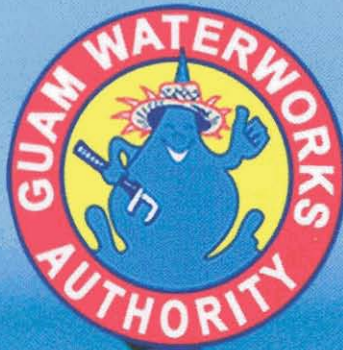


# 2003 Annual Report



**Guam Waterworks Authority**

*Ginen i hanom na ta sodda' tod'u i lina'la*

www.guamwaterworks.org • P.O. Box 3010, Hagåtña, Guam 96932



# 2003: PROGRESSIVELY MOVING FORWARD







## Consolidated Commission on Utilities

It has been an honor to be the first elected Consolidated Commission on Utilities since January 2003. The task at hand was insurmountable for GWA with huge financial debts and a federal lawsuit for consistent environmental violations looming.

The CCU quickly went to work on an array of critical issues starting with the hiring of a qualified general manager. For the first time in its history, a general manager with actual utilities expertise led the water and wastewater agency.

The highlight of the year, however, was the signing of the USEPA's Stipulated Order on May 21, 2003. After almost a decade's worth of violations, the federal court finally put its stamp on the order to force GWA into compliance with federally mandated laws.

The commission also created a task force of GWA and GPA technicians to analyze the utilities' systems, reached out to the community and held board meetings in each village to enhance communication with the ratepayers and produced many resolutions that benefited GWA.

This is just the beginning. The CCU, along with GWA will continue to strive for overall efficiency in the agency's operations and customer service in hopes of attaining stronger community support. The commission is confident that better things are to come and visualizes a bright future for GWA.



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



## General Manager's Message

Hafa adai,

I believe 2003 will long be remembered as the year GWA was finally given the ability to manage its affairs. This puts the old adage that you can't teach an old dog new tricks to question.

As the year started GWA was dealing with the boil water notices resulting from July's Typhoon Chata'an. The community then voted in a semi-autonomous board called the Consolidated Commission on Utilities. Then after going through the American Water Works Association QUALSERVE program they were hit with Typhoon Pongsongna and then an EPA lawsuit that resulted from complete loss of confidence that GWA would be able to operate the system in a responsible manner. In the wake of those disturbances the CCU started many positive practices that have resulted in an optimistic future.

Cost-cutting efforts were needed and achieved to the tune of \$9 million in savings as well as day-to-day improvements to the system that had immediate positive impacts to the community. The employees began to move toward an organization that bases its performance on industry BEST PRACTICE benchmarks.

Faced with a depressing financial state, along with the rest of the Government of Guam, GWA implemented a 32-hour workweek to help get out of its financial rut. At the same time, the agency pursued an aggressive collection campaign, relocated its administrative offices from Tiyan back to Upper Tumon saving \$80,000 a year and reclaimed its meter-reading responsibilities from GPA saving \$500,000 a year - hard work and sacrifice of the employees for the betterment of the community's water system.

Customers in many areas of the island experienced improved water pressure as GWA did away with its 'water shifting' program. Southern customers had more reliable service after the Ugum Treatment Plant fixed its flocculators and started using the polymers that GWA's new Compliance and Safety Officer tested in 2003, allowing the treatment of highly turbid raw water. GWA also privatized the construction of new meter hookups and installation of water and

and sewer lines for developers saving over \$3 million. GWA also took its first steps toward privatization of meter reading. Not by outsourcing but by implementing an island wide radio-read meter program. This will allow the meter readers to go from 150 meters per day to 3000 meters per day being read per meter reader while privatizing the read to the airwaves.



DAVID A. CRADDICK  
General Manager

2003 also saw a drastic reduction in sewage overflows. I am happy to report that there was a 90% reduction in the 1999 to 2002 average during 2003. The community has reaped these benefits by reducing the number of wastewater pump stations with only one pump by 70 %.

A heavy emphasis on employee certification was made and encouraging results were presented as 27 employees passed the USEPA test.

Along with the operational improvements the EPA lawsuit was negotiated to a Stipulated Order with many milestones to reach compliance with federal water and environmental regulations. A long standing lawsuit with the Navy was also reduced to a Consent Decree and way to pay off \$9 million in money owed to the Navy for past water service.

With continued support from the community, CCU, the Governor and Legislature Guam Waterworks Authority stands committed to rebuilding the water system for the island it serves.

**GINEN I HANOM NA TA SODDA' TODU I LINA'LA.**

A handwritten signature in dark ink, appearing to read 'David Craddick'. The signature is written in a cursive, flowing style.

DAVID A. CRADDICK,  
General Manager



## Laboratory Data

	<b>Boil Water Notice</b>	<b>#Days on BWN</b>	<b>Villages Affected</b>
1999	May 6-8 Aug 5-8	2 3	Afame Yigo
2000	June 21-23	2	Sinajana
2001	Mar 13 - Apr 25	74	Hagatna Afame Sinajana Ordot
2002	Jul 10 - Sep 12 Oct 15-8 Dec 9 - Jan 29 <b>Dec. 9 - Apr 10</b>	63 3 52 123	Islandwide (Chata'an) Yigo <b>Islandwide</b> (Pongsona) Latte Heights (Pongsona)
2003	None		



*Gus Duenas takes water samples from a deep well*

## Analyses Performed by GWA Laboratories

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



## Ugum Water Treatment Plant

Month	Production Million Gal.	Aluminum Sulfate (lbs.)	Chlorine (lbs.)	Polymer (lbs)	Plant Secured	FILTER Backwash (Million Gal.)
January	67.5	15,250	1,990	0	6	3.3
February	64.2	13,400	1,626	0	4	3.3
March	77.2	15,250	2,040	0	0	2.8
April	102.9	14,800	2,340	0	1	2.5
May	98.5	15,250	2,045	0	2	3.5
June	74.5	14,600	2,065	0	1	3.0
July	55.9	6,850	1,545	0	8	3.6
August	60.4	15,657	1,633	0	10	3.0
September	46.1	8,950	1,640	0	17	4.1
October	75.5	15,258	2,170	611	7	5.5
November	68.1	17,910	2,100	611	7	5.7
December	84.4	18,668	2,015	611	3	2.6
<b>Total:</b>	<b>875.2</b>	<b>171,843</b>	<b>23,209</b>	<b>1,833</b>	<b>66</b>	<b>42.9</b>



*Gov. Felix Camacho, along with southern village mayors and the CCU, recognize Ron Topasna and the Ugum crew for all the hard work they've done during the 2003 water problems.*



