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**Judith T. Won Pat, Ed.D.**

CHAIR, COMMITTEE ON EDUCATION, PUBLIC LIBRARY & WOMEN'S AFFAIRS

*Ufisinan I Etmäs Ge'hele'Gi Libeslaturan Guåhan*  
**32<sup>ND</sup> Guam Legislature**  
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**COMMISSIONER**  
GUAM COMMISSION ON  
DECOLONIZATION  
  
GUAM FIRST  
COMMISSION

October 09, 2014

To: Members of the 32<sup>nd</sup> Guam Legislature

Re: Copy of Civil Case No. 02-00022 Status Hearing Quarterly Report of the Receiver

Buenas yan Hafa Adai:

Attached is a copy of the Status Hearing Quarterly Report of the Receiver presented by Gresham, Brickner & Bratton, Inc. and presented to U.S District Court of Guam Chief Judge Frances Tydingco-Gatewood. This Report was obtained during a status hearing on October 9, 2014 by the Clerk of the U.S District Court.

Please transmit to messages and communications.

2014 OCT -9 PM 2:18  
*[Handwritten Signature]*

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FESTIVAL OF THE  
PACIFIC ARTS  
(FESTPAC)

Senseramente,

Judith T. Won Pat, Ed.D

UNITED STATES OF AMERICA, )

Plaintiff, )

v. )

GOVERNMENT OF GUAM, )

Defendant. )

CIVIL CASE NO. 02-00022

RE: STATUS HEARING

QUARTERLY REPORT OF THE RECEIVER

October 9, 2014



Presented to  
 Chief Judge Frances Tydingco-Gatewood  
 U. S. District Court of Guam



Presented by  
**Gershman, Brickner & Bratton, Inc.**

32-14-2101  
 Office of the Speaker  
 Judith T. Won Pat, Ed.D.



SOLID WASTE  
 MANAGEMENT  
 CONSULTANTS  
 RECEIVER

Date: 10.9.14

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# Quarterly Report of the Receiver

Civil Case No. 02-00022  
United States of America v. Government of Guam  
Guam Solid Waste Authority

Prepared for:



U.S. District Court of Guam

Submitted by:



Gershman, Brickner & Bratton, Inc.  
8550 Arlington Blvd, Suite 304  
Fairfax, Virginia 22031

October 9, 2014

Printed on recycled paper

**Quarterly Report of the Receiver  
October 9, 2014**

**Civil Case No. 02-00022  
United States of America v Government of Guam**

**Guam Solid Waste Authority**

Pursuant to the Order of the District Court of Guam (Court), dated March 17, 2008, appointing Gershman, Brickner & Bratton, Inc. (GBB) as Receiver for the Solid Waste Management Division (SWMD) of the Department of Public Works (DPW) of the Government of Guam (now the Guam Solid Waste Authority [GWSA]), we are pleased to submit to the Court this Quarterly Report ("Report"). The purpose of this Report is to describe to the Court the progress made toward compliance with the Consent Decree for the quarter April 1, 2014, to June 30, 2014, and to outline the Receiver's recommendations for achieving compliance with the Consent Decree. As an integral part of this Report, the Receiver is also submitting the attached presentation entitled "Quarterly Report for Receivership for the Government of Guam, Guam Solid Waste Authority" (see Tab 2).

## **Introduction**

During the three months covered in this Report, the work to achieve compliance with the Consent Decree has continued. The Receiver has made construction progress and continued construction management oversight for the Ordot Dump Closure and Dero Road sewer improvement throughout the reporting period to ensure that the Ordot Dump is no longer a source of future pollution. We also continued to oversee operations at the state-of-the-art, environmentally safe Layon Landfill, constructed pursuant to the Consent Decree, and we continued to operate solid waste and recycling programs and services for GWSA's customers, ensuring they are served in a timely and cost-effective manner.

More specifically, during the reporting period, we made major progress in the environmental closure of the Ordot Dump, covering one half of the dump surface area, relocating waste, stabilizing and covering slopes, and installing leachate and stormwater management systems. By the end of the quarter, construction of the leachate storage tanks was completed, acres of waste were covered permanently with the cover system, gas control systems were installed, and the western channel relocation was completed. In addition, we continued environmental monitoring activities, including Layon groundwater and gas monitoring, leachate and marine water monitoring, and gas monitoring at the Ordot Dump. Construction of the new Harmon Residential Transfer Station and Household Hazardous Waste Facility, co-located in Harmon at the GWSA compound, is now substantially complete, and we submitted permit renewal applications for the five-year operating and air permits for the Layon Landfill.

Also during the reporting period, GWSA staff performed 218,092 residential trash collections, of which 99.6 percent were on time. The GWSA also oversaw operations at the three residential transfer stations

and staffed both scale houses at the Hauler-only (commercial) Transfer Station and the Layon Landfill. GSWA customer service staff responded to customer requests and account issues, and sent courtesy notices to customers behind in their payments. In the Island-wide Curbside Recycling Program, we collected 445.18 tons of material for recycling during the reporting period. Contamination of the recyclable material has continued to decline significantly, from 40 percent in October 2013, when the program began, to 11 percent during the reporting period. The Bulky Item Collection Program, launched in September 2011, continues to be well received; during the reporting period, GSWA staff collected 997 items in response to 327 appointments. The GSWA Board of Directors held three meetings during the reporting period.

During the reporting period, procurement activities primarily related to the procurement for legal services for the Receiver and GSWA while in Receivership, pursuant to the Order of the District Court. In addition, we issued a Request for Proposal to provide legal services to the GSWA Board as it prepares for the eventual assumption of responsibility when the Receivership ends. Work on the procurement for an operator of the Household Hazardous Waste facility also continued with the selection in May of Unlimited Services Group and South Pacific Environmental, followed by ongoing contract negotiation and work to obtain facility permits. In the financial area, GSWA operating results for the three-month reporting period were strong, with revenue 4.9 percent above budget and expenses 9.1 percent under budget. GSWA's cash position increased during the reporting period, and a full audit of GSWA determined that the fund balance from GSWA operations was \$13.9 million, an increase of \$2.7 million over the fund balance a year earlier. Thanks to the hard work of GSWA staff, the delinquency rate among residential customers declined from the last reporting period, from 2.9 percent to 1.5 percent, and the number of customers taking advantage of the GSWA's online billing and payment options continues to grow. Throughout the reporting period, we have monitored the Department of Public Works' (DPW) bridge and roadway repairs and replacements and collected data on the tonnage of waste disposed, which continued the negative trend reported in the previous Report; however, the 1.7 percent decline during this reporting period was less than the 3.3 percent drop during the earlier reporting period.

In this Report, we present the following updates for April 1, 2014, to June 30, 2014:

1. **Ordot Dump Closure**
2. **Layon Landfill and Consent Decree Projects**
3. **Operations of the Guam Solid Waste Authority**
4. **Contract Management and Procurement**
5. **Financial Issues and Capital Funding**
6. **Next Steps**

## 1. Ordot Dump Closure (April 2014 – June 2014)

Phase I construction activities that continued throughout the reporting period included the following:

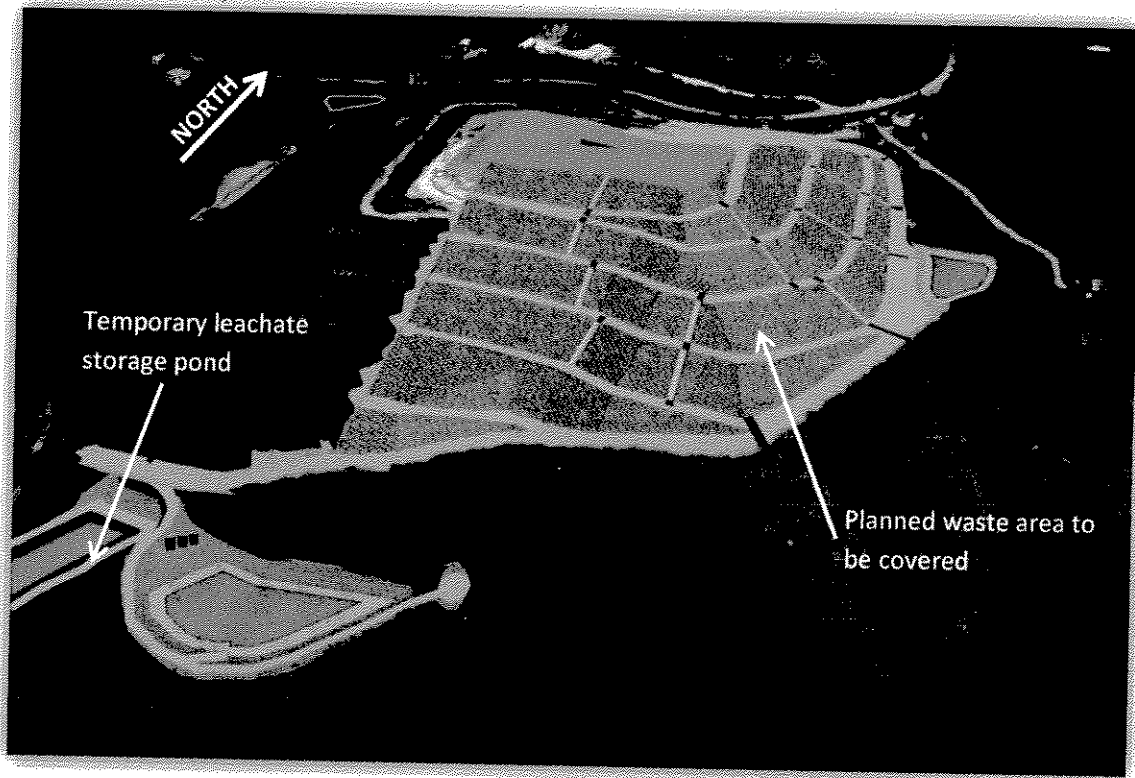
- Continued material submittal review, procurement and logistics
- Commenced with Dero Road sewer line construction using two construction crews
- Continued weekly construction progress meetings
- Continued relocation and consolidation of waste
- Completed western channel relocation
- Commenced installation of all geomembrane layers of the cover system
- Commenced placement of geocell and coralline limestone ballast cover
- Commenced the installation of the perimeter leachate collection system
- Continued construction of stormwater management
- Completed temporary leachate storage pond and permanent leachate storage tanks

Work during the reporting period also included monitoring and proper disposal of unexploded ordnance (UXO) found on the construction site, environmental monitoring, and safety monitoring of the site and village roadways. The following sections describe the construction progress and coordination accomplished during the reporting period.

### **Closure Construction – Ordot Dump and Dero Road Sewer Improvements**

**Closure Construction** – The ongoing construction tasks, which were initiated in the last reporting period and are required to be completed in the Phase I work, involve the placement of the cover materials over approximately one-half of the waste pile as well as beginning to collect leachate and control landfill gas. These tasks of Phase I, shown in Figure 1, are significant and challenging.

Figure 1. Phase 1 - Ordot Dump Site



A review of tasks in Phase I includes:

- Waste relocation and consolidation
- Stormwater management pond construction
- Stormwater management pipe conveyance systems
- Temporary leachate storage pond construction
- Scattered waste consolidation
- Perimeter leachate collection system
- Western channel relocation
- Leachate storage tank construction
- Dero Road sewer construction
- Placement of cover foundation layer – coral (east half)
- Construction of gas collection wells (east half)

For the quarter ending June 30, the following Phase I tasks are now complete:

- Temporary leachate storage pond construction
- Scattered waste consolidation
- Western channel relocation



- Leachate storage tank construction
- Construction of gas collection wells

As we described in our last report, leachate will be collected in the temporary leachate storage pond once the perimeter leachate collection trench is completed. This temporary pond is constructed in the future Pond 2 stormwater pond, with a geomembrane liner for groundwater protection and a floating cover to exclude stormwater from mixing with the leachate collected in the pond. The temporary storage pond will be used until no longer needed when the sewer system is completed and operational.

Work on both the Dero Road sewer system and the Phase I cover was accelerated in this quarter to take advantage of the remaining dry season through June. The contractor, Black Construction Corporation (BCC), brought in a second construction crew to work on the Dero Road sewer system and made several construction sequence changes on the cover system installation to aid construction during the upcoming rainy season.

Additionally, BCC initiated construction of Phase II earthworks and some waste relocation and consolidation to 'catch up' to the schedule in this quarter. During the next two quarters, BCC also plans to continue the installation of the geosynthetics cover system to make up time in Phase I and II tasks.

The unpredictable weather, always a challenge for construction on Guam, has not cooperated. Through July, two tropical storms passed through Guam, creating more inclement weather days than were included in the construction contract. BCC's obligation to take reasonable precautions to protect its active work areas from adverse weather conditions and worker safety considerations will be carefully considered as we determine the additional days that must be allowed under the contract.

Finally, an important aspect of the Phase I work, described in the last Quarterly Report, is to prepare for the Phase II work on the west half of the dump site. This work to recreate a natural drainage within an existing wetland as well as re-vegetate to restore the wetland areas in and around the channel is extremely detailed and exacting. The ACOE 404 Permit allows for the permanent relocation of 450 feet of an intermittent drainage channel. BCC completed channel relocation construction in this reporting period, and stormwater has now been allowed to flow along this new alignment to settle in the rock features and allow for an evaluation to occur during the rainy season. Adjustments to the channel will be made next year during the dry season.

We reported in the last quarter that the contractor was approximately 50 days behind schedule. This was addressed by Change Order Number 3<sup>1</sup>. While efforts have been underway to accelerate many construction activities, inclement weather hampered these efforts. The contractor is approximately 80

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<sup>1</sup> This change was approved in July, adding 50 days to Phase I of the work and reducing the time for Phase II of the work by 50 days. It should be noted that this change did not include any adjustment to the schedule for inclement weather, which will be evaluated separately.

days behind schedule in Phase I (as of September 1). We continue to work with the contractor to address these challenges to the construction schedule in a responsible manner. We will keep the Court informed.

***UXO Safety*** – Crews continue to identify and properly remove and dispose of unexploded ordnance (UXO) when performing grading work. Through June, UXO continues to be found along the perimeter of the site on the surface or near subsurface of the existing grade. The UXO found to date is primarily unfired U.S. Navy projectiles. When construction is completed, we will compile a summary UXO report.

***Land Acquisition*** – Land acquisition in connection with the closure of the Ordot Dump continues to be slow due to the Receiver's lack of access to the Office of the Attorney General. The recusal of both the Deputy Attorney General and the Attorney General in this matter resulted in an extended period of time to obtain final approval of the Receiver's contract with private legal counsel. As of the date of this Report, the contract with the Receiver's private counsel has now been approved by the Office of the Attorney General and our counsel is continuing to work with that office to complete the process of substituting for the Attorney General in the Superior Court of Guam action. As soon as this process is completed, we will ask our counsel to move as quickly as possible to complete these land acquisitions. We will keep the Court informed.

***Dero Road Renovation Design*** – This work is presently on hold pending funding by the Government of Guam. This matter will be further addressed later in this report when we address capital funding issues.

## **2. Layon Landfill and Consent Decree Projects (April 2014 – June 2014)**

### **Access Road (Chalan Layon)**

A remaining task with regard to historic preservation is the interment of the archaeological finds in the crypt along the roadway. This will be done with the guidance and approval of Guam's Historic Preservation Office. We are coordinating with this agency to close out this remaining aspect of the work.

### **Construction Management**

During the reporting period, the construction management (CM) consultant, GHD, provided ongoing CM for the Harmon Residential Transfer Station and Household Hazardous Waste Facility. This work will wrap up early in the next quarter. The CM activities consisted of the following:

- Construction inspection and reporting on the Harmon Residential Transfer Station and Household Hazardous Waste Facility
- Support with the documentation and resolution of warranty issues
- Coordination with inspections and clearances as needed

***Other CM Services*** – A number of the Receiver's tasks required additional CM support, which we have tasked GHD to provide. This additional work includes the following:

1. Project management and evaluation of the leachate collection system performance. This work, performed by GHD, with support from Brown and Caldwell, included a detailed investigation of the leachate collection and conveyance system to the Inarajan Wastewater Treatment Plant (WWTP) after one year of operations, with recommended improvements to the system to enhance its performance and reliability. These improvements include new pumps at Pump Station 31, sized for more efficient pumping operation, larger valves to be installed at existing and a few new locations, and surge tanks at two pump stations. An additional improvement is operational coordination between Guam Waterworks Authority (GWA) and the landfill operator to manage flows as well as regular operation and maintenance of control valves.
2. As necessary, GHD provided coordination and documentation of the implementation of recommendations from the system performance report.

This work is anticipated to continue until completed in subsequent quarters.

### **Design Support Services**

***Upgrade of Residential Transfer Stations*** – Guam’s residential transfer stations have never been permitted as required by Guam law. GEPA is requiring that these facilities be permitted as a condition to the permit for the Layon Landfill. Upgrades to these facilities are necessary to meet permitting standards.

At the present time, the 90 percent designs have been prepared. The project is on hold pending availability of funds. This project is not a requirement of the Consent Decree, but was triggered by a condition GEPA placed on the Layon Landfill permit and Guam Law.

### **Environmental Monitoring and Compliance**

During the reporting period, the Receiver continued to advance environmental compliance coordination with the U.S. EPA and GEPA by holding bi-weekly meetings and regularly reporting data and results. These meetings provide coordination for all permitting and regulatory management of design and construction work necessary to fulfill the Consent Decree requirements for monitoring and reporting to the various agencies. We appreciate the continued support provided by EPA and GEPA representatives.

Sound environmental practices and permit conditions require extensive and ongoing monitoring of the GSWA facilities, particularly the Layon Landfill. In this section, we will discuss each area of monitoring and our plans to ensure compliance at the landfill as well as at the transfer stations.

***Layon Landfill Municipal Solid Waste Facility and Title V Air Permits*** – The Layon Landfill Solid Waste Operations Facility and Title V Air permits contain certain conditions. During operations, the landfill operator, under the oversight of the Receiver, provides permit reporting, supported with information from the third-party environmental compliance consultant, who monitors stormwater, groundwater, gas, surface water and leachate characteristics. The Receiver and operator have worked diligently with GEPA and EPA to comply and remain up-to-date with all required permit conditions.

In addition to the ongoing permit compliance responsibilities, both permits will expire in November 2014. These five-year permits were initially issued in tandem in November 2009 for the landfill. They both require renewal applications to be submitted 180 calendar days prior to the expiration date.

The Receiver developed these renewal application packages and submitted them on May 19, 2014, prior to the required due date. The Receiver is now working closely with GEPA to provide any additional or clarifying information to each renewal package.

**Layon Groundwater and Site Monitoring** – The second semi-annual sampling event for Operations Year No. 3 (beginning in September 2013) was performed in mid-May 2014 on schedule. The Receiver delivered the semi-annual report (No. 6) in August.

**Inarajan Wastewater Treatment Plant (WWTP)** – During the reporting period, leachate and marine water sampling continued on a revised frequency in accordance with the work plan. Leachate characteristics are now monitored bi-monthly, and the performance of the Inarajan WWTP is evaluated based on GWA sampling of influent and effluent when available. Marine water monitoring at six sample locations is also being performed on a quarterly basis for all parameters. We will continue sampling for leachate and marine water quality in the future quarters at the current frequency.

**Residential Transfer Station Facility Permit Compliance** – Several physical improvements to the existing transfer stations are required to meet permit compliance requirements for the Layon Landfill and serve the needs of the community. This work is presently on hold for Dededo, Agat and Malojloj pending the availability of funds.

In this reporting period, we have made continued progress toward achieving compliance, as outlined in the following sections. Construction of the Harmon Residential Transfer Station and Household Hazardous Waste Facility is substantially complete as described below.

**Dededo Residential Transfer Station** – As reported previously, the plan to upgrade the Dededo Residential Transfer Station is on hold based on both the funding issue, which will be discussed later in this report, and the contamination of the adjacent area, which had been the area planned to accommodate the expansion required to construct the improvements needed to meet permitting requirements for this facility.

In response to the Receiver's March 19, 2014, Special Report on the environmental investigation of the transfer station, the Government of Guam suggested "partition" of the property to provide a potentially safe alternative to expanding the facility in the direction of the contamination. We were skeptical that such an approach would work and suggested that the Court ask for input from the U.S. EPA. The Court directed EPA to provide input and on August 1, 2014, EPA filed a response concluding that:

- (1) It is not possible to fit the Receiver's planned upgrades, as currently designed, in the proposed northern expansion area if the areas of contamination remain;
- (2) Avoiding the areas of contamination would require a complete redesign; and

(3) The redesign would necessitate an additional site investigation, a risk assessment, the development of response plan, and Guam EPA's approval of the response plan before design work could commence, which would not only increase costs, but also substantially delay the schedule for implementing the Dededo transfer station upgrades.

The United States also requested "that the Court permit the Receiver to explore the feasibility of expanding the Dededo Transfer Station's footprint to the west, and to conduct an environmental assessment of that adjacent property to determine whether it is suitable for the planned expansion."

The Receiver concurs with the United States. However, the Government of Guam has now informed the Court of its decision to permanently close the facility. Assuming this is a final decision, a closure plan will have to be developed, funded and implemented to comply with all applicable laws and rules.

Agat Residential Transfer Station – The Phase II Environmental Investigation report is complete, and we submitted it to both EPA and GEPA for review in August 2014.

Malojloj Residential Transfer Station – Design work is finalized and, pending resolution of the funding issue, we are ready to proceed to construction.

***Household Hazardous Waste Facility and the Harmon Residential Transfer Station*** – The Household Hazardous Waste Facility, which is co-located with the Harmon Residential Transfer Station, will house the Household Hazardous Waste Collection Program. This facility constitutes a significant condition of compliance with the requirements of the Consent Decree. The Consent Decree requires the Government of Guam to create capacity to collect and properly dispose of household hazardous waste on the island.

The Household Hazardous Waste Facility, with the Harmon Residential Transfer Station, received occupancy permits from DPW in June, and on June 27, 2014, the contractor requested a final walk through to review work. The final walk through to confirm that all work necessary for the contractor to be considered substantially complete was completed. The contractor is presently completing final punch list items related to some additional construction tasks needed for completion. GSWA has begun to test use the new truck wash facility, which now captures all wash water used to clean GSWA trucks. The wash water is first treated onsite with an oil/water separator before the wash water is sent for treatment to the Hagatna WWTP. Under the contract, Maeda Pacific Corporation (MPC) finished behind schedule. The contract date for completion was December 8, 2013.

Substantial completion was achieved 201 days after the date required by the contract. The contract requires that Maeda Pacific Corporation pay liquidated damages of \$3,300 for each consecutive day the facility is late. After careful consultation with legal counsel, on September 24, 2014, the Receiver filed a claim for liquidated damages in the amount of \$663,300 against Maeda Pacific Corporation. We have credited \$506,783.39 in payments owed to Maeda Pacific Corporation against this claim; leaving a balance owed of \$156,516.61. Should Maeda decide to contest this claim, the dispute will be resolved pursuant to the mandatory dispute resolution clause included in the contract.

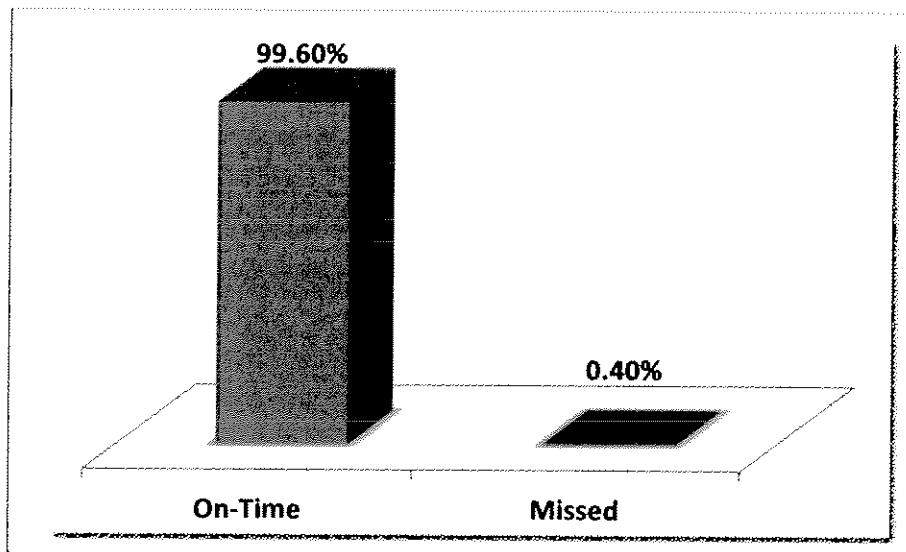
The solid waste operations permit for this facility is under review by GEPA and EPA, and a public comment period has now begun. We will continue to work with these regulatory agencies to complete the permit and open the facility to the public as soon as possible.

### 3. Operations of the Guam Solid Waste Authority (April 2014 – June 2014)

#### Weekly Residential Trash Collection

At the end of June 2014, GSWA's residential customer base was 16,955. Over the current reporting period, GSWA crews performed 218,092 collections, of which 99.60 percent were on time. Figure 2 illustrates the on-time collections during the reporting period.

Figure 2. On-Time Collections, April 1, 2014 – June 30, 2014



GSWA crews collected 4,578.69 tons of trash from their residential customers over the reporting period. Each GSWA customer households generated an average of 42 pounds of trash each week, or six (6) pounds per day, which is the same as the weight generated in the previous six months.

#### Cart Repairs

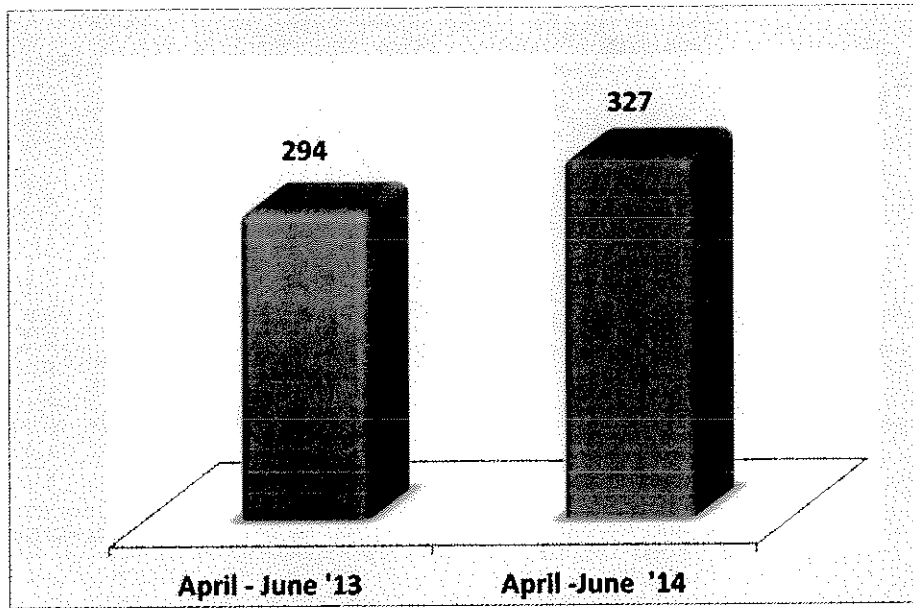
During the reporting period, GSWA had one damaged Toter trash cart in April, six in May, and none in June that required repair or replacement. The carts are holding up well to the work demands and Guam weather.

**Bulky Item Collections**

From April 1, 2014, through June 30, 2014, GSWA collected 997 metallic and bulky items in 327 appointments made by GSWA customers. GSWA customers are allowed up to two free bulky item collections a year. The fee for each subsequent collection during the same year is \$25. Residents who are not customers of GSWA and not a commercial entity may make appointments for bulky item collection for \$25 per collection.

Up to five items can be placed on the curb per customer. Metal objects are taken to a local scrap yard to be recycled, and non-metal items, such as mattresses and sofas, are taken to the Layon Landfill. Figure 3 shows the number of bulky item collections for both this reporting period and for the same months last year. The number of appointments increased by approximately 11 percent.

**Figure 3. Bulky Item Collections**

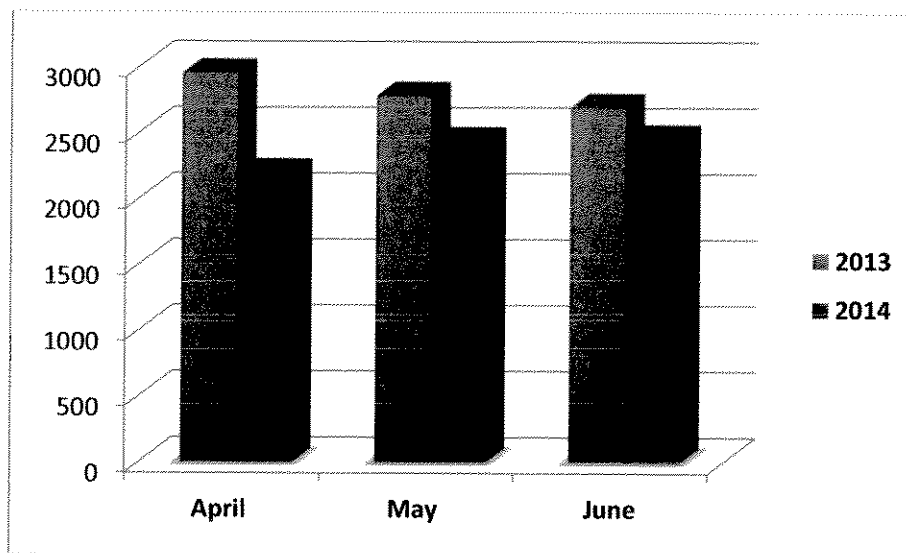


**Residential Transfer Stations**

GSWA's three residential transfer stations are for disposal of residential trash and recycling; commercial organizations are not allowed to take their trash to these facilities. Residents and some Mayors bring cardboard, glass bottles and jars, mixed paper and plastics # 1 (PET) and #2 (HDPE) for recycling, and trash for disposal. Glass bottles and jars are crushed and reused as alternative daily cover at the Layon Landfill. During the reporting period, GSWA customers deposited 10.74 tons of glass bottles to be used as a substitute for coral on the active face of the Layon Landfill. Cardboard recycling totaled 30.3 tons at the three facilities. Plastic, a very light product, amounted to 540 pounds (0.27 ton) collected and recycled.

Between April 1, 2014, and June 30, 2014, GSWA's three residential transfer stations served 7,089 customers, 1,338 fewer than were served by those same facilities during the same months in 2013 – a 16 percent decline. Figure 4 compares the total number of customers for each of these months (April, May and June) for years 2013 and 2014.

**Figure 4. Comparison of Total Transfer Station Customers for April, May and June, 2013 and 2014**



When we compare use of the three facilities during the current reporting period with the same period last year, we see that the number of customers using the facilities in Malojloj and Agat has generally increased, while the number using the Dededo Residential Transfer Station has declined. We are not sure why the number of customers previously using the Dededo Residential Transfer Station has declined. However, we explored whether the number of GSWA's weekly trash collection customers has increased in areas most likely to use the Dededo facility. We reviewed data from April, May and June of 2013, and the number of customers on our weekly collection route in the Dededo area has indeed increased by 950, which would account for 54 percent of the Dededo facility's decline in customers. We believe that the initiation of GSWA's curbside recycling service may also have enticed former customers of the Dededo facility to sign up for weekly curbside trash collection service.

Figures 5, 6, and 7 show the number of customers using each of these facilities in both 2013 and 2014 for the months of April, May and June.



Figure 5. Customers Using the Malojloj Residential Transfer Station

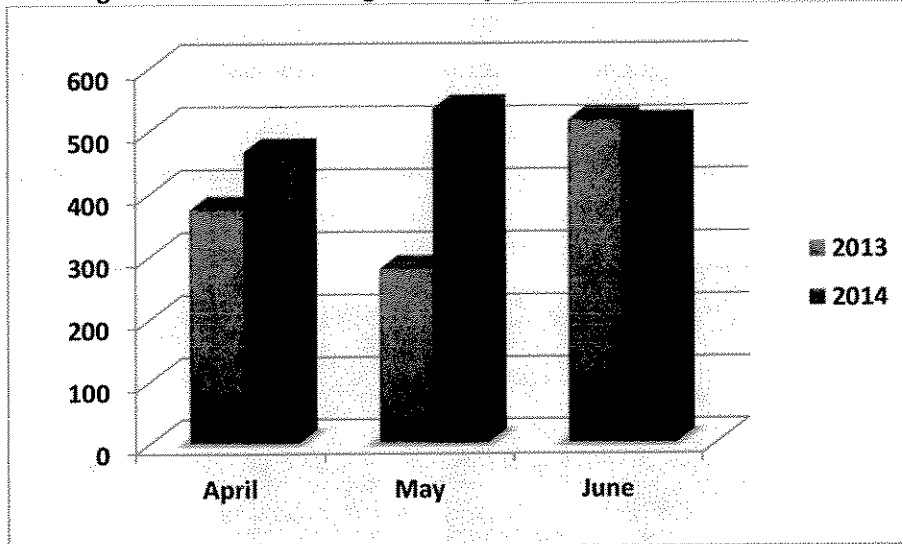


Figure 6. Customers Using the Dededo Transfer Station

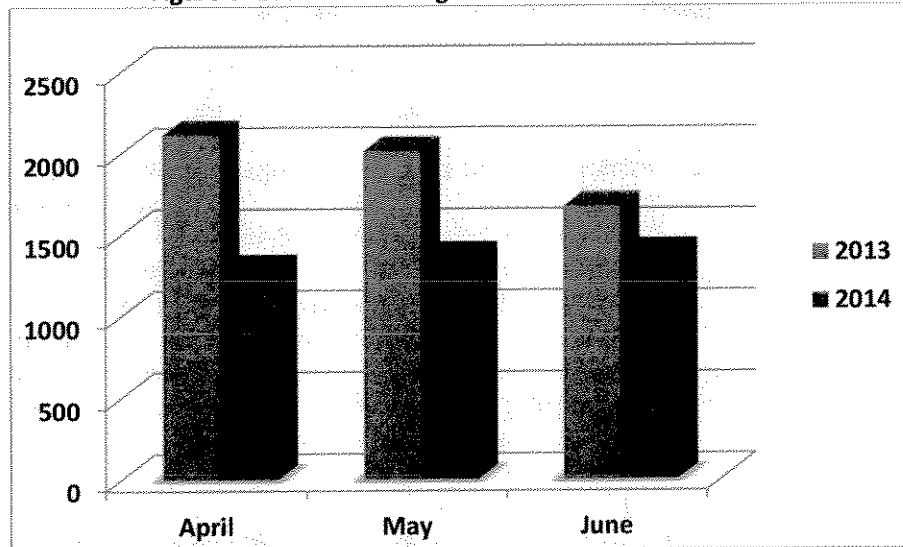
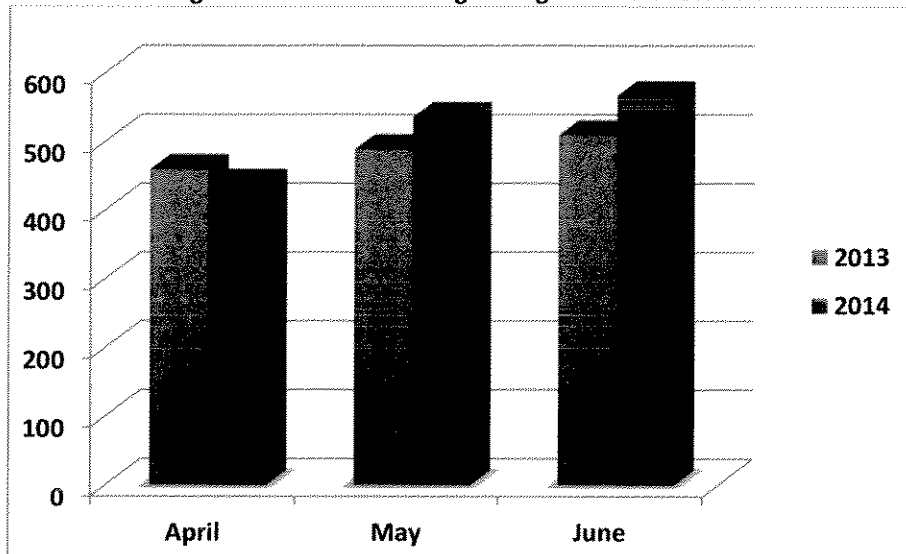


Figure 7. Customers Using the Agat Transfer Station



The residential transfer stations are a low-cost resource for the Guam community to use for the proper disposal of trash. These facilities also provide free recycling services to any resident who wishes to use them. To ensure that these facilities can remain low-cost and available, it is important that we periodically examine their use and make reasonable adjustments to control cost where possible without damaging the service provided. We have recently concluded such an examination and, as a result, plan to make some changes in certain holiday hours for the facilities, effective November 1, 2014

Residential transfer stations are open five days a week, including Saturday and Sunday and all holidays except Christmas Day and New Year's Day, unless these holidays fall on a day the transfer stations are normally closed. While these facilities provide a needed service, they are generally not busy places, with Agat and Malojloj averaging three customers an hour and Dededo averaging eight customers an hour during the reporting period. Our holiday records show that the transfer stations are significantly underutilized, generally averaging about half as many customers as on normal operating days. It is also expensive to operate on holidays because GovGuam employees receive not only their regular pay but also 1.5 times their regular pay to work on these days. In other words, the labor cost of operating these facilities on holidays is 2.5 times the normal operating cost to serve about half as many customers as are served on a regular work day. This makes the cost of remaining open on such days for so few customers simply too high to continue. In addition, on regular operating days, the residential transfer stations can easily handle the customers who would have been served on these holidays, without any increase in operating cost.

Table 1 shows the current holiday status of these facilities and the new schedule for these Government of Guam holidays.

**Table 1. Current vs New Holiday Schedule for Residential Transfer Stations**

<b>Date</b>	<b>Holiday</b>	<b>Current</b>	<b>New</b>
11/2/14	All Souls Day	OPEN	CLOSED
11/11/14	Veterans Day	OPEN	CLOSED
11/27/14	Thanksgiving	OPEN	CLOSED
12/8/14	Santa Marian Kamalen	OPEN	CLOSED
12/25/14	Christmas Day	CLOSED	CLOSED
1/1/15	New Years	CLOSED	CLOSED
1/19/15	Martin Luther King, Jr.	OPEN	CLOSED
3/3/15	Chamorro Heritage Day	OPEN	CLOSED
5/25/15	Memorial Day	OPEN	CLOSED
7/4/15	Independence Day	OPEN	CLOSED
7/21/15	Liberation Day	OPEN	CLOSED
9/7/15	Labor Day	OPEN	CLOSED

GSWA will continue to collect curbside residential trash on all holidays other than Christmas and New Years since this work cannot be absorbed on regular work days and therefore, the cost would not change and the disruption would be significant. For the same reason, the Hauler-only Transfer Station and the Layon Landfill schedule will not be affected by this change.

**Hauler-only Transfer Station**

The Hauler-only Transfer Station is for commercial haulers and other large generators with a GSWA account. Most of the customers using this facility haul significant amounts of trash in large collection vehicles. GSWA personnel staff the scale house and handle the accounts while a private contractor, Guahan Waste Control, operates the tip floor (where the trash is dumped) and the transfer trailers that transport the trash to the Layon Landfill. Once the material is dumped onto a tip floor, the operator of the facility screens it for excluded waste before loading it into a large transfer trailer for transport to the Layon Landfill. Consolidating the waste into large transfer trailers significantly reduces the amount of truck traffic to the Layon Landfill.

From April 1, 2014, through June 30, 2014, the Hauler-only Transfer Station received 4,860 deliveries of waste. Average monthly scale crossings during this reporting period were 1,620. Table 2 shows that the Hauler-only Transfer Station had more customer crossings on the scales than in the same period last year with fewer tons of municipal solid waste compared to the same period last year.

