

**GOVERNMENT OF GUAM
SOLID WASTE FUNDS
(GOVERNMENTAL FUNDS OF THE
GOVERNMENT OF GUAM)**

**FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION AND
INDEPENDENT AUDITORS' REPORT**

YEAR ENDED SEPTEMBER 30, 2020

**GOVERNMENT OF GUAM
SOLID WASTE FUNDS**

Year Ended September 30, 2020
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Guam Solid Waste Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the Guam Solid Waste Authority (GSWA) Solid Waste Operations Fund, Capital Projects Fund and Debt Service Fund, governmental funds of the Government of Guam (GovGuam), which comprise the balance sheet as of September 30, 2020, and the related statement of revenues, expenditures, and changes in fund balances for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the GSWA Solid Waste Operations Fund, Capital Projects Fund, and Debt Service Fund as of September 30, 2020, and the results of their operations for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Reporting Entity

As discussed in Note 1 to the financial statements, the financial statements referred to above present only the GSWA Solid Waste Operations Fund, Capital Projects Fund and Debt Service Fund and are not intended to present fairly the financial position and results of operations of GovGuam in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

COVID-19

As discussed in Note 8 to the financial statements, GSWA determined that the COVID-19 pandemic may negatively impact GSWA's solid waste operations. However, due to uncertainty surrounding the duration of the state of emergency, GSWA is unable to reasonably estimate its ultimate financial impact. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 8 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

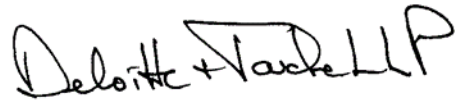
Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Other Supplementary Information, as set forth in Section IV of the foregoing table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The Other Supplementary Information is the responsibility of GSWA management. The 2020 information on pages 26 through 29 as well as the information on pages 30 and 31 was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States of America. In our opinion, the 2020 information on pages 26 through 29 as well as the information on pages 30 and 31 is fairly stated, in all material respects, in relation to the financial statements as a whole.

The 2019 information on pages 26 through 29 as well as the additional information on page 32 has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2021, on our consideration of GSWA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of GSWA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering GSWA's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Deloitte + Tuck LLP". The signature is written in a cursive, stylized font.

March 8, 2021

**GOVERNMENT OF GUAM
SOLID WASTE OPERATIONS FUND**

Management's Discussion and Analysis
September 30, 2020 and 2019

Our discussion and analysis of the Government of Guam ("GovGuam") Solid Waste Funds ("GGSWF") financial performance provides an overview of the GGSWF's financial activities for the fiscal years ended September 30, 2020 and 2019. Please read it in conjunction with the GGSWF's financial statements, which follow this section.

1. Financial Highlights

- For the fiscal year ended September 30, 2020, total fund balance decreased by \$19,291,333 (or 29.3%) from \$65,873,405 in 2019 to \$46,582,072 in 2020. This decrease was primarily attributable to a \$18,803,195 decrease for the Capital Projects Fund due to ongoing construction activities associated with the Layon Municipal Sanitary Landfill new cell.
- During the years ended September 30, 2020 and 2019, total combined expenditures for governmental fund operations were \$58,802,215 and \$36,401,102, respectively, including expenditures recorded or payments relating to capital projects of \$19,364,595 and \$2,698,395, respectively; debt service requirements of \$22,640,694 and \$16,904,500, respectively; and solid waste operations expenditures of \$16,796,926 and \$15,787,849, respectively. These expenditures were funded, in part, by the generation of tipping fee revenues during the years ended September 30, 2020 and 2019 of \$18,170,090 and \$19,322,394, respectively; and a transfer in from GovGuam's General Fund of \$20,972,750 and \$21,011,544, respectively, for debt service.
- Total combined expenditures increased by \$22,401,203 (or 61.5%) from 2019 to 2020 due to, in part, the \$16,666,200 increase in payments relating to capital projects expenditures and the \$5,736,194 increase in debt service payments. Total combined revenues decreased by \$1,011,189 (or 2.5%) from 2019 to 2020 due primarily to the decrease in tipping fee revenues impacted by the economic downturn associated with the COVID-19 pandemic.
- During the years ended September 30, 2020 and 2019, the Solid Waste Operations Fund generated operating deficits of \$1,972,016 and \$105,907, respectively. Tipping fee revenues recorded by the Solid Waste Operations Fund were \$18,170,090 in 2020, a decrease of \$1,152,304 compared to the previous year. Expenditures recorded by the Solid Waste Operations Fund were \$17,130,073 in 2020, a decrease of \$1,228,955 (or 6.7%) compared to the previous year.

2. Overview of the Financial Statements

The GGSWF's financial statements include all of the activities of the Solid Waste Operations Fund, the Capital Projects Fund and funds related to the Limited Obligation (Section 30) Bonds, 2016 Series A and General Obligation (GO) Bonds 2019 Series A (the "Funds"). The financial statements present a balance sheet and a statement of revenues, expenditures, and changes in fund balances. The financial statements do not include the liabilities for the Ordot landfill closure, the recognition of a liability for the eventual closure of the Layon landfill or the Trustee payments discussed in Section 4. These liabilities have been included in the government-wide financial statements of the Government of Guam for the year ended September 30, 2020. The assets, liabilities and fund balances of the Funds are reported in self-balancing funds.

GGSWF's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The GGSWF financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally when they are both measurable and available. Expenditures generally are recorded in the period in which the related fund liability is incurred, as under accrual accounting, with the exception of debt service expenditures, which are recorded only when payment is due.

**GOVERNMENT OF GUAM
SOLID WASTE OPERATIONS FUND**

Management's Discussion and Analysis
September 30, 2020 and 2019

The notes to the financial statements include additional information needed to provide a further understanding of the GGSWF financial statements.

3. Financial Statement Analysis

Balance Sheet

The balance sheet presents information on GGSWF's assets, liabilities and fund balance at year-end. A condensed summary of GGSWF's balance sheet is shown below as of September 30, 2020 and 2019.

	2020	2019	Change	Total Percentage Change 2020-2019
ASSETS:				
Cash and cash equivalents	\$ 6,941,437	\$ 8,110,648	\$ (1,169,211)	-14.4%
Tipping fees receivable	2,847,386	3,235,811	(388,425)	-12.0%
Restricted assets	<u>45,804,600</u>	<u>58,686,873</u>	<u>(12,882,273)</u>	-22.0%
Total assets	<u>\$ 55,593,423</u>	<u>\$ 70,033,332</u>	<u>\$ (14,439,909)</u>	-20.6%
LIABILITIES:				
Accounts payable and other liabilities	\$ 412,264	\$ 685,664	\$ (273,400)	-39.9%
Contracts and retention payable	5,771,326	927,504	4,843,822	522.2%
Due to General Fund	<u>2,827,761</u>	<u>2,546,759</u>	<u>281,002</u>	11.0%
Total liabilities	<u>9,011,351</u>	<u>4,159,927</u>	<u>4,851,424</u>	116.6%
FUND BALANCES:				
Restricted	39,913,704	58,674,926	(18,761,222)	-32.0%
Committed	<u>6,668,368</u>	<u>7,198,479</u>	<u>(530,111)</u>	-7.4%
Total fund balance	<u>46,582,072</u>	<u>65,873,405</u>	<u>(19,291,333)</u>	-29.3%
	<u>\$ 55,593,423</u>	<u>\$ 70,033,332</u>	<u>\$ (14,439,909)</u>	-20.6%

Total assets decreased by \$14,439,909 (or 20.6%) from \$70,033,332 in 2019 to \$55,593,423 in 2020. This decrease was primarily the result of a decrease in amounts deposited in a Construction Account. In 2019, GO Bonds were issued for the purpose of funding the new cell construction that generated \$31,637,747 in bond proceeds, which were deposited to the Construction Account in accordance with the bond indenture as maintained by the Bond trustee.

Total liabilities increased by \$4,851,424 (or 116.6%) from \$4,159,927 in 2019 to \$9,011,351 in 2020. This increase was the result of an increase in payables to contractors associated with the new cell construction.

Total fund balances decreased by \$19,291,333 (or 29.3%) during 2020 from \$65,873,405 to \$46,582,072. Of the total fund balance amounts presented at each respective fiscal year end, certain restrictions limit the availability of fund resources for future use. Specifically, fund balances are restricted by the bond indenture associated with the Limited Obligation (Section 30) Bonds and the GO Bonds, wherein these funds are restricted for future debt service and capital projects.