## Wastewater Capital Improvement Project List

	PROJECT	PROJECT NO.	FUNDING SOURCE	CONTRACT AMOUNT	CONSULTANT/ CONTRACTOR	CONTRACT APPROVED	COMPLETION DATE	STATUS
1	Ordot/Chalan Pago Sewer Collector, Phase 2B	S98-001-DOI	DOI	\$ 759,910.00	Giant Construction Corporation	12-Jul-00	unknown	pending
2	Chaot 12-inch Relief Sewerline		USEPA	\$ 97,293.00	AMI Builders	3-Dec-02	9-Jan-03	Completed
3	Comprehensive Performance Evaluation (CPE) Study for the Agana and Northern District Sewage Treatment Plants	S002-003-LOC	Local	\$ 181,460.00	Duenas & Associates	19-Dec-01	15-Oct-03	Completed
4	Refurbishment of Agana and Northern District Sewage Treatment Plants (Task IVA)	S85-002-LOC	Tumon Bay Infrastructure and Beautification (TBIB) Program - Local	\$ 1,206,400.00	Rex International, Inc.	24-Sep-03	8-May-05	On-going
5	Leyang, South Barrigada Collectors, Phase IA	S95-001-USEPA	USEPA	\$ 1,892,705.73	Guam Construction Co., Inc.	11-Sep-03	24-May-05	On-going
6	Comprehensive Performance Evaluation (CPE) for the Agat, Baza Gardens and Umatac-Merizo Sewage Treatment Plants	S99-004-LOC	Local	\$ 182,226.00	Winzler & Kelly Consulting Engineers	30-Jul-04	20-Apr-04	Completed

## Water Capital Improvement Project List

	PROJECT	FUNDING SOURCE	CONTRACT AMOUNT	CONSULTANT/ CONTRACTOR	CONTRACT APPROVED	COMPLETION DATE	STATUS
1	Design for the rehabilitation of Santa Rita booster pump station, impound reservoir and new water transmission line	USEPA/Revenue bond	\$ 898,749.00	Duenas & Associates	upcoming	30-Nov-04	On-going
2	Design of Sinajana and Agana Heights water transmission lines	USEPA/Revenue bond	\$ 4.2 million	Juan C. Tenorio P.C. Consulting Engineers	upcoming	15-Mar-05	On-going
3	Design for the rehabilitation of deep wells chlorination system	USEPA/Revenue bond	\$ 4.5 million	J.M. Aquino P.C. Consulting Engineers	upcoming	5-Feb-05	On-going
4	Design for the rehabilitation of Ugum Treatment Plant and/or upgrade	USEPA	\$ 1,724,970.00	N/A	upcoming	FY05	On-going
5	Design of Route 5 Santa Rita water transmission line	PL 27-94	\$ 1,430,000.00	Duenas & Associates	upcoming	8-Feb-05	On-going



## Guam Waterworks 2003 Retirees

Name	Position
Vicente Quinata	Sewer Plant Leader
Hilario Susuico	Water/Sewer Maintenance Leader
Douglas Lape	Pumping Station Operator II
Frank Calvo	Wastewater Plant Superintendent
Patrick Ignacio	W/W Maintenance Mechanic Supervisor
Vicente Baza	Water/Sewer Maintenance Leader
Themistocles Alforgue	Electrician II
Joseph Q. Untalan	Water/Sewer Maintenance Supervisor
John Indalecio, Jr.	Pumping Station Leader
Halry Quinata	Water/Sewer Maintenance Worker II
Joseph Gogue	Pumping Station Leader
Joey Guzman	Pumping Station Leader
Tony E. Cruz	W/W Maintenance Mechanic Supervisor
Joseph P. Untalan	Water Treatment Superintendent

## Sewer Overflows 2003

Date	Location
February 11	Chaot Pump Station
February 19	Latte Hts. Pump Station
February 20	Astumbo II Pump Station
February 20	Astumbo I Pump Station
February 21	Astumbo I Pump Station
February 21	Harmon Pepsi Pump Station
February 23	Astumbo I Pump Station
March 30	Barrigada Pump Station
April 3	Tai, Mangilao Pump Station
April 9	Tai, Mangilao Pump Station
April 20	Pump Station #13, Umatac
May 2	Hagatna Bridge, manhole
May 15	Ypaopao Estates, Pump Station, Yigo
June 24	Inarajan Main Lift Station
August 4	Southern Link Pump Station
August 15	MTM Pump Station
August 18	Namo Yona Ejector Station
September 15	Chaot Pipeline
September 21	Barrigada Pump Station



*Ray Mundo, wastewater supervisor, displays a brittle sewer collection line in Santa Rita*



## 2003 HIGHLIGHTS

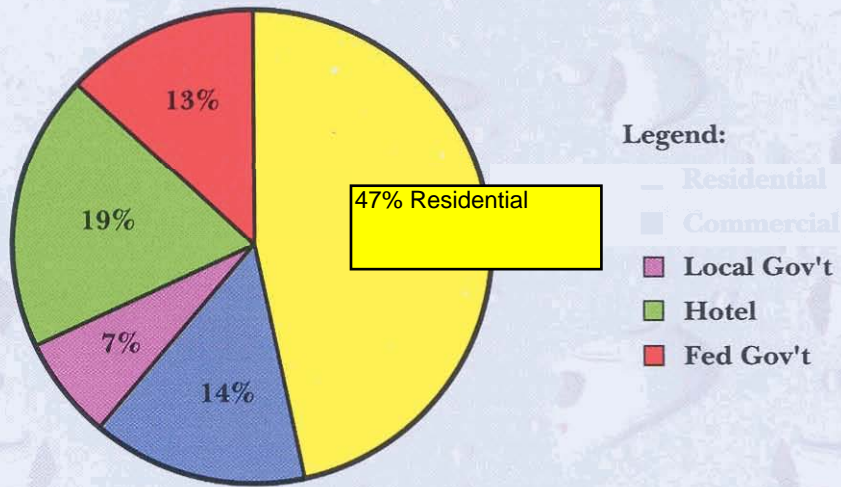
- January 5, First-ever CCU members are sworn in. David Craddick named general manager while agency still recovers from December 2004 typhoon.
- January 11 'Water shifting' is stopped.
- January 17 Craddick creates new storm preparation policy: reservoirs to be filled, customers asked to store sufficient water and all facilities to run on generator power during the storm.
- February 16 WERI experts have article in the *Pacific Daily News* that "Yes, the water is safe to drink."
- March 9 GWA implements 32-hour workweek in hopes of saving the agency more than \$140,000 a month.
- April 23 CCU seeks to extend the surcharge a couple more years to pay off the \$9 million lawsuit to the Navy.
- May 20 CCU signs the terms of the consent order after months of negotiations with the USEPA regarding the Stipulated Order. The order has 45 items with estimated costs hovering over \$200 million.
- July 7 GWA administrative offices relocate from Tiyan back to Upper Tumon after six years apart. The move saves the agency \$80,000 a year in utilities.
- September 1 GWA takes back its own meter reading program from GPA. The shift saves GWA \$40,000 a month.
- September 20 Ugum Water Treatment Plant starts using polymers to the treatment process, allowing more turbid water to be treated.
- October 2 Payroll moves to direct deposits.