**Table 2. Tonnage and Scale Crossings at Hauler-only Transfer Station, April – June 2014**

	<b>2013</b>	<b>2014</b>	<b>Change</b>
<b>Scale Crossings</b>	4,502	4,860	8%
<b>Tons</b>	21,270.55	19,747.19	-7%

### **Layon Landfill**

The Layon Landfill opened on September 1, 2011, under the operational management of what is now Green Group Holdings, LLC (formerly Herzog Environmental). As the operator, Green Group Holdings not only handles the incoming trash but also is responsible for maintaining the facility and its equipment, and controlling litter. In addition, Green Group Holdings provides fire prevention measures, such as grass cutting, brush clearing and fire breaks for the monitoring wells and wells outside the perimeter fence.

The scale house is operated by GSWA personnel, and GSWA manages all accounts. From April 1, 2014, through June 30, 2014, the Layon Landfill received 23,407.05 tons of municipal solid waste, which is approximately 1 percent more than during the same months the previous year. The number of vehicles crossing the scales during the current reporting period was 1,614, a 13 percent increase from the 1,426 crossing the same months in 2013, as shown in Table 3.

**Table 3. Tonnage and Scale Crossings at Layon Landfill**

	<b>April - June 2013</b>	<b>April - June 2014</b>	<b>Change</b>
<b>Scale Crossings</b>	1,426	1,614	13%
<b>Tons</b>	23,279.41	23,407.05	1%

### **Administration**

GSWA customer service staff assisted 1,952 walk-in customers from April 1, 2014, through June 30, 2014. The Customer Service Representatives (CSRs) meet with walk-in customers to discuss their account history, sign them up for collection service, map their service location, and discuss which items can be recycled with GSWA. CSRs also provide information about where other items, such as electronics and scrap metal, can be recycled, and where additional material, such as green waste and construction and demolition debris, can be disposed.

During the reporting period, the CSRs sent letters and called 4,328 customers who were late paying their bills and in jeopardy of having their carts repossessed for lack of payment. During this reporting period, 17,396 calls were received by GSWA representatives and the vast majority of these were from current and prospective customers asking for information about GSWA services and about the customers' accounts.

When a customer becomes 60 days behind in payment, GSWA Customer Service staff contact the customer by mail and telephone to provide a reminder to the customer, encouraging them to make payment to ensure that their account is restored to good standing. If the customer fails to pay and becomes 90 days or more behind in payment, a work order is placed to repossess the cart and terminate service. GSWA operations staff collects these carts. Seven hundred sixty-four (764) carts were repossessed during this reporting period, and 207 of these carts, or 27 percent, were returned to customers after they had paid their balance due and a \$50 reinstatement fee.

### **Personnel**

On June 30, 2014, GSWA had 30 full-time Government of Guam employees and 24 workers employed by the Receiver through our contract with Pacific Human Resources, Inc. (PHRS). In addition, there were two employees under contract directly with the Receiver for a total of 57 full-time equivalent employees.

### **GSWA Board of Directors**

During the reporting period, three official meetings of the GSWA Board of Directors were held. Below are highlights from these meetings.

April 10, 2014: The Receiver provided an overview of collection and disposal options for green waste. The Receiver invited John Limtiaco, who owns and operates a composting facility on Guam, and Professor Mohammad Golabi, an expert in the composting field, to the Board's meeting to discuss current activities related to green waste and the Rhinoceros Beetle blight. The Receiver also provided an overview of GSWA's fleet maintenance contracts with private companies.

May 15, 2014: An ad hoc committee of the Board tasked with reviewing the process of transitioning temporary GSWA employees into full-time government workers reported on the committee's meeting with the Receiver and GSWA personnel. The discussion focused on the three classifications of employees: full-time government employees, temporary employees from a private human resources company, and employees contracted directly by the Receiver.

June 17, 2014: The Receiver discussed with Board members the status of the Request for Proposals for the Board's legal representation.

The minutes and agenda for each meeting are posted on the GSWA website ([www.guamsolidwasteauthority.com/bod.html](http://www.guamsolidwasteauthority.com/bod.html)), and the audio of each meeting is also available online through the website of the Office of the Public Auditor ([www.guamopa.org/index.php?pg=board-and-commission-meetings](http://www.guamopa.org/index.php?pg=board-and-commission-meetings)).

### **Island-wide Curbside Recycling Program**

As of June 30, 2014, GSWA had provided recycling carts to all customers serviced by the larger garbage trucks, approximately 90 percent of GSWA's curbside trash customers. Residential customers who live on roads where the large garbage trucks cannot travel because of road conditions, low hanging wires and

branches or inability to turn the vehicle around, receive trash collection with what GSWA refers to as Baby Packer trucks, which are pickups with small containers on their beds. The customers on the Baby Packer trash routes were not provided recycling carts because the Baby Packer trucks cannot efficiently serve these customers for recycling. However, GSWA is concluding a bid for two 10-cubic-yard compactor trash trucks that are expected to replace the current Baby Packer trucks. Once placed into operation, GSWA will be able to provide curbside recycling service to many of the remaining 10 percent of GSWA's customers.

Figure 8 shows the recycling tonnage collected in the Island-wide Curbside Recycling Program thus far in 2014. From January through June 2014, 881.07 tons were collected at the curb. Approximately half of this tonnage, 445.18 tons, was collected at the curb during this three-month reporting period. GSWA collection crews take the recyclable material to Guahan Waste Services, the contractor that processes and sells the material. Revenue for the recyclable material from January through June 2014 totaled \$7,385.24, of which \$3,545.92 was attributed to this reporting period.

**Figure 8. Recycling Tonnage January 2014 through June 2014**

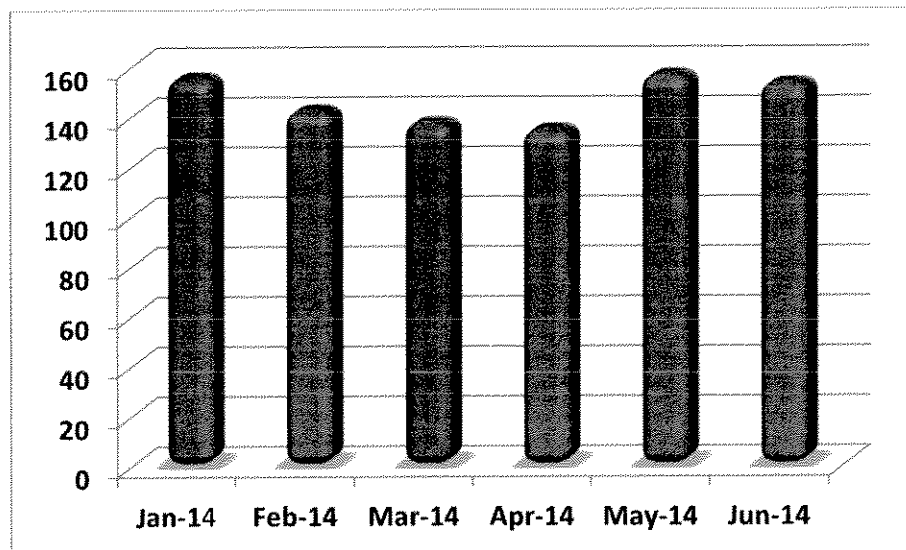
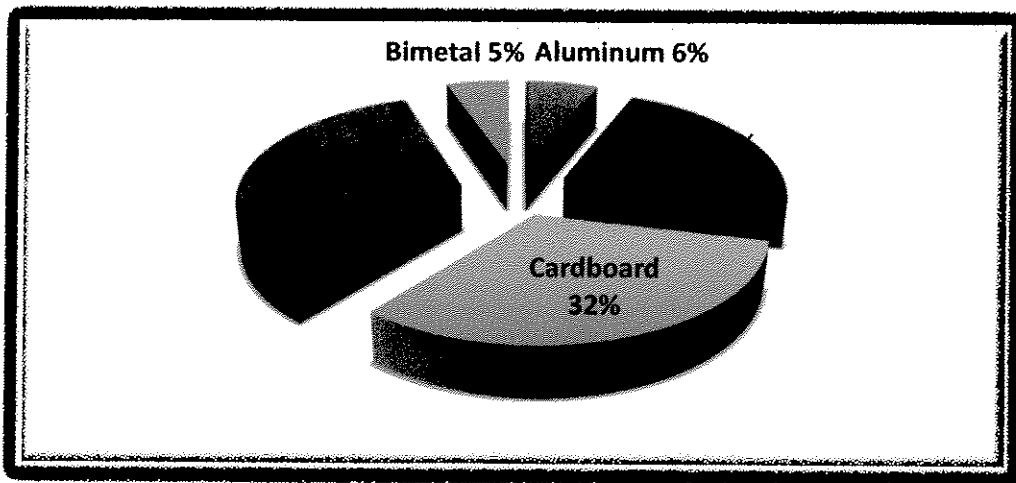


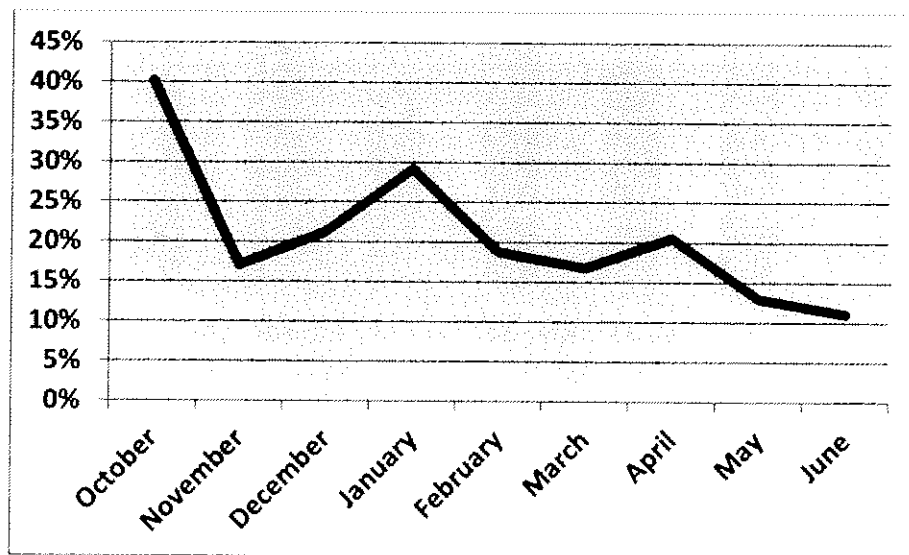
Figure 9 shows the percentage breakdown by material of recyclables collected during this reporting period.

Figure 9. Percentage Breakdown of Recyclables Collected



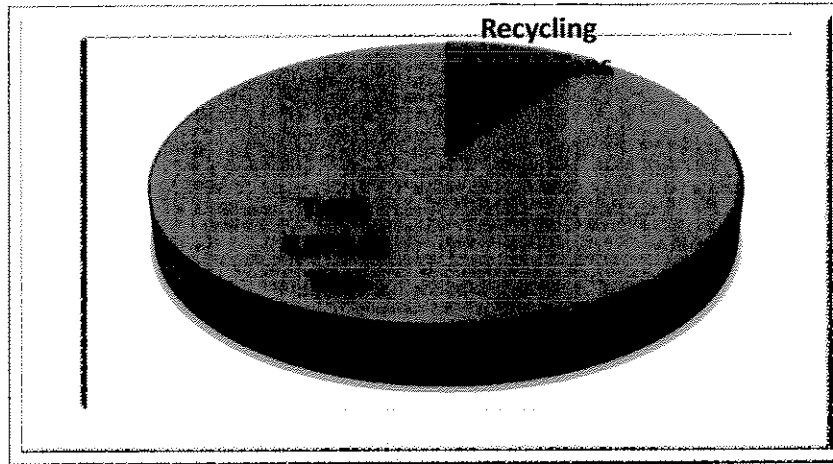
Ideally, contamination in the recycled material should be minimal. Figure 10 shows that the contamination rate on October 2013, when GSWA first began delivering recycling carts to GSWA customers, was 40 percent. By June 2014, the contamination rate had declined to approximately 11 percent – a significant drop.

Figure 10. Contamination Percentage



During the reporting period, residential trash customers who have both trash and recycling services disposed of 4,079 tons of trash and 445.18 tons of recycling, resulting in about 10 percent of residential trash diverted to recycling, as shown in Figure 11.

**Figure 11. Residential Curbside Recycling and Trash Tonnage, April through June 2014**



The recycling participation rate is defined as the proportion of households that set out a recycling cart for collection at each collection opportunity. Figure 12 illustrates the participation rates for Monday, Tuesday and Wednesday, April through June 2014. GSWA staff did not count participation on any Thursday routes in the month of April.

**Figure 12. Recycling Participation Rates by Collection Day, April, May and June 2014**

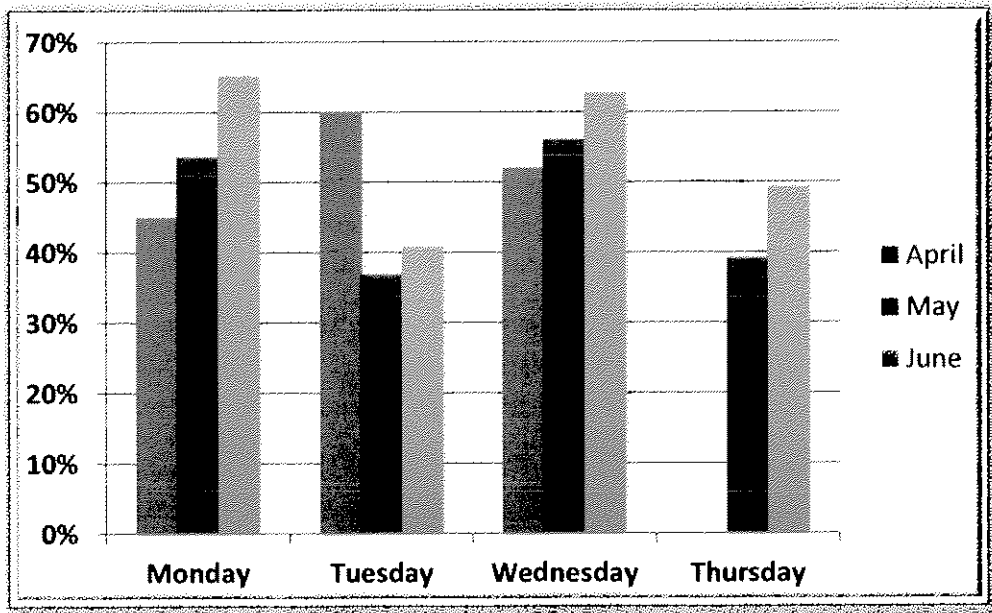
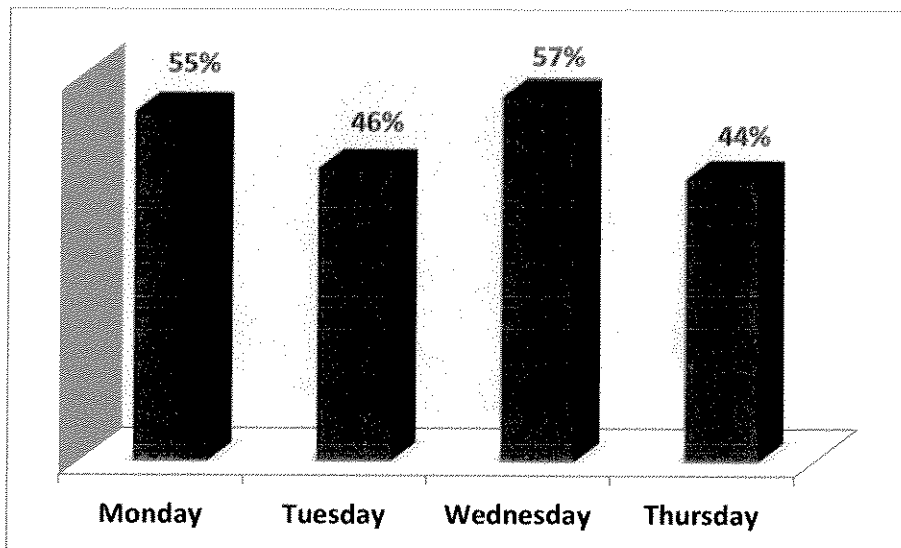


Figure 13 shows the average participation rates, which ranged from 44 percent on Thursday to 57 percent on Wednesday.



Figure 13. Average Recycling Participation Rates by Collection Day, April, May June 2014



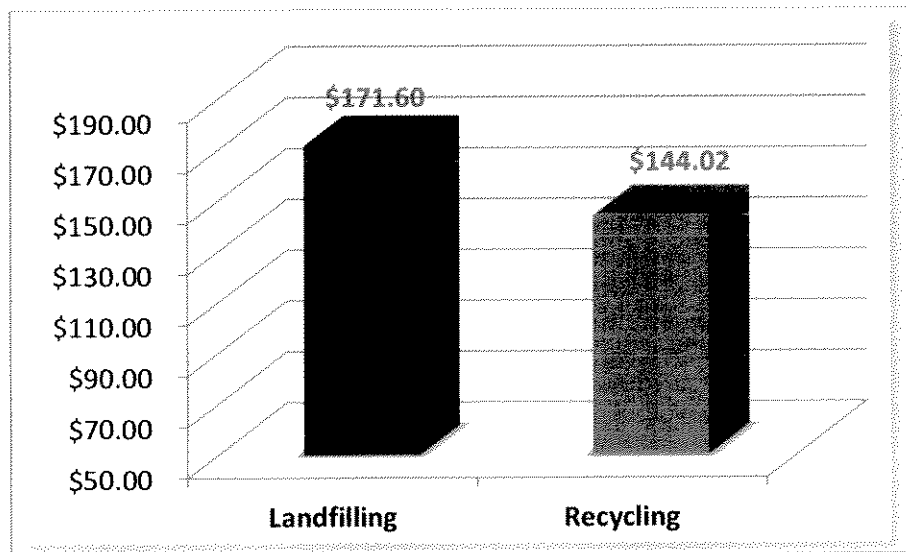
In the Special Report of the Receiver, "Island-wide Curbside Recycling," dated August 13, 2013, we recommended implementation of a curbside recycling program using existing trash collection vehicles and personnel. By reducing the number of trucks needed for trash collection each day, trucks are available for the collection of recyclables. We estimated additional costs for the program, including vehicle maintenance and fuel, amortized cost of recycling carts, overtime for collection personnel, education, and the cost to process the recyclables. The Special Report also listed several beneficial cost reductions due to the new curbside recycling program. These benefits include avoided costs to process waste through the Hauler-only Transfer Station, costs to transport the waste to the Layon Landfill, and the per ton fee paid to the landfill operator for each waste delivery. In addition, we would no longer have the cost of the then-current Curbside Recycling Pilot Program. Finally, with the island-wide program, a revenue stream for the recyclable materials would be possible, although we did not include any estimate of the revenue, due to the uncertainty and volatility of recycling commodity markets. In the Special Report, we recommended using a benchmark cost of \$171.60 per ton of waste landfilled.

Table 4 shows the estimated cost of the Island-wide Recycling Program from March through June 2014. Taking all four months into consideration, the average cost to recycle a ton of material was \$144.02, or \$27.58 less than the cost to dispose of the same material in the Layon Landfill, as shown in Figure 14.

**Table 4. Estimated Cost for Curbside Recycling Program**

<b>Cost Factor</b>	<b>March</b>	<b>April</b>	<b>May</b>	<b>June</b>
<b>Annual Cost of Carts</b>	\$6,290.14	\$6,290.14	\$6,290.14	\$6,290.14
<b>Overtime for Personnel</b>	\$7,397.25	\$4,439.40	\$3,861.94	\$4,071.85
<b>Fuel</b>	\$5,472.00	\$5,963.41	\$6,057.64	\$5,933.16
<b>Maintenance/Tires</b>	\$3,057.60	\$5,837.26	\$5,362.38	\$8,559.63
<b>Education</b>	\$98.27	\$98.27	\$98.27	\$98.27
<b>Recyclable Processing Cost</b>	\$11,931.90	\$12,589.41	\$14,591.70	\$14,374.08
<b>5% Contingency</b>				
<b>Less: Transfer Station Fees</b>	\$(4,011.94)	\$(4,417.28)	\$(5,133.30)	\$(5,024.61)
<b>Less: Landfill Fees</b>	\$(2,948.33)	\$(3,100.46)	\$(3,603.03)	\$(3,526.74)
<b>Less: Pilot Recycling Fees</b>	\$(6,500.00)	\$(6,500.00)	\$(6,500.00)	\$(6,500.00)
<b>Total Cost</b>	\$20,786.89	\$21,200.15	\$21,025.72	\$24,275.78
<b>Revenue</b>	\$1,077.42	\$1,041.37	\$1,077.42	\$1,221.24
<b>Net Expense</b>	\$19,709.47	\$20,158.78	\$21,025.72	\$23,054.54
<b>Cost Per Ton</b>	\$143.11	\$149.41	\$134.10	\$150.22

**Figure 14. Cost per Ton of Landfilling vs Recycling**



As the Court will recall, the Island-wide Recycling Program budgeted \$35,000 for education. GSWA used a portion of this amount for the recycling information stickers on the cart. Since our last Quarterly Status Report before the Court, we have met with the Public Information Officer for Guam’s Environmental Protection Agency to explore the best ways educate the public about GSWA’s new services, such as the Island-wide Recycling and forthcoming Household Hazardous Waste Program. The outcome of our

discussion was the recommendation to provide visual information on how to participate in these programs. We will continue to explore how best to develop this material with the goal of walking viewers through the steps on how to take part in these programs and show residents how participation can benefit their household as well as the entire community.

#### **4. Contract Management and Procurement (April 2014 – June 2014)**

Procurement activities during the reporting period were primarily related to the procurement for legal services for the Receiver and GSWA while in Receivership, pursuant to the Order of the District Court. In addition, we issued the Request for Proposal (RFP) to provide legal services to the GSWA Board as it prepares for the eventual assumption of responsibility upon termination of the Receivership.

Work on the procurement for an operator of the Household Hazardous Waste Facility also continued during the reporting period. In May, the evaluation was completed and Unlimited Services Group and South Pacific Environmental (USG/SPE) received the highest rating. Work continues to complete a contract and to obtain all the necessary permits for operating the facility.

Table 5 provides the Court with an update on the Receiver's primary contracts, including the amounts spent through June 30, 2014, on these contracts. Information on direct employee contracts and payments, contracts in connection with ongoing litigation, payments to the Government of Guam, and one-time expenditures are not included in the table, but updates on payments for these items are included elsewhere in this Report.

Table 5. Consent Decree Contracts as of June 30, 2014

Consent Decree Contracts as of June 30, 2014				
Contractor	Purpose of Contract	Amount of Contract	Trust Account Expenditures	Work Status
Alpine Technology Corporation	Customer Service Software	\$ 500,000.00	\$ 351,233.70	On-going
Asia Tiger Construction	Emergency Repairs at Transfer Stations	\$ 33,377.83	\$ 33,377.83	Closed
Bend Mailing Service	Provider of Online and Paperless Residential Account Services	Indefinite	\$ 12,656.80	On-going
Black Construction Corporation	Layon Landfill - Construction of Entrance Facilities and Cells 1 and 2	\$ 25,277,787.29	\$ 25,277,787.13	Closed
Black Construction Corporation	Environmental Closure of the Ordot Dump	\$ 40,467,759.02	\$ 9,705,340.34	On-going
Brown And Caldwell	Planning Environmental Monitoring for Final Closure of Ordot Dump	\$ 8,329,055.00	\$ 7,794,159.37	On-going
Core Tech International	Layon Landfill - Construction of Access Road and Utility Improvements for Community	\$ 28,369,411.00	\$ 28,360,499.00	Closed
EA Science and Technology	Groundwater Quality Monitoring Services	\$ 3,072,101.76	\$ 2,890,077.27	On-going
Fila Builders	Improvements to GSWA Building	\$ 129,801.25	\$ 129,801.25	Closed
Far East Equipment Co.	New Trucks, Roll-off Containers and Trash Carts	Gov Guam Purchase Orders	\$ 5,162,249.14	On-going
Fleet Services	Crane Qualification and Rigging Course	Gov Guam Purchase Orders	\$ 24,983.25	Closed
G4 Security Services (Guam), Inc	Security Services for the Solid Waste Compound	Indefinite	\$ 16,904.38	Closed
GHD (formerly Winzler & Kelly)	Construction Management Services for Layon Landfill and related projects	\$ 6,375,284.00	\$ 7,377,487.56	On-going*
GHD, Inc.	Construction Management Services for Ordot Dump Closure and Other Consent Decree Projects	\$ 6,473,931.00	\$ 1,391,657.36	On-going
Guahan Waste Control	Hauler-only Transfer Station	Minimum Monthly Charge Plus Per Ton Excess Charge	\$ 7,432,374.38	On-going
Hawthorne Pacific Corp	New Trucks	Gov Guam Purchase Orders	\$ 191,916.00	Closed
GGH Guam, LLC (formerly Herzog Environmental, Inc)	Operation of the Layon Landfill	Minimum Monthly Charge Plus Per Ton Excess Charge	\$ 8,914,979.43	On-going
Kevin And Steve Corporation	GSWA Power Service Separation	\$ 113,255.75	\$ 113,255.75	Closed
Maeda Pacific Corporation	Layon Landfill - Construction of Landfill Operations Road and Mass Grading for Cells 1 and 2	\$ 10,045,245.40	\$ 10,045,245.40	Closed
Maeda Pacific Corporation	Construction of Harmon Residential Transfer Station and Household Hazardous Waste Facility	\$ 2,410,000.00	\$ 2,015,900.75	On-going
Morrice Equipment Co.	Roll-off Containers and Equipment Rental	Gov Guam Purchase Orders	\$ 129,369.00	Closed
Nippo Corporation	Safety Improvements for Dero Road	\$ 19,134.30	\$ 19,134.30	Closed
Pacific Data Systems	New Computers and Software for GSWA Administration	Gov Guam Purchase Orders	\$ 39,582.61	Closed
Pacific Human Resource Services, Inc.	Temporary Staffing Services for the Solid Waste Management Division	Indefinite	\$ 2,793,317.27	On-going
Pacific Island Security Agency	Security Services for the Solid Waste Compound (replaced G4 Security Services of Guam)	Indefinite	\$ 859,028.64	On-going
Pacific Trucking Co.	Water Truck Rental for Fire Suppression	Gov Guam Purchase Orders	\$ 14,900.00	Closed
Shaw Environmental, Inc	Technical Assistance	\$ 305,347.16	\$ 26,275.17	Closed
TG Engineers, PC	Layon Landfill - Design and Engineering Services	\$ 10,124,332.00	\$ 3,333,079.99	Closed
Triple J Enterprises, Inc.	New Trucks	Gov Guam Purchase Orders	\$ 91,700.00	Closed

Note: Does not include individual employee contracts or payments, contracts relating to ongoing litigation, retainage or expenditures directly paid by the Government of Guam. All contracts are inclusive of change orders approved through the date of this report and expenditures through June 30, 2014. \*Indicates contract amendment or change order pending.

Tab 3 provides the Court with a list of approved change orders for the open Consent Decree construction contracts listed in Table 5. Tab 4 includes all individual payments made under these contracts.

## **5. Financial Issues and Capital Funding (April 2014 – June 2014)**

### **Overview**

In this section, we provide an analysis of the operating finances of GSWA during the reporting period. We also report on the status of capital funding for the Consent Decree and the results of a recently published audit conducted by Deloitte & Touche, LLC. Finally, we report on the status of funding for post-closure expenses for the Ordot Dump, Consent Decree-related capital projects that are being funded with the GSWA revenue previously used to reimburse the Government for debt service, and future capital needs of GSWA that will also be funded from GSWA revenue.

Specifically, in this section, we provide the Court with updates on the following:

- GSWA operating results for the period April 1, 2014, to June 30, 2014
- Cash position of GSWA
- Status of residential customers
- Status of large commercial accounts
- Status of GWA and Government accounts
- Status of the Construction Subaccount
- Host Community Premium Surcharge Fees
- Capital funding
- Funding for Ordot Dump Post-Closure, Additional Projects and Future GSWA Capital Needs
- Response to Government of Guam Financing Plan
- Reserves of the GSWA
- GSWA Operating Budget for FY 2015
- Results of the FY 2013 Audit of GSWA
- Bridge and Roadway Repairs and Replacements
- Waste disposed at the Layon Landfill

### **GSWA Operating Results for FY 2014 from April 1, 2014, to June 30, 2014**

During the reporting period, GSWA continued to produce strong operating results. Table 6 provides the Court with a summary of expenditures and revenue for FY 2014, October 1, 2013, through June 30, 2014, compared with the approved budget. Detailed reports of expenditures and revenue compared with the approved FY 2014 budget are provided in Tab 5 of this Report.

Through June 30, 2014, FY 2014 expenses were 9.1 percent below the approved budget and revenue exceeded the budget estimate by 4.9 percent. Personnel costs were 1.2 percent below budget estimates, and non-personnel spending was 10.4 percent below budget estimates. We estimate that GSWA has produced a budget surplus of \$521,512 during FY 2014 to date.

**Table 6. GSWA Summary of Operating Budget FY 2014**

<b>Guam Solid Waste Authority Summary of Operating Budget FY 2014</b>				
October 1, 2013 to June 30, 2014				
Item	Total Annual Budget	Budget to Date	Actual Spending / Revenue to Date	% over (under) Budget
Personnel Expenses	\$2,809,300	\$2,106,975	\$2,080,767	-1.2%
Other Expenses / Reserves	\$15,857,684	\$11,893,263	\$10,651,666	-10.4%
<b>Total Expenses / Reserves</b>	<b>\$18,666,984</b>	<b>\$14,000,238</b>	<b>\$12,732,433</b>	<b>-9.1%</b>
Total Revenue (All Sources)	\$16,846,000	\$12,634,500	\$13,253,945	4.9%
Budgeted From Fund Balance	\$1,820,984	\$1,365,738	\$0	-100.0%
<b>Total Funding Available</b>	<b>\$18,666,984</b>	<b>\$14,000,238</b>	<b>\$13,253,945</b>	<b>N/A</b>
<b>Surplus / (Deficit)*</b>	<b>\$0</b>	<b>\$0</b>	<b>\$521,512</b>	<b>N/A</b>

\* Surplus goes to reserve for future years (i.e. fund balance) and deficits are covered by the same reserve. Interest income on reserve accounts not included in operating revenue.

Cash collections of the amounts billed by GSWA, while slightly less during the reporting period when compared to the first six months of the year, remained strong. Table 7 compares the amounts collected during the period with the amount billed during the same period.

**Table 7. GSWA Revenue Billed/Collected**

<b>GSWA Revenue Billed / Collected</b>			
October 1, 2013 through June 30, 2014			
Customer Class	Billed	Collected	%
Commercial	\$ 7,233,261	\$ 7,601,797	105.1%
Residential	\$ 4,629,480	\$ 4,837,295	104.5%
Government	\$ 1,143,652	\$ 976,185	85.4%
<b>Total</b>	<b>\$ 13,006,394</b>	<b>\$ 13,415,277</b>	<b>103.1%</b>

Note: Amount collected is on a cash basis. Transfer Stations are included in the residential category. Interest income excluded.

Cash collections from commercial accounts during the reporting period exceeded billing for these accounts by 5.1 percent. Several factors contributed to this result, including payments for past due

amounts from previous periods, underpayments during the current billing period and seasonal fluctuations in amounts of waste disposed.

Cash collections from residential customers exceeded billing by 4.5 percent. When payments from customers of the residential transfer stations, trash tag fees, collection service restoration fees and account reactivation charges are excluded, cash collections from residential customers were 99.6 percent of billed charges during the reporting period.

Cash collections from government accounts were 85.4 percent of billed charges for the period. However, when GWA is excluded, the percentage collected drops to 59.8. In addition, the unpaid balance for non-GWA government accounts continues to rise. When we first reported this to the Court for the period ending September 30, 2011, the unpaid balance for government accounts other than GWA was \$99,431.88. On March 31, 2014, the unpaid balance was \$117,523.91. The unpaid balance as of June 30, 2014, increased to \$129,846.37. To address this increase going forward, we will continue to work with the Department of Administration and begin considering these unpaid balances when calculating the amounts due to the General Fund by GSWA and due to GSWA from the General Fund.

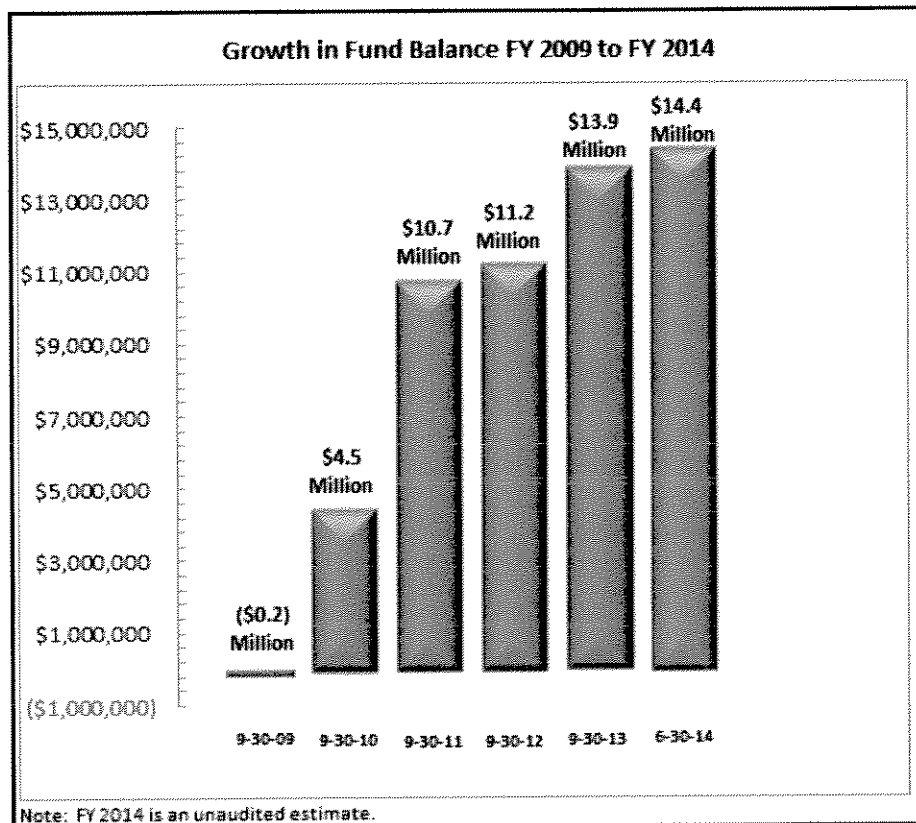
The recently completed audit confirmed an increased fund balance for GSWA as of September 30, 2013, which was significantly above the estimate we previously reported to the Court. This reflects both the conservative approach to estimates taken by the Receiver and the strong management results achieved during the Receivership. During the reporting period ending June 30, 2014, we estimate GSWA's fund balance increased further, by more than \$500,000. Table 8 provides the Court with our estimate of GSWA's fund balance at June 30, 2014.

**Table 8. GSWA Fund Balance**

<b>Guam Solid Waste Authority</b>	
<b>30-Jun-14</b>	
(Unaudited)	
<b>Elements of Fund Balance</b>	<b>Amount</b>
Actual Fund Balance @ 9/30/13	\$ 13,895,746
Revenue FY 2014	\$ 13,253,945
Expenses FY 2014	\$ 12,732,433
Excess (Deficit) FY 2014	\$ 521,512
Estimated Fund Balance @ 6/30/14	<u>\$ 14,417,258</u>
Note: Revenue is on accrual basis.	

Figure 15 shows how the fund balance from operations has changed over the period GSWA has been in receivership.

Figure 15. Growth in Fund Balance FY2009 to FY2014



Payments for operating expenses of GSWA are made through the Department of Administration or through the Receiver's trust account known as the Primary Account. Payments made by the Receiver are handled pursuant to the Disbursement Procedures approved by the Court. Tab 6 provides a detailed list of the transactions affecting the Primary Account that occurred during the reporting period.

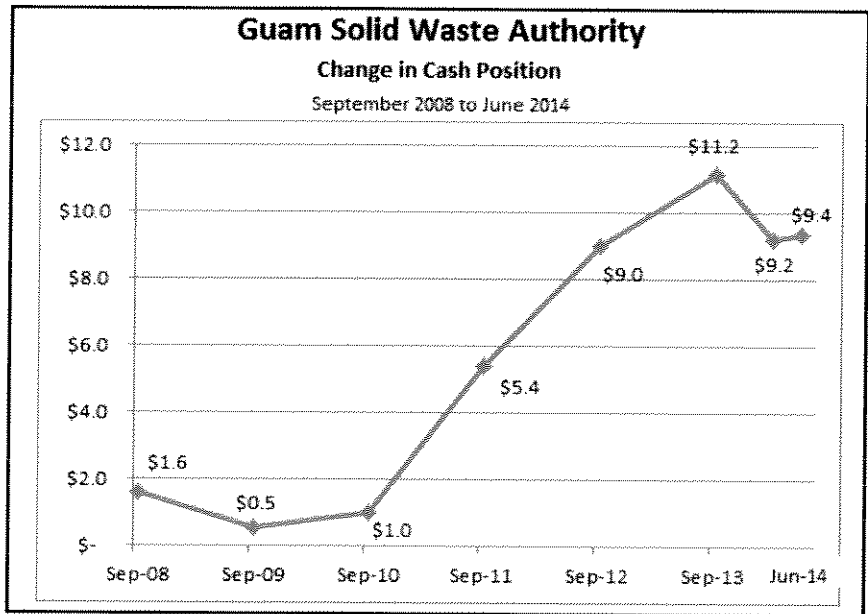
### Cash Position of GSWA

GSWA's cash position increased during the reporting period. GSWA's cash position does not include cash in GSWA's reserves, including the new special reserve funded by cash previously used to reimburse the Government of Guam for debt service.

Cash available to GSWA on June 30, 2014 was \$9,361,327.93. Figure 16 outlines GSWA's cash position at the end of each fiscal year since the Receivership began and for March 31, 2014, and June 30, 2014.



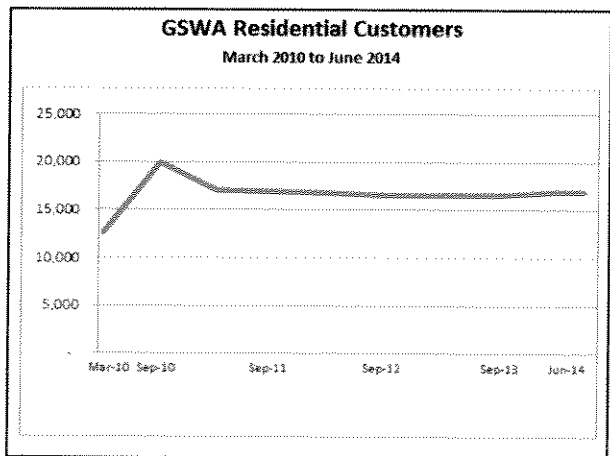
Figure 16. Change in GSWA Cash Position (Million \$)



**Status of Residential Customers**

At the end of the current reporting period, on June 30, 2014, the number of residential customers was stable at 16,955, the same number of GSWA residential customers as at the end of the last reporting period. Figure 17 illustrates the stable base of GSWA residential customers over the previous four years.

