GUAM POWER AUTHORITY
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)

FINANCIAL STATEMENTS, ADDITIONAL INFORMATION AND INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2021 AND 2020

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INDEPENDENT AUDITORS' REPORT

Commissioners
Consolidated Commission on Utilities:

Report on Financial Statements

We have audited the accompanying financial statements of Guam Power Authority (GPA), a component unit of the Government of Guam, which comprise the statements of net position as of September 30, 2021 and 2020, and the related statements of revenues, expenses and changes in net position and of cash flows for the years 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 audits. We conducted our audits 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 auditors' 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Guam Power Authority as of September 30, 2021 and 2020, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 12 to the financial statements, GPA determined that the COVID-19 pandemic may have negatively impacted its business, results of operations and net position. Our opinion is not modified with respect to this matter.

As disclosed in Note 1 to the financial statements, unrecovered fuel costs of $5,137,018, recorded as deferred outflows of resources as of September 30, 2020, have been reclassified to regulatory assets in the accompanying financial statements. The provision for self insurance of $19,345,291, recorded as regulatory liabilities as of September 30, 2020, has been reclassified to deferred inflows of resources in the accompanying financial statements. 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 1 through 9 as well as the Schedules of Proportional Share of the Net Pension Liability on pages 55 through 57, the Schedule of Pension Contributions on page 58, the Schedule of Changes in the Proportional Share of the Total OPEB Liability and Related Ratios on page 59, the Schedule of Proportional Share of the Total OPEB Liability on page 60, and the Schedule of OPEB Contributions on page 61 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 Financial Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Sales of Electricity, Operating and Maintenance Expenses and Salaries and Wages on pages 62 through 65 are presented for purposes of additional analysis and are not a required part of the financial statements.

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Other Matters, Continued

Other Financial Information, Continued

The Schedules of Sales of Electricity, Operating and Maintenance Expenses and Salaries and Wages are the responsibility of management and were derived from and relate 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 standards generally accepted in the United States of America. In our opinion, the Schedules of Sales of Electricity, Operating and Maintenance Expenses and Salaries and Wages are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2022 on our consideration of GPA'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 GPA’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 GPA’s internal control over financial reporting and compliance.

Deloitte & Touche LLP

March 30, 2022

This Management's Discussion and Analysis should be read in conjunction with the Guam Power Authority's September 30, 2021 audited financial statements and accompanying notes.

OVERVIEW

The Guam Power Authority (GPA or the Authority) was created in 1968 as a public corporation and autonomous instrumentality of the Government of Guam. Since that time, the Authority has maintained and expanded the island wide power system in Guam. The Authority has 420 megawatts (MW) of generation capacity, 663 miles of transmission and distribution lines, 29 substations, $935 million in assets, and $330 million in annual revenues. GPA currently serves approximately 52,000 customers with the U.S. Navy being the largest representing about 18% of revenues.

In 2002, the Consolidated Commission on Utilities (CCU) was established as the board of directors for both the Guam Power Authority and the Guam Waterworks Authority. The CCU is made up of five elected members and is vested with the same powers exercised by the previous board of directors. In addition, it retains contracting authority, establishes policies and controls over the selection of the top management of the Authority. GPA also continued its existence as a public corporation.

The Authority is regulated by the Guam Public Utilities Commission (PUC) – a rate setting body made up of Commissioners appointed by the Governor of Guam. The PUC has established rules of operation that are similar to those of other jurisdictions within the United States. The PUC has broad regulatory authority over GPA including approval of any contracts that might have an impact on GPA's rates.

GPA'S STRATEGY

GPA is committed to providing outstanding energy solutions to our island community by focusing on capital discipline and operational excellence. Key components of GPA's strategy include:

- Achieve Superior Customer Service – GPA is continuously reaching for ways to better serve our customers through accountability, efficiency and reliability.

- Optimize Energy Production Cost – Focus on driving down cost and on improved productivity.

- Achieve Energy Diversification – GPA implemented its Integrated Resource Plan, which includes renewable energy resources like solar and wind power generating 25 megawatts. A 120 megawatts of solar renewable generation have been contracted and approved by the CCU and PUC of which 60 megawatts of solar renewable generation in Marbo will start its testing phase in April 2022 and will be fully operational by June 2022. Another 40 megawatts of solar generation with energy shifting with batteries where energy is consumed at night will be operational in the next couple of years.

- Become Financially Sound and Stable – Improve credit rating and debt service coverage. GPA has had an investment grade credit rating for over 10 years.

Promote Energy Innovation

GPA have been operating the smart grid for almost 10 years. The smart grid includes the smart meters for all customers, substation automation, AMI technology and high broadband communication. The smart meters give customers greater control over their energy use and costs by allowing them to monitor their energy consumption online and determine which activities are contributing to the fluctuations in their bills.

GPA's Strategy, Continued

Promote Energy Innovation, Continued

In conjunction with smart grid, GPA has been using Customer Care and Billing from Oracle, a billing system which enables GPA to improve the billing process, customer service, and credit management. In addition, it enables GPA to integrate online bill payment, mobile payment application for Android and Apple, and 24/7 pay-by-phone where account balance and payment posting are real time.

These systems enabled the roll out of prepay electricity services and e-billing. Prepay electricity service enables consumers to monitor and control what they spend on their energy consumption and manage their budget. E-billing, through paygpa.com, enables the customers to view their statements online.

Customers can visit myenergyguam.com, which enables customers to see their current usage and history allowing them to take actions to mitigate their consumption before being charged in their bill. Information also helps customers decide on which energy efficient appliances to purchase.

Lastly, GPA energy statement provides immediate information on energy usage, a historical consumption graphic, a "Tips" section on energy services, rebate program or reminder notices and much more that will enable the consumers to manage their energy usage.

New Generation

In 2016, GPA filed its updated integrated resource plan (IRP) with the CCU and PUC. The IRP included the plan to install 180MW of duel-fired combined-cycle generation units, retirement of Cabras 1 & 2 generators, expansion of renewable energy portfolio, and installation of energy storage. The PUC approved GPA's generation plan in October 2016 and procurement was completed in 2019.

The new generation was awarded to Korea Electric Power Corporation (KEPCO) as a build-operate-transfer contract and is planned to be commissioned by April 2024. For GPA, combined-cycle generation has several benefits such as better fuel efficiency, lower capital cost compared to installing emission control systems to its existing generation plants, promoting fuel diversity and compliance with US EPA requirements.

United States Environmental Protection Agency

The United States of America, on behalf of the United States Environmental Protection Agency (EPA) filed its complaint under the Clean Air Act. The United States' complaint sought injunctive relief and civil penalties for the alleged violations of the emission limits and performance testing requirements in the National Emission Standard for Hazardous Air Pollutants (NESHAP) regulations that governs the operation of stationary reciprocating internal combustion engines and electric utility steam generating units at GPA's Cabras and Piti power plants.

In early 2020, GPA, EPA, and the Justice Department finalized a settlement to resolve the alleged violations. The parties subsequently lodged a consent decree with the United States District Court in Guam which approved the Consent Decree in April 2020.

Under the terms of the settlement, GPA will build and operate a new power plant burning ultra-low sulfur diesel (USLD), also capable of burning liquified natural gas (LNG), convert fuel delivery system from residual fuel oil to ULSD, build 100 MW of solar power, install and operate new energy storage systems, and pay a civil penalty of $400,000 to resolve the United States' allegations.

In January 2022, a revised consent decree was approved by the United States District Court of Guam. The revision extended the building of a 198 MW power plant until April 2024.

FINANCIAL HIGHLIGHTS

The table below highlights the financial comparison from fiscal year 2019 through 2021.

(in millions)	2021	2020	2019
Assets			
Current assets	$ 309.3	$ 335.5	$ 328.6
Non-current investments	31.8	30.3	25.2
Other non-current assets	23.6	29.7	41.3
Utility plant	484.5	478.1	489.2
	849.2	873.6	884.3
Deferred outflows of resources	86.1	84.3	57.2
	$ 935.3	$ 957.9	$ 941.5
Liabilities			
Current liabilities	$ 72.3	$ 80.8	$ 80.4
Non-current liabilities	788.1	814.9	792.2
	860.4	895.7	872.6
Deferred inflows of resources	65.1	60.6	72.1
Net Position			
Net investment in capital assets	10.1	(12.1)	(20.5)
Restricted	40.1	29.9	23.3
Unrestricted	(40.4)	(16.2)	(6.0)
	9.8	1.6	(3.2)
	$ 935.3	$ 957.9	$ 941.5

The decrease in current assets in 2021 is attributed to the increase in the under recovery of fuel charges and meeting debt service payments.

The increase in current assets in 2020 is attributable to the replenishment of working capital due to the reduction of unrecovered fuel costs. Due to global decrease in fuel prices, fuel inventory was lower in 2020 compared to 2019.

The decrease in the current liabilities in 2021 compared to 2020 is due to the completion of capital lease payment for the Yigo diesel units and fuel oil payment.

The current liabilities in 2020 is similar to 2019.

Financial results summary:

- 2021 has a net income of $8.2 million compared to a net income of $4.7 million in 2020.
- 2020 has a net income of $4.7 million compared to a net income of $15.2 million in 2019.

Financial Highlight, Continued

The table below details certain items from GPA's Statements of Revenue, Expenses and Changes in Net Position from 2019 through 2021.

(in '000)	2021	2020	2019
Sales of electricity, net	$ 323,189	$ 332,476	$ 399,318
Other	6,160	3,067	3,219
Total operating revenues	329,349	335,543	402,537
Production Fuel	180,807	176,992	238,870
Operating and maintenance	92,987	93,203	87,615
Depreciation	37,214	37,645	36,999
Total operating expenses	311,008	307,840	363,484
Operating Income	18,341	27,703	39,053
Interest income	1,725	3,142	5,003
Interest expense	(25,260)	(26,635)	(27,955)
Allowance for funds used during construction	826	2,011	-
Operating grant	15,064	-	-
Other expense, net	(2,468)	(1,513)	(934)
Change in net position	$ 8,228	$ 4,708	$ 15,167

Operating Revenues

The operating revenue decreased by $6 million or 1.8% in 2021 compared to 2020. This decrease is mostly due to the under recovery of fuel charges and purchase of fuel in the amount of $15 million through the American Rescue Plan Act operating grant of 2021.

Operating revenue decreased by $67 million or 16.6% in 2020 compared to 2019. This decrease is mostly due to global decline in fuel prices.

Electric Sales Information

	2017	2018	2019	2020	2021
Peak Demand (MW)	261	254	255	247	257
Total Electric Sales (MWh)	1,610,093	1,567,052	1,568,286	1,523,579	1,554,962
Sales Growth (%)	2.29	(2.7)	0.1	(2.9)	2.1
Total Customers	51,114	51,372	51,977	51,771	52,825

Financial Highlights, Continued

Operating Revenues, Continued

The energy sales increased by 2.1% in 2021. The pandemic has been difficult to the local economy however the island was able to adopt and return to some normalcy.

Guam confirmed its first case of Covid-19 pandemic on March 15, 2020. The energy sales declined by 2.9% due to the pandemic in 2020.

Operating and Maintenance

GPA's operating and maintenance expenses increased due to higher fuel cost in 2021.

GPA's operating and maintenance expenses decreased due to lower fuel cost in 2020 compared to 2019.

GPA's headcount decreased to 426 from 443 in 2021 compared to 2020. The decrease is largely due to employee retirement.

GPA's headcount decreased to 443 from 454 in 2020 compared to 2019. The decrease is largely due to employee retirement. Due to Covid-19 in 2020, additional expenses like safety measures and personal protection equipment were incurred to safeguard the employees at the workplace.

Station use in 2021 of 67,030 mWh increased in comparison to 2020 station use of 65,487 mWh.

Station use in 2020 of 65,487 mWh decreased in comparison to 2019 station use of 66,890 mWh.

Transmission and distribution (T&D) line loss decreased to 89,880 mWh in 2021 compared to 93,613 mWh in 2020.

Transmission and distribution (T&D) line loss increased to 93,613 mWh in 2020 from 88,398 mWh in 2019.

Depreciation and Amortization

Depreciation and amortization expense for 2021, 2020, and 2019 remained steadily the same.

Utility Cost Recovery Activities

Production Fuel

GPA's cost of electricity includes the costs of fuel used in its own generation facilities, and fuel supplied to other facilities under power purchase agreement, cost of fuel handling, and the cost of power purchased from third parties.

In line with the GPA IRP to increase its renewable resources, GPA procured a power purchase agreement for a utility scale solar farm of 25MW located in southern Guam and the system became available to the grid in August 2015. The project performed as expected and it is producing approximately 4,300 MWH of emission free energy each month.

In addition, GPA commissioned a 275kW wind project which became operational in March 2016. The $2 million wind project was funded by a USDOI grant and is providing available experience and data on the potential of wind renewable projects.

Financial Highlights, Continued

Utility Cost Recovery Activities, Continued

GPA awarded 120 MW of utility scale solar farm under Phase II renewal project. This project includes batteries to mitigate the sudden drop or increase in production due to electrical or atmospheric condition like rain. GPA signed the contract in 2018. 60 MW of the 120 MW solar renewable is scheduled to be fully operational in June 2022.

For the Phase III renewable project where GPA will be utilizing a 30-year lease of Navy property for a 35MW solar PV, the bid was under protest; however, the Office of Public Accountability (OPA) and the court found the case in favor of GPA.

Interest Income, Interest Expense, and Other Income and Expenses

Interest income decreased in 2021 compared to 2020 due to decline in interest rate in the market.

Interest income decreased in 2020 compared to 2019 due to decline in interest rate in the market.

Interest expense decreased in 2021 compared to 2020 due to payoff of its capital lease. Interest expense in 2021 is mostly due to outstanding bonds.

Interest expense decreased in 2020 compared to 2019 due to reduction of capital leases.

Operating Activities

GPA's cash flows from operating activities primarily consist of receipts from customers less payments of operating expenses.

GPA's cash flows from operating activities from 2019 to 2021 are as follows:

(in millions)	**2021**	**2020**	**2019**
Cash received from customers	$ 323.4	$ 342.6	$ 398.5
Cash payments to suppliers	(246.5)	(203.1)	(278.3)
Cash payments to employees for services	(44.7)	(40.6)	(38.9)
Cash payments to retiree benefits	(4.0)	(4.2)	(4.2)
Net cash provided by operating activities	**$ 28.2**	**$ 94.7**	**$ 77.1**

Capital Activities

GPA's capital activities primarily consist of new construction and replacement of facilities necessary to deliver safe and reliable power to its customers.

The largest capital cost incurred in 2021 were generation overhaul ($3.1M), substation and transmission improvements ($1.1M), storage tanks refurbishment ($2.1M), Yigo CT engine exchange ($5.1M), and energy storage system ($11.4M).

The largest capital cost incurred in 2020 were generation overhaul ($4.6M), bucket trucks and fleet ($2M), tank farm pipeline upgrades ($1M), portable generators for water wells ($0.8M), and distribution plant ($0.7M).

Cash used in capital activities includes proceeds from bonds and from revenue funds. Please refer to Note 13 to the financial statements for details of GPA's capital activities.

Financial Highlights, Continued

Investing Activities

GPA's cash flows from investing activities from 2019 to 2021 are as follows (in millions):

	2021	2020	2019
Net cash (used in) provided by investing activities	$ (0.4)	$ 2.5	$ 33.6

Borrowing Activities

No new borrowing was done in 2019, 2020, and 2021. Please refer to Note 7 to the financial statements for details of GPA's borrowing activities.