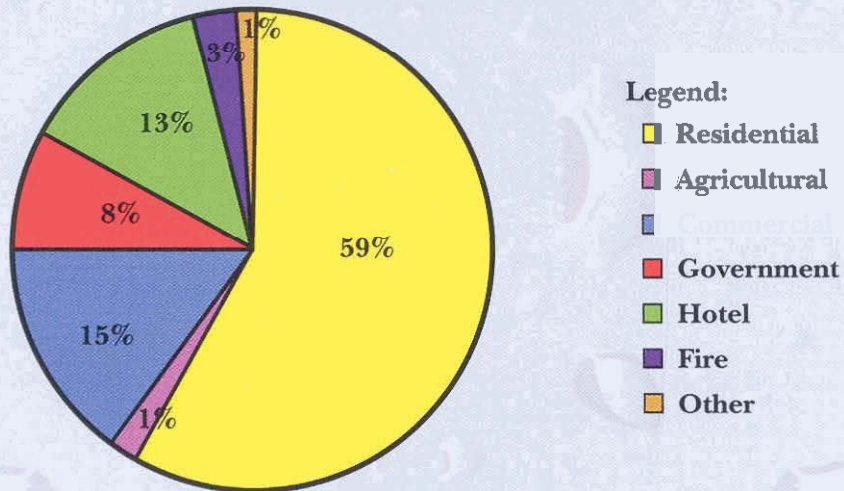
GM David Craddick, Compliance Officer Paul Kemp and Gov. Felix Camacho overlook the Ugum River during the governor's visit to the location in 2003.



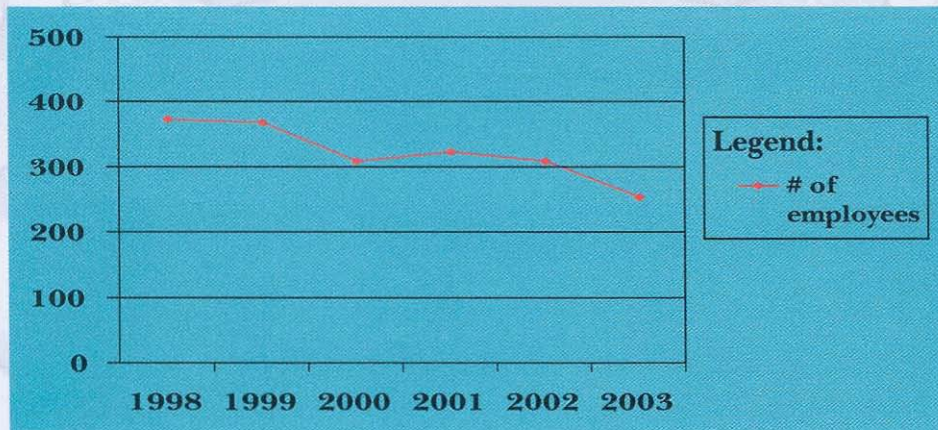
## Wastewater Revenues



## Water Revenues



## Number of Employees





# TARRIF SHEET

FOR WATER/SEWER RATES  
EFFECTIVE October 14, 2004

The Guam Waterworks Authority (GWA) Rate Schedule provided herewith went into effect for the billing cycle beginning on or after October 1, 2004 pursuant to the Public Utilities Commission's Decision and Order dated October 14, 2004.

## WATER RESIDENTIAL WATER

Meter Size	Basic Water CHG	Lifeline Water Consumption Per K/Gal for LT 5000 gallons	Water Consumption Per K/Gal for GT 5000 gallons
3/4"	\$ 7.20	\$ 2.40	\$ 3.43
1"	\$ 8.41	\$ 2.40	\$ 3.43
1 1/2"	\$ 13.20	\$ 2.40	\$ 3.43
2"	\$ 16.81	\$ 2.40	\$ 3.43
3"	\$ 30.02	\$ 2.40	\$ 3.43
4"	\$ 42.02	\$ 2.40	\$ 3.43
6"	\$ 78.04	\$ 2.40	\$ 3.43
8"	\$ 114.06	\$ 2.40	\$ 3.43
10"	\$ 156.08	\$ 2.40	\$ 3.43
12"	\$ 186.09	\$ 2.40	\$ 3.43

## COMMERCIAL & GOVERNMENT WATER

Meter Size	Basic Water CHG	Water Consumption Per K/Gal
3/4"	\$ 7.20	\$ 4.27
1"	\$ 8.41	\$ 4.27
1 1/2"	\$ 13.20	\$ 4.27
2"	\$ 16.81	\$ 4.27
3"	\$ 30.02	\$ 4.27
4"	\$ 42.02	\$ 4.27
6"	\$ 78.04	\$ 4.27
8"	\$ 114.06	\$ 4.27
10"	\$ 156.08	\$ 4.27
12"	\$ 186.09	\$ 4.27



# GUAM WATERWORKS AUTHORITY

## LIST OF COMMERCIAL CATEGORIES

### COMMERCIAL I

- Bar without Dining Facilities
- Car Wash
- Department and Retail Stores
- Hospital and Convalescent
- Laundromat
- Professional Offices
- Repair Shops and Service Stations
- School and Colleges
- Soft Water Service
- Markets without Garbage Disposal

### COMMERCIAL II

- Hotels
- Commercial and Industrial Laundry

### COMMERCIAL III

- Auto Steam Cleaning
- Bakery and Wholesale
- Markets with Garbage Disposal
- Mortuaries
- Restaurants / including bars-with Dining Facilities

## AGRICULTURE & IRRIGATION WATER

Meter Size	Basic Water CHG	Water Consumption Per K/Gal
3/4"	\$ 7.20	\$ 1.42
1"	\$ 8.41	\$ 1.42
1 1/2"	\$ 13.20	\$ 1.42
2"	\$ 16.81	\$ 1.42
3"	\$ 30.02	\$ 1.42
4"	\$ 42.02	\$ 1.42
6"	\$ 78.04	\$ 1.42
8"	\$ 114.06	\$ 1.42
10"	\$ 156.08	\$ 1.42
12"	\$ 186.09	\$ 1.42

## WASTEWATER

### SEWER RATES

### RATES

Residential (flat monthly rate)	\$ 22.00
Commercial 1 (per 1000 gallons*)	\$ 2.19
Commercial 2 (per 1000 gallons*)	\$ 5.35
Commercial 3 (per 1000 gallons*)	\$ 7.42
Government and Federal (per 1000 gallons*)	\$ 3.14



## SURCHARGES

**PUC 2001 SURCHARGE:** A rate of 9.51% of the non-lifeline portion of bills for all customer classes established for the purpose of paying arrearages owed by GWA to the Guam Power Authority, the United States Navy, and the Public Utilities Commission.

