <u>110,277</u>   | <u>2,968,356</u>       | <u>2,524,077</u>       |
| Provision for bad debts                                    | -                 | (76,426)              | -                | -                | -                      | -                      |
| Net operating revenues                                     | <u>2,265,123</u>  | <u>2,140,330</u>      | <u>149,937</u>   | <u>110,277</u>   | <u>2,968,356</u>       | <u>2,524,077</u>       |
| Operating expenses:  |                   |                       |                  |                  |                        |                        |
| Salaries and benefits                                      | 2,156,365         | 2,131,423             | 79,535           | 91,575           | -                      | -                      |
| Legal and professional services                            | 341,161           | 407,260               | 2,598            | -                | 21,495                 | 98,650                 |
| Office space and equipment rent                            | 208,016           | 201,503               | -                | -                | -                      | -                      |
| Advertising and promotions                                 | 196,408           | 160,123               | 25,991           | 2,000            | -                      | -                      |
| Travel   | 114,406           | 74,021                | -                | 14,688           | -                      | -                      |
| Depreciation and amortization                              | 37,399            | 42,518                | 578              | 578              | -                      | -                      |
| Supplies   | 6,147             | 11,139                | -                | -                | -                      | -                      |
| Utilities, telephone and communication                     | 4,588             | 7,540                 | -                | -                | -                      | -                      |
| Insurance  | 1,877             | 5,126                 | -                | -                | -                      | -                      |
| Repairs and maintenance                                    | 1,381             | 4,103                 | -                | -                | -                      | -                      |
| Guarantee loss   | -                 | -                     | 40,989           | -                | -                      | -                      |
| Miscellaneous  | 49,673            | 40,153                | 246              | 1,436            | 9,658                  | 20,118                 |
|  | <u>3,117,421</u>  | <u>3,084,909</u>      | <u>149,937</u>   | <u>110,277</u>   | <u>31,153</u>          | <u>118,768</u>         |
| Operating (loss) income                                    | <u>(852,298)</u>  | <u>(944,579)</u>      | <u>-</u>         | <u>-</u>         | <u>2,937,203</u>       | <u>2,405,309</u>       |
| Other income (expense):                                    |                   |                       |                  |                  |                        |                        |
| Interest income (expense), net                             | 1,748             | 7,151                 | 9,617            | 5,124            | (2,309,699)            | (2,337,691)            |
| Investment income  | 31,398            | 37,052                | 32,548           | 5,193            | -                      | -                      |
| Net increase (decrease) in the fair value of investments   | 56,823            | 58,653                | (27,701)         | 7,126            | -                      | -                      |
| Other income, net  | 899,923           | 1,044,345             | -                | -                | -                      | -                      |
| Other income (expense), net                                | <u>989,892</u>    | <u>1,147,201</u>      | <u>14,464</u>    | <u>17,443</u>    | <u>(2,309,699)</u>     | <u>(2,337,691)</u>     |
| Change in net position                                     | <u>137,594</u>    | <u>202,622</u>        | <u>14,464</u>    | <u>17,443</u>    | <u>627,504</u>         | <u>67,618</u>          |
| Net position at beginning of year, as restated             | <u>46,779</u>     | <u>(155,843)</u>      | <u>37,466</u>    | <u>20,023</u>    | <u>(28,292,553)</u>    | <u>(28,360,171)</u>    |
| Net position at end of year, as restated                   | <u>\$ 184,373</u> | <u>\$ 46,779</u>      | <u>\$ 51,930</u> | <u>\$ 37,466</u> | <u>\$ (27,665,049)</u> | <u>\$ (28,292,553)</u> |

See Accompanying Independent Auditors' Report.

