



GUAM WATERWORKS AUTHORITY

A Component Unit of the Government of Guam

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEARS ENDED SEPTEMBER 30,
2024 AND **2023**

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GUAM WATERWORKS AUTHORITY

A Component Unit of the Government of Guam

The background of the entire page is a vibrant blue image of water with numerous clear, spherical bubbles of varying sizes. In the upper left corner, a green palm frond with long, thin leaves extends diagonally across the frame. A large, semi-transparent light blue circle serves as a backdrop for the main title text.

Annual Comprehensive Financial Report

**FOR THE YEARS ENDED SEPTEMBER 30,
2024 AND 2023**

Prepared by:
Guam Waterworks Authority
Finance Division

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GUAM WATERWORKS AUTHORITY
(A Component Unit of the Government of Guam)
Annual Comprehensive Financial Report
For the Fiscal Year Ended September 30, 2024 and 2023

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A vibrant tropical scene featuring palm fronds arching over a body of water. Numerous clear, realistic bubbles of various sizes are scattered throughout the image, some floating in the air and others on the water's surface. The overall color palette is dominated by blues and greens, with a bright, sunny atmosphere.

INTRODUCTORY SECTION

October 15, 2025

Buenas yan Hafa Adai Chairman, Members of the Consolidated Commission on Utilities, Bondholders, and Citizens of Guam:

The management and staff of the Guam Waterworks Authority (“GWA” or “Authority”) are pleased to present the Annual Comprehensive Financial Report (ACFR) for the fiscal years ended September 30, 2024 and 2023. Guam law requires that all financial audits be completed for the prior fiscal year no later than June 30, or nine months of the close of each fiscal year. GWA issued its financial audit for the fiscal years ended September 30, 2024 and 2023 in compliance with the law.

This report has been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as established by the Governmental Accounting Standards Board (GASB). The responsibility for the accuracy, completeness, and fairness of the data presented herein lies with the management of the Authority. The financial statements and related information included in this report represent the Authority’s financial position and operations, as presented by management. Recognizing that the cost of internal controls should not outweigh their benefits, GWA’s internal control framework is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement.

Ernst & Young LLP has issued an unmodified (“clean”) opinion on the Guam Waterworks Authority’s financial statements for the fiscal year ended September 30, 2024 and 2023. The independent auditor’s report can be found at the beginning of the financial section of this Annual Comprehensive Financial Report.

Following the auditor’s report is the Management’s Discussion and Analysis (MD&A), which offers a narrative overview and detailed analysis of the Authority’s financial performance. The MD&A serves to enhance the understanding of the financial statements and should be read in conjunction with this transmittal letter.

Profile of the Authority

The responsibility for public water originated in June 30, 1950 when the Guam Congress passed Public Law 1-12, which gave the Department of Public Works the authority to administer all utility services. In response to increased water demand and the need to expand utility services, the First Guam Legislature passed Public Law 1-88 on June 6, 1952, creating a new entity called the Public Utility Agency of Guam (PUAG). PUAG consisted of the telephone, power, water and wastewater utilities.

Public Law 23-119, enacted on July 31, 1996, established the Guam Waterworks Authority (GWA) as a semi-autonomous, self-supporting public utility agency. The law took effect on February 1, 1997, officially granting GWA its operational status on that date. GWA operates and

maintains the island-wide water and wastewater system, which spreads across Guam's total land area of approximately 210 square miles. GWA is dedicated to providing efficient, reliable, and sustainable services to the Guam population of approximately 154,000 residents.

GWA is governed by the Consolidated Commission on Utilities (CCU), a five-member elected board that also oversees the Guam Power Authority. The CCU is responsible for setting policies, overseeing management, approving budgets, and making financial decisions. While the CCU holds broad authority, certain major actions, such as issuing bonds or increasing rates, require the approval of the Guam Legislature and/or the Guam Public Utilities Commission (PUC). As the regulatory authority for utility rates, the PUC must approve any contracts or obligations that could lead to rate changes, as well as approve all revenue-funded contracts over \$1 million.

GWA operates under the regulatory framework of federal and local environmental laws. Wastewater operations must comply with the Clean Water Act (CWA) and drinking water services are governed by the Safe Drinking Water Act (SDWA). Historically, GWA faced significant compliance challenges. In 2002, the U.S. Environmental Protection Agency (US EPA) brought legal action against GWA for violations of the CWA and SDWA, which led to a 2003 Stipulated Order for Preliminary Relief. This was superseded in 2011 by a court order establishing new compliance deadlines and project requirements. The current completion deadline for the final project is December 31, 2025.

In January 2024, the US EPA filed a complaint related to National Pollutant Discharge Elimination System (NPDES) permit violations. GWA and the US EPA entered into a 2024 Partial Consent Decree, which was signed into order by the Guam District Court on August 9, 2024. The decree mandates system improvements over the next decade to reduce sanitary sewer overflows and includes planning requirements for enhanced wastewater treatment at the Hagåtña Wastewater Treatment Plant (WWTP).

The Authority provides water service to the entire civilian population of Guam and sewer service to a substantial portion of that population, as well as to Andersen Air Force Base and several smaller U.S. Navy facilities. However, a notable portion of residents, particularly in northern Guam, do not have access to centralized sewer services and instead rely on individual septic tanks or other on-site disposal systems. Additionally, the Authority purchases a portion of its water supply from the Navy.

Guam is home to two major military installations: Andersen Air Force Base and Naval Base Guam. Andersen Air Force Base operates its own water and wastewater collection systems but does not maintain a separate wastewater treatment plant; instead, the collected wastewater is discharged into the Authority's system and treated at the Northern District WWTP. Naval Base Guam, on the other hand, maintains independent water and wastewater systems, including its own wastewater treatment plant.

A third installation, Marine Corps Base Camp Blaz, is currently under development. The base will have its own water and wastewater collection systems serving newly constructed facilities. While Marines are expected to begin relocating to the base in 2026, full completion is anticipated in 2028. The Authority has constructed both water and wastewater service connections to the base. Wastewater flows from Camp Blaz will be routed to the Northern District WWTP once the base becomes fully operational. The water connection is currently in use during the base's construction and may continue to support demand once operations commence. Although some intermittent

wastewater discharges have occurred during construction and facility testing, continuous discharge is not expected until full base occupancy.

In Fiscal Year 2024, the Authority served an average of 43,615 water customers and 31,080 wastewater customers through a dedicated team of nearly 400 men and women that serve as the Guardians, Warriors, and Ambassadors for Guam’s most precious natural resource.

Budgetary Control

GWA’s annual budget process is grounded in its Five-Year Financial Plan, which includes the use of rate modeling to guide resource planning for operational needs while securing funding capacity for future infrastructure demands. This process is guided by oversight from the CCU and approval by the PUC.

Projections factor current operational performance as well as historical performance of the two previous years. Budget assumptions include inflationary and growth estimates and are stress-tested against various economic scenarios to validate that financial assumptions remain compliant with regulatory and bond covenant requirements.

To maintain fiscal discipline and transparency, GWA implements a true-up process annually. This reconciliation exercise compares actual revenues and expenditures against those projected in the approved budget. Adjustments are made to financial planning assumptions and reserves, ensuring that budget execution remains on track and aligned with performance benchmarks. This process also informs future rate planning and financial reporting, strengthening credibility with regulators and ratepayers.

GWA’s budget serves not only as a financial management tool but also as a mechanism for organizational accountability, enabling the Authority to track progress against performance indicators, prioritize resources, and respond proactively to evolving operational and environmental conditions.

Customer Base and Revenue Profile

GWA serves a diverse customer base including residential, commercial, hotel, government, and federal users. In Fiscal Year 2024, residential customers accounted for 61% of total water demand and 52% of water revenues, while government and federal customers generated 11% of revenues. For wastewater, residential users made up 49% of wastewater flows and 24% of revenues, while federal customers, led by the U.S. Air Force and Navy, accounted for 32% of revenue.

The top 10 Water Customers in FY 2024 contributed 16.4% of GWA's annual gross water revenue, with the Guam Department of Education leading at \$2.96 million. Refer to the following table for details on GWA’s Top 10 Water Customers:

Customer Name	Annual Revenue	Percent of Annual Gross Revenue
1. Guam Department of Education	\$2,955,418	3.61%
2. Pacific Islands Club	1,885,711	2.30
3. Guam Power Authority	1,821,851	2.22
4. Hilton Guam Resort & Spa	1,051,107	1.28
5. Dusit Thani Guam Resort	1,047,637	1.28

Customer Name	Annual Revenue	Percent of Annual Gross Revenue
6. Outrigger Guam Resort	1,014,421	1.24
7. University of Guam	1,001,140	1.22
8. Guam Department of Corrections	965,343	1.18
9. Leoplace Resort Guam	861,253	1.05
10. Hyatt Regency Guam	803,285	0.98
Total	\$13,407,167	16.40%

The top 10 Wastewater Customers accounted for 39.44% of annual gross wastewater revenue, with the U.S. Air Force contributing \$7.13 million. Refer to the following table for details on GWA's Top 10 Wastewater Customers:

Customer Name	Annual Revenue	Percent of Annual Gross Revenue
1. U.S. Air Force (U.S. Department of Defense)	\$ 7,133,968	15.55%
2. U.S. Navy (U.S. Department of Defense)	2,443,160	5.33
3. Guam Department of Education	1,763,868	3.85
4. Dusit Thani Guam Resort	1,122,938	2.45
5. Hilton Guam Resort & Spa	1,120,658	2.44
6. Guam Power Authority	1,092,558	2.38
7. Outrigger Guam Resort	1,086,790	2.37
8. Hyatt Regency Guam	858,373	1.87
9. Pacific Islands Club	783,674	1.71
10. Hotel Nikko Guam	687,087	1.50
Total	\$18,093,074	39.44%

In FY 2024, GWA had 305 new water connections installed and 316 in FY 2023. Additionally, 73 and 78 new sewer connections were installed in FY 2024 and FY 2023, respectively, supporting ongoing community and economic development. The majority of these were residential installations, illustrating steady growth in service demand.

Customer Type	Water Installations		Wastewater Installations	
	2024	2023	2024	2023
Residential	298	304	69	72
Government	-	1	-	-
Commercial	7	8	4	6
Agricultural	-	3	-	-
Total	305	316	73	78

Major Initiatives

GWA remains focused on transforming its management and operational practices. Recent achievements include continued progress in asset management, deployment of mobile workforce solutions, and advancement of District Metered Areas and proactive leak detection under the comprehensive Water Loss Control Program. Initial testing of Advanced Metering Infrastructure (AMI) is underway to improve customer metering, and enhancements to procurement processes are being implemented through automation and streamlining. These initiatives have strengthened operational performance and laid the foundation for greater efficiency and improved results in the near term.

Financial and Operational Modernization

Financial Management System Upgrade: To strengthen financial transparency and operational modernization, GWA advanced key projects such as the Oracle Procurement Cloud rollout and expansion of smart metering infrastructure. These initiatives are part of a broader digital transformation that enables better decision-making, project management, and customer interaction. For more information on implementation stages and related investments, please refer to the MD&A section.

Advanced Metering and Water Loss Control: GWA's Water Loss Control Program continues to advance on several fronts. The Authority aims to expand its network of District Metered Areas (DMAs) by adding 15 new zones to the existing 21, bringing the total to 36 DMAs island-wide to significantly enhance leak detection and control capabilities. The Authority also looks forward to completion of Phase 2 of the Pressure Zone Realignment project, with Phase 3 design efforts underway to further optimize service pressures and minimize water loss. As part of its Advanced Metering Infrastructure (AMI) initiative, GWA will deploy hundreds of smart meters under a pilot program to test real-time consumption monitoring. In parallel, pipeline replacement projects are currently in design or procurement to renew waterlines that have exceeded their useful service life.

Workforce Development and Compensation Reform

Salary Market Review and Strategic Pay Scale Adjustment: To enhance its ability to attract and retain qualified personnel, GWA implemented a revised pay scale in June 2024, based on the 2022 Salary Market Review Update and CCU Resolution 07-FY2024. Salaries were adjusted to align with the 25th percentile of the market, with a plan to transition to the 50th percentile by FY2029, subject to funding. This adjustment follows several years of workforce decline, with GWA's full-time workforce decreasing by 3% from 356 in FY2023 to 347 in FY2024.

Long-Term Infrastructure Planning

Water Resources Master Plan (WRMP) Update: GWA completed an update to its 2018 WRMP, which included a CIP funding plan for fiscal years 2024-2037. This Interim WRMP update integrates long-range demand forecasts and infrastructure needs for population growth. The plan also considers Level of Service (LOS) elements in areas such as drinking water quality, reliability of water supply, and distribution system integrity. For further details, please refer to Exhibit 20: Level of Service Indicators in the Statistical Section of this report. The update also incorporated new regulations related to perfluoroalkyl and polyfluoroalkyl substances (PFAS) compounds.

Capital Improvement and Financial Sustainability: The Authority submitted its FY2025–2029 Capital Improvement Program, which is supported by a multi-year rate plan, bond financing, federal grants, and internal revenues to the CCU and the PUC. The CIP targets the renewal of aging infrastructure, expansion of capacity, and environmental compliance. Information on program costs, funding sources, and project timelines is discussed in the MD&A.

Regulatory Compliance and Consent Decree

Partial Consent Decree Implementation: GWA remains committed to compliance with federal and local environmental regulations. In August 2024, the Authority entered into a new Partial Consent Decree with the U.S. Environmental Protection Agency aimed at reducing sanitary sewer overflows and enhancing wastewater treatment. GWA has launched several initiatives in response,

including major infrastructure upgrades. More information on the decree and project milestones is included in the MD&A.

Strategic Partnerships and Regional Integration

One-Guam Initiative: GWA continues its collaboration with the U.S. Navy under the One-Guam Initiative, a longstanding partnership that supports the joint management of the Northern Guam Lens Aquifer (NGLA). This cooperative framework has led to several key developments, including the implementation of reservoir interties and water supply exchange points. The partnership also encompasses shared planning for PFAS treatment, coordinated cybersecurity efforts, and broader infrastructure alignment. In 2023, the collaboration was further solidified through an Intergovernmental Support Agreement establishing a 10-year partnership for water and wastewater utility services, reinforcing GWA's commitment to sustainable resource management and military-civilian utility coordination.

Regional Capital Projects

GWA's capital initiatives span the entire island, with more than 50 ongoing or completed water and wastewater projects categorized by region:

- *Southern Guam:* Includes Ugum Surface Water Treatment Plant rehabilitation, Santa Rita Spring rehabilitation, and tank upgrades in Umatac, Sinifa, and Manenggon.
- *Central Guam:* Features include Asan Spring Rehabilitation, sewer main improvements in Hagåtña, and Tai Road and Blas Street waterline replacements.
- *Northern Guam:* Includes AG-10, AG-12, and Y-8 new production wells, Mataguac Booster Pump Station rehabilitation, Yigo Sewer Pump Station flood mitigation, and Astumbo #2 (2 MG) tank rehabilitation.

These projects are at various stages of design, procurement, or construction and collectively demonstrate GWA's commitment to equitable infrastructure delivery and environmental stewardship across all villages.

Relevant financial policies

GWA operates under a structured set of financial policies that promote long-term sustainability, regulatory compliance, and continued investment in infrastructure. These policies are shaped by guidance and approvals from the Public Utilities Commission (PUC), legislative authorizations, and Consolidated Commission on Utilities (CCU) resolutions. The following highlights key policies in FY 2024. A more detailed discussion of these items is available in the MD&A section

- Five-Year Financial Plan: In FY 2024, the PUC approved GWA's FY 2025–2029 rate plan, which proposes annual rate adjustments to support revenue adequacy and capital investment. The plan also incorporates mechanisms such as annual true-ups and affordability provisions like lifeline rates to mitigate impacts on lower-income customers.
- New Rate Design Structure: In March 2024, the PUC approved, in principle, a revised rate structure aimed at better aligning water and wastewater charges with usage and cost of service. For residential customers, the design introduces a three-tier water rate and new fixed charges. Wastewater rates will shift from a residential flat fee and non-residential volumetric charges

to a combination of fixed and volumetric charges for all customer classes. Implementation is targeted for FY 2026

- Expanded Financing Authority: Under the authority granted by Public Law 37-103, GWA is authorized to issue up to \$560 million in new bonds and to utilize alternative financing instruments such as Tax-Exempt Commercial Paper (TECP) and federally backed loan programs, including the Water Infrastructure Finance and Innovation Act (WIFIA). These mechanisms are designed to reduce borrowing costs and improve cash flow during project delivery.
- Debt Service Coverage: While GWA's long-term DSC target remains 1.5x as outlined in prior resolutions, temporary relief measures reduced the requirement to 1.3x through FY 2024 to support recovery from pandemic-related revenue impacts. The MD&A provides an analysis of actual performance against these thresholds.
- Accounting Order – Regulatory Assets: For purposes of calculating debt service coverage in accordance with the Indenture, for Fiscal Years 2020 through 2023, certain regulatory costs that were previously capitalized as a regulatory asset, in accordance with an accounting order from the Guam Public Utilities Commission, have been recognized as operations and maintenance (O&M) expenses in the year incurred. This change in treatment applies solely to the debt service coverage calculation posted to the Electronic Municipal Market Access (EMMA) website of the Municipal Securities Rulemaking Board and does not affect the presentation of the regulatory asset in the Authority's financial statements, which remains unchanged. The accounting order is related to the 5-year financial plan, which is under discussion in the FY 2026 true-up.

Economic Conditions and Outlook

Guam's economy in Fiscal Year 2024 continued on a path of moderate recovery and expansion, driven by a modest rebound in tourism and sustained military investment. These developments have a direct influence on GWA's operating environment by shaping service demand, infrastructure requirements, and long-term financial planning.

Tourism Recovery and Impact

The Guam Visitors Bureau reported tourist arrivals reaching 752,479 in FY 2024, marking a significant recovery from the pandemic low of just 61,607 in FY 2021. Please refer to Exhibit 15: Visitor Arrivals and Industry Statistics in the Statistical Section of this report, for more details. This recovery translated into higher occupancy rates and increased commercial activity, particularly in the hospitality and retail sectors. As a result, GWA observed a notable increase in water and wastewater consumption from hotel and commercial customers, which positively contributed to operating revenues.

Defense Activity and Base Expansion

Investments in the military continued to be a key factor in economic expansion. Marine Corps Base Camp Blaz saw substantial construction and operational activity as a result of the ongoing Indo-Pacific realignment. Full operational capacity is anticipated by 2028, with initial occupancy anticipated in FY 2026. With dedicated connections for water and wastewater services already in

place, which will serve new defense installations, GWA's infrastructure is positioned strategically to support this expansion.

Risks and Mitigation Strategies

Despite positive economic indicators, Guam remains vulnerable to inflationary pressures, supply chain constraints, and natural disasters, as demonstrated by the widespread impacts of Typhoon Mawar in 2023. To mitigate these and other financial and operational risks, GWA has implemented the following strategies:

- Maintains conservative financial forecasting, stress-testing assumptions to remain resilient against potential revenue or cost shocks.
- Preserves liquidity through targeted reserves of at least 120 days of operating and maintenance (O&M) expenses.
- Implements Public Utilities Commission (PUC)-approved rate plans, creating predictable, sustainable funding to support CIP and operational needs.
- Utilizes a blended capital financing strategy, drawing from long- and short-term debt, federal funds, and internally generated revenues to reduce reliance on any single funding source.
- Strengthens emergency preparedness and facility hardening, improving the Authority's ability to maintain service during typhoons, earthquakes, or other emergency scenarios.

As required by the America's Water Infrastructure Act of 2018, the Authority conducted a risk and resiliency assessment in 2020, evaluating threats from both malevolent acts and natural disasters, along with the resilience of its infrastructure and operational systems. An updated risk and resiliency assessment was finalized in March 2024 and certified to the U.S. EPA, with findings to be incorporated into the Authority's revised Emergency Response Plan. This updated plan is set for U.S. EPA certification by September 30, 2025, after which it will be fully integrated into the Guam Emergency Response Plan.

To mitigate cybersecurity risks, the Authority has implemented policies and protocols based on National Institute of Standards and Technology guidelines, including system testing, vulnerability assessments, business continuity plans, and incident response updates. GWA also conducts regular external security assessments, strengthens network redundancy, and ensures ongoing employee cybersecurity training. Additionally, the Government, in collaboration with various agencies and partners, supports cybersecurity efforts to improve preparedness. Despite these measures, the Authority cannot guarantee the prevention of significant cybersecurity incidents.

Strategic Outlook

Guam's future is being shaped by continued investment in infrastructure, an expanding defense presence, and the ongoing recovery of its tourism industry. Within this changing environment, GWA remains a critical partner in supporting the island's growth. Through its collaboration with the U.S. Navy under the One-Guam Initiative, GWA continues to advance joint water resource management and strengthen operational capabilities. Key efforts include the joint evaluation of PFAS treatment technologies, which will help both agencies meet new federal drinking water standards while protecting Guam's aquifer. The Authority and the Navy have also formalized co-management of the NGLA through a Memorandum of Agreement, underscoring their shared commitment to long-term groundwater sustainability. However, uncertainty remains as shifting

federal policies, ranging from infrastructure funding priorities to evolving environmental and regulatory standards, create challenges for long-term planning.

Additionally, GWA and the Navy have implemented shared cybersecurity protocols and data coordination agreements to safeguard critical infrastructure against evolving threats. Ongoing system interconnection projects and infrastructure interoperability, such as the shared use of reservoirs and water exchange points, have improved reliability and mutual support during emergencies. Training initiatives and coordinated planning also continue to align efforts on system needs, master planning, and workforce development, further reinforcing GWA's role in sustaining and modernizing Guam's water and wastewater systems.

Awards and Acknowledgements

This report signifies GWA's adherence to the highest standards in financial reporting, following the guidelines set by the Government Finance Officers Association (GFOA). Although GWA has not yet submitted this report for the GFOA Certificate of Achievement for Excellence in Financial Reporting, the structure and disclosures are designed to meet such standards.

GWA is proud to have received the Certificate of Excellence in Citizen-Centric Reporting from AGA National for its FY 2023 Citizen-Centric Report (CCR), issued in August 2024. This prestigious recognition highlights GWA's commitment to transparency, good governance, and responsible fiscal stewardship. The AGA review team highlighted the report's strong visual design, praising the effective use of graphs and photos to aid understanding, as well as its overall depth and clarity. They commended the report for clearly orienting readers unfamiliar with GWA, showcasing capital projects through a color-coded and geographically aligned layout, presenting substantial financial information including a clean audit opinion, and offering a transparent, and comprehensive discussion of challenges. This award reflects GWA's ongoing dedication to delivering accessible, informative reporting that strengthens public trust and accountability.

In line with the national recognition, in June 2024, GWA also received the AGA Guam Chapter Citizen Centric Reporting Award for its FY 2023 CCR demonstrating excellence in its report to the citizens as the CCR aims to simplify complex government information and enhance transparency and accountability.

We extend our appreciation to the GWA finance and executive team who made this report possible, Ernst & Young LLP for their professional audit services, and the CCU for its governance and leadership. We also acknowledge the dedication of all GWA employees whose efforts ensure safe and sustainable water resources for our community.

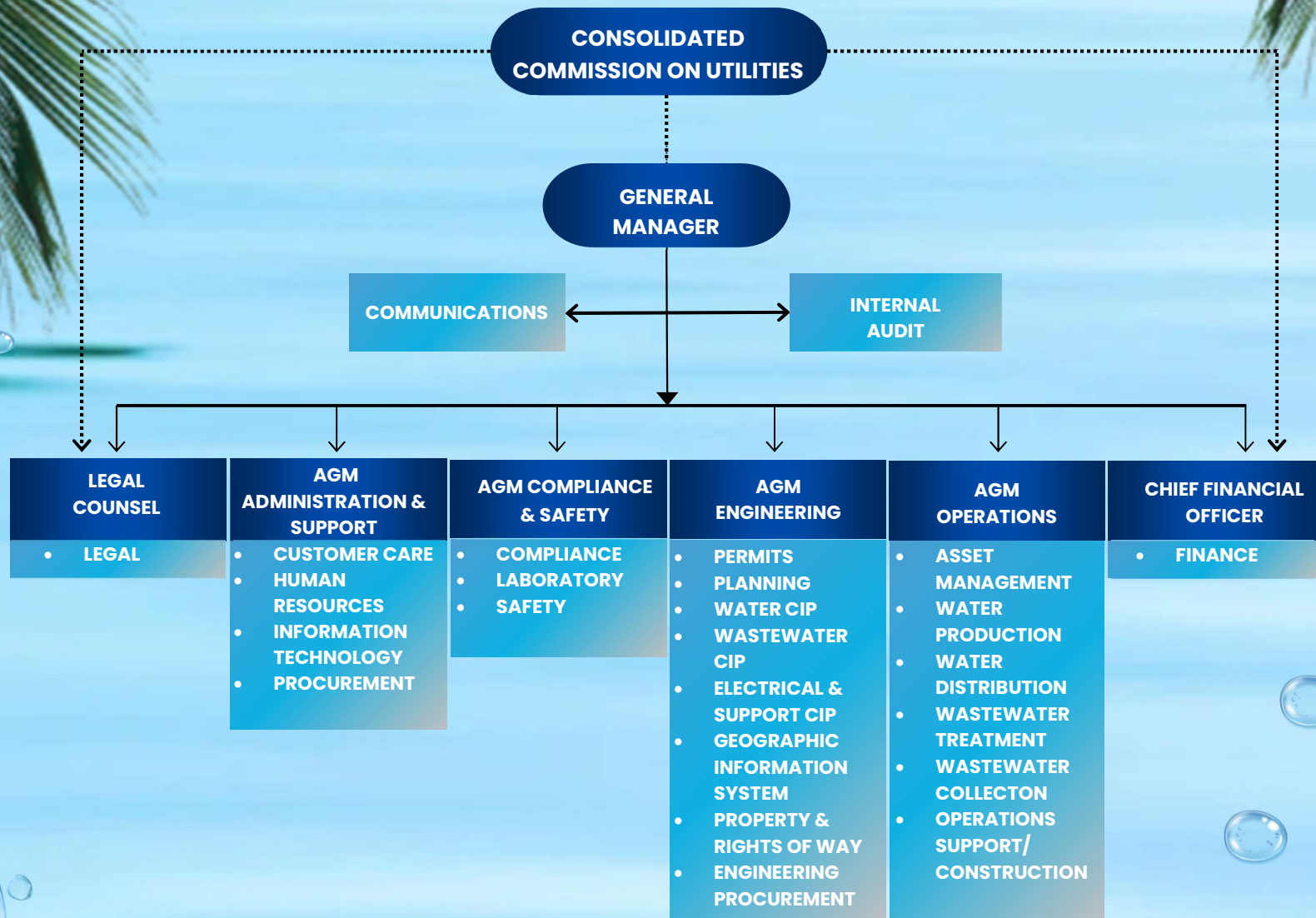
Respectfully submitted,


Miguel C. Bordallo, General Manager


Taling M. Taitano, Chief Financial Officer

GUAM WATERWORKS AUTHORITY

ORGANIZATIONAL CHART



GUAM WATERWORKS AUTHORITY

List of Board Members and Key Management

as of September 30, 2024

Consolidated Commission on Utilities

Chairman
Vice Chairman
Secretary
Commissioner
Commissioner

Joseph (Joey) T. Duenas
Francis E. Santos
Peter Roy Martinez
Michael Limtiaco
Simon A. Sanchez II

Key Management

General Manager
Chief Financial Officer
General Counsel
Assistant General Manager, Operations
Acting Assistant General Manager, Engineering
Assistant General Manager, Compliance and Safety
Assistant General Manager, Administration and Support

Miguel C. Bordallo
Taling M. Taitano
Theresa G. Rojas
Thomas F. Cruz
Brett E. Railey
Paul J. Kemp
Christopher M. Budasi



FINANCIAL SECTION



Ernst & Young LLP
231 Ypao Road
Suite 201 Ernst & Young Building
Tamuning, Guam 96913

Tel: +1 671 649 3700
Fax: +1 671 649 3920
ey.com

Report of Independent Auditors

Commissioners
Consolidated Commission on Utilities

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Guam Waterworks Authority (the Authority), a component unit of the Government of Guam, as of and for the years ended September 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents (collectively referred to as the "basic financial statements").

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority at September 30, 2024 and 2023, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis as well as the Schedules of Proportionate Share of the Net Pension Liability, the Schedule of Pension Contributions, the Schedule of Proportionate Share of the Total OPEB Liability, and the Notes to Required Supplementary Information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Schedule of Certain Operating and Maintenance Expenses, the Schedule of Construction Work in Progress, the Schedules of Net Position, Revenue, Expenses and Changes in Net Position for the System Development Charge Fund, and the Schedule of Operating Revenues are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Certain Operating and Maintenance Expenses, the Schedule of Construction Work in Progress, the Schedules of Net Position, Revenue, Expenses and Changes in Net Position for the System Development Charge Fund, and the Schedule of Operating Revenues are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the Schedule of Employee and Other Data but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2025 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Ernst + Young LLP

May 26, 2025

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis

Years ended September 30, 2024 and 2023

As management of the Guam Waterworks Authority (GWA), we offer readers of GWA's financial statements this narrative overview and analysis for the fiscal year ending September 30, 2024. It is based on the financial statements provided in the annual audit report. Selected comparable financial data from the prior year is also provided.

The following Management's Discussion and Analysis (MD&A) should be read in conjunction with GWA's basic financial statements and related notes to enhance understanding of the Authority's financial performance.

Introduction

GWA provides water and wastewater services to the majority of Guam's civilian population and some military facilities. In 2002, pursuant to Public Law 26-76, the Authority was converted from a government agency to a Guam public corporation governed by the Consolidated Commission on Utilities (CCU).

The CCU is an elected non-partisan body with five staggered positions. The five-member commission assumed policy responsibility and decision-making authority over GWA operations. Their roles include the development of operating and financial budgets and overall management strategy and direction. Two seats were up for election on November 5, 2024. The CCU hires the General Manager, the Legal Counsel, and the Chief Financial Officer for GWA. The CCU also oversees the Guam Power Authority (GPA).

GWA's main offices are co-located with GPA at the Gloria B. Nelson Public Service Building in Fadian, Mangilao. Satellite offices in Hagåtña and Upper Tumon serve both GWA and GPA customers. Operations and Maintenance personnel also work out of water and wastewater treatment plants as well as field offices in various locations. At the end of FY2024, GWA had a staff of 347 full-time equivalent (FTE) employees.

GWA owns and operates a variety of facilities that provide water and wastewater services. These facilities represent a significant investment of ratepayer funds and include substantial visible and underground infrastructure assets. The condition and performance of GWA's existing utility system assets were reviewed in the 2018 Water Resources Master Plan Update; the next update to the Master Plan is scheduled to be completed in FY2025.

Guam Waterworks Authority
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Management's Discussion and Analysis, continued

Introduction, continued

Water sources on the island of Guam include groundwater, surface water, and springs. Groundwater supplies about 90 percent of the drinking water for Guam's residents and visitors. Deep wells are used to extract groundwater for use. GWA owns 120 wells, of which 95 were operational (though all were not in use) on September 30, 2024. GWA's water system includes a network of transmission and distribution pipelines, booster pump stations, pressure regulating valve stations, reservoirs, tanks, and fire hydrants, all supporting the agency's effort to provide more efficient and reliable service to its customers while meeting regulatory requirements. At the end of FY2024, GWA had over 43,650 water customers.

GWA provides wastewater services for Guam's general population, Andersen Air Force Base, and other military installations in Northern Guam. At the end of FY2024, GWA had more than 31,150 wastewater customers. The wastewater system is separated into seven wastewater basins, served by six wastewater treatment plants, and an extensive collection system. The GWA wastewater collection systems are comprised of gravity sewer pipes, manholes, pump stations, ejector stations, force mains, and siphons.