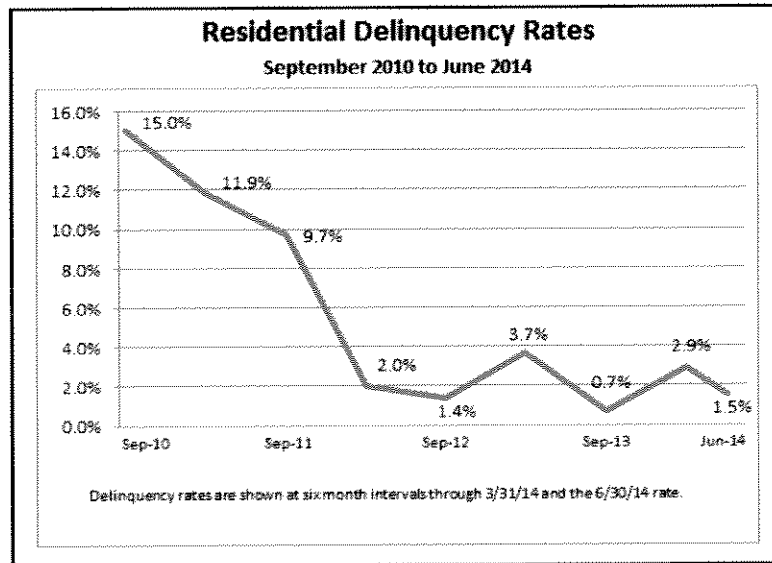
Figure 17. GSWA Residential Customers



The residential delinquency rate declined to 1.5 percent at the end of the reporting period. Figure 18 shows the trend in residential delinquency rates from September 2010 to June 30, 2014. This rate is very low, contrasting sharply with the major problem that existed in this area before the Receivership when more than 4,000 customers received services for many years without paying at all. The low rate of

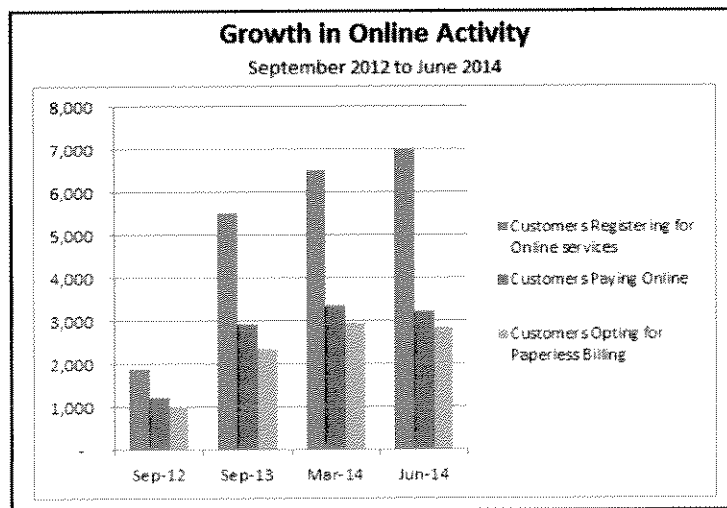
delinquency also demonstrates the commitment of GSWA's current residential customers and the effectiveness of the GSWA customer service staff. We will continue to monitor this closely and keep the Court informed.

**Figure 18. Residential Delinquency Rates**



Online payments and account management by residential customers were relatively stable during the reporting period. On June 30, 2014, the number of customers registering for online services had increased to 6,990. Customers paying their bills online were 3,221 in June, and 2,865 customers are now enrolled for paperless billing. Figure 19 outlines the growth in online activity since GSWA initiated the current system in 2012.

**Figure 19. Growth in Online Activity**



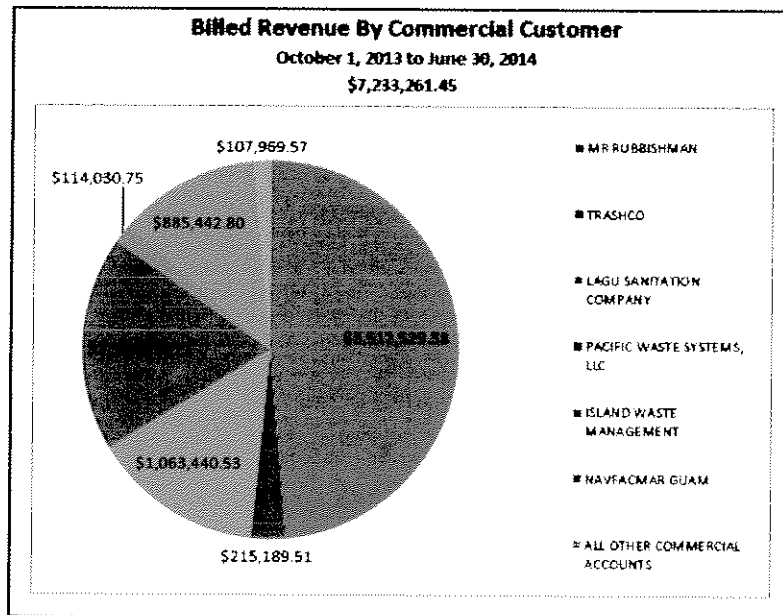
### Status of Large Commercial Accounts

Large commercial haulers, primarily serving Guam's business community, make up the largest segment of Guam's solid waste system, accounting for more than 60 percent of the system's revenue. This category includes the Naval Facilities Engineering Command (NAVFAC) because it is managed by a private company and is otherwise very similar to other GSWA commercial customers. The following list of commercial accounts comprises the major organizations in this class of customers:

1. Mr. Rubbishman
2. Lagu Sanitation
3. Pacific Waste Systems
4. Trashco
5. Island Waste Management
6. NAVFAC

Figure 20 provides the Court with a graphic illustration of the revenue billed to each of these organizations during FY 2014 through the current reporting period ending June 30, 2014.

**Figure 20. Percent Billed by Customer Class**



During the reporting period, all the major accounts, with the exception of Lagu Sanitation, were in good standing.

Lagu Sanitation continues to operate under a settlement agreement approved by the Court. As the Court knows, Lagu has requested a modification of the agreement, and payments toward past due balances have been suspended pending resolution of this matter. Despite the best efforts of the Receiver, this matter has not been resolved. The circumstances surrounding our efforts to resolve the matter are

outlined in a Special Report to the District Court dated September 24, 2014. The Court has now issued an Order setting a time for the attorneys to file briefs in this matter.

### **Status of GWA and Government Accounts**

As noted in our previous report, GWA has recently been slow to make payments when they are due. However, during June, GWA did make a payment, and as of June 30, 2014, GWA's account was in good standing. After bringing this account into good standing in June, the balance grew to more than \$500,000 before another payment was received in September.

As noted earlier in this Report, other government accounts also continue to have unpaid balances which, in the aggregate, continue to grow. To address this we will continue to cooperate with the Department of Administration and plan to reduce GSWA payments to the General Fund in recognition of unpaid balances. We will continue to monitor this closely.

### **Status of the Construction Subaccount**

Payments from the Construction Subaccount were \$8,529,834.86 during the period April 1, 2014, through June 30, 2014. Interest earnings were added to the account in the amount of \$3,951.97. The balance in the Construction Subaccount on June 30, 2014, was \$7,310,555.58. As the Court will recall, the Supplemental Bond Indenture governing the 2009 Section 30 Bonds requires the Government of Guam to reimburse the Receiver's Construction Subaccount when its balance falls below \$10,000,000. On June 30, 2014, the Receiver submitted a Requisition of the Receiver, as required by the Supplemental Bond Indenture, to the Director of Administration. This is a request for reimbursement from the Government of Guam's Construction account for the 2009 bonds. Our request for reimbursement included the required documentation describing the capital expenses to be reimbursed. This request was in the amount of \$13,793,145.04. The requested funds were deposited to the Receiver's Construction Subaccount on July 7, 2014. We appreciate the Director's prompt attention to this important request. Tab 7 provides a detailed listing of all transactions affecting the account during the reporting period.

Table 9 provides the Court with an accounting of the retainage being held for contractors paid from the Construction Subaccount.

Table 9. Retainage on Trustee Account Payments

<b>Retainage on Trustee Account Payments</b>		
<i>As of 6/30/2014</i>		
<b>Company</b>	<b>Description</b>	<b>Amount</b>
<b>Brown and Caldwell</b>	Retainage	\$ 15,712.89
<b>Black Construction Corporation</b>	Retainage	\$ 1,407,563.71
<b>EA Science and Technology</b>	Retainage	\$ 7,394.88
<b>Maeda Pacific Corporation</b>	Retainage	\$ 237,909.80
<b>TG Engineers, PC</b>	Retainage	\$ 4,477.97
<b>GHD (formerly Winzler &amp; Kelly)</b>	Retainage	\$ 284,965.35
<b>Total Retainage Held.....</b>		<b>\$ 1,958,024.60</b>

When the retainage obligations are considered, on June 30, 2014, the Construction Subaccount had a balance of \$5,352,530.98 available for future Consent Decree obligations.

**Host Community Premium Surcharge Fees**

During the reporting period, GSWA assessed Host Community Premium Surcharge (HCPS) fees totaling \$83,057.80, bringing the total assessed HCPS fees during FY 2014 to \$240,384.25. Due to the lag time allowed by Guam Law between billing and payment, FY 2014 HCPS fees collected during the period were \$80,153.46. These funds were distributed in equal amounts to the Villages of Inarajan and Ordot-Chalan Pago. GSWA also distributed in equal amounts \$13,671.57 in funds previously held in reserve. This distribution was made pursuant to direction received from the Guam Public Utilities Commission. A copy of the report filed with the PUC is attached as Tab 8.

**Capital Funding**

Table 10 provides the Court with an update on the Receiver's use of the capital funds available to implement the requirements of the Consent Decree. This table is also provided as Tab 9, in a format with larger type. Our total estimate of the cost of these projects has not changed since our last Report. We have, however, begun allocating the contingency outlined in our Special Report dated September 20, 2014. These allocations are included in Table 10 and more specifically detailed in Tab 9(a). The table also provides an update per project on expenditures through June 30, 2014.

**Table 10. Allocation of Capital Available to the Receiver**

Allocation of Capital Available to the Receiver					
Consent Decree Projects					
As of June 30, 2014					
Capital Budget Item	Original Estimate	Revised Estimate	Surplus / (Shortfall) Original vs Revised Estimate	Expenditures to Date	Balance Remaining (w/ Revised Estimate)
Layon Landfill	\$ 57,040,900.00	\$ 42,000,000	\$ 15,040,900.00	\$ 41,346,289.12	\$ 653,710.88
Landfill Access Road and Sewer System	\$ 23,981,400.00	\$ 28,360,499	\$ (4,379,099.00)	\$ 28,360,499.00	\$ -
Construction Management - Layon and Associated Projects <sup>1</sup>	\$ 7,316,400.00	\$ 10,560,000	\$ (3,243,600.00)	\$ 10,059,727.27	\$ 500,272.73
Landfill Equipment <sup>2</sup>	\$ 6,380,000.00	\$ -	\$ 6,380,000.00	\$ -	\$ -
WWTP Expansion & Leachate Pre-Treatment - Layon	\$ 11,025,000.00	\$ 4,926,935	\$ 6,098,065.00	\$ -	\$ 4,926,935.00
Transfer Station/HHWF	\$ 5,505,000.00	\$ 2,410,000	\$ 3,095,000.00	\$ 2,094,371.25	\$ 315,628.75
Transfer Station Equipment <sup>2</sup>	\$ 2,440,000.00	\$ -	\$ 2,440,000.00	\$ -	\$ -
Operating Equipment	\$ 5,941,400.00	\$ 4,500,000	\$ 1,441,400.00	\$ 4,468,649.82	\$ 31,350.18
Environmental Investigation and Ordot Dump Closure Design	\$ 6,800,000.00	\$ 8,329,055	\$ (1,529,055.00)	\$ 8,221,604.97	\$ 107,450.03
Ordot Dump Closure	\$ 30,590,300.00	\$ 40,536,977	\$ (9,946,677.00)	\$ 9,894,546.74	\$ 30,642,430.26
Ordot Dump Closure - Land Acquisition	\$ -	\$ 1,700,000	\$ (1,700,000.00)	\$ 1,225,665.00	\$ 474,335.00
Construction Management - Ordot Dump and Subsequent Projects <sup>3</sup>	\$ 2,721,800.00	\$ 7,343,111	\$ (4,621,311.00)	\$ 2,175,758.86	\$ 5,167,352.14
Ordot Contingency <sup>4</sup>	\$ -	\$ 7,226,891	\$ (7,226,891.00)	\$ -	\$ 7,226,891.00
Litigation Assistance	\$ -	\$ 249,525	\$ (249,524.94)	\$ 249,524.94	\$ -
Emergency Repairs of Residential Transfer Stations and GSWA Building	\$ -	\$ 295,569	\$ (295,569.13)	\$ 295,569.13	\$ -
USDA Expense	\$ -	\$ 186,311	\$ (186,311.07)	\$ 186,311.07	\$ -
Additional Projects (Daro Road Improvements, Route 4 safety enhancements and residential transfer station upgrades and general contingency)	\$ -	\$ 21,000,000	\$ (21,000,000.00)	\$ 489,847	\$ 20,510,152.97
<b>Total</b>	<b>\$ 159,742,200.00</b>	<b>\$ 179,624,873</b>	<b>\$ (19,882,673.14)</b>	<b>\$ 109,068,364.20</b>	<b>\$ 70,556,508.94</b>

<sup>1</sup>Includes the access road and utilities, the new residential transfer station and the HHWF facility, the emergency repairs at the residential transfer stations and the GSWA Building repairs and the design and environmental assessment of the residential transfer stations.

<sup>2</sup>Landfill equipment and equipment for the Hauler-only Transfer Station was provided under the respective contracts for the operation of these facilities and therefore no capital purchase was needed.

<sup>3</sup>Future projects will require amendments to fund.

<sup>4</sup>Ordot contingency is the difference between the total construction budget of \$49,052,804.40 (Special Report dated 9/20/2013) and the original contract for the closure of \$40,536,977. See Tab 9(a) for the allocation of the contingency as of 6/30/2014.

**Funding for Ordot Dump Post-Closure, Additional Projects and Future GSWA Capital Needs**

Subsequent to the Status Hearing held on June 25, 2014, discussions occurred between the Government of Guam, the Receiver and the United States concerning a number of issues, including funding the additional projects and the post-closure cost for the Ordot Dump. As things currently stand, these costs will have to be funded from GSWA’s operating revenue that was previously used to reimburse the Government of Guam for debt service. As we noted in our Status Report dated June 25, 2014, this approach to funding these Consent Decree-related costs will provide the needed funds but will extend the time it takes to complete the Receiver’s work beyond the end of 2015 and also require the Receiver to address the additional cost of constructing a new cell at the Layon Landfill and closing cells 1 and 2. Table 11 summarizes all of the cost that will need to be funded under this approach to addressing these funding issues. In our report dated June 25, 2014, we documented how the time frames and cash flow will be addressed using this approach.

**Table 11. Future Capital and Ordot Post-Closure Funding Requirements**

<b>Future Capital and Ordot Post Closure Funding Requirements</b>	
Funding Required	Total
Additional Projects	\$ 19,882,673.49
Post-closure cost for Ordot Dump	\$ 14,292,170.00
Construction of new cell at Layon	\$ 10,800,000.00
Closure cost for cells 1 & 2	\$ 5,500,000.00
<b>Total</b>	<b>\$ 50,474,843.49</b>

The discussions with the Government of Guam may have produced a better understanding of the respective position of the parties concerning these funding issues, but have not, to date, resulted in meaningful funding proposals from the Government of Guam. Accordingly, we continue to work under the assumption that use of GSWA revenue is the funding method that will be used to address these requirements. We do note, however, the Government of Guam, in a document filed with the Court on September 30, 2014, now takes the position that the Dero Road improvements will not be required and that the Government of Guam desires to permanently close the Dededo Transfer Station. Legal counsel to the Receiver is currently evaluating this information to determine if Government of Guam's new position on these requirements can legally relieve the Receiver from the requirement to construct these improvements. While these proposals have the potential to reduce the cost of achieving full compliance, other aspects of the "plan" filed by the Government of Guam are not meaningful.

DPW has also recently provided the Receiver with revised cost estimates for the safety upgrades required on Route 4, significantly increasing the estimated cost to address these safety issues. The estimated cost has increased to \$6,640,000. We are reviewing this estimate and will revise our estimates accordingly in our next Status Report to the Court.

The estimated cost of the DPW proposed work to address the earthquake damage at As-Alonso may also need further refinement. Currently, the only estimate we have for this is an email from Parsons stated as a "planning estimate." Based on this planning estimate, the cost could be as much as \$1 million.

#### **Government of Guam's Financing Plan**

On September 30, 2014, the Government of Guam filed a document with the Court that it calls the "Government of Guam's Financing Plan." As directed by the Court in its Order dated October 1, 2014, we will respond to the Government's document in this section.

In its plan, the Government of Guam seeks to remove certain requirements it previously placed on the Consent Decree projects and provide financing for other project requirements. Removing some requirements potentially reduces the amount needed to fully fund the requirements of the Consent Decree. Unfortunately, however, their purported "Financing Plan" is without any basis in reality. Instead, it seeks to use non-existent funds to finance projects that must be paid for with real money.

The "financing" part of the document filed by the Government of Guam is based on a premise it knows to be false. The document states, as the fundamental basis for Government of Guam's new plan, the following: "First, as the OPA noted in a recent audit, currently the Receiver owes the Government approximately \$19.2 million." The statement attributed by Mr. Mantanona to OPA is in fact a statement of the Administration itself, not one made by the independent auditors at Deloitte or by the Office of the Public Auditor of Guam. It was instead made by the Administration's own Department of Administration in a part of the audit document known as the Management Discussion and Analysis; this is a section of the audit report in which the Administration of the Government of Guam states its own views. It is not the opinion of the auditors, as Mr. Mantanona represents to this Court.

The debt the Government of Guam claims it is owed does not exist. When a debt is owed by an agency such as GSWA to the Government's General Fund, it is shown on the financial statements of the agency as an amount "Due to the General Fund." When a debt is owed from the General Fund to an agency such as GSWA, it is shown as an amount "Due from the General Fund." The audit to which Mr. Mantanona refers is for the years ended September 30, 2013, and September 30, 2012. GSWA's audited financial statements for FY 2013 show the amount due to the General Fund for 2013 was \$821,406. GSWA's audited financial statements for FY 2012 show an amount due from the General Fund to GSWA totaling \$861,379. These amounts represent the net difference in the expenses paid through the General Fund for payroll and other operating expenses of GSWA and the amount GSWA has transferred to the General Fund to cover these expenses. The amount is not related to debt service, and there is no significant dispute about this amount. It is a routine part of the audit process to establish the amount to be settled between these funds. The amounts are subsequently settled through routine transactions and have nothing to do with the issues before the Court.

The \$19.2 million to which Mr. Mantanona refers is the amount that would have been paid to the General Fund if the Government of Guam had raised GSWA rates to reimburse itself for the debt service it pays with federal Section 30 funds. As this Court is well aware, it is the Government of Guam that has taken no action to raise rates to GSWA customers in order to cover its cost of debt service. The Government has been on notice of its need to adjust these rates, if it desired to be reimbursed for debt service, since the Receiver filed the necessary information with the Guam Public Utilities Commission in June 2012. Instead, its disingenuous refrain continues to be that the Receiver should increase the rates, despite our clear and unambiguous statements that the Receiver does not need a rate increase.

Prior rate increases made by the Receiver under the Court's authority were interim and necessary to properly implement the Consent Decree. These rates were sufficient for a time to partially reimburse the Government for the debt service it pays from its federal Section 30 revenue. However, the Government of Guam's refusal to provide additional financing of GSWA's capital needs and the post-closure expense of the Ordot Dump now make it necessary to apply all of GSWA's current revenue to these purposes.

The Supplemental Bond Indenture expressly states that operation and maintenance expenses of GSWA must be paid before any funds may be used to reimburse the Government of Guam for its use of Section 30 funds for debt service. This concept is also common sense and an integral part of the Receiver's fiduciary responsibility. Simply put, unless GSWA operating expenses are paid in a timely manner, there



will be no revenue to pay for anything else at GSWA. Sufficient revenue must be continuously available and cash reserves must be adequate at all times to ensure this can be done. Within the funds available to it beyond the amounts needed to ensure timely payment of operating expenses, the Receiver's responsibility to give priority to proper funding to the Consent Decree's obligations is paramount.

If the Government of Guam wishes to impose additional charges on the customers of GSWA to reimburse itself so it can spend more in other areas of government, it must act to increase the rates, just as it would have to act if it wanted to increase any other charge or tax it levies on its people and businesses to pay for more government spending.

While the financing part of the Government of Guam's latest plan is useless, it does include recommendations for reducing the cost of the additional requirements placed on the Consent Decree through Guam's laws, regulations and failure to complete the necessary improvements to ensure safe roadway access to the Layon Landfill. We will address each of these recommendations by stating our understanding of the proposal, followed by our response to the Government of Guam's recommendation.

Dero Road Improvements – *Government of Guam recommendation:* The Government proposes to remove the requirement for improvements to Dero Road based on its determination that the improvements are "not necessary." *Receiver Response:* The Receiver has never objected to the improvements for Dero Road, but has indicated that they must be properly funded or withdrawn. The Government of Guam now indicates that it has changed its mind and says these improvements are not necessary. We have asked our legal counsel, Joyce Tang, to review with the Government of Guam its basis for this new determination that the Dero Road improvements are not needed. If she determines that the requirements can be removed without a change in the laws and regulations under which they were initially required, with the Court's approval, we will reduce the amount of funding needed to achieve compliance accordingly. We have also asked our legal counsel to review any federal requirements under the Americans with Disabilities Act and otherwise to ensure that the project to close the Ordot Dump remains in full compliance. Our only objective is to complete the closure of the Ordot Dump in compliance with all applicable laws and regulations. We believe, at a minimum, this requires fully repairing the damage to Dero Road caused by the construction of the new sewer line, the road damage from years of heavy truck traffic from vehicles dumping waste at the Ordot Dump and recent construction activity on the dump closure itself.

Upgrades to Residential Transfer Stations – *Government of Guam recommendation:* Government of Guam also informs the Court that it has decided to permanently close the Dededo Transfer Station in order to save the approximately \$3 million it would cost to upgrade the facility to meet permitting standards. *Receiver Response:* The Receiver has not recommended that this facility close. It is the most heavily used of the current facilities and its closure will require residents in this heavily populated area to travel to the new Harmon Street facility to access GSWA's trash disposal and recycling services. While the Harmon Street facility can accommodate the workload, closing the Dededo facility will create some inconvenience for many customers and could contribute to an increase in illegal dumping. As noted earlier in this report, the cost of preparing and implementing a closure plan for the facility, as required by applicable law and regulation, must be determined.

Route 4 Safety Enhancements – *Government of Guam recommendation*: After agreeing that these safety enhancements were needed and entering into a Memorandum of Understanding to implement them, the Government of Guam now seeks the Court’s approval to extend indefinitely the use of escort vehicles and await the availability of federal funds to fix these critical problems. The justification for this delay is that the danger on Route 4 is not greater than the danger on other roads in Guam. *Receiver Response*: The Receiver strongly disagrees with this recommendation by the Government. While there are no doubt other dangerous roads on Guam, it is this road upon which the Government has placed large trucks carrying 24 to 25 tons of waste, ten or more times each workday, where they are required to negotiate 18 curves that they cannot navigate without invading the oncoming lane of traffic. While the escort vehicles initiated by the Receiver have been an effective short-term safety measure, they are intended as a temporary measure only. DPW has an obligation under the Consent Decree to provide a safe route to the Layon Landfill. We urge the Court not to change its order that these hazardous conditions be fixed.

Post-Closure Care of the Ordot Dump – *Government of Guam recommendation*: Government of Guam offers \$1 million in “seed money” from the non-existent debt it claims is owed to the General Fund and promises to have GSWA pay the rest on a pay-as-you-go basis. *Receiver Response*: Without assured funding for the maintenance of the Ordot Dump post-closure, there will be no lasting environmental benefit from the environmental closure of the Ordot Dump. The Government of Guam is proposing to fund this vital element of Consent Decree compliance with phantom seed money and a promise. It is essentially saying “trust us.” Unfortunately, its track record in this area is horrendous. The Consent Decree requires post-closure care of the Ordot Dump. Federal regulations require financial assurance for post-closure care. Given Guam’s failure to set funds aside for this purpose while the Ordot Dump was operating, we see no viable solution to this requirement other than creating a fully funded trust account before the Receivership ends. The purported financing plan submitted by the Government of Guam for this vital element of the Consent Decree is no plan at all.

In conclusion, it is the Receiver’s position that the Government of Guam, based on the document it submitted to the Court on September 29, 2014, has offered the possibility of some reductions in the additional funding requirements it has placed on the Consent Decree projects. These potential reductions, however, must be subjected to further legal analysis to determine if the Receiver can accept them while remaining in compliance with applicable law and regulation. Unfortunately, the financing component of the Government’s plan is based on misleading and false statements and offers nothing of substance to the Court in regard to paying for these important obligations.

### **Reserves of the GSWA**

Table 12 outlines the status of the reserves of GSWA on June 30, 2014. These reserves are for the purpose of setting funds aside to pay for the future needs of the system.

Table 12. Reserves of the GSWA

<b>Reserves of the Guam Solid Waste Authority</b>	
<i>As of 6/30/2014</i>	
Reserves	Total
Equipment Replacement Reserve	\$ 1,772,625.63
New Cell Development Reserve	\$ 130,230.23
Cell Closure Reserve	\$ 130,230.23
Post-Closure Care Reserve Layon Landfill	\$ 260,460.25
Post-Closure Care Reserve Ordot Dump	\$ -
<b>Total Reserves.....</b>	<b>\$ 2,293,546.34</b>

Table 13 provides the Court with the balance as of June 30, 2014, of the special reserve established to address the cost of legal expenses, future capital requirements and the post-closure care of the Ordot Dump.

Table 13. Special Reserve

<b>Special Reserve for Legal Expenses, Capital and Ordot Post Closure Funding Requirements</b>	
<i>As of 6/30/14</i>	
Deposits/Withdrawals	Amount
May 2014 Deposit	\$ 374,758.08
June 2014 Deposit	\$ 374,758.08
Total Deposits	\$ 749,516.16
<b>Withdrawals</b>	<b>\$ -</b>
<b>Balance at 6/30/14.....</b>	<b>\$ 749,516.16</b>

We are presently in the process of establishing a bank account for the special reserve shown in Table 13, pursuant to the Court's Order of September 12, 2014. This account will facilitate both accounting for the funds and provide full transparency of the Receiver's use of the funds.

**GSWA Operating Budget for FY 2015**

Table 14 summarizes the GSWA budget for FY 2015. A full budget is included in Tab 10 for the Court's review and approval.

Table 14. GSWA Operating Budget for FY 2015

<b>Guam Solid Waste Authority</b>				
<b>Operating Budget</b>				
<b>FY 2015</b>				
October 1, 2014, to September 30, 2015				
Item	FY 2012 Actual	FY 2013 Actual	Approved FY 2014 Budget	FY 2015 Budget
Personnel Expenses	\$ 2,508,861	\$ 2,373,123	\$ 2,809,300	\$ 3,000,000
Other Expenditures / Reserves	\$14,415,889	\$14,604,348	\$15,857,684	\$15,365,597
<b>Grand-total Expenditures / Reserves</b>	<b>\$ 16,924,750</b>	<b>\$ 16,977,471</b>	<b>\$18,666,984</b>	<b>\$ 18,365,597</b>
<b>Total Revenue (All Sources) &amp; Fund Balance</b>	<b>\$16,469,052</b>	<b>\$18,759,095</b>	<b>\$18,666,984</b>	<b>\$18,365,597</b>
<b>Surplus / (Deficit)*</b>	<b>-\$455,698</b>	<b>\$1,781,624</b>	<b>\$0</b>	<b>\$0</b>
*Surplus goes to reserve for future years (i.e., fund balance) and deficits are covered by the same reserve. Budget will need to be adjusted when the procurement for an HHW Operator is completed for the operational cost of the program.				

This budget represents a basic continuation of the current budget and solid waste program on Guam. The only adjustments are for the Household Hazardous Waste (HHW) Program, which will begin operating during this year, and for inflation. With respect to the HHW Program, its cost will be in two broad categories: 1) a fixed fee for operations and 2) disposal costs based on the volume of materials collected. Given the absence of a history for the collection of HHW, our current estimate for the disposal cost of the materials collected in this new program may need further revision. Accordingly, as this program continues and information is obtained concerning the volume of waste actually collected, further budget adjustments may be needed. We request that the Court's approval of the budget include authority to make these adjustments to the extent they are needed.

**Results of the FY 2013 Audit of GSWA**

For the third year in a row, the Receiver has cooperated with a full audit of GSWA. This audit of FY 2013, dated August 22, 2014, is submitted for the Court's review as Tab 11. The auditors indicated that they had full access to all of GSWA's management and found no misappropriation or misapplication of funds.

The final audit determined that the fund balance from GSWA operations was \$13.9 million, an increase of \$2.7 million over the fund balance one year earlier. This is a significant improvement, reflecting the sound financial management of GSWA under Receivership. The auditors continue to take note of instances where the Receiver has departed from Guam Law under authority granted by the Court and have made recommendations for improvements in some procurement documentation. We are pleased with the results of the audit and will continue to work cooperatively with auditors during the tenure of the Receivership.

**Bridge and Roadway Repairs and Replacements**

DPW has completed several of the Consent Decree-related bridge and roadway projects. Table 15 compares the scheduled completion date for each project as reported by DPW at the beginning of the reporting period with the June 30, 2014, Status Report submitted by DPW to the Court. DPW's report on

the status of the project for Route 4 Togcha River to Ipan Beach indicates the project is on schedule but no expected date of completion is included. The Ylig Bridge project is further delayed but this no longer presents an issue for the transport of waste to the landfill since the work appears to be substantially complete.

**Table 15. Status of Consent Decree Bridge and Roadway Projects**

<b>Status of Consent Decree Bridge and Roadway Projects</b>		
<b>Project</b>	<b>Completion Date in 3/31/14 Status Report</b>	<b>Completion Date in 6/30/14 Status Report</b>
Ylig Bridge Replacement	June-14	October-14
Togcha Bridge Rehabilitation	Project Complete	Project Complete
Talofofa Bridge Rehabilitation	Project Complete	Project Complete
Route 4 Pago Bay to Route 17	April-13	Project Complete
Route 4 Togcha River to Ipan Beach	8/8/2013*	TBD**
As-Alonso Area of Route 4	TBD	TBD
Route 4 Safety Issues	TBD	TBD

\*Bid date. \*\*DPW's report says the project is on schedule, but no schedule is provided.

We continue to await additional information on the viability of Route 2 as an alternative route to the Layon Landfill in the event that Route 4 becomes impassable due to the earlier earthquake damage that occurred on Route 4 at As-Alonso.

**Waste Disposed at the Layon Landfill**

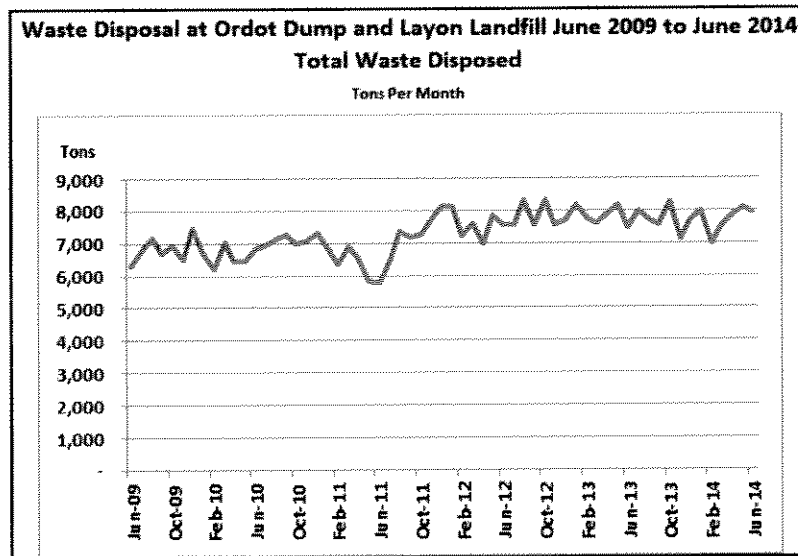
Waste disposal during FY 2014 continued the downward trend reported in our previous report although the 1.7 percent decline through June 30, 2014, was less than the 3.3 percent decline reported through March 31, 2014. Table 16 shows total waste disposed by customer type during the period October 1, 2013, through June 30, 2014, compared to the same period one year earlier.

**Table 16. Waste (Tons) Disposed at Layon Landfill**

<b>Change in Waste (Tons) Disposed at Layon Landfill</b>			
<b>By Customer Group</b>			
<b>Comparing October to June FY2013 with FY2014</b>			
<b>Customer</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>% Change</b>
Residential	14,787	13,760	-6.9%
Commercial	39,642	38,956	-1.7%
Military	5,996	5,549	-7.5%
Government	4,625	6,529	41.2%
Mayors	1,243	1,064	-14.4%
Transfer Stations	4,345	3,553	-18.2%
Other	74	73	-1.3%
<b>Total</b>	<b>70,713</b>	<b>69,484</b>	<b>-1.7%</b>

As we noted in our previous report, slower economic growth, recycling or other factors could be the reason for this decline. Looking at the trends longer term, total waste disposal in Guam fluctuates from month to month, but has remained relatively stable. Figure 21 illustrates the variation in month-to-month disposal since the Receiver installed an accurate scale system in June 2009.

**Figure 21. Long-term Trend in Guam Waste Disposal**



As illustrated by Figure 21, over this entire period the amount of waste disposed on Guam each year has remained relatively stable. We will continue to monitor this very carefully and keep the Court informed.<sup>6</sup>

## 6. Next Steps

### Ordot Dump Closure

- Continue completion of Phase I construction activities
- Continue project management of construction work to facilitate its completion
- Conduct timely review of all submittals, change orders and pay requests for approval
- Monitor to ensure compliance with all permits

### Design and Construction Management

- Wrap up remaining construction items following substantial completion for Harmon Residential Transfer Station and Household Hazardous Waste Facility (SEP project)
- Continue to follow up with DPW on the execution of projects to address Route 4 safety issues
- Continue to track DPW progress on bridge/road work and the As-Alonso area stability study

### **Layon Operational Support**

- Address remaining improvements to leachate collection/pumping system

### **Environmental Compliance and Monitoring**

- Support and facilitate the issuance of the Draft Facility Permit for the Harmon Residential Transfer Station
- Continue to conduct GEPA/EPA bi-weekly meetings to guide and manage environmental permitting and compliance
- Report Operation Year No. 3, second event of the Semi-Annual Detection Monitoring Program
- Continue to support environmental compliance of the Layon Landfill operations
- Support and facilitate the renewal of the Layon Facility and Title V Air Permits
- Continue to manage, monitor, and report the results of the Inarajan WWTP monitoring program
- Procure task order for environmental monitoring services for next operational year
- Finalize and submit Draft Agat Transfer Station Phase II environmental investigation report to GEPA/EPA (submitted early in next quarter – July 2014)

### **Operations**

- Open the Harmon Transfer Station
- Open the HHW facility
- Continue to educate residents about the Island-wide Recycling Program
- Implement recycling collection for customers who receive trash collection with Baby Packer trucks

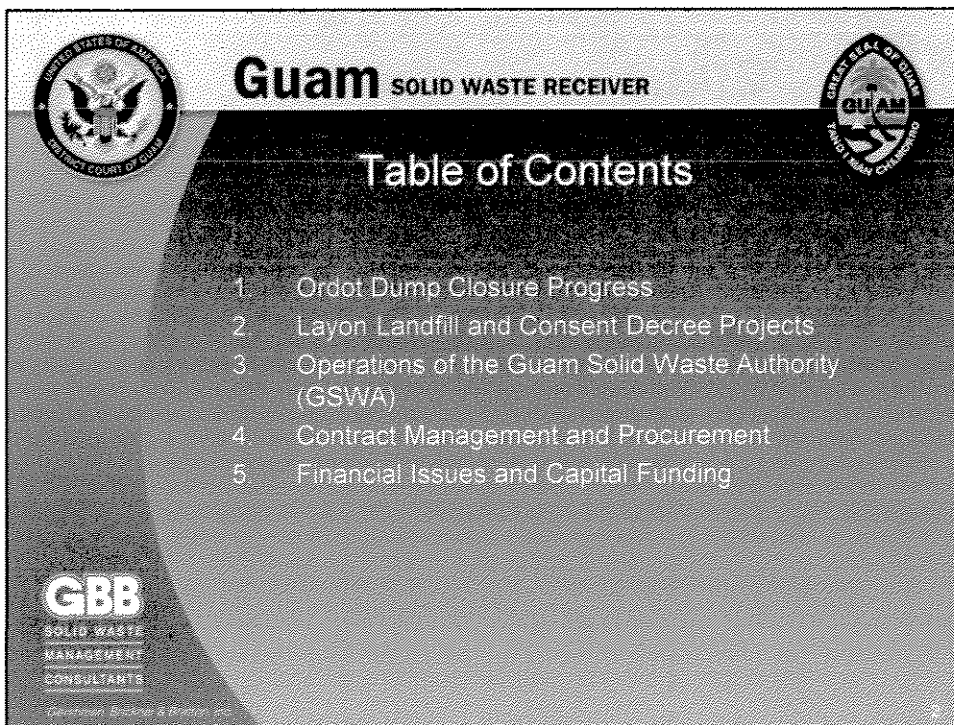
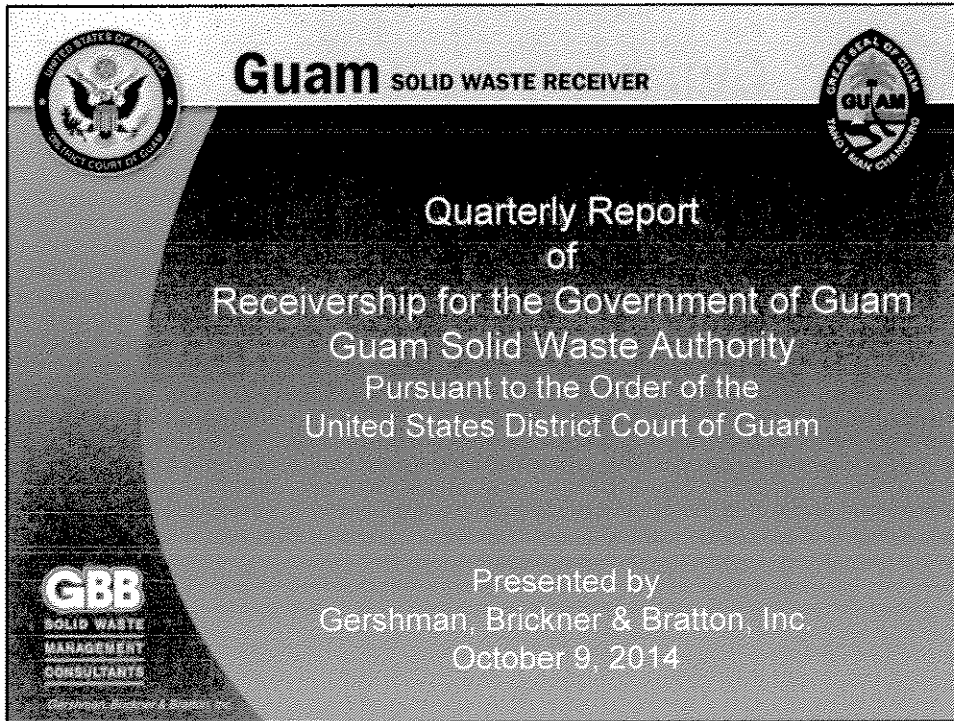
### **Financial**

- Continue to work with contactors to keep projects on schedule
- Carefully manage the Trustee Accounts and other bank accounts of GSWA; keep all parties informed
- Set up a new Bank of Guam account for accumulating funds for additional projects and other future GSWA capital needs
- Continuously monitor the system's cash flow to ensure that sufficient cash is on hand at all times
- Continue to carefully monitor expenditures and revenue collections
- Monitor the volume of waste and update rate information accordingly
- Track HHW generation and develop cost estimate and budget impact projection for remainder of FY 2014 and FY 2015
- Continue to enforce the policies to ensure that delinquent residential and commercial accounts are paid in full or service is terminated
- Monitor other government accounts and continue to work with GovGuam to address deficiencies