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

Comparative Divisional Schedules of Cash Flows  
Years Ended September 30, 2015 and 2014

|   | GEDA         |                       | SSBCI        |              | TSA          |              |
|---|--------------|-----------------------|--------------|--------------|--------------|--------------|
|   | 2015         | 2014<br>(As Restated) | 2015         | 2014         | 2015         | 2014         |
| <b>Cash flows from operating activities:</b>  |              |                       |              |              |              |              |
| Cash received on grants and contracts   | \$ -         | \$ -                  | \$ 80,280    | \$ 4,395,935 | \$ -         | \$ -         |
| Cash received from customers  | 3,209,610    | 3,931,518             | -            | -            | 2,968,356    | 2,524,077    |
| Cash paid to suppliers for goods and services   | (672,792)    | (1,082,342)           | (68,486)     | (536,128)    | (69,333)     | (119,886)    |
| Cash paid to employees for services   | (2,320,404)  | (2,255,909)           | (48,798)     | (91,575)     | -            | -            |
| Cash paid for retiree benefits  | (52,259)     | (46,126)              | -            | -            | -            | -            |
| Net cash provided by (used in) operating activities   | 164,155      | 547,141               | (37,004)     | 3,768,232    | 2,899,023    | 2,404,191    |
| <b>Cash flows from investing activities:</b>  |              |                       |              |              |              |              |
| Interest and investment income  | 88,221       | 95,705                | 4,847        | 12,319       | -            | -            |
| Rollover of interest into investment  | (88,221)     | (95,705)              | (4,847)      | (12,319)     | -            | -            |
| (Purchase) maturity of investment securities, net   | (1,651,298)  | 1,438,455             | -            | 376,138      | -            | -            |
| Net cash (used in) provided by investing activities   | (1,651,298)  | 1,438,455             | -            | 376,138      | -            | -            |
| <b>Cash flows from capital and related financing activities:</b>  |              |                       |              |              |              |              |
| Purchase of property and equipment  | (32,100)     | (49,081)              | -            | -            | -            | -            |
| Net cash used in capital and related financing activities   | (32,100)     | (49,081)              | -            | -            | -            | -            |
| <b>Cash flows from noncapital financing activities:</b>   |              |                       |              |              |              |              |
| Repayment of bond payable   | -            | -                     | -            | -            | (1,385,000)  | (890,000)    |
| Net interest received (paid) on deposit accounts and bonds payable  | 1,749        | 7,151                 | 9,617        | 5,124        | (1,497,844)  | (1,544,700)  |
| Net cash provided by (used in) noncapital financing activities  | 1,749        | 7,151                 | 9,617        | 5,124        | (2,882,844)  | (2,434,700)  |
| Net change in cash and cash equivalents   | (1,517,494)  | 1,943,666             | (27,387)     | 4,149,494    | 16,179       | (30,509)     |
| Cash and cash equivalents at beginning of year  | 3,063,234    | 1,119,568             | 5,574,335    | 1,424,841    | 3,585,540    | 3,616,049    |
| Cash and cash equivalents at end of year  | \$ 1,545,740 | \$ 3,063,234          | \$ 5,546,948 | \$ 5,574,335 | \$ 3,601,719 | \$ 3,585,540 |
| <b>Reconciliation of operating (loss) income to net cash provided by (used in) operating activities:</b>        |              |                       |              |              |              |              |
| Operating (loss) income   | \$ (852,298) | \$ (944,579)          | \$ -         | \$ -         | \$ 2,937,203 | \$ 2,405,309 |
| Other income, net   | 899,923      | 1,044,346             | -            | -            | -            | -            |
| <b>Adjustments to reconcile operating (loss) income to net cash provided by (used in) operating activities:</b> |              |                       |              |              |              |              |
| Depreciation and amortization   | 37,399       | 42,518                | 578          | 578          | -            | -            |
| Noncash pension cost  | (261,615)    | (186,823)             | -            | -            | -            | -            |
| Provision for bad debts   | -            | 76,426                | -            | -            | -            | -            |
| <b>(Increase) decrease in assets and deferred outflows of resources:</b>  |              |                       |              |              |              |              |
| Due from trust funds administered by GEDA   | (68,433)     | 9,515                 | -            | -            | -            | -            |
| Reimbursable expense  | 6,714        | 517,773               | (6,714)      | (517,773)    | -            | -            |
| Other receivables   | 121,269      | 152,674               | -            | -            | -            | -            |
| Note receivable   | (100,000)    | -                     | -            | -            | -            | -            |
| Promotional supplies  | 1,725        | 524                   | -            | -            | -            | -            |
| Prepaid expenses  | (20,744)     | 4,300                 | -            | -            | -            | -            |
| <b>Increase (decrease) in liabilities and deferred inflows of resources:</b>                                    |              |                       |              |              |              |              |
| Accounts payable  | 154,473      | (209,888)             | -            | -            | 30,927       | 29,809       |
| Due to trust funds administered by GEDA   | -            | (12,366)              | 30,737       | -            | -            | -            |
| Accrued liabilities   | 198,559      | 15,129                | 8,052        | (231)        | (69,107)     | (30,927)     |
| Unearned grant revenue  | -            | -                     | (69,657)     | 4,285,658    | -            | -            |
| Unearned rental income  | 1,866        | (2,528)               | -            | -            | -            | -            |
| Due to GALC   | -            | 23,909                | -            | -            | -            | -            |
| DCRS sick leave liability   | 45,317       | 16,211                | -            | -            | -            | -            |
| Net cash provided by (used in) operating activities   | \$ 164,155   | \$ 547,141            | \$ (37,004)  | \$ 3,768,232 | \$ 2,899,023 | \$ 2,404,191 |

