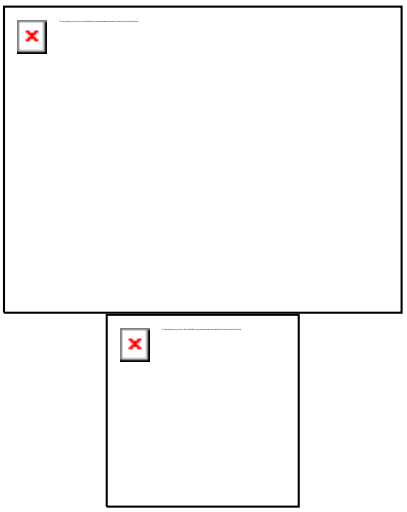
clerks@guamlegislature.org

From: Speaker's Office <speaker@guamlegislature.org>
Sent: Wednesday, June 10, 2020 3:27 PM
To: Clerks Office
Cc: Rennae Meno
Subject: M&C Fwd: GSWA Operations Fund FY 2019 Financial Audit Reports Transmittal
Attachments: gswa_fy_2019_highlights_final.pdf; swof_fs19_final_jun_3_2020.pdf; swof_ml19_final_jun_3_2020.pdf; swof_sas19_final_jun_3_2020.pdf

06-10-20	11:34 AM	06-04-20	Government of Guam Solid Waste Funds- Fiscal Year 2019 Financial Highlights.*	Office of Public Accountability	35GL-20-1878



Sinseru yan Minagåhet,

Office of the Speaker • Tina Rose Muña Barnes
Committee on Public Accountability, Human Resources & the Guam Buildup

35th Guam Legislature
I Mina'trentai Singko na Liheslaturan Guåhan

Guam Congress Building | 163 Chalan Santo Papa | Hagatna, GU 96910
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Gumai pribilehu yan konfedensia este siha na mensåhi. Solo espesiåtmente para hågu ma entensioña pat ma aturisa para unrisibi. Sen prubidu kumu ti un ma aturisa para manribisa, na'setbe, pat mandespåtcha. Yanggen lachi rinisibu-mu nu este na mensåhi , put fabot ago' guatu gi I numa'huyong gi as speaker@guamlegislature.org yan despues destrosa todu siha I kopian mensåhi. Si Yu'os ma'åse'.

---------- Forwarded message ---------
From: **Frederick Jones** <fjones@guamopa.com>
Date: Wed, Jun 10, 2020 at 11:34 AM
Subject: GSWA Operations Fund FY 2019 Financial Audit Reports Transmittal
To: Frederick Jones <fjones@guamopa.com>

Hafa Adai!

Transmitted electronically are the Government of Guam Solid Waste Operations Fund (SWOF) FY 2019 Financial Statements and Report on Compliance and Internal Controls, Management Letter, and Letter to Those Charged with Governance. Also transmitted herein is the Office of Public Accountability's two-page highlights. These reports and our highlights may also be found on our website at www.opaguam.org.

--
Sincerely,

Frederick D. Jones, MBA
Accountability Auditor I
Office of Public Accountability
www.opaguam.org
Tel. (671) 475-0390 ext. 202
Fax (671) 472-7951
This e-mail transmission and accompanying attachment(s) may contain confidential or privileged information. If you are not the intended recipient of this e-mail, please inform the sender and delete it and any other electronic or hard copies immediately. Please do not distribute or disclose the contents to anyone. Thank you.

OFFICE OF PUBLIC ACCOUNTABILITY

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Government of Guam Solid Waste Funds – Fiscal Year 2019 Financial Highlights

June 4, 2020

Hagåtña, Guam – The Office of Public Accountability released the Government of Guam (GovGuam) Solid Waste Funds financial statements and reports of compliance and internal controls, management letter, and letter to those charged with governance for fiscal year (FY) 2019. Independent auditors Deloitte & Touche, LLP rendered an unmodified (clean) opinion on the financial statements. One deficiency on internal control over financial reporting was identified.

The Guam Solid Waste Funds financial statements include three funds: (1) Solid Waste Operations Fund, (2) Capital Projects Funds, and (3) Debt Service Fund. These funds collectively ended FY 2019 with a net gain of $35.8 million (M), which is a significant increase of $39.5M from the prior year's net loss of $3.8M.

Coronavirus (COVID-19) Impact

In March 2020, the Governor of Guam issued Executive Order 2020-03 ordering the closure of all schools and non-essential GovGuam agencies and private sector businesses. The Guam Solid Waste Authority (GSWA) closed its offices to the public and required all non-essential employees to work from home. GovGuam expects this matter to negatively impact commercial tipping fee collections. Due to significant uncertainties caused by COVID-19, GSWA is unable to reasonably estimate its ultimate financial impact.

Transition from Receiver to GovGuam

In 2008, the United States District Court of Guam (the Court) appointed Gershman, Brickner, and Bratton (GBB) to enforce the Consent Decree[1] and assume GSWA operations from GovGuam.

In April 2019, the Court issued an order regarding partial end of receivership turning day-to-day GSWA operations from the Receiver to GSWA management effective May 2019. The Receiver's remaining responsibilities include the closure of Ordot Dump.

Receiver fees paid to GBB amounted to $960 thousand (K) in FY 2019 for a total of $21.8M since 2008. Of the total, $3.9M was paid by the General Fund.

GovGuam Payments for Solid Waste Related Bonds

In July 2019, GovGuam issued $27.6M Series A General Obligation Bonds. The bonds were primarily used to finance the construction of a new cell for the Layon Municipal Sanitary Landfill operated by GSWA, and to pay costs associated with the issuance of the bonds. Section 30 Bonds

[1] Consent Decree includes opening a new landfill and closure of the Ordot Dump.

Doc. No. 35GL-20-1878.*

2016 Series A issuance of $236.6M continues to be backed by GovGuam with interest and principal payments for these bonds from the Section 30 federal income tax collections.

In FY 2019, GovGuam paid $16.9M for the principal and $77.0M for interest on the 2016 bonds. These bonds will mature in 2046 where GovGuam's cumulative payment will total $353.5M, of which $126.3M is interest.

Table 1: Limited Obligation Bonds, 2016 Series A Payment Schedule

Year ending September 30,	Principal	Interest	Total
2020	$ 9,860,000	$ 11,112,750	$ 20,972,750
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 - 2029	51,405,000	37,436,125	88,841,125
2030 - 2034	66,720,000	22,666,500	89,386,500
2035 - 2039	26,330,000	9,564,000	35,894,000
2040 - 2044	17,305,000	5,414,375	22,719,375
2045 - 2047	12,660,000	970,750	13,630,750
	$ 227,185,000	$ 126,335,375	$ 353,520,375

GovGuam will continue to assume the bond payments using the Section 30 funds at GSWA's current rate. Should GovGuam seek reimbursement from GSWA, it will need to adopt the full government reimbursement rate. To date, no action has been taken to adopt a new rate for GSWA.

Table 2: Rate Options

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	$ -

Revenues Increased and Expenditures Decreased

The Guam Solid Waste Fund reported total revenues of $40.5M in FY 2019, an increase $4.2M from FY 2018. A major portion of the increase was from the transfer of $21.0M from the General Fund for bond payments. The prior year's fund transfer of $16.9M increased by $4.0M or 24% in the current year. Operating revenues of $19.3M minimally decreased by $6K or 0.03%. Tipping fees, GSWA's major source of revenue, slightly increased by $2K or 0.01% from $18.9M in FY 2018.

Total expenditures decreased by $3.7M, from $40.1M in FY 2018 to $36.4M in FY 2019. This decrease was mainly due to the decrease in solid waste operational costs of $4.2M from $20.0M in FY 2018 to $15.8M in FY 2019. In addition, a decrease in capital project expenditures of $3.3M, from $6.0M in FY 2018 to $2.7M in FY 2019.

Compliance Report

Independent auditors found GSWA procured temporary staffing services of $924K via sole source procurement. GSWA cited Title 10, Chapter 51A, §51A118(b) of the Guam Code Annotated to continue contract for no more than three (3) years from the date of transfer of management from federal receivership.

For a more detailed discussion on GSWA's operations, refer to the Management's Discussion and Analysis or view the reports in their entirety at www.opaguam.org.

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, 2019

GOVERNMENT OF GUAM
SOLID WASTE FUNDS

Year Ended September 30, 2019
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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, 2019, 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, 2019, and the results of their operations for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte.

