

# 2004 Annual Report



## GUAM WATERWORKS AUTHORITY

Ginen i hanom na ta sodda' todú i lina'la

[www.guamwaterworks.org](http://www.guamwaterworks.org) • P.O. Box 3010, Hagatna, Guam 96932



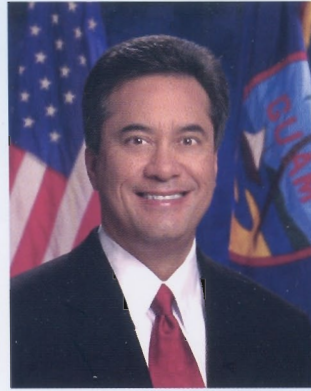
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Felix Perez Camacho  
*Governor*

Kaleo Scott Moylan  
*Lieutenant Governor*



### A MESSAGE FROM THE GOVERNOR OF GUAM

Hafa Adai! On behalf of the people of Guam, I am proud to present to you the Guam Waterworks Authority's 2004 Annual Report. The men and women of GWA have come a long way and produced tremendous results for Guam's water and wastewater systems.

When the Administration first came to office, GWA's finances were continually in the red and threatened its viability and the delivery of safe and reliable drinking water to our residents. Scores of problems arose after two natural disasters that stemmed from decades of neglect. Every resident and business bore the burden of a failing system that needed the entire community's support.

Together with the Consolidated Commission on Utilities, the Legislature and the full force of the Administration, GWA has made a drastic turnaround. Its finances now are turning a profit. GWA's bond rating has improved to investment grade status. The agency has diligently worked to address present-day problems while planning to meet the demands of a growing community.

The road to progress has been long and arduous for the men and women of GWA. As a result of their efforts and the hard financial decisions we made, we now are on strong footing and will soon float hundreds of millions in bonds to pay for the first system-wide overhaul of the water and wastewater systems in our history.

The upcoming improvements, paired with the substantial progress being made today, raises confidence in GWA's solvency and the islandwide economy. GWA's position as the sole source of water and wastewater services is critical to the region's growth. As a result of its tremendous changes, we now are ready to accommodate the influx of 7,000 Marines and the growth of Air Force and Naval presence in the years ahead. More importantly, GWA is on a steady path to provide for our growing communities.

We have worked vigilantly to encourage investment and to earn your trust in Guam's economic viability. We are confident that we have strengthened our position through GWA's incredible transformation that is reflected in the report that follows.

*Sinseru yan Magåhet,*

**FELIX P. CAMACHO**  
*I Maga' Låhen Guahan*  
Governor of Guam

## GENERALS MANAGERS REPORT



**DAVID A. CRADDICK**  
General Manager

Greetings and Hafa Adai,

Thank you for the opportunity to supply you with clean, reliable water and safe environment. We now have two years of history under the leadership of the Consolidated Commission on Utilities to look back on, review our performance and set higher goals for the future.

I take great pleasure at the significant improvements made to the Ugum water treatment facility and wastewater lift station renovations returning the stations to design operating redundancy and capacity. The repairs at Ugum, including efforts by the staff to get fully certified, are something the entire community can be proud of. GWA is now in a position to meet the EPA Long Term 1 Enhanced Surface Water Treatment Rule that is expected to be enforceable in early calendar year 2005.

The decrease in wastewater overflows as a result of well-functioning lift stations has also helped improve water quality. While great strides have been made, there are still issues yet to deal with to get the water and wastewater systems in compliance with EPA rules and regulations. First and foremost is getting our financial house in order so we will be ratable by bond rating groups so GWA will be able to borrow from the bond market.

In addition to the operational improvement there has been a major reduction (22% since Jan 03) in system operating cost. This could not have happened without a serious effort by employees to work with management to cut overtime, rentals, employee numbers to around 240 and line installations for private developers. In addition to continued cost cutting GWA increased water and wastewater rates about 7% in April 2004. This will be the first of three needed rate increases totaling about 22% to cover

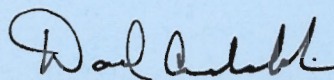
bond repayment for bond issuance that should occur next year to meet the Stipulated Order projects timeline. With the next rate increase in early FY 05 GWA should be in a position to turn an operating cash profit by the end of next year. In addition to operational improvement and getting our finances in order the CCU explored outside management assistance.

At this present time the GWA employees continue to use basic building blocks for managing change and preparation for change in all its forms. GWA are implementing the "Best Practice" reorganization developed by the employees this next year. The many hours spent on planning water and wastewater facilities and infrastructure improvements, stocking our inventory with spare parts and readying our distribution and collection systems before anticipated storms are among the unsung activities GWA employees perform to ensure the reliability and safety of the drinking water and clean environment after wastewater is discharged, even during power outages and water main breaks.

Fundamentally, a company can only be as resilient as its employees. With an outward focus and reshaping of this authority to respond to new demands, we can better serve our customers. We regard our work as more than putting water in your tap, or taking away wastewater. It is about being here to serve customer interests with clear solutions for our most precious resource.

Looking ahead in the years to come, I have the utmost confidence that our utility will be in full compliance with the EPA Safe Drinking Water Act and be able to provide reliable drinking water and a safer environment from the wastewater spills that occurred so much in the past.

All of these improvements would not have been possible without continued support from the Community, Governor, Legislature and CCU. Thank and we look forward to an even better coming year.

  
**DAVID A. CRADDICK**  
General Manager

## Message from the Consolidated Commission on Utilities Chairman

**A**fter inheriting an agency that had lost almost \$80 million in ratepayer monies from 1998-2003, GWA continued to reduce its operating losses for the second year in a row, cutting its losses by almost \$6 million from FY 2003.

For the first time since becoming autonomous in 1998, GWA improved its cash position and reduced its liabilities. GWA reduced its operating costs \$5.1 million and continued to trim payroll from over

300 in 2002 to 242 in 2004, saving \$2.2 million in annual payroll in FY 2004. More work is being done by fewer people, a testament to the talent and ability of GWA's team of utility professionals.

Instead of losing ratepayer money, ratepayers are witnessing their GWA use their money more effectively on improving service and rebuilding our ailing water and wastewater systems. GWA is expected to continue its unprecedented financial recovery

in FY 2005 by posting its first profit ever---quite a turnaround in just two years.

By managing ratepayer money profitably, GWA now can enter the financial markets to borrow the estimated \$160 million necessary to rebuild and modernize our water and wastewater infrastructure. This will insure that our water is always safe and clean to drink and that our environment and, most importantly, our water resources are protected.

### **But your GWA is not only about dollars and cents. In FY 2004:**

- GWA addressed chronic "muddy water" (turbidity) problems at the Ugum River water treatment facility to provide southern customers with more reliable and consistent water service;
- 32 employees passed the bi-annual EPA certification test needed to insure they know their job;
- The CCU began an extensive review of public-private partnership options to determine whether a private partner could address ratepayer needs more quickly and affordably;
- A winning bidder was selected to provide 38,000 new state-of-the-art water meters that will help reduce water loss. The three-year project eventually was allowed to proceed when the court rejected a competing protest;
- Lembang, Barrigada witnessed a ground breaking for a much-needed sewer line project and the village water pressure benefited from the connection of an 8-inch water line;
- GWA began to reorganize the way it responded to customer needs by separating functions into production/treatment of water and collection/distribution of water and wastewater;
- GWA experienced only brief and isolated "boil water" notices, avoiding island-wide notices for the second year in a row;
- New leak detection equipment was put into service to improve response to customer complaints;
- GWA launched its \$5.4 million Master Plan to address Guam's needs for the future, as required by the Stipulated Order. With the protection of the federal court, GWA should never return to the times when our water was not safe, ratepayer money was wasted and our environment was threatened.

While there has been significant progress, there remains much work to be done. Decade old problems cannot be corrected overnight and great challenges remain. Water losses are still too high. Low water pressure still confounds portions of our island. Consistently meeting all EPA standards remains elusive. Planning and re-building

the system for the long-term remains a daunting but do-able task. Serving ratepayers more effectively while remaining affordable and fiscally responsible requires constant effort.

But the tide has turned and ratepayers can expect a more reliable GWA, a more

accountable GWA and a more future-focused GWA. The hard work continues.

Ratepayers must remain vigilant in watching GWA and the CCU to insure we continue to meet your needs for today and tomorrow.



L-R: David Craddick, GWA GM; Benigno Palomo, Commission Member; Frank Shimizu, Commission Member; Vince Camacho, Commission Member; Judith Guhertz, Commission Member; John Benavente, GPA GM; Simon Sanchez, Commission Chairman.

## Laboratory Statistic

# Laboratory Statistic

	1999	2000	2001	2002	2003	2004
<b>Potable Water</b>						
Bacteriological Analyses	2508	2849	3206	4905	3705	7202
Chemical Analyses	4077	4041	3924	5018	6016	7840
<b>Wastewater</b>						
Bacteriological Analyses	421	312	342	316	276	420
Chemical Analyses	3656	1244	2570	2882	2438	3696



# GUAM WATERWORKS AUTHORITY

## "Good Water Always"

Post Office Box 3010, Hagatna, Guam 96932 • Phone: (671) 647-2603 Fax: (671) 646-2335

# Performance Standards Performance Standards

## STANDARDS

## MEASUREMENT

• Best Practice Index	20 pts
	<u>04      03      02</u>
• Employee Health & Safety Severity Rate	8 / 480 = 0.002 / 0.03 / 0.29
• Training Hours / employee	9.1
• Water Customer accts / employee	37907 / 130 = 292
• Wastewater Customer / employee	22276 / 115 = 154
• MGD / employee	33mgd / 145 = 228k gal
• MGD WW Processed / employee	17.2 / 115 = 150k gal
• Customer comp / acct	9345 / 60183 = 0.16
• Tech Quality comp/acct	3249 / 60183 = 0.01
• Disruption comp/acct	15325 / 60183 = 0.25
• Water Cost/service	\$25mm / 38765 = \$644
• WW cost/service	\$13mm / 22000 = \$590
• Cust ser \$ / acct	\$45634 / 60183 = \$7.58
• Billing errors/# bills	1658 / 722196 = 0.003
• System renewal rate	40 / 750 = 0.05
• Planned Maint Ratio	Hrs or \$/planned + corr
	<u>04      03      02</u>
• Overflow rate	0.003%, 0.006%, 0.096%
• Collection System Integrity	.92
• WWT Effectiveness	
• Working pmps / design # of pmps	.52
• Wells working / # wells	79%
• Water Affordability	1.3% 5yrs 1.7 N/A 2.0
• W System renew/sys size	40/750 = 0.05
• WW System renew/sys size	4/70 = 0.06
• Return on Assets	-4/230 = -0.02-0.03-0.07
	<u>04      03      02</u>
• SDWA comp rate	99.4% 98.3% 51%
• CWA comp rate	42.9% 24.8%
• Dist sys water loss	14/33 = 42%
• Dist sys integrity	1.46
• Operation/Maint \$ ratio	\$ / acct-mgd