See Accompanying Independent Auditors' Report.

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

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**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

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**YEARS ENDED SEPTEMBER 30, 2015 AND 2014**



Deloitte & Touche LLP  
361 South Marine Corps Drive  
Tamuning, GU 96913-3911  
USA

Tel: (671)646-3884  
Fax: (671)649-4932  
[www.deloitte.com](http://www.deloitte.com)

## **Independent Auditors' Report**

The Board of Directors  
Guam Economic Development Authority:

### **Report on Financial Statements**

We have audited the accompanying statements of fiduciary net position of the Guam Development Fund Act and the Agricultural Development Fund (the Funds) as of September 30, 2015 and 2014, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements. The Funds are administered by the Guam Economic Development Authority (the Authority) which is a component unit of the Government of Guam.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Guam Development Fund Act and the Agricultural Development Fund as of September 30, 2015 and 2014, and the changes in their net position and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2016, on our consideration of the Funds' internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on 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 the Funds' internal control over financial reporting and compliance.

Deloitte & Touche LLP

April 20, 2016

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

Statements of Fiduciary Net Position  
September 30, 2015 and 2014

| <u>ASSETS</u>                             | Guam Development<br>Fund Act |               | Agricultural<br>Development<br>Fund |              |
|---|------------------------------|---------------|-------------------------------------|--------------|
|   | 2015                         | 2014          | 2015                                | 2014         |
| Cash on hand and in bank                  | \$ 368,702                   | \$ 856,282    | \$ 165,227                          | \$ 125,750   |
| Investments                               | 9,820,044                    | 9,973,440     | 797,453                             | 826,698      |
| Notes and accrued interest receivable     | 1,161,190                    | 1,273,986     | 46,634                              | 60,599       |
| Less allowance for doubtful receivables   | (168,943)                    | (169,547)     | (21,392)                            | (7,389)      |
| Net notes and accrued interest receivable | 992,247                      | 1,104,439     | 25,242                              | 53,210       |
| Due from other funds:                     |                              |               |                                     |              |
| Guam Development Fund Act                 | -                            | -             | 110                                 | -            |
| State Small Business Credit Initiative    | 30,737                       | -             | -                                   | -            |
| Other real estate:                        |                              |               |                                     |              |
| Leasehold interest, net                   | 133,117                      | 136,154       | -                                   | -            |
| Furniture and equipment, net              | 6,264                        | 5,788         | -                                   | -            |
|   | 170,118                      | 141,942       | 110                                 | -            |
| Total assets                              | \$ 11,351,111                | \$ 12,076,103 | \$ 988,032                          | \$ 1,005,658 |
| <u>LIABILITIES AND NET POSITION</u>       |                              |               |                                     |              |
| Liabilities:                              |                              |               |                                     |              |
| Accounts payable and accrued expenses     | \$ 39,644                    | \$ 95,806     | \$ 7                                | \$ 10,968    |
| Due to other funds:                       |                              |               |                                     |              |
| Guam Economic Development Authority       | 69,589                       | 13,076        | 22,106                              | 10,186       |
| Agricultural Development Program          | 110                          | -             | -                                   | -            |
| Total liabilities                         | 109,343                      | 108,882       | 22,113                              | 21,154       |
| Commitments and Contingencies             |                              |               |                                     |              |
| Net position held in trust                | 11,241,768                   | 11,967,221    | 965,919                             | 984,504      |
| Total liabilities and net position        | \$ 11,351,111                | \$ 12,076,103 | \$ 988,032                          | \$ 1,005,658 |

See accompanying notes to financial statements.

