

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

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

*Years Ended September 30, 2023 and 2022
With Report of Independent Auditors*



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

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

Years Ended September 30, 2023 and 2022

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Report of Independent Auditors

The Board of Directors
Guam Economic Development Authority

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Guam Economic Development Authority (the Authority or GEDA), a component unit of the Government of Guam, as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise GEDA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority at September 30, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibility for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of GEDA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about GEDA's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 24, the Schedule of Proportionate Share of the Net Pension Liability on pages 69, 71, and 73, the Schedule of Contributions on pages 70, 72, 74 and 76 and the Schedule of Proportionate Share of the Collective Total Other Postemployment Benefit Liability on page 75 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplemental divisional schedules on pages 78 through 82, are presented for purposes of additional analysis and are not required to be part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Supplemental Schedule of Salaries and Wages on page 83 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2024 on our consideration of GEDA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of GEDA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering GEDA's internal control over financial reporting and compliance.

Ernst + Young LLP

July 29, 2024

Guam Economic Development Authority
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Management's Discussion and Analysis

Years Ended September 30, 2023 and 2022

PREFACE

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

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

Although GEDA has a series of broad mandates, GEDA regularly focuses on key areas that are the core of GEDA's regular activities. These activities include new industry development, local business support services, compliance monitoring for tax credit and tax incentive programs, commercial loan programs, and government real property management. Additionally, GEDA is the *Central Financial Manager* for the Government of Guam and assists agencies with financial advisory services, capital financing, debt management, and annual financial reporting on debt instruments. It is common for GEDA to be assigned to lead or serve on special projects of the Office of the Governor, and this was especially true in the COVID-19 pandemic environment, wherein GEDA served as a "fiscal first responder" along with other agencies to provide aid to the business community.

Fiscal Year (FY) 2023

The island's economy in 2023 was in a state of recovery from the effects of the COVID-19 pandemic. While pockets of tourism remained in distress, general economic indicators trended positive. Unemployment continued its decline to 4.1%. Visitor arrivals were at around 600,000, which represented about 38% of pre-pandemic visitor arrivals. Building and construction permits, which experienced a high of \$580 million in volume in 2022, were reduced to \$254 million in 2023. The spike in FY2022 was attributed to pent-up demand in construction projects following COVID-19 delays and closures, travel restrictions, and supply chain interruptions. Guam's H2B Visa population was at record highs, nearing 5,000 in FY2023.

In May 2023, Category IV Typhoon Mawar hit the island. The GEDA office was closed for approximately one week without power, water, and communications. Minor flooding also occurred in the office. Otherwise, the agency itself was spared. Tenants of the GEDA located in the villages of Tamuning and Harmon experienced varying levels of damage but were spared significant damage.

In FY2023, the agency was called on by the Office of the Governor and the 36th Guam Legislature to design, implement, and monitor the Local Employers Assistance Program (LEAP), a program designed to mirror the federal Paycheck Protection Program (PPP), to provide aid to over 900 local businesses affecting 6,834 local employees. Simultaneously, the tourism industry lobbied for an

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additional \$20 million in funding, which was authorized by the Guam Legislature but not funded until FY2024.

Ongoing special projects included an emphasis on economic diversification projects in the areas of aquaculture, additive manufacturing, and transshipment. The Real Property Team was asked to administer and staff the Governor's Medical Campus Working Group and help the Office of Veterans Administration complete its State Plan.

GEDA continued building on the 2022 trade mission work with greater participation in Select USA, a summit hosted by the Department of Commerce to showcase the states and territories commercial offerings to over 3,000 participants. There were also smaller trade missions to Taiwan and the Philippines. The Small Business Services Division utilized USDA funding and SBA to host multiple small business trade missions for local small businesses in Palau and Las Vegas, Nevada.

Governor Leon Guerrero and Lieutenant Governor Tenorio successfully sought reelection in November 2022. As such, executive management remained in place. The executive management team is comprised of Board Chair David John, CEO/Administrator Melanie Mendiola, and Deputy Administrator Carlos Bordallo, who started with the agency in July 2022. Board member Fe Valencia-Ovalles resigned from her board directorship in FY2023, while new board member Dr. Doreen Crisostomo Muna joined early in the fiscal year.

COVID-19 ECONOMIC ASSISTANCE

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

BUSINESS DEVELOPMENT LED INITIATIVES

THE LOCAL EMPLOYERS' ASSISTANCE PROGRAM

Pursuant to Executive Order 2021-25, GEDA launched the Local Employers' Assistance Program (LEAP) to provide direct financial assistance to local small businesses still in distress as a result of the pandemic. GEDA began accepting applications on December 20, 2021, and continued receiving applications until February 25, 2022. Throughout the life of the program, a total of 1,269 applications were received and processed. 942 applications, or 74%, were determined eligible for funding totaling \$61,854,397 in awards. LEAP Awards were funded by the American Rescue Plan Act (ARPA) and local appropriations. Fiscal Year 2023 was spent doing the monitoring and compliance on these awards. Forgiveness documentation for Category B recipients (awardees with five or more employees) was accepted through Fiscal Year 2023. The Final Report on LEAP was provided to the Board of Directors on May 18, 2023.

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Management’s Discussion and Analysis, continued

1. THE LOCAL EMPLOYERS’ ASSISTANCE PROGRAM SUPPLEMENTAL GRANT

While Public Law was passed to authorize the LEAP Supplemental Grant (“LEAP 2”) in FY2023, the funding was not available until months after Typhoon Mawar. Launch occurred in FY2024.

GEDA CHILD CARE GRANT DIVISION

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

In April 2022, pursuant to Executive Order 2022-07, the Governor launched the *Prugrãman i Pinilan i Famagu’on Guãhan* (“*Prugrãman Pinilan*”) to administer federal ARPA, CARES, CRRSA, and CCDBG funds to the island’s childcare providers, through the Guam Child Care Provider Assistance Program. Programs launched include the following:

1. The Child Care and Development Block Grant Program (Extension) – Since its launch on April 5, 2022, a total of 1,431 vouchers have been processed. The voucher quarter average prior to April 5th was \$243,105.00. The voucher FY 2023 4th Quarter average was \$1.2 million. Prior to GEDA’s intervention, the number of families benefiting was 292, and the average monthly vouchers were \$243,000. GEDA is proud of the nearly 400% growth of the program in FY2023.
2. Child Care Assistance Program-Support 2022 (CAPS2022) Grant Program—To provide support by providing a grant/reimbursement for the opening of a new CCDF-licensed childcare facility, GEDA launched CAPS2022 on September 20, 2022, with a deadline of March 31, 2023. In FY2023, GEDA processed 14 approvals totaling \$2.9 million.
3. Community Care and After School Grant Program – To assist Community Programs and before and after school programs offered by non-profit organizations, businesses, residential communities, and local private schools, GEDA launched the Community Care and After School Grant Program. The first round launched on June 6, 2022, with twenty-two applications processed totaling \$861,201.45. Two additional rounds were paid out in Fiscal Years 2022 and 2023 for a total of 186 awardees at \$8.7 million.
4. Child Care Certification Program – In addition to making childcare more affordable for working families, GEDA, in partnership with DPHSS, launched the Child Care Certification Program to support childcare providers and grow jobs by providing skill building courses, paid on-the-job training, and certification to start a career as a childcare provider. Thirty-three students successfully graduated and are working at a childcare

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Management’s Discussion and Analysis, continued

facility. The application submission deadline was December 30, 2022. Five cohorts with a total of 63 graduates completed the trainings by FY2023.

5. Relative Care Grant Program – The Relative Care Grant Program launched on August 16, 2022, to support relative care providers with an initiative that makes childcare more affordable and accessible for working families offering family members who care for children in a home setting. As of the end of FY2023, there were 19 approved relative care providers with total payments of \$95,000 from FY2022 to FY2023.
6. The Village Community Care Program was launched on October 6, 2022, with a March 31, 2023 deadline. The program distributed 19 awards totaling \$11.3 million to village Mayors to prepare facilities and train staff for planning and implementing childcare programs based at the Mayor’s Offices.
7. DPHSS and GEDA launched a Childcare Workforce Retention Grant to encourage childcare workers to remain employed and grow their knowledge and skills in the childcare industry. A total of 354 awards, ranging from \$500 to \$5,000, were disbursed for a total award amount of \$1.3 million.
8. To help childcare centers recover and build resiliency in the face of natural disasters such as Typhoon Mawar, the team launched “Project Mawarrior” to storm harden and prevent future damage. One hundred forty-four childcare facilities were awarded a total of \$16.8 million, ranging from \$10,000 to \$200,000 per facility.

BUSINESS & ECONOMIC DEVELOPMENT DIVISION (BEDD)

ECONOMIC DEVELOPMENT TRADE MISSIONS

GEDA participated in a number of trade missions and educational opportunities in support of its various initiatives.

SELECTUSA Summit 2023

The investment summit is a government program led by the U.S. Department of Commerce. It is the highest profile and largest event dedicated to promoting Foreign Direct Investment (FDI) into the U.S. and its territories. GEDA was able to highlight potential foreign investment opportunities on the island and network with international investors from all over the world, including Guam’s target market in Asia.

Governor Leon Guerrero was invited to participate in two panels during Select USA to promote and discuss Guam’s investment opportunities. This brought a great deal of traffic to the GEDA convention booth.

Select Guam Virtual Symposium

Following SelectUSA, Guam hosted a virtual symposium to which over 200 individuals were invited through the Select USA network and collaborations with the Taiwan Economic Culture Office and the Korea Consul General’s Office. Twenty-four investors were in attendance, representing a geographic reach as far as the United Arab Emirates and as near as the Philippines.

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Management's Discussion and Analysis, continued

The meeting was held live with the participation of the Department of Revenue and Taxation to discuss doing business in Guam, licensing, and taxation.

RAPID +TCT 2023

The Chairman of the Board was invited to present to Additive Manufacturing Industry representatives about the opportunities in Guam in this industry. Additive Manufacturing was found to have great potential in the ship repair and submarine repair space with the defense sector as the key “customer”. This was his topic of presentation along with an overview about doing business in Guam.

Taiwan Business Day

The CEO/Administrator was asked to participate with six other states in Taiwan Business Day in September of 2023. There was opportunity to speak in an auditorium of investors and representatives of Taiwan's Ministries of Trade and Finance. In addition, there were visits to Taiwan's Ministry of Fisheries and meetings with private investors in the space of agriculture, hotel development, and pharmaceuticals. The Business Development Manager also extended a short visit to a pharmaceutical company in the Philippines during the layover en route to Guam.

Training conferences included the annual International Economic Development Council (IEDC) conference in September 2023 and Captive Insurance Companies Association (CICA) in March 2023.

INDUSTRY AND SMALL BUSINESS DEVELOPMENT PROGRAMS

QUALIFYING CERTIFICATE PROGRAM

The Qualifying Certificate (QC) program is an incentive tool, managed by GEDA, to provide tax benefits for qualified investments into Guam.

In FY2023, the following Qualifying Certificates received board approval and were subsequently forwarded to the Attorney General or were in a “pending contract review” mode by the recipient. These were:

- Coretech International Corporation Affordable Housing
- TakeCare Insurance Company
- Tokio Marine Insurance Company
- Pacific Insurance Company
- Island Home Insurance Company
- Pan Pacific Retail Management Corporation

None were subsequently forwarded to the Governor from the Attorney General as of the close of FY2023.

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Management's Discussion and Analysis, continued

GUAM PRODUCT SEAL PROGRAM

GEDA BEDD has administered the Guam Product Seal (GPS) Program since 2012. The GPS program focuses on Guam's local manufacturers with the intent of authenticating products that are made in Guam. In In FY2023, BEDD issued thirty-two (32) GPS permit renewals and fourteen (14) new GPS permits.

STATE TRADE EXPANSION PROGRAM (STEP)

GEDA was awarded a \$100,000 grant from the U.S. Small Business Administration (SBA) to develop a comprehensive export development program. Grant funding allowed GEDA to support small businesses interested in exporting to international markets by providing export readiness training, hosting a virtual export conference, providing export stipend assistance for eligible export activities, and supporting small businesses participation in the ASD Market Week trade show and Palau trade mission. Four local businesses participated in ASD Market Week and five local businesses participated in the Palau trade mission.

In addition, STEP funded a virtual conference attended by 80 individuals concerning topics regarding business expansion towards export. Guest speakers were invited from the local transportation and logistics community.

GROWTH ACCELERATOR PROGRAM (GAP)

GEDA issued a Notice of Funds Availability in FY2022 for providers of incubator training and support. The rationale for utilizing a third-party provider was to expand the reach of GEDA with regard to participation in lending programs, grant programs, and the Guam Product Seal. Guam Unique Merchandise and Art (GUMA) responded and in FY2023, provided training to its 9th cohort of participants through a 16-week course. Over fifty participants received training through the cohort model. At the conclusion, there was a "Graduation Ceremony" and a subsequent opportunity to pitch for seed funding provided under the GAP Program.

AQUACULTURE TASK FORCE

In previous years, GEDA applied for and received both American Rescue Plan and US Economic Development Administration funds to be utilized towards a commercial aquaculture feasibility study. GEDA contracted with an aquaculture specialist who completed the feasibility in FY2022. The aquaculture task force continued to meet concerning community based projects as well as to implement the next steps recommended under the study.

FY2023 was spent also working on an application for a multi-million dollar aquaculture facility, but the application was unsuccessful. However, in FY2024, with the guidance of USEDADA, GEDA will be resubmitting the project.

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Management's Discussion and Analysis, continued

ADDITIVE MANUFACTURING

In FY2023, a feasibility study was contracted to Astro America to conduct an analysis of Guam's capacity for Additive Manufacturing. What emerged was Guam's potential competitive position with regard to AM for ship and submarine repair. Subsequent engagements took place with the Department of Defense to grow this industry.

PUBLIC FINANCE DIVISION (PFD)

The Public Finance Division participates in strategic financial plans for government capital improvement and liquidity management. These duties include financial status review, planning, formulation of cost effective financing strategies, review and finalization of necessary documents if necessary, and obtaining all statutory approvals (relative to all public finance issues). Finally, PFD is responsible for the review of documents relating to specific Public Finance activities, including but not limited to, disclosure documents, term sheets, bond purchase agreements, certificates, and indentures.

BOND MARKET UPDATE AND FINANCING SUMMARY

The municipal markets experienced a bit of volatility in 2023. The Russia-Ukraine conflict began in 2022, spilling over into 2023. To combat high inflation, the Federal Reserve raised interest rates dramatically. Municipal issuers slowed the volume of new issuances as well refundings, but some issuers took advantage of rates to perform tender offers. This became an area of analysis for the Public Finance division in FY23. Although a tough market, GEDA was able to work with the various government agencies in securing savings and favorable rates this past year. The following was the only transaction in Fiscal Year 2023:

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

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

RATING AGENCY ACTIVITY

Consistent with its annual reporting requirements, GEDA facilitated meetings with bond rating agencies to provide updates on Guam's economy and its financial picture. These meetings involved significant preparation to obtain the latest on the economic landscape to provide a comprehensive report indicating the performance of the respective issuing agencies. Due to Typhoon Mawar, ratings agencies requested meetings on all credits which took place during the Summer months of 2023.