GPA's cash flows from capital and non-capital financing activities from 2019 to 2021 are as follows (in millions):

	2021	2020	2019
Net cash provided by (used in) non-capital financing activities	$ 15.0	$ (0.4)	$ 0.2
Net cash used in capital and related financing activities	$ (94.2)	$ (77.2)	$ (76.7)

Credit Ratings

GPA's credit rating relates to the Authority's cost of funds and liquidity. In particular, GPA's ability to access and engage in certain activities on a cost-effective basis is primarily dependent upon maintaining a strong credit rating.

GPA's long-term senior debt ratings are as follows:

Long-Term Senior Debt	Rating	Long-Term Outlook
Standard & Poor's	BBB	Stable
Moody's Rating	Baa2	Stable
Fitch Rating	BBB	Stable

Future Capital Activities

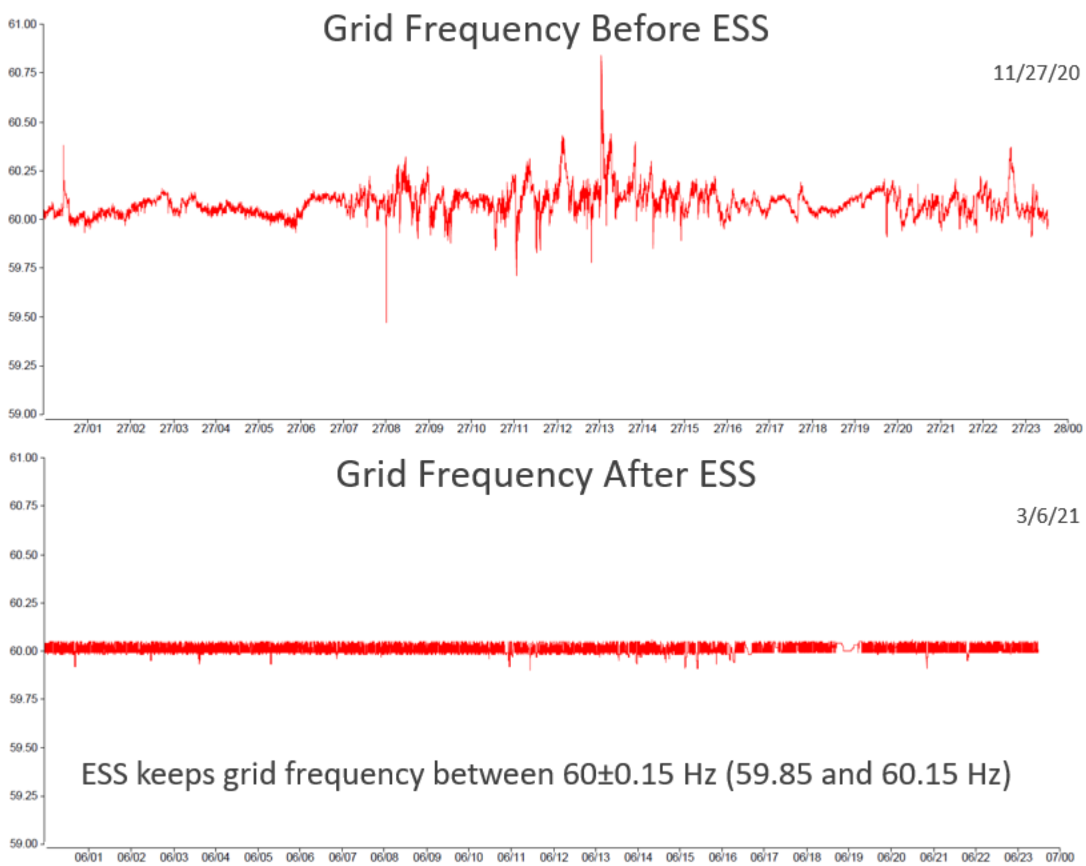
GPA is committed to renewable energy and the reduction of greenhouse gas emissions. GPA invested in an industry scale solar farm of 25MW which became operational in 2015. GPA will be adding 120MW of solar PV as part of phase II of a renewable project. 60 MW of the 120 MW is expected to be operational in June 2022. Phase III project is in the works and is expected to add 35MW of renewable energy with energy storage system (ESS); shifting 100% of the energy to evening load.

Financial Highlights, Continued

Future Capital Activities, Continued

The investment in the solar farm and increase in net metering customers (NEM) has led to a grid that is becoming physically and operationally very different from historical patterns. The energy received from the solar farm in Dandan and net metering customers are "must take" contracts, meaning their energy goes into the grid whenever they can generate. The Power System Control Center must now monitor and respond to dramatic changes in system frequencies during certain times of the day. These fast changes are known as ramping events. Historically, the need for fast ramping was in response to load changes, but now it is also due to generation output from non-GPA sources.

GPA is required to absorb all the power fluctuation emitted by the solar farm, and NEM. Below is a sample reading for a day on March 6, 2021, and November 27, 2020 with ESS and without ESS, respectively.



The 40 MW ESS system became fully operational on March 1, 2021. The system will eliminate more than 70% of short duration outage due to generator and renewable intermittency trips.

In 2016, CCU and PUC approved to proceed with the procurement of a 198MW dual fire combined cycle combustion turbine. The project is planned to be operational in April 2024. The project was delayed due to the Covid-19 pandemic.

Financial Highlights, Continued

Future Borrowing

Despite the advancement of renewable energy generation and storage, traditional power generation is still required. In 2016, GPA filed an integrated resource plan (IRP) with the CCU and the PUC for the construction of combined cycle combustion turbine plants. Approval was given by the CCU and the PUC to authorize GPA to proceed with the procurement of new power generation. The plan for the procurement model was independent power purchase agreement (IPP) where the IPP finances the construction of the plant.

On November 5, 2019, GPA entered into an energy conversion agreement with Guam Ukudu Power, LLC for the new generation. The agreed capacity was 198 MW using Ultra Low Sulfur Diesel and eventually moving to Liquefied Natural Gas (LNG).

Contacting GPA's Financial Management

The Management Discussion and Analysis report is intended to provide information concerning known facts and conditions affecting GPA's operations. This financial report is designed to provide a general overview of GPA's finances and to demonstrate GPA's accountability for the funds it receives and expends.

Management's Discussion and Analysis for the years ended September 30, 2020, and 2019 is set forth in GPA's report on the audit of financial statements which is dated March 24, 2021. That Discussion and Analysis explains in more detail major factors impacting the 2020 and 2019 financial statements. A copy of that report can be obtained by contacting the CFO office at (671) 648-3066 or from GPA's website at the addresses noted below.

For additional information about this report, please contact Mr. John J.E. Kim, Chief Financial Officer, Guam Power Authority, P.O. Box 2977, Hagåtña, Guam 96932-2977 or visit the website at www.guampowerauthority.com.

GUAM POWER AUTHORITY
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Statements of Net Position
September 30, 2021 and 2020

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2021	2020
Current assets:		
Cash and cash equivalents - restricted	$ 123,570,135	$ 151,411,878
Cash and cash equivalents - unrestricted	70,929,564	79,521,588
Total cash and cash equivalents	194,499,699	230,933,466
Certificates of deposit - restricted	1,814,510	1,807,273
Investments - restricted	18,617,160	18,622,060
Accounts receivable, net	41,836,292	35,411,896
Materials and supplies inventory, net	12,999,867	14,501,589
Fuel inventory	36,234,483	32,346,582
Prepaid expenses and other current assets	3,307,389	1,876,268
Total current assets	309,309,400	335,499,134
Utility plant, at cost:		
Depreciable utility plant, net of accumulated depreciation	448,242,102	416,847,597
Non-depreciable utility plant	36,268,758	61,295,689
Total utility plant	484,510,860	478,143,286
Other non-current assets:		
Cash and cash equivalents - restricted	7,636,028	22,590,786
Investments - restricted	31,816,424	30,269,878
Unamortized debt issuance costs	1,684,472	1,952,816
Total other non-current assets	41,136,924	54,813,480
Regulatory assets:		
Unrecovered fuel costs	14,168,085	5,137,018
Total regulatory assets	14,168,085	5,137,018
Total assets	849,125,269	873,592,918
Deferred outflows of resources:		
Unamortized loss on debt refunding	20,172,384	22,452,744
Pension	17,136,754	17,005,307
Other post-employment benefits	48,852,130	44,664,204
Unamortized forward delivery contract costs	-	159,277
Total deferred outflows of resources	86,161,268	84,281,532
	$ 935,286,537	$ 957,874,450

See accompanying notes to financial statements.

GUAM POWER AUTHORITY
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Statements of Net Position, Continued
September 30, 2021 and 2020

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	2021	2020
Current liabilities:		
Current maturities of long-term debt	$ 21,540,000	$ 20,515,000
Current obligations under capital leases	-	2,226,222
Accounts payable:		
Operations	17,912,576	13,057,420
Fuel	7,242,448	16,791,332
Accrued payroll and employees' benefits	389,832	2,464,369
Current portion of employees' annual leave	2,134,083	2,558,878
Interest payable	13,995,961	14,417,948
Customer deposits	9,095,907	8,729,187
Total current liabilities	72,310,807	80,760,356
Long-term debt, net of current maturities	535,280,390	560,599,190
DCRS sick leave liability	1,695,518	1,502,154
Net pension liability	88,431,082	89,220,086
Other post-employment benefits liability	160,364,667	161,936,073
Employees’ annual leave, net of current portion	1,842,137	1,204,085
Customer advances for construction	470,165	425,815
Total liabilities	860,394,766	895,647,759
Deferred inflows of resources:		
Provision for self-insurance	9,955,323	19,345,291
Pension	3,238,796	1,663,500
Other post-employment benefits	51,902,993	39,067,668
Unearned forward delivery contract revenue	-	584,018
Total deferred inflows of resources	65,097,112	60,660,477
Commitments and contingencies		
Net position:		
Net investment in capital assets	10,090,844	(12,046,780)
Restricted	40,148,163	29,858,517
Unrestricted	(40,444,348)	(16,245,523)
Total net position	9,794,659	1,566,214
	$ 935,286,537	$ 957,874,450

See accompanying notes to financial statements.

GUAM POWER AUTHORITY
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Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2021 and 2020

	2021	2020
Revenues:		
Sales of electricity	$ 324,234,363	$ 333,567,122
Miscellaneous	6,160,168	3,066,964
	330,394,531	336,634,086
Bad debts expense	(1,044,996)	(1,091,004)
Net operating revenues	329,349,535	335,543,082
Operating and maintenance expenses:		
Production fuel	180,807,463	176,992,173
Other production	18,950,501	18,333,510
	199,757,964	195,325,683
Administrative and general	44,243,900	43,661,886
Depreciation and amortization	37,214,377	37,644,510
Energy conversion costs	10,712,059	12,203,165
Transmission and distribution	12,332,723	12,961,965
Customer accounting	6,747,385	6,042,700
Total operating and maintenance expenses	311,008,408	307,839,909
Operating income	18,341,127	27,703,173
Non-operating revenues (expense):		
Allowance for funds used during construction	826,290	2,010,587
Operating grants from the United States Government	15,064,047	80,066
Interest income	1,724,846	3,141,654
Interest expense	(25,259,887)	(26,635,042)
Loss on capital asset disposal	(1,020,327)	-
Other expense, net	(1,447,651)	(1,592,629)
Total non-operating expense, net	(10,112,682)	(22,995,364)
Change in net position	8,228,445	4,707,809
Net position at beginning of year	1,566,214	(3,141,595)
Net position at end of year	$ 9,794,659	$ 1,566,214

See accompanying notes to financial statements.

GUAM POWER AUTHORITY
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)

Statements of Cash Flows
Years Ended September 30, 2021 and 2020

Increase (decrease) in cash and cash equivalents	2021	2020
Cash flows from operating activities:		
Cash received from customers	$ 323,461,890	$ 342,571,161
Cash payments to suppliers for goods and services	(246,510,429)	(203,057,845)
Cash payments to employees for services	(44,727,043)	(40,552,594)
Cash payments for retiree benefits	(4,035,732)	(4,220,213)
Net cash provided by operating activities	28,188,686	94,740,509
Cash flows from investing activities:		
Interest on investments and bank accounts	1,140,828	2,557,635
Increase in certificates of deposit	(7,237)	-
Increase in investments	(1,541,647)	(73,761)
Net cash (used in) provided by investing activities	(408,056)	2,483,874
Cash flows from non-capital financing activities:		
Receipts from the U.S. Government operating grant	15,000,000	-
Payment of civil penalty to U.S. EPA	-	(400,000)
Net cash provided by (used in) non-capital financing activities	15,000,000	(400,000)
Cash flows from capital and related financing activities:		
Receipts from the U.S. Government capital grant	549,897	-
Principal paid on capital leases	(2,226,222)	(8,582,729)
Interest paid on capital leases	(45,578)	(363,409)
Principal paid on long-term debt	(20,515,000)	(16,130,000)
Interest paid on long-term debt	(26,708,613)	(27,624,762)
Additions to utility plant	(45,223,639)	(24,540,918)
Net cash used in capital and related financing activities	(94,169,155)	(77,241,818)
Net change in cash and cash equivalents	(51,388,525)	19,582,565
Cash and cash equivalents at beginning of year	253,524,252	233,941,687
Cash and cash equivalents at end of year	$ 202,135,727	$ 253,524,252

See accompanying notes to financial statements.

GUAM POWER AUTHORITY
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)

Statements of Cash Flows, Continued
Years Ended September 30, 2021 and 2020

	2021	2020
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 18,341,127	$ 27,703,173
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	37,214,377	37,644,510
Bad debts expense	1,044,996	1,091,004
Other pension expense	654,845	1,970,282
Other post-employment benefit costs	7,075,993	6,690,474
(Increase) decrease in assets:		
Accounts receivable	(7,955,241)	6,127,616
Materials and supplies inventory	1,501,722	(1,980,283)
Fuel inventory	(3,887,901)	8,867,440
Prepaid expenses and other current assets	(1,431,121)	238,816
Unrecovered fuel costs	(9,031,067)	4,806,714
Increase (decrease) in liabilities:		
Accounts payable	(4,693,730)	575,295
Customer deposits	368,219	(221,817)
Customer advances for construction	44,350	31,276
Provision for self-insurance	(9,389,968)	-
Accrued payroll and employees' benefits	(2,074,537)	619,711
Employees' annual and DCRS sick leave	406,622	576,298
Net cash provided by operating activities	$ 28,188,686	$ 94,740,509

See accompanying notes to financial statements.

(1) Organization and Summary of Significant Accounting Policies

Organization

Guam Power Authority (GPA) is a component unit of the Government of Guam (GovGuam). GPA provides electrical services on Guam to residential, commercial and GovGuam customers, and to the United States (U.S.) Navy under a Utility Services Contract (USC). GPA is governed by the Consolidated Commission on Utilities (CCU), an elected five-member board. GPA is subject to the regulations of the Public Utilities Commission of Guam (PUC) and has adopted the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission. Because of the rate-making process, certain differences arise in the application of accounting principles generally accepted in the United States of America between regulated and non-regulated businesses. Such differences mainly concern the time at which various items enter into the determination of net earnings in order to follow the principle of matching costs and revenues.

Basis of Accounting

The accounting policies of GPA conform to accounting principles generally accepted in the United States of America, as applicable to governmental entities, specifically proprietary funds. GPA utilizes the flow of economic resources measurement focus. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Taxes

As an instrumentality of GovGuam, GPA and all property acquired by or for GPA, and all revenues and income therefrom are exempt from taxation by GovGuam or by any political subdivision or public corporation thereof and from all taxes imposed under the authority of the Guam Legislature, or with respect to which the Guam Legislature is authorized to grant exemption.