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

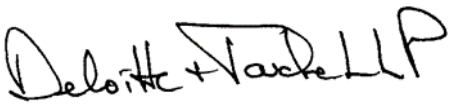
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Other Supplementary Information, as set forth in Section IV of the foregoing table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The Other Supplementary Information is the responsibility of GSWA management. The 2019 information on pages 24 through 27 as well as the information on pages 28 and 29 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 2019 information on pages 24 through 27 as well as the information on pages 28 and 29 is fairly stated, in all material respects, in relation to the financial statements as a whole.

The 2018 information on pages 24 through 27 as well as the additional information on page 30 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.

Deloitte.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2020, 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.



May 28, 2020

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, 2019 and 2018. 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, 2019, total fund balance increased by $35,758,806 (or 118.7%) from a fund balance of $30,114,599 in 2018 to a fund balance of $65,873,405 in 2019. For factors which contributed to the increase, see below:

- During the years ended September 30, 2019 and 2018, total combined expenditures for governmental fund operations were $36,401,102 and $40,077,931, respectively, including expenditures recorded or payments relating to capital projects of $2,698,395 and $5,994,527, respectively; debt service requirements of $16,904,500 and $14,069,250, respectively; and receiver fee expenditures of $959,881 and $1,573,154, respectively. These expenditures were funded, in part, by the generation of tipping fees revenues during the years ended September 30, 2019 and 2018 of $19,322,394 and $19,324,305, respectively; and a transfer in from GovGuam's General Fund of $21,011,544 and $16,913,240, respectively, for debt service. During the year ended September 30, 2019, GovGuam issued bonds for the construction of a new cell for the Layon Municipal Sanitary Landfill resulting in bond proceeds of $31,637,747 and incurred related issuance costs of $1,010,268.

- Total combined expenditures decreased by $3,676,919 (or 9.2%) from 2018 to 2019 due to, in part, the $7,522,437 decrease in Solid Waste Operations Fund expenditures offset by a $2,835,250 increase in debt service payments and bond issuance cost of $1,010,268 in 2019. During the year ended September 30, 2019, Solid Waste Operations Fund incurred $267,942 due to loss on online fraud. Total combined revenues increased by $4,213,390 (or 11.6%) from 2018 to 2019 due primarily to the increase in transfers in from GovGuam's General Fund of $4,098,304 (or 24.2%).

- During the years ended September 30, 2019 and 2018, the Solid Waste Operations Fund generated operating deficits of $105,907 and $6,663,143, respectively. Tipping fees revenues recorded by the Solid Waste Operations Fund were $19,322,394 in 2019, a decrease of $1,911 compared to the previous year. Expenditures recorded by the Solid Waste Operations Fund were $18,359,028 in 2019, a decrease of $7,649,653 (or 29.4%) compared to the previous year.

- During the years ended September 30, 2019 and 2018, receiver fees paid to Gershman, Brickner and Bratton (the Receiver) were $959,881 and $1,573,154, respectively. Accumulated receiver fee expenditures since the appointment of the Receiver on March 17, 2008 through September 30, 2019 total $21,797,807.

2. Overview of the Financial Statements

The GGSWF's financial statements include all of the activities of the Solid Waste Operations Fund, Capital Projects Fund and funds related to the Limited Obligation (Section 30) Bonds, 2016 Series A and General Obligation 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 of Guam Basic Financial Statements for the year ended September 30, 2019. 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 measureable 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.

The notes to the financial statements include additional information needed to provide a further understanding of the basic 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, 2019 and 2018.

	2019	2018	Change	Total Percentage Change 2019-2018
ASSETS:				
Cash and cash equivalents	$ 8,110,648	$ 10,308,951	$ (2,198,303)	-21.3%
Tipping fees receivable	3,235,811	3,128,908	106,903	3.4%
Restricted assets	58,686,873	22,668,560	36,018,313	158.9%
Total assets	**$ 70,033,332**	**$ 36,106,419**	**$ 33,926,913**	**94.0%**
LIABILITIES:				
Accounts payable and other liabilities	$ 685,664	$ 1,469,995	$ (784,331)	-53.4%
Contracts and retention payable	927,504	2,911,633	(1,984,129)	-68.1%
Due to General Fund	2,546,759	1,610,192	936,567	58.2%
Total liabilities	**4,159,927**	**5,991,820**	**(1,831,893)**	**-30.6%**
FUND BALANCES:				
Restricted	58,674,926	22,646,764	36,028,162	159.1%
Committed	7,198,479	7,467,835	(269,356)	-3.6%
Total fund balance	**65,873,405**	**30,114,599**	**35,758,806**	**118.7%**
	$ 70,033,332	**$ 36,106,419**	**$ 33,926,913**	**94.0%**

Total assets increased by $33,926,913 (or 94%) from $36,106,419 in 2018 to $70,033,332 in 2019. This increase was primarily the result of the Series 2019 A General Obligation Bond issue that generated $31,637,747 in bond proceeds, which were deposited to a Construction Account in accordance with the bond indenture as maintained by the Bond trustee.

Total liabilities decreased by $1,831,893 (or 30.6%) from $5,991,820 in 2018 to $4,159,927 in 2019. This decrease was the result of a reduction in payables to contractors, vendors and the Receiver of $2,768,460 (or 63.2%) offset by an increase in amounts payable to GovGuam's General Fund of $936,567 (or 58.2%).

Total fund balances increased by $35,758,806 (or 118.7%) during 2019 from $30,114,599 to $65,873,405. 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) Bond, 2016 Series A and General Obligation Bond, 2019 Series A, wherein these funds are restricted for future debt service and capital projects.

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, 2019 and 2018 are summarized as follows:

	2019	2018	Change	Total Percentage Change 2019-2018
REVENUES:				
Tipping fees	$ 19,322,394	$ 19,324,305	$ (1,911)	0.0%
Use of money and property	188,133	71,136	116,997	164.5%
Transfers in from General Fund	21,011,544	16,913,240	4,098,304	24.2%
Total revenues	**40,522,071**	**36,308,681**	**4,213,390**	**11.6%**
EXPENDITURES:				
General government	193,900	1,675,985	(1,482,085)	-88.4%
Environmental protection	15,251,028	17,990,975	(2,739,947)	-15.2%
Capital projects	2,698,395	5,994,527	(3,296,132)	-55.0%
Debt service	16,904,500	14,069,250	2,835,250	20.2%
Bond issuance costs	1,010,268	-	1,010,268	
Host community premium benefits	342,921	347,194	(4,273)	-1.2%
Total expenditures	**36,401,012**	**40,077,931**	**(3,676,919)**	**-9.2%**
Excess (deficiency) of revenues over (under) expenditures	4,121,059	(3,769,250)	7,890,309	-209.3%
Proceeds from bond issue	31,637,747	-	31,637,747	
Net change in fund balance	35,758,806	(3,769,250)	39,528,056	-1048.7%
Fund balance - beginning	30,114,599	33,883,849	(3,769,250)	-11.1%
Fund balance - ending	**$ 65,873,405**	**$ 30,114,599**	**$ 35,758,806**	**118.7%**

Total revenues increased by $4,213,390, (or 11.6%) from $36,308,681 in 2018 to $40,522,071 in 2019. This increase was primarily due to an increase of transfers in from GovGuam's General Fund of $4,098,304 in accordance with the requirements of the bond indenture.

Total expenditures decreased by $3,676,919 (or 9.2%) from $40,077,931 in 2018 to $36,401,012 in 2019. This decrease was, in part, due to a decrease in solid waste operational costs of $4,226,305 (or 21.1%) from $20,014,154 in 2018 to $15,787,849 in 2019 and a decrease in capital project expenditures of $3,296,132 (or 55%) from $5,994,527 in 2018 to $2,698,395 in 2019. This decrease was offset, in part, by an increase in debt service expenditures of $2,835,250 (or 20.2%) from $14,069,250 in 2018 to $16,904,500 in 2019 and the incurrence of bond issuance costs of $1,010,268 relative to the Series 2019 A General Obligation Bond issue in 2019, which resulted in net bond proceeds of $31,637,747.

Long Term Debt

In July 2019, GovGuam issued $27,610,000 in 2019 Series A General Obligation Bonds. Proceeds are primarily to be used: (i) to pay costs relating to the construction of a new cell for the Layon Municipal Sanitary Landfill operated by the Guam Solid Waste Authority; and (ii) to pay costs associated with the issuance of the bonds. GovGuam has pledged its full faith and credit for the punctual payments of principal of 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.

