



Investing in



Better Water,

Better Lives



GUAM WATERWORKS AUTHORITY



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Felix P. Camacho  
*Governor*



Michael W. Cruz, M.D.  
*Lieutenant Governor*

## A MESSAGE FROM THE GOVERNOR & LIEUTENANT GOVERNOR OF GUAHAN

Håfa Adai! We are pleased to recognize the achievements of the Guam Waterworks Authority over the last year and look forward to reading about GWA's accomplishments in its 2010 Annual Report.

According to the USEPA, the drinking water of Guahan is the cleanest it has been in decades, due in no small part, to the continuing efforts of the Guam Waterworks Authority. Over the next few years, GWA will continue to make improvements to our water system as part of a \$300 million upgrade. The diligence with which GWA has committed themselves to improving the infrastructure of our water system has guaranteed that future generations will also have the safe and reliable water they deserve.

We commend the management and staff of the Guam Waterworks Authority for their hard work and dedication to providing the people of Guahan with the best drinking water available.

On behalf of the people of Guahan, Un dangkolo na Si Yu'us Ma'åse!

Sinseru yan Magåhet,

A handwritten signature in blue ink, appearing to read "F. Camacho".

Felix F. Camacho  
I Maga' Lahren Guahan  
Governor

A handwritten signature in blue ink, appearing to read "M. Cruz".

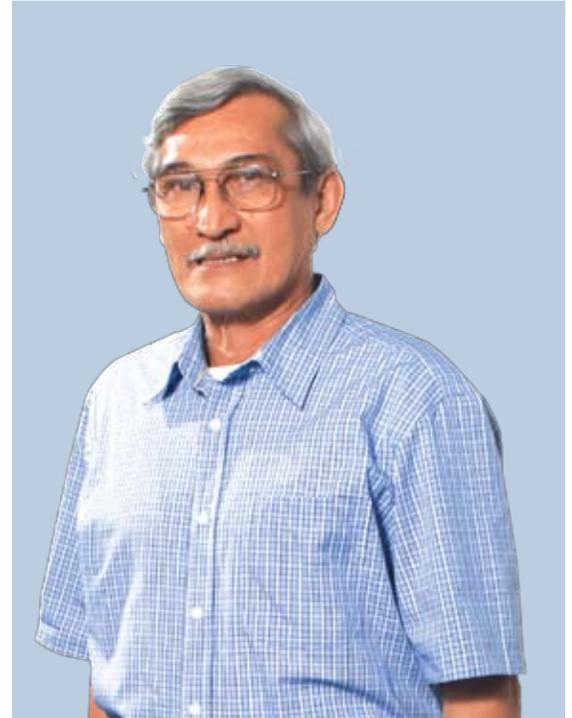
Michael W. Cruz, M.D.  
I Segundo Na Maga' Lahren Guahan  
Lieutenant Governor

Buenas yan Hafa Adai,

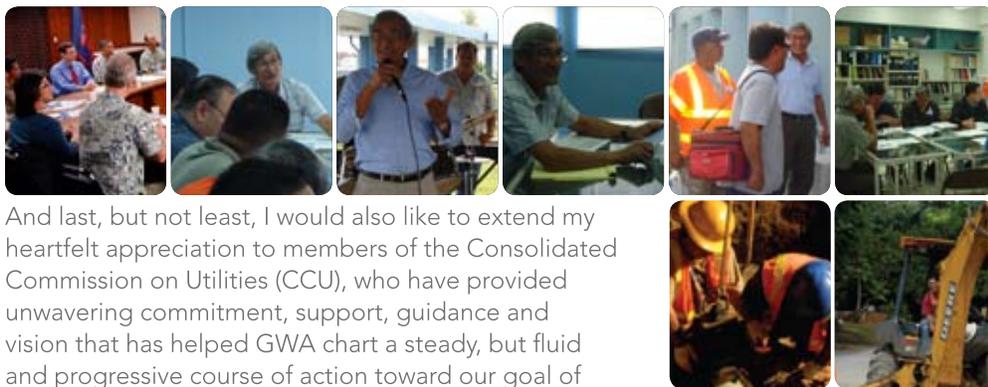
On behalf of the 300 employees of Guam Waterworks Authority (GWA) and their families, we are pleased to submit to you our 2009 Annual Report. Our accomplishments from this past year would simply not be possible if it were not for the *i man metgot na empleao* who make it happen every day. Thank you GWA employees!

Calendar Year 2009 stretched our authority to its limits when we were not able to grant pay for performance increases to our hardworking staff. This is particularly important as we run the risk of losing our best and brightest employees to other entities in the community. We continue to make the apprenticeship and trades helper program a priority, but we must provide good wages for our home grown talent, and we will do our utmost to make that happen.

It gives me great pride and pleasure to single out members of our meter task force, who have worked tirelessly to bring the total of non-performing meters substantially down and increase revenues by nearly \$1M per month. I want to give special thanks to: Brian Arceo, Joseph Claveria, Vince Cruz, Yvonne Cruz, Yukari Hechanova, Danny Esguerra, Jesse Lujan, Tessie Fabila, Vincent Guerrero, Gilda Mafnas, Gerald Paulino, Joy Pascua, Brett Railey, Lisa San Agustin, Joe Tadeo, Redendo Trinidad, Victor Torres, and Doris J. Young. Special thanks to the task force leader Lisa San Agustin. I am grateful for their day in and day out service.



**John M. Benavente**  
General Manager Consolidated  
Utilities Services



And last, but not least, I would also like to extend my heartfelt appreciation to members of the Consolidated Commission on Utilities (CCU), who have provided unwavering commitment, support, guidance and vision that has helped GWA chart a steady, but fluid and progressive course of action toward our goal of "Better Water, Better Lives," for and on behalf of our island and our people.

Si Yu'os Ma'ase,  
John M. Benavente  
General Manager Consolidated Utilities Services



(Left to right) Commissioners: Eloy Hara, Benigno Palomo, Gloria B. Nelson, Simon A. Sanchez, Joey Duenas

Buenas yan Hafa Adai Todos Hamyo,

The past year has very busy at your Guam Waterworks Authority (GWA) as we worked hard to make continued progress in 2009, despite the numerous challenges which have plagued the authority for years. Dealing with those challenges and improving GWA continues to be the NUMBER ONE priority of the Consolidated Commission on Utilities (CCU).

I am assisted greatly in that effort by my fellow CCU members, Joey Duenas, Eloy Hara, Gloria Nelson, and Benigno Palomo, whose unequivocal support and wise counsel have helped moved GWA forward. Of course, GWA would be nothing without our hard working employees (and their families), who toil tirelessly to help us provide clean water every day and keep our environment safe from harmful contaminants.

Here are some noteworthy highlights from the past year:

1. We are implementing the next phase of our Master Plan, which invests \$300 million over the next five years to upgrade our water and waste water systems island-wide. Every village from Yigo to Malesso will see improvements that will improve service and better protect our environment. GWA is "Investing in Better Water, Better Lives".
2. We have been addressing and correcting issues associated with our new automated reading water meters. Revenues are rising and customers are more accurately being billed for their water use. Our progress is due in large part to the tireless efforts of GWA's meter task force, a multi-disciplinary team of GWA professionals.
3. We are beginning to implement the recommendations of GWA's first comprehensive management audit to improve GWA service, performance, planning and efficiencies.
4. The number of certified technical professionals at GWA continues to increase dramatically, providing improved service from better trained professionals.
5. We remain very engaged in negotiations with DoD and the federal government with regards to the proposed military buildup. We continue to insist that the federal government pays for the impacts of the buildup, both direct and indirect, without causing any burden on GWA's ratepayers.

Regardless of what Guam's exciting future will bring, we all agree that we always want clean safe drinking water while we protect all our natural resources for future generations.

On behalf of the over 300 families, relatives, neighbors and friends that serve you at your GWA, we thank you for your continued support. May God continue to bless you and your families and our island home of Guam.