"Good Water Always" "GOOD WATER ALWAYS"

## FY 04 Completed Training

Training Course	Training Date	Training Course	Training Date
1. SAS #82, Consideration Of Fraud In A Financial Statement Audit Training	October 2, 2003	14. A Workplace Response To Family Violence & Violence In The Workplace Conference	April 6, 2004
2. Auditing For Fraud	October 3, 2003	15. CCU'S Risk Mitigation Training	April 7, 2004
3. 8-Hour Hazardous Wastes Operation Emergency Response Refresher Course	October 6, 2003	16. Performance Level Training, Re: Computer-Aided Management of Emergency Operations (CAMEO)-Operations Level	April 7, 2004 April 8, 2004 April 26th, 28th, & 30th, 2004 April 28th, 29th, & May 1, 2004
4. 16-Hours Hazardous Materials & Hazardous Wastes Handlers & Drivers Transportation Safety Course	October 9-10, 2003 October 23-24, 2003	17. Designated Agency Training/Exercise Officer	May 12, 2004
5. WEFTEC '03 – The Water Quality Event 76' Annual Technical Exhibition & Conference	October 11-19, 2003	18. 9TH Annual Safety Conference	May 18-20, 2004
6. SHRM Guam 9th Annual Conference	October 15, 2003	19. Geographical Information System (GIS) Training	May 24-28, 2004
7. Office Of Domestic Preparedness (ODP) Technical Assistance Visit	October 20-24, 2003	20. 2004 Annual Conference & Exposition (ACE) (The Authoritative Resource For Safe Drinking Water)	June 13-17, 2004
8. The SHRM Certification Preparation Course	November 22, 2003	21. Saipan 23RD Pacific Islands Environment Conference	June 21-25, 2004
9. Reporting Standards Update & Review: Compilation & Review, Auditing & Attestation Training	November 24, 2003	22. WMD/Terrorism Awareness Level Training	June 30, 2004 July 1, 2004 July 2, 2004
10. Accounting Standards Update & Review	November 25, 2003	23. SHRM Fair Labor Standards Act (FLSA) Update Seminar "Overtime Pay & Exemption Status"	July 14, 2004
11. Update On OSHA & DOT New & Old Regulations On Hazardous Materials & Hazardous Waste Handling, Emergency Response, Transportation Of Hazardous Materials & Confine Space Entry & Forklift Training	December 17, 2003	24. Leadership Seminar For Pacific Island Water Managers	July 19-29, 2004
12. In-House Operator's Training: Water Distribution/Wastewater Treatment I & II Water Distribution/Wastewater Treatment III & IV Wastewater Treatment/Collection I & II Wastewater Treatment/Collection III & IV	January-February 2004	25. Services Efforts & Accomplishments	July 22, 2004
13. Crisis Awareness & Stress Management Course	January 27-29, 2004	26. Now It Is Time To Be Serious About Internal Control	July 23, 2004
		27. Performance Level Training, Re: Computer-Aided Management of Emergency Operations (CAMEO)-Operations Level	August 8, 2004 August 11, 2004

## October 2003 OCTOBER 2003

- Projected budget shrinks to \$31 million, compared to \$40 million just four years earlier.
- Southern villages suffer periods of water service interruptions due to high turbidity at the Ugum River. GWA management promises to work on the flocculators to circumvent the problem as well as incorporate polymers into the filtration process.
- GWA implements an aggressive disconnection policy to curbe the close to 13,000 customers who are 30-plus days due.

## November 2003 NOVEMBER 2003

- The aggressive disconnection policy nets more than \$300,000 after one month of concentration.
- Raytheon Technical Services Co. makes a plea to the CCU to take over GWA without having to immediately raise water rates.
- CCU names David Craddick the permanent general manager after 11 months as acting general manager.
- The Camacho administration concurs with the CCU to look into privatizing GWA via competitive bidding.

## December 2003 DECEMBER 2003

- 32 employees pass the bi-annual EPA certification test in water distribution, water treatment, wastewater treatment and wastewater collection.
- Kusakaba Inc. and ITI Power Savers win bids to replace all 38,000-plus water meters expected to be worth over \$10 million. Later in the month, the CCU retracts the \$1.5 million award to ITI Power Savers for failure to submit proper documentation.
- Gov. Felix Camacho visits Ugum Treatment Plant for the first time as governor and awards Ugum workers for their hard work in providing water to the southern customers.
- GM David Craddick announces that there was a \$4 million savings from the previous year.
- CCU seeks a consulting firm to set privatization terms attractive to private companies and at the same time beneficial to the island's ratepayers.
- Three out of five people (84 of 143) in a water taste test chose GWA water over bottled water during the grand opening of the new Agaña Shopping Center.

## January 2004 JANUARY 2004

- Ground-breaking for the Leyang, Barrigada sewer line project. More than a mile of force main and gravity lines will be installed within the next six months. For the first time ever, the USEPA-funded grant will allow customers to hook-up to the sewer system at no charge.
- For the first time in more than a decade, the Fujita Pump Station has four working pumps in operation.
- ITI Power Savers file a complaint in the Superior Court of Guam, halting the contract to install new digital radio meters.
- GWA utilizes its new leak detection equipment which can pick up sound waves that can pinpoint the location of a leak.
- Asan is given a boil water notice for 11 days after fecal coliform was found in distribution samples from the Asan Springs.

## February 2004 FEBRUARY 2004

- The reorganization of the agency starts to take shape. GM David Craddick reorganizes the water and wastewater divisions into the production/treatment division and the collection/distribution division. Mark Miller, former wastewater manager, is tasked to lead the production/treatment division while Anthony Chargualaf, former assistant wastewater manager, leads the collection/distribution division.
- CCU members and GWA management meet with Congresswoman Madeleine Bordallo on military relations, specifically the possibility of taking over the Tumon Maui water well from the US Air Force. The well, which has not been in operation for more than 10 years, could add around two million gallons a day to the Tumon/Tamuning areas.
- CCU spends \$45,000 on an advertising campaign to inform customers on the proposed rate increases and the projects the monies will be going toward.

## March 2004 MARCH 2004

- Engineering maps get resorted for a better retrieval system. The maps are easily accessible and are organized by village.
- CCU goes before the Public Utilities Commission requesting for a 7.5% rate increase to pay for Stipulated Order projects.

- GWA conducts a one-week customer survey: 89% prefer to pay in-person; 55% pay in cash; 87% prefer to be billed monthly.
- USEPA fines GWA for the second time in 2004, imposing a penalty of \$11,000 for failing to develop an interim water disinfection program as required under the stipulated order.

## April 2004 APRIL 2004

- GWA employees work on a Stipulated Order project: the Agana Pump Station diverter box. GWA saves about \$500,000 doing the project in-house as opposed to contracting the project for more than \$600,000.

## May 2004 MAY 2004

- With water pressure problems along Route 8, Barrigada GWA ties in an 8-inch Navy line to the GWA 6-inch line along Barrigada to increase the pressure along Pangelinan Pole northbound to the GFD Barrigada Fire Station.
- GWA celebrates National Drinking Water Week with a proclamation signing with Gov. Felix Camacho. It is the first time GWA participates in the nation-wide awareness campaign where water utilities across America promote the importance of drinking water and the professionals behind the scenes.
- CCU votes for full privatization of GWA, opting for a concession agreement.
- Though it does not pose a health risk, GEPA has GWA shut down water well NAS-1 because of traces of toxins in water samples. The problem with the filters are later corrected.

## June 2004 JUNE 2004

- GWA Master Plan kicks off with Brown & Caldwell as the lead team. The master plan is mandated by the Stipulated Order and consists of several comprehensive studies. The \$5.6 million contract serves as a road map for future projects and compliance. The plan will consist of population and land-use projections, affordability, data collection, GIS/CAPE, water supply alternatives and leak detection program assistance, among other items.
- Tropical Storm Tingting affects service, however, GWA avoids any boil water notices.

## July 2004 JULY 2004

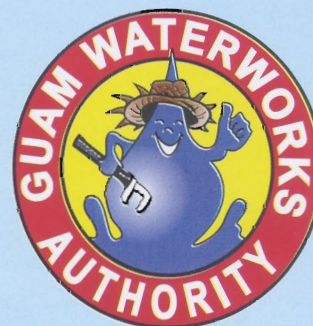
- After several months of litigation in the Guam Superior Court, a summary judgment was granted in favor of GWA and denied local company ITI Power Savers procurement protest for the water meter bids. GWA can now order meters to comply with the mandated order to have all meters replaced by June 2006.
- GWA hires Biologist N'Tasha Gutierrez to take care of the federally required wastewater sampling program.
- With privatization talks looming, GWA employees choose Tony Chargualaf, Mark Miller, Doris Young, Yvonne Cruz and Rose Mendiola as employee representatives for privatization discussions with the CCU.

## August 2004 AUGUST 2004

- Supertyphoon Chaba grazes the island affecting water service to southern and central villages and six schools for a week. GWA works with the US Navy on restoring water to the affected areas.

## September 2004 SEPTEMBER 2004

- CCU continues to work on the barriers legislation, a move to amend approximately 110 local laws which will allow GWA to not only comply with the Stipulated Order, but to also run a smoother water utility.
- GWA management hold community outreach meetings at each village to discuss the first phase of the master plan that will address the agency's issues well into the future.
- CCU passes a resolution to file a rate increase petition with the Public Utilities Commission. The resolution requests for a 10-percent increase to "minimize the expected rate shock" that will accompany the projects associated with improving water and wastewater services.