**GOVERNMENT OF GUAM
SOLID WASTE OPERATIONS FUND**

Management's Discussion and Analysis
September 30, 2020 and 2019

Statement of Revenues, Expenses and Changes in Fund Balances

The statement of revenues, expenses and changes in fund balances shows the effect of revenues and expenditures on GGSWF's fund balance for the year. GGSWF's statements of revenues, expenses and changes in fund balances for the years ended September 30, 2020 and 2019 are summarized as follows:

	2020	2019	Change	Total Percentage Change 2020-2019
REVENUES:				
Tipping fees	\$ 18,170,090	\$ 19,322,394	\$ (1,152,304)	-6.0%
Use of money and property	334,198	188,133	146,065	77.6%
Transfers in from COVID-19 Fund	33,844	-	33,844	
Transfers in from General Fund	<u>20,972,750</u>	<u>21,011,544</u>	<u>(38,794)</u>	-0.2%
Total revenues	<u>39,510,882</u>	<u>40,522,071</u>	<u>(1,011,189)</u>	-2.5%
EXPENDITURES:				
General government	-	193,900	(193,900)	-100.0%
Environmental protection	16,479,862	15,251,028	1,228,834	8.1%
Capital projects	19,364,595	2,698,395	16,666,200	617.6%
Debt service	22,640,694	16,904,500	5,736,194	33.9%
Bond issuance costs	-	1,010,268	(1,010,268)	-100.0%
Host community premium benefits	<u>317,064</u>	<u>342,921</u>	<u>(25,857)</u>	-7.5%
Total expenditures	<u>58,802,215</u>	<u>36,401,012</u>	<u>22,401,203</u>	61.5%
Excess (deficiency) of revenues over (under) expenditures	<u>(19,291,333)</u>	<u>4,121,059</u>	<u>(23,412,392)</u>	-568.1%
Proceeds from bond issue	<u>-</u>	<u>31,637,747</u>	<u>(31,637,747)</u>	-100.0%
Net change in fund balance	(19,291,333)	35,758,806	(55,050,139)	-153.9%
Fund balance - beginning	<u>65,873,405</u>	<u>30,114,599</u>	<u>35,758,806</u>	118.7%
Fund balance - ending	<u>\$ 46,582,072</u>	<u>\$ 65,873,405</u>	<u>\$ (19,291,333)</u>	-29.3%

Total revenues decreased by \$1,011,189, (or 2.5%) from \$40,522,071 in 2019 to \$39,510,882 in 2020. This decrease was primarily due to the decrease in tipping fee revenues impacted by the economic downturn associated with the COVID-19 pandemic.

Total expenditures increased by \$22,401,203 (or 61.5%) from \$36,401,012 in 2019 to \$58,802,215 in 2020. This increase was, in part, due to the \$16,666,200 increase in payments relating to capital projects expenditures and the \$5,736,194 increase in debt service payments. The increase in payments relating to capital projects expenditures was due primarily to costs associated with the new cell construction. The increase in payments relating to debt service was due to an increase in scheduled debt service payments associated with the 2016 Series bond issue and commencement of debt service payments associated with the 2019 Series bond issue in 2020.

Long Term Debt

In July 2019, GovGuam issued \$27,610,000 in GO Bonds. Proceeds were primarily to be used: (i) to pay costs relating to the new cell construction for the Layon Municipal Sanitary Landfill operated by the Guam Solid Waste Authority (GSWA); and (ii) to pay costs associated with the issuance of the bonds. GovGuam pledged its full faith and credit for the punctual payment of principal and interest on the bonds. In addition, GovGuam has covenanted to make deposits from the Solid Waste Operations Fund to the Debt Service Fund in sufficient amounts to cover future debt service obligations.

**GOVERNMENT OF GUAM
SOLID WASTE OPERATIONS FUND**

Management's Discussion and Analysis
September 30, 2020 and 2019

In August 2016, GovGuam issued \$236,605,000 in Limited Obligation (Section 30) Bonds. Proceeds were primarily to be used: (i) to refund all the outstanding 2009 Series A Limited Obligation (Section 30) Bonds; (ii) to refinance all of the outstanding 2013 Series B Guam Education Financing Foundation II, Inc. Certificates of Participation (Okkodo High School Expansion Project); (iii) to finance certain Guam Memorial Hospital Authority (GMHA) capital costs, refinancing of GMHA Bank of Guam Loan, and paying GMHA vendor accounts payable for 2016 and 2017; and (iv) other bond costs. The Limited Obligation Bonds are to be paid solely from and secured by a pledge of Section 30 Revenues.

For additional information related to long-term debt, refer to note 4 to the financial statements.

4. Outlook, Challenges and Opportunities

Partial End of Receivership

On April 24, 2019, the Court issued an order regarding Partial End of Receivership turning day-to-day operations of GSWA from the Receiver to GSWA management, effective May 1, 2019. The Receiver's remaining responsibilities include the approval of Ordot Dump Post Closure Care Plan by the U.S. Environmental Protection Agency (USEPA) and Guam Environmental Protection Agency, and the issuance of a Post Closure Permit.

USEPA, in consultation with the Receiver, issued an estimated revised technical path for Ordot's Post Closure Care Plan approval and issuance of the Post Closure permit date to June 1, 2021.

Under the order, GSWA was required to fully fund by August 2026 an account held in trust to pay for the estimated future costs of managing and maintaining the Ordot landfill site until it can be reclaimed by GovGuam for alternative use.

Capital Projects

On July 16, 2019, GovGuam successfully issued GO Bonds to fund the new cell construction at the Layon Landfill. Net proceeds were deposited into the Construction Account held with the Bond trustee.

Even with the COVID-19 pandemic impacting the construction process, Core Tech International is keeping construction on schedule and GSWA anticipates completion of Cell 3 this summer.

Contracts

On July 1, 2019, GovGuam and GSWA entered into a Continuing Covenant Agreement in which GSWA committed to pay the debt service of the GO Bonds using all lawfully available gross income and other amounts received by or on behalf of GSWA as revenues of the system (which are recorded within the Solid Waste Operations Fund) as long as bonds are outstanding.

On November 11, 2019, the Receiver assigned the Cell 3 construction contract with Core Tech International Corporation to GSWA.

The Receiver will continue to review and approve invoices from the operator of the Ordot Dump post closure facility until such time the Post Closure Care Plan is approved and permit is issued, the Trustee is in place and the Court has ordered the transfer of the Ordot Dump Post Closure Care Reserve funds to the Ordot Dump Post Closure Trust Fund account.

The Receiver has developed two rate options for presentation to the Guam Public Utilities Commission. Each option would provide for adequate funding for GGSWF for 2013 and thereafter.

**GOVERNMENT OF GUAM
SOLID WASTE OPERATIONS FUND**

Management’s Discussion and Analysis
September 30, 2020 and 2019

These options are outlined in the following table:

Customer Type	Current Rate*	Full Gov’t Reimbursement Rate
Commercial (per ton)	\$ 172	\$ 225
Residential (per month)	\$ 30	\$ 35
Residential Transfer Station	\$ 7.50 / \$ 15	\$ 7.50 / \$ 15
Cost to GovGuam	\$ 7,483,397	\$ -

*The effective commercial rate per ton is \$156 per ton when haulers pay on time, electronically using ACH, and do not use Public Law 25-93.

Based on the Receiver’s determination, the Current Rate option is adequate to provide for the operation of GGSWF through 2019. The current rate can be maintained beyond 2019 if GovGuam does not seek to obtain reimbursement from GSWA for the debt service paid from Federal Section 30 funds. If however, GovGuam seeks reimbursement from GSWA for that portion of the debt service of Section 30 funds, it will need to adopt the full government reimbursement rate. To date, no action has been taken to adopt a new rate for GSWA.

COVID-19

On March 13, 2020, President Donald Trump declared a national emergency concerning the Novel Corona Virus (COVID-19) outbreak. On March 14, Governor Lourdes Leon Guerrero issued an Executive Order 2020-03 declaring a state of emergency in response to COVID-19 closing all schools, non-essential Government of Guam agencies and businesses.

On March 28, 2020, the U.S. President signed a major disaster declaration for Guam and ordered federal assistance to supplement local recovery efforts in connection with the COVID-19 pandemic. As a result, GovGuam received direct aid under the Coronavirus Act Relief, and Economic Security (“CARES”) Act of \$117,968,258, of which \$33,844 was made available to GSWA during the year ended September 30, 2020.

While operating results are expected to be negatively impacted, the financial impact cannot be reasonably estimated at this time.

5. Contacting Government of Guam Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of GGSWF’s finances and to show the GGSWF’s accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional information should be addressed to: Division of Accounts, Attention: Edward M. Birn, Director, P.O. Box 884, Hagatna, Guam 96932. Telephone No.: (671) 475-1101/1250, Facsimile: (671) 477-6788; Website address: www.doa.guam.gov.