**SUPPLEMENTAL ANNUITY SURCHARGE:** A rate of 2.59% of the non-lifeline portion of bills for all customer classes and types established for the purpose of allowing GWA to recover costs assessed by the Guam Legislature for the purpose of paying benefits to retirees of the Guam Waterworks Authority and the Public Utility Agency of Guam.

## MISCELLANEOUS CHARGES

Description	Meter/Detail	Water Consumption Per K/Gal
A. Service Reconnection	3/4" to 1 1/2" meters	\$ 45.00
B. Special Reading	2" meter and larger	\$ 145.00
C. Bill Analysis		\$ 15.00
D. Verification time test		\$ 10.00
E. Bench Test	1st Test (w/in one year)	no charge
	3/4" to 1 1/2 meters	\$ 85.00
	2" meter and larger	\$ 175.00
F. Fire Hydrant Fee		\$25.00/month
G. Bulk Water Sales		\$ 3.00/kgal
H. Meter Relocation		at cost
I. Return Check Charge		\$ 30.00
J. Sewer Connection Permit:	Residential	\$ 50.00
	Commercial	at cost
	Government	at cost
K. Bulk Sewage Dumping	Permit Charge	\$200.00/truck
	Discharge (<5 kgal)	\$ 25.00/truck
	Discharge (<5 kgal)	\$ 5.00/truck
L. Meter Installation		at cost
M. Water Service Deposit	3/4"	\$ 32.00
	1"	\$ 37.00
	1 1/2"	\$ 55.00
	2"	\$ 73.00
	3"	\$ 123.00
	4"	\$ 178.00
	6"	\$ 313.00
	8"	\$ 378.00
	10"	\$ 680.00
	12"	\$ 773.00
N. Sewer Service Deposit	Residential	\$ 20.00
	Commercial I	\$ 60.00
	Commercial II	\$ 650.00
	Commercial III	\$ 1400.00
	Metered Industrial	\$ 5000.00
O. Pressure Reading		\$ 25.00
P. Direct Service (authorized by GWA)	3/4"	\$ 60.00
	1"	\$ 60.00
	1 1/2"	\$ 70.00
	2"	\$ 120.00
	3"	\$ 180.00
	4"	\$ 240.00
	6"	\$ 360.00
	8"	\$ 480.00
	10"	\$ 600.00
	12"	\$ 720.00



# FY2003 Monthly Analysis of Metered Consumption/Estimated Collection

## Actual Readings/Gallons

	October 2002	November 2002	December 2002	January 2003	February 2003	March 2003	April 2003	May 2003	June 2003	July 2003	August 2003	September 2003	12 mos. Ending 09/30/03
(Gross wastewater consumption) Source: Revenue summary monthly overall													
<b>Water Sales</b> (gallons)													
Agricultural A	8,938,256	9,816,032	252,210	17,862,388	13,385,750	13,994,196	18,055,805	11,679,661	12,151,124	8,826,123	7,648,368	8,440,225	131,050,138
Golf Course B	713,163	833,140	28,000	(495,901)	667,582	11,212,634	3,665,295	265,430	229,161	180,510	272,328	268,502	17,839,844
Commercial 1 C	52,391,102	58,509,268	25,446,191	110,457,726	56,895,687	61,552,186	59,873,928	60,385,106	56,131,011	55,035,569	54,401,497	144,465,216	795,544,487
Commercial 2 D	12,002,410	11,375,290	11,325,540	13,699,611	13,228,421	11,728,006	11,464,742	15,094,073	13,005,122	13,009,461	11,985,869	13,033,393	150,951,938
Commercial 3 E	13,735,292	12,758,981	6,008,719	15,038,593	10,233,701	9,756,236	10,255,608	9,411,727	10,124,831	9,394,061	10,503,391	11,288,308	128,509,448
Federal F	324,874	457,560	227,500	245,850	280,280	439,530	384,410	411,000	351,338	522,890	329,948	516,222	4,491,402
Government G	60,813,726	54,614,263	46,571,357	275,655,824	134,007,747	(37,701,821)	59,127,506	47,952,099	43,433,613	43,615,218	52,216,043	49,835,132	830,140,707
Hotel H	72,067,010	68,017,680	46,413,109	67,907,263	66,174,837	61,721,478	62,446,833	62,625,580	61,123,850	66,792,986	65,464,329	80,147,745	780,902,700
Irrigation I	5,853,039	5,109,908	456,381	7,508,153	6,249,159	5,693,515	8,239,003	6,614,164	5,896,255	4,079,422	3,495,383	3,001,795	62,196,177
Residential R	347,675,147	349,040,817	62,668,229	529,519,630	342,969,402	332,619,323	347,984,365	348,488,294	352,708,774	337,266,326	350,604,155	350,047,900	4,051,592,362
	574,514,019	570,532,939	199,397,236*	1,037,399,137	644,092,566	471,015,283	581,497,495	562,927,134	555,155,079	538,722,566	556,921,311	661,044,438	6,953,219,203
			564,397,236	587,399,137									(599,435,482)
													6,353,783,721

## FY2003 Actual Readings/Gallons

	October 2002	November 2002	December 2002	January 2003	February 2003	March 2003	April 2003	May 2003	June 2003	July 2003	August 2003	September 2003	12 mos. Ending 09/30/03
(Gross wastewater consumption) Source: Revenue summary monthly overall													
<b>WasteWater Sales</b> (gallons)													
Agricultural A													0
Golf Course B													0
Commercial 1 C	31,497,239	36,273,149	17,785,584	71,502,566	34,339,612	38,191,647	36,783,733	37,435,274	32,465,890	33,853,420	32,687,054	104,490,861	507,306,029
Commercial 2 D	9,470,904	9,044,400	8,907,224	10,733,072	10,505,904	9,185,318	8,947,201	11,824,042	10,070,681	10,200,928	8,633,855	9,822,548	117,346,077
Commercial 3 E	10,904,122	10,085,840	4,819,889	11,774,431	8,106,232	7,658,337	8,063,872	7,238,715	7,914,286	7,335,232	8,106,240	8,813,708	100,820,904
Federal F	256,240	364,560	182,000	196,440	223,424	350,760	307,200	327,960	278,950	345,408	262,790	407,049	3,502,781
Government G	41,129,540	35,812,802	37,004,537	128,268,805	100,718,347	(36,940,756)	26,306,588	30,254,107	27,516,101	27,117,221	37,139,541	33,168,296	487,495,129
Hotel H	50,357,128	45,778,624	31,856,886	48,771,562	46,882,119	43,157,982	42,713,467	41,929,264	41,843,880	44,095,987	45,857,063	54,865,397	538,109,359
Irrigation I													0
Residential R	196,212,031	200,399,343	48,095,103	294,592,611	193,999,742	186,914,513	201,518,850	203,259,652	204,620,930	197,414,809	207,474,345	208,466,963	2,342,968,892
	339,827,204	337,758,718	148,651,223*	565,839,487	394,775,380	248,517,801	324,640,911	332,269,014	324,710,718	320,363,005	340,160,888	420,034,822	4,097,549,171
													(106,575,036)
													3,990,974,135

