

**GUAM WATERWORKS AUTHORITY
(A COMPONENT UNIT OF THE
GOVERNMENT OF GUAM)**

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

**YEARS ENDED SEPTEMBER 30, 2009 AND 2008
(RESTATED)**

INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
Consolidated Commission on Utilities:

We have audited the accompanying statements of net assets of Guam Waterworks Authority (GWA), a component unit of the Government of Guam, as of September 30, 2009 and 2008, and the related statements of revenues, expenses and changes in net assets and of cash flows for the years then ended. These financial statements are the responsibility of GWA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of GWA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

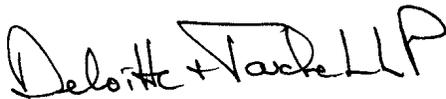
In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Guam Waterworks Authority as of September 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 16, GWA restated its 2008 financial statements to reflect the effects of the redesignation of the Government of Guam Defined Benefit Pension Plan from a single-employer plan to a cost-sharing multiple-employer plan, in conformity with the accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 1-6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of GWA's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary schedules on pages 31 through 35 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These accompanying schedules are the responsibility of GWA's management. The accompanying schedules on pages 32 through 35 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole. The accompanying schedule on page 31 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2010, on our consideration of Guam Waterworks 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

March 25, 2010

GUAM WATERWORKS AUTHORITY
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Management's Discussion and Analysis
September 30, 2009 and 2008

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

Overview of the Financial Statements

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

Proprietary Fund Financial Statements

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

Notes to the Financial Statements

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

Prior Year Restatement

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

Other Information

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

Financial Highlights

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

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

Financial Condition

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

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

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

Table 1
Summary Statement of Net Assets

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

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

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

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

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

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

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

Table 3
Annual Water Sales

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

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Table 3
Annual Wastewater Sales

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

Capital Assets, Net of Accumulated Depreciation

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

Table 4
Capital Assets, Net of Accumulated Depreciation

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

Table 5
Long Term Debt, Less Current Maturities

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

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

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

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

Looking Forward

Outlook, Challenges, and Opportunities

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

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

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

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

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

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

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

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

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

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

Request for Information

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

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

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

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

Statements of Cash Flows
Years Ended September 30, 2009 and 2008

	2009	2008 (As Restated, See Note 16)
<u>Increase (decrease) in cash</u>		
Cash flows from operating activities:		
Cash received from customers	\$ 52,702,684	\$ 53,493,803
Cash payments to suppliers for goods and services	(26,299,258)	(28,065,401)
Cash payments to employees for services	(16,161,694)	(15,071,561)
Cash payments for retiree healthcare costs	(1,433,920)	(2,509,205)
Net cash provided by operating activities	8,807,812	7,847,636
Cash flows from noncapital financing activities:		
Principal repayment of long-term debt	(2,160,295)	(2,759,930)
Interest paid on long-term debt	(319,327)	(373,453)
Net cash used in noncapital financing activities	(2,479,622)	(3,133,383)
Cash flows from capital and related financing activities:		
Contributed capital received	6,034,017	3,081,736
Acquisition of utility plant	(19,668,118)	(21,739,246)
Principal repayment of capital debt	(1,960,000)	(1,865,000)
Interest paid on capital debt	(5,705,826)	(5,831,744)
Net cash used in capital and related financing activities	(21,299,927)	(26,354,254)
Cash flows from investing activities:		
Transfers from restricted funds	15,363,958	13,875,357
Interest income received	239,235	1,764,529
Net cash provided by investing activities	15,603,193	15,639,886
Net change in unrestricted cash	631,456	(6,000,115)
Unrestricted cash at beginning of year	286,790	6,286,905
Unrestricted cash at end of year	\$ 918,246	\$ 286,790
Supplemental information on noncash activities:		
Construction work-in progress	\$ -	\$ 162,899
Payable to contractors	-	(162,899)
	\$ -	\$ -

See accompanying notes to financial statements.

GUAM WATERWORKS AUTHORITY
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Statements of Cash Flows, Continued
Years Ended September 30, 2009 and 2008

	2009	2008 (As Restated, See Note 16)
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (2,376,370)	\$ (2,343,119)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	10,952,902	10,677,756
Bad debts	(1,034,609)	803,609
(Increase) decrease in assets:		
Accounts receivable	(1,805,324)	517,860
Materials and supplies inventory	331,000	(208,745)
Increase (decrease) in liabilities:		
Accounts payable	2,663,557	(661,068)
Accrued payroll and employee benefits	(224,025)	(22,264)
Employee annual leave	(45,044)	129,421
Accrued supplemental/COLA annuities	(5,077)	(891,850)
Customer deposits	290,345	(170,385)
Other liabilities	82,430	(90,925)
DCRS sick leave liability	(21,973)	107,346
Net cash provided by operating activities	\$ 8,807,812	\$ 7,847,636

See accompanying notes to financial statements.

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

Notes to Financial Statements
September 30, 2009 and 2008

(1) Reporting Entity

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

(2) Summary of Significant Accounting Policies

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

Basis of Accounting

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

Net Assets

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

Estimates

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

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

Notes to Financial Statements
September 30, 2009 and 2008

(2) Summary of Significant Accounting Policies, Continued

Trade Accounts Receivable

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 collectibility of these accounts and prior collection experience. The allowance is established through a provision for bad debts charged to expense.

Materials and Supplies Inventories

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

Other Assets

Other assets consist of bond issuance costs associated with the bond payable. Bond issuance costs are amortized throughout the life of the bond using the straight-line method.

Property, Plant and Equipment

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 property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets (5 - 50 years for plant assets). Current policy is to capitalize items over \$5,000.

