

**GUAM WATERWORKS AUTHORITY**

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

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**YEARS ENDED SEPTEMBER 30, 2002 AND 2001**



## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Guam Waterworks Authority:

We have audited the accompanying balance sheets of Guam Waterworks Authority (GWA), a component unit of the Government of Guam, as of September 30, 2002 and 2001, and the related statements of operations and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of GWA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, 2002 and 2001, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

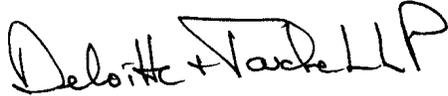
As discussed in note 11 to the financial statements, the Authority adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 38, *Certain Financial Statements Note Disclosures*, as of October 1, 2001. The accompanying 2001 financial statements have been restated to reflect the changes required by GASB 34.

As discussed in note 5, the Authority changed its method of accounting for pension costs in 2002. The accompanying 2001 financial statements have been restated to reflect the impact of the adoption of the new accounting method.

Our audits of the financial statements for the years ended September 30, 2002 and 2001, were made for the purpose of expressing our opinion on the financial statements taken as a whole. The accompanying schedules on pages 21-24 are presented for purposes of additional analysis. These schedules are the responsibility of Guam Waterworks Authority's management. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and in our opinion, except for the information presented in Schedule 1 (page 21) upon which we express no assurances, is fairly stated in all material respects, in relation to the financial statements taken as a whole.

The Management 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. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurements and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2003, on our consideration of the Guam Waterworks Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

September 17, 2003

# GUAM WATERWORKS AUTHORITY

## Management's Discussion and Analysis September 30, 2002

The following Management Discussion and Analysis (MD&A) is designed to provide an overview of the financial performance of Guam Waterworks Authority (GWA) for the fiscal year ended September 30, 2002. The information presented in this MD&A should be considered in conjunction with the financial statements and the notes thereto, that follow this section.

The Guam Waterworks Authority is a public corporation of the Government of Guam under the governance of an elected five-member Consolidated Commission on Utilities (CCU) that took effect January 2, 2003. The CCU has also oversight on the Guam Power Authority. GWA is the primary supplier of water and primary provider of sewer services to the Guam community consisting of approximately 39,000 water customers and approximately 21,000 sewer customers.

### Highlights of Financial Activities that Impact the Fiscal Year 2002

- The Authority's net assets at the end of the fiscal year amounted to \$209M, a decrease of \$15M from prior year.
- In July 2002, Typhoon Chata'an struck Guam. GWA has sought reimbursement from Federal sources to compensate for typhoon damages to GWA property, plant, and equipment. Eligible amount for reimbursement was approximately set at \$1.6M with a 10% local match. These funds are subject to GWA obtaining insurance. Other funds that have already been dispersed are subject to repayment should proper documentation not be available to back up what has already been paid out by FEMA.
- On or about December 2002, the US Environmental Protection Agency filed a civil action seeking injunctive relief against GWA under the Clean Water Act and the Safe Drinking Water Act to address issues of compliance in GWA's publicly owned treatment works and public water systems. Subsequent to the filing, GWA and the Government of Guam entered into a Stipulated Order dated June 5, 2003. The Stipulated Order contains time lines for activities required to bring GWA into compliance with the Safe Drinking Water and Clean Water Acts. At this time GWA is in full compliance with the Stipulated Court order. Because of the uncertainty surrounding the range of rehabilitation costs and non-compliance costs, no provision for any liability resulting from such violations has been made in the financial statements.
- Other subsequent events that impact the next fiscal year activities are separately disclosed in the footnotes to the financial statements in this audit report.