In August 2016, GovGuam issued $236,605,000 in 2016 Series A 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 2016 Series A 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 the Guam Solid Waste Authority (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 and Guam Environmental Protection Agency, and the issuance of a Post Closure Permit.

Under the order, GSWA was required to fully fund by August 2026 on 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 the Government of Guam for alternative use.

On January 9, 2020, a joint report regarding the Receiver's remaining tasks was filed. The approval of the Post Closure Care Plan and issuance of the Post Closure Permit is currently estimated to be completed on or before July 31, 2020.

Capital Projects

On July 16, 2019, GovGuam successfully issued General Obligation Bonds to fund the construction of a new cell at the Layon Landfill. The net proceeds were deposited into the Construction Account held with the Bond trustee.

Contracts

On July 1, 2019, GovGuam and GSWA entered into a Continuing Convenant Agreement in which GSWA committed to pay the debt service of the 2019 Series A 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 Layon Landfill 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.

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. 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, 2019

	Solid Waste Operations Fund	Capital Projects Fund	Debt Service Fund	Total
ASSETS				
Cash and cash equivalents	$ 8,110,564	$ -	$ 84	$ 8,110,648
Receivables:				
Tipping fees	3,235,811	-	-	3,235,811
Restricted assets:				
Cash and cash equivalents	5,840,010	30,934,749	21,912,114	58,686,873
Total assets	$ 17,186,385	$ 30,934,749	$ 21,912,198	$ 70,033,332
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 352,911	$ -	$ 3,500	$ 356,411
Contracts payable	713,469	-	-	713,469
Payable to receiver	142,810	-	-	142,810
Retention payable	214,035	-	-	214,035
Host community premium benefits payable	88,666	-	-	88,666
Accrued payroll and other	97,777	-	-	97,777
Due to General Fund	2,538,228	8,531	-	2,546,759
Total liabilities	4,147,896	8,531	3,500	4,159,927
Commitments and contingencies				
Fund balances:				
Restricted for:				
Capital projects	-	30,926,218	-	30,926,218
Debt service	-	-	21,908,698	21,908,698
Postclosure costs	5,045,879	-	-	5,045,879
Committed for:				
Solid waste operations	7,992,610	-	-	7,992,610
Total fund balances	13,038,489	30,926,218	21,908,698	65,873,405
Total liabilities and fund balances	$ 17,186,385	$ 30,934,749	$ 21,912,198	$ 70,033,332

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, 2019

	Solid Waste Operations Fund	Capital Projects Fund	Debt Service Fund	Total
Revenues:				
Tipping fees	$ 18,979,473	$ -	$ -	$ 18,979,473
Host community premium surcharge fees	342,921	-	-	342,921
Use of money and property	17,360	57,142	113,631	188,133
Transfer in from General Fund	-	-	21,011,544	21,011,544
Total revenues	19,339,754	57,142	21,125,175	40,522,071
Expenditures:				
Current:				
General government	193,900	-	-	193,900
Environmental protection	15,251,028	-	-	15,251,028
Capital projects	2,571,179	127,216	-	2,698,395
Debt service:				
Principal	-	-	5,410,000	5,410,000
Interest	-	-	11,494,500	11,494,500
Bond issuance costs	-	481,613	528,655	1,010,268
Host community premium benefits	342,921	-	-	342,921
Total expenditures	18,359,028	608,829	17,433,155	36,401,012
Excess (deficiency) of revenues over (under) expenditures	980,726	(551,687)	3,692,020	4,121,059
Other financing sources (uses):				
Proceeds from issuance of long-term debt	-	27,610,000	-	27,610,000
Premium from bonds issued	-	4,027,747	-	4,027,747
Transfers in from other funds	-	-	1,246,775	1,246,775
Transfers out to other funds	(1,086,633)	(160,142)	-	(1,246,775)
Total other financing sources (uses), net	(1,086,633)	31,477,605	1,246,775	31,637,747
Net change in fund balances	(105,907)	30,925,918	4,938,795	35,758,806
Fund balances at the beginning of the year	13,144,396	300	16,969,903	30,114,599
Fund balances at the end of the year	$ 13,038,489	$ 30,926,218	$ 21,908,698	$ 65,873,405

See accompanying notes to financial statements.

(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 by the Solid Waste Operations Fund.

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.

On April 24, 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.

On July 25, 2019, 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.

(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

On July 16, 2010, the Guam Legislature passed Public Law 30-165, amended by Public Law 32-021 on April 11, 2013, 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, 2019, HCPS revenues were $342,921.

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.

(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.

(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, 2019, significant encumbrances are summarized as follows:

Solid Waste Operations Fund	Capital Projects Fund	Debt Service Fund	Total
$1,169,248	$ -	$ -	$1,169,248

K. Management Estimates

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

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 Government of Guam Solid Waste Operations Fund and of those funds related to the Government of Guam Limited Obligation (Section 30) Bonds, 2016 Series A and Government of Guam General Obligations Bonds, 2019 Series A, for the year ended September 30, 2018 from which summarized information was derived.

M. New Accounting Standards

During the year ended September 30, 2019, GSWA implemented the following pronouncements:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset.

- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements.

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

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

(1) Summary of Significant Accounting Policies, Continued

M. New Accounting Standards, Continued

In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions in Statement No. 89 are effective for fiscal years beginning after December 15, 2019. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The provisions in Statement No. 90 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies 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. The provisions in Statement No. 91 are effective for fiscal years beginning after December 15, 2020. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In May 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 and 91 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. Management has yet to ascertain whether implementation of these statements will be postponed as provided in GASB Statement No. 95.

(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.

(2) Deposits, Continued

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, 2019, the carrying amount of cash and cash equivalents was $66,797,521 and the corresponding bank balances were $66,790,666. Of the bank balances, $13,861,033 is maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. The remaining amount of $52,929,633 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, 2019. As of September 30, 2019, bank deposits in the amount of $568,726 were FDIC insured. Deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

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

Court order - Postclosure Account	$ 5,840,010
GOB 2019 Series A Construction Account	30,934,749
GOB 2019 Series A Cost of Issuance	19,036
GOB 2019 Series A Bond Fund	711,633
LOB (Section 30) 2016 Series A Debt Service Fund	21,181,445
	$ 58,686,873

(3) Receivables

Receivables as of September 30, 2019, including allowances for uncollectible accounts, are as follows:

Commercial	$ 1,982,909
Residential	2,421,430
Government:	
Guam Waterworks Authority (GWA)	84,372
Other	75,212
	4,563,923
Allowance for uncollectible accounts	(1,328,112)
	$ 3,235,811

(4) Bonds Payable

As of September 30, 2019, GovGuam had the following bonds outstanding associated with solid waste operations:

	Dated Date	Issue Amount	Interest Rate	Final Maturity	Outstanding Amount
General Obligation Bonds (GOB):					
Series A, 2019	July 25, 2019	$ 27,610,000	5%	November 15, 2031	$ 27,610,000
Limited Obligation Bonds (LOB):					
Series A (Section 30), 2016	August 17, 2016	$ 236,605,000	5%	December 1, 2046	$ 227,185,000

(4) Bonds Payable, Continued

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:

Proceeds Fund - Moneys on deposit in the Proceeds Fund will be disbursed by the Depositary 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 Depositary 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 Depositary 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:

Year ending September 30,	Principal	Interest	Total
2020	$ 565,000	$ 1,097,944	$ 1,662,944
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 - 2029	11,410,000	3,570,750	14,980,750
2030 - 2032	8,350,000	640,250	8,990,250
	$ 27,610,000	$ 10,012,319	$ 37,622,319

(4) Bonds Payable, Continued

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 $353,520,375 payable through December 2046. For the year ended September 30, 2019, principal and interest paid and total Section 30 revenues were $16,904,500 and $77,046,768, respectively.

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 Depositary 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 Depositary 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 Depositary, 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, 2019, the GovGuam General Fund maintains $16,317,823 in this fund in accordance with the Bond Reserve Fund Requirement.

(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:

Year ending September 30,	Principal	Interest	Total
2020	$ 9,860,000	$ 11,112,750	$ 20,972,750
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 - 2029	51,405,000	37,436,125	88,841,125
2030 - 2034	66,720,000	22,666,500	89,386,500
2035 - 2039	26,330,000	9,564,000	35,894,000
2040 - 2044	17,305,000	5,414,375	22,719,375
2045 - 2047	12,660,000	970,750	13,630,750
	$ 227,185,000	$ 126,335,375	$ 353,520,375

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.