Noncurrent Restricted Cash

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

Compensated Absences

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

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

GUAM WATERWORKS AUTHORITY
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Notes to Financial Statements
September 30, 2009 and 2008

(2) Summary of Significant Accounting Policies, Continued

Revenue Recognition

Customer water meters are read on a cyclical basis throughout a monthly period depending on the route schedules of the Guam Power Authority (GPA) pursuant to a combined billing system arrangement between GWA and GPA. Revenue is recognized in the period that meters are read. Wastewater treatment is billed at a flat rate of \$22 per month for residential accounts and 80% of current water consumption for commercial and government accounts. At end of each month, unbilled revenues are accrued for each cycle based on the most recent cycle billing. Unbilled receivables at September 30, 2009 and 2008 are \$2,231,756 and \$1,569,692, respectively.

Pursuant to local law, GWA provides water to fire hydrants in Guam and classifies such service as government water revenue. Historically, no GovGuam agency has been tasked with paying for such service. Consequently, GWA provides an allowance for the full amount of the billings, on a monthly basis. GWA is currently evaluating the matter of billing such service. Fire hydrant revenue was \$259,020 for the year ended September 30, 2008. Fire hydrant receivable was \$6,546,311 as of September 30, 2009 and 2008.

Cash

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

Capitalization of Interest

GWA capitalizes interest on construction in progress based on the weighted average interest rate. During the years ended September 30, 2009 and 2008, interest of \$3,030,153 and \$2,120,806 was capitalized.

Operating and Non-Operating Revenue and Expenses

Operating revenues and expenses generally result directly from the operation and maintenance of GWA. Non-operating revenues and expenses result from capital and financing activities, costs and related recoveries from natural disasters, and certain other non-recurring income and expenses. During the year ended September 30, 2008, GWA collected approximately \$866,887 from a customer pertaining to penalties associated with an illegal connection, which is presented as other non-operating income in the accompanying financial statements.

Grants and Contributions

Grants and contributions consist of government mandated and voluntary nonexchange transactions as defined by GASB Statement No. 33. Approved capital grants not yet received amounted to approximately \$1,862,965 and \$3,293,488 at September 30, 2009 and 2008, respectively.

Income Taxes

As an instrumentality of GovGuam, GWA and all property acquired by or for GWA, and all revenues and income there from are exempt from taxation by GovGuam or by any political subdivision or public corporation thereof and from all taxes imposed under the authority of the Guam Legislature, or with respect to which the Guam Legislature is authorized to grant exemption.

GUAM WATERWORKS AUTHORITY
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Notes to Financial Statements
September 30, 2009 and 2008

(2) Summary of Significant Accounting Policies, Continued

New Accounting Statements

During fiscal year 2009, GWA implemented the following pronouncements:

- GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, which improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income.
- GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which improves financial reporting by contributing to the GASB's efforts to codify all GAAP for state and local governments so that they derive from a single source.
- GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, which incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants (AICPA) auditing literature into the GASB's accounting and financial reporting literature for state and local governments, and addresses three issues from the AICPA's literature - related party transactions, going concern considerations, and subsequent events.

The implementation of these pronouncements did not have a material effect on the accompanying financial statements.

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which addresses whether and when intangible assets should be considered capital assets for financial reporting purposes. The provisions of this statement are effective for periods beginning after June 15, 2009. The effect of the implementation of this statement on the financial statements of GWA has not been determined.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which is intended to improve how state and local governments report information about derivative instruments - financial arrangements used by governments to manage specific risks or make investments - in their financial statements. The provisions of this statement are effective for periods beginning after June 15, 2009. The effect of the implementation of this statement on the financial statements of GWA has not been determined.

In December 2008, GASB issued Technical Bulletin No. 2008-1, *Determining the Annual Required Contribution Adjustment for Postemployment Benefits*, which clarifies the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for calculating the annual required contribution (ARC) adjustment. The provisions of this statement are effective for periods beginning after December 15, 2008. Management does not believe that the implementation of this statement will have a material effect on the financial statements of GWA.

GUAM WATERWORKS AUTHORITY
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Notes to Financial Statements
September 30, 2009 and 2008

(2) Summary of Significant Accounting Policies, Continued

New Accounting Statements, Continued

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The provisions of this statement are effective for periods beginning after June 15, 2010. Management does not believe that the implementation of this statement will have a material effect on the financial statements of GWA.

Reclassifications

Certain balances in the 2008 financial statements have been reclassified to correspond with the 2009 presentation.