Cash, Cash Equivalents and Investments

Cash and cash equivalents classified as current assets include cash on hand, cash in banks, money market accounts, certificates of deposit, and U.S. treasury bills with original maturities of three months or less in the interest and principal funds for debt repayment, the bond indenture funds, the bond reserve fund, the energy sense fund and the self-insurance fund.

Cash and cash equivalents restricted for the acquisition or construction of capital assets are classified as noncurrent assets.

(1) Organization and Summary of Significant Accounting Policies, Continued

Cash, Cash Equivalents and Investments, Continued

Investments in short-term, highly liquid debt instruments, including commercial paper, banker's acceptances, and U.S. Treasury and agency obligations are recorded at amortized cost. Investment in a guaranteed investment certificate is measured at cost.

All other investments are recorded at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the date as of which the fair value of an asset or liability is determined.

The deposit and investment policies of GPA are governed by 5 GCA 21, *Investments and Deposits,* in conjunction with applicable bond indentures. Authorized investments include obligations issued or guaranteed by the U.S. government or agencies of the U.S. government; bonds, notes or other indebtedness rated in the highest rating by Moody's Investors Service (Moody's) or Standard & Poor's Corporation (S&P); obligations issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation with remaining maturities of not more than three years; any bonds or other obligations of any state of the U.S. or any agency, instrumentality or local government unit of such state which are rated in the highest rating category of either Moody's or S&P; demand and time deposits in certificates of deposit or bankers acceptances with U.S. domestic banks which have a rating of their short term certificates of deposit of A-1 or better by S&P and P-1 by Moody's and mature no more than 360 days after purchase; commercial paper which has a rating in the highest classification by S&P and Moody's; and money market funds rated AAAm or better by S&P.

Allowance for Doubtful Receivables

The allowance for doubtful receivables is stated at an amount which management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluations of the collectability of these accounts and prior collection experience. The allowance is established through a provision for bad debts charged to expense. Uncollectible accounts are written off against the allowance or are charged to expense in the period GPA deems the accounts to be uncollectible but with prior approval of the CCU.

Inventory Valuation

Materials and supplies inventories and fuel inventories are stated at cost (using the weighted average and the first-in, first-out method, respectively).

Allowance for inventory obsolescence is provided for inventory items with no movement for a period of five years and over and for parts and supplies for equipment no longer in use. Allowance for inventory obsolescence was $963,461 and $935,304 as of September 30, 2021 and 2020, respectively.

(1) Organization and Summary of Significant Accounting Policies, Continued

Utility Plant

Utility plant purchased or constructed is stated at cost. Cost includes an allowance on certain projects for funds used during construction of specific power generation plants based on the net cost of borrowed funds used for construction purposes. Donated utility is recorded at fair market value at the date of donation or at the donating entity's basis in the asset if donated by GovGuam or a GovGuam agency. Current policy is to capitalize utility plant with a cost of $1,000 or more.

Depreciation

Depreciation is computed under the straight-line method over the estimated useful lives of the respective assets.

Compensated Absences

Vesting annual leave is accrued and reported as an expense and a liability in the period earned. No liability is accrued for non-vesting sick leave benefits. Annual leave expected to be paid out within the next fiscal year is accrued and is included in current liabilities. The maximum accumulation of annual leave convertible to pay upon termination of employment is limited to 320 hours. Pursuant to Public Law 27-106, employees who have accumulated annual leave in excess of three hundred twenty (320) hours as of February 28, 2003, may carry over their excess and shall use the excess amount of leave prior to retirement or termination from service. Any unused leave over 320 hours shall be lost upon retirement.

Public Law 26-86 allows members of the Defined Contribution Retirement System (DCRS) to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. A liability is accrued for estimated sick leave to be paid out to DCRS members upon retirement.

Pensions

Pensions are required to be recognized and disclosed using the accrual basis of accounting. GPA recognizes a net pension liability for the defined benefit pension plan in which it participates, which represents GPA's proportional share of excess total pension liability over the pension plan assets – actuarially calculated – of a single employer defined benefit plan, measured one year prior to fiscal year-end and rolled forward. The total pension liability also includes GPA's proportionate share of the liability for ad hoc cost-of-living adjustments (COLA) and supplemental annuity payments that are anticipated to be made to defined benefit plan members and for anticipated future COLA to DCRS members. Changes in the net pension liability are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and are amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

(1) Organization and Summary of Significant Accounting Policies, Continued

Other Post-Employment Benefits (OPEB)

OPEB is required to be recognized and disclosed using the accrual basis of accounting. OPEB offered to GPA retirees includes health and life insurance. GPA recognizes OPEB liability for the defined benefit OPEB plan in which it participates, which represents GPA's proportional share of total OPEB liability - actuarially calculated - of a single employer defined benefit plan, measured one year prior to fiscal year-end and rolled forward. An OPEB trust has not been established; thus, the OPEB plan does not presently report OPEB plan fiduciary net position. Instead, the OPEB plan is financed on a substantially "pay-as-you-go" basis.

Changes in the OPEB liability during the period are recorded as OPEB expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in the OPEB liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the qualified OPEB plan and recorded as a component of OPEB expense beginning with the period in which they are incurred.

Forward Delivery Contract Costs and Revenues

The forward delivery contract costs and revenues arose as a result of the Bond Reserve Fund Forward Delivery Agreements entered into in September 2000. The unamortized forward delivery contract costs represent termination fees and closing costs while the unearned forward delivery contract revenues represent the gross proceeds.

Unamortized Debt Issuance Costs

Unamortized debt issuance costs mainly include insurance costs related to the issuance of the Series 2012 and 2014 bonds. These costs are being amortized using the effective interest method over the life of the applicable debt.

Net Position

Net position represents the residual interest in GPA's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted and consist of four sections:

Net investment in capital assets - include capital assets, restricted and unrestricted, net of accumulated depreciation, reduced by outstanding debt net of debt service reserve.

Restricted expendable - net position whose use is subject to externally imposed stipulations that can be fulfilled by actions of GPA pursuant to those stipulations or that expire with the passage of time.

Restricted nonexpendable - net position subject to externally imposed stipulations that require GPA to maintain them permanently.

(1) Organization and Summary of Significant Accounting Policies, Continued

Net Position, Continued

Unrestricted - net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by management or the CCU or may otherwise be limited by contractual agreements with outside parties.

All of GPA's restricted net position is expendable.

Sales of Electricity

Sales of electricity are recorded as billed to customers on a monthly cycle billing basis. At the end of each month, unbilled revenues are accrued for each cycle based on the unbilled actual usage at month end.

Operating and Non-Operating Revenue and Expenses

Operating revenues and expenses generally result directly from the operation and maintenance of systems to provide electrical services to the island of Guam. Non-operating revenues and expenses result from capital; financing and investing activities, costs and related recoveries from natural disasters, operating grants, and certain other non-recurring income and costs.

Deferred Outflows of Resources

Deferred outflows of resources represent consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

Levelized Energy Adjustment Clause

Fuel oil costs increase or decrease billings to customers based on increases or decreases in the price of fuel oil purchased by GPA. Under or over recoveries of fuel oil costs including the fair value of outstanding commodity swap agreements (if any) are recorded as unrecovered fuel cost or unearned fuel revenue, respectively, in the accompanying statements of net position, and are recovered or deducted in future billings to customers based on the Levelized Energy Adjustment Clause (LEAC) approved by the PUC in January 1996. The LEAC results in the conversion of the monthly fuel charge to a levelized fuel charge, which is reviewed and adjusted by the PUC on a bi-annual basis. GPA is only permitted to recover its actual fuel and related costs. At September 30, 2021 and 2020, GPA has an under recovery of fuel costs of $14,168,085 and $5,137,018, respectively.

(1) Organization and Summary of Significant Accounting Policies, Continued

Derivative Instruments

GPA is exposed to market price fluctuations on its purchases of fuel oil. GPA uses derivatives such as commodity swaps to protect itself from increases in market prices. GPA records commodity swap agreements associated with its fuel oil hedging activities at fair value with gains and losses recognized in operations in the statements of revenues, expenses and changes in net position. The fair value of outstanding commodity swaps at year-end is included as a component of the LEAC and is recorded as part of unrecovered fuel cost or unearned fuel revenue in the accompanying statements of net position. GPA did not have outstanding commodity swap agreements at September 30, 2021 and 2020.

GPA's power purchase agreements are considered "normal purchases and normal sales" and accordingly, the operations and maintenance portions of GPA's energy conversion agreements are not recognized in the statements of net position. Operations and maintenance costs associated with the power purchase agreements are expensed as incurred with the independent power producers.

Allowance for Funds Used During Construction

The allowance for funds used during construction (AFUDC) is provided only for construction projects of more than $50,000, which require a minimum of 90 days to complete. AFUDC is computed using the interest expense on directly assignable borrowings to finance the projects less interest income on the related unused borrowings which have been invested. AFUDC is provided only during the period in which such projects are undergoing activities to prepare them for their intended use and is capitalized as part of the cost of the applicable projects. AFUDC of $826,290 and $2,010,587 was recognized during the years ended September 30, 2021 and 2020, respectively.

Reclassifications

Certain reclassifications have been made to the 2020 financial statements to correspond with the 2021 financial statement presentation.

New Accounting Standards

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

During the year ended September 30, 2021, GPA implemented the following pronouncements:

- GASB Statement No. 84, *Fiduciary Activities*, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

- GASB Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

(1) Organization and Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

- GASB Statement No. 93, *Replacement of Interbank Offered Rates*, which establishes accounting and reporting requirements related to the replacement of Interbank Offered Rates such as the London Interbank Offered Rate (LIBOR) for hedging derivative instruments. The provision removing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of derivative instruments is effective for the year ending September 30, 2022.

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

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. Management believes that this statement, upon implementation, will have a material effect on the financial statements but has not determined the impact as of September 30, 2021. In accordance with GASB Statement No. 95, GASB Statement No. 87 will be effective for fiscal year ending September 30, 2022.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management believes that this statement, upon implementation, will have a material effect on the financial statements but has not determined the impact as of September 30, 2021. In accordance with GASB Statement No. 95, GASB Statement No. 89 will be effective for fiscal year ending September 30, 2022.

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

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports, the terminology used to refer to derivative instruments and the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefits. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. The requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reissuance recoveries and terminology used to refer to derivative instruments are effective upon issuance. In accordance with GASB Statement No. 95, the remaining requirements of GASB Statement No. 92 is effective for the fiscal year ending September 30, 2022.

(1) Organization and Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

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

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

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

In October 2021, GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 98 will be effective for fiscal year ending September 30, 2022.

Restatements

In accordance with GASB Statement No. 65, *Items Previously recorded as Assets and Liabilities*, unrecovered fuel costs of $5,137,018 as of September 30, 2020 have been reclassified from deferred outflows of resources to regulatory assets, and provision for self insurance of $19,345,291 as of September 30, 2020 has been reclassified from regulatory liabilities to deferred inflows of resources. Net position as of September 30, 2020 was not impacted.

(2) Cash, Cash Equivalents and Investments

The bond indenture agreements for the 2012, 2014 and 2017 series revenue bonds (note 7) require the establishment of special funds to be held and administered by trustees and by GPA. In addition, proceeds from borrowings to finance generation and transmission facility construction are maintained by GPA in construction accounts. Funds in these accounts are required by loan agreement or public law to be used for generation and transmission facility construction. Also, certain other funds are restricted by rate orders of the PUC.

At September 30, 2021 and 2020, cash and cash equivalents, certificates of deposit and investments held by trustees and by GPA in these funds and accounts were as follows:

	2021						
	Cash and Cash Equivalents and Certificates of Deposit				Investments		
	Held By Trustees	Held By GPA			Held By Trustees	Held By GPA	
	Bond Indenture Funds	PUC Restricted Funds	Unrestricted Funds	Cash Total	Bond Indenture Funds	Unrestricted Funds	Total
Construction funds	$ 7,636,028	$ -	$ -	$ 7,636,028	$ -	$ -	$ 7,636,028
Interest and principal funds	7,868,972	-	-	7,868,972	31,816,424	-	39,685,396
Working capital funds	17,413,663	-	-	17,413,663	4,875,160	-	22,288,823
Bond reserve fund	34,760,496	-	-	34,760,496	13,742,000	-	48,502,496
Self-insurance fund	-	9,478,717	-	9,478,717	-	-	9,478,717
Revenue funds	11,081,782	-	-	11,081,782	-	-	11,081,782
Energy sense fund	-	2,478,883	-	2,478,883	-	-	2,478,883
Operating funds	-	-	70,929,564	70,929,564	-	-	70,929,564
Surplus funds	42,302,132	-	-	42,302,132	-	-	42,302,132
	$ 121,063,073	$ 11,957,600	$ 70,929,564	$ 203,950,237	$ 50,433,584	$ -	$ 254,383,821

	2020						
	Cash and Cash Equivalents and Certificates of Deposit				Investments		
	Held By Trustees	Held By GPA			Held By Trustees	Held By GPA	
	Bond Indenture Funds	PUC Restricted Funds	Unrestricted Funds	Cash Total	Bond Indenture Funds	Unrestricted Funds	Total
Construction funds	$ 22,590,786	$ -	$ -	$ 22,590,786	$ -	$ -	$ 22,590,786
Interest and principal funds	7,789,648	-	-	7,789,648	30,269,878	-	38,059,526
Working capital funds	25,663,664	-	-	25,663,664	4,880,060	-	30,543,724
Bond reserve fund	34,790,630	-	-	34,790,630	13,742,000	-	48,532,630
Self-insurance fund	-	19,469,799	-	19,469,799	-	-	19,469,799
Revenue funds	5,148,569	-	-	5,418,569	-	-	5,148,569
Energy sense fund	-	261,171	-	261,171	-	-	261,171
Operating funds	-	-	79,521,588	79,521,588	-	-	79,521,588
Surplus funds	60,095,670	-	-	60,095,670	-	-	60,095,670
	$ 156,078,967	$ 19,730,970	$ 79,521,588	$ 255,331,525	$ 48,891,938	$ -	$ 304,223,463

The operating funds include the remaining insurance monies of $67,098,224 and $74,161,533 as of September 30, 2021 and 2020, respectively, recovered by GPA from the Cabras 3 and 4 explosion and fire insurance claims.

(2) Cash, Cash Equivalents and Investments, Continued

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, disclosure is required of investments that have fair values that are highly sensitive to changes in interest rates. GASB Statement No. 40 also requires disclosure of formal policies related to deposit and investment risks.

A. Cash and Cash Equivalents

Custodial credit risk is the risk that in the event of a bank failure, GPA'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. GPA does not have a deposit policy for custodial credit risk.

As of September 30, 2021 and 2020, the carrying amount of GPA's total cash and cash equivalents and certificates of deposit was $203,950,237 and $255,331,525, respectively, and the corresponding bank balances were $205,059,738 and $255,395,539, respectively. Of the bank balance amount as of September 30, 2021 and 2020, $83,936,460 and $99,257,412, respectively, was maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2021 and 2020, bank deposits in the amount of $1,046,613 and $1,056,659, respectively, were FDIC insured. GPA does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. At September 30, 2021 and 2020, $81,780,349 and $98,894,055, respectively, of cash and cash equivalents and certificates of deposit were subject to custodial credit risk. GPA has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on its deposits. Bank balances as of September 30, 2021 and 2020, also include $121,063,074 and $156,078,966, respectively, representing cash and cash equivalents and certificates of deposit held and administered by GPA's trustees in GPA's name in accordance with various trust agreements and bond indentures.