GWA continues to transform by working to improve its management and operations. Recent successes include continued development of our asset management program and deployment of mobile workforce tools, advancing the implementation of District Metered Areas and proactive leak detection as part of our comprehensive Water Loss Control Program, initial testing for implementation of Advance Metering Infrastructure (AMI) to enhance customer metering and streamlining/automating certain aspects of our procurement processes. These efforts have all contributed to improved operations and set the stage for gains in efficiency and improved operating results in the near future.

Regulatory Oversight

Public Utilities Commission

The Guam Public Utilities Commission (PUC) has the responsibility and authority to regulate rates charged by GWA as well as approve all revenue-funded contracts over \$1 million. The PUC is governed by seven commissioners who serve six-year terms under appointments by the Governor and confirmation by the legislature.

On March 8, 2024, GWA submitted a draft petition to the PUC for approval of the Five-Year Financial Plan and rate relief for FY2025 through FY2029. The FY2025-FY2029 Five-Year Financial Plan, GWA Docket 24-05, was officially filed on June 6, 2024. The PUC issued a rate decision on September 24, 2024, approving an 11.5% increase in water and wastewater rates effective October 1, 2024. The PUC also approved rate increases of 10.75% for FY2026, and rate increases of 7.75% in FY2027, FY2028, and FY2029. Lifeline rate increases were approved only for FY2025. Rate increases for FY2026 through FY2029 are subject to annual true-up proceedings.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

Regulatory Oversight, continued

Public Utilities Commission, continued

A five-year Capital Improvement Program was submitted with the FY2025-FY2029 Financial Plan totaling \$899 million. Thirty percent (30%) of the CIP consists of Partial Consent Decree projects (wastewater collection), 22% of the CIP will address emerging contaminants (water production and water treatment), 23% is projected to be spent on line replacements which will address water loss, and the remainder will be used for general plant improvements, expansion of SCADA and a study to address the movement of the Hagåtña Wastewater Treatment Plant to secondary treatment.

A PUC Order, issued on March 28, 2024, approved in principle, a new rate design structure proposed in GWA Docket 19-08. The proposed rate design replaces the current residential two-tier rate structure with a three-block volumetric water charge. Additionally, residential customers will be charged a monthly meter-based fixed charge along with a volumetric charge for wastewater services instead of the current wastewater fixed monthly fee. A fixed monthly wastewater charge for commercial customers is proposed in combination with the current volumetric wastewater charges. GWA plans to include the implementation of the rate design with its FY2026 rates.

Guam and US Environmental Protection Agencies

GWA must adhere to Guam and federal regulations for both water and wastewater treatment and services. Water standards are based on the requirements established by the Safe Drinking Water Act (SDWA), while wastewater treatment and disposal are governed by the Clean Water Act (CWA). The U.S. Environmental Protection Agency (US EPA) issues NPDES (National Pollutant Discharge Elimination System) permits for GWA facilities when required and is responsible for monitoring its compliance. The Guam Environmental Protection Agency (GEPA) is the territorial agency in charge of monitoring GWA water system operations as well as SDWA compliance.

GWA is currently under a 2011 Court Order to address US EPA complaints and has completed all but one element, which involves repairing or replacing potable water reservoirs. Due to the challenges impacting construction capacity on Guam, including global supply chain disruptions, inflationary pressures, and the ongoing military buildup, the District Court approved GWA's request to extend the deadline for completing the reservoir projects to December 31, 2025.

In further regulatory enforcement efforts, GWA and US EPA negotiated a Partial Consent Decree (CD) to address its wastewater collection and conveyance systems. The negotiated Partial CD, signed by Guam signatories in December 2023, was filed by US EPA in Guam District Court on January 31, 2024. On August 9, 2024, the Partial CD was signed by Chief Judge Tydingco-Gatewood, and it went into effect.

Guam Waterworks Authority
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Management's Discussion and Analysis, continued

Regulatory Oversight, continued

Guam and US Environmental Protection Agencies, continued

The 2024 Partial CD requires the Authority to make certain improvements to the System and to undertake certain planning measures by specific dates in the next 10 years. Such improvements primarily relate to the wastewater collection system, including pipelines, pump stations, maintenance and other operational program improvements, and planning studies for secondary wastewater treatment.

Bond Refunding and Tender

GWA issued Series 2024AB Refunding Bonds to refinance all or a portion of Series 2013 Revenue Bonds and Series 2014A Refunding Bonds for debt service savings. Proceeds were also allocated to cover the purchase of certain GWA bonds tendered for cash pursuant to the Invitation to Tender Bonds. Additionally, proceeds were used to cover the costs of issuance of the Series 2024AB Refunding Bonds and associated refunding. The pricing of the refunding bonds occurred on February 29, 2024. The closing of the Series 2024A Refunding Bonds occurred on March 14, 2024, while the Series 2024B Refunding Bonds closed on April 2, 2024. The 2024AB Refunding and Tender resulted in debt service savings of \$21 million or net present value savings after adjustments of \$14.5 million.

Additional Bond and Short-Term Financing Authorization

Public Law 37-103 increased GWA's bond authorization by \$560 million for a portion of the revenue bond issuances needed to finance proposed capital improvement projects (CIP) contained in the FY2025-FY2029 Financial Plan. Additionally, the public law authorizes a Tax-Exempt Commercial Paper (TECP) Program or similar short term financing instruments to be used during initial construction periods to reduce interest expense. GWA is also authorized to apply for and secure a US EPA Water Infrastructure Finance and Innovation Act (WIFIA), US Department of Agriculture infrastructure, or commercial bank loan.

Debt Service Coverage

GWA Resolution 17-FY2020 adopted a debt service coverage target of 1.4X for FY2021 and a near-term goal of 1.5X beginning in FY2022 calculated on the same basis as is called for in the GWA Revenue Bond Indenture. However, in response to financial pressures created by the impacts of the global pandemic on Guam's economy, the PUC authorized a debt service coverage ratio of 1.3X for the remainder of the Five-year Financial Plan, i.e., through FY2024, in its September 2022 rate order.

Guam Waterworks Authority
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Management's Discussion and Analysis, continued

2022 Salary Market Update and Strategic Pay Scale

To enhance GWA's competitiveness in the job market, on May 28, 2024, the CCU accepted the recommendations made in Resolution 07-FY2024 relative to the 2022 Salary Market Review Update. A new and adjusted strategic pay scale and related structural pay adjustments contained in the 2022 Market Review were implemented in June 2024, migrating the 2022 pay scale to the 25th market percentile. Further, GWA will migrate to the 50th market percentile by FY2029, subject to the availability of funds.

Financial Management System

In FY2024, GWA launched Phase 2 of its Financial Management System upgrade, Oracle Procurement Cloud. The overall objective of the project is to support the efficient execution of CIP projects, including digitizing procurement, CIP planning, and engineering document management.

GWA has continued to leverage Oracle's Content and Experience Cloud (CEC) to assist with document storage, management, and collaboration.

Federal Assistance

U.S. Environmental Protection Agency (US EPA)

The Infrastructure Investment and Jobs Act, also known as the Bipartisan Infrastructure Law, was signed into law on November 15, 2021. As a result, the GWA FY2024 (Federal Fiscal Year 2023) allotment received through the US EPA State Revolving Fund was \$24 million. Funds must be obligated within three years and are used for a number of water and wastewater capital projects including sewer line upgrades, sewer force main improvements, and water distribution system pressure zone realignments. US EPA SRF expenditures totaled \$2.1 million in FY2024.

American Rescue Plan Act (ARPA)

In November 2022, GWA received \$8.6 million in ARPA funding from the Office of the Governor of Guam to enhance utility services to underserved areas impacted by the COVID-19 pandemic. This grant will fund water and wastewater infrastructure upgrades in Adacao; \$672 thousand was expended in FY2024.

Department of Interior (DOI)

In prior years, GWA was awarded grants for training and equipment purchases through the Office of Insular Affairs. DOI expenditures related to those grants totaled \$198 thousand in FY2024. Additionally, GWA was awarded \$400 thousand from the Bureau of Reclamation at the end of FY2024 for rehabilitation of the Santa Rita Springs.

Guam Waterworks Authority
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Management's Discussion and Analysis, continued

Federal Assistance, continued

Ratepayer Assistance Programs

The Guam Department of Administration administered programs to assist qualified applicants pay current and past due GWA bills. The Guam Emergency Rental Assistance Program (GERAP) and the Guam Homeowners Assistance Fund (GHAFF), funded through the second federal relief act, assists renters and homeowners with water and wastewater billings. In FY2024, total GERAP payments received were approximately \$539 thousand and total GHAFF payments received were approximately \$73 thousand.

Typhoon Mawar

After a review of GWA claims, FEMA provided an estimate of eligible reimbursements of \$1.1 million for Category B Emergency Protective Measures related to May 2023's Typhoon Mawar. On February 19, 2025, GWA received a notice of award for reimbursement of these claims totaling \$1.0 million from the Guam Homeland Security Office of Civil Defense. GWA is also working on Category F Permanent Work claims documentation currently estimated at \$1.3 million.

Additionally, GWA is working with its insurance company on claims, including business interruption, related to Typhoon Mawar. In FY2024, GWA's insurance company provided an advance of \$1.0 million towards typhoon damage related claims. In April 2025, GWA received \$660 thousand towards its business interruption claim. GWA's policy has a \$1 million deductible.

Water Loss

As of FY2024, GWA has established 21 and is constructing 4 additional district metered areas (DMAs) out of a planned 36 DMAs. The remaining 11 DMAs are currently contracted for design and will then be constructed. Within each DMA, water flow entering and leaving the DMA can be measured through flow meters and customer meters. Using this flow data, real water losses within each DMA can be determined. The data from the DMA is loaded into software to analyze loss patterns and trends and assess performance of leak detection and repair efforts. Leak detection campaigns are being performed to identify and repair leaks that otherwise would not have been reported.

The vast majority of leaks detected occur on service laterals less than 4 inches in diameter, and although reductions in losses have been achieved after detected leaks are repaired, they are not sustained as new leaks in other sections of the piping subsequently appear. The data resulting from the on-going water loss control program confirms that piping is beyond its useful service life and sustained reductions in water loss will require large scale line replacements. In FY2024, GWA issued several line replacement design contracts to begin these pipe replacement projects.

Guam Waterworks Authority
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Management's Discussion and Analysis, continued

Water Loss, continued

Additional leak detection equipment has been acquired and training for leak detection staff has been conducted. As of FY2024, GWA has deployed three (3) leak detection teams as scheduled to conduct recurring and regular sweeps of each operational DMA. Aside from the identification and repair of leaks that would otherwise not be reported, the teams have also identified illegal connections and reported them for action to GWA's revenue protection unit. Additional personnel are needed to fully staff each of the three teams, and an additional team may be required as more DMA's are brought on-line.

Guam's Economic Recovery

GWA continues to monitor the pace of Guam's post-pandemic tourism recovery and has maintained its cost-containment strategy, worked towards reducing production and enhanced water loss control efforts, while closely tracking the rebound's impact on revenues.

GWA also worked to maintain the timely execution of on-going CIP projects to enhance critical water and wastewater infrastructure systems, and to sustain economic activity related to these significant construction projects.

Overview of the Financial Statements

This MD&A 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 33 of this report.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents supplementary and statistical information. Supplementary and statistical information can be found beginning on page 77 of this report.

Financial Condition and Results

In FY2024, the Authority experienced a substantial increase in its total net position, rising by \$6.2 million over FY2023. This improvement resulted from a net operating income of \$20.0 million, coupled with non-operating revenues of \$10.0 million, primarily from investment income. These gains were partially offset by non-operating expenses amounting to \$26.8 million, mainly due to interest expenses, and \$3.0 million in capital contributions.

The Authority's net investment in capital assets constitutes 94.1% of total net position which represents significant investments in GWA's utility infrastructure. The net amount invested in capital assets decreased by \$10.2 million compared to the previous year.

Summary Statement of Net Position

	September 30, 2024	September 30, 2023	<u>2024 to 2023 Comparison</u>		September 30, 2022
			Increase/ (Decrease)	% Change	
Current and other assets	\$ 333,682,275	\$ 325,180,362	\$ 8,501,913	2.6%	\$ 326,517,486
Capital assets, net	811,400,744	812,902,989	(1,502,245)	-0.2%	814,497,440
Deferred outflows of resources	69,291,823	77,227,192	(7,935,369)	-10.3%	80,679,601
Total assets and deferred outflows	<u>\$1,214,374,842</u>	<u>\$1,215,310,543</u>	<u>\$ (935,701)</u>	-0.1%	<u>\$1,221,694,527</u>
Current and other liabilities	\$ 196,805,836	\$ 182,998,550	\$ 13,807,286	7.5%	\$ 205,224,088
Long-term debt	631,351,050	650,847,410	(19,496,360)	-3.0%	662,573,147
Deferred inflows of resources	45,550,274	46,950,249	(1,399,975)	-3.0%	31,668,558
Total liabilities and deferred inflows	<u>873,707,160</u>	<u>880,796,209</u>	<u>(7,089,049)</u>	-0.8%	<u>899,465,793</u>
Net Position:					
Net investment in capital assets	320,670,696	330,849,577	(10,178,881)	-3.1%	322,499,972
Restricted	119,899,165	102,947,398	16,951,767	16.5%	99,393,423
Unrestricted	(99,902,179)	(99,282,641)	(619,538)	0.6%	(99,664,661)
Total net position	<u>340,667,682</u>	<u>334,514,334</u>	<u>6,153,348</u>	1.8%	<u>322,228,734</u>
Total liabilities, deferred inflows and net position	<u>\$1,214,374,842</u>	<u>\$1,215,310,543</u>	<u>\$ (935,701)</u>	-0.1%	<u>\$1,221,694,527</u>

Total operating revenues for FY2024 increased by 20.5%, or \$22.1 million, over the prior fiscal year. This growth can largely be attributed to a 16.7% rate increase approved by the PUC, effective October 1, 2023, directly impacting the Authority's water and wastewater revenues.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

Financial Condition and Results, continued

Water revenues, excluding System Development Charges, rose significantly by \$13.1 million, or 19.1%, driven by higher demand and the PUC-approved rate increase. In the residential sector, water revenue increased by \$5.5 million despite a slight decline in demand of 2.2%, equivalent to 69.5 million gallons. The hotel sector contributed an additional \$3.1 million, driven by a substantial 14.6% increase in demand, amounting to 80.9 million gallons which can be attributed to an increase in visitor arrivals. According to the Guam Visitors Bureau, visitor statistics showed a 25% increase, with total visitors reaching 752 thousand at the end of FY2024, compared to 602 thousand at the end of FY2023. The commercial sector also saw growth, adding \$3.0 million in revenue, supported by a 2.9% rise in demand, amounting to 23.9 million gallons.

Wastewater revenues, excluding System Development Charges, grew by \$8.4 million, or 22.4%. The hotel sector saw the most significant increase, with revenue rising by \$2.7 million, or 33.8%, driven by a 12.8% increase in wastewater flow, equivalent to 48.1 million gallons. The federal sector followed, with a revenue increase of \$2.0 million, or 28.2%, supported by an 8.8% rise in volume discharged, translating to 49.3 million gallons. The residential sector contributed \$1.7 million, or 18.0%, to the revenues, despite a 3.0% decline in wastewater flow, amounting to a reduction of 56.9 million gallons.

Notably, the growth in non-residential wastewater revenues is closely tied to water consumption, with these revenues being billed at 80% of water demand. In contrast, residential customers with wastewater services are billed at a flat rate. Among the approximately 40 thousand residential customers with water services, only about 78%, or 31 thousand, have wastewater services.

Total operating expenses for FY2024 increased by 3.8%, or \$4.0 million, compared to FY2023. Power purchases decreased by \$2.5 million, or 10.3%, due to a decline in the LEAC (Levelized Energy Adjustment Clause) rates tied to the fluctuating price of oil. The LEAC dropped by 27% in the first half of FY2024 and increased by 13% in the second half. Overall consumption also decreased by 754 thousand kWh, with wastewater treatment demand down by 30% and water production demand up by 8%.

Water purchases from the Navy increased by \$1.6 million, or 23.1%, due to a 37.1%, or 219 million gallons, increase over FY2023. The Authority relies on the Navy's water supply to augment GWA's water production when necessary.

Salaries increased by \$1.5 million, or 5.9%, primarily due to a year-end pension adjustment of \$1.1 million. Additionally, employees received a structural pay adjustment to the 25% percentile on the updated 2022 pay scale approved in GWA Resolution 07-FY2024. The pay adjustment occurred in the last quarter of FY2024, resulting in an additional \$900 thousand in costs, inclusive of benefits.

Guam Waterworks Authority
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Management's Discussion and Analysis, continued

Financial Condition and Results, continued

Retiree healthcare costs increased by 87.4%, an additional \$4.0 million over FY2023. This rise is due to accounting rules that require recognition of future costs of promised postemployment benefits, even though these adjustments do not involve any current cash outlays.

Non-operating results reflect a decrease of \$15.6 million in non-operating revenues and a \$1.9 million reduction in interest expense due to the Authority's issuance of its 2024A and 2024B refunding of the 2013 and 2014A bonds and tender of portions of its 2016, 2017 and 2020B bonds in FY 2024.

A comparative analysis of Revenues, Expenses, and Changes in Net Position for FY2024 and FY2023, as well as the results of FY2022 are illustrated in the table below:

Results of Operations/Statement of Revenues, Expenses and Changes in Net Position

	September 30, <u>2024</u>	September 30, <u>2023</u>	<u>2024 to 2023 Comparison</u>		September 30, <u>2022</u>
			Increase/ (Decrease)	% Change	
Revenues:					
Water	\$ 82,701,804	\$ 69,482,859	\$13,218,945	19.0%	\$ 67,271,841
Wastewater	46,792,848	38,130,751	8,662,097	22.7%	35,434,169
Other	591,327	567,167	24,160	4.3%	464,488
Bad debts	(229,334)	(421,467)	192,133	-45.6%	(2,028,510)
Total operating revenue	<u>129,856,645</u>	<u>107,759,310</u>	<u>22,097,335</u>	20.5%	<u>101,141,988</u>
Expenses:					
Power purchases	21,892,448	24,397,961	(2,505,513)	-10.3%	18,577,440
Water purchases	8,662,002	7,038,954	1,623,048	23.1%	5,656,471
Sludge (waste) disposal fees	1,099,837	676,362	423,475	62.6%	658,813
Salaries, wages and benefits	25,922,460	24,470,756	1,451,704	5.9%	22,191,629
Depreciation	30,172,311	30,911,997	(739,686)	-2.4%	28,462,573
Administrative and general	8,213,661	8,346,930	(133,269)	-1.6%	7,297,610
Contractual	5,237,504	5,421,883	(184,379)	-3.4%	4,492,845
Retiree healthcare costs and other benefits	8,661,999	4,621,864	4,040,135	87.4%	8,864,985
Total operating expenses	<u>109,862,222</u>	<u>105,886,707</u>	<u>3,975,515</u>	3.8%	<u>96,202,366</u>
Net operating income	19,994,423	1,872,603	18,121,820	967.7%	4,939,622
Non-operating revenue	9,965,400	25,605,563	(15,640,163)	-61.1%	941,435
Less: Interest expense	(26,805,659)	(28,678,533)	1,872,874	-6.5%	(29,175,309)
Total non-operating revenues (expenses), net	<u>(16,840,259)</u>	<u>(3,072,970)</u>	<u>(13,767,289)</u>	448.0%	<u>(28,233,874)</u>
Income (loss) before capital contributions	3,154,164	(1,200,367)	4,354,531	-362.8%	(23,294,252)
Capital contributions	<u>2,999,184</u>	<u>13,485,967</u>	<u>(10,486,783)</u>	-77.8%	<u>35,806,383</u>
Change in net position	6,153,348	12,285,600	(6,132,252)	-49.9%	12,512,131
Net position - beginning year	<u>334,514,334</u>	<u>322,228,734</u>	<u>12,285,600</u>	3.8%	<u>309,716,603</u>
Net position - end of year	<u>\$340,667,682</u>	<u>\$334,514,334</u>	<u>\$ 6,153,348</u>	1.8%	<u>\$322,228,734</u>

Guam Waterworks Authority
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Management's Discussion and Analysis, continued

Financial Condition and Results, continued

The tables below illustrate the distribution of revenues and demand among major customer classes:

Annual Water Revenues (Excluding System Development Charges)

<u>Class Type</u>	<u>FY24</u>	<u>FY23</u>	<u>2024 to 2023 Comparison</u>		<u>FY22</u>
			<u>Increase</u> <u>(Decrease)</u>	<u>% Change</u>	
Agricultural	\$ 501,463	\$ 368,471	\$ 132,992	36.1%	\$ 431,070
Golf Course	18,620	116,491	(97,871)	-84.0%	70,280
Commercial	17,467,530	14,461,167	3,006,363	20.8%	13,720,269
Federal	33,854	25,097	8,757	34.9%	28,145
Government	9,053,937	7,514,091	1,539,846	20.5%	7,611,024
Hotel	12,143,153	9,046,164	3,096,989	34.2%	7,125,401
Irrigation	38,727	34,965	3,762	10.8%	39,113
Residential	42,668,267	37,209,436	5,458,831	14.7%	37,709,793
Total	<u>\$81,925,551</u>	<u>\$68,775,882</u>	<u>\$13,149,669</u>	19.1%	<u>\$66,735,095</u>

Annual Wastewater Revenues (Excluding System Development Charges)

<u>Class Type</u>	<u>FY24</u>	<u>FY23</u>	<u>2024 to 2023 Comparison</u>		<u>FY22</u>
			<u>Increase</u> <u>(Decrease)</u>	<u>% Change</u>	
Commercial	\$ 9,280,158	\$ 8,538,306	\$ 741,852	8.7%	\$ 8,373,667
Federal	9,093,663	7,094,928	1,998,735	28.2%	6,110,211
Government	5,583,721	4,356,099	1,227,622	28.2%	4,391,010
Hotel	10,835,621	8,100,157	2,735,464	33.8%	6,523,248
Residential	11,077,096	9,389,071	1,688,025	18.0%	9,327,418
Total	<u>\$45,870,259</u>	<u>\$37,478,561</u>	<u>\$8,391,698</u>	22.4%	<u>\$34,725,554</u>

Water Demand by Rate Class
(in '000 gallons)

<u>Class Type</u>	<u>FY24</u>	<u>FY23</u>	<u>2024 to 2023 Comparison</u>		<u>FY22</u>
			<u>Increase</u> <u>(Decrease)</u>	<u>% Change</u>	
Agricultural	59,551	49,748	9,803	19.7%	65,719
Golf Course	158	6,415	(6,257)	-97.5%	3,796
Commercial	840,261	816,393	23,868	2.9%	818,460
Federal	1,317	1,099	218	19.8%	1,389
Government	462,968	445,116	17,852	4.0%	471,943
Hotel	635,654	554,767	80,887	14.6%	462,757
Irrigation	3,460	3,242	218	6.7%	4,888
Residential	3,115,717	3,185,230	(69,513)	-2.2%	3,450,574
Total	<u>5,119,086</u>	<u>5,062,010</u>	<u>57,076</u>	1.1%	<u>5,279,526</u>

Guam Waterworks Authority
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Management's Discussion and Analysis, continued

Financial Condition and Results, continued

Wastewater Demand by Rate Class

(in '000 gallons)

Class Type	FY24	FY23	2024 to 2023 Comparison		FY22
			<u>Increase</u> (Decrease)	<u>% Change</u>	
Commercial	548,241	570,488	(22,247)	-3.9%	585,512
Federal	607,799	558,530	49,269	8.8%	508,438
Government	375,420	341,718	33,702	9.9%	365,856
Hotel	425,057	376,947	48,110	12.8%	318,491
Residential	<u>1,849,134</u>	<u>1,906,036</u>	<u>(56,902)</u>	-3.0%	<u>2,051,330</u>
Total	<u>3,805,651</u>	<u>3,753,719</u>	<u>51,932</u>	1.4%	<u>3,829,627</u>

Capital Assets

As of September 30, 2024, the Authority had \$811.4 million (net of accumulated depreciation) invested in utility capital assets. This fiscal year saw a net decrease of \$1.5 million in property, plant, and equipment, explained by the addition of \$27.5 million in assets placed in service, \$2.9 million in capital asset disposals due to replacements, a decrease in accumulated depreciation by \$28.0 million, and an increase in Construction Work in Progress (CWIP) by \$1.2 million. This CWIP increase reflects \$28.6 million in construction work added and \$27.4 million in construction closeouts. A schedule of CWIP is provided on page 78.

The increase in property, plant, and equipment is attributable to ongoing major capital improvement projects associated with a 2011 Federal Court Order, the Partial Consent Decree, the Authority's 5-year Capital Improvement Program, and the Water Resources Master Plan Update of August 2018.

Capital Assets, Net of Accumulated Depreciation

	September 30, <u>2024</u>	September 30, <u>2023</u>	2024 to 2023 Comparison		September 30, <u>2022</u>
			<u>Increase</u> (Decrease)	<u>% Change</u>	
Capital assets, net	\$730,296,860	\$733,466,467	\$(3,169,607)	-0.4%	\$635,933,884
Land	5,741,163	5,287,305	453,858	8.6%	5,287,305
Construction in progress	<u>75,362,721</u>	<u>74,149,217</u>	<u>1,213,504</u>	1.6%	<u>173,276,251</u>
Total	<u>\$811,400,744</u>	<u>\$812,902,989</u>	<u>\$(1,502,245)</u>	-0.2%	<u>\$814,497,440</u>

Guam Waterworks Authority
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Management's Discussion and Analysis, continued

Capital Assets, Net of Accumulated Depreciation, continued

The Authority's revenue, long-term debt, and grants-in-aid are integral in financing capital investments. During this fiscal year, significant construction projects were completed, resulting in major capital additions. These projects encompassed a variety of essential infrastructure improvements, including the rehabilitation and replacement of sewer lines, reservoir replacements, deep well pump and motor replacements, pressure zone realignment work, and the enhancement of sewer pump and water booster pump stations. Additionally, general plant improvements were also undertaken, all contributing to the Authority's mission of maintaining and upgrading its utility infrastructure.

The table below provides a detailed overview of these major capital additions, reflecting the Authority's commitment to investing in and improving its infrastructure to ensure reliable and efficient utility services.

FY2024 Capital Asset Additions

<u>Wastewater</u>	
Treatment plants	\$ 10,480
Sewer lines	3,202,333
Sewer pump stations	<u>1,378,311</u>
	4,591,124
<u>Water</u>	
Reservoirs	4,872,055
Deepwells	1,990,402
Booster pump stations	1,079,521
Water lines	10,833,594
Meters	173,181
Fire hydrants	<u>628,447</u>
	19,577,200
General Plant Improvements	<u>3,283,155</u>
Total	<u>\$27,451,479</u>

For additional information concerning capital assets, please refer to Note 5 of the financial statements.

Debt

As of September 30, 2024, the Authority's total long-term debt stood at \$584.2 million, a decrease of \$29.3 million, or 4.8%, over the prior year. The Authority issued \$184.9 million in refunding bonds in FY2024,, reducing future debt service payments, and achieving net present value savings of \$14.5 million.

Guam Waterworks Authority
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Management's Discussion and Analysis, continued

Debt, continued

Bond covenants require that GWA maintain its principal, interest, and reserve funds for outstanding bond issues. In addition, the Authority is required to set rates and charges to yield earnings equal to at least 125% of the current annual debt service requirements of the outstanding 2016 and 2020A revenue bond series and 2017, 2020B, 2024A and 2024B refunding bond series.

Long-Term Debt

	September 30,	September 30,	<u>2024 to 2023 Comparison</u>		September 30,
	<u>2024</u>	<u>2023</u>	<u>Increase</u>	<u>% Change</u>	<u>2022</u>
			<u>(Decrease)</u>		
2013 Bond Series	\$ ---	\$ 18,365,000	\$(18,365,000)	-100.0%	\$21,510,000
2014 Refunding Bond Series	---	60,050,000	(60,050,000)	-100.0%	64,055,000
2016 Bond Series	81,890,000	134,140,000	(52,250,000)	-39.0%	134,975,000
2017 Refunding Bond Series	57,660,000	100,930,000	(43,270,000)	-42.9%	103,180,000
2020A Bond Series	134,000,000	134,000,000	---	---	134,000,000
2020B Refunding Bond Series	125,835,000	166,075,000	(40,240,000)	-24.2%	166,075,000
2024A Refunding Bond Series	133,575,000	---	133,575,000	---	---
2024B Refunding Bond Series	51,275,000	---	51,275,000	---	---
Total	<u>\$584,235,000</u>	<u>\$613,560,000</u>	<u>\$(29,325,000)</u>	<u>-4.8%</u>	<u>\$623,795,000</u>

As of the end of FY2024, Moody's Investor Services and Standard & Poor's maintained their existing GWA bond rating of Baa2, and A-, respectively. The ratings are important benchmarks of an issuer's ability to meet its financial obligation. Each rating agency incorporates a rating scale indicating the credit quality of the issuer. The scales are comprised of alphabetical symbols such as "AAA", "AA", "A", "BBB", "BB", and "B." For example, categorical ratings in the "AAA," "AA" and "A" ranges denote high credit quality meaning the issuer has a high capacity to meet its financial commitments whereas categorical ratings in the "BBB," "BB" and "B" ranges denote average credit quality. The lower the number of alpha characters assigned indicates the issuer is more susceptible to adverse effects or changes in circumstances and economic conditions than those with a higher number of alpha characters.

For more information concerning debt, please refer to Note 6 to the financial statements.

Please refer to the MD&A in the FY2023 GWA Financial Audit for additional information related to FY2023. A copy of the audit is posted on the GWA website at www.guamwaterworks.org/finance/ or can be obtained by contacting the Chief Financial Officer.

Guam Waterworks Authority
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Management's Discussion and Analysis, continued

Looking Forward

Outlook, Challenges, and Opportunities

With the FY2025 – FY2029 Financial Plan and related CIP Program approved, continued investments in the military buildup, and signs of renewed efforts by the Guam Visitors Bureau to improve arrivals from Japan, Korea, and Taiwan, GWA's outlook for the coming year continues to be defined by cautious optimism. Construction activity related to the military buildup continues apace and post-Typhoon Mawar assessments of resiliency by federal entities brings the possibility of additional infrastructure investment for both military and civilian systems. GWA remains concerned about regulatory and permitting delays for construction projects, the availability of companies bidding on construction contracts, and the persistent impact of inflationary pressures on construction costs and operational expenses. The impact of actions taken by the Trump Administration (e.g., actions on tariffs, immigration/visas, and federal program austerity) remain unclear but are anticipated to result in increasing costs and reduced federal funding. These anticipated effects, along with the uncertainty in financial markets, may pose additional challenges to GWA's capital financing efforts.

Operationally, GWA's implementation of the recommended salary compensation adjustments have seen a positive impact on employee turnover and retention. However, strategies to recruit certain hard-to-fill positions have yet to bear fruit. The Authority is investing in training and certification to maintain operational capabilities.

In FY2024, GWA transitioned to a cloud-based procurement process integrated with our enterprise financial management system in an effort to address challenges that affect our financial and operational planning and execution. In the coming year, GWA will continue to improve operational and capital project procurement through restructuring procurement processes and personnel assignments for greater effectiveness and efficiency, and continued enhancement of and training on our new cloud-based procurement system. However, delays from external review of our specialized utility procurements by the Office of the Attorney General will likely continue to hamper such efforts.

GWA will continue to advance needed capital improvement projects to address required system upgrades and enhancements for both water and wastewater services. Paramount among these are wastewater collection system improvements and new water treatment systems to address per- or poly-fluoroalkyl substances (PFAS) and other emerging contaminants in Guam's water supply. In late FY2024, the U.S. District Court approved and entered a Partial Consent Decree (CD) between the United States and GWA/Government of Guam for compliance requirements related to the federal Clean Water Act. The Partial CD will require significant improvements to the wastewater collection system. In mid-FY2024, the US EPA issued the first-ever national enforceable standard for PFAS under the Safe Drinking Water Act. These new regulations will require new water treatment systems to be constructed and operational within a short compliance window.