- Assist the members of the GSWA board in preparing for their role after the Receivership ends
- Work with GSWA Board to award a contract for legal counsel to assist the Board
- Work with legal counsel to complete land acquisition for closure of Ordot Dump







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## 1. ORDOT DUMP CLOSURE PROGRESS

April 1, 2014 – June 30, 2014

Waste tires from Guam are shredded and used in the Ordot Dump Closure Construction

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## Ordot Dump Closure Progress

### Phase I Construction – Primary Tasks

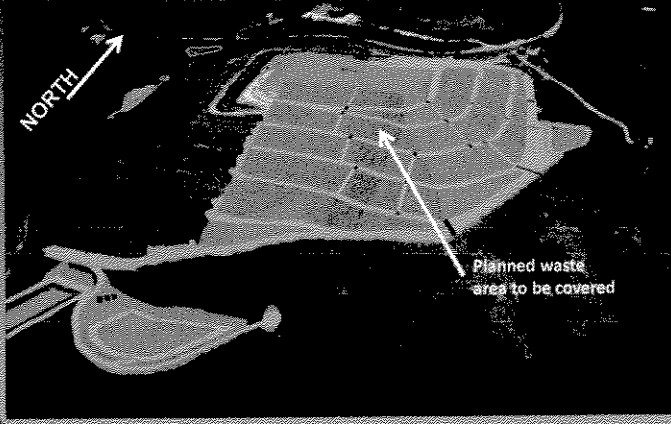
- Goals of this phase of work:
  - Place the cover over approximately one-half of the waste pile
  - Begin to collect leachate and control landfill gas
- This work involves a number of significant and challenging tasks
- Poor weather has slowed the work
- The Receiver currently estimates that Phase I work is 80 days behind schedule (as of Sept. 1, 2014)
- We are working with contractor to make up the time in Phase II to the extent practical

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### Ordot Dump Closure Progress

#### Phase I Construction - Primary Tasks



Phase I


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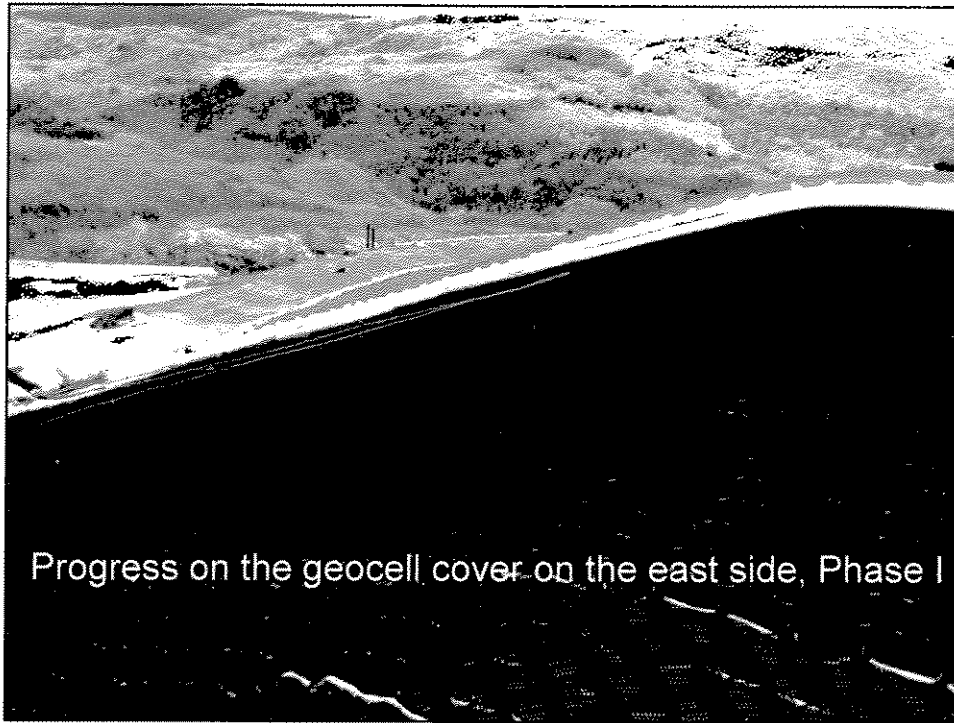
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### Ordot Dump Closure Progress

#### Phase I Tasks Completed

- Temporary leachate storage pond
- Scattered waste consolidation
- Western channel relocation
- Leachate storage tank construction
- Construction of gas collection wells

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### Ordot Dump Closure Progress

Phase II Construction – Initiated

In order to 'catch up' the schedule, Black Construction has initiated or accelerated several construction activities ahead of schedule during the 2014 dry season:

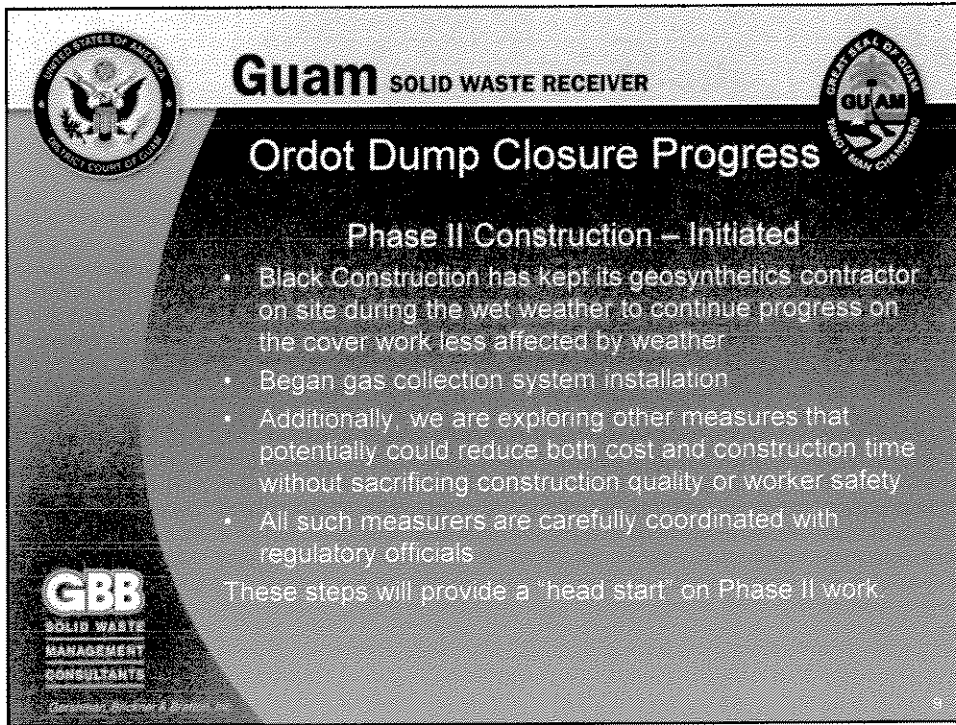
- Initiated west side, or Phase II, earthworks to take advantage of dry season weather
- Relocated and consolidated Phase II waste
- Continued the cover construction during inclement weather



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The slide features the logos of the U.S. Environmental Protection Agency (left) and the Guam Department of Public Health and Social Services (right) at the top. The title 'Guam SOLID WASTE RECEIVER' is prominently displayed. Below it, the main heading is 'Ordot Dump Closure Progress'. The central focus is 'Phase II Construction – Initiated', followed by a bulleted list of project updates. The GBB logo and name are located in the bottom left corner, and a small number '9' is in the bottom right corner.

## Guam SOLID WASTE RECEIVER

### Ordot Dump Closure Progress

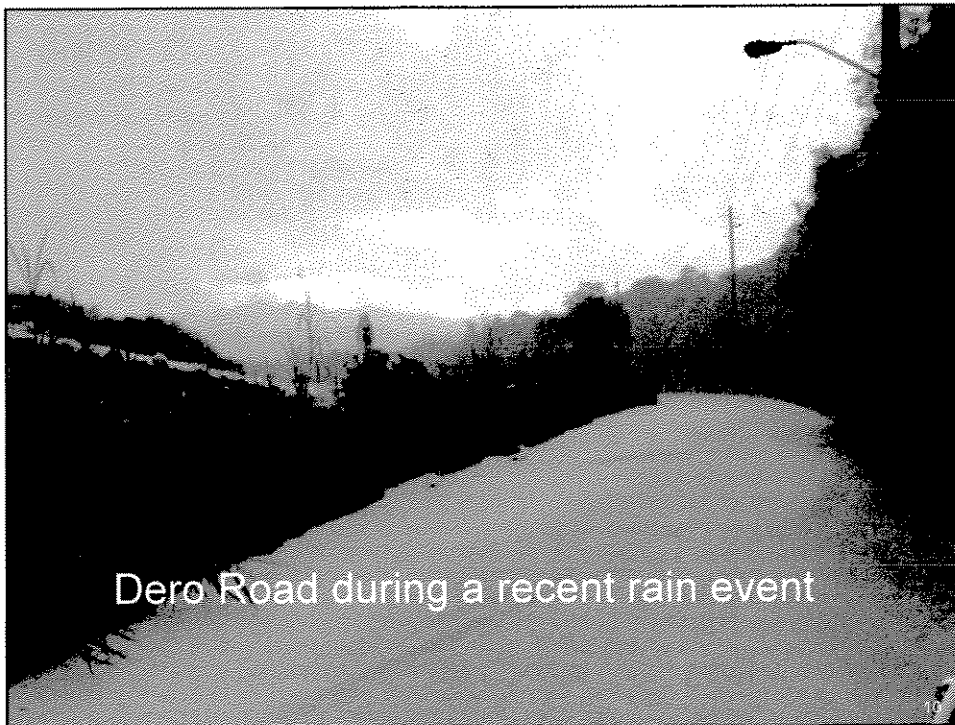
#### Phase II Construction – Initiated


- Black Construction has kept its geosynthetics contractor on site during the wet weather to continue progress on the cover work less affected by weather
- Began gas collection system installation
- Additionally, we are exploring other measures that potentially could reduce both cost and construction time without sacrificing construction quality or worker safety
- All such measures are carefully coordinated with regulatory officials

These steps will provide a "head start" on Phase II work.


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# Guam SOLID WASTE RECEIVER



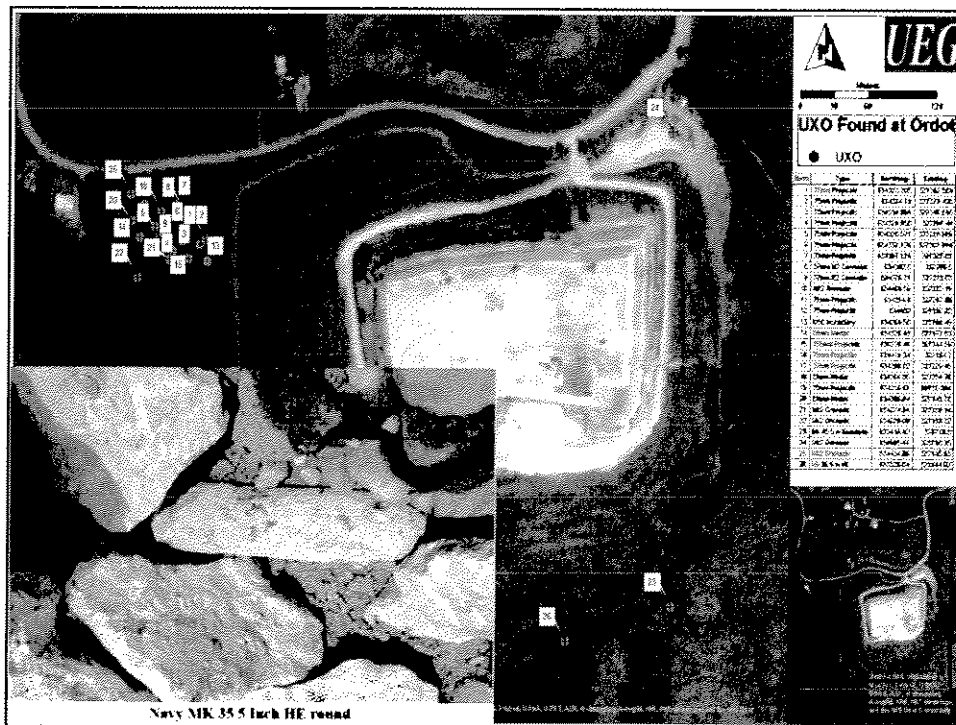
## Ordot Dump Closure Progress

- **Unexploded Ordnance (UXO)**
  - Continued to find UXO onsite – although less frequently
  - UXO found outside of waste pile at or near ground surface
  - UXO specialist conducts continuous monitoring in new excavation areas
  - Navy Explosive Ordnance Specialist called to safely remove the ordnance
  - Most recent ordnance found on August 19, 2014



*Guam Office & Station, Inc.*

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**Ordot Dump Closure Progress**

**Land Acquisition**



- Lot 450 is only remaining acquisition to complete
- Other completed acquisitions have yet to be properly recorded with the Department of Land Management
- As directed by the Court, private legal counsel is now handling this matter
- The Receiver's Legal Counsel must now be designated a Special Assistant Attorney General to complete these transactions
- This process has been delayed by several recusals within the Office of the Attorney General
- We are assured that it will now be expedited

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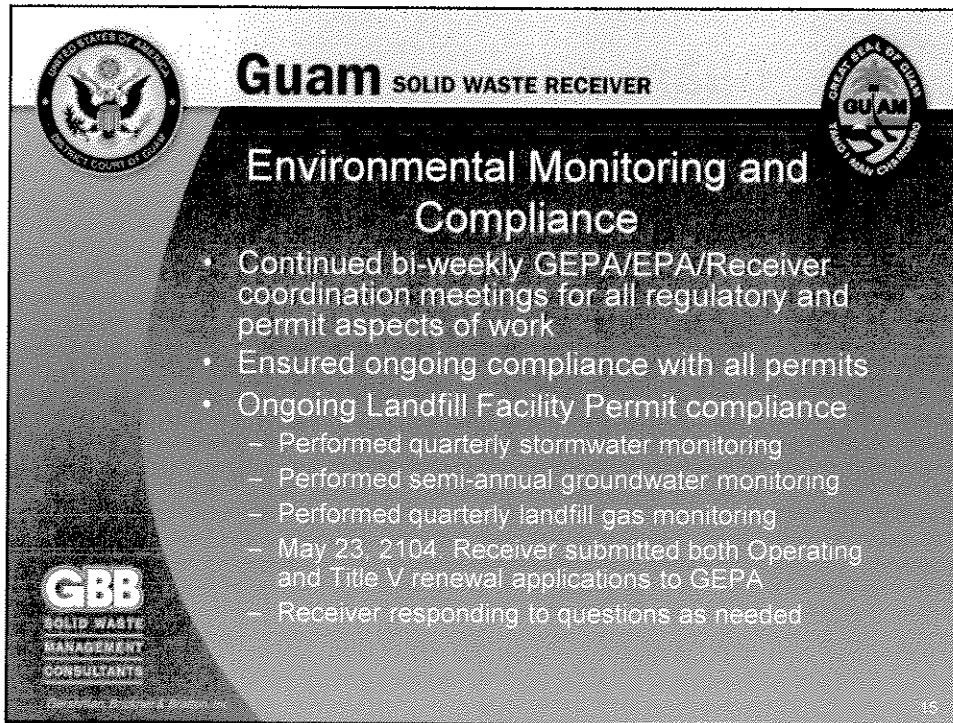
**2. LAYON LANDFILL AND  
CONSENT DECREE PROJECTS**  
April 1, 2014 – June 30, 2014



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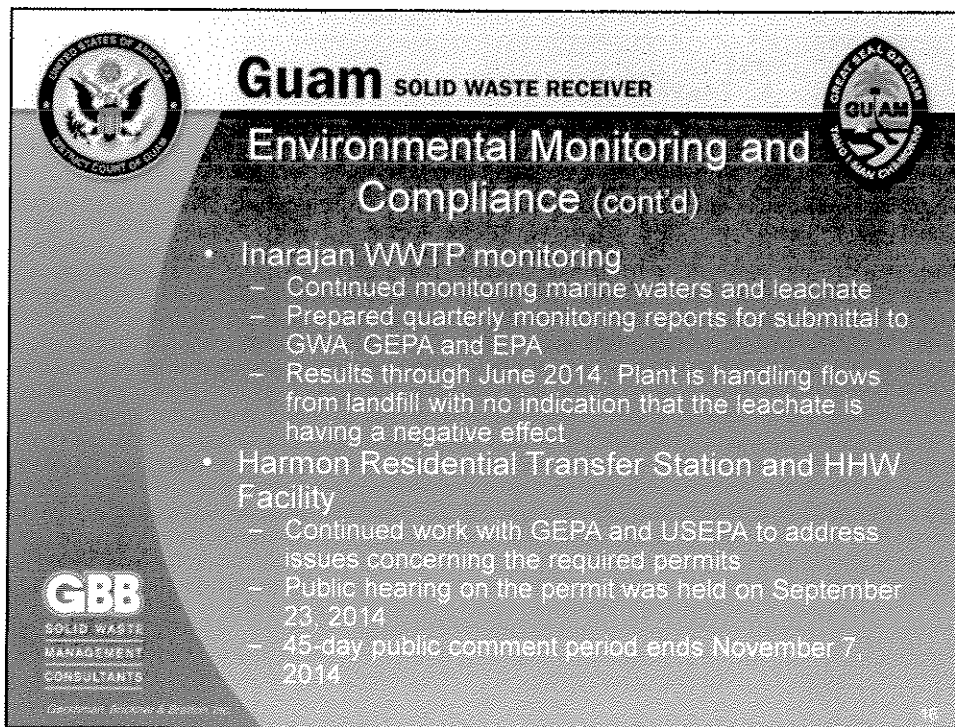
**Guam SOLID WASTE RECEIVER**

**Environmental Monitoring and Compliance**

- Continued bi-weekly GEPA/EPA/Receiver coordination meetings for all regulatory and permit aspects of work
- Ensured ongoing compliance with all permits
- Ongoing Landfill Facility Permit compliance
  - Performed quarterly stormwater monitoring
  - Performed semi-annual groundwater monitoring
  - Performed quarterly landfill gas monitoring
  - May 23, 2014, Receiver submitted both Operating and Title V renewal applications to GEPA
  - Receiver responding to questions as needed

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**Environmental Monitoring and Compliance (cont'd)**

- Inarajan WWTP monitoring
  - Continued monitoring marine waters and leachate
  - Prepared quarterly monitoring reports for submittal to GWA, GEPA and EPA
  - Results through June 2014: Plant is handling flows from landfill with no indication that the leachate is having a negative effect
- Harmon Residential Transfer Station and HHW Facility
  - Continued work with GEPA and USEPA to address issues concerning the required permits
  - Public hearing on the permit was held on September 23, 2014
  - 45-day public comment period ends November 7, 2014

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### Residential Transfer Stations

Agat, Dededo, Harmon, Malojloj

- Permits required as condition of Layon Landfill permit and Guam Law
- Harmon Residential Transfer Station
  - Substantial completion of construction work, June 27, 2014
  - Occupancy Permit received from DPW on May 6, 2014
  - Contractor performing punch list work
  - Project behind schedule – contract completion date December 8, 2013
  - Claim for liquidated damages filed
- Upgrades to other residential transfer stations on hold pending availability of funds

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### Residential Transfer Stations

(cont'd)

### Harmon Construction

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### Dededo Contamination

- Receiver submitted Special Report to the Court, March 19, 2014
- Government of Guam response was inconclusive:
  - Suggested possible partition of the site to allow northward expansion
  - USEPA concluded it is "not possible" to pursue the northward expansion as GovGuam suggested
  - USEPA requested the Court permit Receiver to explore expanding to the west and to conduct an environmental assessment of the adjacent property

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### Dededo Contamination

(cont'd)

- GovGuam has recently informed the Court that it has decided to permanently close the Dededo Residential Transfer Station
- Assuming GovGuam's decision is final, a closure plan will need to be developed and funded
- If the facility remains open, the Receiver recommends the Court follow USEPA's recommendation
- The Receiver is unaware of any steps taken by GovGuam to further assess or clean up the very serious contamination at the Dededo site

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**3. OPERATIONS OF THE GUAM SOLID WASTE AUTHORITY**  
April 1, 2014 – June 30, 2014

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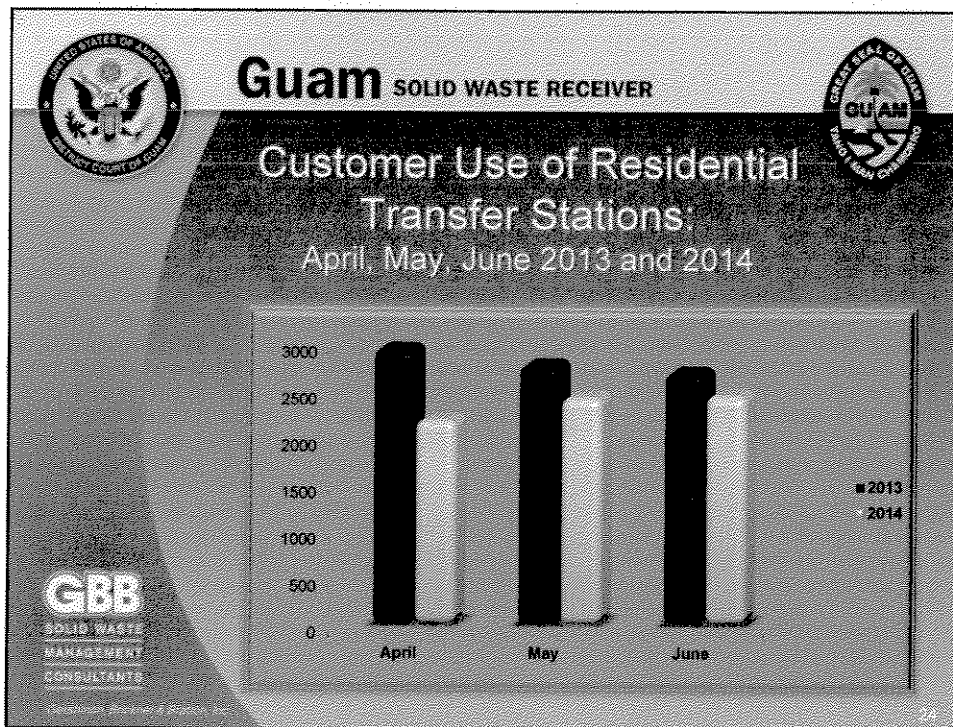
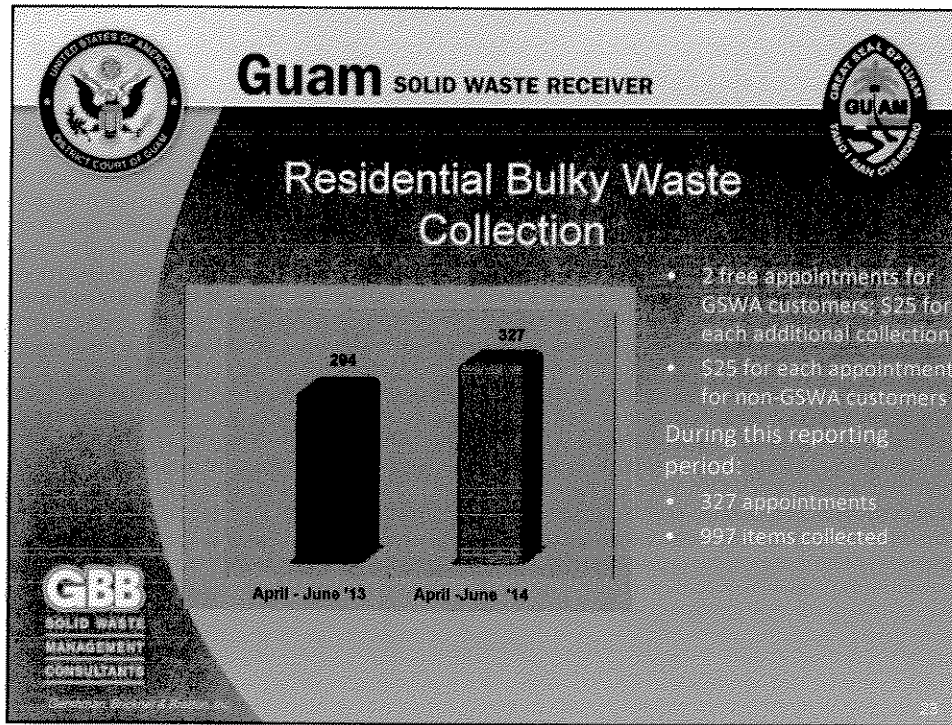
**Residential Trash Collection**  
**99.8% On-Time**

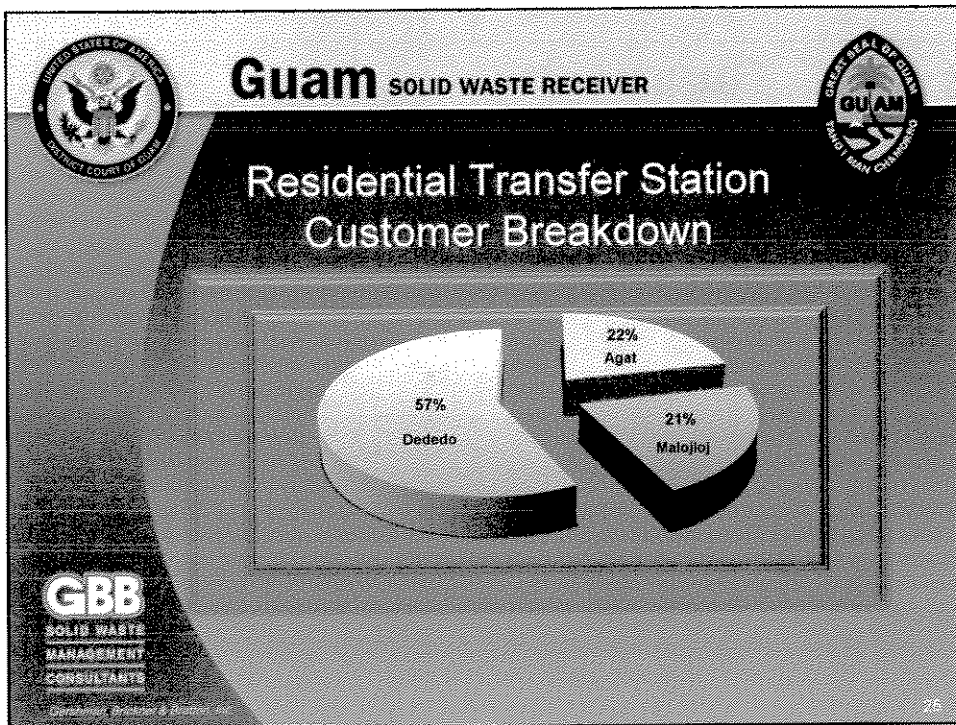
Category	Percentage
On-Time	99.80%
Missed	0.40%

- 218,092 residential trash collections
- 7 cart repairs needed during the quarter

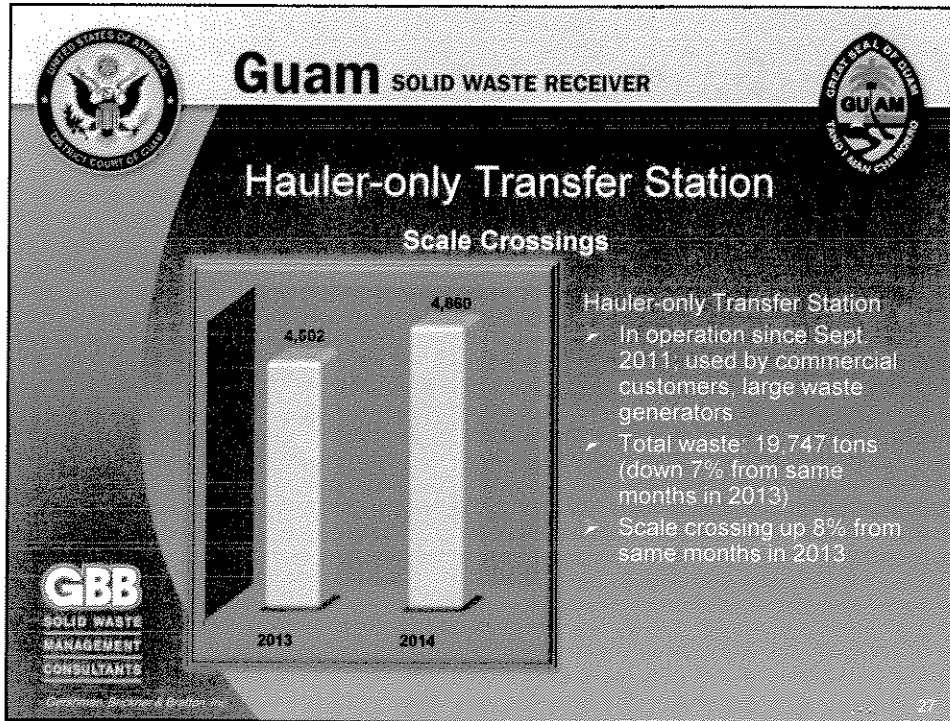
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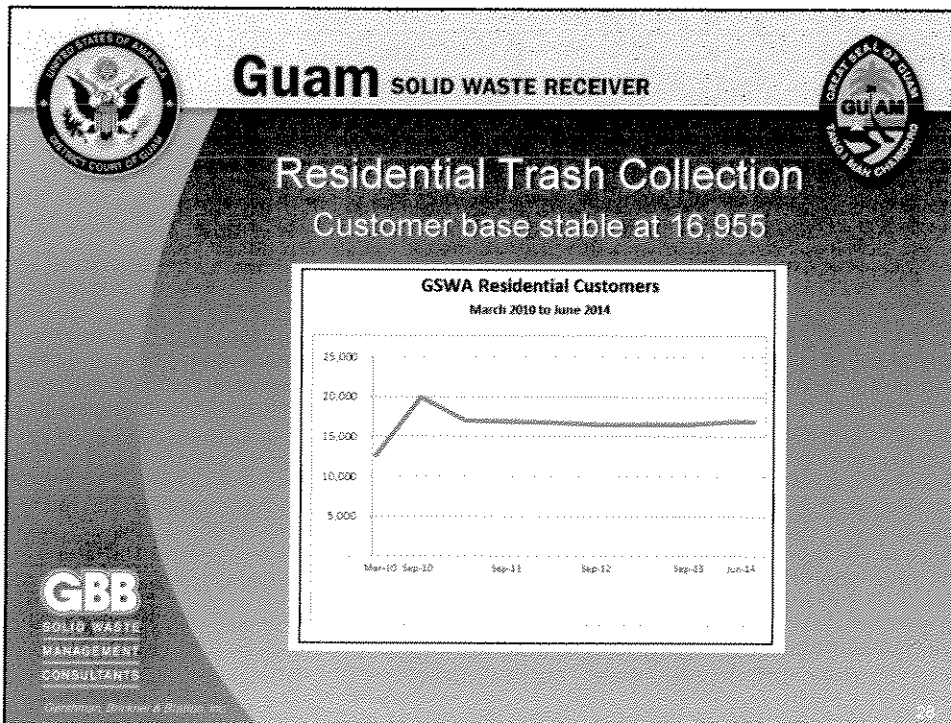





- 
- Guam SOLID WASTE RECEIVER**
- ### Residential Transfer Stations to Close on GovGuam Holidays
- Facilities have few customers on holidays
  - Cost of staying open for a few customers is high:
    - GovGuam employees receive their regular pay
    - Also receive 1.5 times regular pay to work on holiday
    - Total employee cost is 2.5 times non-holiday cost
  - Workload is easily handled during normal working hours
  - No changes to curbside pickup on holidays
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- Hauler-only Transfer Station
- In operation since Sept. 2011; used by commercial customers, large waste generators
  - Total waste: 19,747 tons (down 7% from same months in 2013)
  - Scale crossing up 8% from same months in 2013






## Guam SOLID WASTE RECEIVER




### Administration


- Customer Service staff assisted 1,952 walk-in customers
- Made 4,328 courtesy phone calls or sent letters to customers who were late paying their bills and in jeopardy of having their carts repossessed for lack of payment
- Use of online billing and payment grows
  - 6,990 customers now registered for online services
  - 3,221 pay their bills online
  - 2,865 use paperless billing
- 57 full-time employees, a reduction of 42% from the 99 FTE the SWMD had in 2008



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## Guam SOLID WASTE RECEIVER



### Residential Delinquency Rates Remain Low



Period	Rate
Sep-10	15.0%
Sep-11	11.9%
Sep-12	2.0%
Sep-13	5.7%
Jun-14	1.5%

Delinquency rates are shown at six-month intervals through 2013/14 and the 6/30/14 rate.



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### GSWA Board of Directors



Three meetings occurred:

- April 10, 2014  
Discussion of green waste collection and GSWA fleet repair contracts
- May 15, 2014  
Ad Hoc Committee of the Board reported to Board on transferring temporary to government employees
- June 17, 2014  
Discussion of RFP for the Board's legal representation



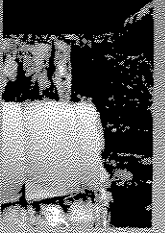

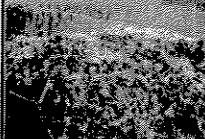
Meeting minutes, agenda and audio available online

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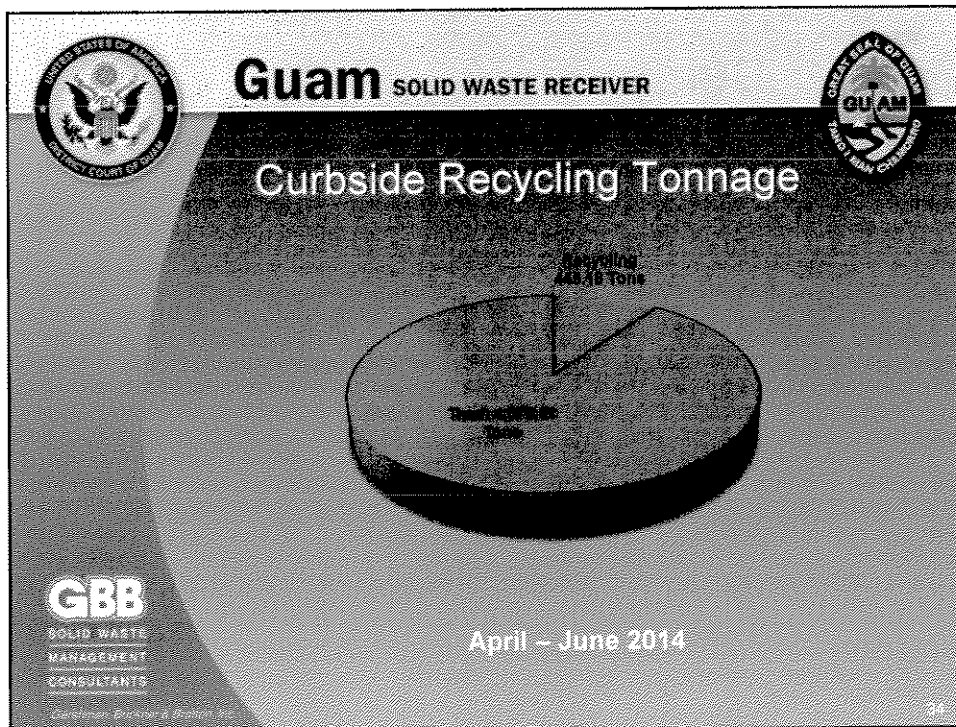
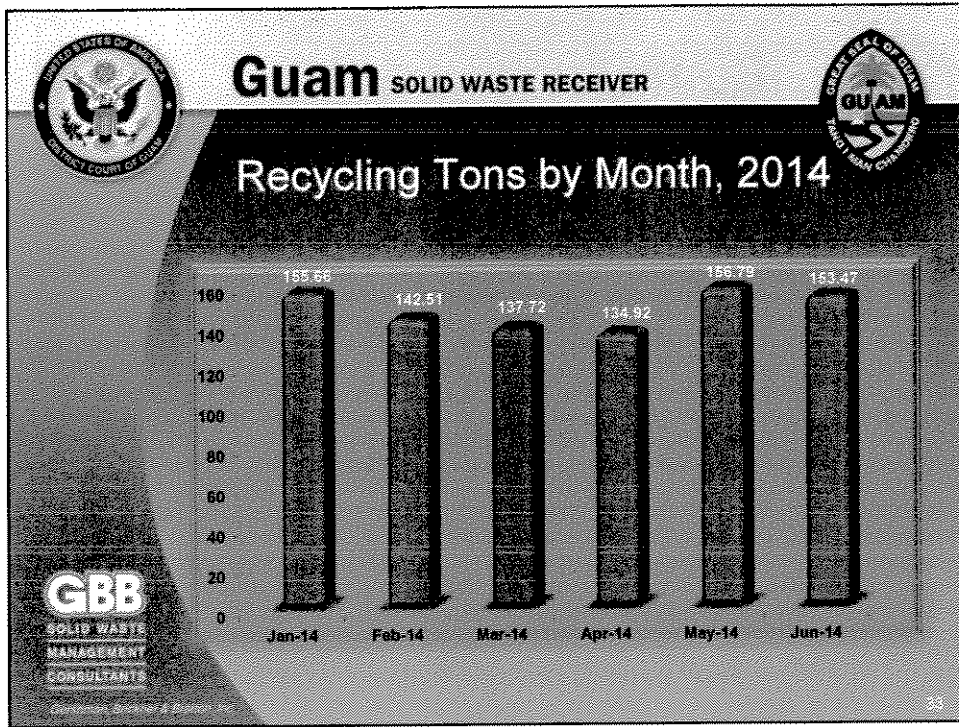
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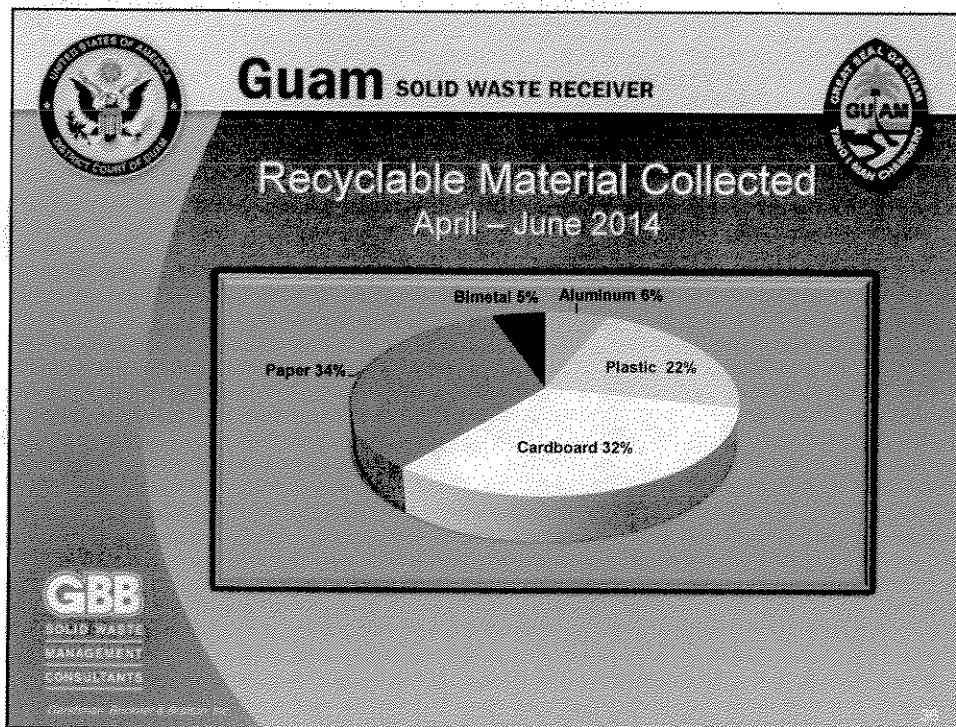
### Curbside Recycling

