GUAM ECONOMIC DEVELOPMENT AUTHORITY
AND SUBSIDIARY
(A Component Unit of the Government of Guam)

FINANCIAL STATEMENTS AND
ADDITIONAL INFORMATION AND
INDEPENDENT AUDITORS' REPORT

SEPTEMBER 30, 2009 AND 2008
(RESTATED)

GUAM ECONOMIC DEVELOPMENT AUTHORITY
(A Component Unit of the Government of Guam)

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Independent Auditors' Report

The Board of Directors
Guam Economic Development Authority:

We have audited the accompanying statements of net assets (deficiency) of the Guam Economic Development Authority and subsidiary (the Authority), a component unit of the Government of Guam, as of September 30, 2009 and 2008, and the related statements of revenues, expenses and changes in net assets (deficiency) and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Guam Economic Development Authority and subsidiary at September 30, 2009 and 2008, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 11, the Authority restated its 2008 financial statements to reflect the effects of the redesignation of the Government of Guam Defined Benefit Pension Plan from a single-employer plan to a cost-sharing multiple-employer plan, in conformity with the accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by the *Governmental Accounting Standards Board* (GASB). This supplementary information is the responsibility of the Authority's management. We have applied certain limited procedures to such information, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Member of
Deloitte Touche Tohmatsu

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental divisional information on pages 13 through 16, the supplemental data on page 34 and the supplemental comparative divisional schedules on pages 35 through 37 are presented for the purpose of additional analysis and are not required parts of the basic financial statements. This additional information is the responsibility of the Authority's management. Such information has been subjected to audit procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2010, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte + Touche LLP

February 1, 2010

PREFACE

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

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

FY2009 HIGHLIGHTS

This past year has been filled with great challenges for GEDA and the island as a whole. Although GEDA has a series of broad mandates, GEDA focused on key areas, serving as central financial manager for the Government of Guam, assisting local enterprise while promoting investments of entrepreneurial capital in Guam, along with an internal focus on program compliance, process improvement measures and leveraging limited resources. With that, the accomplishments and strides achieved have been milestones for both GEDA and Guam overall. Following are highlights of those milestones, overcoming great challenges and a vision to realize great opportunities for the sustainable growth of the island's economy:

FINANCIAL SERVICES

Mandated to serve as the Central Financial Manager for the Government of Guam, GEDA assists with, coordinates and monitors Financial Advisory Services, Capital Financing, Debt Management and the Capital Markets. Accomplishments in the last year include the following:

- GEDA assisted GWA in an updated call with Fitch and Moody's Rating Agencies in 2009 to apprise the rating agencies of a combination of economic factors, operational challenges that have significantly stressed the Finance Plan presented in 2005 and how GWA is proactively mitigating the issues within its control.

  * On October 7, 2009, Fitch Ratings affirmed the **"BB"** rating on GWA's bonds and revised the Outlook to **Stable from Positive**.

  * On December 7, 2009, Moody's Rating outlook on the GWA bonds was revised to **Stable from Positive** and affirmed its **Ba2** Rating.

- In accordance with the Consent Decree to close the Ordot Landfill and to open a new facility at Layon, the Guam Federal District Court imposed a January 5, 2009 deadline for the Government of Guam to deposit $20 million to fund the Consent Decree projects. GEDA secured financing with the Bank of Guam for the Government of Guam to comply with the court order. The loan was closed on January 2, 2009 and funds were deposited with Citibank N.A. as Trustee appointed by the Receiver. Subsequently, this loan was paid-off with the 2009 Limited Obligation (Section 30 Bonds) bond proceeds closed in June 2009.

- In June 2009, the Government of Guam issued $271 million General Obligation Bonds 2009A, for the purpose of paying General Fund Expenses including a court-settlement of Cost of Living Allowance to retirees, past due income tax refunds, other critical operating and capital expenditures,

and costs of issuance related to the bonds. The Bonds are secured by the pledge of the full faith and credit of the Government and were rated "B+" by Standard & Poor's. The GO financing revived the high yield market after almost a year of little to no activity.

- Also in June 2009, the Government of Guam issued $202 million Limited Obligation (Section 30) Bonds, Series 2009A, to provide funding for the construction of a new landfill and closure of the Ordot landfill per the Federal Court Order and strict deadline following a United States Environmental Protection Agency Consent Decree, refinance an existing loan for the same purpose, as well as fund capitalized interest, debt service reserve and costs of issuance related to the bonds. GovGuam's LO Section 30 Bonds are secured by a lock-box pledge of federal reimbursement of revenues per Section 30 of the Guam Organic Act and were rated "BBB-" by Standard & Poor's.

- GEDA issued an Emergency RFP 09-010 for a financier to provide up to $50 million loan or loan guarantee to Port Authority of Guam (PAG). The emergency procurement was issued to assist PAG in obtaining a Loan and/or Loan Guarantee from USDA through the American Recovery and Reinvestment Act (ARRA) of 2009. The loan provided financing to assist with the PAG's Master Plan as mandated by Public Law 29-125.

- GEDA has been assisting DPW and DOE in finalizing negotiations for the John F. Kennedy High School Leaseback Financing authorized under Public Law 29-114 for the construction of a new high school. Rental payments under the lease had been designated by law as Section 30 Revenues or by the General Fund directly.

  * An RFP was issued in November 2008, with DPW issuing a letter to International Bridge Corporation (IBC) approving the technical specifications in April 2009.
  * A sale was planned for the tax-exempt lease Certificates of Participation (COP's) on August 6, 2009, mainland time in New York. Note that the sale did not occur due to on-island procurement protests, resulting in an automatic stay of the process.
  * Two (2) protests had been filed with the Office of the Public Auditor (OPA) contesting different details of IBC's financing structure, but both have been dismissed by the OPA.

- GEDA, on behalf of the Government of Guam, applied for funding under the U.S. Department of Agriculture (USDA) Rural Development Water Environmental Program (10.760) in the amount of $170 million on March 27, 2009, with interest rate ranging from 2.5 – 4%. These funds are part of the American Recovery and Reinvestment Act (ARRA) of 2009, which, if approved will go towards the Landfill Consent Decree.

  * The USDA awarded the Government of Guam a combined $104 million loan/grant for 30-years and with an interest rate set at 3.5% for the construction of a new landfill in July 2009. The award includes $15,019,300 in direct grant funding and a loan of $88,536,000. According to USDA officials, the approval of Guam's application marked the single largest loan application ever approved by the Rural Utilities Service Division of USDA's Rural Development program.
  * There are a number of technical aspects of the loan in which GovGuam, GEDA, the Receiver and USDA continue to work towards resolution.

Bond Market Update

2009 continued to be a tumultuous period for issuers in the municipal market. Municipal issuers were faced with credit and liquidity crunches, declining revenues and limited access to capital early in the year. Market issuance in early to mid-2009 continued to be dominated by highly rated General Obligation bonds and essential service revenue bonds. Non-investment grade issuers were not able to

access the market in the first two quarters of the year, with nearly 95% of all issuers entering the market at "A" rates or above. Interest rates and credit spreads between investment grade and non-investment grade bonds, continued to rise resulting in extremely high borrowing costs for lower-grade issues. Credit spreads for "BBB" issues reached a high of 260 basis points.

For GovGuam, the rise in absolute rates as well as the increase in credit spreads was a challenging feat, as the Government and GEDA were mandated to issue over $500 million of low-to-non-investment grade bonds in June 2009. At the time, there was no market for large issues in Guam's rating category, as it was difficult for all but the highest quality credits to access the market. After weeks of preparation, aggressive marketing and investor meetings, Guam was able to secure rates and spreads approximately 100 basis points below the expected range. These bond issues opened the door for low-to-non-investment grade and high yield bonds, the market for which was essentially nonexistent for over a year.

Market conditions improved during the latter part of the year, as demand for tax-exempt bonds increased, yields lowered and credit spreads tightened. Much of the improvement was attributed to federal legislation that authorized municipal issuers to issue taxable Build America Bonds (BAB) and receive a federal subsidy equal to 35% of the interest costs. This allowed issuers to tap into different investor segments to market their bonds. The growing supply of taxable BAB bonds sparked increased demand for tax-exempt bonds. In addition, as the Federal Reserve lowered short-term interest rates close to zero, the appeal of tax-exempt municipal bonds grew. In contrast to the large bond sell offs that took place in 2008, municipal bond funds experienced consecutive inflows for the majority of the year. Inflows to municipal bond funds ended on a record of $78.6 billion, compared with the prior annual record of $28.6 billion in 2003. The 30-year AAA-GO Municipal Market Data benchmark interest rate declined by 90 basis points from the beginning to the end of the year. In 2009, municipal issuance reached $409.1 billion - just $15 billion lower than the record set in 2007. The tax-exempt total was $321 billion, the lowest since 2004.

After falling for most of the year, municipal yields experienced an abrupt correction (upward movement in rates) in October, largely as a result of higher net tax-exempt supply, low yields and diminished mutual fund demand. Even with this correction, tax-exempt rates still remain at historic lows. There are, however, still challenges that lie ahead in 2010, especially for lower grade credits such as Guam, as credit spreads continue to remain wider than normal. In addition, new issuance is expected to be slower in 2010 as the timeline for federal programs such as BABs is uncertain and severe economic challenges within some jurisdictions continue. As Guam is poised for growth, many of Guam's immediate future projects will be reliant on accessing capital in the municipal market.

ASSISTING LOCAL ENTERPRISE/PROMOTING INVESTMENTS

Developing Guam's economy by supporting local enterprise through attracting new investments and supporting industry diversification efforts has also been a top priority for GEDA. These efforts also received international recognition amongst economic development professionals. In the latter part of 2008 the Guam Economic Development Authority received the Promotional Award in recognition of "Guam – Your Business Smart Destination" CD brochure, by the International Economic Development Council. These CD brochures have been utilized at numerous promotions and trade missions held over the past several years.

Following are highlights of trade and reverse-trade missions over this past year:

- *Philippine Association of Service Exporters (PASEI) Guam Visit – April 2009.*
  GEDA briefed approximately 30 members of the PASEI delegation during their visit to Guam the week of April 27th. Investment packets were also distributed to trade delegates.

- *Taiwan Trade Mission Taiwan Trade Mission – May 2009.*

  Governor Felix Camacho was invited by Francisco Ou, Minister of Foreign Affairs to lead a delegation to Taiwan. The Governor's office requested that GEDA join the delegation to support the mission to identify more opportunities for trade between Taiwan and Guam. GEDA distributed investor packets that included updated military information, contractor licensing requirements, H2 Visa Program overview, and a presentation highlighting Guam opportunities.

- *Townsville Enterprise - Austrade Delegation, Guam Visit - May & October 2009.*

  Townsville Enterprise, a private economic development organization out of Townsville, Australia, met with GEDA in May in preparation for an official visit with the Mayor of Townsville in October. In October, GEDA hosted a roundtable discussion with Government of Guam representatives charged with the island's infrastructure and about 10 of the trade delegates comprised of business and institutional representatives and Mayor Cr Les Tyrell. GEDA also participated in other scheduled meetings and events in conjunction with the delegation's visit.

- *Philippine Trade Mission – June 2009.*

  A GEDA delegation participated in the seminar that took place on June 30th at the Renaissance Hotel in Manila. The private sector led mission successfully made contact with approximately 160 potential investors and made presentations on Guam's business environment and investment incentives.

- *Korea Trade Mission – October 2009.*

  GEDA assisted GVB and the Office of the Governor in planning and promoting the Guam Symposium to Korea, which was held on October 20, 2009. GEDA's role focused on facilitating planning meetings and preparing a comprehensive investor packet for attendees.

- *Taiwan Delegation, Guam Visit - November 2009.*

  The success of the trade mission to Taiwan in May was evidenced by the arrival of 37 construction supply businesses along with Taiwan Government officials to Guam in November. The delegates arrived on Guam to explore first hand, the opportunity to either supply local companies with construction and building materials in preparation for the military build up or to establish a partnership with local companies. The Taiwanese delegation also hosted a business expo for local businesses.

Another successful promotion of Guam led by Governor Camacho, was the Department of Interior's Business Opportunities Conference held in Honolulu, Hawaii from April 6 thru April 8, 2009. GEDA introduced Guam's investment opportunities to the 500 attendees comprised of investors from the US Mainland and the Pacific region. GEDA had a Guam exhibit table and also hosted a Hospitality Suite. Guam was a key focus of the entire conference with attendees interested in the significant growth opportunities through the military buildup. GEDA, along with the Guam Chamber of Commerce and other government entities, collaborated to provide a wealth of information on the projects and initiatives planned for the growth, and invited new businesses and investors to consider partnering and joint venturing with Guam's local small businesses.