Si Yu'os Ma'ase,  
Simon A. Sanchez III  
Chairman, Consolidated Commission on Utilities



**Sam Taylor**  
Attorney



**Greg P. Cruz**  
Chief Financial Officer



**Jesse C. Lujan**  
Assistant General Manager  
Maintenance and Operation

## 2009 Annual Report Water Maintenance and Operations (M&O)

### Water Division

The Management of Guam Waterworks Authority has completed the consolidation of the Water Division of the Production and Distribution Divisions and is currently called the Water Maintenance and Operation (M & O) Division which consists of eight business units. They are the following: Production and Distribution, Operation Pump Facility, Ugum Treatment, Chlorination Facilities, Pipe Line Maintenance Repair Unit, Central Electrical Unit, Trouble Desk Dispatch Unit, Fleet Maintenance Unit, Meter Calibration Testing Facility and the M & O Administration Support Unit. This consolidation ensures agency efficiency while providing reliable and affordable water to our customers.

M & O assets include the following: 1 water treatment plant, 120 deep wells 33 storage reservoirs and 25 booster pump stations with a total of 114 employees.

### 2009 Accomplishments

- Consolidated all water M & O sections.
- Deep well operating capacity increased by 8% with wells on reserve.

- Increased deep well and booster pump sustainability by 10%.
- Sustained booster pump operability average at 96% for the year.
- Completed first year leak detection process. This included 63 hours of classroom training, 1000 hours special equipment training. Also, on the job skilled training for acoustic leak detector, for pin pointing leaks, and ground penetrating radar for pipe locations.
- M & O assisted in finding 5,031,086 million gallons of leaks from along 600 miles of pipe.
- Identified 3,494 leak points along bringing water loss savings at approximately 12 percent.
- Maintained Ugum production during wet and dry season at an average of 2.3 Million gallons a day.
- Developed meter testing facility and meter testing processes and procedures.
- Supported the meter task force in maintaining and sustaining new installations.
- Assisted in changing out defective meters by supplementing the meter task force with members from the pipe line maintenance repair unit.
- Contributed to changing both commercial and residential meters which has enhanced revenues.
- Developed of hydrant maintenance. Currently have 75% of the 2000 hydrants recorded.
- Certified employees up 20 %.
- Consolidated electricians from two business units in to one centralized electrical unit resulting in inventory cost savings.
- Standardizing booster and well pump and motors.
- Refined operations and engineering system pressure zones and mapping tools for improved water pressure services to customers.

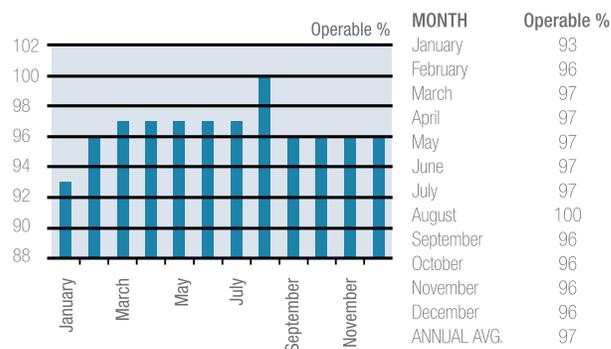


## 2010 Goals

- Develop priority strategies and action plans for implementation of cost efficient savings in the operations programs and asset management performance improvement.
- Improve Computer Maintenance Management System (CMMS).
- Develop an outsourcing contract for repairing water leaks and construction of line replacement projects.
- Continue the completion of two navy reduction projects saving the authority from purchasing approximately 33,074,000 gallons of water, costing \$134,282 annually.
- Develop and implement Management Leadership and On the Job Skilled Training programs.
- Increase Employee Certifications.

### YEAR ONE LEAK DETECTION

PRESSURE ZONES	Water Loss (gpm)		
	Found	Repaired	Pending
<b>TOTAL</b>	<b>3,494</b>	<b>2,149</b>	<b>1,345</b>
By MGD	5,031,360	3,094,560	1,936,800
Percentage	100%	62%	38%
Water Sources	Production in MGD		
Deep Wells	36,600,000		
Ugum	2,090,322		
Navy Purchases	4,310,000		
Total Production	43,000,322		
Leaks found (MGD)	5,031,360		
Water Loss Percentage Found of total Production	12%		



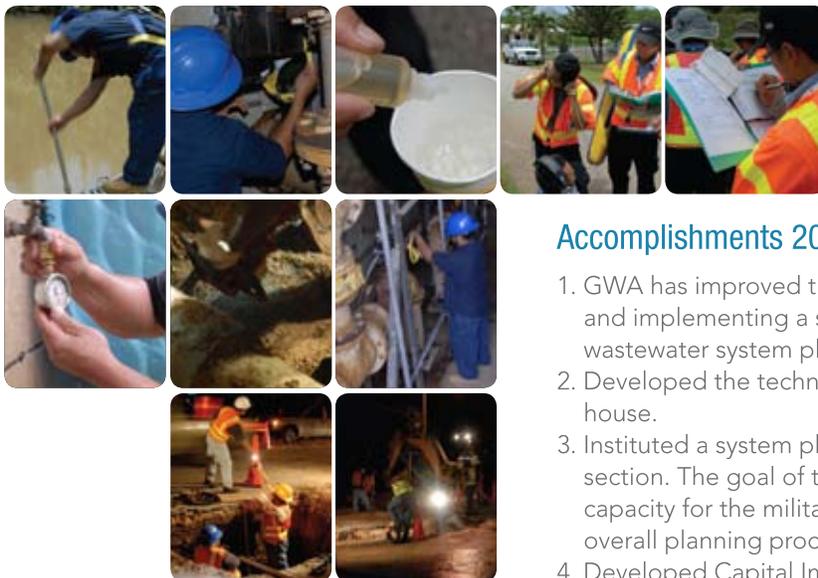


**Martin Roush**  
Chief Engineer  
Engineering



## Engineering Division

2009 saw the changing of guard in the as Chief Engineer as Don Antrobus left GWA after four years of service to the agency. Don left a GWA with a many accomplishment including his strong leadership in project delivery and success in recruiting licensed engineers. On June 20, 2009 Martin Roush P.E. started as Chief Engineer, Martin brings over twenty years of experience in leadership positions in the public sectors in public works, water utilities, and wastewater utilities. Martin Roush holds a B.S in Electrical Engineering, a M.S in Civil Engineering, from the University of Arizona. He also holds professional engineering licenses in both civil and electrical. Prior to coming to GWA Roush served as the Public Works Director and Utility Director for the Town of Sahuarita, Arizona.



### Accomplishments 2009

1. GWA has improved the planning process by developing and implementing a system approach to water and wastewater system planning.
2. Developed the technical and management capacity in-house.
3. Instituted a system planning / new area development section. The goal of this is to improve GWA's planning capacity for the military build-up, and to enhance the overall planning process within GWA.
4. Developed Capital Improvement Plan (CIP) 2010-2014. This will utilize the use of hydraulic models to evaluate development review projects. It will also greatly assist GWA in being transparent to the community.



5. Created a Water System Bubble Map (WSBM). This is a zone based map in which the water demands and/or supply for each individual zone are defined.
6. Created a Water Service Area Map. (WSAM). An individual bubble on the bubble map is a pressure zone or WSA. This will indicate to GWA the community of water users.
7. Created a Developer's Guide Book to outline GWA requirements for a developer with regards to water and wastewater services so as to ensure timely connection into the GWA systems.
8. Created a design review check list for water and wastewater requirements to ensure that developers have an understanding of GWA requirements.
9. Focused on leadership training to develop in house staff.

### Goals for 2010

1. Continuing to develop and enhance outstanding customer service.
2. Increase transparency.
3. Increase GWA's planning capacity.
4. Continue to prepare for the military build-up.
5. Strengthen new area development and development review capacity.
6. Actively contribute to USEPA negotiations on the upcoming Consent Degree (CO).
7. Finalize the developers guidebook.
8. Finalize list of 2010-2010 CIP Projects as it relates to the bond issuance.





**Gerald Fitzgibbon**  
General Manager  
Veolia Water



## Veolia Water, Wastewater Division

The Wastewater System is operated by the Wastewater Division, who is managed by Veolia Water Guam LLC, GWA's partner for the Performance Management Contract (PMC). The division is responsible for operating and maintaining the island wide wastewater system which consists of 315 miles of gravity sewer network, 74 sewer pump stations, and 7 wastewater treatment plants and associated outfalls.