**GOVERNMENT OF GUAM
SOLID WASTE FUNDS**

Balance Sheet
September 30, 2020

	Solid Waste Operations Fund	Capital Projects Fund	Debt Service Fund	Total
<u>ASSETS</u>				
Cash and cash equivalents	\$ 6,941,437	\$ -	\$ -	\$ 6,941,437
Receivables:				
Tipping fees	2,847,386	-	-	2,847,386
Restricted assets:				
Cash and cash equivalents	5,381,684	17,027,122	23,395,794	45,804,600
Total assets	\$ 15,170,507	\$ 17,027,122	\$ 23,395,794	\$ 55,593,423
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 288,522	\$ -	\$ -	\$ 288,522
Contracts payable	748,659	3,469,510	-	4,218,169
Receiver fees payable	12,058	-	-	12,058
Retention payable	133,696	1,419,461	-	1,553,157
Host community premium benefits payable	73,980	-	-	73,980
Accrued payroll and other	37,704	-	-	37,704
Due to General Fund	2,809,415	15,128	3,218	2,827,761
Total liabilities	4,104,034	4,904,099	3,218	9,011,351
Commitments and contingencies				
Fund balances:				
Restricted for:				
Capital projects	-	12,123,023	-	12,123,023
Debt service	-	-	23,392,576	23,392,576
Postclosure costs	4,398,105	-	-	4,398,105
Committed for:				
Solid waste operations	6,668,368	-	-	6,668,368
Total fund balances	11,066,473	12,123,023	23,392,576	46,582,072
Total liabilities and fund balances	\$ 15,170,507	\$ 17,027,122	\$ 23,395,794	\$ 55,593,423

See accompanying notes to financial statements.

**GOVERNMENT OF GUAM
SOLID WASTE FUNDS**

Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended September 30, 2020

	Solid Waste Operations Fund	Capital Projects Fund	Debt Service Fund	Total
Revenues:				
Tipping fees	\$ 17,853,026	\$ -	\$ -	\$ 17,853,026
Host community premium surcharge fees	317,064	-	-	317,064
Use of money and property	13,455	228,253	92,490	334,198
Transfer in from COVID-19 Fund	33,844	-	-	33,844
Transfer in from General Fund	-	-	20,972,750	20,972,750
Total revenues	<u>18,217,389</u>	<u>228,253</u>	<u>21,065,240</u>	<u>39,510,882</u>
Expenditures:				
Current:				
Environmental protection	16,479,862	-	-	16,479,862
Capital projects	333,147	19,031,448	-	19,364,595
Debt service:				
Principal	-	-	10,425,000	10,425,000
Interest	-	-	12,215,694	12,215,694
Host community premium benefits	317,064	-	-	317,064
Total expenditures	<u>17,130,073</u>	<u>19,031,448</u>	<u>22,640,694</u>	<u>58,802,215</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,087,316</u>	<u>(18,803,195)</u>	<u>(1,575,454)</u>	<u>(19,291,333)</u>
Other financing sources (uses):				
Transfers in from other funds	-	-	3,059,332	3,059,332
Transfers out to other funds	(3,059,332)	-	-	(3,059,332)
Total other financing sources (uses), net	<u>(3,059,332)</u>	<u>-</u>	<u>3,059,332</u>	<u>-</u>
Net change in fund balances	<u>(1,972,016)</u>	<u>(18,803,195)</u>	<u>1,483,878</u>	<u>(19,291,333)</u>
Fund balances at the beginning of the year	13,038,489	30,926,218	21,908,698	65,873,405
Fund balances at the end of the year	<u>\$ 11,066,473</u>	<u>\$ 12,123,023</u>	<u>\$ 23,392,576</u>	<u>\$ 46,582,072</u>

See accompanying notes to financial statements.

**GOVERNMENT OF GUAM
SOLID WASTE FUNDS**

Notes to Financial Statements
September 30, 2020

(1) Summary of Significant Accounting Policies

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used.

A. Reporting Entity

The Government of Guam (GovGuam) Solid Waste Operations Fund, created by Public Law 24-272, was established to provide solid waste collection and disposal services and a financing source for GovGuam's costs directly related to the closure and post-closure of the solid waste landfill. Revenues are derived from tipping, user and other associated fees to be used solely for solid waste management practices. The Solid Waste Operations Fund includes the Ordot Dump Postclosure Reserve Account, which was established to comply with a Court Order issued on May 2, 2016 concerning the financing plan for postclosure care of Ordot Dump.

In 2009, GovGuam issued Limited Obligation (Section 30) Bonds, 2009 Series A, for the purpose of constructing a new landfill, closure of Ordot Dump, prepaying a bank loan and funding capitalized interest. In 2016, the Limited Obligation (Section 30) Bonds, 2009 Series A were refunded by GovGuam through issuance of the Limited Obligation (Section 30) Bonds, 2016 Series A.

In 2011, Public Law 31-20 was enacted, which provided for the continuation of the existence of the Solid Waste Management Division, a sub-entity of GovGuam's Department of Public Works, as an autonomous public corporation now referred to as the Guam Solid Waste Authority (GSWA). GSWA's transactions are accounted for under the Solid Waste Operations Fund, the Capital Projects Fund and the Debt Service Fund. The GovGuam Department of Administration (DOA) is responsible for establishing and managing these funds on behalf of GSWA. The accompanying financial statements relate solely to those accounting records maintained by DOA associated with GSWA and do not incorporate any accounts related to any other departments or agencies of GovGuam.

In 2019, the District Court ordered the partial end of the Receivership, effective April 30, 2019. Accordingly, administrative and managerial responsibility of day-to-day operations were returned to GovGuam. Control and responsibility of all aspects of the solid waste operations previously under the control of the Receiver were turned over to GSWA with the exception of the Ordot Dump Post Closure Reserve Account. Furthermore, GovGuam issued General Obligation Bonds, 2019 Series A, for the purpose of paying the costs related to the construction of a new cell for the Layon Municipal Sanitary Landfill. The Capital Projects Fund is used to account for the closure of the Ordot Dump and the construction of a new landfill from bond proceeds. The Debt Service Fund is used to account for funds required by the bond indenture to redeem bond principal and to pay bond interest as such becomes due.

B. Fund Accounting

The accompanying financial statements present a balance sheet and a statement of revenues, expenditures, and changes in fund balances. The assets, liabilities and fund balances of the Solid Waste Operations Fund and those funds related to the Limited Obligation (Section 30) Bonds, 2016 Series A and the General Obligation Bonds, 2019 Series A, are reported in self-balancing funds. Transactions between funds, if any, have not been eliminated.

**GOVERNMENT OF GUAM
SOLID WASTE FUNDS**

Notes to Financial Statements
September 30, 2020

(1) Summary of Significant Accounting Policies, Continued

C. Measurement Focus and Basis of Accounting

The accompanying financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are considered available if they are collected within 90 days of the end of the current fiscal period. Revenues susceptible to accrual include tipping, user and associated fees. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are generally recorded in the period in which the related fund liability is incurred, as under accrual accounting, with the exception of debt service expenditures, which are recorded only when payment is due.

Tipping and associated fees imposed are as follows:

Commercial

Commercial haulers are billed per tonnage of trash. The rate per tonnage is \$171.60.

Residential

Residential customers are billed for weekly curbside trash collection services. The monthly rate per one 96-gallon cart is \$30. Further, residential customers are billed \$15 per month for every additional 96-gallon cart. Residential customers bringing their household trash to the transfer stations are assessed the following fees: (a) \$7.50 up to three cubic yards, and (b) \$15 from three up to a maximum of six cubic yards.

Host Community Premium Surcharge

In 2010, the Guam Legislature passed Public Law 30-165, amended by Public Law 32-021, which determined that a "Host Community Premium" be awarded for the villages of Inarajan and Ordot in the annual amount of \$150,000 each. Pursuant to Public Law 30-165, as amended by Public law 32-021, and an Order by the Guam Public Utilities Commission on July 30, 2012, as amended on July 30, 2013, GSWA was authorized to assess Host Community Premium Surcharge (HCPS) fees of \$3.57 per ton for commercial, including government customers, and \$0.38 per month for residential customers beginning October 1, 2012. The HCPS fees were to compensate the villages of Inarajan and Ordot where solid waste management facilities, such as sanitary landfills, are located. During the year ended September 30, 2020, HCPS revenues were \$317,064.

D. Budgetary Process

Legislation requires the Governor to present a proposed budget to the Legislature at the beginning of each annual session. The Legislature enacts the budget through passage of specific departmental appropriations. Before signing the Appropriations Act, the Governor may veto or reduce any specific appropriation, subject to legislative override. Once passed and signed, the budget becomes the financial plan for the ensuing fiscal year. Supplemental appropriations for specific purposes are made throughout the year.