(3) Property, Plant and Equipment

	Beginning Balance October 1, <u>2008</u>	Transfers and <u>Additions</u>	Transfers and <u>Deletions</u>	Ending Balance September 30, <u>2009</u>
<u>Depreciable:</u>				
Utility Plant in Service – Water	\$ 226,342,207	\$ 6,590,362	\$ (320,000)	\$ 232,612,569
Utility Plant in Service - Wastewater	190,645,544	508,480	-	191,154,024
General Fixed Assets	<u>16,697,191</u>	<u>839,504</u>	<u>-</u>	<u>17,536,695</u>
	433,684,942	7,938,346	(320,000)	441,303,288
Accumulated Depreciation	<u>(205,491,869)</u>	<u>(10,952,902)</u>	<u>302,949</u>	<u>(216,141,822)</u>
	228,193,073	(3,014,556)	(17,051)	225,161,466
<u>Non-depreciable:</u>				
Land	64,288	-	-	64,288
Construction Work in Progress	<u>39,487,113</u>	<u>22,545,902</u>	<u>(7,938,345)</u>	<u>54,094,670</u>
	\$ <u>267,744,474</u>	\$ <u>19,531,346</u>	\$ <u>(7,955,396)</u>	\$ <u>279,320,424</u>
	Beginning Balance October 1, <u>2007</u>	Transfers and <u>Additions</u>	Transfers and <u>Deletions</u>	Ending Balance September 30, <u>2008</u>
<u>Depreciable:</u>				
Utility Plant in Service – Water	\$ 232,312,800	\$ 5,149,066	\$ (11,119,659)	\$ 226,342,207
Utility Plant in Service - Wastewater	178,658,425	876,214	11,110,905	190,645,544
General Fixed Assets	<u>15,511,860</u>	<u>1,202,423</u>	<u>(17,092)</u>	<u>16,697,191</u>
	426,483,085	7,227,703	(25,846)	433,684,942
Accumulated Depreciation	<u>(194,814,113)</u>	<u>(10,677,756)</u>	<u>-</u>	<u>(205,491,869)</u>
	231,668,972	(3,450,053)	(25,846)	228,193,073
<u>Non-depreciable:</u>				
Land	-	64,288	-	64,288
Construction Work in Progress	<u>22,730,312</u>	<u>24,048,792</u>	<u>(7,291,991)</u>	<u>39,487,113</u>
	\$ <u>254,399,284</u>	\$ <u>20,663,027</u>	\$ <u>(7,317,837)</u>	\$ <u>267,744,474</u>

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Notes to Financial Statements
September 30, 2009 and 2008

(4) Accounts Receivable

Accounts receivable at September 30, 2009 and 2008, are as follows:

	<u>2009</u>	<u>2008</u>
Customers:		
Private	\$ 14,734,197	\$ 13,916,361
Government	<u>10,519,117</u>	<u>9,669,551</u>
	25,253,314	23,585,912
Federal grants receivable	1,013,719	832,863
GPA	<u>62,322</u>	<u>212,918</u>
	<u>26,329,355</u>	<u>24,631,693</u>
Less allowance for doubtful receivables:		
Private	(8,088,099)	(9,082,492)
Government	<u>(7,384,903)</u>	<u>(7,713,637)</u>
	<u>(15,473,002)</u>	<u>(16,796,129)</u>
	\$ <u>10,856,353</u>	\$ <u>7,835,564</u>
Allowance breakdown:		
Beginning balance	\$ (16,796,129)	\$ (15,880,326)
Less:		
Write-off	291,402	-
Bad debt recovery (expense)	<u>1,031,725</u>	<u>(915,803)</u>
Ending balance	\$ <u>(15,473,002)</u>	\$ <u>(16,796,129)</u>

Substantially all customer accounts receivable are from individuals, companies and government agencies based in Guam.

(5) Long-Term Debt

Long-term debt at September 30, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Note payable to the U.S. Navy, interest at 1.25%, due in monthly installments of principal and interest of \$45,833 through March 2009, \$132,545 through March 2011, and \$264,853 through June 2012, collateralized by real property (see note 14).	\$ 5,689,122	\$ 6,639,101
Payable to the Guam Power Authority in settlement of previously unpaid balances, interest at 4.33%, payable in monthly principal and interest installments of \$212,899 through 2010.	3,998,968	5,209,285

GUAM WATERWORKS AUTHORITY
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Notes to Financial Statements
September 30, 2009 and 2008

(5) Long-Term Debt, Continued

	<u>2009</u>	<u>2008</u>
Bonds:		
2005 Series, initial face value of \$101,175,000, interest at varying rates from 5.000% to 5.875% payable semiannually in January and July, principal and mandatory sinking fund payments payable in varying annual installments commencing with a payment of \$1,865,000 in July 2008, increasing to \$6,810,000 in July 2035.	<u>97,350,000</u>	<u>99,310,000</u>
Total long-term debt	107,038,090	111,158,386
Less current maturities	<u>(6,463,363)</u>	<u>(5,838,845)</u>
	100,574,727	105,319,541
Bond premium	<u>3,143,944</u>	<u>3,264,095</u>
	<u>\$ 103,718,671</u>	<u>\$ 108,583,636</u>

As of September 30, 2009, future maturities of long-term debt are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 6,463,363	\$ 5,722,860	\$ 12,186,476
2011	5,673,915	5,560,715	11,234,630
2012	4,116,809	5,417,200	9,534,009
2013	2,410,000	5,294,544	7,704,544
2014	2,533,750	5,170,919	7,704,669
2015 through 2019	12,653,750	23,756,970	36,410,720
2020 through 2024	16,427,500	19,611,594	36,039,094
2025 through 2029	21,938,750	14,095,669	36,034,419
2030 through 2034	29,198,750	6,842,392	36,041,142
2035	<u>5,621,503</u>	<u>300,066</u>	<u>5,921,316</u>
	<u>\$ 107,038,090</u>	<u>\$ 91,772,928</u>	<u>\$ 198,811,018</u>

GWA fully paid a debt to Municipal Services Group, Inc. (MSG) with proceeds from the above bond issuance. MSG indicated that it may make a claim against GWA in connection with the investment earnings on the Acquisition Fund for the Certificates of Participation 2005 Services relative to financing the purchase and installation of GWA's water meters. No provision has been recorded in the accompanying financial statements for a liability, if any, because an estimate of the amount or range of potential loss cannot be determined at this time.

Proceeds of the 2005 series bonds, are to be used for the purpose of funding capital improvements of water and wastewater systems, refinancing certain outstanding obligations and loans, financing new water meters, paying capitalized interest and paying related issuance costs.

