

*Financial Statements, Required Supplementary Information,  
Supplementary and Other Information,  
and Compliance and Internal Control*

**Government of Guam  
Solid Waste Operations Fund, Capital Projects Fund,  
and Debt Service Fund**

(Governmental Funds of the Government of Guam)

*Year ended September 30, 2022  
with Report of Independent Auditors*



Government of Guam  
Solid Waste Operations Fund, Capital Projects Fund,  
and Debt Service Fund  
*(Governmental Funds of the Government of Guam)*

Financial Statements, Required Supplementary Information,  
Supplementary and Other Information, and Compliance and Internal Control

Year ended September 30, 2022

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## Report of Independent Auditors

Board of Directors  
Guam Solid Waste Authority:

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the financial statements of the Solid Waste Operations Fund Capital Projects Fund and Debt Service Fund, governmental funds of the Government of Guam (the Funds), as of and for the year ended September 30, 2022 and the related notes to the financial statements, which collectively comprise the Funds' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Funds at September 30, 2022 and the respective changes in their financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Funds, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Emphasis of Matter

As discussed in Note 1, the financial statements present only the Solid Waste Operations Fund, Capital Projects Fund, and Debt Service Fund and do not purport to, and do not, present fairly the financial position of the Government of Guam as of September 30, 2022, and changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Funds' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Funds' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

### **Supplementary and Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Funds' basic financial statements. The supplementary comparative financial statements included in pages 30 to 34, the combining Balance Sheets included in page 35, the combining Statements of Revenues, Expenditures by Function, and Changes in Fund Balances included in page 36 and the Comparative Schedule of Employees and Other Data included in page 37 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic 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 April 4, 2023 on our consideration of the Funds' 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 the Funds' 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 the Funds' internal control over financial reporting and compliance.

*Ernst + Young LLP*

April 4, 2023

Government of Guam  
Solid Waste Operations Fund, Capital Projects Fund,  
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*(Governmental Funds of the Government of Guam)*

Management's Discussion and Analysis

Years ended September 30, 2022 and 2021

Our discussion and analysis of the Government of Guam (“GovGuam”) Solid Waste Funds (“GGSWF”) financial performance provides an overview of the GGSWF’s financial activities for the fiscal years ended September 30, 2022 and 2021. Please read it in conjunction with the GGSWF’s financial statements, which follow this section.

**1. Financial Highlights**

For the fiscal year ended September 30, 2022, total fund balance decreased by \$654,482 (or 1.7%) from \$34,528,413 in 2021 to \$33,873,932 in 2022.

During the years ended September 30, 2022 and 2021, total combined expenditures for governmental fund operations were \$42,833,860 and \$52,160,968, respectively, including debt service requirements of \$23,988,250 and solid waste operations expenditures of \$18,845,610. These expenditures were funded, in part, by the generation of tipping fee revenues during the years ended September 30, 2022 and 2021 of \$18,785,380 and a transfer in from GovGuam’s General Fund of \$20,989,625 for debt service.

Total combined expenditures decreased by \$9,327,108 (or 17.9%) from 2021 to 2022 due, in part, to the \$11,030,734 decrease in payments relating to capital projects expenditures offset by an increase in SWOF expenditures of \$1,742,842. This increase was primarily due to the increase of contractual obligations due to an increase in consumer prices indexes.

During the years ended September 30, 2022 and 2021, the Solid Waste Operations Fund generated operating surplus of \$141,183 and operating deficit of \$1,078,987 respectively. Tipping fee revenues recorded by the Solid Waste Operations Fund were \$18,785,380 in 2022, an increase of \$266,289 compared to the previous year. ARPA funds recorded in FY2021 were \$545,732 compared to \$2,393,778 in FY2022 Expenditures recorded by the Solid Waste Operations Fund were \$18,765,654 in 2022, an increase of \$1,742,842 (or 8.65%) compared to the previous year.

Government of Guam  
Solid Waste Operations Fund, Capital Projects Fund,  
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Management's Discussion and Analysis, continued

**2. Overview of the Financial Statements**

The GGSWF's financial statements include all of the activities of the Solid Waste Operations Fund, the Capital Projects Fund and funds related to the Limited Obligation (Section 30) Bonds, 2016 Series A and General Obligation (GO) Bonds 2019 Series A (the "Funds"). The financial statements present a balance sheet and a statement of revenues, expenditures, and changes in fund balances. The financial statements do not include the liabilities for the Ordot landfill closure, the recognition of a liability for the eventual closure of the Layon landfill or the Trustee payments discussed in Section 4. These liabilities have been included in the government-wide financial statements of the Government of Guam for the year ended September 30, 2022. The assets, liabilities and fund balances of the Funds are reported in self-balancing funds.

GGSWF's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The GGSWF financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally when they are both measurable and available. Expenditures generally are recorded in the period in which the related fund liability is incurred, as under accrual accounting, with the exception of debt service expenditures, which are recorded only when payment is due. The notes to the financial statements include additional information needed to provide a further understanding of the GGSWF financial statements.



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Management's Discussion and Analysis, continued

**3. Financial Statement Analysis**

*Balance Sheet*

The balance sheet presents information on GGSWF's assets, liabilities and fund balance at year-end. A condensed summary of GGSWF's balance sheet is shown below as of September 30, 2022 and 2021.

Total Percentage Change	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>2021-2020</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 6,002,579	\$ 4,947,806	\$ 1,054,773	21.3%
Tipping fees receivable	3,146,002	2,889,404	256,598	8.9%
Restricted assets	<u>28,511,850</u>	<u>32,262,946</u>	<u>(3,751,096)</u>	(11.6%)
Total assets	<u>\$37,660,431</u>	<u>\$40,100,156</u>	<u>\$(2,439,725)</u>	(6.1%)
<b>Liabilities:</b>				
Accounts payable and other liabilities	\$ 696,542	\$ 447,466	\$ 249,076	55.7%
Contracts and retention payable	790,740	3,403,206	(2,612,466)	(76.8%)
Due to General Fund	<u>2,299,218</u>	<u>1,721,071</u>	<u>578,147</u>	33.6%
Total liabilities	<u>3,786,500</u>	<u>5,571,743</u>	<u>(1,785,243)</u>	(32.0%)
<b>Fund Balances:</b>				
Restricted	27,363,074	28,691,060	(1,327,986)	(4.6%)
Committed	<u>6,510,857</u>	<u>5,837,353</u>	<u>673,504</u>	11.5%
Total fund balance	<u>33,873,933</u>	<u>34,528,413</u>	<u>( 654,480)</u>	(1.9%)
	<u>\$37,660,431</u>	<u>\$40,100,156</u>	<u>\$(2,439,725)</u>	(6.1%)

Total assets decreased by \$2,439,725 (or 6.1%) from \$40,100,156 in 2021 to \$37,660,431 in 2022. This decrease was primarily the result of a \$3,571,096 decrease in amounts deposited in the Construction Account. In 2019, GO Bonds were issued for the purpose of funding the new cell construction that generated \$31,637,747 in bond proceeds, which were deposited to the Construction Account in accordance with the bond indenture as maintained by the Bond trustee. The decrease was offset by \$850,194 Transfers in the SWOF for reimbursement of preconstruction costs.

Total liabilities decreased by \$1,785,243 (or 33.5%) from \$5,571,743 in 2021 to \$3,786,500 in 2022. This decrease was the result of a \$2,612,466 decrease in payables to contractors associated with the new cell construction offset by an increase \$578,147 in General Fund payable due to receipt of ARPA funds in FY2021 subsequently reducing payable to General Fund in FY2021.