Guam Waterworks Authority
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Management's Discussion and Analysis, continued

Looking Forward, continued

Outlook, Challenges, and Opportunities, continued

GWA will work to attain additional funding from grants, short-term construction financing instruments and GWA long-term revenue bonds to facilitate these needed regulatory compliance improvements, while continuing to enhance both water and wastewater service levels for our customers. In the coming year, GWA will also continue to work on its water distribution system to improve pressures and reduce losses through design and construction of strategic pipe replacement projects, additional work under its pressure zone realignment program (Phase II), and expansion of leak detection efforts under our Water Loss Control Program.

Legal Matters

In a civil action before the Superior Court of Guam GWA continues to seek resolution in a quiet-title action for its Northern District Wastewater Treatment Plant. While a final judgement has not been issued, an April 2024 decision and order by the Superior Court granted title to the opposing party. In May 2024, GWA sought an interlocutory appeal on the trial court's April order and an earlier decision. In January 2025, the Guam Supreme Court granted GWA's request for an appeal. The appeal remains ongoing and as a result, GWA's quiet-title litigation before the Superior Court is stayed until the Guam Supreme Court appeal is resolved.

On November 5, 2024, GWA was served a civil suit resulting from a \$4.4 million demand in damages from Gershman Brickner and Bratton, Inc. (GBB); the federal dump's Receiver. The suit alleges that GWA is responsible for increased leachate flows and volumes to the Ordot Dump resulting in extraordinary costs to the federal receiver and the local Guam Solid Waste Authority (GSWA) for treatment and investigation. On January 6, 2025, GWA filed a Motion to Dismiss the matter citing GBB's failure to properly file a government claim and for its failure to have the authority to seek a claim on behalf of the GSWA without its consent. As of April 2025, GWA's Motion to Dismiss is now under advisement awaiting a decision by the Superior Court.

GWA is a class member and claimant in the National Water Provider Settlement class action suit for PFAS. In 2024 and 2025, GWA entered settlement and filed timely claims with four settling Defendants: the 3M, Dupont Tyco and BASF manufacturing companies. The final stages of review and award allocation for the 3M and Dupont settlements are expected in calendar year 2025; however, information on when payment awards will be issued for all four settling Defendants remain unknown and are currently under review by the court appointed claims administrator.

Court Order Compliance

As noted above, the 2011 U.S. District Court Order deadline was extended from June 30, 2023, to December 31, 2025. Funding for the completion of all remaining work in the 2011 Court Order is in place, and GWA continues to work diligently to complete all work by the extended deadline.

Guam Waterworks Authority
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Management's Discussion and Analysis, continued

Looking Forward, continued

Partial Consent Decree

As mentioned above, the Partial CD is focused on GWA's wastewater collection system as it relates to compliance with the federal Clean Water Act. With the goal of reducing/preventing sewer system overflows (SSOs), the compliance requirements in the Partial CD involve assessment, planning and upgrade/rehabilitation of sewer gravity mains, pump stations and force mains, along with other operational enhancements (cleaning, CCTV inspection, SSO response, pre-treatment and asset management programs) to maintain proper performance of the wastewater collection system.

In the coming year, GWA will have several deliverables and milestones with which it must comply. These include:

- Inventory of all Force Main piping in GWA's system
- Force Main Contingency Plan
- CCTV Inspection Certification
- Gravity Main Assessment (based on CCTV)
- Tier 1 (Priority) Pump Station Work Plan

Secondary Treatment

US EPA issued NPDES permits for the Northern District, Hagåtña, Agat-Santa Rita, and Umatac-Merizo WWTPs that became effective on January 1, 2020. The NPDES permits include secondary treatment standards, some of which the Hagåtña WWTP is unable to meet until a secondary treatment process is implemented at the facility. Under the 2024 Partial CD, GWA will have seven years from the effective date of the Decree to complete a feasibility study for upgrading or replacing the Hagåtña WWTP to secondary treatment. GWA has timely submitted NPDES Permit renewal applications prior to the end of FY2024. US EPA has administratively extended the existing permits while it evaluates and processes GWA's permit application.

Emerging Contaminants

As stated above, in April of 2024, the US EPA announced its final rule for the regulation of PFAS compounds under the Safe Drinking Water Act. The proposed regulations require that public water systems treat source water with concentrations of these substances above a Maximum Contaminant Level or MCL to remove the contaminants prior to entry into the distribution system. The promulgation of the proposed regulations on PFAS compounds will require the Authority to design and construct new treatment systems that have not before been needed for Safe Drinking Water Act compliance. GWA is in the process of finalizing the procurement of the design services for these systems and will move quickly to initiate construction of the treatment systems as part of its 5-year Capital Improvement Program.

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Management's Discussion and Analysis, continued

Looking Forward, continued

Emerging Contaminants, continued

Additionally, the GEPA has advised that they will be promulgating local drinking water regulations for a pesticide compound known as dieldrin which is currently unregulated at the federal level. GWA has contracted for the required design and construction of treatment systems to remove the contaminants at affected well sites.

Water Loss Control

The Capital Improvement Program for FY2025-FY2029, discussed below, includes several projects that will advance the Water Loss Control Program. This includes additional phases of the Pressure Zone Alignment project, valve and piping projects, and water line replacement projects. Additional leak detection staff have been included in the FY2025-FY2029 Financial Plan as has consulting services for continued DMA implementation.

Additionally, GWA intends to implement Advance Metering Infrastructure (AMI) meters to eliminate the need for much of the current human interaction and automatically upload consumption data daily to a web-based server. The consumption data can be directed daily to the web-based water loss monitoring and analysis software, providing real time access to water loss data.

Capital Project Risk

In 2018, GWA completed a comprehensive update to its 20-year master planning document. The *2018 Water Resources Master Plan* was adopted by the CCU and subsequently formed the basis of GWA's third and current 5-year Capital Improvement Plan for FY2020-FY2024. Since 2006, GWA has demonstrated improved performance in planning and implementation of capital projects for system improvements required by the 2011 Court Order and more recent regulatory priorities resulting from on-going negotiations with US EPA. The current update of the plan is being finalized and will be issued in 2025. Capital improvement program requirements have already been incorporated into the Authority's FY2025-FY2029 5-Year Capital Improvement Program.

The magnitude of GWA's capital requirements has been affected by construction cost increases resulting from construction demand created by the DoD's buildup on Guam. Additionally, the 5-year CIP includes new capital project requirements driven by 2024 Partial CD compliance and emerging contaminants discussed above. The program also includes accelerated piping infrastructure replacement to effectively sustain reductions in water loss as part of the Authority's ongoing water loss control program.

Guam Waterworks Authority
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Management's Discussion and Analysis, continued

Looking Forward, continued

Underwriters and Short-Term Financing

Two underwriters for GWA were selected pursuant to GEDA RFP 24-004. The GEDA Board approved the selection at their October 24, 2024, meeting. Additionally, four firms were selected by the GEDA Board on January 16, 2025, to assist with Short Term Construction and Infrastructure Financing as a result of GEDA RFP 25-001.

GWA is working with GEDA, its financial advisors, as well as the selected firms to determine the appropriate financing tools given the current and projected market conditions.

Five-Year Financial Plan Implementation

While the PUC approved an 11.5% rate increase for FY2025, GWA continues to monitor collections as customer assistance programs funded by federal grants are phased out. Reductions in utility rates, power and Navy water, have been somewhat offset by increases in consumption. The financial plan targeted a 1.32X DSC for FY2025. Ordering Provisions in Docket 24-05 include a DSC standard of 1.5X for FY2027-FY2029.

The CCU approved the FY2026 true-up in Resolution 028-FY2025; GWA submitted the FY2026 true-up to the PUC on April 25, 2025. As stated previously, the true-up included implementation of the proposed rate design changes. Separately, CCU Resolution 26-FY2025 approved updates to the miscellaneous fees and charges based on an internal GWA cost of service study. On May 1, 2025, the recommended schedule of fees and charges was submitted to the PUC for approval. GWA also anticipates submission of new fees for private well-owners to cover monitoring costs to the CCU in May 2025.

Sewer Loan Revolving Fund

The FY2023 Budget Act, Public Law 36-107, appropriated \$2.0 million to the GWA Sewer Loan Revolving Fund to provide loans for residents connecting to the public wastewater system. GWA expects to conclude the requisite Administrative Adjudication Act (AAA) procedures in FY2025 so that customers can benefit from the loan program.

Federal Assistance

The Trump administration has initiated significant changes to federal grant programs. On January 27, 2025, the Office of Management and Budget (OMB) issued memorandum M-25-13, instructing all federal agencies to pause:

1. Issuance of new awards.
2. Disbursement of funds under existing awards.
3. Activities related to open Notices of Funding Opportunities (NOFOs).
4. Any other relevant actions pending OMB review.

Guam Waterworks Authority
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Management's Discussion and Analysis, continued

Looking Forward, continued

Federal Assistance, continued

The funding freeze faced immediate legal challenges. On January 28, 2025, a federal judge temporarily blocked the administration's attempt to halt federal aid disbursements, citing potential harm to ongoing programs. Despite this, reports indicate that certain agencies continued to enforce the funding pause, leading to further legal disputes. It is unknown how the Trump administration's recent policies will impact the level of federal funding that will be made available to GWA.

American Rescue Plan Act (ARPA) and Bipartisan Infrastructure Law (BIL)

By December 2024, GWA obligated the remaining ARPA funding for the upgrades to water and wastewater infrastructure in Adacao. Additionally, in December 2024 GWA was awarded \$750 thousand for planning and preliminary engineering work for water and wastewater infrastructure improvements necessary to support the new Government of Guam medical campus and is working with GEDA on additional related water and wastewater infrastructure construction work.

The Guam Economic Development Authority (GEDA) awarded a \$62.9 million subgrant to Guam Waterworks Authority (GWA) for the design and construction of water and wastewater infrastructure supporting the Mangilao Medical Campus (MMC). Funded through the State and Local Fiscal Recovery Fund (SLFRF) under the American Rescue Plan Act (ARPA), the agreement runs from February 2025 to December 2026. The scope includes offsite infrastructure such as new wells, water line extensions, storage tanks, and multiple wastewater system upgrades across Route 10, Route 1, Barrigada, and Mangilao. GWA is responsible for project execution, reporting, and compliance with federal and local laws, with payments contingent on approved deliverables and adherence to detailed reporting and audit requirements.

The Infrastructure Investment and Jobs Act, also known as the Bipartisan Infrastructure Law, signed into law on November 15, 2021, resulted in an increase to GWA's allotment received through the US EPA State Revolving Fund in FY2025 to \$34 million. GWA anticipated receiving up to \$27 million annually in FY2026 and FY2027; however, it is uncertain how the policies of the new federal administration will affect these funding levels. In the subsequent years, the US EPA SRF funding is anticipated to drop to an annual amount of \$4 million due to Congressional earmarks.

The Guam Environmental Protection Agency has identified \$500 thousand in BIL funds to be used by GWA towards testing PFAS and other emerging contaminants. The funding is intended to assist with monitoring PFAS within its water systems and provide additional data on which to base the design and construction of treatment systems required for the removal of such compounds from the drinking water supply.

Guam Waterworks Authority
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Management's Discussion and Analysis, continued

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 (CFO), Guam Waterworks Authority, Gloria B. Nelson Public Service Building, 688 Route 15, Mangilao, Guam 96913, email to finance@guamwaterworks.org, or telephone (671) 300-6862.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Statements of Net Position

	September 30, <u>2024</u>	<u>2023</u>
Assets and deferred outflows of resources		
Current assets:		
Cash and cash equivalents:		
Unrestricted	\$ 51,776,370	\$ 50,324,888
Restricted	47,882,117	32,707,733
Receivables, net of allowance for doubtful accounts	19,067,116	15,237,682
Materials and supplies inventory, net of allowance for obsolescence of \$199,791 (\$122,856 in 2023)	4,960,656	5,096,658
Prepaid expenses	<u>1,217,846</u>	<u>1,206,948</u>
Total current assets	<u>124,904,105</u>	<u>104,573,909</u>
Capital assets:		
Utility plant in service:		
Water system	463,754,614	444,848,078
Wastewater system	683,350,559	679,249,470
Non-utility property	<u>34,757,389</u>	<u>33,683,228</u>
	1,181,862,562	1,157,780,776
Less accumulated depreciation	(<u>452,839,346</u>)	(<u>424,928,727</u>)
	729,023,216	732,852,049
Lease and subscription-based IT assets, net	1,273,644	614,418
Land and land rights	5,741,163	5,287,305
Construction work in progress	<u>75,362,721</u>	<u>74,149,217</u>
Capital assets, net	<u>811,400,744</u>	<u>812,902,989</u>
Other noncurrent assets:		
Restricted cash and cash equivalents	<u>208,778,170</u>	<u>220,606,453</u>
Total assets	<u>1,145,083,019</u>	<u>1,138,083,351</u>
Deferred outflows of resources:		
Deferred outflows on bond refunding	24,067,333	27,184,464
Deferred outflows from pension	13,056,974	18,328,046
Deferred outflows from OPEB	28,992,788	28,539,954
Regulatory assets	<u>3,174,728</u>	<u>3,174,728</u>
Total deferred outflows of resources	<u>69,291,823</u>	<u>77,227,192</u>
Total assets and deferred outflows of resources	<u>\$1,214,374,842</u>	<u>\$1,215,310,543</u>

See accompanying notes.

Guam Waterworks Authority
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Statements of Net Position, continued

	September 30, <u>2024</u>	<u>2023</u>
Liabilities, deferred inflows of resources and net position		
Current liabilities:		
Current maturities of revenue bonds payable	\$ 10,445,000	\$ 10,760,000
Accounts payable:		
Guam Power Authority	2,083,943	1,854,699
Trade	3,499,226	2,607,142
Accrued interest	6,852,336	7,070,516
Accrued payroll and employee benefits	872,091	1,334,022
Current portion of employee annual leave	634,205	729,390
Current portion of lease and subscription-based IT liabilities	204,577	375,103
Payable to contractors	12,578,904	8,565,009
Customer deposits	2,311,776	2,268,968
Due to Grantor	7,599,831	8,272,170
Other liabilities	<u>907,716</u>	<u>798,438</u>
Total current liabilities	<u>47,989,605</u>	<u>44,635,457</u>
Revenue bonds payable, less current maturities	620,906,050	640,087,410
Employee annual leave, less current portion	1,235,314	913,289
DCRS sick leave liability	1,351,694	1,429,998
Lease and subscription-based IT liabilities	96,219	192,245
Net pension liability	53,371,429	59,402,698
Collective total other post-employment benefits liability	<u>103,206,575</u>	<u>87,184,863</u>
Total liabilities	<u>828,156,886</u>	<u>833,845,960</u>
Deferred inflows of resources:		
Regulatory liabilities	631,637	646,937
Deferred inflows on bond refunding	7,532,330	---
Deferred inflows from pension	4,909,340	3,009,820
Deferred inflows from OPEB	<u>32,476,967</u>	<u>43,293,492</u>
Total deferred inflows of resources	<u>45,550,274</u>	<u>46,950,249</u>

See accompanying notes.

Guam Waterworks Authority
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Statements of Net Position, continued

	September 30, <u>2024</u>	<u>2023</u>
Net position:		
Net investment in capital assets	320,670,696	330,849,577
Restricted for:		
Debt service	63,941,087	63,409,545
Service operations	<u>55,958,078</u>	<u>39,537,853</u>
Total restricted - expendable	<u>119,899,165</u>	<u>102,947,398</u>
Unrestricted	(<u>99,902,179</u>)	(<u>99,282,641</u>)
Total net position	<u>340,667,682</u>	<u>334,514,334</u>
Total liabilities, deferred inflows of resources and net position	<u>\$1,214,374,842</u>	<u>\$1,215,310,543</u>

See accompanying notes.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Statements of Revenues, Expenses and Changes in Net Position

	Year ended September 30,	
	<u>2024</u>	<u>2023</u>
Operating revenues:		
Water:		
Private	\$ 70,389,155	\$ 59,343,982
Government	8,754,865	7,284,629
Legislative surcharge	2,781,530	2,147,271
System development charge	<u>776,254</u>	<u>706,977</u>
	<u>82,701,804</u>	<u>69,482,859</u>
Wastewater:		
Private	30,453,396	25,467,513
Government	14,140,891	11,063,720
Legislative surcharge	1,275,973	947,328
System development charge	<u>922,588</u>	<u>652,190</u>
	<u>46,792,848</u>	<u>38,130,751</u>
Other	<u>591,327</u>	<u>567,167</u>
Bad debts expense	(<u>229,334</u>)	(<u>421,467</u>)
Total operating revenues	<u>129,856,645</u>	<u>107,759,310</u>
Operating and maintenance expenses:		
Power purchases	21,892,448	24,397,961
Water purchases	8,662,002	7,038,954
Waste disposal fees	<u>1,099,837</u>	<u>676,362</u>
	31,654,287	32,113,277
Depreciation	30,172,311	30,911,997
Salaries, wages and benefits	25,922,460	24,470,756
Administrative and general	8,213,661	8,346,930
Contractual	5,237,504	5,421,883
Retiree healthcare costs and other benefits	<u>8,661,999</u>	<u>4,621,864</u>
Total operating and maintenance expenses	<u>109,862,222</u>	<u>105,886,707</u>
Operating income	\$ <u>19,994,423</u>	\$ <u>1,872,603</u>

See accompanying notes.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Statements of Revenues, Expenses and Changes in Net Position, continued

	Year ended September 30,	
	<u>2024</u>	<u>2023</u>
Nonoperating revenues (expenses):		
Interest income	\$ 13,949,794	\$ 11,604,779
Insurance recoveries	1,000,000	---
Grants from the Government of Guam	---	14,460,048
Others, net	(219,504)	626,929
Interest expense	(26,805,659)	(28,678,533)
Bond issuance costs	(3,364,221)	(554,655)
Loss on capital asset disposals	(1,400,669)	(531,538)
Total non-operating expenses, net	(16,840,259)	(3,072,970)
Income (loss) before capital contributions	3,154,164	(1,200,367)
Capital contributions:		
Grants from the U.S. Government	<u>2,999,184</u>	<u>13,485,967</u>
Change in net position	6,153,348	12,285,600
Net position at beginning of year	<u>334,514,334</u>	<u>322,228,734</u>
Net position at end of year	<u>\$340,667,682</u>	<u>\$334,514,334</u>

See accompanying notes.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Statements of Cash Flows

	Year ended September 30,	
	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Cash received from customers	\$127,084,900	\$120,965,897
Cash payments to supplies for goods and services	(43,969,246)	(46,755,481)
Cash payments to employees for services	(28,417,575)	(27,081,802)
Cash payments for retiree healthcare costs	(<u>3,909,646</u>)	(<u>3,560,495</u>)
Net cash provided by operating activities	<u>50,788,433</u>	<u>43,568,119</u>
Cash flows from capital and related financing activities:		
Proceeds from revenue bond issuances	212,168,699	---
Federal grants received	1,311,964	10,208,987
Insurance proceeds	1,000,000	---
Proceeds from disposals of capital assets	21,871	---
Acquisition of capital assets	(23,049,455)	(41,331,452)
Interest paid on revenue bonds	(27,013,904)	(28,801,678)
Principal paid on revenue bond maturities	(224,379,819)	(10,235,000)
Legal proceeds	<u>---</u>	<u>950,000</u>
Net cash used for capital and related financing activities	(<u>59,940,644</u>)	(<u>69,209,143</u>)
Cash flows from noncapital financing activity – Local government grants received	<u>---</u>	<u>14,460,048</u>
Cash flows from investing activity – Interest income received	<u>13,949,794</u>	<u>11,604,779</u>
Net change in cash and cash equivalents	4,797,583	423,803
Cash and cash equivalents at beginning of year	<u>303,639,074</u>	<u>303,215,271</u>
Cash and cash equivalents at end of year	<u>\$308,436,657</u>	<u>\$303,639,074</u>
Reconciliation of cash and cash equivalents to the statement of net position:		
Current assets:		
Cash and cash equivalents	\$ 51,776,370	\$ 50,324,888
Restricted cash and cash equivalents	47,882,117	32,707,733
Noncurrent assets:		
Restricted cash and cash equivalents	<u>208,778,170</u>	<u>220,606,453</u>
	<u>\$308,436,657</u>	<u>\$303,639,074</u>

See accompanying notes.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Statements of Cash Flows, continued

	Year ended September 30,	
	<u>2024</u>	<u>2023</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$19,994,423	\$ 1,872,603
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	30,172,311	30,911,997
Bad debts expense	229,334	421,467
Capitalized labor and benefits	(3,321,043)	(3,075,928)
Non-cash pension costs	6,925,523	5,565,339
Non-cash OPEB costs	7,389,859	4,166,314
Other non-cash adjustments	(219,504)	(323,071)
(Increase) decrease in assets:		
Receivables	(2,371,548)	4,519,295
Materials and supplies inventory	136,002	(623,993)
Prepaid expenses	(10,898)	526,069
Regulatory assets	---	(377,969)
Increase (decrease) in liabilities:		
Accounts payable	1,121,328	(45,808)
Accrued payroll and employee benefits	(461,931)	215,213
Employee annual leave	226,840	(78,241)
Customer deposits	42,808	(6,345)
Due to Grantor	(672,339)	8,272,170
Other liabilities	109,278	(28,619)
DCRS sick leave liability	(78,304)	53,494
Net pension liability	(5,786,200)	(5,290,923)
Collective total other post-employment benefits liability	(2,637,506)	(3,104,945)
Net cash provided by operating activities	<u>\$50,788,433</u>	<u>\$43,568,119</u>
Supplemental information on noncash capital activities:		
Lease and subscription IT assets	\$ 108,550	\$ 614,418
Lease and subscription IT liabilities	(108,550)	(614,418)
	<u>\$ ---</u>	<u>\$ ---</u>

See accompanying notes.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements

Years ended September 30, 2024 and 2023

1. Reporting Entity

The Guam Waterworks Authority (GWA), a component unit of the Government of Guam (GovGuam), is subject to the regulations of the Public Utilities 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 elected Consolidated Commission on Utilities (CCU). PUC determines such matters as rates and charges for services.

2. Summary of Significant Accounting Policies

Basis of Accounting

GWA utilizes the flow of economic resources measurement focus. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Net Position

Net position represents the residual interest in GWA's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted and consists of the following categories:

Net investment in capital assets - consists of capital assets, net of accumulated depreciation, and reduced by outstanding debt attributable to the acquisition, construction, or improvement of those assets, net of debt service reserve. Deferred outflows of resources that are attributable to related debt are also included in this component.

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

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

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Net Position, continued

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

When both restricted and unrestricted resources are available for use, generally it is GWA's policy to use restricted resources first and the unrestricted resources when they are needed.

Estimates

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

Risk Management

GWA is exposed to various risks of loss; theft of, damage to, and destruction of assets; operation liability; errors and omissions; employee injuries and illnesses; natural disasters and employee health, dental and accident benefits. There is commercial insurance coverage obtained to provide for claims arising from most of these matters. No material losses have been sustained as a result of GWA's risk management practices during the past three years.

Cash and Cash Equivalents

For purposes of the statements of net position and of cash flows, cash and cash equivalents is defined as cash deposits in banks, time certificates of deposit, and short-term investments in U.S. Treasury obligations with original maturities of three months or less.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is stated at an amount which management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluations of the collectability of these accounts and prior collection experience. The allowance is established through a provision for bad debts charged to revenues. Bad debts are written-off against the allowance based on the specific identification method.

Materials and Supplies Inventory

Materials and supplies inventory is stated at the lower of cost or market with cost determined by the weighted average costing method.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Prepaid Expenses

Certain payments made to vendors or persons for services reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the accompanying statements of net position.

Capital Assets

Plant in service of \$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 capital assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Current policy is to capitalize items over \$5,000.

Noncurrent Restricted Cash and Cash Equivalents

The purpose of noncurrent restricted cash and cash equivalents is for long-term capital improvements and bond related activities.

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (deduction of net position) until then. GWA has determined the deferred outflows on debt defeasance of the 2005, 2010, 2013 and 2024 series bonds, regulatory assets, the difference between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability, the net difference between projected and actual earnings on pension plan investments, changes of assumptions, pension and OPEB contributions made subsequent to the measurement date, and changes in proportion and difference between GWA pension and OPEB contributions and proportionate share of contributions qualify for reporting in this category.

Deferred Inflows of Resources

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (additions to net position) until then. GWA has determined regulatory liabilities, the difference between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension and OPEB liabilities, the net difference between projected and actual earnings on pension plan investments, changes of assumptions, and changes in proportion and differences between GWA pension and OPEB contributions and proportionate share of contributions qualify for reporting in this category.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Compensated Absences

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

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

Pensions

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

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Other Postemployment Benefits (OPEB)

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

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

Bond Premiums and Discounts

Bond premiums and discounts are amortized using the straight-line method, which approximates the effective yield method, over the life of the related bond issue.

Contribution in Aid of Construction

Contribution in aid of construction represents contributions received by GWA from consumers for improvement of water services and assets owned by GWA. These amounts are recorded as a deferred inflow of resources net of amortization.

Revenue Recognition

Customer water meters are read on a cyclical basis throughout a monthly period based on the route schedules of GWA. Revenue is recognized in the period that meters are read. Wastewater treatment is billed at a flat rate of \$32.14 (\$27.54 in 2023) per month for residential accounts and 80% of current water consumption for commercial and government accounts. At the end of each month, unbilled revenues are accrued for each cycle based on the most recent cycle billing. Unbilled receivables at September 30, 2024 and 2023 is \$3,864,984 and \$3,135,371, respectively and is included in receivables in the accompanying statement of net position.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Operating and Non-Operating Revenue and Expenses

Operating revenues and expenses generally result directly from GWA's ongoing operations. Non-operating revenues and expenses result from capital and financing activities, costs and related recoveries from natural disasters, and certain other non-recurring income and expenses.

Grants and Contributions

Grants and contributions consist of government mandated and voluntary nonexchange transactions.

Recently Adopted Accounting Pronouncement

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied more easily. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of local government financial statements. The adoption of this statement does not have material effect on the financial statements.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections. The adoption of this statement does not have material effect on the financial statements.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements

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

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. GASB Statement No. 102 will be effective for fiscal years ending September 30, 2025.

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance the effectiveness of the financial reporting model in providing information that is essential for decision making and assessing a government's accountability and address certain application issues identified through pre-agenda research conducted by the GASB. This Statement establishes new accounting and financial reporting requirements or modifies existing requirements related to management's discussion and analysis (MD&A), unusual or infrequent items, presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position, information about major component units in basic financial statements, budgetary comparison information and financial trends information in the statistical section. GASB Statement No. 103 will be effective for fiscal years ending September 30, 2026.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital as-sets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. GASB Statement No. 104 will be effective for fiscal years ending September 30, 2026.

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

3. Deposits and Investments

GWA's bond indenture agreements require the establishment of special funds to be held and administered by trustees and by GWA. In addition, proceeds from borrowings to fund capital improvements are maintained by GWA in construction accounts. Funds in these accounts are required by loan agreement or public law to be used to fund capital improvements.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

3. Deposits and Investments, continued

The deposits and investment policies of GWA are governed by 15 GCA 21, *Investments and Deposits*, in conjunction with applicable bond indentures. Authorized investments include obligations issued or guaranteed by the U.S. government or agencies of the U.S. government; bonds, notes or other indebtedness rated in the highest rating by Moody's Investors Service (Moody's) or Standard & Poor's Corporation (S&P); obligations issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation with remaining maturities of not more than three years; any bonds or other obligations of any state of the U.S. or any agency, instrumentality or local government unit of such state which are rated in the highest rating category of either Moody's or S&P; demand and time deposits in or certificates of deposit or bankers acceptances with U.S. domestic banks which have a rating of their short term certificates of deposit of A-1 or better by S&P and P-1 by Moody's and mature no more than 360 days after purchase; commercial paper which is rating in the highest classification by S&P and Moody's; and money market funds rated AAA or better by S&P.

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

As of September 30, 2024 and 2023, the carrying amount of GWA's total deposits was \$89,111,882 and \$86,322,834, and the corresponding bank balance was \$88,972,984 and \$88,198,370, respectively. Of that bank balance, \$23,554,882 and \$23,038,585 were uninsured and uncollateralized, respectively as of September 30, 2024 and 2023.

As of September 30, 2024 and 2023, the remaining amount of \$219,318,845 and \$217,310,310, respectively, represents short-term investments held and administered by GWA's trustees in GWA's name in accordance with various trust agreements and bond indentures.

Unrestricted cash and cash equivalents at September 30, 2024 and 2023 in the amount of \$16,165,703 and \$15,427,230, respectively, are subject to internally imposed restrictions by the CCU to provide additional liquidity to assist GWA in addressing unforeseen obligations and unexpected short-term cash flow demands and the amount of \$9,947,328 and \$8,778,927, respectively are subject to internally imposed restrictions by the CCU to fund capital expenditures.