As part of GEDA's local small business development initiatives through community partnerships to leverage resources, GEDA co-sponsored the Guam Procurement Technical Assistance Center's "Federal Contracting Forum" held on April 27, 2009 at the Guam Hilton Resort & Spa. More than 200 attendees participated in the event, comprised of both local and off-island businesses. GEDA developed and designed the event flyer, provided conference packets, inclusive of military build up information compiled, assisted in conference registration, and set up the Guam Industries booth display. GEDA also

continues to host one of the two satellite offices for the Guam Procurement Technical Assistance Center, established by the University of Guam's Pacific Center for Economic Initiatives, to support local small businesses engage in federal contracting opportunities.

Another business development initiative, in light of the military buildup, and GEDA's efforts through the Economic Development Subcommittee advocating for local small business opportunities, GEDA launched a small business outreach program to inform the community of GEDA's financial assistance programs and other local resources. This was done in conjunction with the Small Business Development Center, the Procurement Technical Assistance Center (PTAC) and NavFac Marianas Small Business Advocate, Mr. Al Sampson. Every partner presented their respective programs and services available to local small businesses. Outreach meetings, held once a month over a three-month period, hosted groups such as the Chamorro Village Vendors, Guam Contractors Association, and the Chamorro Artist Association. This was a great jumpstart to GEDA's financial assistance program. Just over this past year, GEDA approved approximately $100,000 in small business start-up and expansion loans.

GEDA manages three industrial parks, the E.T. Calvo Memorial Park, the Harmon Industrial Park, and the Guam Shipyard generating an average of about 700 to 1000 jobs annually, $41.0 million in payroll, over $130.0 million in gross sales and $6.7 million in GRT. As the main source of GEDA's operating budget, the industrial parks generate approximately $1.7 million annually.

Leveraging GEDA's real property management program, GEDA engaged in a management Memorandum of Understanding with the Guam Ancestral Lands Commission, to lease Spanish Crown properties. For the period October 2007 to December 4, 2009, GEDA collected $147,808 in ground lease rents (no participation rent received yet) of which $126,672 was remitted to GALC while $21,137 was retained by GEDA as provided for in the MOU.

In support of Governor Camacho's Civilian Military Task Force via the Economic Development Subcommittee, GEDA obtained a commitment by the Navy to secure up to $1 billion in small business contracts over the next 5 years. In addition, GEDA produced a comprehensive report on federal transactions on Guam spanning over the past eight years and can be found on GEDA's website. This is one of the Subcommittees major undertakings to further efforts to ensuring that local businesses (most local businesses are considered by the federal government as small businesses) have as much opportunity to obtain contracts from the Military as possible.

The entrepreneurial spirit continues to be the strength of our national and local economies, with studies showing that new business start-ups provide long-term benefits to the local economy. With the federal transaction report indicating that only seven percent of Guam's licensed local businesses have been participating in federal transactions, and the anticipated 25% increase in the island's population over the next several years, it is imperative to continue fostering and promoting the entrepreneurial spirit within our island community and amongst island residents, to ensure sustainability of Guam's economy beyond the build up.

Bonding, financing operations, and increasing local business capabilities while ensuring that the federal government does not bundle requirements beyond local capabilities are critical to helping our local companies prepare to participate in contracting opportunities associated with the buildup. Creation of the Procurement Technical Assistance Center in conjunction with other existing programs including the GEDA Small Business Loan Program, the Small Business Development Center at UOG, the U. S. Small Business Administration and the Chamber of Commerce Small Business Focus Group offer opportunities for small businesses to overcome developmental challenges.

The subcommittee is also beginning to evaluate local business prospects for post-construction contracting to ensure that Guam's services contractors will benefit from the Military build up. GEDA, along with the Economic Development Subcommittee, will continue to serve as a conduit to effectively and strategically advocate for Guam's local small businesses, the backbone of our island's economy that deserve the opportunity to prosper during this significant growth period.

PROCESS IMPROVEMENT & PROGRAM COMPLIANCE

Improving upon the Qualifying Certificate program, GEDA successfully promulgated legislation P.L. 29-002 that includes a provision amending §58111(b) chapter 58 of 12 GCA - " Noncompliance with Certificate. Failure to comply with any condition or obligation set out in the qualifying certificate, the Qualifying Certificate law and rules thereof, or any laws and rules of the Government of Guam having a direct impact on the beneficiary's activities. The qualifying certificate beneficiary may correct such non-compliance with twelve (12) months from the date it was notified in writing as the nature of the noncompliance and reasons for such noncompliance. All benefits shall be suspended during this noncompliance period. Failure to correct such noncompliance within the period given shall result in revocation of the Qualifying Certificate;". This sets out clear timelines to initiate suspension of tax benefits and the revocation process and strengthens GEDA enforcement of the QC program.

As recommended by the Office of Public Accountability - Guam, GEDA's Board of Directors authorized GEDA to charge-off $4.3 million in uncollectible loan balances. These are loans dating back more than 20-years where no additional recourse is left to GEDA as all collateral had been seized and foreclosed on and GEDA successfully sued guarantors who have either settled their liability or filed for bankruptcy.

GEDA also finalized its internal review of the tax credit programs for the Guam Raceway Park and the Guam Soccer Stadium. In collaboration with the Department of Revenue & Tax, GEDA was able to reconcile tax credits for both programs and as a result the Soccer Stadium is in full compliance and the Guam Raceway is actively working toward resolving its non-compliance issues.

FINANCIAL COMMENTS

The following table summarizes the statements of net assets (deficiency) and operations of Guam Economic Development Authority for 2009, 2008 and 2007:

	2009	2008 (Restated)	2007 (Restated)
Assets:			
Current assets	$ 7,769,793	$ 7,259,558	$ 7,677,301
Long-term assets:			
Building, improvements and equipment, at cost, net	219,867	347,134	546,788
Deferred bond issuance costs	725,860	780,920	471,269
Deferred charges	49,306	903,350	1,286,966
Other assets	3,500	3,500	3,500
	$ 8,768,326	$ 9,294,462	$ 9,985,824

	2009	2008 (Restated)	2007 (Restated)
Liabilities and Net Deficiency:			
Current liabilities:			
Current portion of long-term debt ,net	$ 1,485,000	$ 1,380,000	$ 2,142,921
Other current payables	927,460	1,623,963	2,207,699
Long-term liabilities:			
Long-term debt, net	29,959,790	30,689,368	23,300,746
Other long-term payable	90,777	68,890	51,853
Total liabilities	32,463,027	33,762,221	27,703,219
Net assets (deficiency):			
Invested in capital assets	219,867	347,134	546,788
Unrestricted	(23,914,568)	(24,814,893)	(18,264,183)
Net deficiency	(23,694,701)	(24,467,759)	(17,717,395)
	$ 8,768,326	$ 9,294,462	$ 9,985,824
Revenues, Expenses and Changes in Net Assets:			
Revenue:			
Operating revenues	$ 1,949,489	$ 1,878,420	$ 1,820,934
Tobacco Settlement revenue	2,962,973	2,788,041	1,343,390
Bond fees earned	304,566	-	-
(Provision for) recovery of Doubtful accounts receivable	(115)	20,038	(3,691)
Total revenue	5,216,913	4,686,499	3,160,633
Expenses:			
Operating expenses	(2,132,752)	(1,958,994)	(1,939,298)
Other income (expense), net	(2,311,103)	(9,477,869)	(924,376)
Increase (decrease) in net assets	773,058	(6,750,364)	296,959
Net deficiency at beginning of year	(24,467,759)	(17,717,395)	(18,014,354)
Net deficiency at end of year	$ (23,694,701)	$ (24,467,759)	$ (17,717,395)

Management's Discussion and Analysis for the year ended September 30, 2008 is set forth in GEDA's report on the audit of financial statements, which is dated April 13, 2009. That Discussion and Analysis explains the major factors impacting the 2008 financial statements and can be viewed at the Office of Public Accountability - Guam website at www.**guam**opa.com.

The restatement pertains to the redesignation of the DB Plan by GovGuam's Department of Administration from a single-employer plan to a cost-sharing multiple-employer plan. Please refer to note 11 of the accompanying financial statements for additional details concerning information on this restatement.

Operating Revenues

In fiscal year 2009, GEDA recorded operating revenues of $1,949,489, compared to $1,878,420 in fiscal year 2008. The year-to-year change of $71,069 represents an increase of 3.8%. GEDA generates its own revenues to sustain annual operations from two primary sources. The first is the rental income from Industrial Parks and the second is application and surveillance fees from QC beneficiaries. Bond fees are a third source, but are not a recurring annual income.

Industrial Park

12 GCA Section 50103 authorizes GEDA to lease Government of Guam land to promote investments in entrepreneurial capital thereby increasing opportunity for employment in manufacturing, industrial, commercial, recreational, retail and service enterprises. GEDA maintains industrial parks under leases from the Government of Guam: the 18-acre Harmon Industrial Park, the 26-acre E.T. Calvo Memorial Park, and the 32-acre Cabras Industrial Park. A fourth industrial park is operated under a lease with the U.S. Navy for ship repair and other industrial services.

Rental income increased 4.9% from $1,648,994 in FY08 to $1,730,098 in FY09.

Qualifying Certificate (Q.C.) Program

The Qualifying Certificate program is an economic incentive tool to entice investors into Guam. The program was created in early 1965 to foster the growth of the then fledgling tourism industry. The tax incentive program that offers corporate income tax and corporate dividends tax rebates and real property tax abatements has proven to be a successful tool in the development of the tourism industry and will now serve a critical role in supporting the growth of new and emerging industries. Since its inception, the program realized approximately $1.5 billion of investments that otherwise may not have happened, but for the program. An 8.6% or $18,984 decrease in QC revenues in FY09 is attributed to no new QC applications received during this period.

Bond Fees

GEDA's mandate establishes GEDA as the Central Financial Manager for the Government of Guam. This role is facilitated through the Financial Services Division, which assists with, coordinates and monitors Financial Advisory Services, Capital Financing Debt Management and the Capital Markets. GEDA is authorized to receive fees when Government of Guam bonds are issued, based on a recognized formula.

Assets

Land, building, improvements and equipment decreased $127,267 or 36.7% in FY09. The decrease is attributed to current period depreciation expense of $156,911 offset by obtaining additional office furniture and computer equipments.

Deferred charges decreased $854,044 or 94.5% in FY09. The decrease is mainly attributed to the application of charges through the bonds closed during the year. For additional information on deferred charges, please see Note 10 to the financial statements.

Operating Expense

GEDA's operating expense in FY09 was $2,132,867 (which includes the provision of doubtful accounts of $115), an increase of 10.0% over FY08 of $1,938,956 (which includes the reversal of provision for doubtful accounts of $20,038).

Personnel Expenses

Salaries and benefits increased 15.6% or $230,739 (including allocation to trust funds) in FY09, which is attributed to an increase in benefits and annual salary increments.

Legal and Professional Services

Professional service expense increased $62,960 or 28.4% from $221,343 in FY08 to $284,303 in FY09. This is mainly attributed to the TSA Bond activities related to the Lehman Bankruptcy claim filing.

Depreciation Expense

Depreciation expense decreased $50,960 or 24.5% from $207,871 in FY08 to $156,911 in FY09.

Office Space and Equipment Rental

Office space and equipment rental decreased $6,631 or 4.8% from $137,062 in FY08 to $130,431 in FY09.

Travel

Travel expense increased by $114,228 or 318.3% from $35,883 in FY08 to $150,111 in FY09. Increase is attributed to TSA Bond activities related to the Lehman Bankruptcy claim filing, GEDA's participation in trade and reverse-trade missions due to the increased military opportunities, as well as, attendance and/or hosting of conferences, forums, trainings and seminars related to economic development, financial management and the marketing of Guam as an investment destination.

Capital Assets and Debt Administration

Nominal investments in capital assets occurred during fiscal year 2009. For additional information on capital assets, please see Note 3 to the financial statements.

Changes in debt mainly relate to principal repayments and discount amortization. For additional information concerning debt, please refer to Note 4 to the financial statements.

FY2010 INITIATIVES AND ECONOMIC OUTLOOK

With Guam's growth potential expected to reach unprecedented levels over the next several years, in GEDA's role as central financial manager, GEDA will continue to work with both the Executive and Legislative Branch on implementing deficit reduction and economic development plans to bring GovGuam back to credit positive and provide better quality of life for the people of Guam, as well as maintain support of professional financial services to maintain Guam's image and participation in the municipal market.

