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Guam Economic Development Authority – Fiscal Year 2019 Financial Highlights

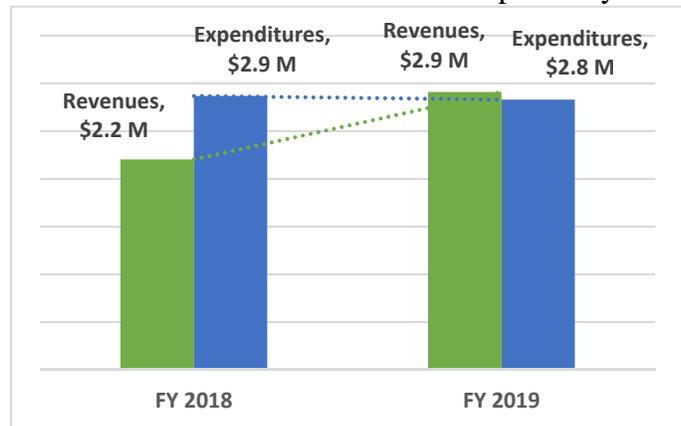
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Hagåtña, Guam – The Office of Public Accountability (OPA) has released the Guam Economic Development Authority (GEDA) financial statements, report on compliance and internal control for GEDA, report on compliance and internal control for Trust Funds administered by GEDA, and letter to those charged with governance for fiscal year (FY) 2019. GEDA’s total combined operating funds closed with a decrease in net position (net loss) of \$95 thousand (K), a decrease of \$695K from FY 2018’s net loss of \$790K.

Independent auditors Ernst & Young LLP issued an unmodified (clean) opinion on GEDA’s FY 2019 financial statements and did not identify any material weaknesses or significant deficiencies in the reports on compliance and internal control for GEDA and Trust Funds administered by GEDA. GEDA is commended for its 16th year of having no instances of noncompliance in their financial statements.

GEDA Operating Fund

GEDA’s main operating fund had an increase in net position of \$207K. Net operating revenues increased by \$707K, from \$2.2 million (M) in FY 2018 to \$2.9M in FY 2019. This was primarily due to the \$695K increase in lease commission from Guam Ancestral Lands Commission (GALC) and no provision for bad debts, which was offset by a \$413K decrease in bond fees earned and \$50K decrease in other revenue. Operating expenses slightly decreased by \$38K, from \$2.9M in FY 2018 to \$2.8M in FY 2019, which was mainly due to decreases in travel, miscellaneous, advertising and promotions, legal and professional services, and other expenses.



State Small Business Credit Initiative (SSBCI) & Tobacco Settlement Authority (TSA) Funds

The SSBCI program provides additional sources of credit to support small businesses and provide credit opportunities to women-owned and minority-owned businesses. GEDA’s SSBCI closed with an increase in net position of \$116K, an increase of \$28K from FY 2018’s net income of \$88K. This was due to the \$112K increase in other income and \$16K decrease in salaries and benefits expenses. This was offset by the \$82K decrease in net operating revenues, which was primarily due to no grants and loan guaranty recovery revenues in FY 2019 and increases in legal and professional services and miscellaneous expenses.

The TSA Fund is a separate fund that records the annual tobacco settlement revenues allocated to Guam. In turn, these revenues are used to pay annual debt service on the outstanding bond principal and interest. TSA fund revenues increased by \$278K, from \$1.2M in FY 2018 to \$1.5M in FY 2019.

Guam Development Fund Act (GDFA) and Agricultural Development Fund (ADF)

GEDA administers two trust funds, GDFA and ADF, which had investments of \$11.5M and \$1.1M, respectively. Investment income is GDFA and ADF's main revenue source, which decreased to \$404K in FY 2019 compared to the prior year's investment income of \$952K. Meanwhile, interest income on the remaining loans amounted to \$9K in FY 2019, an increase of \$4K or 66%. Since FY 2014, GEDA had not issued a loan from either GDFA or ADF, but in FY 2019, GEDA made one farm loan from ADF in the amount of \$50K for working capital and two commercial loans from GDFA totaling \$50K for working capital and leasehold improvements that resulted in the creation of two new jobs.

Other Post-Employment Benefits (OPEB)

Governmental Accounting Standards Board (GASB) No. 75 pertains to post-employment benefits other than pensions. These benefits provided by the Government of Guam (GovGuam) include medical, dental, and life insurance to retirees, spouses, children, and survivors. For FY 2019, GEDA's proportionate share of GovGuam's OPEB liability was \$2.2M, a \$1.6M decrease from \$3.9M in FY 2018.

FY 2019 Transition and Initiatives

The second quarter of FY 2019 began with a period of transition in executive management. The newly appointed Administrator and Deputy Administrator consolidated two divisions into one to form the Business and Economic Development Department (BEDD), with all other divisions remaining unchanged. In addition to their established programs, the newly formed BEDD was asked to assist and support the Office of the Governor of Guam's appointed Chief Advisor on Economic Development, National & International Affairs (EDNIA) in promoting economic development, as well as provide support for other national affairs.

In June 2019, the Chamorro Land Trust Commission (CLTC) passed a resolution officially authorizing GEDA to solicit proposals for the lease of five properties in Tamuning and Yigo, consisting of over 50 acres in prime locations. Leveraging the proceeds generated from these potential leases will provide additional resources to augment CLTC's current programs and initiatives, as well as provide GEDA with a new revenue source in terms of property management fees. Similar to CLTC, GALC has also authorized GEDA to solicit over 395 acres of land for lease in the Andersen South area of Yigo.

Public Law 35-21 authorized the issuance of bonds to finance a New Landfill Cell Development for the benefit of the Guam Solid Waste Authority. On July 16, 2019, GovGuam successfully sold General Obligation Bonds to fund a new Layon Landfill Cell 3 at a true interest rate of 3.25% after all costs. Guam's offering was well received, with initial interest rates being reduced by 25 basis points from pre-pricing levels and an oversubscription by investors of 12.9 times.

For more details, refer to Management's Discussion and Analysis in the audit report at www.opaguam.org and www.investguam.com.