GUAM WATERWORKS AUTHORITY
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Notes to Financial Statements
September 30, 2009 and 2008

(5) Long-Term Debt, Continued

All gross revenues of GWA have been pledged to repay the 2005 series bond principal and interest. The debt service for the 2005 series bond was \$7,658,733 and \$7,704,793 for the years ended September 30, 2009 and 2008, respectively, or approximately 13.9% and 14.7%, respectively, of pledged gross revenues for those years.

Total bond proceeds were \$104,779,522, including a bond premium of \$3,604,522 while GWA incurred closing costs totaling \$3,128,108. The premium, termination fees and closing costs have been deferred and amortized on a straight line basis over the average remaining life of the 2005 bond. The closing costs, net of amortization, are reflected as other assets in the accompanying statements of net assets. The current year amortization of the deferred revenue and the deferred asset is reflected as other expense in the accompanying statements of revenues, expenses and changes in net assets.

Management is of the opinion that compliance with applicable debt covenants occurred during the year ended September 30, 2009.

Changes in Long-Term Liabilities:

The following summarizes changes in GWA's long-term liabilities for the years ended September 30, 2009 and 2008:

	Outstanding September 30, 2008	Increases	Decreases	Outstanding September 30, 2009	Current
Long-term debt	\$ 99,310,000	\$ -	\$ 1,960,000	\$ 97,350,000	\$ 2,081,250
Premium on bonds	3,264,095	-	120,151	3,143,944	-
Guam Power Authority	5,209,285	-	1,210,317	3,998,968	2,855,019
U.S. Navy	6,639,101	-	949,979	5,689,122	1,527,094
Employee annual leave	1,152,240	600,896	645,940	1,107,196	407,945
DCRS sick leave liability	642,987	-	21,974	621,013	-
Other liabilities	<u>167,767</u>	<u>536</u>	<u>-</u>	<u>168,303</u>	<u>-</u>
	<u>\$ 116,385,475</u>	<u>\$ 601,432</u>	<u>\$ 4,908,361</u>	<u>\$ 112,078,546</u>	<u>\$ 6,871,308</u>
	Outstanding September 30, 2007	Increases	Decreases	Outstanding September 30, 2008	Current
Long-term debt	\$ 101,175,000	\$ -	\$ 1,865,000	\$ 99,310,000	\$ 2,473,750
Premium on bonds	3,384,246	-	120,151	3,264,095	-
Guam Power Authority	7,504,734	-	2,295,449	5,209,285	2,375,092
U.S. Navy	7,103,582	-	464,481	6,639,101	990,003
Employee annual leave	1,022,819	763,955	634,534	1,152,240	409,193
DCRS sick leave liability	535,641	107,346	-	642,987	-
Other liabilities	<u>166,809</u>	<u>958</u>	<u>-</u>	<u>167,767</u>	<u>-</u>
	<u>\$ 120,892,831</u>	<u>\$ 872,259</u>	<u>\$ 5,379,615</u>	<u>\$ 116,385,475</u>	<u>\$ 6,248,038</u>

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Notes to Financial Statements
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(6) Employees' Retirement Plan

Defined Benefit Plan

Plan Description:

GWA participates in the GovGuam Defined Benefit (DB) Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the GovGuam Retirement Fund (GGRF). The DB Plan provides retirement, disability, and survivor benefits to plan members who enrolled in the plan prior to October 1, 1995. Cost-of-living adjustments are provided to members and beneficiaries at the discretion of the Guam Legislature. 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, are required to participate in the Defined Contribution Retirement System (DCRS). Hence, the DB Plan became a closed group.

The DB Plan was originally designated as a single-employer plan but was redesignated by GovGuam's Department of Administration as a cost-sharing multiple-employer plan, effective October 1, 2008. The redesignation was based on the determination as outlined under GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*, that all risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to the separate employers. 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.

As more fully discussed in Note 16, the redesignation from a single-employer plan to a cost-sharing multiple-employer plan resulted in a restatement relating to the accrued unfunded liability.

Funding Policy:

As a result of actuarial valuations performed as of September 30, 2007, 2006, and 2005, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2009, 2008 and 2007, respectively, have been determined as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Normal costs (% of DB Plan payroll)	17.36%	17.94%	18.21%
Employee contributions (DB Plan employees)	<u>9.50%</u>	<u>9.50%</u>	<u>9.50%</u>
Employer portion of normal costs (% of DB Plan payroll)	<u>7.86%</u>	<u>8.44%</u>	<u>8.71%</u>
Employer portion of normal costs (% of total payroll)	3.70%	3.99%	4.26%
Unfunded liability cost (% of total payroll)	<u>19.68%</u>	<u>20.75%</u>	<u>20.66%</u>
Government contribution as a % of total payroll	<u>23.38%</u>	<u>24.74%</u>	<u>24.92%</u>

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Notes to Financial Statements
September 30, 2009 and 2008

(6) Employees' Retirement Plan, Continued

Defined Benefit Plan, Continued

Funding Policy, Continued:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Statutory contribution rates as a % of DB Plan payroll:			
Employer	<u>25.20%</u>	<u>24.07%</u>	<u>22.94%</u>
Employee	<u>9.50%</u>	<u>9.50%</u>	<u>9.50%</u>

GWA's contributions to the DB Plan for the years ending September 30, 2009, 2008 and 2007 were \$1,273,880, \$1,241,746 and \$1,039,698, respectively, which were equal to the required contributions for the respective years then ended.

Defined Contribution Retirement System (DCRS)

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

Statutory employer contributions into the DCRS plan for the years ended September 30, 2009 and 2008, are determined using the same rates as the DB Plan. Of the amount contributed by the employer, only 5% of the member's regular pay is deposited into the member's individual investment account. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

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.

