



Government of Guam Solid Waste Funds FY 2015 Financial Highlights

June 7, 2016

Fiscal Year (FY) 2015 is the Guam Solid Waste Authority's (GSWA) fourth full year of Layon Landfill operations. The Government of Guam Solid Waste Operating Fund (GGSWOF) ended FY 2015 with a \$4.9 million (M) increase in fund balance (surplus) and cumulative fund balance (retained earnings) of \$19.8M. Collectively, fund balance for Government of Guam (GovGuam) Solid Waste Funds decreased by \$20.2M from \$62.4M in FY 2014 to \$42.2M, which was due primarily to capital projects expenditures.

Independent auditors, Deloitte & Touche, LLP, expressed an unmodified (clean) opinion for the GovGuam Solid Waste Funds FY 2015 financial statements. There was one finding on internal control over financial reporting and compliance pertaining to sole source procurement. A Management Letter identified two deficiencies.

Current Tipping Fees Insufficient for Debt Service and Future Costs

Similar to last year, the current monthly tipping fee rates of \$172 (commercial), \$30 (residential), and \$7.50/\$15 (residential transfer stations) are insufficient to pay for the annual debt service of \$15.7M. In FY 2015, the entire \$15.7M for annual debt service was paid from the General Fund. If the current tipping fees are not raised, debt service and other future costs will continue to be borne by the General Fund.

Layon Landfill and Land Condemnation

The Layon Landfill which opened in September 2011, is included as a capital asset in GovGuam's government-wide financial statements at a total cost of \$106M. The Layon Landfill consists of infrastructure and land to support 11 cells with a capacity in excess of 15.8M cubic yards and an estimated life span of 50 years. Currently, GovGuam is utilizing the two cells that were completed in the initial construction. These two cells have a projected life of 10 years and are projected to be full in 2021.

Total cost of the condemned land for the Layon Landfill amounted to \$33.7M, comprised of \$25.1M in principal and \$8.6M in interest (computed at 6% per annum from January 2008). GovGuam negotiated tax credits with the landowners, of which \$24.8M was redeemed as of FY 2015. The estimated unpaid balance of \$6.8M will continue to accrue interest of 6% per annum.

Ordot Dump Land Acquisition

In the March and October 2015 Receiver reports by Gershman, Brickner, & Bratton, Inc. (GBB), five separate parcels of land needed for the closure of Ordot Dump have been acquired. For two parcels, the Superior Court ordered the full release of funds totaling \$172K and a partial release of \$78K for the third parcel. The fourth parcel for \$870K is still pending due to potential discrepancy of lot size. The fifth parcel has been acquired at an appraised value of \$308K, which was paid into the Court. The Court will resolve the final land value.

Layon Landfill and Ordot Dump Estimated Future Liabilities

Estimated future costs for the Layon Landfill closure is \$92M. As of FY 2015, post closure care liability of \$3.2M has been recorded at the government-wide level based on 3.58% estimated landfill usage. GovGuam will recognize the remaining estimated cost of \$88.8M based on its landfill usage until the remaining estimated capacity is filled.

An estimated post closure care liability of \$15.7M for Ordot Dump was recorded at the government-wide level. Actual costs for the Layon Landfill and Ordot Dump may be higher due to inflation, changes in technology, and regulations.

Revenues Increased While Expenses Decreased

The combined fund revenues of \$18.5M increased by \$860K from \$17.7M in FY 2014. Tipping fees of \$18.3M increased by \$902K from \$17.3M in FY 2014 due to recognition of delinquent tipping fees collected in FY 2015. Of the \$17.9M in total billings, commercial haulers accounted for \$10.1M (56%), residential customers for \$6.3M (35%), and government customers for \$1.5M (8%).

During FY 2015, the Layon Landfill collected 97.7K tons of waste, a growth of 2.8K from FY 2014 of 94.9K. Most customer classes increased for the year.

The combined fund expenditures of \$54.4M decreased by \$3.6M from \$58M in FY 2014. The largest expenditure was \$25.3M for capital projects, which decreased by \$2.9M. This was followed by \$15.7M for debt service, \$13.1M for operations, and \$306K for the Host Community Premium Surcharge fees for the villages of Inarajan and Ordot. Contractual services increased by \$963K, from \$10.2M to \$11.2M. GBB expenditures amounted to \$1.6M bringing a total of \$16M as of September 2015. Of this amount, \$3.8M was funded by the General fund, while \$12.2M was funded by the operations fund.

The Department of Administration increased the Allowance for Uncollectible Accounts by \$201K, from \$854K in FY 2014 to \$1.1M in FY 2015. The increase was based on an audit adjustment proposed by the auditors.

Compliance Report and Management Letter

In the compliance report, there was one finding pertaining to sole source procurement. GBB procured temporary staffing services of \$1.2M and independent contractor services of \$153K for the Solid Waste Management Division via sole source. Sole source procurement has been a finding since 2011.

In a separate management letter, the auditors also identified two deficiencies related to unreconciled tipping fees receivable account and inadequate allowance for doubtful accounts.

Audit Adjustments and Uncorrected Misstatements

The auditors proposed seven adjustments which increased the fund balance by \$247K. There were two passed adjustments which could have decreased the fund balance by \$65K.

For a more detailed discussion on GovGuam Solid Waste Funds, refer to the Management's Discussion and Analysis or view the reports in their entirety at our website at www.opaguam.org.