(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, 2019.

Changes in Long-Term Obligations

The change in solid waste operations long-term bonds payable for the year ended September 30, 2019 is as follows:

	Balance October 1, 2018	Additions	Reductions	Balance September 30, 2019	Due Within One Year
Bonds payable:					
General obligation bonds	$ -	$ 27,610,000	$ -	$ 27,610,000	$ 565,000
Limited obligation bonds	232,595,000	-	(5,410,000)	227,185,000	9,860,000
	$ 232,595,000	$ 27,610,000	$ (5,410,000)	$ 254,795,000	$ 10,425,000

During the year ended September 30, 2019, payments for debt service associated with the Limited Obligation (Section 30) Bonds, 2016 Series A bonds totaled $16,904,500, of which $5,410,000 represents payment on principal. These debt service payments were funded by accumulated deposits in the Debt Service Fund. During the year ended September 30, 2019, GovGuam transferred $21,011,544 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.

(5) Interfund/Intrafund Transactions

Operating transfers in/out for the year ended September 30, 2019, are as follows:

	Transfers Out	Transfers In
Solid Waste Operations Fund:		
Debt Service Fund	$ 1,086,633	$ -
Capital Projects Fund:		
Debt Service Fund	160,142	-
Debt Service Fund:		
Solid Waste Operations Fund	-	1,086,633
Capital Projects Fund	-	160,142
	-	1,246,775
	$ 1,246,775	$ 1,246,775

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, $1,086,633 was transferred from the Solid Waste Operations Fund to the Debt Service Fund representing a $375,000 contribution towards cost of issuance and $711,633 representing covenanted deposits to the Debt Service Fund; and $160,142 was transferred from the Capital Projects Fund to the Debt Service Fund towards cost of issuance.

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

Year Ending September 30,	
2020	$ 2,999,880
2021	2,999,880
2022	2,999,880
2023	2,999,880
2024	2,999,880
2025 - 2029	15,299,400
2030 - 2032	6,611,886
	$ 36,910,686

(6) Commitments and Contingencies

A. Receiver Appointment

On February 11, 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.

(6) Commitments and Contingencies, Continued

A. Receiver Appointment, Continued

On March 17, 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.

On February 13, 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. On June 4, 2009, GovGuam 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, 2019, recorded receiver related expenditures were $959,881 with accumulated receiver related expenditures since the appointment of the Receiver on March 17, 2008 through September 30, 2019 amount to $21,797,807. 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

On October 31, 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, 2019. As of September 30, 2019, encumbrances associated with these contracts total $702,343.

D. Litigation

GSWA is party to various legal proceedings. Certain existing litigation as of September 30, 2019 have subsequently reached tentative settlements subject for approval.

E. Loss on Online Fraud

During the year ended September 30, 2019, GSWA reported a $267,942 loss due to online fraud. GSWA is using its best effort to recover this amount and will recognize any recoveries as collected.

(6) Commitments and Contingencies, Continued

F. 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.

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

Year Ending September 30,	
2020	$ 2,000,000
2021	2,000,000
2022	2,000,000
2023	2,000,000
2024	2,000,000
2025 - 2026	3,833,333
	$ 13,833,333

(7) Major Customers

During the year ended September 30, 2019, one commercial customer accounted for approximately 27% of total tipping fees revenues.

(8) Subsequent Event

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.

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, 2019 and 2018

	Solid Waste Operations Fund		Capital Projects Fund		Debt Service Fund	
	2019	2018	2019	2018	2019	2018
ASSETS						
Cash and cash equivalents	$ 8,110,564	$ 10,308,951	$ -	$ -	$ 84	$ 84
Receivables, net:						
Tipping fees	3,235,811	3,128,908	-	-	-	-
Restricted assets:						
Cash and cash equivalents	5,840,010	5,676,561	30,934,749	22,096	21,912,114	16,969,819
Total assets	$ 17,186,385	$ 19,114,420	$ 30,934,749	$ 22,096	$ 21,912,198	$ 16,969,903
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 352,911	$ 572,502	$ -	$ -	$ 3,500	$ -
Contracts payable	713,469	2,595,137	-	-	-	-
Receiver fees payable	142,810	703,485	-	-	-	-
Retention payable	214,035	316,496	-	-	-	-
Host community premium benefits payable	88,666	91,301	-	-	-	-
Accrued payroll and other	97,777	102,707	-	-	-	-
Due to General Fund	2,538,228	1,588,396	8,531	21,796	-	-
Total liabilities	4,147,896	5,970,024	8,531	21,796	3,500	-
Fund balances:						
Restricted for:						
Capital projects	-	-	30,926,218	300	-	-
Debt service	-	-	-	-	21,908,698	16,969,903
Postclosure costs	5,045,879	5,215,765	-	-	-	-
Committed for:						
Solid waste operations	7,992,610	7,928,631	-	-	-	-
Total fund balances	13,038,489	13,144,396	30,926,218	300	21,908,698	16,969,903
Total liabilities and fund balances	$ 17,186,385	$ 19,114,420	$ 30,934,749	$ 22,096	$ 21,912,198	$ 16,969,903

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, 2019 and 2018

	Solid Waste Operations Fund		Capital Projects Fund		Debt Service Fund	
	2019	2018	2019	2018	2019	2018
Revenues:						
Tipping fees	$ 18,979,473	$ 18,977,111	$ -	$ -	$ -	$ -
Host community premium surcharge fees	342,921	347,194	-	-	-	-
Use of money and property	17,360	21,233	57,142	300	113,631	49,603
Transfer in from General Fund	-	-	-	-	21,011,544	16,913,240
Total revenues	19,339,754	19,345,538	57,142	300	21,125,175	16,962,843
Expenditures:						
Current:						
General government	193,900	1,675,985	-	-	-	-
Environmental protection	15,251,028	17,990,975	-	-	-	-
Capital projects	2,571,179	5,994,527	127,216	-	-	-
Principal retirement	-	-	-	-	5,410,000	2,380,000
Interest and fiscal charges	-	-	-	-	11,494,500	11,689,250
Bond issuance costs	-	-	481,613	-	528,655	-
Host community premium benefits	342,921	347,194	-	-	-	-
Total expenditures	18,359,028	26,008,681	608,829	-	17,433,155	14,069,250
Excess (deficiency) of revenues over (under) expenditures	980,726	(6,663,143)	(551,687)	300	3,692,020	2,893,593
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	-	-	-	-	1,246,775	-
Transfers out to other funds	(1,086,633)	-	(160,142)	-	-	-
Total other financing sources (uses), net	(1,086,633)	-	31,477,605	-	1,246,775	-
Net change in fund balances	(105,907)	(6,663,143)	30,925,918	300	4,938,795	2,893,593
Fund balances at the beginning of the year	13,144,396	19,807,539	300	-	16,969,903	14,076,310
Fund balances at the end of the year	$ 13,038,489	$ 13,144,396	$ 30,926,218	$ 300	$ 21,908,698	$ 16,969,903

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, 2019 and 2018

	Solid Waste Operations Fund		Capital Projects Fund		Debt Service Fund	
	2019	2018	2019	2018	2019	2018
Revenues:						
Tipping fees	$ 18,979,473	$ 18,977,111	$ -	$ -	$ -	$ -
Host community premium surcharge fees	342,921	347,194	-	-	-	-
Use of money and property	17,360	21,233	57,142	300	113,631	49,603
Transfer in from General Fund	-	-	-	-	21,011,544	16,913,240
Total revenues	19,339,754	19,345,538	57,142	300	21,125,175	16,962,843
Expenditures:						
Salaries and wages - regular	1,540,762	1,355,143	-	-	-	-
Salaries and wages - overtime	56,463	65,713	-	-	-	-
Fringe benefits	555,964	506,121	-	-	-	-
Contractual services	14,678,600	18,706,529	-	-	-	-
Supplies	345,044	652,348	-	-	-	-
Equipment	17,786	31,186	-	-	-	-
Utilities - power and water	97,074	158,493	-	-	-	-
Capital outlays	56,488	4,060,537	-	-	-	-
Online collection service charges	103,685	101,228	-	-	-	-
Principal retirement	-	-	-	-	5,410,000	2,380,000
Interest and fiscal charges	79,273	-	-	-	11,494,500	11,689,250
Bond issuance costs	-	-	481,613	-	528,655	-
Host community premium benefits	342,921	347,194	-	-	-	-
Miscellaneous	484,968	24,189	127,218	-	-	-
Total expenditures	18,359,028	26,008,681	608,829	-	17,433,155	14,069,250
Excess (deficiency) of revenues over (under) expenditures	980,726	(6,663,143)	(551,687)	300	3,692,020	2,893,593
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	-	-	-	-	1,246,775	-
Transfers out to other funds	(1,086,633)	-	(160,142)	-	-	-
Total other financing sources (uses), net	(1,086,633)	-	31,477,605	-	1,246,775	-
Net change in fund balances	(105,907)	(6,663,143)	30,925,918	300	4,938,795	2,893,593
Fund balances at the beginning of the year	13,144,396	19,807,539	300	-	16,969,903	14,076,310
Fund balances at the end of the year	$ 13,038,489	$ 13,144,396	$ 30,926,218	$ 300	$ 21,908,698	$ 16,969,903

See accompanying independent auditors' report.