Financial Analysis Presentation: In accordance with GASB Statement No. 34, GWA is not required to present the financial information based on this statement. However, starting the period ending the Fiscal Year 2003, the Authority's financial statements shall have information presented in a comparative analysis following the requirement of GASB Statement No. 34. GWA has total assets of \$249M and liabilities of \$40M or a net asset of about \$209M. Utility Plant in Service makes up for about 95% of GWA's total assets. The main source of GWA's non-operating revenues comes from various Federal funding in the form of grants. The following is a summary of GWA's financial condition:

# GUAM WATERWORKS AUTHORITY

Management's Discussion and Analysis  
September 30, 2002

## Summary of Financial Condition-Comparative Analysis

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

	<u>FY2002</u>	(Restated) <u>FY2001</u>	Percent Increase (Decrease)
<b>Assets:</b>			
Cash	\$ 2,683,613	\$ 1,656,976	61.96%
Receivables, net	7,398,557	13,752,691	(46.20%)
Other assets	1,431,442	1,454,165	(1.56)%
Plant In Service, net	<u>237,102,848</u>	<u>245,467,294</u>	(3.41%)
	<u>\$ 248,616,460</u>	<u>\$ 262,331,126</u>	
	<u>FY2002</u>	(Restated) <u>FY2001</u>	Percent Increase (Decrease)
<b>Liabilities:</b>			
United States Navy	\$ 70,250	\$ 8,381,347	(99.16%)
Guam Power Authority	18,125,218	17,094,704	6.03%
Trade	3,452,258	5,490,174	(37.12%)
Current portion, Long Term Debt	1,143,940	2,032,907	(43.73%)
Long Term Debt	9,484,129	-	100.00%
Other Liabilities	<u>7,916,367</u>	<u>6,194,809</u>	27.79%
	<u>40,192,162</u>	<u>39,193,941</u>	
Net Assets	<u>208,424,298</u>	<u>223,137,185</u>	
	<u>\$ 248,616,460</u>	<u>\$ 262,331,126</u>	
Operating Revenues	\$ 39,039,217	\$ 38,124,335	2.40%
Operating Expenses	56,052,089	49,875,026	12.39%
Non-Operating Revenues, net	<u>2,299,985</u>	<u>11,111,658</u>	(79.30%)
Decrease in Net Assets	<u>\$ 14,712,887</u>	<u>\$ 639,033</u>	

### Assets

**Cash:** The 61.96% increase is simply a cut-off difference based on cash collections as of the fiscal year ended September 30, 2002.

**Receivables:** The decrease in receivables is mainly attributed to the \$6.38M increase of allowance for uncollectible accounts as of the fiscal year ended FY 2002. This increase in bad debts provision is a result of increase in uncollected accounts from: 1) inactive accounts, 2) active residential accounts, 3) government accounts, and 4) fire hydrants usage. Additional information relative to bad debts provision is presented under 'Bad Debts' section of this report.

**Utility Plant in Service:** Utility Plant in Service makes up for about 95% of GWA's total assets. The following is a detailed summary of this account with comparative data from the prior fiscal year:

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Management's Discussion and Analysis  
September 30, 2002

	<u>FY2002</u>	<u>FY2001</u>
Water System	\$ 192,213,194	\$ 190,081,683
Sewer System	170,512,495	158,170,889
Non Utility Property	18,234,201	18,395,306
Construction Work In Progress (CWIP)	5,466,467	17,880,453
Allowance for Depreciation	<u>(149,323,509)</u>	<u>(139,061,037)</u>
	\$ <u>237,102,848</u>	\$ <u>245,467,294</u>

The decrease in CWIP was mostly due to the completion and transfer of completed projects to the Utility Plant In Service – Sewer System like Commercial Port Sewer Pump Station, Pump Replacement – Liguán Terrace, Southern Link Trunk Sewer, Northern Treatment Plant, Fujita Pump Station, and various smaller CWIP projects.

## Liabilities

United States Navy: Pursuant to a final judgment issued April 24, 2003 whereby the Guam Waterworks Authority was ordered to pay the United States Navy for potable water received prior to October 2001 from the Navy PWC water distribution system for an amount of \$9M plus interest. Payment is to commence on or before October 1, 2003 with an amortized monthly amount of \$45,833 for the next five years progressing to monthly payments of \$132,545 and \$264,853 in the succeeding years. The PUC order under Dockets 00-01 and 01-08 has been amended to include an additional surcharge as funding source for this payment. For purposes of Financial Statements presentation, this amount has been reclassified as Long Term Debt.