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Management's Discussion and Analysis, continued

**3. Financial Statement Analysis, continued**

*Balance Sheet, continued*

Total fund balances decreased by \$654,484 (or 1.9%) during 2022 from \$34,528,413 to \$33,873,930. Of the total fund balance amounts presented at each respective fiscal year end, certain restrictions limit the availability of fund resources for future use. Specifically, fund balances are restricted by the bond indenture associated with the Limited Obligation (Section 30) Bonds and the GO Bonds, wherein these funds are restricted for future debt service and capital projects.

*Statement of Revenues, Expenses and Changes in Fund Balances*

The statement of revenues, expenses and changes in fund balances shows the effect of revenues and expenditures on GGSWF's fund balance for the year. GGSWF's statements of revenues, expenses and changes in fund balances for the years ended September 30, 2022 and 2021 are summarized as follows:

	2022	2021	Change	Total Percentage Change 2021-2020
<b>REVENUES:</b>				
Tipping fees	\$18,785,380	\$18,519,091	\$ 266,289	1.4%
Use of money and property	10,595	5,059	5,536	109.4%
Transfers in from ARPA Fund	2,393,778	545,732	1,848,046	338.6%
Transfers in from COVID-1 Fund	---	55,552	( 55,552)	(100.0%)
Transfers in from General Fund	<u>20,989,625</u>	<u>20,981,875</u>	<u>7,750</u>	<u>0.0%</u>
<b>Total revenues</b>	<u>42,179,375</u>	<u>40,107,309</u>	<u>2,072,066</u>	<u>5.2%</u>
<b>EXPENDITURES:</b>				
Environmental protection	18,521,917	16,825,545	1,428,332	8.5%
Capital projects	---	11,030,734	(10,762,694)	( 97.6%)
Debt service	23,988,250	23,979,500	8,750	0.0%
Host community premium benefits	<u>323,690</u>	<u>325,189</u>	<u>( 1,499)</u>	<u>( 0.5%)</u>
<b>Total expenditures</b>	<u>42,833,857</u>	<u>52,160,968</u>	<u>( 9,327,111)</u>	<u>( 17.9%)</u>
Net change in fund balance	( 654,482)	(12,053,659)	11,399,177	( 94.6%)
Fund balance - beginning	<u>34,528,413</u>	<u>46,582,072</u>	<u>(12,053,659)</u>	<u>( 25.9%)</u>
<b>Fund balance - ending</b>	<u>\$33,873,928</u>	<u>\$34,528,413</u>	<u>\$( 654,487)</u>	<u>( 1.9%)</u>

Total revenues increased by \$2,072,066 (or 5.2%) from \$40,107,309 in 2021 to \$42,179,375 in 2022. This increase was primarily due to the \$1,848,046 increase in ARPA Fund and \$266,289 increase in Tipping Fees.

Government of Guam  
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Management's Discussion and Analysis, continued

### **3. Financial Statement Analysis, continued**

#### *Statement of Revenues, Expenses and Changes in Fund Balances, continued*

Total expenditures decreased by \$9,327,111 (or 17.9%) from \$52,160,968 in 2021 to \$42,833,857 in 2022. This decrease was, in part, due to the \$11,030,734 decrease in payments relating to capital projects expenditures offset by the \$1,742,842 increase in Solid Waste Operational expenditures. The decrease in payments relating to capital projects expenditures represent costs associated with the new cell construction. The increase in payments relating to SWOF expenditures was due to rising cost in contractual obligations based on consumer price indexes.

#### *Long Term Debt*

In 2016, GovGuam issued \$236,605,000 in Limited Obligation (Section 30) Bonds. Proceeds were primarily to be used: (i) to refund all the outstanding 2009 Series A Limited Obligation (Section 30) Bonds; (ii) to refinance all of the outstanding 2013 Series B Guam Education Financing Foundation II, Inc. Certificates of Participation (Okkodo High School Expansion Project); (iii) to finance certain Guam Memorial Hospital Authority (GMHA) capital costs, refinancing of GMHA Bank of Guam Loan, and paying GMHA vendor accounts payable for 2016 and 2017; and (iv) other bond costs. The Limited Obligation Bonds are to be paid solely from and secured by a pledge of Section 30 Revenues.

In 2019, GovGuam issued \$27,610,000 in GO Bonds. Proceeds were primarily to be used: (i) to pay costs relating to the new cell construction for the Layon Municipal Sanitary Landfill operated by the Guam Solid Waste Authority (GSWA); and (ii) to pay costs associated with the issuance of the bonds. GovGuam pledged its full faith and credit for the punctual payment of principal and interest on the bonds. In addition, GovGuam has covenanted to make deposits from the Solid Waste Operations Fund to the Debt Service Fund in sufficient amounts to cover future debt service obligations.

For additional information related to long-term debt, refer to Note 4 to the financial statements.

### **4. Outlook, Challenges and Opportunities**

#### *Partial End of Receivership*

In 2019, the Court issued an order regarding Partial End of Receivership turning day-to-day operations of GSWA from the Receiver to GSWA management, effective May 1, 2019. The Receiver's remaining responsibilities include the approval of Ordot Dump Post Closure Care Plan by the U.S. Environmental Protection Agency (USEPA) and Guam Environmental Protection Agency, and the issuance of a Post Closure Permit.

Government of Guam  
Solid Waste Operations Fund, Capital Projects Fund,  
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Management's Discussion and Analysis, continued

**4. Outlook, Challenges and Opportunities, continued**

*Partial End of Receivership, continued*

On January 11, 2023, the court order required GSWA and the Receiver to come up with a baseline schedule for the seeps, leachate and meter calibration investigations. The court also ordered that an estimate for post closure care expenses and proposed funding options and a proposed schedule on the full termination of the Receivership.

USEPA, in consultation with the Receiver, issued an estimated revised technical path for Ordot's Post Closure Care Plan approval and issuance of the Post Closure permit date to June 1, 2022.

Under the order, GSWA was required to fully fund by August 2026 an account held in trust to pay for the estimated future costs of managing and maintaining the Ordot landfill site until it can be reclaimed by GovGuam for alternative use.

*Capital Projects*

In 2019, GovGuam successfully issued GO Bonds to fund the new cell construction at the Layon Landfill. Net proceeds were deposited into the Construction Account held with the Bond trustee.

Even with the COVID-19 pandemic impacting the construction process, Core Tech International is keeping construction on schedule and GSWA anticipates completion of Cell 3 this summer.

*Contracts*

On July 1, 2019, GovGuam and GSWA entered into a Continuing Covenant Agreement in which GSWA committed to pay the debt service of the GO Bonds using all lawfully available gross income and other amounts received by or on behalf of GSWA as revenues of the system (which are recorded within the Solid Waste Operations Fund) as long as bonds are outstanding.

On November 11, 2019, the Receiver assigned the Cell 3 construction contract with Core Tech International Corporation to GSWA.

The Receiver will continue to review and approve invoices from the operator of the Ordot Dump post closure facility until such time the Post Closure Care Plan is approved and permit is issued, the Trustee is in place and the Court has ordered the transfer of the Ordot Dump Post Closure Care Reserve funds to the Ordot Dump Post Closure Trust Fund account.

The Receiver has developed two rate options for presentation to the Guam Public Utilities Commission. Each option would provide for adequate funding for GGSWF for 2013 and thereafter.

