



## **Guam Economic Development Authority FY 2009 Financial Highlights**

March 2, 2010

Guam Economic Development Authority's (GEDA) financial audit report includes two reports: (1) GEDA and the Tobacco Settlement Authority (TSA), and (2) several trust funds administered by GEDA. For fiscal year (FY) 2009, GEDA and TSA closed the year with a net increase of \$773 thousand (K), of which \$356K is from GEDA and \$417K is from TSA.

GEDA's primary trust funds are the Guam Development Fund Act (GDFA) and Agricultural Development Fund (ADF), of which \$4M were charged-off as uncollectible loans. Although collection efforts continue, collectability on the loans is an on-going concern with GEDA. The GDFA and ADF have combined loans of \$2.3M, of which only \$284K or 13% are deemed collectible.

Independent auditors Deloitte & Touche, LLP issued unqualified or "clean" opinions on GEDA's FY 2009 financial audits. GEDA is to be commended as this is the sixth year when no instances of noncompliance were identified in their financial statements. A separate letter to those charged with governance identified one comment pertaining to travel.

### **Operations Revenue and Expenditures**

For FY 2009, GEDA closed the year with an increase in net assets of \$356K. Revenues increased by 11%, or \$530K, from \$4.7M to \$5.2M, and expenses increased by 9%, or \$174K, from \$1.9M to \$2.1M. Despite the decrease in the qualifying certificate fees of 9%, or \$19K, to \$203K in FY 2009, rental income increased by 5% to \$1.7M. GEDA engaged in a Memorandum of Understanding with the Guam Ancestral Lands Commission (GALC) to lease the Spanish Crown properties resulting in \$148K collected in ground leases. Under the agreement, \$127K was remitted to GALC and the remaining \$21K was retained by GEDA. GEDA also recognized \$304K of bond fees for its role as the financial advisor in the issuances of the 2009 government of Guam General Obligation Bonds and the 2009 Limited Obligation Bonds in June 2009.

Although operating expenses increased by 9%, or \$174K, expenses were offset by the 11% or \$530K increase in operating revenues. Increases in operating expenses were in travel by 318% or \$114K from \$36K in FY 2008 to \$150K in FY 2009 and legal and professional services by 28% or \$63K from \$221K to \$284K.

### **GDFA and ADF Trust Fund Loans Uncollectible**

Over the years, the GDFA and ADF trust funds have made loans for various projects to encourage economic and agricultural development. GEDA's Board charged-off \$4M in uncollectible loans of which \$3.6M were for GDFA and \$314K were for ADF loans. As a result of the charge-off, GEDA has outstanding loan receivables of \$2.3M, of which \$1.9M are reserved for doubtful accounts leaving only \$284K in performing loans or loans with adequate collateral. This means that GEDA is expected to collect only \$0.13 on the dollar.

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

In June 2009, the government of Guam issued two bonds: (1) \$271.1M General Obligation Bonds, and (2) \$202.4M Limited Obligation (Section 30) Bonds.

- The \$271.1M General Obligation Bonds were issued to pay for delinquent tax refunds (\$112M), liabilities associated with the court-ordered COLA settlement (\$85M), past due retirement contributions of Department of Education and Guam Memorial Hospital Authority (\$21M), and bond fees and capitalized interest (\$35M), leaving a balance of \$18M. The General Obligation Bonds received “B+” or highly speculative non-investment grade. A major reason for the speculative grade is due to the General Fund’s \$415.5M deficit as of September 30, 2008.
- The \$202.4M Limited Obligation (Section 30) Bonds were issued to comply with the Consent Decree, to open a new landfill and close the Ordot Dump. These bonds received “BBB-” or investment bonds of medium grade quality. Because Section 30 revenue is a guarantee, these bonds received a higher rating.

The government of Guam has nearly reached its debt capacity of \$879.1M, leaving only \$37.4M available for future debt. As of October 2009, government of Guam’s annual debt service payment was \$76.2M.

### **Elimination of the Unfunded Pension Liability and Prior Period Adjustment**

In December 2009, the Department of Administration (DOA) redesignated the Defined Benefit Plan from a single-employer plan to a cost-sharing multiple-employer plan pursuant to the Government Accounting Standards Board Statement No. 27. DOA expressed this position as the primary government of the government of Guam. GEDA, as a component unit, followed DOA’s rationale for the redesignation. As a multiple-employer retirement plan, the unfunded liability is no longer recorded as a liability, but instead is only footnoted in the financial statements. This resulted in the elimination of \$462K in unfunded liability. From this prior period adjustment, GEDA’s FY 2008 beginning net assets increased by \$462K.

GEDA did not receive any new federal awards in FY 2009 and all previous federal awards were closed in FY 2008.

In the letter to those charged with governance, one comment pertained to the use of economy unrestricted fare compared to GEDA’s Travel Policy of “lowest cost to the Authority.”

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