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Management's Discussion and Analysis, continued

Below details the results of their review:

1. The General Fund and the Special Revenues Fund obligations were rated by two (2) rating agencies, Standard & Poor's (S&P) and Moody's :
 - S&P Action – There were no new actions since 2021. All credit outlooks remained “Stable” and maintained this status post Typhoon Mawar.
 - Moody's Action
 - General Obligation Bonds 3/23/2023: Ratings of Ba1 from “Stable” to “Positive”. This was maintained for the remainder of FY2023.
 - No new action on remaining credits which held “Positive” outlooks.

2. The credit of the Guam International Airport Authority was most directly impacted by the COVID-19 pandemic because of the loss of visitors to the island. Details are as follows:
 - S&P Actions:
 - 6/16/2023: Rating of "BB" maintained, but outlook adjusted from “Stable” to “Negative” due to the effects of slow tourism recovery and Typhoon Mawar.
 - Moody's Action
 - 9/19/2023: Rating of "Baa2" outlook upgraded from “Negative” to “Stable”.

The GIAA continues to reassure its investors that there is adequate debt service coverage and that they remain committed to remaining financially stable during the recovery of the island.

3. Other actions taken by rating agencies are as follows:
 - Moody's Action:
 - Guam Waterworks Authority 6/13/2023: Ratings affirmed at Baa2, however, outlook downgraded from “Stable” to “Negative” due to the impacts of Typhoon Mawar.

BOND DISCLOSURE SERVICES

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

1. 2007 GEDA Tobacco Settlement Asset-Backed Bonds
2. 2012, 2015, and 2021 Government of Guam Business Privilege Tax
3. 2014 Industrial Development Authority (Guam Facilities Foundation, Inc. Tiyan Project) COP's
4. 2016 Government of Guam Limited Obligation (Section 30) Bonds
5. 2016 Guam Department of Education (Guam Public Schools Facilities Project)
6. 2019 General Obligation Bonds

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7. 2020 Certificate of Participation (John F. Kennedy High School Refunding and Energy Efficient Project)
8. 2021 Government of Guam Hotel Occupancy Tax Revenue Refunding Bonds

GEDA MUNICIPAL FINANCIAL ADVISOR

GEDA, on behalf of the Government of Guam, issued RFP 21-013 for a firm to provide financial advisory services to the Government of Guam to advise and assist in formulating and/or executing a debt financing plan for public purposes for a term of up to 2 years with an option to renew. GEDA awarded the RFP to *Montague DeRose and Associates (MDA)* with the contract executed in January 2022. MDA assisted in the following areas in Fiscal Year 2023:

- GIAA Advance Refunding Bonds
- Rating Agency Reports
- Assistance with the drafting of various financial procurement documents.
- Advise and discussion towards strategic moves to seek bond ratings upgrades in FY2024 for the General Fund.

PRIVATE ACTIVITY BOND (PAB) PROGRAM

PAB are tax-exempt bonds issued by public entities to provide below-market financing for certain types of private projects that serve a public purpose, as specified by Federal tax law. Federal tax law also imposes a number of other restrictions and requirements on the issuance of PAB, among which is a "volume cap" at the state level that limits the amount of PAB's that can be issued each year. Each state receives an annual PAB volume cap allocation, calculated according to a formula established by federal tax law. In addition, federal law allows unused volume cap to be carried forward for future use; carry forward amounts expire after three (3) years. The FY 2023 PAB allocation plus previous carry-over amounts now allows for approximately \$278.4 million in PAB's to be made available for approved activities.

COMPLIANCE DIVISION

QUALIFYING CERTIFICATE COMMUNITY CONTRIBUTION GRANTS

In response to a Community Cash Contributions October 1, 2012 to September 30, 2017 performance audit report by the Office of the Public Auditor, GEDA created the Qualifying Certificate Community Contribution Program. GEDA launched the Qualifying Certificate Community Contribution Grant Program Series 5 in November 2021 and Series 6 in June 2022. In FY2023, because of the flurry of activity to benefit non-profits under Prugramman Pinilan, the GEDA did not launch a QCCC grant cycle.

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Management's Discussion and Analysis, continued

LOAN PROGRAMS

AGRICULTURE DEVELOPMENT FUND (ADF)

The ADF program's target market is limited to individuals, corporations, and partnerships that engage in commercial agriculture businesses. Activities include agriculture, aquaculture, horticulture, mariculture, commercial fishing, and other related areas. The program enables bona fide farmers and commercial farming enterprises to obtain a line of credit financing for working capital needs and to provide funding for the purchase of supplies and inventory. In FY 2023, GEDA gave out no farm loans and was servicing a total of six loans.

GUAM DEVELOPMENT FUND ACT (GDFA)

The GDFA program is targeted at businesses that are engaged or about to engage in activities in the areas of agriculture, fishing, manufacturing, tourism, and their support industries. GDFA enables start-ups and existing businesses to secure long-term financing for the acquisition of long-term fixed assets, working capital needs, and to provide funding for the purchase of supplies and inventory. In FY 2022, GEDA made four (4) commercial loans totaling \$232,271 for working capital and leasehold improvements. GEDA also received 10 inquiries on the GDFA program, totaling approximately \$210,000. As of the close of Fiscal Year 2023, GEDA also had one (1) pending loan request for final decision, \$92,000. The compliance division was monitoring a total of 28 loans in FY2023.

QUALIFYING CERTIFICATE AND TAX CREDIT COMPLIANCE

QUALIFYING CERTIFICATE COMPLIANCE

The compliance process for active qualifying certificates is year-round. In the first quarter of the year, annual letters and notices are mailed out to QC Beneficiaries requesting for fees due, annual training plans, and compilation data reports to initiate annual reviews. This information is due in the 2nd quarter. In the 3rd quarter, annual site inspections are done and annual reviews are continued. In the 4th quarter, compliance reviews are finalized and a compliant or non-compliant letter is issued and sent to each QC Beneficiary.

If QC Beneficiary is deemed compliant, a Certificate of Compliance is issued, and a notification is sent to the Department of Revenue & Taxation. If QC Beneficiary is deemed non-compliant, a notification and suspension of tax benefits is issued for the offending tax year. QC Beneficiary has 12 months to cure. A notification is sent to the Department of Revenue & Taxation. If the non-compliance is not cured in the 12-month period, the revocation process is initiated. An accusation notice and hearing are prepared. As of the end of Fiscal Year 2023, there were 10 (ten) active Qualifying Certificates, 9 (nine) under review and 1 (one) pending revocation.

Guam Economic Development Authority
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Management's Discussion and Analysis, continued

TAX CREDIT COMPLIANCE

Tax credit compliance is also year-round as tax credits are generally tied to capital projects with varying schedules. Tax credits authorized only by legislation are populated within a central spreadsheet utilized to track the credits utilized throughout the life of the credit. Prior to PL 37-14, enacted on May 12, 2023, the total amount of tax credits authorized was \$35,300,000.00 (thirty-five million three hundred thousand dollars).

PL 37-14 retired 4 (four) tax credit programs originally totaling \$11,200,000.00 (eleven million two hundred thousand dollars) with a remaining balance of \$2,805,348.90 (two million eight hundred five thousand three hundred forty-eight dollars and ninety cents).

Three (3) tax credit programs expired originally totaling \$4,900,000.00 (four million nine hundred thousand dollars) with a remaining balance of \$840,962.82 (eight hundred forty thousand nine hundred sixty-two dollars and eighty-two cents).

Four (4) active tax credits totaling \$13,100,000.00 (thirteen million one hundred thousand dollars) with a remaining balance of \$11,320,915.20 (eleven million three hundred twenty thousand nine hundred fifteen dollars and twenty cents).

There were \$300,000.00 (three hundred thousand dollars) in credits issued in FY2023.

REAL PROPERTY DIVISION (RPD)

INDUSTRIAL PARKS

GEDA manages three industrial parks: the E.T. Calvo Memorial Park, the Harmon Industrial Park, and a small portion of Port Authority of Guam property. Additionally, GEDA also executed a Memorandum of Understanding (MOU) with the Guam Ancestral Lands Commission (GALC) to manage leases on Spanish Crown properties, as well as an MOU with the Chamorro Land Trust Commission (CLTC) for general consultancy and property management services for commercial land leases. In total, there are 31 leases managed by the authority to include the Industrial Parks along with GEDA's share of GALC leases. The lease revenues generate approximately \$1.28 million of the Authority's operating revenues for Fiscal Year 2023.

In FY 2023, tenants were well on their way to full recovery and up to date on their rental payments. However, Typhoon Mawar in May of 2023 caused damages island-wide as well as to many of GEDA's tenants. None, however, requested deferments or any special considerations relative to Mawar recovery.

Guam Economic Development Authority
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Management's Discussion and Analysis, continued

OFFICE OF LOCAL DEFENSE COMMUNITY COOPERATION (OLDCC)

The Office of Local Defense Community Cooperation (OLDCC), formerly known as the US Office of Economic Adjustment (OEA) awarded multiple grants to the Office of the Governor in FY2021 and FY2022 which were closed out in FY2023. These grants were administered by GEDA through a memorandum of understanding with the Office of the Governor. The outstanding projects were an ongoing Guam Medical and Public Health Services Action Plan (MAP), which informed and guided the Governor and Lt. Governor, as they lead the Government of Guam to strategically tackle the systemic medical and public health care challenges. This project included analyzing and updating existing Medical Services Delivery Plans, the 2016 Guam Memorial Hospital Task Force Report, the Army Corps of Engineers Report on GMH, identifying emerging trends and advances in technology or best managed practices relevant to Guam, evaluating medical services that should be available on Guam through the hospital and ultimately preparing a Medical Health Care Campus Master Plan with the goal to replace Guam's lone aging public hospital and other public health facilities.

GUAM MEDICAL CAMPUS

GEDA was requested by the Office of the Governor to administer the healthcare working group for the planning and execution of the Guam Medical Campus. The bulk of the work was done for this project in FY2022. In the first quarter of FY2023, the project concluded with the final presentation by the consultant of the Medical Action Plan.

GUAM VETERANS AFFAIRS MEDICAL AND PUBLIC HEALTH SERVICES ACCESS ACTION PLAN

In FY2023, this additional short-term project was contracted to conduct an assessment and draft the VA Medical and Public Health Services Access Action Plan, a sub component of the Medical Action Plan (MAP). This was also to be combined with the State Plan to be submitted by the Guam Veterans Affairs Office to the US Veterans Affairs Department.

FEDERAL PROPERTIES & THE GUAM ANCESTRAL LANDS COMMISSION

As requested by the Governor and as indicated in the MOU with the Guam Ancestral Lands Commission (GALC), RPD has analyzed military use of federal property as part of the "Net Negative" strategy to reduce the DoD footprint in Guam. Over 3,000 acres were identified that could be returned by the federal government to the government of Guam for local economic development and public use purposes, including 102 acres proposed for use as a medical complex. The Governor notified the Navy of her desires for the return of these properties. In January 2021, the Department of the Navy approved a total of 262 acres of terrestrial land and 6,225 acres of submerged land for potential release. RPD continues to analyze military responses and military needs for land while making recommendations to the Governor on the results of RPD's analyses.

Guam Economic Development Authority
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Management's Discussion and Analysis, continued

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

HOT BONDS

RPD continues to manage the HOT Bond program which provided \$55 million to construct 23 projects enumerated by P.L. 30-228 as amended. While most of the projects have been completed, a few projects, such as the Fishermen's Co-op, remain before RPD closes out the program. In FY2023, construction commenced on the Guam Fishermen's Cooperative Association of Guam facility. The first phase was the sea wall reinforcement project.

AQUACULTURE

In March 2021, GEDA received a grant from the United States Economic Development Administration (USEDA) for the Guam Aquaculture Industry Feasibility Study. In conjunction with the Business Development team, RPD took care of the federal reporting associated with the feasibility study which was completed by April 2022 and utilized as the basis to facilitate planning and further research of aquaculture-related commercial activities that are instrumental in growing a local aquaculture industry and support potential new export products to meet the market demand in the Asia Pacific region.

Following the completion of the feasibility study in 2022, GEDA began site visits to other aquaculture innovation centers and facilities in the region including Natural Energy Laboratory of Hawaii Authority in Hilo, in addition to the University of Hawaii offsite aquaculture sites and multiple aquaculture sites in Palau. With this expanded network, GEDA is preparing a comprehensive grant application to the US Economic Development Administration to be submitted in FY2024.

GREEN MARKETS

In May 2022, GEDA was awarded a \$1,300,000 grant from USED A for the repair and construction of public market facilities in Agat, Sinajana, and Mangilao. The Guam Green Markets project is intended to improve and expand access to market facilities that encourage the incubation of small businesses and support local entrepreneurs and agricultural producers. While construction was expected to begin in FY2023, sustained damage as a result of Typhoon Mawar, in addition to construction inflation caused the project to be reorganized and pushed towards FY2024 utilizing FEMA and GEDA Community Contribution funding.

Guam Economic Development Authority
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Management's Discussion and Analysis, continued

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Assets:			
Current assets	\$ 60,741,736	41,033,713	\$ 41,183,574
Capital assets, at cost, net	525,068	534,586	469,321
Equity investment	3,500	3,500	3,500
Lease asset	183,867	474,315	-
Lease receivable, non-current portion	<u>27,013,473</u>	<u>27,664,342</u>	<u>-</u>
	88,467,644	69,710,456	41,656,395
Deferred outflows of resources:			
Other post-employment benefits	2,197,120	3,146,211	3,433,363
Pension	<u>2,395,276</u>	<u>911,182</u>	<u>1,199,855</u>
	<u>\$ 93,060,040</u>	<u>\$ 73,767,849</u>	<u>\$ 46,289,613</u>
Liabilities and Net Position:			
Current liabilities	\$ 2,859,138	\$ 4,105,097	\$ 2,512,028
Non-current liabilities	<u>42,916,708</u>	<u>41,875,386</u>	<u>41,439,470</u>
	45,775,846	45,980,483	43,951,498
Deferred inflows of resources:			
Deferred Inflow - Leases	27,360,135	28,192,078	-
Other post-employment benefits	2,248,445	1,489,389	2,124,336
Pension	<u>226,165</u>	<u>626,680</u>	<u>229,729</u>
Net position:			
Net investment in capital assets	708,935	1,008,901	469,321
Restricted	5,763,444	7,261,107	5,881,410
Unrestricted	<u>10,977,070</u>	<u>(10,790,789)</u>	<u>(6,366,681)</u>
Total net position	<u>17,449,449</u>	<u>(2,520,781)</u>	<u>(15,950)</u>
	<u>\$ 93,060,040</u>	<u>\$ 73,767,849</u>	<u>\$ 46,289,613</u>
Revenues:			
Operating revenues	\$ 2,741,681	\$ 9,068,328	\$ 3,779,673
SSBCI grants revenue	83,625	30,775	21,247
Tobacco Settlement revenue	<u>1,382,949</u>	<u>2,674,948</u>	<u>1,520,543</u>
	4,208,255	11,774,051	5,321,463
Operating expenses:			
Operating expenses	<u>7,378,966</u>	<u>7,473,776</u>	<u>4,906,735</u>
	7,378,966	7,473,776	4,906,735
Other income (expense), net	<u>23,140,941</u>	<u>(6,805,106)</u>	<u>3,046,797</u>
Change in net position	19,970,230	(2,504,831)	3,461,525
Net position at beginning of year	<u>(2,520,781)</u>	<u>(15,950)</u>	<u>(3,477,475)</u>
Net position at end of year, as restated	<u>\$ 17,449,449</u>	<u>\$ (2,520,781)</u>	<u>\$ (15,950)</u>

Guam Economic Development Authority
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Management's Discussion and Analysis, continued

OPERATING REVENUES

Three primary sources of revenue sustain GEDA's annual operations. These funding sources include rental income from Industrial Park properties, application and surveillance fees from qualifying certificate beneficiaries, and the Guam Ancestral Lands Commission's property management executed through a memorandum of understanding. Bond fees and other federal and local grants are additional sources of revenue but are not considered recurring annual revenues. Additionally, in FY 2023, GEDA earned administrative fees for handling COVID-19-related public assistance and State Small Businesses Credit Initiative (SSBCI) funding for economic initiatives. Still, these revenues are not recurring and are based on a set amount relating to their respective assistance programs.