# FY 04 OVERFLOWS

Location	Cause	Estimated Time	Estimated Amount Spilled (Gallons)
January 18 Gloria Circle, Dededo	greaseballs	5 hr, 30 min	1050
January 22 Chaot Pump Station	power outage	1 hr, 20 min	15,000
January 26 Namyo Yona P.S.	busted discharge line	40 min	8000
April 14 Machananao P.S.	power fluctuation	30 min	15,000
Pepsi Harmon P.S.	P.S. tripped off	10 min	5000
July 3 Mamajanao P.S.	burnt motor	13 hr	5000
July 5 Tai Pump Station	check valve crack	11 hr, 30 min	15,000
July 6 Chaot Pump Station	high infiltration	9 hr	5000
August 4 Tamuning	heavy rain	1 hr, 20 min	5000
August 5 Tamuning	heavy rain	1 hr, 35 min	7000
August 6 Tamuning	heavy rain	2 hr, 15 min	7000
Merizo	heavy rain	3 hr	8000
September 18 Southern Link P.S.	power fluctuation	1 hr, 45 min	38,000
Estimated total			134,050

## Ugom Water Treatment Plant Annual Recording

MONTH	MILLION GALLONS PROCESS	FILTER BACKWASH GAL.	ALUMINUM SULFATE lbs.	CHLORINE lbs.	WTP Secured	AVG. DOWN TIME Hrs.
Oct	76.0	5.5	18,200	2,170	6	5.8
Nov	77.0	6.0	21,750	2,100	4	3.2
Dec	81.0	2.5	23,950	2,015	3	6.0
Jan	83.0	1.5	23,250	2,015	2	5.5
Feb	77.0	1.4	19,600	1,680	3	9.6
Mar	93.0	1.1	20,450	2,170	0	0.0
Apr	92.0	1.1	21,000	2,100	0	0.0
May	69.0	1.1	18,600	2,170	1	6.0
Jun	52.0	1.8	19,000	2,100	7	13.5
Jul	66.0	1.5	18,600	2,170	3	5.0
Aug	47.0	2.8	20,150	2,170	15	10.4
Sep	72.0	1.1	17,250	1,950	6	5.6
<b>TOTAL</b>	<b>885.0 MG</b>	<b>26.6 MG</b>	<b>241,800 lbs.</b>	<b>24,810 lbs.</b>	<b>50</b>	<b>5.8 Hrs.</b>

# FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION AND INDEPENDENT AUDITORS' REPORT

## YEARS ENDED SEPTEMBER 30, 2004 AND 2003

Deloitte & Touche LLP, 361 South Marine Drive, Tamuning, GU 96913-3911 USA Tel: +1 671 646 3884 • Fax: +1 671 649 4932 • www.deloitte.com

### INDEPENDENT AUDITORS' REPORT

Consolidated Commission on Utilities:

We have audited the accompanying balance sheets of Guam Waterworks Authority (GWA), a component unit of the Government of Guam, as of September 30, 2004 and 2003, and the related statements of operations and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of GWA's management. 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 of material misstatement. An audit includes consideration of 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 GWA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Guam Waterworks Authority as of September 30, 2004 and 2003, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 1-4 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of GWA's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurements and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audits of the financial statements for the years ended September 30, 2004 and 2003, were made for the purpose of expressing our opinion on the basic financial statements taken as a whole. The accompanying schedules on pages 21-24 are presented for purposes of additional analysis. These schedules are the responsibility of Guam Waterworks Authority's management. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, except for the information presented in Schedule 1 (page 21) upon which we express no assurance, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2005, on our consideration of the Guam Waterworks Authority's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

# MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2004

The following Management Discussion and Analysis (MD&A) is designed to provide an overview of the financial performance of Guam Waterworks Authority (GWA) for the fiscal year ended September 30, 2004. The information presented in this MD&A should be considered in conjunction with the financial statements and the notes thereto, that follow this section.

The Guam Waterworks Authority is a public corporation of the Government of Guam under the direction of an elected five-member Consolidated Commission on Utilities (CCU) that replaced the appointed Board of Directors on January 2, 2003. Under the new governance structure, GWA is directly accountable to the ratepayers of Guam. The CCU also has oversight over the Guam Power Authority. GWA is the primary supplier of water and primary provider of sewer services to the Guam community consisting of approximately 39,000 water customers and approximately 21,000 sewer customers.

The CCU inherited a utility that was being sued by the United States Environmental Protection Agency (USEPA) for failure to comply with the Safe Drinking Water Act and the Clean Water Act, the United States Navy for failure to pay for purchased water, and a vendor for defaulting on a lease agreement. From 1998 to 2003, the cumulative net losses from operations totaled nearly \$80 million. The utility was plagued with boil water notices, excessive sewage overflows, and a nearly non-existent disconnection policy.

Within six months of taking office, the Commission settled the lawsuits with the USEPA by entering into a Stipulated Order under the jurisdiction of the United States District Court of Guam. Under the Order, GWA was required to hire a qualified management team to include a General Manager, Chief Engineer, Chief Financial Officer, and a Compliance Officer (to monitor progress towards implementation of the Stipulated Order). The Order required GWA to create an interim financial plan and to petition the Guam Public Utilities Commission for rate relief to fund the financial plan. The cost of the Stipulated Order as it relates to the interim financial plan is approximately \$225 million. GWA intends to borrow approximately \$160 million to fund the capital projects listed in the plan. One of the requirements of the Order is to complete a Master Plan for the water system which will culminate in the development of a final financial plan which, when implemented, will assure that the residents of Guam will continue to receive safe, reliable water and wastewater services for the foreseeable future.

Additionally, the CCU entered into settlement agreements with the United States navy and the vendor for payments owed by GWA.

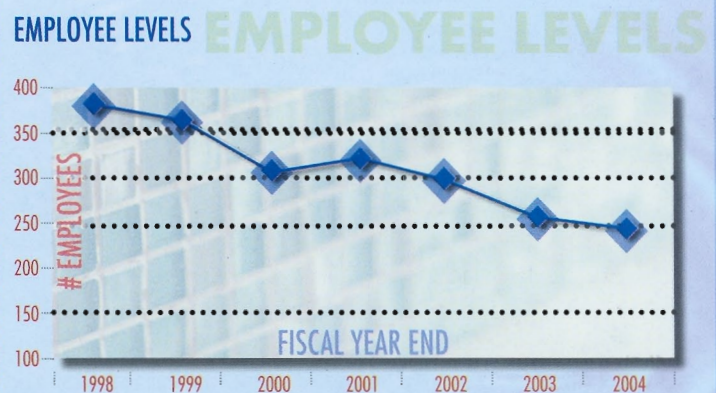
In January 2004, GWA filed its first rate petition with the Public Utilities Commission. The result was a 7.5% increase in rates that took effect in April 2004. The PUC also agreed to continue to review information as it became

available relative to GWA's financing plans and the related costs. The continued review resulted in an additional rate increase of 6.5% that took effect in October 2004 and the creation of a rate stabilization plan that would allow GWA to incrementally raise rates in recognition of the fact that GWA is likely to require significant additional revenue to pay the debt service associated with the system rehabilitation.

In order to address problems with the accuracy of GWA's aged meters, GWA initiated an automated meter reading (AMR) program. The program will enable GWA to read its meters via radio signal, will improve the accuracy of meter reads, and will allow GWA to better monitor daily customer usage patterns. GWA has entered into a contract for the purchase of the meters and is expecting to enter into an agreement for the financing of the meters to enable GWA to implement the AMR program more rapidly. The total cost of the metering program is approximately \$13.5 million. The project has been delayed as a result of a bid protest and some financing related issues, however, the first meters are expected to be placed into service in the summer of 2005.

GWA is anticipating floating a bond or other debt instrument of approximately \$57 million in August, 2005. GWA believes the initial borrowing may need to take place with a credit rating below investment grade. However, GWA is confident that an investment grade rating will be achieved before the second issuance of bonds targeted for 2007.

One of the key elements in the ability of GWA to reduce costs has been the reduction in staffing levels which is shown in the chart below:



GWA is continuing to seek opportunities for decreasing employee levels and costs through streamlining and technology improvement for the next four years as system upgrades are put in place.

SUMMARY OF FINANCIAL CONDITION-COMPARATIVE ANALYSIS **FINANCIAL CONDITIONS**

The following financial information is a summary of GWA's financial condition presented in a comparative basis:

<b>ASSETS:</b>	<b>FY2004</b>	<b>FY2003</b>	<b>PERCENT INCREASE (DECREASE)</b>
Cash	\$ 4,231,807	\$ 3,464,281	22.16
Receivables, net	8,404,461	6,666,719	26.07
Other assets	2,195,576	1,401,511	56.65
Plant in service, net	221,668,469	227,778,375	(2.68)
	<b>\$ 236,500,313</b>	<b>\$ 239,310,886</b>	

- The balance in cash increased as a result of attempts to build cash reserves as required by the Stipulated Order.
- The increase in receivables was caused partly by the increase in rates charged by the Utility and partly by a problem in obtaining timely meter readings.
- Other assets increased largely as a result of materials and inventories acquisition.

<b>LIABILITIES</b>	<b>FY2004</b>	<b>FY2003</b>	<b>PERCENT INCREASE (DECREASE)</b>
Current Liabilities	\$ 12,291,754	\$ 12,616,428	(2.57)
Long Term Liabilities	24,995,716	25,672,383	(2.64)
	37,287,470	38,288,811	
Net Assets	199,212,843	201,022,075	(.90)
	<b>\$ 236,500,313</b>	<b>\$ 239,310,886</b>	

- The change in long term liabilities reflects the reduction in the liability to the Guam Power Authority and the U.S. Navy. The surcharge payments were applied to these liabilities in accordance with a PUC Order.

	<b>FY2004</b>	<b>FY2003</b>	<b>PERCENT INCREASE (DECREASE)</b>
Operating Revenues	\$ 38,840,590	\$ 37,573,954	3.37
Operating Expenses	42,248,398	47,343,433	(10.76)
Non-Operating Revenues, net	1,598,576	2,367,256	(32.47)
Decrease in Net Assets	<b>\$ 1,809,232</b>	<b>\$ 7,402,223</b>	

- The increase in operating revenues reflects the result of increased rates which was nearly offset by problems in meeting customer demand for water services.
- The decrease in operating expenses is consistent with the Utility's continuing efforts to cut costs and improve the efficiency of some operational practices.

# GUAM WATERWORKS AUTHORITY

## Assets **ASSETS**

**Utility Plant in Service:** Utility Plant in Service makes up about 94% of GWA's total assets. The following is a detailed summary of this account with comparative data from the prior fiscal year.