**GOVERNMENT OF GUAM
SOLID WASTE FUNDS**

Notes to Financial Statements
September 30, 2020

(1) Summary of Significant Accounting Policies, Continued

D. Budgetary Process, Continued

Encumbrances are commitments related to unperformed (executory) contracts for goods or services and are generally evidenced by outstanding purchase orders, contracts, and intradepartmental work requests. Encumbrances outstanding at year end are reported within the fund balance classifications since they do not constitute expenditures or liabilities. Unencumbered appropriations normally lapse at the end of each fiscal year unless they are designated by the Guam Legislature as representing in continuing appropriations.

E. Cash and Cash Equivalents

Cash and cash equivalents include cash held in demand deposit accounts and short-term investments in U.S. Treasury obligations and commercial paper with maturity dates within three months of the date acquired.

F. Receivables and Allowance for Uncollectible Accounts

Receivables are due from commercial haulers, government agencies and individuals residing on the island of Guam, are uncollateralized and are stated net of estimated allowances for uncollectible accounts. The allowance for uncollectible accounts is based on the evaluation of the collectability of current accounts and historical trends.

G. Interfund Receivables/Payables

During the course of its operations, the GovGuam General Fund records transactions between individual funds for goods provided or services rendered. These balances result from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made, and are scheduled to be collected in the subsequent year.

H. Restricted Assets

The bond indenture relating to the Limited Obligation (Section 30) Bonds, 2016 Series A and Government of Guam General Obligations Bonds, 2019 Series A, require amounts to be restricted for capital projects and debt service. Furthermore, a Court Order requires amounts to be restricted for Ordot Dump post closure activities. These amounts have been classified as restricted assets.

I. Fund Balance

Governmental fund balances are classified as follows:

- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

Restricted/committed amounts are spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this. A formal minimum fund balance policy has not been adopted.

**GOVERNMENT OF GUAM
SOLID WASTE FUNDS**

Notes to Financial Statements
September 30, 2020

(1) Summary of Significant Accounting Policies, Continued

J. Encumbrances

Encumbrance accounting is utilized to identify fund obligations. Encumbrances represent commitments related to unperformed contracts for goods. At September 30, 2020, significant encumbrances are summarized as follows:

<u>Solid Waste Operations Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
\$ 235,450	\$ 11,178,278	\$ _____ -	\$ 11,413,728

K. Management Estimates

The preparation of financial statements in accordance 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.

L. Total Columns

Total columns are presented primarily to facilitate financial analysis. The Management's Discussion and Analysis includes certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a full comparative presentation. Accordingly, such information should be read in conjunction with the financial statements of the GSWA Solid Waste Operations Fund, Capital Projects Fund and Debt Service Fund for the year ended September 30, 2019 from which summarized information was derived.

M. New Accounting Standards

During the year ended September 30, 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective dates of GASB Statement No. 84, 89, 90, 91, 92 and 93 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. In accordance with GASB Statement No. 95, management has elected to postpone implementation of these statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 84 will be effective for fiscal year ending September 30, 2021.

**GOVERNMENT OF GUAM
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Notes to Financial Statements
September 30, 2020

(1) Summary of Significant Accounting Policies, Continued

M. New Accounting Standards, Continued

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. Management believes that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 87 will be effective for fiscal year ending September 30, 2022.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 89 will be effective for fiscal year ending September 30, 2022.

In March 2018, GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 90 will be effective for fiscal year ending September 30, 2021.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 91 will be effective for fiscal year ending September 30, 2023.

**GOVERNMENT OF GUAM
SOLID WASTE FUNDS**

Notes to Financial Statements
September 30, 2020

(1) Summary of Significant Accounting Policies, Continued

M. New Accounting Standards, Continued

In January 2020, GASB issued statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports, the terminology used to refer to derivative instruments and the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefits. The requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reissuance recoveries and terminology used to refer to derivative instruments are effective upon issuance. In accordance with GASB Statement No. 95, the remaining requirements of GASB Statement No. 92 is effective for the fiscal year ending September 30, 2022.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The primary objective of this statement is to address those and other accounting and financial reporting implications of the replacement of an IBOR. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. Except for paragraphs 11b, 13, and 14, GASB Statement No. 93 will be effective for fiscal year ending September 30, 2021. The requirement in paragraphs 11b, 13, and 14 are effective for fiscal year September 30, 2022.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This statement also provides guidance for accounting and financial reporting for availability payment arrangements. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 94 will be effective for fiscal year ending September 30, 2023.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 96 will be effective for fiscal year ending September 30, 2023.

**GOVERNMENT OF GUAM
SOLID WASTE FUNDS**

Notes to Financial Statements
September 30, 2020

(1) Summary of Significant Accounting Policies, Continued

M. New Accounting Standards, Continued

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. GASB Statement No. 97 will be effective for fiscal year ending September 30, 2022.

(2) Deposits

The deposit and investment policies of GovGuam are governed by 5 GCA 21, *Investments and Deposits*, in conjunction with applicable bond indentures. The DOA Director is responsible for the safekeeping of all monies paid into the Treasury of Guam. The DOA Director invests any monies of GovGuam that are deemed not necessary for immediate use. 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 certificate of deposit of, or bankers' acceptances issued by, any eligible 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 or implicitly guaranteed by the United States government, all other investments must be rated Aa1/P-1 by Moody's.

Custodial credit risk is the risk that in the event of a bank failure, the entity's deposits may not be returned to it. 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.

As of September 30, 2020, the carrying amount of cash and cash equivalents and the corresponding bank balances were \$52,746,037. Of the bank balances, \$12,242,713 is maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. The remaining amount of \$40,503,324 represents short-term investments held and administered by GovGuam's trustees in accordance with various trust agreements and bond indentures. Based on negotiated trust and custody contracts, all of these investments were held in GovGuam's name by GovGuam's custodial financial institutions at September 30, 2020. As of September 30, 2020, bank deposits in the amount of \$750,000 were FDIC insured. In accordance with 5 GCA 21, *Investments and Deposits*, GovGuam requires collateralization of deposits in excess of depository insurance limits in an amount in value at least ten percent in excess of the amount of monies deposited with the financial institution. Such collateralization shall be in securities in U.S. treasury notes or bonds or in U.S. government agencies for which the faith and credit of the United States are pledged for the payment of principal and interest; evidence of indebtedness of GovGuam; investment certificates of the Federal Home Loan Bank; or such other securities as may be approved by the Director of Administration and the Governor of Guam. As of September 30, 2020, substantially all of GovGuam's bank deposits in excess of depository insurance limits are collateralized with securities held by the pledging financial institution but not in GovGuam's name.

**GOVERNMENT OF GUAM
SOLID WASTE FUNDS**

Notes to Financial Statements
September 30, 2020

(2) Deposits, Continued

Restricted cash and cash equivalents consist of funds restricted for the following purposes:

Court order - Postclosure Account	\$ 5,381,684
GOB 2019 Series A Construction Account	17,027,122
GOB 2019 Series A Bond Fund	2,113,387
LOB (Section 30) 2016 Series A Debt Service Fund	<u>21,282,407</u>
	<u>\$ 45,804,600</u>

(3) Receivables

Receivables as of September 30, 2020, including allowances for uncollectible accounts, are as follows:

Commercial	\$ 1,408,422
Residential	1,394,967
Government:	
Guam Waterworks Authority (GWA)	193,107
Other	<u>21,917</u>
	3,018,413
Allowance for uncollectible accounts	<u>(171,027)</u>
	<u>\$ 2,847,386</u>

(4) Bonds Payable

As of September 30, 2020, GovGuam had the following bonds outstanding associated with solid waste operations:

	<u>Dated Date</u>	<u>Issue Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Outstanding Amount</u>
General Obligation Bonds (GOB):					
Series A, 2019	July 25, 2019	\$ 27,610,000	5%	November 15, 2031	\$ <u>27,045,000</u>
Limited Obligation Bonds (LOB):					
Series A (Section 30), 2016	August 17, 2016	\$ 236,605,000	5%	December 1, 2046	\$ <u>217,325,000</u>

General Obligation Bonds Series A, 2019

On July 25, 2019, GovGuam issued \$27,610,000 in General Obligation Bonds, 2019 Series A, for the purpose of providing proceeds to fund the construction of a new cell for the Layon landfill (the Series 2019 Project), and which are backed solely by the full faith and credit of GovGuam. The net proceeds of \$31,637,747 (including an issue premium of \$4,027,747) together with a \$375,000 contribution from the Solid Waste Operations Fund less cost of issuance of \$1,007,755 were deposited to the Construction Account.

The Issuance Certificate, dated July 1, 2019, sets forth the establishment of accounts, the periodic deposits into these accounts, and certain other covenants to ensure payment of debt service. The following funds and accounts are established under the Certificate dated July 1, 2019:

**GOVERNMENT OF GUAM
SOLID WASTE FUNDS**

Notes to Financial Statements
September 30, 2020

(4) Bonds Payable, Continued

General Obligation Bonds Series A, 2019, Continued

Proceeds Fund - Moneys on deposit in the Proceeds Fund will be disbursed by the Depository for the payment of the expenses of GovGuam to be funded from Bond proceeds and the costs associated with the issuance of the Bonds, and, to the extent necessary, to fund any deficiency in the Bond Fund to pay principal of, mandatory sinking account payments for and interest on the Bonds.