GOVERNMENT OF GUAM
SOLID WASTE FUNDS

Comparative Schedule of Receivables, Revenues and Collections
Years Ended September 30, 2019 and 2018

	2019	2018
Receivables:		
Commercial haulers	$ 1,982,909	$ 1,775,196
Residential	2,421,430	2,256,949
Government	159,584	424,875
	4,563,923	4,457,020
Allowance for uncollectible accounts	(1,328,112)	(1,328,112)
	$ 3,235,811	$ 3,128,908
Revenues:		
Commercial haulers	$ 9,958,015	$ 10,119,502
Residential	7,399,894	7,152,492
Government	1,551,966	1,643,716
Transfer stations	339,067	338,090
Other	73,452	70,505
Total revenues	$ 19,322,394	$ 19,324,305
Collections:		
Commercial haulers	$ 9,880,169	$ 10,192,215
Residential	7,204,154	7,068,439
Government	1,781,530	1,697,976
Transfer stations	339,067	392,075
Other	73,452	70,505
Total collections	$ 19,278,372	$ 19,421,210

See accompanying independent auditors' report.

GOVERNMENT OF GUAM
SOLID WASTE FUNDS

Combining Balance Sheet
Solid Waste Operations Fund
September 30, 2019

	Operations	Ordot Post Closure Reserve	Total
ASSETS			
Cash and cash equivalents	$ 8,110,564	$ -	$ 8,110,564
Receivables, net:			
Tipping fees	3,235,811	-	3,235,811
Restricted assets:			
Cash and cash equivalents	-	5,840,010	5,840,010
Total assets	$ 11,346,375	$ 5,840,010	$ 17,186,385
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 78,365	$ 274,546	$ 352,911
Contracts payable	267,942	445,527	713,469
Receiver fees payable	142,810	-	142,810
Retention payable	139,977	74,058	214,035
Host community premium benefits payable	88,666	-	88,666
Accrued payroll and other	97,777	-	97,777
Due to General Fund	2,538,228	-	2,538,228
Total liabilities	3,353,765	794,131	4,147,896
Fund balances:			
Restricted for:			
Postclosure costs	-	5,045,879	5,045,879
Committed for:			
Solid waste operations	7,992,610	-	7,992,610
Total fund balances	7,992,610	5,045,879	13,038,489
Total liabilities and fund balances	$ 11,346,375	$ 5,840,010	$ 17,186,385

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, 2019

	Operations	Ordot Post Closure Reserve	Sub-total	Elimination	Total
Revenues:					
Tipping fees	$ 18,979,473	$ -	$ 18,979,473	$ -	$ 18,979,473
Host community premium surcharge fees	342,921	-	342,921	-	342,921
Use of money and property	9,533	7,827	17,360	-	17,360
Total revenues	19,331,927	7,827	19,339,754	-	19,339,754
Expenditures:					
Current:					
General government	193,800	100	193,900	-	193,900
Environmental protection	15,153,681	97,347	15,251,028	-	15,251,028
Capital projects	490,913	2,080,266	2,571,179	-	2,571,179
Host community premium benefits	342,921	-	342,921	-	342,921
Total expenditures	16,181,315	2,177,713	18,359,028	-	18,359,028
Excess (deficiency) of revenues over (under) expenditures	3,150,612	(2,169,886)	980,726	-	980,726
Other financing sources (uses):					
Transfers in from other funds	-	2,000,000	2,000,000	(2,000,000)	-
Transfers out to other funds	(3,086,633)	-	(3,086,633)	2,000,000	(1,086,633)
Total other financing sources (uses), net	(3,086,633)	2,000,000	(1,086,633)	-	(1,086,633)
Net change in fund balances	63,979	(169,886)	(105,907)	-	(105,907)
Fund balances at the beginning of the year	7,928,631	5,215,765	13,144,396	-	13,144,396
Fund balances at the end of the year	$ 7,992,610	$ 5,045,879	$ 13,038,489	$ -	$ 13,038,489

See accompanying independent auditors' report.

GOVERNMENT OF GUAM
SOLID WASTE FUNDS

Comparative Schedule of Employees and Other Data
Years Ended September 30, 2019 and 2018

	2019	2018
Full Time Employees:		
Employee count:		
Administrative support	12	12
Residential collection	26	22
Convenience center/transfer stations	3	5
Total employee count	41	39
Personnel costs:		
Salaries and wages - regular	$ 1,540,762	$ 1,355,143
Salaries and wages - overtime	56,463	65,713
Fringe benefits	555,964	506,121
Total personnel costs	$ 2,153,189	$ 1,926,977
Contract services:		
Employee count:		
Administrative support	5	7
Sanitation workers	22	24
Total employee count	27	31
Total personnel costs	$ 924,120	$ 1,287,178

See accompanying independent auditors' report.

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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, 2019, 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 May 28, 2020.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 2019-001.

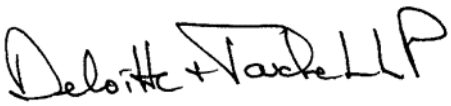
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GSWA Response to Findings

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.



May 28, 2020

GOVERNMENT OF GUAM
SOLID WASTE FUNDS

Schedule of Findings and Responses
Year Ended September 30, 2019

Finding No. 2019-001

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, 2019, local funds of $924,120 were utilized for Solid Waste Management Division expenditures, which did not demonstrate competitive procurement (ie., 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	$ 924,120

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 2013-1, 2014-001, 2015-001, 2016-001, 2017-001 and 2018-001.

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.

GOVERNMENT OF GUAM
SOLID WASTE FUNDS

Unresolved Prior Year Findings
Year Ended September 30, 2019

Unresolved Prior Year Findings

As of September 30, 2019, the status of all audit findings included in the Schedule of Findings and Responses as of September 30, 2019 is as follows:

Finding No. 2011-1 – Not corrected. See corrective action plan to Finding No. 2019-001.

Finding No. 2012-1 – Not corrected. See corrective action plan to Finding No. 2019-001.

Finding No. 2013-1 – Not corrected. See corrective action plan to Finding No. 2019-001.

Finding No. 2014-001 – Not corrected. See corrective action plan to Finding No. 2019-001.

Finding No. 2015-001 – Not corrected. See corrective action plan to Finding No. 2019-001

Finding No. 2016-001 – Not corrected. See corrective action plan to Finding No. 2019-001

Finding No. 2017-001 – Not corrected. See corrective action plan to Finding No. 2019-001

Finding No. 2018-001 – Not corrected. See corrective action plan to Finding No. 2019-001

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May 28, 2020

Mr. Larry J. Gast
General Manager
Guam Solid Waste Authority
546 North Marine Corps Drive
Tamuning, Guam 96913

Dear Mr. Gast:

In planning and performing our audit of the financial statements of the Guam Solid Waste Authority (GSWA) Solid Waste Operations Fund, Capital Project Fund and Debt Service Fund, governmental funds of the Government of Guam (GovGuam), as of and for the year ended September 30, 2019, on which we have issued our report dated May 28, 2020, 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, we considered GSWA's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of GSWA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of GSWA's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting. However, in connection with our audit, we identified, and included in the attached Appendix I, deficiencies and other matters involving GSWA's internal control over financial reporting as of September 30, 2019 that we wish to bring to your attention.

We have also issued a separate report to the Board of Directors, also dated May 28, 2020, 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 definition of a deficiency is also set forth in the attached Appendix I.