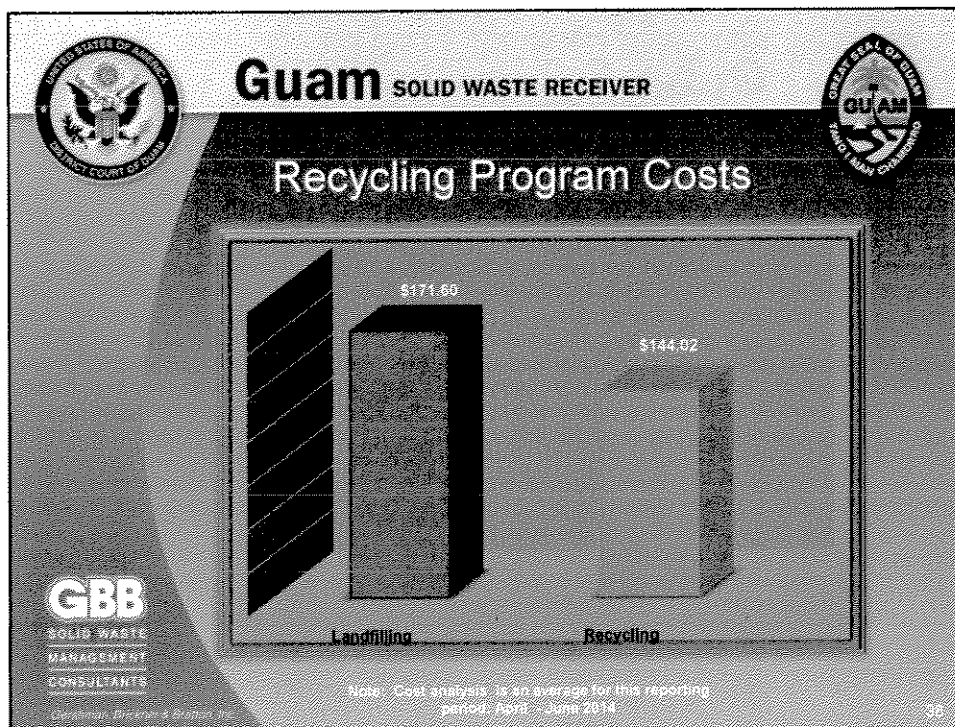
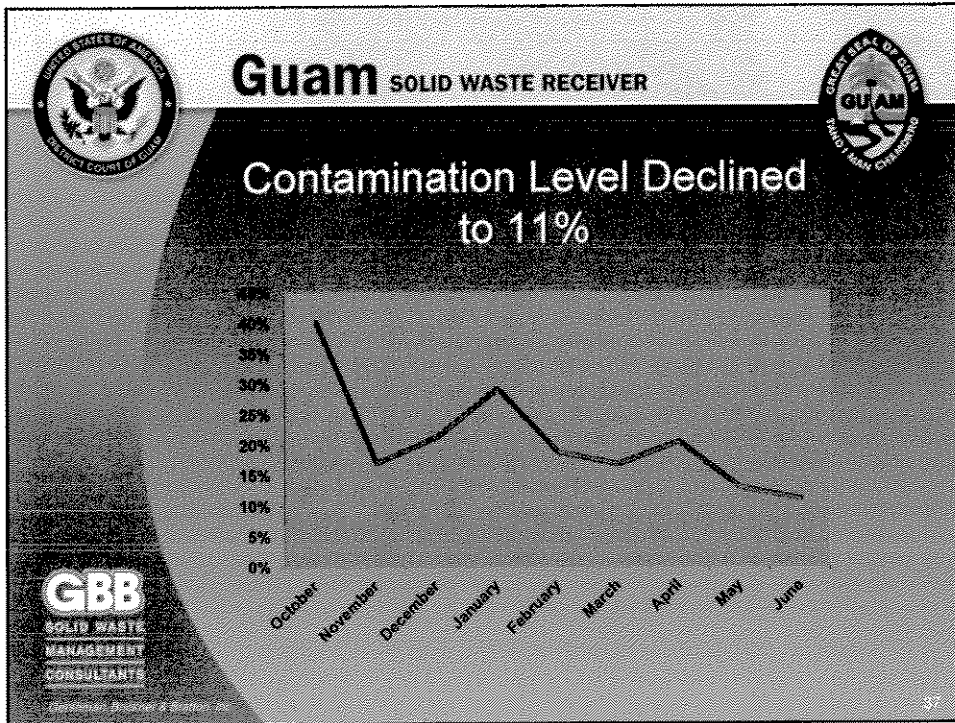
- Oct. 2013 - March 2014. Recycling carts delivered to GSWA customers who receive trash collection in large compactor trucks -- 90 percent of all customers
- Customers serviced with non-compacting Baby Packer trucks for trash collection cannot receive curbside recycling collection due to road conditions, tight spaces
- As part of normal truck replacement schedule, GSWA currently purchasing trucks that can provide recycling service to most customers on Baby Packer routes

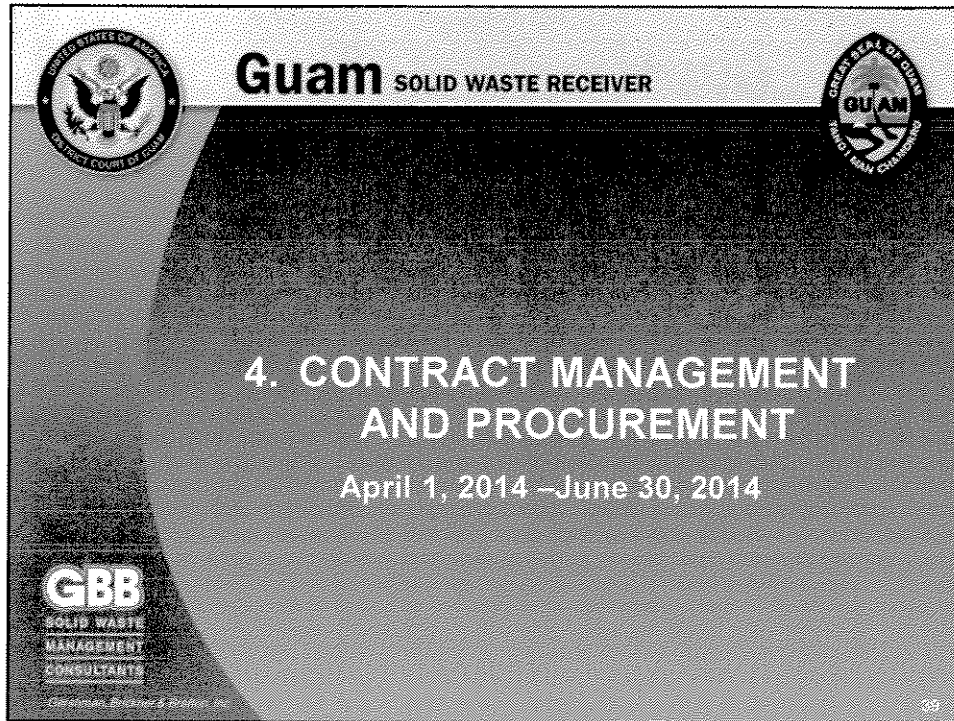




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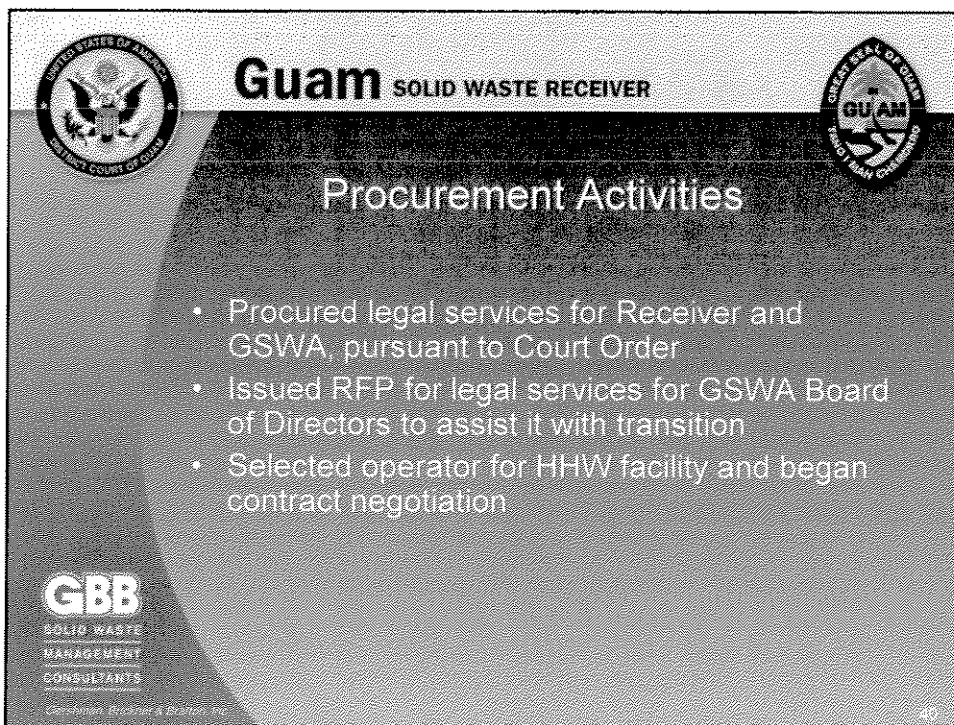
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## 4. CONTRACT MANAGEMENT AND PROCUREMENT

April 1, 2014 – June 30, 2014

  
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## Procurement Activities


- Procured legal services for Receiver and GSWA, pursuant to Court Order
- Issued RFP for legal services for GSWA Board of Directors to assist it with transition
- Selected operator for HHW facility and began contract negotiation

  
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# Guam SOLID WASTE RECEIVER




## 5. FINANCIAL ISSUES AND CAPITAL FUNDING


April 1, 2014 – June 30, 2014



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# Guam SOLID WASTE RECEIVER




## Operating Results: First 9 months of FY2014

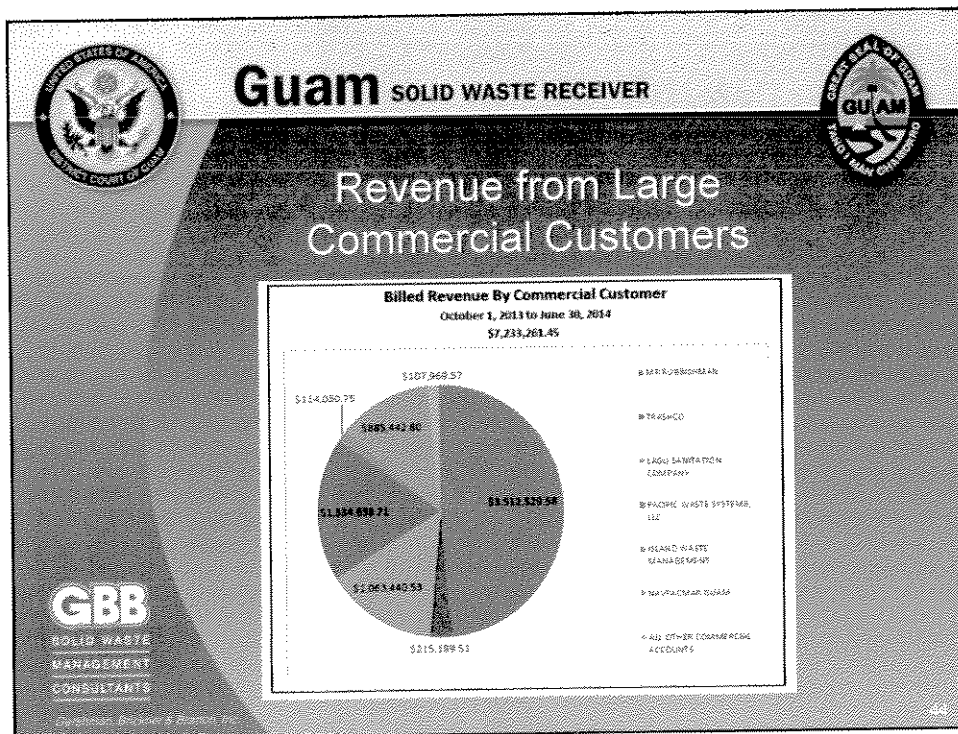
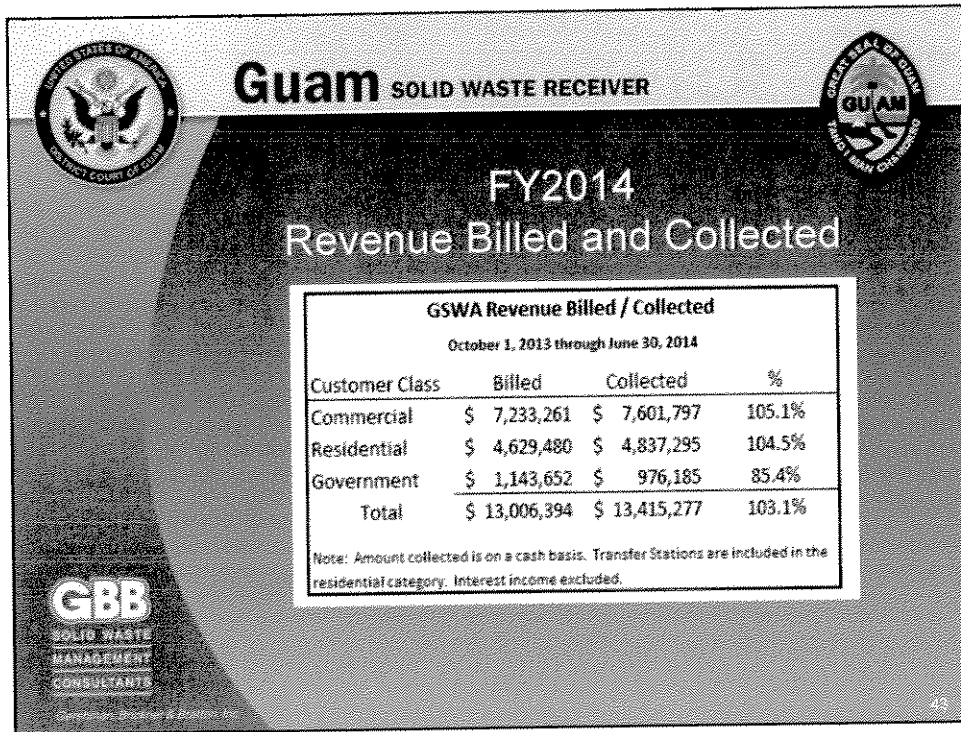
Expenditures: 9.1% Below Approved Budget  
Revenue: 4.9% Above Approved Budget

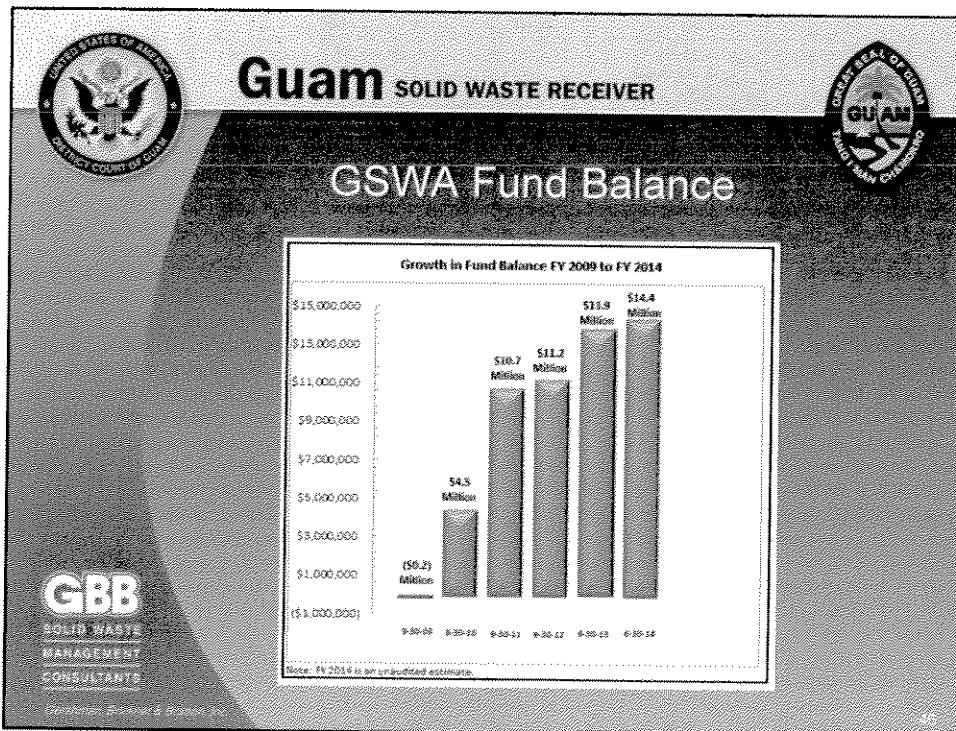
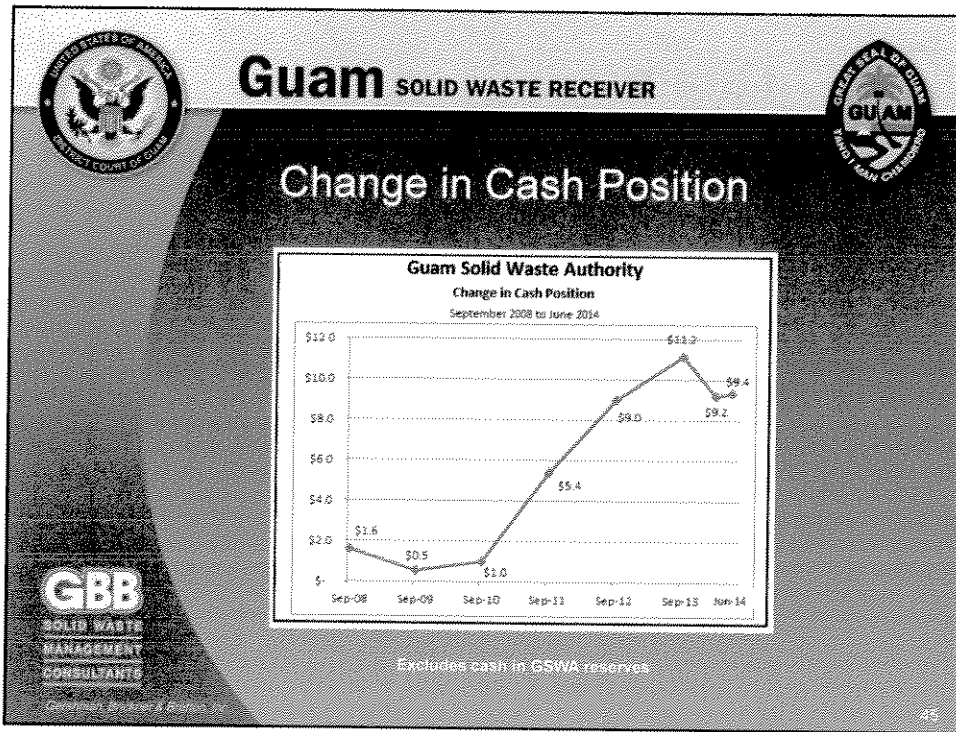
Item	Total Annual Budget	Budget to Date	Actual Spending / Revenue to Date	% over (under) Budget
Personnel Expenses	\$2,609,300	\$2,106,976	\$2,080,767	-1.2%
Other Expenses / Reserves	\$15,657,684	\$11,893,263	\$10,851,666	-10.4%
<b>Total Expenses / Reserves</b>	<b>\$18,266,984</b>	<b>\$14,000,239</b>	<b>\$12,732,433</b>	<b>-9.1%</b>
Total Revenue (All Sources)	\$16,846,000	\$12,634,680	\$13,263,946	4.9%
Budgeted From Fiscal Balance	\$1,820,984	\$1,365,738	\$0	-100.0%
<b>Total Funding Available</b>	<b>\$18,666,984</b>	<b>\$14,000,418</b>	<b>\$13,263,946</b>	<b>N/A</b>
<b>Surplus / Deficit*</b>	<b>\$0</b>	<b>\$0</b>	<b>\$521,512</b>	<b>N/A</b>

\* Surplus goes to reserve for future years (i.e. fund balance) and deficits are covered by the same reserve on reserve accounts not included in operating revenue. Interest income

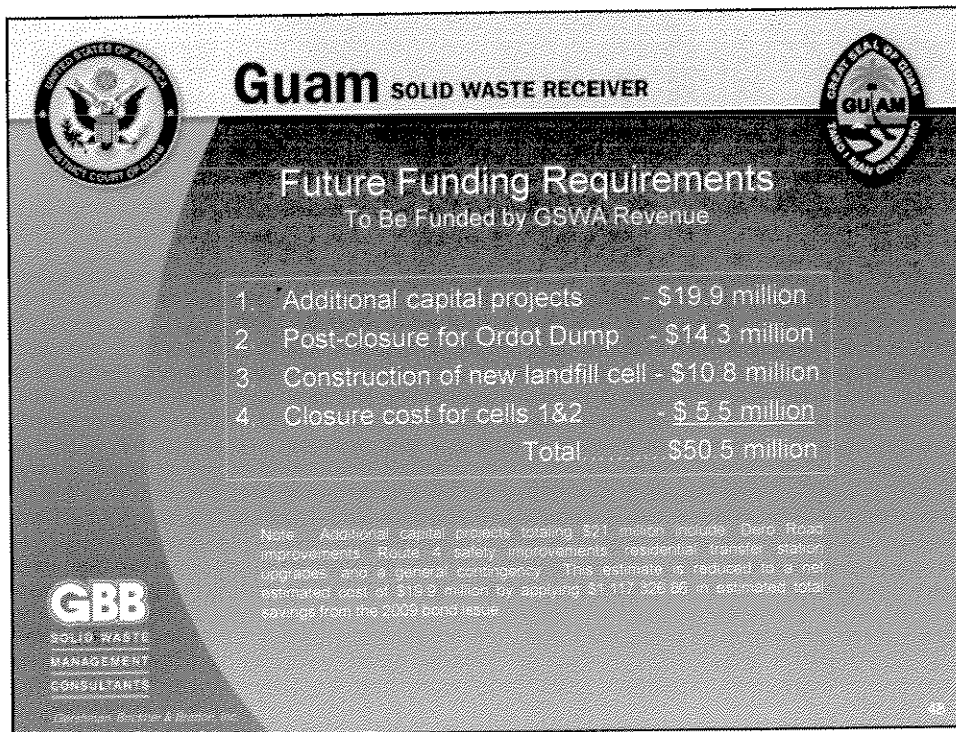
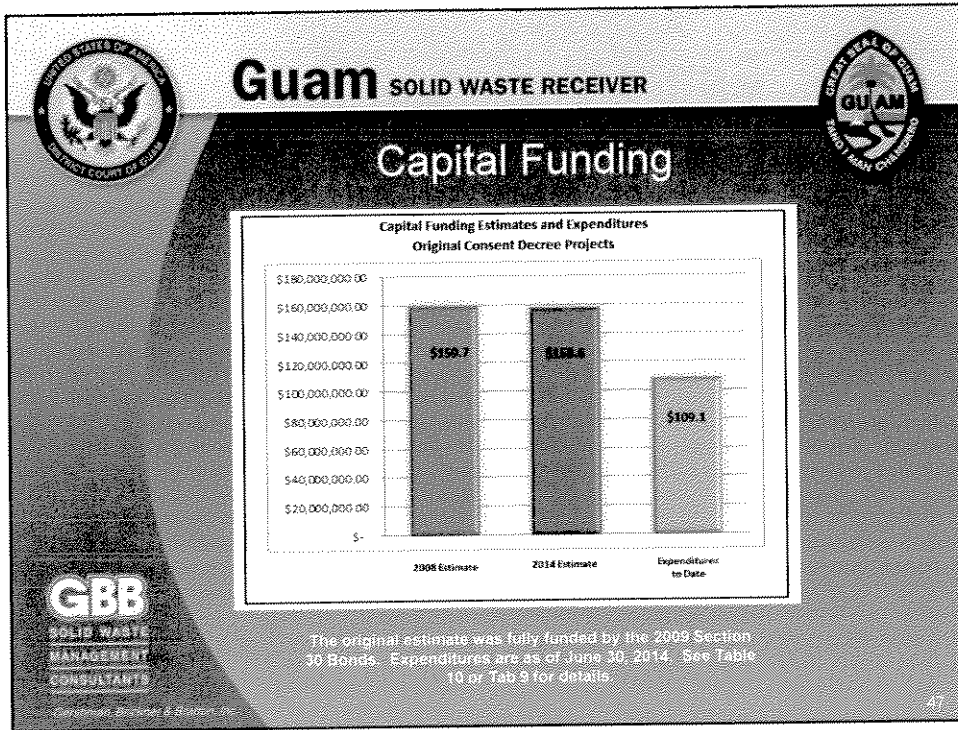


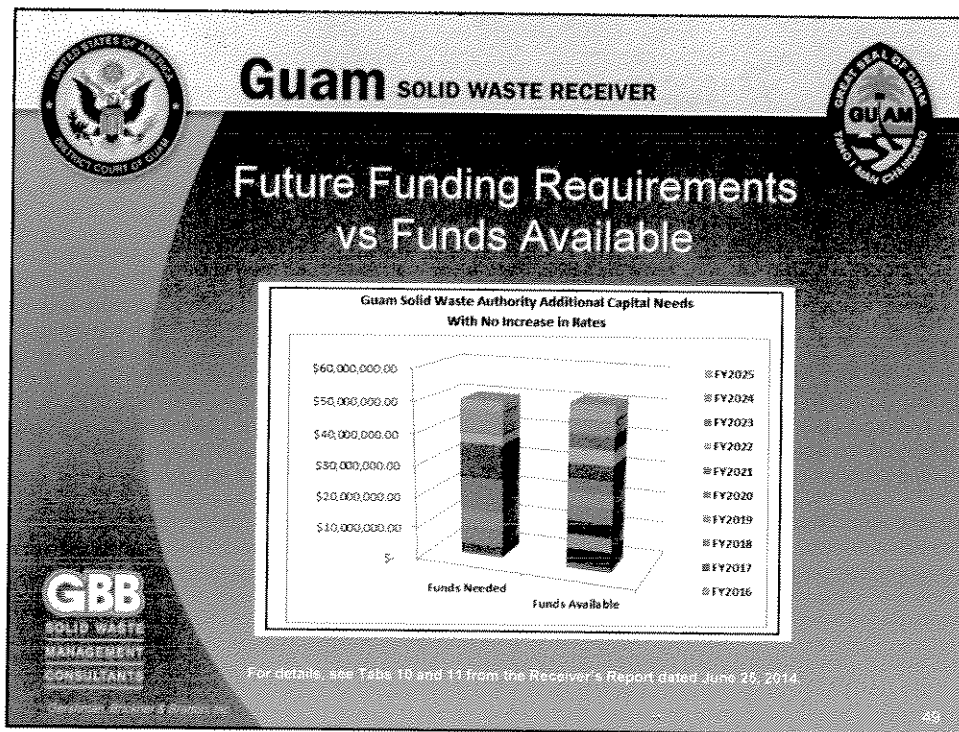
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**Guam SOLID WASTE RECEIVER**

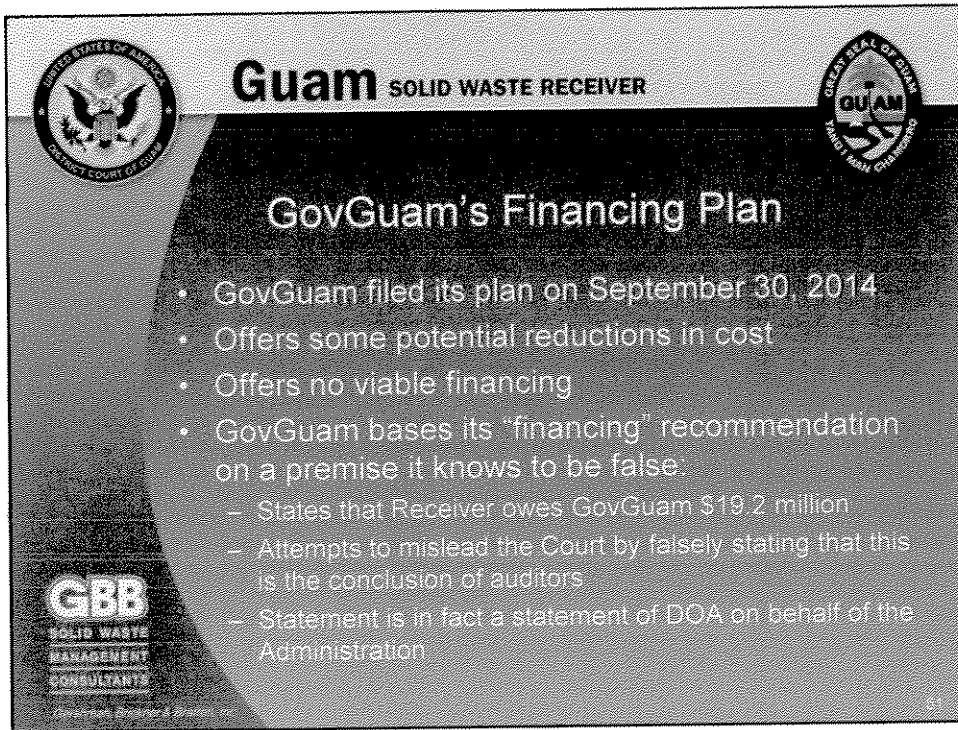
### Special Reserve

For legal expenses, future capital requirements, post-closure care of Ordot Dump

Deposits/Withdrawals	Amount
May 2014 Deposit	\$ 374,758.08
June 2014 Deposit	\$ 374,758.08
Total Deposits	\$ 749,516.16
Withdrawals	\$ -
<b>Balance at 6/30/14</b>	<b>\$ 749,516.16</b>

If the Government of Guam provides additional funding for the expenses shown on slide 45 plus GBB expenses, the unspent funds in this reserve will be available to reimburse the Government of Guam for debt service on the 2019 Consent Debt Bond Issue.

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This slide features a header with the United States of America seal on the left and the Guam seal on the right, with the text "Guam SOLID WASTE RECEIVER" in the center. The main title is "GovGuam's Financing Plan". The content includes a bulleted list of points regarding GovGuam's financing plan, a GBB logo in the bottom left, and a page number "61" in the bottom right.

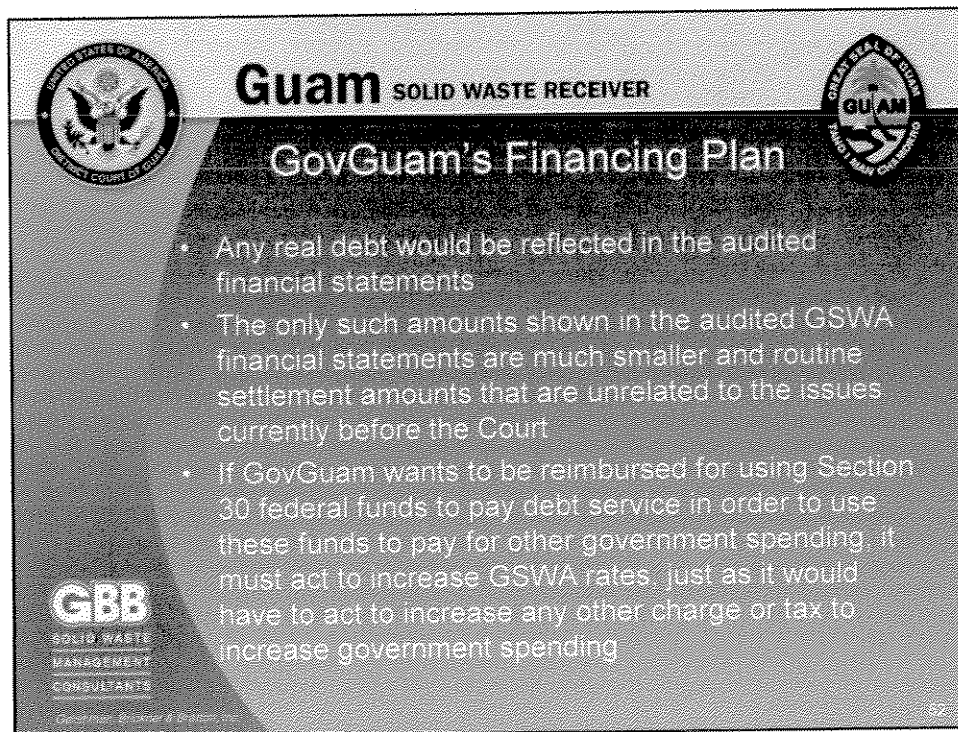
**Guam** SOLID WASTE RECEIVER

### GovGuam's Financing Plan

- GovGuam filed its plan on September 30, 2014
- Offers some potential reductions in cost
- Offers no viable financing
- GovGuam bases its "financing" recommendation on a premise it knows to be false:
  - States that Receiver owes GovGuam \$19.2 million
  - Attempts to mislead the Court by falsely stating that this is the conclusion of auditors
  - Statement is in fact a statement of DOA on behalf of the Administration

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This slide features a header with the United States of America seal on the left and the Guam seal on the right, with the text "Guam SOLID WASTE RECEIVER" in the center. The main title is "GovGuam's Financing Plan". The content includes a bulleted list of points regarding GovGuam's financing plan, a GBB logo in the bottom left, and a page number "62" in the bottom right.

**Guam** SOLID WASTE RECEIVER

### GovGuam's Financing Plan

- Any real debt would be reflected in the audited financial statements
- The only such amounts shown in the audited GSWA financial statements are much smaller and routine settlement amounts that are unrelated to the issues currently before the Court
- If GovGuam wants to be reimbursed for using Section 30 federal funds to pay debt service in order to use these funds to pay for other government spending, it must act to increase GSWA rates, just as it would have to act to increase any other charge or tax to increase government spending

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### GovGuam's Financing Plan

- GovGuam has been on notice since June 2012 of the need to increase GSWA rates if it wanted to be reimbursed
  - Receiver filed the necessary rate study with the PUC June 18, 2012
  - GovGuam has done nothing
- GovGuam wants the Receiver to raise the rates despite the Receiver's clear statements, repeated many times, that the Receiver does not need a rate increase
- All GSWA operating cost, future capital cost and the Ordot Dump's post-closure cost can be paid by GSWA customers through the current rates
- All debt service is paid with federal funds (Section 30)
- GSWA could go for many years without any increase in rates under the current funding arrangement

**GBB**  
SOLID WASTE  
MANAGEMENT  
CONSULTANTS

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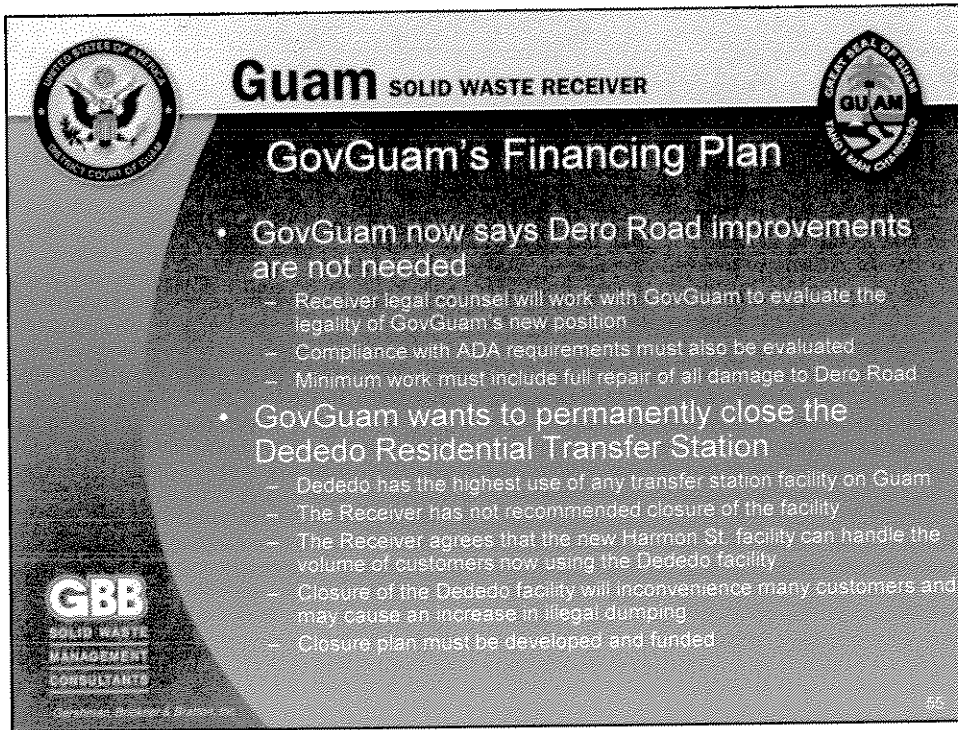
**Guam** SOLID WASTE RECEIVER

### GovGuam's Financing Plan

- GovGuam does offer some potential cost reductions
  - GovGuam now says Dero Road improvements are not needed
  - GovGuam wants to permanently close the Dededo Residential Transfer Station
  - GovGuam wants indefinite use of escort vehicles on Route 4 instead of fixing the hazardous curves
  - GovGuam promises to pay Ordot Dump post-closure cost, but offers no funding

**GBB**  
SOLID WASTE  
MANAGEMENT  
CONSULTANTS

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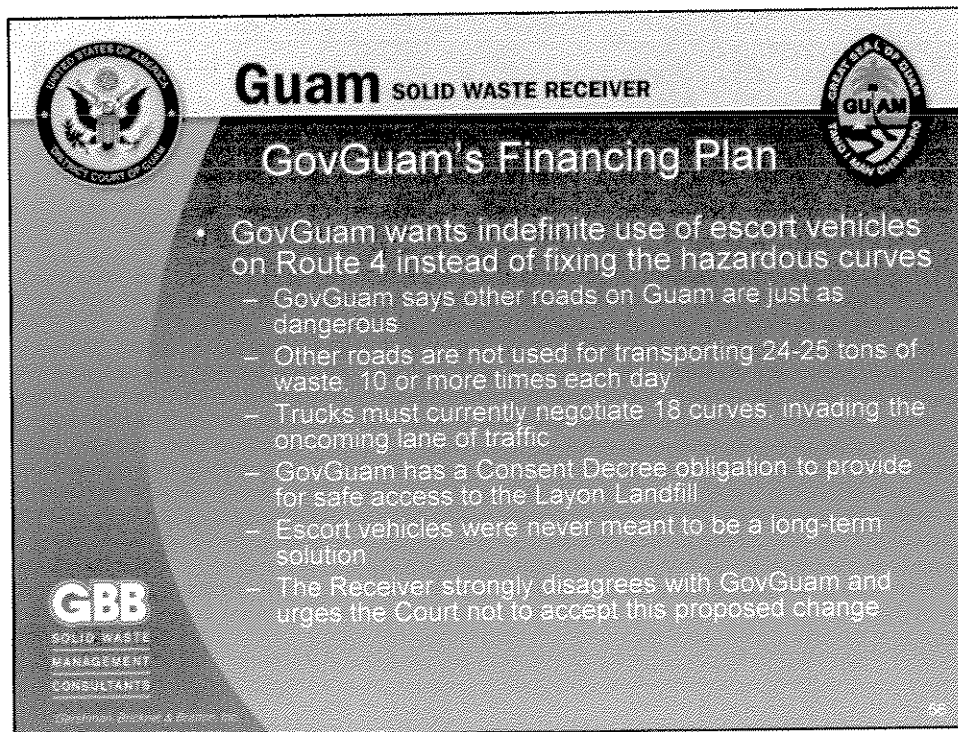
**Guam** SOLID WASTE RECEIVER

### GovGuam's Financing Plan

- GovGuam now says Dero Road improvements are not needed
  - Receiver legal counsel will work with GovGuam to evaluate the legality of GovGuam's new position
  - Compliance with ADA requirements must also be evaluated
  - Minimum work must include full repair of all damage to Dero Road
- GovGuam wants to permanently close the Dededo Residential Transfer Station
  - Dededo has the highest use of any transfer station facility on Guam
  - The Receiver has not recommended closure of the facility
  - The Receiver agrees that the new Harmon ST facility can handle the volume of customers now using the Dededo facility
  - Closure of the Dededo facility will inconvenience many customers and may cause an increase in illegal dumping
  - Closure plan must be developed and funded

**GBB**  
SOLID WASTE  
MANAGEMENT  
CONSULTANTS  
Government, Business & Health, Inc.

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**Guam** SOLID WASTE RECEIVER

### GovGuam's Financing Plan

- GovGuam wants indefinite use of escort vehicles on Route 4 instead of fixing the hazardous curves
  - GovGuam says other roads on Guam are just as dangerous
  - Other roads are not used for transporting 24-25 tons of waste, 10 or more times each day
  - Trucks must currently negotiate 18 curves, invading the oncoming lane of traffic
  - GovGuam has a Consent Decree obligation to provide for safe access to the Layon Landfill
  - Escort vehicles were never meant to be a long-term solution
  - The Receiver strongly disagrees with GovGuam and urges the Court not to accept this proposed change

**GBB**  
SOLID WASTE  
MANAGEMENT  
CONSULTANTS  
Government, Business & Health, Inc.


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## Guam SOLID WASTE RECEIVER

### GovGuam's Financing Plan

- GovGuam promises to pay Ordot Dump post-closure cost but offers no funding
  - Offers \$1 million in seed money from the non-existent debt it claims it is owed
  - Promises to have GSWA pay the rest
  - Consent Decree requires post-closure care
  - Federal regulations require financial assurance for this cost
  - GovGuam failed to set funds aside for this purpose during the Ordot Dump's operating years
  - Only viable solution is a fully funded trust fund
  - GovGuam's plan offers nothing of substance for this important funding issue




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## Guam SOLID WASTE RECEIVER

### GSWA Reserves

Reserves of the Guam Solid Waste Authority	
As of 6/30/2014	
Reserves	Total
Equipment Replacement Reserve	\$ 1,772,625.63
New Cell Development Reserve	\$ 130,230.23
Cell Closure Reserve	\$ 130,230.23
Post-Closure Care Reserve Layon Landfill	\$ 260,460.25
Post-Closure Care Reserve Ordot Dump	\$ -
<b>Total Reserves.....</b>	<b>\$ 2,293,546.34</b>



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## Guam SOLID WASTE RECEIVER

### GSWA Operating Budget 2015



**Guam Solid Waste Authority**  
**Operating Budget**  
**FY 2015**  
October 1, 2014, to September 30, 2015

Item	FY 2012 Actual	FY 2013 Actual	Approved FY 2014 Budget	FY 2015 Budget
Personnel Expenses	\$ 2,508,861	\$ 2,373,123	\$ 2,809,300	\$ 3,000,000
Other Expenditures / Reserves	\$14,415,889	\$14,604,348	\$15,857,684	\$15,365,597
<b>Grand total Expenditures / Reserves</b>	<b>\$ 16,924,750</b>	<b>\$ 16,977,471</b>	<b>\$18,666,984</b>	<b>\$ 18,365,597</b>
<b>Total Revenue (All Sources) &amp; Fund Balance</b>	<b>\$16,469,052</b>	<b>\$18,759,095</b>	<b>\$18,666,984</b>	<b>\$18,365,597</b>
<b>Surplus / (Deficit)*</b>	<b>-\$455,698</b>	<b>\$1,781,624</b>	<b>\$0</b>	<b>\$0</b>

\*Surplus goes to reserve for future years (i.e., fund balance) and deficits are covered by the same reserve. Budget will need to be adjusted when the procurement for an HWW Operator is completed for the operational cost of the program.