The Wastewater Division's organization consists of 84 staff, and works in teams that include Operations (collection, treatment, laboratory, and network maintenance), and Maintenance (mechanical and electrical maintenance), as well as procurement, capital delivery, finance and administration.

### Program Accomplishments

This year was a consolidation of initiatives from 2008. Health and safety systems implementation, training and the development of improved operating procedures was a focus. Ongoing improvement in EPA permit compliance continued this year. Specific accomplishments included:

- Health & Safety permit-to-work system implemented
- Comprehensive preventative maintenance program for mechanical/electrical assets implemented
- Continued 3 year training program for operations staff: operator certification reached 70% in 2009
- Emergency generator availability increased from 60% in 2008 to 93% in 2009
- Treatment plant EPA discharge permit compliance increased to from 80% in 2008 to 83% in 2009
- Ongoing development of SOPs, process management plans and a Typhoon Crisis Management Plan
- Development commenced on an Management Information System to better use operational data





## Disappointments

- Total network sewage spills increased 60% in 2009 (2008 had lowest number of spills on record)
- Funding for capital projects delayed

## Program Goals and Objectives for 2010

- Develop an asset management plan
- Develop an inflow/infiltration/pre-treatment strategy
- Continue to improve treatment plant EPA discharge permit compliance and reduce network overflows
- Continue to up-skill GWA staff through certification and skill based on-the-job training, and increase operator certification.
- Implement an asset replacement capital program
- Complete the US EPA ARRA project





**Doris Young**  
Utility Services Administrator



## 2009 Annual Report Customer Service Division

Under the leadership of Ms. Doris J. Young, Utility Services Administrator, (USA) customer services division and its 45 employees provide customer information address billings inquiries, conduct credit / debit adjustments, collections, and all meter-associated services to water and wastewater customers of Guam Waterworks Authority. Additionally, the customer service division provides these services to approximately 40,000 account holders and generating over 60 million in gross annual revenue.

The goal of the Customer Service division is to consistently meet the expectations of every customer by offering outstanding customer service, increased flexibility, greater value, and improved operational efficiency. Each year, our customer call center handles an average of 14,000 calls and our customer service business office handles over 60,000 walk-ins. We also respond to thousands of emails, regular mail, and of course the meter field crew handles all meter related issues. Our drive to constantly improve service and process technology is strongly visible throughout our division.

Customer service division serves more than 160,000 residents of Guam. Served by only 8 customer service representatives (CSRs).

### Accomplishments in 2009 included the following:

- Revenue Protection Unit (RPU) was re-established.
- Call Center was formally in place.
- RPU/Meter Task Force was created to resolve all issues related to estimated billings, non-registering and low registering meters, and most importantly inactive still consuming meters.
- Meter Reading Unit (MRU) separated from the main Meter Services Section (MSS) and assumed the disconnection and reconnection of non-payment accounts. This has greatly contributed to increase in revenues to the authority.
- Same day reconnection service for customers who were disconnected was implemented.
- Customer service introduced the customer relations program with hotel accounts.
- MRU Vehicles were the first to have the "Track Me" units installed.





- Meter readers received training on the RouteStar hand held reading devices.
- Disconnect/Reconnect Unit was established in the absence of the meter services due to consolidation efforts of the departments.
- A new and separate office for the meter department was finally established.
- The CS Department worked to increase nonpayment on collections and disconnections by over 50%.
- Revenue reached its highest ever since the new meter replacement program was implemented by billing over \$5 million dollars each month.
- Implemented customer feedback survey.
- Implemented a first ever employee recognition program in the absence of an authority wide recognition program.
- Increased use of internet in servicing customers.
- Extended office hours.
- Participated in community events such as Christmas events, 5K's, Chamorro month and water month.

### Goals 2010:

1. Continue to change out all pending 14 thousand sensus meters to Automated Meter Reading (AMR). This to be complete by August 2012.
2. To increase electronic meter reading above 90% reads.
3. Improve on customer complaints response/ resolve time no more than 5 days. Currently it can take as much as two to three weeks to respond to customer complaints.
4. Work to read all 40 thousand meters.
5. Continue to maintain upward trend of billing.
6. Reduce accounts receivables by 5%.
7. Renovate customer service lobby to accommodate more customers.
8. Actively participate in employee recognition program.

## 2009 COMMUNICATIONS & COMMUNITY RELATIONS

For the Communications and Community Relations Department, 2009 was a year of complex challenges – to meet the community demands for superior service despite limited funds and resources - and a myriad of accomplishments despite them.

I have to readily admit that the desire to rise up and meet those challenges head on has been fueled primarily from observing first-hand the dedication and commitment of the core group of hard working employees who do whatever it takes to ensure we deliver good, safe, quality drinking water EVERY DAY to the community. I constantly marvel at how we are able to do it, day in and day out, 24/7. I, in turn, am inspired to insure I do my part to also provide quality, efficient and thorough service to the community, by doing everything I can to help ensure members of our community are properly informed about matters related to the Authority and the services we provide that may impact them directly or indirectly.

Delivering a quality communications campaign is also important to the Authority, the community and to me, personally. After all, we grew up here, this is OUR island, OUR resource!

Special appreciation goes to those employees who toil tirelessly and remain a positive influence at the work place; they are true Role Models and a blessing to all of us.



**HEIDI M. BALLENDORF**  
DIRECTOR  
COMMUNICATIONS & COMMUNITY RELATIONS

### Here are just some of the many highlights from a busy 2009:

1. Conducted a community wide Campaign in print, radio and television. The theme: "Investing in Better Water, Better Lives" serves to educate the community about the far-reaching impacts to each village when the next go around of bond monies are issued.
2. Active participant in Liberation Day festivities.
3. Continued community campaign using GWA tap water at community events.
4. Website updates.
5. Created "Para I Manhoben" which enhanced the kids/youth section of the GWA website.
6. Continued the Did You Know Campaign (DKY) in both English and Chamorro.
7. Ongoing development of programs and activities to educate the public about the important role water plays in everyday life.
8. Completion of the 2008 Annual Report and the 2008 Water Quality Report.
9. Other collateral pieces as required by departments.

### Goals for 2010:

1. Continue "Investing In Better Water, Better Lives" Campaign.
2. Participate in promotion of bond monies and to apprise the community-at-large what the resources can and will do for the island.
3. Liaison with various media groups both on island and off island, as it relates to the military build-up.
4. Develop of village water conservation program.
5. Develop school-based water conservation program.
6. Develop comprehensive islandwide Fats Oil and Grease (FOG) campaign.
7. Continue Did You Know (DYK) Campaign in English and Chamorro.
8. Execute water curriculum in 6 schools selected by Guam DOE. Protocol to be launched in the Fall of 2010.
9. Revisit and enhance the website to make it increasingly user friendly.
10. Create collateral materials for the conservation program.
11. Continue the use of "Tap Water Delivers" Campaign and community celebrity endorsements.
12. Promote the activities of the

Laboratory and how it benefits the community.

13. Continue community outreach.
14. Assist in village grassroots efforts on behalf of GWA.
15. Assist in all other community, media campaigns as needed.
16. Design and improve internal and external collateral pieces.



## INTERNAL AUDIT DIVISION —AUDITOR YUKA HECHANOVA

The GWA Internal Audit division was established in February 2009 when GWA hired an Internal Auditor. Since then, the division focused on building its foundation, developing an audit plan, and becoming familiar with GWA, its staff, and processes.

The goal is to provide high quality audits and consulting services in accordance with the Institute of Internal Auditors International Professional Practices Framework (IIAIPP) to help GWA become a world class utility. Internal Audit strives to provide the Consolidated Commission on Utilities (CCU) and GWA management with meaningful reports to make better and informed decisions and provide guidance and tools for improving controls.

