

**Government of Guam
Public Debt**

**Performance Audit
October 2007 through September 2013**

**OPA Report No. 14-01
April 2014**



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EXECUTIVE SUMMARY
Government of Guam Public Debt
OPA Report No. 14-01, April 2014

In our audit of the Government of Guam (GovGuam) Public Debt for the six-year period from fiscal year (FY) 2008 to FY 2013, we found that GovGuam’s total public indebtedness (debt subject to the debt ceiling, debt not subject to the debt ceiling, and other primary government liabilities) increased by 54% from \$1.02 billion (B) in FY 2008 to \$1.57B in FY 2013 (unaudited). Public indebtedness was comprised of:

- Debt subject to the debt ceiling of \$1.11B in FY 2013, nearly quadrupled (273%) from \$296.9M in FY 2008. The largest increase from year to year was between FY 2008 and FY 2009 when the debt subject to the debt ceiling nearly tripled (148%) from \$296.9M to \$736.2M;
- Debt not subject to the debt ceiling [Certificates of Participations (COPs), notes payable, and loans] of \$148.6M in FY 2013 nearly doubled (93%) from \$77.1M in FY 2008; and
- Other primary government liabilities (short term obligations due within one year such as tax refunds, court-ordered payments, and other long-term liabilities) declined by over half (52%) to \$309.5M in FY 2013 (unaudited) from \$641.6M in FY 2008.

Table 1: Changes in Public Indebtedness (FY 2008 to FY 2013)

	<u>Outstanding Principal Balance as of:</u>					
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 (Unaudited)
A Public Indebtedness Subject to Debt Ceiling	\$ 296,914,241	\$ 736,183,415	\$ 743,937,170	\$ 789,586,720	\$ 1,126,063,917	\$ 1,108,023,558
B Debt Not Subject to Debt Ceiling	\$ 77,075,083	\$ 89,595,300	\$ 83,777,981	\$ 141,178,564	\$ 131,556,642	\$ 148,591,215
C Subtotal, Long-Term Debt [A+B]	\$ 373,989,324	\$ 825,778,715	\$ 827,715,151	\$ 930,765,284	\$ 1,257,620,559	\$ 1,256,614,773
D Other Primary Government Liabilities	\$ 641,568,919	\$ 565,084,165	\$ 640,224,766	\$ 690,017,505	\$ 447,623,544	\$ 309,527,522
E Total Public Indebtedness (Long-Term Debt & Other Primary Government Liabilities) [C+D]	\$ 1,015,558,243	\$ 1,390,862,880	\$ 1,467,939,917	\$ 1,620,782,789	\$ 1,705,244,103	\$ 1,566,142,295

The audit objectives were to determine the growth and magnitude of GovGuam’s indebtedness and whether GovGuam has a formal debt management strategy. While GovGuam does not have a formal debt management strategy, it executed the following as part of its informal strategy:

- In order to accommodate the increased debt, GovGuam’s debt ceiling was raised three times from 2007 to 2012, going from 35% to 100% of Guam’s total real property’s appraised value;
- GovGuam restructured some of its liabilities to long-term debt;
- GovGuam deferred principal payments and capitalized interest of \$84.1M; and
- GovGuam acquired some of its debt at investment grade.

As a result of its informal debt management strategy:

- GovGuam’s annual debt service requirements nearly doubled from \$41.4M in FY 2008 to \$80.1M in FY 2013, and is expected to increase to \$106.9M or 33% by FY 2018; and
- GovGuam’s 2012 debt-to-Gross Domestic Product (GDP) ratio of 26.4% was below the International Monetary Fund (IMF)’s 60% benchmark, yet other debt indicators reflected GovGuam’s debt burden as high in comparison to the insular governments and states.

Public Indebtedness Increased 54% and Debt Ceiling Raised Three Times

Section 11 of Guam's Organic Act limits public indebtedness to 10% of the assessed value for property tax, where assessed value is calculated as a percentage of appraised value. To increase the debt limit (ceiling), the Legislature and Administration redefined the calculation of assessed value three times through public laws: from 35% to 70% in 2007, from 70% to 90% in 2009, and from 90% to 100% in 2012. As the debt ceiling was increased from 2007 to 2012, GovGuam issued bonds and loans backed by the full faith or guarantee of the GovGuam, to the point of nearly maximizing its debt limit. From FY 2008 to FY 2013, GovGuam's total public indebtedness increased by 54% from \$1.02B to \$1.57B.

The largest increase in GovGuam's total public indebtedness from year to year occurred between FY 2008 and FY 2009. GovGuam's total public indebtedness increased by 37% or \$375.3M from \$1.02B in FY 2008 to \$1.39B in FY 2009, primarily due to the issuances of bonds to pay for certain expenses of the government (i.e. Layon Landfill construction and Ordot Dump closure, payment of prior year's unpaid Cost of Living Allowances (COLA), and past-due tax refunds).

The restructuring of GovGuam's liabilities to long-term debt occurred in FY 2012, where two LO bonds were issued primarily to pay off obligations such as past-due tax refunds, COLA payments, and retirement contributions. As a result, other primary government liabilities decreased by 35.1% or \$242.4M from \$690M in FY 2011 to \$447.6M in FY 2012.

GovGuam's other primary government liabilities also decreased by 30.9% or \$138.1M from \$447.6M in FY 2012 to \$309.5M in FY 2013 due to the decrease in provision for tax refunds and COLA liability. Although these short-term obligations decreased, GovGuam's long-term debt and its associated debt service requirements will remain for the next 30 years.

Uses of Debt

Long term debts were incurred as follows:

- **\$664.4M for operations** [including \$388.9M for unpaid 2010 and prior year's tax refunds; \$126M for prior year's unpaid court-ordered COLA payments; and \$46.8M for prior year's past-due retirement contributions for the Department of Education (GDOE) and Guam Memorial Hospital Authority (GMHA)];
- **\$315.6M for capital improvement projects** [including \$139.7M for Court-ordered Layon Landfill construction and Ordot Dump closure; \$106.7M for GDOE schools; \$55.6M for the Guam Museum and other cultural projects; and \$13.3M for GMHA];
- **\$134.7M for bond issuance-related costs;** and
- **\$129.5M for restructuring prior debt.**

Deferral of Principal Payments and Capitalized Interest

As part of debt restructuring and to relieve GovGuam's cash flow to allow for smaller payments in early years, several debts have deferred principal payments and capitalized interest (paying interest with bond proceeds for a number of years) of \$84.1M. Deferring principal payments and capitalizing interest gives GovGuam time to grow the economy to have sufficient revenues for full debt service payments in later periods; however, this translates to higher repayment costs over the life of the debt. These methods add to the long-term cost of the issuance and are, to a limited degree, indicative of cash flow problems.

Debt Service Payments Almost Doubled

In line with the increase in debt issuances, GovGuam's debt service payments increased 93.5% from \$41.4M in FY 2008 to \$80.1M in FY 2013 (unaudited). Based on present outstanding debt,

the annual debt service requirements will vary each year due to the capitalization of interest and deferment of principal payments, and will increase to \$106.9M by FY 2018.

Table 2: Annual Debt Service Payments & Requirements (FY 2008 to FY 2018)

Annual Debt Service Payments					
FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
\$ 41,383,000	\$ 47,200,000	\$ 74,486,000	\$ 79,630,000	\$ 100,435,000	\$ 80,087,000

Projected Annual Debt Service Requirements				
FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
\$ 86,077,218	\$ 111,617,032	\$ 93,104,405	\$ 99,761,190	\$ 106,922,787

Improved Investment Rating

GovGuam’s present debts are investment grade, which influences the debt service payment requirements of future debt. S&P, one of three rating agencies utilized by GovGuam, gave GovGuam an improved credit score rating due to the current Administration’s improved fiscal management practices and enhanced cash flow monitoring. However, S&P was concerned about GovGuam’s “extremely high debt burden” and vulnerability to economic changes in its tourism and military industries.

No Formal Debt Management Strategy

S&P acknowledged that “Guam has no formal debt management plan or policies in place”. We reviewed several debt indicators to determine how Guam compares to the 50 United States and other insular governments and found that GovGuam’s 2012 debt-to-GDP ratio of 26.4% was below the IMF’s 60% benchmark, yet other debt indicators were unfavorable, as follows:

- Guam’s 2011 debt-to-GDP of 20.4% ranked 13th amongst the United States state governments, where New York was the highest at 28.6%;
- Guam’s 2012 debt-per-capita of \$8,810 was the highest amongst the insular governments. In 2010, Connecticut was the highest among the states at \$5,236 and Puerto Rico was the highest at \$10,474; and
- Guam’s 2012 debt-to-asset ratio remains unfavorable as it owed creditors and vendors \$1.46 for every \$1 of assets it owned.

Conclusion and Recommendations

Although GovGuam has an informal debt management policy, given the magnitude of GovGuam’s total public indebtedness of \$1.57B, we recommend the GEDA Administrator develop and adopt a formal debt management strategy that is updated at least on an annual basis, using guidelines and best practices established by organizations such as the IMF and World Bank. We received the management response of the GEDA Administrator and Directors of Department of Administration and Bureau of Budget and Management Research. They concurred with our audit recommendation and provided further background perspective. However, they clarified or expressed disagreement with certain parts of our report, specifically: changes in public indebtedness; debt-per-capita and debt-to-GDP comparisons; and deferral of principal and capitalized interest.

Doris Flores Brooks, CPA, CGFM
Public Auditor



Introduction

This report presents the results of our audit of the Government of Guam (GovGuam) Public Debt from October 1, 2007 (fiscal year [FY] 2008) to September 30, 2012 (FY 2012), and unaudited figures for September 30, 2013 (FY 2013). This audit was initiated as a cooperative performance audit on public debt with the Pacific Association of Supreme Audit Institutions (PASAI). The audit objectives were to determine the growth and magnitude of GovGuam’s indebtedness and whether GovGuam has a formal debt management strategy. The objective, scope, methodology, and prior audit coverage are detailed in Appendices 2 and 3.

Background

Public debt is “an obligation of a government entity” and “can include liabilities or other commitments incurred directly by” the “general government.”¹ For purposes of this audit, GovGuam’s total public indebtedness does not include debt issued by autonomous agencies (state-owned enterprises), such as the Guam Power Authority (GPA), Guam International Airport Authority (GIAA), Guam Waterworks Authority (GWA), Guam Housing and Urban Renewal Authority (GHURA), Guam Housing Corporation (GHC), Port Authority of Guam (PAG), Guam Community College (GCC), and Guam Economic Development Authority (GEDA).

Borrowers issue debt instruments to raise money. Creditors or investors buy the debt instruments, and by doing so, receive interest and principal (face value of the debt instrument) payments from the borrower until the debt instrument “matures” or is fully paid off. According to GEDA’s Public Finance Division Manager, all of GovGuam’s debts are domestic or debt in the same currency as its creditors. GovGuam’s creditors consist of various United States (U.S.) institutions. GovGuam issues various debt instruments, such as notes, bonds, and Certificates of Participation (COPs).

- Notes are long-term financing instruments.
- Municipal bonds are long-term debt instruments issued by government entities and can be classified as General Obligation (GO) or Limited Obligation (LO) bonds.
 - GO bonds are backed by the full faith and credit of the government and are serviced using revenues from the General Fund, the chief operating fund of GovGuam.
 - LO bonds are secured by the pledge of full faith and credit of the government and are serviced from pledged revenue streams. For example, Section 30 monies, hotel occupancy taxes, and business privilege taxes were pledged as funding sources for certain bonds.
- COPs are lease agreements between the government and lessors or holders of the COPs. The construction of a facility is financed by the holders of COPs and the government rents the facility from the holders of COPs until the annual rent payments are finished and the government acquires title to the improvement when the COPs are fully paid.

GovGuam’s debt is managed by the Governor’s Fiscal Policy team, comprised of the Chief Fiscal Advisor, Bureau of Budget Management and Research (BBMR) Director, Department of Revenue and Taxation (DRT) Director, Department of Administration (DOA) Director, and GEDA

¹ INTOSAI Development Initiative and Working Group on Public Debt. (2012). *Guide for Auditing Public Debt Management*. <http://www.idi.no/>.

Administrator. The team and their respective agencies monitor, analyze, and hold discussions on the government's fiscal inflows and outflows, including the impact of contingent liabilities on the government's financial position. In monitoring public debt levels, certain indicators (i.e., debt to assets ratio or debt to gross island product) are used. Risk is evaluated by credit rating agencies and investors' credit risk divisions. Policy decisions for incurring public indebtedness require legislative approval and such debt is limited to the level established by the Organic Act of Guam.

GEDA and DOA are the two main government agencies responsible for public debt management within GovGuam.

- GovGuam agencies can only issue bonds and other obligations through GEDA, which serves as GovGuam's Central Financial Manager and consultant for GovGuam agencies requiring financial guidance and assistance [Title 12 Guam Code Annotated (GCA) § 50103(k)]. GEDA's Public Finance Department reviews public finance activities, including disclosure documents, bond purchase agreements, certificates and indentures.
- DOA, as GovGuam's Certifying Officer, states the amount and purpose of the payment, and whether such payment is a lawful expenditure of bond proceeds.

Before GEDA can issue or sell any bonds, the Guam Legislature must approve the terms and conditions of the bonds. For each bond issuance, GEDA procures for and/or utilizes the following: bond counsel, underwriters, trustee, depository, and municipal paying agent. GEDA is paid a fee for administering bonds at a rate of 1/2 of 1% for the first \$10 million (M) of principal plus 1/5 of 1% of the principal above \$10M. For example, for the issuance of the \$235M Business Privilege Tax bonds in December 2011, it is estimated that GEDA earned \$500 thousand (K).²

DOA maintains the financial data of all GovGuam line agencies except for the Guam Department of Education. DOA's Division of Accounts provides various services such as financial reporting and debt service management for internal use. A General Accounting Supervisor within the Division of Accounts supervises DOA's revenue forecasting, special funds and debt accounting and reporting, and quality control.

Bond debt documents are held by the issuer, DOA, GEDA, and the Trustee. The issuer is the agency raising funds through the sale of municipal securities. The Trustee holds in trust, restricts the use of, and maintains the cash generated by the issuance of a debt instrument.

Laws governing GovGuam's public debt are codified in Title 48 of the U.S. Code Annotated, 5 GCA Chapter 1, and 12 GCA Chapter 50. Refer to Appendix 4 for the Summary of Laws and Regulations.

² The bond administration fee to GEDA was calculated as follows: $(\$10.0M \times 0.005) + (\$225.0M \times 0.002) = \$500K$.

Results of Audit

In our audit of GovGuam Public Debt for the six-year period from FY 2008 to FY 2013, we found that GovGuam's total public indebtedness (debt subject to the debt ceiling, debt not subject to the debt ceiling, and other primary government liabilities) increased by 54% from \$1.02 billion (B) in FY 2008 to \$1.57B in FY 2013 (unaudited). Public indebtedness was comprised of:

- Debt subject to the debt ceiling of \$1.11B in FY 2013, nearly quadrupled (273%) from \$296.9M in FY 2008. The largest increase from year to year was between FY 2008 and FY 2009 when the debt subject to the debt ceiling nearly tripled (148%) from \$296.9M to \$736.2M;
- Debt not subject to the debt ceiling (COPs, notes payable, and loans) of \$148.6M in FY 2013 nearly doubled (93%) from \$77.1M in FY 2008; and
- Other primary government liabilities (short term obligations due within one year such as tax refunds, court-ordered payments, and other long-term liabilities) declined by over half (52%) to \$309.5M in FY 2013 (unaudited) from \$641.6M in FY 2008.

While GovGuam does not currently have a formal debt management strategy, we found the following in its execution of an informal strategy:

- In order to accommodate the increased debt, GovGuam's debt ceiling was raised three times from 2007 to 2012, going from 35% to 100% of Guam's total real property's appraised value;
- GovGuam restructured some of its liabilities to long-term debt;
- GovGuam deferred principal payments and capitalized interest of \$84.1M; and
- GovGuam acquired some of its debt at investment grade.

As a result of its informal debt management strategy:

- GovGuam's annual debt service requirements nearly doubled (93.5%) from \$41.4M in FY 2008 to \$80.1M in FY 2013, and is expected to increase to \$106.9M or 33% by FY 2018; and
- GovGuam's 2012 debt-to-Gross Domestic Product (GDP) ratio of 26.4% was below the International Monetary Fund (IMF)'s 60% benchmark, yet other debt indicators reflected GovGuam's debt burden as high in comparison to the insular governments and states.

Given the magnitude of GovGuam's indebtedness at \$1.57B, its informal debt management strategy should be formalized and enhanced with best practices and guidelines presented by various organizations.

Public Indebtedness Increased 54% and Debt Ceiling Raised Three Times

Section 11 of the Organic Act of Guam limits public indebtedness to 10% of the assessed value for property tax. GovGuam's public indebtedness is also defined in §1423a of Title 48 of the U.S. Code. Assessed value is the value placed on a property for the determination of property tax and is a percentage of appraised value. Appraised value is derived from the last completed island-wide valuation of taxable land and land improvements in October 1994.

As of October 2006, the assessed value (\$4.07B) was calculated at 35% of appraised value (\$11.63B), which pegged the debt ceiling at \$406.9M ($\$4.07\text{B} \times 10\%$).³ In order to accommodate increased debt capacity, the Legislature together with past and current Administrations redefined assessed value on three occasions in a five-year period, which in effect raised GovGuam's debt ceiling as follows:

- In FY 2007, Public Law (P.L.) 29-19 redefined the assessed value from 35% of appraised value to 70%. Based on the October 2006 DRT certified tax roll, the latest at that time, this change resulted in the doubling of the debt ceiling to \$813.7M.⁴
- In FY 2009, P.L. 30-7 raised the assessed value from 70% of appraised value to 90%. Based on the December 2008 DRT certified tax roll, the latest at that time, this change increased the debt ceiling to \$864.6M.⁵
- In FY 2012, P.L. 31-196 raised it from 90% of appraised value to 100%. Based on the November 2011 DRT certified tax roll, the latest at that time, this change increased the debt ceiling to \$1.14B.⁶

According to the January 2014 GovGuam Long-term Debt Abstract developed by GEDA, DRT's November 2011 property certification of \$11.39B is the most current property valuation. This meant that effective in FY 2012, GovGuam was authorized to incur public debt of no more than \$1.14B.

As GovGuam's public indebtedness is limited, GovGuam obtained other financing sources not subject to the debt ceiling, such as COPs, notes payables, and other loans not backed by the full faith of general government taxes and revenues. Certain other obligations which are not issued upon the pledge of governmental taxes and revenues are not generally subject to the Organic Act debt-limitation provision. In FY 2013, GovGuam's total public indebtedness of \$1.57B consisted of \$1.11B subject to the debt ceiling, \$148.6M other debt not subject to the debt ceiling, and \$309.5M other primary government liabilities. GovGuam's total public indebtedness increased by 54% from \$1.02B in FY 2008 to \$1.57B in FY 2013. Refer to Table 1 for a summary of GovGuam's outstanding debt as of FY 2013.

³ Office of Public Accountability. (September 2007). Government of Guam Debt Ceiling Calculation. *OPA Report No. 07-10*. <http://www.guamopa.org>

⁴ Office of Public Accountability. (October 2007). Government of Guam Debt Ceiling per P.L. 29-19. *OPA Report No. 07-13*. <http://www.guamopa.org>

⁵ Electronic Municipal Market Access. (June 2009). \$271,070,000 Government of Guam General Obligation Bonds 2009 Series A. Official Statement. <http://emma.msrb.org/EA283219-EA2302-EA571064.pdf>.

⁶ Guam Economic Development Authority (March 2013). *Government of Guam Long-term Debt Abstract*. <http://www.investguam.com>

Table 1: GovGuam's Debt Ceiling and Total Indebtedness (FY 2013 Unaudited)⁷

Calculation of Government of Guam Debt Limitation (Ceiling)		
2011 Total Appraised Value (DRT certified on Nov. 28, 2011)		
Land	\$6,085,291,937	
Improvements	5,309,356,590	
Subtotal		\$ 11,394,648,527
Assessed Value (100% of Taxable Appraised Value)		
Land	\$6,085,291,937	
Improvements	5,309,356,590	
Subtotal		\$ 11,394,648,527
		x 10%
Debt Limit- 10% of Assessed Value		\$1,139,464,853
Description of Indebtedness		
A Public Indebtedness Subject to Debt Ceiling		
i) General Obligation Bonds and Other General Obligations		
General Obligation Bonds, 1993 Series A	\$ -	
General Obligation Bonds, 2007 Series A	\$ 151,935,000	
General Obligation Bonds, 2009 Series A	\$ 260,845,000	
Guam Waterworks Authority Loan (2010) per P.L. 29-130	\$ 20,806,970	
Guam Memorial Hospital Authority Loan (2011) per P.L. 30-200, P.L. 30-235	\$ 10,753,125	
Subtotal, General Obligation Bonds and Other General Obligations		\$ 444,340,095
ii) Limited Obligation Bonds and Other Limited Obligations		
Limited Obligation Infrastructure Improvement Bonds, 1997 Series A	\$ -	
Limited Obligation (Section 30) Bonds, 2001 Series A	\$ -	
Limited Obligation Highway Refunding Bonds, 2001 Series A	\$ -	
University of Guam Rural Development Loan (2003) per P.L. 26-48	\$ 12,253,463	
Limited Obligation (Section 30) Bonds, 2009 Series A	\$ 197,835,000	
Limited Obligation (Hotel Occupancy Tax) Bonds, 2011 Series A	\$ 87,255,000	
Business Privilege Tax (BPT) Bonds, Series 2011 A	\$ 235,000,000	
Business Privilege Tax (BPT) Bonds, Series 2012 B-1 and 2012 B-2	\$ 108,700,000	
Business Privilege Tax (BPT) Bonds, Series 2013 C	\$ 22,640,000	
Subtotal, Limited Obligation Bonds and Other Limited Obligations		\$ 663,683,463
Subtotal Public Indebtedness Subject to Debt Ceiling		\$1,108,023,558
B Debt Not Subject to Debt Ceiling		
COPs and Notes Payable	\$ 139,778,000	
Judiciary Debt	\$ 8,813,215	
Subtotal Debt Not Subject to Debt Ceiling		\$ 148,591,215
C Subtotal, Long-Term Debt [A+B]		\$1,256,614,773
D Other Primary Government Liabilities (accounts payable, accrued payroll, provision for tax refunds, deposits and other liabilities, deferred revenues, COLA liability, landfill liability, DCRS sick leave liability, and accrued annual leave)		
		\$ 309,527,522
E Total Public Indebtedness (Long-Term Debt & Other Primary Government Liabilities) [C+D]		
		\$1,566,142,295

Changes in Public Indebtedness

Between FY 2008 and FY 2013, significant changes in GovGuam's public indebtedness occurred due to the restructuring of short-term liabilities to long-term debt, as follows:

- Debt subject to the debt ceiling increased fivefold or by 273.2% from \$296.9M in FY 2008 to \$1.11B in FY 2013, as short-term obligations such as tax refunds, retiree COLA payments, and past-due retirement contributions were paid off using GO and LO bonds. The largest debt increase from year to year occurred between FY 2008 and FY 2009 when the debt subject to the debt ceiling tripled (148%) from \$296.9M to \$736.2M;

⁷ The FY 2013 other liabilities balance of \$309.5M is a preliminary number obtained from the unaudited financial statements and is subject to change. In addition, the Guam Waterworks Authority (GWA), Guam Memorial Hospital Authority (GMHA), and University of Guam (UOG) loans are subject to the full faith and credit of GovGuam.

- Debt not subject to the debt ceiling nearly doubled at 93% from \$77.1M in FY 2008 to \$148.6M in FY 2013 as GovGuam issued COPs for the construction and/or renovation of Ligan Elementary, Adacao Elementary, Astumbo Middle, Okkodo High, and John F. Kennedy (JFK) High Schools;
- Meanwhile, other primary government liabilities decreased by 52% or \$332.0M from \$641.6M in FY 2008 to \$309.5M in FY 2013; and
- This resulted in GovGuam's total public indebtedness increasing by 54% or \$550.6M from \$1.02B in FY 2008 to \$1.57B in FY 2013.

As the debt ceiling was increased from 2007 to 2012, GovGuam issued GO and LO bonds and loans backed by the full faith or guarantee of the GovGuam, to the point of nearly maximizing its debt limit. In addition, GovGuam exercised creative financing by issuing COPs, which are not subject to the debt ceiling.

The largest increase in GovGuam's total public indebtedness from year to year occurred between FY 2008 and FY 2009. GovGuam's total public indebtedness increased by 37% or \$375.3M from \$1.02B in FY 2008 to \$1.39B in FY 2009. The increase is primarily due to the increase in debt subject to debt ceiling by 147.9% or \$439.3M from \$296.9M in FY 2008 to \$736.2M in FY 2009. GO and LO bonds were issued to pay for certain expenses of the government to include: the court-mandated Layon Landfill construction and closure of the Ordot Dump, payment of prior years' unpaid COLA settlement, and payment of prior year's past-due tax refunds.

In FY 2009, the Legislature approved the Administration's request to increase the debt ceiling from 70% to 90% of appraised value. This significant increase in debt resulted in GovGuam nearly reaching its debt ceiling of \$864.6M, where debt subject to the debt ceiling was at \$736.2M.

From FY 2009 to FY 2010, GovGuam's public indebtedness changed minimally by 5.5% or \$77.1M from \$1.39B in FY 2009 to \$1.47B in FY 2010, with the change primarily due to the 13.3% increase in other primary government liabilities.

The restructuring of GovGuam's liabilities to long-term debt occurred in FY 2012, where two LO bonds totaling \$343.7M were issued primarily to pay off past-due tax refunds, past-due COLA payments, past-due retirement contributions on behalf of GDOE and GMHA, and health insurance premiums. As a result, other primary government liabilities decreased by 35.1% or \$242.4M from \$690M in FY 2011 to \$447.6M in FY 2012. In order to accommodate these LO bonds, however, the Legislature and the Administration increased the debt ceiling from 90% to 100% of appraised value.

The FY 2013 unaudited figures suggest a decrease in GovGuam's total public indebtedness by 8.2% or \$139.1M from \$1.71B in FY 2012 to \$1.57B. The decrease is partly due to the decrease in outstanding principal balances for certain GO Bonds and the Judiciary debt. GovGuam's other primary government liabilities also decreased by 30.9% or \$138.1M from \$447.6M in FY 2012 to \$309.5M in FY 2013 due to the decrease in provision for tax refunds and COLA liability. Although these short-term obligations decreased, GovGuam's long-term debt and its associated debt service requirements will remain for the next 30 years. Refer to Table 2 for changes

in public indebtedness from FY 2008 to FY 2013, and Appendices 5 and 6 for details.