Besides completing the financing projects mentioned previously, below are additional public finance projects that GEDA will be working on over the next two years:

1. **Department of Public Works**

   Work with DPW on issuing GARVEE (Grant Anticipation Revenue Vehicles) bonds to assist with the 2030 Guam Transportation Plan. The plan presents a comprehensive, long-term strategy to improve transportation infrastructure and operations throughout Guam. GARVEE's are bonds

eligible for federal reimbursement on any federal-aid project eligible under Title 23. GARVEE's permit states and territories to pay debt service and other bond-related expenses with future federal highway apportionments.

2. Department of Land Management

Work with the Department of Land Management (DLM) with financing up to $15.7 million for the construction and collateral equipment of a new Land Resources Building Public Facility.

3. Guam Waterworks Authority

Work with GWA on a $156.3 million bond financing at parity or subordinate to the 2005 Series Indenture to assist in GWA's Moratorium Project list and $118 million in GWA's Master Plan Projects.

4. Guam Power Authority

Assist in identifying financing options for GPA that will provide for new alternative energy efficient power plants.

GEDA will continue to actively attract new investors, both foreign and domestic, to Guam targeting new and emerging industries. GEDA will continue working with the military, the U.S. Small Business Administration, the Procurement Technical Assistance Center, and other small business advocates to ensure that local businesses obtain maximum opportunity to participate in military buildup contracts as both prime contractors and subcontractors.

A primary objective of the Economic Development Subcommittee is to ensure that the establishment of Joint Base Guam/Joint Region Marianas allows for maximum participation by local businesses, and shift focus to research and promotions activities to ensure local service companies prepare for service contract opportunities during the post-construction period.

GEDA will continue its approach of leveraging resources to build local capacity in the form of job creation and fostering entrepreneurial growth, through continued collaboration with the University of Guam, Pacific Center for Economic Initiatives, the Guam Workforce Investment Board, the Chamber of Commerce, and other community development entities. Through this collaboration, GEDA will facilitate the planning and coordination of a mission to the mainland U.S. to reach a significant number of former Guam residents who left the island over the past several years due to economic recession. The mission will target areas to maximize reach, and apprise former Guam residents of the opportunities for employment and entrepreneurship over the next several years. On the local front, village outreach programs will be scheduled to educate island residents of those same opportunities. Another initiative will be to facilitate the development of the GovGuam Marketing & Information Cooperative, to create a network amongst government of Guam entities and organizations, to provide a forum for dialogue on best practices, information exchange, and leveraging of limited resources.

With the anticipated growth that may occur over the next several years, GEDA will continue its efforts to meet its mission of fostering sustainable economic growth through its programs, services and key initiatives, GEDA will also continue improving upon internal processes and procedures, monitoring and compliance, and customer service.

GUAM ECONOMIC DEVELOPMENT AUTHORITY
AND SUBSIDIARY
(A Component Unit of the Government of Guam)

Statements of Net Assets (Deficiency)
September 30, 2009 and 2008

	Divisional Information			
ASSETS	GEDA	TSA	2009	2008 (As Restated see Note 11)
Current assets:				
Cash and cash equivalents	$ 52,421	$ 3,728,400	$ 3,780,821	$ 1,120,809
Investments	3,795,595	-	3,795,595	5,652,516
Notes and accrued interest receivable	-	-	-	115
Due from trust funds administered by GEDA:				
Agricultural Development Fund	1,183	-	1,183	42,034
Guam Development Fund Act	2,146	-	2,146	24,004
Reimbursable expense	16,134	(16,134)	-	-
Other receivables, net of an allowance for doubtful receivables of $369,384 in 2009 and 2008	175,360	-	175,360	409,126
Inventory	7,522	-	7,522	8,354
Prepaid expense	7,166	-	7,166	2,600
Total current assets	4,057,527	3,712,266	7,769,793	7,259,558
Deferred charges	49,306	-	49,306	903,350
Deferred bond issuance costs	-	725,860	725,860	780,920
Equity investment	3,500	-	3,500	3,500
Building, improvements and equipment, at cost, net	219,867	-	219,867	347,134
	$ 4,330,200	$ 4,438,126	$ 8,768,326	$ 9,294,462
LIABILITIES AND NET ASSETS (DEFICIENCY)				
Current liabilities:				
Current portion of bonds payable	$ -	$ 1,485,000	$ 1,485,000	$ 1,380,000
Accounts payable	114,792	17,783	132,575	775,783
Due to trust funds administered by GEDA:				
Microenterprise Development Program	30,132	-	30,132	30,422
U.S. Base Relocation and Closure Commission	-	-	-	22
Accrued liabilities	97,904	-	97,904	81,449
Interest payable	-	567,000	567,000	590,000
Deferred rental income	99,849	-	99,849	146,287
Total current liabilities	342,677	2,069,783	2,412,460	3,003,963
Non-current liabilities:				
Bonds payable, net of current portion and discount	-	29,959,790	29,959,790	30,689,368
DCRS sick leave liability	76,204	-	76,204	57,677
Deposits	14,573	-	14,573	11,213
Total non-current liabilities	90,777	29,959,790	30,050,567	30,758,258
Total liabilities	433,454	32,029,573	32,463,027	33,762,221
Commitments and contingencies				
Net assets (deficiency):				
Invested in capital assets	219,867	-	219,867	347,134
Unrestricted	3,676,879	(27,591,447)	(23,914,568)	(24,814,893)
Net assets (deficiency)	3,896,746	(27,591,447)	(23,694,701)	(24,467,759)
	$ 4,330,200	$ 4,438,126	$ 8,768,326	$ 9,294,462

See accompanying notes to consolidated financial statements.

GUAM ECONOMIC DEVELOPMENT AUTHORITY
AND SUBSIDIARY
(A Component Unit of the Government of Guam)

Statements of Revenues, Expenses and Changes in Net Assets (Deficiency)
Years Ended September 30, 2009 and 2008

	Divisional Information			
	GEDA	TSA	2009	2008 (As Restated see Note 11)
Revenues:				
Rental income	$ 1,730,098	$ -	$ 1,730,098	$ 1,648,994
Tobacco Settlement revenue	-	2,962,973	2,962,973	2,788,041
Qualifying certificate application, surveillance and other fees	202,782	-	202,782	221,766
Bond fees earned	304,566	-	304,566	-
Other	16,609	-	16,609	7,660
	2,254,055	2,962,973	5,217,028	4,666,461
(Provision for) recovery of doubtful accounts receivable	(115)	-	(115)	20,038
	2,253,940	2,962,973	5,216,913	4,686,499
Operating expenses:				
Salaries and benefits	1,291,962	-	1,291,962	1,237,986
Legal and professional services	223,684	60,619	284,303	221,343
Depreciation and amortization	156,911	-	156,911	207,871
Office space and equipment rent	130,431	-	130,431	137,062
Travel	93,842	56,269	150,111	35,883
Advertising and promotions	46,463	-	46,463	48,184
Utilities, telephone and communication	14,384	-	14,384	15,650
Insurance	10,149	-	10,149	8,408
Supplies	8,832	-	8,832	8,020
Repairs and maintenance	1,296	-	1,296	1,652
Miscellaneous	37,910	-	37,910	36,935
	2,015,864	116,888	2,132,752	1,958,994
Operating income	238,076	2,846,085	3,084,161	2,727,505
Other income (expense):				
Interest expense, net	397	(2,491,631)	(2,491,234)	(2,213,345)
Investment income	57,245	62,550	119,795	176,374
Gain on investments	41,172	-	41,172	88,150
Other income, net	19,164	-	19,164	37,459
Reversal of contingent losses	-	-	-	450,850
Transfer from Guam Development Fund Act	-	-	-	327,921
Transfer to Government of Guam custodial account	-	-	-	(8,345,278)
Other income (expense), net	117,978	(2,429,081)	(2,311,103)	(9,477,869)
Net increase (decrease) in net assets	356,054	417,004	773,058	(6,750,364)
Net assets (deficiency) at beginning of year	3,540,692	(28,008,451)	(24,467,759)	(17,717,395)
Net assets (deficiency) at end of year	$ 3,896,746	$ (27,591,447)	$ (23,694,701)	$ (24,467,759)

See accompanying notes to consolidated financial statements.

GUAM ECONOMIC DEVELOPMENT AUTHORITY
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Statements of Cash Flows
Years Ended September 30, 2009 and 2008

	Divisional Information			
	GEDA	TSA	2009	2008 (As Restated see Note 11)
Cash flows from operating activities:				
Cash received from customers	$ 2,772,608	$ 2,962,973	$ 5,735,581	$ 4,731,502
Cash paid to suppliers for goods and services	(623,655)	(82,971)	(706,626)	(589,969)
Cash paid to employees for services	(1,273,435)	-	(1,273,435)	(1,247,214)
Net cash provided by operating activities	875,518	2,880,002	3,755,520	2,894,319
Cash flows from investing activities:				
Interest and investment income	98,417	62,550	160,967	264,524
Rollover of interest into investment	(98,417)	(62,550)	(160,967)	(88,150)
(Purchase) maturity of investment securities	(852,548)	2,870,436	2,017,888	(411,694)
Net cash (used in) provided by investing activities	(852,548)	2,870,436	2,017,888	(235,320)
Cash flows from capital and related financing activities:				
Purchase of property and equipment	(29,644)	-	(29,644)	(8,217)
Net cash used in capital and related financing activities	(29,644)	-	(29,644)	(8,217)
Cash flows from noncapital financing activities:				
Repayment of bond payable	-	(1,320,000)	(1,320,000)	(1,565,000)
Net interest received (paid) on deposit accounts, bond and notes payable	397	(1,764,149)	(1,763,752)	(1,276,612)
Bond refinancing	-	-	-	(794,040)
Net cash provided by (used in) noncapital financing activities	397	(3,084,149)	(3,083,752)	(3,635,652)
Net change in cash and cash equivalents	(6,277)	2,666,289	2,660,012	(984,870)
Cash and cash equivalents at beginning of year	58,698	1,062,111	1,120,809	2,105,679
Cash and cash equivalents at end of year	$ 52,421	$ 3,728,400	$ 3,780,821	$ 1,120,809
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	$ 238,076	$ 2,846,085	$ 3,084,161	$ 2,727,505
Other income, net	19,164	-	19,164	37,459
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	156,911	-	156,911	207,871
Provision for (recovery of) doubtful accounts receivable	115	-	115	(20,038)
(Increase) decrease in assets:				
Due from trust funds administered by GEDA	62,709	-	62,709	(34,643)
Reimbursable expense	(16,134)	16,134	-	-
Other receivables	233,766	-	233,766	(5,577)
Inventory	832	-	832	(4,425)
Prepaid expenses	(4,566)	-	(4,566)	(2,600)
Deferred charges	854,044	-	854,044	383,616
Increase (decrease) in liabilities:				
Accounts payable	(660,991)	17,783	(643,208)	(360,246)
Due to trust funds administered by GEDA	(312)	-	(312)	(14,068)
Accrued liabilities	16,455	-	16,455	(41,343)
Deferred rental income	(46,438)	-	(46,438)	3,771
Deposits	3,360	-	3,360	3,113
DCRS sick leave liability	18,527	-	18,527	13,924
Net cash provided by operating activities	$ 875,518	$ 2,880,002	$ 3,755,520	$ 2,894,319

See accompanying notes to consolidated financial statements.

GUAM ECONOMIC DEVELOPMENT AUTHORITY
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(A Component Unit of the Government of Guam)

Statements of Cash Flows
Years Ended September 30, 2009 and 2008

	Divisional Information			
	GEDA	TSA	2009	2008 (As Restated see Note 11)
Supplemental disclosure of non-cash transactions				
Non-cash decrease in notes payable to GDFA	$ -	$ -	$ -	$ 327,921

On December 13, 2007, TSA defeased the 2001 Tobacco Settlement Bonds and issued the 2007 Tobacco Settlement Bonds. The Proceeds from the 2007 bonds were deposited into trust accounts controlled by the co-trustee of the 2007 bonds, into an escrow account controlled by the escrow agent to continue servicing the 2001 bonds, and into a custodial account controlled by the custodian and the Government of Guam for specified capital improvement projects:

Increase (decrease) in assets:	
Deferred bond issuance cost of series 2007 bonds	$ 826,801
Unamortized deferred bond issuance cost of series 2001 bonds	(460,308)
(Increase) decrease in liabilities:	
Tobacco Settlement Bonds:	
Series 2001 bonds	25,040,000
Series 2007 bonds	(50,348,619)
Discount on issuance of series 2007 bonds	15,162,709
Deferred difference on defeasing series 2001 bonds	2,628,344
Unamortized discounts of series 2001 bonds	(400,165)
Decrease in net assets:	
Transfer out to Government of Guam custodial account	8,345,278
Cash flows from bond refinancing	$ 794,040

See accompanying notes to consolidated financial statements.