Restricted cash and cash equivalents consist of cash received for specific capital projects and for bond indenture related accounts. The working capital funds are internally imposed restrictions and are not subject to externally imposed stipulations.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

3. Deposits and Investments, continued

The composition of restricted cash and cash equivalents at September 30, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Current restricted:		
Sewer Hook-up Revolving Fund	\$ 2,172,114	\$ 2,079,769
Legislative Surcharge Fund	74,446	6,863
Bid Escrow Fund	990,824	958,711
Customer Deposit Fund	2,351,163	2,157,517
Revenue Trust and Revenue Fund	11,507,306	10,593,092
System Development Fund	7,160,562	5,375,796
Working Cap – Reserved for CAPEX	20,542,219	8,452,503
Working Cap – Reserved for O&M	<u>3,083,483</u>	<u>3,083,482</u>
	<u>47,882,117</u>	<u>32,707,733</u>
Noncurrent restricted:		
2010 Bond Indenture Funds:		
Construction Fund	3,144,121	3,648,718
Bond Reserve Fund	---	7,566,460
2013 Bond Indenture Funds:		
Construction Fund	2,014,974	3,459,448
Bond Reserve Fund	---	12,031,688
Reserved for Debt Service	---	1,494,615
2014 Bond Indenture Funds:		
Operations, Maintenance, Renewal and Replacement Reserve Fund	19,560,351	17,423,213
Bond Reserve Fund	---	8,068,508
Reserved for Debt Service	---	2,032,467
2016 Bond Indenture Funds:		
Construction Fund	18,506,062	27,091,177
Bond Reserve Fund	---	7,591,999
Reserved for Debt Service	1,297,905	2,061,782
2017 Bond Indenture Funds:		
Reserved for Debt Service	1,399,148	2,015,191
2020A Bond Indenture Funds:		
Construction Fund	108,145,643	111,457,380
Bond Reserve Fund	---	6,659,700
Reserved for Debt Service	1,847,966	1,753,543

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

3. Deposits and Investments, continued

	<u>2024</u>	<u>2023</u>
Noncurrent restricted, continued:		
2020B Bond Indenture Funds:		
Reserved for Debt Service	\$ 1,229,928	\$ 1,540,498
2024A Bond Indenture Funds:		
Cost of Issuance Fund	16,946	---
Bond Reserve Fund	42,180,075	---
Reserved for Debt Service	2,810,063	---
2024B Bond Indenture Funds:		
Cost of Issuance	5,970	---
Reserved for Debt Service	1,668,696	---
Various – Construction Fund	<u>4,950,322</u>	<u>4,710,066</u>
	<u>208,778,170</u>	<u>220,606,453</u>
Total restricted cash and cash equivalents	<u>\$256,660,287</u>	<u>\$253,314,186</u>

4. Receivables

Receivables at September 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Customers:		
Private	\$19,624,964	\$17,349,003
Government	<u>3,321,993</u>	<u>3,343,918</u>
	22,946,957	20,692,921
Federal grants receivable	538,199	2,191,346
Guam Power Authority	2,516,111	218,391
Other	<u>1,725,880</u>	<u>1,500,400</u>
	<u>27,727,147</u>	<u>24,603,058</u>
Less allowance for doubtful accounts	(<u>8,660,031</u>)	(<u>9,365,376</u>)
	<u>\$19,067,116</u>	<u>\$15,237,682</u>

Guam Waterworks Authority
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Notes to Financial Statements, continued

5. Capital Assets

Capital assets activities for the years ended September 30, 2024 and 2023 are as follows:

	Estimated Useful Lives in Years	Beginning Balance October 1, 2023	Transfers and Additions	Transfers and Deletions	Ending Balance September 30, 2024
Depreciable:					
Utility Plant in Service Water	25-50	\$ 444,848,078	\$ 21,295,194	\$(2,388,658)	\$ 463,754,614
Utility Plant in Service Wastewater	25-50	679,249,470	4,430,989	(329,900)	683,350,559
General Fixed Assets	25-50	<u>33,683,228</u>	<u>1,271,439</u>	<u>(197,278)</u>	<u>34,757,389</u>
		1,157,780,776	26,997,622	(2,915,836)	1,181,862,562
Less: Accumulated Depreciation		<u>424,928,727</u>	<u>29,491,632</u>	<u>(1,581,013)</u>	<u>452,839,346</u>
		<u>732,852,049</u>	<u>(2,494,010)</u>	<u>(1,334,823)</u>	<u>729,023,216</u>
Lease assets:					
Equipment	1-4	928,842	---	---	928,842
Building		<u>22,473</u>	<u>---</u>	<u>---</u>	<u>22,473</u>
		951,315	---	---	951,315
Less: Accumulated amortization		<u>498,065</u>	<u>267,380</u>	<u>---</u>	<u>765,445</u>
		<u>453,250</u>	<u>(267,380)</u>	<u>---</u>	<u>185,870</u>
Subscription-based IT assets		304,253	1,339,905	---	1,644,158
Less: Accumulated amortization		<u>143,085</u>	<u>413,299</u>	<u>---</u>	<u>556,384</u>
		<u>161,168</u>	<u>926,606</u>	<u>---</u>	<u>1,087,774</u>
Non-depreciable:					
Land		5,287,305	453,858	---	5,741,163
Construction Work in Progress		<u>74,149,217</u>	<u>28,587,981</u>	<u>(27,374,477)</u>	<u>75,362,721</u>
		<u>\$ 812,902,989</u>	<u>\$ 27,207,055</u>	<u>\$(28,709,300)</u>	<u>\$ 811,400,744</u>

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Notes to Financial Statements, continued

5. Capital Assets, continued

	Estimated Useful Lives in Years	Beginning Balance October 1, 2022	Transfers and Additions	Transfers and Deletions	Ending Balance September 30, 2023
Depreciable:					
Utility Plant in Service Water	25-50	\$ 420,470,606	\$ 24,883,755	\$ (506,283)	\$ 444,848,078
Utility Plant in Service					
Wastewater	25-50	576,276,943	102,972,527	---	679,249,470
General Fixed Assets	25-50	<u>33,353,690</u>	<u>414,583</u>	<u>(85,045)</u>	<u>33,683,228</u>
		1,030,101,239	128,270,865	(591,328)	1,157,780,776
Less: Accumulated Depreciation		<u>394,700,179</u>	<u>30,535,664</u>	<u>(307,116)</u>	<u>424,928,727</u>
		<u>635,401,060</u>	<u>97,735,201</u>	<u>(284,212)</u>	<u>732,852,049</u>
Lease assets:					
Equipment	1-4	760,208	168,634	---	928,842
Building		<u>22,473</u>	<u>---</u>	<u>---</u>	<u>22,473</u>
		782,681	168,634	---	951,315
Less: Accumulated amortization		<u>249,858</u>	<u>248,207</u>	<u>---</u>	<u>498,065</u>
		<u>532,823</u>	<u>(79,573)</u>	<u>---</u>	<u>453,250</u>
Subscription-based IT assets		---	304,253	---	304,253
Less: Accumulated amortization		<u>---</u>	<u>143,085</u>	<u>---</u>	<u>143,085</u>
		<u>---</u>	<u>161,168</u>	<u>---</u>	<u>161,168</u>
Non-depreciable:					
Land		5,287,305	---	---	5,287,305
Construction Work in Progress		<u>173,276,251</u>	<u>28,518,008</u>	<u>(127,645,042)</u>	<u>74,149,217</u>
		<u>\$ 814,497,439</u>	<u>\$126,334,804</u>	<u>\$ (127,929,254)</u>	<u>\$ 812,902,989</u>

Lease assets

Guam Power Authority (GPA)

In February 2015, GWA moved to a building owned by GPA. GWA does not currently have a signed lease agreement with GPA but pays for its share of building maintenance costs. GWA's use of the building did not amount to a lease as the resolution passed by the CCU did not convey the right to use an underlying asset. For the years ended September 30, 2024 and 2023, GWA's share of building maintenance cost totaled \$291,811 and \$286,165, respectively

Morrigo Equipment, LLC (Morrigo)

GWA and Morrigo have an equipment lease agreement with lease term of five (5) years for dump trucks, backhoe loaders and backhoe trailers, with various inception dates based on the delivery dates of the equipment. The lease agreement may be terminated for convenience by GWA with penalty.

Guam Waterworks Authority
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Notes to Financial Statements, continued

6. Long-Term Debt

Long-term debt at September 30, 2024 and 2023 is as follows:

Revenue Bonds

	<u>2024</u>	<u>2023</u>
2013 Series revenue bonds, interest at 5.25% per annum, payable semiannually in January and July, principal and mandatory sinking fund payments in varying annual installments commencing with a payment of \$2,695,000 in July 2020, increasing to \$4,045,000 in July 2028. On August 26, 2020, these bonds were partially refunded through the issuance of \$166,075,000 2020B refunding bonds. On March 14, 2024, the remaining outstanding balance were fully refunded through the issuance of \$133,575,000 2024A refunding bonds.	\$ ---	\$ 18,365,000
2014 Series refunding bonds, interest at 5% per annum, payable semiannually in January and July, principal and mandatory sinking fund payments in varying annual installments commencing with a payment of \$2,900,000 in July 2015, maturity date in July 2035. On April 2, 2024, these bonds were fully refunded through the issuance of \$51,275,000 2024B refunding bonds.	---	60,050,000
2016 Series revenue bonds, interest at 5% per annum, payable semiannually in January and July, principal and mandatory sinking fund payments in varying annual installments commencing with a payment of \$420,000 in July 2020, maturity date in January 2046. On March 14, 2024, these bonds were partially refunded through the issuance of \$133,575,000 2024A refunding bonds.	81,890,000	134,140,000
2017 Series refunding bonds, interest at 5% per annum, payable semiannually in January and July, principal and mandatory sinking fund payments in varying annual installments commencing with a payment of \$55,000 in July 2019, maturity date in July 2040. On March 14, 2024, these bonds were partially refunded through the issuance of \$133,575,000 2024A refunding bonds.	57,660,000	100,930,000

Guam Waterworks Authority
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Notes to Financial Statements, continued

6. Long-Term Debt, continued

Revenue Bonds, continued

	<u>2024</u>	<u>2023</u>
2020A Series revenue bonds, interest at 5% per annum, payable semiannually in January and July, principal and mandatory sinking fund payments in varying annual installments commencing with a payment of \$30,880,000 in July 2047, maturity date in January 2050.	134,000,000	134,000,000
2020B Series refunding bonds, interest at varying rates from 2.75% to 3.70% per annum, payable semiannually in January and July, principal and mandatory sinking fund payments in varying annual installments commencing with a payment of \$1,260,000 in July 2028, maturity date in July 2043. On March 14, 2024, these bonds were partially refunded through the issuance of \$133,575,000 2024A refunding bonds.	125,835,000	166,075,000
2024A Series refunding bonds, interest at 5% per annum, payable annually in July, principal and mandatory sinking fund payments in varying annual installments commencing with a payment of \$2,960,000 in July 2025, maturity date in January 2046.	133,575,000	---
2024B Series refunding bonds, interest at 5% per annum, payable annually in July, principal and mandatory sinking fund payments in varying annual installments commencing with a payment of \$4,075,000 in July 2025, maturity date in July 2034.	<u>51,275,000</u>	<u>---</u>
Total revenue bonds payable	584,235,000	613,560,000
Less current maturities	(<u>10,445,000</u>)	(<u>10,760,000</u>)
	573,790,000	602,800,000
Bond premium – 2024A series bonds	14,075,764	---
Bond premium – 2016 series bonds	11,224,379	13,618,006
Bond premium – 2020A series bonds	9,764,763	10,150,215
Bond premium – 2017 series bonds	7,088,262	10,327,219
Bond premium – 2024B series bonds	4,962,882	---
Bond premium – 2014 series bonds, net	<u>---</u>	<u>3,191,970</u>
	<u>\$620,906,050</u>	<u>\$640,087,410</u>

Guam Waterworks Authority
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Notes to Financial Statements, continued

6. Long-Term Debt, continued

Revenue Bonds, continued

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

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 10,445,000	\$ 27,409,343	\$ 37,854,343
2026	10,965,000	26,887,093	37,852,093
2027	11,510,000	26,338,843	37,848,843
2028	13,300,000	25,763,343	39,063,343
2029	14,675,000	25,110,718	39,785,718
2030 through 2034	83,575,000	115,079,238	198,654,238
2035 through 2039	106,035,000	94,478,215	200,513,215
2040 through 2044	136,290,000	68,025,255	204,315,255
2045 through 2049	160,780,000	32,775,375	193,555,375
2050	<u>36,660,000</u>	<u>916,500</u>	<u>37,576,500</u>
	<u>\$584,235,000</u>	<u>\$442,783,923</u>	<u>\$1,027,018,923</u>

On March 14, 2024, GWA issued \$133.58 million in Refunding Bonds to refund \$18.37 million of outstanding 2013 Series bonds, \$51.39 million outstanding 2016 Series bonds, \$40.91 million of outstanding 2017 Series bonds and \$40.24 million outstanding of 2020B Series bonds. The net proceeds of \$151.09 million (after payment of \$1.96 million in underwriting fees, insurance and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments.

On April 2, 2024, GWA issued \$51.28 million in Refunding Bonds to refund \$55.84 million outstanding 2014 Series bonds. The net proceeds of \$56.48 million (after payment of \$0.67 million in underwriting fees, insurance and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments.

Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in GWA's financial statements. The economic gain from this transaction was \$14.5 million.

The refunding resulted in a difference between the reacquisition price and net carrying amount of the old debt of \$7.74 million. This difference, reported in the accompanying financial statements as a deferred inflow of resources, is being charged to operations using the effective-interest method.

Guam Waterworks Authority
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Notes to Financial Statements, continued

6. Long-Term Debt, continued

Revenue Bonds, continued

Changes in GWA's long-term debt for the year ended September 30, 2024 and 2023 are as follows:

	Outstanding October 1, <u>2023</u>	<u>Increases</u>	<u>Decreases</u>	Outstanding September 30, <u>2024</u>	<u>Current</u>
Revenue Bonds:					
2013 series A bonds	\$ 18,365,000	\$ ---	\$(18,365,000)	\$ ---	\$ ---
2014 series A and B bonds	60,050,000	---	(60,050,000)	---	---
2016 series A bonds	134,140,000	---	(52,250,000)	81,890,000	925,000
2017 series A bonds	100,930,000	---	(43,270,000)	57,660,000	2,485,000
2020 series A bonds	134,000,000	---	---	134,000,000	---
2020 series B bonds	166,075,000	---	(40,240,000)	125,835,000	---
2024 series A bonds	---	133,575,000	---	133,575,000	2,960,000
2024 series B bonds	---	51,275,000	---	51,275,000	4,075,000
Unamortized premium on bonds	<u>37,287,410</u>	<u>19,574,316</u>	<u>(9,745,676)</u>	<u>47,116,050</u>	<u>---</u>
	<u>\$650,847,410</u>	<u>\$204,424,316</u>	<u>\$(223,920,676)</u>	<u>\$631,351,050</u>	<u>\$10,445,000</u>
	Outstanding October 1, <u>2022</u>	<u>Increases</u>	<u>Decreases</u>	Outstanding September 30, <u>2023</u>	<u>Current</u>
Revenue Bonds:					
2013 series A bonds	\$ 21,510,000	\$ ---	\$(3,145,000)	\$ 18,365,000	\$ 3,315,000
2014 series A and B bonds	64,055,000	---	(4,005,000)	60,050,000	4,205,000
2016 series A bonds	134,975,000	---	(835,000)	134,140,000	875,000
2017 series A bonds	103,180,000	---	(2,250,000)	100,930,000	2,365,000
2020 series A bonds	134,000,000	---	---	134,000,000	---
2020 series B bonds	166,075,000	---	---	166,075,000	---
Unamortized premium on bonds	<u>38,778,147</u>	<u>---</u>	<u>(1,490,737)</u>	<u>37,287,410</u>	<u>---</u>
	<u>\$662,573,147</u>	<u>\$ ---</u>	<u>\$(11,725,737)</u>	<u>\$650,847,410</u>	<u>\$10,760,000</u>

Guam Waterworks Authority
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Notes to Financial Statements, continued

6. Long-Term Debt, continued

Pledged Revenues

The 2013, 2014, 2016, 2017, 2020A, 2020B, 2024A and 2024B Series Bonds are limited obligations of GWA and are payable solely from, and secured solely by a lien on and pledge of, GWA system revenues (excluding legislative surcharges and system development charges) to secure the payment of principal and interest on the Bonds. As of September 30, 2024, total principal and interest remaining on these bonds is \$1,027,018,923 payable through January 2050. For the years ended September 30, 2024 and 2023, debt service paid on these bonds was \$251,393,723 and \$39,036,678, respectively, and total pledged GWA system revenues were \$123,738,307 and \$103,159,844, respectively.

Prior-Year Defeasance of Debt

In prior years, GWA defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payouts on the old bonds. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in GWA's financial statements. As of September 30, 2024, bonds outstanding of \$206,730,000, are considered defeased.

Bond Covenants

The General Indenture, dated December 1, 2005, as updated by supplemental indentures, sets forth the establishment of accounts, the application of revenues, and certain other covenants to ensure proper operation and maintenance of the water and wastewater system and payment of debt service. Management believes GWA was in compliance with all bond covenants as of and for the years ended September 30, 2024 and 2023. The primary requirements of the General Indenture are summarized below:

Rate Covenant - GWA has covenanted to at all times fix, prescribe and collect rates, fees and charges in connection with the services furnished by the water and wastewater system which will be sufficient to yield the sum of net revenues during each fiscal year equal to at least 125% of the annual debt service for such fiscal year. Net revenues are defined generally as all GWA system revenues (excluding legislative surcharges, system development charges and Federal grants) less operating and maintenance expenses (excluding depreciation and amortization charges and certain extraordinary, nonrecurring expenses).

Guam Waterworks Authority
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Notes to Financial Statements, continued

6. Long-Term Debt, continued

Bond Covenants, continued

Operation and Maintenance Funds - the General Indenture creates an Operation and Maintenance Fund, available for working capital purposes, and the Operation, Maintenance, Renewal and Replacement Reserve Fund, available for emergency renewals, replacements and other contingency items. With respect to the Operation and Maintenance Fund, GWA must maintain a balance in such account equal to the amount of operation and maintenance expenses budgeted by GWA to be paid from revenues during the next succeeding calendar month. With respect to the Operation, Maintenance, Renewal and Replacement Reserve Fund, GWA must maintain a balance in such account equal to one-fourth of the budgeted sum for the then current fiscal year.

Debt Service Fund - the General Indenture creates a Debt Service Fund available for the purpose of: (1) paying interest on bonds as it shall become due and payable; (2) paying the principal of Serial Bonds when due and payable; (3) purchasing or redeeming or paying at maturity Term Bonds; (4) paying Parity Payment Agreement Payments due and payable; and (5) paying Credit Agreement Reimbursement Payments due and payable. As of September 30, 2024 and 2023, GWA is not currently a party to any Parity Payment Agreements.

Bond Reserve Fund - the General Indenture created a Bond Reserve Fund available for the purpose of paying debt service on Bonds (including Payment Agreement Payments) in the event of a deficiency in the Debt Service Fund. GWA is required to maintain an amount within the Bond Reserve Fund equal to the maximum annual debt service for the then current or future fiscal year on all outstanding bonds.

Events of default with finance related consequences - the General Indenture specifies a number of Events of Default and related remedies. In the event that the amount in any Fund or Account is insufficient for the purposes for which such Fund or Account was established, the Trustee shall transfer such amount as is necessary to satisfy such deficiency. If after making all such transfers, the amount in the Debt Service Fund is insufficient, the Trustee shall promptly issue a notice of default to Bondholders.

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

Guam Waterworks Authority
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Notes to Financial Statements, continued

7. Change in Other Long-Term Liabilities

Changes in GWA's other long-term liabilities for the year ended September 30, 2024 are as follows:

	Outstanding October 1, <u>2023</u>	<u>Increases</u>	<u>Decreases</u>	Outstanding September 30, <u>2024</u>	<u>Current</u>
Other:					
Employee annual leave	\$ 1,642,679	\$ 1,754,785	\$(1,527,945)	\$ 1,869,519	\$ 634,205
DCRS sick leave liability	1,429,998	---	(78,304)	1,351,694	---
Lease liabilities	438,714	---	(246,469)	192,245	103,802
Subscription-based IT liabilities	128,634	108,550	(128,633)	108,551	100,775
Net pension liability	59,402,698	---	(6,031,269)	53,371,429	---
OPEB liability	<u>87,184,863</u>	<u>16,021,712</u>	<u>(---)</u>	<u>103,206,575</u>	<u>---</u>
	<u>\$150,227,586</u>	<u>\$17,885,047</u>	<u>\$(8,012,620)</u>	<u>\$160,100,013</u>	<u>\$ 838,782</u>

	Outstanding October 1, <u>2022</u>	<u>Increases</u>	<u>Decreases</u>	Outstanding September 30, <u>2023</u>	<u>Current</u>
Other:					
Employee annual leave	\$ 1,720,920	\$ 1,496,472	\$(1,574,713)	\$ 1,642,679	\$ 729,390
DCRS sick leave liability	1,376,504	53,494	---	1,429,998	---
Lease liabilities	535,103	171,639	(268,028)	438,714	246,469
Subscription-based IT liabilities	---	308,006	(179,372)	128,634	128,634
Net pension liability	46,038,335	13,364,363	---	59,402,698	---
OPEB liability	<u>116,272,057</u>	<u>---</u>	<u>(29,087,194)</u>	<u>87,184,863</u>	<u>---</u>
	<u>\$165,942,919</u>	<u>\$15,393,974</u>	<u>\$(31,109,307)</u>	<u>\$150,227,586</u>	<u>\$1,104,493</u>

The future payments of lease and subscription-based IT liabilities are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$204,576	\$10,033	\$214,609
2026	62,073	3,153	65,226
2027	<u>34,147</u>	<u>1,376</u>	<u>35,523</u>
	<u>\$300,796</u>	<u>\$14,562</u>	<u>\$315,358</u>

Guam Waterworks Authority
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Notes to Financial Statements, continued

8. Pensions

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

A. General Information About the Pension Plans

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

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

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

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

Guam Waterworks Authority
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Notes to Financial Statements, continued

8. Pensions, continued

A. General Information About the Pension Plans, continued

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

Supplemental annuity benefit payments are provided to DB retirees in the amount of \$4,238 per year, but not to exceed \$40,000 per year when combined with their regular annual retirement annuity. Annual COLA payments are provided to DB and DCRS retirees in a lump sum amount of \$2,200. Both supplemental annuity benefit payments and COLA payments are made at the discretion of the Guam Legislature, but are funded on a “pay-as-you-go” basis so there is no plan trust. It is anticipated that ad hoc COLA and supplemental annuity payments will continue to be made for future years at the same level currently being paid.

On September 20, 2016, the Guam Legislature enacted Public Law 33-186, which created two new government retirement plans; the DB 1.75 Plan and the Guam Retirement Security Plan (GRSP).

On February 4, 2020, the Guam Legislature terminated the GRSP. Commencing April 1, 2017, eligible employees elected, during the “election window”, to participate in the DB 1.75 Plan with an effective date of January 1, 2018.

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

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Notes to Financial Statements, continued

8. Pensions, continued

A. General Information About the Pension Plans, continued

Members of the DB 1.75 Plan may retire at age 62 with 5 years of credited service, or at age 60 with 5 years of credited service without survivor benefits, or at age 55 with 25 years of credited service but the retirement annuity shall be reduced $\frac{1}{2}$ of 1% for each month that the age of the member is less than 62 years (6% per year). Credited service is earned for each year of actual employment by the member as an employee. Upon retirement, a retired member is entitled to a basic retirement annuity equal to an annual payment of 1.75% of average annual salary multiplied by years of credited service. Average annual salary means the average of annual base salary for the three years of service that produce the highest average.

Contributions: Plan members of the DB Plan are required to contribute a certain percentage of their annual covered salary. The contribution requirements of the plan members and GWA are established and may be amended by the GGRF.

GWA's statutory contribution rates were 29.43% and 28.43% for the years ended September 30, 2024 and 2023, respectively. Employees are required to contribute 9.5% of their annual pay for the years ended September 30, 2024 and 2023.

GWA's contributions to the DB Plan for the years ended September 30, 2024 and 2023 were \$5,639,689 and \$5,187,181, respectively, which were equal to the statutorily required contributions for the year then ended.

GWA's contributions for supplemental annuity benefit and COLA payments for the years ended September 30, 2024 and 2023 were \$611,800 and \$594,000, respectively which were equal to the statutorily required contributions for the years then ended.

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

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

Statutory employer contributions for the DCRS plan for the years ended September 30, 2024 and 2023 is determined using the same rates as the DB Plan. Of the amount contributed by the employer, only 6.2% of the member's regular pay is deposited into the DCRS. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

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Notes to Financial Statements, continued

8. Pensions, continued

A. General Information About the Pension Plans, continued

GWA's contributions to the DCRS Plan for the years ended September 30, 2024 and 2023 were \$3,823,503 and \$3,988,179, respectively, which were equal to the required contributions for the respective years then ended. Of these amounts, \$2,491,199 and \$2,560,130 were contributed towards the unfunded liability of the DB Plan for the years ended September 30, 2024 and 2023, respectively.

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

Pension Liability: At September 30, 2024 and 2023, GWA reported a net pension liability for its proportionate share of the net pension liabilities measured as of September 30, 2022 and September 30, 2021, respectively, which is comprised of the following:

	<u>2024</u>	<u>2023</u>
Defined Benefit Plan	\$41,197,565	\$48,214,836
Ad Hoc COLA/supplemental annuity Plan for DB retirees	10,123,344	9,694,959
Ad Hoc COLA Plan for DCRS retirees	<u>2,050,520</u>	<u>1,492,903</u>
	<u>\$53,371,429</u>	<u>\$59,402,698</u>

GWA's proportion of the GovGuam net pension liabilities was based on GWA's expected plan contributions relative to the total expected contributions received by the respective pension plans for GovGuam and GovGuam's component units. At September 30, 2024 and 2023, GWA's proportionate shares of the GovGuam net pension liabilities were as follows:

	<u>2024</u>	<u>2023</u>
Defined Benefit Plan	2.95%	3.24%
Ad Hoc COLA/supplemental annuity Plan for DB retirees	3.76%	3.78%
Ad Hoc COLA Plan for DCRS retirees	2.62%	2.48%

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Notes to Financial Statements, continued

8. Pensions, continued

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

Pension Expense (Benefit): For the years ended September 30, 2024 and 2023, GWA recognized pension expense (benefit) for its proportionate share of plan pension expense from the above pension plans as follows:

	<u>2024</u>	<u>2023</u>
Defined Benefit Plan	\$5,645,481	\$5,565,339
Ad Hoc COLA/supplemental annuity Plan for DB retirees	868,052	(57,891)
Ad Hoc COLA Plan for DCRS retirees	<u>411,990</u>	<u>128,000</u>
	<u>\$6,925,523</u>	<u>\$5,635,448</u>

Deferred Outflows and Inflows of Resources: At September 30, 2024 and 2023, GWA reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2024</u>					
	<u>Defined Benefit Plan</u>		<u>Ad Hoc COLA/ Supplemental Annuity Plan for DB Retirees</u>		<u>Ad Hoc COLA Plan for DCRS Retirees</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 423,016	\$ 463,409	\$ ---	\$410,000	\$200,897	\$ 26,380
Net difference between projected and actual earnings on pension plan investments	5,361,803	---	---	---	---	---
Changes of assumptions	---	248,620	155,090	515,766	396,982	363,012
Contributions subsequent to the measurement date	5,639,689	---	611,800	---	89,700	---
Changes in proportion and difference between GWA contributions and proportionate share of contributions	<u>---</u>	<u>2,683,825</u>	<u>---</u>	<u>48,444</u>	<u>177,998</u>	<u>149,884</u>
	<u>\$11,424,508</u>	<u>\$3,395,854</u>	<u>\$766,890</u>	<u>\$974,210</u>	<u>\$865,577</u>	<u>\$539,276</u>

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Notes to Financial Statements, continued

8. Pensions, continued

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

	<u>2023</u>					
	<u>Defined Benefit Plan</u>		<u>Ad Hoc COLA/ Supplemental Annuity Plan for DB Retirees</u>		<u>Ad Hoc COLA Plan for DCRS Retirees</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 934,747	\$ 128,930	\$ ---	\$ 82,856	\$184,632	\$ 29,569
Net difference between projected and actual earnings on pension plan investments	10,865,968	---	---	---	---	---
Changes of assumptions	---	---	15,824	1,051,976	310,418	399,897
Contributions subsequent to the measurement date	5,187,181	---	594,000	---	79,200	---
Changes in proportion and difference between GWA contributions and proportionate share of contributions	<u>31,255</u>	<u>1,014,548</u>	<u>---</u>	<u>123,413</u>	<u>124,821</u>	<u>178,631</u>
	<u>\$17,019,151</u>	<u>\$1,143,478</u>	<u>\$609,824</u>	<u>\$1,258,245</u>	<u>\$699,071</u>	<u>\$608,097</u>

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as reduction of the net pension liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at September 30, 2024 and 2023 will be recognized in pension expense as follows:

<u>Year Ending September 30</u>	<u>Defined Benefit Plan</u>	<u>Ad Hoc COLA/ Supplemental Annuity Plan for DB Retirees</u>	<u>Ad Hoc COLA Plan for DCRS Retirees</u>
2025	\$ 425,021	\$(678,195)	\$ 31,682
2026	(328,680)	(140,925)	31,684
2027	2,759,482	---	31,682
2028	(466,858)	---	33,750
2029	---	---	31,230
Thereafter	<u>---</u>	<u>---</u>	<u>76,573</u>
	<u>\$2,388,965</u>	<u>\$(819,120)</u>	<u>\$236,601</u>

Guam Waterworks Authority
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Notes to Financial Statements, continued

8. Pensions, continued

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

Actuarial Assumptions: The actuarial assumptions used are based upon recommendations from the actuarial experience study for the period October 1, 2015 through September 30, 2020.

A summary of actuarial assumptions applied to all periods included in the measurement is shown below.

Defined Benefit Plan:

Inflation:	2.50% per year
Investment rate of return:	7.0%
Payroll growth:	4.00% for Fiscal Year 2023; 2.50% per year thereafter
Salary increases:	6.0% per year in the first 5 years, 4.5% for years 6-10, 3.0% for years 11 to 15, and 3.0% for service after 15 years
Retirement age:	40% of employees assumed to retire when first eligible for unreduced retirement, 20% per year thereafter until age 75, at which time all remaining employees are assumed to retire
Investment rate of return:	The long-term expected rate of return on pension plan investments was determined using a building-block method in which the best estimate range of expected future real rates of return (expected returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.
Mortality:	Based on the PUB-2010 General Employees Amount-Weighted and PUB-2010 General Healthy Retiree Amount-Weighted mortality table, set forward by 4 years for males and 2 years for females, respectively then increased by 30% for ages less than 80

Guam Waterworks Authority
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Notes to Financial Statements, continued

8. Pensions, continued

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

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees:

Inflation:	2.50% per year
Payroll growth:	4.00% for Fiscal Year 2023; 2.50% per year thereafter
Salary increases:	6.0% per year in the first 5 years, 4.5% for years 6-10, 3.0% for years 11 to 15, and 3.0% for service after 15 years
Retirement age:	40% of employees assumed to retire when first eligible for unreduced retirement, 20% per year thereafter until age 75, at which time all remaining employees are assumed to retire
Mortality:	Based on the PUB-2010 General Employees Amount-Weighted and PUB-2010 General Healthy Retiree Amount-Weighted mortality table, set forward by 4 years for males and 2 years for females, respectively then increased by 30% for ages less than 80

Ad Hoc COLA Plan for DCRS Retirees:

Inflation:	2.50% per year
Payroll growth:	4.00% for Fiscal Year 2023; 2.50% per year thereafter
Salary increases:	6.0% per year in the first 5 years, 4.5% for years 6-10, 3.0% for years 11 to 15, and 3.0% for service after 15 years
Retirement age:	5% of employees assumed to retire each year for ages 55 to 64, 10% of employees per year thereafter from age 65 until age 74, at which time all remaining employees are assumed to retire
Mortality:	Based on the PUB-2010 General Employees Amount-Weighted and PUB-2010 General Healthy Retiree Amount-Weighted mortality table, set forward by 4 years for males and 2 years for females, respectively then increased by 30% for ages less than 80

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Notes to Financial Statements, continued

8. Pensions, continued

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

Expected Rate of Return and Asset Allocation: The Fund has a target asset allocation based on the investment policy adopted by the GGRF Board of Trustees. The target allocation and best estimates of the expected nominal return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Nominal Return</u>	<u>Component Return</u>
U.S. Equities (large cap)	26.0%	7.88%	2.05%
U.S. Equities (small cap)	4.0%	9.44%	0.38%
Non-U.S. Equities	17.0%	10.16%	1.73%
Non-U.S. Equities (emerging markets)	3.0%	12.09%	0.36%
U.S. Fixed Income (aggregate)	22.0%	4.71%	1.04%
Risk Parity	8.0%	6.64%	0.53%
High Yield Bonds	8.0%	6.52%	0.52%
Global Real Estate (REITs)	2.5%	9.38%	0.23%
Global Equity	7.5%	8.73%	0.65%
Global Infrastructure	2.0%	8.20%	0.16%
Expected average return for one year			7.66%
Expected geometric mean (30 years)			6.94%

Discount Rate: The discount rate used to measure the total pension liability for the DB Plan was 7.0%, which is equal to the expected investment rate of return. The expected investment rate of return applies to benefit payments that are funded by plan assets (including future contributions), which includes all plan benefits except supplemental annuity payments to DB retirees and ad hoc COLA to both DB and DCRS retirees. The discount rate used to measure the total pension liability for the supplemental annuity and ad hoc COLA payments was 4.09% (4.02% at September 30, 2023), which is equal to the rate of return of a high-quality bond index.

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

Defined Benefit Plan:

	1% Decrease in Discount Rate <u>6.0%</u>	Current Discount Rate <u>7.0%</u>	1% Increase in Discount Rate <u>8.0%</u>
Net Pension Liability	<u>\$50,595,433</u>	<u>\$41,197,565</u>	<u>\$33,152,890</u>

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Notes to Financial Statements, continued

8. Pensions, continued

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

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees:

	1% Decrease in Discount Rate <u>3.09%</u>	Current Discount Rate <u>4.09%</u>	1% Increase in Discount Rate <u>5.09%</u>
Net Pension Liability	\$ <u>11,045,358</u>	\$ <u>10,123,344</u>	\$ <u>9,318,092</u>

Ad Hoc COLA Plan for DCRS Retirees:

	1% Decrease in Discount Rate <u>3.09%</u>	Current Discount Rate <u>4.09%</u>	1% Increase in Discount Rate <u>5.09%</u>
Net Pension Liability	\$ <u>2,314,256</u>	\$ <u>2,050,520</u>	\$ <u>1,827,519</u>

C. Payables to the Pension Plans

As of September 30, 2024 and 2023, GWA recorded payables to GGRF of \$138,453 and \$98,858, respectively, representing unremitted statutorily required contributions.