Guam Power Authority: This amount includes FY2001 and prior obligation of to the power authority amounting to about \$15M funded through surcharge created under the PUC Dockets 00-01 and 01-08. The balance represents current power usage obligation remaining unpaid as of the end of FY 2002.

Trade Payables: This amount represents the regular vendor obligations resulting from GWA operations.

Long Term Debt: This consists of the liability from US Navy of \$9M and the balance relating to IBM/JDEdwards promissory note expiring in FY 2004.

Other Liabilities: This obligation consists of employee annual leave amounting to \$1.8M, Retirement contributions of about \$1.2M, Contractors Payable of about \$1.5M, Customer Deposits of about \$1.6M, accrued payroll of about \$400,000, and various smaller obligations.

## Operating Revenues

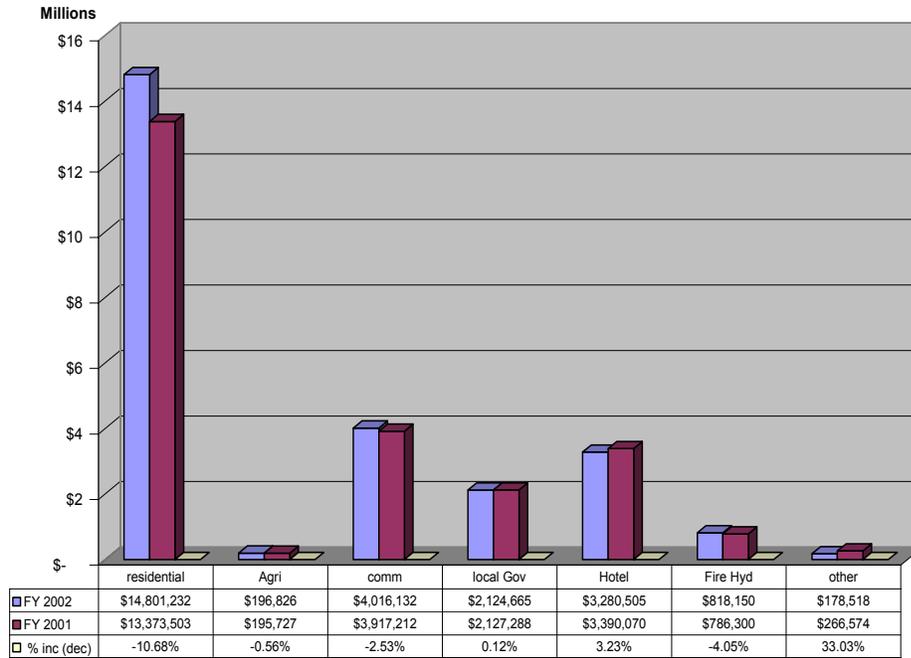
Revenues during the fiscal year amounted to approximately \$39 million consisting of water revenues of \$25.4M, sewer revenues of \$13.5M, while FY 2001 amounted to \$24.0M and \$13.5M, respectively. Other revenues for FY 2002 and FY 2001 amounted to about \$151,000 and \$584,000, respectively.

Water Revenue: Residential customers make up for 58% of the water revenues. Fire hydrant is billed each year for about \$820,000 for which a 100% bad debts provision is allowed for. While a rate for fire hydrants have been established in the past by the PUC, the Government of Guam has not implemented such established rates. Consequently, as of this writing, GWA intends to file a petition for rate relief to pay for the cost and maintenance of fire hydrants. Please see the “Financial Factors Affecting Future Budgets and Rates” section for more information on fire hydrant. The chart below summarizes the revenues by type:

# GUAM WATERWORKS AUTHORITY

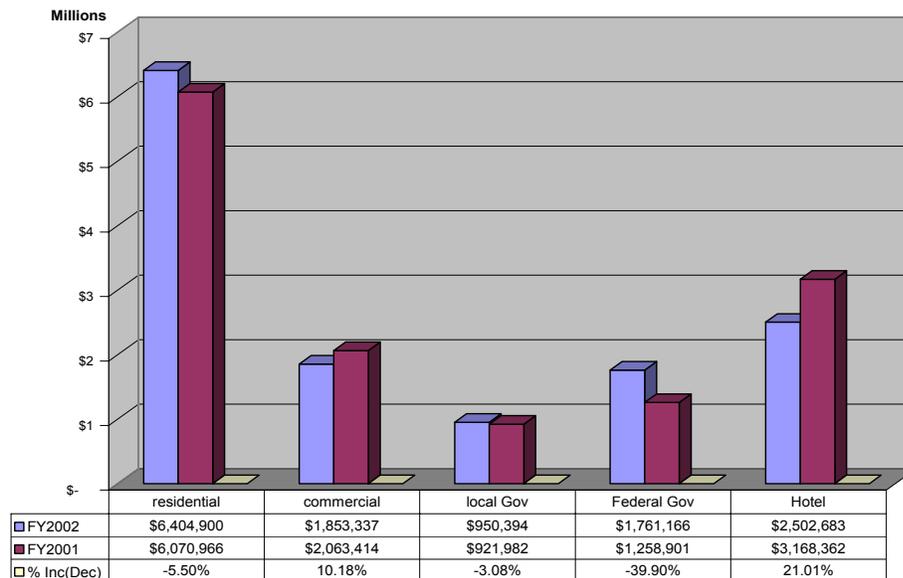
## Management's Discussion and Analysis September 30, 2002

**Water Revenue FY 2002 vs. FY 2001**



**Sewer Revenue:** The residential and commercial customers make up for approximately 46% and 14% of sewer revenue, respectively. The Federal Government is billed separate from the rest of the sewer customers and accounts for just as much as the commercial sewer revenue.

**Sewer Revenue FY 2002 vs. FY 2001**



# GUAM WATERWORKS AUTHORITY

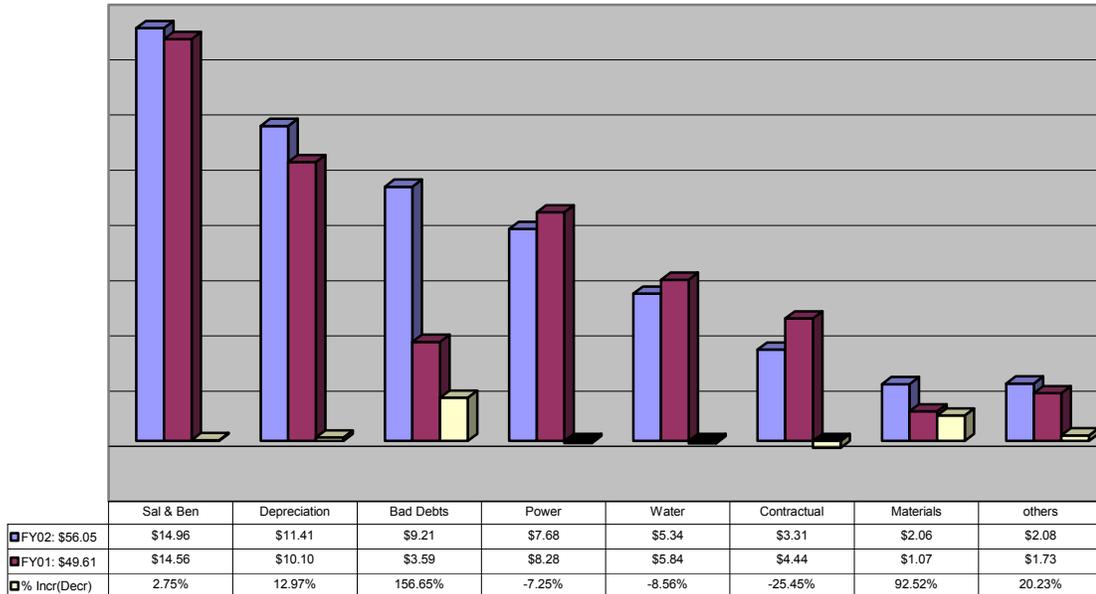
## Management's Discussion and Analysis September 30, 2002

**Other Revenues:** Other revenues consist of fees charged for installation reconnection, trouble report labor and materials, illegal connection, and insufficient fund fees. The decline in other revenues was mostly attributed to 1) decrease in the installation fee from \$164,000 to \$88,000, and 2) recognition during FY 2001 miscellaneous revenues of \$250,000 from an autonomous agency for its share of cost to build water reservoir.