In FY 2023, GEDA recorded operating revenues of \$2,741,681, compared to \$9,068,328 in FY 2022. The year-to-year change of \$6,326,647 represents a decrease of 69.8%, which is due to the decrease in ongoing COVID-19 related public assistance programs in FY2023.

RENTAL INCOME FROM INDUSTRIAL PARKS

Rental income slightly changed compared to the prior fiscal year. It decreased by 2.1%, or \$19,022, from \$892,375 in FY 2022 to \$873,353 in FY 2023. This slight change is due to the implementation of GASB 87 in the prior year.

GALC LEASE COMMISSION

GALC Lease Commission decreased by 7.3% or \$15,184 from \$207,058 in FY 2022 to \$191,874 in FY 2023. This decrease is mainly attributed to additional outstanding balances paid off by tenants in Fiscal Year 2022.

QC PROGRAM

QC revenues slightly decreased by 6.4%, or \$93,419, from \$1,464,822 in FY 2022 to \$1,371,403 in FY 2023. This is related to the timing of additional Qualifying Certificate payments received during Fiscal Year 2023.

BOND FEES

Bond fees decreased by 85.3% or \$948,065 from \$1,111,828 in FY 2022 to \$163,763 in FY 2023. As noted earlier, FY 2023 resulted from closing one (1) bond: Guam International Airport Authority General Revenue Bonds, Series 2023A (AMT).

CAPITAL ASSETS

Land, buildings, improvements, and equipment decreased 1.8% or \$9,518 from \$534,586 in FY2022 to \$525,068 in FY 2023. This decrease was generally from the depreciation of assets during the year.

Guam Economic Development Authority
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Management's Discussion and Analysis, continued

OPERATING EXPENSE

GEDA's operating expenses in FY 2023 are \$7,378,966, a decrease of \$94,810 or 1.3% over FY 2022's \$7,473,776.

SALARIES AND BENEFITS

Salaries and benefits increased by \$859,645, or 30.8%, from \$2,790,186 in FY 2022 to \$3,649,831 in FY 2023. The significant increase in salaries and benefits expenses was mainly due to the hiring of limited-term employees to support the short-term childcare programs.

LEGAL AND PROFESSIONAL SERVICES

Legal and Professional service expenses decreased by \$1,235,091 or 45.2% from \$2,734,031 in FY 2022 to \$1,498,940 in FY 2023. The decrease is related to completing Task Orders focused on marketing activities of specific programs and grants utilizing professional consultations for Fiscal Year 2022.

OFFICE SPACE AND EQUIPMENT RENTAL

Total office space and equipment rental decreased by \$190,212 or 40.5% from \$470,003 in FY 2022 to \$279,791 in FY 2023. The decrease relates to year-end adjustments related to GASB 87.

TRAVEL

Travel expenses increased by \$3,996 or 2.5% from \$160,815 in FY 2022 to \$164,811 in FY 2023. This increase is mainly attributed to increased participation in conferences and training.

OTHER INCOME (EXPENSE), NET

The total other income (expense), net, had a significant change of \$16,335,835 or 440.1% from \$(6,805,106) in FY 2022 to \$23,140,941 in FY 2023. The significant change is mainly attributed to the increase of non-operating grant revenue in FY 2023, which comprises of various programs such as SSBCI 2.0, Prugaman Pinilan, STEP, and Matrix Task Orders.

OPERATING EXPENSE ANOMALY

In Fiscal Year 2023, GEDA incurred a \$425,452 operating expense loss due to a business email compromise (BEC) attack. In November 2022, GEDA management identified the agency as a victim of vendor impersonation fraud. The vendor had provided valid payment instructions via email, but their email was compromised with fraudulent banking information. Our standard operating procedures for updating vendor information were not equipped to address such sophisticated fraud schemes at that time. In response, GEDA has implemented new procedures and forms for vendors to ensure secure transaction verification.

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Management's Discussion and Analysis, continued

GEDA reported the BEC attack to our banking institution and the Federal Bureau of Investigation (FBI) in November 2022 and conducted multiple follow-ups. Of the \$604,498 in fraudulent transactions, \$179,046 was recovered, resulting in a net loss of \$425,452.

The issue was reported to the GEDA Board in September 2023 and subsequently covered in news articles. The FBI is still investigating the case.

FISCAL YEAR 2024 INITIATIVES

QUALIFYING CERTIFICATE AND TAX CREDIT PROGRAMS

There are a number of Board approved Qualifying Certificates that are under review by the Office of the Attorney General. In addition, from time to time, the Legislature authorizes tax credits for various Capital Improvement Projects or for Programmatic Assistance. GEDA will continue to improve upon the processes of these programs. There is a monthly board report for the QC's. Tax credits unanimously have an expiration date as well. These actions taken in the previous recent years have improved processes.

AMERICAN RESCUE PLAN ACT (ARPA) FINANCIAL ASSISTANCE PROGRAMS

In FY 2024, GEDA will continue to monitor economic recovery, and will assist in the implementation of additional COVID-19 recovery financial assistance programs, if determined necessary and appropriate under the direction from the Office of the Governor and the Guam Legislature.

TRANSSHIPMENT TASK FORCE

GEDA, under Public Law 36-23, is a key member of the Transshipment Task Force. BEDD has been tasked with coordinating the activities of the Transshipment Task Force as well as to provide administrative support. GEDA received federal funding to secure the services of a professional consultant to aid the Task Force in meeting the mandates of Public Law 36-23. Funds are from the U.S. Economic Development Administration (EDA) under the Statewide Planning Grant. GEDA will award a consultant to assist the Task Force in meeting the mandates of Public Law 36-23. In FY2023 GEDA will selected the consultant to complete the requisite feasibility study and economic diversification plan as mandated by law for submission to the Guam Legislature and the Office of the Governor for further action.

ECONOMIC DEVELOPMENT TRADE MISSIONS

GEDA BEDD will schedule trade missions and business trips to market Guam's economic opportunities, with a focus on enticing investment in key industries such as tourism, commercial development, and agriculture & aquaculture while also undertaking efforts to secure investment into new and emerging industries such as technology, pharmaceutical manufacturing, and regional healthcare.

Guam Economic Development Authority
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Management's Discussion and Analysis, continued

SMALL BUSINESS DEVELOPMENT PROJECTS

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

GUAM PRODUCT SEAL (GPS)

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

CHILDCARE ASSISTANCE GRANT PROGRAM

In FY 2022 (April 2022), GEDA implemented a number of grant programs, at the direction from the Office of the Governor to provide further support in issuing over One Hundred Million (\$100,000,000.00) in grant funds to further support other sectors of the childcare industry. FY2023 will continue assisting DPHSS in programs to include: after-school programs, village youth programs, new child care facilities and child care employee retention grants.

GUAM HEALTHCARE CAMPUS LEASEBACK FINANCING

The 36th Guam Legislature passed legislation, now Public Law 36-56 that pledges Thirty-Five Million Dollars (\$35,000,000.00) as an annual lease payment for the new Healthcare Facility for up to forty (40) years. The law further states that the first payment in FY 2022 will come from the Federal reimbursement of the Earned Income Tax Credit (EITC) with the following years payments to come from the General Fund. After all preliminary site work and leases terms are finalized; GEDA expects to issue an RFP for a developer in FY 2024.

GUAM DEPARTMENT OF CORRECTIONS LEASEBACK FINANCING

The 36th Guam Legislature passed legislation, now Public Law 36-57 that pledges Five Million Dollars (\$5,000,000.00) as an annual lease payment for the construction of a new and modernized Correctional Facility for up to thirty (30) years. The law further states that the first payment in FY2022 will come from the Federal reimbursement of the Earned Income Tax Credit with the following years payments to come from the General Fund. After all preliminary architectural and engineering studies are complete; GEDA expects to issue an RFP for a developer in FY 2024.

SIMON SANCHEZ HIGH SCHOOL LEASEBACK FINANCING

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

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Management's Discussion and Analysis, continued

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

DPW is currently the agency charged with issuing the RFP for Construction Management.

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

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

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

CHALLENGES/ISSUES AFFECTING GEDA

There are significant challenges/issues that GEDA faces:

- GEDA over the years has been mandated by the *I Liheslaturan Guåhan* to perform duties that are not financially supported. These mandates, while in line with the GEDA's mission, impose a financial burden to the agency. Unlike the line agencies, GEDA is not supported by Legislative appropriations. All expenses incurred by GEDA to meet the unfunded mandates must come out of the agency's finite operating revenues. Examples of these handed down in the 35th *I Liheslaturan Guåhan* alone include the following: the used oil task force, the Tumon Bay parametric insurance task force, the intraregional commerce commission, and the task force on submarine cables and three tax credit programs.
- Property leases are the primary funding source of GEDA's operations. The vast majority of commercial leases under GEDA's purview were negotiated in the 70s and 80s. During that time, the primary goal of GEDA was to spur economic activity through attracting industrial and commercial development. Although accomplishing this goal and with many leases are locked until 2065, the revenue generated is less able to sustain GEDA's continuing operations and initiatives into the future. GEDA has entered into two Memorandums of Understanding with the Guam Ancestral Land Commission as well as the Chamorro Land Trust Commission to act as their land agent. This partnership has resulted in a mutually beneficial arrangement wherein GEDA does the footwork with

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Management's Discussion and Analysis, continued

regard to leasing and managing leased out properties while the agency can manage the inflows of revenue towards their respective missions. The productivity of these arrangements however are a function of the appetite of the respective partner agency's board to undertake economic development driven leasing activities, the parameters of government leasing under the 5 year law, and the strategic direction of various leader/stakeholders including the oversight chair of land and the Office of the Governor. The agency has found a misalignment among these parties on numerous occasions with regard to entering into commercial leases.

- P.L. 32-40 and later amended by P.L. 34-99 imposed a five (5) year duration limit on commercial leases. The law had unintended consequences for GEDA. This public law essentially created additional requirements to public land leasing, further complicated the process, and added additional time required to complete compliance with its process. This short-time period makes GEDA's commercial leases on available government-owned lands "less" attractive to potential developers.
- As the Central Financial Manager and Consultant for the government of Guam, in recent years, GEDA had to record hundreds of thousands in write-offs from work done on anticipated financing requests not completed for various reasons, primarily from failure to secure legislative support.

Management's Discussion and Analysis for the year ended September 30, 2023, is set forth in GEDA's report on the audit of financial statements. That Discussion and Analysis explains in more detail major factors impacting the 2023 financial statements. A copy of that report can be obtained by contacting us at (671)-647-4332 or can be viewed at the Office of Public Accountability – Guam website at www.guamopa.org.

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

Guam Economic Development Authority
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Statements of Net Position

	September 30,	
	<u>2023</u>	<u>2022</u> <i>(Restated)</i>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 22,885,673	\$ 4,447,869
Cash and cash equivalents - restricted	5,763,444	6,142,107
Investments	26,900,968	24,253,763
Other receivables, net	3,817,336	4,211,716
Current portion of lease receivable	612,457	694,564
Notes and accrued interest receivable, net	754,152	1,275,988
Other	7,706	7,706
Total current assets	<u>60,741,736</u>	<u>41,033,713</u>
Equity investment	3,500	3,500
Lease receivable, net of current portion	27,013,473	27,664,342
Capital assets		
Depreciable assets, net of accumulated depreciation	525,068	534,586
Lease assets, net of accumulated amortization	183,867	474,315
Total assets	<u>88,467,644</u>	<u>69,710,456</u>
Deferred outflows of Resources		
Other post-employment benefits	2,197,120	3,146,211
Pension	2,395,276	911,182
	<u>4,592,396</u>	<u>4,057,393</u>
	<u>\$ 93,060,040</u>	<u>\$ 73,767,849</u>

See accompanying notes.

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Statements of Net Position, continued

	September 30,	
	<u>2023</u>	<u>2022</u> <i>(Restated)</i>
Liabilities		
Current liabilities:		
Current portion of bonds payable	\$ 1,635,000	\$ 1,590,000
Accounts payable	18,626	1,090,808
Accrued liabilities	309,612	408,242
Interest payable	424,687	428,975
Unearned rental income	108,588	106,885
Current portion of lease liability	287,626	405,188
Other liabilities	<u>74,999</u>	<u>74,999</u>
Total current liabilities	<u>2,859,138</u>	<u>4,105,097</u>
Non-current liabilities:		
Bonds payable, net of current portion and discount	31,600,696	31,120,284
Lease liability, net of current portion	---	175,708
DCRS sick leave liability	186,480	185,481
Deposits	18,322	18,322
Deposits due to GALC	77,410	77,410
Net pension liability	6,102,349	4,016,348
Collective total other post-employment benefits liability	<u>4,931,451</u>	<u>6,281,833</u>
Total non-current liabilities	<u>42,916,708</u>	<u>41,875,386</u>
Total liabilities	<u>45,775,846</u>	<u>45,980,483</u>
Deferred inflows of resources		
Leases	27,360,135	28,192,078
Other post-employment benefits	2,248,445	1,489,389
Pension	<u>226,165</u>	<u>626,680</u>
	<u>29,834,745</u>	<u>30,308,147</u>
Net position		
Investment in capital assets	708,935	1,008,901
Restricted for debt services and loan guarantees	5,763,444	7,261,107
Unrestricted	<u>10,977,070</u>	<u>(10,790,789)</u>
Total net position	<u>17,449,449</u>	<u>(2,520,781)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 93,060,040</u>	<u>\$ 73,767,849</u>

See accompanying notes.