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

Statements of Changes in Fiduciary Net Position  
Years Ended September 30, 2015 and 2014

|   | Guam<br>Development<br>Fund Act |                      | Agricultural<br>Development<br>Fund |                   |
|---|---------------------------------|----------------------|-------------------------------------|-------------------|
|   | <u>2015</u>                     | <u>2014</u>          | <u>2015</u>                         | <u>2014</u>       |
| Additions:  |                                 |                      |                                     |                   |
| Interest from loans   | \$ 61,520                       | \$ 36,646            | \$ 1,312                            | \$ 1,298          |
| Investment income, net  | -                               | 650,480              |                                     | 34,257            |
| Recovery of doubtful notes receivable<br>and accrued interest   | -                               | 166,516              | -                                   | 19,778            |
| Other   | <u>20,337</u>                   | <u>115,944</u>       | <u>-</u>                            | <u>13</u>         |
| Total additions   | <u>81,857</u>                   | <u>969,586</u>       | <u>1,312</u>                        | <u>55,346</u>     |
| Deductions:   |                                 |                      |                                     |                   |
| Investment loss, net  | 319,741                         | -                    | 3,167                               | -                 |
| Salaries and benefits   | 275,545                         | 309,736              | -                                   | -                 |
| Bank charges  | 73,536                          | 59,046               | 1,216                               | -                 |
| Rent  | 64,041                          | 66,778               | -                                   | -                 |
| Provision for doubtful notes receivable<br>and accrued interest | 44,953                          | -                    | 14,003                              | -                 |
| Legal and professional services                                 | 11,973                          | 34,115               | 1,511                               | 237               |
| Travel  | 9,251                           | 1,201                | -                                   | -                 |
| Depreciation  | 3,037                           | 9,501                | -                                   | -                 |
| Advertising and promotions                                      | 405                             | 2,394                | -                                   | -                 |
| Miscellaneous   | <u>4,828</u>                    | <u>11,470</u>        | <u>-</u>                            | <u>-</u>          |
| Total deductions  | <u>807,310</u>                  | <u>494,241</u>       | <u>19,897</u>                       | <u>237</u>        |
| Net change in net position                                      | (725,453)                       | 475,345              | (18,585)                            | 55,109            |
| Net position at beginning of year                               | <u>11,967,221</u>               | <u>11,491,876</u>    | <u>984,504</u>                      | <u>929,395</u>    |
| Net position at end of year                                     | <u>\$ 11,241,768</u>            | <u>\$ 11,967,221</u> | <u>\$ 965,919</u>                   | <u>\$ 984,504</u> |

See accompanying notes to financial statements.



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

Notes to Financial Statements  
September 30, 2015 and 2014

(1) Purpose and Summary of Significant Accounting Policies

Purpose

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

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

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

Additionally, GEDA administered the Microenterprise Development Program (MDP), the Guam Territorial Aquarium Foundation (GTAF), and the Music and Legends of Guam Fund (MLGF), the Housing and Urban Development Fund (HUD), Agricultural Expense Insurance Fund (AEIF), the Aquacultural Training Fund (ATF), Landowner's Recovery Fund (LRF), the Local Arts Revolving Fund (LARF), the U.S. Base Realignment and Closure Committee (BRAC) which have no assets, liabilities or net position as of September 30, 2015 and 2014 and have no activities during the years then ended. Therefore, they are not presented in the accompanying financial statements.