GWA's contributions to the DCRS Plan for the years ended September 30, 2009, 2008 and 2007 were \$1,566,034, \$1,063,161 and \$1,080,694, respectively.

Public Law 26-86 allows members of the DCRS to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. GWA has accrued an estimated liability of \$621,013 and \$642,987 at September 30, 2009 and 2008, respectively, for potential future sick leave payments as a result of this law. However, this amount is an estimate and the actual payout may be materially different than estimated.

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(6) Employees' Retirement Plan, Continued

Other Post Employment Benefits

GovGuam, through its substantive commitment to provide other post-employment benefits (OPEB), maintains a cost-sharing multiple employer defined benefit plan to provide certain postretirement healthcare benefits to retirees who are members of the GovGuam Retirement Fund. Under the Plan, known as the GovGuam Group Health Insurance Program, GovGuam provides medical, dental, and life insurance coverage. The retiree medical and dental plans are fully-insured products provided through insurance companies. GovGuam shares in the cost of these plans, with GovGuam's contribution amount set each year at renewal. Current statutes prohibit active and retired employees from contributing different amounts for the same coverage. As such, GovGuam contributes substantially more to the cost of retiree healthcare than to active healthcare. For the life insurance plan, GovGuam provides retirees with \$10,000 of life insurance coverage through an insurance company. Retirees do not share in the cost of this coverage. Because the Plan consists solely of GovGuam's firm commitment to provide OPEB through the payment of premiums to insurance companies on behalf of its eligible retirees, no stand-alone financial report is either available or generated

For the years ended September 30, 2009, 2008 and 2007, GWA reimbursed GovGuam for certain supplemental benefits for retirees, including contributions for the abovementioned Plan, as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Supplemental benefits	\$ 313,136	\$ 455,693	\$ 464,620
Medical and dental	<u>1,113,707</u>	<u>1,161,662</u>	<u>424,043</u>
	<u>\$ 1,428,843</u>	<u>\$ 1,617,355</u>	<u>\$ 888,663</u>

(7) Real Estate Properties Transferred by Government of Guam

The Government of Guam, pursuant to Public Law 23-119, assigned to GWA various real estate properties under GWA's administration. As of September 30, 2009 and 2008, the properties have not been recognized in the financial statements pending completion of formal transfer proceedings.

(8) Agreements with the United States Navy

Pursuant to a Memorandum of Agreement, the United States Navy supplies water through its water system to GWA for distribution and resale to non-military customers. Total purchases from the U.S. Navy for the years ended September 30, 2009 and 2008 are \$5,118,688 and \$4,408,514, respectively.

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Notes to Financial Statements
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(9) Commitments and Contingencies

Claims

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

Self Insurance

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

Contract Commitments

Contract commitments in connection with projects currently in construction approximate \$7,884,003 at September 30, 2009.

Project Management Contracts

On December 5, 2006, GWA entered into Performance Management Contracts (PMC) for the operation and maintenance of its Wastewater Treatment Plants, Collection System, and Lift Stations. PMC contracts are for a period of 3 years and have been extended to mature in January 1, 2013.

At September 30, 2009, the minimum management fees for the PMC above are as follows:

Year ending September 30,	Amount
2010	\$ 1,047,912
2011	1,077,254
2012	1,107,417
2013	278,752

The above fees are subject to certain incentives and penalties, as agreed by both parties.

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Notes to Financial Statements
September 30, 2009 and 2008

(9) Commitments and Contingencies, Continued

Medicare

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

Single Audit Questioned Costs

GWA undergoes annual compliance audits to satisfy federal grantor requirements. Cumulative questioned costs of \$472,727 exist from these audits as of September 30, 2009. The questioned costs will be resolved by the applicable grantor and due to GWA's inability to predict the ultimate outcome of this matter, no provision for any liability, if any, that may result from this matter has been made in the accompanying financial statements.

Stipulated Order

In 2002, the United States Government filed a complaint against the Guam Waterworks Authority and the Government of Guam for alleged violations under the Federal Clean Water Act (CWA) and the Safe Drinking Water Act (SDWA). Because of GWA's non-compliance with the National Primary Drinking Water Regulations, the U.S. Government is seeking both civil penalties and injunctive relief to address such non-compliance. Both GWA and the U.S. Government of Justice, Environmental and Natural Resources Division mutually agreed in the form of Stipulated Order to resolve the violation issues.

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

(10) Cash and Cash Equivalents and Investments

The bond indenture agreements for the 2005 series revenue bonds (note 4) 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.

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Notes to Financial Statements
September 30, 2009 and 2008

(10) Cash and Cash Equivalents and Investments, Continued

At September 30, 2009 and 2008, investments and cash held by trustees and by GWA in these funds and accounts are as follows:

	2009		<u>Total</u>
	Held By Trustee	Held By GWA	
	Bond Indenture <u>Funds</u>	Bond Indenture <u>Funds</u>	
Restricted:			
Revenue funds	\$ -	\$ 4,866,470	\$ 4,866,470
Capital improvement fund	-	61	61
Operations and maintenance funds	-	445	445
Operations, maintenance renewal and replacement funds	-	567,052	567,052
Construction fund	-	14,736,501	14,736,501
Investment:			
Reserve fund	7,707,794	-	7,707,794
Debt service fund	<u>1,920,485</u>	<u>-</u>	<u>1,920,485</u>
	<u>\$ 9,628,279</u>	<u>\$ 20,170,529</u>	<u>\$ 29,798,808</u>

	2008		<u>Total</u>
	Held By Trustee	Held By GWA	
	Bond Indenture <u>Funds</u>	Bond Indenture <u>Funds</u>	
Restricted:			
Revenue funds	\$ -	\$ 4,118,093	\$ 4,118,093
Capital improvement fund	-	60	60
Operations and maintenance funds	-	659,420	659,420
Operations, maintenance renewal and replacement funds	-	1,568,740	1,568,740
Construction fund	-	29,327,982	29,327,982
Investment:			
Reserve fund	7,645,814	-	7,645,814
Debt service fund	<u>1,955,074</u>	<u>-</u>	<u>1,955,074</u>
	<u>\$ 9,600,888</u>	<u>\$ 35,674,295</u>	<u>\$ 45,275,183</u>

At September 30, 2009 and 2008, investments in debt securities are carried at cost or amortized cost which approximates market value including accrued interest for debt securities.