(1) Purpose and Summary of Significant Accounting Policies

Purpose

Guam Economic Development Authority (GEDA) was created by Public Law 8-80 on August 21, 1965, to assist in the implementation of an integrated program for the economic development of Guam. Public Law No. 26-76 reenacted any reference in any law to the Guam Economic Development Authority (GEDA) to mean and be read as the Guam Economic Development and Commerce Authority (GEDCA). In October 2008, Public Law No. 29-113 reenacted any reference in any law back to Guam Economic Development Authority. Enabling legislation set forth several specific purposes for the establishment of GEDA to include:

(a) Aiding private enterprise without competing with it,
(b) Expanding the money supply to finance housing facilities, and
(c) Providing the means necessary for acquisition of hospital facilities.

To accomplish the stated purposes, GEDA is authorized to conduct research of, invest in, provide loans to, operate and provide technical assistance to industries and/or agricultural projects; issue revenue bonds; obtain Government of Guam land; purchase mortgages; and recommend to the Governor of Guam businesses qualifying for tax rebates and abatements. GEDA utilizes the Guam Development Fund Act (GDFA), the Agricultural Development Fund (ADF), Microenterprise Development Program (MDP), the Guam Territorial Aquarium Foundation (GTAF), the Music and Legends of Guam Fund (MLGF), the U.S. Base Realignment and Closure Committee (BRAC), Housing and Urban Development Fund (HUD), Agricultural Expense Insurance Fund (AEIF), Aquacultural Training Fund (ATF) and Landowner's Recovery Fund (LRF) to accomplish certain of the stated purposes. The Guam Industry Promotions Fund (GIPF) and the Guam Education Fund (GEF) have also been created but their purposes have yet to be implemented.

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

The financial statements of GEDA have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. Governmental Accounting Standards Board (GASB) Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting", requires that proprietary activities apply all applicable GASB pronouncements as well as Statements and Interpretations issued by the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989. GEDA has implemented GASB 20 and elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

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

(1) Purpose and Summary of Significant Accounting Policies, Continued

Principles of Consolidation

The financial statements include the accounts of GEDA and its wholly-owned subsidiary, Guam Business Development Corporation (GBDC). GBDC was formed on October 18, 1988, for the purpose of acquiring and developing tourist-related property and protecting the various interests of GEDA and Funds administered by GEDA. All significant intercompany balances and transactions have been eliminated in consolidation.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. In accordance with the accrual method, revenues are recognized when they are earned and expenses are recognized when they are incurred. GEDA's revenues are derived primarily from fees relating to subleasing of industrial parks, Qualifying Certificates (QCs) and bond issuance fees, which are reported as operating revenues. Grants, financing or investing related transactions are reported as non-operating revenues. All expenses related to operating GEDA are reported as operating expenses. Financing, investing and typhoon damages, net of recoveries are reported as non-operating revenues and expenses.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Assets

Net assets represent the residual interest in GEDA's assets after liabilities are deducted and consist of two sections: invested in capital assets and unrestricted. Net assets invested in capital assets include capital assets, restricted and unrestricted, net of accumulated depreciation. All other net assets are unrestricted.

Cash and Cash Equivalents

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

Depreciation and Amortization

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

Inventories

Inventories of materials and merchandise are determined by physical count and are valued at the lower of cost or market on a specific identification basis.

(1) Purpose and Summary of Significant Accounting Policies, Continued

Investment in Stock

Investments in stock consist primarily of equity shares in a Guam financial institution, accounted at cost.

Bond Discounts and Issuance Costs

Bond discounts and debt issuance costs associated with the 2001 and 2007 series bonds are being amortized over the weighted average lives of the bonds using the straight-line method, which approximates the effective interest method.

Compensated Absences

Compensated absences are accrued and reported as a liability in the period earned. Annual leave expected to be paid out within the next fiscal year is accrued and is included in current liabilities. All annual leave credit is convertible to pay upon termination of employment. The maximum accumulation amount of annual leave is limited to 320 hours. Pursuant to Public Law 27-106, employees who have accumulated annual leave in excess of three hundred twenty (320) hours as of February 28, 2003, may carry over their excess and shall use the excess amount of leave prior to retirement or termination from service. At the time of retirement or termination of service, up to 100 hours of excess annual leave existing at February 28, 2003 may be credited to sick leave and the remainder of the excess leave, if any, shall be lost. Public Law 27-106 does not allow lump sum compensation or retirement credit for annual leave in excess of three hundred twenty (320) hours.

Operating Expenses

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

Risk Management

GEDA purchases automobile insurance covering $300,000 for general single limited liability, inclusive of $3,000 per person medical. GEDA also purchases commercial liability insurance against fire and typhoon damages to its leasehold improvements and contents. GEDA is self-insured against all other potential risks and losses. No losses in excess of insurable limits have been recognized in the past three years.

Concentrations of Credit Risk

Financial instruments which potentially subject GEDA to concentrations of credit risk consist principally of cash demand deposits and accounts receivable.

(1) Purpose and Summary of Significant Accounting Policies, Continued

Concentrations of Credit Risk, Continued

At September 30, 2009 and 2008, GEDA has cash deposits in bank accounts that exceed federal depository insurance limits. Additionally, GEDA has investments in mutual fund and U.S. Government agency or sponsored-agency securities that are not subject to insurance. GEDA has not experienced any losses in such accounts.

Substantially all of GEDA's accounts receivable are due from companies and government agencies based in Guam. GEDA establishes an allowance for doubtful accounts based on management's evaluation of potential uncollectibility.

New Accounting Standards

During fiscal year 2009, GEDA implemented the following pronouncements:

- GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, which improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income.

- GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which improves financial reporting by contributing to the GASB's efforts to codify all GAAP for state and local governments so that they derive from a single source.

- GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, which incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants (AICPA) auditing literature into the GASB's accounting and financial reporting literature for state and local governments, and addresses three issues from the AICPA's literature - related party transactions, going concern considerations, and subsequent events.

The implementation of these pronouncements did not have a material effect on the accompanying financial statements.

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which addresses whether and when intangible assets should be considered capital assets for financial reporting purposes. The provisions of this statement are effective for periods beginning after June 15, 2009. Management does not believe that the implementation of this statement will have a material effect on the financial statements of GEDA.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which is intended to improve how state and local governments report information about derivative instruments - financial arrangements used by governments to manage specific risks or make investments - in their financial statements. The provisions of this statement are effective for periods beginning after June 15, 2009. Management does not believe that the implementation of this statement will have a material effect on the financial statements of GEDA.

(1) Purpose and Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In December 2008, GASB issued Technical Bulletin No. 2008-1, *Determining the Annual Required Contribution Adjustment for Postemployment Benefits*, which clarifies the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for calculating the annual required contribution (ARC) adjustment. The provisions of this statement are effective for periods beginning after December 15, 2008. Management does not believe that the implementation of this statement will have a material effect on the financial statements of GEDA.

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The provisions of this statement are effective for periods beginning after June 15, 2010. Management does not believe that the implementation of this statement will have a material effect on the financial statements of GEDA.

(2) Cash and Investments

The bond indenture for the 2007 Series A and B Tobacco settlement bonds require the establishment of special funds to be held and administered by the trustees.

Investments in debt securities are carried at cost which approximates market value. Investments in mutual funds are carried at market value. Cash and cash equivalents and investments at September 30, 2009 and 2008 consist of the following:

	2009	2008
Cash on hand and due from banks	$ 52,421	$ 58,698
Money market accounts	3,728,400	1,062,111
Cash and cash equivalents	$ 3,780,821	$ 1,120,809
Shares in mutual funds invested in:		
U.S. Government Treasury securities	$ 1,545,351	$ 1,654,893
Blackrock fixed income funds (CLDBX)	78,431	75,243
Federal Home Loan Mortgage Corporation (FHLMC) discount notes	1,449,918	-
Federal National Mortgage Association (FNMA) discount note	721,895	-
Federal Home Loan Bank (FHLB) discount notes	-	1,114,494
General Electric Capital Services, Inc. (GECS) Commercial paper	-	2,807,886
Investments	$ 3,795,595	$ 5,652,516

(2) Cash and Investments, Continued

The deposits and investment policies of GEDA are governed by 5 GCA 21, *Investments and Deposits* in conjunction with applicable bond indentures. Legally authorized investments include securities issued or guaranteed by the U.S. Treasury or agencies of the United States government; demand and time deposits in or certificates of deposit of, or bankers' acceptances issued by, any eligible financial institution; corporate debt obligations, including commercial paper; certain money market funds; state and local government securities, including municipal bonds; and repurchase and investment agreements. With the exception of investments in U.S. government securities, which are explicitly guaranteed by the United States government, all other investments must be rated Aa1/P-1 by Moody's.

A. Cash

GASB Statement No. 3 requires government entities to categorize deposits to give an indication of the level of credit risk assumed by the entity at year-end. The three categories are described below:

Category 1 Deposits that are federally insured or collateralized with securities held by GEDA or its agent in GEDA's name;

Category 2 Deposits that are uninsured but fully collateralized with securities held by the pledging financial institution's trust department or agent in GEDA's name; or

Category 3 Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent but not in GEDA's name and non-collateralized deposits.

GASB Statement No. 40 amended GASB Statement No. 3 to eliminate disclosure for deposits falling into categories 1 and 2 but retained disclosures for deposits falling under category 3. Category 3 deposits are those deposits that have exposure to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, GEDA's deposits may not be returned. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. GEDA does not have a deposit policy for custodial credit risk.

At September 30, 2009 and 2008, the carrying amount of cash was $52,421 and $58,698, respectively, and the corresponding bank balances were $121,710 and $120,214, respectively, which are maintained in financial institutions subject to Federal Deposit Insurance Corporation insurance. Cash balances of $121,710 and $120,214 are insured by the Federal Deposit Insurance Corporation (FDIC) at September 30, 2009 and 2008, respectively. GEDA does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposit levels are exposed to custodial credit risk.

(2) Cash and Investments, Continued

A. Cash, Continued

Cash and cash equivalents held by TSA are restricted for bond services and are invested in money market accounts and are held and administered by TSA's trustees in accordance with the bond indentures. Accordingly, these balances are exposed to custodial credit risk. Custodial credit risk is the risk that in the event of the failure of the counterparty to the transaction, GEDA will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

B. Investments

GASB Statement No. 3 previously required government entities to present investment risks in terms of whether the investment fell into the following categories:

Category 1 Investments that are insured or registered, or securities held by GEDA or its agent in GEDA's name;

Category 2 Investments that are uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in GEDA's name; or

Category 3 Investments that are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in GEDA's name.

GASB Statement No. 40 amended GASB Statement No. 3 to eliminate disclosure for investments falling into categories 1 and 2, and provided for disclosure requirements addressing other common risks for investments such as credit risk, interest rate risk, concentration of credit risk, and foreign currency risk. GASB Statement No. 40 retains and expands the element of custodial risk in GASB Statement No. 3.

As of September 30, 2009, GEDA's investments are as follows:

	Amount	Maturity	Moody' Rating
Shares in mutual funds invested in:			
U.S. Government Treasury securities	$ 1,545,351	N/A	N/A
Blackrock fixed income funds (CLDBX)	78,431	N/A	N/A
FHLMC discount note	725,956	10/05/09	N/A
FHLMC discount note	723,962	11/02/09	N/A
FNMA discount note	721,895	12/10/09	N/A
	$ 3,795,595		

As of September 30, 2008, GEDA's investments are as follows:

	Amount	Maturity	Moody' Rating
Shares in mutual funds invested in:			
U.S. Government Treasury securities	$ 1,654,893	N/A	N/A
Blackrock fixed income funds (CLDBX)	75,243	N/A	N/A
GECS commercial paper	2,807,886	12/01/08	P-1
FHLB discount note	372,342	10/10/08	N/A
FHLB discount note	371,560	11/10/08	N/A
FHLB discount note	370,592	12/09/08	N/A
	$ 5,652,516		

(2) Cash and Investments, Continued

B. Investments, Continued

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. With the exception of investments in U.S. government securities, which are explicitly or implicitly guaranteed by the United States government, all other investments must be rated Aa1/P-1 by Moody's.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, GEDA will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. GEDA's investment in GECS commercial paper of $2,807,886 at September 30, 2008 is held and registered in the name of U.S. Bank as Co-Trustee for the 2007 series A and B Tobacco Settlement Bonds. GEDA's investment in other FHLB discount notes and in shares of mutual funds at September 30, 2009 and 2008 is registered in GEDA's name and is held by two investment managers for GEDA.

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure by issuer and amount of investments in any one issuer that represents five percent (5%) or more of total investments for GEDA. As of September 30, 2009, GEDA's investment in FHLMC and FNMA discount notes constituted 38% and 19% of its total investments, respectively. As of September 30, 2008 GEDA's investment in a GECS commercial paper and FHLB discount notes constituted 50% and 20% of its total investments, respectively.

