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Government of Guam Solid Waste Funds – FY 2022 Financial Highlights

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The Office of Public Accountability has released the Government of Guam Solid Waste Funds (GGSWF) financial statements, report on compliance and internal control, and the auditor's communication with those charged with governance for fiscal year (FY) 2022. Independent auditors, Ernst & Young, LLP, rendered an unmodified (clean) opinion on the financial statements.

The GGSWF financial statements include three funds: (1) Solid Waste Operations Fund, (2) Capital Projects Funds, and (3) Debt Service Fund. These funds collectively ended FY 2022 with a decrease in total fund balance (net loss) of \$654 thousand (K), or 1.9%, from \$34.5 million (M) in FY 2021 to \$33.9M in FY 2022.

Revenues Increased and Expenses Decreased

GGSWF reported total revenues of \$18.8M in FY 2022, which is a \$272K increase (or 1.47%) from \$18.5M in FY 2021. The increase was primarily due to the \$268K increase in tipping fee revenues, the Guam Solid Waste Authority's (GSWA) major source of revenue. Total expenditures decreased by \$11.1M in FY 2022, compared to \$51.6M in FY 2021. This is due, in part, to the \$11M decrease in capital projects expenditures. The decrease in payments relating to capital projects expenditures represents costs associated with the construction of the new cell at the landfill.

The Transition from Receiver to GovGuam

Effective May 1, 2019, a court order from the District Court of Guam was issued regarding the partial end of receivership turning over day-to-day operations of GSWA from the Receiver to GSWA management. The Receiver's remaining responsibilities include the approval of the Ordot Dump Post Closure Care Plan by the U.S. Environmental Protection Agency and the Guam Environmental Protection Agency, and the issuance of a Post Closure Permit.

In January 2022, the court also ordered an estimate for post closure care expenses and proposed funding options and a proposed schedule on the full termination of the Receivership. 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 Dump until GovGuam can reclaim the site for an alternative use.

Receiver-related expenditures were \$348K in FY 2022, for a total of \$22.7M to date (since March 2008). Of the total amount, \$3.8M was paid from the General Fund, while the remaining amount was funded from GSWA operations. The court continues to maintain the separate trust account from the fees to the Receiver are paid.

Coronavirus (COVID-19) Impact

The government of Guam (GovGuam) received direct aid under the Coronavirus Act Relief and Economic Society Act of which \$2.4M and \$546K was made available to GSWA in FY 2022 and FY 2021, respectively. In addition, GovGuam received \$553.6M under the American Rescue Plan Act of which \$2.4M was made available to GSWA in FY 2022 to offset revenue shortfalls resulting from the COVID-19 pandemic.

Long-Term Debt Reliant on Section 30 & Tipping Fee Revenues

In 2009, GovGuam issued Limited Obligation (LO) Section 30 Bonds, 2009 Series A, for the purpose of constructing a new landfill, closing the Ordot Dump, prepaying a bank loan, and funding capitalized interest. In 2016, the bonds were refunded through the issuance of the LO Section 30 Bonds, 2016 Series A. These bonds are payable solely from and collateralized by a pledge of Section 30 revenues collected by the GovGuam General Fund. The total principal and interest remaining on the Section 30 Series A, 2016 bonds is \$312M, payable through December 2047.

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

<u>Year Ending September 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	9,755,000	8,013,125	17,768,125
2027 – 2031	57,555,000	31,972,125	89,527,125
2032-2036	59,380,000	16,047,250	75,427,250
2037-2041	14,895,000	7,825,125	22,720,125
2042-2046	19,120,000	3,594,250	22,714,250
2047	<u>4,435,000</u>	<u>110,875</u>	<u>4,545,875</u>
	<u>\$196,035,000</u>	<u>\$94,541,125</u>	<u>\$290,576,125</u>

If GovGuam does not seek reimbursement from GSWA for the Section 30 payments to the debt service, GSWA can maintain the current rate structure for its services; however, if GovGuam seeks reimbursement, GSWA will have to adopt new rates, subject to the approval of the Public Utilities Commission. To date, no action has been taken to adopt new rates.

In 2019, GovGuam issued \$27.6M in General Obligation (GO) Bonds, 2019 Series A. The bonds were primarily used to finance the construction of a new cell for the Layon Landfill and are backed solely by the full faith and credit of GovGuam. Tipping fee revenues deposited to the Solid Waste Operations Fund are the primary source of repayment of the debt service for these bonds. Total principal and interest remaining on the GO Bond are \$30M, payable through November 2031.

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

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	2,165,000	830,875	2,995,875
2027 – 2031	12,610,000	2,370,500	14,980,500
2032	<u>2,925,000</u>	<u>73,125</u>	<u>2,998,125</u>
	<u>\$23,585,000</u>	<u>\$6,380,625</u>	<u>\$29,965,625</u>

Report on Internal Control and Compliance

Independent auditors did not identify any deficiencies in internal control that are considered to be material weaknesses. Results of auditors’ tests disclosed no instances of noncompliance or other matters that are required to be reported.

For a detailed discussion on GSWA’s operations, refer to the Management’s Discussion and Analysis or review the reports in their entirety on our website at www.opaguam.org.