



**Financial Highlights**  
**Government of Guam Solid Waste Funds**  
**Fiscal Year 2023 Financial Highlights, April 2024**

The Office of Public Accountability (OPA) has released the Government of Guam Solid Waste Funds' (GGSWF) Financial Statements and Report on Internal Control Over Financial Reporting and Compliance, the Management Letter, and the Auditor's Communication with Those Charged with Governance for Fiscal Year (FY) 2023.

Independent auditors, Ernst & Young LLP, rendered an unmodified (clean) opinion on the financial statements. The GGSWF financial statements include three funds: the (1) Solid Waste Operations Fund, (2) Capital Projects Fund, and (3) Debt Service Fund. These funds collectively ended FY 2023 with an increase in the total fund balance by \$2.2 million (M) (or 6%) from \$33.9M in FY 2022 to \$36M in FY 2023. Notable highlights from the GGSWF FY 2023 financial audit include:

- Increased revenues of \$3.3M from increased tipping fee revenues, primarily due to the increased waste collections as a result of Typhoon Mawar;
- Increased expenditures of \$892 thousand (K) due to the recruitment of 12 additional operational staff and the adoption of the new government of Guam pay compensation plan;
- No material weaknesses identified in the Report on Internal Control and Compliance; and
- Two observations were cited in the Letter to Management related to financial data provided for audit, including data from prior fiscal years and a significant number of accounts receivable with credit balances.

**Revenues Increased and Expenditures Decreased**

GGSWF reported total revenues of \$22.1M in FY 2023 which was a \$3.3M increase (or 18%) from \$18.8M in FY 2022. The increase was primarily due to the \$3.3M increase in tipping fee revenues – a major source of revenue for the Guam Solid Waste Authority (GSWA), as a result of additional waste collection after Typhoon Mawar. Total expenditures of \$41.3M in FY 2023 increased by \$892K from \$40.4M in FY 2022. The increase in expenditures is mainly due to the increase in environmental protection by \$841K, due in part to the recruitment of 12 additional operational staff (sanitation workers and equipment operators) and the adoption of the new government of Guam pay compensation plan.

**Partial End of Receivership**

Day-to-day operations of GSWA were turned over from the Receiver to GSWA management, effective May 1, 2019, by court order. The order requires that GSWA fully fund, by August 2026, a trust account to pay for the estimated future costs of managing and maintaining the Ordot landfill site until the site can be reclaimed by GovGuam for alternative use. The court order also requires an estimate for post closure care expenses, with proposed funding options and a proposed schedule on the full termination of Receivership. Many of these initiatives have either been completed or are near completion.

Operational challenges include 1) training its current collection workforce to meet standard procedures for safe, economical, and customer service-oriented collection methods and 2) training personnel to operate vehicles with incorporated automated collection intended to reduce manual labor in collecting refuse containers. Financial challenges include building sufficient capital improvement funds for cell construction, closure and post-closure requirements, grant approval for closure and solar panel construction, and setting up a revenue stream independent of refuse fees.

Receiver-related expenditures were \$653K in FY 2023. Accumulated receiver-related expenditures since the appointment of the Receiver on March 17, 2008 through September 30, 2023 amounted to \$23.3M, of which \$3.8M was funded by the General Fund, and the remaining amount funded by GSWA operations.

The Receiver has developed two rate options for presentation to the Guam Public Utilities Commission (PUC), each of which would provide adequate funding for GGSWF for 2013 and thereafter. These options are as follows:

<u>Customer Type</u>	<u>Current Rate</u>	<u>Full Government Reimbursement Rate</u>
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 current rate can be maintained if GovGuam does not seek to obtain reimbursement from GSWA for the debt service that is paid from Section 30 funds; however, if reimbursement is required, GSWA will need to adopt the full government reimbursement rate as listed above. To date, no action has been taken to adopt a new rate for GSWA, which requires PUC approval.

**Long-Term Debt**

In 2019, GovGuam issued General Obligation (GO) Bonds, 2019 Series A, for the purpose of funding the construction of a new cell for the Layon landfill, backed solely by the full faith and credit of GovGuam. The total remaining principal and interest on the GO Bonds, 2019 Series A, is \$27M, payable through November 2031.

In 2016, GovGuam issued Limited Obligation (LO) (Section 30) Bonds, 2016 Series A, payable solely from and collateralized by a pledge of Section 30 funds. These bonds were issued for the purpose of refunding LO (Section 30) Bonds, Series 2009. The total remaining principal and interest on the LO Bonds, 2016 Series A, is \$269.6M and is payable through December 2046.

Annual debt service requirements to maturity for principal and interest associated with these bonds are shown in the following tables.

**General Obligation Bonds, 2019 Series A**

<u>Year Ending September 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$1,960,000	\$1,037,000	\$2,997,000
2025	2,060,000	936,500	2,996,500
2026	2,165,000	830,875	2,995,875
2027	2,275,000	719,875	2,994,875
2028	2,395,000	603,125	2,998,125
2029-2032	<u>10,865,000</u>	<u>1,120,625</u>	<u>11,985,625</u>
	<u>\$21,720,000</u>	<u>\$5,248,000</u>	<u>\$26,968,000</u>

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

<u>Year Ending September 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$10,140,000	\$8,974,500	\$19,114,500
2025	9,280,000	8,489,000	17,769,000
2026	9,755,000	8,013,125	17,768,125
2027	10,255,000	7,512,875	17,767,875
2028	10,780,000	6,987,000	17,767,000
2029-2033	63,515,000	25,922,375	89,437,375
2034-2038	37,900,000	11,169,750	49,069,750
2039-2043	16,460,000	6,258,500	22,718,500
2044-2047	<u>16,475,000</u>	<u>1,699,125</u>	<u>18,174,125</u>
	<u>\$184,560,000</u>	<u>\$85,026,250</u>	<u>\$269,586,250</u>

**Report on Internal Control Over Financial Reporting and Compliance & Management Letter**

Independent auditors did not identify any deficiencies in internal control that are considered to be material weaknesses. Results of auditors' tests for compliance with certain provisions of laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance or other matters that are required to be reported.

In a letter to Management, auditors cited two observations noting:

- 1) Financial data provided for audit included data for FYs 2022 and 2021, requiring additional time and effort to segregate financial data and to reconcile individual beginning fund balances, and
- 2) A significant number of accounts receivable with credit balances (a recurring comment from the FY 2022 audit).

For a detailed discussion on GSWA's operations, refer to the Management's Discussion and Analysis, or review the reports in their entirety at our website: [www.opaguam.org](http://www.opaguam.org).