9. Other Post Employment Benefits (OPEB)

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

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Notes to Financial Statements, continued

9. Other Post Employment Benefits (OPEB), continued

A. General Information About the OPEB Plan

Plan Description: The OPEB plan is a single-employer defined benefit plan that provides healthcare benefits to eligible employees and retirees who are members of the GovGuam Retirement Fund. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Governor's recommended budget and the annual General Appropriations Act enacted by the Guam Legislature provide for a premium level necessary for funding the program each year on a "pay-as-you-go" basis. GovGuam issues a publicly available financial report that includes financial statements and required supplementary information for the OPEB Plan. That report may be obtained by writing to the Government of Guam Department of Administration, Suite 224, 2nd Floor, ITC Building, 590 South Marine Corps Drive, or by visiting the Guam Department of Administration website – <https://da.doa.guam.gov/reports/guam-other-post-employment-benefits-oheb-reports/>.

Benefits: GovGuam provides postemployment medical, dental and life insurance benefits to retirees, spouses, children and survivors. Active employees and retirees who waive medical and dental coverage are considered eligible for the life insurance benefit only.

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

Total OPEB liability at the fiscal year presented for the OPEB Plan was measured on and was determined by actuarial valuations as of the following dates:

Reporting Date:	September 30, 2024	September 30, 2023
Measurement Date:	September 30, 2023	September 30, 2022
Valuation Date:	September 30, 2022	September 30, 2022

Collective total OPEB liability as of September 30, 2024 and 2023 is \$103,206,575 and \$87,184,863, respectively.

Proportionate share of total OPEB liability at September 30, 2024 and 2023 is 3.77% and 3.80%, respectively.

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Notes to Financial Statements, continued

9. Other Post Employment Benefits (OPEB), continued

B. Total OPEB Liability:

Actuarial Assumptions: A summary of actuarial assumptions applied to all periods included in the measurement is shown below:

Inflation:	2.50%
Healthcare cost trend rate:	For non-Medicare claims, 8% for FY2023, then 26% for FY2024 and 7% for FY2025, decreasing 0.5% per year to 4.5% in FY2030 and an ultimate rate of 4.1% for FY2031 and later years. For Medicare claims, 8% for FY2023, then 14% for FY2024 and 7% for FY2025, decreasing 0.5% per year to 4.5% in FY2030 and an ultimate rate of 4.1% for FY2031 and later years. For both Medicare and non-Medicare retiree contributions, 8% for FY2023, then 0% for FY2024 and 7% for FY2025, decreasing 0.5% per year to 4.5% in FY2030 and an ultimate rate of 4.1% for FY2031 and later years.
Dental trend rates:	For claims, the initial trend rates are 4.25% for year 1 and 8.21% for year two and reflect the actual changes in plan costs through October 1, 2024, and then 4.25% in subsequent years. For retiree contributions, the initial trend rate is 4.25% for year one and 0% for year two and reflects the actual changes in retiree contributions through October 1, 2024, and then 4.25% in subsequent years. These trend rates are based on a blend of historical retiree premium rate increases as well as observed U.S. national trends.
Employee mortality rates	PUB-2010 General Employees Headcount-Weighted Mortality Table, set forward 4 years and 2 years for males and females, respectively, with 130% of rates prior to age 80. Projected generationally using 50% of scale MP-2020.

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Notes to Financial Statements, continued

9. Other Post Employment Benefits (OPEB), continued

B. Total OPEB Liability, continued

Healthy retiree mortality rates: PUB-2010 General Healthy Retiree Headcount-Weighted Mortality Table, set forward 4 years and 2 years for males and females, respectively, with 130% of rates prior to age 80. Projected generationally using 50% of scale MP-2020.

Disabled retiree mortality rates: PUB-2010 General Disabled Retiree Headcount-Weighted Mortality Table, set forward 4 years and 2 years for males and females, respectively, with 130% of rates prior to age 80. Projected generationally using 50% of scale MP-2020.

Discount rate: The discount rate used to measure the total OPEB liability was 4.09%. The projection of cash flows used to determine the discount rate assumed that contributions from the Government will be made in accordance with the plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments of current plan members. Therefore, the 4.09% municipal bond rate was applied to all periods to determine the total OPEB liability.

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

	1% Decrease in Discount Rate <u>3.09%</u>	Current Discount Rate <u>4.09%</u>	1% Increase in Discount Rate <u>5.09%</u>
Total OPEB Liability	<u>\$119,633,795</u>	<u>\$103,206,575</u>	<u>\$89,876,030</u>

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Notes to Financial Statements, continued

9. Other Post Employment Benefits (OPEB), continued

B. Total OPEB Liability, continued

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates: The following presents the sensitivity of the total OPEB liability to changes in the healthcare cost trend rate. The sensitivity analysis shows the impact to GWA's proportionate share of the total OPEB liability if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	<u>\$87,839,831</u>	<u>\$103,206,575</u>	<u>\$122,884,366</u>

C. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the years ended September 30, 2024 and 2023, GWA reported total OPEB expense of \$7,389,859 and \$4,166,314, respectively. for its proportionate share of the GovGuam total OPEB expense. At September 30, 2024 and 2023, GWA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>2024</u>		<u>2023</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 3,487,443	\$19,775,455	\$ 8,077,845	\$28,629,763
Difference between expected and actual experience	15,791,492	4,358,671	6,799,163	4,009,180
Contributions subsequent to the measurement date	2,735,797	---	2,481,241	---
Changes in proportion and difference between employer contributions and proportionate share of contributions	<u>6,978,056</u>	<u>8,342,841</u>	<u>11,181,705</u>	<u>10,654,549</u>
	<u>\$28,992,788</u>	<u>\$32,476,967</u>	<u>\$28,539,954</u>	<u>\$43,293,492</u>

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Notes to Financial Statements, continued

9. Other Post Employment Benefits (OPEB), continued

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

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

2025	\$ 2,499,252
2026	(627,580)
2027	(2,890,026)
2028	(3,438,293)
2029	(3,438,295)
Thereafter	<u>1,674,967</u>
	<u><u>\$ (6,219,975)</u></u>

10. Agreements with the United States Navy

Pursuant to a Memorandum of Agreement, the U.S. 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 year ended September 30, 2024 and 2023 amount to \$8,662,002 and \$7,038,954.

11. 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 accompanying financial statements.

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Notes to Financial Statements, continued

11. Commitments and Contingencies, continued

Litigation

GWA is seeking to quiet title in property listed in a current court action. The court action was first brought by the Government of Guam, Department of Land Management (DLM) to rescind and correct certificates of title which DLM has claimed were erroneously issued to a private party. The quiet title action addresses certificates of title for property upon which GWA's Northern District Wastewater Treatment Plant (NDWWTP) is located. The private party holding the certificates of title argues it legally acquired the disputed property through foreclosure, first returned to ancestral land owners, and second by GWA's presumptive failure to perform required surveys triggering an automatic reversion of the land. Court records show the private party is seeking the enjoyment, use, and occupancy of the property and just compensation from GWA for inverse condemnation in the amount of \$220 million, as well as damages for trespass and encroachment by GWA. If the Guam Superior Court enters a judgment, granting the claimed compensation, against the Authority, the resulting liability could have a material and adverse impact on GWA's financial position.

GWA has argued that the ownership of the disputed property has been well documented and permitted through public laws, adopted land use plans, and federal and local government leases, easements, and deeds and that the collective review of these laws and conveyance documents prevents the property under NDWWTP from being transferred to a private land owner as it houses an existing public utility first constructed in 1979. While a final judgement has not been issued, an April 2024 decision and order by the Superior Court granted title to the opposing party. In May 2024, GWA sought an interlocutory appeal on the trial court's April order and an earlier decision. In January 2025, the Guam Supreme Court granted GWA's request to appeal. The appeal remains ongoing and as a result, GWA's quiet-title litigation before the Superior Court is stayed until the Guam Supreme Court appeal is resolved.

GWA is of the opinion that based on the current status of the litigation, and courses of actions still available to it, liabilities of a material nature will not be realized, and therefore no related provision has been recorded in the accompanying financial statements for the potential impact, if any, of this matter.

Contract Commitments

Contract commitments in connection with projects currently in construction approximate \$101,553,925 at September 30, 2024, of which \$14,497,259 will be funded by federal grants from the U.S. Government.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

11. Commitments and Contingencies, continued

Litigation, continued

Regulatory Oversight - Court Orders

In 2002, the US Government filed a complaint against GWA 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 sought both civil penalties and injunctive relief to address such non-compliance. Both GWA and the U.S. Department of Justice, Environmental and Natural Resources Division, mutually agreed in the form of a Court Order to resolve the violation issues.

In 2003, a Court Order for Preliminary Relief was filed before the District Court of Guam. The Stipulation required implementation of short-term projects and initial planning measures by GWA. GWA was 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 Court 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.

In 2006, the Court Order was amended, which required GWA to perform approximately \$220 million of capital improvement projects and perform other actions to bring GWA's system into compliance. However, GWA was unable to meet all deadlines set out in the amended Court Order. The District Court ordered the parties to stipulate as to the scope of the remaining projects and project completion dates. The parties were unable to reach an agreement on all items. As a result, on November 10, 2011, the District Court issued an order setting new deadlines for the unfinished projects and included new projects that were not part of the amended Court Order. As of September 2021, of the 93 items required by the Court Order, 92 are either complete or in progress (e.g., continuous reporting requirement). GWA continues to make progress in completing the one remaining item, using 2020A Series Bond Revenue to repair, rehabilitate or replace water storage reservoirs.

GWA together with the Government of Guam, as a co-Defendant, filed an unopposed motion in the U.S. District Court to extend the final completion deadline from June 23, 2023, to December 31, 2025. The Court approved the extension and GWA continues its work to complete the sole remaining compliance requirement by the new deadline.

In further regulatory enforcement efforts, GWA and the U.S. EPA entered and filed a Partial Consent Decree (Partial CD) in the Guam U.S. District Court on January 31, 2024. In August 2024, the federal court entered an Order accepting the Partial CD making it effective August 9, 2024. The Order triggers proximate deadlines from August 9, 2024, for GWA to address a series of assessments, planning, reporting, rule updates, and construction measures within a 10-year period to avoid stipulated penalties. The deadlines to be completed vary from months to years over the 10-year period. To date, GWA is on track to meet all deadlines due.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

12. Supplemental Annuities/COLA

As required by GovGuam's Annual Appropriation's Act, GWA must reimburse GovGuam's Department of Administration for certain supplemental and healthcare benefits paid to retirees. During the years ended September 30, 2024 and 2023, GWA levied a 3.80% and 3.50% surcharge, respectively amounting to \$4,057,503 and \$3,094,599, respectively, in order to satisfy this legislative mandate.

13. System Development Charge (SDC)

In 2010, PUC approved the implementation of a water and sewer SDC, which authorized GWA to charge water and wastewater SDC to applicable customers on and after March 2, 2010. SDC revenues generated and collected are to be expended for costs associated with the construction, expansion, upgrade, and repair of water and wastewater facilities for users who are for the first time connecting property into the Guam water or wastewater system or for builders if the density of the existing connection is increased. SDC revenues may also be used to pay the principal sum and interest and other finance costs on bonds, notes or other obligations issued by or on behalf of GWA to finance such capital improvements or facilities expansion or renovations. During the years ended September 30, 2024 and 2023, SDC revenues were \$1,698,842 and \$1,359,167, respectively.

14. Related Party Transactions

GWA receives electrical and administrative services from GPA, a component unit of the Government of Guam also governed by the CCU. Electricity purchases from GPA for the years ended September 30, 2024 and 2023 were \$21,892,448 and \$24,397,961, respectively, and GWA was also charged \$593,742 and \$566,256, respectively, for administrative services provided by GPA. Outstanding payables for power purchases, administrative expenses and cost reimbursements owed by GWA to GPA were \$1,961,502 and \$1,746,771 as of September 30, 2024 and 2023, respectively.

For the years ended September 30, 2024 and 2023, GWA billed GPA a total of \$2,501,224 and \$134,497 for water and sewer charges on the facilities transferred by the Navy to GPA. The amount due from GPA as of September 30, 2024 and 2023 was \$2,516,111 and \$218,391, respectively, which is included in receivables in the accompanying statements of net position.

GWA receives waste disposal services from Guam Solid Waste Authority (GSWA). Waste disposal fees for the year ended September 30, 2024 and 2023 were \$1,099,837 and \$676,362, respectively. Outstanding payables for waste disposal fees owed by GWA to GSWA were \$84,595 and \$143,629 as of September 30, 2024 and 2023, respectively, and were included in trade accounts payable in the accompanying statements of net position.

Required Supplementary Information

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

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

Defined Benefit Plan

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
GWA's proportionate share of the net pension liability	\$41,197,565	\$48,214,836	\$32,556,486	\$42,300,716	\$40,222,332	\$37,292,034	\$33,100,479	\$38,799,923	\$40,053,650
GWA's proportion of the net pension liability	2.95%	3.24%	3.38%	3.39%	3.31%	3.16%	2.90%	2.83%	2.79%
GWA's covered payroll**	\$19,718,173	\$19,156,692	\$18,724,804	\$17,738,557	\$16,874,281	\$16,251,058	\$14,729,699	\$14,353,805	\$14,388,631
GWA's proportionate share of the net pension liability as percentage of its covered payroll	208.93%	251.69%	173.87%	238.47%	238.36%	229.47%	224.72%	270.31%	278.37%
Plan fiduciary net position as a percentage of the total pension liability	59.17%	54.45%	70.14%	61.48%	62.25%	63.28%	60.63%	54.62%	52.32%

*Data is presented for those years for which information is available.

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

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Required Supplementary Information (Unaudited)
Schedule of Proportionate Share of the Collective Total Pension Liability
Last 10 Fiscal Years*

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
GWA's proportionate share of the net pension liability	\$10,123,344	\$9,694,959	\$11,715,208	\$12,486,188	\$12,866,333	\$11,195,277	\$10,909,240
GWA's proportion of the net pension liability	3.76%	3.78%	3.80%	3.88%	3.97%	3.86%	3.79%

*Data is presented for those years for which information is available.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Required Supplementary Information (Unaudited)
Schedule of Proportionate Share of the Collective Total Pension Liability
Last 10 Fiscal Years*

Ad Hoc COLA Plan for DCRS Retirees

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
GWA's proportionate share of the net pension liability	\$2,050,520	\$1,492,903	\$1,766,641	\$1,577,875	\$1,299,011	\$1,105,860	\$1,441,633
GWA's proportion of the net pension liability	2.62%	2.48%	2.50%	2.38%	2.17%	2.24%	2.31%

*Data is presented for those years for which information is available.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Required Supplementary Information (Unaudited)
Schedule of Pension Contributions
Last 10 Fiscal Years*

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 4,365,333	\$ 4,474,004	\$ 4,263,160	\$ 4,116,086	\$ 3,998,221	\$ 4,029,190	\$ 3,491,479	\$ 3,524,561	\$3,759,121
Contributions in relation to the actuarially determined contribution	<u>5,639,689</u>	<u>5,187,181</u>	<u>5,180,477</u>	<u>4,038,242</u>	<u>4,025,886</u>	<u>4,296,287</u>	<u>3,630,252</u>	<u>3,527,186</u>	<u>3,749,595</u>
Contribution deficiency (excess)	\$(1,274,356)	\$(713,177)	\$(917,317)	\$ 77,844	\$(27,665)	\$(267,097)	\$(138,773)	\$(2,625)	\$ 9,526
GWA's covered payroll**	<u>\$20,283,563</u>	<u>\$19,718,173</u>	<u>\$18,724,804</u>	<u>\$17,738,557</u>	<u>\$16,874,281</u>	<u>\$16,251,058</u>	<u>\$14,729,699</u>	<u>\$14,353,805</u>	<u>\$14,388,631</u>
Contributions as a percentage of covered payroll	27.80%	26.31%	27.67%	22.77%	23.86%	26.44%	24.65%	24.57%	26.06%

*Data is presented for those years for which information is available.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Required Supplementary Information (Unaudited)
Schedule of Proportionate Share of the Collective Total OPEB Liability
Last 10 Fiscal Years*

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
GWA's proportionate share of the OPEB liability	\$103,206,575	\$87,184,863	\$116,272,057	\$106,433,894	\$84,163,331	\$62,656,405	\$88,950,661
GWA's proportion of the OPEB liability	3.77%	3.80%	4.19%	4.23%	3.30%	3.34%	3.66%

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years' information is available.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Required Supplementary Information (Unaudited)

Changes in Assumptions – Pension Plans

Amounts reported in 2023 actuarial valuation reflected an assumption related to administrative expenses to increase to \$7,402,000 per year.

Amounts reported in 2022 actuarial valuation reflected an assumption related to administrative expenses to decrease to \$6,798,000 per year.

Amounts reported in 2021 actuarial valuation reflected an assumption related to administrative expenses to increase to \$6,565,000 per year.

Amounts reported in 2020 actuarial valuation reflected an assumption related to administrative expenses to decrease to \$6,439,000 per year.

Amounts reported in 2019 actuarial valuation reflected an assumption related to administrative expenses to decrease to \$6,860,000 per year.

Amounts reported in 2018 actuarial valuation reflected an assumption related to administrative expenses to increase to \$7,082,000 per year.

Amounts reported in the 2017 actuarial valuation reflect a change in assumption of payroll growth to 2.75% rather than 3%. The mortality, retirement age and disability assumption were changed to more closely reflect actual experience. Assumption related to administrative expense reflected an increase to \$6,344,000 per year and a revised allocation to the various pension plans to reflect actual experience.

Amounts reported in 2016 actuarial valuation reflect a change in assumption of administrative expenses to \$6,078,000 per year rather than \$5,806,000.

Amounts reported in 2015 actuarial valuation reflect a change in assumption of payroll growth to 3% rather than 3.5% which was used to determine amounts reported prior to 2015.

Other Postemployment Benefit Plan

The information presented has no assets accumulated in a trust to pay related benefits.

Supplementary and Other Information

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Schedule of Certain Operating and Maintenance Expenses

	Year ended September 30,	
	<u>2024</u>	<u>2023</u>
Salaries, wages and benefits:		
Regular, differential and hazardous pay	\$16,826,909	\$16,535,676
Pension costs and other benefits	8,330,722	6,724,057
Overtime pay	<u>764,829</u>	<u>1,211,023</u>
Total salaries, wages and benefits	<u>\$25,922,460</u>	<u>\$24,470,756</u>
Administrative and general:		
Materials and supplies	\$ 1,396,741	\$ 1,965,599
Chemicals	1,882,201	1,778,433
Insurance	1,803,101	1,779,677
Transportation	504,105	632,636
Miscellaneous	665,430	629,100
Merchant fees	860,821	669,025
Public Utility Commission	552,292	213,555
Communications	136,781	114,403
Training	198,701	164,370
Liability claims	144,593	300,724
Advertising	<u>68,895</u>	<u>99,408</u>
Total administrative and general	<u>\$ 8,213,661</u>	<u>\$ 8,346,930</u>
Contractual:		
Labor, materials and others	1,404,959	\$ 1,824,658
Accounting	1,879,040	1,706,562
Legal	559,014	619,291
Property rental	582,808	570,187
Equipment rental	124,257	439,277
Testing	<u>687,426</u>	<u>261,908</u>
Total contractual	<u>\$ 5,237,504</u>	<u>\$ 5,421,883</u>
Other expense:		
Interest expense	\$26,805,659	\$28,678,533
Retiree healthcare costs and other benefits	8,661,999	4,621,864
Bond issuance costs	<u>3,364,221</u>	<u>554,655</u>
Total other expense	<u>\$38,831,879</u>	<u>\$33,855,052</u>

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Schedule of Construction Work in Progress

Year ended September 30, 2024

Schedule of Construction Work in Progress

Year Ended September 30, 2024

Project Title	Type	Beginning Balance FY2024	Additions and Transfers	Close-outs and Adjustments	Ending Balance FY2024
Asan / Santa Rita Springs Rehabilitation	Water	\$ 917,108	\$ 99,583	-	\$ 1,016,691
Deepwell New Wells Site Development and Rehabilitation	Water	1,956,680	371,372	-	2,328,052
Equipment Purchases	Water/Wastewater	53,214	1,956,733	(1,403,105)	606,842
Facilities Improvement	Water/Wastewater	812,689	223,756	-	1,036,445
Fire Hydrant Replacement Project	Water	200,616	372,627	(570,008)	3,235
GIS Mapping	Water	-	96,736	-	96,736
Hydraulic Modeling	Water/Wastewater	644,072	-	-	644,072
I&I SSES for Central/Northern/Southern Sewer Systems	Wastewater	2,102,046	-	(650,055)	1,451,991
Information Technology	Water/Wastewater	463,611	848,546	(1,234,900)	77,257
Island Wide Real Property Survey & Mapping	Water/Wastewater	882,181	-	(449,863)	432,318
Island Wide Water Reservoirs	Water	38,474,936	17,430,365	(7,643,144)	48,262,157
Meters and related	Water	560,139	9,366	(32,981)	536,524
Pressure Zone Realignment	Water	7,017,097	1,561,505	(8,310,311)	268,291
Program Management Office	Water/Wastewater	4,568,990	95,429	(690,955)	3,973,464
Pumps, Motors, Cables and related Replacements	Water/Wastewater	98,343	1,171,131	(1,124,354)	145,120
Route 1 Sanitary Sewer Rehabilitation and Replacement (Asan-Adelup-Hagatna)	Wastewater	19,320	-	(19,320)	-
SCADA System for Water and Wastewater	Water/Wastewater	1,766,215	126,545	(1,885,520)	7,240
Sewer Pump Station Improvements	Wastewater	2,531,783	679,381	(371,344)	2,839,820
Tamuning Hot Spots Sewer Line Rehabilitation and Replacement	Wastewater	2,652,719	(7,631)	(2,645,088)	-
Tumon Hot Spots Sewer Line Rehabilitation	Wastewater	432,574	12,405	-	444,979
Ugum Water Treatment Plant Rehabilitation	Water	192,425	685,058	-	877,483
Upgrade to Secondary Treatment at NDWWTP	Wastewater	660,382	-	-	660,382
Wastewater Collection Systems	Wastewater	1,698,240	563,712	-	2,261,952
Water and Wastewater Infrastructure Improvements	Water/Wastewater	530,245	1,193,357	-	1,723,602
Water BPS Improvements	Water	875,236	190,053	(342,044)	723,245
Water Distribution Systems	Water	4,038,356	907,952	(1,485)	4,944,823
Total Balance per Schedule		\$ <u>74,149,217</u>	\$ <u>28,587,981</u>	\$ <u>(27,374,477)</u>	\$ <u>75,362,721</u>

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

System Development Charge Fund

Schedules of Net Position, Revenue, Expenses and Changes in Net Position

	September 30, <u>2024</u>	2023 <u>2023</u>
Assets		
Current assets:		
Restricted cash	\$7,160,562	\$5,375,796
Receivables	<u>1,334,015</u>	<u>1,256,707</u>
	<u>\$8,494,577</u>	<u>\$6,632,503</u>
Liabilities and Net Position		
Current liabilities:		
Due to GWA	\$1,091,264	\$1,121,582
Net Position:		
Restricted	<u>7,403,313</u>	<u>5,510,921</u>
	<u>\$8,494,577</u>	<u>\$6,632,503</u>
Revenues, Expenses and Changes in Net Position		
Revenues:		
System development charge	\$1,698,842	\$1,359,167
Other revenues	<u>193,550</u>	<u>71,608</u>
	1,892,392	1,430,775
Expenses:		
Transfer out	<u>---</u>	<u>3,494,785</u>
Change in net position	1,892,392	(2,064,010)
Net position at beginning of year	<u>5,510,921</u>	<u>7,574,931</u>
Net position at end of year	<u>\$7,403,313</u>	<u>\$5,510,921</u>

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Schedule of Operating Revenues

	Year ended September 30,	
	<u>2024</u>	<u>2023</u>
Water	\$ 79,144,020	\$ 66,628,611
Wastewater	44,594,287	36,531,233
Surcharges:		
Legislative	4,057,503	3,094,599
System development charge	1,698,842	1,359,167
Other	591,327	567,167
Bad debts expense	(<u>229,334</u>)	(<u>421,467</u>)
Total operating revenues	<u>\$129,856,645</u>	<u>\$107,759,310</u>

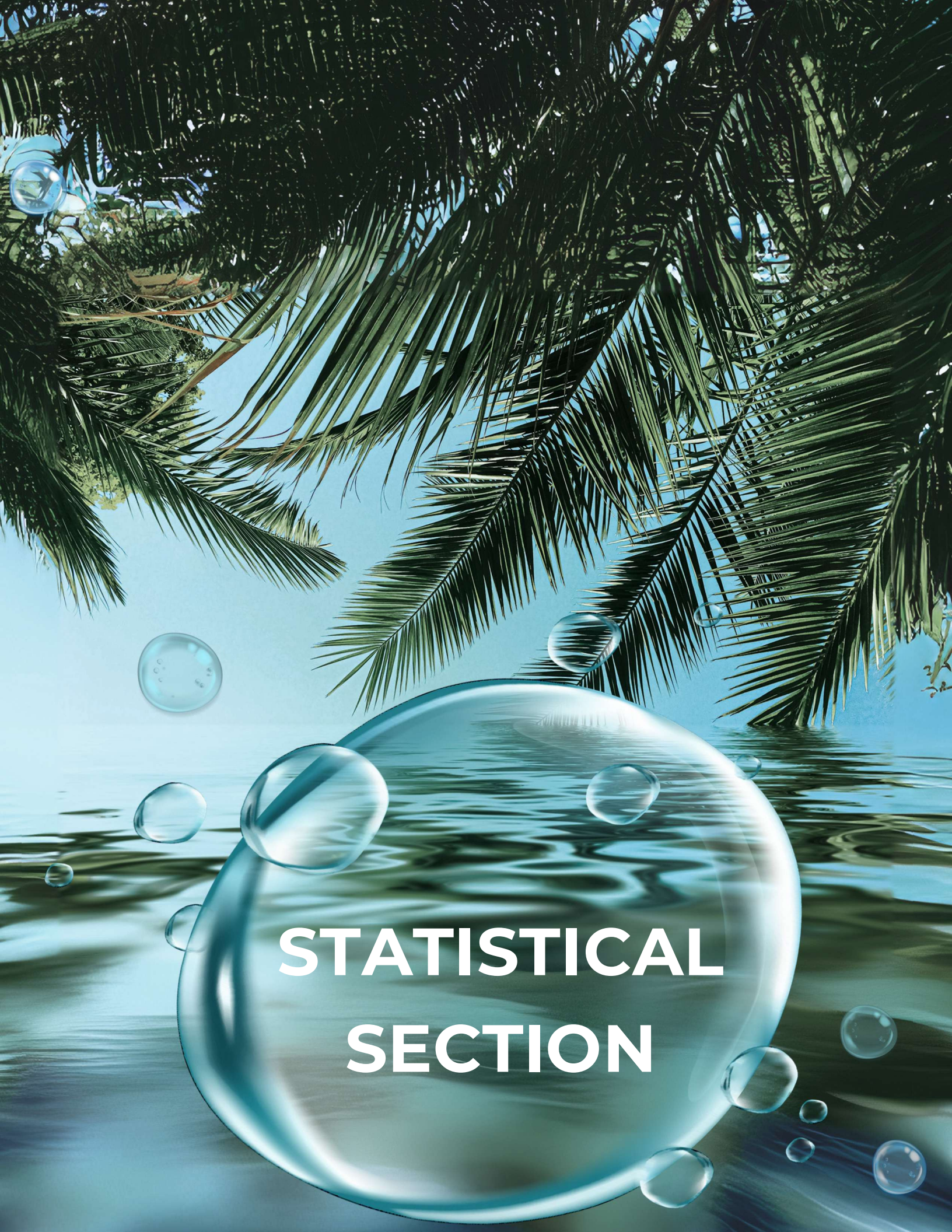
Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Schedule of Employee and Other Data

Years ended September 30, 2024 and 2023

2024					
Cost Category	Full-Time Employees	Personnel Services	Contractual Services	Materials and Supplies	Total
Administration and Support	72	\$ 5,570,925	\$ 1,668,451	\$ 72,220	7,311,596
Compliance & Safety	18	2,043,936	1,072,148	43,961	3,160,045
Engineering	28	1,643,813	---	7,953	1,651,766
Executive Management	43	4,057,108	1,588,523	14,321	5,659,952
Operations: Construction & Maintenance	27	2,030,871	47,689	73,721	2,152,281
Operations: Water Distribution	49	3,026,386	438,184	788,992	4,253,562
Operations: Water Production & Treatment	34	1,941,582	125,826	124,951	2,192,359
Operations: Wastewater Collection	48	3,309,869	242,888	193,623	3,746,380
Operations: Wastewater Treatment	28	2,297,970	53,795	76,999	2,428,764
Total	347	\$ 25,922,460	\$ 5,237,504	\$ 1,396,741	\$ 32,556,705

2023					
Cost Category	Full-Time Employees	Personnel Services	Contractual Services	Materials and Supplies	Total
Administration and Support	77	\$ 5,112,182	\$ 1,596,785	\$ 77,851	\$ 6,786,818
Compliance & Safety	19	1,811,794	672,121	64,406	2,548,321
Engineering	29	1,186,589	2,473	27,478	1,216,540
Executive Management	43	3,631,323	1,348,315	15,706	4,995,344
Operations: Construction & Maintenance	32	2,349,856	155,315	244,063	2,749,234
Operations: Water Distribution	48	3,105,810	709,925	791,256	4,606,991
Operations: Water Production & Treatment	31	2,013,591	243,204	427,736	2,684,531
Operations: Wastewater Collection	48	2,876,194	593,899	174,008	3,644,101
Operations: Wastewater Treatment	29	2,383,417	99,846	143,094	2,626,357
Total	356	\$ 24,470,756	\$ 5,421,883	\$ 1,965,598	\$ 31,858,237

A tropical beach scene with palm trees, water, and bubbles. The background features a clear blue sky, lush green palm fronds, and a calm body of water reflecting the light. Numerous translucent, realistic-looking bubbles of various sizes are scattered throughout the scene, particularly concentrated in the foreground. A large, prominent bubble in the lower center serves as a frame for the text.

STATISTICAL SECTION

STATISTICAL SECTION

(UNAUDITED)

This part of GWA's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

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Financial Trends

These schedules contain trend information to help the reader understand how GWA's financial performance and well-being have changed over time.

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Revenue Capacity

These schedules contain information to help the reader assess GWA's most significant local revenue sources.