A description of the responsibility of management for establishing and maintaining internal control over financial reporting and of the objectives of and inherent limitations of internal control over financial reporting, is set forth in the attached Appendix II and should be read in conjunction with this report.

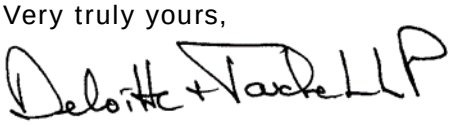
This report is intended solely for the information and use of the management of GSWA, the Office of Public Accountability of Guam, federal awarding agencies, pass-through entities, the cognizant audit and other federal agencies, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

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We will be pleased to discuss the attached comments with you and, if desired, to assist you in implementing any of the suggestions.

We wish to thank the staff and management of the GSWA for their cooperation and assistance during the course of this engagement.

Very truly yours,



SECTION I – OTHER MATTER

Our observations concerning other matters related to operations, compliance with laws and regulations and best practices involving internal control over financial reporting that we wish to bring to your attention is as follows:

(1) Cash Disbursement

Comment: During the year ended September 30, 2019, the GSWA reported a loss from online fraud of $267,942.

Recommendation: We recommend that management adopt and implement appropriate internal control policies and procedures governing preparation and review of vendor payments using online banking processes. Management should also adopt appropriate verification processes governing changes in vendor settlement information.

SECTION II - DEFINITIONS

The definition of a deficiency is as follows:

A *deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when (a) a properly designed control does not operate as designed, or (b) the person performing the control does not possess the necessary authority or competence to perform the control effectively.

MANAGEMENT'S RESPONSIBILITY FOR, AND THE OBJECTIVES AND LIMITATIONS OF, INTERNAL CONTROL OVER FINANCIAL REPORTING

The following comments concerning management's responsibility for internal control over financial reporting and the objectives and inherent limitations of internal control over financial reporting are adapted from auditing standards generally accepted in the United States of America.

Management's Responsibility

GSWA's management is responsible for the overall accuracy of the financial statements and their conformity with generally accepted accounting principles. In this regard, management is also responsible for establishing and maintaining effective internal control over financial reporting.

Objectives of Internal Control over Financial Reporting

Internal control over financial reporting is a process affected by those charged with governance, management, and other personnel and designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Internal control over the safeguarding of assets against unauthorized acquisition, use, or disposition may include controls related to financial reporting and operations objectives. Generally, controls that are relevant to an audit of financial statements are those that pertain to the entity's objective of reliable financial reporting (i.e., the preparation of reliable financial statements that are fairly presented in conformity with generally accepted accounting principles).

Inherent Limitations of Internal Control over Financial Reporting

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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May 28, 2020

Board of Directors
Guam Solid Waste Authority

Dear Board of Directors:

We have performed an audit of the 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), as of and for the year ended September 30, 2019, in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our report thereon dated May 28, 2020.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of GSWA is responsible.

This report is intended solely for the information and use of management, the Board of Directors, and the Office of Public Accountability of Guam and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Deloitte & Touche LLP

Cc: To Management of the Guam Solid Waste Authority

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OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS AND GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

Our responsibility under generally accepted auditing standards and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, have been described in our engagement letter dated January 13, 2020. As described in that letter, the objective of a financial statement audit conducted in accordance with the aforementioned standards is:

- To express an opinion on the fairness of the financial statements of the GSWA Solid Waste Operations Fund, Capital Projects Fund, and Debt Service Fund and the accompanying supplementary information, and to disclaim an opinion on the required supplementary information as of and for the year ended September 30, 2019, in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), in all material respects;

- To express an opinion on whether the supplementary information that accompanies the basic financial statements is presented fairly, in all material respects, in relation to the basic financial statements taken as a whole; and

- To report on GSWA's internal control over financial reporting and on their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended September 30, 2019, based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.

Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared with the oversight of management and the Board of Directors are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Board of Directors of their responsibilities.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether caused by fraud or error. In making those risk assessments, we considered internal control over financial reporting relevant to GSWA's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of GSWA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of GSWA's internal control over financial reporting. Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and on assumptions about future events. No significant accounting estimates are reflected in GSWA's 2019 financial statements.

UNCORRECTED MISSTATEMENTS

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. We have attached to this letter, as Appendix A to Attachment II, a summary of uncorrected misstatements aggregated by us during the current engagement that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

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AUDIT ADJUSTMENTS

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. As the result of our audit work, we identified matters that resulted in audit adjustments that we believe, either individually or in the aggregate, would have a significant effect on GSWA's financial reporting process. Such adjustments, listed in Attachment I, have been recorded in the accounting records and are reflected in the 2019 financial statements.

SIGNIFICANT ACCOUNTING POLICIES

GSWA's significant accounting policies are set forth in Note 1 to GSWA's 2019 financial statements. During the year ended September 30, 2019, there were no significant changes in previously adopted accounting policies or their application.

We have evaluated the significant qualitative aspects of the Fund's accounting practices, including accounting policies, accounting estimates and financial statement disclosures and concluded that the policies are appropriate, adequately disclosed, and consistently applied by management.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to GSWA's 2019 financial statements.

OUR VIEWS ABOUT SIGNIFICANT MATTERS THAT WERE THE SUBJECT OF CONSULTATION WITH OTHER ACCOUNTANTS

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2019.

SIGNIFICANT ISSUES DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT PRIOR TO OUR RETENTION

Throughout the year, routine discussions regarding the application of accounting principles or auditing standards were held with management in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions were not held in connection with our retention as auditors.

SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

In our judgment, we received the full cooperation of GSWA's management and staff and had unrestricted access to GSWA's senior management in the performance of our audit.

MANAGEMENT'S REPRESENTATIONS

We have made specific inquiries of GSWA's management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations the Funds are required to provide to its independent auditors under generally accepted auditing standards. We have attached to this letter, as Attachment II, a copy of the representation letter we obtained from management.

CONTROL-RELATED MATTERS

We have issued a separate report to you, also dated May 28, 2020, concerning certain matters involving GSWA's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, which was based on the audit performed in accordance with *Government Auditing Standards*. Although we have included management's written response to our findings, such responses have not been subjected to the auditing procedures applied in our audit of the financial statements and, accordingly, we do not express an opinion or provide any form of assurance on the appropriateness of the responses or the effectiveness of any corrective actions described therein.

GovGuam Solid Waste Funds
Summary of Corrected Misstatements
September 30, 2019

GL Code	Name	Debit	Credit
	1 AJE To reconcile interfund balances		
136314100	DUE TO/FR GENERAL FUND	4,098,043.17	
136414100	DUE TO/FR GENERAL FUND	1,095,633.44	
336350100	TRANSFER IN - GF		4,098,043.17
336450100DT	TRANSFER IN - GF		1,095,633.44
	To reconcile interfund balances.	5,193,676.61	5,193,676.61
	2 AJE To adjust accrued expenditures		
5416-10CD-CE203-230	SWMA OPERATIONS		161,031.60
141621590	ACCRUED EXPENDITURES	161,031.60	
	To adjust overstatement of accrued expenditures.	161,031.60	161,031.60
	3 AJE To accrue unrecorded expenditures		
5416-10CD-CE203-230	SWMA OPERATIONS	412,806.36	
141621590	ACCRUED EXPENDITURES		412,806.36
	To accrue unrecorded expenditures.	412,806.36	412,806.36
	4 AJE To reclass expenditures to correct fund		
125414100	DUE TO/FR GENERAL FUND	43,428.00	
5254-10CD-CE201-240	LANDFILL CONSTRUCTION		43,428.00
5416-10CD-CE203-240	SWMA OPERATIONS	43,428.00	
141614100	DUE TO/FR GENERAL FUND		43,428.00
	To correct fund presentation of expenditures.	86,856.00	86,856.00
	5 AJE To recognize bond issuance costs		
5258-0660-BC242-290DT	GOB SERIES 2019 GSWA BOND FEES	481,613.00	
254-290DSF	TRANSFERS OUT TO DEBT SERVICE FUND	160,142.34	
325859999	BOND PROC-GOB SER2019 GSWA CIP		632,755.34
125414100	DUE TO/FR GENERAL FUND		9,000.00
	To recognize gross bond proceeds.	641,755.34	641,755.34

We have reviewed the adjustments above and authorize that they be recorded in the general eldger as of September 30, 2019. The adjustment is the result of an error and is not the result of fraud or illegal acts.