	FY2004	FY2003
Water System	\$ 194,823,853	\$ 192,962,490
Sewer System	174,628,020	173,819,906
Non Utility Property	16,999,915	16,622,625
Construction Work in Progress (CWIP)	3,444,858	1,864,754
Allowance for Depreciation	(168,228,177)	(157,491,400)
	<b>\$ 221,668,469</b>	<b>\$ 227,778,375</b>

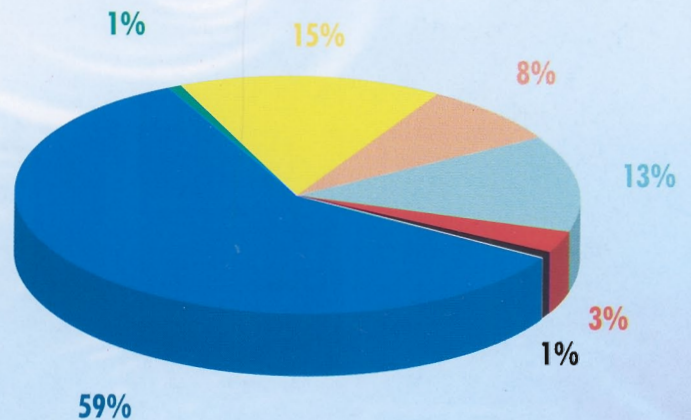
## Operating Revenues **OPERATING REVENUES**

Revenues during the fiscal year amounted to approximately \$38.8 million consisting of water revenues of \$25.6 million and wastewater revenues of \$13.2 million which represent slight increases from the prior year. The increases are primarily attributed to another rate increase that took effect in April 2004.

**Water Revenue:** Residential customers make up 59% of the water revenues. The chart below summarizes the revenues by type:

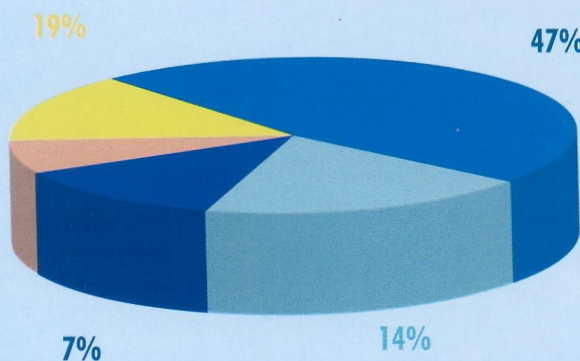
- Residential
- Agricultural
- Commercial
- Local Gov't
- Hotel
- Fire
- Other

**Water Revenue By Class**



**Wastewater Revenue By Class**

- Residential
- Commercial
- Local Gov't
- Fed'l Gov't
- Hotel



**Wastewater Revenue:** Residential and hotel customers make up approximately 47% and 19% of wastewater revenue, respectively. Below is a breakdown of wastewater revenue by customer class:

# BALANCE SHEET

## SEPTEMBER 30, 2004 AND 2003

ASSETS:	FY2004	FY2003 (AS RESTATED)
<b>Property, plant and equipment:</b>		
Utility plant in service:		
Water system	\$ 194,823,853	\$ 192,962,490
Wastewater system	174,628,020	173,819,906
Non utility property	16,999,915	16,622,625
Construction work in progress	3,444,858	1,864,754
	389,896,646	385,269,775
Less accumulated depreciation	(168,228,177)	(157,491,400)
Property, plant and equipment, net	<b>221,668,469</b>	<b>227,778,375</b>
<b>Current assets:</b>		
Cash:		
Unrestricted	4,066,678	3,299,883
Restricted	165,129	164,398
Accounts receivable, net	8,404,461	6,666,719
Materials and supplies inventory, net of allowance for obsolescence of \$380,425 at September 30, 2004 and 2003	2,141,846	1,401,511
Other assets	53,730	--
<b>Total current assets</b>	<b>14,831,844</b>	<b>11,532,511</b>
	<b>\$ 236,500,313</b>	<b>\$ 239,310,886</b>

See accompanying notes to financial statements

# BALANCE SHEET

## SEPTEMBER 30, 2004 AND 2003

LIABILITIES AND NET ASSETS	FY2004	FY2003 (AS RESTATED)
<b>Current liabilities:</b>		
Current maturities of long-term debt	\$ 2,463,578	\$ 2,886,407
Accounts payable:		
United States Navy	130,987	
Guam Power Authority	1,588,829	1,427,227
Trade	3,841,760	3,723,556
Accrued payroll and employee benefits	331,842	463,417
Current portion of employee annual leave	384,690	597,125
Accrued supplemental/COLA annuities	1,236,418	989,562
Deferred revenue	376,722	253,338
Payable to contractors	426,182	851,522
Customer deposits	1,510,746	1,424,274
<b>Total current liabilities</b>	<b>12,291,754</b>	<b>12,616,428</b>
<b>Long-term debt, less current maturities:</b>		
Guam Power Authority	11,295,826	13,161,443
United States Navy	8,181,048	8,626,590
Employee annual leave, less current portion	660,969	806,972
Retirement fund deferred contributions	4,376,883	2,476,320
DCRS sick leave liability	317,068	286,484
Advances for construction	163,922	218,666
Other liabilities	-	95,908
<b>Total liabilities</b>	<b>37,287,470</b>	<b>38,288,811</b>
<b>Commitments and contingencies</b>		
Net assets:		
Invested in capital assets, net of related debt	221,668,469	227,778,375
Restricted	165,129	164,398
Unrestricted	(22,620,755)	(26,920,698)
<b>Total net assets</b>	<b>199,212,843</b>	<b>201,022,075</b>
	<b>\$ 236,500,313</b>	<b>\$ 239,310,886</b>

# STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS YEAR ENDED SEPTEMBER 30, 2004 AND 2003

	FY2004	FY2003 (AS RESTATED)
<b>Operating revenues:</b>		
<b>Water:</b>		
Private	\$ 23,320,725	\$ 22,225,345
Government	2,064,725	2,103,560
	<u>25,385,450</u>	<u>24,328,905</u>
<b>Wastewater:</b>		
Private	10,513,474	10,361,684
Government	2,718,565	2,632,028
	<u>13,232,039</u>	<u>12,993,712</u>
<b>Other</b>		
	223,101	251,337
Total operating revenues	<u>38,840,590</u>	<u>37,573,954</u>
<b>Operating and maintenance expenses:</b>		
Water purchases	5,127,204	5,118,616
Power purchases	8,688,115	7,513,728
	<u>13,815,319</u>	<u>12,632,344</u>
Salaries and wages	12,918,917	15,228,718
Depreciation	9,425,878	10,035,700
Administrative and general	3,553,020	6,292,966
Contractual	2,535,264	3,153,705
Total operating and maintenance expenses	<u>42,248,398</u>	<u>47,343,433</u>
Operating loss	<u>(3,407,808)</u>	<u>(9,769,479)</u>
<b>Other income (expense):</b>		
Recoveries of bad debts	1,700,104	291,382
Interest income	72,526	12,684
Interest expense	(828,499)	(241,416)
Other expense	(146,505)	(186,371)
Loss on inventory writedown	-	(295,350)
Loss on missing deposits	(7,000)	(122,401)
Loss on asset disposal	(3,664)	(2,448)
Write-off of discontinued projects	(117,382)	(413,468)
Supplemental/COLA annuities	(246,856)	(83,714)
Total other income (expense), net	<u>422,724</u>	<u>(1,041,102)</u>
Loss before capital contributions	<u>(2,985,084)</u>	<u>(10,810,581)</u>
<b>Capital contributions:</b>		
Grants from U.S. Government	597,098	2,660,249
Other contributions	578,754	748,109
Total capital contributions	<u>1,175,852</u>	<u>3,408,358</u>
Decrease in net assets	<u>(1,809,232)</u>	<u>(7,402,223)</u>
Net assets at beginning of year, as restated	201,022,075	208,424,298
<b>Net assets at end of year.</b>	<b>\$ 199,212,843</b>	<b>\$ 201,022,075</b>

See accompanying notes to financial statements

# STATEMENT OF CASH FLOW

## YEAR ENDED SEPTEMBER 30, 2004 AND 2003

INCREASE IN CASH	FY2004	FY2003 (AS RESTATED)
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 37,076,421	\$ 36,599,290
Cash payments to suppliers for goods and services	(19,393,144)	(22,911,603)
Cash payments to employees for services	(11,230,926)	(13,713,458)
Net cash provided by (used in) operating activities	<u>6,452,351</u>	<u>(25,771)</u>
<b>Cash flows from capital and related financing activities:</b>		
Contributed capital received	1,175,852	3,408,358
Acquisition of utility plant	(3,370,716)	(723,558)
Repayments of long-term debt	(2,733,988)	(1,649,629)
Interest paid	(828,499)	(241,416)
Net cash (used in) provided by capital and related financing activities	<u>(5,757,351)</u>	<u>793,755</u>
<b>Cash flows from investing activities:</b>		
Transfers (to) from restricted fund	(731)	80,992
Interest income received	72,526	12,684
Net cash provided by investing activities	<u>71,795</u>	<u>93,676</u>
<b>Net increase in unrestricted cash</b>	<b>766,795</b>	<b>861,660</b>
<b>Unrestricted cash at beginning of year</b>	<b>3,299,883</b>	<b>2,438,223</b>
<b>Unrestricted cash at end of year</b>	<b>\$ 4,066,678</b>	<b>\$ 3,299,883</b>
<b>Reconciliation of operating loss to net cash provided by (used in) Operating activities:</b>		
Operating loss	\$ (3,407,808)	\$ (9,769,479)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	9,425,878	10,035,700
Bad debt expense	1,018,936	2,150,543
Recovered revenue	1,700,104	291,382
Other expense	(521,407)	(1,103,752)
<b>(Increase) decrease in assets:</b>		
Accounts receivable	(2,004,084)	(1,418,703)
Materials and supplies inventory	(740,335)	29,931
Long-term receivable	(752,594)	-
Other assets	(53,730)	-
<b>Increase (decrease) in liabilities:</b>		
Accounts payable	108,837	(1,280,222)
Accrued payroll	(131,575)	157,909
Employees annual leave	(358,438)	(395,061)
Accrued supplemental/COLA annuities	246,856	(83,714)
Customer deposits	86,472	(165,735)
Other liabilities	(95,908)	(24,212)
Retirement fund deferred contributions	1,900,563	1,263,158
DCRS sick leave liability	30,584	286,484
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 6,452,351</b>	<b>\$ (25,771)</b>

See accompanying notes to financial statements

# NOTES TO FINANCIAL STATEMENTS

## SEPTEMBER 30, 2004 AND 2003

### Organization Summary of Significant Accounting Policies

#### Organization

The Guam Waterworks Authority (GWA) is a component unit of the Government of Guam (GovGuam). GWA is subject to the regulations of the Public Utility Commission of Guam (PUC). GWA became an autonomous agency in 1996 under Public Law 23-119 and derives its revenues mainly from its water and wastewater system. The water system is engaged in the production, treatment, and distribution of water to villages and communities of Guam. The wastewater system is engaged in the collection and treatment of wastewater from residences and industries in the villages of Guam. GWA is governed by a five-member Consolidated Commission on Utilities (CCU) which determines such matters as rates and charges for services, approval of contracts and GWA policies.