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Management’s Discussion and Analysis, continued

**4. Outlook, Challenges and Opportunities, continued**

*Contracts, continued*

The Receiver has developed two rate options for presentation to the Guam Public Utilities Commission. Each option would provide for adequate funding for GGSWF for 2013 and thereafter.

These options are outlined in the following table:

<u>Customer Type</u>	<u>Current Rate*</u>	<u>Full Government Reimbursement Rate</u>
Commercial (per ton)	\$ 172	\$ 225
Residential (per month)	\$ 30	\$ 35
Residential Transfer Station	\$7.50 / \$15	\$ 7.50 /\$15
Cost to GovGuam	\$7,483,397	\$ ---

\*The effective commercial rate per ton is \$156 per ton when haulers pay on time, electronically using ACH, and do not use Public Law 25-93.

Based on the Receiver’s determination, the Current Rate option was adequate to provide for the operation of GGSWF through 2019. The current rate can be maintained if GovGuam does not seek to obtain reimbursement from GSWA for the debt service paid from Federal Section 30 funds. If however, GovGuam seeks reimbursement from GSWA for that portion of the debt service of Section 30 funds, it will need to adopt the full government reimbursement rate. To date, no action has been taken to adopt a new rate for GSWA. Rates are subject to the Guam Public Utilities Commission approval.

*COVID-19*

On March 13, 2021, President Donald Trump declared a national emergency concerning the Novel Corona Virus (COVID-19) outbreak. On March 14, Governor Lourdes Leon Guerrero issued an Executive Order 2021-03 declaring a state of emergency in response to COVID-19 closing all schools, non-essential Government of Guam agencies and businesses. The public health emergency has been extended by the Governor.

On March 28, 2021, the U.S. President signed a major disaster declaration for Guam and ordered federal assistance to supplement local recovery efforts in connection with the COVID-19 pandemic. As a result, GovGuam received direct aid under the Coronavirus Act Relief, and Economic Security (“CARES”) Act of which \$2,393,778 and \$545,732 was made available to GSWA during the years ended September 30, 2022 and 2021, respectively.

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Management's Discussion and Analysis, continued

**4. Outlook, Challenges and Opportunities, continued**

*COVID-19*, continued

On March 11, 2022, the U.S. President signed into law the American Rescue Plan Act (“ARPA”) to speed up recovery from the economic and health effects of the COVID-19 pandemic. Under ARPA, GovGuam received \$553,582,247, of which \$2,393,778 was made available to GSWA during the year ended September 30, 2022 to GSWA to offset revenue shortfalls resulting from the COVID-19 pandemic.

While operating results are expected to be negatively impacted, the financial impact cannot be reasonably estimated at this time.

**5. Contacting Government of Guam Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of GGSWF's finances and to show the GGSWF's accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional information should be addressed to: Division of Accounts, Attention: Edward M. Birn, Director, P.O. Box 884, Hagatna, Guam 96932. Telephone No.: (671) 475-1101/1250, Facsimile: (671) 477-6788; Website address: [www.doa.guam.gov](http://www.doa.guam.gov).

Government Of Guam  
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Balance Sheets

September 30, 2022

	<u>Solid Waste Operations Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
<b>Assets</b>				
Cash and cash equivalent	\$ 6,002,579	\$ ---	\$ ---	\$ 6,002,579
Receivables:				
Tipping fees	3,146,002	---	---	3,146,002
Restricted assets:				
Cash and cash equivalents	4,737,594	---	---	4,737,594
Investments	<u>---</u>	<u>268,514</u>	<u>23,505,742</u>	<u>23,774,256</u>
 Total assets	 <u>\$13,886,175</u>	 <u>\$268,514</u>	 <u>\$23,505,742</u>	 <u>\$37,660,431</u>
<b>Liabilities</b>				
Accounts payable	\$ 1,327,126	\$ ---	\$ ---	\$ 1,327,126
Retention payable	110,495	---	---	110,495
Accrued payroll and other	49,661	---	---	49,661
Due to general fund	<u>2,270,225</u>	<u>15,128</u>	<u>13,865</u>	<u>2,299,218</u>
 Total liabilities	 <u>3,757,507</u>	 <u>15,128</u>	 <u>13,865</u>	 <u>3,786,500</u>
<b>Fund balances</b>				
Restricted for:				
Capital projects	---	253,386	---	253,386
Debt service	---	---	23,491,877	23,491,877
Post closure costs	3,617,810	---	---	3,617,810
Committed for:				
Solid waste operations	<u>6,510,858</u>	<u>---</u>	<u>---</u>	<u>6,510,858</u>
 Total fund balances	 <u>10,128,668</u>	 <u>253,386</u>	 <u>23,491,877</u>	 <u>33,873,931</u>
 Total liabilities and fund balances	 <u>\$13,886,175</u>	 <u>\$268,514</u>	 <u>\$23,505,742</u>	 <u>\$37,660,431</u>

Government of Guam  
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Statements of Revenues, Expenditures, and Changes in Fund balances

Year ended September 30, 2022

	Solid Waste Operations <u>Fund</u>	Capital Projects <u>Fund</u>	Debt Service <u>Fund</u>	<u>Total</u>
<b>Revenues</b>				
Tipping fees	\$18,785,380	\$ ---	\$ ---	\$18,785,380
Use of money and property	<u>1,586</u>	<u>961</u>	<u>8,048</u>	<u>10,595</u>
Total revenues	<u>18,786,966</u>	<u>961</u>	<u>8,048</u>	<u>18,795,975</u>
<b>Expenditures</b>				
Current:				
Environmental protection	15,780,146	---	---	15,780,146
Capital projects	347,996	---	---	347,996
Debt service:				
Principal	---	---	12,690,000	12,690,000
Interest	---	---	11,298,250	11,298,250
Host community premium benefits	<u>323,690</u>	<u>---</u>	<u>---</u>	<u>323,690</u>
Total expenditures	<u>16,451,832</u>	<u>---</u>	<u>23,988,250</u>	<u>40,440,082</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,335,134</u>	<u>961</u>	<u>(23,980,202)</u>	<u>(21,644,107)</u>
Other financing sources (uses):				
Transfers in	850,194	---	24,033,771	24,883,965
Transfers out	<u>( 3,044,146)</u>	<u>( 850,194)</u>	<u>---</u>	<u>( 3,894,340)</u>
Total other financing (uses) sources, net	<u>( 2,193,952)</u>	<u>( 850,194)</u>	<u>24,033,771</u>	<u>20,989,625</u>
Net change in fund balances	141,182	( 849,233)	53,569	( 654,482)
Fund balances at the beginning of the year	<u>9,987,486</u>	<u>1,102,619</u>	<u>23,438,308</u>	<u>34,528,413</u>
Fund balances at the end of the year	<u>\$10,128,668</u>	<u>\$ 253,386</u>	<u>\$23,491,877</u>	<u>\$33,873,931</u>



Government of Guam  
Solid Waste Operations Fund, Capital Projects Fund,  
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Notes to Financial Statements

Year ended September 30, 2022

## **1. Summary of Significant Accounting Policies**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the Solid Waste Operations Fund, Capital Projects Fund, and Debt Service Fund.

### **Reporting Entity**

The Government of Guam (GovGuam) Solid Waste Operations Fund, created by Public Law 24-272, was established to provide solid waste collection and disposal services and a financing source for GovGuam's costs directly related to the closure and post-closure of the solid waste landfill. Revenues are derived from tipping, user and other associated fees to be used solely for solid waste management practices. The Solid Waste Operations Fund includes the Ordot Dump Postclosure Reserve Account, which was established to comply with a Court Order issued on May 2, 2016 concerning the financing plan for postclosure care of Ordot Dump.