FY 2003 Customers	October 2002	November 2002	December 2002	January 2003	February 2003	March 2003	April 2003	May 2003	June 2003	July 2003	August 2003	September 2003
Agricultural A	560	564	14	566	564	559	567	568	565	566	567	566
Golf Course B	15	15	1	15	15	15	15	15	15	15	15	15
Commercial 1 C	2,176	2,172	915	2,160	2,169	2,166	2,179	2,181	2,178	2,179	2,172	2,167
Commercial 2 D	34	34	23	34	34	34	34	34	34	34	34	34
Commercial 3 E	204	207	92	204	202	199	200	198	196	196	193	193
Federal F	10	10	6	10	10	10	11	11	11	12	11	11
Government G	687	684	381	675	676	668	652	651	632	601	572	561
Hotel H	62	62	48	61	61	60	60	60	56	54	55	54
Irrigation I	282	282	15	282	280	276	275	275	272	267	266	265
Residential R	34,182	34,239	6,109	34,305	34,277	34,203	34,689	34,606	34,762	34,710	34,715	34,729
	38,212	38,269	7,604*	38,312	38,288	38,190	38,682	38,599	38,721	38,634	38,600	38,595

\* Indicates typhoon recovery period



## Balance Sheets

### September 30, 2003 and 2002

ASSETS	2003	2002
Property, plant and equipment		
Utility plant in service:		
Water System	\$ 192,962,490	\$ 192,213,194
Wastewater System	173,819,906	170,512,495
Non-utility property	16,622,625	18,234,201
Construction work in progress	1,864,754	5,466,467
	385,269,775	386,426,357
Less accumulated depreciation	(157,491,400)	(149,323,509)
Property, plant and equipment, net	227,778,375	237,102,848
Current assets:		
Cash:		
Unrestricted	3,299,883	2,438,223
Restricted	164,398	245,390
Accounts receivable, net	6,666,719	7,398,557
Materials and supplies inventory, net of allowance for obsolescence of \$380,425 and \$85,075 at September 30, 2003 and 2002, respectively	1,401,511	1,431,442
Total current assets	11,532,511	11,513,612
	<b>\$ 239,310,886</b>	<b>\$ 248,616,460</b>
<b>LIABILITIES AND NET ASSETS</b>	<b>2003</b>	<b>2002</b>
Current liabilities		
Current maturities of long-term debt	<b>\$ 2,886,407</b>	<b>\$ 1,143,940</b>
Accounts payable:		
United States Navy	-	70,250
Guam Power Authority	1,427,227	2,429,218
Trade	3,723,556	3,452,258
Accrued payroll and employee benefits	463,417	472,936
Current portion of employee annual leave	597,125	413,806
Accrued supplemental/COLA annuities	989,562	905,848
Deferred revenue	253,338	-
Payable to contactors	851,522	1,584,138
Customer deposits	1,424,274	1,590,009
Total current liabilities	12,616,428	12,062,403
Long-term debt, less current maturities:		
Guam Power Authority	13,161,443	15,696,000
United States Navy	8,626,590	9,000,000
IBM	-	484,129
Employee annual leave, less current portion	806,972	1,385,352
Retirement fund deferred contributions	2,476,320	1,213,162
Advances for construction	218,666	230,996
Other liabilities	95,908	120,120
Total liabilities	38,002,327	40,192,162
Commitments and contingencies		
Net assets:		
Invested in capital assets, net of related debt	227,778,375	235,474,779
Restricted	164,398	245,390
Unrestricted	(26,634,214)	(27,295,871)
Total net assets	201,308,559	208,424,298
	<b>\$ 239,310,886</b>	<b>\$ 248,616,460</b>



## Statements of Operations and Changes in Net Assets Years Ended September 30, 2003 and 2002

	2003	2002
Operating revenues:		
Water:		
Private	\$ 22,225,345	\$ 23,273,926
Government	<u>2,103,560</u>	<u>2,142,101</u>
	24,328,905	25,416,027
Wastewater		
Private	10,361,684	10,760,920
Government	<u>2,632,028</u>	<u>2,711,560</u>
	12,993,712	13,472,480
Other	<u>251,337</u>	<u>150,710</u>
Total operating revenues	<u>37,573,954</u>	<u>39,039,217</u>
Operating and maintenance expenses:		
Water purchases	5,118,616	5,340,209
Power purchases	<u>7,513,728</u>	<u>7,679,851</u>
	12,632,344	13,020,060
Salaries and wages	14,942,234	14,962,764
Depreciation	10,035,700	11,415,601
Administrative and general	6,292,966	13,337,896
Contractual	<u>3,153,705</u>	<u>3,315,768</u>
Total operating and maintenance expenses	<u>47,056,949</u>	<u>56,052,089</u>
Operating loss	<u>(9,482,995)</u>	<u>(17,012,872)</u>
Other income (expense):		
Recoveries of bad debts	291,382	562,196
Interest income	12,684	20,493
Interest expense	(241,416)	(572,050)
Other expense	(186,371)	-
Other income	-	16,609
Loss on inventory writedown	(295,350)	-
Loss on missing deposits	(122,401)	-
Loss on asset disposal	(2,448)	-
Write-off of discontinued projects	(413,468)	(1,309,701)
Supplemental/COLA annuities	<u>(83,714)</u>	<u>(905,848)</u>
Total other expense, net	<u>(1,041,102)</u>	<u>(2,188,301)</u>
Loss before capital contributions	<u>(10,524,097)</u>	<u>(19,201,173)</u>
Capital contributions:		
Grants from U.S. Government	2,660,249	1,399,439
Other contributions	<u>748,109</u>	<u>3,088,847</u>
Total capital contributions	<u>3,408,358</u>	<u>4,488,286</u>
Decrease in net assets	(7,115,739)	(14,712,887)
Net assets at beginning of year	<u>208,424,298</u>	<u>223,137,185</u>
Net assets at end of year	<u>\$ 201,308,559</u>	<u>\$ 208,424,298</u>



