



Guam Economic Development Authority FY 2012 Financial Highlights

March 14, 2013

Guam Economic Development Authority's (GEDA) financial audit report includes two reports: (1) GEDA, the new State Small Business Credit Initiative (SSBCI), and the Tobacco Settlement Authority (TSA), and (2) several trust funds administered by GEDA. For fiscal year (FY) 2012, GEDA, SSBCI, and TSA closed with a net increase of \$56 thousand (K), of which \$113K is from GEDA, \$40K is from SSBCI, and (\$97K) is from TSA. GEDA's primary trust funds, the Guam Development Fund Act (GDFA) and Agricultural Development Fund (ADF), had investments of \$10.3 million (M) which earned \$119K in investment income for a return on investment of 1%.

Independent auditors Deloitte & Touche, LLP issued an unqualified or "clean" opinion on GEDA's FY 2012 financial statements. In order to receive the clean opinion, 13 audit adjustments were made for GEDA, SSBCI, and TSA that cumulatively decreased net assets by \$4.3M, and three audit adjustments were made for the trust funds that cumulatively decreased net assets by \$95K. GEDA is to be commended as this is the ninth year with no instances of noncompliance in their financial statements. There was no management letter for this fiscal year.

Operating Revenues and Expenditures

For FY 2012, GEDA closed with an increase in net assets of \$56K. Revenues increased by 7% or \$338K from \$4.7M in FY 2011 to \$5.1M, and expenses remained relatively the same to FY 2011 at \$2.7M.

GEDA generates its own revenues from three primary sources: rental income from Industrial Parks (24%), fees from Qualifying Certificate (QC) beneficiaries (8%), and commission received from management of the Guam Ancestral Land Commission (GALC)'s lease properties (2%). Rental income remained relatively the same to FY 2011 at \$1.2M due to a slight increase in the Seaport Industrial Park lease. Meanwhile, QC fees decreased by 14% or \$71K from \$499K in FY 2011 to \$429K due to the expiration of a hotel QC resulting in a decrease in QC fee collections. GALC lease commission also decreased by 1% or \$1K from \$97K in FY 2011 to \$96K.

The overall decrease in recurring revenues was off-set by increases in bond fees and grants; GEDA's other non-recurring revenue sources. Bond fees increased by 36% or \$198K from \$549K to \$747K due to GEDA's assistance in the issuance of the \$344M Business Privilege Tax Bonds Series 2011 A and 2012 B. Additionally, grants increased by 481% or \$151K from \$32K in FY 2011 to \$183K due to the award of the SSBCI funds and State Trade and Export Promotions (STEP) grant.

In FY 2012, GEDA's slight increase in expenses of \$5K was attributed to: travel, office space and equipment rent, and miscellaneous expenditures. Travel increased by 80% or \$62K from \$77K in FY 2011 to \$138K due to GEDA's participation in trade missions and conferences. Office space and equipment rent increased by 20% or \$35K from \$176K in FY 2011 to \$212K due to the increase in office space rental. In addition, miscellaneous expenses increased by 74% or \$16K from \$22K in FY 2011 to \$38K due to adjustments relating to the STEP grant.

Merit Bonuses

In 1991, Public Law 21-59 was enacted to establish a bonus system for GovGuam employees, autonomous and semi-autonomous agencies, public corporations, and other public instrumentalities of GovGuam who have earned a superior performance grade. The bonus is calculated at 3.5% of the employee's base salary beginning in 1991. As of FY 2012, GEDA has not assessed the impact of the law requirements and therefore, no liability has been recorded in the financial statements.

SSBCI Fund

In FY 2011, the U.S. Department of Treasury allocated \$13.2M from the SSBCI Jobs Act of 2010 to GovGuam until March 2017. GEDA was tasked by the Governor to be responsible for administering Guam's SSBCI program. Under the Loan Guarantee Program, up to 75% of the loan amount for each loan is guaranteed by GEDA as cash deposits with participating lenders. GEDA has the authority to approve or reject loan applications based on eligibility and available funds. For each loan enrolled by the lenders, GEDA will receive up to 2% of the loan amount for each loan as a guarantee fee. In FY 2012, GEDA received an initial funding of \$4.4M or 33% of the total SSBCI funds, which have been recorded as deferred grant revenues until disbursed. GEDA also incurred \$68K in administrative costs and earned \$8K in guarantee fees from administering the SSBCI funds.

STEP Grant

In FY 2012, GEDA was awarded \$136K from the U.S. Small Business Administration's STEP grant. The three-year grant's purpose is to increase the number of small businesses in exporting and increase the value of exports for existing small businesses. The grant will be used for assisting businesses with Guam souvenir products and for the Guam Product Seal program. As of FY 2012, GEDA expended \$115K of the \$136K in grant expenditures. GEDA was awarded \$227K in FY 2013 for the second year of this grant.

GEDA and Trust Fund Investments and Loans

In FY 2012, GEDA and SSBCI's investments totaled \$4.8M and had interest earnings of \$105K. GDFA and ADF investments totaled \$10.3M and had interest earnings of \$119K. For every dollar invested, interest earnings amounted to 2 cents for GEDA and 1 cent for the trust funds.

In addition, collectability on the \$2.3M GDFA and ADF Trust Fund Loans slightly improved for FY 2012. The \$2.3M consists of \$1.7M reserve for doubtful accounts and \$578K for performing loans or loans with adequate collateral. The reserve is mainly attributed to one loan with an outstanding balance of \$1.3M. GEDA collected 26 cents on the dollar compared to 18 cents in FY 2011.

Max Havoc Settlement

In FY 2004, GEDA secured an \$800K loan guarantee for the Max Havoc: Curse of the Dragon film in order to advance the development of Guam's commercial filming capacity. The loan guarantee was used to secure a bank loan to finance the film. In June 2006, the producer of the film defaulted on the loan, which forced GEDA to pay back the bank. After several legal battles, GEDA approved the producer's settlement offer at \$350K in May 2012. The producer paid \$200K in July 2012, \$75K in October 2012, and \$75K in February 2013.

GovGuam Debt Ceiling

As of January 1, 2013, a total of \$1.136 billion (B) in Government of Guam (GovGuam) obligations is counted against the debt ceiling of \$1.139B.

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