In 2009, GovGuam issued Limited Obligation (Section 30) Bonds, 2009 Series A, for the purpose of constructing a new landfill, closure of Ordot Dump, prepaying a bank loan and funding capitalized interest. In 2016, the Limited Obligation (Section 30) Bonds, 2009 Series A were refunded by GovGuam through issuance of the Limited Obligation (Section 30) Bonds, 2016 Series A.

In 2011, Public Law 31-20 was enacted, which provided for the continuation of the existence of the Solid Waste Management Division, a sub-entity of GovGuam's Department of Public Works, as an autonomous public corporation now referred to as the Guam Solid Waste Authority (GSWA). GSWA's transactions are accounted for under the Solid Waste Operations Fund, the Capital Projects Fund and the Debt Service Fund. The GovGuam Department of Administration (DOA) is responsible for establishing and managing these funds on behalf of GSWA. The accompanying financial statements relate solely to those accounting records maintained by DOA associated with GSWA and do not incorporate any accounts related to any other departments or agencies of GovGuam.

Government of Guam  
Solid Waste Operations Fund, Capital Projects Fund,  
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Notes to Financial Statements, continued

**1. Summary of Significant Accounting Policies, continued**

**Reporting Entity, continued**

In 2019, the District Court ordered the partial end of the Receivership, effective April 30, 2019. Accordingly, administrative and managerial responsibility of day-to-day operations were returned to GovGuam. Control and responsibility of all aspects of the solid waste operations previously under the control of the Receiver were turned over to GSWA with the exception of the Ordot Dump Post Closure Reserve Account. Furthermore, GovGuam issued General Obligation Bonds, 2019 Series A, for the purpose of paying the costs related to the construction of a new cell for the Layon Municipal Sanitary Landfill. The Capital Projects Fund is used to account for the closure of the Ordot Dump and the construction of a new landfill from bond proceeds. The Debt Service Fund is used to account for funds required by the bond indenture to redeem bond principal and to pay bond interest as such becomes due.

**Fund Accounting**

The accompanying financial statements present a balance sheet and a statement of revenues, expenditures, and changes in fund balances. The assets, liabilities and fund balances of the Solid Waste Operations Fund, Capital Projects Fund, and Debt Service Fund related to the Limited Obligation (Section 30) Bonds, 2016 Series A and the General Obligation Bonds, 2019 Series A, are reported in self-balancing funds. Transactions between funds, if any, have not been eliminated.

**Measurement Focus and Basis of Accounting**

The accompanying financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are considered available if they are collected within 90 days of the end of the current fiscal period. Revenues susceptible to accrual include tipping, user and associated fees. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are generally recorded in the period in which the related fund liability is incurred, as under accrual accounting, with the exception of debt service expenditures, which are recorded only when payment is due.

Government of Guam  
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Notes to Financial Statements, continued

**1. Summary of Significant Accounting Policies, continued**

**Measurement Focus and Basis of Accounting, continued**

Tipping and associated fees imposed are as follows:

*Commercial*

Commercial haulers are billed per tonnage of trash. The rate per tonnage is \$171.60.

*Residential*

Residential customers are billed for weekly curbside trash collection services. The monthly rate per one 96-gallon cart is \$30. Further, residential customers are billed \$15 per month for every additional 96-gallon cart. Residential customers bringing their household trash to the transfer stations are assessed the following fees: (a) \$7.50 up to three cubic yards, and (b) \$15 from three up to a maximum of six cubic yards.

*Host Community Premium Surcharge*

GSWA is authorized to assess Host Community Premium Surcharge (HCPS) fees of \$3.57 per ton for commercial, including government customers, and \$0.38 per month for residential customers. The HCPS fees were to compensate the villages of Inarajan and Ordot where solid waste management facilities, such as sanitary landfills, are located. During the year ended September 30, 2022, HCPS revenues were \$323,690.

**Budgetary Process**

Legislation requires the Governor to present a proposed budget to the Legislature at the beginning of each annual session. The Legislature enacts the budget through passage of specific departmental appropriations. Before signing the Appropriations Act, the Governor may veto or reduce any specific appropriation, subject to legislative override. Once passed and signed, the budget becomes the territorial financial plan for the ensuing fiscal year. Supplemental appropriations for specific purposes are made throughout the year. Encumbrances are commitments related to unperformed (executory) contracts for goods or services and are generally evidenced by outstanding purchase orders, contracts, and intradepartmental work requests. Encumbrances outstanding at year end are reported within the fund balance classifications since they do not constitute expenditures or liabilities. Unencumbered appropriations normally lapse at the end of each fiscal year unless they are designated by the Guam Legislature as representing in continuing appropriations.

Government of Guam  
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Notes to Financial Statements, continued

**1. Summary of Significant Accounting Policies, continued**

**Cash and Cash Equivalents**

Cash and cash equivalents include cash held in demand deposit accounts and short-term investments in U.S. Treasury obligations and commercial paper with original maturity dates within three months.

**Receivables and Allowance for Uncollectible Accounts**

Receivables are due from commercial haulers, government agencies and individuals residing on the island of Guam, are uncollateralized and are stated net of estimated allowances for uncollectible accounts. The allowance for uncollectible accounts is based on the evaluation of the collectability of current accounts and historical trends. Revenues are considered available if they are collected within 90 days of the end of the current fiscal period.

**Interfund Receivables/Payables**

During the course of its operations, the GovGuam General Fund records transactions between individual funds for goods provided or services rendered. These balances result from the time lag between the dates that (1) goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and 3) payments between funds are made, and are scheduled to be collected in the subsequent year.

Transfers are used to move revenues from the fund that enabling legislation or budget requires to collect them to the fund that enabling legislation or budget requires to expend them. Specifically, \$3,044,146 was transferred from the Solid Waste Operations Fund to the Debt Service Fund representing covenanted deposits to the Debt Service Fund for the purpose of funding debt service payments associated with the General Obligation Bonds Series A, 2019.

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

Year Ending <u>September 30,</u>	
2023	\$ 2,999,880
2024	2,999,880
2025	3,059,880
2026	3,059,880
2027 – 2031	15,299,400
2032	<u>492,126</u>
	<u>\$27,911,046</u>

Government of Guam  
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Notes to Financial Statements, continued

**1. Summary of Significant Accounting Policies, continued**

**GovGuam General Fund Receivables/Payables, continued**

**Investments**

Investments and related investment earnings are recorded at fair value using quoted market prices. Fair value is the price that would be received to sell an asset or paid to transfer a liability (ie, 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.

**Restricted Assets**

The bond indenture relating to the Limited Obligation (Section 30) Bonds, 2016 Series A and Government of Guam General Obligations Bonds, 2019 Series A, require amounts to be restricted for capital projects and debt service. Furthermore, a Court Order requires amounts to be restricted for Ordot Dump post closure activities. These amounts have been classified as restricted assets.

**Fund Balance**

Governmental fund balances are classified as follows:

*Restricted* - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

*Committed* - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.

Restricted/committed amounts are spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this. A formal minimum fund balance policy has not been adopted.

**Encumbrances**

At September 30, 2022, there were no significant encumbrances incurred.

**Management Estimates**

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

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Notes to Financial Statements, continued

**1. Summary of Significant Accounting Policies, continued**

**Total Columns**

Total columns are presented primarily to facilitate financial analysis. The Management's Discussion and Analysis includes certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a full comparative presentation. Accordingly, such information should be read in conjunction with the financial statements of the Solid Waste Operations Fund, Capital Projects Fund and Debt Service Fund for the year ended September 30, 2022 from which summarized information was derived.

