



## **Guam Economic Development Authority FY 2010 Financial Highlights**

March 1, 2011

Guam Economic Development Authority's (GEDA) financial audit report includes two reports: (1) GEDA and the Tobacco Settlement Authority (TSA), and (2) several trust funds administered by GEDA. For fiscal year (FY) 2010, GEDA and TSA closed the year with a net increase of \$138 thousand (K), of which \$118K is from GEDA and \$20K is from TSA.

GEDA's primary trust funds are the Guam Development Fund Act (GDFA) and Agricultural Development Fund (ADF). Although collection efforts continue, collectability on the loans is an on-going concern with GEDA. The GDFA and ADF have combined loans of \$2.3 million (M), of which only \$292K or 13% are deemed collectible. Interest income from the active loans amounted to only \$23K.

Independent auditors Deloitte & Touche, LLP issued unqualified or "clean" opinions on GEDA's FY 2010 financial statements. In order to receive the clean opinion, 13 audit adjustments were made for GEDA & TSA that cumulatively decreased net assets by \$18K, and five audit adjustments were made for the trust funds that cumulatively increased net assets by \$305K. In addition, GEDA chose not to make one proposed audit adjustment for \$27K that it considered immaterial. GEDA is to be commended as this is the seventh year when no instances of noncompliance were identified in their financial statements. For this fiscal year, there was no management letter. Similarly with FY 2009, GEDA did not receive any new federal awards and was not required to undergo a Single Audit as required by OMB Circular A-133.

### **Operating Revenues and Expenditures**

For FY 2010, GEDA closed the year with an increase in net assets of \$138K. Revenues decreased by 6% or \$301K from \$5.2M to \$4.9M, and expenses increased by 14% or \$292K from \$2.1M to \$2.4M.

GEDA generates its own revenues to sustain annual operations from three primary sources: rental income from Industrial Parks, application and surveillance fees from Qualifying Certificate (QC) beneficiaries, and bond fees. Rental income decreased by 23% or \$403K from \$1.7 to \$1.3M, while QC fees increased by 113% or \$229K to from \$203K to \$432K. The decrease in rental income is mainly attributed to the loss of revenue from the Port Authority of Guam, while the increase in QC fees is attributed to an additional QC under the Insurance Industry.

As the Central Financial Manager for the government, GEDA is authorized to receive fees with the issuance of government of Guam bonds. While bond fees offer a third source of income, it is dependent upon the issuance of debt by government entities. In FY 2010, bond fees earned increased by 84% or \$255K from \$305K to \$560K.

GEDA's expenses are attributed to two main sources: salaries and benefits, and legal and professional services. Salaries and benefits increased by 24% or \$306K from \$1.3M to \$1.6M, while legal and professional services increased by 20% or \$58K from \$284K to \$342K. Since most of GEDA's employees are unclassified, GEDA did not participate in the government-wide Hay Study and instead implemented a 10% across the board salary increase, which amounted to approximately \$55K through the end of FY 2010 to include benefits. The increase in legal and professional services is attributed to the Industrial Park and Guam Ancestral Lands Commission leases.

### **Leave Payout**

GEDA's previous board, with the support of their attorney's legal opinions citing 12 G.C.A. §50104(i), paid 100% rather than 50% of the former Administrator's sick leave hours accrued while employed at GEDA, in recognition of his good performance upon his resignation on December 2010. However, 4 G.C.A. § 4108(h) provides that an employee under the Defined Contribution retirement plan is only entitled pay for 50% of his unused accumulated sick leave hours. The former Administrator received an additional \$8,850, representing the additional 50% in sick leave.

### **G DFA and ADF Trust Fund Loans Remain Uncollectible**

For FY 2010, uncollectibility on the \$2.3M G DFA and ADF Trust Fund Loans still remain the same. The \$2.3M consists of \$2M reserve for doubtful accounts and \$292K for performing loans or loans with adequate collateral. Similarly with FY 2009, GEDA is expected to collect only 13 cents on the dollar.

### **Government of Guam Overall Debt Calculation**

Public Law 30-7 redefined assessed value from 70% to 90% of taxable appraised value. With the debt ceiling calculated as 10% of the assessed value, the debt capacity was \$1,020,506,079 as of December 31, 2010. A total of \$753.3M in government of Guam obligations are counted against the debt ceiling, leaving a balance of \$267.2M available for future debt obligations. There are five approved financing items totaling \$186.1M, which will bring the amount available for future financing to \$81.1M. The five approved items are for the Department of Land Management Building (\$15.8M), Guam Fire Department (\$7.8M), Guam Memorial Hospital Authority (\$25M), Tourist Attraction Fund (\$97M), and University of Guam Capital Improvement Projects (\$40.5M). As of that date, the government's annual debt service payment was \$148.4M.

In February 2011, the GMHA loan was completed with the borrowing limited to \$12M. In January 2011, Public Law 30-239 authorized the issuance of General Obligation Promissory Notes for payments to COLA awardees in reference to Superior Court Case No. SP0206-93. Currently, on behalf of the government of Guam and Guam Visitors Bureau, GEDA is working on refinancing the existing Limited Obligation Infrastructure Improvement Bonds Series 1997A, and securing up to \$68.5M for capital improvement projects from the 2011 Government of Guam Limited Obligation Hotel Occupancy Tax Bonds by April 29, 2011.

For a more detailed commentary, refer to the Management Discussion and Analysis in the audit report. Visit GEDA's website at [www.investguam.com](http://www.investguam.com) or OPA's website at [www.guamopa.org](http://www.guamopa.org) to view the reports in their entirety.