Costs of Issuance Account - Moneys on deposit in the Costs of Issuance Account have been disbursed by the Depository for the payment of the costs associated with the issuance of the Bonds.

Construction Account - Moneys on deposit in the Construction Account will be disbursed by the Depository for the payment of the project costs associated with the Series 2019 Project.

Bond Fund - the Trustee shall apply moneys on deposit in this Fund solely for the purposes of (1) paying interest on the Bonds as it shall become due and payable, (2) paying the principal of the Serial Bonds when due and payable and (3) purchasing, redeeming or paying at maturity the Term Bonds as provided in the Certificate.

Annual debt service requirements to maturity for principal and interest associated with these general obligation bonds are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,685,000	\$ 1,310,125	\$ 2,995,125
2022	1,775,000	1,223,625	2,998,625
2023	1,865,000	1,132,625	2,997,625
2024	1,960,000	1,037,000	2,997,000
2025	2,060,000	936,500	2,996,500
2026 - 2030	11,995,000	2,985,625	14,980,625
2031 - 2032	<u>5,705,000</u>	<u>288,875</u>	<u>5,993,875</u>
	<u>\$ 27,045,000</u>	<u>\$ 8,914,375</u>	<u>\$ 35,959,375</u>

Limited Obligation (Section 30) Bonds Series A, 2016

The Section 30 Series A, 2016 bonds are backed by the full faith and credit of GovGuam, payable solely from and collateralized by a pledge of Section 30 revenues collected by the GovGuam General Fund. These bonds were issued for the purpose of refunding 2009 Section 30 LOB bonds; refinancing all of the outstanding 2013 Series B Certificates of Participation (Okkodo High School Expansion Project); and to provide additional proceeds to fund certain working capital costs of the Guam Memorial Hospital Authority (the 2016 Hospital Working Capital Project). Total principal and interest remaining on the Section 30 Series A, 2016 bonds is \$332,547,625 payable through December 2046. For the year ended September 30, 2020, principal and interest paid and total Section 30 revenues were \$20,972,750 and \$82,309,451, respectively.

**GOVERNMENT OF GUAM
SOLID WASTE FUNDS**

Notes to Financial Statements
September 30, 2020

(4) Bonds Payable, Continued

Limited Obligation (Section 30) Bonds Series A, 2016, Continued

The Amended and Restated Indenture, dated August 1, 2016, as updated by supplemental indentures, sets forth the establishment of accounts, the application of revenues and of periodic deposits into these accounts, and certain other covenants to ensure payment of debt service. The following revenue covenant together with funds and accounts are established under the Amended and Restated Indenture dated August 1, 2016:

Revenue Covenant - GovGuam has covenanted that it will not issue or incur any obligations having a claim on the Section 30 Revenues prior to the claim of the Section 30 Series A, 2016 bonds and any bonds on a parity therewith. GovGuam has also covenanted that it shall deposit or cause to be deposited all Section 30 Revenues upon receipt into the Section 30 Revenue Fund which the Trustee shall maintain and hold in trust.

Escrow Fund - Moneys on deposit in the Escrow Fund to be disbursed to pay the principal of and interest on the refunded 2009 Section 30 LOB bonds and 2013 Series B certificates of participation.

Project Account - Moneys on deposit in the Project Account will be disbursed by the Depository for the payment of 2016 Hospital Working Capital Project Costs.

Costs of Issuance Account - Moneys on deposit in the Costs of Issuance Account have been disbursed by the Depository for the payment of the costs associated with the issuance of the Bonds.

Section 30 Revenue Fund - the Amended and Restated Indenture created the Section 30 Revenue Fund into which GovGuam shall deposit all Section 30 revenues, upon receipt, and which the Trustee, as Depository, will maintain and hold pursuant to the Amended and Restated Indenture. Accordingly, the Trustee created the Bond Reserve Fund and the Debt Service Fund within the Section 30 Revenue Fund.

Bond Reserve Fund - The Trustee is required to hold and maintain within the Bond Reserve Fund an amount equal to the Bond Reserve Fund Requirement. The Bond Reserve Fund Requirement means, as of any date of calculation and with respect to any Bonds, monies in the aggregate amount within each Bond Year at least sufficient to pay and provide for the sum of: (1) an aggregate amount equal to at least 125% of aggregate annual debt service for such Bond Year; (2) an aggregate amount equal to the amounts required to be deposited in the Rebate Fund during such Bond Year required by the Amended and Restated Indenture, plus the amount of Bond Expenses estimated by the Trustee to be payable during such Bond Year; and (3) such amounts as may be required pursuant to the Amended and Restated Indenture (and any supplemental indenture for the issuance of additional Bonds) to increase or restore the Bond Reserve Fund to the Bond Reserve Fund Requirement. As of September 30, 2020, the GovGuam General Fund maintains \$16,317,823 in this fund in accordance with the Bond Reserve Fund Requirement.

**GOVERNMENT OF GUAM
SOLID WASTE FUNDS**

Notes to Financial Statements
September 30, 2020

(4) Bonds Payable, Continued

Limited Obligation (Section 30) Bonds Series A, 2016, Continued

Debt Service Fund - the Trustee is required to hold and maintain within the Debt Service Fund an amount equal to the sum of: (1) the interest then due or to become due on all outstanding bonds during the period ending on November 30 of the next succeeding fiscal year; and (2) the principal (including any Mandatory Sinking Account Payments) then due or to become due on all outstanding bonds during the period ending on November 30 of the next succeeding fiscal year.

Annual debt service requirements to maturity for principal and interest associated with these limited obligation bonds are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 10,375,000	\$ 10,606,875	\$ 20,981,875
2022	10,915,000	10,074,625	20,989,625
2023	11,475,000	9,514,875	20,989,875
2024	10,140,000	8,974,500	19,114,500
2025	9,280,000	8,489,000	17,769,000
2026 - 2030	54,800,000	34,781,000	89,581,000
2031 - 2035	69,335,000	19,265,125	88,600,125
2036 - 2040	14,165,000	8,551,625	22,716,625
2041 - 2045	18,190,000	4,527,000	22,717,000
2046 - 2047	<u>8,650,000</u>	<u>438,000</u>	<u>9,088,000</u>
	<u>\$ 217,325,000</u>	<u>\$ 115,222,625</u>	<u>\$ 332,547,625</u>

Events of Default

The respective Certificates and Indentures specify that any one or more of the following events will be considered an Event of Default:

(A) Default by GovGuam in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise; default by GovGuam in the redemption from any Mandatory Sinking Account Payment of any Term Bonds in the amounts and at the times provided therefor; or default by GovGuam in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(B) Default by GovGuam in the observance of any of the covenants, agreements or conditions on its part contained in the Issuance Certificates or in the Bonds, if such default shall have continued for a period of 60 days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to GovGuam by the Trustee or to GovGuam and the Trustee by the Holders of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding; or

(C) The assumption, under the provisions of any law relating to bankruptcy or insolvency or any similar law relating to creditor's rights, by any court of competent jurisdiction, of custody or control of GovGuam or of the whole or any substantial part of its property, if such custody or control is not terminated or stayed within 60 days from the date of assumption of such custody or control.

**GOVERNMENT OF GUAM
SOLID WASTE FUNDS**

Notes to Financial Statements
September 30, 2020

(4) Bonds Payable, Continued

Events of Default, Continued

In the event that the amount in any Fund or Account is insufficient for the purposes for which such Fund or Account was established, the Trustee shall transfer such amount as is necessary to satisfy such deficiency. If after making all such transfers, the amount in such Fund or Account is insufficient, the Trustee shall promptly issue a notice of default to Bondholders.

Acceleration of Maturities

If an Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee or the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding shall be entitled, upon notice in writing to GovGuam, to declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Issuance Certificates or in the Bonds contained to the contrary notwithstanding.

If an Event of Default occurs and is continuing, all moneys then held or thereafter received by the Trustee or the Depositary under any of the provisions of the respective Certificates and Indentures is required to be under the control of and applied by the Trustee as outlined in the respective Certificates and Indentures.

Management of GovGuam believes that it is in compliance with all significant covenants, limitations and restrictions of the respective Certificates and Indentures as of September 30, 2020.