**Recently Adopted Accounting Pronouncements**

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.

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.

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.

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Notes to Financial Statements, continued

**1. Summary of Significant Accounting Policies, continued**

**Recently Adopted Accounting Pronouncements, continued**

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.

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.

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

**Upcoming Accounting Pronouncements**

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.

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Notes to Financial Statements, continued

**1. Summary of Significant Accounting Policies, continued**

**Upcoming Accounting Pronouncements, 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 April 2022, GASB issued Statement No. 99, Omnibus 2022. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied more easily. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of local government financial statements. GASB Statement No. 99 will be effective for fiscal year ending September 30, 2023.



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Notes to Financial Statements, continued

**1. Summary of Significant Accounting Policies, continued**

**Upcoming Accounting Pronouncements, continued**

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections. GASB Statement No. 100 will be effective for fiscal year ending September 30, 2024.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences. GASB Statement No. 101 will be effective for fiscal year ending September 30, 2025.

Management is currently evaluating the effects the above upcoming accounting pronouncements might have on the financial statements.

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Notes to Financial Statements, continued

**2. Deposits and Investments**

The deposit and investment policies of GovGuam are governed by 5 GCA 21, *Investments and Deposits*, in conjunction with applicable bond indentures. The DOA Director is responsible for the safekeeping of all monies paid into the Treasury of Guam. The DOA Director invests any monies of GovGuam that are deemed not necessary for immediate use. Legally authorized investments include securities issued or guaranteed by the U.S. Treasury or agencies of the United States government; demand and time deposits in or certificate of deposit of, or bankers' acceptances issued by, any eligible institution; corporate debt obligations, including commercial paper; certain money market funds; state and local government securities, including municipal bonds; and repurchase and investment agreements. With the exception of investments in U.S. government securities, which are explicitly or implicitly guaranteed by the United States government, all other investments must be rated Aa1/P-1 by Moody's.

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 investments in any one issuer that represents five percent (5%) or more of total investments.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, GovGuam will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are held and administered by trustees in accordance with various bond indentures for the purpose of funding capital projects that benefit Guam's tourism industry. Based on negotiated trust and custody contracts, all of these investments were held in GovGuam's name by GovGuam's custodial financial institutions at September 30, 2022.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. GovGuam does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

As of September 30, 2022, investments are classified as follows:

	<u>Solid Waste Operations Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Investments:				
Money Market				
Mutual Funds	\$ <u>---</u>	\$ <u>268,514</u>	\$ <u>23,505,742</u>	\$ <u>23,774,256</u>

Investments in money market mutual funds are measured at the net asset value. These money market mutual funds have investments with underlying Moody's investment risk of AAA.

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Notes to Financial Statements, continued

**3. Receivables**

Receivables as of September 30, 2022, including allowances for uncollectible accounts, are as follows:

Commercial	\$1,969,839
Residential	1,408,003
Government:	
Guam Waterworks Authority (GWA)	26,430
Other	<u>14,205</u>
	3,418,477
Allowance for uncollectible accounts	<u>( 272,475)</u>
	<u>\$3,146,002</u>

**4. Debt Service**

*General Obligation Bonds Series A, 2019*

In 2019, GovGuam issued \$27,610,000 in General Obligation Bonds, 2019 Series A, for the purpose of providing proceeds to fund the construction of a new cell for the Layon landfill (the Series 2019 Project), and which are backed solely by the full faith and credit of GovGuam. The net proceeds of \$31,637,747 (including an issue premium of \$4,027,747) together with a \$375,000 contribution from the Solid Waste Operations Fund less cost of issuance of \$1,007,755 were deposited to the Construction Account. Total principal and interest remaining on the General Obligation Bonds, 2019 Series A, 2016 bonds is \$29,965,625 payable through November 2031.

The Issuance Certificate, dated July 1, 2019, sets forth the establishment of accounts, the periodic deposits into these accounts, and certain other covenants to ensure payment of debt service. The following funds and accounts are established under the Certificate dated July 1, 2019:

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Notes to Financial Statements, continued

**4. Debt Service, continued**

*General Obligation Bonds Series A, 2019, continued*

*Construction Account* - Moneys on deposit in the Construction Account will be disbursed by the Depository for the payment of the project costs associated with the Series 2019 Project.

*Bond Fund* - the Trustee shall apply moneys on deposit in this Fund solely for the purposes of (1) paying interest on the Bonds as it shall become due and payable, (2) paying the principal of the Serial Bonds when due and payable and (3) purchasing, redeeming or paying at maturity the Term Bonds as provided in the Certificate.

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

The Section 30 Series A, 2016 bonds are backed by the full faith and credit of GovGuam, payable solely from and collateralized by a pledge of Section 30 revenues collected by the GovGuam General Fund. These bonds were issued for the purpose of refunding 2009 Section 30 LOB bonds; refinancing all of the outstanding 2013 Series B Certificates of Participation (Okkodo High School Expansion Project); and to provide additional proceeds to fund certain working capital costs of the Guam Memorial Hospital Authority (the 2016 Hospital Working Capital Project). Total principal and interest remaining on the Section 30 Series A, 2016 bonds is \$311,565,750 payable through December 2046. For the year ended September 30, 2022, principal and interest paid and total Section 30 revenues were \$19,132,896 and \$20,981,875, respectively.

The Amended and Restated Indenture, dated August 1, 2016, as updated by supplemental indentures, sets forth the establishment of accounts, the application of revenues and of periodic deposits into these accounts, and certain other covenants to ensure payment of debt service. The following revenue covenant together with funds and accounts are established under the Amended and Restated Indenture dated August 1, 2016:

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Notes to Financial Statements, continued

**4. Debt Service, continued**

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

*Revenue Covenant* - GovGuam has covenanted that it will not issue or incur any obligations having a claim on the Section 30 Revenues prior to the claim of the Section 30 Series A, 2016 bonds and any bonds on a parity therewith. GovGuam has also covenanted that it shall deposit or cause to be deposited all Section 30 Revenues upon receipt into the Section 30 Revenue Fund which the Trustee shall maintain and hold in trust.

*Escrow Fund* - Moneys on deposit in the Escrow Fund to be disbursed to pay the principal of and interest on the refunded 2009 Section 30 LOB bonds and 2013 Series B certificates of participation.

*Project Account* - Moneys on deposit in the Project Account will be disbursed by the Depository for the payment of 2016 Hospital Working Capital Project Costs.

*Costs of Issuance Account* - Moneys on deposit in the Costs of Issuance Account have been disbursed by the Depository for the payment of the costs associated with the issuance of the Bonds.

*Section 30 Revenue Fund* - the Amended and Restated Indenture created the Section 30 Revenue Fund into which GovGuam shall deposit all Section 30 revenues, upon receipt, and which the Trustee, as Depository, will maintain and hold pursuant to the Amended and Restated Indenture. Accordingly, the Trustee created the Bond Reserve Fund and the Debt Service Fund within the Section 30 Revenue Fund.