### Accomplishments 2009:

- Established Internal Audit charter, standard operating procedures, and webpage.
- Issued Report # GWA 01-2009 power analysis and developed tracking tool for power usage at GWA facilities. Trained and coordinated with responsible GWA employees in water distribution and deep wells to monitor power usage and costs.
- Issued Report # GWA 02-2009 billing function review and recommended (1) written procedures to clearly define roles and responsibilities to analyze billing trends and (2) controls for account adjustments. Water consumption had declined a monthly average of 72.5 million gallons and saved approximately \$540,000.
- Issued Report # GWA 03-2009 hazardous pay audit and recommended suspension of hazardous pay until guidelines are established to clarify rules. In the first 18 pay periods of FY 2009, GWA paid \$212,470 for hazardous duty without certification, justification, and documentation. Frequent hazardous pay implies that GWA may not be providing employees with the safest possible working environment.
- Coordinated with special projects manager to meet management audit deadlines, participate in status calls, conduct audit procedures to reduce audit costs, and review draft reports.
- Participated in strategic planning retreat.
- Participated in meter task force, a collaboration of various GWA divisions headed by the General Manager Consolidated Utilities Services (GMCUS) to address meter and billing issues.
- Provided tools for monitoring consumption that are now utilized by responsible GWA accounting staff.
- Guest speaker for University of Guam accounting students about internal auditing ethical dilemmas.



**YUKA HECHANOVA**  
INTERNAL AUDIT AUDITOR

### Goals 2010:

- Review credit adjustments to provide insight on necessary controls to ensure adjustments are authorized, justified, and documented.
- Review procurement procedures to provide insight to address ongoing procurement audit findings.
- Review vehicle usage to provide insight on necessary controls to reduce costs and preserve GWA assets.
- Initiate periodic audits on payroll, procurement, inventory, and credit adjustments.
- Complete Internal Audit manual and Key Performance Indicators (KPI).
- Develop procedures and reviews for follow-ups on outstanding recommendations.



## HUMAN RESOURCES DIVISION

### 2009 Accomplishments

The GWA's Human Resources Division (HRD) consists of the following:

- Recruitment
- Records (Database) and Benefits
- Employee Management Relations (GFT Union)
- Position Classification and Compensation
- Annual Training Plan

### In 2009 HR accomplished the following:

HR Recruited 22 new employees:

- 1 Chief Engineer
- 1 Inventory Management Officer
- 1 Computer Operator II
- 1 Electrician II
- 1 Cashier
- 1 Internal Auditor
- 1 Safety Inspector II
- 15 Trades Helpers



**Elaine Cruz**  
Manager  
Human Resources



Nineteen (19) apprentices are currently in the program and are continuously progressing with 4 apprentices graduating in December.

Nine employees have obtained their Level I Certifications from the Guam Environmental Protection Agency while 6 employees obtained higher levels to level 2, 3 and 4.

#### • Records (Database) and Benefits

HR has coordinated the Health and Life Insurance Open Enrollment for FY 2010 and the Retirement (401k and 457) orientation.

#### • Employee Management Relations (GFT Union)

1. Employee Management Relations has processed over 11 employee disciplines for various infractions.
2. One employee appeal is currently being heard by the Civil Service Commission.

3. Four employees have retired from the Guam Waterworks Authority with over 25 years of service to the people of Guam.

#### • Position Classification and Compensation

HR has processed several position classification in the form of desk audits and has processed several detail appointments of employee's temporary assignment to another position

### FY 2010 Goals include the following:

- Actively recruit to fill critically needed positions in the Engineering and Laboratory divisions
- Start new cycle of apprentices
- Obtain CCU's approval of 25th percentile (CTP).

## Compliance Annual Report

### Accomplishments in 2009:

- GWA reached 91.1% completion of the Stipulated Order.
- Completed Wastewater Safety program and implemented training.
- Completed installation of all Ground Water Under Direct Influence of Surface water (GWUDISW) study systems and begun collection of data.
- Ugum building upgrades completed.
- PUC approval of GWA's five year Financial Plan and System Development Fees.
- Contracted enhanced "Leak Detection and Water Line Repair" program.
- Started the Agat wastewater collection system upgrade (to manage stormwater intrusion control).
- Route 5 water transmission line put into service to help supply drinking water to Agat and Santa Rita.
- Had all GWA proposed Pre-Disaster Mitigation (PDM) projects approved for the All-Guam PDM Priority list.



**Paul Kemp**  
Assistant General Manager  
Safety and Compliance



### Goals for 2010:

- Print and distribute the GWA Employee Safety Manual and SOP book.
- Complete adaptation of Wastewater safety program for all of GWA and implement full scale training.
- Complete full year of QA/QC verified data collection for the Ground Water Under Direct Influence of Surface water (GWUDISW) study.
- Complete Update Standard Operating Procedures for operational activities that include disinfection needs.
- Complete the groundwater disinfection upgrade program.
- Complete water meter upgrade project.
- Create GWA equitable water and waste water rate structure.
- Complete the Sinajana Water Transmission Line project.
- Implement the detailed water storage tank inspection and repair contracts.
- Finish the Ugum Surface Water Treatment Plant site and process upgrade.
- Complete the design for the refurbishment of the GWA Dededo Compliance Laboratory.
- Implement the GWA Sewer Hook-Up Revolving Loan Fund program.
- Implement Supervisory Control and Data Acquisition installation.
- Update the GWA Water Resources Master Plan.

# 20 Employees



Abay, Stuart Lee  
Adams, Julie C.  
Aguon, Anthony L.  
Aguon, Benny T.  
Aguon, Daniel A.  
Aguon, Edward A.  
Aguon, Joseph Anthony C.  
Aguon, Peter F.  
Aguon, Prudencio F.  
Aguon, Steven T.  
Alano, Efren M.  
Apiag, Severin Hilary A.  
Apiag, Wilfred P.  
Apuron, Manuel P.  
Apuya Jr., Elizardo C.  
Aquiningoc, Kenneth J.  
Arceo, Bryan J.  
Arceo, Peter J.  
Arriola, Norma Marie I.  
Asperas, Jaime B.  
Asuncion, Raymond G.

Balajadia, Isabel C.  
Balajadia, Ralph V.  
Ballendorf, Heidi M.  
Barcenilla, Zachary J.  
Barcinas, Benbenido M.  
Baza, Raymond LG  
Bell, Henry J.  
Benavente II, Michael J.  
Benavente, Joseph M.  
Benavente, Linda Frances C.  
Bensan, Gloria P.  
Blas, Daniel G.  
Blas, John K.T.  
Blas, Kenneth Q.  
Blas, Melchor M.  
Bolton, Eugene J.  
Borden, Robert M.  
Borja, Ann D.  
Borja, Jeffrey M.  
Borja, Michael C.  
Borja, Peter J.

Brown, Larry C.  
Cabrera, Edward Q.  
Cabuhath Jr., Geronimo P.  
Calvo, Jude G.  
Calvo, Roque S.  
Camacho, TeresaMarie B.  
Capacia Jr., Antonio V.  
Castelo, Loreta R.  
Castro, Eddie P.  
Castro, Keith J.  
Castro, Nadine Pilar S.  
Castro, Peter B.  
Cendana, John C.  
Cesa, Cecille M.  
Charfauros, Jonathan A.  
Chargualaf JR, Anthony P.  
Chargualaf, Benny E.  
Chargualaf, Dean E.  
Chargualaf, Frankie E.  
Claveria, Joseph P.  
Crisostomo, Diane T.