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

Basis of Accounting

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

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

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

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

Notes to Financial Statements  
September 30, 2015 and 2014

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

Cash

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

Notes and Accrued Interest Receivable

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

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

Allowance for Doubtful Receivables

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

Expenses

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

New Accounting Standards

During fiscal year 2015, the Trust Funds implemented the following pronouncements:

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The implementation of this statement did have a material effect on the accompanying financial statements.
- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, which improves accounting and financial reporting for state and local governments' combinations and disposals of government operations. Government combinations include mergers, acquisitions, and transfers of operations. A disposal of government operations can occur through a transfer to another government or a sale. The implementation of this statement did not have a material effect on the accompanying financial statements.

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

Notes to Financial Statements  
September 30, 2015 and 2014

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

New Accounting Standards, Continued

- GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, which addresses an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The implementation of this statement did not have a material effect on the accompanying financial statements

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurements and requires entities to expand their fair value disclosures by determining major categories of debt and equity securities within the fair value hierarchy on the basis of the nature and risk of the investment. The provisions in Statement 72 are effective for fiscal years beginning after June 15, 2015. Management believes that the implementation of this statement only requires additional disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques and will not have a material effect on the financial statements.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which aligns the reporting requirements for pensions and pension plans not covered in GASB Statements 67 and 68 with the reporting requirements in Statement 68. The provisions in Statement No. 73 are effective for fiscal years beginning after June 15, 2015, with the exception of the provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and addresses financial reporting requirements for governments whose employees are provided with postemployment benefits other than pensions (other postemployment benefits or OPEB). The provisions in Statement No. 74 are effective for fiscal years beginning after June 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

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

Notes to Financial Statements  
September 30, 2015 and 2014

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

New Accounting Standards, Continued

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The provisions in Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which eliminates two of the four categories of authoritative GAAP that exist under the existing hierarchy prescribed by Statement 55. The two categories that will remain under the new standard are (1) GASB Statements and (2) GASB technical bulletins and implementation guides in addition to AICPA guidance that the GASB clears. The provisions in Statement No. 76 are effective for fiscal years beginning after June 15, 2015. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*, which requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The provisions in Statement No. 77 are effective for fiscal years beginning after December 15, 2015. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

(2) Deposits and Investments

Investments are carried at market value. Cash and cash equivalents and investments at September 30, 2015 and 2014 consist the following:

|  | <u>2015</u>          | <u>2014</u>          |
|--|----------------------|----------------------|
| Cash on hand and deposits in banks     | \$ <u>533,929</u>    | \$ <u>982,032</u>    |
| Cash and cash equivalents              | \$ <u>533,929</u>    | \$ <u>982,032</u>    |
| Total shares in mutual funds           | \$ 572,200           | \$ 1,173,022         |
| Exchange-traded & closed-end funds     | 6,274,840            | 6,063,997            |
| Time certificate of deposits           | 2,000,000            | -                    |
| Municipal bonds                        | 1,485,719            | 3,002,878            |
| Brokered Certificates of Deposit (CDs) | <u>284,738</u>       | <u>560,241</u>       |
| Investments                            | \$ <u>10,617,497</u> | \$ <u>10,800,138</u> |

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

Notes to Financial Statements  
September 30, 2015 and 2014

(2) Deposits and Investments, Continued

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

A. Deposits

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

At September 30, 2015 and 2014, the carrying amount of cash was \$533,929 and \$982,032, respectively, and the corresponding bank balances were \$533,823 and \$989,393, respectively, which are maintained in financial institutions subject to Federal Deposit Insurance Corporation insurance (FDIC). Cash balances of \$0 and \$99,006 are insured by the Federal Deposit Insurance Corporation (FDIC) at September 30, 2015 and 2014, respectively. GEDA does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposit levels are exposed to custodial credit risk.

B. Investments

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

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, GEDA will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. GEDA's investment in shares of mutual funds, exchange-traded and closed-end funds, municipal bonds and U.S. Government securities at September 30, 2015 and 2014 is registered in GEDA's name and is held by three and two investment managers, respectively, for GEDA.