*Bond Reserve Fund* - The Trustee is required to hold and maintain within the Bond Reserve Fund an amount equal to the Bond Reserve Fund Requirement. The Bond Reserve Fund Requirement means, as of any date of calculation and with respect to any Bonds, monies in the aggregate amount within each Bond Year at least sufficient to pay and provide for the sum of: (1) an aggregate amount equal to at least 125% of aggregate annual debt service for such Bond Year; (2) an aggregate amount equal to the amounts required to be deposited in the Rebate Fund during such Bond Year required by the Amended and Restated Indenture, plus the amount of Bond Expenses estimated by the Trustee to be payable during such Bond Year; and (3) such amounts as may be required pursuant to the Amended and Restated Indenture (and any supplemental indenture for the issuance of additional Bonds) to increase or restore the Bond Reserve Fund to the Bond Reserve Fund Requirement. As of September 30, 2022, the GovGuam General Fund maintains \$16,317,823 in this fund in accordance with the Bond Reserve Fund Requirement.

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Notes to Financial Statements, continued

**4. Debt Service, continued**

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

*Debt Service Fund* - the Trustee is required to hold and maintain within the Debt Service Fund an amount equal to the sum of: (1) the interest then due or to become due on all outstanding bonds during the period ending on November 30 of the next succeeding fiscal year; and (2) the principal (including any Mandatory Sinking Account Payments) then due or to become due on all outstanding bonds during the period ending on November 30 of the next succeeding fiscal year.

**5. Commitments and Contingencies**

**Land Condemnation**

In 2012, a Court Order was issued for the payment of approximately \$25,115,683 for the condemnation of land that encompasses the Layon landfill. A payment of \$3,410,000 was deposited to the District Court of Guam and distributed to the landowners, with the remaining balance of \$21,705,683 plus interest at 6% per annum calculated from January 24, 2008 to be made. GovGuam negotiated long-term tax credit certificates with certain landowners.

**Receiver Appointment**

In 2004, GovGuam and the U.S. Environmental Protection Agency filed a Consent Decree in the United States District Court of Guam. The consent decree included deadlines for the opening of a new landfill and implementing an Ordot Dump closure plan. Within a period of forty-five months, GovGuam was required to complete an environmental impact statement analyzing at least three potential new landfill locations; complete design, permitting, and construction for the selected landfill location; begin operations at the new landfill; and properly and permanently close the Ordot Dump. In the event that GovGuam failed to meet any of the stipulated deadlines under the consent decree, GovGuam would be liable for civil penalties.

In 2008, the District Court issued a Court Order that placed the Solid Waste Division of the Department of Public Works (DPW) in Guam in Receivership. After receiving and reviewing qualifications information on firms presented by GovGuam and the U.S. Environmental Protection Agency, and conducting interviews and reference checks, the District Court Judge selected and appointed a receiver. The Receiver was given full power and authority to enforce the terms of the Consent Decree, including closure of the Ordot Dump and opening of a new landfill, and assume all of the responsibilities for the operations of DPW's Solid Waste Division.

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Notes to Financial Statements, continued

**5. Commitments and Contingencies, continued**

**Receiver Appointment, continued**

In 2009, the District Court issued a Court Order associated with the DPW Solid Waste Division Receivership requiring GovGuam to provide for costs of the new landfill. GovGuam subsequently issued \$202,425,000 in Limited Obligation Revenue Bonds for the purpose of financing facilities of the Solid Waste Management System of Guam. On August 31, 2011, the Ordot Dump was finally closed and the Layon landfill opened on September 1, 2011.

For the year ended September 30, 2022, recorded receiver related expenditures were \$347,996 with accumulated receiver related expenditures since the appointment of the Receiver on March 17, 2008 through September 30, 2022 amounted to \$22,668,051. Of this amount, \$3,848,700 was funded by the General Fund and the remaining was funded from GSWA operations. The District Court maintains a separate trust account from which Receiver fees are paid. Accordingly, timing differences occur between GovGuam records and the fees actually paid and payable to the Receiver by the District Court.

**Litigation**

GSWA is party to certain legal proceedings. The Office of the Attorney General is of the opinion that the probable outcome of suits existing as of September 30, 2022 is unknown and not predictable. No provision for any liability has been made in the accompanying financial statements because management believes that no unfavorable outcome is likely to occur.

**Ordot Dump Financing Plan**

In 2016, the District Court ordered the financial plan submitted by the Receiver for the post closure care of the Ordot Dump be adopted. In accordance with the requirements of the order, GovGuam through the Solid Waste Operations Fund is required to make deposits to the Ordot Post Closure Reserve Account of \$2,000,000 per annum through August 2026.

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

<u>Year Ending September 30,</u>	
2023	\$2,000,000
2024	2,000,000
2025	2,000,000
2026	<u>1,833,333</u>
	<u>\$7,833,333</u>

Government of Guam  
Solid Waste Operations Fund, Capital Projects Fund,  
and Debt Service Fund  
*(Governmental Funds of the Government of Guam)*

Notes to Financial Statements, continued

**6. Major Customers**

During the year ended September 30, 2022, one commercial customer, Mr. Rubbishman, accounted for approximately 33% of total tipping fees revenues.



Government Of Guam  
Solid Waste Operations Fund, Capital Projects Fund,  
And Debt Service Fund  
(Governmental Funds of the Government of Guam)

Comparative Balance Sheets

September 30, 2022 and 2021

	<u>Solid Waste Operation Fund</u>		<u>Capital projects Fund</u>		<u>Debt Service Fund</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
<b>Assets</b>						
Cash and cash equivalent	\$ 6,002,579	\$ 4,947,806	\$ ---	\$ ---	\$ ---	\$ ---
Receivables, net:						
Tipping fees	3,146,002	2,889,404	---	---	---	---
Restricted assets:						
Cash and cash equivalents	4,737,594	5,056,015	---	---	---	---
Investments	<u>---</u>	<u>---</u>	<u>268,154</u>	<u>3,755,128</u>	<u>23,505,742</u>	<u>23,451,803</u>
Total assets	<u>\$13,886,175</u>	<u>\$12,893,225</u>	<u>\$268,514</u>	<u>\$3,755,128</u>	<u>\$23,505,742</u>	<u>\$23,451,803</u>
<b>Liabilities</b>						
Accounts payable	1,327,126	\$ 248,656	\$ ---	\$ ---	\$ ---	\$ ---
Contracts payable	---	650,711	---	1,217,920	---	---
Receiver tees payable	---	69,849	---	---	---	---
Retention payable	110,495	115,114	---	1,419,461	---	---
Premium benefits payable	---	91,215	---	---	---	---
Accrued payroll and other	49,661	37,746	---	---	---	---
Due to general fund	<u>2,270,225</u>	<u>1,692,448</u>	<u>15,128</u>	<u>15,128</u>	<u>13,865</u>	<u>13,495</u>
Total liabilities	<u>3,757,507</u>	<u>2,905,739</u>	<u>15,128</u>	<u>2,652,509</u>	<u>13,865</u>	<u>13,495</u>
<b>Fund balances</b>						
Restricted for:						
Capital projects	---	---	253,386	1,102,619	---	---
Debt service	---	---	---	---	23,491,877	23,438,308
Postclosure costs	3,617,810	4,150,133	---	---	---	---
Committed for:						
Solid waste operations	<u>6,510,858</u>	<u>5,837,353</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total fund balances	<u>10,128,668</u>	<u>9,987,486</u>	<u>253,386</u>	<u>1,102,619</u>	<u>23,491,877</u>	<u>23,438,308</u>
Total liabilities and fund balances	<u>\$13,886,175</u>	<u>\$12,893,225</u>	<u>\$268,514</u>	<u>\$3,755,128</u>	<u>\$23,505,742</u>	<u>\$23,451,803</u>