The financial statements of GWA have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Government Accounting Standards Board (GASB) Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting", requires that proprietary activities apply all applicable GASB pronouncements as well as Statements and Interpretations issued by the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989. The Government of Guam has implemented GASB 20 and elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

#### Basis of Accounting

GWA is accounted for on a "flow of economic resources management focus," using the accrual basis of accounting. Under this method, all assets and liabilities associated with operations are included on the balance sheet, and revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

#### Net Assets

Net assets represent the residual interest in GWA's assets after liabilities are deducted and consist of four sections: invested in capital assets, net of related debt, restricted expendable and nonexpendable, and unrestricted. Net assets invested in capital assets, net of debt include capital assets, restricted and unrestricted, net of accumulated depreciation, reduced by outstanding debt net of debt service reserve. Net assets are reported as restricted when constraints are imposed by third parties or enabling legislation. All of GWA's restricted net assets are expendable. All other net assets are unrestricted.

#### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

#### Materials and Supplies Inventories

Materials and supplies inventory are stated at the lower of cost or market with cost determined under the first-in, first-out method.

#### Property, Plant and Equipment

Plant in service amounting to \$324,988,118 is stated at estimated historical cost as determined by an independent engineering consultant at September 30, 1998. Plant in service acquired subsequent to that date is stated at cost. Non-utility property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets (5 – 50 years for plant assets). Current policy is to capitalize item over \$700.

#### Accrued Annual Leave

Compensated absences are accrued and reported as a liability in the period earned. Annual leave expected to be paid out within the next fiscal year is accrued and is included in current liabilities. Employees are credited with vacation leave at rates of 104, 156 or 208 hours per fiscal year, depending upon their service time with GWA. Accumulation of such vacation credits is normally limited to 480 hours at fiscal year end; however, management has exercised its authority in certain conditions to allow accumulation of up to 720 hours. All such vacation credit is convertible to pay upon termination of employment.

During the year ended September 30, 2003, Public Law 27-05 was implemented, reducing the amount of leave employees can earn in a fiscal year (either 104 or 156 hours) and the maximum accumulation amount of annual leave to 320 hours. Any annual leave earned in excess of 320 hours, but not to exceed 100 hours as of February 28, 2003 shall be credited to the employees sick leave. The remaining excess hours must be used by September 30, 2004 or will be lost. Public Law 27-106 does not allow lump sum compensation or retirement credit for annual leave in excess of three hundred twenty (320) hours.

#### Revenue

Customer water meters are read on a cyclical basis

## NOTES ON FINANCIAL STATEMENTS

throughout a monthly period depending on the route schedules of the Guam Power Authority (GPA) pursuant to a combined billing system arrangement between GWA and GPA. Revenue is recognized in the period that meters are read. Wastewater treatment is billed at a flat rate of \$22 per month for residential accounts and 80% of current water consumption for commercial and government accounts.

Pursuant to local law, GAW provides water to fire hydrants in Guam and classifies such service as government water revenue. Historically, however,

no GovGuam agency has been tasked with paying for such service. Consequently, GWA provides an allowance for the full amount of the billings, on a monthly basis. GWA is currently pursuing the matter of billing such service with the PUC. Fire hydrant revenue was \$ 561,210 and \$855, 525 for the years ended September 30, 2004 and 2003, respectively.

### Operating and Non-Operating Revenue and Expenses

Operating revenues and expenses generally result directly from the operation and maintenance of GWA.

Non-operating revenues and expenses result from capital and financing activities, costs and related recoveries from natural disasters, surcharge and certain other non-recurring income and costs.

### Grants and Contributions

Grants and contributions consist of government mandated and voluntary nonexchange transactions as defined by GASB Statement No. 33. Approved capital grants not yet received amounted to approximately \$973,280 and \$1,800,000 at September 30, 2004 and 2003, respectively.

## PROPERTY, PLANT AND EQUIPMENT

	Beginning Balance October 1, 2003	Transfers and Additions	Transfers and Deletions	Ending Balance September 30, 2004
Utility Plant in Service – Water	\$ 192,962,490	\$ 2,275,506	\$ (414,143)	\$ 194,823,853
Utility Plant in Service – Wastewater	173,819,906	808,114	-	174,628,020
General Fixed Assets	16,622,625	377,290	-	16,999,915
Accumulated Depreciation	(157,491,400)	(10,736,777)	-	(168,228,177)
Construction Work in Progress	1,864,754	1,956,767	(376,663)	3,444,858
	<b>\$ 227,778,375</b>	<b>\$ (5,319,100)</b>	<b>\$ (790,806)</b>	<b>\$ 221,668,469</b>

	Beginning Balance October 1, 2002	Transfers and Additions	Transfers and Deletions	Ending Balance September 30, 2003
Utility Plant in Service – Water	\$ 192,213,194	\$ 908,049	\$ (158,753)	\$ 192,962,490
Utility Plant in Service – Wastewater	170,512,495	3,557,411	(250,000)	173,819,906
General Fixed Assets	18,234,201	258,681	(1,870,257)	16,622,625
Accumulated Depreciation	(149,323,509)	(10,035,700)	1,867,809	(157,491,400)
Construction Work in Progress	5,466,467	221,796	(3,823,509)	1,864,754
	<b>\$ 237,102,848</b>	<b>\$ (5,089,763)</b>	<b>\$ (4,234,710)</b>	<b>\$227,778,375</b>

ACCOUNTS RECEIVABLE ACCOUNTS RECEIVABLES

Accounts receivable at September 30, 2004 and 2003, are as follows:

	2004	2003
Customers:		
Private	\$ 17,320,628	\$ 17,973,496
Government	8,202,912	7,683,408
	<u>25,523,540</u>	<u>25,656,904</u>
Federal agencies	723,279	378,176
GPA	286,547	226,001
	<u>26,533,366</u>	<u>26,261,081</u>
Less allowable for doubtful receivables:		
Private	(12,273,090)	(11,673,779)
Government	(5,855,815)	(7,920,583)
	<u>(18,128,905)</u>	<u>(19,594,362)</u>
	<b><u>\$ 8,404,461</u></b>	<b><u>\$ 6,666,719</u></b>

Substantially all of GWA's customer accounts receivable are from individuals, companies and government agencies based in Guam. GWA has obtained non-interest bearing commitments from private customers that require minimum monthly payments on account.

Long-term accounts receivable at September 30, 2004 and 2003 are as follows:

	2004	2003
Receivable from promissory notes	\$ -	\$ 508,700
Allowance for doubtful receivables	-	(508,700)
	<u>\$ -</u>	<u>\$ -</u>

LONG-TERM DEBT LONG-TERM DEBT

Long-term debt at September 30, 2004 and 2003 is as follows:

	2004	2003
Note payable to IBM, interest at 21.90%, due in monthly installments of principal and interest of \$42,170 through October 2004 (see below)	\$ -	\$ 484,129
Note payable to the U.S. Navy, interest at 1.25%, due in monthly installments of principal and interest of \$45,833 through March 2009, \$132,545 through March 2011, and \$264,853 through June 2012 (see note 15).	8,626,591	9,000,000
Payable to the Guam Power Authority in settlement of previously unpaid balances, interest at 4.33%, payable in monthly principal and interest installments of \$212,899 through 2010.	<u>13,313,861</u>	<u>15,190,311</u>
Total long-term debt	21,940,452	24,674,440
Less current portion	<u>(2,463,578)</u>	<u>(2,886,407)</u>
	<b><u>\$ 19,476,874</u></b>	<b><u>\$ 21,788,033</u></b>

# NOTES ON FINANCIAL STATEMENTS

As of September 30, 2004, future maturities of long-term debt are as follows:

Year ending September 30,	Principal	Interest	Total Debt Service
2005	\$ 2,463,578	\$ 641,206	\$ 3,104,784
2006	2,558,315	546,469	3,104,784
2007	2,657,060	447,724	3,104,784
2008	2,759,988	344,796	3,104,784
2009	3,287,431	236,148	3,523,579
2010 through 2012	8,214,080	151,587	8,365,667
	<b>\$ 21,940,452</b>	<b>\$ 2,367,930</b>	<b>\$ 24,308,382</b>

Long-term debt includes invoices financed by IBM Credit Corporation (ICC) under a \$3.5 million line of credit. The purpose of the credit line is for the preapproved purchase, installation and upgrades of GWA's accounting and operating software and hardware systems, technical training and support of such systems, and related expenses. On June 4, 2001, ICC restructured 100% of the outstanding balance of credit line due to nonpayment under existing terms. GWA adhered to the restructured plan until January 2002. On June 21, 2002, GWA was officially in default on its line of credit agreement. Beginning March 2003 to May 2003, GWA made payments to ICC based on the June 2001 restructured terms. In May 2003, ICC restructured 100% of the remaining balance. The credit line has been fully paid as of September 30, 2004.

The following summarizes movements in GWA's non-current liabilities for the years ended September 30, 2004 and 2003:

	Outstanding September 30, 2003	Increases	Decreases	Outstanding September 30, 2004	Current	Noncurrent
Guam Power						
Authority	\$ 15,190,311	\$ -	\$ 1,876,450	\$ 13,313,861	\$ 2,018,035	\$ 11,295,826
U.S. Navy	9,000,000	-	373,409	8,626,591	445,543	8,181,048
IBM	484,129	-	484,129	-	-	-
Employees annual leave	1,404,097	-	358,438	1,045,659	384,690	660,969
Retirement fund deferred contributions	2,476,320	1,900,563	-	4,376,883	-	4,376,883
DCRS sick leave Liability	286,484	30,584	-	317,068	-	317,068
Other liabilities	314,574	-	150,652	163,922	-	163,922
	<b>\$ 29,155,915</b>	<b>\$ 1,931,147</b>	<b>\$ 3,243,078</b>	<b>\$ 27,843,984</b>	<b>\$ 2,848,268</b>	<b>\$ 24,995,716</b>

	Outstanding September 30, 2002	Increases	Decreases	Outstanding September 30, 2003	Current	Noncurrent
Guam Power						
Authority	\$ 15,696,000	\$ -	\$ 505,689	\$ 15,190,311	\$ 2,028,868	\$ 13,161,443
U.S. Navy	9,000,000	-	-	9,000,000	373,410	8,626,590
IBM	1,628,069	-	1,143,940	484,129	484,129	-
Employees annual leave	1,799,158	-	395,061	1,404,097	597,125	806,972
Retirement fund deferred contributions	1,213,162	1,263,158	-	2,476,320	-	2,476,320
DCRS sick leave Liability		286,484	-	286,484	-	286,484
Other liabilities	351,116	-	36,542	314,574	-	314,574
	<b>\$ 29,687,505</b>	<b>\$ 1,549,642</b>	<b>\$ 2,081,232</b>	<b>\$ 29,155,915</b>	<b>\$ 3,483,532</b>	<b>\$ 25,672,383</b>

EMPLOYEES' RETIREMENT PLAN

Employees of GWA hired before September 30, 1995 are under the Government of Guam Employees' Retirement System (a defined benefit, contributory pension plan). Employees hired after September 30, 1995, are members of the Defined Contribution Retirement System (DCRS). Until December 31, 1999, those employees who are members of the defined benefit plan with

less than 20 years of service at September 30, 1995, had the option to switch to the Defined Contribution Retirement System.