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

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

Notes to Financial Statements  
September 30, 2015 and 2014

(2) Deposits and Investments, Continued

B. Investments, Continued

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

As of September 30, 2015, investments at fair value are as follows:

|  | <u>Amount</u> | <u>Maturity</u> | <u>Moody's<br/>Rating</u> |
|--|---------------|-----------------|---------------------------|
| Shares in mutual funds invested in:  |               |                 |                           |
| Calamos Market Neutral, Income (CMNIX)   | \$ 147,362    | N/A             | N/A                       |
| Guggenheim Managed Futures Strategy H Fund (RYMFX)                             | 142,065       | N/A             | N/A                       |
| Invesco Treasurer's Series Trust Premier Portfolio Institutional Class (IPPXX) | 141,887       | N/A             | N/A                       |
| Blackrock GLB Long/Short EQ (BDMIX)  | 71,127        | N/A             | N/A                       |
| Blackrock Global L/S Credit (BGCIX)  | 69,759        | N/A             | N/A                       |
| Exchange-traded & closed-end funds:  |               |                 |                           |
| ALERIAN MLP ETF (AMLPE)  | 156,299       | N/A             | N/A                       |
| ISHARES N Amer Nat Res ETF (IGE)   | 159,255       | N/A             | N/A                       |
| ISHARES Russell 1000 GRW ETF (IWF)   | 816,540       | N/A             | N/A                       |
| ISHARES Russell 1000 Value ETF (IWD)   | 807,432       | N/A             | N/A                       |
| ISHARES Russel 2000 Grwth ETF (IWO)  | 133,434       | N/A             | N/A                       |
| ISHARES Russell 2000 Value ETF (IWN)   | 138,934       | N/A             | N/A                       |
| ISHARES Russell Midcap G ETF (IWP)   | 168,005       | N/A             | N/A                       |
| ISHARES Russell Midcap V ETF (IWS)   | 168,865       | N/A             | N/A                       |
| ISHARES TIPS Bond ETF (TIP)  | 252,373       | N/A             | N/A                       |
| PIMCO Enhanced SHRT MTRT EXC (MINT)  | 211,374       | N/A             | N/A                       |
| SPDR Barclays Capital Hihg Yie (JNK)   | 419,076       | N/A             | N/A                       |
| SPDR Barclays Capital Internat (BWX)   | 105,806       | N/A             | N/A                       |
| Vanguard FTSE Developed Mkts E (VEA)   | 1,093,471     | N/A             | N/A                       |
| Vanguard FTSE Emerging Markets (VWO)   | 498,104       | N/A             | N/A                       |
| Vanguard Short Term Bnd (BSV)  | 684,360       | N/A             | N/A                       |
| Vanguard Total Bond Market (BND)   | 461,512       | N/A             | N/A                       |
| Municipal bonds:   |               |                 |                           |
| Arizona St CTFS Partn PFDG-Dept (040588B38)                                    | 103,654       | 10/01/18        | A1                        |
| Conway Ark Sch Dist (212597ZT8)  | 84,662        | 02/01/19        | AA2                       |
| Delaware Transn Auth Transn Sys Rev (246428XZ4)                                | 65,435        | 07/01/28        | AA2                       |
| District Columbia Wtr & Swr Auth Pub (254845AL4)                               | 118,224       | 10/01/23        | AA2                       |
| Forth Woth Tex Rfdg Impt (349425V51)   | 101,021       | 03/01/20        | AA1                       |
| Hawaii St Er Eh (419791Z27)  | 114,521       | 08/01/23        | AA2                       |
| Illinois Fin Auth Rev Rfdg Cent Dupage (45200FD89)                             | 89,210        | 11/01/21        | AA                        |
| Illinois Fin Auth Rev for Issues dtd (45203HJE3)                               | 78,909        | 08/15/25        | AA3                       |
| Jefferson Cnty Ky Sch Dist Fin Corp (472904K83)                                | 82,018        | 01/01/17        | AA2                       |
| Maryland St Dept Transn Cons Transn (574204XR9)                                | 44,324        | 02/15/27        | AA1                       |
| Massachusetts St Dev Fin Agy Rev For (57583UTT5)                               | 72,863        | 07/01/19        | A2                        |
| Massachusetts St Health Edl Facs Auth (57586EQQ7)                              | 93,409        | 12/15/21        | AAA                       |

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Notes to Financial Statements  
September 30, 2015 and 2014