B. Investments

As of September 30, 2021, GPA's investments were as follows:

	Amount	Maturity	S&P or Moody's Rating
Current:			
Investments held by trustee – restricted:			
Bond Reserve Fund:			
Societe Generale (commercial paper)	$ 13,742,000	Less than 1 year	P-1
Bond Fund:			
Federated Government Ultrashort Duration Fund (mutual fund)	4,875,160	Less than 1 year	Not rated
	$ 18,617,160		
Noncurrent:			
Investments held by trustee - restricted:			
Bond Fund:			
Bayerische Landesbank Guaranteed Investment Certificate (GIC)	$ 31,816,424	More than 10 years	Aa3

(2) Cash, Cash Equivalents and Investments, Continued

B. Investments, Continued

As of September 30, 2020, GPA's investments were as follows:

	Amount	Maturity	S&P or Moody's Rating
Current:			
Investments held by trustee – restricted:			
Bond Reserve Fund:			
Santander UK PL (commercial paper)	$ 13,742,000	Less than 1 year	P-1
Bond Fund:			
Federated Government Ultrashort Duration Fund (mutual fund)	4,880,060	Less than 1 year	Not rated
	$ 18,622,060		
Noncurrent:			
Investments held by trustee - restricted:			
Bond Fund:			
Bayerische Landesbank Guaranteed Investment Certificate (GIC)	$ 30,269,878	More than 10 years	Aa3

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, GPA will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. GPA's investments are held and administered by trustees in accordance with various trust agreements and bond indentures.

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure by issuer and amount of investment in any one issuer that represents five percent (5%) or more of total investments. As of September 30, 2021 and 2020, each of GPA's investments exceeded 5% of total investments.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. Maturities of investments in certain funds are limited to five years to limit interest rate risk. Maturities of investments in all funds may not be later than the dates that such moneys are expected to be required by the trustees.

(2) Cash, Cash Equivalents and Investments, Continued

B. Investments, Continued

Investments Measured at Fair Value

GPA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of September 30, 2021 and 2020, investments in Federated Government Ultrashort Duration Fund (mutual fund) are valued using Level 1 inputs.

(3) Receivables

Accounts receivable at September 30, 2021 and 2020, were summarized as follows:

	2021	2020
Customers:		
Private	$ 28,609,203	$ 26,453,653
Government	8,468,095	5,842,048
	37,077,298	32,295,701
U.S. Government - Navy (note 8)	5,852,698	4,823,970
U.S. Government - grants	2,002,095	2,487,944
Others	1,542,479	688,025
	46,474,570	40,295,640
Less allowance for doubtful receivables	(4,638,278)	(4,883,744)
	$ 41,836,292	$ 35,411,896

Unbilled accounts receivable included in the accounts receivable – private customers amounted to $8,078,867 and $6,245,596 at September 30, 2021 and 2020, respectively.

Substantially all of GPA's customer accounts receivable are from individuals, companies and government agencies based in Guam. Concentrations largely result from accounts receivable from GovGuam agencies and the U.S. Navy. Management assesses the risk of loss and provides for an allowance for doubtful accounts to compensate for known and estimated credit risks.

(4) Obligations Under Capital Leases

In December 2015, GPA entered into a contract for temporary power services to provide 40 megawatts (MW) of generation. The contract was for one year effective January 2016 with an option to extend. In January 2017, GPA extended the contract for four years which includes payments for the acquisition of the underlying power plant. The contract was determined to be a capital lease and the generating plant cost was recorded as production plant under capital lease. Under the contract, GPA pays capacity and operation and maintenance costs and purchases fuel for the plants. The operations and maintenance payments are reflected as energy conversion costs under operation and maintenance expenses. The lease has an effective interest rate of 5.0%. The contract expired in January 2021.

At September 30, 2020, the cost of plant and plant improvements under capital lease was $32,466,516 and accumulated depreciation was $7,607,897, which are presented as part of depreciable utility plant in the accompanying statements of net position.

(5) Pensions

GPA is statutorily responsible for providing pension benefits for GPA employees through the GovGuam Retirement Fund (GGRF).

A. General Information About the Pension Plans

Plan Description: GGRF administers the GovGuam Defined Benefit (DB) Plan, a single-employer defined benefit pension plan, and the Defined Contribution Retirement System (DCRS) Plan. The DB Plan provides retirement, disability, and survivor benefits to plan members who enrolled in the plan prior to October 1, 1995. Article 1 of 4 GCA 8, Section 8105, requires that all employees of GovGuam, regardless of age or length of service, become members of the DB Plan prior to the operative date. Employees of public corporations of GovGuam, which include GPA, have the option of becoming members of the DB Plan prior to the operative date. All employees of GovGuam, including employees of GovGuam public corporations, whose employment commences on or after October 1, 1995, and prior to January 1, 2018, are required to participate in the DCRS Plan. Hence, the DB Plan became a closed group.

Members of the DB Plan who retired prior to October 1, 1995, or their survivors, are eligible to receive annual supplemental annuity payments. In addition, retirees under the DB Plan and DCRS Plan who retired prior to September 30, 2020 are eligible to receive an annual ad hoc cost of living allowance (COLA).

A single actuarial valuation is performed annually covering all plan members and the same contribution rate applies to each employer. GGRF issues a publicly available financial report that includes financial statements and required supplementary information for the DB Plan. That report may be obtained by writing to the Government of Guam Retirement Fund, 424 A Route 8, Maite, Guam 96910, or by visiting GGRF's website – www.ggrf.com.

Plan Membership: As of September 30, 2020 (the measurement date), plan membership consisted of the following:

DB members:	
Inactive employees or beneficiaries currently receiving benefits	7,399
Inactive employees entitled to but not yet receiving benefits	3,257
Active employees	4,440
	15,096
DCRS members:	
Active employees	6,810
	21,906

Benefits Provided: The DB Plan provides pension benefits to retired employees generally based on age and/or years of credited service and an average of the three highest annual salaries received by a member during years of credited service, or $6,000, whichever is greater. Members who joined the DB Plan prior to October 1, 1981 may retire with 10 years of service at age 60 (age 55 for uniformed personnel); or with 20 to 24 years of service regardless of age with a reduced benefit if the member is under age 60; or upon completion of 25 years of service at any age. Members who joined the DB Plan on or after October 1, 1981 and prior to August 22, 1984 may retire with 15 years of service at age 60 (age 55 for uniformed personnel); or with 25 to 29 years of service regardless of age with a reduced benefit if the member is under age 60; or upon completion of 30 years of service at any age.

(5) Pensions, Continued

A. General Information About the Pension Plans, Continued:

Members who joined the DB Plan after August 22, 1984 and prior to October 1, 1995 may retire with 15 years of service at age 65 (age 60 for uniformed personnel); or with 25 to 29 years of service regardless of age with a reduced benefit if the member is under age 65; or upon completion of 30 years of service at any age. Upon termination of employment before attaining at least 25 years of total service, a member is entitled to receive a refund of total contributions including interest. A member who terminates after completing at least 5 years of service has the option of leaving contributions in the GGRF and receiving a service retirement benefit upon attainment of the age of 60 years. In the event of disability during employment, members under the age of 65 with six or more years of credited service who are not entitled to receive disability payments from the United States Government are eligible to receive sixty-six and two-thirds of the average of their three highest annual salaries received during years of credited service. The DB Plan also provides death benefits.

Supplemental annuity benefit payments are provided to DB retirees in the amount of $4,238 per year, but not to exceed $40,000 per year when combined with their regular annual retirement annuity. Annual COLA payments are provided to DB and DCRS retirees in a lump sum amount of $2,000. Both supplemental annuity benefit payments and COLA payments are made at the discretion of the Guam Legislature, but are funded on a "pay-as-you-go" basis so there is no plan trust. It is anticipated that ad hoc COLA and supplemental annuity payments will continue to be made for future years at the same level currently being paid.

On September 20, 2016, the Guam Legislature enacted Public Law 33-186, which created two new government retirement plans; the DB 1.75 Plan and the Guam Retirement Security Plan (GRSP). On Feburary 4, 2020, the Guam Legislature terminated the GRSP. Commencing April 1, 2017, eligible employees elected, during the "election window", to participate in the DB 1.75 Plan with an effective date of January 1, 2018.

The DB 1.75 Plan is open for participation by certain existing employees, new employees, and reemployed employees who would otherwise participate in the DC Plan and who make election on a voluntary basis to participate in the DB 1.75 Plan by December 31, 2017. Employee contributions are made by mandatory pre-tax payroll deduction at the rate of 9.5% of the employee's base salary while employer contributions are actuarially determined. Members of the DB 1.75 Plan automatically participate in the GovGuam deferred compensation plan, pursuant to which employees are required to contribute 1% of base salary as a pre-tax mandatory contribution. Benefits are fully vested upon attaining 5 years of credited service.

Members of the DB 1.75 Plan may retire at age 62 with 5 years of credited service, or at age 60 with 5 years of credited service without survivor benefits, or at age 55 with 25 years of credited service but the retirement annuity shall be reduced by ½ of 1% for each month that the age of the member is less than 62 years (6% per year). Credited service is earned for each year of actual employment by the member as an employee. Upon retirement, a retired member is entitled to a basic retirement annuity equal to an annual payment of 1.75% of average annual salary multiplied by years of credited service. Average annual salary means the average of annual base salary for the three years of service that produce the highest average.

Contributions and Funding Policy: Contribution requirements of participating employers and active members to the DB Plan are determined in accordance with Guam law. Employer contributions are actuarially determined under the One-Year Lag Methodology. Under this methodology, the actuarial valuation date is used for calculating the employer contributions for the second following fiscal year. For example, the September 30, 2019 actuarial valuation was used for determining the year ended September 30, 2021 statutory contributions. Member contributions are required at 9.52% of base pay.

(5) Pensions, Continued

A. General Information About the Pension Plans, Continued:

As a result of actuarial valuations performed as of September 30, 2019, 2018 and 2017, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2021, 2020 and 2019, respectively, have been determined as follows:

	2021	2020	2019
Normal costs (% of DB Plan payroll)	13.70%	13.86%	13.54%
Employee contributions (DB Plan employees)	9.52%	9.52%	9.52%
Employer portion of normal costs (% of DB Plan payroll)	4.18%	4.34%	4.02%
Employer portion of normal costs (% of total payroll)	2.18%	2.39%	2.29%
Unfunded liability cost (% of total payroll)	21.44%	20.70%	21.29%
Government contribution as a % of total payroll	23.62%	23.09%	23.58%
Statutory contribution rates as a % of DB Plan payroll:			
Employer	26.97%	26.28%	26.56%
Employee	9.52%	9.52%	9.52%

GPA's contributions to the DB Plan for the years ended September 30, 2021, 2020 and 2019 were $4,854,376, $4,882,056 and $5,147,076, respectively, which were equal to the statutorily required contributions for the respective years then ended.

GPA's contributions to the supplemental annuity benefit payments and the COLA payments for the years ended September 30, 2021, 2020 and 2019 were $1,266,979, $1,262,068 and $1,286,610, respectively, which were equal to the statutorily required contributions for the respective years then ended.

Members of the DCRS plan, who have completed five years of government service, have a vested balance of 100% of both member and employer contributions plus any earnings thereon.

Contributions into the DCRS plan by members are based on an automatic deduction of 6.2% of the member's regular base pay. The contribution is periodically deposited into an individual annuity account within the DCRS. Employees are afforded the opportunity to select from different annuity accounts available under the DCRS.

Statutory employer contributions for the DCRS plan for the years ended September 30, 2021 and 2020 are determined using the same rates as the DB Plan. Of the amount contributed by the employer, only 6.2% of the member's regular pay is deposited into the DCRS. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

GPA's contributions to the DCRS Plan for the years ended September 30, 2021, 2020 and 2019 were $2,397,280, $2,312,780 and $2,264,343, respectively, which were equal to the required contributions for the respective years then ended. Of these amounts, $1,845,643, $1,767,360 and $1,735,770 were or will be contributed toward the unfunded liability of the DB Plan for the years ended September 30, 2021, 2020 and 2019, respectively.

(5) Pensions, Continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued:

Pension Liability: At September 30, 2021 and 2020, GPA reported a net pension liability for its proportionate share of the net pension liabilities measured as of September 30, 2020 and 2019, respectively, which is comprised of the following:

	2021	2020
Defined Benefit Plan	$ 68,455,958	$ 69,262,940
Ad Hoc COLA/supplemental annuity Plan for DB retirees	16,611,913	16,449,816
Ad Hoc COLA Plan for DCRS retirees	3,363,211	3,507,330
	$ 88,431,082	$ 89,220,086

GPA's proportion of the GovGuam net pension liabilities was based on GPA's expected plan contributions relative to the total expected contributions received by the respective pension plans for GovGuam and GovGuam's component units. At September 30, 2021 and 2020, GPA's proportionate shares of the GovGuam net pension liabilities were as follows:

	2021	2020
Defined Benefit Plan	5.49%	5.70%
Ad Hoc COLA/supplemental annuity Plan for DB retirees	5.16%	5.07%
Ad Hoc COLA Plan for DCRS retirees	5.07%	5.86%

Pension Expense (Benefit): For the years ended September 30, 2021 and 2020, GPA recognized pension expense (benefit) for its proportionate share of plan pension expense from the above pension plans as follows:

	2021	2020
Defined Benefit Plan	$ 5,394,423	$ 8,088,965
Ad Hoc COLA/supplemental annuity Plan for DB retirees	1,337,217	1,527,615
Ad Hoc COLA Plan for DCRS retirees	303,363	280,153
	$ 7,035,003	$ 9,896,733

(5) Pensions, Continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued:

Deferred Outflows and Inflows of Resources: At September 30, 2021 and 2020, GPA reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021					
	Defined Benefit Plan		Ad Hoc COLA/ Supplemental Annuity Plan for DB Retirees		Ad Hoc COLA Plan for DCRS Retirees	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 170,878	$ 334,224	$ 10,540	$ 265,267	$ 324,357	$ 78,850
Net difference between projected and actual earnings on pension plan investments	4,904,788	-	-	-	-	-
Changes of assumptions	-	-	1,302,754	23,644	818,328	254,980
Contributions subsequent to the measurement date	6,700,019	-	1,150,979	-	116,000	-
Changes in proportion and difference between GPA contributions and proportionate share of contributions	1,103,633	1,684,677	408,687	-	125,791	597,154
	$ 12,879,318	$ 2,018,901	$ 2,872,960	$ 288,911	$ 1,384,476	$ 930,984

	2020					
	Defined Benefit Plan		Ad Hoc COLA/ Supplemental Annuity Plan for DB Retirees		Ad Hoc COLA Plan for DCRS Retirees	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 99,416	$ 613,992	$ 113,988	$ 50,582	$ 369,379	$ 101,872
Net difference between projected and actual earnings on pension plan investments	2,435,506	-	-	-	-	-
Changes of assumptions	-	-	1,476,893	255,717	844,399	340,261
Contributions subsequent to the measurement date	6,649,416	-	1,142,068	-	120,000	-
Changes in proportion and difference between GPA contributions and proportionate share of contributions	3,185,239	-	430,769	-	138,234	301,076
	$ 12,369,577	$ 613,992	$ 3,163,718	$ 306,299	$ 1,472,012	$ 743,209

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as reduction of the net pension liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at September 30, 2021 will be recognized in pension expense as follows:

(5) Pensions, Continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued:

Year Ending September 30	Defined Benefit Plan	Ad Hoc COLA/ Supplemental Annuity Plan for DB Retirees	Ad Hoc COLA Plan for DCRS Retirees
2022	$ 857,083	$ 988,489	$ 27,888
2023	1,252,538	435,844	27,888
2024	1,450,581	8,737	27,888
2025	600,196	-	27,888
2026	-	-	27,888
Thereafter	-	-	198,052
	$ 4,160,398	$ 1,433,070	$ 337,492

Actuarial Assumptions: Actuarially determined contribution rates for the DB Plan are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported. The methods and assumptions used to determine contribution rates are as follows:

Valuation Date:	September 30, 2019
Actuarial Cost Method:	Entry age normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	May 1, 2033 (13.58 years remaining as of September 30, 2019)
Asset valuation method:	3-year smoothed market value (effective September 30, 2009)
Inflation:	2.50% per year
Total payroll growth:	2.75% per year
Salary increases:	4% to 7.5%
Retirement age:	50% probability of retirement upon first eligibility for unreduced retirement. Thereafter, the probability of retirement is 20% for each year until age 75, and increases to 100% at age 75.
Mortality:	RP-2000 healthy mortality table (males +3, females +2). Mortality for disabled lives is the RP 2000 disability mortality (males +6, females +4). Both tables are projected generationally from 2016 using 30% of Scale BB.