### Operating Expenses

The following chart presents the Utilities' operating expenses (by type) with comparative FY 2001 figures. For purposes of this presentation, expenses consisting of various items are combined under "Others".

**O&M: FY02 vs FY01**



It should be noted that about \$1.7M of the FY02 O&M are eligible for Federal funding reimbursement with the Federal Emergency Management Agency (FEMA), with a 10% local match. \$500,000 has so far been collected. The details of O&M expenses are presented in a separate schedule in the audit report.

**Salaries & Benefits:** The increase under this section is mainly from overtime charges for repairs and maintenance of wells and sewer overflows. It should be noted that there was a decrease in the number of employees from 316 to 311 at the end of 9/30/02.

**Water:** During fiscal year 2002, there was about a \$500,000 decrease in water purchased, a 9% decrease from prior year. The US navy accounts for 65%, Earth Tech 33%, and the US Air Force of the balance.

**Power:** The approximately 7% decrease in power consumption was due to a combination of power usage credits resulting from the Chata'an typhoon, integration of GWA offices at the Tiyan location, and a billing credit of about \$415,000 in August 2002 for correction of prior period usage charges.

# GUAM WATERWORKS AUTHORITY

## Management's Discussion and Analysis September 30, 2002

Bad Debts: The big increase in the provision is due to 3 factors: 1) allowance provision for private and government customers increased by 56% and 32%, respectively; 2) during the year, approximately \$818,000 of fire hydrant revenues were 100% provided for as uncollectible because historically, GovGuam agencies do not budget for such water usage; and 3) previously written off accounts of about \$1.9M were brought back into the regular receivable accounts due to management's decision to assign these accounts to collection agencies. Bad debts of about \$652,000 were recovered during the year.

Contractual: The Equipment Rental and Legal expenses contributed to the decrease amounting to \$865,000 and \$129,000, respectively.

Materials and Supplies: The increase of about \$996,000 under this category is mainly due to the establishment of inventory used for emergency repairs and maintenance of the wells and treatment plants. It should be noted that funding source for these purchases came from a combination of Federal funding and proceeds of the refinancing of the 1989 Water Revenue Bonds. Such transactions were accounted for as Other Income in the Statements of Operations.

### **Economic Factors and Next Year's Budgets and Rates:**

#### Stipulated Order:

EPA civil action was filed in Federal Court after the start of the fiscal year. As a result, contingent liabilities were not budgeted for. In fulfilling the requirements of the agreed upon Stipulated Order, there are no significant cost factors that materially effect this budget year. GWA continues to take broad strides necessary to restore its facilities and to provide safe and reliable water and wastewater system to the community of Guam.

#### Rates:

GWA intends to file a petition for rate relief with the Guam Public Utilities Commission (PUC) on or about January 14, 2004. A rate relief is necessary to establish a repayment source to fund the GWA system rehabilitation as required under the US Environmental Protection Agency Stipulated Order. The estimate of such rehabilitation will exceed \$200 million. The rate increases are intended to follow a three-year plan as follows:

For meters read on or after April 1, 2004	12%
For meters read on or after April 1, 2005	5%
For meters read on or after April 1, 2006	5%

GWA is seeking an additional rate increase to ratepayers directly benefiting from the use of fire hydrants. The cost of providing and maintaining fire hydrants is approximately \$257,000 per year.

GWA is also seeking rate relief for unfunded retiree annuities provided by the Legislature that amount to approximately \$700,000.