Crisostomo, Jennifer M.  
 Cruz, Anthony F.  
 Cruz, Barbara Ann Camacho  
 Cruz, Bernie Antonitte Velasco  
 Cruz, Branden A.  
 Cruz, Frank T.  
 Cruz, Franklin F.  
 Cruz, Grace R.  
 Cruz, Greg P.  
 Cruz, Henry A.  
 Cruz, Jesse Joseph Wusstig  
 Cruz, Joaquin L.  
 Cruz, Jose B.  
 Cruz, Lola-Elaine W.  
 Cruz, Loretta B.L.  
 Cruz, Lucas C.  
 Cruz, Michelangelo Paul A.  
 Cruz, Patrick M.  
 Cruz, Peter T.  
 Cruz, Raymond AR  
 Cruz, Rose B.  
 Cruz, Thomas Franklin A.  
 Cruz, Vincent B.  
 Cruz, Yvonne M.  
 Dalisay, Teresita S.  
 DaHill, Betty Liz  
 Delos Santos, Jerome Anthony B.  
 Diaz, Frank R.  
 Diaz, James N.  
 Diaz, Jeremiah Frank B.  
 Dizon, Eliseo Q.  
 Duenas Jr., Agustin B.  
 Duenas, James B.  
 Duenas, Jeralie JT  
 Duenas, Joseph A.  
 Esguerra, Danilo I  
 Evangelista, Josephfa Castro  
 Evangelista, Juan S.  
 Fejerang, Richard S.  
 Fletcher, David A.  
 Flores, George V.  
 Flores, Ricky H  
 Gagan, Gary George P.  
 Garcia, Evelyn G.  
 Garrido, Joseph B.  
 Gaza, Alicia C.  
 Gombar, Angelo N.  
 Gozalo, Mary C.  
 Guerrero, Doris A.  
 Guerrero, Eugene A.  
 Guerrero, Timothy C.  
 Guerrero, Ursula A.C.  
 Guerrero, Vincent Ed  
 Guile Jr., Gary Allen  
 Gumataotao, Anthony F.  
 Gumataotao, Elias S.  
 Gumataotao, Elizabeth H.  
 Gutierrez, Arthur L  
 Gutierrez, N'tasha L.  
 Guzman, Peter A.  
 Hechanova, Yukari Barnes  
 Herrero, Frances C.  
 Herrero, Jonathan James  
 Hoover, Matthew E.  
 Huntington II, Clinton W.  
 Ililau, Charlene  
 Jardel, Jose A.  
 Jardel, Victor A.  
 Kaneshiro, Derek H.  
 Kemp, Paul J  
 Leal, Jerry P.  
 Leon Guerrero, Brian G.  
 Leon Guerrero, Jesse L.  
 Limtiaco, Anita K.  
 Lizama, Francis A.  
 Lujan, David F.  
 Lujan, Francis A.  
 Lujan, Jesse C.  
 Lujan, Joseph E.  
 Lujan, Paul Q.  
 Lunod, Curtis Jerome I.  
 Mafnas, Donnie A.  
 Mafnas, Fred B.  
 Mafnas, Gilda M.  
 Manglona, Frankie B.  
 Manglona, Myko J.  
 Mansapit, Benny T.  
 Mantanona, James C.  
 Mantanona, Lance JD  
 Matanane, Anita M.  
 Meeks, Bill Anthony T.  
 Mendiola Jr., Victor Cabrera  
 Mendiola, Bryan R.  
 Mendiola, Leilani JU  
 Mendiola, Melvin P.  
 Mendiola, Pedro A.  
 Meno, Frankie R.  
 Meno, Johnny B.  
 Meno, Michael J.  
 Mercado, Roger P.  
 Mercado, Sylvia Y.  
 Mesa, Vincent J.  
 Mesngon, Ignacio C.  
 Miller, Jacob P.  
 Miller, Mark G.  
 Mondina, Stephen P.  
 Mundo, Raymond A.  
 Munoz, Matthew R.  
 Munoz, Randy M.  
 Nagal, Janice G.  
 Nangauta, James C.  
 Naputi, Raymond F.  
 Natuel, Orlando O.  
 Nauta, Franklin I.  
 Nauta, Peter J.D.  
 Olivares, Karen Cheryl Orden  
 Olive, Leonard J.  
 Onedera, Pauline J.S.  
 Ortua, Marjorie I.  
 Pacheco, Dalisay D.  
 Padrones, Peter J.  
 Palomo, Lourdes C.  
 Pangelinan, Jackie RF  
 Pangelinan, Patricia D.

# 22 Employees

Pangelinan, Richard W.  
Pangelinan, Tomas M.  
Pangelinan, Vincent EC  
Parinas, Felix O.  
Pascua, Jocelyn L  
Paulino Jr., Luis L.G.  
Paulino, Edward L.  
Paulino, Gerald M.  
Paulino, Joseph M.  
Paulino, Leo Naputi  
Paulino, Manuel T Jr  
Paulino, Patrick L.  
Perez, Raymond M.  
Perez, Tina L.  
Pinaula, Jeffrey John  
Punzalan, Joseph A.  
Quenga, Bill A.  
Quenga, Louvina M.  
Quenga, Melissa Lyn S.  
Quichocho, Edward M.  
Quidachay, Jon U.  
Quinata, Anthony A.  
Quinata, Frankie T.  
Quinata, Jake Terrance  
Quinata, Pedro A.  
Quintanilla, George S  
Quintanilla, Michael P.M.  
Quintanilla, Raymond C  
Quintanilla, Rose M.  
Quintanilla, Sandra L.  
Quitlong, Delfyn S.  
Quitugua, Peter S.  
Railey, Brett Eric  
Ramos, Charles M.  
Resurreccion, Clement C.  
Reyes, Kathy MT.  
Rios, Albert J.  
Rivera, David F.  
Roberto, Frank C.  
Robinson, Demetria G.  
Roldan, Martin T.  
Roush, Martin Louis  
Sablan, Annie Therese H.  
Sablan, Felix D  
Sablan, Francisco T.  
Sablan, Frank J.  
Sablan, Michael M.  
Sablan, Patrick L.  
Sablan, Patrick R.  
Salas, Frank G.  
Salas, Peter G.  
Salas, William R.  
Salayon, Ma. Teogenesa Q.  
San Agustin, BerthaLee Duenas  
San Agustin, Elizabeth M.  
San Miguel, John D.  
San Nicolas, Joaquin M.  
San Nicolas, Joseph C.  
San Nicolas, Joseph J  
San Nicolas, Joseph SA  
San Nicolas, Kin M.  
San Nicolas, Melvin D.  
San Nicolas, Ronald D.  
Sanchez, Francisco C.  
Sanchez, Frank A.  
Sanchez, Fred J.  
Sanchez, John A.  
Sanchez, Lance T.  
Sanchez, Lourdes S.  
Sanchez, Patricia C.  
Sanchez, Zachery T.  
Santos JR, Joseph M.  
Santos, Glenn G.  
Santos, Jose M.  
Santos, Mancini Liam G.  
Saturnio, Brian JL  
Schaible, Melissa B.  
Scroggs, Richard Daniel  
Seballos, Rudy B.  
Selleck, Lauris Eldon  
Sgambelluri, Kathleen P.  
Sharma, Winnie S.  
Sian-Denton, Carmen M.  
Siguenza, Patrick A.F.  
Sourgoose, Peter L.  
Tadeo, Joseph A.  
Taimanglo, Eddie T.  
Taimanglo, Kyle M.  
Taisacan, Jacalyn M.  
Taitague, Anthony Earl LG  
Taitague, Frankie Q.  
Taitague, Garrick L.G.  
Taitague, Shane D  
Taitano, Diana S.  
Taitano, Joey A.  
Tallada, Zambales R.  
Taman, Bill  
Tayama, Diane M.  
Taylor, Samuel J  
Techaira, Michael F.  
Techaira, Michael J.  
Tedtaotao, Frankie D.  
Tenorio, Wade T.  
Tobey, Vernon E.  
Topasna, Henry S.  
Topasna, Ron S.  
Torres Jr., Ely T.  
Torres, Brian K.  
Torres, David A.  
Torres, Victor A.  
Toves, Rodney A.  
Trinidad, Redendo D.  
Tudela, Jason Henry S.  
Tuitu'u, David U.  
Tyquiengco, Vincent Jon  
Unchangco, Peter F.  
Untalan, Paul C.  
Uy, Melissa Marie T.  
Vibar, Raymond C.  
Vicente, Marietta P.  
Villagomez, Rodney J.  
Wall, Jerald Lee  
Wilson Jr., Carl  
Yeoh, Garrett K.A.  
Young, Claire N.  
Young, Doris J.