The actuarial assumptions used in the September 30, 2019 valuation were based on the results of an actuarial experience study for the period October 1, 2011 to September 30, 2015. The rationale for each significant assumption is provided in the experience study. To the extent that actual experience differs from the assumptions, future pension costs will differ. The next experience study for the period October 1, 2015 to September 30, 2019 is scheduled to be performed prior to the next year's valuation.

(5) Pensions, Continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued:

The investment return rate assumption as of September 30, 2020 was 7%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of the expected nominal return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Nominal Return
U.S. Equities (large cap)	26.0%	7.01%
U.S. Equities (small cap)	4.0%	8.61%
Non-U.S. Equities	17.0%	8.66%
Non-U.S. Equities (emerging markets)	3.0%	10.59%
U.S. Fixed Income (aggregate)	24.0%	3.33%
Risk Parity	8.0%	5.66%
High Yield Bonds	8.0%	6.11%
Global Real Estate (REITs)	2.5%	8.55%
Global Equity	7.5%	7.74%

Discount Rate: The discount rate used to measure the total pension liability for the DB Plan as of September 30, 2020 and 2019 was 7.0%, which is equal to the expected investment rate of return. The expected investment rate of return applies to benefit payments that are funded by plan assets (including future contributions), which includes all plan benefits except supplemental annuity payments to DB retirees and ad hoc COLA to both DB and DCRS retirees. The discount rate used to measure the total pension liability for the supplemental annuity and ad hoc COLA payments as of September 30, 2020 was 2.21% (2.66% as of September 30, 2019), which is equal to the rate of return of a high quality bond index.

Discount Rate Sensitivity Analysis: The following presents the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to GPA's proportionate share of the net pension liability if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Defined Benefit Plan:

	1% Decrease in Discount Rate 6.0%	Current Discount Rate 7.0%	1% Increase in Discount Rate 8.0%
Net Pension Liability	$ 85,804,830	$ 68,455,958	$ 53,523,898

(5) Pensions, Continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued:

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees:

	1% Decrease in Discount Rate 1.21%	Current Discount Rate 2.21%	1% Increase in Discount Rate 3.21%
Net Pension Liability	$ 18,261,955	$ 16,611,913	$ 15,178,529

Ad Hoc COLA Plan for DCRS Retirees:

	1% Decrease in Discount Rate 1.21%	Current Discount Rate 2.21%	1% Increase in Discount Rate 3.21%
Net Pension Liability	$ 3,814,498	$ 3,363,211	$ 2,979,207

C. Payables to the Pension Plans:

As of September 30, 2021 and 2020, GPA recorded payables to GGRF of $399,061 and $479,147, respectively, representing statutorily required contributions unremitted as of the respective year-ends.

(6) Other Post-Employment Benefits (OPEB)

GPA participates in the retiree health care benefits program. GovGuam's Department of Administration is responsible for administering the GovGuam Group Health Insurance Program, which provides medical, dental, and life insurance benefits to retirees, spouses, children and survivors. Active employees and retirees who waive medical and dental coverage are considered eligible for the life insurance benefit only. The program covers retirees and is considered an OPEB plan.

A. General Information About the OPEB Plan

Plan Description: The OPEB plan is a single-employer defined benefit plan that provides healthcare benefits to eligible employees and retirees who are members of the GovGuam Retirement Fund. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Governor's recommended budget and the annual General Appropriations Act enacted by the Guam Legislature provide for a premium level necessary for funding the program each year on a "pay-as-you-go" basis. Because the OPEB Plan consists solely of GovGuam's firm commitment to provide OPEB through the payment of premiums to insurance companies on behalf of its eligible retirees, no stand-alone financial report is either available or generated.

Plan Membership: As of September 30, 2020 and 2019 (the respective measurement dates), OPEB plan membership consisted of the following as of September 30, 2019 (the actuarial valuation dates for both years):

(6) Other Post-Employment Benefits (OPEB), Continued

A. General Information About the OPEB Plan, Continued

	2020	2019
Inactive plan members or beneficiaries currently receiving benefits	8,114	7,462
Active plan members	11,080	10,832
Total members	19,194	18,294

Benefits Provided: The OPEB Plan provides post-employment medical, dental and life insurance benefits to GPA retirees, spouses, children and survivors, which are the same benefits as provided to active employees. Active employees and retirees who waive medical and dental coverage are considered eligible for the life insurance benefit only. GPA contributes a portion of the medical and dental premiums, based on a schedule of semi-monthly rates, and reimburses certain Medicare premiums to eligible retirees. Retirees are also required to pay a portion of the medical and dental insurance premiums. Three types of health plans are offered to eligible participants.

- Standard Islandwide Preferred Provider Organization (PPO) Plan
- High Deductible (Health Savings Account - HSA) PPO Plan
- Retiree Supplement Plan (RSP)

The PPO and HSA Plans apply to both active employees and retirees and work with set deductible amounts whereas the RSP Plan is an added option for retirees only.

Contributions: No employer contributions are assumed to be made since an OPEB trust has not been established. Instead, the OPEB Plan is financed on a substantially "pay-as-you-go" basis whereby contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

For the years ended September 30, 2021, 2020 and 2019, GPA reimbursed GovGuam $2,617,632, $2,852,021 and $2,820,691, respectively, for its share of the costs of the above mentioned Plan, which were equal to the statutorily required contributions.

B. Total OPEB Liability

As of September 30, 2021 and 2020, GPA reported a total OPEB liability of $160,364,667 and $161,936,073, respectively, for its proportionate share of the GovGuam total OPEB liability measured as of September 30, 2020 and 2019. The following presents GPA's change in proportionate share since the prior measurement date:

Proportion at prior measurement date, September 30, 2019	6.34 %
Proportion at measurement date, September 30, 2020	6.37 %
Increase in proportion	0.03 %

(6) Other Post-Employment Benefits (OPEB), Continued

B. Total OPEB Liability, Continued:

Actuarial Assumptions: The total OPEB liability for the OPEB Plan was determined by an actuarial valuation as of September 30, 2020 (the measurement date) using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.75%.
Discount rate:	2.21% as of September 30, 2020 (2.66% as of September 30, 2019), net of investment expenses, including inflation.
Amortization method:	Level dollar amount over 30 years on an open amortization period for pay-as-you-go funding.
Salary increases:	7.5% per year for the first 5 years of service, 6% for 6-10 years, 5% for 11-15 years and 4% for service over 15 years.
Healthcare cost trend rates:	Non-Medicare and Medicare - 6% for Year 1-3 then reducing 0.25% annually to an ultimate rate of 4.25%. Part B 4.25%. Health care trend assumptions begin at current levels and grade down over a period of years to a lower level equal to some real rate plus inflation. The principal components of health trend are medical inflation, deductible erosion, cost shifting, utilization, technology and catastrophic claims. The overall effect of these components are expected to decline year by year. Medical trend rates are applied to claims cost and retiree contributions, Medicare Part B and Medicare Part D reimbursements are assumed to be 4.25% per year.
Dental trend rates:	4.25% per year, based on a blend of historical retiree premium rate increases as well as observed U.S. national trends.
Actuarial cost method:	Entry Age Normal. The costs of each employee’s post- employment benefits are allocated as a level basis over the earnings of the employee between the employee’s date of hire and the assumed exit ages.

(6) Other Post-Employment Benefits (OPEB), Continued

B. Total OPEB Liability, Continued:

Medicare enrollment:	Based on current over-65 retiree data, 55% (previously 15%) of current and future retirees are assumed to enroll in Medicare and will enroll in a Retiree Supplemental Plan upon attainment of age 65. All employees retired prior to September 30, 2008 are assumed ineligible for Medicare upon attainment of age 65 and therefore will not enroll in a Medicare Supplemental Plan.
Participation rates:	Medical - 100% of active employees covered under a GovGuam medical plan will elect to participate at retirement. Dental - 100% of active employees under a GovGuam dental plan will elect to participate at retirement. Life - 100% of eligible retirees will elect to participate at retirement. Current retirees will continue in the GovGuam plan as provided in the data, and upon attainment of age 65, will remain in that plan or enroll in a Retiree Supplemental Plan per Medicare Enrollment assumption below.
Dependent status:	Male spouses are assumed to be three years older and female spouses are assumed to be three years younger than the retired employee. Medical - 100% of spouses of active employees covered under a GovGuam medical plan will elect to participate at the active employee's retirement. Dental - 100% of spouses of active employees covered under a GovGuam dental plan will elect to participate at the active employee's retirement. Life - 100% of spouses of active employees will elect to participate at the active employee's retirement. For current retired employees, the actual census information is used.
Healthy retiree mortality rate:	RP-2000 Combined Healthy Mortality Table, set forward 3 years and 2 years for males and females, respectively, projected generationally using 30% of Scale BB.
Disabled retiree mortality rates:	RP-2000 Disabled Mortality Table, set forward 6 years and 4 years for males and females, respectively, projected generationally using 30% of Scale BB.
Withdrawal rates:	15% for less than 1 year of service, decreasing 1% for each additional year of service up to 10 years, further decreasing 0.5% for each additional year of service up to 15 years, and 2% for service over 15 years.

(6) Other Post-Employment Benefits (OPEB), Continued

B. Total OPEB Liability, Continued:

Disability rates:	1974-78 SOA LTD Non-Jumbo, with rates reduced by 50% for males and 75% for females as follows: 0.05% for males aged 20-39 years (0.03% for females); 0.10% - 0.18% for males aged 40-49 years (0.05% - 0.09% for females); 0.32% - 0.53% for males aged 50-59 years (0.16% - 0.27% for females); and 0.76% for males aged 60-64 years (0.38% for females).
Retirement rates:	50% of employees are assumed to retire at first eligibility for unreduced benefits under the GovGuam Retirement Fund, 20% per year thereafter until age 75, and 100% at age 75.

OPEB Plan Fiduciary Net Position: An OPEB trust has not been established thus the OPEB Plan does not presently report OPEB plan fiduciary net position.

Discount rate: The discount rate used to measure the total OPEB liability was 2.21% as of September 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from GovGuam will be made in accordance with the plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments of current plan members. Therefore, the 2.21% municipal bond rate as of September 30, was applied to all periods to determine the total OPEB liability.

C. Changes in the Total OPEB Liability

Changes in GPA's proportionate share of the total OPEB liability for the years ended September 30, 2021 and 2020 are as follows:

	2021	2020
At October 1	$ 161,936,073	$ 120,278,683
Changes for the year:		
Service cost	5,076,726	3,108,876
Interest	4,410,618	5,104,601
Change in proportionate share	2,835,386	(22,527)
Differences between expected and actual experience	17,831,719	-
Change of assumptions	(29,325,681)	36,002,259
Benefit payments	(2,400,174)	(2,535,819)
Net change	(1,571,406)	41,657,390
At September 30	$ 160,364,667	$ 161,936,073

(6) Other Post-Employment Benefits (OPEB), Continued

C. Changes in the Total OPEB Liability, Continued

Discount Rate Sensitivity Analysis: The following schedule shows the impact on the OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.21%) in measuring the 2020 OPEB liability.

	1% Decrease in Discount Rate 1.21%	Current Discount Rate 2.21%	1% Increase in Discount Rate 3.21%
OPEB Liability	$ 190,391,522	$ 160,364,667	$ 136,428,751

Healthcare Cost Trend Rate Sensitivity Analysis: The following schedule presents the sensitivity of the total OPEB liability to changes in the healthcare cost trend rate. The sensitivity analysis shows the impact on the OPEB liability if the healthcare cost trend rate used was 1% less than and 1% greater than the current healthcare cost trend rate used in measuring the 2020 OPEB liability.

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
OPEB Liability	$ 133,574,568	$ 160,364,667	$ 195,200,705

D. OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the years ended September 30, 2021 and 2020, GPA recognized OPEB expense of $8,534,740 and $9,257,742, respectively, for its proportionate share of the GovGuam toal OPEB expense measured for the years ended September 30, 2020 and 2019. At September 30, 2021 and 2020, GPA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 26,089,476	$ 34,651,238	$ 35,298,856	$ 15,099,024
Difference between expected and actual experience	14,681,238	15,346,689	-	21,231,709
Contributions subsequent to the measurement date	2,617,632	-	2,852,021	-
Changes in proportion and difference between GPA contributions and proportionate share of contributions	5,463,784	1,905,066	6,513,327	2,736,935
	$ 48,852,130	$ 51,902,993	$ 44,664,204	$ 39,067,668

(6) Other Post-Employment Benefits (OPEB), Continued

D. OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB, Continued:

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as reduction of the OPEB liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB at September 30, 2021 will be recognized in OPEB expense as follows:

Year Ending September 30	
2022	$ (2,143,943)
2023	(4,683,649)
2024	737,348
2025	1,652,278
2026	(1,230,532)
	$ (5,668,498)

(7) Noncurrent Liabilities

A. Long-term Debt

Long-term debt at September 30, 2021 and 2020 is as follows:

	2021	2020
2017 Series Revenue Refunding Bonds, initial face value of $148,670,000, interest at varying rates from 4.0% to 5.0% per annum payable semi-annually in October and April, principal and mandatory sinking fund payments payable in varying annual installments commencing with a payment of $135,000 in October 2018, increasing to a final payment of $16,800,000 in October 2040.	$ 148,355,000	$ 148,355,000
2014 Series Senior Revenue Bonds, initial face value of $76,470,000, interest at varying rates from 4.0% to 5.0% per annum payable semi-annually in October and April, principal and mandatory sinking fund payments payable in varying annual installments commencing with a payment of $1,310,000 in October 2017, increasing to a final payment of $4,855,000 in October 2044.	70,820,000	72,340,000
2012 Series Senior Revenue Bonds, initial face value of $340,620,000, interest at varying rates from 2.98% to 5.0% per annum payable semi-annually in October and April, principal and mandatory sinking fund payments payable in varying annual installments commencing with a payment of $110,000 in October 2013, increasing to a maximum payment of $25,630,000 in October 2031, with a final payment of $24,485,000 in October 2034.	305,740,000	324,735,000

(7) Noncurrent Liabilities, Continued

A. Long-term Debt, Continued

	2021	2020
Total long-term debt	$ 524,915,000	$ 545,430,000
Less current maturities	(21,540,000)	(20,515,000)
	503,375,000	524,915,000
Add premium on bonds	31,905,390	35,684,190
Total bonds	$ 535,280,390	$ 560,599,190

Proceeds of the 2012 Series Revenue Bonds were used to refund GPA's 1993 and 1999 Senior Bonds, make a deposit to the Senior Bond Reserve Fund to increase the amount on deposit therein to the Bond Reserve Fund Requirement, and pay costs of issuance.

Proceeds of the 2014 Series Revenue Bonds were used to finance a variety of generation, transmission and distribution improvements and systems and information technology upgrades, make a deposit to the Senior Bond Reserve Fund, provide capitalized interest through September 30, 2017, and pay costs of issuance.