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 Federated Government obligations Fund SS or the Transamerica Accidental Life Insurance Company 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 AAAM or better by S&P.

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Notes to Financial Statements
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(10) Cash and Cash Equivalents and Investments, Continued

A. Cash

GASB Statement No. 3 requires government entities to categorize investments to give an indication of the level of credit risk assumed by the entity at year-end. The three categories are described below:

Category 1 Insured or registered, or securities held by GWA or its agent in GWA's name;

Category 2 Uninsured and unregistered, with securities held by the broker's or dealer's trust department or agent in GWA's name; or

Category 3 Uninsured and unregistered, with securities held by the broker or dealer, or by its trust department or agent but not in GWA's name.

GASB Statement No. 40 amended GASB Statement No. 3 to eliminate disclosure for deposits falling into categories 1 and 2 but retained disclosures for deposits falling under category 3. Category 3 deposits are those deposits that have exposure to custodial credit risk. 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, or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. GWA does not have a deposit policy for custodial credit risk.

Bank balances of demand and time deposit accounts held in the name of GWA totaled \$21,773,032 and \$36,421,716 as of September 30, 2009 and 2008, respectively, of which \$369,802 and \$113,507 were insured by the Federal Deposit Insurance Corporation and the remaining balances were uninsured and uncollateralized. Accordingly, these amounts are exposed to custodial credit risk. Restricted cash on hand consists of cash received for specific capital projects and for bond indenture related accounts.

Current restricted cash amounted to \$5,555,634 and \$5,353,816 as of September 30, 2009 and 2008, respectively. The noncurrent restricted cash amounted to \$15,303,553 and \$30,896,722 as of September 30, 2009 and 2008, respectively.

The composition of current and noncurrent restricted cash is as follows:

	<u>2009</u>	<u>2008</u>
Current restricted:		
Capital projects	\$ 172,018	\$ 171,096
Operation and maintenance	5,986	5,971
PUC surcharge	56,761	56,620
Navy surcharge	43,804	133,551
Meter reserve	338,388	133,979
Sewer hook-up revolving fund	71,701	75,026
Revenue funds	4,866,470	4,118,093
Capital improvement fund	61	60
Operations and maintenance funds	<u>445</u>	<u>659,420</u>
	<u>5,555,634</u>	<u>5,353,816</u>

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Notes to Financial Statements
September 30, 2009 and 2008

(10) Cash and Cash Equivalents and Investments, Continued

A. Cash, Continued

Noncurrent restricted:

Operations, maintenance, renewal and replacement	567,052	1,568,740
Construction fund	<u>14,736,501</u>	<u>29,327,982</u>
	<u>15,303,553</u>	<u>30,896,722</u>
Total restricted cash	\$ <u>20,859,187</u>	\$ <u>36,250,538</u>

B. Investments

GASB Statement No. 3 previously required government entities to present investment risks in terms of whether the investments fell into the following categories:

- Category 1 Investments that are insured or registered, or securities held by GWA or its agent in GWA's name;
- Category 2 Investments that are uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in GWA's name; or
- Category 3 Investments that are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in GWA's name.

GASB Statement No. 40 amended GASB Statement No. 3 to in effect eliminate disclosure for investments falling into categories 1 and 2, and provided for disclosure requirements addressing other common risks of investments such as credit risk, interest rate risk, concentration of credit risk, and foreign currency risk. GASB Statement No. 40 did retain and expand the element of custodial credit risk in GASB Statement No. 3.

As of September 30, 2009 and 2008, the GWA's fixed income securities had the following maturities:

<u>2009</u>			
<u>Investment Maturities (in years)</u>			
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1-5</u>
U.S. Treasury and Governmental agency obligations	\$ <u>9,628,279</u>	\$ <u>9,628,279</u>	\$ <u> -</u>
<u>2008</u>			
<u>Investment Maturities (in years)</u>			
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1-5</u>
U.S. Treasury and Governmental agency obligations	\$ <u>9,600,888</u>	\$ <u>9,600,888</u>	\$ <u> -</u>

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Notes to Financial Statements
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(10) Cash and Cash Equivalents and Investments, Continued

B. Investments, Continued

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

GWA's exposure to credit risk at September 30, 2009 and 2008 as follow:

	2009		
<u>Moody's Rating</u>	<u>Total</u>	<u>Domestic</u>	<u>International</u>
AAA	\$ <u>9,628,279</u>	\$ <u>9,628,279</u>	\$ <u> -</u>
	2008		
<u>Moody's Rating</u>	<u>Total</u>	<u>Domestic</u>	<u>International</u>
AAA	\$ <u>9,600,888</u>	\$ <u>9,600,888</u>	\$ <u> -</u>

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, GWA will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. GWA's investments are held and administered by trustees. Accordingly, these investments are exposed to custodial credit risk. Based on negotiated trust and custody contracts, all of these investments were held in GWA's name by GWA's custodial financial institutions at September 30, 2009 and 2008.