Table 2: Changes in GovGuam’s Public Indebtedness (FY 2008 to FY 2013)

<u>Description of Indebtedness</u>	<u>Oustanding Principal Balance as of:</u>					<u>FY 2013 (Unaudited)</u>
	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	
A Public Indebtedness Subject to Debt Ceiling						
i) General Obligation Bonds and Other General Obligations	\$ 183,763,729	\$ 445,399,213	\$ 472,383,442	\$ 475,859,651	\$ 468,957,373	\$ 444,340,095
ii) Limited Obligation Bonds and Other Limited Obligations	\$ 113,150,512	\$ 290,784,202	\$ 271,553,728	\$ 313,727,069	\$ 657,106,544	\$ 663,683,463
Subtotal Public Indebtedness Subject to Debt Ceiling	\$ 296,914,241	\$ 736,183,415	\$ 743,937,170	\$ 789,586,720	\$ 1,126,063,917	\$ 1,108,023,558
B Debt Not Subject to Debt Ceiling						
COPs, Notes Payables, and Other Loans	\$ 77,075,083	\$ 89,595,300	\$ 83,777,981	\$ 141,178,564	\$ 131,556,642	\$ 148,591,215
C Subtotal, Long-Term Debt [A+B]	\$ 373,989,324	\$ 825,778,715	\$ 827,715,151	\$ 930,765,284	\$ 1,257,620,559	\$ 1,256,614,773
Dollar Change from current to previous year		\$ 451,789,391	\$ 1,936,436	\$ 103,050,133	\$ 326,855,275	\$ (1,005,786)
Percent Change from current to previous year		120.8%	0.2%	12.4%	35.1%	-0.1%
D Other Primary Government Liabilities						
Compensated absences, accounts payable, accrued payroll, provision for tax refunds, COLA liability, due to pension trust fund, due to primary government, due to component units, due to IRS, deferred revenues, unfunded pension liability, and sick leave liability	\$ 641,568,919	\$ 565,084,165	\$ 640,224,766	\$ 690,017,505	\$ 447,623,544	\$ 309,527,522
Dollar Change from current to previous year		\$ (76,484,754)	\$ 75,140,601	\$ 49,792,739	\$ (242,393,961)	\$ (138,096,022)
Percent Change from current to previous year		-11.9%	13.3%	7.8%	-35.1%	-30.9%
E Total Public Indebtedness (Long-Term Debt & Other Primary Government Liabilities) [C+D]	\$ 1,015,558,243	\$ 1,390,862,880	\$ 1,467,939,917	\$ 1,620,782,789	\$ 1,705,244,103	\$ 1,566,142,295
Dollar Change from current to previous year		\$ 375,304,637	\$ 77,077,037	\$ 152,842,872	\$ 84,461,314	\$ (139,101,808)
Percent Change from current to previous year		37.0%	5.5%	10.4%	5.2%	-8.2%

For informational purposes, we also included a listing of debt (revenue bonds, loans, and notes payable) issued by autonomous agencies between FY 2008 and FY 2013 in Appendix 5.

Summary of GovGuam's Debt Issuances

Below is a summary of debts issued between FY 2008 to FY 2013. The summary totals may not add up due to other premiums/costs associated with the bonds/loans.

FY 2008

In FY 2008, GovGuam issued \$165.7M in debt as follows:

In November 2007, \$151.9M in GO bonds was issued:

- (a) To partially refund 1993 Series A bonds [\$75.6M];
- (b) To fund certain capital improvement projects for GDOE, Guam Memorial Hospital Authority (GMHA), and UOG [\$29.4M];
- (c) For tax refund payments [\$19.9M];
- (d) For COLA payments to retirees [\$14.0M];
- (e) For other court mandated payments for Department of Integrated Services for Individuals with Disabilities and Department of Mental Health and Substance Abuse [\$5.2M]; and
- (f) DRT's assessment of real property taxes [\$753K].

- The debt service is payable semi-annually in May and November, from May 2008 to November 2037, for a total of \$330.1M.
- Debt service requirements were \$8.2M in 2008, \$7.9M from 2009 to 2018, and \$12.8M from 2019 to 2037.
- Due to outstanding bonds that were being paid down with debt service payments averaging \$4.0M annually, the principal and interest payments for this bond were deferred. The full annual debt service of \$12.8M will not begin until FY 2019.

In July 2008, \$13.8M in notes payable was secured to retire certain delinquent utility billings owed to the GPA.

- The debt service is payable monthly with interest only payments totaling \$122K from August to October 2008, and then principal and interest payments of \$350K beginning October 2008. The total loan amounted to \$15.9M.
- The loan was paid off in FY 2012.

FY 2009

In FY 2009, GovGuam issued \$481M in debt, the largest issuance of debt in the last six fiscal years by issuing three debt instruments, as follows:

In November 2008, \$7.5M in COPs was issued to supplement the \$64.9M 2006 COPs (Series A and B) to:

- (a) Fund certain off-site infrastructure improvements and collateral equipment at two elementary schools, one middle school, and one high school;
- (b) Pay certain delivery costs of the 2008 Certificates; and
- (c) Fund increases to certain reserves.

- The annual lease payments on the 2006 Series A and B COPs and the 2008 COPs are payable three times a year: in December, April, and October.

- The average rental payment for collateral equipment of \$970K is due annually from December 2006 to December 2025.
- Average interest only payments of \$983K are due semi-annually from April 2007 to October 2026.
- Average principal payments of \$3.6M are due annually from October 2007 to October 2026.
- Total annual lease payments (principal, interest, and collateral equipment rental) was \$2.4M in FY 2007, increased to \$6.1M in FY 2008 and 2009, and increased to \$7.1M from FY 2010 to FY 2019, and then drops back to \$6.1M from FY 2020 to FY 2027.
- Total lease payments by October 2026 will amount to \$132.0M.

In June 2009, \$271.1M in GO bonds was issued to fund:

- (a) Past due tax refunds [\$111.0M];
 - (b) Outstanding COLA settlement payments [\$92.0M];
 - (c) Past due retirement contributions on behalf of GDOE and GMHA [\$22.0M]; and
 - (d) Certain GMHA capital improvement projects [\$11.0M].
- The debt service is payable semi-annually in May and November, starting from November 2009 to November 2039, for a total of \$653.5M.
 - Debt service requirements are \$7.5M in 2009 and \$21.5M from 2010 to 2039.
 - Due to one year of deferred principal payment, full debt service payments of \$21.5M did not begin until FY 2010.

In June 2009, \$202.4M in LO Section 30 bonds were issued to fund the:

- (a) Court-ordered construction of a new landfill and closure of Ordot Dump [\$139.7M];
 - (b) Prepayment of a loan from Bank of Guam incurred In January 2009, which was taken to fund certain costs of the new landfill [\$20.8M];
 - (c) Capitalized interest [\$18.8M];
 - (d) Deposit to the Bond Reserve Fund [\$15.7M]; and
 - (e) Bond issuance costs [\$3.6M].
- The debt service is payable semi-annually in June and December, starting from December 2009 to December 2034, for a total of \$393.5M.
 - Debt service requirements are \$10.7M in FY 2010, \$11.2M from FY 2011 to FY 2012, and \$15.7M from FY 2013 to FY 2035.

FY 2010

In FY 2010, GovGuam issued \$95.7M in debt as follows:

In September 2010, \$65.7M in COPs was issued to finance the rebuilding of the new John F. Kennedy (JFK) High School.

- Holders of the COPs are the owners of JFK High School until 2041 with the last lease payment, at which time the building will revert to the Government of Guam.
- Annual lease payments are payable semi-annually in June and December, starting from December 2010 to December 2040, for a total of \$151.7M.

- Annual lease payment requirements are \$3M in FY 2012 and \$5.1M from FY 2013 to FY 2041.
- Due to one year of deferred principal payment and one year of capitalized interest payments, full debt service of \$5.1M did not begin until FY 2013.

In June 2010, a \$30.0M loan for GWA was issued to finance:

- (a) Cost of a moratorium project;
 - (b) Various funds defined in bond indenture agreements; and
 - (c) Payments of accounts payable and other purposes.
- The loan is guaranteed by the full faith and credit of GovGuam, and will amount to \$38.9M.
 - The loan is divided into two: \$25.0M and \$5.0M.
 - For the \$25.0M loan, the debt service is payable monthly with principal and interest payments of \$300K from July 2010 to June 2015.
 - For the \$5.0M loan, monthly principal and interest payments are \$101K from July 2010 to June 2015.

FY 2011

In FY 2011, GovGuam issued \$102.7M in debt as follows:

In April 2011, \$90.7M in LO bonds were issued to fund the:

- (a) Refinancing of the 1997 Infrastructure Improvement Bonds [\$28.8M];
 - (b) Construction of a new Guam Museum and other tourism-related projects [\$55.6M]; and
 - (c) Bond Reserve Fund [\$7.1M].
- The bonds are pledged with Hotel Occupancy Tax (HOT) collections.
 - The debt service is payable semi-annually in May and November, starting from November 2011 to November 2040, for a total of \$189.3M.
 - Debt service requirements are \$3.8M in FY 2012, \$7.0M from FY 2013 to FY 2025, and \$5.9M from FY 2026 to FY 2040.

In February 2011, a \$12.0M loan for the GMHA was issued, and is guaranteed by the full faith and credit of GovGuam.

- The debt service is payable monthly with principal and interest payments of \$105K from April 2011 to January 2018, for a total of \$16.6M.

FY 2012

In FY 2012, GovGuam issued \$343.7M in debt, the second largest issuance of debt instruments during the six year period, as follows:

In December 2011, \$235.0M in LO bonds were issued to fund GovGuam obligations, such as:

- (a) Past due tax refunds [\$198.0M];
- (b) Outstanding COLA settlement payments [\$20.0M]; and
- (c) Capitalized interest [\$24.9M].

- The bonds are pledged with BPT collections.
- The debt service is payable semi-annually in January and July, starting from January 2012 to January 2042, for a total of \$455.0M.
- Debt service requirements are \$7.0M in FY 2012, \$11.9M from FY 2013 to FY 2016, \$16.4M from FY 2017 to FY 2042.
- Due to three years of capitalized interest and five years of deferred principal payments, full debt service payments of \$16.4M will not begin until FY 2017.

In June 2012, \$108.7M in LO bonds were issued to fund GovGuam obligations, such as:

- (a) Past due tax refunds, health insurance premiums, and delinquent retirement contributions [\$104.7M]; and
- (b) Capitalized interest [\$8.2M].

- The bonds are pledged with BPT collections.
- The debt service is payable semi-annually in January and July, starting from July 2012 to January 2042, for a total of \$205.9M.
- Debt service requirements are \$364K in FY 2012, \$5.2M from FY 2015 to 2016, \$7.5M from FY 2017 to 2026, \$7.4M from FY 2027 to FY 2037, and \$7.3 from FY 2038 to FY 2042.
- Due to three years of capitalized interest and five years of deferred principal payments, full debt service of \$7.5M will not begin until FY 2017.

FY 2013

In FY 2013, GovGuam issued \$45.4M in debt, which is the smallest cumulative issuance of debt during the six year period. Debt issued as follows:

In February 2013, \$22.6M LO bonds were issued to fund GovGuam obligations, such as:

- (a) Refunding GovGuam GO bonds, 1993 Series A [\$25.1M]; and
- (b) Paying for certain bond issuance costs [\$509K].

- The bonds are pledged with BPT collections.
- The debt service is payable semi-annually in May and November, starting from FY 2013 to FY 2019, for a total of \$26.6M.
- Debt service requirements are \$279K in FY 2013, \$2.3M in FY 2014, and \$4.8M from FY 2015 to FY 2019.
- Due to one year of deferred principal payment, full debt service of \$4.8M does not begin until FY 2015.

In March 2013, \$22.8M in COPs was issued for the Okkodo High School Expansion Project.

- The debt service payments are \$337K in FY 2013, \$1.6M in FY 2014, and amounts ranging from \$2.4M to \$2.7M from FY 2015 to FY 2030, for a total of \$40.4M.

Uses of Debt

From FY 2008 to FY 2013, GovGuam issued debt to fund various obligations, as follows:

- (a) \$664.4M for operations:
 - Tax refunds (\$388.9M);
 - Court-ordered COLA for retirees (\$126M);
 - Past-due retirement contributions on behalf of GDOE and GMHA (\$46.8M);
 - Guam Waterworks Authority moratorium project and operations (\$30.0M);
 - Guam Solid Waste Authority federal receiver expenses (\$20.8M);
 - Health insurance premiums (\$19.9M);
 - Delinquent utility billings (\$13.8M);
 - GMHA operations (\$12.0M);
 - DISID and DMHSA permanent injunction (\$5.2M); and
 - Other (\$968K).

- (b) \$315.6M for capital improvement projects:
 - Court-ordered Layon Landfill construction and Ordot Dump closure (\$139.7M);
 - GDOE (\$106.7M);
 - Cultural and tourism-related projects (\$28.6M);
 - Guam Museum (\$27.0M); and
 - GMHA (\$13.3M).

- (c) \$134.7M for bond issuance-related costs; and

- (d) \$129.5M for restructuring prior debt.

Refer to Appendix 7 for further details.

Subsequent Debt Issuance for FY 2014

In December 2013, GovGuam purchased approximately \$87.1M of Tiyan properties in a lease-to-own arrangement, plus \$2.1M of collateral equipment. The properties will be used for the GDOE central office and a warehouse. GEDA stated that this agreement will not affect GovGuam's debt ceiling.

- Lease rents are due and payable on January 1 of each year, beginning 2014 and expires 2024, but is subject to extension if allowed by law and as may be agreed upon by the parties.
- The first least rent payment of \$8.7M was due in January 2014, with annual payments of \$6.4M due in 2015 and 2016 and annual payments of \$10.1M due from 2017 to 2024, for a total of \$106.2M.
- After the annual lease payments, a balloon payment is required before title to the property is conveyed to GovGuam. It is estimated that the total cost for the Tiyan properties (annual lease payments plus the payoff of the balloon payment) would amount to \$255.2M.
- Tax credits are to be used in lieu of annual "cash" lease payments.

Future Debt Proposals under Consideration

As of September 2013, there were several projects with approved financing totaling \$267.3M:

- (a) GDOE Public Schools renovation per P.L. 31-229 [\$100.0M];
- (b) Department of Public Works highway projects per P.L. 31-233 [\$75.0M];
- (c) UOG and GCC buildings per P.L. 30-201, 31-229, and 32-63 [\$40.5M];
- (d) Department of Land Management Building per P.L. 29-135 [\$15.8M];
- (e) Guam Memorial Hospital per P.L. 32-043 [\$14.2M];
- (f) PAG wharf repairs and FMS upgrade loan [\$10.0M];
- (g) Guam Fire Department per P.L. 29-113 [\$7.8M]; and
- (h) Guam Legislature building [\$4M].

In August 2013, the 32nd Guam Legislature introduced Bill No. 172-32 for the construction and renovation of the Department of Corrections (DOC) Adult Correctional Facility to alleviate the facility's over-crowdedness. The bill proposed to authorize the Governor of Guam to enter into a lease or lease-back agreement, for a maximum of 30 years, to fund the construction. Lease payments will be derived from traffic citation surcharges, special assessments for contempt of court and probation violations, and other revenues deposited into the DOC Building Fund. The Office of Public Accountability is currently conducting an audit on DOC's Overcrowding and Cost per Inmate.

Debt Service Payments Almost Doubled

In line with the increase in debt issuances over the past six years, GovGuam's debt service payments also saw a 93.5% or near double increase from \$41.4M in FY 2008 to \$80.1M in FY 2013 (unaudited). See Table 3.

Table 3: Debt Service Payments (FY 2008 to FY 2013)

FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
\$ 41,383,000	\$ 47,200,000	\$ 74,486,000	\$ 79,630,000	\$ 100,435,000	\$ 80,087,000

For the next five years, with the present indebtedness, annual debt service requirements will increase from \$86.1M in FY 2014 to \$106.9M in FY 2018. Refer to Table 4 below for a summary and Appendix 8 for details.

Table 4: GovGuam Projected Annual Debt Service Requirements (FY 2014 to FY 2018)

Type of Security	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Subtotals
Limited Obligation Bonds	\$ 33,576,000	\$ 44,681,000	\$ 44,672,000	\$ 51,338,000	\$ 51,324,000	\$ 225,591,000
General Obligation Bonds	\$ 29,297,000	\$ 29,292,000	\$ 29,279,000	\$ 29,271,000	\$ 29,267,000	\$ 146,406,000
Municipal School Lease Agreements	\$ 15,396,000	\$ 16,155,000	\$ 16,154,000	\$ 16,153,000	\$ 16,153,000	\$ 80,011,000
Loans Payable	\$ 7,808,000	\$ 21,489,000	\$ 2,999,000	\$ 2,999,000	\$ 10,179,000	\$ 45,474,000
Totals	\$ 86,077,000	\$ 111,617,000	\$ 93,104,000	\$ 99,761,000	\$ 106,923,000	\$ 497,482,000

Deferral of Principal Payments and Capitalized Interest

As part of its debt restructuring and to relieve GovGuam's cash flow, GovGuam capitalized \$84.1M of interest from the various bonds issued. The majority of these bonds have capitalized interest and deferment of principal for several years. Beginning in FY 2008, we saw a trend where capitalization of interest and deferral of principal have occurred in several of the bonds and COPs issued. These methods add to the long-term cost of the issuance and are, to a limited degree, indicative of cash flow problems.

Capitalizing interest means that a portion of the bond proceeds is held by the trustee and used to pay interest on the bonds instead of using the additional funds for projects or having a lower overall principal amount. Deferring principal payments and capitalizing interest gives GovGuam time to grow the economy in anticipation of higher revenues to make full debt service payments in later periods; however, this translates to higher repayment costs over the life of the debt.

For example, \$24.9M of the \$235.0M BPT LO Bond 2011 Series A was set aside for capitalized interest. This meant that there was only \$210.1M available to fund its intended purpose, and the annual debt service would be calculated based on the \$235.0M principal amount. If the government chose not to capitalize interest, the bond principal amount would have been lower, and the resulting annual debt service payments would also be less due to lower principal amount and lower interest payments required.

GovGuam Bond Credit Ratings at Investment Grade

Debt servicing costs are influenced by credit ratings, since investors will demand higher interest rates on a more risky, lower-rated security. Credit ratings are opinions of credit rating agencies about the ability of a debt issuer to meet its financial obligations on time. GovGuam, as a whole, utilizes three credit rating agencies: Standard & Poor’s, Fitch, and Moody’s. Standard and Poor’s is the primary rating agency for GovGuam. Fitch is used for both GovGuam and the autonomous agencies. Moody’s is used for autonomous agencies. Each credit rating agency has its own method of measuring creditworthiness and publishes ratings for each bond issuance to indicate the issuer’s level of credit risk. Refer to Table 5 for credit ratings of GovGuam’s Bond and to Appendix 9 for the bond credit ratings of the entire GovGuam as of January 2014.

Table 5: GovGuam Bond Credit Ratings (as of January 2014)

Series	Standard & Poors			Fitch		
	Date	Rating	Outlook	Date	Rating	Outlook
Government of Guam General Obligation Bonds						
General Obligation Bonds Series 1993 A	10/27/99	BBB	Negative			
	5/26/99	BBB-	Negative			
	3/28/02	BB	Stable			
	5/6/03	B	Stable			
	12/15/05	B	Stable			
	3/9/07	B	Credit Watch			
	6/20/07	B	Stable			
	10/28/08	B+	Stable			
General Obligation Bonds Series 2007 A	10/15/07	B	Stable			
	6/13/12	B+	Stable			
	10/16/13	BB-	Stable			
General Obligation Bonds Series 2009 A	5/18/09	B+	Stable			
	5/5/11	B+	Stable			
	10/16/13	BB-	Stable			
Government of Guam Limited Obligation Bonds						
Limited Obligation (Section 30) Bonds Series 2009 A	5/20/09	BBB-	Stable			
	6/13/12	BBB+	Stable			
	10/21/13	BBB+	Stable			
Hotel Occupancy Tax Revenue Bonds Series 2011 A	3/9/11	BBB+	Stable			
	6/13/12	BBB+	Stable			
	10/18/13	BBB-	Stable			
Business Privilege Tax Bonds	11/3/11	A	Stable	11/2/11	A-	Stable
	5/9/12	A	Stable	5/8/12	A-	Stable
	1/30/13	A	Stable	1/28/13	A-	Stable
	10/18/13	A	Stable			

While some of GovGuam's debt is investment grade or higher, GovGuam can strive for a higher bond investment grade, which will lower the cost of debt (decreasing overall interest rates). As of February 2014, ten U.S. state governments (Maryland, Delaware, Alaska, Georgia, Iowa, Missouri, North Carolina, Texas, Utah, and Virginia) hold the coveted AAA rating, the highest possible rating from all three major bond rating agencies.

According to Public Bonds, ratings are assigned based on various economic, financial, institutional and political factors. For most municipal bonds, rating agencies will: (1) identify specific revenue streams for debt service payments, (2) calculate total expected revenue stream over the life of the bond, and (3) compare total debt service to total expected revenues. If the total debt service costs are predicted to be low compared to total expected revenues, the credit rating will be high.⁸

The General Fund's positive fund balance of \$30.1M in FY 2012 was due to the issuance of debt to pay down income tax refunds and the implementation of Government Accounting Standards Board (GASB) Statement No. 54. As a result, GovGuam obtained an improved credit rating score.

In October 2013, Standard and Poor's⁹ provided GovGuam an improved credit score rating from B+ to BB- for its GO Bonds. Standard and Poor's reasoned that GovGuam has improved its fiscal management practices through improved transparency, stricter fiscal discipline (cash control), governmental reorganization, and enhanced its cash flow monitoring. For example, GovGuam's issuance of two BPT bonds in FY 2012 to pay for unpaid tax refunds was a substitution of one long-term liability with another but helped stimulate the economy.

Standard and Poor's was also concerned about GovGuam's "extremely high debt burden" and vulnerability to economic changes in its tourism and military industries, which prevented GovGuam from receiving a higher credit rating. Standard and Poor's reported that no formal debt management plan exists for GovGuam. It is GovGuam's practice to rely on borrowing rather than on real growth in recurring revenues or spending reductions. Standard and Poor's cautioned that "budget discipline is more critical now than perhaps ever, because 'softer' long-term liabilities have been replaced with 'harder' long-term debt in the form of bonds", which limited Guam's borrowing capacity.

No Formal Debt Management Strategy

According to the International Organisation of Supreme Audit Institutions (INTOSAI) Development Initiative and Working Group on Public Debt, public debt management is the process of establishing and executing a strategy for managing the government's debt in order to raise the required amount of funding, achieve its risk and cost objectives, and to meet any other public debt management goals the government may have set, such as developing and maintaining an efficient market for government securities. Public debt managers are responsible for adopting a debt strategy that increases investor sentiment and promotes financial market stability, avoiding at all costs a financial crisis that can cause significant social and economic hardships in the country.¹⁰

⁸ Public Bonds. (2004, June). *Overview of Rating Agencies, Rating Systems, and Municipal Credit*. http://www.publicbonds.org/major_players/overratings.htm.

⁹ Standard and Poor's. (2013, October). *Ratings Direct. Guam; Appropriations; General Obligation*. <http://www.standardandpoors.com/ratingsdirect>.

¹⁰ INTOSAI Development Initiative and Working Group on Public Debt. (2012). *Guide for Auditing Public Debt Management*. <http://www.idi.no/>.

According to the Lead Economist for the Government of Dubai Department of Finance, public debt management is the process by which the government acquires and uses debt effectively and efficiently. Debt is manageable as long as the cost of acquiring debt is reasonably low and debt obtained is used efficiently in such a way that it helps growth and efficient allocation of resources in the long run. Debt is used efficiently if the ratios of debt service to total revenue [...] fall or remain constant. The underlying assumption is that the projects for which borrowed money is used would generate sufficient output and exports for debt repayment.¹¹

The Government Finance Officers Association recommends that state and local governments adopt comprehensive written debt management policies, to include debt structuring practices. Debt structuring practices provide guidelines for maximum term, average maturity, debt service patterns (i.e. equal payments or equal principal amortization), and other structuring practices such as capitalizing interest during the construction of a project and deferral of principal.¹²

According to GEDA, GovGuam does not have a formal debt management strategy and that debt management is highly dependent on the current Administration and Legislature’s fiscal policy. Standard and Poor’s also recognized that GovGuam does not have a formal debt management plan in place. However, Guam’s Fiscal Policy Team does have an informal policy which includes the issuance of some debt at investment grade, restructuring of short-term liabilities to long-term debt, deferring principal payments and capitalizing interest, and increasing the debt ceiling to accommodate increased debt.

Performer and A.F.T.E.R. Analysis Debt Level Indicators

The Performer and Audit Findings, Timeliness, and Exception Resolution (A.F.T.E.R.) Analysis developed by Crawford and Associates, P.C. is one of several methods utilized to assist the Department of the Interior, Office of Insular Affairs in assessing insular governments’ tracking of their financial health and performance. It is an overall rating of the government and is intended to complement GovGuam’s annual financial reports, and should not be used as the only source of financial information to evaluate performance.

Since the effective date of the Performer in 2002, GovGuam’s score remains below 3.0 from a rating scale ranging from 0 (poor) to 10 (excellent). GovGuam received an overall score of 2.81, its second highest score over a ten year period, in the FY 2012 Performer. The score was attributed to GovGuam’s improved financial position and positive performance in FY 2012. While GovGuam did show some improvement with its \$30.0M fund balance in FY 2012, its Performer score remained under satisfactory levels.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
2.81	2.73	1.27	1.30	1.31	2.66	1.32	1.70	2.86	2.21

One of the reasons why the Performer score did not significantly increase is because GovGuam shifted certain debt from short-term to long-term. By shifting certain short-term obligations, GovGuam reduced the General Fund deficit on a modified accrual basis. On a modified accrual basis, long-term debt is not considered in debt calculations. However, a deficiency in net assets

¹¹ Dr. Mohammad Ishfaq (2010, July 19). *Macroeconomic Model of Public Debt Servicing Capacity and Debt Management*. <http://www.dof.gov.ae/en-us/publications/Pages/Publications.aspx>

¹² Government Finance Officers Association. (2012, October). *Best Practice, Debt Management Policy*. <http://www.gfoa.org/downloads/debt-management-policy.pdf>

remains on the Government-Wide financial statements, which utilizes the full accrual basis of accounting.