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## Guam SOLID WASTE RECEIVER

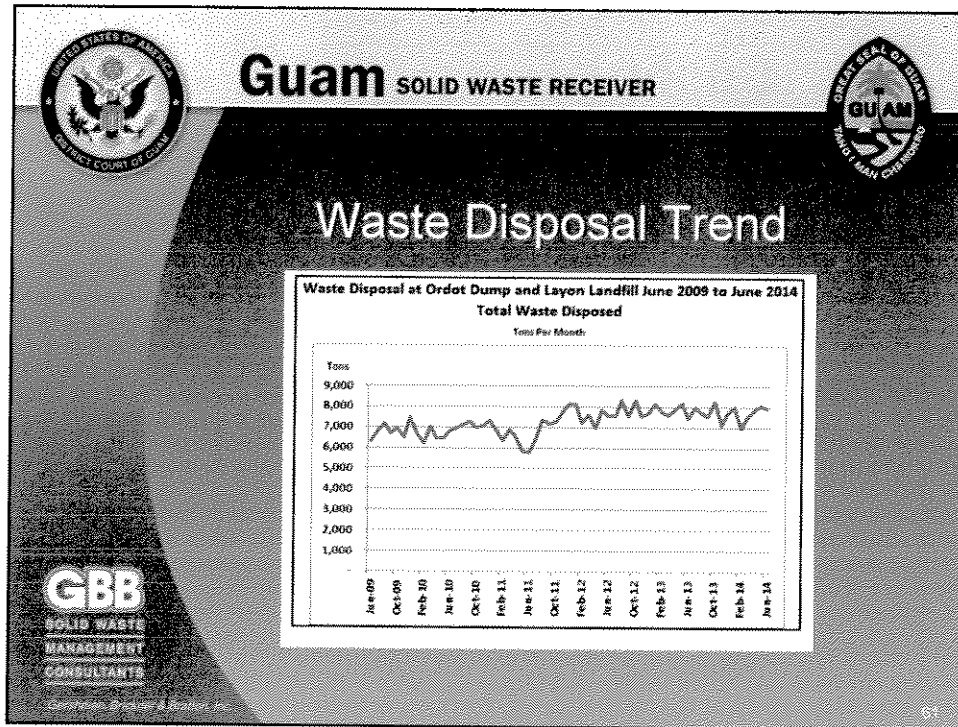
### Waste Disposed at Layon Landfill

**Change in Waste (Tons) Disposed at Layon Landfill**  
**By Customer Group**  
Comparing October to June FY2013 with FY2014

Customer	FY 2013	FY 2014	% Change
Residential	14,787	13,760	-6.9%
Commercial	39,642	38,956	-1.7%
Military	5,996	5,549	-7.5%
Government	4,625	6,529	41.2%
Mayors	1,243	1,064	-14.4%
Transfer Stations	4,345	3,553	-18.2%
Other	74	73	-1.3%
<b>Total</b>	<b>70,713</b>	<b>69,484</b>	<b>-1.7%</b>



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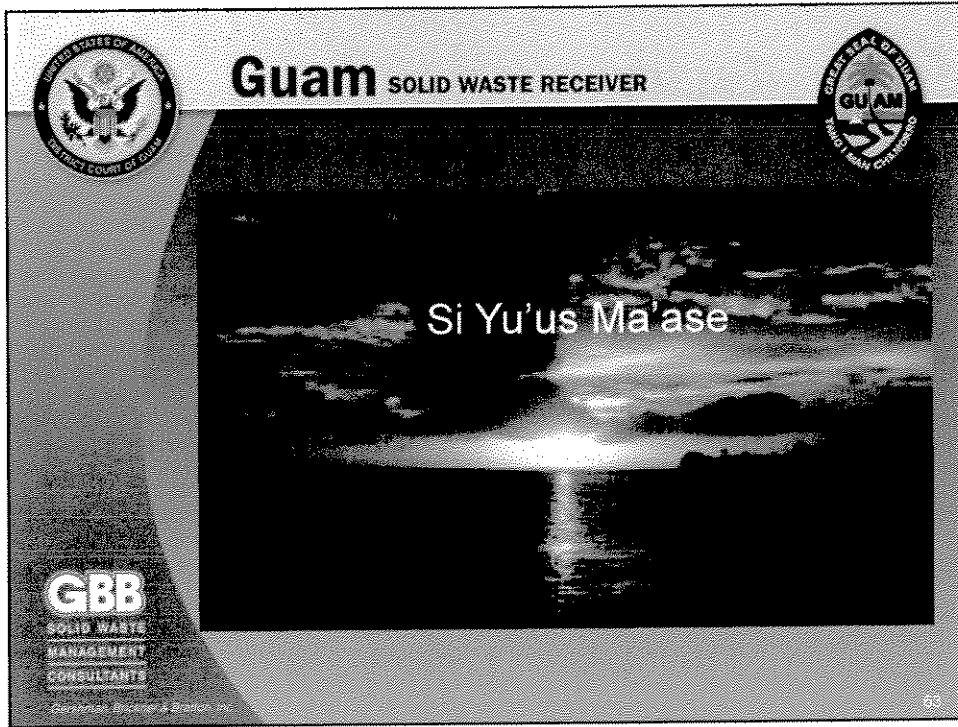
**Guam SOLID WASTE RECEIVER**

## NEXT STEPS ARE INCLUDED IN TAB 1 (Narrative Report)

**GBB**  
SOLID WASTE  
MANAGEMENT  
CONSULTANTS  
Geotechnical, Planning & Remediation, Inc.

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Change Orders  
 Maeda Pacific Corporation  
 Harmon St Transfer Station and HHW Facility

Change Order	Description of the Change	Reason for Change	Amount Added	Days Added	Date Approved
1	Additional Probing and Grouting for Structure Footings		\$ 12,779.81	21	4/24/2013
2	The Contactor shall furnishing all materials, labor, equipment, power, consumable supplies, supervision, insurance, and other expense necessary for construction of the following: a. An electrical equipment mounting wall to accommodate the relocation of two (2) electrical meters, GPA test switch cabinets, and the installation of one (1) new electrical meter, GPA test switch cabinet, and CT cabinet to service the new transfer station facilities. b. The reduction in quantity of metallic concrete topping for the bulk items container and residential trash areas. c. Approximately 90 lineal feet of concrete barrier along the east side of the bulk items container area. d. Approximately 130 feet of reinforced concrete encasement of the 6-inch diameter sanitary sewer line.	Recommendation of the design team.	\$ 21,054.25	26	9/28/2013
3	Adds seven (7) calendar days, no-cost time extension for the time lost associated with the concrete suppliers cement shortage as allowed for Special Provisions, Paragraph 5, Items b and c because the delay encountered by the supplier that was unforeseeable and beyond the control and without the fault or negligence of the Contractor.	Recommendation of the design team.	\$ -	7	3/6/2014
4	Removal and replacement of west curb; deletion of 5 guard posts; relocation of stop sign and installation of pavement striping.	Recommendation of the design team.	\$ 1,929.44	10	3/7/2014
Total			\$ 35,763.50	64	

Original Contract \$ 2,410,000.00

Total Contract \$ 2,445,763.50



Change Orders  
 Black Construction Corporation  
 Environmental Closure of the Ordot Dump

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Change Order	Description of the Change	Reason for Change	Amount Added	Days Added	Date Approved
1	Adjustment of required quantities of materials; adjustment for additional CQA testing for geosynthetics; extension of time for delay in issuing the notice to proceed.	Negotiations with the contractor.	\$ (69,217.98)	17	4/28/2014
		Total	\$ (69,217.98)		

Original Contract \$ 40,536,977.00

Total Contract \$ 40,467,759.02



Contract Payments by Payee

4/1/2014 through 6/30/2014

Date	Account	Memo	Amount
<b>Alpine Technology Corporation</b>			
4/14/2014	Primary Account	Invoices # 3125	\$ (13,701.89)
5/14/2014	Primary Account	Invoices # 3205	\$ (13,330.64)
6/19/2014	Primary Account	Invoices # 3234, 3235 and 3308	\$ (135.00)
<b>Bend Mailing Service</b>			
4/29/2014	Primary Account	Invoice 38570	\$ (236.25)
5/28/2014	Primary Account	Invoice 38795	\$ (1,650.41)
<b>Black Construction Corporation</b>			
4/14/2014	Construction Subaccount	Progress Billing #3	\$ (819.53)
5/16/2014	Construction Subaccount	Progress Billing #4	\$ (830.88)
6/19/2014	Construction Subaccount	Progress Billing #5	\$ (6,685,515.44)
<b>Brown And Caldwell</b>			
4/14/2014	Construction Subaccount	Progress Billing 31	\$ (649,303.13)
<b>EA Science and Technology</b>			
4/14/2014	Construction Subaccount	Invoice 85997	\$ (2,143,856.58)
5/16/2014	Construction Subaccount	Invoices 87177, 87178, 85264, 86858, 84927 and 85327	\$ (3,892,355.73)
6/19/2014	Construction Subaccount	Invoices 88220 and 88223	\$ (65,907.13)
6/24/2014	Construction Subaccount	Invoices 85987 and 86002	\$ (65,907.13)
6/30/2014	Construction Subaccount	Invoices 84772, 85997, 86007 and 88309	\$ (195,604.04)
4/7/2014	Primary Account	Invoice 86112	\$ (7,420.83)
4/14/2014	Primary Account	Invoice 87061	\$ (78,715.40)
6/24/2014	Primary Account	Invoice 87061	\$ (5,840.27)
6/30/2014	Primary Account	Invoice 88389	\$ (2,979.87)
<b>GHD - Winzler &amp; Kelly</b>			
4/14/2014	Construction Subaccount	Invoices 79261, 79377, 79400, 80393 and 80959	\$ (21,355.05)
5/16/2014	Construction Subaccount	Invoices 80388, 80968, 80969 and 80971	\$ (25,309.58)
6/24/2014	Construction Subaccount	Invoice 81646	\$ (22,571.86)
<b>Green Group Holdings</b>			
4/7/2014	Primary Account	Invoice 2014-02	\$ (8,916.25)
5/6/2014	Primary Account	Invoice 2014-03	\$ (22,494.93)
6/6/2014	Primary Account	Invoice 2014-04	\$ (1,127,463.73)
<b>Guahan Waste Control</b>			
4/7/2014	Primary Account	Invoice 1037	\$ (706,222.20)
5/6/2014	Primary Account	Invoices 1020 and 1038	\$ (56,056.71)
			\$ (365,184.82)
			\$ (771,352.94)
			\$ (266,900.45)
			\$ (253,523.41)
			\$ (250,929.08)
			\$ (674,059.18)
			\$ (215,032.71)
			\$ (239,889.14)

Date	Account	Memo	Amount
6/6/2014	Primary Account	Invoice 1039	\$ (219,137.33)
<b>Hawthorne Pacific Corp</b>			<b>\$ (78,458.00)</b>
5/14/2014	Construction Subaccount	Invoice 02242014	\$ (78,458.00)
<b>Maeda Pacific Corporation</b>			<b>\$ (208,267.27)</b>
4/14/2014	Construction Subaccount	Progress Billing #13 (Harmon St. RTS)	\$ (110,919.77)
6/30/2014	Construction Subaccount	Progress Billing #14 (Harmon St. RTS)	\$ (97,347.50)
<b>Pacific Human Resource Services, Inc.</b>			<b>\$ (317,998.27)</b>
4/14/2014	Primary Account	Invoices 17152	\$ (600.00)
4/14/2014	Primary Account	Invoices 17037	\$ (20,097.06)
4/14/2014	Primary Account	Invoices 17038	\$ (31,208.75)
4/28/2014	Primary Account	Invoices 17104, 17115, 17116, 17164 and 17165	\$ (97,958.96)
5/14/2014	Primary Account	Invoice 17186	\$ (21,243.33)
5/28/2014	Primary Account	Invoice 17205	\$ (21,831.15)
6/19/2014	Primary Account	Invoice 17213 and 17226	\$ (45,044.87)
6/24/2014	Primary Account	Invoice 17248	\$ (20,328.09)
6/30/2014	Primary Account	Invoice 17214, 17269 and 17271	\$ (59,686.06)
<b>Pacific Island Security Agency</b>			<b>\$ (19,642.35)</b>
4/14/2014	Primary Account	Invoice 6781	\$ (6,547.45)
5/16/2014	Primary Account	Invoice 6795	\$ (6,547.45)
6/24/2014	Primary Account	Invoice 6806	\$ (6,547.45)
<b>TG Engineers, PC</b>			<b>\$ (40,843.10)</b>
5/16/2014	Construction Subaccount	Invoice 10-056-14	\$ (40,843.10)
<b>OVERALL TOTAL</b>			<b>\$ (10,425,268.59)</b>

**GuamSolid Waste Authority**  
**Operating Budget**  
**FY 2014**

October 1, 2013 to June 30, 2014

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Item	Total Annual Budget	Actual Budget to Date	Actual Spending to Date	% over (under) Budget
<b>Personnel Expenses:</b>				
Regular Salaries	\$1,200,000	\$900,000	\$720,828	-19.9%
Overtime/Special Pay	\$88,000	\$66,000	\$135,824	105.8%
Contract Employees	\$1,100,000	\$825,000	\$942,531	14.2%
Benefits	\$421,300	\$315,975	\$281,584	-10.9%
<b>Sub-total</b>	<b>\$2,809,300</b>	<b>\$2,106,975</b>	<b>\$2,080,767</b>	<b>-1.2%</b>
<b>Non-Personnel Expenses:</b>				
Travel	\$5,000	\$3,750	\$1,596	-57.4%
<b>Contractual Services:</b>				
Layon Landfill Operation	\$3,452,770	\$2,589,578	\$2,147,481	-17.1%
Hauler-Only Transfer Station	\$2,801,714	\$2,101,286	\$1,791,235	-14.8%
Other	\$2,322,100	\$1,741,575	\$1,582,395	-9.1%
Debt Service	\$4,497,100	\$3,372,825	\$2,623,307	-22.2%
Supplies and Materials	\$371,400	\$278,550	\$409,782	47.1%
Equipment	\$10,000	\$7,500	\$6,144	-18.1%
Utilities - Power and Water	\$120,000	\$90,000	\$46,942	-47.8%
Communications	\$12,000	\$9,000	\$0	-100.0%
Capital Outlay	\$1,219,500	\$914,625	\$1,318,663	44.2%
Miscellaneous	\$145,000	\$108,750	\$63,638	-41.5%
<b>Required Reserve Contributions:</b>				
Equipment Replacement	\$701,100	\$525,825	\$510,483	-2.9%
Cell Closure	\$50,000	\$37,500	\$37,500	0.0%
Post Closure Care	\$100,000	\$75,000	\$75,000	0.0%
Future Cell Development	\$50,000	\$37,500	\$37,500	0.0%
<b>Sub-total</b>	<b>\$ 15,857,684</b>	<b>\$ 11,893,263</b>	<b>\$ 10,651,666</b>	<b>-10.4%</b>
<b>Grand-total Expenditures / Reserves</b>	<b>\$18,666,984</b>	<b>\$14,000,238</b>	<b>\$12,732,433</b>	<b>-9.1%</b>
<b>Revenue:</b>				
Commercial & Gov't Tipping Fees	\$10,583,700	\$7,937,775	\$8,376,914	5.5%
Residential Collection Fees	\$5,898,500	\$4,423,875	\$4,629,480	4.6%
Transfer Stations	\$298,000	\$223,500	\$221,224	-1.0%
Other Revenue	\$65,800	\$49,350	\$26,327	-46.7%
<b>Total Revenue</b>	<b>\$16,846,000</b>	<b>\$12,634,500</b>	<b>\$13,253,945</b>	<b>4.9%</b>
<b>Budgeted from Fund Balance</b>	<b>\$1,820,984</b>	<b>\$1,365,738</b>	<b>\$0</b>	<b>-100.0%</b>
<b>Surplus / (Deficit)*</b>	<b>\$0</b>	<b>\$0</b>	<b>\$521,512</b>	<b>N/A</b>

\* Surplus goes to reserve for future years (i.e. fund balance) and deficits are covered by the same reserve. Interest income on reserve accounts not included in operating revenue.





Bank of Guam Primary Trust Account

4/1/2014 through 6/30/2014

Date	Account	Description	Memo	Amount
BALANCE	3/31/2014			\$ 388,784.76
4/1/2014	Primary Account	Linda J. Ibanez	Payment reissued by check after ach on 3-28-14 failed	\$ (8,050.00)
4/1/2014	Primary Account	Bank Of Guam	Bank charge for cashier's check	\$ (12.50)
4/7/2014	Primary Account	System Surplus Account	To fund operating expense	\$ 1,440,000.00
4/7/2014	Primary Account	EA Science and Technology	Invoice 86112	\$ (25,309.58)
4/7/2014	Primary Account	Green Group Holdings	Invoice 2014-02	\$ (266,900.45)
4/7/2014	Primary Account	Guahan Waste Control	Invoice 1037	\$ (215,032.71)
4/7/2014	Primary Account	Government Of Guam	Funding for Operating Expense	\$ (350,000.00)
4/7/2014	Primary Account	Gov of Guam - System Bond Reimbursement Fund	Funding for April 2014	\$ (374,758.08)
4/14/2014	Primary Account	Bank Of Guam	Bank charge for cashier's check	\$ (12.50)
4/14/2014	Primary Account	Pacific Human Resource Services, Inc.	Invoices 17152	\$ (600.00)
4/14/2014	Primary Account	Pacific Island Security Agency	Invoice 6781	\$ (6,547.45)
4/14/2014	Primary Account	Alpine Technology Corporation	Invoices # 3125	\$ (13,330.64)
4/14/2014	Primary Account	Pacific Human Resource Services, Inc.	Invoices 17037	\$ (20,097.06)
4/14/2014	Primary Account	EA Science and Technology	Invoice 87061	\$ (22,571.86)
4/14/2014	Primary Account	Pacific Human Resource Services, Inc.	Invoices 17038	\$ (31,208.75)
4/16/2014	Primary Account	Solid Waste Association Of North America	Training for solid waste employee Invoice 11484	\$ (525.00)
4/28/2014	Primary Account	Linda J. Ibanez	Return of failed ach on 3-28-14	\$ 8,050.00
4/28/2014	Primary Account	Alicia V. Fejeran	AF027	\$ (4,651.46)
4/28/2014	Primary Account	Linda J. Ibanez	Invoices 17104, 17115, 17116, 17164 and 17165	\$ (8,108.65)
4/29/2014	Primary Account	Pacific Human Resource Services, Inc.	Bank charge for cashier's check	\$ (97,958.96)
4/29/2014	Primary Account	Bend Mailing Service	Invoice 38570	\$ (12.50)
4/29/2014	Primary Account	Anthony J. Carbullido	Final invoice	\$ (819.53)
4/30/2014	Primary Account	Interest Earned		\$ (11,904.00)
5/6/2014	Primary Account	System Surplus Account	To fund operating expense	\$ 49.87
5/6/2014	Primary Account	Green Group Holdings	Invoice 2014-03	\$ 1,440,000.00
5/6/2014	Primary Account	Guahan Waste Control	Invoices 1020 and 1038	\$ (253,523.41)
5/14/2014	Primary Account	Government Of Guam	Funding for Operating Expense	\$ (239,889.14)
5/14/2014	Primary Account	Alpine Technology Corporation	Invoices # 3205	\$ (300,000.00)
5/14/2014	Primary Account	Pacific Human Resource Services, Inc.	Invoice 17186	\$ (135.00)
5/16/2014	Primary Account	Pacific Island Security Agency	Invoice 6795	\$ (21,243.33)
5/16/2014	Primary Account	Bank Of Guam	Bank charge for cashier's check	\$ (6,547.45)
5/21/2014	Primary Account	Treasurer Of Guam	Permit renewal	\$ (12.50)
5/21/2014	Primary Account	Bank Of Guam	Bank charge for cashier's check	\$ (1,100.00)
5/21/2014	Primary Account	Bank Of Guam	Bank charge for cashier's check	\$ (12.50)

Date	Account	Description	Memo	Amount
5/21/2014	Primary Account	Treasurer Of Guam	Permit renewal	\$ (10,000.00)
5/21/2014	Primary Account	Bank Of Guam	Bank charge for cashier's check	\$ (12.50)
5/26/2014	Primary Account	Bank Of Guam	Refund of bank charge for cashier's check	\$ 12.50
5/26/2014	Primary Account	District Court Account At The Bank Of Hawaii	Funds transfer to Bank of Hawaii per Court Order of 3-3-2011	\$ (72,142.20)
5/28/2014	Primary Account	Pacific Human Resource Services, Inc.	Invoice 17205	\$ (21,831.15)
5/28/2014	Primary Account	Bend Mailing Service	Invoice 38795	\$ (830.88)
5/28/2014	Primary Account	Alicia V. Fejeran	AF028	\$ (4,651.46)
5/28/2014	Primary Account	Linda J. Ibanez		\$ (8,050.00)
5/30/2014	Primary Account	Interest Earned		\$ 101.91
6/6/2014	Primary Account	System Surplus Account	To fund operating expense	\$ 1,440,000.00
6/6/2014	Primary Account	Green Group Holdings	Invoice 2014-04	\$ (250,929.08)
6/6/2014	Primary Account	Guahan Waste Control	Invoice 1039	\$ (219,137.33)
6/6/2014	Primary Account	Government Of Guam	Funding for Operating Expense	\$ (300,000.00)
6/19/2014	Primary Account	Alpine Technology Corporation	Invoices # 3234, 3235 and 3308	\$ (236.25)
6/19/2014	Primary Account	Pacific Human Resource Services, Inc.	invoice 17213 and 17226	\$ (45,044.87)
6/24/2014	Primary Account	Pacific Island Security Agency	Invoice 6806	\$ (6,547.45)
6/24/2014	Primary Account	EA Science and Technology	Invoice 87061	\$ (8,916.25)
6/24/2014	Primary Account	Pacific Human Resource Services, Inc.	Invoice 17248	\$ (20,328.09)
6/27/2014	Primary Account	Alicia V. Fejeran	AF029	\$ (4,822.58)
6/27/2014	Primary Account	Linda J. Ibanez		\$ (8,050.00)
6/30/2014	Primary Account	EA Science and Technology	Invoice 88389	\$ (22,494.93)
6/30/2014	Primary Account	Pacific Human Resource Services, Inc.	invoice 17214, 17269 and 17271	\$ (59,686.06)
6/30/2014	Primary Account	Interest Earned		\$ 144.45
4/1/2014 - 6/30/2014				\$ 983,772.64
		BALANCE 6/30/2014		\$ 1,372,557.40
		TOTAL INFLOWS		\$ 4,328,358.73
		TOTAL OUTFLOWS		\$ (3,344,586.09)
		NET TOTAL		\$ 983,772.64

Bank of Guam Construction Subaccount

4/1/2014 through 6/30/2014

Date	Account	Description	Memo	Amount
BALANCE 3/31/2014				\$ 15,836,438.47
4/14/2014	Construction Subaccount	Maeda Pacific Corporation	Progress Billing #13 (Harmon St. RTS)	\$ (110,919.77)
4/14/2014	Construction Subaccount	EA Science and Technology	Invoice 85997	\$ (7,420.83)
4/14/2014	Construction Subaccount	Brown And Caldwell	Progress Billing 31	\$ (65,907.13)
4/14/2014	Construction Subaccount	Black Construction Corporation	Progress Billing #3	\$ (649,303.13)
4/14/2014	Construction Subaccount	GHD - Winzler & Kelly	Invoices 79261, 79377, 79400, 80393 and 80959	\$ (706,222.20)
4/30/2014	Construction Subaccount	Interest Earned		\$ 1,537.36
5/14/2014	Construction Subaccount	Hawthorne Pacific Corp	Invoice 02242014	\$ (78,458.00)
5/14/2014	Construction Subaccount	Kleinfelder, Inc.	Invoice TO4-5	\$ (2,596.12)
5/14/2014	Construction Subaccount	Bank Of Guam	Bank charge for cashier's check	\$ (12.50)
5/14/2014	Construction Subaccount	Bank Of Guam	Bank charge for cashier's check	\$ (12.50)
5/16/2014	Construction Subaccount	Black Construction Corporation	Progress Billing #4	\$ (2,143,856.58)
5/16/2014	Construction Subaccount	TG Engineers, PC	Invoice 10-056-14	\$ (40,843.10)
5/16/2014	Construction Subaccount	GHD - Winzler & Kelly	Invoices 80388, 80968, 80969 and 80971	\$ (56,056.71)
5/16/2014	Construction Subaccount	Parsons Transportation Group, Inc	Invoice PTG9-3	\$ (332.51)
5/16/2014	Construction Subaccount	EA Science and Technology	Invoices 87177, 87178, 85264, 86858, 84927 and 85327	\$ (78,715.40)
5/26/2014	Construction Subaccount	Bank Of Guam	Bank charge for cashier's check	\$ (12.50)
5/26/2014	Construction Subaccount	District Court Account At The Bank Of Hawaii	Funds transfer to Bank of Hawaii per Court Order of 3-3-2011	\$ (152,662.64)
5/28/2014	Construction Subaccount	AECOM	Invoice TO3A-1	\$ (46,273.50)
5/28/2014	Construction Subaccount	Bank Of Guam	Bank charge for cashier's check	\$ (12.50)
5/30/2014	Construction Subaccount	Interest Earned		\$ 1,382.05
6/19/2014	Construction Subaccount	EA Science and Technology	Invoices 88220 and 88223	\$ (5,840.27)
6/19/2014	Construction Subaccount	Black Construction Corporation	Progress Billing #5	\$ (3,892,355.73)
6/24/2014	Construction Subaccount	EA Science and Technology	Invoices 85987 and 86002	\$ (2,979.87)
6/24/2014	Construction Subaccount	GHD - Winzler & Kelly	Invoice 81646	\$ (365,184.82)
6/30/2014	Construction Subaccount	Maeda Pacific Corporation	Progress Billing #14 (Harmon St. RTS)	\$ (97,347.50)
6/30/2014	Construction Subaccount	AECOM	Invoice TO3A-2	\$ (5,141.50)
6/30/2014	Construction Subaccount	Bank Of Guam	Bank charge for cashier's check	\$ (12.50)
6/30/2014	Construction Subaccount	EA Science and Technology	Invoices 84772, 85997, 86007 and 88309	\$ (21,355.05)
6/30/2014	Construction Subaccount	Interest Earned		\$ 1,032.56
4/1/2014 - 6/30/2014				\$ (8,525,882.89)
BALANCE 6/30/2014				\$ 7,310,555.58
TOTAL INFLOWS				\$ 3,951.97
TOTAL OUTFLOWS				\$ (8,529,834.86)
NET TOTAL				\$ (8,525,882.89)





SOLID WASTE  
MANAGEMENT  
CONSULTANTS  
RECEIVER

July 24, 2014

Members of the Public Utilities Commission  
Suite 207 GCIC Building  
414 West Soledad Avenue  
Hagatna, Guam 96910

Dear Members of the Public Utilities Commission:

This letter will provide the quarterly report for the third quarter of FY 2014, pursuant to the order of the Public Utilities Commission (PUC) issued July 30, 2013 relative to Host Community Premium Surcharge (HCPS) fees. This report will cover the period from April 1, 2014 through June 30, 2014.

For the 2014 Fiscal Year, the following table outlines the HCPS fees charged during the quarter ended June 30, 2014:

Host Community Premium Surcharge Fees							
Third Quarter FY 2014							
Account	April 2014		May 2014		June 2014		Total 3rd Quarter Fee
	Units	HCPS Fee	Units	HCPS Fee	Units	HCPS Fee	
ISLAND WASTE MANAGEMENT	48.72	\$ 173.95	59.51	\$ 212.48	66.21	\$ 236.39	\$ 622.82
LAGU SANITATION COMPANY	645.77	\$ 2,305.39	687.18	\$ 2,453.21	686.02	\$ 2,449.11	\$ 7,207.71
MR RUBBISHMAN	2295.83	\$ 8,196.09	2,449.04	\$ 8,743.11	2,391.85	\$ 8,538.85	\$ 25,478.05
PACIFIC WASTE SYSTEMS, LLC	890.06	\$ 3,177.48	915.49	\$ 3,268.34	939.78	\$ 3,354.95	\$ 9,800.77
TRASHCO	146.06	\$ 521.46	144.40	\$ 515.49	149.69	\$ 534.35	\$ 1,571.30
NAVFACMAR GUAM	601.09	\$ 2,145.85	597.45	\$ 2,132.95	653.29	\$ 2,332.27	\$ 6,611.07
ALL OTHER COMMERCIAL ACCOUNTS	35.21	\$ 125.69	373.70	\$ 1,334.11	32.92	\$ 117.53	\$ 1,577.33
GUAM WATERWORKS AUTHORITY	1,124.22	\$ 4,013.15	912.93	\$ 3,259.16	818.93	\$ 2,923.61	\$ 10,195.93
ALL OTHER GOVERNMENT ACCOUNTS	64.84	\$ 231.46	26.23	\$ 93.64	38.87	\$ 138.77	\$ 463.87
RESIDENTIAL ACCOUNTS	16,985.00	\$ 6,454.30	17,206.00	\$ 6,538.28	17,201.00	\$ 6,536.38	\$ 19,528.96
<b>Total</b>		<b>\$ 27,344.83</b>		<b>\$ 28,550.77</b>		<b>\$ 27,162.20</b>	<b>\$ 83,057.80</b>

Note: Units are Tons for all except residential accounts. For residential accounts, the units are the number of residential accounts billed that month.

Under Guam Law, customers of GSWA are allowed sixty days to pay their solid waste bill. As a result, most of the fee billed in the quarter ending June 30, 2014 will not be collected until the next reporting period. The following table outlines the fees assessed since October

1, 2013, the fees actually collected and the funds available for transfer from the period ending June 30, 2014:

FY 2014 HCPS Fees	
HCPS Fees	Amount
Total HCPS Fees Assessed FY2014	\$ 240,384.25
Total HCPS Fees Collected FY2014	\$ 185,257.51
Funds Transferred Prior Reports	\$ 91,542.09
Funds to be Transferred per this Report	\$ 80,153.46

Consistent with the Commission's Order, GSWA will transfer the available funds in equal amounts, to the Host Community Municipal Planning Council Accounts established by the Host Communities of Inarajan and Ordot-Chalan Pago. The total transfer to the Host Communities for this reporting period will be \$80,153.46. The funds will be transferred in equal amounts of \$40,076.73 to each Host Community.

In addition, pursuant to our request, the Commission has clarified the proper disposition of the funds held in reserve by GSWA. We previously reported the amount held in reserve at \$13,671.57 as of March 31, 2014. Interest earnings have increased that amount by \$4.25 bringing the total to \$13,675.82 as of June 30, 2014. This amount will be transferred to the Host Communities in equal amounts of \$6,837.91, bringing the total amount transferred to each community to \$46,914.64.

Please contact us if you have questions or need additional information.

Thank you.

Sincerely,



David L. Manning  
Receiver Representative

Attachment

c.c. Jessy "Jess" C. Gogue, Mayor of Ordot  
Doris F. Lujan, Mayor of Inarajan  
Frederick J. Horecky, PUC Legal Counsel  
Members of the GSWA Board of Directors

## Allocation of Capital Available to the Receiver

Consent Decree Projects

As of June 30, 2014

Capital Budget Item	Original Estimate	Revised Estimate	Surplus / (Shortfall) Original vs Revised Estimate	Expenditures to Date	Balance Remaining (vs Revised Estimate)
Layon Landfill	\$ 57,040,900.00	\$ 42,000,000	\$ 15,040,900.00	\$ 41,346,289.12	\$ 653,710.88
Landfill Access Road and Sewer System	\$ 23,981,400.00	\$ 28,360,499	\$ (4,379,099.00)	\$ 28,360,499.00	\$ -
Construction Management - Layon and Associated Projects <sup>1</sup>	\$ 7,316,400.00	\$ 10,560,000	\$ (3,243,600.00)	\$ 10,059,727.27	\$ 500,272.73
Landfill Equipment <sup>2</sup>	\$ 6,380,000.00	\$ -	\$ 6,380,000.00	\$ -	\$ -
WWTP Expansion & Leachate Pre-Treatment - Layon	\$ 11,025,000.00	\$ 4,926,935	\$ 6,098,065.00	\$ -	\$ 4,926,935.00
Transfer Station/HHWF	\$ 5,505,000.00	\$ 2,410,000	\$ 3,095,000.00	\$ 2,094,371.25	\$ 315,628.75
Transfer Station Equipment <sup>2</sup>	\$ 2,440,000.00	\$ -	\$ 2,440,000.00	\$ -	\$ -
Operating Equipment	\$ 5,941,400.00	\$ 4,500,000	\$ 1,441,400.00	\$ 4,468,649.82	\$ 31,350.18
Environmental Investigation and Ordot Dump Closure Design	\$ 6,800,000.00	\$ 8,329,055	\$ (1,529,055.00)	\$ 8,221,604.97	\$ 107,450.03
Ordot Dump Closure	\$ 30,590,300.00	\$ 40,536,977	\$ (9,946,677.00)	\$ 9,894,546.74	\$ 30,642,430.26
Ordot Dump Closure - Land Acquisition	\$ -	\$ 1,700,000	\$ (1,700,000.00)	\$ 1,225,665.00	\$ 474,335.00
Construction Management - Ordot Dump and Subsequent Projects <sup>3</sup>	\$ 2,721,800.00	\$ 7,343,111	\$ (4,621,311.00)	\$ 2,175,758.86	\$ 5,167,352.14
Ordot Contingency <sup>4</sup>	\$ -	\$ 7,226,891	\$ (7,226,891.00)	\$ -	\$ 7,226,891.00
Litigation Assistance	\$ -	\$ 249,525	\$ (249,524.94)	\$ 249,524.94	\$ -
Emergency Repairs of Residential Transfer Stations and GSWA Building	\$ -	\$ 295,569	\$ (295,569.13)	\$ 295,569.13	\$ -
USDA Expense	\$ -	\$ 186,311	\$ (186,311.07)	\$ 186,311.07	\$ -
Additional Projects (Dero Road improvements, Route 4 safety enhancements and residential transfer station upgrades and general contingency)	\$ -	\$ 21,000,000	\$ (21,000,000.00)	\$ 489,847	\$ 20,510,152.97
<b>Total</b>	<b>\$ 159,742,200.00</b>	<b>\$ 179,624,873</b>	<b>\$ (19,882,673.14)</b>	<b>\$ 109,068,364.20</b>	<b>\$ 70,556,508.94</b>

<sup>1</sup>Includes the access road and utilities, the new residential transfer station and the HHW facility, the emergency repairs at the residential transfer stations and the GSWA Building repairs and the design and environmental assessment of the residential transfer stations.

<sup>2</sup>Landfill equipment and equipment for the Hauler-only Transfer Station was provided under the respective contracts for the operation of these facilities and therefore no capital purchase was needed.

<sup>3</sup>Future projects will require amendments to fund.

<sup>4</sup>Ordot contingency is the difference between the total construction budget of \$49,052,804.40 (Special Report dated 9/20/2013) and the original contract for the closure of \$40,536,977. See Tab 9 for the allocation of the contingency as of 6/30/2014.