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GUAM WATERWORKS AUTHORITY
(A Component Unit of the Government of Guam)
Exhibit 1: Schedule of Net Position
(accrual basis of accounting)

	FY 2024	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017⁽¹⁾	FY 2016⁽²⁾	FY 2015
Net investment in capital assets	\$ 320,670,696	\$ 330,849,577	\$ 322,499,972	\$ 286,341,746	\$ 229,805,072	\$ 190,953,226	\$ 163,459,395	\$ 218,057,386	\$ 185,367,498	\$ 180,072,079
Restricted for:										
Debt service ⁽³⁾	63,941,087	63,409,545	60,881,220	-	-	-	-	-	-	-
Service Operations ⁽³⁾	55,958,078	39,537,853	38,512,203	-	-	-	-	-	-	-
Total restricted - expendable	119,899,165	102,947,398	99,393,423	28,019,130	\$ 27,166,805	35,182,289	17,679,328	18,481,379	18,266,223	15,898,661
Unrestricted	(99,902,179)	(99,282,641)	(99,664,661)	(4,644,273)	\$ 6,288,492	(24,602,011)	(16,903,750)	(97,117,318)	(21,080,390)	(30,783,012)
Total net position	\$340,667,682	\$ 334,514,334	\$ 322,228,734	\$ 309,716,603	\$ 263,260,369	\$ 201,533,504	\$ 164,234,973	\$139,421,447	\$ 182,553,331	\$165,187,728

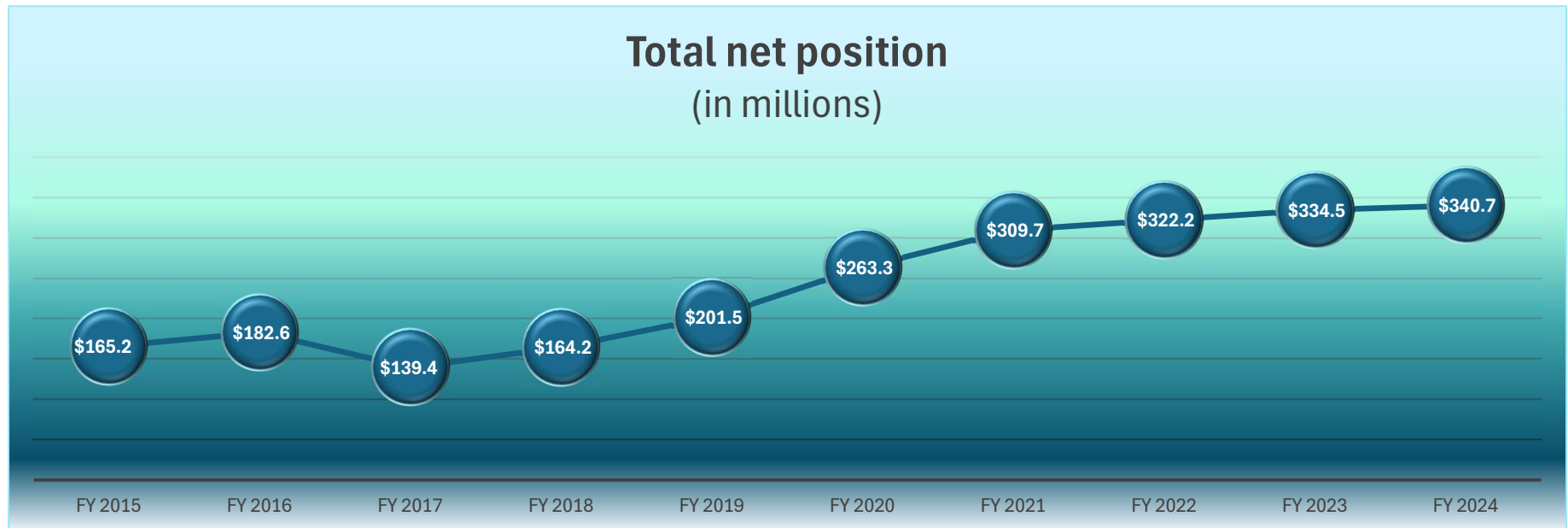
Source: Guam Waterworks Authority audited financial statements.

Note:

(1) In fiscal year 2018, GWA adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. As a result, GWA elected to restate its 2017 financial statements.

(2) In fiscal year 2017, GWA adopted GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68. As a result, GWA elected to restate its 2016 financial statements.

(3) Certain line items are presented as “-” in years where the financial statements did not provide a separate breakout.



GUAM WATERWORKS AUTHORITY

(A Component Unit of the Government of Guam)
Exhibit 2: Schedule of Revenues, Expenses and Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	FY 2024	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017⁽¹⁾	FY 2016⁽²⁾	FY 2015
Operating revenues:										
Water										
Private	\$ 70,389,155	\$ 59,343,982	\$ 57,230,980	\$ 58,664,043	\$ 60,200,529	\$ 61,955,342	\$ 60,049,063	\$ 57,875,384	\$ 58,162,503	\$ 50,917,880
Government	8,754,865	7,284,629	7,376,219	6,261,569	5,931,406	6,027,388	6,326,501	6,101,458	6,177,211	5,828,186
Legislative surcharge	2,781,530	2,147,271	2,127,896	2,130,826	2,218,881	2,386,371	2,357,002	2,166,056	1,959,204	2,200,991
System development charge	776,254	706,977	536,746	740,966	377,802	461,048	528,993	431,060	642,568	571,230
	<u>82,701,804</u>	<u>69,482,859</u>	<u>67,271,841</u>	<u>67,797,404</u>	<u>68,728,618</u>	<u>70,830,149</u>	<u>69,261,559</u>	<u>66,573,958</u>	<u>66,941,486</u>	<u>59,518,287</u>
Wastewater										
Private	30,453,396	25,467,513	23,701,033	22,459,992	25,462,248	30,055,421	28,536,974	28,386,690	27,570,392	24,674,981
Government	14,140,891	11,063,720	10,141,643	9,236,444	9,193,158	9,591,225	9,764,431	8,807,642	9,658,388	8,004,316
Legislative surcharge	1,275,973	947,328	882,878	812,169	943,890	1,176,661	1,113,506	1,041,170	939,121	597,039
System development charge	922,588	652,190	708,615	855,493	378,536	424,465	541,992	440,886	785,764	610,024
	<u>46,792,848</u>	<u>38,130,751</u>	<u>35,434,169</u>	<u>33,364,098</u>	<u>35,977,832</u>	<u>41,247,772</u>	<u>39,956,903</u>	<u>38,676,388</u>	<u>38,953,665</u>	<u>33,886,360</u>
Other	591,327	567,167	464,488	502,315	588,593	679,465	519,529	435,514	519,898	706,657
Less: bad debt expense	(229,334)	(421,467)	(2,028,510)	(1,991,300)	(2,033,768)	(2,217,121)	(2,162,950)	(1,316,397)	(1,034,310)	(980,243)
Total operating revenues	<u>129,856,645</u>	<u>107,759,310</u>	<u>101,141,988</u>	<u>99,672,517</u>	<u>103,261,275</u>	<u>110,540,265</u>	<u>107,575,041</u>	<u>104,369,463</u>	<u>105,380,739</u>	<u>93,131,061</u>
Operating and maintenance expenses:										
Power purchases	21,892,448	24,397,961	18,577,440	12,507,537	14,118,145	16,150,781	14,686,486	12,076,262	11,225,884	14,026,448
Water purchases	8,662,002	7,038,954	5,656,471	6,615,983	5,551,065	6,277,864	8,684,974	7,309,125	6,374,035	5,098,872
Waste disposal fees	1,099,837	676,362	658,813	1,415,293	1,277,885	1,333,887	1,507,654	1,685,842	1,565,080	1,343,767
	<u>31,654,287</u>	<u>32,113,277</u>	<u>24,892,724</u>	<u>20,538,813</u>	<u>20,947,095</u>	<u>23,762,532</u>	<u>24,879,114</u>	<u>21,071,229</u>	<u>19,164,999</u>	<u>20,469,087</u>
Depreciation	30,172,311	30,911,997	28,462,573	26,869,495	25,048,700	21,174,220	19,280,249	16,824,455	15,348,101	14,543,396
Salaries, wages and benefits	25,922,460	24,470,756	22,191,629	24,240,266	24,192,355	21,030,363	18,534,508	19,697,917	19,856,213	16,168,167
Administrative and general	8,213,661	8,346,930	7,297,610	6,861,923	7,359,398	8,510,862	8,072,979	7,300,127	7,008,883	6,503,317
Contractual	5,237,504	5,421,883	4,492,845	4,247,073	4,431,836	5,945,478	5,036,651	4,087,429	4,117,122	2,793,267
Retiree healthcare costs and other benefits	8,661,999	4,621,864	8,864,985	9,707,749	4,381,255	2,267,681	8,548,967	11,187,439	3,348,262	3,491,101
Total operating and maintenance expenses	<u>109,862,222</u>	<u>105,886,707</u>	<u>96,202,366</u>	<u>92,465,319</u>	<u>86,360,639</u>	<u>82,691,136</u>	<u>84,352,468</u>	<u>80,168,596</u>	<u>68,843,580</u>	<u>63,968,335</u>
Operating income	<u>19,994,423</u>	<u>1,872,603</u>	<u>4,939,622</u>	<u>7,207,198</u>	<u>16,900,636</u>	<u>27,849,129</u>	<u>23,222,573</u>	<u>24,200,867</u>	<u>36,537,159</u>	<u>29,162,726</u>
Non-operating revenues (expenses):										
Contributions from local government	-	14,460,048	-	-	-	-	-	-	-	-
Contributions from federal government	-	-	-	188,768	223,909	-	-	-	-	-
Allowance for funds used during construction	-	-	-	5,485,464	6,008,368	11,307,192	12,501,196	14,066,891	13,708,441	9,791,856
Interest income	13,949,794	11,604,779	1,542,233	112,720	1,380,414	4,953,524	3,778,449	917,351	63,115	23,490
Others, net	(219,504)	626,929	70,011	169,128	83,560	(722,188)	(707,085)	238,639	(2,869,723)	(221,438)
Interest expense	(26,805,659)	(28,678,533)	(29,175,309)	(30,075,496)	(26,821,893)	(25,192,512)	(26,498,040)	(27,173,760)	(24,641,647)	(20,865,205)
Bond issuance costs	(3,364,221)	(554,655)	(180,594)	-	(4,342,432)	-	-	-	-	-
Loss on property, plant and equipment disposals	(1,400,669)	(531,538)	(490,215)	(1,093,328)	(3,678,963)	(2,698,053)	(1,945,630)	(755,256)	(49,796)	(222,012)
Loss on inventory write down	-	-	-	-	-	-	-	(217,999)	-	-
Federal expenditures	-	-	-	(130,939)	(276,105)	-	(746,644)	(510,017)	(1,058,262)	(2,691,636)
Insurance recoveries	1,000,000	-	-	-	-	-	-	-	-	-
Total non-operating expenses, net	<u>(16,840,259)</u>	<u>(3,072,970)</u>	<u>(28,233,874)</u>	<u>(25,343,683)</u>	<u>(27,423,142)</u>	<u>(12,352,037)</u>	<u>(13,617,754)</u>	<u>(13,434,151)</u>	<u>(14,847,872)</u>	<u>(14,184,945)</u>
Income (Loss) before capital contributions	<u>3,154,164</u>	<u>(1,200,367)</u>	<u>(23,294,252)</u>	<u>(18,136,485)</u>	<u>(10,522,506)</u>	<u>15,497,092</u>	<u>9,604,819</u>	<u>10,766,716</u>	<u>21,689,287</u>	<u>14,977,781</u>
Capital contributions:										
Grants from the U.S. Government	2,999,184	13,485,967	35,806,383	64,592,719	72,249,371	21,801,439	15,208,707	21,811,030	5,488,862	3,586,637
Changes in net position	6,153,348	12,285,600	12,512,131	46,456,234	61,726,865	37,298,531	24,813,526	32,577,746	27,178,149	18,564,418
Net Position at beginning of year	334,514,334	322,228,734	309,716,603	263,260,369	201,533,504	164,234,973	139,421,447	106,843,701	155,375,182	146,623,310
Net Position at end of year	<u>\$ 340,667,682</u>	<u>\$ 334,514,334</u>	<u>\$ 322,228,734</u>	<u>\$ 309,716,603</u>	<u>\$ 263,260,369</u>	<u>\$ 201,533,504</u>	<u>\$ 164,234,973</u>	<u>\$ 139,421,447</u>	<u>\$ 182,553,331</u>	<u>\$ 165,187,728</u>

Source: Guam Waterworks Authority audited financial statements.

Note:

(1) In fiscal year 2018, GWA adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. As a result, GWA elected to restate its 2017 financial statements.

(2) In fiscal year 2017, GWA adopted GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68. As a result, GWA elected to restate its 2016 financial statements.

GUAM WATERWORKS AUTHORITY
(A Component Unit of the Government of Guam)
Exhibit 3: Operating and Maintenance Expenses
Last Ten Fiscal Years
(accrual basis of accounting)

	FY 2024	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Operating and maintenance expenses:										
Power purchases	\$ 21,892,448	\$ 24,397,961	\$ 18,577,440	\$ 12,507,537	\$ 14,118,145	\$ 16,150,781	\$ 14,686,486	\$ 12,076,262	\$ 11,225,884	\$ 14,026,448
Water purchases	8,662,002	7,038,954	5,656,471	6,615,983	5,551,065	6,277,864	8,684,974	7,309,125	6,374,035	5,098,872
Waste disposal fees	1,099,837	676,362	658,813	1,415,293	1,277,885	1,333,887	1,507,654	1,685,842	1,565,080	1,343,767
	<u>31,654,287</u>	<u>32,113,277</u>	<u>24,892,724</u>	<u>20,538,813</u>	<u>20,947,095</u>	<u>23,762,532</u>	<u>24,879,114</u>	<u>21,071,229</u>	<u>19,164,999</u>	<u>20,469,087</u>
Depreciation	30,172,311	30,911,997	28,462,573	26,869,495	25,048,700	21,174,220	19,280,249	16,824,455	15,348,101	14,543,396
Salaries, wages and benefits:										
Regular, differential and hazardous pay	16,826,909	16,535,676	16,055,989	16,269,531	16,900,151	15,130,677	13,008,745	13,461,180	12,829,124	14,803,408
Pension costs and other benefits	8,330,722	6,724,057	5,726,543	7,663,597	6,519,080	4,264,322	3,695,093	5,157,837	6,140,881	362,883
Overtime pay	764,829	1,211,023	409,097	307,138	773,124	1,635,364	1,830,670	1,078,900	886,208	1,001,876
Total salaries, wages and benefits	<u>25,922,460</u>	<u>24,470,756</u>	<u>22,191,629</u>	<u>24,240,266</u>	<u>24,192,355</u>	<u>21,030,363</u>	<u>18,534,508</u>	<u>19,697,917</u>	<u>19,856,213</u>	<u>16,168,167</u>
Administrative and general:										
Chemicals	1,882,201	1,778,433	1,506,895	2,124,444	1,817,213	2,451,801	2,191,505	2,088,013	2,239,147	2,418,497
Materials and supplies	1,396,741	1,965,599	1,923,816	1,425,390	2,091,704	2,246,462	2,171,938	1,545,542	1,244,535	1,367,765
Insurance	1,803,101	1,779,677	1,299,193	956,589	937,471	916,471	912,061	1,087,233	1,213,327	1,236,685
Transportation	504,105	632,636	696,392	519,743	606,260	778,349	768,010	644,933	574,510	462,372
Public Utility Commission	552,292	213,555	203,851	260,410	317,344	268,597	265,454	289,613	325,252	432,436
Advertising	68,895	99,408	68,500	86,704	60,929	124,027	170,709	107,853	190,889	89,572
Training	198,701	164,370	95,939	34,926	137,912	331,577	271,825	276,654	149,481	147,240
Liability claims	144,593	300,724	92,335	89,348	134,529	196,334	129,641	265,812	127,412	69,765
Communications	136,781	114,403	156,595	159,073	153,371	161,836	177,066	130,605	123,178	198,103
Miscellaneous	665,430	629,100	628,488	644,833	648,685	1,035,408	1,014,770	863,869	821,152	80,882
Merchant fees	860,821	669,025	625,606	560,463	453,980	-	-	-	-	-
Total administrative and general	<u>8,213,661</u>	<u>8,346,930</u>	<u>7,297,610</u>	<u>6,861,923</u>	<u>7,359,398</u>	<u>8,510,862</u>	<u>8,072,979</u>	<u>7,300,127</u>	<u>7,008,883</u>	<u>6,503,317</u>
Contractual:										
Labor, materials and others	1,404,959	1,824,658	1,627,464	1,701,284	2,109,246	2,985,591	2,406,807	1,880,965	1,855,070	1,617,961
Accounting	1,879,040	1,706,562	1,411,843	1,346,323	853,736	941,820	706,830	922,812	1,037,609	424,662
Equipment rental	124,257	439,277	192,456	288,743	786,736	1,412,592	1,070,482	712,487	697,942	228,475
Property rental	582,808	570,187	510,840	497,007	440,879	423,622	439,236	438,678	399,343	40,965
Testing	687,426	261,908	186,937	413,716	212,762	169,899	413,296	127,518	122,810	481,067
Legal	559,014	619,291	563,305	-	28,477	11,954	-	4,969	4,348	137
Total contractual	<u>5,237,504</u>	<u>5,421,883</u>	<u>4,492,845</u>	<u>4,247,073</u>	<u>4,431,836</u>	<u>5,945,478</u>	<u>5,036,651</u>	<u>4,087,429</u>	<u>4,117,122</u>	<u>2,793,267</u>
Retiree healthcare costs and other benefits	<u>8,661,999</u>	<u>4,621,864</u>	<u>8,864,985</u>	<u>9,707,749</u>	<u>4,381,255</u>	<u>2,267,681</u>	<u>8,548,967</u>	<u>11,187,439</u>	<u>3,348,262</u>	<u>3,491,101</u>
Total operating and maintenance expenses	<u>\$ 109,862,222</u>	<u>\$ 105,886,707</u>	<u>\$ 96,202,366</u>	<u>\$ 92,465,319</u>	<u>\$ 86,360,639</u>	<u>\$ 82,691,136</u>	<u>\$ 84,352,468</u>	<u>\$ 80,168,596</u>	<u>\$ 68,843,580</u>	<u>\$ 63,968,335</u>
Percentage increase (decrease) over prior year	4%	10%	4%	7%	4%	(2%)	5%	16%	8%	(3%)

Source: Guam Waterworks Authority audited financial statements.

GUAM WATERWORKS AUTHORITY
(A Component Unit of the Government of Guam)
Exhibit 4: Water and Wastewater Revenues (excluding System Development Charges) by Major Customer Classes
Last Ten Fiscal Years
(accrual basis of accounting)

Water Customer Class	FY 2024	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Agricultural	\$501,463	\$368,471	\$431,070	\$444,892	\$485,425	\$496,399	\$460,076	\$395,449	\$431,606	\$375,120
Golf Course	18,620	116,491	70,280	56,152	85,504	49,903	48,567	80,243	97,990	84,844
Commercial	17,467,530	14,461,167	13,720,269	13,251,332	12,896,717	13,868,755	13,667,485	13,962,171	13,736,890	12,529,070
Federal Agencies	33,854	25,097	28,145	38,596	25,625	23,137	31,502	39,532	38,497	18,449
Government of Guam	9,053,937	7,514,091	7,611,024	6,437,468	6,123,799	6,233,660	6,572,048	6,297,642	6,360,728	6,083,130
Hotel	12,143,153	9,046,164	7,125,401	6,968,351	10,237,252	14,955,990	13,802,981	13,499,695	13,116,414	11,132,531
Irrigation	38,727	34,965	39,113	43,360	57,432	51,409	49,457	60,821	59,481	18,425
Residential	42,668,267	37,209,436	37,709,793	39,816,286	38,439,018	34,689,848	34,100,450	31,807,344	32,457,312	28,705,488
Total Water Revenues ⁽¹⁾	<u>\$81,925,551</u>	<u>\$68,775,882</u>	<u>\$66,735,095</u>	<u>\$67,056,437</u>	<u>\$68,350,772</u>	<u>\$70,369,101</u>	<u>\$68,732,566</u>	<u>\$66,142,897</u>	<u>\$66,298,918</u>	<u>\$58,947,057</u>

Wastewater Customer Class	FY 2024	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Commercial	\$9,280,158	\$8,538,306	\$8,373,667	\$7,760,006	\$7,933,048	\$8,753,399	\$8,735,533	\$8,588,060	\$8,046,990	\$6,988,489
Federal Agencies	9,093,663	7,094,928	6,110,211	5,944,514	6,108,423	6,388,022	6,322,371	5,610,218	6,580,018	4,926,563
Government of Guam	5,583,721	4,356,099	4,391,010	3,617,134	3,423,005	3,569,358	3,800,155	3,533,788	3,375,762	3,325,856
Hotel	10,835,621	8,100,157	6,523,248	6,091,381	9,156,976	13,178,157	11,937,462	11,684,107	11,698,441	9,266,983
Residential	11,077,096	9,389,071	9,327,418	9,095,570	8,977,791	8,934,371	8,619,390	8,819,329	8,466,690	8,768,445
Total Wastewater Revenues ⁽¹⁾	<u>\$45,870,259</u>	<u>\$37,478,561</u>	<u>\$34,725,554</u>	<u>\$32,508,605</u>	<u>\$35,599,243</u>	<u>\$40,823,307</u>	<u>\$39,414,911</u>	<u>\$38,235,502</u>	<u>\$38,167,901</u>	<u>\$33,276,336</u>

Source: Guam Waterworks Authority audited financial statements.

Note:

(1) Excludes System Development Charges.

GUAM WATERWORKS AUTHORITY
(A Component Unit of the Government of Guam)
Exhibit 5: Water Demand and Wastewater Flow (in '000 gallons) by Major Customer Classes
Last Ten Fiscal Years
(accrual basis of accounting)

Water Customer Class	FY 2024	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Agricultural	59,551	49,748	65,719	68,805	84,492	90,803	81,127	69,482	78,628	67,376
Golf Course	158	6,415	3,796	2,855	5,128	2,793	2,741	5,252	6,770	6,850
Commercial	840,261	816,393	818,460	786,157	822,736	906,192	910,905	964,639	1,022,890	1,020,089
Federal Agencies	1,317	1,099	1,389	2,069	1,338	1,602	1,813	2,508	1,180	1,168
Government of Guam	462,968	445,116	471,943	404,026	408,502	405,980	450,165	448,430	475,366	515,974
Hotel	635,654	554,767	462,757	448,034	714,161	1,079,919	989,723	1,004,525	1,008,087	999,116
Irrigation	3,460	3,242	4,888	5,404	8,654	7,896	8,504	10,143	11,351	10,385
Residential	3,115,717	3,185,230	3,450,574	3,622,514	3,712,723	3,359,905	3,313,613	3,206,811	3,429,689	3,415,662
Total Water Demand	5,119,086	5,062,010	5,279,526	5,339,864	5,757,734	5,855,090	5,758,591	5,711,790	6,033,961	6,036,620

Wastewater Customer Class	FY 2024	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Commercial	548,241	570,488	585,512	566,044	591,972	652,842	662,938	685,628	716,887	699,484
Federal Agencies	607,799	558,530	508,438	493,841	542,970	597,041	592,819	533,174	614,008	580,070
Government of Guam	375,420	341,718	365,856	303,587	298,457	326,653	345,049	339,780	322,040	333,197
Hotel	425,057	376,947	318,491	297,738	480,884	707,934	639,157	652,562	679,262	635,117
Residential	1,849,134	1,906,036	2,051,330	2,150,617	2,118,282	1,836,324	1,836,672	1,861,916	2,008,430	2,026,670
Total Wastewater Demand	3,805,651	3,753,719	3,829,627	3,811,827	4,032,565	4,120,794	4,076,635	4,073,060	4,340,626	4,274,539

Source:

- (1) Guam Waterworks Authority, Finance Division (FY 2015-FY2017).
- (2) Guam Waterworks Authority audited financial statements (FY 2018-FY2024).

GUAM WATERWORKS AUTHORITY
(A Component Unit of the Government of Guam)
Exhibit 6: Customer Count by Class
Last Ten Fiscal Years
(accrual basis of accounting)

	FY 2024	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Water Customer Class										
Agricultural	312	324	330	328	326	329	338	344	346	342
Golf Course	15	16	16	16	16	15	16	15	15	17
Commercial	2,738	2,727	2,671	2,643	2,650	2,673	2,671	2,677	2,630	2,627
Federal Agencies	14	14	14	14	14	14	14	14	13	13
Government of Guam	413	416	408	403	401	398	394	395	397	404
Hotel	53	53	54	55	53	53	56	55	55	53
Irrigation	30	33	32	32	30	27	28	31	32	32
Residential	40,040	39,990	39,717	39,658	39,281	39,510	38,927	38,675	38,267	37,787
Total Water Customers	43,616	43,574	43,241	43,148	42,770	43,019	42,443	42,206	41,755	41,273
Wastewater Customer Class										
	FY 2024	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Commercial	2,055	2,058	2,022	1,994	2,017	2,028	2,050	2,040	1,996	2,016
Federal Agencies	8	9	9	9	9	9	9	9	9	9
Government of Guam	238	244	246	244	239	239	241	239	240	247
Hotel	43	44	45	46	45	45	46	46	45	45
Residential	28,710	28,388	28,166	27,501	27,172	27,010	27,029	26,731	26,473	26,143
Total Wastewater Customers	31,054	30,742	30,488	29,793	29,482	29,331	29,374	29,065	28,763	28,460

Source: Guam Waterworks Authority, Finance Division.

GUAM WATERWORKS AUTHORITY
(A Component Unit of the Government of Guam)
Exhibit 7: Ten Largest Customers
Last Ten Fiscal Years
(accrual basis of accounting)

	FY 2024	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Top 10 Water Customers										
Department of Education	\$2,955,418	\$3,279,496	\$3,025,016	\$2,352,377	\$1,943,966	\$1,540,824				
Pacific Islands Club	1,885,711	1,287,493	692,049	970,027	1,207,148	1,951,350	\$2,063,500	\$1,178,757	\$1,084,985	\$ 948,289
Guam Power Authority	1,821,851	692,774	1,367,507	1,350,818	1,431,379	692,694				
Hilton Guam Resort & Spa	1,051,107	775,326	698,265	615,204	627,600	997,217	1,016,867	995,330	1,026,983	815,418
Dusit Thani Guam Resort	1,047,637	653,931	564,338		1,317,232	1,644,137	981,995			
Outrigger Guam Resort	1,014,421	814,170		500,169	608,925	619,395	767,092	591,248	644,931	618,931
University of Guam	1,001,140	885,893	567,192							
Department of Corrections	965,343			463,674						
Leopalace Resort Guam ⁽¹⁾	861,253	643,942	575,015	754,272	1,524,488	1,876,658	2,003,473	1,316,123	1,222,035	1,241,202
Hyatt Regency Guam ⁽²⁾	803,285	713,869	587,923	464,046	632,604	847,431	883,087	847,386	789,528	734,179
The Westin Resort Guam ⁽³⁾		639,428	570,665					628,271	637,657	667,679
Onward Beach Resort Guam, Inc.			926,352	725,293	684,299		783,072			550,523
Goodwind Development Corp				483,879						
Hotel Nikko Guam					673,106		807,746	813,085	778,380	662,415
Pacific Star Resort & Spa						672,551		649,388	850,076	651,187
Sheraton Laguna Guam Resort						615,160	744,503	851,904	794,407	639,648
Guam Reef Hotel Inc							851,152	592,583	583,729	
Total	\$13,407,167	\$10,386,321	\$9,574,322	\$8,679,760	\$10,650,746	\$11,457,417	\$10,902,488	\$8,464,075	\$8,412,712	\$7,529,473
Total Water Revenue	81,925,551	68,775,882	66,735,095	67,056,437	68,350,772	70,369,101	68,732,566	66,142,897	66,298,918	58,947,057
% of Total Water Revenue	16.4%	15.1%	14.3%	12.9%	15.6%	16.3%	15.9%	12.8%	12.7%	12.8%
	FY 2024	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Top 10 Wastewater Customers										
Air Force DOD	\$7,133,968	\$5,784,105	\$4,872,082	\$4,680,103	\$4,536,136	\$3,100,031	\$3,938,808	\$3,860,920	\$4,043,806	\$3,176,090
Navy DOD	2,443,160	1,676,508	1,406,283	1,443,383	1,898,558	3,050,977	2,339,465	1,684,854	2,261,098	1,868,502
Department of Education	1,763,868	1,980,186	1,818,678	1,406,303	1,162,315	920,462				
Dusit Thani Guam Resort	1,122,938	700,028	603,869		1,413,401	1,764,803	1,053,429			
Hilton Guam Resort & Spa ⁽⁴⁾	1,120,658	825,224	742,859	653,637	667,488	1,065,051	1,085,600	1,064,415	1,098,538	847,537
Guam Power Authority	1,092,558		827,803	819,464	862,299					
Outrigger Guam Resort	1,086,790	886,380		542,405	671,837	663,727	864,985	633,320	691,013	644,913
Hyatt Regency Guam ⁽²⁾	858,373	762,650	627,598	494,542	676,521	907,296	945,324	906,969	844,912	720,581
Pacific Islands Club	783,674	614,798		596,235	603,651	847,982	880,001			
Hotel Nikko Guam	687,087				716,396		861,128	868,680	831,546	687,184
The Westin Resort Guam ⁽⁵⁾		681,000	607,455	461,147						694,559
Gershman, Brickner & Bratton, Inc.		662,279	1,012,634							
Onward Beach Resort Guam Inc			580,981							522,650
Micronesia Mall				509,380						
Pacific Star Resort & Spa						718,062		692,867	908,545	675,725
Leopalace Resort Guam						716,925		671,635	681,806	
Guam Reef Hotel Inc							911,021	633,306	623,890	
Sheraton Laguna Guam Resort							794,702	911,821	850,152	663,950
Total	\$18,093,074	\$14,573,159	\$13,100,241	\$11,606,600	\$13,208,602	\$13,755,317	\$13,674,462	\$11,928,786	\$12,835,306	\$10,501,692
Total Water Revenue	45,870,259	37,478,561	34,725,554	32,508,605	35,599,243	40,823,307	39,414,911	38,235,502	38,167,901	33,276,336
% of Total Water Revenue	39.4%	38.9%	37.7%	35.7%	37.1%	33.7%	34.7%	31.2%	33.6%	31.6%

Source: (1) FY 2019-FY 2024: GWA Annual Financial Information & Operating Data Reports posted to the Electronic Municipal Market Access website of the Municipal Securities Rulemaking Board. (2) FY 2015- FY 2018: Guam Waterworks Authority, Finance Division.

Note: (1) Includes revenues from "MDI Guam Corporation/Leo Palace" in FY 2018 and prior years. (2) Includes revenues from "EIE Corporation/Hyatt" for FY 2015. (3) Includes revenues from "MDI Guam Corporation/Westin" for FY 2017. (4) Includes revenues from "Hotel of the Marianas Inc./Hilton" for FY 2015. (5) Includes revenues from "MDI Guam Corporation/Westin" for FY 2015.

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

Exhibit 8: Water Rates
Last Ten Fiscal Years

	FY 2024	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Basic										
Residential - 3/4 "	\$30.62	\$26.24	\$24.87	\$24.87	\$23.69	\$22.56	\$22.56	\$21.69	\$20.96	\$17.99
Residential - 1 "	35.73	30.62	29.02	29.02	27.64	26.32	26.32	25.31	24.45	20.99
Residential - 1 1/2 "	56.06	48.04	45.54	45.54	43.37	41.31	41.31	39.72	38.38	32.94
Residential - 2 "	71.41	61.19	58.00	58.00	55.24	52.62	52.62	50.59	48.88	41.96
Residential - 3 "	127.55	109.30	103.60	103.60	98.67	93.98	93.98	90.36	87.31	74.94
Residential - 4 "	178.55	153.00	145.02	145.02	138.11	131.53	131.53	126.47	122.20	104.89
Residential - 6 "	331.57	284.12	269.31	269.31	256.49	244.28	244.28	234.88	226.94	194.80
Residential - 8 "	484.59	415.24	393.59	393.59	374.85	357.00	357.00	343.27	331.66	284.69
Residential - 10 "	663.15	568.25	538.63	538.63	512.98	488.55	488.55	469.76	453.87	389.59
Residential - 12 "	790.63	677.49	642.17	642.17	611.59	582.46	582.46	560.06	541.12	464.48
Residential Volume Charge, per Kgal										
0-5 kgal	\$3.51	\$3.01	\$3.01	\$3.01	\$3.01	\$3.01	\$3.01	\$3.01	\$2.91	\$2.91
6 kgal & above	14.58	12.49	11.83	11.83	11.27	10.73	10.73	10.32	9.97	8.56
Non-Residential Volume Charges, per kgal										
Commercial-1	\$18.12	\$15.53	\$14.72	\$14.72	\$14.02	\$13.36	\$13.36	\$12.84	\$12.41	\$10.65
Commercial-2	18.12	15.53	14.72	14.72	14.02	13.36	13.36	12.84	12.41	10.65
Commercial-3	18.12	15.53	14.72	14.72	14.02	13.36	13.36	12.84	12.41	10.65
Federal	18.12	15.53	14.72	14.72	14.02	13.36	13.36	12.84	12.41	10.65
Hotels	18.12	15.53	14.72	14.72	14.02	13.36	13.36	12.84	12.41	10.65
Golf Course	18.12	15.53	14.72	14.72	14.02	13.36	13.36	12.84	12.41	10.65
Government	18.12	15.53	14.72	14.72	14.02	13.36	13.36	12.84	12.41	10.65
Agriculture	5.82	4.99	4.73	4.73	4.50	4.29	4.29	4.12	4.12	3.54
Irrigation	6.02	5.16	4.89	4.89	4.66	4.44	4.44	4.27	4.12	3.54
Surcharge	3.80%	3.50%	3.60%	3.60%	3.60%	3.75%	3.75%	3.25%	3.25%	3.70%
Residential Water Bill ⁽¹⁾	\$87.17	\$74.53	\$71.46	\$71.46	\$68.78	\$66.30	\$66.30	\$64.08	\$61.93	\$55.40
<i>Bill Increase</i>	17.0%	4.3%	0.0%	3.9%	3.7%	0.0%	3.5%	3.5%	11.8%	10.1%

Source: Guam Waterworks Authority, Finance Division.