The Performer also reported the following debt-related ratios:

- *Debt-to-assets.* Despite a decrease from 121.3% in FY 2008 to 113.3% in FY 2012, GovGuam’s debt-to-assets ratio remains unfavorable because it owed its creditors and vendors \$1.46 for every \$1 of assets it owned.
- *Debt-per-capita.* GovGuam’s debt burden to its citizens has steadily climbed from \$5,945 per capita in FY 2008 to \$8,810 per capita in FY 2012. This is the highest debt burden on its citizens compared to previous years and amongst other insular governments. For example, in FY 2012, Palau’s debt-per-capita was \$1,187, American Samoa was \$540, and Chuuk was \$252.
 - Unlike the states, Guam’s FY 2010 debt-per-capita of \$7,228 from the Performer is calculated using GovGuam’s long-term debt and provision of tax refunds in the debt calculation. For informational purposes only, Puerto Rico and the 50 U.S. States’ debt-per-capita ranged from a low of \$13 (Nebraska) to a high of \$10,474 (Puerto Rico) based on Moody’s Investors Service 2011 State Debt Medians Report. See Table 6 and Appendix 10.

Table 6: Top 5 Highest Debt-per-Capita (FY 2010)

	State	State Debt per Capita
1	Puerto Rico	\$ 10,474
2	Connecticut	\$ 5,236
3	Massachusetts	\$ 4,711
4	Hawaii	\$ 4,236
5	New Jersey	\$ 3,940

Other Debt Indicators

As part of a debt management strategy, GovGuam’s Fiscal Policy Team should consider other financial indicators along with the Performer ratios and a review of GovGuam’s ability to pay its total liabilities as these indicators should not be viewed in isolation. Examples of other debt indicators include ratios of:

- *Debt-to-GDP* – measures a country’s government debt in relation to the country’s GDP. Debt-to-GDP is a commonly used indicator of a country’s ability to pay back its debt. The higher the ratio, the less likely the country will pay its debt back and the higher its risk of default.¹³ The IMF suggests a debt-to-GDP limit of 60% for developed countries and 40% for developing and emerging countries, with the implication that crossing these limits threaten fiscal sustainability. Per the World Bank, Guam is considered a “high income” economy, which means that Guam is considered a developed country for comparison purposes.
- *Debt service to total revenues* – measures a government’s debt service payments (principal and interest) in relation to the government’s revenues. It is the government’s ability to fund annual debt payments. The higher the ratio, the more the government is using revenues to pay its debt.

¹³ Amadeo, K. About.com. *Debt-to-GDP Ratio*. <http://useconomy.about.com/od/glossary/g/Debt-to-GDP-Ratio.htm>.

- *Debt service to total expenditures* – measures a government’s debt service payments in relation to the government’s expenditures. It is how much debt service payments make up the government’s spending. The higher the ratio, the more the government is spending on debt.

Debt-to-GDP

We made various comparisons of GovGuam’s debt-to-GDP with groups of other entities. GovGuam’s ranking varied depending on which grouping the comparison was based on. While GovGuam generally fared well compared to many entities, there is significant room for improvement.

We calculated GovGuam’s debt-to-GDP from 2008 to 2012. Debt-to-GDP of U.S. state governments is based on outstanding long-term debt. For comparative purposes, we used GovGuam’s long-term debt (GO and LO bonds, COPs, notes payable, loans, and judiciary debt) rather than its total public indebtedness.

GovGuam’s debt-to-GDP ratio increased by 206.5% from 8.6% in FY 2008 to 26.4% in FY 2012. GovGuam’s debt increased by 236.4% from \$374.0M in FY 2008 to \$1.26B in FY 2012. Meanwhile, Guam’s GDP increased slightly by 9.7% from \$4.34B in FY 2008 to \$4.76B. Although GovGuam’s 2012 debt-to-GDP ratio is 26.4%, below IMF’s threshold of 60%, GovGuam’s increase in debt of 236.4% outpaced Guam’s economic growth of 9.7%. GovGuam is taking in more debt at a faster rate than Guam’s economy is growing. This translates to GovGuam’s ability to pay future debt service at a slower rate. See Table 7 below and Appendix 5 for details of the long-term debt components.

Table 7: GovGuam Debt-to-GDP (FY 2008 to FY 2012)

GovGuam Debt to GDP	2008	2009	2010	2011	2012	% change
Long-Term Debt	\$ 374,000,000	\$ 826,000,000	\$ 828,000,000	\$ 931,000,000	\$1,258,000,000	236.4%
Guam GDP	\$4,339,000,000	\$4,541,000,000	\$4,588,000,000	\$4,555,000,000	\$4,761,000,000	9.7%
Debt to GDP	8.6%	18.2%	18.0%	20.4%	26.4%	206.5%

We compared Guam’s 2011 debt-to-GDP to U.S. states and local governments. We found that Guam debt-to-GDP of 20.4% ranked 13th amongst the US states where New York was the highest at 28.61% and Wyoming was the lowest at 6.21% by state and local debt-to-GDP. According to Moody’s, the debt-to-GDP ratio is usually higher for governments outside of the U.S. because debt issuance outside of the U.S. is more centralized.

New York’s high state and local debt-to-GDP ratio is primarily attributed to its high debt (one of the highest in any U.S. state). According to the State Budget Crisis Task Force’s 2012 New York Report¹⁴, New York uses debt extensively to finance capital needs, occasionally to finance operating deficits, and to finance local assistance. Under its state constitution, New York can only issue GO bonds for a single purpose, which requires voter approval. In order to expand its debt capacity, New York issued debt (such as lease-backed bonds) that do not require voter approval but depend on annual appropriations for debt service. New York also relied on other complex mechanisms to finance capital that do not require voter approval. These mechanisms constrain the

¹⁴ State Budget Crisis Task Force. (2012, December). *New York Report*. <http://www.statebudgetcrisis.org/wpcms/wp-content/images/NY-Report.pdf>

state's financial flexibility. See Table 8 below for details and Appendix 11 for the FY 2011 U.S. State and Local debt-to-GDP listing.

Table 8: Top 15 U.S. Debt-to-GDP (FY 2011)

	State	As % of GDP		
		State Debt	Local Debt	State and Local Debt
1	New York	11.54	17.08	28.61
2	Kentucky	8.78	16.32	25.1
3	South Carolina	9.09	15.24	24.33
4	Rhode Island	18.56	5.6	24.16
5	Massachusetts	19.13	4.69	23.82
6	California	7.84	14.1	21.94
7	Illinois	9.67	12.04	21.71
8	Nevada	3.25	18.16	21.41
9	Pennsylvania	7.79	13.46	21.24
10	New Mexico	10.21	10.72	20.93
11	Washington	7.88	12.87	20.75
12	New Jersey	12.98	7.76	20.73
13	Guam	20.4	0	20.4
14	Florida	5.82	14.53	20.35
15	Kansas	5.11	15.01	20.13

We estimated the debt-to-GDP ratio for the U.S. territories based on available data found in various sources such as the respective governments' financial statements and the U.S. Dept. of Commerce GDP reports. When we compared Guam's 2011 debt-to-GDP of 19.3%¹⁵ to other U.S. territories, we found that Guam was lower at 19.3%, while the US Virgin Islands was the highest at 44.7%. See Table 9 below for details.

Table 9: U.S. Territories' Debt-to-GDP (FY 2011)

U.S. Territory	Total Long-Term Debt	GDP	Debt to GDP
U.S. Virgin Islands	\$ 1,945,834,000	\$ 4,356,000,000	44.7%
Puerto Rico	\$ 31,816,589,000	\$ 98,757,000,000	32.2%
Guam	\$ 879,506,494	\$ 4,555,000,000	19.3%
CNMI	\$ 98,917,431	\$ 651,000,000	15.2%
American Samoa	Not available	\$ 648,000,000	Not available

For informational purposes, the World Bank's most recent world central government debt-to-GDP listing is for FY 2011 and a ranking can be found in Appendix 12.

We estimated the debt-to-GDP ratio for some of the PASAI members also conducting this cooperative audit (Federated States of Micronesia (FSM) – National, FSM – Kosrae, FSM – Pohnpei, and Palau) based on available data found in various sources such as the respective governments' financial statements and the U.S. Dept. of Commerce GDP reports. When compared to these PASAI members, Guam's debt-to-GDP is the third highest. Financial data on the other cooperative members (Cook Islands, Fiji, Samoa, and the Republic of Marshall Islands) were not

¹⁵ For this calculation, we excluded the debt of autonomous agencies that were backed by the full faith of GovGuam.

readily available as of our report issuance. See Table 10 below and Appendix 12 for the FY 2011 World debt-to-GDP listing.

Table 10: PASAI Debt-to-GDP (FY 2011)

Country	Total Long-Term Debt	GDP	Debt to GDP
FSM - Kosrae	\$ 5,787,068	\$ 17,200,000	33.6%
FSM - National	\$ 54,603,201	\$ 246,300,000	22.2%
Guam	\$ 879,506,494	\$ 4,555,000,000	19.3%
Palau	\$ 16,655,287	\$ 212,903,320	7.8%
FSM - Pohnpei	\$ 5,815,013	\$ 115,900,000	5.0%

According to an article from About.com, debt-to-GDP allows investors to compare debt levels between countries.¹⁶ In 2009, Greece had a budget deficit of 12.9% of its GDP, which lowered its credit ratings and drove up interest rates. Greece's debt crisis soon spread to become the Eurozone Debt Crisis.¹⁷

The Eurozone Debt Crisis severely affected Portugal, Ireland, Greece, Spain, and Cyprus. Each of these countries has extensive debt and is a member of the Eurozone, a monetary union of 18 European countries that use the Euro as the common currency.¹⁸ About.com explained that the European Central Bank held a lot of the Eurozone members' debt and its future is at risk. The Eurozone itself would be at risk without a central bank to bail its members out. The rippling effect of an uncontrolled debt defaults could create a recession, if not a global depression.¹⁹

Debt Service to Revenues and to Expenditures

We also calculated GovGuam's governmental funds debt service to total revenue and debt service to total expenditure from FY 2008 to FY 2012.²⁰ We used the Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit) Governmental Funds for this calculation because it included debt service payments, in contrast to the primary government's Statement of Activities. For the calculation, we used total revenues and total expenditures, and excluded other financing sources (uses).

Part of GovGuam's revenue is used to make debt service payments. Debt service accounted for 5.1% of revenues in FY 2008 and increased to 9.0% in FY 2012. Part of GovGuam's expenditures, which were for debt service payments increased from 4.7% in FY 2008 to 8.5% in FY 2012. Although GovGuam's debt service to revenues and debt service to expenditures were relatively low, GovGuam's debt service payments almost tripled at 142.7%, compared to the increase in revenues of 37% and expenditures of 34% over the same period. See Table 11 below for a summary and Appendix 13 for details.

¹⁶ Amadeo, K. About.com. (September 2013). *Debt-to-GDP Ratio*. <http://useconomy.about.com/od/glossary/g/Debt-to-GDP-Ratio.htm>

¹⁷ Amadeo, K. About.com. (October 2013). *Sovereign Debt Crisis*. <http://useconomy.about.com/od/fiscalspolicy/a/Debt-Crisis.htm>

¹⁸ European Union. *Eurozone Portal: Euro area member states*. <http://www.eurozone.europa.eu/euro-area/euro-area-member-states/>

¹⁹ Amadeo, K. About.com. (2012, July 19). *What is the Eurozone Debt Crisis?* <http://useconomy.about.com/od/Europe/p/Eurozone-Crisis.htm>

²⁰ GovGuam's FY 2013 unaudited figures for its primary government revenues and expenditures were not available at the time of this report.

Table 11: Governmental Funds Debt Service to Total Revenue and to Total Expenditures (FY 2008 to FY 2012)

		<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>% Change (FY08 - FY12)</u>
[A]	Total Governmental Funds (in 000's) Total Debt Service Payments	\$ 41,383	\$ 47,200	\$ 74,486	\$ 79,630	\$ 100,435	142.7%
[B]	Total Revenues	\$ 816,338	\$ 868,434	\$ 942,557	\$ 1,099,809	\$ 1,117,753	36.9%
[A] / [B]	Total Debt Service as % of Total Revenues	5.1%	5.4%	7.9%	7.2%	9.0%	77.3%
[C]	Total Expenditures	\$ 880,564	\$ 1,017,577	\$ 1,081,647	\$ 1,186,814	\$ 1,179,653	34.0%
[A] / [C]	Total Debt Service as % of Total Expenditures	4.7%	4.6%	6.9%	6.7%	8.5%	81.2%

In order for GovGuam to increase investor confidence, promote financial sustainability, and ensure effective management of its total public indebtedness of \$1.57B, we recommend the GEDA Administrator develop and adopt a formal debt management strategy that is to be updated on an annual basis at the minimum. The strategy should use guidelines and best practices established by organizations such as the IMF, World Bank, INTOSAI, Working Group on Public Debt, and GFOA, and include:

- Consideration of not only the government’s current financial condition, but also its long-term fiscal outlook, including a comprehensive understanding of the magnitude and nature of potential draws on future budgetary resources;
- Identifies the timing (when to issue), amount (how much), type (debt subject to or not debt ceiling), purpose (operations, capital improvements, debt restructuring, etc.) and duration (short- term or long-term, number of years, etc.) of debt issuances;
- Determining total debt service under different scenarios, such as sensitivity to credit ratings (investment grade) and interest rates; and
- Strategic benchmarks, such as debt indicators, investment grade, etc.

Other Significant Matters

Other significant matters came to our attention during our audit. These pertain to the new requirement to recognize the unfunded pension liability and the revaluation of properties on Guam.

Recognition of Unfunded Pension Liability

An unfunded pension liability is the amount by which future payment obligations (i.e. guaranteed benefit payments to its DB plan members) exceed the present value of funds available to pay the obligation. As of FY 2012, GovGuam’s unfunded pension liability was \$1.5B. GovGuam has two types of retirement plans:

- **Defined Benefit (DB) Plan** - The DB plan provides for the guaranteed retirement, disability, and survivor benefits to plan members who were hired by GovGuam prior to October 1, 1995. Title 4 GCA § 8137 requires GovGuam’s unfunded liability to be completely funded within 80 years from May 1, 1951 to April 30, 2031.
- **Defined Contribution (DC) Plan** - Employees hired on or after October 1, 1995 are required to participate in the DC plan. Under the DC plan, employees are required to contribute 5% of their base salary and the government contributes the same amount for retirement. DC plan members with five years of service are fully vested with the government contribution plus any earnings thereon. Unlike the DB plan, the DC plan provides no guaranteed benefit. A DC member receives only the amount of money accumulated in the member’s retirement account.

The underfunding of the DB plan continues to be an ongoing problem as GovGuam frequently did not meet its annual required contribution for DB plan employees in prior years. As of FY 2012, the actuarially determined contribution rate was 30% of payroll, of which 24% is for the unfunded liability of the DB plan, 2.4% is for the cost of the DB plan, and 3.6% is for the contributions to the DC plan. GovGuam was required to contribute \$129.8M into the plan, but was only able to contribute \$113.9M.

As of FY 2012, the Actuarial Valuation Report noted that \$2.81B is needed for future retirement contributions, but the government currently only has \$1.33B worth of assets for that anticipated future payment. The difference of \$1.48B is the government's unfunded actuarial accrued liability (UAAL). Guam's UAAL-per-capita is considered to be high, which is \$9,304 in FY 2012. By law, GovGuam must fund the unfunded liability by 2031.

The GASB Statement No. 68, Accounting and Financial Reporting for Pensions, requires governments with DB plans to disclose a "net pension liability" on their balance sheets for periods beginning after June 15, 2014. GASB takes the position that pension costs and obligations should be recorded as employees earn them, rather than when the government contributes to a pension plan or when retirees receive benefits. The pension obligation will take into account cost of living increases, future salary increases, and future service credits. In addition, more extensive note disclosures and required supplementary information will be required of employers with DB plans. Accordingly, GovGuam will be required to recognize the actuarially-determined unfunded pension liability directly on its financial statements starting in FY 2015.

Island-Wide Property Revaluation

Due to the effect of real property tax appraisals on GovGuam's debt ceiling and with the last island-wide appraisal and revaluation approximately 20 years ago, Guam was in need of an updated appraisal. In March 2013, DRT issued a Request for Proposal to enlist professional services for appraisal and revaluation services. A contract is currently in place and the property revaluation is estimated to be completed in August 2014. This long-awaited revaluation is expected to result in an overall increase in appraised value, which will then result in an increase in GovGuam's debt ceiling.

Conclusion & Recommendation

In our audit of the GovGuam's public debt for the six-year period from FY 2008 to FY 2013, we found that GovGuam's total public indebtedness (debt subject to the debt ceiling, debt not subject to the debt ceiling, and other primary government liabilities) increased by 54% from \$1.02B in FY 2008 to \$1.57B in FY 2013 (unaudited). Public indebtedness was comprised of:

- Debt subject to the debt ceiling of \$1.11B in FY 2013, nearly quadrupled (273%) from \$296.9M in FY 2008. The largest increase from year to year was between FY 2008 and FY 2009 when the debt subject to the debt ceiling nearly tripled (148%) from \$296.9M to \$736.2M;
- Debt not subject to the debt ceiling (COPs, notes payable, and loans) of \$148.6M in FY 2013 nearly doubled (93%) from \$77.1M in FY 2008; and
- Other primary government liabilities (short term obligations due within one year such as tax refunds, court-ordered payments, and other long-term liabilities) declined by over half (52%) to \$309.5M in FY 2013 (unaudited) from \$641.6M in FY 2008.

While GovGuam does not currently have a formal debt management strategy, we found the following in its execution of an informal strategy:

- In order to accommodate the increased debt, GovGuam's debt ceiling was raised three times from 2007 to 2012, going from 35% to 100% of Guam's total real property's appraised value;
- GovGuam restructured some of its liabilities to long-term debt;
- GovGuam deferred principal payments and capitalized interest of \$84.1M; and
- GovGuam acquired some of its debt at investment grade.

As a result of its informal debt management strategy:

- GovGuam's annual debt service requirements nearly doubled (93.5%) from \$41.4M in FY 2008 to \$80.1M in FY 2013, and is expected to increase to \$106.9M or 33% by FY 2018; and
- GovGuam's 2012 debt-to-GDP ratio of 26.4% was below the IMF's 60% benchmark, yet other debt indicators reflected GovGuam's debt burden as high in comparison to the insular governments and states.

Recommendation

We recommend the GEDA Administrator develop and adopt a formal debt management strategy that is to be updated at least on an annual basis. The strategy should use guidelines and best practices established by organizations such as the IMF, World Bank, INTOSAI, Working Group on Public Debt, and GFOA, and include:

- Consideration of not only the government's current financial condition, but also its long-term fiscal outlook, including a comprehensive understanding of the magnitude and nature of potential draws on future budgetary resources;
- Identifies the timing, amount, type, purpose, and duration of debt issuances;
- Determining total debt service under different scenarios, such as sensitivity to credit ratings (investment grade) and interest rates; and
- Strategic benchmarks, such as debt indicators, investment grade, etc.

Management Response and OPA Reply

We transmitted a draft report to the Governor's Chief Fiscal Advisor and GEDA on March 17, 2014 for their official response. We met with the Governor's Chief Fiscal Advisor and GEDA management on March 24, 2014 to discuss the audit finding and recommendation. We received the official management response signed by the GEDA Administrator and Directors of DOA and BBMR on April 16, 2014, wherein they concurred with our audit recommendation. See Appendix 15 for the official response. However, they provided clarification or expressed disagreement with certain elements of our report, specifically:

- **Changes in GovGuam's Public Indebtedness.** Between FY 2008 to FY 2013, GovGuam's total public indebtedness (debt subject to the debt ceiling, debt not subject to debt ceiling, and other primary government liabilities) increased by 54% from \$1.02B to \$1.57B, but this is an increase over the six-year period and not attributed to just one year. Therefore, the comments within the report remain.
- **Debt-per-capita and Debt-to-GDP Comparisons.** Management contends that Guam should not be compared to the 50 U.S. states, insular governments, or PASAI countries because of Guam's "unique set of challenges". As part of its debt management strategy, GovGuam should determine Guam's financial position in comparison to some benchmark(s), and we merely provided examples of benchmarks to consider. Therefore, the comments within the report remain.
- **Deferral of Principal and Capitalization of Interest.** We recognize that interest payments cannot be deferred and that certain bonds had capitalized interest wherein the interest payments due in earlier years were paid from bond proceeds, leaving less funds for the intended projects. Accordingly, we edited certain statements within the report.
- **Changes to Public Indebtedness.** The public indebtedness figures provided in the management response differed from the figures used in this report, with the largest discrepancy (\$106.4M) due to the unaudited FY 2013 primary government other liabilities, \$203.1M versus \$309.5M. While both preliminary amounts were provided by DOA to GovGuam's independent financial auditor, the \$309.5M used in the report was the updated figure. Other differences in indebtedness amounts were due to timing.

The legislation creating the Office of Public Accountability requires agencies to prepare a corrective action plan to implement audit recommendations, to document the progress in implementing the recommendations, and to endeavor to have implementation completed no later than the beginning of the next fiscal year. Accordingly, we will be contacting the GEDA Administrator to provide target dates for the implementation of the recommendation.

We appreciate the cooperation and assistance shown during the course of this audit by the staff of GEDA and the Governor's Fiscal Policy Team.

OFFICE OF PUBLIC ACCOUNTABILITY



Doris Flores Brooks, CPA, CGFM
Public Auditor

Appendix 1:
Classification of Monetary Impact

Finding No.	Finding Description	Questioned Costs²¹	Other Financial Impact²²
1	Public Indebtedness Increased by 54% and Debt Ceiling Raised Three Times <ul style="list-style-type: none"> • Changes in Public Indebtedness • Summary of GovGuam’s Debt Issuances • Subsequent Debt Issuance for FY 2014 • Future Debt Proposals under Consideration 	\$ -	\$ -
2	Debt Service Payments Almost Doubled in Six Years <ul style="list-style-type: none"> • Deferral of Principal Payments and Capitalized Interest²³ • GovGuam Bond Credit Ratings at Investment Grade 	\$ -	\$ -
3	No Formal Debt Management Strategy <ul style="list-style-type: none"> • Performer and A.F.T.E.R. Analysis Debt Level Indicators • Other Debt Indicators 	\$ -	\$ -
4	Other Significant Matters <ul style="list-style-type: none"> • Recognition of Unfunded Pension Liability • Island-Wide Property Revaluation 	\$ -	\$ -
Totals		\$ -	\$ -

²¹ Questioned Costs are the costs questioned because of:

- (a) An alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds;
- (b) A finding that, at the time of the audit, such cost is not supported by adequate documentation; or
- (c) A finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

²² Other Financial Impact is the amount of lost revenue opportunities and unrealized revenue to the government.

²³ From FY 2008 to FY 2013, GovGuam included in its bond borrowings a total of \$84.1M in capitalized interests, which could have been used to fund other projects or used to lower the total principal amounts.

This report presents the results of our cooperative performance audit on GovGuam's Public Debt from October 1, 2007 to September 30, 2012 and unaudited figures for September 30, 2013. The audit objectives were to determine the growth and magnitude of GovGuam's indebtedness and whether GovGuam has a formal debt management strategy. For purposes of this audit, GovGuam's total public indebtedness does not include debt issued by autonomous agencies (state-owned enterprises), such as GPA, GIAA, GWA, GHURA, GHC, PAG, GCC, and GEDA.

This cooperative audit on public debt was conducted in conjunction with PASAI and eight other member countries (Fiji, Samoa, Cook Islands, FSM – National, FSM – Pohnpei, FSM – Kosrae, Palau, and the Republic of Marshall Islands). Cooperative audits involve different SAIs working together on an audit to raise the capacity of the Supreme Audit Institutions (SAIs) and to produce high quality joint audit reports and national reports.

Audit Methodology

Our audit methodology included a review of laws, policies, and other information pertinent to GovGuam's public debt. We also performed the following:

1. Interviews of key officials from GEDA and DOA;
2. Compiled and analyzed the following information:
 - a. GovGuam Long-term Debt Abstract 2011 to 2014,
 - b. Government-Wide FY 2008 to FY 2012 Basic Financial Statements,
 - c. GCC, GEDA, GIAA, GHC, GPA, GWA, and PAG FY 2008 to FY 2012 audited Financial Statements,
 - d. EMMA Official Statements (for bond and COPs issued from FY 2008 to FY 2012),
 - e. FY 2012 Perfometer and A.F.T.E.R. Analysis debt to asset and debt-per-capita ratios for GovGuam and other insular governments. The Performeter debt to asset and debt-per-capita ratios for GovGuam includes GovGuam's primary government long-term debt and provision for tax refunds,
 - f. Debt-to-GDP comparisons (FY 2011) for U.S. state and local governments, U.S. territories, and PASAI Public Debt audit members. While Guam's initial debt-to-GDP calculation included GO bonds, LO bonds, COPs, notes payable, loans, and other primary government liabilities such as tax refunds, COLA payments, retirement contributions, etc., only long-term debt was included in Guam's debt-to-GDP calculation to ensure comparability with available debt-to-GDP of the 50 U.S. states. This major change for Guam's 2012 debt-to-GDP of 34.5% to 26.4% required a new draft report to be transmitted to the Chief Fiscal Advisor and GEDA Administrator.
 - g. The World Bank's Central Government debt-to-GDP (FY 2011), and
 - h. GovGuam Retirement Fund FY 2012 Actuarial Valuation;
3. Obtained definitions of public debt, capitalization of interest, and credit ratings;
4. Obtained reports on the New York and Eurozone Debt Crisis; and

5. Obtained best practices derived from:
 - a. IMF and World Bank Guidelines on Public Debt,
 - b. INTOSAI and Working Group on Public Debt Guide for Auditing Public Debt Management, and
 - c. GFOA on Debt Management Policy.

We conducted this audit in accordance with the standards for performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. These standards require that we plan our audit objectives and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives.

Appendix 3:**Prior Audit Coverage**

OPA Report Nos. 07-10 GovGuam Debt Ceiling Calculation and 07-13 GovGuam Debt Ceiling Calculation Per P.L. 29-19

In 2007, OPA performed two calculations of GovGuam's debt ceiling. In OPA Report No. 07-10, OPA calculated the ceiling according to the U.S. Supreme Court ruling, which ruled that GovGuam's debt ceiling must be based on 10% of the assessed value of property in Guam. Based on the assessed value of \$4.07B, OPA calculated GovGuam's debt ceiling as of October 2006 to be \$406.9M. In OPA Report No. 07-13, OPA re-calculated GovGuam's debt ceiling according to the provisions of P.L. 29-19, which amended the assessed value to 70% of the appraised value of property. Based on the new assessed value of \$8.14B, OPA calculated GovGuam's debt ceiling for October 2006 to be \$813.7M.

U.S. Government Accountability Office Report No. GAO-10-90R

In November 2009, the Government Accountability Office (GAO) indicated that GovGuam's debt ceiling and operating deficit hinders GovGuam's ability to finance off-base infrastructure projects and programs to support the military buildup.²⁴ While GovGuam's debt ceiling limits Guam's public indebtedness to "10% of the aggregate tax valuation of the property on Guam", "not all government obligations are included in this ceiling." Until the form and terms of debt that GovGuam considers for the military buildup is known, the impact of the debt ceiling on the ability of GovGuam "to incur such debt is unclear."