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Allocation of Ordot Contingency as of June 30, 2014	
Ordot Contingency Total	\$ 8,515,827.00
Uses of Contingency	
Brown & Caldwell Task Orders 17	\$ 41,709.00
Brown & Caldwell Task Orders 18	\$ 14,970.00
Brown & Caldwell Task Orders 19	\$ 346,338.00
Brown & Caldwell Task Orders 20	\$ 10,000.00
Brown & Caldwell Task Orders 21 & 22	\$ 265,919.00
Sub-total Brown & Caldwell	\$ 678,936.00
Black Construction Change Order #1	\$ (69,217.98)
GHD Contract Amendment (original contract)	\$ 610,000.00
Sub-total	\$ 1,219,718.02
Remaining Contingency	\$ 7,296,108.98



**Guam Solid Waste Authority  
Operating Budget  
FY 2015**

October 1, 2014, to September 30, 2015

Item	FY 2012 Actual	FY 2013 Actual	Approved FY 2014 Budget	FY 2015 Budget
<b>Personnel Expenses:</b>				
Regular Salaries	\$ 1,171,869	\$ 1,058,836	\$ 1,200,000	\$ 1,200,000
Overtime/Special Pay	\$ 58,803	\$ 50,284	\$ 88,000	\$ 200,000
Contract Employees	\$ 866,728	\$ 863,923	\$ 1,100,000	\$ 1,200,000
Benefits	\$ 411,461	\$ 400,080	\$ 421,300	\$ 400,000
Sub-total	<b>\$2,508,861</b>	<b>\$2,373,123</b>	<b>\$2,809,300</b>	<b>\$3,000,000</b>
<b>Non-Personnel Expenses:</b>				
Travel	\$ -	\$ -	\$ 5,000	\$ 5,000
<b>Contractual Services:</b>				
Layon Landfill Operation	\$ 3,296,592	\$ 3,491,178	\$ 3,452,770	\$ 3,600,000
Hauler-Only Transfer Station	\$ 2,861,265	\$ 2,901,806	\$ 2,801,714	\$ 2,800,000
Other	\$ 2,206,070	\$ 1,976,100	\$ 2,322,100	\$ 2,750,400
Debt Service*	\$ 4,497,097	\$ 4,497,097	\$ 4,497,100	\$ -
Supplies and Materials	\$ 436,803	\$ 388,515	\$ 371,400	\$ 550,000
Equipment	\$ -	\$ -	\$ 10,000	\$ 10,000
Utilities - Power and Water	\$ 82,359	\$ 106,455	\$ 120,000	\$ 120,000
Communications	\$ -	\$ -	\$ 12,000	\$ 12,000
Capital Outlay	\$ -	\$ 239,468	\$ 1,219,500	\$ -
Miscellaneous	\$ 134,603	\$ 102,629	\$ 145,000	\$ 120,000
<b>Required Reserve Contributions:</b>				
Equipment Replacement	\$ 701,100	\$ 701,100	\$ 701,100	\$ 701,100
Cell Closure	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
Post Closure Care	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Future Cell Development	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
Reserve for Unfunded Expenses	\$ -	\$ -	\$ -	\$ 4,497,097
Sub-total	<b>\$ 14,415,889</b>	<b>\$ 14,604,348</b>	<b>\$ 15,857,684</b>	<b>\$ 15,365,597</b>
<b>Grand-total Expenditures / Reserves</b>	<b>\$ 16,924,750</b>	<b>\$ 16,977,471</b>	<b>\$ 18,666,984</b>	<b>\$ 18,365,597</b>
<b>Revenue:</b>				
Commercial and Government Tipping Fees	\$ 10,322,108	\$ 12,079,355	\$ 10,583,700	\$ 11,341,545
Residential Collection Fees	\$ 5,666,041	\$ 6,262,416	\$ 5,898,500	\$ 6,182,246
Transfer Stations	\$ 352,865	\$ 298,279	\$ 298,000	\$ 293,090
Other Revenue	\$ 128,038	\$ 119,045	\$ 65,800	\$ 28,800
<b>Total Revenue</b>	<b>\$16,469,052</b>	<b>\$18,759,095</b>	<b>\$16,846,000</b>	<b>\$17,845,681</b>
<b>Fund Balance Used</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,820,984</b>	<b>\$ 519,916</b>
<b>Surplus / (Deficit)*</b>	<b>(\$455,698)</b>	<b>\$1,781,624</b>	<b>\$0</b>	<b>\$0</b>

\*Surplus goes to reserve for future years (i.e., fund balance) and deficits are covered by the same reserve. Fund balance effect is after all required reserve contributions. Budget may need to be adjusted as we gain experience with the new HHW program.



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**GOVERNMENT OF GUAM  
SOLID WASTE FUNDS**

**(GOVERNMENTAL FUNDS OF THE  
GOVERNMENT OF GUAM)**

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**FINANCIAL STATEMENTS,  
ADDITIONAL INFORMATION AND  
INDEPENDENT AUDITORS' REPORT**

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**YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

**GOVERNMENT OF GUAM  
SOLID WASTE FUNDS**

Year Ended September 30, 2013  
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## INDEPENDENT AUDITORS' REPORT

Honorable Eddie Baza Calvo  
Governor of Guam:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Government of Guam Solid Waste Operations Fund and of those funds related to the Government of Guam Limited Obligation (Section 30) Bonds, 2009 Series A (the Funds), which comprise the balance sheets as of September 30, 2013 and 2012, and the related statements of revenues, expenditures, and changes in fund balances for the years then ended, and the related notes to the financial statements, which collectively comprise the Funds' basic financial statements as listed in the table of contents.

### ***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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Government of Guam Solid Waste Operations Fund and of those funds related to the Government of Guam Limited Obligation (Section 30) Bonds, 2009 Series A, as of September 30, 2013 and 2012, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who 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.

### *Other Financial Information*

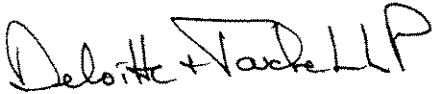
Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Funds' basic financial statements. The schedule of expenditures by object, schedule of billings and collections and schedule of capital projects and information on pages 23 through 25, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures by object, the schedule of billings and collections, and the schedule of capital projects are the responsibility of the Funds' management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 standard generally accepted in the United States of America. In our opinion, the schedule of expenditures by object, the schedule of billings and collections, and the schedule of capital projects are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of employees and other data on page 26 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2014, 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 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 internal control over financing 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.

A handwritten signature in black ink that reads "Deloitte + Stach LLP". The signature is written in a cursive, stylized font.

August 22, 2014

## **GOVERNMENT OF GUAM SOLID WASTE FUNDS**

### Management's Discussion and Analysis September 30, 2013 and 2012

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, 2013 and 2012. 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, 2013, total fund balance decreased by \$7,240,360 (or 7.5%) from a fund balance of \$96,512,950 in 2012 to a fund balance of \$89,272,590 in 2013,
- During the years ended September 30, 2013 and 2012, total combined expenditures for governmental fund operations were \$41,764,850 and \$35,774,802, respectively, including expenditures recorded or payments relating to capital projects of \$8,811,400 and \$7,644,264, respectively; debt service requirements of \$15,672,706 and \$11,197,456, respectively; and receiver fee expenditures of \$1,494,431 and \$1,650,689, respectively. These expenditures were funded, in part, by the generation of tipping fees revenues during the years ended September 30, 2013 and 2012 of \$18,698,981 and \$16,398,446, respectively; investment earnings of \$478,575 and \$522,915 in 2013 and 2012, respectively, and a transfer from GovGuam's General Fund during the years ended September 30, 2013 and 2012 of \$15,672,706 of \$6,036,440, respectively for debt service.
- Total combined expenditures increased by \$5,990,048 (or 16.7%) from 2013 to 2012 due primarily to an increase in debt service requirements of \$4,475,250 and increase in capital projects expenditures of \$1,148,575. Total combined revenues increased by \$11,046,812 (or 47.1%) from 2013 to 2012 due primarily to an increase in tipping fees revenues of \$2,614,097 (or 15.9%) and an increase in transfers in from GovGuam's General Fund of \$9,636,266 (or 159.6%).
- Since debt service payments started back in fiscal year 2011, Solid Waste Operations Fund has shortchanged reimbursements to General Fund by \$19,265,884.
- During the years ended September 30, 2013 and 2012, the Solid Waste Operations Fund generated operating surplus of \$2,682,724 and \$445,402, respectively. Tipping fees revenues recorded by the Solid Waste Operations Fund were \$18,698,981 in 2013, an increase of \$2,300,535 (or 14.0%) compared to the previous year. Expenditures recorded by the Solid Waste Operations Fund were \$16,389,933 in 2013, an increase of \$366,283 (or 2.3%) compared to the previous year due primarily to payments to the Host Community Premium Benefits of \$313,562 to compensate the villages of Inarajan and Ordot where solid waste management facilities, such as sanitary landfills are located.
- During the years ended September 30, 2013 and 2012, receiver fees paid to Gershman, Brickner & Bratton (the "Receiver") were \$1,494,431 and \$1,650,689 respectively. Accumulated receiver fee expenditures since the appointment of the Receiver on March 17, 2008 through September 30, 2013 total \$12,893,557.

#### **2. Overview of the Financial Statements**

The GGSWF's financial statements include all of the activities of the Solid Waste Operations Fund and funds related to the Limited Obligation (Section 30) Bonds, 2009 Series A (the "Funds"). The financial statements present a balance sheet and a statement of revenues, expenditures, and changes in fund balance. The assets, liabilities and fund balances of the Funds are reported in self-balancing funds.

**GOVERNMENT OF GUAM  
SOLID WASTE FUNDS**

Management's Discussion and Analysis  
September 30, 2013 and 2012

**2. Overview of the Financial Statements, Continued**

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's financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally when they are both measureable and available. Expenditures generally are recorded in the period in which the related fund liability is incurred, as under accrual accounting, with the exception of debt service expenditures, which are recorded only when payment is due.

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

**3. Financial Statement Analysis**

Balance Sheet

The balance sheet presents information on GGSWF's assets, liabilities and fund balance at year-end. A condensed summary of GGSWF's balance sheet is shown below as of September 30, 2013, 2012 and 2011.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 11,467,164	\$ 8,385,803	\$ 5,677,761
Receivables	3,933,617	4,482,013	3,614,602
Due from General Fund	-	861,379	2,896,335
Restricted assets	<u>95,204,440</u>	<u>103,532,436</u>	<u>107,544,719</u>
Total assets	\$ <u>110,605,221</u>	\$ <u>117,261,631</u>	\$ <u>119,733,417</u>
<b>Liabilities:</b>			
Contracts payable	\$ 2,975,227	\$ 2,444,437	\$ 1,581,678
Retention payable	450,196	372,275	1,742,497
Host community premium benefits payable	313,562	-	-
Due to General Fund	16,493,737	15,672,706	6,036,440
Other liabilities	<u>1,099,909</u>	<u>2,259,263</u>	<u>1,562,728</u>
Total liabilities	<u>21,332,631</u>	<u>20,748,681</u>	<u>10,923,343</u>
Fund balances	<u>89,272,590</u>	<u>96,512,950</u>	<u>108,810,074</u>
Total liabilities and fund balances	\$ <u>110,605,221</u>	\$ <u>117,261,631</u>	\$ <u>119,733,417</u>

**GOVERNMENT OF GUAM  
SOLID WASTE FUNDS**

Management's Discussion and Analysis  
September 30, 2013 and 2012

**3. Financial Statement Analysis, Continued**

Total assets decreased by \$6,656,410 (or 5.7%) from \$117,261,631 in 2012 to \$110,605,221 in 2013. Total liabilities increased by \$583,950 (or 2.8%) from \$20,748,681 in 2013 to \$21,332,631 in 2012. These increases were primarily the result of increases in contracts payable and host community premium benefits payable.

Total fund balances decreased by \$7,240,360 (or 7.5%) from \$96,512,950 in 2012 to \$89,272,590 in 2013. Of the total fund balance amounts presented at each respective fiscal year end, certain restrictions limit the availability of fund resources for future use. Specifically, fund balances are restricted by the bond indenture associated with the Limited Obligation (Section 30) Bond issue wherein these funds are restricted for Consent Decree projects and Debt Services. As of September 30, 2013 and 2012, fund balances are restricted in the amounts of \$77,003,740 and \$86,110,550, respectively.

Statement of Revenues, Expenditures and Changes in Fund Balances

The Statement of Revenues, Expenditures 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, 2013 and 2012 are summarized as follows.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues:			
Tipping fees	\$ 18,698,981	\$ 16,398,446	\$ 13,855,171
Host community premium surcharge fee	313,562	-	-
Investment (losses) earnings	(174,259)	1,029,292	866,471
Transfers in from General Fund	<u>15,686,206</u>	<u>6,045,940</u>	<u>7,310,429</u>
	<u>34,524,490</u>	<u>23,477,678</u>	<u>22,032,071</u>
Expenditures:			
Current:			
General government	1,494,431	1,650,689	2,811,271
Environmental protection	10,975,654	10,785,296	6,052,192
Capital projects	8,811,400	7,644,264	29,930,460
Debt service	15,672,706	11,197,456	11,197,456
Host community premium benefits	313,562	-	-
Transfers out to General Fund	<u>4,497,097</u>	<u>4,497,097</u>	<u>3,747,580</u>
	<u>41,764,850</u>	<u>35,774,802</u>	<u>53,738,959</u>
Net change in fund balances	\$ <u>(7,240,360)</u>	\$ <u>(12,297,124)</u>	\$ <u>(31,706,888)</u>

**GOVERNMENT OF GUAM  
SOLID WASTE FUNDS**

Management's Discussion and Analysis  
September 30, 2013 and 2012

**3. Financial Statement Analysis, Continued**

In 2009, GovGuam issued Limited Obligation (Section 30) Bonds for the purpose of constructing a new landfill, closure of Ordot Dump, prepaying a bank loan and funding capitalized interest. As a result, net bond proceeds amounted to \$196,781,996.

Total revenues increased by \$11,046,812 (or 47.1%) from \$23,477,678 for 2012 to \$34,524,490 for 2013. These increases were primarily the result of General Fund's share for Debt Service of \$11,175,609 exceeded Budget Law amount of \$3,692,212 by \$7,473,397. In addition, GovGuam's share of debt service expects to increase in fiscal year 2014 as the Receiver suspended debt service reimbursements to the General Fund effective May 2014.

Total expenditures increased by \$5,990,048 (or 16.7%) from \$35,774,802 for 2012 to \$41,764,850 for 2013. The increase in 2013 was the result of increased debt service requirements from \$11,197,456 (interest only) in 2012 to \$15,672,706 (interest of \$11,082,706 and principal of \$4,590,000) in 2013.

The Solid Waste Operations Fund is the chief operating fund of GGSWF. As of September 30, 2013, the Solid Waste Operations Fund has a fund balance of \$13,895,746 as compared with the prior year fund balance of \$11,213,022, an increase in performance of \$2,682,724 (or 23.9%). This current year operational surplus was primarily the result of the increase in tipping fees revenues of \$2,614,097, which include \$313,562 Host Community Surcharge fees assessed by the Guam Solid Waste Authority (GSWA) beginning October 1, 2012 to compensate the villages of Inarajan and Ordot where solid waste management facilities are located.

Operating expenditures slightly increased by \$366,283 in 2013 due mainly to costs associated with the host community premium benefits.

**4. Capital Assets and Long-Term Debt**

Capital Assets

The Layon landfill opened on September 1, 2011. The Layon landfill is included as a capital asset in GovGuam's government-wide financial statements at a total cost of \$73,241,693. The new landfill consists of up to eleven cells with a capacity in excess of 15.8 million cubic yards and is expected to service the island of Guam for 50 years.

Long Term Debt

In June 2009, GovGuam issued Limited Obligation (Section 30) Series A Bonds in the amount of \$202.4 million, net of bond discount of \$5.6 million. Proceeds are primarily to be used for the purpose of constructing the new Layon landfill and other Consent Decree projects as well as funding closure and post-closure costs of Ordot Dump. The resultant long-term debt is included as a liability in GovGuam's government-wide financial statements. See note 5 to the accompanying financial statements for additional information relating to this long-term debt.

**GOVERNMENT OF GUAM  
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Management's Discussion and Analysis  
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**4. Capital Assets and Long-Term Debt, Continued**

Ordot Dump

In accordance with the 2004 Consent Decree jointly filed by the U.S. Environmental Protection Agency (EPA) and the U.S. Department of Justice, GovGuam was required to close Ordot Dump and open a new landfill. Due to delays in meeting stipulated deadlines under the Consent Decree, the U.S. District Court of Guam placed the Solid Waste Division of GovGuam's Department of Public Works in Receivership. The Receiver has been tasked by the U.S. District Court with bringing GovGuam into compliance with the Consent Decree, including environmental closure of Ordot Dump in compliance with the engineering standards and regulations required by the U.S. EPA. On August 31, 2011, Ordot Dump was finally closed to the public. The Receiver continues engineering design work to ensure that Ordot Dump is closed in a manner that protects both human and environmental health. GovGuam has reported an amount of \$51,574,121 as landfill closure and post closure care liability at September 30, 2013 within GovGuam's government-wide financial statements, representing the cumulative amount reported based on 100 percent capacity for Ordot Dump. This amount is based on what it would cost to perform all closure and post closure care in 2013. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

**5. Outlook, Challenges and Opportunities**

In December 2013, GGSWF has entered into a number of contractual arrangements to GHD Inc. for construction management services of the Ordot Dump Closure Construction project and to Black Construction Corporation for the Ordot Dump Closure and Dero Road Improvements.

The Receiver has developed three rate options for presentation to the Guam Public Utilities Commission. Each option would provide for adequate funding for GGSWF for 2013 and thereafter. These options are outlined in the following table:

Customer Type	Current Rate*	Full Gov't Reimbursement Rate	Two Landfill Rate**
Commercial (per ton)	\$ 172	\$ 225	\$ 110
Residential (per month)	\$ 30	\$ 35	\$ 20
Residential Transfer Station	\$7.50 / \$ 15	\$7.50 / \$ 15	\$7.50 / \$ 15
Cost to GovGuam	\$ 7,483,397	\$ -	\$ 11,737,208

\* 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.

\*\* Assumes approval of a second landfill.

Based on the Receiver's determination, the Current Rate option is adequate to provide for the operation of GGSWF through 2015. Because GovGuam had no history of paying full operating costs and debt service out of solid waste fees, GovGuam was required to pledge Section 30 revenue for the purpose of paying debt service. Commencing in December 2010, GGSWF began reimbursing GovGuam in the amount of \$374,758 per month. Under this rate option, GovGuam will continue to be reimbursed this monthly amount (\$4,497,097 annually) but forgo an additional \$7,483,397 in annual reimbursement for the use of Section 30 revenue to pay debt service.

**GOVERNMENT OF GUAM  
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**5. Outlook, Challenges and Opportunities, Continued**

The Full Government Reimbursement Rate option is required if GovGuam is to be fully reimbursed for the use of Section 30 revenue. In 2013, full debt service payments begin thus requiring GGSWOF to increase the monthly reimbursement from \$374,758 to \$998,374, an increase of approximately \$7.5 million annually. Under this option, commercial rates would rise more than 30% and residential rates would rise to \$35 per month in 2013; \$40 per month in 2014; and \$45 per month in 2015, at which time reevaluation of the rates would need to be considered.

Instead GovGuam continues to receive the same monthly reimbursement of \$374,758 as opposed to the required \$998,374 for fiscal year 2013. In 2014, the situation worsens as GGSWF suspended monthly reimbursements to the General Fund effective May 2014. Accumulated total amounts due to the General Fund for debt service payment reimbursements for periods fiscal year 2011 to fiscal year 2013 total to \$19,265,884.

The Two Landfill option is required if GovGuam allows a second landfill on Guam. In the event that GovGuam approves a permit for a second landfill, rates that will allow GovGuam to be reimbursed for the use of Section 30 revenue to pay debt service may not be sustained if the second landfill permit holder undercuts GGSWF's current rates. Under this scenario, GovGuam would forgo \$11,737,208 in annual reimbursement for the use of Section 30 revenue to pay debt service.

The Receiver expects the Government of Guam to pay over \$200 million of expenditures outside the Consent Decree. Estimated unfunded projects through FY2025 of \$50 million were identified by the Receiver. These projects include post closure costs of Ordot Dump of \$14.3 million, new cells for the Layon Landfill of \$10.6 million, \$5.3 million to close two cells, and \$19.9 million for other related projects. Due to these unfunded projects, reimbursements to General Fund of \$150 million for debt service payments were suspended forcing the General Fund to pick up the tab. Additionally, General Fund is expected to assume \$29.1 million for the Layon Landfill Land, which continues to accrue interest. Altogether, the aggregate unfunded amounts to approximately \$229.3 million.

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

The Management's Discussion and Analysis report is intended to provide information concerning known facts and condition affecting GGSWF's operations. This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of GGSWF's finances and to demonstrate GGSWF's accountability for the funds it receives and expends.

Management's Discussion and Analysis for the years ended September 30, 2012 and 2011 is set forth in GGSWF's report on the audit of financial statements which is dated September 9, 2013. The Discussion and Analysis explains in more detail major factors impacting the 2012 and 2011 financial statements.

Questions concerning any of the information provided in this report or request for additional information should be addressed to: Division of Accounts, Attention: Katherine B. Kakigi, Financial Manager, P.O. Box 884, Hagatna, Guam 96932. Telephone No.: (671) 475-1169/1260, Facsimile: (671) 472-8483; Website address: [www.admin.gov.gu/doa/](http://www.admin.gov.gu/doa/).



**GOVERNMENT OF GUAM  
SOLID WASTE FUNDS**

Balance Sheets  
September 30, 2013 and 2012

	2013				2012			
	Solid Waste Operations Fund	Capital Projects Fund	Debt Service Fund	Total	Solid Waste Operations Fund	Capital Projects Fund	Debt Service Fund	Total
<b>ASSETS</b>								
Cash and cash equivalents	\$ 11,467,164	\$ -	\$ -	\$ 11,467,164	\$ 8,385,803	\$ -	\$ -	\$ 8,385,803
Restricted assets:								
Cash and cash equivalents	1,697,639	11,710,968	15,672,535	29,081,142	810,622	9,082,301	-	9,892,923
Investments	-	48,937,283	17,186,015	66,123,298	-	60,643,810	32,995,703	93,639,513
Receivables, net:								
Tipping fees	3,445,373	-	-	3,445,373	3,837,219	-	-	3,837,219
Note	488,244	-	-	488,244	644,794	-	-	644,794
Due from General Fund	-	-	-	-	861,379	-	-	861,379
<b>Total assets</b>	<b>\$ 17,098,420</b>	<b>\$ 60,648,251</b>	<b>\$ 32,858,550</b>	<b>\$ 110,605,221</b>	<b>\$ 14,539,817</b>	<b>\$ 69,726,111</b>	<b>\$ 32,995,703</b>	<b>\$ 117,261,631</b>
<b>LIABILITIES</b>								
Accounts payable	\$ 40,198	\$ 10,476	\$ -	\$ 50,674	\$ 203,932	\$ -	\$ -	\$ 203,932
Contracts payable	1,238,239	1,736,998	-	2,975,237	1,287,400	1,157,037	-	2,444,437
Recover fees payable	179,655	259,956	-	439,611	179,210	219,868	-	399,078
Retention payable	-	450,196	-	450,196	-	372,275	-	372,275
Host community premium benefits payable	313,562	-	-	313,562	-	-	-	-
Accrued payroll and other	40,809	-	-	40,809	29,229	-	-	29,229
Unearned revenue	568,815	-	-	568,815	1,627,024	-	-	1,627,024
Due to General Fund	821,406	-	15,672,331	16,493,737	-	-	15,672,706	15,672,706
<b>Total liabilities</b>	<b>\$ 3,202,674</b>	<b>\$ 2,457,626</b>	<b>\$ 15,672,331</b>	<b>\$ 21,332,631</b>	<b>\$ 3,326,795</b>	<b>\$ 1,749,180</b>	<b>\$ 15,672,706</b>	<b>\$ 20,748,681</b>
<b>FUND BALANCES</b>								
Fund balances:								
Restricted for:								
Capital projects	1,626,896	58,190,625	-	59,817,521	810,622	67,976,931	-	68,787,553
Debt service	-	-	17,186,219	17,186,219	-	-	17,322,997	17,322,997
Committed for:								
Solid waste operations	12,268,850	-	-	12,268,850	10,402,400	-	-	10,402,400
Total fund balances	13,895,746	58,190,625	17,186,219	89,272,590	11,213,022	67,976,931	17,322,997	96,512,950
<b>Total liabilities and fund balances</b>	<b>\$ 17,098,420</b>	<b>\$ 60,648,251</b>	<b>\$ 32,858,550</b>	<b>\$ 110,605,221</b>	<b>\$ 14,539,817</b>	<b>\$ 69,726,111</b>	<b>\$ 32,995,703</b>	<b>\$ 117,261,631</b>

See accompanying notes to financial statements.

**GOVERNMENT OF GUAM  
SOLID WASTE FUNDS**

Statements of Revenues, Expenditures, and Changes in Fund Balances  
Years Ended September 30, 2013 and 2012

	2013				2012			
	Solid Waste Operations Fund	Capital Projects Fund	Debt Service Fund	Total	Solid Waste Operations Fund	Capital Projects Fund	Debt Service Fund	Total
<b>Revenues:</b>								
Tipping fees	\$ 18,698,981	\$ -	\$ -	\$ 18,698,981	\$ 16,398,446	\$ -	\$ -	\$ 16,398,446
Host community premium surcharge fees	313,562	-	-	313,562	-	-	-	-
Use of money and property	60,114	228,887	189,574	478,575	70,606	419,263	33,046	522,915
Net change in fair value of investments	-	(197,925)	(454,909)	(652,834)	-	183,214	323,163	506,377
Transfer in from General Fund	-	13,500	15,672,706	15,686,206	-	13,500	6,036,440	6,049,940
<b>Total revenues</b>	<b>19,072,657</b>	<b>44,462</b>	<b>15,407,371</b>	<b>34,524,490</b>	<b>16,469,052</b>	<b>615,977</b>	<b>6,392,649</b>	<b>23,477,678</b>
<b>Expenditures:</b>								
<b>Current:</b>								
General government	603,620	890,811	-	1,494,431	741,257	909,432	-	1,650,689
Environmental protection	10,975,654	-	-	10,975,654	10,785,296	-	-	10,785,296
Capital projects	-	8,811,400	-	8,811,400	-	7,644,264	-	7,644,264
Debt service:								
Principal	-	-	4,590,000	4,590,000	-	-	-	-
Interest	-	-	11,082,706	11,082,706	-	-	11,197,456	11,197,456
Host community premium benefits	313,562	-	-	313,562	-	-	-	-
Transfers out to General Fund	4,497,097	-	-	4,497,097	4,497,097	-	-	4,497,097
<b>Total expenditures</b>	<b>16,389,933</b>	<b>9,702,211</b>	<b>15,672,706</b>	<b>41,764,850</b>	<b>16,023,650</b>	<b>8,553,696</b>	<b>11,197,456</b>	<b>35,774,802</b>
Excess (deficiency) of revenues over (under) expenditures	2,682,724	(9,657,749)	(265,335)	(7,240,360)	445,402	(7,937,719)	(4,804,807)	(12,297,124)
Other financing sources (uses):								
Operating transfers in	-	-	128,557	128,557	-	-	22,127,804	22,127,804
Operating transfers out	-	(128,557)	-	(128,557)	-	(22,127,804)	-	(22,127,804)
<b>Total other financing sources (uses), net</b>	<b>-</b>	<b>(128,557)</b>	<b>128,557</b>	<b>-</b>	<b>-</b>	<b>(22,127,804)</b>	<b>22,127,804</b>	<b>-</b>
Net change in fund balances	2,682,724	(9,786,306)	(136,778)	(7,240,360)	445,402	(30,065,523)	17,322,997	(12,297,124)
Fund balances at the beginning of the year	11,213,022	67,976,931	17,322,997	96,512,950	10,767,620	98,042,454	-	108,810,074
Fund balances at the end of the year	\$ 13,895,746	\$ 58,190,625	\$ 17,186,219	\$ 89,272,590	\$ 11,213,022	\$ 67,976,931	\$ 17,322,997	\$ 96,512,950

See accompanying notes to financial statements.

**GOVERNMENT OF GUAM  
SOLID WASTE FUNDS**

Notes to Financial Statements  
September 30, 2013 and 2012

(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 Funds.

A. Reporting Entity

The Government of Guam (GovGuam) Solid Waste Operations Fund was created by Public Law 24-272 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. On June 18, 2009, Limited Obligation (Section 30) Bonds, 2009 Series A, were issued for the purpose of constructing a new landfill, closure of Ordot Dump, prepaying a bank loan and funding capitalized interest. The Capital Projects Fund is used to account for bond proceeds from the issuance of Limited Obligation (Section 30) Bonds, 2009 Series A. 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.

On April 18, 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 GovGuam Solid Waste Operations Fund.

B. Fund Accounting

The accompanying financial statements present a balance sheet and a statement of revenues, expenditures, and changes in fund balances. The assets, liabilities and fund balances of the Solid Waste Operations Fund and those funds related to the Limited Obligation (Section 30) Bonds, 2009 Series A, are reported in self-balancing funds. Transactions between funds, if any, have not been eliminated.

C. Measurement Focus and Basis of Accounting

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

**GOVERNMENT OF GUAM  
SOLID WASTE FUNDS**

Notes to Financial Statements  
September 30, 2013 and 2012

(1) Summary of Significant Accounting Policies, Continued

C. 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 effective during fiscal years 2013 and 2012 is \$171.60.

Residential

Residential customers are billed for weekly curbside trash collection services. The monthly rate effective during fiscal years 2013 and 2012 per one 96-gallon cart is \$30.

Further, residential customers are billed \$15 per month for every additional 96-gallon cart.

Residential customers bringing their household trash to the transfer stations are assessed the following fees: (a) \$7.50 up to three cubic yards, and (b) \$15 from three up to a maximum of six cubic yards.

Host Community Premium Surcharge

On July 16, 2010, the Guam Legislature passed Public Law 30-165 and amended by Public Law 32-021 on April 11, 2013, which determined that a "Host Community Premium" be awarded for the villages of Inarajan and Ordot in the annual amount of \$150,000 each. Pursuant to Public Law 30-165, as amended by Public law 32-021, and an Order by the Guam Public Utilities Commission on July 30, 2012, as amended on July 30, 2013, GSWA was authorized to assess Host Community Premium Surcharge (HCPS) fees of \$3.57 per ton for commercial, including government customers, and \$0.38 per month for residential customers beginning October 1, 2012. The HCPS fees were to compensate the villages of Inarajan and Ordot where solid waste management facilities, such as sanitary landfills, are located. During the year ended September 30, 2013, HCPS revenues amounted to \$313,562.

D. Budgetary Process

Legislation requires the Governor to present a proposed budget to the Legislature at the beginning of each annual session. The Legislature enacts the budget through passage of specific departmental appropriations. Before signing the Appropriations Act, the Governor may veto or reduce any specific appropriation, subject to legislative override. Once passed and signed, the budget becomes the financial plan for the ensuing fiscal year. Supplemental appropriations for specific purposes are made throughout the year.

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 Legislature as representing in continuing appropriations.

**GOVERNMENT OF GUAM  
SOLID WASTE FUNDS**

Notes to Financial Statements  
September 30, 2013 and 2012

(1) Summary of Significant Accounting Policies, Continued

E. Cash and Cash Equivalents

Cash and cash equivalents include short-term investments in U.S. Treasury obligations and commercial paper with maturity dates within three months of the date acquired.

F. Investments

Investments and related investment earnings are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale and are primarily determined based on quoted market values.

G. 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.

H. Interfund Receivables/Payables

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

I. Restricted Assets

The bond indenture relating to the Limited Obligation (Section 30) Bonds, 2009 Series A, requires amounts to be restricted for capital projects and set aside for debt service principal and interest. These amounts have been classified as restricted assets.

J. Unearned Revenues

Unearned revenue represents monies received or revenues accrued which have not been earned or do not meet the "available" criterion for revenue recognition under the modified accrual basis of accounting.

K. 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.

**GOVERNMENT OF GUAM  
SOLID WASTE FUNDS**

Notes to Financial Statements  
September 30, 2013 and 2012

(1) Summary of Significant Accounting Policies, Continued

K. Fund Balance, Continued

- 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.

L. Management Estimates

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

M. Reclassifications

Certain balances in the 2012 financial statements have been reclassified to conform with the 2013 presentation.

(2) Deposits

The deposit and investment policies of GovGuam are governed by 5 GCA 21, Investments and Deposits, in conjunction with applicable bond indentures. The Director of Administration is responsible for the safekeeping of all monies paid into the Treasury of Guam. The Director of Administration 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.

Custodial credit risk is the risk that in the event of a bank failure, the entity's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized, or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name.

**GOVERNMENT OF GUAM  
SOLID WASTE FUNDS**

Notes to Financial Statements  
September 30, 2013 and 2012

(2) Deposits, Continued

As of September 30, 2013 and 2012, the carrying amount of cash and cash equivalents were \$40,548,306 and \$18,278,726, respectively, and the corresponding bank balances were \$40,548,306 and \$18,278,726, respectively. Of the bank balance amounts, \$24,743,470 and \$18,256,452, respectively, were maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. The remaining balances of \$15,804,836 and \$22,274, respectively, represent short-term investments held and administered by GovGuam's trustees in accordance with various trust agreements and bond indentures. Based on negotiated trust and custody contracts, all of these investments were held in GovGuam's name by GovGuam's custodial financial institutions at September 30, 2013 and 2012. As of September 30, 2013 and 2012, bank deposits in the amount of \$875,723 and \$878,321, respectively, were FDIC insured. GovGuam does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

Restricted cash and cash equivalents consist of funds restricted for capital projects and for bond indenture related accounts. Details are as follows:

	<u>2013</u>	<u>2012</u>
Debt service	\$ 15,672,535	\$ -
Capital projects	11,710,968	9,082,301
Operations, maintenance, renewal and replacement reserve fund	1,626,896	810,622
Host community premium benefits	<u>70,743</u>	<u>-</u>
	<u>\$ 29,081,142</u>	<u>\$ 9,892,923</u>

(3) Investments

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 for GovGuam.

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. GovGuam's investments are held and administered by trustees in accordance with the bond indenture for the purpose of funding various capital projects and future debt service requirements. 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, 2013 and 2012.

**GOVERNMENT OF GUAM  
SOLID WASTE FUNDS**

Notes to Financial Statements  
September 30, 2013 and 2012

(3) Investments, Continued

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, 2013 and 2012, investments at fair value are as follows:

	<u>2013</u>	<u>2012</u>
Mutual funds	\$ <u>66,123,298</u>	\$ <u>93,639,513</u>

As of September 30, 2013 and 2012, these investments are restricted and available for the following purposes:

	<u>2013</u>	<u>2012</u>
Capital projects	\$ 48,937,283	\$ 60,643,810
Debt service	<u>17,186,015</u>	<u>32,995,703</u>
	\$ <u>66,123,298</u>	\$ <u>93,639,513</u>

(4) Receivables

Receivables as of September 30, 2013 and 2012, including allowances for uncollectible accounts, are as follows:

	<u>2013</u>	<u>2012</u>
Commercial	\$ 1,920,760	\$ 1,709,483
Residential	1,466,650	1,399,503
Government:		
Guam Waterworks Authority (GWA)	156,850	854,498
Other	112,336	84,958
Note	<u>488,244</u>	<u>644,794</u>
	<u>4,144,840</u>	<u>4,693,236</u>
Allowance for uncollectible accounts:		
Commercial	(58,757)	(58,757)
Residential	(105,493)	(105,493)
Government	<u>(46,973)</u>	<u>(46,973)</u>
	<u>(211,223)</u>	<u>(211,223)</u>
	\$ <u>3,933,617</u>	\$ <u>4,482,013</u>

On March 2, 2012, the Solid Waste Operations Fund entered into a \$750,000 promissory note with a commercial customer for past due tipping fees. The note, due in monthly installments of principal and interest of \$19,022 beginning February 29, 2012, bears interest at 10% per annum and matures in January 2016. At September 30, 2013 and 2012, the balance was \$488,244 and \$644,794, respectively, with a corresponding amount recorded as unearned revenue.



**GOVERNMENT OF GUAM  
SOLID WASTE FUNDS**

Notes to Financial Statements  
September 30, 2013 and 2012

(4) Receivables, Continued

In February 2013, the Guam Public Utilities Commission approved a GWA rate increase, which funds repayment of GWA's balance due to the Solid Waste Operations Fund. In March 2013, the Solid Waste Operations Fund started collecting \$125,000 per month from GWA. At September 30, 2013 and 2012, the GWA receivable was \$156,850 and \$854,498, respectively, with a corresponding amount recorded as unearned revenue of \$0 and \$854,498, respectively.

(5) Bonds Payable

The Limited Obligation (Section 30) Bonds, 2009 Series A (original issue of \$202,425,000, dated June 1, 2009) have varying interest rates at 5% - 5.75% per annum, payable semiannually on June 1 and December 1, principal fund payments due in varying annual installments commencing with a payment of \$4,590,000 on June 30, 2013 and increasing to a final payment of \$15,235,000 on June 30, 2035. The bonds were issued for the purpose of constructing a new landfill, closure of the Ordot Dump, prepaying a bank loan and funding capitalized interest, and are backed by the full faith and credit of GovGuam, payable solely from and collateralized by a pledge of Section 30 federal income tax collections.

The 2009 Series A Section 30 Bonds are limited obligations of GovGuam and are authorized to be issued pursuant to Public Law 30-7 and an Indenture dated June 1, 2009. Under the Indenture, GovGuam appointed a Trustee, Co-Trustee and Depositary for the Bonds and a Paying Agent and registrar for the Bonds. The Bonds are payable entirely from a first lien and pledge of Section 30 revenues. Section 30 revenues are amounts received by or on behalf of GovGuam or the Trustee from the United States as proceeds of custom duties, federal income taxes and any other taxes derived from Guam.

As defined by the terms of the bond indenture, these revenues include the following: (1) all amounts received by GovGuam as proceeds of Federal income taxes derived from Guam ("Section 30" monies); (2) customs duties collected by GovGuam derived from Guam; (3) the proceeds of all taxes collected under the internal revenue laws of the United States on articles produced in Guam and transported to the United States, its Territories or possessions, or consumed in Guam; and (4) the proceeds of any other taxes which may be levied by Congress on the inhabitants of Guam. "Revenue" further includes all interest, profits or other income derived from investments in any fund or account created pursuant to the bond indenture.

In accordance with the Indenture, the following funds are established:

- Section 30 Revenue Fund - GovGuam 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, except that all interest and other profit from the investment of moneys in the Rebate Fund will be retained therein, all interest and other profit from the investment of moneys in the Construction Fund will be transferred to the Capitalized Interest Account, which shall be established, maintained and held in trust by the Depositary as a separate account within the Section 30 Revenue Fund. The Trustee shall be entitled to and shall collect and receive all of the Section 30 Revenues, and any Section 30 Revenues collected or received by GovGuam shall be deemed to be held, and to have been collected or received, by GovGuam as the agent of the Trustee and shall promptly be paid by GovGuam to the Trustee.

**GOVERNMENT OF GUAM  
SOLID WASTE FUNDS**

Notes to Financial Statements  
September 30, 2013 and 2012

(5) Bonds Payable, Continued

On the fifth day of each calendar month, the Trustee shall transfer from the Section 30 Revenue Fund (to the Co-Trustee or Depositary, as necessary), for deposit into one or more separate funds, amounts in the order of priority as required under the Indenture, the requirements of each such fund or account (including the making up of any deficiencies in any such fund or account resulting from lack of Section 30 Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied, and the results of such satisfaction being taken into account, before any transfer is made to any account subsequent in priority: (A) the Debt Service Fund; (B) the Bond Reserve Fund; (C) the Rebate Fund; (D) the Bond Expense Fund; and (E) the Section 30 Surplus Fund.