The Defined Benefit Plan and the DCRS are administered by the Government of Guam Retirement Fund, to which GWA contributes based upon a fixed percentage of the payroll for those employees who are members of the Plan.

As a result of actuarial valuations performed as of September 30, 2002, 2001 and 2000 (applicable to fiscal year 2004, 2003 and 2002, respectively), contribution rates for the years ended September 30, 2004, 2003 and 2002, respectively, have been determined as follows:

	2004	2003	2002
Normal costs (% of DB Plan payroll)	17.66%	16.42%	15.15%
Unfunded liability costs (% of total payroll)	16.23%	22.94%	18.58%
	33.89%	39.36%	33.73%
Employee contributions (DB Plan employees)	9.50%	9.50%	9.50%
	24.39%	29.86%	24.23%
Agency specific adjustments	-%	2.68%	0.91%
Government contribution as a % of DB Plan payroll	24.39%	32.54%	25.14%
Government contribution as a % of total payroll	20.81%	29.25%	N/A

Statutory contribution rates for employer and employee contributions were 20.81% and 9.5%, respectively, for the year ended September 30, 2004. For the year ended September 30, 2003 statutory contribution rates for employer and employee contributions were initially set at 26% and 9.5% respectively, by the Guam Legislature. The employer contribution rate was reduced to 18% by legislative action effective March 1, 2003.

The plan utilized the actuarial cost method termed "entry age normal" with an assumed rate of return of 7.5% and an assumed salary scale increase of 8.5% per annum for short service employees and 4% per annum for longer service employees. The most recent actuarial valuation performed as of September 30, 2002, did not provide a breakdown of actuarial present value of vested and non-vested accumulated plan

benefits by sponsor or net assets available for benefits by sponsor. In the actuarial valuation were performed for GWA as a separate sponsor, the accrued unfunded liability at September 30, 2004 and 2003, may be materially different than that recorded in the accompanying financial statements.

Contributions into the DCRS by members are based on an automatic deduction of 5% of the member's regular base pay. The contribution is periodically deposited into an individual annuity account within the DCRS. Employees are afforded the opportunity to select from different annuity accounts available under the DCRS.

Statutory employer contributions into the DCRS for the years ended September 30, 2004 and 2003 are determined using the same rate as the DB plan. Of the amount contributed by the employer,

only 5% of the member's regular base pay is deposited into the member's individual annuity account. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

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

Public Law 26-86 allows members of the Defined Contribution Retirement System to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. Management recorded an estimated liability of \$317,068 and \$286,484 at September 30, 2004 and 2003, respectively, for benefits to be payable under Public Law 26-86.

Retirement expense for the years ended September 30, 2004 and 2003 is as follows:

	2004	2003
Cash contribution and accruals	\$ 2,835,588	\$ 2,963,017
Increase in accrued unfunded liability to the retirement fund	1,900,563	1,263,158
	\$ 4,736,151	\$ 4,226,175

## NOTES ON FINANCIAL STATEMENTS

### Real Estate Properties Transferred by Government of Guam **REAL ESTATE PROPERTIES TRANSFERRED BY GOVERNMENT OF GUAM**

The Government of Guam, pursuant to Public Law 23-119, assigned to GWA various real estate properties under GWA's administration. As of September 30, 2004 and 2003, the properties have not been recognized in the finance statements pending completion of formal transfer proceedings.

### Agreements with the United States Navy **AGREEMENTS WITH THE UNITED STATES NAVY**

Pursuant to a Memorandum of Agreement, the United States Navy supplies water through its water system to GWA for distribution and resale to non-military customers. Total purchases from the U.S. Navy for the years ended September 30, 2004 and 2003 are \$3,280,492 and \$3,138,878, respectively.

### Commitments and Contingencies **COMMITMENTS AND CONTINGENCIES**

#### **Claims**

Due to the nature of its operations, GWA is subject to various claims by private and governmental customers and vendors for various alleged losses. Because an estimate of the amount or range of potential loss cannot be determined at this time, no provision for any liability that may result from such claims has been made in the financial statements.

#### **Self Insurance**

GWA has adopted a policy of self-insuring potential risks relative to its property, plant and equipment. GWA has not purchased insurance relative to its property, plant and equipment, and no other risks are insured. GWA is of the opinion that it has suffered no material losses in the past three years related to damages to its utility plant-in-service.

#### **Contract Commitments**

Contract commitments in connection with projects currently in construction amount to approximately \$2.7 million at September 30, 2004.

#### **Medicare**

The Government of Guam and its component units, including GWA, began withholding and remitting funds to the U.S. Social Security System for the health insurance component of its salaries and wages effective October 1998. Prior to that date, the Government of Guam did

not withhold or remit Medicare payments to the U.S. Social Security System. If the Government is found to be liable for Medicare payments on salaries and wages prior to October 1998, an indeterminate liability could result. It has been the practice of GWA and all other component units of the Government of Guam that payment of this health insurance component is optional prior to October 1998. Therefore, no liability for any amount which may ultimately arise from this matter has been recorded in the accompanying financial statements.

#### **Single Audit Questioned Costs**

GWA undergoes annual compliance audits to satisfy federal grantor requirements. As of September 30, 2004, \$115,000 in questioned costs exist that arose from these audits. The questioned costs will be resolved by the applicable grantor and due to GWA's inability to predict the ultimate outcome of this matter, no provision for any liability, if any, that may result from this matter has been made in the accompanying financial statements.

#### **Stipulated Order**

In or about December 2002, the United States Government filed a complaint against the Guam Waterworks Authority and the Government of Guam for alleged violations under the Federal Clean Water Act (CWA) and the Safe Drinking Water Act (SDWA). Because of GWA's non-

compliance with the National Primary Drinking Water Regulations, the U.S. Government is seeking both civil penalties and injunctive relief to address such non-compliance. Both GWA and the U.S. Government of Justice, Environmental and Natural Resources Division mutually agreed in the form of Stipulated order to resolve the violation issues.

On June 5, 2003, Stipulated Order For preliminary Relief was filed before the District Court of Guam. The Stipulation requires implementation of short-term projects and initial planning measures by GWA. GWA is required to submit a final financial plan in the Master Plan that generates sufficient revenue to cover the cost of all compliance activities and deliverables required by the Stipulated Order for Preliminary Relief, as well as any other anticipated expenses, including any measures necessary to ensure compliance with the CWA and the SDWA and costs related to the infrastructure improvements identified in the Master Plan.

#### **Typhoon Pongsona**

In 2003, GWA incurred additional expenses related to Typhoon Pongsona amounting to approximately \$1.67 million. GWA may be able to receive reimbursement for this amount from the federal government. While management is currently in negotiations to obtain reimbursements, these costs have been expensed.

Cash and Cash Equivalents **CASH AND CASH EQUIVALENTS**

For purposes of the balance sheets and the statements of cash flows, cash is defined as cash deposits in banks and time certificates of deposit with initial maturities of three months or less.

Bank balances of demand and time deposit accounts held in the name of GWA totaled

\$4,066,678 and \$3,299,883 as of September 30, 2004 and 2003, respectively, of which \$405,812 and \$213,444 were insured by the Federal Deposit Insurance Corporation and the remaining balances were uninsured and uncollateralized. In addition, \$4,000 and \$9,450, respectively, was held on hand for the

exchange fund and petty cash as of September 30, 2004 and 2003. Restricted cash on hand consists of cash received for specific capital projects. At year end, restricted cash amounted to \$165,129.

Other Matters **OTHER MATTERS**

On December 31, 1989, the Government of Guam issued general obligation Water System Revenue Bonds, Series 1989, in the amount of

\$49,190,000. The bonds have been issued for the purpose of expanding and improving the existing water system of the Government operated

by GWA. The bond obligation is recognized on the books of the Government of Guam and is not reflected as a liability of GWA.

Adoption of New Accounting Principles **ADOPTION OF NEW ACCOUNTING PRINCIPLES**

GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. This Statement establishes and modifies disclosure requirements related to investment risks, credit risk and concentrations of that risk, interest rate risk and foreign currency risk. This Statement is

applicable to all state and local governments with implementation beginning in fiscal year 2005.

Beginning in fiscal year 2005, GWA will be required to implement GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. GASB Statement No. 42 requires government

to evaluate circumstances surrounding capital assets to determine if service utility has declined significantly. If determined to be impaired, assets should be reported at the lower of carrying or fair value. Any insurance recoveries associated with events leading to an asset impairment should be netted against impairment losses.

System Development Fund **SYSTEM DEVELOPMENT FUND**

Public Law 19-47 created the Water and Sewer Development Fund that authorized GWA to establish and implement a water and sewer system development charge schedule, which assesses a charge on each user who connects for the first time from any property onto the island's water or wastewater system, or to each builder if the density of development connected to the system is increased. Thus such charge schedule

takes into account any existing infrastructure on the property, present and future user demands, requirements for water and/or sewer services and installation of infrastructure to be done by the builder.

The Fund shall be expended only for expanding, upgrading or repairing water and wastewater facilities on Guam. Such restricted cash is placed

in various savings and time certificate of deposit accounts. In 2004 and 2003, the net change in restricted cash equaled \$731 and \$(80,992), respectively. The changes represent transfers from the transfers to the unrestricted fund, respectively, for the purposes previously mentioned in this note.

Contribution Received **CONTRIBUTION RECEIVED**

Contributions received by GWA during the years ended September 30, 2004 and 2003, are as follows:

	2004	2003
Grants from U.S. Government:		
Received from the Department of the Interior	\$ -	\$ 642,019
Received from the Environmental Protection Agency	328,078	143,037
Received from the Federal Emergency Management Agency	269,020	1,825,761
Received from the Economic Development Administration	-	49,432
	\$ 597,098	\$ 2,660,249
Other contributions:		
Proceeds received through refinancing of Water Bond	\$ 578,754	\$ 748,109

# NOTES ON FINANCIAL STATEMENTS

## Accrued Supplemental/Cola Annuities ACCRUED SUPPLEMENTAL/COLA ANNUITIES

As required by Public Law 26-35, as amended by Public Law 26-49 and 27-29 thereafter, GWA must pay to the Government of Guam Retirement Fund certain supplemental benefits paid to

retirees. The supplemental benefits derive from an annual appropriation by the Guam Legislature and do not relate to covered Plan benefits. GWA's regulator has determined that payment of this

liability will not be a recoverable cost. GWA has not been able to initiate litigation to resolve this matter. Therefore, GWA is currently unable to predict when the accrued balance will be paid.