Signed:

Gaudencio Rosario
Digitally signed by Gaudencio Rosario
Date: 2020-05-29 12:52+10:00

Gaudencio Rosario
Deputy Finance Manager

Signed:

Katherine Kakigi
GSWA - Comptroller

EDWARD M. BIRN
Director (Direktot)
EDITH C. PANGELINAN
Deputy Director (Sigundo Direktot)

DEPARTMENT OF ADMINISTRATION
DIPATTAMENTON ATMENESTRASION
DIRECTOR'S OFFICE
(Ufisinan Direktot)
Telephone (*Telifon*): (671) 475-1101/1250 • Fax (*Faks*): (671) 477-6788

LOURDES A. LEON GUERRERO
Governor (Maga'hâga)
JOSHUA F. TENORIO
Lt. Governor (Sigundo Maga'lâhi)

May 28, 2020

Deloitte & Touche LLP
361 South Marine Corps Drive
Tamuning GU 96913

We are providing this letter in connection with your audit of the financial statements of the Guam Solid Waste Authority (GSWA) Solid Waste Operations Fund (Fund 416), Capital Projects Fund (Fund 254 and 258), and Debt Service Fund (Fund 363 and 364), governmental funds of the Government of Guam (GovGuam), which comprise the balance sheet as of September 30, 2019, and the related statement of revenues, expenditures, and changes in fund balances for the year ended September 30, 2019, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position and results of operations of GSWA in accordance with accounting principles generally accepted in the United States of America (GAAP). The GovGuam Department of Administration (DOA) is responsible for establishing and managing these funds on behalf of GSWA.

We confirm that DOA and GSWA are responsible for the following:

a. DOA. The preparation and fair presentation in the financial statements of financial position and results of operations of GSWA in accordance with GAAP.

b. DOA. The fair presentation of the additional information accompanying the financial statements that is presented for the purpose of additional analysis of the financial statements.

c. GSWA. 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
- To prevent and detect fraud.

d. DOA. The review and approval of the financial statements and related notes and acknowledge your role in the preparation of this information. Specifically, we acknowledge that your role in the preparation of the financial statements was a matter of convenience rather than one of necessity. We have reviewed the financial statement preparation assistance provided by you and acknowledge that the financial statements are prepared in accordance with GAAP. Our review was based on the use of the financial statement disclosure checklist for general purpose financial statements obtained from the Government Finance Officers Association.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in accordance with GAAP. In addition:

   a. The financial statements present only GSWA transactions accounted for within the funds established and managed by DOA and are not intended to present the financial position and results of operations of GovGuam in accordance with GAAP.

   b. Deposits are properly classified in the category of custodial credit risk.

   c. Required supplementary information is measured and presented within prescribed guidelines.

   d. Applicable laws and regulations are followed in adopting, approving, and amending budgets.

   e. The financial statements properly classify all funds and activities, including special and extraordinary items.

   f. GSWA has followed GASB Codification Section 1800.178 regarding which resources (restricted, committed, assigned, or unassigned) are considered to be spent for expenditures to determine the fund balance classifications for financial reporting purposes.

   g. Interfund, internal, and intra-Government activity and balances have been appropriately classified and reported.

   h. Fund balance restrictions, commitments, and assignments are properly classified and, if applicable, approved.

2. GSWA and DOA have provided to you all relevant information and access as agreed in the terms of the audit engagement letter.

3. GSWA and DOA have made available to you:

   a. All public laws as enacted by the Guam Legislature that pertain to GSWA.

   b. All financial records and related data for all financial transactions of GSWA and for all funds administered by DOA on behalf of GSWA. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds established and managed by DOA related to GSWA and provide the audit trail to be used in a review of accountability. Information presented in financial reports is supported by the books and records from which the financial statements have been prepared.

   c. Contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies.

4. There has been no:

   a. Action taken by GSWA and DOA management that contravenes the provisions of federal laws, or Guam laws, and laws and regulations, or of contracts and grants applicable to GSWA.

b. Communications with other regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the financial statements.

5. We believe the effects of any uncorrected financial statement misstatements aggregated by you during the current audit engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix A.

6. GSWA has not performed a formal risk assessment, including the assessment of the risk that the financial statements of GSWA may be materially misstated as a result of fraud. However, management has made available to you their understanding about the risks of fraud in GSWA and do not believe that the financial statements of GSWA are materially misstated as a result of fraud.

7. We have no knowledge of any fraud or suspected fraud affecting GSWA involving:

   a. Management.

   b. Employees who have significant roles in GSWA's internal control.

   c. Others, where the fraud could have a material effect on the financial statements.

8. We have no knowledge of any allegations of fraud or suspected fraud affecting GSWA's financial statements communicated by employees, former employees, analysts, regulators, or others.

9. There are no unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance with GASB Codification Section C50, *Claims and Judgments*, except as disclosed in Note 6 to the financial statements.

10. Significant assumptions used by us in making accounting estimates are reasonable.

11. Management has identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.

12. During the year ended September 30, 2019, GSWA implemented the following pronouncements:

   - GASB Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset.

   - GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements.

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

13. In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

14. In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

15. In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions in Statement No. 89 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

16. In August 2018, GASB issued Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The provisions in Statement No. 90 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

17. In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies 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. The provisions in Statement No. 91 are effective for fiscal years beginning after December 15, 2020. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

Except where otherwise stated below, matters less than $200,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. These amounts are not necessarily indicative of amounts that would require adjustment to, or disclosure in, the financial statements.

18. Except as listed in Appendix A, there are no transactions that have not been recorded and reflected in the financial statements.

19. GSWA has no plans or intentions that may affect the carrying value or classification of assets and liabilities.

20. Regarding related parties:

    a. We have disclosed to you the identity of GSWA's related parties and all the related party relationships and transactions of which we are aware.

    b. To the extent applicable, related parties and all related-party relationships and transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral) have been appropriately identified, properly accounted for, and disclosed in the financial statements.

21. In preparing the financial statements in accordance with GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:

    a. It is reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events.

    b. The effect of the change would be material to the financial statements.

22. Risks associated with concentrations, based on information known to management, that meet all of the following criteria have been disclosed in the financial statements:

    a. The concentration exists at the date of the financial statements.

    b. The concentration makes GSWA vulnerable to the risk of a near-term severe impact.

    c. It is at least reasonably possible that the events that could cause the severe impact will occur in the near term.

23. There are no:

    a. Instances of identified or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

    b. Known actual or possible litigation and claims whose effects should be considered when preparing the financial statements that have not been disclosed to you and accounted for and disclosed in accordance with GAAP.

    c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Codification Section C50, *Claims and Judgments*, except as discussed in Note 6 to the financial statements.

24. GSWA has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral except as discussed in Notes 2 and 3 to the financial statements.

25. GSWA has complied with aspects of contractual agreements that may affect the financial statements.

26. No department or agency of GSWA has reported a material instance of noncompliance to us.

27. GSWA has identified all derivative instruments as defined by GASB Codification Section D40, *Derivative Instruments*, and appropriately recorded and disclosed such derivatives in accordance with GASB Codification Section D40.

28. Other than those described in Note 8 to the financial statements, no events have occurred after September 30, 2019, but before May 28, 2020, the date the financial statements were issued that requires consideration as adjustments to or disclosures in the financial statements.

29. Regarding required supplementary information:

    a. We confirm that we are responsible for the required supplementary information.

b. The required supplementary information is measured and presented in accordance with GASB Codification Section 2200, *Comprehensive Annual Financial Report*.

c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.

30. Regarding supplementary information:

a. We are responsible for the preparation and fair presentation of the supplementary information in accordance with GASB Codification Section 2200, *Comprehensive Annual Financial Report*.

b. We believe the supplementary information, including its form and content, is fairly presented in accordance with GASB Codification Section 2200, *Comprehensive Annual Financial Report*.

c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.

31. Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the balance-sheet date and have been appropriately reduced to their estimated net realizable value.

32. Management of GSWA believes that it is in compliance with all significant limitations and restrictions of the 2016 Series A Limited Obligation (Section 30) Bonds and 2019 Series A General Obligation Bonds as of September 30, 2019.

33. Tax-exempt bonds issued have retained their tax-exempt status.

34. We have appropriately identified and properly recorded and disclosed in the financial statements all interfund transactions, including repayment terms.