(2) Deposits and Investments, Continued

B. Investments, Continued

|  | <u>Amount</u>        | <u>Maturity</u> | <u>Moody's<br/>Rating</u> |
|--|----------------------|-----------------|---------------------------|
| Municipal bonds, Continued:  |                      |                 |                           |
| Metropolitan Govt Nashville & Davidson (592030ZC7)                             | 88,303               | 05/15/20        | AA+                       |
| Metropolitan Transn Auth N Y Rev for (59259YXH7)                               | 152,526              | 11/15/21        | A2                        |
| New York N Y Cith Transitional Fin (64971MW81)                                 | 53,433               | 11/01/26        | AA1                       |
| Wisconsin St Clean Wtr Rev Rfdg-Ser 1 (9770092WW8)                             | 81,057               | 06/01/25        | AA1                       |
| Wisconsin St Gen Fd Annual Appropriation (977100BH8)                           | 62,150               | 05/01/17        | AA3                       |
| Time certificate of deposits   | 2,000,000            | 01/07/16        | N/A                       |
| Brokered CDs   | <u>284,738</u>       | N/A             | N/A                       |
|  | <u>\$ 10,617,497</u> |                 |                           |
| As of September 30, 2014, investments at fair value are as follows:            |                      |                 |                           |
| Shares in mutual funds invested in:  |                      |                 |                           |
| Calamos Market Neutral, Income (CMNIX)   | \$ 624,975           | N/A             | N/A                       |
| Guggenheim Managed Futures Strategy H Fund (RYMFX)                             | 153,027              | N/A             | N/A                       |
| Invesco Treasurer's Series Trust Premier Portfolio Institutional Class (IPPXX) | 395,020              | N/A             | N/A                       |
| Exchange-traded & closed-end funds:  |                      |                 |                           |
| ALERIAN MLP ETF (AMLP)   | 262,341              | N/A             | N/A                       |
| ISHARES JP Morgan EM Bond ETF (EMB)  | 34,758               | N/A             | N/A                       |
| ISHARES N Amer Nat Res ETF (IGE)   | 173,630              | N/A             | N/A                       |
| ISHARES Russell 1000 GRW ETF (IWF)   | 968,529              | N/A             | N/A                       |
| ISHARES Russell 1000 Value ETF (IWD)   | 812,030              | N/A             | N/A                       |
| ISHARES Russel 2000 Grwth ETF (IWO)  | 179,491              | N/A             | N/A                       |
| ISHARES Russell 2000 Value ETF (IWN)   | 175,519              | N/A             | N/A                       |
| ISHARES Russell Midcap G ETF (IWP)   | 184,475              | N/A             | N/A                       |
| ISHARES Russell Midcap V ETF (IWS)   | 181,440              | N/A             | N/A                       |
| SPDR Barclays Capital Hihg Yie (JNK)   | 355,513              | N/A             | N/A                       |
| SPDR Barclays Capital Internat (BWX)   | 103,381              | N/A             | N/A                       |
| Vanguard FTSE Developed Mkts E (VEA)   | 1,024,159            | N/A             | N/A                       |
| Vanguard FTSE Emerging Markets (VWO)   | 139,186              | N/A             | N/A                       |
| Vanguard Reit ETF (VNQ)  | 66,892               | N/A             | N/A                       |
| Vanguard Short Term Bnd (BSV)  | 829,525              | N/A             | N/A                       |
| Vanguard Total Bond Market (BND)   | 465,936              | N/A             | N/A                       |
| ISHARES Cohen&Steers Reit ETF (ICF)  | 107,192              | N/A             | N/A                       |
| Municipal bonds:   |                      |                 |                           |
| Arizona St CTFS Partn PFDG-Dept (040588B38)                                    | 211,272              | 10/01/18        | A1                        |
| Conway Ark Sch Dist (212597ZT8)  | 169,400              | 02/01/19        | AA2                       |
| Delaware Transn Auth Transn Sys Rev (246428XZ4)                                | 133,447              | 07/01/28        | AA2                       |
| District Columbia Wtr & Swr Auth Pub (254845AL4)                               | 241,526              | 10/01/23        | AA2                       |
| Forth Woth Tex Rfdg Impt (349425V51)   | 205,718              | 03/01/20        | AA1                       |
| Hawaii St Er Eh (419791Z27)  | 227,901              | 08/01/23        | AA2                       |
| Illinois Fin Auth Rev Rfdg Cent Dupage (45200FD89)                             | 177,591              | 11/01/21        | AA                        |
| Illinois Fin Auth Rev for Issues dtd (45203HJE3)                               | 158,163              | 08/15/25        | AA3                       |