## PUC Surcharge PUC SURCHARGE

The Public Utilities Commission ordered an 11.5% regulatory surcharge effective for meters read after October 1, 2001, to enable GWA to retire its obligations to both Guam Power Authority (GPA) and the Guam Telephone Authority (GTA). The order stipulated that monthly payments be made to both GPA and GTA. Payments to GPA should be no less than \$75,000 per month, after the

required \$50,000 payment to GTA, payment of the PUC's annual administrative assessments and payment of PUC invoices in excess of 60 days.

On May 9, 2002, the Guam Legislature passed Public Law 26-81. The Law established a one-year moratorium of the 11.5% surcharge, wherein GWA was prohibited for the moratorium

period from any further billings of the surcharge. Additionally, in order for GWA to pay its debt to GPA, the law appropriated \$2.75 million to GWA from a bond re-financing. In May 2003, the one year moratorium expired and proceeds from the renewed surcharge have gone toward GWA's obligation to GPA and effective October 2003, also to the obligation to the U.S. Navy.

## Prior Year Restatements PRIOR YEAR RESTATEMENTS

As discussed in note 1, Public Law 26-86 allows members of the DCRS to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. During the year ended September 30, 2004, GWA has estimated that a liability of \$286,484 existed as of September 30, 2003.

The accompanying 2003 financial statements have been restated for the foregoing as follows:

### 2003 Salaries and Wages

As originally stated \$14,942,234

As restated \$15,228,718

### 2003 DCRS Sick Leave Liability

As originally stated \$ -

As stated \$ 286,484

## SCHEDULE OF EQUALIZATION OF NET LOSS

### YEARS ENDED SEPTEMBER 30, 1990 THROUGH 2004

	2004	2003 (As Restated)	2002	2001	2000	1999	1998(1)	1997(1)
Net loss	\$1,809,232	\$ 7,402,223	\$ 14,712,887	\$ 639,033	\$ 9,930,509	\$ 9,756,403	\$ 20,589,668	\$ 12,002,404
Less transfers from GovGuam	578,754	748,109	2,859,524	2,800,388	-	-	-	-
Less other operating revenues recognized in								
1999 attributable to prior years	-	-	-	-	-	4,282,966	-	-
Effect of unfunded pension liability	(1,900,563)	(1,263,158)	77,489	(52,940)	(155,899)	927,990	437,109	(3,516,573)
Equalization of net loss	\$ 487,423	\$ 6,887,174	\$ 17,649,900	\$ 3,386,481	\$ 9,774,610	\$ 14,967,359	\$ 21,026,777	\$ 8,485,831

	1996(1)	1995(1)	1994(1)	1993(1)	1992(1)	1991(1)	1990(1)
Net loss	\$ 2,486,481	\$ 7,293,467	\$ 10,920,041	\$ 3,069,762	\$ 4,394,359	\$ 1,744,519	\$ 67,612
Less transfers from GovGuam	18,538,800	22,743,010	16,136,274	24,959,972	27,447,270	22,064,351	24,009,417
Less other operating revenues recognized in							
1999 attributable to prior years	-	-	-	-	-	-	-
Effect of unfunded pension liability	3,926,422	5,053	(278,750)	(784,801)	(1,478,412)	(1,389,512)	(2,346,147)
Equalization of net loss	\$ 24,951,703	\$ 30,041,530	\$ 26,777,565	\$ 27,244,933	\$ 30,363,217	\$ 22,419,358	\$ 21,730,882

(1) This information is extracted from prior Government of Guam general-purpose financial statements.

(2) See accompanying independent auditors' report.

# SCHEDULE 2

## SCHEDULE OF CERTAIN OPERATING AND MAINTENANCE EXPENSES YEARS ENDED SEPTEMBER 30, 2004 AND 2003

	FY2004	FY2003 (AS RESTATED)
<b>Salaries and wages:</b>		
Regular, differential and hazardous pay	\$7,813,121	\$ 9,700,873
Pension costs	4,736,151	4,226,175
Overtime pay	339,061	1,015,186
Sick leave	30,584	286,484
Total salaries and wages	<u>\$12,918,917</u>	<u>\$15,228,718</u>
<b>Employees at end of year</b>	<b>242</b>	<b>263</b>
 <b>Administrative and general:</b>		
Materials and supplies	\$ 1,047,976	\$ 2,546,410
Bad debts	1,018,936	2,150,543
Chemicals	446,517	389,176
Public Utility Commission	339,345	165,610
Transportation	267,375	856,787
Communications	110,804	30,384
Liability claims	85,732	25,356
Advertising	53,776	22,951
Regulatory expense	33,260	-
Miscellaneous	149,299	105,749
<b>Total administrative and general</b>	<b><u>\$ 3,553,020</u></b>	<b><u>\$ 6,292,966</u></b>
 <b>Contractual:</b>		
Equipment rental	\$1,007,267	\$ 1,274,103
Labor, materials and others	952,489	1,231,640
Testing	218,204	485,882
Accounting	205,979	85,054
Legal	94,657	77,026
Engineering	56,668	-
<b>Total contractual</b>	<b><u>\$ 2,535,264</u></b>	<b><u>\$ 3,153,705</u></b>
 <b>Other expense:</b>		
Privatization:	\$ 125,675	\$ -
Other	20,830	186,371
	<b><u>\$146,505</u></b>	<b><u>\$ 186,371</u></b>

See accompanying independent auditor's report.

## SCHEDULE OF CASH FLOWS INDICATING FINANCING METHOD YEAR ENDED SEPTEMBER 30, 2004

Cash flows provided by operating activities	\$ 6,452,351
Less nonpayment to GPA for 2004 expenses	-
Cash flows if all GPA expenses for 2004 were paid	6,452,351
Cash flows used for acquisition of utility plant, net of contributed capital received	(2,194,864)
Cash flows if GPA were fully paid and if utility plant were built, net of contributed capital received	\$4,257,487
See accompanying independent auditors' report.	

## SCHEDULE OF CONSTRUCTION WORK IN PROGRESS YEAR ENDED SEPTEMBER 30, 2004

Project Title	Type	Ending Balance 2003	Additions And Transfers	Close out To FA FY2004	Write-off of Discontinued Project	Ending Balance 2004
Talofofo/Windward Hills Water System	Water	\$ 373,172	\$ -	\$ -	\$ -	\$ 373,172
Agat/Santa Rita Sewer System	Wastewater	302,212	-	-	-	302,212
Layang South Barrigada	Wastewater	250,600	378,363	-	-	628,963
Ordot/Chalan Pago 2B	Wastewater	600,461	-	-	-	600,461
All Others	Water/Wastewater	338,309	1,578,405	(259,282)	(117,382)	1,540,050
		<b>\$ 1,864,754</b>	<b>\$ 1,956,768</b>	<b>\$ (259,282)</b>	<b>\$ (117,382)</b>	<b>\$3,444,858</b>

See accompanying independent auditors' report.

# MONTHLY ANALYSIS

## FY2004 MONTHLY ANALYSIS OF METERED CONSUMPTION/ESTIMATED COLLECTION

### FY2004 Water Customers

(Gross wastewater consumption) Source: Revenue summary monthly overall

	OCTOBER 2003	NOVEMBER 2003	DECEMBER 2003	JANUARY 2004	FEBRUARY 2004	MARCH 2004	APRIL 2004	MAY 2004	JUNE 2004	JULY 2004	AUGUST 2004	SEPTEMBER 2004	TWELVE MONTH ENDING 09/30/04
Agricultural	11,300,183	10,262,276	11,092,912	8,556,915	9,441,053	12,293,763	13,463,895	14,590,542	13,914,085	7,621,594	3,694,649	9,189,732	125,421,599
Golf Course	210,709	677,870	561,560	625,460	671,530	695,710	(1,076,740)	1,119,210	671,350	548,300	90,000	881,558	5,676,517
Comm 1	71,091,032	52,368,500	52,030,316	62,605,519	51,427,895	55,114,843	60,763,440	50,355,447	54,077,916	55,244,092	47,013,447	52,264,300	644,378,947
Comm 2	14,070,589	12,465,956	14,548,961	14,573,906	13,053,870	15,905,340	13,651,723	11,952,987	15,266,254	13,551,716	12,935,840	14,585,930	166,163,072
Comm 3	11,229,134	11,317,693	10,715,761	12,174,234	11,658,708	11,753,265	10,978,693	11,692,089	13,889,269	13,876,857	12,674,636	16,241,873	148,152,212
Federal	634,972	561,109	648,301	370,570	422,280	501,520	566,710	549,490	689,760	532,500	156,220	121,580	5,747,962
Government	47,467,113	42,565,374	37,206,795	38,072,829	37,802,887	38,674,482	42,770,073	41,049,731	43,713,554	46,006,625	28,631,392	46,786,979	490,747,834
Hotel	71,750,451	70,745,378	88,443,116	71,250,528	79,315,287	70,557,050	71,146,370	64,485,440	77,508,498	76,362,972	69,788,788	80,445,202	897,799,080
Irrigation	3,069,031	2,987,044	3,123,505	3,556,824	3,541,904	5,559,791	5,615,862	5,772,496	6,242,710	2,834,047	3,617,484	3,913,174	49,783,872
Residential	341,389,978	367,504,441	316,230,760	351,655,470	329,287,977	344,754,037	340,858,113	320,929,134	342,283,084	344,878,460	247,756,476	394,584,921	4,042,712,851
	578,213,142	571,455,641	534,601,987	563,442,255	536,623,391	555,409,801	558,688,339	572,446,566	568,249,480	561,477,163	426,358,932	619,017,249	6,595,983,946
													(313,847,304)
													6,282,136,642