Proceeds of the 2017 Series Revenue Refunding Bonds were used to refund GPA's 2010 Series Senior Revenue Bonds and to pay costs of issuance. The 2010 Series Senior Revenue Bonds were used to finance capital projects, generally consisting of a new administration building and various generation, transmission and distribution facilities, make a deposit to the Bond Reserve Fund, provide capitalized interest, and pay costs of issuance.

All gross revenues have been pledged to repay the bonds principal and interest. For the years ended September 30, 2021 and 2020, the debt service for the series bonds was $47,823,750 and $43,754,528, respectively, or approximately 14% and 13%, respectively, of pledged gross revenues.

Premium associated with the bonds at September 30, 2021 and 2020 are being amortized on the effective interest method over the life of the applicable debt.

As of September 30, 2021, future maturities of long-term debt are as follows:

Year Ending September 30,	Principal	Interest	Total Debt Service
2022	$ 21,540,000	$ 25,657,250	$ 47,197,250
2023	22,705,000	24,551,125	47,256,125
2024	24,020,000	23,383,000	47,403,000
2025	25,210,000	22,152,250	47,362,250
2026	26,475,000	20,860,125	47,335,125
2027 through 2031	153,630,000	82,537,000	236,167,000
2032 through 2036	138,535,000	43,496,375	182,031,375
2037 through 2041	94,675,000	16,581,725	111,256,725
2042 through 2045	18,125,000	1,781,775	19,906,775
	$ 524,915,000	$ 261,000,625	$ 785,915,625

(7) Noncurrent Liabilities, Continued

A. Long-term Debt, Continued

Debt Refunding

In October 2012, GPA refunded its 1993 and 1999 Series bonds through the issuance of the 2012 Series bonds. At the time of refunding, the 1993 and 1999 Series bonds had principal balances outstanding of $56,370,000 and $299,680,000, respectively. The proceeds for the refunding were transferred to an escrow agent who used the proceeds to purchase non-callable and non-prepayable obligations of the United States of America or held as cash and are to be held in an irrevocable trust to be used for the payment of the principal of and interest on the 1993 and 1999 Series bonds. The advance refunding met the requirements of an in-substance defeasance and the 1993 and 1999 bonds were removed from GPA's financial statements. The advance refunding resulted in a loss on defeasance totaling $17,283,801 representing the difference between the reacquisition price and the carrying amount of the 1993 and 1999 bonds. Although the advance refunding resulted in the recognition of an accounting loss, GPA in effect reduced its aggregate debt service payments by $16,506,398 over the next twenty years and obtained an economic gain (difference between the present values of the old debt and the new debt service payments) of $27,940,966.

In December 2017, GPA refunded its 2010 Series bonds through the issuance of the 2017 Series bonds. At the time of refunding, the 2010 Series bonds had a principal balance outstanding of $150,440,000. The proceeds for the refunding were transferred to an escrow agent who used the proceeds to purchase non-callable and non-prepayable obligations of the United States of America or held uninvested as cash and are to be held in an irrevocable trust to be used for the payment of the principal of and interest on the 2010 Series bonds. The advance refunding met the requirements of an in-substance defeasance and the 2010 bonds were removed from GPA's financial statements. The advance refunding resulted in a loss on defeasance totaling $18,390,430 representing the difference between the reacquisition price and the carrying amount of the 2010 bonds. Although the advance refunding resulted in the recognition of an accounting loss, GPA in effect reduced its aggregate debt service payments by $11,528,439 over the next twenty-two years and obtained an economic gain (difference between the present values of the old debt and the new debt service payments) of $7,773,490.

The loss on refunding of the bonds is being amortized using the effective interest method over the average remaining life of the old bonds which approximated the average life of the new bonds. The unamortized balance of the loss on refunding of the 1993 and 1999 Series bonds is $6,247,337 and $7,421,196 as of September 30, 2021 and 2020, respectively. The unamortized balance of the loss on refunding of the 2010 Series bonds is $13,925,047 and $15,031,648 as of September 30, 2021 and 2020, respectively.

At September 30, 2021 and 2020, bonds outstanding of $250,020,000 and $414,765,000 is considered defeased.

All of GPA’s outstanding bonds are public offerings sold through competitive sale. GPA has no direct borrowings.

(7) Noncurrent Liabilities, Continued

A. Long-term Debt, Continued

Changes in GPA's long-term debt for the years ended September 30, 2021 and 2020 are as follows:

	Outstanding October 1, 2020	Increases	Decreases	Outstanding September 30, 2021	Current
Long-term debt:					
2012 Series Senior bonds	$ 324,735,000	$ -	$ (18,995,000)	$ 305,740,000	$ 19,945,000
2014 Series Senior bonds	72,340,000	-	(1,520,000)	70,820,000	1,595,000
2017 Series Senior bonds	148,355,000	-	-	148,355,000	-
Unamortized premium on bonds	35,684,190	-	(3,778,800)	31,905,390	-
	$ 581,114,190	$ -	$ (24,293,800)	$ 556,820,390	$ 21,540,000

	Outstanding October 1, 2019	Increases	Decreases	Outstanding September 30, 2020	Current
Long-term debt:					
2012 Series Senior bonds	$ 339,240,000	$ -	$ (14,505,000)	$ 324,735,000	$ 18,995,000
2014 Series Senior bonds	73,785,000	-	(1,445,000)	72,340,000	1,520,000
2017 Series Senior bonds	148,535,000	-	(180,000)	148,355,000	-
Unamortized premium on bonds	39,462,990	-	(3,778,800)	35,684,190	-
	$ 601,022,990	$ -	$ (19,908,800)	$ 581,114,190	$ 20,515,000

Bond Covenants

The Indenture, dated December 1, 1992, as subsequently amended and supplemented by Supplemental Indentures, sets forth the establishment of accounts, the application of revenues, and certain other covenants to ensure payment of debt service. Management believes GPA was in compliance with all bond covenants as of and for the years ended September 30, 2021 and 2020. The primary requirements of the Indenture are summarized below:

Rate Covenant - GPA has covenanted to at all times to establish, fix, prescribe and collect rates and charges for the sale or use of electric energy produced, transmitted, distributed or furnished from the system so as to yield, with respect to the then immediately following twelve months, net revenues equal to at least 1.30 times of the annual debt service. Net revenues are defined as all revenues received during the period less maintenance and operation expenses incurred during such period.

Revenue Fund – The Indenture requires GPA to deposit all revenues upon receipt in the revenue fund. Amounts in the revenue fund are to be used to pay budgeted maintenance and operation expenses and transfer the remaining moneys to different fund accounts.

Working Capital Requirement – Working capital refers to the amount of cash GPA maintains at any given time to pay for its operations. GPA must maintain a balance in such account equal to one-twelfth of the budgeted maintenance and operation expenses for the then current fiscal year.

(7) Noncurrent Liabilities, Continued

A. Long-term Debt, Continued

Bond Covenants, Continued

Bond Fund - the Indenture created the Bond Fund solely for the purposes of: (1) paying interest on the Senior Bonds when due and payable; (2) paying principal of the Serial Senior Bonds when due and payable; and (3) purchasing and redeeming or paying at maturity the Term Senior Bonds.

Bond Reserve Fund - the Indenture created a Bond Reserve Fund available for the purpose of paying debt service on Bonds in the event of a deficiency in the Bond Fund. GPA is required to maintain an amount within the Bond Reserve Fund equal to the maximum annual debt service for the then current or future fiscal year on all outstanding bonds.

Events of default with finance related consequences - the Indenture specifies a number of Events of Default and related remedies. 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 an event of default continues, the Trustee is entitled, and if requested to do so by the Bondholders, to declare the principal and accrued interest to be due and payable immediately upon notice in writing to GPA.

Acceleration - the remedies granted to the Trustee and the Bondholders under the Indenture do not include any right to accelerate the payment of the outstanding bonds. The Trustee is authorized to take certain actions upon the occurrence of an event of default, including proceedings to enforce the rights of Bondholders as outlined in the Indenture.

Forward Delivery Contract

On September 28, 2000, GPA entered into Bond Reserve Fund Forward Delivery Agreements (the agreements) with Lehman Brothers and Bank of America. In connection with the agreements, GPA received cash of $13.5 million in October 2000, representing the present value of interest income on certain invested bond proceeds. Based on the terms of the agreements, gross proceeds totaled $17,521,029 while GPA incurred termination fees and closing costs totaling $3,530,000 and $1,250,000 respectively. The $13.5 million in net proceeds included $759,500 of interest income earned as of the closing dates of the agreements.

The gross proceeds, termination fees and closing costs have been deferred and amortized on a straight line basis over the average remaining life of the 1993 and 1999 bonds. The gross proceeds, net of amortization, are reflected as unearned forward delivery contract revenue in the accompanying statements of net position. The termination fees and closing costs are reflected as unamortized forward delivery contract costs in the accompanying statements of net position. The amortization of forward delivery contract revenues and costs is reflected as components of interest income and interest expense, respectively, in the accompanying statements of revenues, expenses and changes in net position.

(7) Noncurrent Liabilities, Continued

A. Long-term Debt, Continued

Forward Delivery Contract, Continued

The following summarizes the unearned revenues and unamortized costs on the forward delivery contract at September 30, 2021 and 2020:

	2021	2020
Unearned forward delivery contract revenues	$ 8,760,514	$ 8,760,514
Accumulated amortization	(8,760,514)	(8,176,496)
	$ -	$ 584,018
Unamortized forward delivery contract costs	$ 2,390,265	$ 2,390,265
Accumulated amortization	(2,390,265)	(2,230,988)
	$ -	$ 159,277

B. Other Long-term Liabilities

Changes in other long-term liabilities in fiscal year 2021 and 2020 were as follows:

	Outstanding October 1, 2020	Increases	Decreases	Outstanding September 30, 2021	Current
Others:					
Obligations under capital leases	$ 2,226,222	$ -	$ (2,226,222)	$ -	$ -
DCRS sick leave liability	1,502,154	193,364	-	1,695,518	-
Employees' annual leave	3,762,963	1,060,499	(847,242)	3,976,220	2,134,083
Net pension liability	89,220,086	7,122,480	(7,911,484)	88,431,082	-
OPEB liability	161,936,073	11,838,569	(13,409,975)	160,364,667	-
Customer advances for construction	425,815	52,600	(8,250)	470,165	-
	$ 259,073,313	$ 20,267,512	$ (24,403,173)	$ 254,937,652	$ 2,134,083

	Outstanding October 1, 2019	Increases	Decreases	Outstanding September 30, 2020	Current
Others:					
Obligations under capital leases	$ 10,808,951	$ -	$ (8,582,729)	$ 2,226,222	$ 2,226,222
DCRS sick leave liability	1,331,151	171,003	-	1,502,154	-
Employees' annual leave	3,357,668	2,087,211	(1,681,916)	3,762,963	2,558,878
Net pension liability	81,801,102	15,588,440	(8,169,456)	89,220,086	-
OPEB liability	120,278,683	44,478,081	(2,820,691)	161,936,073	-
Customer advances for construction	394,539	39,025	(7,749)	425,815	-
	$ 217,972,094	$ 62,363,760	$ (21,262,541)	$ 259,073,313	$ 4,785,100

(8) Agreements with the U.S. Navy

On September 15, 1996, a lease agreement was entered into between GPA and the U.S. Navy (Navy) to transfer to GPA the operations, maintenance, and custody of certain Navy-owned electrical transmission and distribution lines, electric power generation facilities, related structures and equipment, together with the associated land interest. The facilities are leased to GPA at no cost for a period of 50 years.

(8) Agreements with the U.S. Navy, Continued

On August 1, 2012, GPA and the Navy entered into a Utility Services Contract (USC) for a period of ten years, unless terminated early at the option of the Navy, with no option for extension. Key features of the USC include transfer of certain Navy facilities to GPA at no charge, calculation of power rates charged to the Navy in accordance with the methodology approved by the PUC, GPA's continued use of the Navy's assets and associated real estate assets at no charge, compensation by GPA to the Navy for energy supplied to GPA's customers from Navy dedicated facilities, weekly fuel payments by the Navy, supply of water to Guam Waterworks Authority (GWA) by the Navy for power generation facilities, maintenance of a minimum contract demand with no maximum demand provision, and payment within fifteen days of electric billing by the Navy, subject to late payment charges. During the years ended September 30, 2021 and 2020, GPA billed the Navy $57,878,612 and $52,851,527, respectively, for sales of electricity under the USC. Receivables from the Navy were $5,852,698 and $4,776,855 at September 30, 2021 and 2020, respectively.

On August 31, 2015, GPA and the Navy entered into a Basic Ordering Agreement (BOA) which enumerates task items that are to be contracted to identify, develop and/or implement work on Navy facilities and utility systems. The tasks are generally related to energy services including renewable energy and energy efficiency. The period during which the orders may be placed against the BOA may not exceed five years. On August 26, 2020, GPA and the Navy executed their first task under the BOA. However, no costs have been incurred as of September 30, 2021.

On September 12, 2016, GPA and the Navy entered into a lease agreement to lease a portion of the land controlled by the Navy to construct and operate a renewable energy plant. The lease will not be effective until GPA secures the renewable energy contract. No lease payment is due or accruing until then.

(9) Commitments and Contingencies

Fuel Purchase Contracts

In November 2019, GPA entered into diesel fuel supply contracts with IP&E Guam, Inc. and Mobil Oil Guam, Inc. The agreements are for two years beginning January 1, 2020 with an option to extend for three years, renewable annually.

In September 2020, GPA entered into residual fuel oil (RFO) supply contract with Hyundai Corporation. The agreement is for three years commencing on or about September 1, 2020 until August 31, 2023 with the options to extend for two (2) additional one (1) year terms, upon mutual agreement of both parties. The minimum purchase under the contract is estimated at 1,000,000 barrels per year with a maximum purchase of 2,000,000 barrels per year of combined quantities.

Performance Management Contracts

GPA entered into a Performance Management Contract (PMC) for the operation and maintenance of the Cabras 1 and 2 generators, which became effective on October 1, 2010. The PMC is for a period of five years with an option to extend for another five-year term. The fees are subject to certain incentives and penalties, as agreed by both parties. The extension was exercised and the PMC expired on September 30, 2020. On July 30, 2020, the Guam PUC approved GPA's petition to award the bid to Taiwan Electrical and Mechanical Engineering Services, Inc. (TEMES) for the base period total cost of $9,969,188 for three years with an option to extend up to two additional one-year terms.

(9) Commitments and Contingencies, Continued

Performance Management Contracts, Continued

GPA entered into a PMC for the Dededo, Macheche and Yigo combustion turbine power plants for a period of five years commencing on March 1, 2016 with options to extend for one additional three-year term and one additional two-year term. The fees are subject to certain incentives and penalties, as agreed by both parties. The extension was exercised and the PMC is expiring on February 28, 2026.

At September 30, 2021, the minimum future fixed management fees are as follows:

Year Ending September 30,	Amount
2022	$ 2,760,090
2023	2,842,893
2024	2,928,180
2025	3,016,025
2026	363,003
	$ 11,910,191

Fuel Bulk Storage Facility Contract

In September 2017, GPA entered into an agreement for the management and operations of its fuel bulk storage facility. The agreement is for two years ending September 30, 2019 with an option to extend the contract for three additional one-year terms. The extensions have been exercised and at September 30, 2021, the minimum future management fees for the year ending September 30, 2022 is $911,662.

Operating Leases

GPA entered into a sublease agreement for vehicle, equipment, and material storage and for a power substation beginning November 1, 2002 with annual rental of $61,261 through October 31, 2012, which was extended for ten years.

GPA entered into a lease agreement for fuel storage tanks effective September 1, 2013. The contract includes fixed annual fees escalating 4% every year until August 31, 2022.