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

Statements of Revenues, Expenses and Changes in Net Position

	Year Ended September 30,	
	<u>2023</u>	<u>2022</u> <i>(Restated)</i>
Operating revenues:		
Tobacco settlement revenue	\$ 1,382,949	\$ 2,674,948
Qualifying certificate application, surveillance and other	1,371,403	1,464,822
Rental income	873,353	892,375
GALC lease commission	191,874	207,058
Bond fees earned	163,763	1,111,828
Operating grants	141,288	5,392,245
Others	<u>83,625</u>	<u>30,775</u>
Total operating revenues	<u>4,208,255</u>	<u>11,774,051</u>
Operating expenses:		
Salaries and benefits	3,649,831	2,790,186
Legal and professional services	1,498,940	2,734,031
Miscellaneous	1,306,793	329,986
Grants expense	345,949	890,889
Office space and equipment rent	279,791	470,003
Travel	164,811	160,815
Advertising and promotions	79,934	53,426
Depreciation and amortization	43,031	28,796
Supplies	3,632	7,725
Insurance	3,247	3,287
Utilities, telephone and communication	2,503	2,975
Repairs and maintenance	<u>504</u>	<u>1,657</u>
Total operating expenses	<u>7,378,966</u>	<u>7,473,776</u>
Net operating (loss) income	<u>(3,170,711)</u>	<u>4,300,275</u>
Nonoperating revenues (expenses):		
Grant revenue	21,304,063	585,295
Net increase (decrease) in the fair value of investments	2,786,959	(3,193,898)
Investment income (expense)	532,757	(2,120,782)
Interest on leases	505,849	417,822
Other expense	(183,855)	(651,324)
Interest expense, net	<u>(1,804,832)</u>	<u>(1,842,219)</u>
Nonoperating revenues (expenses), net	<u>23,140,941</u>	<u>(6,805,106)</u>
Change in net position	19,970,230	(2,504,831)
Net position at beginning of year	(2,520,781)	(15,950)
Net position at end of year	<u>\$ 17,449,449</u>	<u>\$ (2,520,781)</u>

See accompanying notes.

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

Statements of Cash Flows

	Year Ended September 30,	
	<u>2023</u>	<u>2022</u> <i>(Restated)</i>
Cash flows from operating activities:		
Cash received from tobacco settlement and customers	\$ 3,045,046	\$ 3,050,302
Cash received from operating grants and contracts	1,595,042	6,967,543
Cash paid on grants and contracts	363,182	(2,883,288)
Cash paid to suppliers for goods and services	(4,513,789)	(2,573,120)
Cash paid to employees for services	(3,089,675)	(2,588,492)
Net cash (used in) provided by operating activities	<u>(2,600,194)</u>	<u>1,972,945</u>
Cash flows from investing activities:		
Interest and investment expense	12,401,208	(5,314,680)
Rollover of interest into investment	(12,267,585)	5,325,670
Proceeds of investment securities, net	<u>9,620,380</u>	<u>452,816</u>
Net cash provided by investing activities	<u>9,754,003</u>	<u>463,806</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(33,531)	(94,061)
Cash used in capital and related financing activities	<u>(33,531)</u>	<u>(94,061)</u>
Cash flows from noncapital financing activities:		
Grants received from U.S. Government	10,050,000	---
Grants received from Government of Guam	2,172,571	585,295
Repayment of bond payable	(215,000)	(215,000)
Net interest paid on deposits accounts and bonds payable	(1,068,708)	(1,127,526)
Net cash provided by (used in) noncapital financing activities	<u>10,938,863</u>	<u>(757,231)</u>
Net change in cash and cash equivalents	18,059,141	1,585,459
Cash and cash equivalents at beginning of year	<u>10,589,976</u>	<u>9,004,517</u>
Cash and cash equivalents at end of year	<u>\$ 28,649,117</u>	<u>\$ 10,589,976</u>
Reconciliation of cash and cash equivalents to the statement of net position:		
Current assets:		
Cash and cash equivalents	\$ 22,885,673	\$ 4,447,869
Cash and cash equivalents -restricted	<u>5,763,444</u>	<u>6,142,107</u>
	<u>\$ 28,649,117</u>	<u>\$ 10,589,976</u>

See accompanying notes.

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

Statements of Cash Flows, continued

	Year Ended	
	September 30,	
	<u>2023</u>	<u>2022</u>
		<i>(Restated)</i>
Reconciliation of operating (loss) income		
to net cash (used in) provided by operating activities:		
Operating (loss) income	\$(3,170,711)	\$ 4,300,275
Adjustments to reconcile operating (loss) income		
to net cash provided by operating activities:		
Noncash pension cost	764,646	174,086
Noncash other post employment cost	452,029	624,612
Depreciation and amortization	43,031	28,796
(Increase) decrease in assets:		
Other receivables	95,542	(2,482,328)
Receivables - tobacco settlement	115,001	(1,119,000)
Notes and accrued interest receivable, net	521,836	(492,075)
Prepaid expenses	---	93,477
Lease receivable	406,882	250,994
Increase (decrease) in liabilities:		
Accounts payable	(1,072,322)	1,005,047
Accrued liabilities	(98,490)	79,158
Unearned rental income	1,703	326
DCRS sick leave liability	999	48,589
Lease liability	(2,822)	106,581
Net pension liability	(563,254)	(571,863)
Collective total other post-employment benefit liability	(<u>94,264</u>)	(<u>73,730</u>)
Net cash (used in) provided by operating activities	(<u>2,600,194</u>)	<u>1,972,945</u>

See accompanying notes.

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

Notes to Financial Statements, continued

1. Purpose and Summary of Significant Accounting Policies

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 (GDFFA) and the Agricultural Development Fund (ADF) to accomplish certain of the stated purposes.

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

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

In 2011, the Government of Guam applied to receive an allocation of the total \$1.5 billion funds available under the State Small Business Credit Initiative (SSBCI) Job Act of 2010. The funds are to support the fifty states and territories for use in programs designed to increase access to credit for small businesses. In June 2011, GEDA entered into a Memorandum of Agreement (MOA) with the Office of the Governor of Guam. In the MOA, GEDA was delegated the primary responsibility of administrating Guam's SSBCI's program. On September 30, 2011, the Government of Guam and the United States Department of the Treasury entered into an "Allocation Agreement" in which Guam was approved to receive a total of \$13,168,380. The Allocation Agreement expired on March 31, 2017 (see note 11).

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

Notes to Financial Statements, continued

1. Purpose and Summary of Significant Accounting Policies, continued

Purpose, continued

In February 2023, the U.S. Department of the Treasury announced the award to Guam of \$58.6 million to administer three programs as part of the State Small Business Credit Initiative (SSBCI). GEDA, the government's program administrator, will operate three programs: a loan guarantee, a collateral support, and an equity/venture capital program. The loan guarantee program, allocated over \$36 million, provides lenders with the necessary security, in the form of a partial guarantee, to incentivize lenders to make loans to borrowers. The program expands access to capital for underserved communities by using a multi-pronged marketing and partnership strategy with various organizations and lenders in the jurisdiction. The collateral support program, allocated \$12 million, will provide partner lenders cash collateral in a savings account to support loans to borrowers.

The equity/venture capital program, allocated \$10 million, will provide seed, early and growth stage equity investment in Guam-based startups. GEDA established a wholly owned subsidiary, specifically a Venture Capital Corporation, for the purpose of providing equity financing to certain small businesses and entrepreneurs as part of Guam's economic development program. The Corporation received an initial capital infusion of approximately \$2 million with the corporation name of "*Destinu Guahan Venture Corporation*" aka "*DG Fund*".

Basis of Accounting

The primary government financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Its financial statements are prepared in accordance with accounting principles generally accepted in the United States as applied to governmental units using the accrual basis of accounting. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statements of net position and cash flows, cash and cash equivalents include balances deposited in banks and money market accounts.

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

Notes to Financial Statements, continued

1. Purpose and Summary of Significant Accounting Policies, continued

Other Receivables and Allowance for Doubtful Receivables

Other receivables consist of noninterest-bearing receivables from rent and reimbursement costs incurred for bond and other projects, amounts due from Qualifying Certificate (QC) beneficiaries and others. GEDA determines the adequacy of the allowance for doubtful receivables based upon reviews of individual accounts, recent loss experience, current economic conditions, the risk characteristics, and other pertinent factors. Accounts deemed uncollectible are written off against the allowance with the approval of the Board of Directors.

Notes and Accrued Interest Receivable and Allowance for Doubtful Receivables

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

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

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

Investments

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

Depreciation and Amortization

Buildings and improvements are depreciated on a straight-line basis over estimated useful lives of 7 to 30 years. Equipment and automobiles are depreciated on a straight-line basis over estimated useful lives of 3 to 5 years. GEDA generally capitalizes items with values of \$500 or more and with useful lives extending beyond one year.

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

Notes to Financial Statements, continued

1. Purpose and Summary of Significant Accounting Policies, continued

Pensions and Other Postemployment Benefits (OPEB)

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

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

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

Notes to Financial Statements, continued

1. Purpose and Summary of Significant Accounting Policies, continued

Compensated Absences

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

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

Deferred Outflows of Resources

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

Deferred Inflows of Resources

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (additions to net position) until then.

GEDA has determined the differences between projected and actual earnings on pension plan investments, changes in actuarial assumptions or other inputs, and changes in proportion and differences between GEDA pension and OPEB contributions and proportionate share of contributions qualify for reporting in this category.

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

Notes to Financial Statements, continued

1. Purpose and Summary of Significant Accounting Policies, continued

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.

Operating Revenues

Significant sources of operating revenues and their respective recognition policies are as follows:

- Lease income under operating leases are recognized as they become due under the terms of long-term lease agreements.
- QC application and surveillance fees are earned based on contractual terms and when collectability is reasonably assured.
- Bond fees are earned when the underlying bonds are issued.
- Tobacco Settlement Revenue (TSR) relate to payments made by tobacco companies in exchange for states releasing tobacco companies from present and future litigation. TSR is based on an estimate of domestic cigarette sales during the year
- Operating grants is recognized for GEDA's administration of programs of GovGuam.

Operating Expenses

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

Non-Operating Revenue and Expenses

Non-operating revenues and expenses result from capital and financing activities, costs and related recoveries from natural disasters, and certain other non-recurring income and costs.

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

Notes to Financial Statements, continued

1. Purpose and Summary of Significant Accounting Policies, continued

Net Position

Net position represents the residual interest in GEDA's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted and consists of four sections:

- Investment in capital assets - includes capital assets, restricted and unrestricted, net of accumulated depreciation, reduced by outstanding debt net of debt service reserve.
- Restricted expendable - net position whose use is subject to externally imposed stipulations that can be fulfilled by actions of GEDA pursuant to those stipulations or that expire with the passage of time.
- Restricted nonexpendable - net position subject to externally imposed stipulations that require GEDA to maintain them permanently.
- Unrestricted - net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by management or may otherwise be limited by contractual agreements with outside parties.

All of GEDA's restricted net position is expendable.

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, 2023 and 2022, GEDA has cash deposits in bank accounts that exceed federal depository insurance limits. Additionally, GEDA has investments in mutual funds and U.S. Government agency or sponsored-agency securities that are not subject to insurance. GEDA has not experienced any losses in such accounts. Substantially all of GEDA's accounts receivables are due from companies and government agencies based in Guam. GEDA establishes an allowance for doubtful accounts based on management's evaluation of potential collectability. Bad debts are written-off against the allowance based on the specific identification method.

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

Notes to Financial Statements, continued

1. Purpose and Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements

In May 2019, GASB issued Statement No. 91, *Conduit debt obligations*. The primary objectives of this statement are to provide a single method reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The adoption of GASB Statement No. 91 did not have an effect on GEDA's financial statements.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. The adoption of GASB Statement No. 94 did not have an effect on the Authority's financial statements.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The adoption of GASB Statement No. 96 did not have an effect on the Authority's financial statements.

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

Notes to Financial Statements, continued

1. Purpose and Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements, continued

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

- Provides clarification of provisions in GASB Statement No. 87 related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives. This implementation did not have a material effect on the accompanying financial statements.
- Provides clarification of provisions in GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset. This implementation did not have a material effect on the accompanying financial statements.
- Provides clarification of provisions in GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability. This implementation did not have a material effect on the accompanying financial statements .
- Modifies accounting and reporting guidance in GASB Statement No. 53 related to termination of hedge. This implementation did not have a material effect on the accompanying financial statements .

Upcoming Accounting Pronouncements

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. This Statement contains guidance whose effective dates are in future periods:

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

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

Notes to Financial Statements, continued

1. Purpose and Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

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

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences. GASB Statement No. 101 will be effective for fiscal years ending September 30, 2025.

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. GASB Statement No. 102 will be effective for fiscal year ending September 30, 2025.

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

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

Notes to Financial Statements, continued

2. Deposits and Investments

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

With the exception of investments in U.S. government securities, which are explicitly guaranteed by the United States government, all other investments must be rated Aa1/P-1 by Moody's.

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, GEDA's deposits may not be returned. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. GEDA does not have a deposit policy for custodial credit risk. At September 30, 2023 and 2022 deposits were comprised of the following:

	<u>2023</u>	<u>2022</u>
Insured	\$ 1,377,464	\$ 1,570,362
Uninsured/Uncollateralized	<u>17,337,450</u>	<u>9,049,340</u>
Total deposits	\$ <u>18,714,914</u>	\$ <u>10,619,702</u>

Cash and cash equivalents at September 30, 2023 and 2022 are restricted as follows:

	<u>2023</u>	<u>2022</u>
TSA trust fund	\$3,508,692	\$3,467,605
SSBCI risk reserve pool	<u>2,254,752</u>	<u>2,674,502</u>
Total restricted cash and cash equivalents	\$ <u>5,763,444</u>	\$ <u>6,142,107</u>

The bond indenture for the 2007 Series A and B Tobacco settlement bonds require the establishment of special funds to be held and administered by the trustees. Funds held in the TSA trust fund are restricted for bond services and are invested in money market accounts and are held and administered by TSA's trustees in accordance with the bond indentures. Accordingly, these balances are exposed to custodial credit risk.

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

Guam Economic Development Authority
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Notes to Financial Statements, continued

2. 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 investments in shares of mutual funds, municipal bonds and U.S. government securities at September 30, 2023 and 2022 are registered in GEDA's name and is held by three investment managers for GEDA.