Note: (1) Monthly residential bill based on ¾ inch meter and water usage of 7,500 gallons.

GUAM WATERWORKS AUTHORITY
(A Component Unit of the Government of Guam)
Exhibit 9: Wastewater Rates
Last Ten Fiscal Years

	FY 2024	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Residential Flat Rate	\$32.14	\$27.54	\$27.54	\$27.54	\$27.54	\$27.54	\$27.54	\$27.54	\$26.61	\$26.61
Non-Residential Volume Charges, per kgal										
Commercial-1	\$9.99	\$8.56	\$8.11	\$8.11	\$7.73	\$7.36	\$7.36	\$7.08	\$6.84	\$5.87
Commercial-2	24.34	20.86	19.77	19.77	18.83	17.93	17.93	17.24	16.66	14.30
Commercial-3	33.75	28.92	27.42	27.42	26.11	24.87	24.87	23.91	23.10	19.83
Hotels	24.34	20.86	19.77	19.77	18.83	17.93	17.93	17.24	16.66	14.30
Government	14.28	12.24	11.60	11.60	11.05	10.52	10.52	10.12	9.77	8.39
Federal (Navy)	14.28	12.24	11.60	11.60	11.05	10.52	10.52	10.12	9.77	8.39
Leachate	14.72	28.92	27.42	27.42	26.11	24.87	24.87	23.91	23.10	19.83
Surcharge	3.80%	3.50%	3.60%	3.60%	3.60%	3.75%	3.75%	3.25%	3.25%	3.70%
Residential Water Bill	\$32.14	\$27.54	\$27.54	\$27.54	\$27.54	\$27.54	\$27.54	\$27.54	\$26.61	\$26.61
<i>Bill Increase</i>	16.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.5%	0.0%	0.0%

Source: Guam Waterworks Authority, Finance Division.

GUAM WATERWORKS AUTHORITY
(A Component Unit of the Government of Guam)
Exhibit 10: Schedule of Long-Term Debt
Last Ten Fiscal Years
(accrual basis of accounting)

	FY 2024	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Revenue Bonds										
Series 2010 Revenue Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,895,000	\$ 3,695,000	\$ 114,525,000	\$116,180,000	\$117,770,000
Series 2013 Revenue Bonds	-	18,365,000	21,510,000	24,500,000	27,340,000	172,630,000	172,630,000	172,630,000	172,630,000	172,630,000
Series 2014 Refunding Revenue Bonds	-	60,050,000	64,055,000	64,610,000	65,140,000	68,900,000	72,520,000	75,995,000	79,380,000	82,700,000
Series 2016 Revenue Bonds	81,890,000	134,140,000	134,975,000	139,030,000	142,890,000	143,310,000	143,310,000	143,310,000	143,310,000	-
Series 2017 Refunding Revenue Bonds	57,660,000	100,930,000	103,180,000	105,325,000	107,365,000	107,365,000	107,660,000	-	-	-
Series 2020A Revenue Bonds	134,000,000	134,000,000	134,000,000	134,000,000	134,000,000	-	-	-	-	-
Series 2020B Refunding Revenue Bonds	125,835,000	166,075,000	166,075,000	166,075,000	166,075,000	-	-	-	-	-
Series 2024A Refunding Revenue Bonds	133,575,000	-	-	-	-	-	-	-	-	-
Series 2024B Refunding Revenue Bonds	51,275,000	-	-	-	-	-	-	-	-	-
Total revenue bonds payable	584,235,000	613,560,000	623,795,000	633,540,000	642,810,000	494,100,000	499,815,000	506,460,000	511,500,000	373,100,000
Notes Payable	-	-	-	-	-	-	5,529,024	8,571,487	11,452,191	14,197,776
Total long-term debt payable	584,235,000	613,560,000	623,795,000	633,540,000	642,810,000	494,100,000	505,344,024	515,031,487	522,952,191	387,297,776
Premiums on bond issuance	47,116,050	37,287,410	38,778,147	40,654,335	42,530,523	33,100,142	34,588,270	22,067,669	22,941,777	5,337,921
Discounts on bond issuance	-	-	-	-	-	(1,236,552)	(1,287,651)	(3,206,276)	(3,338,055)	(3,469,836)
Less current maturities	(10,445,000)	(10,760,000)	(10,235,000)	(9,745,000)	(9,270,000)	(8,770,000)	(8,918,870)	(8,237,569)	(7,913,988)	(7,647,804)
Total long-term debt, less current maturities	\$ 620,906,050	\$ 640,087,410	\$ 652,338,147	\$ 664,449,335	\$ 676,070,523	\$ 517,193,590	\$ 529,725,773	\$ 525,655,311	\$534,641,925	\$381,518,057
Customer accounts ⁽¹⁾	43,616	43,574	43,241	43,148	42,770	43,019	42,443	41,847	41,755	41,273
Long-term liabilities per customer account	\$ 13,395	\$ 14,081	\$ 14,426	\$ 14,683	\$ 15,030	\$ 11,486	\$ 11,906	\$ 12,307	\$ 12,524	\$ 9,384

Source: Guam Waterworks Authority audited financial statements.

Note: (1) Represents water customer accounts. Customers may receive water service without corresponding wastewater service (e.g., for irrigation or properties not connected to a sewer system). However, wastewater service generally requires an active water account.

GUAM WATERWORKS AUTHORITY
(A Component Unit of the Government of Guam)
Exhibit 11: Long-Term Debt Obligations (Excluding Premiums and Discounts)
As of September 30, 2024
(accrual basis of accounting)

	Series 2016 Revenue Bonds	Series 2017 Refunding Revenue Bonds	Series 2020A Revenue Bonds	Series 2020B Refunding Revenue Bonds	Series 2024A Refunding Revenue Bonds	Series 2024B Refunding Revenue Bonds	Total
Principal							
FY 2025	\$925,000	\$2,485,000	\$-	\$-	\$2,960,000	\$4,075,000	\$10,445,000
FY 2026	965,000	2,610,000	-	-	3,110,000	4,280,000	10,965,000
FY 2027	1,015,000	2,740,000	-	-	3,260,000	4,495,000	11,510,000
FY 2028	1,065,000	2,875,000	-	550,000	4,090,000	4,720,000	13,300,000
FY 2029	1,120,000	3,015,000	-	2,690,000	2,895,000	4,955,000	14,675,000
FY 2030	1,180,000	150,000	-	2,760,000	5,875,000	5,200,000	15,165,000
FY 2031	920,000	125,000	-	5,800,000	3,715,000	5,465,000	16,025,000
FY 2032	310,000	125,000	-	5,985,000	4,525,000	5,735,000	16,680,000
FY 2033	325,000	1,250,000	-	6,180,000	3,700,000	6,025,000	17,480,000
FY 2034	345,000	1,000,000	-	6,380,000	4,175,000	6,325,000	18,225,000
FY 2035	1,990,000	1,000,000	-	5,665,000	10,190,000	-	18,845,000
FY 2036	460,000	2,870,000	-	5,870,000	10,875,000	-	20,075,000
FY 2037	1,290,000	5,110,000	-	6,085,000	8,685,000	-	21,170,000
FY 2038	1,355,000	10,250,000	-	6,315,000	4,535,000	-	22,455,000
FY 2039	1,415,000	10,760,000	-	6,545,000	4,770,000	-	23,490,000
FY 2040	1,490,000	11,295,000	-	6,785,000	5,010,000	-	24,580,000
FY 2041	1,565,000	-	-	18,710,000	6,050,000	-	26,325,000
FY 2042	1,645,000	-	-	19,400,000	6,350,000	-	27,395,000
FY 2043	1,725,000	-	-	20,115,000	6,675,000	-	28,515,000
FY 2044	19,280,000	-	-	-	10,195,000	-	29,475,000
FY 2045	20,245,000	-	-	-	10,700,000	-	30,945,000
FY 2046	21,260,000	-	-	-	11,235,000	-	32,495,000
FY 2047	-	-	30,880,000	-	-	-	30,880,000
FY 2048	-	-	32,420,000	-	-	-	32,420,000
FY 2049	-	-	34,040,000	-	-	-	34,040,000
FY 2050	-	-	36,660,000	-	-	-	36,660,000
Total principal	\$81,890,000	\$57,660,000	\$134,000,000	\$125,835,000	\$133,575,000	\$51,275,000	\$584,235,000
Interest							
FY 2025	\$4,094,500	\$2,883,000	\$6,700,000	\$4,489,343	\$6,678,750	\$2,563,750	\$27,409,343
FY 2026	4,048,250	2,758,750	6,700,000	4,489,343	6,530,750	2,360,000	26,887,093
FY 2027	4,000,000	2,628,250	6,700,000	4,489,343	6,375,250	2,146,000	26,338,843
FY 2028	3,949,250	2,491,250	6,700,000	4,489,343	6,212,250	1,921,250	25,763,343
FY 2029	3,896,000	2,347,500	6,700,000	4,474,218	6,007,750	1,685,250	25,110,718
FY 2030	3,840,000	2,196,750	6,700,000	4,400,243	5,863,000	1,437,500	24,437,493
FY 2031	3,781,000	2,189,250	6,700,000	4,324,343	5,569,250	1,177,500	23,741,343
FY 2032	3,735,000	2,183,000	6,700,000	4,135,843	5,383,500	904,250	23,041,593
FY 2033	3,719,500	2,176,750	6,700,000	3,941,330	5,157,250	617,500	22,312,330
FY 2034	3,703,250	2,114,250	6,700,000	3,740,480	4,972,250	316,250	21,546,480
FY 2035	3,686,000	2,064,250	6,700,000	3,533,130	4,763,500	-	20,746,880
FY 2036	3,586,500	2,014,250	6,700,000	3,323,525	4,254,000	-	19,878,275
FY 2037	3,563,500	1,870,750	6,700,000	3,106,335	3,710,250	-	18,950,835
FY 2038	3,499,000	1,615,250	6,700,000	2,881,190	3,276,000	-	17,971,440
FY 2039	3,431,250	1,102,750	6,700,000	2,647,535	3,049,250	-	16,930,785
FY 2040	3,360,500	564,750	6,700,000	2,405,370	2,810,750	-	15,841,370
FY 2041	3,286,000	-	6,700,000	2,154,325	2,560,250	-	14,700,575
FY 2042	3,207,750	-	6,700,000	1,462,055	2,257,750	-	13,627,555
FY 2043	3,125,500	-	6,700,000	744,255	1,940,250	-	12,510,005
FY 2044	3,039,250	-	6,700,000	-	1,606,500	-	11,345,750
FY 2045	2,075,250	-	6,700,000	-	1,096,750	-	9,872,000
FY 2046	531,500	-	6,700,000	-	280,875	-	7,512,375
FY 2047	-	-	6,700,000	-	-	-	6,700,000
FY 2048	-	-	5,156,000	-	-	-	5,156,000
FY 2049	-	-	3,535,000	-	-	-	3,535,000
FY 2050	-	-	916,500	-	-	-	916,500
Total interest	\$75,158,750	\$33,200,750	\$163,707,500	\$65,231,548	\$90,356,125	\$15,129,250	\$442,783,923

GUAM WATERWORKS AUTHORITY
(A Component Unit of the Government of Guam)
Exhibit 11: Long-Term Debt Obligations (Excluding Premiums and Discounts), Continued
As of September 30, 2024
(accrual basis of accounting)

	Series 2016 Revenue Bonds	Series 2017 Refunding Revenue Bonds	Series 2020A Revenue Bonds	Series 2020B Refunding Revenue Bonds	Series 2024A Refunding Revenue Bonds	Series 2024B Refunding Revenue Bonds	Total
Total Debt Service							
FY 2025	\$5,019,500	\$5,368,000	\$6,700,000	\$4,489,343	\$9,638,750	\$6,638,750	\$37,854,343
FY 2026	5,013,250	5,368,750	6,700,000	4,489,343	9,640,750	6,640,000	37,852,093
FY 2027	5,015,000	5,368,250	6,700,000	4,489,343	9,635,250	6,641,000	37,848,843
FY 2028	5,014,250	5,366,250	6,700,000	5,039,343	10,302,250	6,641,250	39,063,343
FY 2029	5,016,000	5,362,500	6,700,000	7,164,218	8,902,750	6,640,250	39,785,718
FY 2030	5,020,000	2,346,750	6,700,000	7,160,243	11,738,000	6,637,500	39,602,493
FY 2031	4,701,000	2,314,250	6,700,000	10,124,343	9,284,250	6,642,500	39,766,343
FY 2032	4,045,000	2,308,000	6,700,000	10,120,843	9,908,500	6,639,250	39,721,593
FY 2033	4,044,500	3,426,750	6,700,000	10,121,330	8,857,250	6,642,500	39,792,330
FY 2034	4,048,250	3,114,250	6,700,000	10,120,480	9,147,250	6,641,250	39,771,480
FY 2035	5,676,000	3,064,250	6,700,000	9,198,130	14,953,500	-	39,591,880
FY 2036	4,046,500	4,884,250	6,700,000	9,193,525	15,129,000	-	39,953,275
FY 2037	4,853,500	6,980,750	6,700,000	9,191,335	12,395,250	-	40,120,835
FY 2038	4,854,000	11,865,250	6,700,000	9,196,190	7,811,000	-	40,426,440
FY 2039	4,846,250	11,862,750	6,700,000	9,192,535	7,819,250	-	40,420,785
FY 2040	4,850,500	11,859,750	6,700,000	9,190,370	7,820,750	-	40,421,370
FY 2041	4,851,000	-	6,700,000	20,864,325	8,610,250	-	41,025,575
FY 2042	4,852,750	-	6,700,000	20,862,055	8,607,750	-	41,022,555
FY 2043	4,850,500	-	6,700,000	20,859,255	8,615,250	-	41,025,005
FY 2044	22,319,250	-	6,700,000	-	11,801,500	-	40,820,750
FY 2045	22,320,250	-	6,700,000	-	11,796,750	-	40,817,000
FY 2046	21,791,500	-	6,700,000	-	11,515,875	-	40,007,375
FY 2047	-	-	37,580,000	-	-	-	37,580,000
FY 2048	-	-	37,576,000	-	-	-	37,576,000
FY 2049	-	-	37,575,000	-	-	-	37,575,000
FY 2050	-	-	37,576,500	-	-	-	37,576,500
Total debt service	\$157,048,750	\$90,860,750	\$297,707,500	\$191,066,548	\$223,931,125	\$66,404,250	\$1,027,018,923

Source: Guam Waterworks Authority, Finance Division.

GUAM WATERWORKS AUTHORITY
(A Component Unit of the Government of Guam)
Exhibit 12: Debt Service Coverage
Last Ten Fiscal Years
(accrual basis of accounting)

	FY 2024	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Operating Revenues:										
Water Sales Revenues	\$81,926	\$68,776	\$66,735	\$67,056	\$68,351	\$70,369	\$68,733	\$66,143	\$66,299	\$58,947
Wastewater Revenues	45,870	37,479	34,726	32,509	35,599	40,823	39,415	38,235	38,168	33,276
Other Revenues	591	567	464	502	589	679	520	436	520	707
Total Operating Revenues	\$128,387	\$106,822	\$101,925	\$100,067	\$104,539	\$111,871	\$108,668	\$104,814	\$104,987	\$92,930
Operating Expenses:										
Water Purchases	\$8,662	\$7,039	\$5,656	\$6,616	\$5,551	\$6,278	\$8,685	\$7,309	\$6,374	\$5,099
Power Purchases	21,892	24,398	18,577	12,508	14,118	16,151	14,686	12,076	11,226	14,026
Salaries and Wages	24,783	24,196	22,827	22,800	23,168	22,138	19,920	19,544	18,559	19,720
Contractual	5,238	5,422	4,493	4,247	4,432	5,945	5,037	4,087	4,117	2,793
Retiree and Healthcare	3,208	2,887	2,595	2,527	2,557	2,857	2,850	2,783	2,764	2,907
Administrative and General ⁽¹⁾	9,543	9,689	10,677	11,761	11,102	12,062	11,744	10,302	9,608	8,827
Total Operating Expenses	\$73,326	\$73,631	\$64,825	\$60,459	\$60,928	\$65,431	\$62,922	\$56,101	\$52,648	\$53,372
Amounts Available for Debt Service										
Net Operating Revenues	\$55,061	\$33,190	\$37,100	\$39,609	\$43,611	\$46,440	\$45,746	\$48,713	\$52,339	\$39,558
Transfer from Rate Stabilization	-	\$5,650	\$5,750	-	-	-	-	-	-	-
ARPA Grant	-	\$12,400	-	-	-	-	-	-	-	-
Other Income (Expense)	3,000	1,972	276	71	288	830	548	120	15	11
Current Revenues Available for Debt Service	\$58,061	\$53,212	\$43,126	\$39,679	\$43,899	\$47,270	\$46,294	\$48,833	\$52,354	\$39,569
Indenture Debt Service Coverage:										
Current Revenues Available for Debt Service	\$58,061	\$53,212	\$43,126	\$39,679	\$43,899	\$47,270	\$46,294	\$48,833	\$52,354	\$39,569
Debt Service on Outstanding Bonds	38,516	39,037	33,458	31,437	34,175	31,368	26,739	24,562	22,225	13,971
Debt Service Coverage (_1.25_x)	1.51	1.36	1.29	1.26	1.28	1.51	1.73	1.99	2.36	2.83
PUC DSCR:										
Current Revenues Available for Debt Service	\$58,061	\$53,212	\$43,126	\$39,679	\$43,899	\$47,270	\$46,294	\$48,833	\$52,354	\$39,569
Working Capital Reserve Available for Debt Service	-	-	-	-	-	11,564	11,342	11,218	11,186	4,585
Adjusted Current Revenues Available for Debt Service	\$58,061	\$53,212	\$43,126	\$39,679	\$43,899	\$58,834	\$57,636	\$60,051	\$63,540	\$44,154
Debt Service on Outstanding Bonds	\$38,516	\$39,037	\$33,458	\$31,437	\$34,175	\$31,368	\$26,739	\$24,562	\$22,225	\$ 13,971
PUC DSCR (__x)	1.51	1.36	1.29	1.26	1.28	1.88	2.16	2.44	2.86	3.16
Bond Issuances & Ratings:										
Bond Issuances	Series 2024A&B	--	--	--	Series 2020A&B	--	--	Series 2017	Series 2016	--
Bond Rating (at Closing): Moody's/S&P/Fitch	Baa2/A/--	--	--	--	Baa2/A/--	--	--	Baa2/A-/BBB-	Baa2/A-/BBB-	--

Source: GWA Annual Financial Information & Operating Data: 2024 Annual Report – Amended and Restated and GWA 2019 Operating Data, posted to the Electronic Municipal Market Access website of the Municipal Securities Rulemaking Board.
Note: “--” denotes that no bonds were issued during the respective fiscal year.

GUAM WATERWORKS AUTHORITY
(A Component Unit of the Government of Guam)
Exhibit 13: Demographic and Economic Statistics
Last Ten Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Population ⁽¹⁾	167,777 ⁽²⁾	169,330	169,086	168,801	153,836	154,388	165,177	155,493	156,045	156,597
Total Civilian Population ⁽³⁾	123,120	122,680	123,640	124,110	123,600	123,300	122,950	122,540	122,170	121,480
Total Civilian Labor Force ⁽³⁾	67,500	71,990	71,680	69,920	70,620	70,590	71,490	71,600	71,960	69,800
Number of Unemployed ⁽³⁾	2,290	2,980	3,130	5,660	12,650	2,580	2,580	4,130	3,910	3,130
Unemployment Rate ⁽³⁾	3.4%	4.1%	4.4%	8.1%	17.9%	3.6%	3.6%	5.8%	5.4%	4.5%
Active Duty Military Personnel ⁽⁴⁾	6,486	6,363	6,667	6,273	6,140	5,560	6,199	4,590	3,977	6,531
School Enrollment ⁽⁵⁾										
<u>Primary and Secondary</u>										
Catholic	2,847	2,828	2,974	2,970	3,574	3,104	3,827	3,791	3,942	4,031
DoDEA	2,092	2,127	2,209	2,174	2,279	2,250	2,252	2,264	2,168	2,139
Other Private Schools	1,916	2,180	2,038	1,546	2,392	3,507	3,797	3,397	3,106	3,046
Charter Schools ^{(5)(b)}	2,109	1,985	1,925	1,512	-	-	-	-	-	-
Guam Public Schools	23,685	24,982	25,956	26,860	28,090	28,954	29,510	30,244	30,307	30,620
<u>Higher Education</u>										
University of Guam	2,896	2,962	3,105	3,449	3,563	3,744	3,917	3,875	3,991	3,958
Guam Community College	1,533	1,730	1,690	1,796	1,979	2,078	2,218	2,428	2,410	2,563
Total School Enrollment	37,078	38,794	39,897	40,307	41,877	43,637	45,521	45,999	45,924	46,357
Gross Domestic Product ⁽⁶⁾	See Note (6)	See Note (6)	6,910	6,234	5,916	6,355	6,051	6,013	5,901	5,799
Consumer Price Index ⁽⁷⁾	See Note (7)	161.5	151.1	140.9	132.9	131.8	129.9	126.4	123.6	116.4

(1) Source: Bureau of Statistics and Plans, 2023 Guam Statistical Yearbook. Note: Calendar Year.

(2) Source: United Nations-Dept of Economic & Social Affairs, Population Division (World Population Prospect). Note: Data compiled by population pyramid using United Nations data.

(3) Source: Bureau of Labor Statistics, Department of Labor, Government of Guam. Note: Data is as of September 20XX.

(4) Source: Defense Manpower Data Center. Note: Data is as of September 20XX.

(5) Source: Bureau of Statistics and Plans, Guam Statistical Yearbooks, 2023 and 2018. Note: (a) Data is as of Fall enrollment for School Year/Academic Year ending 20XX. (b) For SY 2019-2020 and prior, Charter School enrollment was included under Other Private Schools.

(6) Source: Bureau of Statistics and Plans, 2023 Guam Statistical Yearbook. Note: CY 2022 is the most recent data

(7) Source: Bureau of Statistics and Plans, 2023 Guam Statistical Yearbook. Note: CY 2023 is the most recent data. Data is as of 3rd Quarter 20XX.

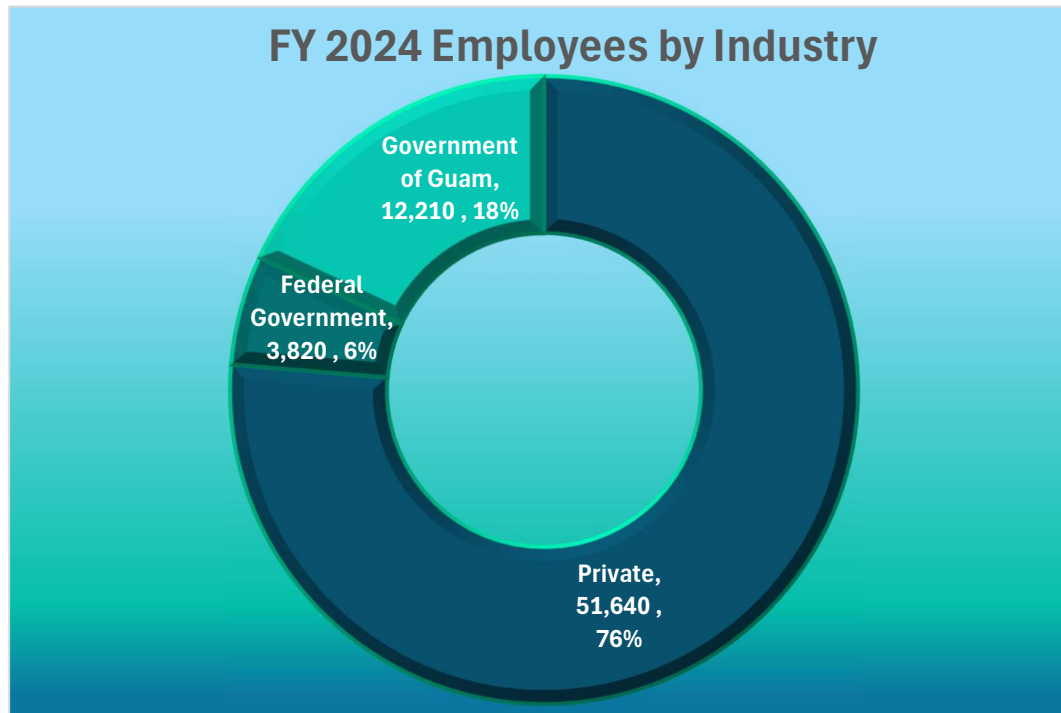
GUAM WATERWORKS AUTHORITY
(A Component Unit of the Government of Guam)
Exhibit 14: Employees by Industry Based on Payrolls
Last Ten Years

Fiscal Year ⁽¹⁾	Private	% of Total Employment	Federal Government	% of Total Employment	Government of Guam	% of Total Employment	Total Employment
FY 2024 ⁽²⁾	51,640	76.3%	3,820	5.6%	12,210	18.0%	67,670
FY 2023	50,370	75.7%	4,110	6.2%	12,040	18.1%	66,520
FY 2022	48,530	75.2%	3,900	6.0%	12,110	18.8%	64,540
FY 2021	45,900	74.3%	3,940	6.4%	11,920	19.3%	61,760
FY 2020	43,460	73.7%	3,810	6.5%	11,730	19.9%	59,000
FY 2019	51,430	77.0%	3,880	5.8%	11,500	17.2%	66,810
FY 2018	49,100	76.5%	3,760	5.9%	11,360	17.7%	64,220
FY 2017	49,370	76.1%	3,910	6.0%	11,580	17.9%	64,860
FY 2016	47,770	75.4%	3,900	6.2%	11,720	18.5%	63,390
FY 2015	47,570	74.7%	4,030	6.3%	12,040	18.9%	63,640

Source:

(1) FY 2015-FY 2023: Bureau of Statistics and Plans, Guam Statistical Yearbooks, 2023 and 2018. FY 2024.

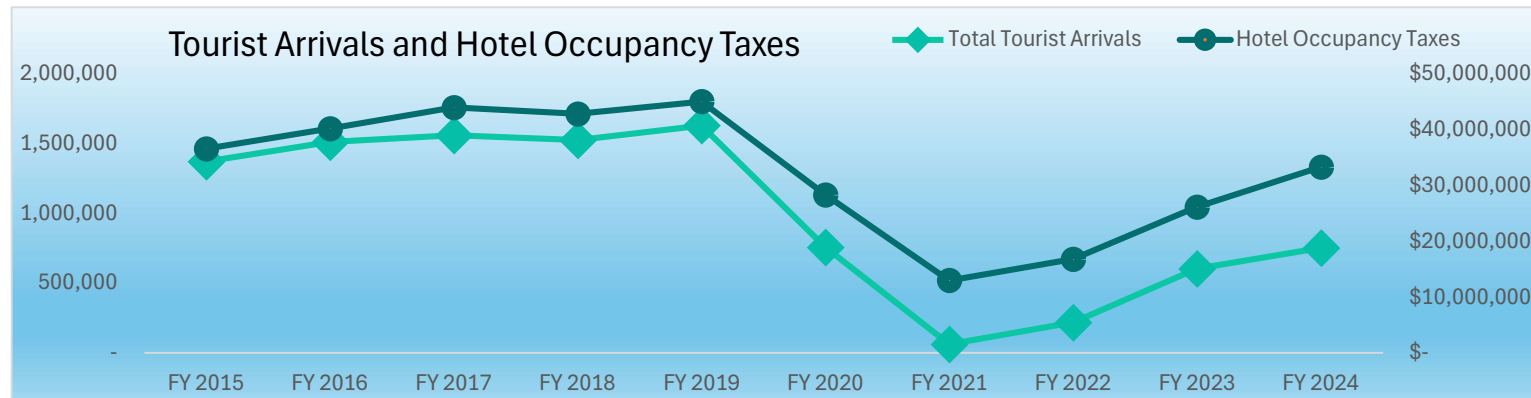
(2) FY 2024: Bureau of Labor Statistics, Department of Labor, Government of Guam - September 2024 Current Employment Report.



GUAM WATERWORKS AUTHORITY
(A Component Unit of the Government of Guam)
Exhibit 15: Visitor Arrival and Industry Statistics
Last Ten Years

	FY 2024	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
South Korea	392,945	358,570	108,454	2,063	325,109	734,339	752,715	649,434	519,430	384,112
Japan	203,767	97,823	13,022	3,454	324,574	664,784	530,223	674,345	752,757	779,405
United States	86,435	82,794	64,572	41,239	48,263	94,141	89,363	76,291	76,727	69,745
CNMI/Micronesia	29,889	30,286	17,915	6,027	20,176	42,354	41,298	34,729	34,591	27,510
Philippines	13,242	13,593	6,230	2,262	9,344	20,708	19,026	19,817	18,704	12,278
China	4,825	2,025	416	124	4,287	12,588	17,035	23,239	26,271	23,589
Taiwan	2,915	5,371	423	2,253	10,691	28,346	27,550	36,268	41,534	42,315
Hong Kong	777	708	125	31	1,226	6,395	6,663	16,140	8,397	8,163
Other	9,333	7,827	4,771	3,230	8,192	17,299	18,041	14,710	13,838	13,971
Total Air Arrivals	744,128	598,997	215,928	60,683	751,862	1,620,954	1,501,914	1,544,973	1,492,249	1,361,088
Total Sea Arrival	8,351	3,597	987	924	5,523	10,095	23,305	14,514	18,816	11,443
Total Tourist Arrivals	752,479	602,594	216,915	61,607	757,385	1,631,049	1,525,219	1,559,487	1,511,065	1,372,531
Hotel Occupancy Taxes ⁽¹⁾	\$33,346,720	\$26,142,339	\$16,775,348	\$13,002,349	\$28,354,864	\$45,061,822	\$42,868,664	\$44,011,958	\$40,192,651	\$36,568,032
Weighted Hotel Occupancy Rate ⁽¹⁾	65.80%	65.10%	53.00%	45.90%	56.40%	88.50%	85.10%	85.40%	77.00%	75.00%
Weighted Hotel Room Rate ⁽¹⁾	\$207.94	\$197.46	\$173.15	\$157.48	\$188.72	\$211.01	\$206.13	\$203.34	\$162.00	\$157.00

Source: Guam Visitors Bureau (GVB), Visitor Arrival Summary Reports as of September 20XX.
Note: (1) FY 2024 visitor industry statistics were reported in GVB's October 2024 Visitor Arrivals Summary.