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

(3) Building, Improvements and Equipment

A summary of building, improvements and equipment at September 30, 2009 and 2008 is as follows:

	Beginning Balance October 1, 2008	Transfers and Additions	Transfers and Deletions	Ending Balance September 30, 2009
Leasehold improvements	$ 792,537	$ -	$ -	$ 792,537
Furniture and equipment	583,369	29,644	-	613,013
Other improvements	459,395	-	-	459,395
Land improvements	129,642	-	-	129,642
Automobiles	38,834	-	-	38,834
	2,003,777	29,644	-	2,033,421
Less accumulated depreciation and amortization	(1,656,643)	(156,911)	-	(1,813,554)
	$ 347,134	$ (127,267)	$ -	$ 219,867

(3) Building, Improvements and Equipment, Continued

	Beginning Balance October 1, 2007	Transfers and Additions	Transfers and Deletions	Ending Balance September 30, 2008
Leasehold improvements	$ 792,537	$ -	$ -	$ 792,537
Furniture and equipment	575,152	8,217	-	583,369
Other improvements	459,395	-	-	459,395
Land improvements	129,642	-	-	129,642
Automobiles	38,834	-	-	38,834
	1,995,560	8,217	-	2,003,777
Less accumulated depreciation and amortization	(1,448,772)	(207,871)	-	(1,656,643)
	$ 546,788	$ (194,654)	$ -	$ 347,134

(4) Long-Term Obligations

Bonds Payable

Bonds payable at September 30, 2009 and 2008 consist of the following:

	2009	2008
Tobacco settlement bonds, 2007 Series A current interest turbo term bonds, original principal amounts of $17,505,000 and $16,070,000, with interest rates at 5.25% and 5.625% per annum, respectively, payable semiannually on June 1 and December 1 ("Distribution Date"), principal payments due in varying annual installments commencing with a payment of $1,025,000 on June 1, 2008 and increasing to $3,840,000 on June 1, 2026. The Series A bonds are primarily secured by Tobacco Settlement Revenue (TSR) and Guam's right to be paid the TSR under the MSA (which was irrevocably assigned to GEDA as discussed in note 1).	$ 31,230,000	$ 32,550,000
Tobacco settlement bonds, 2007 Series B capital appreciation turbo term bonds, original principal amount of $3,407,077. Interest on the Series B bonds is not paid currently, but is compounded based on an imputed interest rate of 7.25% on each Distribution Date to become part of the accreted value until the maturity date or earlier redemptions. The bonds bear an original maturity value of $115,455,000 with final maturity date of June 1, 2057. The projected turbo redemption date, however, is June 1, 2034 with a total projected principal amount of $16,773,618. Under the Turbo Redemption assumption, principal payments are due in varying annual installments commencing with a payment of $917,533 on June 1, 2008 and increasing to $1,191,488 on June 1, 2034. The Series B bonds are also secured by TSR with the Series A bonds; however, they are subordinate to the Series 2007A Bonds.	16,773,618	16,773,618

(4) Long-Term Obligations, Continued

Bonds Payable, Continued

	2009	2008
Total	$ 48,003,618	$ 49,323,618
Less current portion	(1,485,000)	(1,380,000)
	46,518,618	47,943,168
Less discount on Series B capital appreciation turbo term bonds	(12,922,617)	(13,187,586)
Less discount on issuance	(1,576,881)	(1,696,492)
Less deferred difference on defeasance of 2001 bonds	(2,059,330)	(2,370,712)
	$ 29,959,790	$ 30,689,368

The annual payments on series 2007 bonds payable, assuming that turbo redemption occurs, subsequent to September 30, 2009 and thereafter are as follows:

Year ending September 30,	Principal	Interest	Debt Service
2010	$ 1,485,000	$ 1,681,725	$ 3,166,725
2011	1,600,000	1,603,566	3,203,566
2012	1,720,000	1,519,435	3,239,435
2013	1,850,000	1,429,004	3,279,004
2014	1,980,000	1,331,879	3,311,879
2015 through 2019	9,135,000	5,031,520	14,166,520
2020 through 2024	7,435,000	2,908,969	10,343,969
2025 through 2029	13,070,508	561,302	13,631,810
2030 through 2034	9,728,110	-	9,728,110
	$ 48,003,618	$ 16,067,400	$ 64,071,018

On December 13, 2007, GEDA issued $36,982,077 (original principal) in Series 2007 Tobacco Settlement Bonds. Net proceeds were $35,478,149 ($34,359,109 of original principal after issuance discount, underwriter discount and other issuance costs, plus an additional $794,040 from the Series 2001 funds plus $325,000 received in connection with the termination of Series 2001 Reserve Fund Agreement). Of this amount, $8,345,278 was transferred into a custodial account for the benefit of the Government of Guam. The remaining $27,132,871 was deposited in an irrevocable trust with an escrow agent to provide for the future service of the Series 2001 bonds through May 15, 2016. Except to the extent of any excess which is to be released upon termination (when all transfers and payments required are satisfied), GEDA has no interest in the funds or investments held in the escrow fund and as a result, the Series 2001 bonds indenture was satisfied and discharged. Additionally, the transaction meets the requirement of an in-substance defeasance and as a result, the Series 2001 bonds and the related funds held by the escrow agent have been removed from the accompanying 2008 financial statements.

(4) Long-Term Obligations, Continued

Bonds Payable, Continued

Additionally, the defeasance resulted in a loss of $2,628,344, representing the difference between the reacquisition price and the carrying amount of the Series 2001 bonds. The loss has been deferred and amortized over the remaining life the Series 2001 bonds and is reflected as a reduction of the bond liability in the accompanying statements of net assets.

The defeasance of the bonds resulted in an increase of GEDA's aggregate debt service payment by approximately $36 million over the life of the new Series 2007 bonds and an economic loss (difference between the present value of the old and new debt service payments, plus the $8,345,278 received) of approximately $455,000.

The difference between the original principal amount of $3,407,077 and the projected turbo redemption projected value of $16,773,618 represents discount that is amortizing into interest expense using the straight-line method through the weighted average life of the Series 2007 bonds.

The Series 2007 bonds are subject to mandatory redemption, in whole or in part, prior to their stated maturity dates from amounts on deposit in the Turbo Redemption Account on each Distribution Date. Due to a number of factors, including actual shipment of cigarettes in the United States and the actual level of payments received by the settling states under the MSA, the amount available to pay the principal or accredited value of and interest on the Series 2007 bonds may fluctuate from year to year.

As discussed in the above section, all Tobacco Settlement Revenue and interest earned in trust funds have been pledged to repay the bonds principal and interest. The debt service for the bonds were $3,084,150 and $2,841,980 for the years ended September 30, 2009 and 2008, respectively, or approximately 100% and 96%, respectively, of pledged revenues for those years.

During the years ended September 30, 2009 and 2008, the following changes occurred in liabilities reported as part of GEDA's long-term liabilities in the statements of net assets:

	Balance October 1, 2008 (Restated)	Additions	Reductions	Balance September 30, 2009	Due within one year
Bonds payable	$ 49,323,618	$ -	$ (1,320,000)	$ 48,003,618	$ 1,485,000
Deferred amounts:					
Unamortized difference on bonds defeasance	(2,370,172)	-	310,842	(2,059,330)	-
Unamortized discount on bonds issued	(14,884,078)	-	384,580	(14,499,498)	-
	32,069,368	-	(624,578)	31,444,790	1,485,000
Other liabilities:					
DCRS sick leave liability	57,677	18,527	-	76,204	-
Deposits	11,213	3,360	-	14,573	-
	68,890	21,887	-	90,777	-
	$ 32,138,258	$ 21,887	$ (624,578)	$ 31,535,567	$ 1,485,000

(4) Long-Term Obligations, Continued

	Balance October 1, 2007 (Restated)	Additions (Restated)	Reductions	Balance September 30, 2008 (Restated)	Due within one year
Bonds payable	$ 25,580,000	$ 50,348,618	$ (26,605,000)	$ 49,323,618	$ 1,380,000
Notes payable	327,921	-	(327,921)	-	-
	25,907,921	50,348,618	(26,932,921)	49,323,618	1,380,000
Deferred amounts:					
Unamortized difference on bonds defeasance	-	(2,628,344)	258,172	(2,370,172)	-
Unamortized discount on bonds issued	(464,254)	(15,162,709)	742,885	(14,884,078)	-
	25,443,667	32,557,565	(25,931,864)	32,069,368	1,380,000
Other liabilities:					
DCRS sick leave liability	43,753	13,924	-	57,677	-
Deposits	8,100	3,113	-	11,213	-
	51,853	17,037	-	68,890	-
	$ 25,495,520	$ 32,574,602	$ (25,931,864)	$ 32,138,258	$ 1,380,000

(5) Employees' Retirement Plan

Defined Benefit Plan

Plan Description:

GEDA participates in the GovGuam Defined Benefit (DB) Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the GovGuam Retirement Fund (GGRF). The DB Plan provides retirement, disability, and survivor benefits to plan members who enrolled in the plan prior to October 1, 1995. Cost-of-living adjustments are provided to members and beneficiaries at the discretion of the Guam Legislature. Article 1 of 4 GCA 8, Section 8105, requires that all employees of GovGuam, regardless of age or length of service, become members of the DB Plan prior to the operative date. Employees of a public corporation of GovGuam, which includes GEDA, have the option of becoming members of the DB Plan prior to the operative date. All employees of GovGuam, including employees of GovGuam public corporations, whose employment commences on or after October 1, 1995, are required to participate in the Defined Contribution Retirement System (DCRS). Hence, the DB Plan became a closed group.

The DB Plan was originally designated as a single-employer plan but was redesignated by GovGuam's Department of Administration as a cost-sharing multiple-employer plan, effective October 1, 2008. The redesignation was based on the determination as outlined under GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*, that all risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to the separate employers. A single actuarial valuation is performed annually covering all plan members and the same contribution rate applies to each employer. GGRF issues a publicly available financial report that includes financial statements and required supplementary information for the DB Plan. That report may be obtained by writing to the Government of Guam Retirement Fund, 424 A Route 8, Maite, Guam 96910, or by visiting GGRF's website – www.ggrf.com.

(5) Employees' Retirement Plan, Continued

Defined Benefit Plan, Continued

Funding Policy:

As a result of actuarial valuations performed as of September 30, 2007, 2006, and 2005, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2009, 2008 and 2007, respectively, have been determined as follows:

	2009	2008	2007
Normal costs (% of DB Plan payroll)	17.36%	17.94%	18.21%
Employee contributions (DB Plan employees)	9.50%	9.50%	9.50%
Employer portion of normal costs (% of DB Plan payroll)	7.86%	8.44%	8.71%
Employer portion of normal costs (% of total payroll)	3.70%	3.99%	4.26%
Unfunded liability cost (% of total payroll)	19.68%	20.75%	20.66%
Government contribution as a % of total payroll	23.38%	24.74%	24.92%
Statutory contribution rates as a % of DB Plan payroll:			
Employer	25.20%	24.07%	22.94%
Employee	9.50%	9.50%	9.50%

GEDA's contributions to the DB Plan for the years ending September 30, 2009, 2008 and 2007 were $259,113, $216,269 and $188,666, respectively, which were equal to the required contributions for the respective year ended.

Defined Contribution Retirement System (DCRS)

Contributions into the DCRS plan by members are based on an automatic deduction of 5% of the member's regular base pay. The contribution is periodically deposited into an individual investment account within the DCRS. Employees are afforded the opportunity to select from different investment accounts available under the DCRS.

Statutory employer contributions into the DCRS plan for the years ended September 30, 2009 and 2008 are determined using the same rates as the DB Plan. Of the amount contributed by the employer, only 5% of the member's regular pay is deposited into the member's individual investment account. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

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

GEDA's contributions to the DCRS plan for the years ended September 30, 2009, 2008 and 2007 were $39,511, $35,671 and $32,119, respectively.

Public Law 26-86 allows members of the DCRS to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. GEDA has accrued an estimated liability of $76,204 and $57,677 at September 30, 2009 and 2008, respectively, for potential future sick leave payments as a result of this law. However, this amount is an estimate and the actual payout may be materially different than estimated.