GPA entered into a commercial space lease beginning July 1, 2010, with monthly rentals of $4,495 through June 30, 2015, which was extended for five years. The procurement for a commercial space was delayed due to the COVID-19 pandemic. GPA is currently in a month to month lease pending the result of the procurement process.

At September 30, 2021, future minimum lease payments for operating leases are as follows:

Year Ending September 30,	Amount
2022	$ 1,833,929
2023	5,105
	$ 1,839,034

Rent expense under the aforementioned agreements totaled $1,926,902 and $1,895,598 during the years ended September 30, 2021 and 2020, respectively.

(9) Commitments and Contingencies, Continued

Renewable Energy Contracts

GPA entered into two renewable energy purchase agreements to purchase 20 MW and 5.65 MW of solar renewable energy. The commercial operation date of the two solar plants was October 30, 2015. The agreements include escalating contract prices per MW hour until 2041 and 90% minimum production which is the minimum requirement per contract year that is to be met to avoid production shortfall penalties. The total minimum renewable energy purchase commitment is 1.1 million MW hours.

At September 30, 2021, the minimum future renewable energy purchases are as follows:

Year Ending September 30,	Amount
2022	$ 9,200,983
2023	9,196,204
2024	9,163,847
2025	9,209,954
2026	9,242,026
2027 through 2031	46,055,722
2032 through 2036	46,519,297
2037 through 2041	38,321,837
	$ 176,909,870

In August 2018, GPA executed three renewable energy purchase agreements to purchase a total of 120 MW of solar renewable energy. The commercial operation dates of the solar plants are not yet established.

Energy Conversion Agreement

In January 2019, ownership of a power plant under an energy conversion agreement was transferred to GPA. GPA entered into an agreement with the same company to continue to manage and operate the power plant for a period of five years. The operation and maintenance fees are calculated based on factors stated in the agreement and paid on a monthly basis. GPA also pays a monthly recapitalization fee of $305,265 consisting of payments for capital and performance improvement projects, operations and maintenance fees, 4% cost of money and 10% contingency. The total recapitalization fees paid during each of the years ended September 30, 2021 and 2020 were $3,663,180 each year, of which $1,974,157 and $796,000, respectively, were prepaid. Of the total amount, $2,519,393 and $3,865,510, respectively, was for capital projects which were recorded in utility plant assets for the years ended September 30, 2021 and 2020. The remaining amount was unspent and is included in prepaid expenses and other current assets in the accompanying statements of net position as of September 30, 2021 and 2020.

At September 30, 2021, the future recapitalization fees are as follows:

2022	$ 3,663,180
2023	3,663,180
2024	1,221,060
	$ 8,547,420

(9) Commitments and Contingencies, Continued

Capital Commitments

As of September 30, 2021, GPA has various on-going construction contracts with a total contract price of $30 million, of which $15.3 million is recorded in construction work in progress.

Letters of Credit

As of September 30, 2020, GPA has a $35 million uncollateralized revolving documentary letter of credit for purchases of fuel. In light of the new Residual Fuel Oil contract with Hyundai Corporation, this letter of credit facility was cancelled on December 24, 2020. Hyundai has extended to GPA a provision net 30-day option for payments.

As of September 30, 2021, GPA has a $1.8 million standby letter of credit, collateralized by a certificate of deposit of the same amount, to guarantee any payments due under the temporary power services contract. This standby letter of credit was extended until January 2022 in anticipation of a delay in the turnover of the management for the Yigo diesel unit.

Self-Insurance

GPA self-insures its transmission and distribution (T&D) plant, because no insurance is available at reasonable rates.

As the result of a PUC Order, GPA adds an insurance charge of $0.00290 per kWh for civilian ratepayers and from $0.00035 per kWh to $0.00070 per kWh for the Navy until a self-insurance fund balance of $20 million is achieved. Insurance charge proceeds are transferred to the restricted self-insurance fund to be used to cover losses that would normally be covered by insurance. GPA is not prohibited from petitioning PUC for approval to use the self-insurance fund for additional purposes to the extent that such losses are not covered by insurance.

In 2015, GPA reached the $20 million self-insurance cap and the insurance surcharge was discontinued.

In July 2021, CCU approved a $10 million drawdown from the self-insurance used for partial settlement of fuel cost, resulting in the fund balance to fall to less than $18 million, which is the threshold for surcharge reactivation. The insurance surcharge was reactivated effective August 1, 2021.

The self-insurance fund, included in restricted cash and cash equivalents held by GPA, was $9,478,718 and $19,469,799 at September 30, 2021 and 2020, respectively.

Litigation

GPA has several asserted and unasserted claims outstanding as of September 30, 2021. It is not possible for the management of GPA to estimate the ultimate resolution of these matters and therefore, no provision for any liability that may result from these claims has been made in the accompanying financial statements.

(9) Commitments and Contingencies, Continued

U.S. Environmental Protection Agency

On May 24, 1986, the administrator of the U.S. Environmental Protection Agency (EPA) granted a continuing exemption to GPA under the provisions of Section 325(b) of the Clean Air Act, as amended. The terms of the exemption require monitoring by EPA, certain commitments by GPA regarding fuel stocks, and reporting and delineation of grounds for revocation of the exemption.

In February 2011, EPA, under the Clean Air Act, established new rules under National Emission Standards for Hazardous Air Pollutants for Reciprocating Internal Combustion Engine Maximum Achievable Control Technology (RICE MACT). These rules require stack emissions control and continuous monitoring system equipment to be installed on all GPA peaking and baseload diesel generators including its Cabras 3 and 4 and MEC 8 and 9 slow speed diesel units. Compliance under the diesel MACT was due May 3, 2013. Non-compliance under the diesel MACT could result in penalty fees of $37,500 per unit per day. GPA applied for and received a one-year extension for complying with the rules with respect to its small diesel peaking units. The required stack emission equipment was installed within the extension period. The Cabras 3 and 4 power plants are no longer subject to compliance due to an explosion and fire in August 2015.

EPA also established rules for Electric Generating Unit Maximum Achievable Control Technology (EGU MACT) which applies to Cabras 1 and 2 and Tanguisson steam boiler units. Compliance under the EGU MACT was required by April 2015. Non-compliance could result in penalty fees of $37,500 per unit per day. GPA obtained PUC approval to early terminate the associated energy conversion agreement of the Tanguisson unit. By deactivating the Tanguisson unit, GPA did not incur compliance costs for this unit.

As to compliance with the other units subjected to RICE MACT and EGU MACT, GPA and EPA entered into a consent decree allowing time for GPA to comply with the regulations and allowing potential fines and penalties for non-compliance to be used for compliance with regulations. In early February 2020, EPA and GPA signed the consent decree. Some of the objectives of the consent decree follow:

a. permanently retire Cabras 1 and 2 units by October 31, 2022
b. bring the MEC 8 and 9 units into compliance by switching from residual fuel oil to ultra-low sulfur diesel oil and installing oxidation catalysts by December 31, 2021
c. construct a new power plant that will comply with the requirements of Clean Air Act to be activated by October 1, 2022
d. pay a sum of $400,000 as a civil penalty. This penalty was settled on May 1, 2020.

The consent decree requires monetary penalties for not accomplishing the various objectives by the required dates.

The US District Court approved the consent decree on April 20, 2020 and this approval shall constitute the final judgement to GPA. Management is in the process of working through the objectives and requirements set forth by the consent decree. Because of the COVID-19 pandemic, GPA has encountered delays in completing some of the objectives set forth in the consent decree. On January 14, 2022, the US District Court approved certain modifications of the consent decree most of which pertain to the schedules for implementing the injunctive relief required by the decree.

(9) Commitments and Contingencies, Continued

Hazardous Waste Assessment

Guam Public Law 20-110 requires certain entities to remit payments to a hazardous substance expense fund. There are questions as to the enforceability of the law; accordingly, no provision has been made in the accompanying financial statements for payments to be made under this law. GPA is covered by its self-insurance and worker's compensation insurance in case of accidents due to hazardous substances.

Autonomous Agency Collections Fund

On March 31, 2011, GPA received an invoice from the Government of Guam Department of Administration (GovGuam DOA) of $12,250,000 representing an annual assessment of $875,000 for each of the fiscal years 1998 to 2011 pursuant to 5 GCA Chapter 22 Section 22421, *Transfer of Autonomous Agency Revenues To Autonomous Agency Collections Fund*. In September 2013, GPA received another invoice for $875,000 from the Chamorro Land Trust Commission referring to the same annual assessment aforementioned. There were no invoices received for the years ended September 30, 2021 and 2020. GPA obtained approval from the CCU to offer GovGuam DOA a settlement amount of $2.6 million. However, such settlement offer is conditional on the approval by the PUC of a surcharge to recover the assessment from ratepayers. The PUC has not approved the surcharge as of September 30, 2021 and therefore, no liability or other impact has been recognized in the accompanying financial statements.

Merit System

In 1991, Public Law 21-59 was enacted to establish a bonus system for employees of GovGuam, autonomous and semi-autonomous agencies, public corporations and other public instrumentalities of GovGuam who earn a superior performance grade. The bonus is calculated at 3.5% of the employee's base salary beginning 1991 but was suspended by law for the years 1996, 2002, 2003 and 2004. Between 1991 and 2008, GPA did not calculate or pay any bonuses. In 2010, the Guam Legislature authorized GPA to implement a Pay for Performance program, similar to the GovGuam unified pay systems for certified, technical and professional positions, covering the evaluation period of 2009. As of September 30, 2021 and 2020, the CCU determined that there was no liability for employees covered in the new pay system. Therefore, no liability has been recognized in the accompanying financial statements.

Integrated Resource Plan

In 2012, GPA developed its Integrated Resource Plan (IRP). The objectives of the IRP are primarily to identify the timing, size, technology of future power generating units, and to address issues such as fuel diversification and the renewable energy portfolio standards. Specifically, the IRP recommendations include the replacement of older generation equipment with combined cycle combustion turbine generators which can utilize either Liquefied Natural Gas (LNG) or Ultra-Low Sulfur (ULS) diesel fuel; adding 40-45 MW of generation from renewable energy sources; and diversification of its fuel source to LNG and ULS diesel fuel.

(9) Commitments and Contingencies, Continued

Integrated Resource Plan, Continued

In August 2015, GPA lost 78 MW of base load capacity and experienced insufficient generation reserve after the explosion and fire at the Cabras 4 Power Plant. The PUC ordered GPA to update the IRP in consideration of this event. The results of the updated IRP indicated that GPA should procure up to 180 MW of combined cycle units. In October 2016, the PUC authorized GPA to proceed with procurement and in October 2019, the PUC approved the energy conversion agreement for a 198 MW power plant build, own/operate and transfer contract. The PUC Order, however, does not include the authorization or approval for any use of LNG as a fuel source for the new plant.

Asset Retirement Obligation

GPA has power plants that were identified to be retired in the future. Upon retirement, GPA may incur costs to dismantle and clean-up the power plants. As of September 30, 2021, GPA has no legal or contractual obligation to perform these actions when they retire their assets; therefore, no provision for this potential cost has been recorded in the accompanying financial statements.

(10) Related Party Transactions and Balances

During the years ended September 30, 2021 and 2020, GPA billed GovGuam agencies $43,803,134 and $48,784,993, respectively, for sales of electricity. Receivables from GovGuam agencies were $8,468,095 and $5,842,048 at September 30, 2021 and 2020, respectively (see note 3).

GPA provides electrical and administrative services to GWA, a component unit of the GovGuam, which is also governed by the CCU. Electricity sales to GWA for the years ended September 30, 2021 and 2020 were $12,508,691 and $14,093,569, respectively. Outstanding receivables were $1,176,513 and $983,112 at September 30, 2021 and 2020, respectively, which are included in the GovGuam agencies receivable mentioned above.

On June 23, 2009, GPA and GWA entered into a Memorandum of Understanding (MOU) where each agency agrees to provide administrative, operational, maintenance, repair and other specified services on behalf of the other agency and each will reimburse the other for their actual costs for providing said services. Total billings by GPA to GWA for administrative expenses and cost reimbursements were $101,615 and $162,298 for the years ended September 30, 2021 and 2020, respectively. Outstanding receivables totaled $101,615 and $0 at September 30, 2021 and 2020, respectively, and were included in other receivables (see note 3).

Effective October 1, 2015, GPA and GWA implemented an agreement to share in the costs of the office building commonly occupied by them for an annual cost of $269,170 due from GWA to GPA. GWA also shares in the actual costs incurred for security, janitorial services, building insurance and other maintenance costs. Total billings by GPA to GWA for its share in the costs of the office building were $461,565 and $408,976 for the years ended September 30, 2021 and 2020, respectively. Outstanding receivables were $155,034 and $77,201 at September 30, 2021 and 2020, respectively, and were included in other receivables (see note 3).

GWA billed GPA for water and sewer charges totaling $1,620,960 and $1,750,242 for the years ended September 30, 2021 and 2020, respectively. The amount due to GWA at September 30, 2021 and 2020 was $200,534 and $192,654, respectively, which was included in accounts payable - operations in the accompanying statements of net position.

(10) Related Party Transactions and Balances, Continued

In October 2011, U.S. Federal Emergency Management Agency (FEMA) reimbursed GPA for certain typhoon related costs incurred in 2002 of approximately $1,800,000. The reimbursement was received by GovGuam DOA which plans to offset such amount against billings to GPA related to the Autonomous Agency Collections Fund (see note 9). Due to uncertainty of receipt, GPA has not recorded the reimbursement in the accompanying financial statements.

(11) Restricted Net Position

At September 30, 2021 and 2020, net position was restricted for the following purposes:

	2021	2020
Debt service	$ 26,587,498	$ 24,448,777
Budgeted maintenance and operating expenses	11,081,782	5,148,569
Demand Side Management Program and projects	2,478,883	261,171
	$ 40,148,163	$ 29,858,517

(12) COVID-19 Pandemic

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 COVID-19. Further, Executive Order 2020-04 ordered the closure of all non-essential Government of Guam offices, prohibited large gatherings, and restricted entry into Guam from countries with confirmed COVID-19 cases. GPA closed its offices to the public and has required all non-essential employees to work from home. While GPA has reopened its offices on a limited basis and many of the restrictions have been modified or eliminated, the state of emergency continues and there is uncertainty around the duration. While this matter is negatively impacting GPA's business, results of operations and financial position, the ultimate financial impact cannot be reasonably estimated at this time.