GovGuam's operating deficit was approximately \$415.0M at the time of the GAO report and the deficit affects Guam's ability to borrow and pay additional debt service. According to the Bureau of Budget Management and Research, GovGuam will face difficulty in simultaneously funding the deficit and infrastructure projects related to the military buildup. However, despite the deficit, GovGuam was able to issue \$473.5M in bonds to help pay for cost-of-living adjustments, tax refunds, and construction of a new landfill. According to GAO, the military buildup could potentially improve Guam's ability to finance infrastructure projects due to improved local economic conditions.

OPA Report No. 13-03 DRT Real Property Taxes

OPA Report No. 13-03 reported that the appraised value used in the debt ceiling was derived from the last completed island-wide valuation of taxable land and land improvements. The debt ceiling was calculated at 10% of the assessed value, in which the assessed value was calculated as a percentage of the appraised value. The Guam Legislature increased the debt ceiling when it redefined assessed value three times: (a) In 2007, P.L. 29-19 raised the assessed value from 35% of appraised value to 70%; (b) In 2009, P.L. 30-7 raised it from 70% of appraised value to 90%; and (c) In 2012, P.L. 31-196 raised it from 90% of appraised value to 100%. To update the island-wide valuation, DRT issued a Request for Proposal in March 2013 to enlist professional services for appraisal and revaluation services. However, the only bidder that submitted a proposal could not meet the delivery requirements established in the RFP.

²⁴ Beginning 2009, approximately 8,000 marines and their 9,000 dependents were to be relocated to Guam from Okinawa, Japan as part of an agreement between the U.S. and Japan.

Appendix 4:**Applicable Laws & Regulations**

Organic Act of Guam (48 United States Code Annotated)

§1423a: No public indebtedness of Guam shall be authorized or allowed in excess of 10 per centum of the aggregate tax valuation of the property in Guam. Bonds or other obligations of the Government of Guam payable solely from revenues derived from any public improvement or undertaking shall not be considered public indebtedness of Guam within the meaning of this section. All bonds issued by the Government of Guam or by its authority shall be exempt, as to principal and interest, from taxation by the Government of the United States or by the Government of Guam, or by any State or Territory or any political division thereof, or by the District of Columbia.

Title 5 of the Guam Code Annotated, Chapter 1

§1503: The Governor of Guam is authorized to borrow funds by the issuance of General Obligation Bonds, provided such bonds are issued pursuant to 12 GCA § 2103(k).

§1505(a): The Governor is also authorized to create debt or debts of the Government of Guam [...] provided, however, that the terms and conditions of the debts shall be approved by the Legislature by statute and the debt or debts shall not cause a violation of the debt limitations of 48 USC § 1423a.

§1505(f): The Governor is authorized to execute, on behalf of the Government of Guam, any appropriate agreements, certificates, or other instruments relating to the debt or debts and the sale of the debt or debts.

Title 12 of the Guam Code Annotated, Chapter 50

§50103(k): GEDA serves as the central financial manager and consultant of GovGuam agencies requiring financial guidance and assistance. GovGuam agencies can only issue bonds and other obligations through GEDA and must provide GEDA estimates of financial needs so that GEDA may coordinate a long-term plan for obtaining funds. Before GEDA can issue or sell any bonds, the Guam Legislature must approve the terms and conditions of the bonds.

§50103.1: For each bond issuance, GEDA procures for and/or utilizes the following: (1) bond counsel, (2) underwriters, (3) trustee, (4) depository, and (5) municipal paying agent. In addition, GEDA must use its best efforts to provide an opportunity for Guam residents or residents of other jurisdictions to buy a portion of any bonds issued or sold by GEDA on behalf of GovGuam.

Appendix 5: GovGuam's Outstanding Debt (Detailed)

Description of Indebtedness	Outstanding Principal Balance as of:					
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 (Unaudited)
A Public Indebtedness Subject to Debt Ceiling						
i) General Obligation Bonds and Other General Obligations						
General Obligation Bonds, 1993 Series A	\$ 37,280,000	\$ 37,280,000	\$ 34,370,000	\$ 31,300,000	\$ 28,065,000	\$ -
General Obligation Bonds, 2007 Series A	\$ 146,483,729	\$ 146,671,704	\$ 146,859,679	\$ 147,047,654	\$ 147,141,641	\$ 151,935,000
General Obligation Bonds, 2009 Series A	\$ -	\$ 261,447,509	\$ 261,768,259	\$ 258,869,009	\$ 258,532,096	\$ 260,845,000
GWA Loan (2010) per P.L. 29-130	\$ -	\$ -	\$ 29,385,504	\$ 26,752,042	\$ 23,925,764	\$ 20,806,970
GMHA Loan (2011) per P.L. 30-200, P.L. 30-235	\$ -	\$ -	\$ -	\$ 11,890,946	\$ 11,292,872	\$ 10,753,125
Subtotal, General Obligation Bonds and Other General Obligations	\$ 183,763,729	\$ 445,399,213	\$ 472,383,442	\$ 475,859,651	\$ 468,957,373	\$ 444,340,095
ii) Limited Obligation Bonds and Other Limited Obligations						
Limited Obligation Infrastructure Improvement Bonds, 1997 Series A	\$ 41,595,000	\$ 36,345,000	\$ 31,385,000	\$ -	\$ -	\$ -
Limited Obligation (Section 30) Bonds, 2001 Series A	\$ 36,875,627	\$ 28,217,083	\$ 19,123,539	\$ 9,565,000	\$ -	\$ -
Limited Obligation Highway Refunding Bonds, 2001 Series A	\$ 21,560,000	\$ 16,510,000	\$ 11,250,000	\$ 5,765,000	\$ -	\$ -
UOG Rural Development Loan (2003) per P.L. 26-48	\$ 13,119,885	\$ 12,930,123	\$ 12,787,473	\$ 12,615,802	\$ 12,396,023	\$ 12,253,463
Limited Obligation (Section 30) Bonds, 2009 Series A	\$ -	\$ 196,781,996	\$ 197,007,716	\$ 197,233,436	\$ 199,088,943	\$ 197,835,000
Limited Obligation (Hotel Occupancy Tax) Bonds, 2011 Series A	\$ -	\$ -	\$ -	\$ 88,547,831	\$ 87,783,485	\$ 87,255,000
BPT Bonds, Series 2011 A	\$ -	\$ -	\$ -	\$ -	\$ 243,216,571	\$ 235,000,000
BPT Bonds, Series 2012 B-1 and 2012 B-2	\$ -	\$ -	\$ -	\$ -	\$ 114,621,522	\$ 108,700,000
BPT Bonds, Series 2013 C	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,640,000
Subtotal, Limited Obligation Bonds and Other Limited Obligations	\$ 113,150,512	\$ 290,784,202	\$ 271,553,728	\$ 313,727,069	\$ 657,106,544	\$ 663,683,463
Subtotal Public Indebtedness Subject to Debt Ceiling	\$ 296,914,241	\$ 736,183,415	\$ 743,937,170	\$ 789,586,720	\$ 1,126,063,917	\$ 1,108,023,558
B Debt Not Subject to Debt Ceiling						
Notes Payable (2002)	\$ 5,023,537	\$ 3,949,267	\$ 3,949,267	\$ 2,823,256	\$ 1,656,534	\$ -
Note Payable (2008)	\$ 13,800,000	\$ 10,746,507	\$ 7,183,280	\$ 3,363,219	\$ -	\$ -
Subtotal, Notes Payables	\$ 18,823,537	\$ 14,695,774	\$ 11,132,547	\$ 6,186,475	\$ 1,656,534	\$ -
Guam Education Financing Foundation (GEFF) COPs	\$ 51,582,250	\$ 65,385,000	\$ 62,470,000	\$ 59,410,000	\$ 56,200,000	\$ 52,830,000
GDOE COPs	\$ -	\$ -	\$ -	\$ 65,735,000	\$ 64,355,000	\$ 64,130,000
GEFF COPs, Okkodo Expansion	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,818,000
Subtotal, COPs	\$ 51,582,250	\$ 65,385,000	\$ 62,470,000	\$ 125,145,000	\$ 120,555,000	\$ 139,778,000
Judicial Building Fund Revenue Notes (2006)	\$ 6,669,296	\$ 9,514,526	\$ 10,175,434	\$ 9,847,089	\$ 9,345,108	\$ 8,813,215
Subtotal Debt Not Subject to Debt Ceiling	\$ 77,075,083	\$ 89,595,300	\$ 83,777,981	\$ 141,178,564	\$ 131,556,642	\$ 148,591,215
C Subtotal, Long-Term Debt [A+B]	\$ 373,989,324	\$ 825,778,715	\$ 827,715,151	\$ 930,765,284	\$ 1,257,620,559	\$ 1,256,614,773
D Other Primary Government Liabilities - See Appendix 11						
Income Tax Refunds	\$ 283,135,000	\$ 259,151,468	\$ 284,868,839	\$ 326,034,953	\$ 100,961,462	\$ 89,872,321
Retiree COLA Payments	\$ 96,327,556	\$ 26,932,491	\$ 23,100,732	\$ 21,020,092	\$ 5,459,327	\$ 4,858,941
Other Liabilities	\$ 262,106,363	\$ 279,000,206	\$ 332,255,195	\$ 342,962,460	\$ 341,202,755	\$ 214,796,260
Subtotal, Other Primary Government Liabilities	\$ 641,568,919	\$ 565,084,165	\$ 640,224,766	\$ 690,017,505	\$ 447,623,544	\$ 309,527,522
E Total Public Indebtedness (Long-Term Debt & Other Primary Government Liabilities) [C+D]	\$ 1,015,558,243	\$ 1,390,862,880	\$ 1,467,939,917	\$ 1,620,782,789	\$ 1,705,244,103	\$ 1,566,142,295

Appendix 5:

State-Owned Enterprises' Outstanding Debt (Detailed)

Revenue Bonds and Other Obligations Issued by State-Owned Enterprises (Autonomous Agencies)	Outstanding Principal Balance as of:					
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 (Unaudited)
A Guam Power Authority General Revenue Bonds, Series 1993	\$ 63,642,108	\$ 61,205,820	\$ 60,001,711	\$ 57,178,743	\$ 57,588,523	\$ -
Guam Power Authority General Revenue Bonds, Series 1999	\$ 312,370,709	\$ 308,914,421	\$ 306,716,711	\$ 302,818,743	\$ 302,093,523	\$ -
Guam Power Authority Revenue Bonds, 2010 Series A	\$ -	\$ -	\$ 199,571,711	\$ 200,108,743	\$ 199,618,523	\$ 186,130,354
Guam Power Authority Revenue Bonds, 2012 Series A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 372,117,387
Subtotal	\$ 376,012,816	\$ 370,120,241	\$ 566,290,132	\$ 560,106,230	\$ 559,300,569	\$ 558,247,741
B Guam International Airport Authority General Revenue Bonds, 2003 Series	\$ 189,475,551	\$ 182,008,999	\$ 173,648,434	\$ 164,904,139	\$ 158,556,487	\$ -
Guam International Airport Authority General Revenue Bonds, 2013 Series	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 250,226,161
Guam International Airport Authority Loan (2012)	\$ -	\$ -	\$ -	\$ -	\$ 5,594,897	\$ 10,928,228
Subtotal	\$ 189,475,551	\$ 182,008,999	\$ 173,648,434	\$ 164,904,139	\$ 164,151,384	\$ 261,154,389
C Guam Waterworks Authority Note Payable	\$ 6,639,101	\$ 5,689,122	\$ 4,159,524	\$ 1,161,292	\$ -	\$ -
Guam Waterworks Authority Water and Wastewater System Revenue Bonds, Series 2005	\$ 102,574,095	\$ 100,493,944	\$ 98,318,794	\$ 96,038,643	\$ 93,648,492	\$ 88,485,000
Guam Waterworks Authority Water and Wastewater System Revenue Bonds, Series 2010	\$ -	\$ -	\$ -	\$ 116,473,393	\$ 116,554,074	\$ 116,634,755
Subtotal	\$ 109,213,196	\$ 106,183,066	\$ 102,478,318	\$ 213,673,328	\$ 210,202,566	\$ 205,119,755
Guam Economic Development Authority Tobacco Settlement Asset-Backed Bonds, Series 2007A and 2007B	\$ 32,069,368	\$ 31,444,790	\$ 31,359,262	\$ 31,440,093	\$ 32,604,665	\$ 32,306,911
Subtotal	\$ 32,069,368	\$ 31,444,790	\$ 31,359,262	\$ 31,440,093	\$ 32,604,665	\$ 32,306,911
E Port Authority of Guam Bank Loan (2010)	\$ -	\$ -	\$ -	\$ 3,355,095	\$ 3,201,009	\$ 3,037,138
Port Authority of Guam Bank Loan (2012)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,621,846
Subtotal	\$ -	\$ -	\$ -	\$ 3,355,095	\$ 3,201,009	\$ 14,658,984
F Guam Housing Corporation, Various Notes and Loans	\$ 6,182,868	\$ 5,296,866	\$ 4,351,620	\$ 3,343,170	\$ 2,267,289	\$ 1,119,469
Guam Housing Corporation Mortgage-Backed Revenue Bonds, Series 1998	\$ 5,215,000	\$ 5,105,000	\$ 4,980,000	\$ 4,850,000	\$ 4,710,000	\$ 4,565,000
Subtotal	\$ 11,397,868	\$ 10,401,866	\$ 9,331,620	\$ 8,193,170	\$ 6,977,289	\$ 5,684,469
H Guam Housing and Urban Renewal Authority Loan	\$ 1,483,089	\$ 1,442,123	\$ 1,400,541	\$ 1,356,328	\$ 1,310,139	\$ 1,260,729
Subtotal	\$ 1,483,089	\$ 1,442,123	\$ 1,400,541	\$ 1,356,328	\$ 1,310,139	\$ 1,260,729
G Guam Community College Rural Development Loans	\$ 1,917,033	\$ 1,280,494	\$ 631,877	\$ 2,396,802	\$ 2,494,813	\$ 5,599,941
Subtotal	\$ 1,917,033	\$ 1,280,494	\$ 631,877	\$ 2,396,802	\$ 2,494,813	\$ 5,599,941
Total	\$ 721,568,921	\$ 702,881,579	\$ 885,140,184	\$ 985,425,185	\$ 980,242,434	\$ 1,084,032,919

	Balance FY 2008	Additions (Reductions)	Balance FY 2009	Additions (Reductions)	Balance FY 2010	Additions (Reductions)
Changes in Total Public Indebtedness						
A Public Indebtedness Subject to Debt Ceiling						
i) General Obligation Bonds and Other General Obligations						
Guam General Obligation Bonds, 1993 Series A	\$ 37,280,000	\$ -	\$ 37,280,000	\$ (2,910,000)	\$ 34,370,000	\$ (3,070,000)
Guam General Obligation Bonds, 2007 Series A	\$ 146,483,729	\$ 187,975	\$ 146,671,704	\$ 187,975	\$ 146,859,679	\$ 187,975
Guam General Obligation Bonds, 2009 Series A	\$ -	\$ 261,447,509	\$ 261,447,509	\$ 320,750	\$ 261,768,259	\$ (2,899,250)
Guam Waterworks Authority Loan (2010) per P.L. 29-130	\$ -	\$ -	\$ -	\$ 29,385,504	\$ 29,385,504	\$ (2,633,462)
Guam Memorial Hospital Authority Loan (2011) per P.L. 30-200, P.L. 30-235	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,890,946
Subtotal, General Obligation Bonds and Other General Obligations	\$ 183,763,729	\$ 261,635,484	\$ 445,399,213	\$ 26,984,229	\$ 472,383,442	\$ 3,476,209
ii) Limited Obligation Bonds and Other Limited Obligations						
Limited Obligation Infrastructure Improvement Bonds, 1997 Series A	\$ 41,595,000	\$ (5,250,000)	\$ 36,345,000	\$ (4,960,000)	\$ 31,385,000	\$ (31,385,000)
Limited Obligation (Section 30) Bonds, 2001 Series A	\$ 36,875,627	\$ (8,658,544)	\$ 28,217,083	\$ (9,093,544)	\$ 19,123,539	\$ (9,558,539)
Limited Obligation Highway Refunding Bonds, 2001 Series A	\$ 21,560,000	\$ (5,050,000)	\$ 16,510,000	\$ (5,260,000)	\$ 11,250,000	\$ (5,485,000)
University of Guam Rural Development Loan (2003) per P.L. 26-48	\$ 13,119,885	\$ (189,762)	\$ 12,930,123	\$ (142,650)	\$ 12,787,473	\$ (171,671)
Limited Obligation (Section 30) Bonds, 2009 Series A	\$ -	\$ 196,781,996	\$ 196,781,996	\$ 225,720	\$ 197,007,716	\$ 225,720
Limited Obligation (Hotel Occupancy Tax) Bonds, 2011 Series A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 88,547,831
Business Privilege Tax (BPT) Bonds, Series 2011 A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business Privilege Tax (BPT) Bonds, Series 2012 B-1 and 2012 B-2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business Privilege Tax (BPT) Bonds, Series 2013 C	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal, Limited Obligation Bonds and Other Limited Obligations	\$ 113,150,512	\$ 177,633,690	\$ 290,784,202	\$ (19,230,474)	\$ 271,553,728	\$ 42,173,341
Subtotal Public Indebtedness Subject to Debt Ceiling	\$ 296,914,241	\$ 439,269,174	\$ 736,183,415	\$ 7,753,755	\$ 743,937,170	\$ 45,649,550
B Debt Not Subject to Debt Ceiling						
Notes Payable (2002)	\$ 5,023,537	\$ (1,074,270)	\$ 3,949,267	\$ -	\$ 3,949,267	\$ (1,126,011)
Note Payable (2008)	\$ 13,800,000	\$ (3,053,493)	\$ 10,746,507	\$ (3,563,227)	\$ 7,183,280	\$ (3,820,061)
Subtotal, Notes Payables	\$ 18,823,537	\$ (4,127,763)	\$ 14,695,774	\$ (3,563,227)	\$ 11,132,547	\$ (4,946,072)
Guam Education Financing Foundation (GEFF) COPs	\$ 51,582,250	\$ 13,802,750	\$ 65,385,000	\$ (2,915,000)	\$ 62,470,000	\$ (3,060,000)
GDOE COPs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65,735,000
GEFF COPs, Okkodo Expansion	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal, COPs	\$ 51,582,250	\$ 13,802,750	\$ 65,385,000	\$ (2,915,000)	\$ 62,470,000	\$ 62,675,000
Judicial Building Fund Revenue Notes (2006)	\$ 6,669,296	\$ 2,845,230	\$ 9,514,526	\$ 660,908	\$ 10,175,434	\$ (328,345)
Subtotal Debt Not Subject to Debt Ceiling	\$ 77,075,083	\$ 12,520,217	\$ 89,595,300	\$ (5,817,319)	\$ 83,777,981	\$ 57,400,583
C Subtotal, Long-Term Debt [A+B]	\$ 373,989,324	\$ 451,789,391	\$ 825,778,715	\$ 1,936,436	\$ 827,715,151	\$ 103,050,133
D Other Primary Government Liabilities						
Compensated absences, accounts payable, accrued payroll, provision for tax refunds, COLA liability, due to pension trust fund, due to primary government, due to component units, due to IRS, deferred revenues, unfunded pension liability, and sick leave liability	\$ 641,568,919	\$ (76,484,754)	\$ 565,084,165	\$ 75,140,601	\$ 640,224,766	\$ 49,792,739
E Total Public Indebtedness (Long-Term Debt & Other Primary Government Liabilities) [C+D]	\$ 1,015,558,243	\$ 375,304,637	\$ 1,390,862,880	\$ 77,077,037	\$ 1,467,939,917	\$ 152,842,872

Changes in Public Indebtedness

	Balance FY 2011	Additions (Reductions)	Balance FY 2012	Additions (Reductions)	FY 2013 (Unaudited)
Changes in Total Public Indebtedness					
A Public Indebtedness Subject to Debt Ceiling					
i) General Obligation Bonds and Other General Obligations					
Guam General Obligation Bonds, 1993 Series A	\$ 31,300,000	\$ (3,235,000)	\$ 28,065,000	\$ (28,065,000)	\$ -
Guam General Obligation Bonds, 2007 Series A	\$ 147,047,654	\$ 93,987	\$ 147,141,641	\$ 4,793,359	\$ 151,935,000
Guam General Obligation Bonds, 2009 Series A	\$ 258,869,009	\$ (336,913)	\$ 258,532,096	\$ 2,312,904	\$ 260,845,000
Guam Waterworks Authority Loan (2010) per P.L. 29-130	\$ 26,752,042	\$ (2,826,278)	\$ 23,925,764	\$ (3,118,794)	\$ 20,806,970
Guam Memorial Hospital Authority Loan (2011) per P.L. 30-200, P.L. 30-235	\$ 11,890,946	\$ (598,074)	\$ 11,292,872	\$ (539,747)	\$ 10,753,125
Subtotal, General Obligation Bonds and Other General Obligations	\$ 475,859,651	\$ (6,902,278)	\$ 468,957,373	\$ (24,617,278)	\$ 444,340,095
ii) Limited Obligation Bonds and Other Limited Obligations					
Limited Obligation Infrastructure Improvement Bonds, 1997 Series A	\$ -	\$ -	\$ -	\$ -	\$ -
Limited Obligation (Section 30) Bonds, 2001 Series A	\$ 9,565,000	\$ (9,565,000)	\$ -	\$ -	\$ -
Limited Obligation Highway Refunding Bonds, 2001 Series A	\$ 5,765,000	\$ (5,765,000)	\$ -	\$ -	\$ -
University of Guam Rural Development Loan (2003) per P.L. 26-48	\$ 12,615,802	\$ (219,779)	\$ 12,396,023	\$ (142,560)	\$ 12,253,463
Limited Obligation (Section 30) Bonds, 2009 Series A	\$ 197,233,436	\$ 1,855,507	\$ 199,088,943	\$ (1,253,943)	\$ 197,835,000
Limited Obligation (Hotel Occupancy Tax) Bonds, 2011 Series A	\$ 88,547,831	\$ (764,346)	\$ 87,783,485	\$ (528,485)	\$ 87,255,000
Business Privilege Tax (BPT) Bonds, Series 2011 A	\$ -	\$ 243,216,571	\$ 243,216,571	\$ (8,216,571)	\$ 235,000,000
Business Privilege Tax (BPT) Bonds, Series 2012 B-1 and 2012 B-2	\$ -	\$ 114,621,522	\$ 114,621,522	\$ (5,921,522)	\$ 108,700,000
Business Privilege Tax (BPT) Bonds, Series 2013 C	\$ -	\$ -	\$ -	\$ 22,640,000	\$ 22,640,000
Subtotal, Limited Obligation Bonds and Other Limited Obligations	\$ 313,727,069	\$ 343,379,475	\$ 657,106,544	\$ 6,576,919	\$ 663,683,463
Subtotal Public Indebtedness Subject to Debt Ceiling	\$ 789,586,720	\$ 336,477,197	\$ 1,126,063,917	\$ (18,040,359)	\$ 1,108,023,558
B Debt Not Subject to Debt Ceiling					
Notes Payable (2002)	\$ 2,823,256	\$ (1,166,722)	\$ 1,656,534	\$ (1,656,534)	\$ -
Note Payable (2008)	\$ 3,363,219	\$ (3,363,219)	\$ -	\$ -	\$ -
Subtotal, Notes Payables	\$ 6,186,475	\$ (4,529,941)	\$ 1,656,534	\$ (1,656,534)	\$ -
Guam Education Financing Foundation (GEFF) COPs	\$ 59,410,000	\$ (3,210,000)	\$ 56,200,000	\$ (3,370,000)	\$ 52,830,000
GDOE COPs	\$ 65,735,000	\$ (1,380,000)	\$ 64,355,000	\$ (225,000)	\$ 64,130,000
GEFF COPs, Okkodo Expansion	\$ -	\$ -	\$ -	\$ 22,818,000	\$ 22,818,000
Subtotal, COPs	\$ 125,145,000	\$ (4,590,000)	\$ 120,555,000	\$ 19,223,000	\$ 139,778,000
Judicial Building Fund Revenue Notes (2006)	\$ 9,847,089	\$ (501,981)	\$ 9,345,108	\$ (531,893)	\$ 8,813,215
Subtotal Debt Not Subject to Debt Ceiling	\$ 141,178,564	\$ (9,621,922)	\$ 131,556,642	\$ 17,034,573	\$ 148,591,215
C Subtotal, Long-Term Debt [A+B]	\$ 930,765,284	\$ 326,855,275	\$ 1,257,620,559	\$ (1,005,786)	\$ 1,256,614,773
D Other Primary Government Liabilities					
Compensated absences, accounts payable, accrued payroll, provision for tax refunds, COLA liability, due to pension trust fund, due to primary government, due to component units, due to IRS, deferred revenues, unfunded pension liability, and sick leave liability	\$ 690,017,505	\$ (242,393,961)	\$ 447,623,544	\$ (138,096,022)	\$ 309,527,522
E Total Public Indebtedness (Long-Term Debt & Other Primary Government Liabilities) [C+D]	\$ 1,620,782,789	\$ 84,461,314	\$ 1,705,244,103	\$ (139,101,808)	\$ 1,566,142,295

Appendix 7: Issued Debt

Debt Issued (Debt backed by the Primary Government/General Fund Only):	FY 2008		FY 2009			FY 2010	
	GO Bond, 2007 Series A	GO Loan 2008	GEFF COPs, 2008 Series	GO Bonds, 2009 Series A	LO (Section 30) Bonds, 2009 Series A	GDOE COPs, 2010 Series A	GO GWA Loans I & II, 2010
Purpose (Uses of Funds):							
A. Operations							
Tax refunds	\$ 19,900,000			\$ 111,000,000			
COLA	\$ 14,000,000			\$ 92,000,000			
GWA moratorium project and operations, and GMHA operations							\$ 30,000,000
GDOE and GMHA past due retirement contributions				\$ 22,000,000			
Health insurance premiums							
Guam Solid Waste Authority (GSWA) federal receiver expenses					\$ 20,826,285		
Payment for delinquent utility billings		\$ 13,800,000					
DISID and DMHSA Permanent Injunction	\$ 5,200,000						
Other	\$ 753,474					\$ 215,000	
Subtotal Operations	\$ 39,853,474	\$ 13,800,000	\$ -	\$ 225,000,000	\$ 20,826,285	\$ 215,000	\$ 30,000,000
B. Capital Improvement Projects							
GSWA Ordot Dump and Layon Landfill					\$ 139,742,206		
GDOE	\$ 26,800,000		\$ 7,335,091			\$ 49,747,100	
Guam Museum							
San Vitores Road, Plaza de Espana, and other various cultural and tourism-related projects							
UOG	\$ 323,894						
GMHA	\$ 2,300,000			\$ 11,000,000			
Subtotal Capital Improvement Projects	\$ 29,423,894	\$ -	\$ 7,335,091	\$ 11,000,000	\$ 139,742,206	\$ 49,747,100	\$ -
C. Refunding of Prior Debt							
Guam GO Bonds, 1993 Series A	\$ 75,635,359						
LO Infrastructure Improvement Bonds, 1997 Series A							
Subtotal Refunding of Prior Debt	\$ 75,635,359	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
D. Bond Issuance-related Costs							
Capitalized interest				\$ 23,504,025	\$ 18,793,562	\$ 5,439,448	
Debt Service/Debt Reserve Fund			\$ 203,619		\$ 15,673,287	\$ 5,131,938	
Debt issuance costs	\$ 4,851,963		\$ 280,300	\$ 5,008,027	\$ 3,608,795	\$ 4,195,244	
Underwriters' discount							
Subtotal Bond Issuance-related Costs	\$ 4,851,963	\$ -	\$ 483,919	\$ 28,512,052	\$ 38,075,644	\$ 14,766,630	\$ -
Subtotal Purpose (Uses of Funds):	\$ 149,764,690	\$ 13,800,000	\$ 7,819,010	\$ 264,512,052	\$ 198,644,135	\$ 64,728,730	\$ 30,000,000
Discount/Premium on Bonds	\$ 4,141,081		\$ 32,225	\$ 6,557,948	\$ 3,780,865	\$ 1,006,270	
Interest Income and Other			\$ (331,235)				
Funds from Prior Bonds Trustee	\$ (1,970,771)						
Principal Amount:	\$ 151,935,000	\$ 13,800,000	\$ 7,520,000	\$ 271,070,000	\$ 202,425,000	\$ 65,735,000	\$ 30,000,000

Source(s): Guam Economic Development Authority's 2011 to 2014 Government of Guam Long-Term Debt Abstract from <http://www.investguam.com>; and Government of Guam's 2007 to 2013 Official Statements from <http://emma.msrb.org/default.aspx>.