## Financial Statements



**GUAM WATERWORKS AUTHORITY  
(A COMPONENT UNIT 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, 2009 AND 2008  
(RESTATED)**

\*The following nine (9) pages are taken directly from GWA's audited financial statements for FY 2009. These nine pages provide the key financial highlights of GWA's operating performance in FY 2009. However, these pages are only a partial publication of the complete audit.

For a complete publication of the entire "Financial Statements And Additional Information And Independent Auditors' Report", please visit our website at [www.guamwaterworks.org](http://www.guamwaterworks.org) or the Office of The Public Auditor's website at [www.guamopa.com](http://www.guamopa.com).

**GUAM WATERWORKS AUTHORITY**  
**(A Component Unit of the Government of Guam)**

Management's Discussion and Analysis  
September 30, 2009 and 2008

As management of Guam Waterworks Authority (GWA), we offer readers of GWA's financial statements this narrative overview and analysis for the fiscal year ended September 30, 2009. We encourage readers to consider the information presented here and in our basic financial statements, which begin on page 7.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to GWA's basic financial statements. GWA's basic financial statements are for a single proprietary fund and include the financial statements, notes to those financial statements and other supplementary and statistical information.

**Proprietary Fund Financial Statements**

GWA's operations are accounted for as a single proprietary fund using the full accrual basis of accounting. In this regard, GWA operations are accounted for in a manner similar to a private enterprise. Within this one proprietary fund, GWA segregates revenues and expenses for various purposes such as operations, debt service and capital improvements, but that segregation does not create separate proprietary funds.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found beginning on page 12 of this report.

**Prior Year Restatement**

The restatement pertains to the redesignation of the Government of Guam Defined Benefit (DB) Pension Plan by GovGuam's Department of Administration from a single-employer plan to a cost-sharing multiple-employer plan. Please refer to note 16 of the accompanying financial statements for additional details concerning information on this restatement.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents supplementary and statistical information. Certain selected supplementary and statistical information can be found beginning on page 31 of this report.

**Financial Highlights**

- Total assets of GWA exceeded total liabilities at the close of the fiscal year by \$198.2 million (net assets).
- The change in net assets was \$2.1 million more than (or a 500% increase) the net change in fiscal year 2008.
- The total net assets of GWA increased by \$1.7 million during fiscal year 2009.
- Operating revenues increased by \$2.9 million as compared to fiscal year 2008.
- Net capital assets at September 30, 2009 increased by \$11.6 million as compared to the net balance at September 30, 2008.
- The cash collection ratio at year-end September 30, 2009 was 97%. However, as of year-to-date February 2010 the cash collection ratio is 104%. This is attributable to improved collection activity of about \$4.3 million.

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- Operating and maintenance expenses increased by \$2.9 million as compared to fiscal year 2008.
- GWA experienced an operating loss of \$2.38 million for the fiscal year ended September 30, 2009 as compared to prior year's operating loss of \$2.34 million, an increase of 1.4%.

**Financial Condition**

GWA's total net assets increased by \$1.7 million during the fiscal year (see Table 1 below) due to increases in current assets and property, plant and equipment.

The decrease in long-term liabilities of \$4.9 million (see Table 1 below) is due to payment of debt service and surcharges.

GWA's investment in capital assets net, of related debt, represents 103% of total net assets. The amount invested in capital assets, net of related debt, decreased by \$1.4 million. The decrease was the result of capital acquisitions, net of depreciation and disposals, and 2005 revenue bonds used in fiscal year 2009 to acquire capital assets.

**Table 1**  
**Summary Statement of Net Assets**

	September 30, <u>2009</u>	September 30, 2008 <u>(As Restated)</u>	September 30, 2007 <u>(As Restated)</u>	<u>2009 to 2008 Comparison</u>	
				<u>Increase/</u>	<u>%</u>
				<u>(Decrease)</u>	<u>Change</u>
Current Assets	\$ 19,415,679	\$ 15,892,616	\$ 17,483,822	\$ 3,523,063	22.17%
Property, plant and equipment, net	279,320,424	267,744,474	254,399,284	11,575,950	4.32%
Other non-current assets	<u>27,660,979</u>	<u>43,331,071</u>	<u>61,688,758</u>	<u>(15,670,092)</u>	<u>(36.16)%</u>
Total assets	<u>326,397,082</u>	<u>326,968,161</u>	<u>333,571,864</u>	<u>(571,079)</u>	
Current liabilities	23,002,040	20,314,496	21,165,672	2,687,544	13.23%
Long-term liabilities	<u>105,207,238</u>	<u>110,137,437</u>	<u>115,467,212</u>	<u>(4,930,199)</u>	<u>(4.47)%</u>
Total liabilities	<u>128,209,278</u>	<u>130,451,933</u>	<u>136,632,884</u>	<u>(2,242,655)</u>	
Net Assets:					
Invested in capital assets, net of related debt	204,555,089	205,990,597	210,517,277	(1,435,508)	(0.70)%
Restricted	5,555,634	5,353,816	6,596,293	201,818	3.76%
Unrestricted	<u>(11,922,919)</u>	<u>(14,828,185)</u>	<u>(20,174,590)</u>	<u>2,905,266</u>	<u>19.59%</u>
Total net assets	<u>198,187,804</u>	<u>196,516,228</u>	<u>196,938,980</u>	<u>1,671,576</u>	
Total Liabilities & Net Assets	\$ <u>326,397,082</u>	\$ <u>326,968,161</u>	\$ <u>333,571,864</u>	\$ <u>(571,079)</u>	

Total operating revenues of \$55.3 million increased by \$2.9 million for the current year and operating and maintenance expenses of \$57.6 million increased by \$2.9 million, resulting in an increase in net operating loss of \$33K when compared to the prior year (see Table 2).

The major changes in operating results from the prior year were as follows:

- Water and wastewater revenues increased by \$1.1 million over the prior fiscal year (see Table 3 below) due to the increase in consumption in federal customers (9.19% and 57.29%, respectively) and a slight increase in the number of residential customers (1%). The basic water and sewer charges are assessed monthly on residential customers without regard to consumption.

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- Operating expenses increased by \$2.9 million due to the increase in electricity of \$339k, water of \$754k, personnel costs of \$585k, and administrative and general expense of \$1.08 million.

**Table 2**  
**Results of Operations/Statement of Revenues, Expenses and Changes in Net Assets**

	September 30, 2009	September 30, 2008 (As Restated)	September 30, 2007 (As Restated)	2009 to 2008 Comparison	
				Increase/ (Decrease)	% Change
Revenues:					
Water	\$ 33,580,185	\$ 35,139,785	\$ 31,705,832	\$ (1,559,600)	(4.43)%
Wastewater	19,665,976	17,015,790	15,336,312	2,650,186	15.57%
Other	971,502	990,752	653,098	(19,250)	(1.94)%
Bad debt	<u>1,034,609</u>	<u>(803,609)</u>	<u>(832,515)</u>	<u>1,838,218</u>	(228.75)%
Total operating revenue	<u>55,252,272</u>	<u>52,342,718</u>	<u>46,862,727</u>	<u>2,909,554</u>	
Expenses:					
Power purchases	14,971,119	14,631,816	11,914,539	339,303	2.32%
Water purchases	5,167,856	4,413,377	2,820,954	754,479	17.10%
Salaries, wages and benefits	15,870,652	15,286,063	13,424,470	584,589	3.82%
Depreciation	10,952,902	10,677,756	9,748,542	275,146	2.58%
Administrative and general	5,267,571	4,184,736	5,162,451	1,082,835	25.88%
Contractual	3,969,699	3,874,734	4,141,397	94,965	2.45%
Retiree healthcare costs and other benefits	<u>1,428,843</u>	<u>1,617,355</u>	<u>888,663</u>	<u>(188,512)</u>	(11.66)%
Total operating expenses	<u>57,628,642</u>	<u>54,685,837</u>	<u>48,101,016</u>	<u>2,942,805</u>	
Net operating loss	(2,376,370)	(2,343,119)	(1,238,289)	(33,251)	1.42%
Non-operating revenues (expenses)	3,260,545	4,775,151	4,663,991	(1,514,606)	(31.72)%
Less: interest expense	<u>(6,018,059)</u>	<u>(6,213,246)</u>	<u>(6,266,080)</u>	<u>195,187</u>	(3.14)%
Total non-operating revenues (expenses), net	<u>(2,757,514)</u>	<u>(1,438,095)</u>	<u>(1,602,089)</u>	<u>(1,319,419)</u>	
Loss before capital contributions	(5,133,884)	(3,781,214)	(2,840,378)	(1,352,670)	35.77%
Capital contributions	<u>6,805,460</u>	<u>3,358,462</u>	<u>1,656,861</u>	<u>3,446,998</u>	102.64%
Change in net assets	1,671,576	(422,752)	(1,183,517)	2,094,328	
Net assets - beginning year	<u>196,516,228</u>	<u>196,938,980</u>	<u>198,122,497</u>	<u>(422,752)</u>	(0.21)%
Net assets - end of year	\$ <u>198,187,804</u>	\$ <u>196,516,228</u>	\$ <u>196,938,980</u>	\$ <u>1,671,576</u>	