## Statements of Cash Flows Years Ended September 30, 2003 and 2002

	2003	2002
<b>Increase (decrease in cash)</b>		
Cash flows from operating activities:		
Cash received from customer	\$ 36,599,290	\$ 37,406,161
Cash payments to suppliers for goods and services	(22,625,119)	(23,606,777)
Cash payments to employees for services	(13,999,942)	(13,829,754)
	(25,771)	(30,370)
Net cash used in operating activities		
Cash flows from capital and related financing activities:		
Contributed capital received	3,408,358	4,488,286
Acquisition of utility plant	(723,558)	(2,474,884)
Repayments of long-term debt	(1,649,629)	(404,838)
Interest paid	(241,416)	(572,050)
	793,755	793,755
Net cash provided by capital and related financing activities		
Cash flows from investing activities:		
Transfers from (to) restricted fund	80,992	(3,280)
Interest income received	12,684	20,493
	93,676	17,213
Net cash provided by investing activities		
Net increase in unrestricted cash	861,660	1,023,357
Unrestricted cash at beginning of year	2,438,223	1,414,866
	\$ 3,299,883	\$ 2,438,223
Unrestricted cash at end of year		

	2003	2002
<b>Reconciliation of operating loss to net cash used in operating activities:</b>		
Operating loss	\$ (9,482,995)	\$ (17,012,872)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation and amortization	10,035,700	11,415,601
Bad debt expense	2,150,543	9,216,734
Recovered revenue	291,382	562,196
Other expense	(1,103,752)	(2,198,941)
(Increase) decrease in assets:		
Accounts receivable	(1,418,703)	(2,110,007)
Materials and supplies inventory	29,931	(69,850)
Long-term receivable	-	(628,751)
Increase (decrease) in liabilities:		
Accounts payable	(1,280,222)	(886,787)
Accrued payroll	157,909	162,907
Employee's annual leave	(395,061)	141,745
Accrued supplemental/COLA annuities	(83,714)	905,848
Customer deposits	(165,735)	543,506
Other liabilities	(24,212)	5,790
Retirement fund deferred contributions	1,263,158	(77,489)
	\$ (25,771)	\$ (30,370)
Net Cash used in operating activities		



# GUAM WATERWORKS AUTHORITY

## FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION INDEPENDENT AUDITOR'S REPORT

### (1) Organization Summary of Significant Accounting Policies

#### Organization

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

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

#### Basis of Accounting

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

#### Net Assets

Net assets represent the residual interest in GWA's assets after liabilities are deducted and consist of four sections: invested in capital assets, net of related debt; restricted expendable and nonexpendable, and unrestricted. Net assets invested in capital assets, net of debt include capital assets,

restricted and unrestricted, net of accumulated depreciation, reduced by outstanding debt net of debt service reserve. Net assets are reported as restricted when constraints are imposed by third parties or enabling legislation. All of GWA's restricted net assets are expendable. All other net assets are unrestricted.

#### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Materials and Supplies Inventories

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

#### Property, Plant and Equipment

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

#### Accrued Annual Leave

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

During the year ended September 30, 2003, Public Law 27-05 was implemented, reducing the amount of leave employees can earn in a fiscal year (either 104 or 156 hours) and the maximum accumulation amount of annual leave to 320 hours. Any annual leave earned in excess of 320 hours, but not to exceed 100 hours as of February 28, 2003 shall be credited to the employees sick leave. The remaining excess hours must be used by September 30, 2004 or will be lost. At September 30, 2003, total leave in excess of 320 hours accumulation amounted to \$443,817.



Public Law 26-86 allows members of the Defined contribution Retirement System to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. The Government of Guam is evaluating the impact of this law and accordingly no liability, if any, that may result has been recorded in the accompanying financial statements.

### Revenue

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.

Pursuant to local law, GWA provides water to fire hydrants in Guam and classifies such service as government water revenue. Historically, however, no GovGuam agency has been tasked with paying for such service. Consequently, GWA provides an allowance for the full amount of the billings, on a monthly basis. GWA is currently pursuing the matter of billing such service with the PUC. Fire hydrant revenue was \$855,525 and \$818,150 for the years ended September 30, 2003 and 2002, respectively.

### 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 \$1,800,000 and \$370,000 at September 30, 2003 and 2002, respectively.

### Reclassifications

Certain account balances in the 2002 financial statements have been reclassified to correspond with the 2003 financial statement presentation.

Description	FY2002 Reclassified	FY2002 Originally Stated
Accounts payable - Guam Power Authority	\$ 2,429,218	\$ 18,125,218
Long-term liabilities - Guam Power Authority	15,696,000	
Long-term debt, less current maturities		9,484,129
Long-term liabilities - U.S. Navy	9,000,000	
Long-term liabilities - IBM	484,129	
	<u>\$ 27,609,347</u>	<u>\$ 27,609,347</u>

### (2) Property, Plant and Equipment

	Beginning Balance October 1, 2002	Transfers and Additions	Transfers and Deletions	Beginning Balance September 30, 2003
Utility Plant in Service - Water	\$ 192,213,194	\$ 908,049	\$ (158,753)	\$ 192,962,490
Utility Plant in Service - Wastewater	170,512,495	3,557,411	(250,000)	173,819,906
General Fixed Assets	18,234,201	258,681	(1,870,257)	16,662,625
Accumulated Depreciation	(139,061,037)	(10,035,700)	1,867,809	(157,491,400)
Construction Work in Progress	5,466,467	221,796	(3,823,509)	1,864,754
	<u>\$ 237,102,848</u>	<u>\$ (5,089,763)</u>	<u>\$ (4,234,710)</u>	<u>\$ 227,778,375</u>

	October 1, 2001	Transfers and Additions	Transfers and Deletions	Beginning Balance September 30, 2002
Utility Plant in Service - Water	\$ 190,081,683	\$ 2,504,049	\$ (373,411)	\$ 192,213,194
Utility Plant in Service - Wastewater	158,170,889	12,341,606	-	170,512,495
General Fixed Assets	18,395,306	153,699	(314,804)	18,234,201
Accumulated Depreciation	(139,061,037)	(11,415,601)	1,153,129	(149,323,509)
Construction Work in Progress	17,880,453	3,075,799	(15,489,785)	5,466,467
	<u>\$ 245,467,294</u>	<u>\$ (6,660,425)</u>	<u>\$ (15,024,871)</u>	<u>\$ 237,102,848</u>

### (3) Accounts Receivable

Accounts receivable at September 30, 2003 and 2002, are as follows:

	2003	2002
Customers:		
Private	\$ 17,973,496	\$ 16,292,471
Government	7,683,408	7,891,593
	<u>25,656,904</u>	<u>24,184,064</u>
Federal Agencies	378,176	608,364
GPA	226,001	242,836
	<u>26,261,081</u>	<u>25,035,264</u>
Less allowance for doubtful receivables:		
Private	(11,673,779)	(10,008,832)
Government	(7,920,583)	(7,627,875)
	<u>(19,594,362)</u>	<u>(17,636,207)</u>
	<u>\$ 6,666,719</u>	<u>\$ 7,398,557</u>

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

GWA has obtained non-interest bearing commitments from private customers that require minimum monthly payments on account.