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

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

GEDA categorizes its fair value measurements within the fair value hierarchy established by US GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. GEDA has the following recurring fair value measurements as of September 30, 2023 and 2022:

		At September 30, 2023		
		Level 1	Level 2	Level 3
Investments by fair value level:				
Exchange-traded and closed-end funds	\$19,916,045	\$19,916,045	\$ ---	\$ ---
Equities	5,002,198	5,002,198	---	---
U.S. Treasury securities	1,126,927	1,126,927	---	---
Corporate bonds	855,798	---	855,798	---
Total investment by fair value level	\$26,900,968	\$26,045,170	\$855,798	\$ ---

Guam Economic Development Authority
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Notes to Financial Statements, continued

2. Deposits and Investments, continued

B. Investments, continued

	At September 30, 2022			
	Level 1	Level 2	Level 3	Level 3
Investments by fair value level:				
Exchange-traded and closed-end funds	\$17,717,846	\$17,717,846	\$ ---	\$ ---
Equities	4,288,474	4,288,474	---	---
U.S. Treasury securities	1,142,522	1,142,522	---	---
Corporate bonds	815,214	---	815,214	---
Mutual funds	<u>289,707</u>	<u>289,707</u>	<u>---</u>	<u>---</u>
Total investment by fair value level	<u>\$24,253,763</u>	<u>\$23,438,549</u>	<u>\$815,214</u>	<u>\$ ---</u>

3. Capital Assets

A summary of capital assets at September 30, 2023 is as follows:

	Beginning Balance October 1, 2022	Transfers and Additions	Transfers and Deletions	Ending Balance September 30, 2023
Depreciable capital assets:				
Leasehold Improvements	\$ 792,537	\$ ---	\$ ---	\$ 792,537
Furniture and equipment	662,670	90,217	---	752,887
Buildings	546,603	---	---	546,603
Other improvements	428,325	---	---	428,325
Land improvements	129,642	---	---	129,642
Leasehold interests	201,869	---	---	201,869
Automobiles	<u>14,089</u>	<u>---</u>	<u>---</u>	<u>14,089</u>
	2,775,735	90,217	---	2,865,952
Less accumulated depreciation and amortization	(<u>2,241,167</u>)	(<u>99,717</u>)	<u>---</u>	(<u>2,340,884</u>)
Depreciable capital assets, net	<u>\$ 534,568</u>	<u>\$(9,500)</u>	<u>---</u>	<u>\$ 525,068</u>
Lease assets - building:	948,730	---	---	948,730
Less accumulated depreciation and amortization	(<u>474,415</u>)	(<u>290,448</u>)	<u>---</u>	(<u>764,863</u>)
Lease assets, net	<u>\$ 474,315</u>	<u>\$(290,448)</u>	<u>\$ ---</u>	<u>\$ 183,867</u>

Guam Economic Development Authority
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Notes to Financial Statements, continued

3. Capital Assets, continued

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

	Beginning Balance October 1, 2021	Transfers and Additions	Transfers and Deletions	Ending Balance September 30, 2022
Depreciable capital assets:				
Leasehold Improvements	\$ 792,537	\$ ---	\$ ---	\$ 792,537
Furniture and equipment	601,926	60,744	---	662,670
Buildings	546,603	---	---	546,603
Other improvements	428,325	---	---	428,325
Land improvements	129,642	---	---	129,642
Leasehold interests	168,551	33,318	---	201,869
Automobiles	14,089	---	---	14,089
	2,681,673	94,062	---	2,775,735
Less accumulated depreciation and amortization	(2,215,407)	(25,760)	---	(2,241,167)
Depreciable capital assets, net	\$ 466,266	\$ 68,302	\$ ---	\$ 534,568
Lease assets - building:	---	948,730	---	948,730
Less accumulated depreciation and amortization	---	(474,415)	---	(474,415)
Lease assets, net	\$ ---	\$ 474,315	\$ ---	\$ 474,315

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Notes to Financial Statements, continued

4. Long-Term Obligations

Bonds payable

Bonds payable at September 30, 2023 consist of the following:

	<u>2023</u>	<u>2022</u>
<p>Tobacco settlement bonds, 2007 Series A current interest turbo term bonds, original principal amounts of \$17,505,000 and \$16,070,000, with interest rates at 5.25% and 5.625% per annum, respectively, payable semiannually on June 1 and December 1 (“Distribution Date”), principal payments due in varying annual installments commencing with a payment of \$1,025,000 on June 1, 2008 and increasing to \$3,840,000 on June 1, 2026. The Series A bonds are primarily secured by Tobacco Settlement Revenue (TSR) and Guam’s right to be paid the TSR under the MSA (which was irrevocably assigned to GEDA as discussed in note 1)</p>	\$23,120,000	\$23,365,000
<p>Tobacco settlement bonds, 2007 Series B capital appreciation turbo term bonds, original principal amount of \$3,407,077. Interest on the Series B bonds is not paid currently, but is compounded based on an imputed interest rate of 7.25% on each Distribution Date to become part of the accreted value until the maturity date or earlier redemptions. The bonds bear an original maturity value of \$115,455,000 with final maturity date of June 1, 2057. The projected turbo redemption date, however, is June 1, 2034 with a total projected principal amount of \$16,773,618. Under the Turbo Redemption assumption, principal payments are due in varying annual installments commencing with a payment of \$917,533 on June 1, 2008 and increasing to \$1,191,488 on June 1, 2034. The Series B bonds are also secured by TSR with the Series A bonds; however, they are subordinate to the Series 2007A Bonds</p>	<u>16,773,618</u>	<u>16,773,618</u>
<p>Total</p>	39,893,618	40,138,618
<p>Less current portion</p>	<u>(1,635,000)</u>	<u>(1,590,000)</u>
	38,258,628	38,548,618
<p>Less discount on Series B capital appreciation turbo term bonds</p>	<u>(6,336,487)</u>	<u>(7,053,462)</u>
<p>Less discount on issuance</p>	<u>(321,435)</u>	<u>(374,872)</u>
	<u>\$31,600,696</u>	<u>\$31,120,284</u>

Guam Economic Development Authority
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Notes to Financial Statements, continued

4. Long-Term Obligations, continued

Bonds payable, continued

The annual payments on series 2007 bonds payable, assuming that turbo redemption occurs, subsequent to September 30, 2023 and thereafter are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2024	\$ 1,635,000	\$ 414,562	\$ 2,049,562
2025	1,825,000	318,727	2,143,727
2026	4,757,533	242,578	5,000,111
2027	2,017,055	---	2,017,055
2028	2,042,426	---	2,042,426
2029-2033	<u>27,616,604</u>	<u>---</u>	<u>27,616,604</u>
	<u>\$39,893,618</u>	<u>\$975,867</u>	<u>\$40,869,485</u>

All Tobacco Settlement Revenue and interest earned in trust funds have been pledged to repay bond principal and interest. The debt service for the bonds was \$1,531,269 and \$1,512,950 for the years ended September 30, 2023 and 2022, respectively or approximately 94% and 97% of pledged revenues for the year ended September 30, 2023 and 2022, respectively.

During the years ended September 30, 2023 and 2022, the following changes occurred in liabilities reported as part of GEDA's long-term liabilities in the statements of net position:

	<u>Beginning Balance October 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance September 30, 2023</u>	<u>Current</u>	<u>Noncurrent</u>
Bonds payable	\$ 40,138,618	\$ ---	\$(245,000)	\$ 39,893,618	\$ 1,635,000	\$ 38,258,618
Deferred amount:						
Unamortized discount on bonds issued	(7,428,334)	---	770,412	(6,657,922)	---	(6,657,922)
	<u>32,710,284</u>	<u>---</u>	<u>525,412</u>	<u>33,235,696</u>	<u>1,635,000</u>	<u>31,600,696</u>
Other liabilities:						
Lease payable	580,896	---	(293,270)	287,626	287,626	---
DCRS sick leave liability	185,481	999	---	186,480	---	186,480
Deposits	18,322	---	---	18,322	---	18,322
Deposits due to GALC	77,410	---	---	77,410	---	77,410
Net pension liability	4,016,348	2,086,001	---	6,102,349	---	6,102,349
OPEB liability	<u>6,281,833</u>	<u>---</u>	<u>(1,350,382)</u>	<u>4,931,451</u>	<u>---</u>	<u>4,931,451</u>
	<u>11,160,290</u>	<u>2,087,000</u>	<u>(1,643,652)</u>	<u>11,603,638</u>	<u>287,626</u>	<u>11,316,012</u>
	<u>\$ 43,870,574</u>	<u>\$ 2,087,000</u>	<u>\$(1,118,240)</u>	<u>\$ 44,839,334</u>	<u>\$ 1,922,626</u>	<u>\$ 42,916,708</u>

Guam Economic Development Authority
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Notes to Financial Statements, continued

4. Long-Term Obligations, continued

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

5. Employee Benefits

General Pension Plan Descriptions

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

Defined Benefit Plan (DB Plan)

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

In accordance with Public Law 33-186, the Defined Benefit 1.75 Plan became effective January 1, 2018. Members of the DB 1.75 Plan also automatically participate in the GovGuam deferred compensation plan, pursuant to which employees are required to contribute 1% of base salary as a pre-tax mandatory contribution.

Guam Economic Development Authority
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Notes to Financial Statements, continued

5. Employee Benefits, continued

General Pension Plan Descriptions, continued

Defined Benefit Plan (DB Plan), continued

The DB Plan is administered by the GGRF, to which GEDA contributes based upon a fixed percentage of the payroll for those employees who are members of the Plan.

Membership: Employees of GEDA hired before September 30, 1995 are under the Government of Guam Employees Retirement System, the DB Plan. Until December 31, 1999, and for several limited periods after December 31, 1999, those employees who are members of the defined benefit plan with less than 20 years of service at September 30, 1995, had the option to switch to the DCRS. Otherwise, they remained under the old plan.

The DB 1.75 Plan is open for participation by certain existing employees, new employees and reemployed employees who would otherwise participate in the DCRS and who make election on a voluntary basis to participate in the DB 1.75 plan by December 31, 2017.

Contributions: Plan members of the DB Plan are required to contribute a certain percentage of their annual covered salary. The contribution requirements of the plan members and GEDA are established and may be amended by the GGRF.

GEDA's statutory contribution rates were 28.43% and 28.32% for the years ended September 30, 2023 and 2022, respectively. Employees are required to contribute 9.5% of their annual pay for the years ended September 30, 2023 and 2022.

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

Guam Economic Development Authority
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Notes to Financial Statements, continued

5. Employee Benefits, continued

General Pension Plan Descriptions, continued

Defined Benefit Plan (DB Plan), continued

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

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

Discount Rate: The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the GGRF's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Guam Economic Development Authority
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Notes to Financial Statements, continued

5. Employee Benefits, continued

General Pension Plan Descriptions, continued

Defined Benefit Plan (DB Plan), continued

Expected Rate of Return and Asset Allocation: The Fund has a target asset allocation based on the investment policy adopted by the GGRF Board of Trustees. The target allocation and best estimates of the expected nominal return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Nominal Return</u>	<u>Component Return</u>
U.S. Equities (large cap)	26.0%	8.14%	2.12%
U.S. Equities (small cap)	4.0%	9.75%	0.39%
Non-U.S. Equities	17.0%	10.15%	1.73%
Non-U.S. Equities (emerging markets)	3.0%	12.08%	0.36%
U.S. Fixed Income (aggregate)	22.0%	4.77%	1.05%
Risk Parity	8.0%	6.65%	0.53%
High Yield Bonds	8.0%	6.90%	0.55%
Global Real Estate (REITs)	2.5%	9.62%	0.24%
Global Equity	7.0%	8.93%	0.67%
Global Infrastructure	2.5%	8.08%	0.16%
Expected arithmetic mean (1 year)			7.80%
Expected geometric mean (30 years)			7.09%

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

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

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

Guam Economic Development Authority
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Notes to Financial Statements, continued

5. Employee Benefits, continued

General Pension Plan Descriptions, continued

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

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

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

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

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

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

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

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

Discount Rate: The discount rate used to measure the Ad Hoc COLA/SA was a municipal bond rate of 4.02% and 2.26% for the years ended September 30, 2023 and 2022, respectively. This rate was used as the benefits are not funded with the accumulated assets; they are funded historically through appropriations from the Government of Guam.

Guam Economic Development Authority
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Notes to Financial Statements, continued

5. Employee Benefits, continued

General Pension Plan Descriptions, continued

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

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

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

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

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

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

Actuarial cost method:	Entry age normal
Total payroll growth:	2.75%
Salary increases:	Graduated based on service with the GovGuam ranging from 4.0% for service in excess of 15 years to 7.5% for service from zero to five years.
Disability:	1974-78 SOA LTD Non-Jumbo, with rates reduced by 50% for males and 75% for females.
Retirement age:	5% per year from age 55 to 64, 10% per year from age 65 to 74, 100% at age 75.
Mortality:	Based on the RP-2000 combined mortality table, set forward 3 years for males and 2 years for females.
Amortization method:	Level percentage of payroll, closed.

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

Guam Economic Development Authority
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Notes to Financial Statements, continued

5. Employee Benefits, continued

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

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

Reporting Date:	September 30, 2023	September 30, 2022
Measurement Date:	September 30, 2022	September 30, 2021
Valuation Date:	September 30, 2021	September 30, 2020

Net pension liability as of September 30, 2023 and 2022 for the aforementioned plans is as follows:

	<u>2023</u>	<u>2022</u>
DB Plan	\$5,483,360	\$3,274,679
Ad hoc COLA/SA Plan for DB Participants	385,723	447,229
Ad hoc COLA Plan for DCRS Participants	<u>233,266</u>	<u>294,440</u>
	<u>\$6,102,349</u>	<u>\$4,016,348</u>

Proportionate share of net pension liability at September 30, 2023 and 2022 for the aforementioned plans is as follows:

	<u>2023</u>	<u>2022</u>
DB Plan	0.37%	0.34%
Ad hoc COLA/SA Plan for DB Participants	0.15%	0.15%
Ad hoc COLA Plan for DCRS Participants	0.39%	0.42%

Pension expense for the years ended September 30, 2023 and 2022 for the aforementioned Plans is as follows:

	<u>2023</u>	<u>2022</u>
DB Plan	\$711,650	\$ 94,593
Ad hoc COLA/SA Plan for DB Participants	32,331	51,885
Ad hoc COLA Plan for DCRS Participants	<u>20,665</u>	<u>27,608</u>
	<u>\$764,646</u>	<u>\$174,086</u>

Guam Economic Development Authority
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Notes to Financial Statements, continued

5. Employee Benefits, continued

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

As of September 30, 2023, GEDA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	DB Plan		COLA/SA Plan for DB Participants		COLA Plan for DCRS Participants	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 106,307	\$ (14,663)	\$ ---	\$ (3,297)	\$ 28,849	\$ (4,620)
Net difference between projected and actual earnings on pension plan investments	1,235,761	---	---	---	---	---
GEDA's contributions subsequent to the measurement date	625,519	---	34,714	---	13,200	---
Changes in assumption	-	---	630	(41,854)	48,503	(62,484)
Changes in proportion and difference between GEDA's contributions and proportionate share of contributions	216,469	(39,666)	21,841	---	63,483	(59,581)
	<u>\$ 2,184,056</u>	<u>\$ (54,329)</u>	<u>\$ 57,185</u>	<u>\$ (45,151)</u>	<u>\$ 154,035</u>	<u>\$ (126,685)</u>

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

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

Deferred outflows of resources at September 30, 2023 and 2022 resulting from GEDA's employer contributions for the following plans is as follows:

	<u>2023</u>	<u>2022</u>
DB Plan	\$ 625,519	\$612,638
Ad hoc COLA/SA Plan for DB Participants	34,714	32,714
Ad hoc COLA Plan for DCRS Participants	<u>13,200</u>	<u>10,000</u>
	<u>\$673,433</u>	<u>\$655,352</u>

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Notes to Financial Statements, continued

5. Employee Benefits, continued

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

2024	\$ 440,809
2025	379,364
2026	338,015
2027	309,304
2028	7,154
Thereafter	<u>21,032</u>
	<u>\$1,495,678</u>

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

Sensitivity analysis: The following presents the net pension liability calculated using a discount rate that is one percentage point (1.0%) lower or 1% higher than the current rate:

DB Plan

	1% Decrease <u>6.00%</u>	Current Discount <u>7.00%</u>	1% Increase <u>8.00%</u>
Net pension liability	<u>\$6,447,917</u>	<u>\$5,483,360</u>	<u>\$4,287,829</u>

Ad Hoc COLA/SA for DB Participants

	1% Decrease <u>3.02%</u>	Current Discount <u>4.02%</u>	1% Increase <u>5.02%</u>
Total collective pension liability	<u>\$419,196</u>	<u>\$385,723</u>	<u>\$356,155</u>

Ad Hoc COLA for DCRS Participants

	1% Decrease <u>3.02%</u>	Current Discount <u>4.02%</u>	1% Increase <u>5.02%</u>
Total collective pension liability	<u>\$265,521</u>	<u>\$233,266</u>	<u>\$208,970</u>

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

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Notes to Financial Statements, continued

5. Employee Benefits, continued

DCRS

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

Statutory employer contributions into the DCRS for the years ended September 30, 2023 and 2022 is determined using the same rates as the DB plan. Of the amount contributed by the employer, only 6.2% of the member's regular base pay is deposited into the member's individual annuity account for both fiscal years. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

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

During the years ended September 30, 2023 and 2022, contributions made and amounts accrued under the DCRS amounted to \$ 456,114 and \$430,224, respectively.