**Table 3**  
**Annual Water Sales**

Class Type	Consumption (in gallons)			2009 to 2008 Comparison	
	FY09	FY08	FY07	Increase/ (Decrease)	% Change
Agricultural	67,641,218	88,298,615	145,494,530	(20,657,397)	(23.39)%
Golf Course	4,525,819	40,847,415	5,402,988	(36,321,596)	(88.92)%
Comm 1	650,218,654	887,714,701	803,352,321	(237,496,047)	(26.75)%
Comm 2	125,363,820	141,416,157	137,703,436	(16,052,337)	(11.35)%
Comm 3	137,199,237	137,264,829	152,347,968	(65,592)	(0.05)%
Federal	1,710,954	1,566,960	1,812,835	143,994	9.19%
Government	576,747,245	628,634,237	512,157,762	(51,886,992)	(8.25)%
Hotel	942,167,584	1,109,885,610	1,044,423,148	(167,718,026)	(15.11)%
Irrigation	19,366,154	31,351,242	44,185,455	(11,985,088)	(38.23)%
Residential	<u>3,454,330,165</u>	<u>4,164,947,646</u>	<u>4,125,638,707</u>	<u>(710,617,481)</u>	(17.06)%
TOTAL	<u>5,979,270,850</u>	<u>7,231,927,412</u>	<u>6,972,519,150</u>	<u>(1,252,656,562)</u>	

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**Table 3**  
**Annual Wastewater Sales**

Class Type	Consumption (in gallons)			2009 to 2008 Comparison	
	FY09	FY08	FY07	Increase/ (Decrease)	% Change
Comm 1	453,512,395	567,057,156	485,604,500	(113,544,761)	(20.02)%
Comm 2	99,665,231	115,084,369	107,709,962	(15,419,138)	(13.40)%
Comm 3	106,359,139	108,820,482	119,756,129	(2,461,343)	(2.26)%
Federal	842,251,855	535,475,180	448,487,502	306,776,675	57.29%
Government	325,607,979	336,707,520	345,772,026	(11,099,541)	(3.30)%
Hotel	598,080,599	604,089,902	666,743,562	(6,009,303)	(0.99)%
Residential	<u>2,221,649,987</u>	<u>2,383,464,084</u>	<u>2,301,717,080</u>	<u>(161,814,097)</u>	<u>(6.79)%</u>
TOTAL	<u>4,647,127,185</u>	<u>4,650,698,693</u>	<u>4,475,790,761</u>	<u>(3,571,508)</u>	

**Capital Assets, Net of Accumulated Depreciation**

GWA had \$279.3 million (net of accumulated depreciation) invested in water utility capital assets as of September 30, 2009. The investment in capital assets includes buildings, improvements, water treatment plants, filter plants, water transmission and distribution mains, water storage facilities, reservoirs, pump stations, machinery, equipment and land. This amount represents a net increase of \$11.6 million over the prior fiscal year. See note 3 to the accompanying financial statements for additional information concerning capital assets.

**Table 4**  
**Capital Assets, Net of Accumulated Depreciation**

	September 30, 2009	September 30, 2008	September 30, 2007	2009 to 2008 Comparison	
				Increase/ (Decrease)	% Change
Plant, buildings and equipment, net	\$ 225,225,754	\$ 228,257,361	\$ 231,668,972	\$ (3,031,607)	(1.33)%
Construction in progress	<u>54,094,670</u>	<u>39,487,113</u>	<u>22,730,312</u>	<u>14,607,557</u>	36.99%
Total	\$ <u>279,320,424</u>	\$ <u>267,744,474</u>	\$ <u>254,399,284</u>	\$ <u>11,575,950</u>	

**Table 5**  
**Long Term Debt, Less Current Maturities**

	September 30, 2009	September 30, 2008	September 30, 2007	2009 to 2008 Comparison	
				Increase/ (Decrease)	% Change
Long-term debt	\$ 98,412,694	\$ 100,100,345	\$ 102,204,246	\$ (1,687,651)	(1.69)%
Guam Power Authority	1,143,949	2,834,193	5,230,111	(1,690,244)	(59.64)%
United States Navy	<u>4,162,028</u>	<u>5,649,098</u>	<u>6,641,023</u>	<u>(1,487,070)</u>	<u>(26.32)%</u>
Total	\$ <u>103,718,671</u>	\$ <u>108,583,636</u>	\$ <u>114,075,380</u>	\$ <u>(4,864,965)</u>	

As of September 30, 2009, GWA had total long-term debt outstanding of \$103.7 million, net of unamortized costs, which is a decrease of \$4.9 million over the prior year. See note 5 to the accompanying financial statements for additional information on long-term debt.

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GWA is required by bond covenants to maintain principal, interest, and reserve funds for the bond issue outstanding. In addition, GWA is required to set rates and charges to yield revenues equal to at least 125% of the current annual debt service requirements of the outstanding 2005 revenue bonds. The payments applied to the Guam Power Authority and United States Navy debts are derived from assessed surcharges from current customers.

Management's Discussion and Analysis for the years ended September 30, 2008 and 2007, is set forth in GWA's report on the audit of the financial statements, which is dated April 23, 2009, and that Discussion and Analysis explains the major factors impacting the 2008 and 2007 financial statements and can be viewed at the Office of Public Accountability – Guam's website at [www.guamopa.com](http://www.guamopa.com).

### **Looking Forward**

#### Outlook, Challenges, and Opportunities

Back in the black! For the first time in four (4) years, GWA closed on a positive note. Consecutive months of positive earnings remain through the 1st quarter of fiscal year 2010. This turn in performance is notable when you take into account that, only three (3) years ago, GWA reported a net loss of approximately \$8 million.

Also, for the first time in its history, GWA developed a financial rate plan (the "Rate Plan") conceptualizing a roadmap to bring financial stability to GWA. It addresses certain investments in water and wastewater infrastructure required by a 2003 stipulated order, funding for the 2005 CIP Master Plan capital projects and meeting performance standards (operating ratios) imposed by bond covenants. The plan also includes approximately \$300 million in short and long-term debt in FY2010 and FY2012 grants and system development charges to finance capital projects and fully fund operating reserve requirements for the 2005 \$101 million Revenue bond. A series of rate increases equal to forty-one percent (41%) will occur over the next 5 years, the first increase of which occurred in August 2009 at the rate of 14% and thereafter on October 1 of each succeeding year culminating in 2013 with an 8% increase.

GWA's financial performance, however, continues to be the main focus. In October 2009 and December 2009, rating agencies Fitch Rating and Moody's Investor Services, respectively, released their rating on GWA's Water and Wastewater System 2005 Revenue bond and downgraded their outlook from positive to stable. GWA's historically weak marginal performance was cited as the main driver for the downgrade. Other areas noted were poor collection, meter failures and inadequate rate recovery.

GWA has already begun to implement solutions to address the rating action. In addition to the five (5) year rate plan mentioned above, in October 2009, a consultant was engaged to evaluate GWA's meters and meter reading technology. The consultant noted recommendations to improve the accuracy and functionality of the meters. GWA implemented most, if not all, of the consultant's recommendations and data is showing stabilization in sales and consumption. In perspective, in June 2009, GWA's monthly water and wastewater revenue was approximately \$3.7 million. In January 2010, sales were reported at \$5.6 million.