Changes in Long-Term Obligations

The change in solid waste operations long-term bonds payable for the year ended September 30, 2020 is as follows:

	Balance October <u>1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	Balance September <u>30, 2020</u>	Due Within <u>One Year</u>
Bonds payable:					
General obligation bonds	\$ 27,610,000	\$ -	\$ (565,000)	\$ 27,045,000	\$ 1,685,000
Limited obligation bonds	<u>227,185,000</u>	-	<u>(9,860,000)</u>	<u>217,325,000</u>	<u>10,375,000</u>
	<u>\$ 254,795,000</u>	-	<u>\$ (10,425,000)</u>	<u>\$ 244,370,000</u>	<u>\$ 12,060,000</u>

During the year ended September 30, 2020, payments for debt service associated with the Limited Obligation (Section 30) Bonds, 2016 Series A bonds totaled \$20,972,750, of which \$9,860,000 represents payment on principal. These debt service payments were funded by accumulated deposits in the Debt Service Fund. During the year ended September 30, 2020, GovGuam transferred \$20,972,750 from its General Fund to the Debt Service Fund in accordance with the Amended and Restated Indenture dated August 1, 2016 for the purpose of funding future debt service.

**GOVERNMENT OF GUAM
SOLID WASTE FUNDS**

Notes to Financial Statements
September 30, 2020

(5) Interfund/Intrafund Transactions

Operating transfers in/out for the year ended September 30, 2020, are as follows:

	<u>Transfers Out</u>	<u>Transfers In</u>
Solid Waste Operations Fund:		
Debt Service Fund	\$ 3,059,332	\$ -
Debt Service Fund:		
Solid Waste Operations Fund	<u>-</u>	<u>3,059,332</u>
	<u>\$ 3,059,332</u>	<u>\$ 3,059,332</u>

Transfers are used to move revenues from the fund that enabling legislation or budget requires to collect them to the fund that enabling legislation or budget requires to expend them. Specifically, \$3,059,332 was transferred from the Solid Waste Operations Fund to the Debt Service Fund representing covenanted deposits to the Debt Service Fund for the purpose of funding debt service payments associated with the General Obligation Bonds Series A, 2019.

Minimum future covenanted deposits from the Solid Waste Operations Fund to the Debt Service Fund are as follows:

<u>Year Ending September 30,</u>	
2021	\$ 2,999,880
2022	2,999,880
2023	2,999,880
2024	2,999,880
2025	2,999,880
2026 - 2030	15,299,400
2031 - 2032	<u>3,552,006</u>
	<u>\$ 33,850,806</u>

(6) Commitments and Contingencies

A. Receiver Appointment

In 2004, GovGuam and the U.S. Environmental Protection Agency filed a Consent Decree in the United States District Court of Guam. The consent decree included deadlines for the opening of a new landfill and implementing an Ordot Dump closure plan. Within a period of forty-five months, GovGuam was required to complete an environmental impact statement analyzing at least three potential new landfill locations; complete design, permitting, and construction for the selected landfill location; begin operations at the new landfill; and properly and permanently close the Ordot Dump. In the event that GovGuam failed to meet any of the stipulated deadlines under the consent decree, GovGuam would be liable for civil penalties.

**GOVERNMENT OF GUAM
SOLID WASTE FUNDS**

Notes to Financial Statements
September 30, 2020

(6) Commitments and Contingencies, Continued

A. Receiver Appointment, Continued

In 2008, the District Court issued a Court Order that placed the Solid Waste Division of the Department of Public Works (DPW) in Guam in Receivership. After receiving and reviewing qualifications information on firms presented by GovGuam and the U.S. Environmental Protection Agency, and conducting interviews and reference checks, the District Court Judge selected and appointed a receiver. The Receiver was given full power and authority to enforce the terms of the Consent Decree, including closure of the Ordot Dump and opening of a new landfill, and assume all of the responsibilities for the operations of DPW's Solid Waste Division.

In 2009, the District Court issued a Court Order associated with the DPW Solid Waste Division Receivership requiring GovGuam to provide for costs of the new landfill. GovGuam subsequently issued \$202,425,000 in Limited Obligation Revenue Bonds for the purpose of financing facilities of the Solid Waste Management System of Guam. On August 31, 2011, the Ordot Dump was finally closed and the Layon landfill opened on September 1, 2011.

For the year ended September 30, 2020, recorded receiver related expenditures were \$318,146 with accumulated receiver related expenditures since the appointment of the Receiver on March 17, 2008 through September 30, 2020 amount to \$22,115,953. Of this amount, \$3,848,700 was funded by the General Fund and the remaining was funded from solid waste operations. The District Court maintains a separate trust account from which Receiver fees are paid. Accordingly, timing differences occur between GovGuam records and the fees actually paid and payable to the Receiver by the District Court.

B. Land Condemnation

In 2012, a Court Order was issued for the payment of approximately \$25,115,683 for the condemnation of land which encompasses the Layon landfill. A payment of \$3,410,000 was deposited to the Court and distributed to the landowners, with the remaining balance of \$21,705,683 plus interest at 6% per annum calculated from January 24, 2008 to be made. GovGuam negotiated long-term tax credit certificates with certain landowners.

C. Contract Commitments

GovGuam has commitments under certain significant contracts at September 30, 2020. As of September 30, 2020, encumbrances associated with these contracts total \$11,178,278.

D. Litigation

GSWA is party to certain legal proceedings. The Office of the Attorney General is of the opinion that the probable outcome of suits existing at September 30, 2020 is unknown and not predictable. No provision for any liability has been made in the accompanying financial statements because management believes that no unfavorable outcome is likely to occur.

E. Ordot Dump Financing Plan

In 2016, the District Court ordered the financial plan submitted by the Receiver for the post closure care of the Ordot Dump be adopted. In accordance with the requirements of the order, GovGuam through the Solid Waste Operations Fund is required to make deposits to the Ordot Post Closure Reserve Account of \$2,000,000 per annum through August 2026.

**GOVERNMENT OF GUAM
SOLID WASTE FUNDS**

Notes to Financial Statements
September 30, 2020

(6) Commitments and Contingencies, Continued

E. Ordot Dump Financing Plan, Continued

Minimum future deposits required from the Solid Waste Operations Fund to the Ordot Post Closure Reserve Account are as follows:

<u>Year Ending September 30,</u>	
2021	\$ 2,000,000
2022	2,000,000
2023	2,000,000
2024	2,000,000
2025	2,000,000
2026	<u>1,833,333</u>
	<u>\$ 11,833,333</u>

(7) Major Customers

During the year ended September 30, 2020, one commercial customer accounted for approximately 25% of total tipping fees revenues.

(8) COVID-19

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. On March 13, 2020, President Donald J. Trump declared a national emergency within the United States. In response to the national emergency declared by the U.S. President, on March 14, 2020, Governor Lourdes A. Leon Guerrero issued Executive Order 2020-03 declaring a state of emergency in response to the COVID-19 outbreak. Furthermore, Executive Order 2020-04 ordered the closure of all non-essential GovGuam offices, prohibited large gatherings, and restricted entry into Guam from countries with confirmed COVID-19 cases. As a result, schools and non-essential government agencies and private sector businesses temporarily closed. GSWA closed its offices to the public and required all non-essential employees to work from home.

On March 28, 2020, the U.S. President signed a major disaster declaration for Guam and ordered federal assistance to supplement local recovery efforts in connection with the COVID-19 pandemic. As a result, GovGuam received direct aid under the Coronavirus Act Relief, and Economic Security ("CARES") Act of \$117,968,258, of which \$33,844 was made available during the year ended September 30, 2020 to GSWA to fund certain hazard pay to Solid Waste Management Division employees.

Because of the evolving nature of the COVID-19 pandemic and the federal and local responses thereto, GovGuam cannot predict the extent or duration of the outbreak. While the disruption is currently expected to be temporary, there is uncertainty around the duration. Therefore, GovGuam expects this matter to negatively impact commercial tipping fee collections and general economic conditions globally, nationally and locally, for which the related financial impact cannot be reasonably estimated at this time.