(5) Employees' Retirement Plan, Continued

Other Post Employment Benefits

GovGuam, through its substantive commitment to provide other post-employment benefits (OPEB), maintains a cost-sharing multiple employer defined benefit plan to provide certain postretirement healthcare benefits to retirees who are members of the GovGuam Retirement Fund. Under the Plan, known as the GovGuam Group Health Insurance Program, GovGuam provides medical, dental, and life insurance coverage. The retiree medical and dental plans are fully-insured products provided through insurance companies. GovGuam shares in the cost of these plans, with GovGuam's contribution amount set each year at renewal. Current statutes prohibit active and retired employees from contributing different amounts for the same coverage. As such, GovGuam contributes substantially more to the cost of retiree healthcare than to active healthcare. For the life insurance plan, GovGuam provides retirees with $10,000 of life insurance coverage through an insurance company. Retirees do not share in the cost of this coverage. Because the Plan consists solely of GovGuam's firm commitment to provide OPEB through the payment of premiums to insurance companies on behalf of its eligible retirees, no stand-alone financial report is either available or generated. During the years ended September 30, 2009, 2008 and 2007, actual contributions paid were $34,840, $34,570 and $22,824, respectively.

(6) Rental Income

GEDA leases industrial parks from the Government of Guam for an annual rent of $1 with terms expiring in 2068. GEDA subleases space to various tenants under agreements that call for advance rental payments of one month's to one year's rent. GEDA records such advance rent as a receivable at the anniversary or due date; related income is deferred and recognized over the period to which it applies.

GEDA is party to a renewed 5-year operating lease for $120,000 per annum, expiring April 1, 2011. The underlying real estate in this transaction is subject to a lease agreement with the U.S. Government, the terms of which are to be renegotiated under a long-term lease. However, negotiations are ongoing and a definitive agreement has not been finalized. Estimated lease expense payable under a previous term of approximately $260,698 was directly paid by the lessee in 2006. GEDA did not record any lease expense for 2009 and 2008 and expects future lease expense through April 1, 2011 to be $0.

Future minimum rentals to be received under noncancelable subleases are as follows:

Years ending September 30:	
2010	$ 1,029,600
2011	642,600
2012	262,300
2013	170,000
2014	113,700
2015 – 2019	62,600
2020 – 2024	25,000
2025 – 2029	25,000
2030 – 2034	25,000
2035 – 2039	25,000
2040 – 2044	25,000
2045 – 2049	25,000
2050 – 2054	25,000
2055 – 2059	25,000
2060 – 2063	17,100
	$ 2,497,900

(7) Lease Commitments

GEDA has an operating lease for office space expiring February 28, 2011. Concurrently, GEDA and Guam Housing Corporation (GHC), a Government of Guam agency, entered into a Memorandum of Understanding (MOU) in which GEDA charges GHC for use of a portion of the office space.

At September 30, 2009, annual lease commitments and reimbursements from GHC under the Memorandum of Understanding are as follows:

	Lease Agreement	GHC MOU
Years ending September 30:		
2010	$ 216,177	$ 72,198
2011	90,074	30,082
	$ 306,251	$ 102,280

Rent expense, net of GHC reimbursements for each of the years ended September 30, 2009 and 2008, was $144,279 and $143,979, respectively, of which $33,950 and $24,908, respectively, was allocated to GDFA, ADF and MDP.

(8) Related Parties

At September 30, 2009 and 2008, the following trust funds were administered by GEDA:

Fund	Total Assets 2009	Total Assets 2008
Guam Development Fund Act (GDFA)	$ 11,631,906	$ 12,275,709
Agricultural Development Fund (ADF)	863,028	891,148
Microenterprise Development Program (MDP)	40,383	40,718
Guam Territorial Aquarium Foundation (GTAF)	20,377	19,784
Music and Legends of Guam Fund (MLGF)	11,183	13,183
U.S. Base Realignment and Closure Commission (BRAC)	-	43

Housing and Urban Development Fund (HUD), Agricultural Expense Insurance Fund (AEIF), Aquacultural Training Fund (ATF), Landowner's Recovery Fund (LRF), and the Local Arts Revolving Fund (LARF) have no assets, liabilities, or net assets as of September 30, 2009 and 2008 and had no activities during the years then ended.

(9) Contingencies

GEDA was in legal dispute with two former employees who were seeking reinstatement of employment and back-wages. During the year ended September 30, 2008, the case was resolved in GEDA's favor and accordingly, a total income of $597,273 (of which $146,423 was allocated to GDFA) was realized.

Additionally, GEDA is involved in various litigation inherent in the operations of the Authority. Management is of the opinion that liabilities of a material nature will not be realized.

(9) Contingencies, Continued

In connection with its Series 2007 Tobacco Settlement Bonds, GEDA entered into a Reserve Fund Agreement (the "Agreement") with Lehman Brothers Special Financing, Inc. ("LBSF"), which requires LBSF to cause Lehman Brothers, Inc., as qualified dealer, to deliver securities that mature on or before the next interest payment date, at a price designed to produce a rate of return of at least 4.365%. The contractual termination date for the Reserve Fund Agreement is June 1, 2047. LBSF's obligation under the Agreement was guaranteed by Lehman Brothers Holdings Inc.("LBHI"). On September 15, 2008, LBSF and LBHI filed for Chapter 11 bankruptcy protection, LBSF failed to deliver new Qualified Securities under the Agreement on the next scheduled delivery date of December 1, 2008, and, as a result, Co-Trustee U.S. Bank National Association declared an event of default under the Agreement and invested the amount on deposit in the Reserve Fund in short-term securities as required under the Agreement. On September 22, 2009, GEDA filed claims with the United States Bankruptcy Court against LBSF and LBHI, each for approximately $1.8 million, as the estimated replacement market value of the Reserve Fund Agreement. Such replacement value represents the present value of the difference between the guaranteed rate and the market interest rate over the remaining term of the Agreement, i.e. through June 1, 2047. If the termination claim is not favorably resolved, GEDA's earnings from the investment of the Reserve Fund could be lower than originally expected, but no loss of principal has occurred or would occur. These events are not expected to have an adverse impact on the timely repayment of the Series 2007 Tobacco Settlement Bonds.

(10) Financial Advisory Services

GEDA entered into a financial advisory agreement (the Agreement) to receive financial advisory services; the Agreement called for an annual fee of $500,000, payable quarterly, plus actual expenses incurred. In May 2008, GEDA entered into a new agreement with the same party, which calls for an annual fee of $250,000, expiring in 5 years. The agreement was assigned to another party effective May 20, 2009 with the same terms. GEDA has also entered into a Memorandum of Understanding (MOU) with Guam Power Authority (GPA) to receive an annual fee of $85,000 from GPA, which was reduced to $62,500 per annum starting March 2009. As of September 30, 2009 and 2008, balances related to these agreements are as follows:

	2009	2008
Receivable from GPA	$ -	$ 170,000
Payable under the Agreement	$ 49,306	$ 745,390

During the year ended September 30, 2009, GEDA, in its capacity as the Financial Advisor of the Government of Guam, received fees from the issuances of the Government of Guam 2009 General Obligation Bond and 2009 Limited Obligation Bond. Activities relating to fees received are as follows:

Fees and expenses received from the Cost of Issuance accounts	$ 1,206,990
Remitted to the Department of Administration pursuant to P.L. 30-7	(434,850)
Net proceeds to GEDA	772,140
Reduction of expenses incurred	(205,448)
Reduction of deferred charges	(882,516)
Settlement of payable under the Financial Advisory Agreement	620,390
Bond fees earned	$ 304,566

(11) Prior Year Restatement

Subsequent to the issuance of GEDA's 2008 financial statements, GovGuam's Department of Administration issued a determination concerning the redesignation of the DB Plan as a cost-sharing multiple-employer plan. Prior to this determination, the DB Plan was designated as a single-employer plan, requiring GEDA to measure and disclose an amount for annual pension cost. Annual pension cost amounted to GEDA's annual required contributions (ARC) to the plan with the difference between the ARC and actual required contributions recognized as a net pension obligation.

The redesignation of the DB Plan as a cost-sharing multiple-employer plan resulted in the reversal of the previously reported unfunded pension liability, totaling $461,665, and related pension costs of $54,259 as well as related disclosure. The effect on the 2008 financial statements as a result of this restatement is as follows:

	As Previously Reported	As Restated
At September 30, 2008:		
Unfunded pension liability	$ 461,665	$ -
Net deficiency:		
Unrestricted	$ (24,814,893)	$ (24,760,634)
For the year ended September 30, 2008:		
Operating expenses:		
Salaries and benefits	$ 1,292,245	$ 1,237,986
Operating earning	$ 2,673,246	$ 2,727,505
Net deficiency:		
Beginning of the year	$ (18,124,801)	$ (17,717,395)
End of the year	$ (24,929,424)	$ (24,467,759)

GUAM ECONOMIC DEVELOPMENT AUTHORITY
AND SUBSIDIARY
(A Component Unit of the Government of Guam)

Schedule 1
Schedule of Salaries and Wages (Including Trust Funds)
Years Ended September 30, 2009 and 2008

	2009	2008
Salaries and wages:		
Salaries	$ 1,053,610	$ 904,590
Benefits	657,575	575,856
Total salaries and wages	$ 1,711,185	$ 1,480,446
Employees at end of year	26	25

See accompanying independent auditors' report.

GUAM ECONOMIC DEVELOPMENT AUTHORITY
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Comparative Divisional Schedules of Net Assets (Deficiency)
September 30, 2009 and 2008

	GEDA		TSA	
ASSETS	2009	2008	2009	2008
Current assets:				
Cash and cash equivalents	$ 52,421	$ 58,698	$ 3,728,400	$ 1,062,111
Investments	3,795,595	2,844,630	-	2,807,886
Notes and accrued interest receivable	-	115	-	-
Due from trust funds administered by GEDA:				
Agricultural Development Fund	1,183	42,034	-	-
Guam Development Fund Act	2,146	24,004	-	-
Reimbursable expense	16,134	-	(16,134)	-
Other receivables, net of an allowance for doubtful receivables of $369,384 in 2009 and 2008	175,360	409,126	-	-
Inventory	7,522	8,354	-	-
Prepaid expense	7,166	2,600	-	-
Total current assets	4,057,527	3,389,561	3,712,266	3,869,997
Deferred charges	49,306	903,350	-	-
Deferred bond issuance costs	-	-	725,860	780,920
Equity investment	3,500	3,500	-	-
Building, improvements and equipment, at cost, net	219,867	347,134	-	-
	$ 4,330,200	$ 4,643,545	$ 4,438,126	$ 4,650,917
LIABILITIES AND NET ASSETS (DEFICIENCY)				
Current liabilities:				
Current portion of bonds payable	$ -	$ -	$ 1,485,000	$ 1,380,000
Accounts payable	114,792	775,783	17,783	-
Due to trust funds administered by GEDA:				
Microenterprise Development Program	30,132	30,422	-	-
U.S. Base Relocation and Closure Commission	-	22	-	-
Accrued liabilities	97,904	81,449	-	-
Interest payable	-	-	567,000	590,000
Deferred rental income	99,849	146,287	-	-
Total current liabilities	342,677	1,033,963	2,069,783	1,970,000
Non-current liabilities:				
Bonds payable, net of current portion and discount	-	-	29,959,790	30,689,368
DCRS sick leave liability	76,204	57,677	-	-
Deposits	14,573	11,213	-	-
Total non-current liabilities	90,777	68,890	29,959,790	30,689,368
Total liabilities	433,454	1,102,853	32,029,573	32,659,368
Commitments and contingencies				
Net assets (deficiency):				
Invested in capital assets	219,867	347,134	-	-
Unrestricted	3,676,879	3,193,558	(27,591,447)	(28,008,451)
Net assets (deficiency)	3,896,746	3,540,692	(27,591,447)	(28,008,451)
	$ 4,330,200	$ 4,643,545	$ 4,438,126	$ 4,650,917

See accompanying notes to consolidated financial statements.