Another initiative underway toward recovery is GWA's leak detection program. Major progress and successes have been realized since its inception. Three thousand four hundred ninety four (3,494) major leak points have been identified, resulting in a water loss recovery rate of approximately 5 million plus MGD. Approximately sixty percent (60%) of the leaks have been repaired. Currently under consideration is turning this function over to a private contractor to accelerate the repairs.

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A management audit was recently completed in February 2010 by an independent contractor. Organizational alignment, governance, financial planning, financial control and customer service, and crew efficiency and safety were the major areas of focus. In addition to identifying major gaps in current processes, practices and organizational structure, the audit identified initiatives in terms of benefits for improving financial conditions, customer experience and service, and reducing costs. A roadmap for implementing the recommendations and a timetable for implementation of the initiatives was also included in the study.

In March 2010, a System Development Charge (SDC) will be implemented. The charge will be assessed on new development and to expansions in existing buildings. The charges are payable up front at the time of construction permitting. Certain qualified residential customers will be allowed to amortize the charge over a specified period of time. A typical SDC for a residential connection is \$5,600. The SDC's are a welcome relief to competing requests for our limited resources.

Rising energy prices and the cost of water purchases from the United States Navy will continue to plague GWA. Combined, they represent approximately one-third (1/3) of GWA's operating costs and regrettably; no relief in terms of lower costs is anticipated in the foreseeable future. Although efforts are on-going to transfer GWA customers on Navy lines over to GWA to reduce the reliance on the United States Navy as a source of supply, the tempo is stymied by financial constraints.

The anticipated military buildup continues to be a major point of disquietude. Although the official timeframe reflects 2012-2014 time periods, much skepticism and contention remains over the level of funding and assistance that the U.S. Department of Defense will make available to address the direct impact of the military and its personnel and the offshoot activities associated with the buildup. Funding solutions were not addressed in a draft environmental impact statement that was released in January 2010, another example of how distant both sides are on the subject.

Inevitably, rising costs, complying with the Clean Water Act and the Safe Drinking Water Act regulatory requirements, pressure from raising rates and making much needed improvements to the System will continue to be the state of affairs at GWA. Our ability to overcome these challenges will depend largely on our success in managing our limited resources and improving operational efficiencies.

**Request for Information**

This financial report is to provide interested parties with a general overview of GWA's finances. If you have any questions about this report or need additional information, you may submit a request in writing to: Chief Financial Officer, Guam Waterworks Authority, 578 N. Marine Corp Drive, Tamuning, GU 96913, or telephone (671) 647-2583.

**GUAM WATERWORKS AUTHORITY**  
**(A Component Unit of the Government of Guam)**

Statements of Net Assets  
September 30, 2009 and 2008

<u>ASSETS</u>	<u>2009</u>	<u>2008</u> (As Restated, See Note 16)
Current assets:		
Cash:		
Unrestricted	\$ 918,246	\$ 286,790
Restricted	5,555,634	5,353,816
Accounts receivable, net	10,856,353	7,835,564
Materials and supplies inventory, net of an allowance for obsolescence of \$339,745 at September 30, 2009 and 2008	2,085,446	2,416,446
Total current assets	19,415,679	15,892,616
Property, plant and equipment:		
Utility plant in service:		
Water system	232,612,569	226,342,207
Wastewater system	191,154,024	190,645,544
Non-utility property	17,536,695	16,697,191
	441,303,288	433,684,942
Less accumulated depreciation	(216,141,822)	(205,491,869)
	225,161,466	228,193,073
Land	64,288	64,288
Construction work in progress	54,094,670	39,487,113
Property, plant and equipment, net	279,320,424	267,744,474
Other noncurrent assets:		
Restricted cash	15,303,553	30,896,722
Investments	9,628,279	9,600,888
Other assets	2,729,147	2,833,461
Total other noncurrent assets	27,660,979	43,331,071
	\$ 326,397,082	\$ 326,968,161

See accompanying notes to financial statements.

**GUAM WATERWORKS AUTHORITY**  
**(A Component Unit of the Government of Guam)**

Statements of Net Assets, Continued  
September 30, 2009 and 2008

<u>LIABILITIES AND NET ASSETS</u>	<u>2009</u>	<u>2008</u> (As Restated, See Note 16)
Current liabilities:		
Current maturities of long-term debt	\$ 6,463,363	\$ 5,838,845
Accounts payable:		
United States Navy	969,500	457,867
Guam Power Authority	2,784,039	2,215,931
Trade	5,259,318	3,675,502
Accrued payroll and employee benefits	347,676	571,701
Current portion of employee annual leave	407,945	409,193
Accrued supplemental/COLA annuities	799,281	804,358
Deferred revenue	624,389	1,214,976
Payable to contractors	2,769,127	2,921,496
Customer deposits	2,093,059	1,802,715
Other liabilities	484,343	401,912
Total current liabilities	<u>23,002,040</u>	<u>20,314,496</u>
Long-term debt, less current maturities:		
Long-term debt	98,412,694	100,100,345
Guam Power Authority	1,143,949	2,834,193
United States Navy	4,162,028	5,649,098
Employee annual leave, less current portion	699,251	743,047
DCRS sick leave liability	621,013	642,987
Advances for construction	168,303	167,767
Total liabilities	<u>128,209,278</u>	<u>130,451,933</u>
Commitments and contingencies		
Net assets:		
Invested in capital assets, net of related debt	204,555,089	205,990,597
Restricted	5,555,634	5,353,816
Unrestricted	(11,922,919)	(14,828,185)
Total net assets	<u>198,187,804</u>	<u>196,516,228</u>
	<u>\$ 326,397,082</u>	<u>\$ 326,968,161</u>

See accompanying notes to financial statements.

**GUAM WATERWORKS AUTHORITY**  
**(A Component Unit of the Government of Guam)**

Statements of Revenues, Expenses and Changes in Net Assets  
Years Ended September 30, 2009 and 2008

	2009	2008 (As Restated, See Note 16)
Operating revenues:		
Water:		
Private	\$ 29,188,371	\$ 30,631,429
Government	2,901,576	3,003,406
Legislative surcharge	1,490,238	1,504,950
	33,580,185	35,139,785
Wastewater:		
Private	14,042,258	13,543,187
Government	5,623,718	3,472,603
	19,665,976	17,015,790
Other	971,502	990,752
Bad debts, net of recoveries	1,034,609	(803,609)
Total operating revenues	55,252,272	52,342,718
Operating and maintenance expenses:		
Power purchases	14,971,119	14,631,816
Water purchases	5,167,856	4,413,377
	20,138,975	19,045,193
Salaries, wages and benefits	15,870,652	15,286,063
Depreciation	10,952,902	10,677,756
Administrative and general	5,267,571	4,184,736
Contractual	3,969,699	3,874,734
Retiree health care costs and other benefits	1,428,843	1,617,355
	57,628,642	54,685,837
Total operating and maintenance expenses	57,628,642	54,685,837
Operating loss	(2,376,370)	(2,343,119)
Nonoperating revenues (expenses):		
Allowance for funds used during construction	3,030,153	2,120,806
Interest income	238,699	1,763,570
Interest expense	(6,018,059)	(6,213,246)
Other income	8,744	890,775
Loss on asset disposal	(17,051)	-
	(2,757,514)	(1,438,095)
Total nonoperating revenues (expenses), net	(2,757,514)	(1,438,095)
Loss before capital contributions	(5,133,884)	(3,781,214)
Capital contributions:		
Grants from U.S. Government	6,805,460	2,398,111
Other contributions	-	960,351
	6,805,460	3,358,462
Total capital contributions	6,805,460	3,358,462
Change in net assets	1,671,576	(422,752)
Net assets at beginning of year	196,516,228	196,938,980
Net assets at end of year	\$ 198,187,804	\$ 196,516,228

See accompanying notes to financial statements.



GUAM WATERWORKS AUTHORITY

[www.guamwaterworks.org](http://www.guamwaterworks.org)