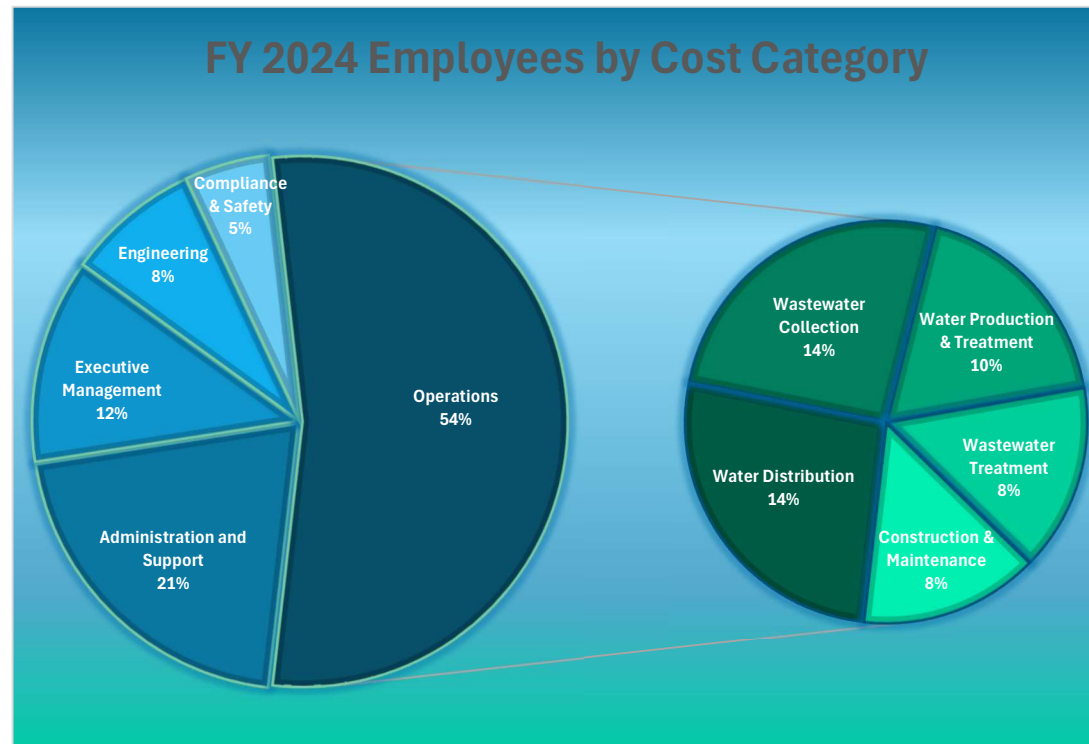


GUAM WATERWORKS AUTHORITY
(A Component Unit of the Government of Guam)

Exhibit 16: Personnel Count by Cost Category
Last Ten Years

	FY 2024	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Administration and Support	72	77	80	73	86	94	102	83	83	74
Compliance & Safety	18	19	19	17	16	16	17	15	14	13
Engineering	28	29	28	34	33	31	31	30	29	29
Executive Management	43	43	46	47	44	44	37	34	36	34
Operations: Construction & Maintenance	27	32	31	35	29	26	39	42	37	23
Operations: Water Distribution	49	48	51	49	48	48	38	37	39	55
Operations: Water Production & Treatment	34	31	36	36	37	41	36	31	33	19
Operations: Wastewater Collection	48	48	45	48	54	48	39	32	35	36
Operations: Wastewater Treatment	28	29	30	30	32	29	29	26	27	26
Total	347	356	366	369	379	377	368	330	333	309

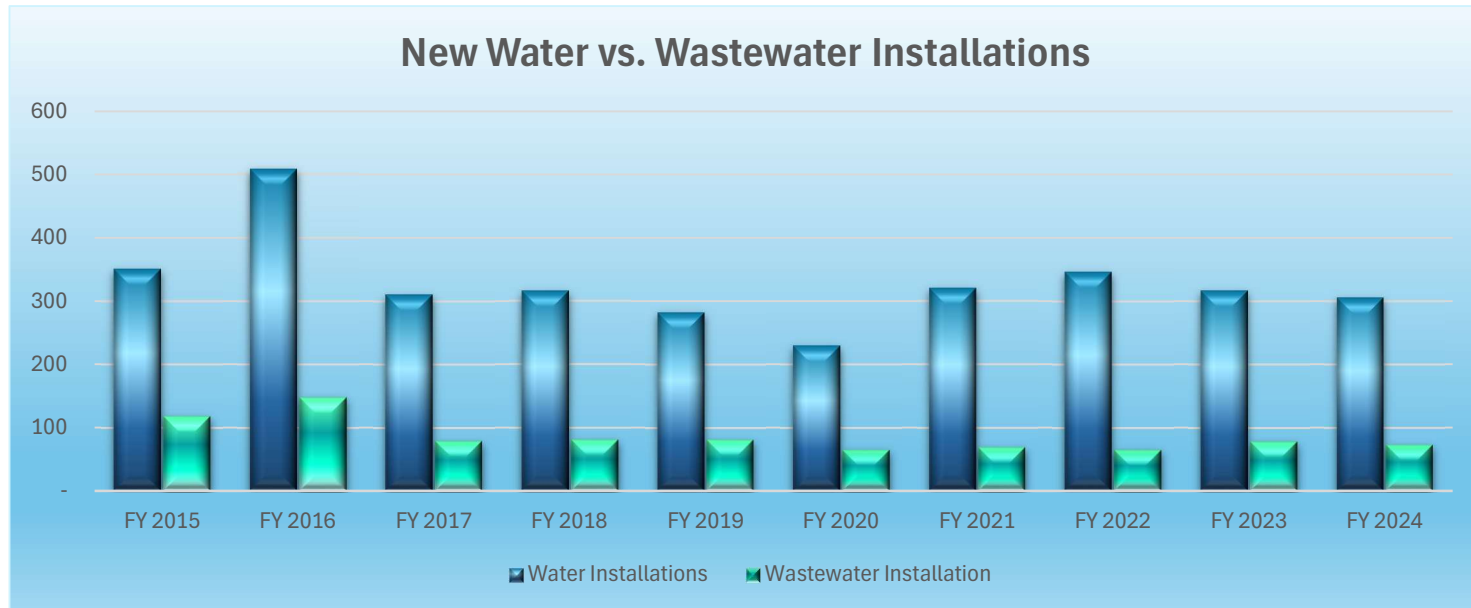
Source: (1) FY 2015-FY 2018: Guam Waterworks Authority, Finance Division. (2) FY 2019-FY 2020: GWA FY 2022 Citizen Centric Report. (3) FY 2021-FY 2024: GWA FY 2024 Citizen Centric Report.



GUAM WATERWORKS AUTHORITY
(A Component Unit of the Government of Guam)
Exhibit 17: New Water and Wastewater Installations
Last Ten Years

	FY 2024	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Water Customer Class										
Residential	298	304	330	310	223	252	288	252	440	306
Government	-	1	1	-	1	2	2	2	4	3
Federal	-	-	-	-	-	-	-	-	1	-
Commercial	7	8	9	7	5	24	23	53	51	34
Agriculture	-	3	6	3	-	4	2	3	12	7
Total Water Installations	305	316	346	320	229	282	315	310	508	350
Wastewater Customer Class										
Commercial	69	72	60	65	63	73	75	69	133	110
Federal Agencies	-	-	2	-	-	-	-	1	1	3
Government of Guam	4	6	3	4	2	8	6	9	14	5
Total Wastewater Installations	73	78	65	69	65	81	81	79	148	118

Source: GWA Annual Financial Information & Operating Data: 2024 Annual Report – Amended and Restated and GWA 2019 Operating Data, posted to the Electronic Municipal Market Access (EMMA) website of the Municipal Securities Rulemaking Board.



GUAM WATERWORKS AUTHORITY
(A Component Unit of the Government of Guam)
Exhibit 18: Sources and Uses of Water
Last Ten Years

	FY 2024	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Sources										
Authority Production	14,164	13,762	14,175	14,030	14,393	14,418	14,219	14,046	13,803	13,735
Purchases from Navy	810	591	476	565	554	582	753	718	738	798
Total Sources	14,974	14,353	14,651	14,595	14,947	15,000	14,972	14,764	14,541	14,533
Uses										
Bill Water	5,119	5,062	5,280	5,340	5,758	5,855	5,759	5,712	6,034	6,037
Non-Revenue Water	9,855	9,291	9,371	9,255	9,189	9,145	9,214	9,052	8,507	8,496
Total Uses	14,974	14,353	14,651	14,595	14,947	15,000	14,973	14,764	14,541	14,533

Source: GWA Annual Financial Information & Operating Data: 2024 Annual Report – Amended and Restated and GWA 2019 Operating Data, posted to the Electronic Municipal Market Access (EMMA) website of the Municipal Securities Rulemaking Board.

GUAM WATERWORKS AUTHORITY
(A Component Unit of the Government of Guam)
Exhibit 19: Operating Information – Infrastructure Data
Last Seven Years

	FY 2024	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018
Water System							
Deep Wells							
Active Wells	96	96	95	89	92	97	100
Inactive Wells	24	24	25	31	28	23	20
Total Deep Wells	120	120	120	120	120	120	120
Booster Pump Stations							
Norther District Stations	14	14	13	13	13	11	11
Central District Stations	7	7	7	7	7	7	7
Southern District Stations	8	8	7	7	7	7	7
Total Booster Pump Stations	29	29	27	27	27	25	25
Total Booster Pumps							
Norther District Pumps	33	33	27	26	26	20	21
Central District Pumps	15	15	15	14	15	15	15
Southern District Pumps	19	19	16	15	15	15	15
Total Booster Pumps	67	67	58	55	56	50	51
No. of Booster Pumps Operating							
Norther District Pumps	31	32	26	25	24	18	19
Central District Pumps	14	13	15	12	14	14	15
Southern District Pumps	19	18	15	15	15	14	15
Total No. of Operating Booster Pumps	64	63	56	52	53	46	49
% Booster Pumps Operating							
Norther District Pumps	93.9%	97.0%	96.3%	96.2%	92.3%	90.0%	90.5%
Central District Pumps	93.3%	86.7%	100.0%	85.7%	93.3%	93.3%	100.0%
Southern District Pumps	100.0%	94.7%	93.8%	100.0%	100.0%	93.3%	100.0%
Total % of Operating Booster Pumps	95.5%	94.0%	96.6%	94.5%	94.6%	92.0%	96.1%

GUAM WATERWORKS AUTHORITY
(A Component Unit of the Government of Guam)
Exhibit 19: Operating Information – Infrastructure Data, Continued
Last Seven Years

	FY 2024	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018
Water System, Continued							
Production							
October (kgals)	1,201,146	1,194,900	1,207,982	1,176,416	1,128,138	1,199,543	1,204,936
November (kgals)	1,165,041	1,140,299	1,186,535	1,117,081	1,128,138	1,167,065	1,170,987
December (kgals)	1,213,032	1,198,301	1,213,818	1,179,743	1,226,298	1,221,097	1,206,585
January (kgals)	1,197,468	1,192,710	1,210,725	1,188,884	1,250,063	1,230,247	1,321,969
February (kgals)	1,142,185	1,091,340	1,098,916	1,085,840	1,166,795	1,101,156	1,101,750
March (kgals)	1,200,922	1,157,476	1,195,298	1,214,795	1,236,764	1,208,533	1,223,925
April (kgals)	1,173,098	1,133,775	1,160,850	1,175,735	1,191,500	1,186,014	1,158,999
May (kgals)	1,197,345	1,064,187	1,196,285	1,208,200	1,220,996	1,238,980	1,184,507
June (kgals)	1,197,345	1,086,196	1,160,850	1,153,089	1,158,410	1,188,695	1,153,144
July (kgals)	1,176,384	1,192,426	1,184,824	1,187,880	1,186,147	1,228,484	1,183,615
August (kgals)	1,236,620	1,195,452	1,190,001	1,179,558	1,182,163	1,245,240	1,153,745
September (kgals)	1,155,430	1,115,215	1,179,991	1,160,009	1,143,723	1,203,058	1,152,725
Total Production (kgals)	14,256,016	13,762,277	14,186,075	14,027,230	14,219,135	14,418,112	14,216,887
Average Production (kgals)	1,188,001	1,146,856	1,182,173	1,168,936	1,184,928	1,201,509	1,184,741
Days in Operation per year	365	365	365	365	366	365	365
Production per Day (MGD)	39.06	37.70	38.87	38.43	38.85	39.50	38.95

Wastewater System

Wastewater Treatment Plants	5	5	5	5	5	5	6
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Wastewater Treatment Plant - Average Daily Flows (MGD)

Hagatna Facility

October	5.14	5.39	6.00	4.83	4.83	4.87	6.82
November	4.42	4.38	4.83	4.48	4.88	4.60	6.01
December	4.30	4.42	4.62	4.45	4.52	4.62	5.49
January	4.14	4.69	4.41	4.58	4.44	4.50	4.96
February	3.98	4.20	4.30	4.31	4.45	4.80	5.00

GUAM WATERWORKS AUTHORITY
(A Component Unit of the Government of Guam)
Exhibit 19: Operating Information – Infrastructure Data, Continued
Last Seven Years

	FY 2024	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018
Wastewater System, Continued							
March	4.04	4.12	4.23	4.26	4.23	4.30	4.40
April	4.01	4.19	4.21	4.39	3.94	4.35	5.03
May	3.96	5.57	4.16	4.65	3.94	4.49	4.93
June	4.07	3.59	4.21	4.40	3.94	4.59	4.67
July	4.09	4.19	4.50	4.46	4.39	4.69	5.12
August	4.36	5.19	4.50	5.06	4.56	5.57	5.36
September	3.30	4.72	4.95	4.78	4.63	5.30	5.40
Average Annual Daily Flow (MGD)	4.15	4.55	4.58	4.55	4.40	4.72	5.27
<u>Northern Facility</u>							
October	5.14	4.71	4.85	4.62	5.62	6.00	5.96
November	4.75	4.53	4.43	4.51	5.86	6.00	5.78
December	4.88	4.90	4.25	4.40	5.69	6.01	5.79
January	4.93	4.99	4.20	4.20	5.77	6.10	5.10
February	4.86	4.81	4.30	4.38	5.66	6.20	4.51
March	4.69	4.80	4.16	4.24	4.95	6.00	5.20
April	4.70	4.91	4.23	4.61	4.95	5.81	5.12
May	4.76	4.85	4.16	4.00	4.68	5.87	5.32
June	4.67	4.53	4.31	4.20	4.32	5.56	5.78
July	4.65	5.00	4.38	4.67	4.30	6.04	6.18
August	4.81	5.03	4.59	5.10	4.50	6.53	6.49
September	4.90	4.97	4.56	4.66	4.63	6.41	6.70
Average Annual Daily Flow (MGD)	4.81	4.84	4.37	4.47	5.08	6.04	5.66
<u>Agat Facility</u>							
October	2.57	3.09	3.75	3.04	2.93	1.86	2.05
November	1.35	1.75	1.84	2.46	2.13	1.19	0.85
December	1.15	1.47	1.48	2.10	1.43	1.28	0.73
January	0.91	1.90	1.26	1.23	1.10	1.40	0.63
February	0.78	1.35	1.07	1.16	1.06	1.80	0.58

GUAM WATERWORKS AUTHORITY
(A Component Unit of the Government of Guam)
Exhibit 19: Operating Information – Infrastructure Data, Continued
Last Seven Years

	FY 2024	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018
Wastewater System, Continued							
March	0.88	1.09	0.82	1.10	0.85	1.10	0.58
April	1.07	1.24	1.08	1.23	0.97	0.80	0.59
May	0.90	1.14	0.82	1.05	1.05	0.80	0.63
June	0.78	1.86	0.98	1.12	1.16	0.87	0.86
July	0.98	1.90	1.47	1.63	1.10	1.06	1.31
August	1.64	2.51	2.18	2.39	1.80	2.61	3.10
September	2.21	2.34	2.72	2.44	2.91	2.80	3.46
Average Annual Daily Flow (MGD)	1.27	1.80	1.62	1.75	1.54	1.46	1.28
Baza Facility							
October	-	-	-	-	-	0.50	0.25
November	-	-	-	-	-	0.30	0.25
December	-	-	-	-	-	0.25	0.25
January	-	-	-	-	-	-	0.25
February	-	-	-	-	-	-	0.25
March	-	-	-	-	-	-	0.25
April	-	-	-	-	-	-	0.25
May	-	-	-	-	-	-	0.25
June	-	-	-	-	-	-	0.25
July	-	-	-	-	-	-	0.50
August	-	-	-	-	-	-	0.75
September	-	-	-	-	-	-	0.75
Average Annual Daily Flow (MGD)	-	-	-	-	-	0.09	0.35
Umatac Facility							
October	0.98	1.17	1.13	1.03	0.39	0.60	0.30
November	0.38	0.62	0.49	0.73	0.59	0.30	0.30
December	0.34	0.53	0.46	0.80	0.41	0.30	0.30
January	0.30	0.74	0.42	0.39	0.24	0.39	0.30
February	0.24	0.50	0.32	0.25	0.33	0.40	0.30

GUAM WATERWORKS AUTHORITY
(A Component Unit of the Government of Guam)
Exhibit 19: Operating Information – Infrastructure Data, Continued
Last Seven Years

	FY 2024	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018
Wastewater System, Continued							
March	0.18	0.49	0.27	0.27	0.22	0.40	0.30
April	0.20	0.47	0.27	0.23	0.20	0.40	0.30
May	0.21	0.29	0.27	0.22	0.20	0.39	0.30
June	0.24	0.26	0.26	0.21	0.20	0.39	0.30
July	0.23	0.70	0.49	0.33	0.19	0.39	0.60
August	0.33	0.80	0.64	0.78	0.40	0.39	1.20
September	0.93	0.93	0.89	0.78	0.72	0.39	0.90
Average Annual Daily Flow (MGD)	0.38	0.63	0.49	0.50	0.34	0.40	0.45
<u>Inarajan Facility</u>							
October	0.26	0.36	0.31	0.17	0.12	0.14	0.23
November	0.13	0.11	0.13	0.17	0.13	0.06	0.07
December	0.12	0.11	-	0.15	0.08	0.06	0.06
January	0.11	0.21	0.10	0.07	0.05	0.05	0.05
February	0.10	0.11	0.07	0.06	0.06	0.10	0.05
March	0.06	0.09	0.06	0.08	0.04	0.05	0.05
April	0.07	0.10	0.07	0.07	0.04	0.04	0.06
May	0.06	0.18	0.06	0.07	0.06	0.05	0.07
June	0.07	0.18	0.07	0.07	0.05	0.04	0.06
July	0.07	0.17	0.13	0.08	0.07	0.05	0.19
August	0.10	0.23	0.16	0.16	0.09	0.22	0.24
September	0.27	0.29	0.23	0.17	0.16	0.15	0.24
Average Annual Daily Flow (MGD)	0.12	0.18	0.12	0.11	0.08	0.08	0.11
Total Average Annual Daily Flow (MGD)	10.73	12.00	11.18	11.38	11.43	12.80	13.13
Wastewater Pump Stations							
Northern District Stations	22	22	22	22	22	22	22

GUAM WATERWORKS AUTHORITY
(A Component Unit of the Government of Guam)
Exhibit 19: Operating Information – Infrastructure Data, Continued
Last Seven Years

	FY 2024	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018
Wastewater System, Continued							
Central District Stations	30	29	29	29	29	29	29
Southern District Stations	32	32	31	26	26	27	25
Total Wastewater Pump Stations	84	83	82	77	77	78	76
Total Wastewater Pumps							
Northern District Pumps	52	52	52	52	52	52	52
Central District Pumps	66	66	63	63	63	63	65
Southern District Pumps	68	68	66	56	56	58	52
Total Wastewater Pumps	186	186	181	171	171	173	169
No. of Pumps Operating							
Northern District Pumps	40	42	46	43	47	40	48
Central District Pumps	57	55	58	58	57	51	55
Southern District Pumps	58	55	61	51	53	47	48
Total No. of Operating Pumps	155	152	165	152	157	138	151
% Pumps Operating							
Northern District Pumps	76.9%	80.8%	88.5%	82.7%	90.4%	76.9%	92.3%
Central District Pumps	86.4%	83.3%	92.1%	92.1%	90.5%	81.0%	84.6%
Southern District Pumps	85.3%	80.9%	92.4%	91.1%	94.6%	81.0%	92.3%
Total % of Operating Pumps	83.3%	81.7%	91.2%	88.9%	91.8%	79.8%	89.3%

Source: Guam Waterworks Authority, Office of the General Manager.

Note: Data from FY 2015 through FY 2017 is not available as of the date of this report.

GUAM WATERWORKS AUTHORITY
(A Component Unit of the Government of Guam)
Exhibit 20: Level of Service Indicators
Last Seven Years

LOS #	LOS ⁽¹⁾	Measure	Target	FY 2024	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	Estimated 2018 ⁽²⁾
1	Drinking water quality	Compliance with Drinking Water Quality Standards	0 violations	100%	100%	100%	100%	100%	100%	~100%
2	Reliability of water supply	Unplanned water service outages each year	70 events	70 events	91 events	64 events	55 events	See Note (3)	See Note (3)	90 events
3	Wastewater effluent discharges	Compliance with USEPA Requirements for Wastewater Effluent Discharges from Treatment Plants during non- storm periods	0 violations	85% compliant	85% compliant	75% compliant	50% compliant	50% compliant	25% compliant	75% compliant
4	Wastewater system spills	Number of spills/100 system miles/year from wastewater system	38 spills / 100 miles	37 spills / 100 miles	35 spills / 100 miles	46 spills / 100 miles	37 spills / 100 miles	45 spills / 100 miles	48 spills / 100 miles	51 spills / 100 miles
5	Ensure financial capacity to meet operational needs	User fee collection rate	99%	96%	97%	98%	99%	99%	99%	96%
6	Ensure financial capacity to meet operational needs	Days receivable outstanding (average days needed to collect user fees)	30 days	40 days	30 days	39 days	43 days	47 days	51 days	60 days
7	Improve customer wait times to register issues/concerns at GWA offices (CS only)	Wait time (minutes)	8 minutes	4 minutes	6 minutes	8 minutes	7 minutes	6 minutes	10 minutes	11 minutes
8	Adequate pressure exists in the distribution system	System Pressure	•35 psi - 90 psi •20 psi during fire flow	78% of 117; 84% of 45 DMZ	See Note (4)	See Note (4)	See Note (4)	See Note (4)	See Note (4)	•<20 psi •> 90 psi in places
9	CIP execution schedule	CIP project expenditures encumbered per CIP plan5	80%	79%	74%	79%	72%	75%	92%	~70%
10	Ensure a safe work environment	Lost time accidents	0	3 cases/207 days	2 cases / 96 days	4 cases / 31 days	3 cases	3 cases	2 cases	3 (2016)
11	Customer complaint response	Percentage of time that customer response is within 8 hours	75%	95%	55%	68%	66%	50%	74%	17%

GUAM WATERWORKS AUTHORITY
(A Component Unit of the Government of Guam)
Exhibit 20: Level of Service Indicators, Continued
Last Seven Years

LOS #	LOS ⁽¹⁾	Measure	Target	FY 2024	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	Estimated 2018 ⁽²⁾
12	Distribution system integrity	Percentage of water produced that is lost "2022 - Normalized Real Water Loss volume/service connection/day ⁽⁵⁾	40% 224 gal/connection/day	See Note (5) See Note (7)	See Note (5) 448 gal/connection/day"	See Note (5) 560 gal/connection/day	60% 560 gal/connection/day	38% See Note (5)	32% See Note (5)	52% See Note (5)
13	Critical asset reliability (WTPs and WWTPs, pump stations, wells)	Percentage of time production requirements are met	100%	Water Treatment 100% Wastewater Treatment 90% Water Pumps 94% Wastewater Pumps 82% Wells 79%	Water Treatment 100% Wastewater Treatment 95% Water Pumps 95% Wastewater Pumps 87% Wells 79%	Water Treatment 100% Wastewater Treatment 100% Water Pumps 97% Wastewater Pumps 91% Wells 79%	Water Treatment 100% Wastewater Treatment 90% Water Pumps 95% Wastewater Pumps 90% Wells 79%	Water Treatment 100% Wastewater Treatment 100% Water Pumps 97% Wastewater Pumps 90% Wells 86%	Water Treatment 100% Wastewater Treatment 100% Water Pumps 95% Wastewater Pumps 84% Wells 86%	60%
14	Septic tank elimination (sewer hook-up program)	Number of septic tanks eliminated ⁽⁶⁾	48	0	0	0	1	0	0	0
15	Integration of GWA/DoD OneGuam Partnership	Number of GWA facilities inter- operable with DoD	Approximately 10	4	4	4	4	3	3	5
16	Employee satisfaction/pride	Satisfaction survey (to be developed)	TBD	No survey	Survey issued	No survey	No survey	No survey	No survey	TBD

Source: Guam Waterworks Authority, Finance Division.

Note:

- (1) GWA developed Level of Service (LOS) metrics in 2018 to guide performance monitoring across operational and customer service areas.
- (2) The "Estimated" LOS values were provided by GWA staff in a workshop based on their best judgement of their level of performance in August 2018.
- (3) Limited data was available in FY 2020. GWA began collecting information to better track unscheduled water outages in the last two months of FY 2020.
- (4) GWA measures pressures throughout the system periodically. The water system model can predict pressures throughout the system. In addition, current pressure zone re-alignment projects are brining system pressures into the targeted range. GWA is implementing practices to measure and record data within prioritized areas of the distribution system under current projects. Additionally, GWA is evaluating the use of advanced metering infrastructure (AMI) meter capabilities to provide comprehensive distribution system data in the future.
- (5) Short-term LOS was considered appropriate for initial performance in first year. AWWA Water Loss Committee recommended metric Real Losses in gallon / connection / day. PUC FY2020 Rate Order required update of water loss metrics for reporting.
- (6) Updated from "Annual expansion of the sewer system near the aquifer."
- (7) Data not available as of the date of this report.



COMPLIANCE SECTION

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

Management of Guam Waterworks Authority and
The Commissioners of the Consolidated Commission on Utilities

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Guam Waterworks Authority (GWA), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise GWA's basic financial statements (collectively referred to as the "financial statements"), and have issued our report thereon dated May 26, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Ernst + Young LLP

May 26, 2025

Report of Independent Auditors on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Management of Guam Waterworks Authority and
The Commissioners of the Consolidated Commission on Utilities

Report of Independent Auditors on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Guam Waterworks Authority's (GWA's) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of GWA's major federal program for the year ended September 30, 2024. GWA's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, GWA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2024.

Basis for Opinion the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of GWA and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on compliance for the major federal program. Our audit does not provide a legal determination of GWA's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to GWA's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on GWA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about GWA's compliance with the requirements of the major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding GWA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of GWA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of GWA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on GWA's response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. GWA's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of GWA as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise GWA's basic financial statements. We issued our report thereon dated May 26, 2025, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Ernst + Young LLP

May 26, 2025

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Schedule of Expenditures of Federal Awards

Year ended September 30, 2024

<u>AL #</u>	<u>Pass-Through Entity Identifying Number /</u>	<u>Program Title</u>	<u>Federal Expenditures</u>
U.S. Department of Interior			
Direct Program:			
15.875		Economic, Social, and Political Development of the Territories	\$ 198,427
		Total U.S. Department of Interior	<u>\$ 198,427</u>
U.S. Department of Treasury			
Pass-Through Government of Guam - Department of Administration:			
21.027	5682C219978AR302	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	<u>\$ 672,340</u>
21.027		Total U.S. Department of Treasury	<u>\$ 672,340</u>
U.S. Environmental Protection Agency			
Direct Program:			
66.600		Environmental Protection Consolidated Grants for the Insular Areas - Program Support	\$ 2,128,418
		Total U.S. Environmental Protection Agency	<u>\$ 2,128,418</u>
		Total Expenditures of Federal Awards	<u>\$ 2,999,185</u>

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to the Schedule of Expenditures of Federal Awards

Year ended September 30, 2024

1. Scope of Audit

Guam Waterworks Authority (GWA) is a component unit of the Government of Guam (GovGuam). GWA is subject to the regulations of the Guam Public Utilities Commission (PUC). GWA became an autonomous agency in 1996 under Public Law 23-119. Only the transactions of GWA are included within the scope of the Single Audit.

Programs Subject to Single Audit

The Schedule of Expenditures of Federal Awards (the Schedule) presents each Federal program related to the U.S. Department of Defense, the U.S. Department of the Treasury, and the U.S. Environmental Protection Agency.

2. Basis of Presentation

The accompanying Schedule includes the federal award activity of GWA for the year ended September 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). As the Schedule presents only a selected portion of the operations of GWA, it is not intended to and does not present the financial position, changes in net position, or cash flows of GWA.

3. Summary of Significant Accounting Policies

Basis of Accounting

Expenditures reported on the Schedule are presented on the accrual basis of accounting, consistent with the manner in which GWA maintains its accounting records. Such expenditures are recognized following the cost principles contained in the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. All expenses and capital outlays are reported as expenditures. GWA has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Schedule of Findings and Questioned Costs

Year ended September 30, 2024

Section I—Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

 Yes X **No**

Significant deficiency(ies) identified?

 Yes X **None reported**

Noncompliance material to financial statements noted?

 Yes X **No**

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

 Yes X **No**

Significant deficiency(ies) identified?

 X **Yes** **None reported**

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 Yes X **No**

Identification of major federal programs:

Assistance Listing number

66.600

Name of federal program or cluster

Environmental Protection Consolidated Grants for the Insular Areas - Program Support

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 Yes X **No**

Guam Waterworks Authority
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Schedule of Findings and Questioned Costs, continued

Year ended September 30, 2024

Section II—Financial Statement Findings

No matters were reported.

Section III—Federal Award Findings and Questioned Costs

Finding No.	ALN	Requirement	Questioned Costs
2024-001	66.600	Procurement, Suspension and Debarment	\$ ---

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Schedule of Findings and Questioned Costs, continued

Finding No.: 2024-001
Federal Agency: U.S. Environmental Protection Agency
AL No. and Title: 66.600 – Environmental Protection Consolidated Grants for the Insular Areas – Program Support
Federal Award No.: Various
Area: Procurement, Suspension and Debarment
Questioned Costs: \$0

Criteria:

2 CFR section 180.300 requires entities that enter into a covered transaction must verify that the person with whom you intend to do business is not excluded or disqualified by:

- (a) Checking SAM.gov Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person.

Condition:

Of 5 out 5 samples tested (100%), GWA did not perform the required verification of persons required by 2 CFR section 1800.300. No questioned cost was identified as subsequent checking of the samples in SAM.gov did not result in identification of suspended or debarred individuals.

Cause:

There is no formalized procedure in place for verifying the debarment, suspension, or exclusion status of entities prior to entering into covered transactions.

Effect or potential effect:

GWA is in noncompliance with the applicable requirements.

Recommendation:

GWA should develop and implement a formal procedure for verifying the debarment, suspension, or exclusion status of entities prior to entering into covered transactions, which includes regular checks against the System for Award Management (SAM) database and other relevant resources.

Guam Waterworks Authority
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Schedule of Findings and Questioned Costs, continued

Views of Responsible Officials:

GWA acknowledges the audit finding and concurs that a verification through the System for Award Management (SAM.gov) was not completed and documented prior to executing a contract with the identified vendors. GWA recognizes the importance of complying with federal requirements and preventing ineligible parties from participating in federally funded projects.



GUAM WATERWORKS AUTHORITY

Gloria B. Nelson Public Service Building | 688 Route 15, Mangilao, Guam 96913

P.O. Box 3010, Hagåtña, Guam 96932

Tel. No. (671) 300-6846/47 Fax No. (671) 648-3290

Corrective Action Plan:

1. Policy and Procedure Update:

GWA's procurement procedures have been revised to include a mandatory SAM.gov exclusion check prior to awarding any contract or subcontract funded by federal assistance. This requirement has been incorporated into the standard procurement checklist and contract file documentation process. Additionally, all related Standard Operating Procedures (SOPs) will be updated by December 2025.

2. Training:

GWA will conduct training for procurement, project management, and finance personnel on federal compliance requirements, including procedures for verifying suspension and debarment status. Training will be completed by December 31, 2025, and as needed as staff turnover or new regulations are issued.

3. Documentation Requirement:

Staff are now required to print and retain a copy of the SAM.gov search results in the procurement file as documentation that the contractor is not debarred or suspended at the time of award.

4. Ongoing Compliance Monitoring:

The Internal Audit team will conduct periodic reviews of federally funded procurement files to ensure compliance with this requirement and to verify that proper documentation is maintained.

Expected Completion Date: Procedures were put in place on April 4, 2025. Updates to all relevant SOPs as well as training will be completed by December 2025.

Point of Contact for Follow-Up:

Prudencio F. Aguon, Grants Administrator

Janet L. Taitano-Arroyo, Internal Auditor



GUAM **WATERWORKS** AUTHORITY

guamwaterworks.org