Employee contributions are made by mandatory pre-tax payroll deduction at the rate of 6.2% of the employee's base salary while employer contributions are actuarially determined.

Accrued Sick Leave

Public Law 26-86 allows members of the DCRS to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. As of September 30, 2023 and 2022, GEDA has accrued an estimated liability of \$229,670 and \$245,603, respectively, which is reported as a component of accrued compensated absences in the accompanying statement of net position. However, this amount is an estimate and actual payout could differ from those estimates.

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Notes to Financial Statements, continued

5. Employee Benefits, continued

Other Post-employment Benefit (OPEB) Plan

OPEB Plan Description

GovGuam, through its substantive commitment to provide other post-employment benefits (OPEB), maintains a single-employer defined benefit plan to provide certain post-retirement healthcare benefits to retirees who are members of the GGRF known as the GovGuam Group Health Insurance Program. GovGuam issues a publicly available financial report that includes financial statements and required supplementary information for the OPEB Plan. That report may be obtained by writing to the Government of Guam Department of Administration ITC Building Suite 224, 590 South Marine Corps Drive, Tamuning, Guam 96913, or by visiting <https://da.doa.guam.gov/reports/guam-other-post-employment-benefits-opeb-reports/>.

Membership: All employees of GEDA who are members of the GGRF are members of the OPEB Plan.

Contributions: GEDA is invoiced a portion of the medical and dental premiums. Retirees are required to pay a portion of the medical and dental insurance premiums.

Benefits: GovGuam provides postemployment medical, dental and life insurance benefits to retirees, spouses, children and survivors. Active employees and retirees who waive medical and dental coverage are considered eligible for the life insurance benefit only. GovGuam contributes a portion of the medical and dental premiums, based on a schedule of semi-monthly rates, and reimburses certain Medicare premiums to eligible retirees. Retirees may also pay a portion of the medical and dental insurance premiums, depending on the plan and coverage selected.

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Notes to Financial Statements, continued

5. Employee Benefits, continued

OPEB Plan, continued

OPEB Plan Description, continued

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

Inflation:	2.50%
Healthcare cost trend rate:	Non-Medicare and Medicare – 8% for Year 1, then reducing 0.5% annually to an ultimate rate of 4.1%. Part B is at 4.25%. Health care trend assumptions begin at current levels and grade down over a period of years to a lower level equal to some real rate plus inflation. The principal components of health trend are medical inflation, deductible erosion, cost shifting, utilization, technology and catastrophic claims. The overall effect of these components are expected to decline year by year. Medical trend rates are applied to claims cost and retiree contributions. The trend rates for Medicare Part B and Part D reimbursements are assumed to be 4.25% per year.
Dental trend rates:	4.25% per year, based on a blend of historical retiree premium rate increases as well as observed U.S. national trends.
Health retiree mortality rates:	Head-count weighted PUB-2010 Table, set forward 4 years for males and 2 years for females, respectively, projected generationally using 50% of MP-2020.
Disabled retiree mortality rates:	PUB-2010 Disabled Retiree Amount Weighted mortality table set forward 4 years for males and 2 years for females, respectively, using 130% of the rates before age 80 and projected generationally from 2010 using 50% of mortality improvement scale MP-2020.

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Notes to Financial Statements, continued

5. Employee Benefits, continued

OPEB Plan, continued

OPEB Plan Description, continued

Discount Rate: The discount rate used to measure the total OPEB liability was 4.02% and 2.26% as of September 30, 2022 and 2021, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from GovGuam will be made in accordance with the plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments of current plan members. Therefore, tax-exempt, high quality municipal bond rate at each year was applied respectively to all periods to determine the total OPEB liability.

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

Total OPEB liability at the fiscal years presented for the OPEB Plan was measured on and was determined by actuarial valuations as of the following dates:

Reporting date:	September 30, 2023	September 30, 2022
Measurement date:	September 30, 2022	September 30, 2021
Valuation date:	September 30, 2022	September 30, 2020

Total OPEB liability as of September 30, 2023 and 2022 are \$4,931,451 and \$6,281,833, respectively.

Proportionate share of collective total OPEB liability at September 30, 2023 and 2022 is 0.21% and 0.23%, respectively.

OPEB expense for the years ended September 30, 2023 and 2022 are \$452,029 and \$624,612.

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Notes to Financial Statements, continued

5. Employee Benefits, continued

OPEB Plan, continued

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

As of September 30, 2023 and 2022, GEDA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 64,377	\$ ---	\$ 76,229	\$ ---
Differences between expected and actual experience	384,582	(226,772)	547,401	(333,680)
Changes of assumptions	451,830	(1,620,901)	733,439	(883,253)
Changes in proportion and difference between the Authority contributions and proportionate share of contributions	1,296,331	(400,772)	1,789,142	(272,456)
	\$ 2,197,120	\$(2,248,445)	\$ 3,146,211	\$(1,489,389)

Deferred outflows of resources at September 30, 2023 and 2022 resulting from GEDA's employer contributions totaled \$64,377 and \$76,229, respectively.

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

2022	\$ 181,817
2025	338,110
2026	79,873
2027	(186,917)
2028	(262,977)
Thereafter	(<u>265,608</u>)
	\$(<u>115,702</u>)

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

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Notes to Financial Statements, continued

5. Employee Benefits, continued

OPEB Plan, continued

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

Sensitivity analysis: The following presents the total OPEB liability calculated as of September 30, 2023, using a discount rate that is one percentage point (1.0%) lower or 1% higher than the current rate:

	1% Decrease <u>3.02%</u>	Current Discount <u>4.02%</u>	1% Increase <u>5.02%</u>
Total OPEB liability	<u>\$5,728,015</u>	<u>\$4,931,451</u>	<u>\$4,285,714</u>

Sensitivity analysis: The following presents the total OPEB liability calculated as of September 30, 2022, using a discount rate that is one percentage point (1.0%) lower or 1% higher than the current rate:

	1% Decrease <u>3.02%</u>	Current Discount <u>4.02%</u>	1% Increase <u>5.02%</u>
Total OPEB liability	<u>\$5,728,015</u>	<u>\$4,931,451</u>	<u>\$4,285,714</u>

The following presents the total OPEB liability calculated using a healthcare cost trend rate that is one percentage point (1.0%) lower or 1% higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
Total OPEB liability	<u>\$4,227,204</u>	<u>\$4,931,451</u>	<u>\$5,829,721</u>

6. Leases

Lease of Industrial Parks

Effective June 15, 2021, GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.

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

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Notes to Financial Statements, continued

6. Leases, continued

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

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

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

Future minimum payments that are included in the measurement of the lease receivable as of September 30, 2023 are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	612,457	468,829	1,081,286
2025	620,840	459,226	1,080,066
2026	626,305	449,452	1,075,757
2027	607,835	439,530	1,047,365
2028	617,887	429,477	1,047,364
2029 – 2033	3,070,839	1,974,722	5,045,561
2034 – 2038	3,244,058	1,702,284	4,946,342
2039 – 2043	3,551,093	1,435,328	4,986,421
2044 – 2048	3,929,789	1,111,582	5,041,371
2049 – 2053	4,365,601	757,803	5,123,404
2054 – 2058	3,913,038	422,725	4,335,763
2059 – 2063	2,370,646	89,378	2,460,024
2064 – 2065	<u>155,521</u>	<u>2,446</u>	<u>157,967</u>
	<u>\$27,685,909</u>	<u>\$9,742,782</u>	<u>\$37,428,691</u>

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Notes to Financial Statements, continued

6. Leases, continued

Office Space Lease Agreement with Fujita Properties, Inc.

GEDA has a continuing operating lease for office space with an updated rate for 2024 to 2025 still being negotiated. Their lease agreement contain renewal option and rental amount is subject to escalation.

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

GEDA has a continuing operating lease for office space with an updated rate for 2024 to 2025 still being negotiated. Concurrently, GEDA and the Guam Housing Corporation (GHC), a Government of Guam agency, entered into a Memorandum of Understanding (MOU) in which GEDA charges GHC for use of a portion of the office space. GHC extended the lease term for a one-year period and is still being negotiated for 2024 to 2025.

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

7. Commitments

Contract Commitments

GEDA has one professional services contract expiring on February 28, 2025, which requires monthly payments of \$8,100. As of September 30, 2023, annual commitment for the years ending September 30, 2024 and 2025 are \$97,200 and \$40,500, respectively.

8. Related Party Transactions

GovGuam and Others

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

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Notes to Financial Statements, continued

8. Related Party Transactions, continued

GovGuam and Others, continued

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.

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.

Description	Year Ended September 30, 2023	Year Ended September 30, 2022
Commission income	\$ 191,874	\$ 207,058
Collected rent, net of commissions withheld payable to GALC	\$ -	\$ 120,423
Security deposits	\$ 77,410	\$ 77,410

GEDA is under a Memorandum of Agreement (MOA) with the Office of the Governor (OOG) to manage and perform work relating to the U.S. Department of Defense Impact Task Orders for which the Office of Economic Adjustment has approved a program of assistance of \$1,767,000. In connection with the MOA, GEDA has entered into a professional services consulting contract (the Contract). Additionally, under the MOA, GEDA is compensated at a management fee of 14%.

GEDA is under a MOA with the OOG as the designated Program Management Office (PMO) to manage and coordinate the implementation of programs such as the capital improvement programs established under Public Law 30-228 funded by the Hotel Occupancy Tax (HOT) Revenue Bonds.

Description	Year Ended September 30, 2023	Year Ended September 30, 2022
Payables to GovGuam Agencies	\$ 12,067	\$ 159,674

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Notes to Financial Statements, continued

9. Other receivables

Other receivables for the year ended September 30, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Reimbursement costs receivables	\$1,565,985	\$2,200,886
Tobacco settlement receivable	1,004,000	1,119,000
QC receivable	900,000	600,000
Lease receivable	<u>374,748</u>	<u>320,726</u>
 Total	 3,844,733	 4,240,612
Less allowance for doubtful receivables	(<u>27,397</u>)	(<u>28,896</u>)
	<u>\$3,817,336</u>	<u>\$4,211,716</u>

10. Contingencies

Tobacco Settlement Bonds Reserve Fund Agreement

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

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

Claims and Litigation

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

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Notes to Financial Statements, continued

10. Contingencies, continued

The Farmers Market

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

The Museum

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

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

11. SSBCI

Pursuant to the October 4, 2011 SSBCI Allocation Agreement term, GEDA has entered into a Lender Participation Agreement (the “Agreement”) with four financial institutions (“Lenders”). Under the Agreements, GEDA will guarantee loans made by the lenders to eligible Guam small businesses not to exceed 75% of each loan, with total loan enrollments not to exceed \$5 million under each Agreement. GEDA has sole and absolute right to approve or reject enrollment of any loan in the program where the amount of the loan exceeds \$500,000. For each loan enrolled by the Lenders under the Agreements, the Lenders shall pay GEDA up to 2% of the amount of the loan as guarantee fees. The guarantees are made in the form of cash deposits with the Lenders, not to exceed 20% of the total enrolled loan amount.

On September 30, 2023 and 2022, outstanding loans under the guaranty program had total principal balances of \$8,229,770 and \$6,143,346, respectively. On September 30, 2023, five loans amounting to \$685,325, and three loans amounting to \$364,720 as of September 30, 2022, were in default status.

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Notes to Financial Statements, continued

11. SSBCI, continued

On March 31, 2017, the Allocation Agreement expired. The expiration results in certain changes including the termination of the authorities and duties of the United States Department of Treasury to implement and administer the SSBCI program and termination of certain reporting requirements, the restrictions set forth in the enabling act and policy guidelines will remain in effect and govern the original use of funds disbursed by the SSBCI program. GEDA intends to maintain the same SSBCI program and has not made any modifications relating to the Agreements with the participating lenders.

12. Correction of an Error in Previously Issued Financial Statements

During the fiscal year 2023, the Authority determined that the previously reported fiduciary activity related to the Guam Development Fund Act account should have been reported as an activity of the Authority. The effect of correcting that error is shown below:

	9/30/2022		9/30/2022
	Previously	Error	
	Reported	Correction	As Restated
Cash and cash equivalents	\$ 4,112,556	\$ 335,313	\$ 4,447,869
Investments	\$ 14,282,238	\$ 9,971,525	\$ 24,253,763
Due from fiduciary fund	\$ 393,446	\$ (393,446)	-
Notes and accrued interest receivable, net	\$ 76,225	\$ 1,199,763	\$ 1,275,988
Capital assets, at cost, net	\$ 422,706	\$ 111,880	\$ 534,586
Accounts payable	\$ 1,089,679	\$ 1,129	\$ 1,090,808
Accrued liabilities	\$ 310,911	\$ 97,331	\$ 408,242
Net position - Investment in capital assets	\$ 897,021	\$ 111,880	\$ 1,008,901
Net position - Unrestricted	\$ (21,805,484)	\$ 11,014,695	\$ (10,790,789)
Salaries and benefits	\$ 2,523,520	\$ 266,666	\$ 2,790,186
Legal and professional services	\$ 2,725,429	\$ 8,602	\$ 2,734,031
Office space and equipment rent	\$ 430,486	\$ 39,517	\$ 470,003
Travel	\$ 151,637	\$ 9,178	\$ 160,815
Miscellaneous	\$ 227,179	\$ 102,807	\$ 329,986
Depreciation and amortization	\$ 25,760	\$ 3,036	\$ 28,796
Investment income	\$ 256,073	\$ (2,376,855)	\$ (2,120,782)
Other income (expense), net	\$ (651,344)	\$ 20	\$ (651,324)
Interest income (expense), net	\$ (1,894,453)	\$ 52,234	\$ (1,842,219)
Net position at beginning of the year	\$ (13,896,932)	\$ 13,880,982	\$ (15,950)

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Notes to Financial Statements, continued

13. Condensed Financial Information

The condensed financial information for as of and for the year ended September 30, 2023 are as follows:

Condensed Statement of Net Position:

	<u>GEDA</u>	<u>Destinu</u>	<u>Elimination</u>	<u>Total Condensed</u>
Assets				
Current assets	\$ 50,029,328	\$ 10,050,471	\$(49,480)	\$ 60,129,279
Other non-current assets	3,500	---	---	3,500
Capital assets and leased assets, net	28,334,865	---	---	28,334,865
Deferred outflow of resources	<u>4,592,396</u>	<u>---</u>	<u>---</u>	<u>4,592,396</u>
Total assets	<u>\$ 82,960,089</u>	<u>\$ 10,050,471</u>	<u>\$(49,480)</u>	<u>\$ 93,060,040</u>
Liabilities				
Current liabilities	\$ 2,859,138	\$ ---	\$ ---	\$ 2,859,138
Due to component unit	49,480	---	(49,480)	---
Non-current liabilities	42,916,708	---	---	42,916,708
Deferred inflows of resources	<u>29,834,745</u>	<u>---</u>	<u>---</u>	<u>29,834,745</u>
Total liabilities	<u>75,660,071</u>	<u>---</u>	<u>49,480</u>	<u>75,610,591</u>
Net position				
Investment in capital assets	708,935	---	---	708,935
Restricted for debt services and loan guarantees	5,763,444	---	---	5,763,444
Unrestricted	<u>926,599</u>	<u>10,050,471</u>	<u>---</u>	<u>10,977,070</u>
	<u>7,398,978</u>	<u>10,050,471</u>	<u>---</u>	<u>17,449,449</u>
	<u>\$ 83,059,049</u>	<u>\$ 10,050,471</u>	<u>\$ 49,480</u>	<u>\$ 93,060,040</u>

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Notes to Financial Statements, continued

13. Condensed Financial Information, continued

Condensed Statement of Change in Net Position:

	<u>GEDA</u>	<u>Destinu</u>	<u>Elimination</u>	<u>Total Condensed</u>
Operating revenue	\$ 4,208,255	\$ ---	\$ ---	\$ 4,208,255
Operating expenses:				
Depreciation and amortization	43,031	---	---	43,031
Other operating expenses	<u>7,335,124</u>	<u>811</u>	<u>---</u>	<u>7,335,935</u>
	7,378,155	811	---	7,378,966
Operating (loss) income	<u>(3,169,900)</u>	<u>(811)</u>	<u>---</u>	<u>(3,170,711)</u>
Non-operating revenues:				
Non-operating grant revenue	11,254,063	10,050,000	---	21,304,063
Interest and investments	<u>1,835,596</u>	<u>1,282</u>	<u>---</u>	<u>1,836,878</u>
	<u>13,089,659</u>	<u>10,051,282</u>	<u>---</u>	<u>23,140,941</u>
Change in net position	9,919,759	10,050,471	---	19,970,230
Net position at beginning of year	<u>(2,520,781)</u>	<u>---</u>	<u>---</u>	<u>2,520,781</u>
Net position at end of year	<u>\$ 7,398,978</u>	<u>\$ 10,050,471</u>	<u>\$ ---</u>	<u>\$ 17,449,449</u>

Condensed Statement of Cash flows:

	<u>GEDA</u>	<u>Destinu</u>	<u>Elimination</u>	<u>Total Condensed</u>
Net cash provided by (used in):				
Operating activities	\$(2,549,903)	\$(50,291)	\$ ---	\$(2,600,194)
Capital and related financing activities	33,531)	---	---	(33,531)
Investing activities	9,754,003	---	---	9,754,003
Noncapital financing activities	<u>887,581</u>	<u>10,051,282</u>	<u>---</u>	<u>10,938,863</u>
Net increase in cash	8,058,150	10,000,991	---	18,059,141
Cash and cash equivalent at beginning of year	<u>10,589,976</u>	<u>---</u>	<u>---</u>	<u>10,589,976</u>
Cash and cash equivalent at end of year	<u>\$ 18,648,126</u>	<u>\$ 10,000,991</u>	<u>\$ ---</u>	<u>\$ 28,649,117</u>

Required Supplementary Information

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

Schedule 1
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability

Defined Benefit Plan
(Unaudited)

Last 10 Fiscal Years*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
GEDA's proportionate share of the net pension liability	\$ 5,483,360	\$ 3,274,679	\$ 4,372,935	\$ 4,154,814	\$ 4,300,654	\$ 4,061,443	\$ 4,911,548	\$ 4,895,210	\$ 4,248,957	\$ 4,532,851
GEDA's proportion of the net pension liability	0.37%	0.34%	0.35%	0.34%	0.36%	0.36%	0.36%	0.34%	0.34%	0.35%
GEDA's covered payroll	\$ 2,096,188	\$ 1,859,080	\$ 1,848,798	\$ 1,735,736	\$ 1,889,503	\$ 1,807,340	\$ 1,816,999	\$ 1,742,220	\$ 1,721,471	\$ 1,601,075
GEDA's proportionate share of the net pension liability as a percentage of its covered payroll	261.59%	176.15%	236.53%	239.37%	227.61%	224.72%	270.31%	280.98%	246.82%	283.11%
Plan fiduciary net position as a percentage of total pension liability	54.45%	70.14%	61.48%	62.25%	63.28%	60.63%	54.62%	52.32%	56.60%	53.94%

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

Schedule 2
Required Supplementary Information
Schedule of Contributions

Defined Benefit Plan
(Unaudited)

Last 10 Fiscal Years*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 508,818	\$ 428,808	\$ 425,510	\$ 413,001	\$ 464,661	\$ 428,406	\$ 445,434	\$ 446,494	\$ 458,262	\$ 457,202
Contribution in relation to the contractually required contribution	<u>625,519</u>	<u>612,638</u>	<u>511,207</u>	<u>425,711</u>	<u>413,930</u>	<u>474,370</u>	<u>442,603</u>	<u>460,658</u>	<u>504,594</u>	<u>476,077</u>
Contribution (deficiency) excess	<u>\$ 116,701</u>	<u>\$ 183,830</u>	<u>\$ 85,697</u>	<u>\$ 12,710</u>	\$(<u>50,731</u>)	<u>\$ 45,964</u>	\$(<u>2,831</u>)	<u>\$ 14,164</u>	<u>\$ 46,332</u>	<u>\$ 18,875</u>
GEDA's covered payroll	<u>\$ 2,153,262</u>	<u>\$ 2,096,188</u>	<u>\$ 1,559,080</u>	<u>\$ 1,848,798</u>	<u>\$ 1,735,736</u>	<u>\$ 1,889,503</u>	<u>\$ 1,807,340</u>	<u>\$ 1,816,999</u>	<u>\$ 1,742,220</u>	<u>\$ 1,721,471</u>
Contribution as a percentage of the GEDA's covered payroll	29.05%	29.23%	32.79%	23.03%	23.85%	25.11%	24.49%	25.35%	28.96%	27.66%

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

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

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

Last 10 Fiscal Years*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
GEDA's proportionate share of the collective total pension liability	\$ 385,723	\$ 447,229	\$ 434,615	\$ 384,125	\$ 382,043	\$ 373,321	\$ 293,970	\$ 295,035
GEDA's proportion of the collective total pension liability	0.15%	0.15%	0.12%	0.12%	0.13%	0.13%	0.13%	0.13%

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

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

Schedule 4
Required Supplementary Information
Schedule of Contributions

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

Last 10 Fiscal Years*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contributions	\$ 32,713	\$ 32,713	\$ 32,714	\$ 32,714	\$ 30,713	\$ 30,713	\$ 30,713
Contribution in relation to the contractually required contribution	<u>34,714</u>	<u>32,714</u>	<u>32,714</u>	<u>32,714</u>	<u>30,714</u>	<u>30,713</u>	<u>30,713</u>
Contribution excess (deficiency)	<u>\$ 2,001</u>	<u>\$ 1</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 1</u>	<u>\$ ---</u>	<u>\$ ---</u>

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

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

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

Ad Hoc COLA Plan for DCRS Participants
(Unaudited)

Last 10 Fiscal Years*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
GEDA's proportionate share of the net pension liability	\$ 233,266	\$ 294,440	\$ 292,199	\$ 194,852	\$ 157,980	\$ 227,626	\$ 260,379	\$ 173,951
GEDA's proportion of the net pension liability	0.39%	0.42%	0.44%	0.33%	0.32%	0.36%	42.00%	0.33%

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

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

Schedule 6
Required Supplementary Information
Schedule of Contributions

Ad Hoc COLA Plan for DCRS Participants
(Unaudited)

Last 10 Fiscal Years*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contributions	\$ 10,000	\$ 10,000	\$ 10,000	\$ 8,000	\$ 6,000	\$ 6,000	\$ 6,000
Contribution in relation to the contractually required contribution	<u>13,200</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>8,000</u>	<u>8,000</u>	<u>8,000</u>
Contribution excess (deficiency)	<u>\$ 3,200</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 2,000</u>

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

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

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

Last 10 Fiscal Years*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
GEDA's proportionate share of the collective total pension liability	\$ 4,931,451	\$ 6,281,833	\$ 5,383,156	\$ 3,169,860	\$ 2,250,969	\$ 2,250,969
GEDA's proportion of the collective total pension liability	0.21%	0.23%	0.21%	0.12%	0.12%	0.16%

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

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

Schedule 8
Required Supplementary Information
Schedule of Contributions

Other Postemployment Benefit Plan
(Unaudited)

Last 10 Fiscal Years*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contributions	\$ 64,377	\$ 76,229	\$ 67,709	\$ 78,790	\$ 74,358	\$ 107,929	\$ 90,484
Contribution in relation to the contractually required contribution	<u>64,377</u>	<u>76,229</u>	<u>67,709</u>	<u>78,790</u>	<u>74,358</u>	<u>107,929</u>	<u>90,484</u>
Contribution excess (deficiency)	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

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

Note to Required Supplementary Information
(Unaudited)

Changes in Assumptions – Pension Plans

Amounts reported in 2022 actuarial valuation reflected an assumption related to administrative expenses remained at \$6,565,000 per year.

Amounts reported in 2021 actuarial valuation reflected an assumption related to administrative expenses to decrease to \$6,565,000 per year.

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

Amounts reported in 2019 actuarial valuation reflected an assumption related to administrative expenses to decrease to \$6,860,000 per year.

Amounts reported in 2018 actuarial valuation reflected an assumption related to administrative expenses to increase to \$7,082,000 per year.

Amounts reported in the 2017 actuarial valuation reflect a change in assumption of payroll growth to 2.75% rather than 3%. The mortality, retirement age and disability assumption were changed to more closely reflect actual experience. Assumption related to administrative expense reflected an increase to \$6,344,000 per year and a revised allocation to the various pension plans to reflect actual experience.

Amounts reported in 2016 actuarial valuation reflect a change in assumption of administrative expenses to \$6,078,000 per year rather than \$5,806,000.

Amounts reported in 2015 actuarial valuation reflect a change in assumption of payroll growth to 3% rather than 3.5% which was used to determine amounts reported prior to 2015. Amounts reported in 2014 reflect an adjustment of the expectations of salary increases, disability and retirement age to more closely reflect actual experience. The amounts reported in the 2011 actuarial valuation reflect an expectation of retired life mortality based on the RP-2000 Mortality Table rather than the 1994 U.S. Uninsured Pensioners Table, which was used to determine amounts reported prior to 2011. Amounts reported in 2011 also reflect a change in assumption on valuation of assets to a 3-year phase in for gains/losses relative to interest rate assumption from market value, with fixed income investments at amortized costs which was used to determine amounts reported prior to 2011.

Supplementary and Other Information

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

Comparative Divisional Schedules of Net Position

September 30, 2023 and 2022

	GEDA		GDFA		SSBCI		SSBCI 2.0		ADF		TSA		Destinu	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Assets														
Current assets:														
Cash and cash equivalents	\$ 529,056	\$ 1,932,491	\$ 640,095	\$ 335,313	\$ 2,421,285	\$ 1,989,686	\$ 9,082,420	\$ ---	\$ 60,205	\$ 39,934	\$ 151,621	\$ 150,445	\$ 10,000,991	\$ ---
Cash and cash equivalents-restricted	---	---	---	---	2,254,752	2,674,502	---	---	---	---	3,508,692	3,467,605	---	---
Investments	4,869,179	4,311,185	10,759,500	9,971,525	10,020,797	8,848,319	---	---	1,251,492	1,122,734	---	---	---	---
Due from trust funds administered by GEDA:														
Agricultural Development Fund	99,283	94,652	(3,890)	(1,764)	---	---	---	---	(776)	(776)	---	---	---	---
Guam Development Fund Act	620,193	390,906	(663)	(776)	---	---	---	---	3,415	1,365	---	---	---	---
State Small Business Credit Initiative	414,690	278,772	---	---	(80,776)	(80,776)	---	---	---	---	---	---	---	---
Guam Economic Development Authority	663	776	(620,193)	(390,906)	(344,210)	(197,996)	10,296	---	(98,032)	(93,477)	---	---	49,480	---
Tobacco Settlement Account	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Venture Capital	(49,480)	---	---	---	---	---	---	---	---	---	---	---	---	---
Current portion of lease receivable	612,457	694,564	---	---	---	---	---	---	---	---	---	---	---	---
Notes and accrued interest receivable, net	90	90	697,893	1,199,763	---	---	---	---	56,169	76,135	---	---	---	---
Other receivables, net	2,813,318	3,092,716	18	---	---	---	---	---	---	---	1,004,000	1,119,000	---	---
Other	7,706	7,706	---	---	---	---	---	---	---	---	---	---	---	---
Total current assets	9,917,155	10,803,858	11,472,760	11,113,155	14,271,848	13,233,735	9,092,716	---	1,272,473	1,145,915	4,664,313	4,737,050	10,050,471	---
Equity investment	3,500	3,500	---	---	---	---	---	---	---	---	---	---	---	---
Lease receivable	27,013,473	27,664,342	---	---	---	---	---	---	---	---	---	---	---	---
Capital assets:														
Depreciable assets, net of depreciation	414,369	897,021	110,699	111,880	---	---	---	---	---	---	---	---	---	---
Lease assets, net of amortization	183,867	---	---	---	---	---	---	---	---	---	---	---	---	---
Total assets	37,532,364	39,368,721	11,583,459	11,225,035	14,271,848	13,233,735	9,092,716	---	1,272,473	1,145,915	4,664,313	4,737,050	10,050,471	---
Deferred outflows of resources														
Other post-employment benefits	2,197,120	3,146,211	---	---	---	---	---	---	---	---	---	---	---	---
Pension	2,395,276	911,182	---	---	---	---	---	---	---	---	---	---	---	---
	4,592,396	4,057,393	---	---	---	---	---	---	---	---	---	---	---	---
Total	\$ 42,124,760	\$ 43,426,114	\$ 11,583,459	\$ 11,225,035	\$ 14,271,848	\$ 13,233,735	\$ 9,092,716	\$ ---	\$ 1,272,473	\$ 1,145,915	\$ 4,664,313	\$ 4,737,050	\$ 10,050,471	\$ ---