Very truly yours,

Edward M. Birn
Director
Department of Administration

Gaudencio "Goody" Rosario
Deputy Financial Manager
Division of Accounts
Department of Administration

GUAM SOLID WASTE AUTHORITY

LOURDES A. LEON GUERRERO
Governor of Guam

JOSHUA F. TENORIO
Lt. Governor of Guam

LARRY J. GAST
General Manager

May 28, 2020

Deloitte & Touche LLP
361 South Marine Corps Drive
Tamuning GU 96913

Hafa Adai!

We are providing this letter in connection with your audit of the financial statements of the Guam Solid Waste Authority (GSWA) Solid Waste Operations Fund (Fund 416), Capital Projects Fund (Fund 254 and 258), and Debt Service Fund (Fund 363 and 364), governmental funds of the Government of Guam (GovGuam), which comprise the balance sheet as of September 30, 2019, and the related statement of revenues, expenditures, and changes in fund balances for the year ended September 30, 2019, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position and results of operations of GSWA in accordance with accounting principles generally accepted in the United States of America (GAAP). The GovGuam Department of Administration (DOA) is responsible for establishing and managing these funds on behalf of GSWA.

We confirm that we are responsible for the following:

a. The preparation and fair presentation in the financial statements of financial position and results of operations of GSWA in accordance with GAAP.

b. The fair presentation of the additional information accompanying the financial statements that is presented for the purpose of additional analysis of the financial statements.

c. 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
- To prevent and detect fraud.

d. The review and approval of the financial statements and related notes and acknowledge your role in the preparation of this information. Specifically, we acknowledge that your role in the preparation of the financial statements was a matter of convenience rather than one of necessity. We have reviewed the financial statement preparation assistance provided by you and acknowledge that the financial statements are prepared in accordance with GAAP. Our review was based on the use of the financial statement disclosure checklist for general purpose financial statements obtained from the Government Finance Officers Association.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in accordance with GAAP. In addition:

   a. The financial statements present only GSWA transactions accounted for within the funds established and managed by DOA and are not intended to present the financial position and results of operations of GovGuam in accordance with GAAP.

   b. Deposits are properly classified in the category of custodial credit risk.

   c. Required supplementary information is measured and presented within prescribed guidelines.

   d. Applicable laws and regulations are followed in adopting, approving, and amending budgets.

   e. The financial statements properly classify all funds and activities, including special and extraordinary items.

   f. GSWA has followed GASB Codification Section 1800.178 regarding which resources (restricted, committed, assigned, or unassigned) are considered to be spent for expenditures to determine the fund balance classifications for financial reporting purposes.

   g. Interfund, internal, and intra-Government activity and balances have been appropriately classified and reported.

   h. Fund balance restrictions, commitments, and assignments are properly classified and, if applicable, approved.

2. GSWA and DOA have provided to you all relevant information and access as agreed in the terms of the audit engagement letter.

3. GSWA and DOA have made available to you:

   a. All public laws as enacted by the Guam Legislature that pertain to GSWA.

   b. All financial records and related data for all financial transactions of GSWA and for all funds administered by DOA on behalf of GSWA. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds established and managed by DOA related to GSWA and provide the audit trail to be used in a review of accountability. Information presented in financial reports is supported by the books and records from which the financial statements have been prepared.

c. Contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies.

4. There has been no:

   a. Action taken by GSWA and DOA management that contravenes the provisions of federal laws, or Guam laws, and laws and regulations, or of contracts and grants applicable to GSWA.

   b. Communications with other regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the financial statements.

5. We believe the effects of any uncorrected financial statement misstatements aggregated by you during the current audit engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix A.

6. GSWA has not performed a formal risk assessment, including the assessment of the risk that the financial statements of GSWA may be materially misstated as a result of fraud. However, management has made available to you their understanding about the risks of fraud in GSWA and do not believe that the financial statements of GSWA are materially misstated as a result of fraud.

7. We have no knowledge of any fraud or suspected fraud affecting GSWA involving:

   a. Management.

   b. Employees who have significant roles in GSWA's internal control.

   c. Others, where the fraud could have a material effect on the financial statements.

8. We have no knowledge of any allegations of fraud or suspected fraud affecting GSWA's financial statements communicated by employees, former employees, analysts, regulators, or others.

9. There are no unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance with GASB Codification Section C50, *Claims and Judgments*, except as disclosed in Note 6 to the financial statements.

10. Significant assumptions used by us in making accounting estimates are reasonable.

11. Management has identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.

12. During the year ended September 30, 2019, GSWA implemented the following pronouncements:

    - GASB Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset.

    - GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements.

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

13. In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

14. In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

15. In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions in Statement No. 89 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

16. In August 2018, GASB issued Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The provisions in Statement No. 90 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

17. In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies 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. The provisions in Statement No. 91 are effective for fiscal years beginning after December 15, 2020. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

Except where otherwise stated below, matters less than $200,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. These amounts are not necessarily indicative of amounts that would require adjustment to, or disclosure in, the financial statements.

18. Except as listed in Appendix A, there are no transactions that have not been recorded and reflected in the financial statements.

19. GSWA has no plans or intentions that may affect the carrying value or classification of assets and liabilities.

20. Regarding related parties:

    a. We have disclosed to you the identity of GSWA's related parties and all the related party relationships and transactions of which we are aware.

    b. To the extent applicable, related parties and all related-party relationships and transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral) have been appropriately identified, properly accounted for, and disclosed in the financial statements.

21. In preparing the financial statements in accordance with GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:

    a. It is reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events.

    b. The effect of the change would be material to the financial statements.

22. Risks associated with concentrations, based on information known to management, that meet all of the following criteria have been disclosed in the financial statements:

    a. The concentration exists at the date of the financial statements.

    b. The concentration makes GSWA vulnerable to the risk of a near-term severe impact.

c. It is at least reasonably possible that the events that could cause the severe impact will occur in the near term.

23. There are no:

a. Instances of identified or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

b. Known actual or possible litigation and claims whose effects should be considered when preparing the financial statements that have not been disclosed to you and accounted for and disclosed in accordance with GAAP.

c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Codification Section C50, *Claims and Judgments*, except as discussed in Note 6 to the financial statements.

24. GSWA has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral except as discussed in Notes 2 and 3 to the financial statements.

25. GSWA has complied with aspects of contractual agreements that may affect the financial statements.

26. No department or agency of GSWA has reported a material instance of noncompliance to us.

27. GSWA has identified all derivative instruments as defined by GASB Codification Section D40, *Derivative Instruments*, and appropriately recorded and disclosed such derivatives in accordance with GASB Codification Section D40.

28. Other than those described in Note 8 to the financial statements, no events have occurred after September 30, 2019, but before May 28, 2020, the date the financial statements were issued that requires consideration as adjustments to or disclosures in the financial statements.

29. Regarding required supplementary information:

a. We confirm that we are responsible for the required supplementary information.

b. The required supplementary information is measured and presented in accordance with GASB Codification Section 2200, *Comprehensive Annual Financial Report*.

c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.

30. Regarding supplementary information:

    a. We are responsible for the preparation and fair presentation of the supplementary information in accordance with GASB Codification Section 2200, *Comprehensive Annual Financial Report*.

    b. We believe the supplementary information, including its form and content, is fairly presented in accordance with GASB Codification Section 2200, *Comprehensive Annual Financial Report*.

    c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.

31. Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the balance-sheet date and have been appropriately reduced to their estimated net realizable value.

32. Management of GSWA believes that it is in compliance with all significant limitations and restrictions of the 2016 Series A Limited Obligation (Section 30) Bonds and 2019 Series A General Obligation Bonds as of September 30, 2019.

33. Tax-exempt bonds issued have retained their tax-exempt status.

34. We have appropriately identified and properly recorded and disclosed in the financial statements all interfund transactions, including repayment terms.

Very truly yours,

Larry J. Gast
General Manager
Guam Solid Waste Authority

Kathrine B. Kakigi
Comptroller
Guam Solid Waste Authority

Solid Waste Operations Fund
Appendix A
Summary of Uncorrected Misstatements
September 30, 2019

	Assets		Liabilities		Equity		Income	
	Dr.	(Cr.)	Dr.	(Cr.)	Dr.	(Cr.)	Dr.	(Cr.)
To correct misstatement of tipping fees receivable and accounts payable	120,088			(120,088)				
To correct understatement of allowance for doubtful accounts		(252,452)					252,452	
	120,088	(252,452)	-	(120,088)	-	-	252,452	-