**TRUST FUNDS ADMINISTERED BY THE  
GUAM ECONOMIC DEVELOPMENT AUTHORITY  
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Notes to Financial Statements  
September 30, 2015 and 2014

(2) Deposits and Investments, Continued

B. Investments, Continued

|  | <u>Amount</u>               | <u>Maturity</u> | <u>Moody's<br/>Rating</u> |
|--|-----------------------------|-----------------|---------------------------|
| Municipal bonds, Continued                           |                             |                 |                           |
| Jefferson Cnty Ky Sch Dist Fin Corp (472904K83)      | 170,677                     | 01/01/17        | AA2                       |
| Maryland St Dept Transn Cons Transn (574204XR9)      | 89,571                      | 02/15/27        | AA1                       |
| Massachusetts St Dev Fin Agy Rev For (57583UTT5)     | 147,655                     | 07/01/19        | A2                        |
| Massachusetts St Health Edl Facs Auth (57586EQQ7)    | 188,254                     | 12/15/21        | AAA                       |
| Metropolitan Govt Nashville & Davidson (592030ZC7)   | 178,872                     | 05/15/20        | AA+                       |
| Metropolitan Transn Auth N Y Rev for (59259YXH7)     | 303,876                     | 11/15/21        | A2                        |
| New York N Y Cith Transitional Fin (64971MW81)       | 107,535                     | 11/01/26        | AA1                       |
| Wisconsin St Clean Wtr Rev Rfdg-Ser 1 (9770092WW8)   | 162,456                     | 06/01/25        | AA1                       |
| Wisconsin St Gen Fd Annual Appropriation (977100BH8) | 128,964                     | 05/01/17        | AA3                       |
| Brokered CDs   | <u>560,241</u>              | N/A             | N/A                       |
|  | <b>\$ <u>10,800,138</u></b> |                 |                           |

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

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

(3) Other Real Estate

G DFA and ADF have acquired certain land and leasehold interest through loan foreclosure. Leasehold interests are reflected at cost of \$167,000 (net of a valuation allowance of \$333,171) as of September 30, 2015 and 2014, respectively, net of accumulated amortization of \$33,883 and \$30,846 at September 30, 2015 and 2014, respectively.

During the year ended September 30, 2015, ADF sold foreclosed property for a gain of \$270,025 which was recorded in GEDA's operating fund.

During the year ended September 30, 2014, G DFA sold land of \$548,571 with related leasehold interest of \$731,429, net of accumulated amortization of \$134,834, for proceeds of \$2,229,864, which resulted in a net gain of \$1,084,698. The net gain on sale was recorded in GEDA's operating fund.

(4) Commitments

GEDA has approved a loan guarantee of \$1,000,000 with outstanding balance of \$962,533 as of September 30, 2015. The guaranteed loan was reported to be in current status by the lender as of September 30, 2015.

(5) Contingencies

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





Deloitte & Touche LLP  
361 South Marine Corps Drive  
Tamuning, GU 96913-3911  
USA

Tel: (671)646-3884  
Fax: (671)649-4932  
www.deloitte.com

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

The Board of Directors  
Guam Economic Development Authority:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Guam Economic Development Authority (GEDA), which comprise the statement of net position as of September 30, 2015, and the related statements of revenues, expenses, and changes in net position and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 20, 2016.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Deloitte & Touche LLP*

April 20, 2016

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

The Board of Directors  
Guam Economic Development Authority:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Guam Development Fund Act and the Agricultural Development Fund, administered by the Guam Economic Development Authority (GEDA), which comprise the respective statements of fiduciary net position as of September 30, 2015 and the related statements of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon April 20, 2016.

### **Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Deloitte & Touche LLP*

April 20, 2016