### FY2004 Actual Readings/Gallons

(Gross wastewater consumption) Source: Revenue summary monthly overall

	OCTOBER 2003	NOVEMBER 2003	DECEMBER 2003	JANUARY 2004	FEBRUARY 2004	MARCH 2004	APRIL 2004	MAY 2004	JUNE 2004	JULY 2004	AUGUST 2004	SEPTEMBER 2004	TWELVE MONTH ENDING 09/30/04
Agricultural	44,779,186	29,676,015	32,232,189	40,368,250	31,984,807	33,043,019	37,842,524	30,470,487	31,825,283	31,880,372	28,776,898	31,187,447	404,016,627
Golf Course	10,814,158	9,629,549	11,233,752	11,260,424	9,989,272	10,695,706	10,695,706	9,372,126	11,873,778	10,606,954	10,129,584	11,427,888	129,044,843
Comm 1	8,782,872	8,656,742	8,390,191	9,524,800	9,141,733	9,208,031	8,562,011	9,212,579	10,891,469	10,896,897	10,010,038	12,800,289	116,077,602
Comm 2	59,163,723	60,040,223	61,442,925	66,753,928	56,049,592	66,572,984	61,285,872	60,205,192	61,978,144	59,813,032	57,904,576	72,383,288	743,540,779
Federal	30,408,652	28,451,035	24,761,867	25,118,757	24,545,076	24,702,934	28,493,519	25,274,821	28,771,362	27,476,182	20,311,699	27,667,848	315,983,372
Government	51,485,160	48,591,504	57,896,893	47,638,072	52,040,230	46,768,840	47,376,296	43,105,152	51,434,798	51,251,178	47,321,430	54,422,562	599,332,065
Hotel	203,592,732	213,122,814	183,821,358	204,431,639	188,773,315	200,422,571	197,867,813	188,146,376	198,073,637	200,723,369	159,471,154	212,223,937	2,350,670,715
Irrigation	409,076,433	398,167,882	379,778,475	405,095,820	372,517,025	397,685,131	392,123,741	365,786,733	394,848,471	392,647,814	333,875,379	472,113,459	4,658,666,363
Residential													(72,437,449)
													4,586,228,914

### FY2004 Water Customers

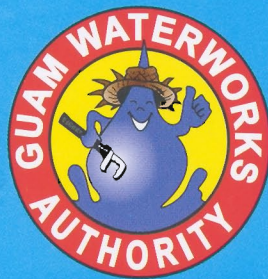
	OCTOBER 2003	NOVEMBER 2003	DECEMBER 2003	JANUARY 2004	FEBRUARY 2004	MARCH 2004	APRIL 2004	MAY 2004	JUNE 2004	JULY 2004	AUGUST 2004	SEPTEMBER 2004	TWELVE MONTH ENDING 09/30/04
Agricultural	564	557	557	561	562	559	564	566	567	566	236	566	6,425
Golf Course	15	15	15	15	15	15	15	15	15	15	3	15	168
Comm 1	2,155	2,144	2,128	2,113	2,114	2,095	2,108	2,114	2,124	2,130	1835	2,124	25,184
Comm 2	34	34	34	33	33	33	33	33	33	33	33	35	401
Comm 3	196	195	196	198	197	196	194	193	193	194	170	195	2,317
Federal	11	11	11	11	11	11	11	11	11	11	9	12	131
Government	557	538	513	501	494	490	485	487	481	484	360	483	5,873
Hotel	54	55	55	55	55	53	53	53	53	53	53	52	643
Irrigation	264	263	262	261	263	260	260	258	256	255	94	254	2,950
Residential	34,511	34,493	34,438	34,489	34,539	34,330	34,386	34,496	34,511	34,494	22,232	34,516	401,435
	38,361	38,304	38,209	38,237	38,283	38,042	38,109	38,226	38,244	38,235	25,025	38,252	445,527

### FY2004 Water Customers

	OCTOBER 2003	NOVEMBER 2003	DECEMBER 2003	JANUARY 2004	FEBRUARY 2004	MARCH 2004	APRIL 2004	MAY 2004	JUNE 2004	JULY 2004	AUGUST 2004	SEPTEMBER 2004	TWELVE MONTH ENDING 09/30/04
Water	37,903	38,059	38,081	38,049	38,210	38,442	38,282	38,226	38,244	38,235	25,025	38,252	445,008
WW	22,364	22,497	22,528	22,460	22,524	22,714	22,576	22,515	22,537	22,528	16,628	22,507	264,378

# GWA Deepwell Inventory

D/W No.	Location	Year Drilled	Design GPM	Actual 30-Day Ave. GPM	D/W No.	Location	Year Drilled	Design GPM	Actual 30-Day Ave. GPM
A-1	Next to Chaot Bridge	1965	216	290	F-15	Corazon Machanao		350	330
A-2	Mangilao along Maimai Rd.	1965	241	290	F-16	Corazon Machanao		350	300
A-3	Chaot near entrance to old KUAM	1966	180	280	F-17	Corazon Machanao		240	240
A-4	Along Maimai Rd.	1966	244	200	F-18	Corazon Machanao		240	0
A-5	Afame Sinajana	1966	269	250	AG-1	Inside AAFB		250	130
A-6	Afame Sinajana	1967	241	240	AG-2A	Agafa Gumas		500	450
A-8	Chalan Pago Rt. 4	1967	206	300	H-1	Harmon Cliffline		288	255
A-9	Behind DOC	1966	280	280	HGC-2	Santa Ana Housing behind Golf Course		447	440
A-10	Along Maimai Rd.	1967	233	300	M-1	Latte Heights	1965	109	100
A-12	Across Ordot Church	1968	176	190	M-2	Adacao Barrigada behind Latte Heights	1968	184	190
A-13	Across Probation Office Mangilao	1973	237	220	M-3	Adacao Barrigada behind Latte Heights	1963	177	265
A-13	Dairy Rd. Before D.O.C. entrance	1973	270	237	M-4	Adacao Barrigada behind Latte Heights	1967	138	185
A-14	Intersection of Rt. 10 & Rt.15	1973	147	280	M-5	"Macheche end of Lemon China St., Dededo"	1969	176	250
A-15	Next to Barrigada Middle School	1973	231	320	M-6	"Inside Villa Del Rosario Compound, Dededo"	1969	168	170
A-17	Infront of Mangilao Public Health	1973	180	220	M-7	"Buttercup Street, Macheche"	1969	175	180
A-18	Mangilao across Dept of Agriculture	1973	229	200	M-8	"Carnation Rd., Latte Heights"	1970	158	120
A-19	Along Rt. 4 Pago Bay	1973	138	280	M-9	Along Rt. 15 south of Latte Heights entrance	1970	162	140
A-21	Mangilao Baseball Field	1974	213	280	M-12	Liguan Terrace Harmon Loop Rd.	1973	114	110
A-23	Rt. 4 Agana after McDonald's	1983	317	350	M-15	Mogfog Dededo	1982	172	190
A-25	Rt. 4 Agana after McDonald's	1984	245	250	M-17B	Barrigada Heights next to Coral Pit		354	280
A-26	Behind Mongmong/Toto Baseball Field	1983	50	0	M-18	Rt. 16 near Iglesia Ni Cristo Church		325	320
A-28	Layang Barrigada	1983	223	300	M-20A	Barrigada Heights next to Coral Pit		400	320
A-30	Agana Springs Sinajana		755	900	M-21	Next to Airport Gas Station		250	350
A-31	Agana Heights across Gov't House		293	300	M-23	Backside of Latte Heights		225	260
D-1	Golf Course	1965	250	160	EX-11	Latte Heights		210	180
D-2	Golf Course	1965	187	240	Y-1	Along As Ardas Rd. across Yigo 7-11	1965	141	250
D-4	Golf Course	1965	172	230	Y-2	Along As Ardas Rd. across Yigo 7-11	1967	161	240
D-5	Golf Course	1965	166	180	Y-3	Gayinero Yigo near GTA Substation	1973	220	210
D-6	Golf Course	1966	187	280	Y-5	Sanchez L.G. Rd. Yigo	1978	143	200
D-7	Ysengsong Rd after Coral Pit	1966	198		Y-6	Across Nissho Terrace Rd. Yigo		136	180
D-9	Golf Course	1976	196	290	Y-9	Yigo Elementary School Compound		472	300
D-10	Bumachacho Rd. Dededo	1968	351	225	Y-10	Inside Ypaopao Estates		200	300
D-11	Golf Course	1969	226	245	Y-12	Butulo St. Yigo		235	330
D-12	Along Ysengsong Rd	1971	188	210	Y-14	Behind Yigo Amusement Park		350	0
D-13	Along Swamp Rd. Dededo	1971	172	170	Y-15	Along Rt. 15 back road to Anderson		650	600
D-14	Across El Polo Loco Dededo	1973	200	180	Y-16	Yigo Rt. 1 past Wusstig Rd.		200	180
D-15	By Dededo Middle School	1974	202	225	Y-17	Evangelista Rd. Yigo		300	305
D-16	Across Wettengel Elementary School		161	240	Y-21	Yigo Rt. 1 past Wusstig Rd.		350	290
D-19	Along Swamp Rd. Dededo	1983	227	100	Y-23	Near GPA fast track generator Yigo		300	290
D-20	Along Swamp Rd. Dededo	1983	207	185	G-501	Inside Yigo Ghvra 501 Subdivision		183	320
D-21	Along Swamp Rd. Dededo	1983	157	240	M-17A	Barrigada Heights next to Coral Pit		200	
D-22	Benito St. Dededo		200	200	D-24	Along Ysengsong Rd		205	
EX-5A	Golf Course		254	325	A-7	Chalan Pago Rt. 4	1967	113	
F-1	Near GTA Substation Dededo	1969	140	140	D-17	Before Dededo Public Health		199	
F-2	NCS Dededo pass Fern Terrace	1971	121	200	D-18	Infront of Dededo Public Health		180	
F-3	NCS Dededo pass shooting range	1972	142	200	D-3	Golf Course	1965	149	
F-4	NCS Dededo pass shooting range	1975	137	220	Y-7	Entrance to Yigo Elementary School	1992	514	
F-5	Near Astumbo Community Center Dededo	1975	145		Y-4A	Behind Yigo Amusement Park	1974	250	
F-6	Intersection of Rt. 3 & Ysengsong Rd.	1975	151	200	A-29	Agana Springs Sinajana		220	
F-7	Mepa St. Dededo	1975	170	180	A-32	Agana Hts across Naval Hosp Main Gate		225	
F-8	Along Rt. 28 Ysengsong Rd.	1975	149	0	D-8	Ysengsong Rd next to GTA power pole fill	1976	185	
F-9	Corner of Magsaysay Ysengsong Rd.		140	180	NAS-1	Behind Barrigada Post Office		200	
F-10	Finegayan Dededo before Fern Terrace		142	0	M-14	Liguan Terrace next to baseball field	1974	239	
F-11	Dededo Pass Fern Terrace entrance		113	200	MJ-1	Malojloj		56	
F-12	Dededo across C&H Farm		148	150	MJ-5	Malojloj		58	
F-13	Bong Bong Machanao		200	190					



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