#### US Navy Debt Settlement and Subsequent Debt Relief:

The Guam Waterworks Authority owes \$9 million to the US Navy for Fena water use, and is currently being paid out of the PUC approved 11.5% surcharge. In December 2003, President Bush signed a legislation authorizing the write-off of about \$157 million in Government of Guam debt, part of which included the \$9 million US Navy debt. This debt relief is incumbent upon the submission of justification by the Government of Guam within 120 days from the legislation, in support of the write-off.

**GUAM WATERWORKS AUTHORITY**

Balance Sheets  
September 30, 2002 and 2001

<u>ASSETS</u>	<u>2002</u>	<u>2001</u> <u>As restated</u>
Property, plant and equipment:		
Utility plant in service:		
Water system	\$ 192,213,194	\$ 190,081,683
Wastewater system	170,512,495	158,170,889
Non utility property	18,234,201	18,395,306
Construction work in progress	5,466,467	17,880,453
	<hr/>	<hr/>
	386,426,357	384,528,331
Less accumulated depreciation	(149,323,509)	(139,061,037)
	<hr/>	<hr/>
Property, plant and equipment, net	237,102,848	245,467,294
Long-term receivables	<hr/>	<hr/>
	-	123,842
Current assets:		
Cash:		
Unrestricted	2,438,223	1,414,866
Restricted	245,390	242,110
Accounts receivable, net	7,398,557	13,752,691
Materials and supplies inventory, net of allowance for obsolescence of \$85,075 at September 30, 2002 and 2001	1,431,442	1,330,323
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Total current assets	11,513,612	16,739,990
	<hr/>	<hr/>
	\$ 248,616,460	\$ 262,331,126
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See accompanying notes to financial statements.

**GUAM WATERWORKS AUTHORITY**

Balance Sheets, Continued  
September 30, 2002 and 2001

<u>LIABILITIES AND NET ASSETS</u>	<u>2002</u>	<u>2001</u> As restated
Current liabilities:		
Current maturities of long-term debt	\$ 1,143,940	\$ 2,032,907
Accounts payable:		
United States Navy	70,250	8,381,347
Guam Power Authority	18,125,218	17,094,704
Trade	3,452,258	5,490,174
Accrued payroll and employee benefits	472,936	310,029
Current portion of employee annual leave	413,806	486,819
Accrued supplemental/COLA annuities	905,848	-
Payable to contractors	1,584,138	1,533,773
Customer deposits	1,590,009	1,046,503
Total current liabilities	<u>27,758,403</u>	<u>36,376,256</u>
Long-term debt, less current maturities	9,484,129	-
Employee annual leave, less current portion	1,385,352	1,170,594
Retirement fund deferred contributions	1,213,162	1,290,651
Advances for construction	230,996	242,110
Other liabilities	120,120	114,330
Total liabilities	<u>40,192,162</u>	<u>39,193,941</u>
Net assets:		
Invested in capital assets, net of related debt	235,474,779	243,434,387
Restricted	245,390	242,110
Unrestricted	(27,295,871)	(20,539,312)
Total net assets	<u>208,424,298</u>	<u>223,137,185</u>
	<u>\$ 248,616,460</u>	<u>\$ 262,331,126</u>

See accompanying notes to financial statements.

**GUAM WATERWORKS AUTHORITY**

Statements of Operations and Changes in Net Assets  
Years Ended September 30, 2002 and 2001