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure by issuer and amount of investments in any one issuer that represents five percent (5%) or more of total investments for GWA. As of September 30, 2009 and 2008, GWA has no investment representing five percent (5%) or more of total investments.

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

(11) Other Matters

On December 31, 1989, the Government of Guam issued general obligation Water System Revenue Bonds, Series 1989, in the amount of \$49,190,000. The bonds have been issued for the purpose of expanding and improving the existing water system of the Government operated by GWA. The bond obligation is recognized on the books of the Government of Guam and is not reflected as a liability of GWA.

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(12) Contributions Received

Contributions received by GWA during the years ended September 30, 2009 and 2008, are as follows:

	<u>2009</u>	<u>2008</u>
Grants from U.S. Government:		
Received from the U.S. Environmental Protection Agency	\$ <u>6,805,460</u>	\$ <u>2,398,111</u>
Other contributions:		
Proceeds received through refinancing of Government of Guam's Water Bond	\$ <u> -</u>	\$ <u> 960,351</u>

(13) Supplemental/COLA Annuities

As required by Public Law 27-106, as amended by Public Law 26-49, GWA must pay to the Government of Guam Retirement Fund certain supplemental benefits for retirees. During the years ended September 30, 2009 and 2008, GWA levied surcharges of \$1,490,238 and \$1,504,950, respectively, in accordance with this legislation. The supplemental benefits derive from an annual appropriation by the Guam Legislature and do not relate to covered Plan benefits (see note 6).

(14) PUC Surcharge

The Public Utilities Commission ordered an 11.5% regulatory surcharge effective for meters read after October 1, 2001, to enable GWA to retire its obligations to both Guam Power Authority (GPA) and the Guam Telephone Authority (GTA). The order stipulated that monthly payments be made to both GPA and GTA. Payments to GPA should be no less than \$75,000 per month, after the required \$50,000 payment to GTA, payment of the PUC's annual administrative assessments and payment of PUC invoices in excess of 60 days.

On May 9, 2002, the Guam Legislature passed Public Law 26-81. The Law established a one-year moratorium of the 11.5% surcharge, wherein GWA was prohibited for the moratorium period from any further billings of the surcharge. Additionally, in order for GWA to pay its debt to GPA, the law appropriated \$2.75 million to GWA from a bond re-financing. In May 2003, the one year moratorium expired and proceeds from the renewed surcharge of 9.60% have gone toward GWA's obligation to GPA and effective October 2003, also to the obligation to the U.S. Navy. In addition, proceeds from a legislative surcharge of 3.49% are earmarked to pay benefits for GWA's supplemental annuity for retirees. During the years ended September 30, 2009 and 2008, revenue resulting from the legislative surcharge amounted to \$1,490,238 and \$1,504,950, respectively.

(15) Related Party Transactions

GWA receives electrical and administrative services from Guam Power Authority (GPA), a component unit of the Government of Guam also governed by the CCU. Electricity purchases from GPA for the years ended September 30, 2009 and 2008 were \$14,971,119 and \$14,631,816, respectively, and GWA was also charged \$337,716 and \$272,673 respectively, for administrative services provided by GPA. Outstanding payables for power purchases, administrative expenses and cost reimbursements owed by GWA to GPA amounted to \$2,784,039 and \$2,215,931 as of September 30, 2009 and 2008, respectively. In addition, GWA has long-term debt of \$3,998,968 and \$5,209,285 due to GPA at September 30, 2009 and 2008, respectively (see note 4).

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(16) Prior Year Restatement

Subsequent to the issuance of GWA's 2008 financial statements, GovGuam's Department of Administration issued a determination concerning the redesignation of the DB Plan as a cost-sharing multiple-employer plan. Prior to this determination, the DB Plan was designated as a single-employer plan, requiring GWA to measure and disclose an amount for annual pension cost. Annual pension cost amounted to GWA annual required contributions (ARC) to the plan with the difference between the ARC and actual required contributions recognized as a net pension obligation.

The redesignation of the DB Plan as a cost-sharing multiple-employer plan resulted in the reversal of the previously reported unfunded pension liability, totaling \$7,076,388, and related pension costs of \$850,000 as well as related disclosure. The effect on the 2008 financial statements as a result of this restatement is as follows:

	<u>As Previously Reported</u>	<u>As Restated</u>
At September 30, 2008:		
Unfunded pension liability	\$ <u>7,076,388</u>	\$ <u>-</u>
Net assets:		
Unrestricted	\$ <u>(21,904,573)</u>	\$ <u>(14,828,185)</u>
For the year ended September 30, 2008:		
Operating and maintenance expenses:		
Salaries, wages and benefits	\$ <u>16,136,063</u>	\$ <u>15,286,063</u>
Net assets:		
Beginning of the year	\$ <u>190,712,592</u>	\$ <u>196,938,980</u>
End of the year	\$ <u>189,439,840</u>	\$ <u>196,516,228</u>

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Schedule 1
Schedule of Equalization of Net (Income) Loss
Years Ended September 30, 1991 through 2009