Note: An underwriter buys bonds from the issuer and then resell them to investors. In doing so, it assumes a financial risk and expects to make a profit on the transaction. The difference between the purchase price paid by the underwriter to the issuer and the price at which the bonds are resold to investors represents the underwriter's profit or discount. [Source: Public Bonds. (2004, June). *Underwriting Basics*. http://www.publicbonds.org/major_players/underbasics.htm]

Appendix 7: Issued Debt

Debt Issued (Debt backed by the Primary Government/General Fund Only):	FY 2011		FY 2012		FY 2013		Totals
	LO HOT Bonds, 2011 Series A	GO GMHA Loan 2011	LO BPT Bonds 2011 Series A	LO BPT Bonds 2012 Series B	LO BPT Bonds 2013 Series C	GEFF COPs Okkodo Expansion	
Purpose (Uses of Funds):							
A. Operations							
Tax refunds			\$ 198,000,000	\$ 60,000,000			\$ 388,900,000
COLA			\$ 20,000,000				\$ 126,000,000
GWA moratorium project and operations, and GMHA operations		\$ 12,000,000					\$ 42,000,000
GDOE and GMHA past due retirement contributions				\$ 24,800,000			\$ 46,800,000
Health insurance premiums				\$ 19,930,758			\$ 19,930,758
Guam Solid Waste Authority (GSWA) federal receiver expenses							\$ 20,826,285
Payment for delinquent utility billings							\$ 13,800,000
DISID and DMHSA Permanent Injunction							\$ 5,200,000
Other							\$ 968,474
Subtotal Operations	\$ -	\$ 12,000,000	\$ 218,000,000	\$ 104,730,758	\$ -	\$ -	\$ 664,425,517
B. Capital Improvement Projects							
GSWA Ordot Dump and Layon Landfill							\$ 139,742,206
GDOE						\$ 22,818,000	\$ 106,700,191
Guam Museum	\$ 27,000,000						\$ 27,000,000
San Vitores Road, Plaza de Espana, and other various cultural and tourism-related projects	\$ 28,569,000						\$ 28,569,000
UOG							\$ 323,894
GMHA							\$ 13,300,000
Subtotal Capital Improvement Projects	\$ 55,569,000	\$ -	\$ -	\$ -	\$ -	\$ 22,818,000	\$ 315,635,291
C. Refunding of Prior Debt							
Guam GO Bonds, 1993 Series A					\$ 25,088,795		\$ 100,724,154
LO Infrastructure Improvement Bonds, 1997 Series A	\$ 28,787,796						\$ 28,787,796
Subtotal Refunding of Prior Debt	\$ 28,787,796	\$ -	\$ -	\$ -	\$ 25,088,795	\$ -	\$ 129,511,950
D. Bond Issuance-related Costs							
Capitalized interest	\$ 3,196,929		\$ 24,891,693	\$ 8,233,378			\$ 84,059,035
Debt Service/Debt Reserve Fund	\$ 7,093,675		\$ (3,114,955)				\$ 24,987,564
Debt issuance costs	\$ 1,685,608		\$ 1,445,611	\$ 657,294	\$ 279,872		\$ 22,012,714
Underwriters' discount			\$ 2,272,750	\$ 1,100,456	\$ 229,256		\$ 3,602,462
Subtotal Bond Issuance-related Costs	\$ 11,976,212	\$ -	\$ 25,495,099	\$ 9,991,129	\$ 509,128	\$ -	\$ 134,661,776
Subtotal Purpose (Uses of Funds):	\$ 96,333,008	\$ 12,000,000	\$ 243,495,099	\$ 114,721,887	\$ 25,597,923	\$ 22,818,000	\$ 1,244,234,534
Discount/Premium on Bonds	\$ 1,211,515		\$ (8,495,099)	\$ (6,021,887)	\$ (2,957,923)		\$ (745,005)
Interest Income and Other							\$ (331,235)
Funds from Prior Bonds Trustee	\$ (6,879,523)						\$ (8,850,294)
Principal Amount:	\$ 90,665,000	\$ 12,000,000	\$ 235,000,000	\$ 108,700,000	\$ 22,640,000	\$ 22,818,000	\$ 1,234,308,000

Note: The EMMA Official Statements for BPT Bonds 2011 Series A and 2012 Series B does not provide a breakdown for the uses of bond proceeds. We estimated the amounts based on available information from the GovGuam Retirement Fund's FY 2013 Financial Audit Report, DOA's April 2012 Uses of BPT Bonds, and GEDA's March 2013 Long-Term Debt Abstract for the Government of Guam.

\$151.9M GO Bond 2007 Series A²⁵

Period Ending November 15	Outstanding Bonds ⁽¹⁾	2007 Series A			Total ⁽²⁾
		Principal	Interest	Total ⁽²⁾	
2007	\$1,004,534				\$ 1,004,534
2008	2,009,068		\$ 8,180,938	\$ 8,180,938	10,190,006
2009	4,919,068		7,874,700	7,874,700	12,793,768
2010	4,922,655		7,874,700	7,874,700	12,797,355
2011	4,922,643		7,874,700	7,874,700	12,797,343
2012	4,918,761		7,874,700	7,874,700	12,793,461
2013	4,920,743		7,874,700	7,874,700	12,795,443
2014	4,922,780		7,874,700	7,874,700	12,797,480
2015	4,918,390		7,874,700	7,874,700	12,793,090
2016	4,918,200		7,874,700	7,874,700	12,792,900
2017	4,921,400		7,874,700	7,874,700	12,796,100
2018	4,922,180		7,874,700	7,874,700	12,796,880
2019		\$ 4,920,000	7,874,700	12,794,700	12,794,700
2020		5,170,000	7,628,700	12,798,700	12,798,700
2021		5,425,000	7,370,200	12,795,200	12,795,200
2022		5,695,000	7,098,950	12,793,950	12,793,950
2023		5,985,000	6,814,200	12,799,200	12,799,200
2024		6,280,000	6,514,950	12,794,950	12,794,950
2025		6,600,000	6,193,100	12,793,100	12,793,100
2026		6,945,000	5,854,850	12,799,850	12,799,850
2027		7,295,000	5,498,919	12,793,919	12,793,919
2028		7,670,000	5,125,050	12,795,050	12,795,050
2029		8,075,000	4,722,375	12,797,375	12,797,375
2030		8,505,000	4,298,438	12,803,438	12,803,438
2031		8,940,000	3,851,925	12,791,925	12,791,925
2032		9,415,000	3,382,575	12,797,575	12,797,575
2033		9,905,000	2,888,288	12,793,288	12,793,288
2034		10,430,000	2,368,275	12,798,275	12,798,275
2035		10,975,000	1,820,700	12,795,700	12,795,700
2036		11,550,000	1,244,513	12,794,513	12,794,513
2037		12,155,000	638,138	12,793,138	12,793,138
TOTAL	\$52,220,420	\$151,935,000	\$178,116,782	\$330,051,782	\$382,272,202

⁽¹⁾ Consists of debt service on the Prior Bonds that are not being defeased and redeemed with proceeds of the Bonds. The Government of Guam also has a general obligation loan currently outstanding in the amount of \$6,682,479, which is not included in this table. See "GUAM FINANCIAL OPERATIONS - Existing Indebtedness."

⁽²⁾ Totals may not add due to rounding.

²⁵ Government of Guam. (2007, October). Official Statement. \$151,935,000 Government of Guam General Obligation Bonds 2007 Series A. <http://emma.msrb.org/default.aspx>

\$13.8M GovGuam 2008 Term Financing²⁶

Post Date	Principal	Interest	Payment	Fiscal Year Debt Service	Remaining Balance	Due Date	Post Date	Principal	Interest	Payment	Fiscal Year Debt Service	Remaining Balance
					13,800,000.00		01/04/10	285,772.25	64,412.17	350,184.42		9,592,564.45
08/01/08		37,052.05	37,052.05		13,800,000.00		02/01/10	298,673.67	51,510.75	350,184.42		9,293,890.78
09/02/08		82,043.84	82,043.84		13,800,000.00		03/01/10	300,277.50	49,906.92	350,184.42		8,993,613.28
09/02/08		2,646.58	2,646.58	121,742.47	13,800,000.00		04/01/10	296,715.54	53,468.88	350,184.42		8,696,897.74
10/01/08		76,750.68	76,750.68		13,800,000.00		05/03/10	296,811.68	53,372.74	350,184.42		8,400,086.06
10/31/08	270,787.16	79,397.26	350,184.42		13,529,212.84		06/01/10	303,466.13	46,718.29	350,184.42		8,096,619.93
12/01/08	269,750.47	80,433.95	350,184.42		13,259,462.37		07/01/10	303,601.13	46,718.29	350,319.42		7,793,018.80
01/02/09	268,811.28	81,373.14	350,184.42		12,990,651.09		08/02/10	302,358.77	47,825.65	350,184.42	4,202,213.04	7,490,660.03
02/02/09	272,952.33	77,232.09	350,184.42		12,717,698.76		09/01/10	307,087.47	43,096.95	350,184.42		7,183,572.56
03/02/09	281,892.12	68,292.30	350,184.42		12,435,806.64		10/01/10	308,854.28	41,330.14	350,184.42		6,874,718.28
04/01/09	278,635.94	71,548.48	350,184.42		12,157,170.70		11/01/10	309,312.80	40,871.62	350,184.42		6,565,405.48
05/01/09	280,239.06	69,945.36	350,184.42		11,876,931.64	12/01/10	312,410.86	37,773.56	350,184.42		6,252,994.62	
06/01/09	279,573.62	70,610.80	350,184.42		11,597,358.02	01/01/11	313,009.08	37,175.34	350,184.42		5,939,985.54	
07/01/09	283,459.89	66,724.53	350,184.42		11,313,898.13	02/01/11	314,869.98	35,314.44	350,184.42		5,625,115.56	
08/03/09	278,581.40	71,603.02	350,184.42		11,035,316.73	03/01/11	319,978.32	30,206.10	350,184.42		5,305,137.24	
09/01/09	288,809.92	61,374.50	350,184.42	3,928,779.30	10,746,506.81	04/01/11	318,644.29	31,540.13	350,184.42		4,986,492.95	
10/01/09		7,740.04	7,740.04		10,746,506.81	05/01/11	321,495.01	28,689.41	350,184.42		4,664,997.94	
10/01/09	288,355.20	54,089.18	342,444.38		10,458,151.61	06/01/11	322,450.05	27,734.37	350,184.42		4,342,547.89	
10/30/09	292,019.90	58,164.52	350,184.42		10,166,131.71	07/01/11	325,199.90	24,984.52	350,184.42		4,017,347.99	
12/01/09	287,795.01	62,389.41	350,184.42		9,878,336.70	08/01/11	326,300.46	23,883.96	350,184.42		3,691,047.53	
						09/01/11	328,240.38	21,944.04	350,184.42	4,202,213.04	3,362,807.15	
						10/01/11	330,836.77	19,347.65	350,184.42		3,031,970.38	
						11/01/11	332,158.73	18,025.69	350,184.42		2,699,811.65	
						12/01/11	334,651.26	15,533.16	350,184.42		2,365,160.39	
						01/01/12	336,123.05	14,061.37	350,184.42		2,029,037.34	
						02/01/12	338,121.38	12,063.04	350,184.42		1,690,915.96	
						03/01/12	340,780.14	9,404.28	350,184.42		1,350,135.82	
						04/01/12	342,157.59	8,026.83	350,184.42		1,007,978.23	
						05/01/12	344,385.09	5,799.33	350,184.42		663,593.14	
						06/01/12	346,239.23	3,945.19	350,184.42		317,353.91	
						07/01/12	317,353.91	1,825.88	319,179.79	3,470,839.57	-	
							13,800,000.00	2,125,787.42	15,925,787.42	15,925,787.42		

*Amortization Schedule subject to change

²⁶ Guam Economic Development Authority. (2011, January). Government of Guam Long-Term Debt Abstract. Government of Guam 2008 Term Financing. <http://www.investguam.com>

\$7.5M Certificates of Participation 2008 Series A²⁷

Date	Principal	Interest	Debt Service	Additional Rental	Excess Rental	FY Lease Payment
12/01/06				1,000,000.00	3,185.62	
04/01/07		1,405,333.13	1,405,333.13			
10/01/07	2,130,000.00	1,561,481.25	3,691,481.25			6,100,000.00
12/01/07				1,000,000.00	3,537.50	
04/01/08		1,508,231.25	1,508,231.25			
10/01/08	2,080,000.00	1,508,231.25	3,588,231.25			6,100,000.00
12/01/08				940,000.00	66,679.83	
04/01/09		1,613,470.17	1,613,470.17			
10/01/09	2,820,000.00	1,659,850.00	4,479,850.00			7,100,000.00
12/01/09				940,000.00	63,918.74	
04/01/10		1,590,540.63	1,590,540.63			
10/01/10	2,915,000.00	1,590,540.63	4,505,540.63			7,100,000.00
12/01/10				940,000.00	82,343.74	
04/01/11		1,518,828.13	1,518,828.13			
10/01/11	3,060,000.00	1,518,828.13	4,578,828.13			7,100,000.00
12/01/11				940,000.00	62,906.24	
04/01/12		1,443,546.88	1,443,546.88			
10/01/12	3,210,000.00	1,443,546.88	4,653,546.88			7,100,000.00
12/01/12				940,000.00	65,956.24	
04/01/13		1,362,021.88	1,362,021.88			
10/01/13	3,370,000.00	1,362,021.88	4,732,021.88			7,100,000.00
12/01/13				940,000.00	65,587.50	
04/01/14		1,289,706.25	1,289,706.25			
10/01/14	3,515,000.00	1,289,706.25	4,804,706.25			7,100,000.00
12/01/14				940,000.00	64,168.74	
04/01/15		1,200,415.63	1,200,415.63			
10/01/15	3,695,000.00	1,200,415.63	4,895,415.63			7,100,000.00
12/01/15				940,000.00	65,875.00	
04/01/16		1,104,562.50	1,104,562.50			
10/01/16	3,885,000.00	1,104,562.50	4,989,562.50			7,100,000.00
12/01/16				940,000.00	67,475.00	
04/01/17		1,003,762.50	1,003,762.50			
10/01/17	4,085,000.00	1,003,762.50	5,088,762.50			7,100,000.00
12/01/17				940,000.00	69,512.50	
04/01/18		897,743.75	897,743.75			
10/01/18	4,295,000.00	897,743.75	5,192,743.75			7,100,000.00
12/01/18				1,000,000.00	2,325.00	
04/01/19		798,837.50	798,837.50			
10/01/19	3,500,000.00	798,837.50	4,298,837.50			6,100,000.00
12/01/19				1,000,000.00	2,325.00	

04/01/20		711,337.50	711,337.50			
10/01/20	3,675,000.00	711,337.50	4,386,337.50			6,100,000.00
12/01/20				1,000,000.00	1,075.00	
04/01/21		619,462.50	619,462.50			
10/01/21	3,860,000.00	619,462.50	4,479,462.50			6,100,000.00
12/01/21				1,000,000.00	4,075.00	
04/01/22		522,962.50	522,962.50			
10/01/22	4,050,000.00	522,962.50	4,572,962.50			6,100,000.00
12/01/22				1,000,000.00	1,575.00	
04/01/23		421,712.50	421,712.50			
10/01/23	4,255,000.00	421,712.50	4,676,712.50			6,100,000.00

Date	Principal	Interest	Debt Service	Additional Rental	Excess Rental	FY Lease Payment
12/01/23				1,000,000.00	4,325.00	
04/01/24		315,337.50	315,337.50			
10/01/24	4,465,000.00	315,337.50	4,780,337.50			6,100,000.00
12/01/24				1,000,000.00	250.00	
04/01/25		214,875.00	214,875.00			
10/01/25	4,670,000.00	214,875.00	4,884,875.00			6,100,000.00
12/01/25				1,000,000.00	400.00	
04/01/26		109,800.00	109,800.00			
10/01/26	4,880,000.00	109,800.00	4,989,800.00			6,100,000.00
TOTAL	72,415,000.00	39,507,503.35	111,922,503.35	19,400,000.00	677,496.65	132,000,000.00

²⁷ Guam Economic Development Authority. (2013, March). Government of Guam Long-Term Debt Abstract. Guam Education Financing Foundation Certificates of Participation, Series 2008. <http://www.investguam.com>

\$271.1M GO Bonds 2009 Series A²⁸

Period Ending November 15	Outstanding Obligations ⁽¹⁾	2009 Series A			
		Principal	Interest	Total ⁽²⁾	Total ⁽²⁾
2009	\$ 18,277,799	--	\$ 7,478,554	\$ 7,478,554	\$ 25,756,353
2010	18,281,386	\$3,220,000	18,314,825	21,534,825	39,816,211
2011	18,281,374	3,405,000	18,129,675	21,534,675	39,816,049
2012	15,322,334	3,600,000	17,933,888	21,533,888	36,856,222
2013	12,795,443	3,805,000	17,726,888	21,531,888	34,327,330
2014	12,797,480	4,025,000	17,508,100	21,533,100	34,330,580
2015	12,793,090	4,255,000	17,276,663	21,531,663	34,324,753
2016	12,792,900	4,510,000	17,021,363	21,531,363	34,324,263
2017	12,796,100	4,785,000	16,750,763	21,535,763	34,331,863
2018	12,796,880	5,070,000	16,463,663	21,533,663	34,330,543
2019	12,794,700	5,375,000	16,159,463	21,534,463	34,329,163
2020	12,798,700	5,695,000	15,836,963	21,531,963	34,330,663
2021	12,795,200	6,080,000	15,452,550	21,532,550	34,327,750
2022	12,793,950	6,490,000	15,042,150	21,532,150	34,326,100
2023	12,799,200	6,930,000	14,604,075	21,534,075	34,333,275
2024	12,794,950	7,395,000	14,136,300	21,531,300	34,326,250
2025	12,793,100	7,895,000	13,637,138	21,532,138	34,325,238
2026	12,799,850	8,430,000	13,104,225	21,534,225	34,334,075
2027	12,793,919	9,000,000	12,535,200	21,535,200	34,329,119
2028	12,795,050	9,605,000	11,927,700	21,532,700	34,327,750
2029	12,797,375	10,255,000	11,279,363	21,534,363	34,331,738
2030	12,803,438	10,945,000	10,587,150	21,532,150	34,335,588
2031	12,791,925	11,715,000	9,821,000	21,536,000	34,327,925
2032	12,797,575	12,530,000	9,000,950	21,530,950	34,328,525
2033	12,793,288	13,410,000	8,123,850	21,533,850	34,327,138
2034	12,798,275	14,350,000	7,185,150	21,535,150	34,333,425
2035	12,795,700	15,355,000	6,180,650	21,535,650	34,331,350
2036	12,794,513	16,430,000	5,105,800	21,535,800	34,330,313
2037	12,793,138	17,575,000	3,955,700	21,530,700	34,323,838
2038		18,810,000	2,725,450	21,535,450	21,535,450
2039		20,125,000	1,408,750	21,533,750	21,533,750
TOTAL⁽²⁾	\$390,058,629	\$271,070,000	\$382,413,954	\$653,483,954	\$1,043,542,583

⁽¹⁾ For the period from 2009 to 2012, includes loans incurred in 2002 and 2008 that are secured by a pledge of Section 30 Revenues but are still subject to the full faith and credit of the Government. Does not include a loan incurred in 2009, which is expected to be prepaid using proceeds of the 2009 Section 30 Bonds. See "GUAM FINANCIAL OPERATIONS – Existing and Authorized Indebtedness." Assumes interest rate on 2002 loan of 8%.

⁽²⁾ Totals may not add due to rounding.

²⁸ Government of Guam. (2009, June). Official Statement. \$271,070,000 Government of Guam General Obligation Bonds 2009 Series A. <http://emma.msrb.org/default.aspx>

\$202.4M LO (Section 30) Bonds Series 2009A²⁹

Fiscal Year Ending Sept. 30	2001A Bonds Total	Series 2009A			
		Principal	Interest	Total ⁽¹⁾	Total ⁽¹⁾
2010	\$ 9,822,288	--	\$ 10,668,687	\$ 10,668,687	\$ 20,490,975
2011	9,825,275	--	11,197,456	11,197,456	21,022,731
2012	9,825,631	--	11,197,456	11,197,456	21,023,087
2013		\$ 4,590,000	11,082,706	15,672,706	15,672,706
2014		4,825,000	10,847,331	15,672,331	15,672,331
2015		5,070,000	10,599,956	15,669,956	15,669,956
2016		5,330,000	10,339,956	15,669,956	15,669,956
2017		5,610,000	10,059,444	15,669,444	15,669,444
2018		5,915,000	9,756,913	15,671,913	15,671,913
2019		6,240,000	9,430,044	15,670,044	15,670,044
2020		6,595,000	9,077,081	15,672,081	15,672,081
2021		6,965,000	8,707,972	15,672,972	15,672,972
2022		7,350,000	8,322,100	15,672,100	15,672,100
2023		7,755,000	7,914,934	15,669,934	15,669,934
2024		8,185,000	7,485,266	15,670,266	15,670,266
2025		8,640,000	7,031,750	15,671,750	15,671,750
2026		9,130,000	6,542,081	15,672,081	15,672,081
2027		9,655,000	6,013,753	15,668,753	15,668,753
2028		10,215,000	5,454,909	15,669,909	15,669,909
2029		10,805,000	4,863,722	15,668,722	15,668,722
2030		11,435,000	4,238,222	15,673,222	15,673,222
2031		12,100,000	3,568,738	15,668,738	15,668,738
2032		12,820,000	2,852,288	15,672,288	15,672,288
2033		13,580,000	2,093,288	15,673,288	15,673,288
2034		14,380,000	1,289,438	15,669,438	15,669,438
2035		15,235,000	438,006	15,673,006	15,673,006
TOTAL⁽¹⁾	\$29,473,194	\$202,425,000	\$191,073,497	\$393,498,497	\$422,971,691

⁽¹⁾ Totals may not add due to rounding.