**GOVERNMENT OF GUAM
SOLID WASTE FUNDS**

Comparative Balance Sheets
September 30, 2020 and 2019

	Solid Waste Operations Fund		Capital Projects Fund		Debt Service Fund	
	2020	2019	2020	2019	2020	2019
<u>ASSETS</u>						
Cash and cash equivalents	\$ 6,941,437	\$ 8,110,564	\$ -	\$ -	\$ -	\$ 84
Receivables, net:						
Tipping fees	2,847,386	3,235,811	-	-	-	-
Restricted assets:						
Cash and cash equivalents	5,381,684	5,840,010	17,027,122	30,934,749	23,395,794	21,912,114
Total assets	<u>\$ 15,170,507</u>	<u>\$ 17,186,385</u>	<u>\$ 17,027,122</u>	<u>\$ 30,934,749</u>	<u>\$ 23,395,794</u>	<u>\$ 21,912,198</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 288,522	\$ 352,911	\$ -	\$ -	\$ -	\$ 3,500
Contracts payable	748,659	713,469	3,469,510	-	-	-
Receiver fees payable	12,058	142,810	-	-	-	-
Retention payable	133,696	214,035	1,419,461	-	-	-
Host community premium benefits payable	73,980	88,666	-	-	-	-
Accrued payroll and other	37,704	97,777	-	-	-	-
Due to General Fund	2,809,415	2,538,228	15,128	8,531	3,218	-
Total liabilities	<u>4,104,034</u>	<u>4,147,896</u>	<u>4,904,099</u>	<u>8,531</u>	<u>3,218</u>	<u>3,500</u>
Fund balances:						
Restricted for:						
Capital projects	-	-	12,123,023	30,926,218	-	-
Debt service	-	-	-	-	23,392,576	21,908,698
Postclosure costs	4,398,105	5,045,879	-	-	-	-
Committed for:						
Solid waste operations	6,668,368	7,992,610	-	-	-	-
Total fund balances	<u>11,066,473</u>	<u>13,038,489</u>	<u>12,123,023</u>	<u>30,926,218</u>	<u>23,392,576</u>	<u>21,908,698</u>
Total liabilities and fund balances	<u>\$ 15,170,507</u>	<u>\$ 17,186,385</u>	<u>\$ 17,027,122</u>	<u>\$ 30,934,749</u>	<u>\$ 23,395,794</u>	<u>\$ 21,912,198</u>

See accompanying independent auditors' report.

**GOVERNMENT OF GUAM
SOLID WASTE FUNDS**

Comparative Statements of Revenues, Expenditures by Function, and Changes in Fund Balances
Years Ended September 30, 2020 and 2019

	Solid Waste Operations Fund		Capital Projects Fund		Debt Service Fund	
	2020	2019	2020	2019	2020	2019
Revenues:						
Tipping fees	\$ 17,853,026	\$ 18,979,473	\$ -	\$ -	\$ -	\$ -
Host community premium surcharge fees	317,064	342,921	-	-	-	-
Use of money and property	13,455	17,360	228,253	57,142	92,490	113,631
Transfer in from COVID-19 Fund	33,844	-	-	-	-	-
Transfer in from General Fund	-	-	-	-	20,972,750	21,011,544
Total revenues	<u>18,217,389</u>	<u>19,339,754</u>	<u>228,253</u>	<u>57,142</u>	<u>21,065,240</u>	<u>21,125,175</u>
Expenditures:						
Current:						
General government	-	193,900	-	-	-	-
Environmental protection	16,479,862	15,251,028	-	-	-	-
Capital projects	333,147	2,571,179	19,031,448	127,216	-	-
Principal retirement	-	-	-	-	10,425,000	5,410,000
Interest and fiscal charges	-	-	-	-	12,215,694	11,494,500
Bond issuance costs	-	-	-	481,613	-	528,655
Host community premium benefits	317,064	342,921	-	-	-	-
Total expenditures	<u>17,130,073</u>	<u>18,359,028</u>	<u>19,031,448</u>	<u>608,829</u>	<u>22,640,694</u>	<u>17,433,155</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,087,316</u>	<u>980,726</u>	<u>(18,803,195)</u>	<u>(551,687)</u>	<u>(1,575,454)</u>	<u>3,692,020</u>
Other financing sources (uses):						
Proceeds from issuance of long-term debt	-	-	-	27,610,000	-	-
Premium on bonds issued	-	-	-	4,027,747	-	-
Transfers in from other funds	-	-	-	-	3,059,332	1,246,775
Transfers out to other funds	<u>(3,059,332)</u>	<u>(1,086,633)</u>	<u>-</u>	<u>(160,142)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses), net	<u>(3,059,332)</u>	<u>(1,086,633)</u>	<u>-</u>	<u>31,477,605</u>	<u>3,059,332</u>	<u>1,246,775</u>
Net change in fund balances	<u>(1,972,016)</u>	<u>(105,907)</u>	<u>(18,803,195)</u>	<u>30,925,918</u>	<u>1,483,878</u>	<u>4,938,795</u>
Fund balances at the beginning of the year	<u>13,038,489</u>	<u>13,144,396</u>	<u>30,926,218</u>	<u>300</u>	<u>21,908,698</u>	<u>16,969,903</u>
Fund balances at the end of the year	<u>\$ 11,066,473</u>	<u>\$ 13,038,489</u>	<u>\$ 12,123,023</u>	<u>\$ 30,926,218</u>	<u>\$ 23,392,576</u>	<u>\$ 21,908,698</u>

See accompanying independent auditors' report.

**GOVERNMENT OF GUAM
SOLID WASTE FUNDS**

Comparative Statements of Revenues, Expenditures by Object, and Changes in Fund Balances
Years Ended September 30, 2020 and 2019

	Solid Waste Operations Fund		Capital Projects Fund		Debt Service Fund	
	2020	2019	2020	2019	2020	2019
Revenues:						
Tipping fees	\$ 17,853,026	\$ 18,979,473	\$ -	\$ -	\$ -	\$ -
Host community premium surcharge fees	317,064	342,921	-	-	-	-
Use of money and property	13,455	17,360	228,253	57,142	92,490	113,631
Transfer in from COVID-19 Fund	33,844	-	-	-	-	-
Transfer in from General Fund	-	-	-	-	20,972,750	21,011,544
Total revenues	18,217,389	19,339,754	228,253	57,142	21,065,240	21,125,175
Expenditures:						
Salaries and wages - regular	1,769,018	1,540,762	-	-	-	-
Salaries and wages - overtime	105,085	56,463	-	-	-	-
Fringe benefits	624,407	555,964	-	-	-	-
Travel	16,405	14,527	-	-	-	-
Contractual services	13,510,881	14,678,600	19,031,448	-	-	-
Supplies	303,712	388,472	-	-	-	-
Equipment	53,761	17,786	-	-	-	-
Utilities - power and water	88,799	97,074	-	-	-	-
Communications	60,405	62,888	-	-	-	-
Capital outlays	8,350	56,488	-	-	-	-
Online collection service charges	-	103,685	-	-	-	-
Principal retirement	-	-	-	-	10,425,000	5,410,000
Interest and fiscal charges	-	79,273	-	-	12,215,694	11,494,500
Bond issuance costs	-	-	-	481,613	-	528,655
Host community premium benefits	317,064	342,921	-	-	-	-
Miscellaneous	272,186	364,125	-	127,216	-	-
Total expenditures	17,130,073	18,359,028	19,031,448	608,829	22,640,694	17,433,155
Excess (deficiency) of revenues over (under) expenditures	1,087,316	980,726	(18,803,195)	(551,687)	(1,575,454)	3,692,020
Other financing sources (uses):						
Proceeds from issuance of long-term debt	-	-	-	27,610,000	-	-
Premium on bonds issued	-	-	-	4,027,747	-	-
Transfers in from other funds	-	-	-	-	3,059,332	1,246,775
Transfers out to other funds	(3,059,332)	(1,086,633)	-	(160,142)	-	-
Total other financing sources (uses), net	(3,059,332)	(1,086,633)	-	31,477,605	3,059,332	1,246,775
Net change in fund balances	(1,972,016)	(105,907)	(18,803,195)	30,925,918	1,483,878	4,938,795
Fund balances at the beginning of the year	13,038,489	13,144,396	30,926,218	300	21,908,698	16,969,903
Fund balances at the end of the year	<u>\$ 11,066,473</u>	<u>\$ 13,038,489</u>	<u>\$ 12,123,023</u>	<u>\$ 30,926,218</u>	<u>\$ 23,392,576</u>	<u>\$ 21,908,698</u>

See accompanying independent auditors' report.

**GOVERNMENT OF GUAM
SOLID WASTE FUNDS**

Comparative Schedule of Receivables, Revenues and Collections
Years Ended September 30, 2020 and 2019

	2020	2019
Receivables:		
Commercial haulers	\$ 1,408,422	\$ 1,982,909
Residential	1,394,967	2,421,430
Government	215,024	159,584
	3,018,413	4,563,923
Allowance for uncollectible accounts	(171,027)	(1,328,112)
	\$ 2,847,386	\$ 3,235,811
Revenues:		
Commercial haulers	\$ 8,757,863	\$ 9,958,015
Residential	7,523,815	7,399,894
Government	1,475,398	1,551,966
Transfer stations	360,175	339,067
Other	52,839	73,452
	\$ 18,170,090	\$ 19,322,394
Collections:		
Commercial haulers	\$ 9,323,530	\$ 9,880,169
Residential	7,456,888	7,204,154
Government	1,418,071	1,781,530
Transfer stations	360,175	339,067
Other	52,889	73,452
	\$ 18,611,553	\$ 19,278,372

See accompanying independent auditors' report.