(13) Utility Plant

A summary of changes in capital assets for the years ended September 30, 2021 and 2020 were as follows:

2021	Estimated Useful Lives in Years	Beginning Balance October 1, 2020	Transfers and Additions	Transfers and Deletions	Ending Balance September 30, 2021
Depreciable:					
Steam production plant	25 - 50	$ 124,459,052	$ 459	$ -	$ 124,459,511
Other production plant	12 - 25	389,738,345	8,353,647	(51,496)	398,040,496
Transmission plant	30 - 45	187,401,364	44,295,400	(188,431)	231,508,333
Distribution plant	15 - 45	241,239,572	11,781,062	(2,934,504)	250,086,130
General plant	3 - 60	110,375,363	5,414,740	(121,498)	115,668,605
Production plant under capital lease	15 - 40	32,466,516	-	-	32,466,516
		1,085,680,212	69,845,308	(3,295,929)	1,152,229,591
Accumulated depreciation		(668,832,615)	(37,214,377)	2,059,503	(703,987,489)
		416,847,597	32,630,931	(1,236,426)	448,242,102
Non-depreciable:					
Land and land rights		12,249,830	-	-	12,249,830
Construction work in progress		49,045,859	40,745,934	(65,772,865)	24,018,928
		61,295,689	40,745,934	(65,772,865)	36,268,758
		$ 478,143,286	$ 73,376,865	(67,009,291)	$ 484,510,860

2020	Estimated Useful Lives in Years	Beginning Balance October 1, 2019	Transfers and Additions	Transfers and Deletions	Ending Balance September 30, 2020
Depreciable:					
Steam production plant	25 - 50	$ 123,403,944	$ 1,055,108	$ -	$ 124,459,052
Other production plant	12 - 25	384,332,252	5,457,589	(51,496)	389,738,345
Transmission plant	30 - 45	187,129,143	442,937	(170,716)	187,401,364
Distribution plant	15 - 45	238,494,369	2,983,795	(238,592)	241,239,572
General plant	3 - 60	106,379,748	5,459,189	(1,463,574)	110,375,363
Production plant under capital lease	15 - 40	32,466,516	-	-	32,466,516
		1,072,205,972	15,398,618	(1,924,378)	1,085,680,212
Accumulated depreciation		(632,867,657)	(37,644,510)	1,679,552	(668,832,615)
		439,338,315	(22,245,892)	(244,826)	416,847,597
Non-depreciable:					
Land and land rights		12,249,830	-	-	12,249,830
Construction work in progress		37,648,145	24,960,671	(13,562,957)	49,045,859
		49,897,975	24,960,671	(13,562,957)	61,295,689
		$ 489,236,290	$ 2,714,779	$ (13,807,783)	$ 478,143,286

GPA reassessed the estimated useful life of Cabras 1 and 2 based on the expected retirement of these plants when the new power plant becomes operational (see note 9). GPA recorded additional depreciation expense of approximately $3.7 million during the years ended September 30, 2021 and 2020 due to the revised estimated useful life of these power plants.

(14) Subsequent Event

Proposed Bond Issuance

On March 10, 2022, Public Law 36-80 was enacted to approve the terms and conditions of the issuance by GPA of Revenue Bonds to refund outstanding Series 2012 Revenue Bonds. This bond refunding was similarly approved by the Guam CCU and PUC.

GUAM POWER AUTHORITY
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)

Required Supplemental Information (Unaudited)
Schedule of Proportional Share of the Net Pension Liability
Last 10 Fiscal Years*

Defined Benefit Plan

	2021	2020	2019	2018	2017	2016	2015
Total Government of Guam net pension liability	$ 1,246,336,897	$ 1,214,462,675	$ 1,179,192,550	$ 1,142,249,393	$ 1,368,645,126	$ 1,436,814,230	$ 1,246,306,754
Guam Power Authority's (GPA's) proportionate share of the net pension liability	$ 68,455,958	$ 69,262,940	$ 64,825,399	$ 58,849,896	$ 71,113,926	$ 74,504,797	$ 67,025,973
GPA's proportion of the net pension liability	5.49%	5.70%	5.50%	5.15%	5.20%	5.19%	5.38%
GPA's covered-employee payroll**	$ 28,706,604	$ 29,057,547	$ 28,249,473	$ 26,188,178	$ 26,308,182	$ 26,516,476	$ 27,155,671
GPA's proportionate share of the net pension liability as percentage of its covered employee payroll	238.47%	238.36%	229.47%	224.72%	270.31%	280.98%	246.82%
Plan fiduciary net position as a percentage of the total pension liability	61.48%	62.25%	63.28%	60.63%	54.62%	52.32%	56.60%

* This data is presented for those years for which information is available.
** Covered-employee payroll data from the actuarial valuation date with one-year lag.

See Accompanying Independent Auditors' Report.

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Required Supplemental Information (Unaudited)
Schedule of Proportional Share of the Net Pension Liability
Last 10 Fiscal Years*

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees

	2021	2020	2019	2018	2017	2016
Total Government of Guam net pension liability***	$ 321,889,969	$ 324,192,725	$ 289,875,668	$ 288,147,121	$ 229,486,687	$ 235,799,709
Guam Power Authority's (GPA's) proportionate share of the net pension liability	$ 16,611,913	$ 16,449,816	$ 14,132,063	$ 13,986,942	$ 10,942,403	$ 11,002,776
GPA's proportion of the net pension liability	5.16%	5.07%	4.88%	4.85%	4.77%	4.67%
GPA's covered-employee payroll**	$ 26,972,315	$ 25,852,347	$ 25,052,074	$ 24,673,401	$ 24,142,501	$ 23,861,140
GPA's proportionate share of the net pension liability as percentage of its covered employee payroll	61.59%	63.63%	56.41%	56.69%	45.32%	46.11%

* This data is presented for those years for which information is available.
** Covered-employee payroll data from the actuarial valuation date with one-year lag.
*** No assets accumulated in a trust to pay benefits.

See Accompanying Independent Auditors' Report.

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Required Supplemental Information (Unaudited)
Schedule of Proportional Share of the Net Pension Liability
Last 10 Fiscal Years*

Ad Hoc COLA Plan for DCRS Retirees

	2021	2020	2019	2018	2017
Total Government of Guam net pension liability***	$ 66,393,472	$ 59,884,407	$ 49,342,424	$ 62,445,490	$ 61,688,067
Guam Power Authority's (GPA's) proportionate share of the net pension liability	$ 3,363,211	$ 3,507,330	$ 2,843,640	$ 3,717,897	$ 3,818,888
GPA's proportion of the net pension liability	5.07%	5.86%	5.76%	5.95%	6.19%
GPA's covered-employee payroll**	$ 13,134,227	$ 13,793,153	$ 15,241,921	$ 22,433,189	$ 22,600,153
GPA's proportionate share of the net pension liability as percentage of its covered employee payroll	25.61%	25.43%	18.66%	16.57%	16.90%

* This data is presented for those years for which information is available.
** Covered-employee payroll data from the actuarial valuation date with one-year lag.
*** No assets accumulated in a trust to pay benefits.

See Accompanying Independent Auditors' Report.

GUAM POWER AUTHORITY
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Required Supplemental Information (Unaudited)
Schedule of Pension Contributions
Last 10 Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	$ 6,649,614	$ 6,882,846	$ 7,047,809	$ 6,458,402	$ 6,474,792	$ 6,993,365	$ 7,249,568
Contributions in relation to the statutorily required contribution	6,535,155	6,932,584	7,468,311	6,454,286	6,464,756	6,974,715	7,212,224
Contribution (excess) deficiency	$ 114,459	$ (49,738)	$ (420,502)	$ 4,116	$ 10,036	$ 18,650	$ 37,344
GPA's covered-employee payroll **	$ 28,706,604	$ 29,057,547	$ 29,057,547	$ 28,249,473	$ 26,188,178	$ 26,308,182	$ 26,516,476
Contribution as a percentage of covered-employee payroll	22.77%	23.86%	25.70%	22.85%	24.69%	26.51%	27.20%

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** Covered-employee payroll data from the actuarial valuation date with one-year lag.

See Accompanying Independent Auditors' Report.

GUAM POWER AUTHORITY
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Required Supplemental Information (Unaudited)
Schedule of Changes in the Proportional Share of the Total OPEB Liability and Related Ratios
Last 10 Fiscal Years*

	2021	2020	2019	2018	2017	2016
Service cost	$ 5,076,726	$ 3,108,876	$ 3,637,954	$ 4,181,160	$ 3,281,051	
Interest	4,410,618	5,104,601	5,383,112	4,805,542	4,969,757	
Changes in proportionate share	2,835,386	(22,527)	13,530,834	169,528	-	
Difference between expected and actual experience	17,831,719	-	(33,509,074)	-	-	
Change of assumptions	(29,325,681)	36,002,259	(12,122,578)	(14,997,174)	16,377,134	
Benefit payments	(2,400,174)	(2,535,819)	(2,597,426)	(2,337,202)	(2,337,202)	
Net change in total OPEB liability	(1,571,406)	41,657,390	(25,677,178)	(8,178,146)	22,290,740	
Total OPEB liability, beginning	161,936,073	120,278,683	145,955,861	154,134,007	131,843,267	
Total OPEB liability, ending	$ 160,364,667	$ 161,936,073	$ 120,278,683	$ 145,955,861	$ 154,134,007	$ 131,843,267
Covered-employee payroll as of valuation date	$ 31,845,149	$ 31,141,489	$ 29,507,688	$ 25,806,659	$ 25,806,659	
Total OPEB liability as a percentage of covered-employee payroll	503.58%	520.00%	407.62%	565.57%	597.26%	
Notes to schedule:						
Discount rate	2.210%	2.660%	4.180%	3.630%	3.058%	3.710%

Change in benefit terms:
None.

Change of assumptions:
Discount rate has changed from respective measurement dates.

* This data is presented for those years for which information is available.
** No assets accumulated in a trust to pay the benefits.

See Accompanying Independent Auditors' Report.

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Required Supplemental Information (Unaudited)
Schedule of Proportional Share of the Total OPEB Liability
Last 10 Fiscal Years*

	2021	2020	2019	2018	2017
Total OPEB liability **	$ 2,518,489,145	$ 2,553,523,376	$ 1,874,970,335	$ 2,431,048,672	$ 2,532,753,040
GPA's proportionate share of the total OPEB liability	$ 160,364,667	$ 161,936,073	$ 120,278,683	$ 145,955,861	$ 154,134,007
GPA's proportion of the total OPEB liability	6.37%	7.97%	8.64%	6.00%	6.09%
GPA's covered-employee payroll	$ 31,845,149	$ 31,141,489	$ 29,507,688	$ 25,806,659	$ 25,806,659
GPA's proportionate share of the total OPEB liability as percentage of its covered-employee payroll	503.58%	520.00%	407.62%	565.57%	597.26%

* This data is presented for those years for which information is available.

** No assets accumulated in a trust to pay the benefits.

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GUAM POWER AUTHORITY
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Required Supplemental Information (Unaudited)
Schedule of OPEB Contributions
Last 10 Fiscal Years*

	2021	2020	2019	2018
Actuarially determined contribution	$ 13,113,077	$ 10,346,390	$ 11,836,895	$ 4,181,160
Contributions in relation to the actuarially determined contribution	2,400,174	2,535,819	2,597,426	2,337,202
Contribution deficiency	$ 10,712,903	$ 7,810,571	$ 9,239,469	$ 1,843,958
Covered-employee payroll as of valuation date	$ 31,845,149	$ 31,141,489	$ 29,507,688	$ 25,806,659
Contributions as a percentage of covered-employee payroll	7.54%	8.14%	8.80%	9.06%

Notes to schedule:

Valuation date:

Actuarially determined contributions rates are calculated as of September 30, 2020.

Method and assumptions used to determine contributions rates:

Actuarial cost method:	Entry age normal.
Amortization method:	Level dollar amount on an open amortization period for pay-as-you-go funding.
Amortization period:	30 years
Inflation:	2.75%
Healthcare cost trend rates:	Non-medicare 13.5%; Medicare -25%; and Part B 5.33%. For the second year, 6.75% then reducing 0.25% annually to an ultimate rate of 4.25% for 2029 and later years.
Salary increase:	4.0% to 7.5%
Mortality (Healthy Retiree):	RP-2000 Combined Healthy Mortality Table, set forward 3 years and 2 years for males and females, respectively, projected generationally using 30% of Scale BB
Mortality (Disabled Retiree):	RP-2000 Disabled Mortality Table, set forward 6 years and 4 years for males and females, respectively, projected generationally using 30% of Scale BB

* This data is presented for those years for which information is available.

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Schedule of Sales of Electricity
Years Ended September 30, 2021 and 2020

	2021	2020
Commercial	$ 105,962,841	$ 119,946,565
Residential	116,589,776	111,984,037
Government of Guam	43,803,134	48,784,993
U.S. Navy	57,878,612	52,851,527
	$ 324,234,363	$ 333,567,122
Annual Electric Sales in kWh		
Commercial	484,258,097	502,571,359
Residential	584,344,262	532,238,580
Government of Guam	174,622,431	179,236,076
U.S. Navy	311,742,587	309,352,181
	1,554,967,377	1,523,398,196

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GUAM POWER AUTHORITY
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Schedule of Operating and Maintenance Expenses
Years Ended September 30, 2021 and 2020

	2021	2020
Administrative and General:		
Salaries and wages:		
Regular pay	$ 6,199,600	$ 6,416,120
Overtime	255,059	228,026
Premium pay	8,200	9,798
Benefits	3,076,356	2,064,771
Pension adjustment	9,765,567	11,357,741
OPEB adjustment	6,690,474	6,690,474
Total salaries and wages	25,995,256	26,766,930
Insurance	6,994,011	6,645,712
Contract	6,029,500	5,078,467
Retiree healthcare and other benefits	31,845,149	2,958,147
Utilities	1,796,042	1,929,149
Other administrative expenses	314,882	291,328
Training	163,028	47,333
Operating supplies	112,425	123,574
Trustee fee	90,071	102,364
Office supplies	74,035	75,054
Overhead allocations	50,480	29,058
Travel	12,362	149,202
Completed work orders	(639,771)	(659,168)
Miscellaneous	97,307	124,736
Total administrative and general	$ 72,934,777	$ 43,661,886
Customer Accounting:		
Salaries and wages:		
Regular pay	$ 2,211,415	$ 2,302,013
Overtime	63,805	22,417
Premium pay	1,248	597
Benefits	218,159	183,681
Total salaries and wages	2,494,627	2,508,708
Demand-side management program	2,101,802	1,561,404
Collection fee	1,532,980	1,346,148
Contracts	364,865	370,441
Communications	254,333	254,666
Office supplies	18,965	22,264
Overhead allocations	-	48
Completed work orders	(23,309)	(18,907)
Miscellaneous	3,122	(2,072)
Total customer accounting	$ 6,747,385	$ 6,042,700

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GUAM POWER AUTHORITY
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Schedule of Operating and Maintenance Expenses, Continued
Years Ended September 30, 2021 and 2020

	2021	2020
Fuel:		
Salaries and wages:		
Regular pay	$ 95,600	$ 100,709
Overtime	9,555	12,251
Premium pay	285	188
Total salaries and wages	105,440	113,148
Fuel	180,702,023	176,879,025
Total fuel costs	$ 180,807,463	$ 176,992,173
Other Production:		
Salaries and wages:		
Regular pay	$ 6,994,928	$ 8,209,360
Overtime	2,406,444	1,645,475
Premium pay	194,505	182,234
Benefits	603,221	628,211
Total salaries and wages	10,199,098	10,665,280
Contract	6,998,146	6,655,894
Operating supplies	1,457,533	547,613
Completed work orders	105,747	279,733
Overhead allocations	176,775	171,350
Office supplies	13,202	13,640
Total other production	$ 18,950,501	$ 18,333,510
Transmission and Distribution:		
Salaries and wages:		
Regular pay	$ 9,000,923	$ 8,562,516
Overtime	279,839	182,733
Premium pay	72,958	62,786
Benefits	436,248	423,785
Total salaries and wages	9,789,968	9,231,820
Overhead allocations	2,074,547	1,975,822
Operating supplies	740,181	736,656
Contract	487,610	733,641
Completed work orders	(770,735)	266,186
Office supplies	11,152	17,840
Total transmission and distribution	$ 12,332,723	$ 12,961,965

See Accompanying Independent Auditors' Report.

GUAM POWER AUTHORITY
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)

Schedule of Salaries and Wages
Years Ended September 30, 2021 and 2020

	2021	2020
Salaries and wages:		
Regular pay	$ 24,502,466	$ 25,590,718
Overtime	3,014,702	2,090,902
Premium pay	277,196	255,603
Benefits	4,333,984	3,300,448
Pension adjustment	9,765,567	11,357,741
OPEB adjustment	6,690,474	6,690,474
Total salaries and wages	$ 48,584,389	$ 49,285,886

See Accompanying Independent Auditors' Report.