**Government Of Guam**  
**Solid Waste Operations Fund, Capital Projects Fund,**  
**And Debt Service Fund**  
*(Governmental Funds of the Government of Guam)*

Comparative Statements of Revenues, Expenditures by Function, and Changes in Fund Balances

Years ended September 30, 2022 and 2021

	<u>Solid Waste Operation Fund</u>		<u>Capital projects Fund</u>		<u>Debt Service Fund</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
<b>Revenues:</b>						
Tipping fees	\$18,461,690	\$18,193,903	\$ ---	\$ ---	\$ ---	\$ ---
Host community premium surcharge fees	323,690	325,188	---	---	---	---
Use of money and property	<u>1,586</u>	<u>3,104</u>	<u>961</u>	<u>1,119</u>	<u>8,048</u>	<u>836</u>
Total revenues	<u>18,786,966</u>	<u>18,522,195</u>	<u>961</u>	<u>1,119</u>	<u>8,048</u>	<u>836</u>
<b>Expenditures:</b>						
Current:						
Environmental protection	\$16,128,142	\$16,224,261	\$ ---	\$ ---	\$ ---	\$ ---
Capital projects	---	9,211	---	11,021,523	---	---
Debt Service:						
Principal retirement	---	---	---	---	12,690,000	12,060,000
Interest and fiscal charges	---	---	---	---	11,298,250	11,919,500
Host community premium benefits	<u>323,690</u>	<u>325,189</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total expenditures	<u>16,451,832</u>	<u>16,558,661</u>	<u>---</u>	<u>11,021,523</u>	<u>23,988,250</u>	<u>23,979,500</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,335,134</u>	<u>1,963,534</u>	<u>961</u>	<u>(11,020,404)</u>	<u>(23,980,202)</u>	<u>(23,978,664)</u>
<b>Other financing sources (uses):</b>						
Transfer in from other funds	850,194	---	---	---	24,033,771	24,024,396
Transfer out to other funds	<u>( 3,044,146)</u>	<u>( 3,042,521)</u>	<u>( 850,194)</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total other financing sources (uses), net	<u>( 2,193,952)</u>	<u>( 3,042,521)</u>	<u>( 850,194)</u>	<u>---</u>	<u>24,033,771</u>	<u>24,024,396</u>
Net change in fund balances	141,182	( 1,078,987)	( 849,233)	(11,020,404)	53,569	45,732
Fund balances at the beginning of the year	<u>9,987,486</u>	<u>11,066,473</u>	<u>1,102,619</u>	<u>12,123,023</u>	<u>23,438,308</u>	<u>23,392,576</u>
Fund balances at the end of the year	<u>\$10,128,668</u>	<u>\$ 9,987,486</u>	<u>\$ 253,386</u>	<u>\$ 1,102,619</u>	<u>\$23,491,877</u>	<u>\$23,438,308</u>

Government Of Guam  
 Solid Waste Operations Fund, Capital Projects Fund,  
 And Debt Service Fund  
 (Governmental Funds of the Government of Guam)

Comparative Statements of Revenues, Expenditures by Object, and Changes in Fund Balances

Years ended September 30, 2022 and 2021

	<u>Solid Waste Operation Fund</u>		<u>Capital projects Fund</u>		<u>Debt Service Fund</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenues:						
Tipping fees	\$18,461,690	\$18,193,903	\$ ---	\$ ---	\$ ---	\$ ---
Host community premium surcharge fees	323,690	325,188	---	---	---	---
Use of money and property	<u>1,586</u>	<u>3,104</u>	<u>961</u>	<u>1,119</u>	<u>8,048</u>	<u>836</u>
Total revenues	<u>18,786,966</u>	<u>18,522,195</u>	<u>961</u>	<u>1,119</u>	<u>8,048</u>	<u>836</u>
Expenditures:						
Salaries and wages - regular	1,601,058	1,633,836	---	---	---	---
Salaries and wages - overtime	185,865	88,275	---	---	---	---
Fringe benefits	666,445	644,581	---	---	---	---
Travel	11,421	3,536	---	---	---	---
Contractual services	12,316,820	13,160,692	---	11,021,523	---	---
Supplies	494,644	301,303	---	---	---	---
Equipment	25,963	628	---	---	---	---
Utilities – power and water	122,462	85,234	---	---	---	---
Communications	53,079	59,236	---	---	---	---
Capital outlays	188,760	45,980	---	---	---	---
Principal retirement	---	---	---	---	12,690,000	12,060,000
Interest and fiscal charges	---	---	---	---	11,298,250	11,919,500
Host community premium benefits	323,690	325,189	---	---	---	---
Miscellaneous	<u>461,625</u>	<u>210,171</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total expenditures	<u>16,451,832</u>	<u>16,558,661</u>	<u>---</u>	<u>11,021,523</u>	<u>23,988,250</u>	<u>23,979,500</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,335,134</u>	<u>1,963,534</u>	<u>( 850,194)</u>	<u>(11,020,404)</u>	<u>(23,980,202)</u>	<u>( 2,996,789)</u>
Other financing sources (uses):						
Transfer in from other funds	850,194	---	---	---	24,033,771	24,024,396
Transfer out to other funds	<u>( 3,044,146)</u>	<u>( 3,042,521)</u>	<u>( 850,194)</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total other financing sources (uses), net	<u>( 2,193,952)</u>	<u>( 3,042,521)</u>	<u>( 850,194)</u>	<u>---</u>	<u>24,033,771</u>	<u>24,024,396</u>
Net change in fund balances	141,182	( 1,078,987)	( 849,233)	(11,020,404)	53,569	45,732
Fund balances at the beginning of the year	<u>9,987,486</u>	<u>11,066,673</u>	<u>1,102,619</u>	<u>12,123,023</u>	<u>23,438,308</u>	<u>23,392,576</u>
Fund balances at the end of the year	<u>\$10,128,668</u>	<u>\$ 9,987,486</u>	<u>\$ 253,386</u>	<u>\$ 1,102,619</u>	<u>\$23,491,877</u>	<u>\$23,438,308</u>

Government Of Guam  
Solid Waste Operations Fund, Capital Projects Fund,  
And Debt Service Fund  
*(Governmental Funds of the Government of Guam)*

Comparative Schedule of Receivables, Revenues and Collections

Years ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Receivables:		
Commercial haulers	\$ 1,936,299	\$ 1,756,710
Residential	1,408,033	1,366,524
Government	40,635	85,825
Other commercial	<u>33,540</u>	<u>68,894</u>
	3,418,507	3,277,953
Allowance for uncollectible accounts	<u>( 272,475)</u>	<u>( 388,549)</u>
	<u>\$ 3,146,032</u>	<u>\$ 2,889,404</u>
Revenues:		
Commercial haulers	\$ 9,334,416	\$ 8,870,366
Residential	8,065,405	7,537,720
Government	741,739	1,467,954
Transfer stations	415,919	447,656
Other commercial	182,611	109,392
Other	<u>45,290</u>	<u>86,003</u>
Total revenues	<u>\$18,785,380</u>	<u>\$18,519,091</u>
Collections:		
Commercial haulers	\$ 9,267,851	\$ 8,481,214
Residential	7,865,684	7,754,352
Government	741,739	1,587,491
Transfer stations	415,919	447,656
Other commercial	182,611	99,270
Other	<u>45,290</u>	<u>86,003</u>
Total collections	<u>\$18,519,094</u>	<u>\$18,455,986</u>

Government Of Guam  
Solid Waste Operations Fund, Capital Projects Fund,  
And Debt Service Fund  
*(Governmental Funds of the Government of Guam)*