GUAM ECONOMIC DEVELOPMENT AUTHORITY
AND SUBSIDIARY
(A Component Unit of the Government of Guam)

Comparative Divisional Schedules of Revenues, Expenses and Changes in Net Assets (Deficiency)
Years Ended September 30, 2009 and 2008

	GEDA		TSA	
	2009	2008	2009	2008
Revenues:				
Rental income	$ 1,730,098	$ 1,648,994	$ -	$ -
Tobacco Settlement revenue	-	-	2,962,973	2,788,041
Qualifying certificate application, surveillance and other fees	202,782	221,766	-	-
Bond fees earned	304,566	-	-	-
Other	16,609	7,660	-	-
	2,254,055	1,878,420	2,962,973	2,788,041
(Provision for) recovery of doubtful accounts receivable	(115)	20,038	-	-
	2,253,940	1,898,458	2,962,973	2,788,041
Operating expenses:				
Salaries and benefits	1,291,962	1,237,986	-	-
Legal and professional services	223,684	208,452	60,619	12,891
Depreciation and amortization	156,911	207,871	-	-
Office space and equipment rent	130,431	137,062	-	-
Travel	93,842	35,883	56,269	-
Advertising and promotions	46,463	48,184	-	-
Utilities, telephone and communication	14,384	15,650	-	-
Insurance	10,149	8,408	-	-
Supplies	8,832	8,020	-	-
Repairs and maintenance	1,296	1,652	-	-
Miscellaneous	37,910	36,935	-	-
	2,015,864	1,946,103	116,888	12,891
Operating income (loss)	238,076	(47,645)	2,846,085	2,775,150
Other income (expense):				
Interest expense, net	397	368	(2,491,631)	(2,213,713)
Investment income	57,245	-	62,550	176,374
Gain on investments	41,172	88,150	-	-
Other income, net	19,164	37,459	-	-
Reversal of contingent losses	-	450,850	-	-
Transfer from Guam Development Fund Act	-	327,921	-	-
Transfer to Government of Guam custodial account	-	-		(8,345,278)
Other income (expense), net	117,978	904,748	(2,429,081)	(10,382,617)
Net increase (decrease) in net assets	356,054	857,103	417,004	(7,607,467)
Net assets (deficiency) at beginning of year	3,540,692	2,683,589	(28,008,451)	(20,400,984)
Net assets (deficiency) at end of year	$ 3,896,746	$ 3,540,692	$ (27,591,447)	$ (28,008,451)

See accompanying notes to consolidated financial statements.

GUAM ECONOMIC DEVELOPMENT AUTHORITY
AND SUBSIDIARY
(A Component Unit of the Government of Guam)

Comparative Divisional Schedules of Cash Flows
Years Ended September 30, 2009 and 2008

	GEDA		TSA	
	2009	2008	2009	2008
Cash flows from operating activities:				
Cash received from customers	$ 2,772,608	$ 1,943,461	$ 2,962,973	$ 2,788,041
Cash paid to suppliers for goods and services	(623,655)	(577,078)	(82,971)	(12,891)
Cash paid to employees for services	(1,273,435)	(1,247,214)	-	-
Net cash provided by operating activities	875,518	119,169	2,880,002	2,775,150
Cash flows from investing activities:				
Interest and investment income	98,417	88,150	62,550	176,374
Rollover of interest into investment	(98,417)	(88,150)	(62,550)	-
(Purchase) maturity of investment securities	(852,548)	(160,297)	2,870,436	(251,397)
Net cash (used in) provided by investing activities	(852,548)	(160,297)	2,870,436	(75,023)
Cash flows from capital and related financing activities:				
Purchase of property and equipment	(29,644)	(8,217)	-	-
Net cash used in capital and related financing activities	(29,644)	(8,217)	-	-
Cash flows from noncapital financing activities:				
Repayment of bond payable	-	-	(1,320,000)	(1,565,000)
Net interest received (paid) on deposit accounts, bond and notes payable	397	368	(1,764,149)	(1,276,980)
Bond refinancing	-	-	-	(794,040)
Net cash provided by (used in) noncapital financing activities	397	368	(3,084,149)	(3,636,020)
Net change in cash and cash equivalents	(6,277)	(48,977)	2,666,289	(935,893)
Cash and cash equivalents at beginning of year	58,698	107,675	1,062,111	1,998,004
Cash and cash equivalents at end of year	$ 52,421	$ 58,698	$ 3,728,400	$ 1,062,111
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	$ 238,076	$ (47,645)	$ 2,846,085	$ 2,775,150
Other income, net	19,164	37,459	-	-
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	156,911	207,871	-	-
Provision for (recovery of) doubtful accounts receivable	115	(20,038)	-	-
(Increase) decrease in assets:				
Due from trust funds administered by GEDA	62,709	(34,643)	-	-
Reimbursable expense	(16,134)	-	16,134	-
Other receivables	233,766	(5,577)	-	-
Inventory	832	(4,425)	-	-
Prepaid expenses	(4,566)	(2,600)	-	-
Deferred charges	854,044	383,616	-	-
Increase (decrease) in liabilities:				
Accounts payable	(660,991)	(360,246)	17,783	-
Due to trust funds administered by GEDA	(312)	(14,068)	-	-
Accrued liabilities	16,455	(41,343)	-	-
Deferred rental income	(46,438)	3,771	-	-
Deposits	3,360	3,113	-	-
DCRS sick leave liability	18,527	13,924	-	-
Net cash provided by operating activities	$ 875,518	$ 119,169	$ 2,880,002	$ 2,775,150

See accompanying notes to consolidated financial statements.

TRUST FUNDS ADMINISTERED BY THE GUAM ECONOMIC DEVELOPMENT AUTHORITY
(A Component Unit of the Government of Guam)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

SEPTEMBER 30, 2009 AND 2008

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Independent Auditors' Report

The Board of Directors
Guam Economic Development Authority:

We have audited the accompanying statements of fiduciary net assets of the Guam Development Fund Act, the Agricultural Development Fund, the Microenterprise Development Program, the Guam Territorial Aquarium Foundation, the Music and Legends of Guam Fund, the U.S. Base Realignment and Closure Committee and the Housing and Urban Development Fund (the Funds) as of September 30, 2009 and 2008, and the related statements of changes in fiduciary net assets for the years then ended. The Funds are administered by the Guam Economic Development Authority (the Authority) which is a component unit of the Government of Guam. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Funds at September 30, 2009 and 2008, and the changes in their net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2010, on our consideration of the Funds' internal control over financial reporting and our tests of their compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte & Touche LLP

February 1, 2010

Member of
Deloitte Touche Tohmatsu

TRUST FUNDS ADMINISTERED BY THE
GUAM ECONOMIC DEVELOPMENT AUTHORITY
(A Component Unit of the Government of Guam)

Statements of Fiduciary Net Assets
September 30, 2009 and 2008

	Guam Development Fund Act		Agricultural Development Fund		Microenterprise Development Program		Guam Territorial Aquarium Foundation		Music and Legends of Guam Fund		U.S. Base Realignment and Closure Committee	
ASSETS	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Cash on hand and in bank	$ 6,576	$ 32,966	$ 6,565	$ 1,308	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Notes and accrued interest receivable	1,987,420	5,395,380	277,176	580,180		47,966	-	-	-	-	-	-
Less allowance for doubtful receivables	(1,741,251)	(4,601,526)	(239,039)	(515,238)		(47,966)	-	-	-	-	-	-
Net notes and accrued interest receivable	246,169	793,854	38,137	64,942	-	-	-	-	-	-	-	-
Due from other funds:												
Guam Economic Development Authority	-	-	-	-	30,132	30,422	-	-	-	-	-	22
Guam Development Fund Act	-	-	-	-	10,251	10,251	-	-	-	-	-	-
Microenterprise Development Program	-	-	917	917	-	-	-	-	-	-	-	-
Investments	9,931,038	9,984,682	678,316	687,113	-	-	20,377	19,784	-	-	-	-
Other real estate:												
Land	648,195	648,195	136,720	136,720	-	-	-	-	-	-	-	-
Leasehold interest, net	798,724	812,843	-	-	-	-	-	-	-	-	-	-
Other receivables	-	-	2,280	-		45	-	-	-	-	-	21
Furniture and equipment, at cost, net	1,204	3,169	93	148	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	11,387	13,183	-	-
	11,379,161	11,448,889	818,326	824,898	40,383	40,718	20,377	19,784	11,387	13,183	-	43
Total assets	$ 11,631,906	$ 12,275,709	$ 863,028	$ 891,148	$ 40,383	$ 40,718	$ 20,377	$ 19,784	$ 11,387	$ 13,183	$ -	$ 43
LIABILITIES AND NET ASSETS												
Liabilities:												
Accounts payable and accrued expenses	$ 25,765	$ 21,149	$ 10,932	$ 11,018	$ (35)	$ -	$ -	$ -	$ -	$ -	$	$
Due to other funds:												
Guam Economic Development Authority	2,146	24,004	146	42,034			-	-	-	-	-	-
Microenterprise Development Program	10,251	10,251	-	-	-	-	-	-	-	-	-	-
Guam Development Fund Act	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural Development Program	-	-	-	-	917	917	-	-	-	-		
Total liabilities	38,162	55,404	11,078	53,052	882	917	-	-	-	-	-	-
Contingencies												
Net assets held in trust	11,593,744	12,220,305	851,950	838,096	39,501	39,801	20,377	19,784	11,387	13,183	-	43
Total liabilities and net assets	$ 11,631,906	$ 12,275,709	$ 863,028	$ 891,148	$ 40,383	$ 40,718	$ 20,377	$ 19,784	$ 11,387	$ 13,183	$ -	$ 43

See accompanying notes to financial statements.

TRUST FUNDS ADMINISTERED BY THE
GUAM ECONOMIC DEVELOPMENT AUTHORITY
(A Component Unit of the Government of Guam)

Statements of Changes in Fiduciary Net Assets
Years Ended September 30, 2009 and 2008

	Guam Development Fund Act		Agricultural Development Fund		Microenterprise Development Program		Guam Territorial Aquarium Foundation		Music and Legends of Guam Fund		U.S. Base Realignment and Closure Committee	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Additions:												
Interest from investment	$ 188,255	$ 348,913	$ 12,870	$ 23,348	$ -	$ -	$ 377	$ 729	$ -	$ -	$ -	$ -
Net increase (decrease) in the fair value of investments	82,206	(21,443)	8,314	(1,575)	-	-	245	(43)	-	-	-	-
Interest from loans	23,561	21,104	2,363	3,539	-	-	-	-	-	-	-	-
Reversal of contingent losses	-	146,423	-	-	-	-	-	-	-	-	-	-
Other	140,713	150,439	-	2	-	-	-	-	-	-	-	-
Total additions	434,735	645,436	23,547	25,314	-	-	622	686	-	-	-	-
Deductions:												
Provision for (recovery of) doubtful notes and accrued interest	560,354	147,448	(4,060)	258	-	222	-	-	-	-	-	-
Salaries and benefits	407,171	236,385	11,763	2,813	289	3,262	-	-	-	-	-	-
Rent	39,331	28,080	711	265	-	348	-	-	-	-	-	-
Depreciation	16,085	19,755	56	343	-	-	-	-	-	-	-	-
Legal and professional services	11,855	7,454	205	2,490	-	86	-	-	-	-	-	-
Bank charges	11,446	13,686	975	920	-	-	-	26	-	-	-	-
Advertising and promotions	6,450	-	-	-	-	-	-	-	-			
Travel	1,506	-	-	-	-	-	-	-	-			
Transfer to Guam Economic Development Authority	-	329,550	-	-	-	-	-	-	-	-	-	-
Miscellaneous	7,098	3,330	43	119	11	35	29	-	1,796	1,347	43	-
Total deductions	1,061,296	785,688	9,693	7,208	300	3,953	29	26	1,796	1,347	43	-
Net change in net assets	(626,561)	(140,252)	13,854	18,106	(300)	(3,953)	593	660	(1,796)	(1,347)	(43)	-
Net assets at beginning of year	12,220,305	12,360,557	838,096	819,990	39,801	43,754	19,784	19,124	13,183	14,530	43	43
Net assets at end of year	$ 11,593,744	$ 12,220,305	$ 851,950	$ 838,096	$ 39,501	$ 39,801	$ 20,377	$ 19,784	$ 11,387	$ 13,183	$ -	$ 43

See accompanying notes to financial statements.

TRUST FUNDS ADMINISTERED BY THE
GUAM ECONOMIC DEVELOPMENT AUTHORITY
(A Component Unit of the Government of Guam)

Notes to Financial Statements
September 30, 2009 and 2008

(1) Purpose and Summary of Significant Accounting Policies

Purpose

The Guam Development Fund Act (GDFA), the Agricultural Development Fund (ADF), the Microenterprise Development Program (MDP), the Guam Territorial Aquarium Foundation (GTAF), the Music and Legends of Guam Fund (MLGF), and the U.S. Base Realignment and Closure Committee (BRAC) are administered by the Guam Economic Development Authority (GEDA). GEDA utilizes the Funds to carry out its stated purpose of providing an integrated program for the economic development of Guam. The Funds are Fiduciary Fund Types and are component units of the Government of Guam. The specific purpose of each fund is as follows:

GDFA - GDFA was created to further the economic development of private business on Guam through loans and loan guarantees from a Revolving Loan Fund. The initial capital for this Fund was derived from a grant by the U.S. Government. Subsequent contributions have been made through appropriations by the Guam Legislature.

ADF - ADF was created to aid in the development or subsidization of poultry, pork and beef production, agricultural products, processing plants and equipment. This is done primarily through direct loans to individuals at a 4% interest rate. All contributions to this Fund have been appropriated by the Guam Legislature.