	2009	2008	2007	2006	2005	2004	2003 (As Restated)	2002	2001	2000	1999	1998 (1)	1997 (1)	1996 (1)	1995 (1)	1994 (1)	1993 (1)	1992 (1)	1991 (1)
Net (income) loss	\$ (1,671,576)	\$ 422,752	\$ 1,933,050	\$ 8,097,395	\$ (1,530,194)	\$ 1,809,232	\$ 7,402,223	\$ 14,712,887	\$ 639,033	\$ 9,930,509	\$ 9,756,403	\$ 20,589,668	\$ 12,002,404	\$ 2,486,481	\$ 7,293,467	\$ 10,920,041	\$ 3,069,762	\$ 4,394,359	\$ 1,744,519
Less transfers from GovGuam	-	-	-	300,000	1,110,561	578,754	748,109	2,859,524	2,800,388	-	-	-	-	18,538,800	22,743,010	16,136,274	24,959,972	27,447,270	22,064,351
Less other operating revenues recognized in 1999 attributable to prior years	-	-	-	-	-	-	-	-	-	-	4,282,966	-	-	-	-	-	-	-	-
Equalization of net (income) loss	\$ (1,671,576)	\$ 422,752	\$ 1,933,050	\$ 8,397,395	\$ (419,633)	\$ 2,387,986	\$ 8,150,332	\$ 17,572,411	\$ 3,439,421	\$ 9,930,509	\$ 14,039,369	\$ 20,589,668	\$ 12,002,404	\$ 21,025,281	\$ 30,036,477	\$ 27,056,315	\$ 28,029,734	\$ 31,841,629	\$ 23,808,870

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

See accompanying independent auditors' report.

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Schedule 2
Schedule of Certain Operating and Maintenance Expenses
Years Ended September 30, 2009 and 2008

	2009	2008
Salaries, wages and benefits:		
Regular, differential and hazardous pay	\$ 11,469,445	\$ 11,071,238
Pension costs	3,598,632	3,029,989
Overtime pay	390,600	818,579
Sick leave	411,975	366,257
Total salaries, wages and benefits	\$ 15,870,652	\$ 15,286,063
Employees at end of year	321	308
Administrative and general:		
Materials and supplies	\$ 2,425,951	\$ 1,318,972
Chemicals	958,972	978,600
Transportation	493,235	625,261
Public Utility Commission	477,605	228,612
Training	120,544	215,784
Violation fees	19,000	48,000
Communications	161,212	160,371
Liability claims	97,555	115,865
Advertising	158,386	270,161
Insurance	23,730	-
Miscellaneous	331,381	223,110
Total administrative and general	\$ 5,267,571	\$ 4,184,736
Contractual:		
Labor, materials and others	\$ 1,192,776	\$ 1,538,930
Equipment rental	260,888	616,670
Accounting	222,097	448,092
Legal	304,123	-
Testing	669,932	273,495
PMC management	1,319,883	997,547
Total contractual	\$ 3,969,699	\$ 3,874,734
Other expense:		
Loss on asset disposal	\$ 17,051	\$ -
Interest expense	6,018,059	6,213,246
Retiree healthcare costs and other benefits	1,428,843	1,617,355
	\$ 7,463,953	\$ 7,830,601

See accompanying independent auditors' report.

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Schedule 3
Schedule of Cash Flows Indicating Financing Method
Year Ended September 30, 2009

Cash flows provided by operating activities	\$ 8,807,812
Cash flows used for acquisition of utility plant, net of contributed capital received	<u>(13,634,101)</u>
Cash flows if GPA were fully paid and if utility plant were built, net of contributed capital received	<u><u>\$ (4,826,289)</u></u>

See accompanying independent auditors' report.

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Schedule 4
Schedule of Construction Work in Progress
Year Ended September 30, 2009

Project Title	Type	Beginning Balance 2009	Additions and Transfers	Closed out during FY2009	Ending Balance 2009
Agat/Santa Rita Sewer System	Wastewater	\$ 2,195,779	\$ 186,934	\$ (1,117,766)	\$ 1,264,947
Ordot/Chalan Pago 2B	Wastewater	622,342	-	-	622,342
Automated Meter Reading	Water	4,831,990	587,915	(2,616,415)	2,803,490
Distribution Line Replacement	Water	5,383,117	1,525,795	(101,471)	6,807,441
Hagatna and Northern District	Wastewater	15,502,136	7,360,631	-	22,862,767
Electrical Protection	Water	1,143,557	489,472	(1,253,153)	379,876
Sinajana Transmission Line	Water	2,246,084	436,772	-	2,682,856
Mangilao Tank Repair	Water	712,032	845,627	(1,557,659)	-
Ugum Tank Replacement	Water	3,012,799	3,413,046	-	6,425,845
Ground Water Chlorination	Water	1,713,475	1,551,541	-	3,265,016
Replaced Old Agat Sewer	Wasterwater	267,632	1,867,974	-	2,135,606
Sinajana and Agana Heights Phase II	Water	-	3,000,000	-	3,000,000
All Others	Water/Wastewater	1,856,170	1,280,195	(1,291,881)	1,844,484
		<u>\$ 39,487,113</u>	<u>\$ 22,545,902</u>	<u>\$ (7,938,345)</u>	<u>\$ 54,094,670</u>

See accompanying independent auditors' report.

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

Schedule 5
Schedule of Employee and Other Data
Year Ended September 30, 2009

Department	PL 28-150 Sec 45:a Full-Time Employees	PL 28-150 Sec 45:b Category Personnel Services	Contractual Services	Materials and Supplies	Total
Board	-	\$ 143,777	\$ 81,361	\$ -	225,138
Administration	41	2,513,287	1,309,931	206,480	4,029,698
Accounting	20	1,040,654	163,393	246,191	1,450,238
Engineering	25	1,517,986	12,949	13,260	1,544,195
Collection and Distribution	109	4,985,356	650,411	805,614	6,441,381
Utility Services	50	1,914,748	66,430	149,366	2,130,544
Production and Treatment	76	3,754,844	1,685,224	368,394	5,808,462
Total	321	\$ 15,870,652	\$ 3,969,699	\$ 1,789,305	\$ 21,629,656

See accompanying independent auditors' report.