Combining Balance Sheet

Solid Waste Operations Fund

September 30, 2022

	<u>Operations</u>	<u>Ordot Post Closure</u>	<u>Total</u>
<b>Assets</b>			
Cash and equivalents	\$6,002,579	\$ ---	\$ 6,002,579
Receivables, net:			
Tipping fees	3,146,002	---	3,146,002
Restricted assets:			
Cash and cash equivalents	<u>---</u>	<u>4,737,594</u>	<u>4,737,594</u>
Total assets	<u>\$9,148,581</u>	<u>\$4,737,594</u>	<u>\$13,886,175</u>
<b>Liabilities and fund and balances</b>			
Liabilities:			
Accounts payable	\$ ---	\$ 422,454	\$ 422,454
Contracts payable	---	687,450	687,450
Receiver fees payable	132,663	---	132,663
Retention payable	100,617	9,878	110,495
Host community premium benefits payable	84,559	---	84,559
Accrued payroll and other	49,661	---	49,661
Due to general fund	<u>2,270,225</u>	<u>---</u>	<u>2,270,225</u>
Total liabilities	<u>2,637,725</u>	<u>1,119,782</u>	<u>3,757,507</u>
Fund balances:			
Restricted for:			
Post closure costs	---	3,617,810	3,617,810
Committed for:			
Solid waste operations	<u>6,510,858</u>	<u>---</u>	<u>6,510,858</u>
Total fund balances	<u>6,510,858</u>	<u>3,617,810</u>	<u>10,128,668</u>
Total liabilities and fund balances	<u>\$9,158,583</u>	<u>\$4,737,592</u>	<u>\$13,886,175</u>

Government Of Guam  
 Solid Waste Operations Fund, Capital Projects Fund,  
 And Debt Service Fund  
*(Governmental Funds of the Government of Guam)*

Combining Statements of Revenues, Expenditures by Function, and Changes in Fund Balances

Solid Waste Operations Fund

Year ended September 30, 2022

	<u>Operations</u>	<u>Ordot Post Closure</u>	<u>Sub-Total</u>	<u>Elimination</u>	<u>Total</u>
Revenues:					
Tipping revenues	\$18,461,690	\$ ---	\$18,785,380	\$ ---	\$18,785,380
Host community premium surcharge fees	323,690	---	---	---	---
Use of money and property	<u>855</u>	<u>731</u>	<u>1,586</u>	<u>---</u>	<u>1,586</u>
Total revenues	<u>\$18,786,235</u>	<u>731</u>	<u>\$18,786,966</u>	<u>---</u>	<u>18,786,966</u>
Expenditures:					
Current:					
Environmental protection	13,595,086	2,533,056	16,128,142	---	15,860,102
Capital projects	---	---	---	---	347,996
Host community premium benefits	<u>323,690</u>	<u>---</u>	<u>323,690</u>	<u>---</u>	<u>323,690</u>
Total expenditures	<u>13,918,776</u>	<u>2,533,056</u>	<u>16,451,832</u>	<u>---</u>	<u>16,531,788</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,867,459</u>	<u>(2,532,325)</u>	<u>2,335,134</u>	<u>---</u>	<u>2,335,134</u>
Other financing sources (uses):					
Transfer in from other funds	850,194	2,000,004	2,850,194	(2,000,004)	850,194
Transfer out to other funds	<u>( 5,044,150)</u>	<u>---</u>	<u>( 5,044,150)</u>	<u>2,000,004</u>	<u>( 3,044,146)</u>
Total other financing sources (uses), net	<u>( 4,193,956)</u>	<u>2,000,004</u>	<u>( 193,948)</u>	<u>---</u>	<u>( 2,193,951)</u>
Net change in fund balances	<u>( 673,503)</u>	<u>( 532,321)</u>	<u>( 2,061,230)</u>	<u>---</u>	<u>141,182</u>
Fund balances at the beginning of the year	<u>5,837,353</u>	<u>4,150,133</u>	<u>9,987,486</u>	<u>---</u>	<u>9,987,486</u>
Fund balances at the end of the year	<u>\$ 6,510,856</u>	<u>\$ 3,617,812</u>	<u>\$10,128,668</u>	<u>\$ ---</u>	<u>\$10,128,668</u>

Government Of Guam  
Solid Waste Operations Fund, Capital Projects Fund,  
And Debt Service Fund  
*(Governmental Funds of the Government of Guam)*

Comparative Schedule of Employees and Other Data

Years ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Full time employees:		
Employee Count:		
Administrative Support	12	13
Residential collection	21	21
Convenience center/transfer stations	<u>3</u>	<u>3</u>
Total employee count	<u>36</u>	<u>37</u>
Personnel costs:		
Salaries and wages – regular	\$1,601,058	\$1,633,836
Salaries and wages – overtime	185,865	88,275
Fringe benefits	<u>666,445</u>	<u>644,581</u>
Total personnel costs	<u>\$2,453,368</u>	<u>\$2,366,692</u>
Contract services:		
Employee count:		
Administrative support	5	2
Sanitation workers	<u>36</u>	<u>30</u>
Total employee count	<u>41</u>	<u>32</u>
Total personnel costs	<u>\$1,442,895</u>	<u>\$1,175,096</u>

Government Of Guam  
Solid Waste Operations Fund, Capital Projects Fund,  
And Debt Service Fund

*(Governmental Funds of the Government of Guam)*

General Obligation Bonds Series A, 2019 and  
Limited Obligation (Section 30) Bonds Series A, 2016

Years ended September 30, 2022

*General Obligation Bonds Series A, 2019*

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

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,865,000	\$1,132,625	\$ 2,997,625
2024	1,960,000	1,037,000	2,997,000
2025	2,060,000	936,500	2,996,500
2026	2,165,000	830,875	2,995,875
2027 – 2031	12,610,000	2,370,500	14,980,500
2032	<u>2,925,000</u>	<u>73,125</u>	<u>2,998,125</u>
	<u>\$23,585,000</u>	<u>\$6,380,625</u>	<u>\$29,965,625</u>

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

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

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 11,475,000	\$ 9,514,875	\$ 20,989,875
2024	10,140,000	8,974,500	19,114,500
2025	9,280,000	8,489,000	17,769,000
2026	9,755,000	8,013,125	17,768,125
2027 – 2031	57,555,000	31,972,125	89,527,125
2032-2036	59,380,000	16,047,250	75,427,250
2037-2041	14,895,000	7,825,125	22,720,125
2042-2046	19,120,000	3,594,250	22,714,250
2047	<u>4,435,000</u>	<u>110,875</u>	<u>4,545,875</u>
	<u>\$196,035,000</u>	<u>\$94,541,125</u>	<u>\$290,576,125</u>





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## Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Honorable Lou Leon Guerrero  
Governor of Guam

We have audited, 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, the financial statements of the Guam Solid Waste Operations Fund, Capital Projects Fund, and Debt Service Fund (the Funds), which comprise the balance sheet as of September 30, 2022, and the related statement of revenues, expenditures and changes in fund balances for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 4, 2023.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Funds' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control. Accordingly, we do not express an opinion on the effectiveness of the Funds' internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Government Of Guam  
Solid Waste Operations Fund, Capital Projects Fund,  
And Debt Service Fund  
(*Governmental Funds Of The Government Of Guam*)

General Obligation Bonds Series A, 2019 and  
Limited Obligation (Section 30) Bonds Series A, 2016

Years ended September 30, 2022

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Funds' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Ernst + Young LLP*

April 4, 2023