MDP – MDP was developed to facilitate the economic development of Guam by providing financial assistance to support the establishment, stabilization and expansion of microenterprises, i.e., persons of low and moderate income or a commercial enterprise that has five or fewer employees, one or more of whom owns the enterprise on Guam.

GTAF - GTAF was established by Public Law 20-163 to administer and oversee the feasibility study, site selection and development of the Guam Aquarium project.

MLGF - MLGF was created to satisfy any financial obligations of GEDA related to the Music and Legends of Guam Project Fund. The fund consists of all proceeds collected from the sale of the musical recording of the Music and Legends of Guam work originally released in 1979.

BRAC - BRAC was created to further the economic development of Guam through planning and rehabilitation of Guam military bases and military base property. Capital for this Fund was derived from a grant by the U.S. Government.

Additionally, GEDA administered the Housing and Urban Development Fund (HUD), Agricultural Expense Insurance Fund (AEIF), the Aquacultural Training Fund (ATF), Landowner's Recovery Fund (LRF) and the Local Arts Revolving Fund (LARF) which have no assets, liabilities or net assets as of September 30, 2009 and 2008 and have no activities during the years then ended. Therefore, they are not presented in the accompanying financial statements. The specific purpose of each fund is as follows:

(1) Purpose and Summary of Significant Accounting Policies, Continued

Purpose, Continued

HUD - HUD was created for the purpose of segregating activities of a specific HUD grant.

AEIF - AEIF was created to insure or to reinsure insurers of farmers, livestock producers and commercial fishermen against losses due to natural disasters. The premiums are collected at rates sufficient to cover claims for losses and to provide a reasonable reserve against unforeseen losses. Initial funding was by an appropriation from the Government of Guam. There were no insurance policies issued in 2009 and 2008 nor were there any policies outstanding at September 30, 2009 and 2008.

ATF - ATF was created to establish a small business entrepreneur program dedicated to nurturing the aquaculture industry. The major goals of the program are to finance and construct a demonstration project in two phases; to demonstrate the potential of these systems in Guam; to have these facilities serve as a teaching tool for aquaculture students; to test the market demand for the fish; to establish a technical and managerial assistance program; to provide recommendations in the permitting process for aquaculture farmers; and to provide recommendations for regulating importation of cultured fish products. All contributions to this Fund have been appropriated by ADF.

LRF - LRF was created to assist land claimants by making or guaranteeing loans to be repaid from proceeds received from judgments. No single loan may exceed $200,000, and interest should not exceed 6% per annum. All contributions to the Fund have been made by the Guam Legislature.

LARF - LARF was created to assist local artists to promote the preservation, development and production of Chamorro music and song. No single loan may exceed $15,000, and no interest should be charged. All contributions to the Fund have been made by the Guam Legislature.

During the year ended September 30, 1994, the Small Business Development Fund (SBDF) was created by Public Law 21-42 to encourage, assist, develop and expand the small business private sector in Guam's economy. This is done primarily through direct loans to individuals, small corporations and partnerships at an interest rate deemed reasonable by GEDA. This fund was also created to provide for equity participation in a new company or in an existing company for the purpose of expansion. All contributions to this fund have been appropriated by the Guam Legislature. No transactions were entered into by SBDF during the years ended September 30, 2009 and 2008.

As government entities created by public laws, the Funds are not subject to taxes.

Basis of Accounting

The Guam Development Fund Act (GDFA), the Agricultural Development Fund (ADF), the Microenterprise Development Program (MDP), the Guam Territorial Aquarium Foundation (GTAF), the Music and Legends of Guam Fund (MLGF) and U.S. Base Realignment and Closure Committee (BRAC) are accounted for as Fiduciary Fund Type – Private Purpose Trust Funds and are component units of the Government of Guam.

(1) Purpose and Summary of Significant Accounting Policies, Continued

Basis of Accounting, Continued

The Funds have adopted GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" (GASB 34) as amended by GASB Statement No.'s 37 and 38. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments.

All net assets, pursuant to GASB 34, are held in trust for specified purposes.

Estimates

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

Cash and Cash Equivalents

For the purpose of the statements of net assets, cash and cash equivalents include cash on hand and in banks.

Notes and Accrued Interest Receivable

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

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

Allowance for Doubtful Receivables

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

Inventories

Inventories of materials and merchandise are determined by physical count and are valued at the lower of cost or market.

Expenses

Most of the expenses of the Funds, other than legal expenses specifically related to the activities of a particular fund, are borne by GEDA as part of its cost of administering the Funds.

(1) Purpose and Summary of Significant Accounting Policies, Continued

Expenses, Continued

GEDA allocates a percentage of payroll expense to each Fund based upon actual time personnel spend on the respective Fund. Additionally, GEDA allocates a percentage of rent expense to GDFA and ADF.

New Accounting Standards

During fiscal year 2009, the Trust Funds implemented the following pronouncements:

- GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, which improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income.

- GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which improves financial reporting by contributing to the GASB's efforts to codify all GAAP for state and local governments so that they derive from a single source.

- GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, which incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants (AICPA) auditing literature into the GASB's accounting and financial reporting literature for state and local governments, and addresses three issues from the AICPA's literature - related party transactions, going concern considerations, and subsequent events.

The implementation of these pronouncements did not have a material effect on the accompanying financial statements.

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which addresses whether and when intangible assets should be considered capital assets for financial reporting purposes. The provisions of this statement are effective for periods beginning after June 15, 2009. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Trust Funds.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which is intended to improve how state and local governments report information about derivative instruments - financial arrangements used by governments to manage specific risks or make investments - in their financial statements. The provisions of this statement are effective for periods beginning after June 15, 2009. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Trust Funds.

(1) Purpose and Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In December 2008, GASB issued Technical Bulletin No. 2008-1, *Determining the Annual Required Contribution Adjustment for Postemployment Benefits*, which clarifies the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for calculating the annual required contribution (ARC) adjustment. The provisions of this statement are effective for periods beginning after December 15, 2008. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Trust Funds.

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The provisions of this statement are effective for periods beginning after June 15, 2010. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Trust Funds.

Reclassifications

Certain account balances in the 2008 financial statements have been reclassified to correspond with the 2009 presentation.

(2) Cash and Investments

Investments in debt securities are carried at cost which approximates market value. Investments in mutual funds are carried at market value. Cash and cash equivalents and investments at September 30, 2009 and 2008 consist the following:

	2009	2008
Cash on hand and due from banks	$ 13,141	$ 34,274
Cash and cash equivalents	$ 13,141	$ 34,274
Shares in mutual funds invested in U.S. Government Treasury securities	$ 7,356,725	$ 6,388,925
Federal Home Loan Mortgage Corporation (FHLMC) discount notes	2,185,082	-
Federal National Mortgage Association (FNMA) Discount note	1,087,924	-
Federal Home Loan Bank (FHLB) discount notes	-	4,302,654
Investments	$ 10,629,731	$ 10,691,579

The deposits and investment policies of GEDA are governed by 5 GCA 21, *Investments and Deposits*. Legally authorized investments include securities issued or guaranteed by the U.S. Treasury or agencies of the United States government; demand and time deposits in or certificates of deposit of, or bankers' acceptances issued by, any eligible financial institution; corporate debt obligations, including commercial paper; certain money market funds; state and local government securities, including municipal bonds; and repurchase and investment agreements. With the exception of investments in U.S. government securities, which are explicitly guaranteed by the United States government, all other investments must be rated Aa1/P-1 by Moody's.

(2) Cash and Investments, Continued

A. Cash, Continued

GASB Statement No. 3 requires government entities to categorize deposits to give an indication of the level of credit risk assumed by the entity at year-end. The three categories are described below:

Category 1 Deposits that are federally insured or collateralized with securities held by GEDA or its agent in GEDA's name;

Category 2 Deposits that are uninsured but fully collateralized with securities held by the pledging financial institution's trust department or agent in GEDA's name; or

Category 3 Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent but not in GEDA's name and non-collateralized deposits.

GASB Statement No. 40 amended GASB Statement No. 3 to eliminate disclosure for deposits falling into categories 1 and 2 but retained disclosures for deposits falling under category 3. Category 3 deposits are those deposits that have exposure to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, GEDA's deposits may not be returned. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. GEDA does not have a deposit policy for custodial credit risk.

At September 30, 2009 and 2008, the carrying amount of cash was $12,741 and $34,274, respectively, and the corresponding bank balances were $13,914 and $34,274, respectively, which are maintained in financial institutions subject to Federal Deposit Insurance Corporation insurance (FDIC). As the trust funds are administered by GEDA, cash balances of the trust funds, combining with the cash balances of GEDA, fall below the insurance limit of the FDIC at September 30, 2009 and 2008. GEDA does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposit levels are exposed to custodial credit risk.

B. Investments

GASB Statement No. 3 previously required government entities to present investment risks in terms of whether the investment fell into the following categories:

Category 1 Investments that are insured or registered, or securities held by GEDA or its agent in GEDA's name;

Category 2 Investments that are uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in GEDA's name; or

Category 3 Investments that are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in GEDA's name.

(2) Cash and Investments, Continued

B. Investments, Continued

GASB Statement No. 40 amended GASB Statement No. 3 to eliminate disclosure for investments falling into categories 1 and 2, and provided for disclosure requirements addressing other common risks for investments such as credit risk, interest rate risk, concentration of credit risk, and foreign currency risk. GASB Statement No. 40 retains and expands the element of custodial risk in GASB Statement No. 3.

As of September 30, 2009 and 2008, investments are as follows:

	2009		2008	
	Amount	Maturity	Amount	Maturity
Shares in mutual funds invested in U.S. Government Treasury securities	$ 7,356,725	N/A	$ 6,388,925	N/A
FHLMC discount note	1,094,044	10/05/09	-	
FHLMC discount note	1,091,038	11/02/09	-	
FNMA discount note	1,087,924	12/10/09	-	
FHLB discount note	-		1,437,476	10/10/08
FHLB discount note	-		1,434,458	11/10/08
FHLB discount note	-		1,430,720	12/09/08
	$ 10,629,731		$ 10,691,579	

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. With the exception of investments in U.S. government securities, which are explicitly or implicitly guaranteed by the United States government, all other investments must be rated Aa1/P-1 by Moody's.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, GEDA will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. GEDA's investment in other FHLMC and FHLB discount notes and in shares of mutual funds is registered in GEDA's name and is held by an investment manager for GEDA.

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure by issuer and amount of investments in any one issuer that represents five percent (5%) or more of total investments for GEDA. As of September 30, 2009, GEDA's investment in FHLMC and FNMA discount notes constituted 21% and 10% of its total investments. As of September 30, 2008, GEDA's investment in FHLB discount notes constituted 40% of its total investments.

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

(3) Other Real Estate, Land

GDFA and ADF have acquired certain land through foreclosure of loans. During the year ended September 30, 2008, GDFA discovered that certain recorded land has not been subdivided and as such, it is not readily marketable; as a result, GDFA provided a valuation allowance of $22,500 for this property.

A summary of the changes in other real estate for 2009 and 2008 is as follows:

	2009	2008
Balance at beginning of year	$ 784,915	$ 731,195
Additions	-	53,720
	784,915	784,915
Provision for losses	-	-
Balance at end of year	$ 784,915	$ 784,915

(4) Other Real Estate, Leasehold Interest

GDFA and ADF have acquired leasehold interests in land through foreclosure of loans. Leasehold interests are reflected at cost of $1,231,600 (net of a valuation allowance of $333,171) as of September 30, 2009 and 2008, net of accumulated amortization of $99,705 and $85,586 at September 30, 2009 and 2008, respectively.

(5) Contingencies

GDFA did not have any outstanding guaranties as of September 30, 2009 and 2008.

GEDA was in legal dispute with two former employees who were seeking reinstatement of employment and back-wages. During the year ended September 30, 2008, the case was resolved in GEDA's favor and accordingly, income of $597,273 (of which $146,423 was allocated to GDFA) was realized.

Additionally, GEDA is involved in various litigation inherent in the operations of the Authority. Management is of the opinion that liabilities of a material nature will not be realized.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
Guam Economic Development Authority:

We have audited the financial statements of the Guam Economic Development Authority and subsidiary (GEDA), as of September 30, 2009, and for the year then ended, and have issued our report thereon dated February 1, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered GEDA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of GEDA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of GEDA's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects GEDA's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of GEDA's financial statements that is more than inconsequential will not be prevented or detected by GEDA's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by GEDA's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Member of
Deloitte Touche Tohmatsu

Compliance and Other Matters

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

This report is intended for the information of the Board of Directors and management of GEDA, the Office of Public Accountability - Guam, federal awarding agencies, pass-through entities and the cognizant audit and other federal agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public records.

Deloitte + Touche LLP

February 1, 2010