Long-term accounts receivable at September 30, 2003 and 2002 are as follows:

	2003	2002
Receivable from promissory notes	\$ 508,700	\$ 752,593
Allowance for doubtful receivables	(508,700)	(752,593)
	<u>\$ -</u>	<u>\$ -</u>



#### (4) Long-Term Debt

Long-term debt at September 30, 2003 and 2002 is as follows:

	2003	2002
Note payable to IBM, interest at 21.90%, due in monthly installments of principal and interest of \$42,170 through October 2004 (see below)	\$ 484,129	\$ 1,628,069
Note payable to the U.S. Navy, interest at 1.25%, due in monthly installments of principal and interest of \$45,833 through March 2009, \$132,545 through March 2011, and \$264,853 through June 2012 (see note 15).	9,000,000	9,000,000
Payable to the Guam Power Authority in settlement of previously unpaid balances, interest at 4.33%, payable in monthly principal and interest installments of \$212,899 through 2010.	15,190,311	15,696,000
	<u>24,674,440</u>	<u>26,324,069</u>
	(2,886,407)	(1,143,940)
	<u>\$ 21,788,033</u>	<u>\$ 25,180,129</u>

As of September 30, 2003, future maturities of long-term debt as follows:

Year ending September 30,	Principal	Interest	Total Debt Service
2004	\$ 2,886,407	\$ 737,344	\$ 3,623,751
2005	2,487,636	617,150	3,104,786
2006	2,576,137	529,249	3,105,386
2007	2,667,888	436,898	3,104,786
2008	3,002,598	354,086	3,356,684
2009 through 2012	<u>11,053,774</u>	<u>450,359</u>	<u>11,504,133</u>
	<u>\$ 24,674,440</u>	<u>\$ 3,125,086</u>	<u>\$ 27,799,526</u>

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

The following summarizes movements in GWA's non-current liabilities for the years ended September 30, 2003 and 2002:

	Outstanding September 30, 2002		Increases	Decreases	Outstanding September 30, 2003		Current	Noncurrent
Guam Power Authority	\$ 15,696,000	\$ -	\$ 505,689	\$ 15,190,311	\$ 2,028,868	\$ 13,161,443		
U.S. Navy	9,000,000	-	-	9,000,000	373,410	8,626,590		
IBM	1,628,069	-	1,143,940	484,129	484,129	-		
Employee Annual Leave Retirement Fund	1,799,158	-	395,061	1,404,097	597,125	806,972		
Contributions	1,213,162	1,263,158	-	2,476,320	-	2,476,320		
Other Liabilities	351,116	-	36,542	314,574	-	314,574		
	<u>\$ 29,687,505</u>	<u>\$ 1,263,158</u>	<u>\$ 2,081,232</u>	<u>\$ 28,869,431</u>	<u>\$ 3,483,532</u>	<u>\$ 25,385,899</u>		

#### (5) Employees' Retirement Plan, Continued

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

Statutory employer contributions into the DCRS for the years ended September 30, 2003 and 2002 are determined using the same rate as the DB plan. Of the amount contributed by the employer, only 5% of the member's regular base pay is deposited into the member's individual annuity account. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

Retirement expense for the years ended September 30, 2003 and 2002 is as follows:

	2003	2002
Cash Contribution and accruals	\$ 2,963,017	\$ 3,022,370
Increase (decrease) in accrued unfunded liability to the retirement fund	<u>1,263,158</u>	<u>(77,489)</u>
	<u>\$ 4,226,175</u>	<u>\$ 2,944,881</u>

#### (6) 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, 2003 and 2002, the properties have not been recognized in the financial statements pending completion of formal transfer proceedings.

#### (7) Agreements with the United States Navy

Pursuan 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, 2003 and 2002 are \$3,138,878 and \$3,556,253, respectively.



## (8) 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 to its property, plant and equipment, and no other risks are insured. GWA is of the opinion that it has suffered no material losses in the past three years related to damages to its utility plant-in-service.

### Contract Commitments

Contract commitments in connection with projects currently in construction amount to approximately \$2.8 million at September 30, 2003.

### Medicare

The Government of Guam and its component units, including GWA, began withholding and remitting funds to the U.S. Social Security System for the health insurance component of its salaries and wages effective October 1998. Prior to that date, the Government of Guam did not withhold

or remit Medicare payments to the U.S. Social Security System. If the Government is found to be liable for Medicare payments on salaries and wages prior to October 1998, an indeterminate liability could result. It has been the practice of GWA and all other component units of the Government of Guam that payment of this health insurance component is optional prior to October 1998. Therefore, no liability for any amount which may ultimately arise from this matter has been recorded in the accompanying financial statements.

### Single Audit Questioned Costs

GWA undergoes annual compliance audits to satisfy federal grantor requirements. As of September 30, 2003, \$930,560 in questioned costs exist that arose from these audits. The questioned costs will be resolved by the applicable grantor and due to the Authority'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

On or about December 2002, the United States Government filed a complaint against the Guam Waterworks

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

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

### Typhoon Pongsona

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

## (9) Cash and Cash Equivalents

certificates of deposit with initial maturities of three months or less.

Bank balances of demand and time deposit accounts held in the name of GWA totaled \$3,299,883 and \$2,438,223 as of September 30, 2003 and 2002, respectively, of which \$213,444 and \$447,050 were insured by the Federal Deposit Insurance Corporation and the remaining balances were uninsured and uncollateralized. In addition, \$5,250 and \$9,450, respectively, was held on hand for the exchange fund and petty cash as of September 30, 2003 and 2002. Restricted cash on hand consists of cash received for specific capital projects. At year end, restricted cash amounted to \$164,398.

## (10) 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 currently recognized on the books of the Government of Guam and is not reflected as a liability of GWA.



**(11) Adoption of New Accounting Principles**

GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, requires certain disclosures of investment that have fair values that are highly sensitive to changes in interest rates. This Statement establishes and modifies disclosure requirements related to investment risks, credit risk and concentrations of that risk, interest rate risk and foreign currency risk. This Statement is applicable to all state and local governments with implementation beginning in fiscal year 2005.

Beginning in fiscal year 2005, GWA will be required to implement GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. GASB Statement No. 42 requires governments to evaluate circumstances surrounding capital assets to determine if service utility has declined significantly. If determined to be impaired, asset should be reported at the lower of carrying or fair value. Any insurance recoveries associated with events leading to an asset impairment should be netted against impairment losses.