- Debt Service Fund - The Debt Service Fund shall initially be held by the Trustee, and the Trustee shall apply moneys on deposit in the Debt Service Fund in the amounts and at the times required by the Indenture solely to (1) pay interest on the Bonds as it becomes due and payable, (2) pay principal of Bonds when due and payable and (3) purchase or redeem or pay at maturity Term Bonds as provided in the Indenture.
- Bond Reserve Fund - The Indenture requires the Trustee to establish and maintain the Bond Reserve Fund and to deposit with respect to any series of Bonds an amount equal to the Bond Reserve Fund Requirement to be held by the Trustee. The Bond Reserve Fund Requirement means, as of any date of calculation and with respect to any Bonds, an amount equal to (i) the least of (A) Maximum Annual Debt Service, calculated on all such Bonds Outstanding as of such date, (B) one hundred twenty-five percent (125%) of average annual debt service on all such Bonds Outstanding as of such date, or (C) such amount as may be calculated in connection with the issuance of an Additional Series of Bonds by adding not more than ten percent (10%) of the original principal amount of such Additional Series of Bonds to the Bond Reserve Fund Requirement immediately before such issuance, or (ii) such larger amount as may be established as the Bond Reserve Fund Requirement by any Supplemental Indenture and which, in the opinion of Bond Counsel, may be funded from Bond proceeds and invested at an unlimited yield consistent with the Internal Revenue Code.
- Construction Fund - At closing, there shall be deposited in the Series 2009A Construction Account within the Construction Fund a portion of the proceeds of the 2009A Bonds. Moneys on deposit therein will be disbursed to fund the 2009A Bonds Project, which consists of the acquisition, construction, improving and equipping the New Landfill and the acquisition and construction of the closure of the Ordot Dump.
- Bond Expense Fund - All amounts in the Bond Expense Fund shall be used and withdrawn by the Trustee upon receipt of a Requisition of GovGuam, solely for the purpose of paying (i) fees and expenses of the Fiduciaries, as such term is defined in the Indenture, (ii) fees and expenses with respect to any Credit Facility, as such term is defined in the Indenture, and (iii) any other costs or expenses designated as payable from the Bond Expense Fund by a Supplemental Indenture.

The "Section 30 Revenue Fund" is accounted for within the General Fund. The "Capitalized Interest Account", "Debt Service Fund", "Bond Reserve Fund" and "Bond Expense Fund" accounts are accounted for within the Debt Service Fund. The "Construction Fund" account is accounted for within the Capital Projects Fund.

**GOVERNMENT OF GUAM  
SOLID WASTE FUNDS**

Notes to Financial Statements  
September 30, 2013 and 2012

(5) Bonds Payable, Continued

Annual debt service requirements to maturity for principal and interest are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 4,825,000	\$ 10,847,331	\$ 15,672,331
2015	5,070,000	10,599,956	15,669,956
2016	5,330,000	10,339,956	15,669,956
2017	5,610,000	10,059,444	15,669,444
2018	5,915,000	9,756,913	15,671,913
2018 – 2023	34,905,000	43,452,131	78,357,131
2024 – 2028	45,825,000	32,527,759	78,352,759
2029 – 2033	60,740,000	17,616,257	78,356,257
2034 – 2035	<u>29,615,000</u>	<u>1,727,443</u>	<u>31,342,443</u>
	<u>\$ 197,835,000</u>	<u>\$ 146,927,190</u>	<u>\$ 344,762,190</u>

During the years ended September 30, 2013 and 2012, payments for debt service totaled \$15,672,706 and \$11,197,456, respectively.

GovGuam has pledged a portion of future General Fund Section 30 revenues to repay the \$202,425,000 in limited obligation bonds. This debt is payable solely from Section 30 revenues payable to GovGuam by the United States Government pursuant to Section 30 of the Organic Act, Title 48, U.S. Code, Section 41421(h). Total principal and interest remaining on this debt is approximately \$344,762,190 payable through December 2034. For the years ended September 30, 2013 and 2012, Section 30 revenues were \$96,104,113 and \$53,125,949, respectively.

At September 30, 2013 and 2012, fund balance of \$17,186,219 and \$17,322,997, respectively, is restricted for debt service purposes.

At September 30, 2013 and 2012, GovGuam management is of the opinion that it is in compliance with the bond covenants as outlined in the bond indenture.

(6) Interfund Transfer Activity

Interfund transfers from the Solid Waste Operations Fund and Capital Projects Fund to the Debt Service Fund represent the transfer of funds for payment of interest and transfer of the bond reserve investment account. Interfund transfer activity during the years ended September 30, 2013 and 2012, is summarized below:

	<u>2013</u>	<u>2012</u>
Transfers Out To:		
Debt Service Fund for:		
Bond reserve, debt service and capitalized interest investment accounts	\$ 128,557	\$ 18,065,367
Interest payment	<u>-</u>	<u>4,062,437</u>
	<u>\$ 128,557</u>	<u>\$ 22,127,804</u>
Transfers In From:		
Capital Projects Fund	<u>\$ 128,557</u>	<u>\$ 22,127,804</u>

**GOVERNMENT OF GUAM  
SOLID WASTE FUNDS**

Notes to Financial Statements  
September 30, 2013 and 2012

(7) Commitments and Contingencies

A. Landfill Closure and Postclosure Costs

On February 11, 2004, the U.S. Environmental Protection Agency and the U.S. Department of Justice 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.

On March 17, 2008, the United States District Court of Guam 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. For the year ended September 30, 2013, recorded receiver fee expenditures were \$1,494,431 with accumulated receiver fee expenditures since the appointment of the Receiver on March 17, 2008 through September 30, 2013 amount to \$12,893,557. Of this amount, \$3,848,700 was funded by the General Fund and the remaining was funded from solid waste operations.

Pursuant to the Court Order, the appointment of the Receiver shall be for the period necessary to achieve compliance with the consent decree unless: (a) the Receiver recommends termination of the Court Order as no longer necessary, or modification thereof, and said termination or modification is accepted by the court, (b) the Receiver requests to be relieved and such request is approved by the court, and (c) the Court Order is otherwise modified or terminated by the court.

On February 13, 2009, the United States District Court of Guam issued a Court Order associated with the DPW Solid Waste Division Receivership requiring GovGuam to provide for costs of the new landfill. On June 4, 2009, GovGuam issued \$202,425,000 in Limited Obligation Revenue Bonds for the purpose of financing facilities of the Solid Waste Management System of Guam. On August 31, 2011, the Ordot Dump was finally closed and the Layon landfill opened on September 1, 2011.

**GOVERNMENT OF GUAM  
SOLID WASTE FUNDS**

Notes to Financial Statements  
September 30, 2013 and 2012

(7) Commitments and Contingencies, Continued

A. Landfill Closure and Postclosure Costs, Continued

State and federal laws and regulations require GovGuam to place a final cover on its landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Closure and post closure care costs reported as expenditures in the accompanying financial statements represents actual closure and post closure care costs incurred during fiscal years 2013 and 2012. The estimated landfill closure and post closure care liability at September 30, 2013 and 2012 is not included in the accompanying fund financial statements. Instead, GovGuam has reported an amount of \$53,508,046 and \$41,115,275 as landfill closure and post closure care liability at September 30, 2013 and 2012, respectively, within GovGuam's government-wide financial statements based on 100% capacity for Ordot Dump and \$1,933,924 reported based on the use of 1.78% of the estimated capacity of Layon landfill. The Layon landfill consists of up to eleven cells and has an estimated lifespan of 50 years. Currently, GovGuam is projected to utilizing two cells that together have a projected life of 10 years. GovGuam will recognize the remaining estimated cost of closure and postclosure care of \$106,713,510 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2013. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

B. Land Condemnation

On October 31, 2012, a Court Order was issued for the payment of approximately \$25,115,683 for the condemnation of land which encompasses the Layon landfill. As of September 30, 2013, \$3,410,000 had been deposited to the Court and distributed to landowners, and \$21,705,683 plus interest at 6% per annum calculated from January 24, 2008 of \$7,407,287 has yet to be made. GovGuam has negotiated long-term tax credit certificates with the landowners.

C. Contract Commitments

GGSWF have commitments under contracts at September 30, 2013 and 2012. As of September 30, 2013 and 2012, encumbrances associated with these contracts are as follows:

	<u>2013</u>	<u>2012</u>
Solid Waste Operations Fund	\$ 26,204,047	\$ 32,722,923
Capital Projects Fund	<u>3,485,579</u>	<u>3,720,870</u>
	<u>\$ 29,689,626</u>	<u>\$ 36,443,793</u>

(8) Major Customers

During the years ended September 30, 2013 and 2012, two commercial customers accounted for 42% and 44%, respectively, of total tipping fees revenues.

(9) Subsequent Events

In December 2013, GGSWF entered into two contracts totaling \$47,010,908 for the construction of the environmental closure of the Ordot Dump and Dero Road Sewer Improvements, and associated construction management services.

**GOVERNMENT OF GUAM**  
**SOLID WASTE FUNDS**  
 Schedule of Expenditures by Object  
 Years Ended September 30, 2013 and 2012

	Solid Waste Operations Fund		Capital Projects Fund		Debt Service Fund		Totals	
	2013	2012	2013	2012	2013	2012	2013	2012
Personnel costs:								
Salaries and wages	\$ 1,958,836	\$ 1,171,869	-	-	-	-	\$ 1,958,836	\$ 1,171,869
Overtime	50,284	58,803	-	-	-	-	50,284	58,803
Fringe benefits	400,080	411,461	-	-	-	-	400,080	411,461
Total personnel costs	1,509,200	1,642,133	-	-	-	-	1,509,200	1,642,133
Receiver fees:								
Labor costs	519,318	644,269	766,362	789,976	-	-	1,285,680	1,434,245
Other	84,302	96,988	124,449	119,456	-	-	208,751	216,444
Total receiver fees	603,620	741,257	890,811	909,432	-	-	1,494,431	1,650,689
Contract services:								
Landfill operations	3,491,178	3,139,355	-	-	-	-	3,491,178	3,139,355
Layon landfill	-	157,237	3,445,516	3,195,282	-	-	3,445,516	3,352,519
Waste hauling services	2,901,806	2,861,265	-	-	-	-	2,901,806	2,861,265
Closure and post closure costs	-	-	2,621,981	3,896,483	-	-	2,621,981	3,896,483
Transfer station	-	-	1,153,464	-	-	-	1,153,464	-
Personnel	863,923	866,728	-	-	-	-	863,923	866,728
Repairs and maintenance	775,588	956,034	-	-	-	-	775,588	956,034
Security services	89,504	176,169	171,993	111,573	-	-	261,497	287,742
Roll off containers	-	-	127,779	-	-	-	127,779	-
Professional fees	119,552	39,501	-	-	-	-	119,552	39,501
Other services	107,765	38,968	-	-	-	-	107,765	38,968
Ordot Dump:	25,298	-	-	-	-	-	25,298	-
Dump Closure Construction	-	-	19,604	24,807	-	-	19,604	24,807
Dump Closure Construction Management Ser	-	-	3,000	240,057	-	-	3,000	240,057
Legal services	-	70,472	-	7,139	-	-	-	77,611
Other	254,773	183,669	69,833	55,465	-	-	324,606	239,134
Total contract services	8,639,387	8,489,398	7,613,170	7,530,806	-	-	16,242,557	16,020,204
Supplies and Materials:								
Fuel	302,786	310,748	-	-	-	-	302,786	310,748
Others	85,729	126,955	-	-	-	-	85,729	126,955
Total supplies and materials	388,515	436,803	-	-	-	-	388,515	436,803
Host community premium benefits	313,562	-	-	-	-	-	313,562	-
Capital outlay	239,468	-	1,198,230	113,458	-	-	1,437,698	113,458
Utilities	106,455	82,359	-	-	-	-	106,455	82,359
Principal	-	-	-	-	4,590,000	-	4,590,000	-
Interest	-	-	-	-	11,082,706	11,197,456	11,082,706	11,197,456
Miscellaneous	102,629	134,603	-	-	-	-	102,629	134,603
Transfers out to General Fund	4,497,097	4,497,097	-	-	-	-	4,497,097	4,497,097
Total	\$ 16,389,933	\$ 16,023,650	\$ 9,702,211	\$ 8,553,696	\$ 15,672,706	\$ 11,197,456	\$ 41,764,850	\$ 35,774,802

See accompanying independent auditors' report.

**GOVERNMENT OF GUAM**  
**SOLID WASTE FUNDS**

Schedule of Billings and Collections  
Years Ended September 30, 2013 and 2012

	2013				
	Total	Host Community Premium Surcharge Fees	Net of Host Community Premium Surcharge Fees		2012
Billings:					
Commercial haulers	\$ 10,542,908	\$ 216,071	\$ 10,326,837	\$	10,665,428
Residential	5,985,792	75,148	5,910,644		6,045,842
Government	<u>1,096,340</u>	<u>22,343</u>	<u>1,073,997</u>		<u>348,583</u>
Total billings	\$ <u>17,625,040</u>	\$ <u>313,562</u>	\$ <u>17,311,478</u>	\$	<u>17,059,853</u>
Collections:					
Commercial haulers	\$ 10,211,256	\$ 179,429	\$ 10,031,827	\$	10,551,306
Residential	6,079,768	60,381	6,019,387		5,972,841
Government	1,761,349	17,426	1,743,923		52,801
Transfer stations	298,279	-	298,279		352,865
Other charges	<u>58,931</u>	<u>-</u>	<u>58,931</u>		<u>57,432</u>
Total collections	\$ <u>18,409,583</u>	\$ <u>257,236</u>	\$ <u>18,152,347</u>	\$	<u>16,987,245</u>

See accompanying independent auditors' report.

**GOVERNMENT OF GUAM  
SOLID WASTE FUNDS**

Schedule of Capital Projects  
Year Ended September 30, 2013

Project	Total Contract	Expenditures for the Year Ended September 30, 2013	Cumulative Expenditures as of September 30, 2013	Outstanding Encumbrances as of September 30, 2013
<u>A. Capital Projects With Original Contract Date of September 30, 2013 and prior:</u>				
Layon Landfill:				
Entrance Area Facilities and Cells 1 and 2 Construction	\$ 25,375,436	\$ 1,133,095	\$ 25,169,589	\$ 205,847
Access Road and Sewer System Construction	28,369,411	85,434	28,360,499	8,912
Groundwater Quality Monitoring				
Technical Assistance Services	2,572,102	673,144	2,262,585	309,517
Construction Management Services	6,375,284	1,044,022	6,809,817	(434,533)
Engineering Design Services	10,124,332	11,369	9,545,747	578,585
	<u>72,816,565</u>	<u>2,947,064</u>	<u>72,148,237</u>	<u>668,328</u>
Ordot Dump:				
Closure and Post-Closure Plans Preparation	7,691,828	3,043,118	6,906,090	785,738
Dump Closure - Land acquisition	1,198,230	1,198,230	1,198,230	-
	<u>8,890,058</u>	<u>4,241,348</u>	<u>8,104,320</u>	<u>785,738</u>
Other Capital Projects:				
Harmon Residential Transfer Station	2,410,000	378,488	378,488	2,031,512
Subtotal	<u>\$ 84,116,623</u>	<u>\$ 7,566,900</u>	<u>\$ 80,631,045</u>	<u>\$ 3,485,578</u>
<u>B. Capital Projects With Original Contract Date after September 30, 2013:</u>				
Ordot Dump:				
Dump Closure Construction	\$ 40,536,977	\$ -	\$ -	\$ -
Dump Closure Construction Management Services	6,473,931	-	-	-
Subtotal	<u>\$ 47,010,908</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>\$ 131,127,531</u>	<u>\$ 7,566,900</u>	<u>\$ 80,631,045</u>	<u>\$ 3,485,578</u>

See accompanying independent auditors' report.



**GOVERNMENT OF GUAM  
SOLID WASTE FUNDS**

Schedule of Employees and Other Data  
September 30, 2013 and 2012

	2013	2012
<u>Full Time Employees:</u>		
Administrative Support	3	4
Residential Collection	32	17
Convenience Center/Transfer Stations	2	15
Total employee count	37	36
Total personnel costs	\$ 1,509,200	\$ 1,642,133
<u>Contract services</u>		
Administrative Support	12	13
Sanitation Workers	8	9
Total employee count	20	22
Total personnel costs	\$ 863,923	\$ 866,728

See accompanying independent auditors' report.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Eddie Baza Calvo  
Governor of Guam:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Government of Guam Solid Waste Operations Fund and of those funds related to the Government of Guam Limited Obligation Highway Refunding Bonds, 2001 Series A (the "Funds") which comprise the balance sheet as of and for the year ended September 30, 2013, 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, which collectively comprise the Funds' basic financial statements, and have issued our report thereon dated August 22, 2014.

### **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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 may exist that have not been identified.

## **Compliance and Other Matters**

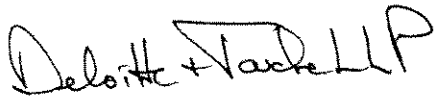
As part of obtaining reasonable assurance about whether the Funds' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as item 2013-1.

## **The Funds' Response to Finding**

The Funds' response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The Funds' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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.

A handwritten signature in black ink that reads "Deloitte + Tatchell LLP". The signature is written in a cursive, stylized font.

August 22, 2014

**GOVERNMENT OF GUAM  
SOLID WASTE FUNDS**

Schedule of Findings and Responses  
Years Ended September 30, 2013

Finding No. 2013-1 - Procurement

Criteria: A complete record of procurement actions and decisions should be maintained.

The Government of Guam Procurement Regulations specifically provide for the following:

- Chapter 3 Section 3119 (i)(2), provides the following relating to indefinite quantity contracts: “Generally, an approximate quantity is stated in the solicitation. The contract may provide a minimum quantity the territory is obligated to order and may also provide for a maximum quantity that limits the territory’s obligation to order. The rationale for using indefinite quantity contracts and the reasons why another contract form will not suffice should be indicated. Indefinite quantity contracts will be reviewed every six months for a determination of the continued need for such a contract.”

Condition: During tests of compliance with procurement regulations, the following were noted:

- a. One item (ref. #SWMD002-10) for repairs and maintenance services of heavy equipment and light vehicles was procured through an invitation for bid and was awarded in October 2010. The bid and/or the award did not provide a minimum or maximum amount for the services.
- b. For one contract awarded in October 2009 related to temporary staffing, the relevant rationale/considerations supporting decision to obtain temporary staffing as against other possible options was not documented prior to the procurement of such services.
- c. Relevant documentation such as memos or equivalent indicating the history of procurement as well as rationale of the contractor/vendor selection for one item relating to contract services was not available.
- d. One item (ref. RECEIVER SW-09-05) awarded in December 2009 had an original contract amount of \$857,750. Two amendments for additional tasks were added onto the original contract bringing the contract total to \$2,572,102. Relevant justification or analyses why no further procurement procedures were necessary for the change orders were not available.

Cause: The cause of the above conditions is incomplete documentation to demonstrate full compliance with applicable procurement requirements.

Effect: The effect of the above condition is the potential negative perceptions associated with noncompliance with Guam procurement regulations.

**GOVERNMENT OF GUAM  
SOLID WASTE FUNDS**

Schedule of Findings and Responses, Continued  
Years Ended September 30, 2013

Finding No. 2013-1 – Procurement, Continued

Recommendation:

- a. We recommend that for indefinite quantity services, an estimated minimum and maximum amount for the services be included in the award/purchase order/contract. Further, we recommend that indefinite quantity contracts be evaluated periodically (i.e. every six months) and such evaluation be documented.
- b. We recommend that contracts spanning over an extended period be reviewed/evaluated periodically to determine if the services need to be subjected to additional procurement procedures. Further, we recommend that such review or evaluation be documented.
- c. We recommend that relevant considerations/rationale supporting procurement decisions be documented and such documentation be maintained in the procurement files.

Prior Year Status: Noncompliance with applicable procurement rules and regulations was reported as a finding in the audit of the Government of Guam Solid Waste Operations Fund for 2012 and 2011.

Auditee Response and Corrective Action Plan:

As stated in prior audits, we concur that estimated minimum and maximums can be included in such procurements. However, such estimates should not be binding contractual provisions since these services are critical to the daily work of the Guam Solid Waste Authority (GSWA) and the need for the services is not always predictable.

With respect to the procurements for temporary personnel and technical services (i.e. Pacific Human Resource Services and EA Engineering, Science & Technology) these contracts were entered by the Receiver under the authority granted to the Receiver in the Court's Order dated March 17, 2008. These contracts have been vital to the work of the Receivership, were required to remain in effect in order to expedite the work of the Receivership. The Court authorized the Receiver to depart from adherence to Guam's procurement laws and regulations when, in the judgment of the Receiver, expeditious compliance with the Consent Decree required it.

**GOVERNMENT OF GUAM  
SOLID WASTE FUNDS**

Unresolved Prior Year Findings  
Year Ended September 30, 2013

Unresolved Prior Year Findings

As of September 30, 2013, the status of all audit findings included in the Schedule of Findings and Responses as of September 30, 2012 is as follows:

Finding No. 2011-1 – Not corrected. See corrective action plan to Finding No. 2013-1.

Finding No. 2012-1 – Not corrected. See corrective action plan to Finding No. 2013-1.





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August 22, 2014

Honorable Eddie Baza Calvo  
 Governor of Guam

Dear Governor Calvo:

We have performed an audit of the financial statements of the Government of Guam Solid Waste Operations Fund and of those funds related to the Government of Guam Limited Obligation (Section 30) Bonds, 2009 Series A (the "Funds") as of and for the year ended September 30, 2013, in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our report thereon date August 22, 2014.

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

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

Our responsibility under generally accepted auditing standards and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, have been described in our engagement letter dated September 12, 2013. As described in that letter, the objective of a financial statement audit conducted in accordance with the aforementioned standards is:

- To express an opinion on the fairness of the Funds' basic financial statements and the accompanying supplementary information, and to disclaim an opinion on the required supplementary information for the year ended September 30, 2013 in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), in all material respects;
- To express an opinion on whether the supplementary information that accompanies the basic financial statements is presented fairly, in all material respects, in relation to the basic financial statements taken as a whole; and
- To report on the Funds' internal control over financial reporting and on their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended September 30, 2013 based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.

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



## **OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS AND GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS, CONTINUED**

We considered the Funds' internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Funds' internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

### **ACCOUNTING ESTIMATES**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and on assumptions about future events. No significant accounting estimates are reflected in the Funds' 2013 financial statements.

### **UNCORRECTED MISSTATEMENTS**

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

### **MATERIAL CORRECTED MISSTATEMENTS**

Material misstatements were brought to the attention of management as a result of our audit procedures and were corrected by management during the current period. These corrected misstatements are listed in Attachment II and are reflected in the 2013 financial statements.

### **SIGNIFICANT ACCOUNTING POLICIES**

The Funds' significant accounting policies are set forth in Note 1 to the Funds' 2013 financial statements. During the year ended September 30, 2013, there were no significant changes in previously adopted accounting policies or their application.

### **DISAGREEMENTS WITH MANAGEMENT**

We have not had any disagreements with management related to matters that are material to the Funds' 2013 financial statements.

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

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2013.

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

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

**OTHER SIGNIFICANT FINDINGS OR ISSUES ARISING FROM THE AUDIT DISCUSSED,  
OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT**

Throughout the year, routine discussions were held, or were the subject of correspondence, with management. In our judgment, such discussions or correspondence did not involve significant findings or issues requiring communication to the Office of the Governor.

**SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT**

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

**MANAGEMENT'S REPRESENTATIONS**

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

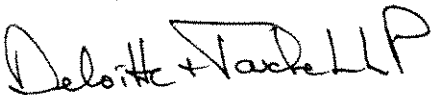
**CONTROL-RELATED MATTERS**

We have issued a separate report to you, dated August 22, 2014, on the Funds' internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, which was based upon the audit performed in accordance with *Government Auditing Standards*.

We have identified and included in Attachment III, certain deficiencies related to the Funds' internal control over financial reporting that we identified during our audit.

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

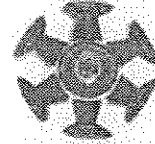
Very truly yours,

Handwritten signature of Deloitte + Tatchell LLP in black ink.



Eddie Baza Calvo  
Governor  
Ray Tenorio  
Lt. Governor

Government of Guam  
(Gubetnomenton Guahan)  
Department of Administration  
(Dipattamenton Atmenestration)  
DIRECTOR'S OFFICE  
(Uffisan Direktot)  
Post Office Box 884 Hagatña, Guam 96932



Benita A. Mangiona  
Director  
John A.B. Pangellinan  
Deputy Director

August 22, 2014

Deloitte & Touche LLP  
361 SOUTH MARINE CORPS DRIVE  
TAMUNING GU, 96913

We are providing this letter in connection with your audits of the balance sheets of the Government of Guam Solid Waste Operations Fund and of those funds related to the Government of Guam Limited Obligation (Section 30) Bonds, 2009 Series A (the "Funds"), as of September 30, 2013 and 2012, and the related statements of revenues, expenditures, and changes in fund balances for the years ended September 30, 2013 and 2012, which collectively comprise the Funds' basic financial statements for the purpose of expressing an opinion as to whether the basic financial statements present fairly, in all material respects, the financial position, results of operations or changes in fund balances, and cash flows of the Funds' in conformity with accounting principles generally accepted in the United States of America (GAAP).

We confirm that we are responsible for the following:

- a. The fair presentation in the basic financial statements of financial position of the balance sheets and the related statements of revenues, expenditures, and changes in fund balances, in conformity with GAAP.
- b. The fair presentation of the additional information accompanying the basic financial statements that is presented for the purpose of additional analysis of the basic financial statements.
- c. The design and implementation of programs and controls to prevent and detect fraud.
- d. Establishing and maintaining effective internal control over financial reporting.
- e. The review and approval of the financial statements and related notes and acknowledge your role in the preparation of this information. Specifically, we acknowledge that your role in the preparation of the financial statements was a matter of convenience rather than one of necessity. We have reviewed the financial statement preparation assistance provided by you and acknowledge that the financial statements are prepared in accordance with GAAP. Our review was based on the use of the American Institute of Certified Public Accountants disclosure checklist for State and Local Governments.

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

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

1. The basic financial statements referred to above are fairly presented in conformity with GAAP. In addition:
  - a. The financial statements present only the Government of Guam Solid Waste Operations Fund and of those funds related to the Government of Guam Limited Obligations (Section 30) Bonds, 2009 Series A. They are not intended to present the financial position and results of operations of the Government of Guam in conformity with GAAP.
  - b. The financial statements properly classify all funds and activities.
  - c. Deposits and investments are properly classified in the category of custodial credit risk.
  - d. Required supplementary information is measured and presented within prescribed guidelines.
  - e. Applicable laws and regulations are followed in adopting, approving and amending budgets.
  - f. Fund balance restrictions, commitments, and assignments are properly classified and, if applicable, approved.
2. Management has provided to you all relevant information and access as agreed in the terms of the audit engagement letter, including:
  - a. Public Laws as enacted by the Guam Legislature.
  - b. Financial records and related data for all financial transactions of the Government of Guam Solid Waste Operations Fund and of those funds related to the Government of Guam Limited Obligations (Section 30) Bonds, 2009 Series A and for all funds administered by the Government of Guam relating to the Government of Guam Solid Waste Operations Fund and of those funds related to the Government of Guam Limited Obligations (Section 30) Bonds, 2009 Series A. The records, books, and accounts, as provided to you, record the financial and fiscal operations of the Government of Guam Solid Waste Operations Fund and of those funds related to the Government of Guam Limited Obligations (Section 30) Bonds, 2009 Series A and provide the audit trail to be used in a review of accountability. Information presented in financial reports is supported by the books and records from which the financial statements have been prepared.
  - c. Contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies.

3. There has been no:
  - a. Action taken by the Government of Guam or management of the Funds' that contravenes the provisions of federal laws and local laws and regulations, or of contracts and grants applicable to the Government of Guam Solid Waste Operations Fund and of those funds related to the Government of Guam Limited Obligations (Section 30) Bonds, 2009 Series A.
  - b. Communication from other regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the financial statements of the Government of Guam Solid Waste Operations Fund and of those funds related to the Government of Guam Limited Obligations (Section 30) Bonds, 2009 Series A.
4. We believe the effects of any uncorrected financial statement misstatements aggregated by you during the current audit engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix A.
5. The Government of Guam has not performed a risk assessment, including the assessment of the risk that the financial statements of the Government of Guam Solid Waste Operations Fund and of those funds related to the Government of Guam Limited Obligations (Section 30) Bonds, 2009 Series A may be materially misstated as a result of fraud. However, management has made available to you their understanding about the risks of fraud in the Government of Guam and do not believe that the financial statements of the Government of Guam Solid Waste Operations Fund and of those funds related to the Government of Guam Limited Obligations (Section 30) Bonds, 2009 Series A are materially misstated as a result of fraud.
6. We have no knowledge of any fraud or suspected fraud affecting the Government of Guam involving:
  - a. Management.
  - b. Employees who have significant roles in internal control over financial reporting.
  - c. Others if the fraud could have a material effect on the financial statements of the Government of Guam Solid Waste Operations Fund and of those funds related to the Government of Guam Limited Obligations (Section 30) Bonds, 2009 Series A.
7. We have no knowledge of any allegations of fraud or suspected fraud affecting the Funds' received in communications from employees, former employees, analysts, regulators, or others.

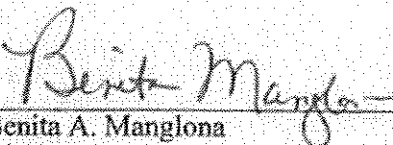
8. There are no unasserted claims or assessments that are probable of assertion and must be disclosed in accordance with Government Accounting Standards Board (GASB) Codification of Government Account and Financial Report Standards ("GASB Codification") Section C50, *Claims and Judgments*. We did not utilize the services of legal counsel with respect to litigation, claims or assessments through the date of this letter.
9. Significant assumptions used by us in making accounting estimates are reasonable.
10. Management has identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.
11. We are responsible for the fair presentation of the additional information accompanying the basic financial statements of the Government of Guam Solid Waste Operations Fund and of those funds related to the Government of Guam Limited Obligations (Section 30) Bonds, 2009 Series A that is presented for the purpose of additional analysis of the basic financial statements.

Except where otherwise stated below, matters less than \$80,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to, or disclosure in, the basic financial statements.

12. Except as listed in Appendix A, there are no transactions that have not been properly recorded in the accounting records underlying the financial statements.
13. The Government of Guam has no plans or intentions that may affect the carrying value or classification of assets and liabilities.
14. The following, to the extent applicable, have been appropriately identified, properly recorded, and disclosed in the financial statements:
  - a. Related-party transactions and associated amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral).
  - b. Guarantees, whether written or oral, under which management of the Funds' is contingently liable.
15. In preparing the financial statements in conformity with GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:
  - a. It is at least reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events.
  - b. The effect of the change would be material to the financial statements.

16. Risks associated with concentrations, based on information known to management, that meet all of the following criteria have been disclosed in the financial statements:
  - a. The concentration exists at the date of the financial statements.
  - b. The concentration makes the enterprise vulnerable to the risk of a near-term severe impact.
  - c. It is at least reasonably possible that the events that could cause the severe impact will occur in the near term.
17. There are no:
  - a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
  - b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Codification Section C50, *Claims and Judgments*, except as disclosed in note 7 to the financial statements.
18. The Government of Guam has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral except as disclosed in note 3 to the financial statements.
19. The Government of Guam has complied with all aspects of contractual agreements that may have an effect on the financial statements of the Government of Guam Solid Waste Operations Fund and of those funds related to the Government of Guam Limited Obligations (Section 30) Bonds, 2009 Series A in the event of noncompliance.
20. No department or agency of the Government of Guam has reported a material instance of noncompliance to us.
21. Except as disclosed in note 9 to the financial statements, no events have occurred after September 30, 2013 but before August 22, 2014, the date the financial statements were available to be issued that require consideration as adjustments to or disclosures in the financial statements.
22. Regarding required supplementary information:
  - a. We confirm that we are responsible for the required supplementary information.
  - b. The required supplementary information is measured and presented in accordance with GASB Codification Section 2200, *Comprehensive Annual Financial Report*.
  - c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.

23. Regarding supplementary information:
- a. We are responsible for the fair presentation of the supplementary information in accordance with GASB Codification Section 2200, *Comprehensive Annual Financial Report*.
  - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with GASB Codification Section 2200, *Comprehensive Annual Financial Report*.
  - c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.
24. Management has disclosed whether, subsequent to September 30, 2013, any changes in internal control or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses have occurred.
25. With regard to the fair value measurements and disclosures of certain assets, liabilities, and specific components of equity, such as investments, we believe that:
- a. The measurement methods, including the related assumptions, used in determining fair value were appropriate and were consistently applied.
  - b. The completeness and adequacy of the disclosures related to the fair values are in conformity with accounting principles generally accepted in the United States of America.
  - c. No events have occurred subsequent to September 30, 2013 and before August 22, 2014, that requires adjustment to the fair value measurements and disclosures included in the financial statements.
26. Management of the Funds believe that it is in compliance with all significant limitations and restrictions of the Government of Guam Limited Obligations (Section 30) Bonds, 2009 Series A bond covenants as of September 30, 2013.
27. We have appropriately identified and properly recorded and disclosed in the financial statements, where applicable, all interfund transactions, including repayment terms.
28. Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the balance-sheet date and have been appropriately reduced to their estimated net realizable value.

  
 Benita A. Manglona  
 Director

  
 Kathrine B. Nakig  
 Financial Manager



## APPENDIX A

CURRENT YEAR UNCORRECTED MISSTATEMENTS				
Entry Description	Assets	Liabilities	Net Assets Beg of Year	Revenues & Expenses
	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
<b>SOLID WASTE OPERATIONS FUND:</b>				
To correct understatement of interest income	60,190			(60,190)
To correct overstatement of allowance for doubtful debts	72,033			(72,033)
To correct overstatement of SWMA expenditures	39,814			(39,814)
To correct overstatement of tipping fees receivable	(108,498)			108,498
<b>CAPITAL PROJECTS FUND:</b>				
To correct understatement of retention payable		(30,897)		30,897
To correct understatement of other liabilities and accruals		(36,215)		36,215
<b>Total Misstatements</b>	<b>63,539</b>	<b>(67,122)</b>		<b>3,573</b>

## Journal Entries - AJE

#	Name	Debit	Credit
<b>1 AJE To take up Fund 264 adjustments</b>			
125410701	LANDFILL SEC 30 CONSTRUCTION	-	49,481.62
325454101	INTEREST ON BANK DEPOSITS	132,615.35	-
125414100	DUE TO/FR GENERAL FUND	-	700,351.97
125419150	PREPAYMENTS	-	43,433.08
325450100	TRANSFER IN GF	-	13,500.00
325434103	GAIN (LOSS) ON INVESTMENT	109,251.77	-
5254D0910CDCE201230	LANDFILL CONSTRUCTION	438,342.98	-
254-290DSF	TRANSFERS OUT TO DEBT SERVICE FUND	128,556.57	-
		<u>806,766.67</u>	<u>806,766.67</u>
	To adjust BOG construction account to agree to investment statement.		
<b>2 AJE To adjust receiver fees payable</b>			
125421590	ACCRUED EXPENDITURES	335,246.47	-
5254D0910CDCE201230	LANDFILL CONSTRUCTION	-	335,246.47
		<u>335,246.47</u>	<u>335,246.47</u>
	To adjust receiver fees payable to agree to confirmation from Receiver.		
<b>3 AJE To take up unrecorded payables</b>			
5254D0910CDCE201230	LANDFILL CONSTRUCTION	197,924.00	-
125421110A	CONTRACTS PAYABLE	-	197,924.00
		<u>197,924.00</u>	<u>197,924.00</u>
	To accrue payable to Meeds Corporation: ref. billing for Harmon Residential transfer station period:09/01/2013-09/30/2013.		
<b>4 AJE To adjust receivable balance</b>			
141612101	A/R - S.W. TIPPING FEES	177,565.91	-
141624315	DEFERRED REVENUE	901,656.05	-
DTT2	Revenue adjustments	-	1,079,221.86
		<u>1,079,221.86</u>	<u>1,079,221.86</u>
	To adjust receivables and deferred revenue per GL to agree to receivables and deferred revenue per subledger.		
<b>5 AJE To adjust payable to Far East</b>			
141621590	ACCRUED EXPENDITURES	521,323.62	-
5416D0910CDCE203240	SWMA OPERATIONS	-	521,323.62
		<u>521,323.62</u>	<u>521,323.62</u>
	To adjust payable to Far East Equipment.		
<b>6 AJE To take up unrecorded cash account</b>			
DTT2	Revenue adjustments	-	56,194.55
141610422DTT	BOG Solid Waste Tipping Fees (acct. xx7011)	56,194.55	-
		<u>56,194.55</u>	<u>56,194.55</u>
	To take up unrecorded Solid Waste Tipping fees cash account.		
<b>7 AJE To record HCPS expenditures</b>			
DTT5	Host Community Premium Benefits	313,561.94	-
DTT6	Host Community Premium Benefits payable	-	166,659.38
DTT7	Other Accrued expenses	-	145,892.56
		<u>313,561.94</u>	<u>313,561.94</u>
	To record Host Community Premium Surcharge benefits for FY 2013.		
<b>8 AJE To adjust receiver fees payable</b>			
141621110B	RECEIVER FEES PAYABLE	4,360.88	-
5416D0910CDCE203230	SWMA OPERATIONS	-	4,360.88
		<u>4,360.88</u>	<u>4,360.88</u>
	To adjust receiver fees payable under Operations Fund.		

ATTACHMENT II, CONTINUED

Journal Entries - AJE

#	Name	Debit	Credit
	<b>\$ AJE To adjust DSF balances</b>		
10000A	Transfers in from General Fund	-	15,672,708.09
20000B	Debt Service - Interest	11,082,706.26	-
136314100	DUE TO/FR GENERAL FUND	195,655.09	-
336350254	Transfers in From Landfill Capital Projects Fund	-	128,556.57
336354101	INTEREST ON BANK DEPOSITS	-	62,127.63
336354103	GAIN (LOSS) ON INVESTMENT	121,236.67	-
136310704	LOB SEC 30 09A - DSF	-	1,442.97
136310213	LANDFILL SEC 30 09 BOND RES FD	-	124,764.85
20000A	Debt Service - Principal	4,590,000.00	-
		<u>15,989,598.02</u>	<u>15,989,598.02</u>

To adjust DSF GL balances to audited balances.

I have reviewed the adjustments above and authorize that they be recorded in the General Ledger as of September 30, 2013. The adjustments are the result of errors and are not the result of fraud or illegal acts.

  
 Kathrine B. Kakigi  
 Financial Manager

**SECTION I – DEFICIENCIES**

We identified, the following deficiencies involving the Solid Waste Funds’ internal control over financial reporting for the year ended September 30, 2013 that we wish to bring to your attention at this time:

1. Allowance for Doubtful Accounts

A formal policy for the recognition of the allowance for doubtful accounts is not currently in place.

We recommend that a formal policy relative to the recognition of an allowance for doubtful accounts be established.

2. Encumbrances

During tests of encumbrances, the following were noted:

- a. Of ten encumbrances aggregating \$13,607,494 tested under Fund 416, six items did not agree to audit expectations by \$1,393,643 either due to expired or invalid items. An audit reclassification was proposed to decrease the reserve.
- b. Encumbrances aggregating \$4,018,837 under Fund 254 as of September 30, 2013 were overstated by \$2,141,437 either due to expired or invalid items. An audit reclassification was proposed to correct the reserve.
- c. Encumbrances associated with two contracts were understated by \$13,307,276. An audit reclassification was proposed to correct the reserve.

<u>Contract#</u>	<u>Particulars</u>	<u>Understatement</u>
C110601722	Waste hauling services	\$ 4,510,506
C110601741	Landfill operations	<u>8,796,770</u>
		\$ <u>13,307,276</u>

We recommend that encumbrances be approved and reviewed for ongoing pertinence. Further, we recommend that reserves be recorded based on contract amounts.

**SECTION II – DEFINITIONS**

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

The definition of a deficiency is as follows:

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