²⁹ Government of Guam. (2009, June). Official Statement. \$202,425,000 Government of Guam Limited Obligation (Section 30) Bonds, Series 2009A. <http://emma.msrb.org/default.aspx>

Annual Debt Service Requirements

\$65.7M Certificates of Participation Series 2010A³⁰

Date	Principal	Interest	Capitalized Interest	Net Debt Service	Additional Rental	FY Lease Payment
09/30/10						
12/01/10		908,593.75	908,593.75	-	-	
06/01/11		2,180,625.00	2,180,625.00	-		
09/30/11						-
10/15/11					1,568,000.00	
12/01/11	385,000.00	2,180,625.00	2,350,229.17	215,395.83		
06/01/12	395,000.00	2,170,037.50		2,565,037.50		
09/30/12						4,348,433.33
10/15/12					1,568,000.00	
12/01/12	415,000.00	2,159,175.00		2,574,175.00		
06/01/13	410,000.00	2,147,762.50		2,557,762.50		
09/30/13						6,699,937.50
10/15/13					1,568,000.00	
12/01/13	435,000.00	2,136,487.50		2,571,487.50		
06/01/14	435,000.00	2,124,525.00		2,559,525.00		
09/30/14						6,699,012.50
10/15/14					1,568,000.00	
12/01/14	455,000.00	2,112,562.50		2,567,562.50		
06/01/15	460,000.00	2,100,050.00		2,560,050.00		
09/30/15						6,695,612.50
10/15/15					1,568,000.00	
12/01/15	980,000.00	2,087,400.00		3,067,400.00		
06/01/16		2,060,450.00		2,060,450.00		
09/30/16						6,695,850.00
10/15/16					1,568,000.00	
12/01/16	510,000.00	2,060,450.00		2,570,450.00		
06/01/17	515,000.00	2,045,150.00				2,560,150.00
09/30/17						6,698,600.00
10/15/17						1,568,000.00
12/01/17	540,000.00	2,029,700.00				2,569,700.00
06/01/18	545,000.00	2,013,500.00				2,558,500.00
09/30/18						6,696,200.00
10/15/18						1,568,000.00
12/01/18	580,000.00	1,997,150.00				2,577,150.00
06/01/19	575,000.00	1,979,750.00				2,554,750.00
09/30/19						6,699,900.00
10/15/19						1,568,000.00
12/01/19	615,000.00	1,962,500.00				2,577,500.00
06/01/20	610,000.00	1,944,050.00				2,554,050.00
09/30/20						6,699,550.00
10/15/20						1,568,000.00
12/01/20	1,315,000.00	1,925,750.00				3,240,750.00
06/01/21		1,886,300.00				1,886,300.00
09/30/21						6,695,050.00
10/15/21						1,568,000.00
12/01/21	685,000.00	1,886,300.00				2,571,300.00
06/01/22	695,000.00	1,863,609.38				2,558,609.38
09/30/22						6,697,909.38
10/15/22						1,568,000.00
12/01/22	740,000.00	1,840,587.50				2,580,587.50
06/01/23	735,000.00	1,816,075.00				2,551,075.00
09/30/23						6,699,662.50

³⁰ Guam Economic Development Authority. (2013, March). Government of Guam Long-Term Debt Abstract. GDOE Certificate of Participation, Series 2010A (John F. Kennedy High School Project). <http://www.investguam.com>

Annual Debt Service Requirements

\$65.7M Certificates of Participation Series 2010A (Continued)

Date	Principal	Interest	Capitalized Interest	Net Debt Service	Additional Rental	FY Lease Payment
10/15/23					1,568,000.00	
12/01/23	785,000.00	1,791,728.13		2,576,728.13		
06/01/24	785,000.00	1,765,725.00		2,550,725.00		
09/30/24						6,695,453.13
10/15/24					1,568,000.00	
12/01/24	835,000.00	1,739,721.88		2,574,721.88		
06/01/25	840,000.00	1,712,062.50		2,552,062.50		
09/30/25						6,694,784.38
10/15/25					1,568,000.00	
12/01/25	890,000.00	1,684,237.50		2,574,237.50		
06/01/26	900,000.00	1,654,756.25		2,554,756.25		
09/30/26						6,696,993.75
10/15/26					1,568,000.00	
12/01/26	955,000.00	1,624,943.75		2,579,943.75		
06/01/27	955,000.00	1,593,309.38		2,548,309.38		
09/30/27						6,696,253.13
10/15/27					1,568,000.00	
12/01/27	1,015,000.00	1,561,675.00		2,576,675.00		
06/01/28	1,025,000.00	1,528,053.13		2,553,053.13		
09/30/28						6,697,728.13
10/15/28					1,568,000.00	
12/01/28	1,085,000.00	1,494,100.00		2,579,100.00		
06/01/29	1,090,000.00	1,458,159.38		2,548,159.38		
09/30/29						6,695,259.38
10/15/29					1,568,000.00	
12/01/29	1,165,000.00	1,422,053.13		2,587,053.13		
06/01/30	1,160,000.00	1,383,462.50		2,543,462.50		
09/30/30						6,698,515.63
10/15/30					1,568,000.00	
12/01/30	2,520,000.00	1,345,037.50		3,865,037.50		
06/01/31		1,261,562.50		1,261,562.50		
09/30/31						6,694,600.00
10/15/31					1,568,000.00	
12/01/31	1,325,000.00	1,261,562.50		2,586,562.50		
06/01/32	1,325,000.00				1,216,015.63	2,541,015.63
09/30/32						6,695,578.13
10/15/32					1,568,000.00	
12/01/32	1,415,000.00	1,170,468.75		2,585,468.75		
06/01/33	1,420,000.00	1,121,828.13		2,541,828.13		
09/30/33						6,695,296.88
10/15/33					1,568,000.00	
12/01/33	1,515,000.00	1,073,015.63		2,588,015.63		
06/01/34	1,520,000.00	1,020,937.50		2,540,937.50		
09/30/34						6,696,953.13
10/15/34					1,568,000.00	
12/01/34	1,620,000.00	968,687.50		2,588,687.50		
06/01/35	1,625,000.00	913,000.00		2,538,000.00		
09/30/35						6,694,687.50
10/15/35					1,568,000.00	
12/01/35	1,735,000.00	857,140.63		2,592,140.63		
06/01/36	1,740,000.00	797,500.00		2,537,500.00		
09/30/36						6,697,640.63
10/15/36					1,568,000.00	
12/01/36	1,855,000.00	737,687.50		2,592,687.50		
06/01/37	1,860,000.00	673,921.88		2,533,921.88		
09/30/37						6,694,609.38
10/15/37					1,568,000.00	
12/01/37	1,985,000.00	609,984.38		2,594,984.38		
06/01/38	1,990,000.00	541,750.00		2,531,750.00		
09/30/38						6,694,734.38
10/15/38					1,568,000.00	
12/01/38	2,125,000.00	473,343.75		2,598,343.75		
06/01/39	2,130,000.00	400,296.88		2,530,296.88		
09/30/39						6,696,640.63
10/15/39					1,568,000.00	
12/01/39	2,280,000.00	327,078.13		2,607,078.13		
06/01/40	2,275,000.00	248,703.13		2,523,703.13		
09/30/40						6,698,781.26
10/15/40					1,568,000.00	
12/01/40	4,960,000.00	170,500.00		5,130,500.00		
09/30/41						6,698,500.00
TOTAL	65,735,000.00	91,223,175.08	5,439,447.92	151,518,727.16	47,040,000.00	198,558,727.16

Annual Debt Service Requirements

\$30M GWA 2010 LOANS I & II³¹

Date	Principal	Interest	Debt Service	Fiscal Year Debt Service	Outstanding Balance					
					30,000,000.00					
07/15/10	216,085.35	184,726.03	400,811.38		29,783,914.65	01/15/13	248,296.74	152,514.64	400,811.38	22,922,501.72
08/13/10	217,415.91	183,395.47	400,811.38		29,566,498.74	02/15/13	249,931.07	150,880.31	400,811.38	22,672,570.65
09/17/10	181,087.74	219,723.64	400,811.38	1,202,434.14	29,385,411.00	03/15/13	266,018.30	134,793.08	400,811.38	22,406,552.35
10/15/10	226,109.08	174,702.30	400,811.38		29,159,301.92	04/15/13	253,327.15	147,484.23	400,811.38	22,153,225.20
11/15/10	208,879.26	191,932.12	400,811.38		28,950,422.66	05/15/13	259,698.37	141,113.01	400,811.38	21,893,526.83
12/15/10	216,401.15	184,410.23	400,811.38		28,734,021.51	06/15/13	256,703.99	144,107.39	400,811.38	21,636,822.84
01/14/11	217,779.60	183,031.78	400,811.38		28,516,241.91	07/15/13	262,987.78	137,823.60	400,811.38	21,373,835.06
02/14/11	213,112.00	187,699.38	400,811.38		28,303,129.91	08/15/13	260,124.70	140,686.68	400,811.38	21,113,710.36
03/15/11	226,533.90	174,277.48	400,811.38		28,076,596.01	09/15/13	261,836.89	138,974.49	400,811.38	4,809,736.56
04/15/11	216,005.84	184,805.54	400,811.38		27,860,590.17	10/15/13	267,987.80	132,823.58	400,811.38	20,583,885.67
05/15/11	223,343.24	177,468.14	400,811.38		27,637,246.93	11/15/13	265,324.30	135,487.08	400,811.38	20,318,561.37
06/15/11	219,039.98	181,771.40	400,811.38		27,418,206.95	12/15/13	271,384.92	129,426.46	400,811.38	20,047,176.45
07/15/11	226,161.16	174,650.22	400,811.38		27,192,045.79	01/15/14	268,857.03	131,954.35	400,811.38	19,778,319.42
08/15/11	221,828.12	178,983.26	400,811.38		26,970,217.67	02/15/14	270,626.68	130,184.70	400,811.38	19,507,692.74
09/15/11	223,288.23	177,523.15	400,811.38	4,809,736.56	26,746,929.44	03/15/14	284,834.15	115,977.17	400,811.38	19,222,858.59
10/15/11	230,437.11	170,374.27	400,811.38		26,516,492.33	04/15/14	274,282.83	126,528.55	400,811.38	18,948,575.76
11/15/11	226,274.73	174,536.65	400,811.38		26,290,217.60	05/15/14	280,111.55	120,699.83	400,811.38	18,668,464.21
12/15/11	233,346.30	167,465.08	400,811.38		26,056,871.30	06/15/14	277,931.97	122,879.41	400,811.38	18,390,532.24
01/15/12	229,300.06	171,511.32	400,811.38		25,827,571.24	07/15/14	283,666.21	117,145.17	400,811.38	18,106,866.03
02/15/12	230,809.35	170,002.03	400,811.38		25,596,761.89	08/15/14	281,628.51	119,182.87	400,811.38	17,825,237.52
03/15/12	243,198.44	157,612.94	400,811.38		25,353,563.45	09/15/14	283,482.25	117,329.13	400,811.38	4,809,736.56
04/15/12	233,929.37	166,882.01	400,811.38		25,119,634.08	10/15/14	289,072.80	111,738.58	400,811.38	17,252,682.47
05/15/12	240,802.75	160,008.63	400,811.38		24,878,831.33	11/15/14	287,250.92	113,560.46	400,811.38	16,965,431.55
06/15/12	237,054.13	163,757.25	400,811.38		24,641,777.20	12/15/14	292,743.90	108,067.48	400,811.38	16,672,687.65
07/15/12	243,846.65	156,964.73	400,811.38		24,397,930.55	01/15/15	291,068.56	109,742.82	400,811.38	16,381,619.09
08/15/12	240,219.52	160,591.86	400,811.38		24,157,711.03	02/15/15	292,984.41	107,826.97	400,811.38	16,088,634.68
09/15/12	241,800.69	159,010.69	400,811.38	4,809,736.56	23,915,910.34	03/15/15	305,161.14	95,650.24	400,811.38	15,783,473.54
10/15/12	248,470.31	152,341.07	400,811.38		23,667,440.03	04/15/15	296,921.54	103,889.84	400,811.38	15,486,552.00
11/15/12	245,027.74	155,783.64	400,811.38		23,422,412.29	05/15/15	302,164.17	98,647.21	400,811.38	15,184,387.83
12/15/12	251,613.83	149,197.55	400,811.38		23,170,798.46	06/15/15	15,184,387.83	99,946.56	15,284,286.05	18,490,777.09
						TOTAL	30,000,000.00	8,932,205.75	38,932,157.47	38,932,157.47

³¹ Guam Economic Development Authority. (2013, March). Government of Guam Long-Term Debt Abstract. GWA 2010 Loans I & II. <http://www.investguam.com>

\$90.7M Hotel Occupancy Tax Revenue Bonds Series 2011A³²

Fiscal Year Ending September 30	Principal	Interest⁽¹⁾	Total⁽²⁾
2012	\$1,670,000.00	\$2,131,286.55	\$3,801,286.55
2013	1,740,000.00	5,258,362.50	6,998,362.50
2014	1,785,000.00	5,214,187.50	6,999,187.50
2015	1,845,000.00	5,152,818.75	6,997,818.75
2016	1,920,000.00	5,078,625.00	6,998,625.00
2017	2,010,000.00	4,988,775.00	6,998,775.00
2018	2,110,000.00	4,885,775.00	6,995,775.00
2019	2,220,000.00	4,774,750.00	6,994,750.00
2020	2,345,000.00	4,651,987.50	6,996,987.50
2021	2,480,000.00	4,516,200.00	6,996,200.00
2022	2,630,000.00	4,369,287.50	6,999,287.50
2023	2,790,000.00	4,209,975.00	6,999,975.00
2024	2,960,000.00	4,037,475.00	6,997,475.00
2025	3,145,000.00	3,854,325.00	6,999,325.00
2026	2,215,000.00	3,693,525.00	5,908,525.00
2027	2,350,000.00	3,556,575.00	5,906,575.00
2028	2,500,000.00	3,409,512.50	5,909,512.50
2029	2,655,000.00	3,251,640.63	5,906,640.63
2030	2,825,000.00	3,083,815.63	5,908,815.63
2031	3,005,000.00	2,905,271.88	5,910,271.88
2032	3,195,000.00	2,715,396.88	5,910,396.88
2033	3,400,000.00	2,507,050.00	5,907,050.00
2034	3,630,000.00	2,278,575.00	5,908,575.00
2035	3,875,000.00	2,034,662.50	5,909,662.50
2036	4,135,000.00	1,774,337.50	5,909,337.50
2037	4,410,000.00	1,496,625.00	5,906,625.00
2038	4,710,000.00	1,200,225.00	5,910,225.00
2039	5,025,000.00	883,837.50	5,908,837.50
2040	5,360,000.00	546,325.00	5,906,325.00
2041	5,725,000.00	186,062.50	5,911,062.50
TOTAL⁽²⁾	\$90,665,000.00	\$98,647,267.82	\$189,312,267.82

⁽¹⁾Net of capitalized interest.⁽²⁾Totals may not add due to independent rounding.

³² Government of Guam. (2011, May). Official Statement. \$90,665,000 *Government of Guam Hotel Occupancy Tax Revenue Bonds Series 2011A*.
<http://emma.msrb.org/default.aspx>

\$12M GMHA Loan 2011³³

Date	Principal	Interest	Debt Service	Fiscal Year Debt Service	Outstanding Balance					
					12,000,000.00	01/01/13	43,040.64	61,592.93	104,633.57	11,113,992.22
04/04/11	10,606.17	94,027.40	104,633.57		11,989,393.83	02/01/13	43,278.24	61,355.33	104,633.57	11,070,713.98
05/02/11	38,445.55	66,188.02	104,633.57		11,950,948.28	03/01/13	49,431.65	55,201.92	104,633.57	11,021,282.33
06/01/11	40,786.04	63,847.53	104,633.57		11,910,162.24	04/01/13	43,790.06	60,843.51	104,633.57	10,977,492.27
07/01/11	41,003.93	63,629.64	104,633.57		11,869,158.31	05/01/13	45,986.69	58,646.88	104,633.57	10,931,505.58
08/01/11	39,109.32	65,524.25	104,633.57		11,830,048.99	06/01/13	44,285.67	60,347.90	104,633.57	10,887,219.91
09/01/11	39,325.21	65,308.36	104,633.57	627,801.42	11,790,723.78	07/01/13	46,468.97	58,164.60	104,633.57	10,840,750.94
10/01/11	41,642.04	62,991.53	104,633.57		11,749,081.74	08/01/13	44,786.68	59,846.89	104,633.57	10,795,964.26
11/01/11	39,772.20	64,861.37	104,633.57		11,709,309.54	09/01/13	45,033.94	59,599.63	104,633.57	1,255,602.84
12/01/11	42,076.98	62,556.59	104,633.57		11,667,232.56	10/01/13	47,197.09	57,436.48	104,633.57	10,703,733.23
01/01/12	40,224.05	64,409.52	104,633.57		11,627,008.51	11/01/13	45,543.10	59,090.47	104,633.57	10,658,190.13
02/01/12	40,446.12	64,187.45	104,633.57		11,586,562.39	12/01/13	47,692.55	56,941.02	104,633.57	10,610,497.58
03/01/12	44,796.11	59,837.46	104,633.57		11,541,766.28	01/01/14	46,057.81	58,575.76	104,633.57	10,564,439.77
04/01/12	40,916.70	63,716.87	104,633.57		11,500,849.58	02/01/14	46,312.07	58,321.50	104,633.57	10,518,127.70
05/01/12	43,190.68	61,442.89	104,633.57		11,457,658.90	03/01/14	52,187.02	52,446.55	104,633.57	10,465,940.68
06/01/12	41,381.01	63,252.56	104,633.57		11,416,277.89	04/01/14	46,855.84	57,777.73	104,633.57	10,419,084.84
07/01/12	43,642.50	60,991.07	104,633.57		11,372,635.39	05/01/14	48,969.97	55,663.60	104,633.57	10,370,114.87
08/01/12	41,850.39	62,783.18	104,633.57		11,330,785.00	06/01/14	47,384.85	57,248.72	104,633.57	10,322,730.02
09/01/12	42,081.43	62,552.14	104,633.57	1,255,602.84	11,288,703.57	07/01/14	49,484.74	55,148.83	104,633.57	10,273,245.28
10/01/12	44,324.05	60,309.52	104,633.57		11,244,379.52	08/01/14	47,919.63	56,713.94	104,633.57	10,225,325.65
11/01/12	42,558.44	62,075.13	104,633.57		11,201,821.08	09/01/14	48,184.17	56,449.40	104,633.57	1,255,602.84
12/01/12	44,788.22	59,845.35	104,633.57		11,157,032.86	10/01/14	50,262.54	54,371.03	104,633.57	10,126,878.94
						11/01/14	48,727.65	55,905.92	104,633.57	10,078,151.29
						12/01/14	50,791.39	53,842.18	104,633.57	10,027,359.90

³³ Guam Economic Development Authority. (2013, March). Government of Guam Long-Term Debt Abstract. GMHA Loan 2011. <http://www.investguam.com>

Annual Debt Service Requirements

\$12M GMHA Loan 2011 (Continued)

01/01/15	49,277.05	55,356.52	104,633.57		9,978,082.85	01/01/16	52,711.88	51,921.69	104,633.57		9,352,456.62
02/01/15	49,549.08	55,084.49	104,633.57		9,928,533.77	02/01/16	53,002.89	51,630.68	104,633.57		9,299,453.73
03/01/15	55,126.91	49,506.66	104,633.57		9,873,406.86	03/01/16	56,607.62	48,025.95	104,633.57		9,242,846.11
04/01/15	50,126.95	54,506.62	104,633.57		9,823,279.91	04/01/16	53,608.00	51,025.57	104,633.57		9,189,238.11
05/01/15	52,153.04	52,480.53	104,633.57		9,771,126.87	05/01/16	55,540.38	49,093.19	104,633.57		9,133,697.73
06/01/15	50,691.59	53,941.98	104,633.57		9,720,435.28	06/01/16	54,210.55	50,423.02	104,633.57		9,079,487.18
07/01/15	52,702.48	51,931.09	104,633.57		9,667,732.80	07/01/16	56,126.72	48,506.85	104,633.57		9,023,360.46
						08/01/16	54,819.68	49,813.89	104,633.57		8,968,540.78
						09/01/16	55,122.31	49,511.26	104,633.57	1,255,602.84	8,913,418.47
						10/01/16	57,013.94	47,619.63	104,633.57		8,856,404.53
						11/01/16	55,741.36	48,892.21	104,633.57		8,800,663.17
						12/01/16	57,616.33	47,017.24	104,633.57		8,743,046.84
						01/01/17	56,367.16	48,266.41	104,633.57		8,686,679.68
						02/01/17	56,678.34	47,955.23	104,633.57		8,630,001.34
						03/01/17	61,601.78	43,031.79	104,633.57		8,568,399.56
						04/01/17	57,331.31	47,302.26	104,633.57		8,511,068.25
						05/01/17	59,163.48	45,470.09	104,633.57		8,451,904.77
						06/01/17	57,974.42	46,659.15	104,633.57		8,393,930.35
						07/01/17	59,789.29	44,844.28	104,633.57		8,334,141.06
						08/01/17	58,624.54	46,009.03	104,633.57		8,275,516.52
						09/01/17	58,948.19	45,685.38	104,633.57	1,255,602.84	8,216,568.33
						10/01/17	60,736.83	43,896.74	104,633.57		8,155,831.50
						11/01/17	59,608.91	45,024.66	104,633.57		8,096,222.59
						12/01/17	61,379.78	43,253.79	104,633.57		8,034,842.81
						01/31/18	8,034,842.81	87,282.61	8,122,125.42	8,436,026.13	0.00
						TOTAL	12,000,000.00	4,597,444.59	16,597,444.59	16,597,444.59	

Appendix 8:
Annual Debt Service Requirements

\$235M Business Privilege Tax Bonds Series 2011A³⁴

<u>Fiscal Year</u> <u>Ending Sept. 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Capitalized</u> <u>Interest</u>	<u>Net Total</u>
2012		\$ 6,969,674	\$ 6,969,674	\$ 6,969,674	\$ 0
2013		11,948,013	11,948,013	11,948,013	0
2014		11,948,013	11,948,013	5,974,006	5,974,006
2015		11,948,013	11,948,013		11,948,013
2016		11,948,013	11,948,013		11,948,013
2017	\$ 4,515,000	11,835,513	16,350,513		16,350,513
2018	4,730,000	11,616,763	16,346,763		16,346,763
2019	4,965,000	11,386,388	16,351,388		16,351,388
2020	5,215,000	11,131,888	16,346,888		16,346,888
2021	5,475,000	10,872,138	16,347,138		16,347,138
2022	5,750,000	10,599,013	16,349,013		16,349,013
2023	6,045,000	10,304,138	16,349,138		16,349,138
2024	6,355,000	9,994,138	16,349,138		16,349,138
2025	6,680,000	9,668,263	16,348,263		16,348,263
2026	7,025,000	9,325,638	16,350,638		16,350,638
2027	7,385,000	8,965,388	16,350,388		16,350,388
2028	7,765,000	8,586,638	16,351,638		16,351,638
2029	8,160,000	8,188,513	16,348,513		16,348,513
2030	8,580,000	7,770,013	16,350,013		16,350,013
2031	9,020,000	7,330,013	16,350,013		16,350,013
2032	9,495,000	6,855,269	16,350,269		16,350,269
2033	10,005,000	6,343,394	16,348,394		16,348,394
2034	10,545,000	5,803,956	16,348,956		16,348,956
2035	11,115,000	5,235,381	16,350,381		16,350,381
2036	11,715,000	4,636,094	16,351,094		16,351,094
2037	12,335,000	4,012,491	16,347,491		16,347,491
2038	12,985,000	3,363,666	16,348,666		16,348,666
2039	13,670,000	2,680,631	16,350,631		16,350,631
2040	14,385,000	1,961,722	16,346,722		16,346,722
2041	15,145,000	1,205,016	16,350,016		16,350,016
2042	15,940,000	408,463	16,348,463		16,348,463
TOTALS*	\$235,000,000	\$244,842,243	\$479,842,243	\$24,891,693	\$454,950,550

* Totals may not add due to rounding.

³⁴ Government of Guam. (2011, November). Official Statement. \$235,000,000 *Government of Guam Business Privilege Tax Bonds, Series 2011A*. <http://emma.msrb.org/default.aspx>

\$108.7M Business Privilege Tax Bonds Series 2012B³⁵

Fiscal Year Ending Sept. 30	Series 2011A Net Debt Service	Series 2012B Principal	Series 2012B Interest	Series 2012B Total	Series 2012B Capitalized Interest	Net Total
2012	—	—	\$ 364,309	\$ 364,309	\$ (364,309)	\$ 0
2013	—	—	5,246,046	5,246,046	(5,246,046)	0
2014	\$ 5,974,006	—	5,246,046	5,246,046	(2,623,023)	8,597,029
2015	11,948,013	—	5,246,046	5,246,046	—	17,194,059
2016	11,948,013	—	5,246,046	5,246,046	—	17,194,059
2017	16,350,513	\$2,305,000	5,212,244	7,517,244	—	23,867,756
2018	16,346,763	2,370,000	5,139,324	7,509,324	—	23,856,086
2019	16,351,388	2,450,000	5,057,320	7,507,320	—	23,858,707
2020	16,346,888	2,535,000	4,958,878	7,493,878	—	23,840,765
2021	16,347,138	2,650,000	4,845,249	7,495,249	—	23,842,386
2022	16,349,013	2,765,000	4,726,579	7,491,579	—	23,840,591
2023	16,349,138	2,885,000	4,595,547	7,480,547	—	23,829,684
2024	16,349,138	3,025,000	4,451,254	7,476,254	—	23,825,392
2025	16,348,263	3,175,000	4,299,881	7,474,881	—	23,823,144
2026	16,350,638	3,325,000	4,141,119	7,466,119	—	23,816,757
2027	16,350,388	3,435,000	3,974,000	7,409,000	—	23,759,388
2028	16,351,638	3,605,000	3,798,000	7,403,000	—	23,754,638
2029	16,348,513	3,785,000	3,613,250	7,398,250	—	23,746,763
2030	16,350,013	3,975,000	3,419,250	7,394,250	—	23,744,263
2031	16,350,013	4,175,000	3,215,500	7,390,500	—	23,740,513
2032	16,350,269	4,380,000	3,001,625	7,381,625	—	23,731,894
2033	16,348,394	4,600,000	2,777,125	7,377,125	—	23,725,519
2034	16,348,956	4,830,000	2,541,375	7,371,375	—	23,720,331
2035	16,350,381	5,075,000	2,293,750	7,368,750	—	23,719,131
2036	16,351,094	5,325,000	2,033,750	7,358,750	—	23,709,844
2037	16,347,491	5,590,000	1,761,313	7,351,313	—	23,698,803
2038	16,348,666	5,870,000	1,475,250	7,345,250	—	23,693,916
2039	16,350,631	6,165,000	1,174,375	7,339,375	—	23,690,006
2040	16,346,722	6,475,000	858,375	7,333,375	—	23,680,097
2041	16,350,016	6,795,000	526,625	7,321,625	—	23,671,641
2042	16,348,463	7,135,000	178,375	7,313,375	—	23,661,838
TOTALS*	\$454,950,550	\$108,700,000	\$105,417,826	\$214,117,826	\$(8,233,378)	\$660,834,997

* Totals may not add due to rounding.

³⁵ Government of Guam. (2012, June). Official Statement. \$81,325,000 *Government of Guam Business Privilege Tax Bonds, Series 2012B-1*; \$27,375,000 *Government of Guam Business Privilege Tax Bonds, Series 2012B-2 (Taxable)*. <http://emma.msrb.org/default.aspx>

\$22.6M Business Privilege Tax Bonds Series 2013C³⁶

Fiscal Year Ending Sept. 30	Series 2011A and 2012B Net Debt Service	Series 2013C Principal	Series 2013C Interest	Series 2013C Total	Net Total
2013	—	—	\$ 279,382	\$ 279,382	\$ 279,382
2014	\$ 8,597,029	\$ 1,300,000	1,006,800	2,306,800	10,903,829
2015	17,194,059	3,910,000	909,100	4,819,100	22,013,159
2016	17,194,059	4,060,000	749,700	4,809,700	22,003,759
2017	23,867,756	4,240,000	562,500	4,802,500	28,670,256
2018	23,856,086	4,455,000	345,125	4,800,125	28,656,211
2019	23,858,707	4,675,000	116,875	4,791,875	28,650,582
2020	23,840,765	—	—	—	23,840,765
2021	23,842,386	—	—	—	23,842,386
2022	23,840,591	—	—	—	23,840,591
2023	23,829,684	—	—	—	23,829,684
2024	23,825,392	—	—	—	23,825,392
2025	23,823,144	—	—	—	23,823,144
2026	23,816,757	—	—	—	23,816,757
2027	23,759,388	—	—	—	23,759,388
2028	23,754,638	—	—	—	23,754,638
2029	23,746,763	—	—	—	23,746,763
2030	23,744,263	—	—	—	23,744,263
2031	23,740,513	—	—	—	23,740,513
2032	23,731,894	—	—	—	23,731,894
2033	23,725,519	—	—	—	23,725,519
2034	23,720,331	—	—	—	23,720,331
2035	23,719,131	—	—	—	23,719,131
2036	23,709,844	—	—	—	23,709,844
2037	23,698,803	—	—	—	23,698,803
2038	23,693,916	—	—	—	23,693,916
2039	23,690,006	—	—	—	23,690,006
2040	23,680,097	—	—	—	23,680,097
2041	23,671,641	—	—	—	23,671,641
2042	23,661,838	—	—	—	23,661,838
TOTALS*	\$660,834,997	\$22,640,000	\$3,969,482	\$26,609,482	\$687,444,479

* Totals may reflect rounding.