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

Comparative Divisional Schedules of Net Position, continued

	GEDA		GDFA		SSBCI		SSBCI 2.0		ADF		TSA		Destint	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Liabilities														
Current liabilities:														
Current portion of bonds payable	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 1,635,000	\$ 1,590,000	\$ ---	\$ ---
Accounts payable	14,525	1,089,679	3,961	1,129	---	---	140	---	---	---	---	---	---	---
Accrued liabilities	219,661	350,400	112,604	97,331	48,347	32,452	---	---	2,896	2,896	(73,896)	(74,837)	---	---
Interest payable	---	---	---	---	---	---	---	---	---	---	424,687	428,975	---	---
Unearned rental income	108,588	106,885	---	---	---	---	---	---	---	---	---	---	---	---
Current portion of lease liability	287,626	405,188	---	---	---	---	---	---	---	---	---	---	---	---
Other liabilities	74,999	74,999	---	---	---	---	---	---	---	---	---	---	---	---
Total current liabilities	705,399	2,027,151	116,565	98,460	48,347	32,452	140	---	2,896	2,896	1,985,791	1,944,138	---	---
Non-current liabilities:														
Bonds payable, net of current portion and discount	---	---	---	---	---	---	---	---	---	---	31,600,696	31,120,284	---	---
Lease liability	---	175,708	---	---	---	---	---	---	---	---	---	---	---	---
DCRS sick leave liability	186,480	185,481	---	---	---	---	---	---	---	---	---	---	---	---
Deposits	18,322	18,322	---	---	---	---	---	---	---	---	---	---	---	---
Deposits due to GALC	77,410	77,410	---	---	---	---	---	---	---	---	---	---	---	---
Net pension liability	6,102,349	4,016,348	---	---	---	---	---	---	---	---	---	---	---	---
Other post-employment benefits liability	4,931,451	6,281,833	---	---	---	---	---	---	---	---	---	---	---	---
Total non-current liabilities	11,316,012	10,755,102	---	---	---	---	---	---	---	---	31,600,696	31,120,284	---	---
Total liabilities	12,021,411	12,782,253	116,565	98,460	48,347	32,452	140	---	2,896	2,896	33,586,487	33,064,422	---	---
Deferred inflows of resources														
Leases	27,360,135	28,192,078	---	---	---	---	---	---	---	---	---	---	---	---
Other post-employment benefits	2,248,445	1,489,389	---	---	---	---	---	---	---	---	---	---	---	---
Pension	226,165	626,680	---	---	---	---	---	---	---	---	---	---	---	---
	<u>29,834,745</u>	<u>30,308,147</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Net position														
Investment in capital assets	598,236	897,021	110,699	111,880	---	---	---	---	---	---	---	---	---	---
Restricted														
Debt services	---	---	---	---	---	---	---	---	---	---	3,508,692	4,586,605	---	---
Loan guarantees	---	---	---	---	2,614,191	2,674,502	---	---	---	---	---	---	---	---
Unrestricted	(329,632)	(561,307)	11,356,195	11,014,695	11,609,310	10,526,781	9,092,576	---	1,269,577	1,143,019	(32,430,866)	(32,913,977)	10,050,471	---
Total net position	268,604	335,714	11,466,894	11,126,575	14,223,501	13,201,283	9,092,576	---	1,269,577	1,143,019	(28,922,174)	(28,327,372)	10,050,471	---
Total liabilities and net position	\$ 42,124,760	\$ 43,426,114	\$ 11,583,459	\$ 11,225,035	\$ 14,271,848	\$ 13,233,735	\$ 9,092,716	\$ ---	\$ 1,272,473	\$ 1,145,915	\$ 4,664,313	\$ 4,737,050	\$ 10,050,471	\$ ---

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

Comparative Divisional Schedules of Revenues, Expenses and Changes in Net Position

Years Ended September 30, 2023 and 2022

	GEDA		GDFA		SSBCI		SSBCI 2.0		ADF		TSA		Destinu	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Operating revenues:														
Qualifying certificate application	\$ 1,371,363	1,464,822	\$ 40	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
Tobacco Settlement revenue	---	---	---	---	---	---	---	---	---	---	1,382,949	2,674,948	---	---
Rental Income	873,353	892,375	---	---	---	---	---	---	---	---	---	---	---	---
GALC lease commission	191,874	207,058	---	---	---	---	---	---	---	---	---	---	---	---
Bond fees earned	163,763	1,111,828	---	---	---	---	---	---	---	---	---	---	---	---
Operating grants	141,288	5,392,245	---	---	---	---	---	---	---	---	---	---	---	---
Others	1,275	1,075	---	---	67,947	29,700	14,403	---	---	---	---	---	---	---
Total operating revenues	2,742,916	9,069,403	40	---	67,947	29,700	14,403	---	---	---	1,382,949	2,674,948	---	---
Operating expenses:														
Salaries and benefits	3,044,303	2,299,398	302,124	266,666	303,404	222,400	---	---	---	1,722	---	---	---	---
Legal and professional services	1,423,164	2,664,934	5,339	8,602	5,681	11,575	2,748	---	3,966	7,916	58,042	41,004	---	---
Miscellaneous	555,922	95,109	619,293	102,807	118,936	113,866	1,535	---	9,702	11,606	---	6,598	555	---
Grants expense	345,949	890,889	---	---	---	---	---	---	---	---	---	---	---	---
Office space and equipment rent	191,961	390,969	43,915	39,517	43,915	17,736	---	---	---	21,781	---	---	---	---
Travel	151,414	131,411	---	9,178	13,307	---	---	---	---	---	90	20,226	---	---
Advertising and promotions	79,934	53,426	---	---	---	---	---	---	---	---	850	---	---	---
Depreciation and amortization	39,574	25,760	3,457	3,036	---	---	---	---	---	---	---	---	---	---
Supplies	2,613	7,725	---	---	261	---	214	---	288	---	---	---	256	---
Insurance	3,247	3,287	---	---	---	---	---	---	---	---	---	---	---	---
Utilities, telephone and communication	2,503	2,975	---	---	---	---	---	---	---	---	---	---	---	---
Repairs and maintenance	504	1,657	---	---	---	---	---	---	---	---	---	---	---	---
Total operating expenses	5,841,088	6,567,540	974,128	429,806	485,504	365,577	4,497	---	13,956	43,025	58,982	67,828	811	---
Net operating income (loss)	(3,098,172)	2,501,863	(974,088)	(429,806)	(417,557)	(335,877)	9,906	---	(13,956)	(43,025)	1,323,967	2,607,120	(811)	---
Nonoperating revenues (expenses):														
Grants revenue	2,172,571	585,295	---	---	---	---	9,081,492	---	---	---	---	---	10,050,000	---
Net increase (decrease) in the fair value of investments	424,997	(922,863)	996,529	---	1,256,123	(1,997,862)	---	---	109,310	(273,173)	---	---	---	---
Investment income	114,492	121,696	255,367	(2,376,855)	---	92,626	---	---	29,275	30,761	133,623	10,990	---	---
Interest income - leases	505,849	417,822	---	---	---	---	---	---	---	---	---	---	---	---
Other (expense) income, net	(187,137)	(689,348)	3,280	20	1	---	---	---	---	---	1	38,004	---	---
Interest income (expense), net	290	(1,141)	59,231	52,234	183,651	118,630	1,178	---	1,929	701	(2,052,393)	(2,012,643)	1,282	---
Nonoperating (expenses) income, net	3,031,062	(488,539)	1,314,407	(2,324,601)	1,439,775	(1,786,606)	9,082,670	---	140,514	(241,711)	(1,918,769)	(1,963,649)	10,051,282	---
Change in net position	(67,110)	2,013,324	340,319	(2,754,407)	1,022,218	(2,122,483)	9,092,576	---	126,558	(284,736)	(594,802)	643,471	10,050,471	---
Net position at beginning of year	335,714	(1,677,610)	11,126,575	13,880,982	13,201,283	15,323,766	---	---	1,143,019	1,427,755	(28,327,372)	(28,970,843)	---	---
Net position at end of year	\$ 268,604	\$ 335,714	\$ 11,466,894	\$ 11,126,575	\$ 14,223,501	\$ 13,201,283	\$ 9,092,576	\$ ---	\$ 1,269,577	\$ 1,143,019	\$ (28,922,174)	\$ (28,327,372)	\$ 10,050,471	\$ ---

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

Comparative Divisional Schedules of Cash Flows

Years Ended September 30, 2023 and 2022

	GEDA		GDFA		SSBCI		SSBCI 2.0		ADF		TSA		Destinu	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Cash flows from operating activities:														
Cash received on grants and contracts	\$ 1,512,651	6,857,067	40	---	67,948	110,476	14,403	---	---	---	---	---	---	---
Cash paid on grants and contracts	(253,688)	(2,883,288)	501,870	---	---	---	---	---	---	---	115,000	---	---	---
Cash received from tobacco settlement and customers	1,318,607	1,422,222	234,580	(116,013)	146,214	117,377	(10,296)	---	22,471	32,763	1,382,950	1,593,952	(49,480)	---
Cash paid to suppliers for good and services	(3,619,977)	(2,190,586)	(650,442)	(145,603)	(166,205)	(130,215)	(4,357)	---	(13,956)	(41,182)	(58,041)	(65,533)	(811)	---
Cash paid to employees for services	(2,484,147)	(2,097,704)	(302,124)	(266,666)	(303,404)	(222,400)	---	---	---	(1,722)	---	---	---	---
Net cash (used in) provided by operating activities	(3,526,554)	1,107,711	(216,076)	(528,282)	(255,447)	(124,762)	(250)	---	8,515	(10,141)	1,439,909	1,528,419	(50,291)	---
Cash flows from investing activities:														
Interest and investment income	539,489	801,167	1,251,896	2,376,855	1,256,123	(1,905,236)	9,081,492	---	138,585	(242,412)	133,623	10,990	---	---
Rollover of interest into investment	(539,489)	(801,167)	(1,251,896)	(2,376,855)	(1,256,123)	1,905,236	(9,081,492)	---	(138,585)	242,412	---	---	---	---
(Purchases) proceeds from maturity of investment securities, net	(18,505)	(605,104)	463,921	636,872	83,645	398,708	9,081,492	---	9,827	22,340	---	---	---	---
Net cash provided by investing activities	(18,505)	(605,104)	463,921	636,872	83,645	398,708	9,081,492	---	9,827	22,340	133,623	10,990	---	---
Cash flows from capital and related financing activities:														
Purchase of capital assets	(31,237)	(94,062)	(2,294)	1	---	---	---	---	---	---	---	---	---	---
Net cash used in capital and related financing activities	(31,237)	(94,062)	(2,294)	1	---	---	---	---	---	---	---	---	---	---
Cash flows from noncapital financing activities:														
Repayment of bond payable	---	---	---	---	---	---	---	---	---	---	(215,000)	(215,000)	---	---
Grants received from US Government	---	---	---	---	---	---	---	---	---	---	---	---	10,050,000	---
Grants received from Government of Guam	2,172,571	585,295	---	---	---	---	---	---	---	---	---	---	---	---
Net interest received (paid) on deposit accounts and bonds payable	290	(1,141)	59,231	52,234	183,651	118,630	1,178	---	1,929	701	(1,316,269)	(1,297,950)	1,282	---
Net cash provided by (used in) noncapital financing activities	2,172,861	584,154	59,231	52,234	183,651	118,630	1,178	---	1,929	701	(1,531,269)	(1,512,950)	10,051,282	---
Net change in cash and cash equivalents	(1,403,435)	992,699	304,782	160,825	11,849	392,576	9,082,420	---	20,271	12,900	42,263	26,459	10,000,991	---
Cash and cash equivalents at beginning of year	1,932,491	939,792	335,313	174,488	4,664,188	4,271,612	---	---	39,934	27,034	3,618,050	3,591,591	---	---
Cash and cash equivalents at end of year	\$ 529,056	1,932,491	640,095	335,313	4,676,037	4,664,188	9,082,420	---	60,205	39,934	3,660,313	3,618,050	10,000,991	---
Reconciliation of cash and cash equivalents to the statements of net position:														
Current assets:														
Cash and cash equivalents	\$ 529,056	1,932,491	640,095	335,313	2,421,285	1,989,686	9,082,420	---	60,205	39,934	151,621	150,445	10,000,991	---
Cash and cash equivalents-restricted	---	---	---	---	2,254,752	2,674,502	---	---	---	---	3,508,692	3,467,605	---	---
	\$ 529,056	1,932,491	640,095	335,313	4,676,037	4,664,188	9,082,420	---	60,205	39,934	3,660,313	3,618,050	10,000,991	---

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

Comparative Divisional Schedules of Cash Flows

Years Ended September 30, 2023 and 2022

	GEDA		GDFA		SSBCI		SSBCI 2.0		ADF		TSA		Destinu	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Reconciliation of operating (loss) income to net cash provided by operating activities:														
Operating (loss) income	\$(3,098,172)	2,501,863	(974,088)	(429,806)	(417,557)	(335,877)	9,906	---	(13,956)	(43,025)	1,323,967	2,607,120	(811)	---
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:														
Noncash pension (benefit) cost	764,646	174,086	---	---	---	---	---	---	---	---	---	---	---	---
Noncash other post employment benefit cost	452,029	624,612	---	---	---	---	---	---	---	---	---	---	---	---
Depreciation and amortization	39,574	25,760	3,457	3,036	---	---	---	---	---	---	---	---	---	---
Provision for bad debts	---	---	---	---	---	---	---	---	---	---	---	---	---	---
(Increase) decrease in assets:														
Due from trust funds administered by GEDA	(320,243)	(432,705)	231,300	(116,033)	146,214	117,377	(10,296)	---	2,505	(12,227)	---	---	(49,480)	---
Other receivables	92,261	(2,601,128)	3,280	20	1	80,776	---	---	---	---	---	38,004	---	---
Receivables - tobacco settlement	---	---	---	---	---	---	---	---	---	---	115,001	(1,119,000)	---	---
Notes and accrued interest receivable, net	---	---	501,870	---	---	---	---	---	19,966	(48,487)	---	---	---	---
Prepaid expenses (new accounts)	---	---	---	---	---	---	---	---	---	93,477	---	---	---	---
Lease receivable	406,882	250,994	---	---	---	---	---	---	---	---	---	---	---	---
Increase (decrease) in liabilities:														
Accounts payable	(1,075,154)	1,006,693	2,832	1,129	---	---	---	---	---	(2,775)	---	---	---	---
Accrued liabilities	(130,739)	47,633	15,273	13,372	15,895	12,962	140	---	---	2,896	941	2,295	---	---
Other liabilities	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Unearned rental income	1,703	326	---	---	---	---	---	---	---	---	---	---	---	---
DCRS sick leave liability	999	48,589	---	---	---	---	---	---	---	---	---	---	---	---
Lease liability	(2,822)	106,581	---	---	---	---	---	---	---	---	---	---	---	---
Net pension liability	(563,254)	(571,863)	---	---	---	---	---	---	---	---	---	---	---	---
Collective other post-employment liability	(94,264)	(73,730)	---	---	---	---	---	---	---	---	---	---	---	---
Net cash provided by operating activities	\$(3,526,554)	1,107,711	(216,076)	(528,282)	(255,447)	(124,762)	(250)	---	8,515	(10,141)	1,439,909	1,528,419	(50,291)	---

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

Schedule of Salaries and Wages

Years Ended September 30, 2023 and 2022

Salaries and wages:	<u>2023</u>	<u>2022</u>
Salaries	\$ 2,372,250	\$ 2,220,289
Benefits	<u>1,277,395</u>	<u>699,286</u>
Total salaries and wages	\$ <u>3,649,645</u>	\$ <u>2,919,575</u>
Employees at end of year	38	51

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

The Board of Directors
Guam Economic Development Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards), the financial statements of the Guam Economic Development Authority (the Authority or GEDA) and its discretely presented component unit, which comprise the statement of financial position as of September 30, 2023, and the related statements of revenues, expenses, and changes in net position, activities and cash flows for the year then ended, and the related notes (collectively referred to as the “financial statements”), and have issued our report thereon dated July 29, 2024.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Ernst + Young LLP

July 29, 2024