**GOVERNMENT OF GUAM
SOLID WASTE FUNDS**

Combining Balance Sheet
Solid Waste Operations Fund
September 30, 2020

	<u>Operations</u>	Ordot Post Closure <u>Reserve</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 6,941,437	\$ -	\$ 6,941,437
Receivables, net:			
Tipping fees	2,847,386	-	2,847,386
Restricted assets:			
Cash and cash equivalents	-	5,381,684	5,381,684
Total assets	<u>\$ 9,788,823</u>	<u>\$ 5,381,684</u>	<u>\$ 15,170,507</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 89,004	\$ 199,518	\$ 288,522
Contracts payable	-	748,659	748,659
Receiver fees payable	12,058	-	12,058
Retention payable	98,294	35,402	133,696
Host community premium benefits payable	73,980	-	73,980
Accrued payroll and other	37,704	-	37,704
Due to General Fund	2,809,415	-	2,809,415
Total liabilities	<u>3,120,455</u>	<u>983,579</u>	<u>4,104,034</u>
Fund balances:			
Restricted for:			
Postclosure costs	-	4,398,105	4,398,105
Committed for:			
Solid waste operations	6,668,368	-	6,668,368
Total fund balances	<u>6,668,368</u>	<u>4,398,105</u>	<u>11,066,473</u>
Total liabilities and fund balances	<u>\$ 9,788,823</u>	<u>\$ 5,381,684</u>	<u>\$ 15,170,507</u>

See accompanying independent auditors' report.

**GOVERNMENT OF GUAM
SOLID WASTE FUNDS**

Combining Statement of Revenues, Expenditures by Function, and Changes in Fund Balances
Solid Waste Operations Fund
Year Ended September 30, 2020

	Operations	Ordot Post Closure Reserve	Sub-total	Elimination	Total
Revenues:					
Tipping fees	\$ 17,853,026	\$ -	\$ 17,853,026	\$ -	\$ 17,853,026
Host community premium surcharge fees	317,064	-	317,064	-	317,064
Use of money and property	7,313	6,142	13,455	-	13,455
Transfer in from COVID-19 Fund	33,844	-	33,844	-	33,844
Total revenues	<u>18,211,247</u>	<u>6,142</u>	<u>18,217,389</u>	<u>-</u>	<u>18,217,389</u>
Expenditures:					
Current:					
Environmental protection	13,825,942	2,653,920	16,479,862	-	16,479,862
Capital projects	333,147	-	333,147	-	333,147
Host community premium benefits	317,064	-	317,064	-	317,064
Total expenditures	<u>14,476,153</u>	<u>2,653,920</u>	<u>17,130,073</u>	<u>-</u>	<u>17,130,073</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,735,094</u>	<u>(2,647,778)</u>	<u>1,087,316</u>	<u>-</u>	<u>1,087,316</u>
Other financing sources (uses):					
Transfers in from other funds	-	2,000,004	2,000,004	(2,000,004)	-
Transfers out to other funds	(5,059,336)	-	(5,059,336)	2,000,004	(3,059,332)
Total other financing sources (uses), net	<u>(5,059,336)</u>	<u>2,000,004</u>	<u>(3,059,332)</u>	<u>-</u>	<u>(3,059,332)</u>
Net change in fund balances	<u>(1,324,242)</u>	<u>(647,774)</u>	<u>(1,972,016)</u>	<u>-</u>	<u>(1,972,016)</u>
Fund balances at the beginning of the year	7,992,610	5,045,879	13,038,489	-	13,038,489
Fund balances at the end of the year	<u>\$ 6,668,368</u>	<u>\$ 4,398,105</u>	<u>\$ 11,066,473</u>	<u>\$ -</u>	<u>\$ 11,066,473</u>

See accompanying independent auditors' report.

**GOVERNMENT OF GUAM
SOLID WASTE FUNDS**

Comparative Schedule of Employees and Other Data
Years Ended September 30, 2020 and 2019

	2020	2019
<u>Full Time Employees:</u>		
Employee count:		
Administrative support	12	12
Residential collection	28	26
Convenience center/transfer stations	2	3
Total employee count	42	41
Personnel costs:		
Salaries and wages - regular	\$ 1,769,018	\$ 1,540,762
Salaries and wages - overtime	105,085	56,463
Fringe benefits	624,407	555,964
Total personnel costs	\$ 2,498,510	\$ 2,153,189
<u>Contract services:</u>		
Employee count:		
Administrative support	2	5
Sanitation workers	25	22
Total employee count	27	27
Total personnel costs	\$ 959,718	\$ 924,120

See accompanying independent auditors' report.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Guam Solid Waste Authority:

We have audited, in accordance with the 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, the financial statements of the Guam Solid Waste Authority (GSWA) Solid Waste Operations Fund, Capital Projects Fund and Debt Service Fund, which comprise the balance sheet as of September 30, 2020, and the related statement of revenues, expenditures and changes in fund balances for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 8, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered GSWA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of GSWA's internal control. Accordingly, we do not express an opinion on the effectiveness of GSWA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

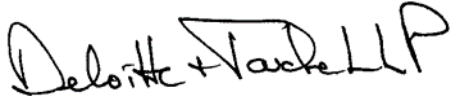
As part of obtaining reasonable assurance about whether GSWA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as item 2020-001.

GSWA Response to Findings

GSWA's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. GSWA's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

A handwritten signature in black ink that reads "Deloitte + Tatchell LLP". The signature is written in a cursive, stylized font.

March 8, 2021

**GOVERNMENT OF GUAM
SOLID WASTE FUNDS**

Schedule of Findings and Responses
Year Ended September 30, 2020

Finding No. 2020-001

Procurement

Criteria: In accordance with applicable procurement requirements, procurement transactions shall be conducted in a manner providing full and open competition, and will maintain records sufficient to detail the significant history of procurement. These records will include a rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

Local procurement regulations state that any procurement not exceeding the amount established by regulation, between \$500 and \$15,000 may be made in accordance with small purchase procedures. If these methods are not used, the other methods of source selection provided in 5 GCA §5210 (Methods of Source Selection) of the Guam Procurement Act and these Regulations shall apply.

In addition, local procurement regulations Article 9 Subarticle A, Section 5425 (g) states that in the event of a timely protest under Subsection (a) of this Section or under Subsection (a) of § 5480 of this Chapter, the Territory shall not proceed further with the solicitation or with the award of the contract prior to final resolution of such protest, and any such further action is void, unless under specific circumstances provided in this Subsection (g).

Condition: During the year ended September 30, 2020, local funds of \$959,718 were utilized for Solid Waste Management Division expenditures, which did not demonstrate competitive procurement (i.e., sole source procurement) or which were procured through a possible inappropriate procurement method. A summary of these services is as follows:

Temporary staffing services for the Guam Solid Waste Authority	\$ <u>959,718</u>
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Cause: The lack of internal control policies to facilitate potential compliance with Guam procurement requirements.

Effect: The Solid Waste Operations Fund may be in noncompliance with applicable procurement regulations.

Recommendation: We recommend that the department or agency responsible for procuring goods or services under the Solid Waste Operations Fund follow established procurement regulations consistently for all procurements. Furthermore, based on the goods and services being procured, we recommend that the responsible department or agency use the appropriate method of source selection.

Prior Year Status: Lack of compliance with Guam procurement requirements was reported as a finding in prior audits as items 2011-1, 2012-1, 2013-1, 2014-001, 2015-001, 2016-001, 2017-001, 2018-001 and 2019-001.

Auditee Response and Corrective Action Plan: Based on 10 GCA Chapter 51A § 51A118(b), it allows GSWA to continue the PHR contract for no more than three (3) years from the date of transfer of management from federal receivership. GSWA plans to bid out the services before the 3 year period lapses.

**GOVERNMENT OF GUAM
SOLID WASTE FUNDS**

Unresolved Prior Year Findings
Year Ended September 30, 2020

Unresolved Prior Year Findings

As of September 30, 2020, the status of all audit findings included in the Schedule of Findings and Responses as of September 30, 2020 is as follows:

Finding No. 2011-1 – Not corrected. See corrective action plan to Finding No. 2020-001.

Finding No. 2012-1 – Not corrected. See corrective action plan to Finding No. 2020-001.

Finding No. 2013-1 – Not corrected. See corrective action plan to Finding No. 2020-001.

Finding No. 2014-001 – Not corrected. See corrective action plan to Finding No. 2020-001.

Finding No. 2015-001 – Not corrected. See corrective action plan to Finding No. 2020-001

Finding No. 2016-001 – Not corrected. See corrective action plan to Finding No. 2020-001

Finding No. 2017-001 – Not corrected. See corrective action plan to Finding No. 2020-001

Finding No. 2018-001 – Not corrected. See corrective action plan to Finding No. 2020-001

Finding No. 2019-001 – Not corrected. See corrective action plan to Finding No. 2020-001