³⁶ Government of Guam. (2013, February). Official Statement. \$22,640,000 Government of Guam Business Privilege Tax Bonds, Series 2013C. <http://emma.msrb.org/default.aspx>

\$22.8M Guam Education Financing Foundation II (Okkodo High School Expansion Project)³⁷

Date	Principal	Interest	Total Debt Service	Fiscal Year Debt Service	Outstanding Balance
					22,818,000.00
06/01/13		337,199.34	337,199.34	337,199.34	
12/01/13		798,630.00	798,630.00		
06/01/14		798,630.00	798,630.00		
09/30/14				1,597,260.00	
12/01/14	380,000.00	798,630.00	1,178,630.00		22,438,000.00
06/01/15	395,000.00	785,330.00	1,180,330.00		22,043,000.00
09/30/15				2,358,960.00	
12/01/15	405,000.00	771,505.00	1,176,505.00		21,638,000.00
06/01/16	425,000.00	757,330.00	1,182,330.00		21,213,000.00
09/30/16				2,358,835.00	
12/01/16	435,000.00	742,455.00	1,177,455.00		20,778,000.00
06/01/17	450,000.00	727,230.00	1,177,230.00		20,328,000.00
09/30/17				2,354,685.00	
12/01/17	465,000.00	711,480.00	1,176,480.00		19,863,000.00
06/01/18	485,000.00	695,205.00	1,180,205.00		19,378,000.00
09/30/18				2,356,685.00	
12/01/18	500,000.00	678,230.00	1,178,230.00		18,878,000.00
06/01/19	520,000.00	660,730.00	1,180,730.00		18,358,000.00
09/30/19				2,358,960.00	
12/01/19	535,000.00	642,530.00	1,177,530.00		17,823,000.00
06/01/20	555,000.00	623,805.00	1,178,805.00		17,268,000.00
09/30/20				2,356,335.00	
12/01/20	575,000.00	604,380.00	1,179,380.00		16,693,000.00
06/01/21	595,000.00	584,255.00	1,179,255.00		16,098,000.00
09/30/21				2,358,635.00	
12/01/21	615,000.00	563,430.00	1,178,430.00		15,483,000.00
06/01/22	635,000.00	541,905.00	1,176,905.00		14,848,000.00
09/30/22				2,355,335.00	

12/01/22	660,000.00	519,680.00	1,179,680.00		14,188,000.00
06/01/23	680,000.00	496,580.00	1,176,580.00		13,508,000.00
09/30/23				2,356,260.00	
12/01/23	785,000.00	472,780.00	1,257,780.00		12,723,000.00
06/01/24	810,000.00	445,305.00	1,255,305.00		11,913,000.00
09/30/24				2,513,085.00	
12/01/24	895,000.00	416,955.00	1,311,955.00		11,018,000.00
06/01/25	975,000.00	385,630.00	1,360,630.00		10,043,000.00
09/30/25				2,672,585.00	
12/01/25	930,000.00	351,505.00	1,281,505.00		9,113,000.00
06/01/26	975,000.00	318,955.00	1,293,955.00		8,138,000.00
09/30/26				2,575,460.00	
12/01/26	960,000.00	284,830.00	1,244,830.00		7,178,000.00
06/01/27	985,000.00	251,230.00	1,236,230.00		6,193,000.00
09/30/27				2,481,060.00	
12/01/27	975,000.00	216,755.00	1,191,755.00		5,218,000.00
06/01/28	1,010,000.00	182,630.00	1,192,630.00		4,208,000.00
09/30/28				2,384,385.00	
12/01/28	995,000.00	147,280.00	1,142,280.00		3,213,000.00
06/01/29	1,025,000.00	112,455.00	1,137,455.00		2,188,000.00
09/30/29				2,279,735.00	
12/01/29	1,188,000.00	76,580.00	1,264,580.00		1,000,000.00
06/01/30	1,000,000.00	35,000.00	1,035,000.00		0.00
09/30/30				0.00	2,299,580.00
	22,818,000	17,537,039	40,355,039		40,355,039

³⁷ Guam Economic Development Authority (January 2014). *Government of Guam Long-term Debt Abstract*. <http://www.investguam.com>

Appendix 8: Annual Debt Service Requirements

Description of Indebtedness	Issue Date (FY)	Issue Amount						Maturity Date (FY)	Debt Term	
			FY 2014	FY 2015	FY 2016	FY 2017	FY 2018			
A Public Indebtedness Subject to the Debt Ceiling										
i) General Obligation Bonds and Other General Obligations										
General Obligation Bonds, 1993 Series A	1993	\$ 175,000,000							2018	
General Obligation Bonds, 2007 Series A			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		11
General Obligation Bonds, 2009 Series A	2008	\$ 151,935,000	\$ 7,874,700	\$ 7,874,700	\$ 7,874,700	\$ 7,874,700	\$ 7,874,700	\$ 7,874,700	2038	30
Guam Waterworks Authority Loan (2010)	2009	\$ 271,070,000	\$ 21,422,494	\$ 21,417,381	\$ 21,404,013	\$ 21,396,063	\$ 21,392,213	\$ 21,392,213	2040	31
Guam Memorial Hospital Authority Loan (2011)	2010	\$ 30,000,000	\$ 4,809,737	\$ 18,490,777	\$ -	\$ -	\$ -	\$ -	2015	5
	2011	\$ 12,000,000	\$ 1,255,603	\$ 1,255,603	\$ 1,255,603	\$ 1,255,603	\$ 8,436,026	\$ 8,436,026	2018	7
Subtotal, General Obligation Bonds and Other General Obligations		\$ 640,005,000	\$ 35,362,533	\$ 49,038,461	\$ 30,534,315	\$ 30,526,365	\$ 37,702,939			
ii) Limited Obligation Bonds and Other Limited Obligations										
University of Guam Rural Development Loan (2003)	2003	\$ 13,500,000	\$ 750,060	\$ 750,060	\$ 750,060	\$ 750,060	\$ 750,060	\$ 750,060	2044	41
Limited Obligation (Section 30) Bonds, 2009 Series A	2009	\$ 202,425,000	\$ 15,672,331	\$ 15,669,956	\$ 15,669,956	\$ 15,669,444	\$ 15,671,913	\$ 15,671,913	2035	26
Limited Obligation (Hotel Occupancy Tax) Bonds, 2011 Series A	2011	\$ 90,665,000	\$ 6,999,188	\$ 6,997,819	\$ 6,998,625	\$ 6,998,775	\$ 6,995,775	\$ 6,995,775	2041	30
Business Privilege Tax (BPT) Bonds, Series 2011 A	2012	\$ 235,000,000	\$ 5,974,006	\$ 11,948,013	\$ 11,948,013	\$ 16,350,513	\$ 16,346,763	\$ 16,346,763	2042	30
Business Privilege Tax (BPT) Bonds, Series 2012 B-1 and 2012 B-2	2012	\$ 108,700,000	\$ 2,623,023	\$ 5,246,046	\$ 5,246,046	\$ 7,517,244	\$ 7,509,324	\$ 7,509,324	2042	30
Business Privilege Tax (BPT) Bonds, Series 2013 C	2013	\$ 22,640,000	\$ 2,306,800	\$ 4,819,100	\$ 4,809,700	\$ 4,802,500	\$ 4,800,125	\$ 4,800,125	2019	6
Subtotal, Limited Obligation Bonds and Other Limited Obligations		\$ 672,930,000	\$ 34,325,408	\$ 45,430,994	\$ 45,422,400	\$ 52,088,535	\$ 52,073,959			
Subtotal Public Indebtedness Subject to Debt Ceiling		\$ 1,312,935,000	\$ 69,687,941	\$ 94,469,455	\$ 75,956,715	\$ 82,614,900	\$ 89,776,897			
B Debt Not Subject to Debt Ceiling										
Notes Payable (2002)	2002	\$ 10,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	2013	11
Subtotal, Notes Payables		\$ 10,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
GEFF COPs	2007 and 2009	\$ 72,415,000	\$ 7,100,000	\$ 7,100,000	\$ 7,100,000	\$ 7,100,000	\$ 7,100,000	\$ 7,100,000	2027	20
GDOE COPs (JFKHS)	2010	\$ 65,735,000	\$ 6,699,013	\$ 6,695,613	\$ 6,695,850	\$ 6,698,600	\$ 6,696,200	\$ 6,696,200	2041	31
GEFF COPs, Okkodo Expansion	2013	\$ 22,818,000	\$ 1,597,260	\$ 2,358,960	\$ 2,358,835	\$ 2,354,685	\$ 2,356,685	\$ 2,356,685	2030	17
Subtotal, COPs		\$ 160,968,000	\$ 15,396,273	\$ 16,154,573	\$ 16,154,685	\$ 16,153,285	\$ 16,152,885			
Judicial Building Fund Revenue Notes (2006)	2006	\$ 11,000,000	\$ 993,005	\$ 993,005	\$ 993,005	\$ 993,005	\$ 993,005	\$ 993,005	2019	13
Subtotal Debt Not Subject to Debt Ceiling		\$ 181,968,000	\$ 16,389,277	\$ 17,147,577	\$ 17,147,690	\$ 17,146,290	\$ 17,145,890			
C Subtotal, Long-Term Debt [A+B]		\$ 1,494,903,000	\$ 86,077,218	\$ 111,617,032	\$ 93,104,405	\$ 99,761,190	\$ 106,922,787			
Notes:										
Below were excluded debt from the list above due to refunding, maturity, or redemption.										
Description of Indebtedness	Issue Date Fiscal Year	Issue Amount	Remarks							
Guam General Obligation Bonds, 1993 Series A	1993	\$ 175,000,000	Partially refunded via 2007 GO Bonds (\$77M); Remaining was refunded with BPT 2013 Series C in 02/07/2013.							
Limited Obligation Infrastructure Improvement Bonds, 1997 Series A	1998	\$ 76,275,000	Bonds refunded 04/28/2011 with 2011 HOT Bonds (The \$90.7M indicated on the debt abstract is the principal amount of the 2011 HOT bond)							
Limited Obligation Highway Refunding Bonds, 2001 Series A	2001	\$ 51,705,000	Bonds redeemed 10/28/2011 at \$5.8M							
Limited Obligation (Section 30) Bonds, 2001 Series A	2002	\$ 76,895,000	Bonds matured 12/01/2011							
Note Payable (2008)	2008	\$ 13,800,000	Loan was paid off in 07/01/2012							

Appendix 9:

GovGuam Bond Credit Ratings³⁸

Series	Standard & Pools			Fitch			Moody's		
	Date	Rating	Outlook	Date	Rating	Outlook	Date	Rating	Outlook
Government of Guam General Obligation Bonds									
General Obligation Bonds Series 1993 A	10/27/99	BBB	Negative						
	5/26/99	BBB-	Negative						
	3/28/02	BB	Stable						
	5/6/03	B	Stable						
	12/15/05	B	Stable						
	3/9/07	B	Credit Watch						
	6/20/07	B	Stable						
	10/28/08	B+	Stable						
General Obligation Bonds Series 2007 A	10/15/07	B	Stable						
	6/13/12	B+	Stable						
	10/16/13	BB-	Stable						
General Obligation Bonds Series 2009 A	5/18/09	B+	Stable						
	5/5/11	B+	Stable						
	10/16/13	BB-	Stable						
Government of Guam Limited Obligation Bonds									
Limited Obligation (Section 30) Bonds Series 2009 A	5/20/09	BBB-	Stable						
	6/13/12	BBB+	Stable						
	10/21/13	BBB+	Stable						
Hotel Occupancy Tax Revenue Bonds Series 2011 A	3/9/11	BBB+	Stable						
	6/13/12	BBB+	Stable						
	10/18/13	BBB-	Stable						
Business Privilege Tax Bonds	11/3/11	A	Stable	11/2/11	A-	Stable			
	5/9/12	A	Stable	5/8/12	A-	Stable			
	1/30/13	A	Stable	1/28/13	A-	Stable			
	10/18/13	A	Stable						
Guam International Airport Authority Revenue Bonds									
GIAA General Revenue Bonds 2003 Series A, B, C, D	5/20/99	BBB	Stable				9/24/03	Baa3	Stable
	7/26/02	BBB-	Stable				7/18/07	Baa2	Stable
	9/23/03	BBB-	Stable				2/13/11	Baa2	Stable
	10/16/06	BBB	Stable						
	12/31/08	BBB	Stable						
	12/30/10	BBB	Positive						
	3/2/12	BBB	Stable						
	8/13/13	BBB	Stable						
GIAA General Revenue Bonds 2013 Series A, B, C, D	8/13/13	BBB	Stable				8/16/13	Baa2	Stable
Guam Power Authority Revenue Bonds									
Guam Power Authority Senior Revenue Bonds 2010 Series A	5/28/10	BBB	Stable	6/3/10	BBB-	Stable	6/7/10	Ba1	Stable
	9/25/12	BBB	Stable	6/24/10	BBB-	Stable	1/19/11	Ba1	Stable
				7/30/11	BBB-	Stable			
				9/24/12	BBB-	Stable			
Guam Power Authority Subordinate Revenue Bonds 2010 Series A	5/28/10	BBB-	Stable	6/3/10	BB+	Stable	6/7/10	Ba2	Stable
	5/28/10	BBB-	Stable	6/24/10	BB+	Stable	1/19/11	Ba2	Stable
				7/30/11	BB+	Stable			
				9/24/12	BB+	Stable			
Guam Power Authority Revenue Bonds 2012 Series A	9/25/12	BBB	Stable	9/24/12	BBB-	Stable	9/24/12	Baa3	Stable

³⁸ Guam Economic Development Authority (January 2014). *Government of Guam Long-term Debt Abstract*. <http://www.investguam.com>

Guam Credit Ratings									
Series	Standard & Poors			Fitch			Moody's		
	Date	Rating	Outlook	Date	Rating	Outlook	Date	Rating	Outlook
Guam Waterworks Authority Revenue Bonds									
Guam Waterworks Authority Revenue Bonds 2005 Series				11/30/05	BB	Stable	12/7/09	Ba2	Stable
				1/27/09	BB	Positive	11/6/13	Ba1	Positive
				10/7/09	BB	Stable			
				10/18/11	BB	Stable			
				10/16/12	BB	Stable			
	12/20/13	A-	Stable						
Guam Waterworks Authority Revenue Bonds 2010 Series				10/29/10	BB	Stable	10/29/10	Ba2	Stable
				10/18/11	BB	Stable	11/6/13	Ba1	Positive
				10/16/12	BB	Stable			
				11/4/13	BB	Positive			
	12/20/13	A-	Stable						
Guam Waterworks Authority Revenue Bonds 2013 Series	11/4/13	A-	Stable	11/4/13	BB	Positive	11/6/13	Ba1	Positive
Guam Economic Development Authority Tobacco Settlement asset-backed bonds 2007									
				12/14/07	BBB+	Stable			
				6/30/09	BBB+	Stable			
Guam Economic Development Authority Tobacco Settlement asset-backed A \$17,505,000				6/24/10	BBB+	Negative			
				7/30/11	BB	Negative			
Guam Economic Development Authority Tobacco Settlement asset-backed A \$16,070,000				6/24/10	BBB	Negative			
				7/30/11	BB	Negative			
Guam Economic Development Authority Tobacco Settlement asset-backed B \$3,407,077				6/24/10	BB	Negative			
				7/30/11	B+	Negative			
Lease/Education Financings									
Guam Education Finance Foundation Certificate of Participation 2006 A	10/19/06	A-	Stable						
Guam Education Finance Foundation Certificate of Participation 2006 B	10/19/06	A	Stable						
Guam Education Finance Foundation Certificate of Participation 2008	11/12/08	A-	Stable						
Guam Education Finance Foundation Certificate of Participation 2006A & 2008	6/13/12	A-	Stable						
J.F.K. High School Project Certificates of Participation 2010 A	7/23/09	B	Stable						
	8/16/10	B	Stable						
	5/5/11	B	Stable						
	6/13/12	B	Stable						
	10/16/13	B+	Stable						

Moody's 2011 State Debt Medians Report

1 Puerto Rico	\$ 10,474	27 Virginia	\$ 1,058
2 Connecticut	\$ 5,236	28 Ohio	\$ 1,007
3 Massachusetts	\$ 4,711	29 Arizona	\$ 910
4 Hawaii	\$ 4,236	30 South Carolina	\$ 887
5 New Jersey	\$ 3,940	31 Nevada	\$ 878
6 New York	\$ 3,149	32 Maine	\$ 865
7 Delaware	\$ 2,676	33 Alabama	\$ 856
8 Washington	\$ 2,626	34 New Hampshire	\$ 812
9 California	\$ 2,542	35 North Carolina	\$ 782
10 Illinois	\$ 2,383	36 Missouri	\$ 775
11 Rhode Island	\$ 2,191	37 Michigan	\$ 762
12 Oregon	\$ 2,006	38 Vermont	\$ 747
13 Kentucky	\$ 1,961	39 Oklahoma	\$ 634
14 New Mexico	\$ 1,827	40 Texas	\$ 612
15 Wisconsin	\$ 1,795	41 Colorado	\$ 524
16 Maryland	\$ 1,681	42 Idaho	\$ 519
17 Mississippi	\$ 1,534	43 Indiana	\$ 471
18 Louisiana	\$ 1,308	44 Montana	\$ 371
19 Alaska	\$ 1,257	45 Arkansas	\$ 361
20 Kansas	\$ 1,239	46 Tennessee	\$ 345
21 Utah	\$ 1,222	47 South Dakota	\$ 328
22 West Virginia	\$ 1,221	48 North Dakota	\$ 315
23 Minnesota	\$ 1,159	49 Iowa	\$ 270
24 Florida	\$ 1,150	50 Wyoming	\$ 71
25 Georgia	\$ 1,103	51 Nebraska	\$ 13
26 Pennsylvania	\$ 1,075		

³⁹ Office of the Vermont State Treasurer. (2011, June). Moody's Investors Service. *2011 State Debt Medians Report*. <http://www.vermonttreasurer.gov/debt-management>

Appendix 11:
FY 2011 U.S. Debt-to-GDP

Sorted by 2011 State and Local Debt % to GDP⁴⁰ in descending order.

<u>State</u>	<u>State Debt</u>	<u>Local Debt</u>	<u>State and Local Debt</u>	<u>State</u>	<u>State Debt</u>	<u>Local Debt</u>	<u>State and Local Debt</u>
1 New York	11.54	17.08	28.61	27 Wisconsin	9.03	8.44	17.47
2 Kentucky	8.78	16.32	25.1	28 Indiana	7.79	9.59	17.38
3 South Carolina	9.09	15.24	24.33	29 Maine	11.25	5.87	17.11
4 Rhode Island	18.56	5.6	24.16	30 Minnesota	4.61	12.09	16.7
5 Massachusetts	19.13	4.69	23.82	31 West Virginia	11.2	5.42	16.63
6 California	7.84	14.1	21.94	32 Alabama	5.08	11.34	16.42
7 Illinois	9.67	12.04	21.71	33 Louisiana	7.77	8.5	16.27
8 Nevada	3.25	18.16	21.41	34 Utah	5.79	10.39	16.18
9 Pennsylvania	7.79	13.46	21.24	35 Ohio	6.32	9.5	15.81
10 New Mexico	10.21	10.72	20.93	36 Montana	10.96	4.39	15.35
11 Washington	7.88	12.87	20.75	37 Virginia	6.11	8.61	14.72
12 New Jersey	12.98	7.76	20.73	38 Maryland	8.27	6.34	14.62
13 Guam	20.4	0	20.4	39 Mississippi	6.94	7.61	14.55
14 Florida	5.82	14.53	20.35	40 Tennessee	2.24	12.29	14.53
15 Kansas	5.11	15.01	20.13	41 South Dakota	8.51	5.26	13.76
16 Alaska	12.53	7.38	19.9	42 Nebraska	2.44	11.01	13.45
17 Arizona	5.53	14.36	19.89	43 Georgia	3.21	9.81	13.02
18 Colorado	6.17	13.54	19.71	44 Delaware	9.02	3.84	12.86
19 Texas	2.92	16.63	19.55	45 Arkansas	3.52	9.19	12.71
20 Michigan	8.04	11.13	19.17	46 Iowa	5.19	7.36	12.55
21 Hawaii	11.3	7.81	19.11	47 Oklahoma	6.57	5.73	12.3
22 Missouri	8.29	10.19	18.48	48 North Carolina	4.25	7.48	11.74
23 Connecticut	13.54	4.87	18.41	49 North Dakota	5.15	5.91	11.07
24 Oregon	7.44	10.95	18.39	50 Idaho	6.88	4.03	10.91
25 Vermont	13.13	4.69	17.82	51 District of Columbia	0	10.52	10.52
26 New Hampshire	13.34	4.4	17.74	52 Wyoming	3.57	2.63	6.21

⁴⁰ Chantrill, C. U.S. Government Spending. *Compare States Debt*.
http://www.usgovernmentspending.com/compare_state_spending_2011pH0c

Sorted by 2011 Total Debt % to GDP⁴¹ in descending order.⁴²

1	Japan	189.8	36	Mongolia	46.9
2	Jamaica	120.4	37	Uruguay	46.8
3	Iceland	118.9	38	Turkey	45.9
4	Cyprus	112.6	39	Slovak Republic	45.5
5	Italy	110.9	40	Tunisia	44
6	Singapore	110.2	41	Lithuania	43.5
7	Greece	106.5	42	Uganda	42.7
8	Barbados	104.4	43	Latvia	42.2
9	Ireland	104.3	44	Belarus	40.8
10	United Kingdom	101.2	45	Hong Kong SAR, China	39.2
11	France	93.7	46	Czech Republic	38.3
12	Portugal	92.5	47	Sweden	38.3
13	Belgium	91	48	Mauritius	36.4
14	Malta	84	49	Nepal	33.9
15	United States	81.8	50	Bahamas, The	32.5
16	Hungary	81.6	51	Georgia	32.5
17	Seychelles	75.3	52	Australia	30.6
18	Austria	75	53	Thailand	30.2
19	Maldives	66.6	54	Switzerland	27.7
20	Netherlands	66	55	Ukraine	27.4
21	New Zealand	63.9	56	Indonesia	26.2
22	Jordan	61.9	57	Guatemala	24.1
23	San Marino	59	58	Moldova	23.7
24	Bhutan	56.8	59	Trinidad and Tobago	21.9
25	Morocco	56.8	60	Norway	20.2
26	Germany	55.6	61	Peru	19.5
27	Spain	55.2	62	Luxembourg	16.8
28	Brazil	52.8	63	Bulgaria	15.4
29	Colombia	52.7	64	Kazakhstan	10
30	Canada	52.5	65	Russian Federation	9.3
31	Malaysia	51.8	66	Estonia	7.1
32	Denmark	50.6	67	Azerbaijan	6.4
33	India	48.5	68	Oman	5
34	El Salvador	47.8	69	Nigeria	3
35	Finland	47.7			

⁴¹ The World Bank. *Central government debt, total (% of GDP)*.

http://data.worldbank.org/indicator/GC.DOD.TOTL.GD.ZS?order=wbapi_data_value_2011+wbapi_data_value&sort=desc

⁴² Other countries were excluded due to no available debt-to-GDP data.

Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)⁴³

Governmental Funds (in 000's)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Revenues:					
Taxes	\$ 506,275	\$ 485,776	\$ 499,796	\$ 553,346	\$ 636,505
Federal contributions	\$ 234,282	\$ 278,425	\$ 324,927	\$ 425,638	
Licenses, fees and permits	\$ 51,923	\$ 45,969	\$ 56,794	\$ 59,951	
Section 30 Federal income tax collections		\$ 38,869	\$ 39,028	\$ 46,357	
Use of money and property	\$ 5,773	\$ 2,851	\$ 5,057	\$ 3,914	
Indirect cost reimbursement		\$ 4,701	\$ 470	\$ (56)	
Contributions from component units	\$ 10,373	\$ 4,552	\$ 4,864	\$ 2,199	
Immigration fees		\$ 2,028	\$ 1,755	\$ 1,968	
Guam Public School System	\$ 2,831	\$ 1,176	\$ 4,273	\$ 1,429	
Other	\$ 4,881	\$ 4,087	\$ 5,593	\$ 5,063	
Intergovernmental					\$ 381,358
Licenses and permits					\$ 57,083
Charges for services					\$ 22,175
Fines and forfeits					\$ 386
Interest and investment earnings					\$ 3,521
Contributions from component units					\$ 2,114
Indirect cost reimbursement					\$ 380
Other					\$ 14,231
Total revenues	\$ 816,338	\$ 868,434	\$ 942,557	\$ 1,099,809	\$ 1,117,753
Expenditures:					
General government	\$ 94,935	\$ 87,811	\$ 103,168	\$ 118,854	\$ 151,569
Protection of life and property	\$ 93,257	\$ 107,256	\$ 101,082	\$ 107,318	\$ 105,852
Public health	\$ 76,392	\$ 168,905	\$ 190,850	\$ 200,147	\$ 220,699
Community services	\$ 35,508	\$ 37,464	\$ 38,208	\$ 36,201	\$ 25,632
Recreation	\$ 4,881	\$ 5,365	\$ 4,577	\$ 4,144	\$ 3,367
Individual and collective rights	\$ 51,379	\$ 49,177	\$ 52,229	\$ 54,915	\$ 27,493
Transportation	\$ 15,733	\$ 15,693	\$ 19,175	\$ 17,285	\$ 19,398
Public education	\$ 242,465	\$ 250,219	\$ 247,650	\$ 265,228	\$ 282,545
Environmental protection	\$ 12,020	\$ 9,392	\$ 10,732	\$ 12,766	\$ 29,978
Economic development	\$ 9,894	\$ 10,102	\$ 21,108	\$ 10,479	\$ 9,634
Payments to:					
GovGuam Retirement Fund	\$ 1,330	\$ 1,283	\$ 1,803	\$ 1,644	\$ 3,790
Guam International Airport Authority	\$ 3,089	\$ 1,212		\$ 238	
Chamorro Land Trust Commission	\$ 482	\$ 641	\$ 564	\$ 579	\$ 492
Guam Community College	\$ 15,758	\$ 15,961	\$ 16,911	\$ 15,553	\$ 14,094
Guam Educational Tele. Corp.	\$ 593	\$ 596	\$ 522	\$ 530	\$ 181
Guam Housing and Urban Renewal Authority			\$ 4,959	\$ 2,508	
Guam Memorial Hospital Authority	\$ 21,063	\$ 26,950	\$ 19,091	\$ 16,985	\$ 32,487
Guam Preservation Trust		\$ 1,125	\$ 1,200	\$ 699	\$ 4,627
Guam Power Authority	\$ 4,539	\$ 7,407	\$ 47	\$ 612	
Guam Regional Transit Authority			\$ 4,744	\$ 4,051	\$ 2,918
Guam Visitors Bureau	\$ 13,429	\$ 12,359	\$ 13,538	\$ 14,329	\$ 16,260
Guam Waterworks Authority	\$ 420	\$ 774		\$ 581	\$ 102
Port Authority of Guam	\$ 145	\$ 210	\$ 2,063	\$ 2,915	\$ 1,460
University of Guam	\$ 33,412	\$ 32,799	\$ 33,318	\$ 33,073	\$ 34,203
Miscellaneous appropriations	\$ 19,959	\$ 20,636	\$ 19,464	\$ 27,585	\$ 55,510
Interest and other charges	\$ 17,310	\$ 46,609	\$ 18,027	\$ 23,109	
Capital projects	\$ 71,188	\$ 60,431	\$ 82,131	\$ 134,856	\$ 36,927
Total expenditures (w/out debt service)	\$ 839,181	\$ 970,377	\$ 1,007,161	\$ 1,107,184	\$ 1,079,218
Cost of issuance				\$ 765	
Debt service:	\$ 41,383	\$ 47,200	\$ 74,486	\$ 78,865	
Principal retirement					\$ 32,662
Bond issuance costs					\$ 5,476
Interest and fiscal charges					\$ 62,297
Total debt service	\$ 41,383	\$ 47,200	\$ 74,486	\$ 79,630	\$ 100,435

⁴³ Government of Guam. (2008 to 2012). *Government of Guam Basic Financial Statements, Additional Information and Independent Auditor's Report*. <http://www.guamopa.org/>.