**(12) System Development Fund**

Public Law 19-47 created the Water and Sewer Development Fund that authorized GWA to establish and implement a water and sewer system development charge schedule, which assesses a charge on each user who connects for the first time from any property onto the island's water or wastewater system, or to each builder if the density of development connected to the system is increased. Thus, such charge schedule takes into account any existing infrastructure on the property, present and future user demands, requirements for water and/or sewer services and installation of infrastructure to be done by the builder.

The fund shall be expended only for expanding, upgrading or repairing water and wastewater facilities on Guam. Such restricted cash is placed in various savings and time certificate of deposit accounts. In 2003 and 2002, the net change in restricted cash equaled \$80,992 and \$3,280, respectively. The changes represent transfers to and transfers from the unrestricted fund, respectively, for the purposes previously mentioned in this note.

**(13) Contribution Received**

Contributions received by GWA during the years ended September 30, 2003 and 2002, are as follows:

	2003	2002
Grants from U.S. Government:		
Received from the Department of the Interior	\$ 642,019	\$ 537,724
Received from the Environmental Protection Agency	143,037	346,188
Received from the Federal Emergency Management Agency	1,825,761	515,527
Received from the Economic Development Administration	49,432	-
	<hr/>	<hr/>
	\$ 2,660,249	\$ 1,399,439

Other Contributions:

Received from Tumon Area Water and Sewer Association members, and used for the Southern Link Sewer project	\$ -	\$ 229,323
Received from the Department of Public Works	-	109,524
Proceeds received through refinancing of Water Bond (used to pay GWA's obligations to GPA in FY02)	748,109	2,750,000
	<hr/>	<hr/>
	\$ 748,109	\$ 3,088,847

**(14) Accrued Supplemental/COLA Annuities**

As required by Public Law 26-35, as amended by Public Law 26-49, GWA must pay to the Government of Guam Retirement Fund certain supplemental benefits paid to retirees. The supplemental benefits derive from an annual appropriation by the Guam Legislature and do not relate to covered Plan benefits. GWA's regulator has determined that payment of this liability will not be a recoverable cost. GWA has not been able to initiate litigation to resolve this matter. Therefore, GWA is currently unable to predict when the accrued balance will be paid.

**(15) Subsequent Events**

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.

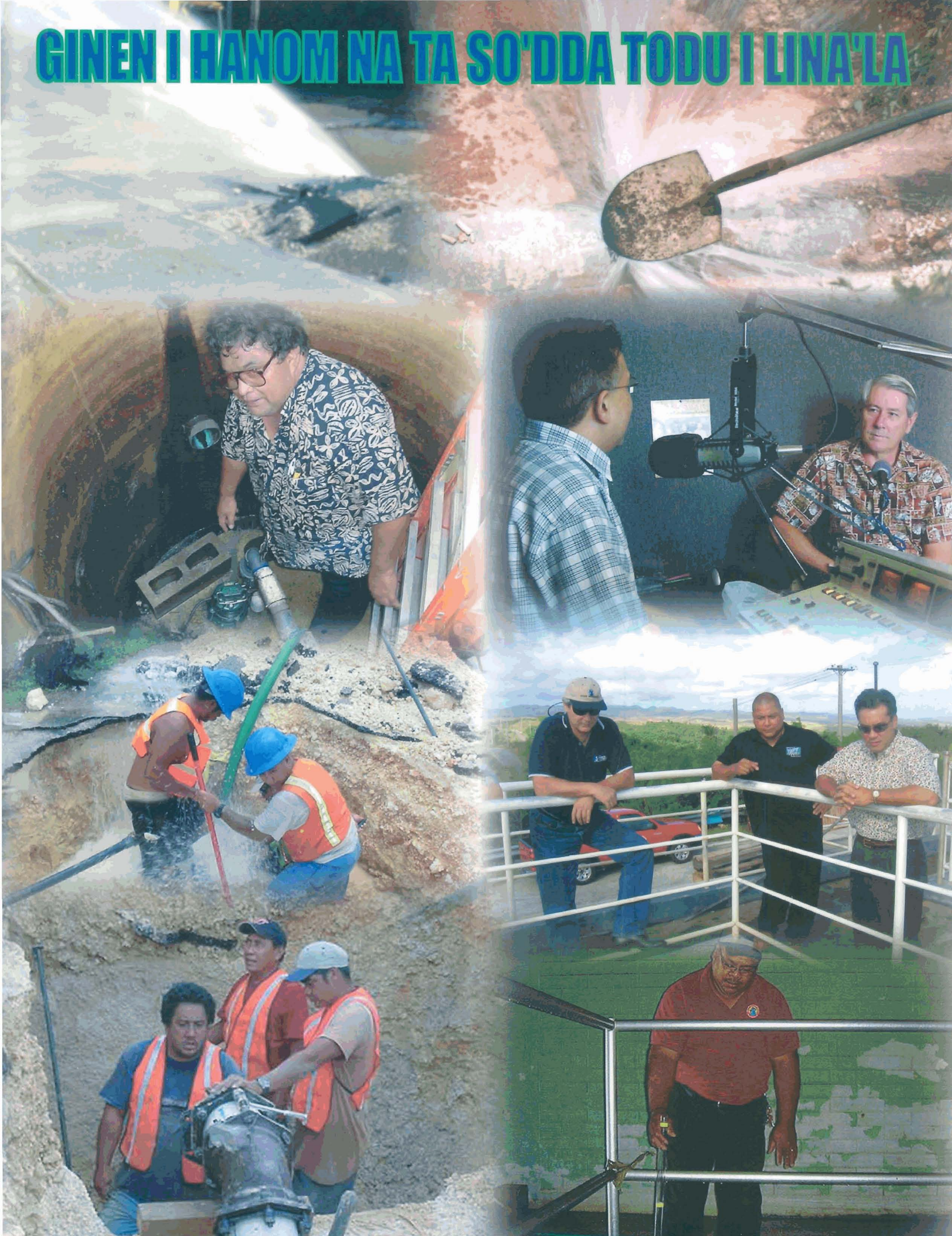
On May 9, 2002, the Guam Legislature passed Public Law 26-81. The Law established a one-year moratorium of the 11.5% surcharge, wherein GWA was prohibited for the moratorium period from any further billings of the surcharge.

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

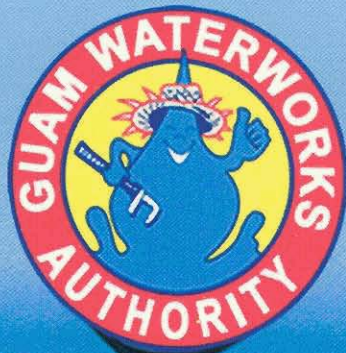




# GINEN I HANOM NA TA SO'DDA TODU I LINA'LA







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