Appendix 14:

GEDA, DOA, and BBMR's Management Response Page 1 of 7

RECEIVED
OFFICE OF PUBLIC ACCOUNTABILITY
BY: U
DATE: 4/16/14
TIME: 2:45 AM PM

April 15, 2014

Doris Flores Brooks, CPA, CGFM
Public Auditor
Office of Public Accountability
Suite 401, DNA Building
238 Archbishop Flores St.
Hagåtña, Guam 96910

Hafa Adai! Public Auditor Brooks:

Governor Calvo and his Fiscal Policy Team applaud your initiative in auditing public debt. It is a long overdue discussion that should be out there for public awareness and comprehension as it is not a well understood issue. On January 11, 2011, almost immediately upon taking office, Governor Calvo requested your office to conduct an assessment of GovGuam's liabilities. The report dated April 2011 covered the period October 2008 through March 2011, affirmed the growing deficit, over \$200M in unpaid tax refunds, other unfunded liabilities and revenue collections falling below projections. The dire fiscal condition of the General Fund, compounded by its alarming cash position, dictated the need for restructuring of debt and the immediate infusion of cash just to keep the General Fund afloat. The fiscal hemorrhaging had to be stopped in order to get control of the fiscal downward spiral. This led to the issuance of the BPT Bonds in FY2012, which was issued at the lowest interest rate (4.9%/4.6%) of GovGuam bonds and with the highest credit rating (A/A-). In FY2012, a year and a half after the OPA report, the General Fund was stabilized and the General Fund realized a surplus.

The Bureau of Budget and Management Research (BBMR) has prepared an analysis of debt and the deficits of previous fiscal years which has been graphically summarized in the chart in **APPENDIX A** (enclosed) and covers two decades of debt. The chart reveals that in the 20 year period, each fiscal year ended with a deficit and in the fiscal years where external financing was incurred, it was only in FY2012 that a surplus was realized. This is attributed to the restructuring of debt, GASB 54 (however, this was in place since FY2011), conservative revenue projections and fiscal discipline. Savings generated were used to pay off old debts some going back to 1992 and without the sacrifices of our government employees and the patience of our taxpayers and vendors, the FY2012 General Fund could have easily ended with a deficit over \$100M (see Table 1).

Appendix 14:

GEDA, DOA, and BBMR's Management Response Page 2 of 7

Table 1

Certain Cost Containment and Fiscal Discipline Initiatives	Fiscal Impact	
OPERATIONS:		
Roll back of Hay pay raises (annual cost)	\$ 15,000,000	
Freezing of salary increments	\$ 7,339,790	
Payment of prior years obligations	\$ 70,000,000	
Implementation of Appropriation Reserves	\$ 16,000,000	
Sub-total FY12	\$ 108,339,790	
Paid down decades old unpaid merit bonuses	\$ 6,188,752	
Paid down prior years unpaid promised compensation	\$ 735,519	
Sub-total FY13	\$ 6,924,271	
Total OPERATIONS		\$ 115,264,061
OTHER:		
Saving the loss of GDOE ARRA funding by Gov. Calvo seeking federal approval to off-set GF salaries with CIP funding, thus saving the GF from funding needed CIPS.	\$ 60,000,000	
Payout of TY11 and prior, tax refunds without borrowing and not having to burden taxpayers by not paying refunds as in prior years.	\$ 81,000,000	
Payout of TY12 tax refunds in the year filed with General Fund money and WITHOUT external financing (unprecedented) and not having this money owed to taxpayers for refunds as in prior years.	\$ 122,000,000	
Total OTHER		\$ 263,000,000
GRAND TOTAL		\$ 378,264,061

The audit of public debt covered the period FY2008 to FY2013. However, the OPA audit compares FY2008 directly with FY2013 (unaudited) resulting in a 42% increase. This would mean that \$463M in additional debt was acquired in FY2013 which is **NOT** the case. Table 2 below, shows that during the period FY2008 to FY2013, "Public Indebtedness and Other Indebtedness" **increased 37% in FY2009** and began declining to 4% in FY2012 and the unaudited **FY2013 reflects a decrease of 14%** (see Table 2 below).

GovGuam Indebtedness (GEDA "gross" figures based on audits)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 (Unaudited)
General Obligation Bonds and Other General Obligations	\$ 208,038,337	\$ 474,960,774	\$ 498,507,547	\$ 495,914,463	\$ 481,320,170	\$ 444,340,095
Limited Obligation Bonds and Other Limited Obligations	\$ 111,639,885	\$ 295,420,123	\$ 276,467,473	\$ 321,035,802	\$ 647,516,023	\$ 663,651,329
Total GovGuam Public Indebtedness Subject to Debt Ceiling	\$ 319,678,222	\$ 770,400,897	\$ 774,975,020	\$ 816,950,265	\$ 1,128,836,193	\$ 1,107,991,424
General Obligations Not Treated as Public Indebtedness	\$ 62,765,000	\$ 68,205,000	\$ 131,120,000	\$ 128,205,000	\$ 124,365,000	\$ 143,148,000
Judicial Building Fund Revenue Notes (2006) per P.L. 26-124 and P.L. 23-68	\$ 6,669,296	\$ 9,514,526	\$ 10,175,434	\$ 9,847,089	\$ 9,345,108	\$ 8,813,215
Other Primary Government Liabilities	\$ 644,712,317	\$ 565,084,165	\$ 640,224,766	\$ 690,017,505	\$ 447,623,544	\$ 203,061,290
Total GovGuam Public Indebtedness Not Subject to Debt Ceiling	\$ 714,146,613	\$ 642,803,691	\$ 781,520,200	\$ 828,069,594	\$ 581,333,652	\$ 355,022,505
TOTAL GovGuam Indebtedness	\$ 1,033,825,035	\$ 1,413,204,588	\$ 1,556,495,220	\$ 1,645,019,859	\$ 1,710,169,845	\$ 1,463,013,929
Comparison of FY2008 vs. FY2013 percent increase/decrease		37%	10%	6%	4%	-14%
Comparison of year-over-year percent increase/decrease						42%

Table 2 shows a 10% increase in debt between FY2010 and FY2011. This increase is attributed to the HOT Bonds issued with hotel occupancy taxes pledged for its repayment and does not have an impact on the General Fund. The 4% increase in debt between FY2011 and FY2012 is a result of certain items added by the Legislature to be funded by the BPT bond proceeds not previously recorded as General Fund liabilities.

External financing of debt

When determining the government of Guam's propensity to borrow in the past eight years, several factors both regulatory and financial or economic in nature become evident. Many of these borrowings do not constitute a myriad of financial options available to Guam but rather necessary obligations imposed upon the government by local as well as federal mandates. Although it is in the best interest of the island to minimize debt and keep the debt-to-GDP ratio low, this is easier said than done particularly during a recessionary period that is further exacerbated by trickle up inflation, tighter federal spending and high unemployment in the local economy which occurred at the onset of your audit period.

Table 3 delineates the purpose of each financing which can be traced to the need for facilities renovation/repair, payment of court-ordered judgments, unfunded federal mandates and unpaid tax refunds. If funds had not been acquired for the renovation/building of schools, these deteriorating facilities would have been a threat to the lives of students and faculty. Court ordered payments (i.e. COLA and EITC) and unfunded federal mandates (i.e. DMHSA/DISID permanent injunctions and the Landfill Closure) required immediate cash disbursements which GovGuam did not have available.

In FY2012, a total of \$258M was borrowed for Tax Year 2011 (and prior tax years) UNPAID tax refunds. The first of two series of bonds were issued: BPT Series 2011A was used to pay \$198M of tax refunds and \$20M was for COLA, an item added on by the Legislature and the second BPT Series 2012B was used for \$60M in tax refunds and the Legislature's addition of funds to be designated for debt owed by DOE and GMHA to the Retirement Fund and for the payment of FY2012 health insurance if the fund source (GWA) previously adopted for this budget item was not viable. After refunds were paid, and as a result of the lawsuit that was filed relative to payment of tax refunds, the Court ordered that all tax refunds be paid in 6 months. If Governor Calvo did not have the foresight and determination to pay out the refunds, thus seeking external financing, this government would have found itself with about half the fiscal year's cash being diverted from operations and debt service payments to the payment of unpaid tax refunds. GovGuam would have defaulted on its bond covenants and loan terms thus prompting bond holders, financial institutions and creditors to demand full payment of debts outstanding. Confidence in GovGuam's fiscal integrity would have been lost and it would have been extremely difficult to restore.

What is not clearly understood by many, is that the **unpaid tax refunds of prior tax years were debt already on the books of the General Fund and thus, NOT new debt.** By borrowing to pay this liability, it simply meant taking this short-term debt and spreading it out long term. To illustrate: we owe tax refund money to taxpayers today. Now we owe that same debt over a longer period to a financial institution. This begs the question: **Would the taxpayers want to have their tax refund money borrowed from them to fund the deficit caused by over expenditures and unrealized projected**

revenues as in years past, or would they want their money in their pockets? The answer is evident in the number of citizens who have made repetitive and desperate calls to the Department of Revenue and Taxation, the Governor's Office, the Department of Administration, the Bureau of Budget and Management Research and the Offices of Senators and Mayors, requesting assistance to have their tax refunds paid out. The majority of these tax refund requests were for emergency situations such as off or on-island medical treatment, to help sick family members, for funeral services of loved ones, for payment of rent to avoid eviction, and for payment of water and power bills to avoid disconnection. Continuing the past practice of using their tax refunds to fund government over expenditures and revenue shortfalls was not an option for the Calvo administration. The critical financial condition of the government of Guam in FY2011 left the General Fund without adequate revenues to pay tax refunds. As such, external financing was sought through the issuance of Limited Obligation Bonds in order to pay the unpaid tax refunds.

Table 3

REFUNDED OR MATURED:	Financing Purposes	CURRENT:
1993 GOB:		2006 COP Series A,B
Southern High School		Adacao Mangilao Elem School
UOG Building Projects		Liguan Terrace Dededo Elem School
Tamuning Elementary School		Astumbo Dededo Middle School
Astumbo Elementary School		Wettengel (Okkodo) High School
Upi Elementary School		Predevelopment costs
Inarajan Elementary School		2007 Series A GOB
Ordot/Chalan Pago Elementary School		GPSS CIPS
Asan Elementary School		GMHA CIPS
Inarajan High School		UOG CIPS
DOE Earthquake Repairs		Retirees COLA
2002 Loan:		Tax Refunds
Public Assistance programs		RPT revaluation
DOE allotment backlog		DISID Permanent Injunction
2009 Term Financing:		MHSA Permanent Injunction
U.S. District Court of Guam Consent Decree for the Solid Waste Management Division		2007 Series A Tobacco Settlement Asset-Backed Bonds
2008 GOB Loan:		Refund 2001 Series A and B Bonds
Streetlight arrearage		Southern Regional Health Center Reno/CIPs
2007 Line of Credit:		GMHA -Cancer Radiation Therapy Program
GPSS payroll		2008 COP
2001A Section 30 Bonds:		DOE:
Refunding 1998 outstanding GWA Revenue Bonds	Furniture, Furnishing and Equipment	
Prepaying GMHA BOG loan	Offsite Infrastructure and Utilities	
BOH Loan	Athletic field lighting	
GWA CIPS	2009 Series A Section 30 Bonds	
Issuance Cost	Solid Waste Facility (Layon) \$139.7M	
2001A and 2001B Tobacco Settlement Asset-Backed Bonds:		
GMHA CIPs	BOG loan prepayment	
GCC CIPs	2009 Series A Bonds	
UOG CIPs	COLA Settlement Agreement (\$92M)	
Youth Tobacco Prevention	Tax Refunds (\$112M)	
2001 Highway Refunding Bonds:	GMHA CIPs	
Refunding 1992 Series A Bonds	Retirement Fund Contr DOE/GMHA (\$22M)	
1999 Promissory Notes:	2010A COP (JFK)	
Early Retirement Incentive Program	Project Budget	
1993 Series A Bonds	Construction Monitoring/development fees	
Tax refunds	2011A HOT Revenue Bond	
Vendor payables	Museum	
Payments to government agencies	Collection/removal of storm run off from San Vitores Rd	
1994 Series A GOB	Hagatna Restoration	
Tax Refunds	Reimb. To Guam Preservation Trust	
1986 GOB	Various Projects listed in P.L.	
GovGuam debt to Retirement Fund	2011A Series A Business Privilege Tax	
	Unpaid Tax Refunds (\$198M)	
	Unpaid COLA (\$20M)	
	Cost of issuance	
	2012B Series B Business Privilege Tax	
	Unpaid Tax Refunds	
	Alternative Fund Source for Health Insurance Prem.	
	Retirement Fund	
	Issuance cost	
	Unexpended proceeds for various GDOE CIPs	
	2013C Series C Business Privilege Tax	
	Refund 1993 Series A GOB	
	2013 COP	
	Okkodo High School Expansion	

This administration has been successful in establishing fiscal stability while demonstrating to credit rating agencies, investors and most especially our island community, that it is committed to managing finances and fostering economic growth to ensure fiscal sustainability and an improved standard of living for our citizens.

Debt per Capita and Debt to GDP comparisons

The public debt audit discussed comparatives of ratios between debt to Gross Domestic Product as well as Debt per Capita. We do not agree with certain comparisons of Guam to the 50 states for several reasons. The factors that drive government of Guam debt are not readily comparable to that which is found in the 50 states of the U.S most of which are contiguous and do not share similar economic or geographic attributes with Guam. Costs of living that are driven by U.S. federal policies such as the Jones Act, regional immigration, non-reimbursement of the island government resources allocated to support Compact Impact expenditures and constraints that limit economic diversification and trade opportunities are afforded to the states but not to a possession. It is important to note that the per capita cost of providing essential public services to residents due to certain factors discussed earlier will always be in the upper range (my guess at top 3-5%) when compared to other U.S. states and territories.

When applied in the context of audit recommendations, it is perhaps much more appropriate to compare Guam's financial situation to areas in the United States that share similar population attributes in terms of size and ethnic composition, GDP, location (i.e., economy with minimum natural resources and geographic isolation) and without national political representation. Another option is to use another island economy or country that is a territory or possession of a larger political entity or country. The onset of this effort on your part began as a project with the Pacific Association of Supreme Audit Institutions (PASAI). This group consists of many island entities such as American Samoa, Cook Islands, the Federated States of Micronesia, Fiji, French Polynesia, Kiribati, the Marshall Islands, Nauru, the Commonwealth of the Northern Mariana Islands, Palau, Papua New Guinea, Samoa, the Solomon Islands, Tonga, Tuvalu, and Vanuatu, as well as larger nations such as Australia, New Zealand, New Caledonia and Queensland. The disparity of economies within this very organization makes any comparison extremely difficult to either qualify or quantify. Guam is not accurately compared to areas which have our unique set of challenges and this should always be made clear in any attempt to compare our home to any other jurisdiction.

The audit also compared Guam to Puerto Rico and other insular governments yet an important point was not mentioned which is that Guam leads ALL insular areas in Median Family Income with \$38,956, U.S. Virgin Islands \$31,071, American Samoa \$23,892, CNMI \$21,879 and Puerto Rico \$18,599. We must state for the record that Guam by far has the highest standard of living amongst ALL insular areas, this desire to provide the best for our residents comes at a price, but a price which includes, as mentioned earlier, court ordered debt and legislative mandates to fund court ordered COLA payments with debt instead of paying them as they come due. This is in addition to having to abide by U.S. EPA clean water and air requirements without providing the federal financial assistance to comply with such requirements.

Improved Investment Rating

To add to the public debt audit discussion of Standard and Poor's recent General Fund upgrade, it should be noted that the upgrade was achieved as a result of the actions taken by the administration which in the mind of the rating agencies, was a prudent method of addressing immediate liabilities by restructuring them into long term debts. The government of Guam received high praise for instituting this debt restructuring and was given a ratings upgrade. The audit states "Standard and Poor's reasoned that GovGuam has improved its fiscal management practices and enhanced its cash flow". To clarify, Standard and Poor's did not "reason." The government of Guam, led by the Fiscal Policy Team had to "prove" it had turned the sinking ship around and was indeed in calmer waters. This effort took two years of constant dialogue, the implementation of un-popular cost cutting measures, the suspension of the Hay pay raises, updates on the deficit reduction efforts culminating with the review of the FY2012 Government of Guam Audit and Deloitte and Touches' independent and "clean" audit of the government of Guam's fiscal condition.

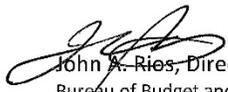
Deferral of Principal and Capitalized Interest

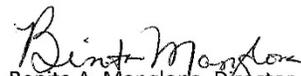
We disagree with the audit findings in this regard. While the government of Guam may defer payments on principal, interest must always be paid immediately on the funds borrowed. Specifically the draft audit states, "Beginning in FY 2008, we noticed a trend where capitalization and deferral of interest and principal have occurred in several of the bonds and COPs issue." The deferral of principal payments allow for, in the case of the BPT bonds, the ability of Governor Calvo's Fiscal Stabilization Plan to be implemented and for BPT revenues to rise to meet expected debt service requirements. The draft audit does not mention that BPT revenues have risen from less than \$200M in FY 2011, to over \$230M in FY 2014 (adopted). This increase more than compensates for the issuance of the BPT debt and more importantly, the moral obligation to pay overdue tax refunds to the very people who work on Guam and call Guam home.

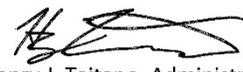
Formal Debt Management Plan

GEDA has been designated by Governor Calvo as the lead agency for the development of a debt management policy in coordination with the Bureau of Budget and Management Research, Department of Administration and the Department of Revenue and Taxation. In closing, we would like to note that currently there are at least five public laws authorizing future indebtedness of approximately \$170 million dollars dating back to the 29th Guam Legislature for various government capital improvement projects which have not been addressed by the Calvo-Tenorio Administration as a result of the utilization of existing best practices and prudent fiscal planning. We would be remiss if we did not point out that this prudent planning resulted in an **upgrade on Guam's General Obligation Bonds** from Standard and Poor's in October of 2013.

Si Yu'os Ma'åse!


John A. Ries, Director
Bureau of Budget and
Management Research


Benita A. Mangiona, Director
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Guam Economic Development Authority

ENCLOSURE

Appendix 14: GEDA, DOA, and BBMR's Management Response

Appendix A

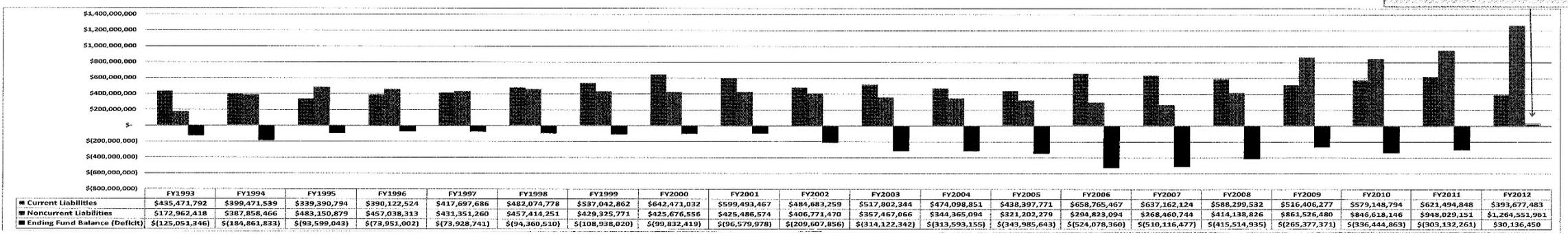
HISTORICAL TREND OF TOTAL LIABILITIES (Inclusive of External Financing) & DEFICITS (FY 1993 to FY 2012)

	FY1993	FY1994	FY1995	FY1996	FY1997	FY1998	FY1999	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012
Current Liabilities	\$ 435,471,792	\$ 399,471,539	\$ 339,390,794	\$ 390,122,524	\$ 417,697,686	\$ 482,074,778	\$ 537,042,862	\$ 642,471,032	\$ 599,493,467	\$ 484,683,259	\$ 517,802,344	\$ 474,098,851	\$ 438,397,771	\$ 659,765,467	\$ 637,162,124	\$ 588,299,532	\$ 516,406,277	\$ 579,148,794	\$ 621,494,848	\$ 393,677,483
Noncurrent Liabilities	\$ 172,962,418	\$ 387,858,466	\$ 483,150,879	\$ 457,038,313	\$ 431,351,260	\$ 457,414,251	\$ 429,325,771	\$ 425,676,556	\$ 425,486,574	\$ 406,771,470	\$ 357,467,066	\$ 344,365,094	\$ 321,202,279	\$ 294,823,094	\$ 268,460,744	\$ 414,138,826	\$ 861,326,480	\$ 846,618,146	\$ 948,029,151	\$ 1,264,551,981
Total Liabilities	\$ 608,434,210	\$ 787,330,004	\$ 822,541,673	\$ 847,160,837	\$ 849,048,946	\$ 939,489,028	\$ 966,368,632	\$ 1,068,147,587	\$ 1,024,980,041	\$ 891,454,729	\$ 875,269,410	\$ 818,463,945	\$ 759,600,050	\$ 953,588,561	\$ 905,622,868	\$ 1,002,438,358	\$ 1,377,932,757	\$ 1,425,766,940	\$ 1,569,523,999	\$ 1,658,229,444
Ending Fund Balance (Deficit)	\$ (125,051,346)	\$ (184,861,833)	\$ (93,599,043)	\$ (73,951,002)	\$ (73,928,741)	\$ (94,360,510)	\$ (108,938,020)	\$ (99,832,419)	\$ (96,579,978)	\$ (209,607,856)	\$ (314,122,342)	\$ (313,593,155)	\$ (343,985,643)	\$ (524,078,360)	\$ (510,116,477)	\$ (415,514,935)	\$ (265,377,371)	\$ (336,444,863)	\$ (303,132,261)	\$ 30,136,450

- Notes:
- Source Documents - Statement of Net Assets (Deficiency) - Annual Government-wide Financial Audit (FY 2002 - FY 2012), Combined Balance Sheet (FY 1993 - FY 2001)
 - For proper comparison, the "Unfunded Pension Liability" were removed from Noncurrent Liabilities from FY2008 and back
 - For proper comparison, the "Higher Education" were removed from the analysis from FY2001 and back as college and university were not included in the latter years' composition of "Primary Government" (Included under Component Units)
 - For proper comparison, the "Vacation leave accrual" were split between current and noncurrent liabilities 50/50

FINANCING PURPOSES:	1993 GOB	1999 Promissory Notes	2002 Loan	2006A and 2006B COP	2009 Term Financing
	Southern High School UDC Building Projects Tamuning Elementary School Astumbo Elementary School Upi Elementary School Inarajan Elementary School Ordor/Chalan Pago Elementary School Asan Elementary School Inarajan High School UDC Earthquake Repairs	Early Retirement Incentive Program	Public Assistance programs DOE Siltation backlog	Adacao Mangilao Elem School Liguan Terrace Dededo Elem School Astumbo Dededo Middle School Waltengel (Okkodo) High School Predevelopment costs	U.S. District Court of Guam Consent Decree for the Solid Waste Management Division
	1995A Tax Refunds		2001A Sec 30 Refunding 1998 outstanding GWA Revenue Bonds Prepaying GMHA BOG loan BOI Loan GWA CIPs Insurance Cost	2007 LOC GPSS payroll	2009A Sec 30 Solid Waste Facility (Layan) \$139.7M BOG loan repayment
	1995A Tax refunds Vendor payables Payments to government agencies		2001A and 2001B Tobacco GMHA CIPs GCC CIPs UOG CIPs Youth Tobacco Prevention	2007A BOB CIPS CIPs GMHA CIPs UOG CIPs Retirees COLA Tax Refunds RPT revaluation DISID Permanent Injunction MHSA Permanent Injunction	2009A COLA Settlement Agreement (\$92M) Tax Refunds (\$122M) GMHA CIPs Retirement Fund Contr. DOE/GMHA (\$22M)
		2001 Highway Refunding 1992 Series A Bonds		2007A Tobacco Refund 2001 Series A and B Bonds Southern Regional Health Center Reno/CIPs GMHA Cancer Radiation Therapy Program	2010A COP (JFK) Project Budget Construction Monitoring/development fees
				2008 GOB Streetlight arrearage	2011A HOT Museum Collection/removal of storm run off from San Vitores Rd. Vegetative Restoration Reimb. to Guam Preservation Trust Various Projects listed in P.L.
				2008 COP DOE: FF&E, Offsite Infrastructure & Utilities, Athletic field lighting	2011A RPT Unpaid Tax Refunds (\$198M) Unpaid COLA (\$204M) Cost of issuance

SURPLUS!





**Government of Guam Public Debt
Report No. 14-01, April 2014**

ACKNOWLEDGEMENTS

Key contributions to this report were made by:

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