	<u>2002</u>	<u>2001</u> As restated
Operating revenues:		
Water:		
Private	\$ 23,273,926	\$ 21,929,385
Government	<u>2,142,101</u>	<u>2,127,288</u>
	<u>25,416,027</u>	<u>24,056,673</u>
Wastewater:		
Private	10,760,920	11,302,742
Government	<u>2,711,560</u>	<u>2,180,883</u>
	<u>13,472,480</u>	<u>13,483,625</u>
Other	<u>150,710</u>	<u>584,037</u>
Total operating revenues	<u>39,039,217</u>	<u>38,124,335</u>
Operating and maintenance expenses:		
Water purchases	5,340,209	5,844,188
Power purchases	<u>7,679,851</u>	<u>8,279,903</u>
	13,020,060	14,124,091
Salaries and wages	14,962,764	14,558,325
Administrative and general	13,337,896	6,392,380
Depreciation	11,415,601	10,362,850
Contractual	<u>3,315,768</u>	<u>4,437,380</u>
Total operating and maintenance expenses	<u>56,052,089</u>	<u>49,875,026</u>
Operating loss	<u>(17,012,872)</u>	<u>(11,750,691)</u>
Other income (expense):		
Grants from U.S. Government	515,527	4,448,823
Other contributions	3,953,965	3,421,984
Grants from Government of Guam	18,794	2,800,388
Recoveries of bad debts	562,196	411,330
Contributions from other agencies	-	332,019
Interest income	20,493	42,092
Interest expense	(572,050)	-
Other expense	-	(31,269)
Other income	16,609	-
Write-off of discontinued projects	(1,309,701)	(313,709)
Supplemental/COLA annuities	<u>(905,848)</u>	<u>-</u>
	<u>2,299,985</u>	<u>11,111,658</u>
Net decrease in net assets	<u>(14,712,887)</u>	<u>(639,033)</u>
Net assets at beginning of year	<u>223,137,185</u>	<u>223,776,218</u>
Net assets at end of year	<u>\$ 208,424,298</u>	<u>\$ 223,137,185</u>

See accompanying notes to financial statements.

**GUAM WATERWORKS AUTHORITY**

Statements of Cash Flows  
Years Ended September 30, 2002 and 2001

	2002	2001 As restated
<u>Increase (decrease) in cash</u>		
Cash flows from operating activities:		
Cash received from customers	\$ 37,406,161	\$ 40,142,893
Cash payments to suppliers for goods and services	(23,606,777)	(21,152,296)
Cash payments to employees for services	(13,829,754)	(15,872,684)
Net cash (used in) provided by operating activities	(30,370)	3,117,913
Cash flows from non-capital financing activities:		
Operating grants received	-	69,960
Net cash provided by non-capital financing activities	-	69,960
Cash flows from capital and related financing activities:		
Contributed capital received	4,488,286	10,933,256
Acquisition of utility plant	(2,474,884)	(17,117,937)
Proceeds from issuance of long-term debt	-	180,696
Repayments of long-term debt	(404,838)	(450,342)
Interest expense	(572,050)	-
Net cash provided by (used in) capital and related financing activities	1,036,514	(6,454,327)
Cash flows from investing activities:		
Transfers from (to) restricted fund	(3,280)	2,965,565
Interest income received	20,493	42,092
Net cash provided by investing activities	17,213	3,007,657
Net increase (decrease) in cash	1,023,357	(258,797)
Unrestricted cash at beginning of year	1,414,866	1,673,663
Unrestricted cash at end of year	\$ 2,438,223	\$ 1,414,866

See accompanying notes to financial statements.

**GUAM WATERWORKS AUTHORITY**

Statements of Cash Flows, Continued  
Years Ended September 30, 2002 and 2001

	2002	2001 As restated
Reconciliation of operating loss to net cash (used in) provided by operating activities:		
Operating loss	\$ (17,012,872)	\$ (11,750,691)
Adjustments to reconcile operating loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	11,415,601	10,362,850
Bad debt expense	9,216,734	3,594,225
Recovered revenue	562,196	411,330
Other expense	(2,198,941)	(344,978)
(Increase) decrease in assets:		
Accounts receivable	(2,110,007)	2,063,308
Materials and supplies inventory	(69,850)	(608,882)
Long-term receivable	(628,751)	48,215
Increase (decrease) in liabilities:		
Accounts payable	(886,787)	651,923
Accrued payroll	162,907	(776,914)
Employees' annual leave	141,745	(141,745)
Accrued supplemental/COLA annuities	905,848	-
Customer deposits	543,506	(504,294)
Other liabilities	5,790	60,626
Retirement fund deferred contributions	(77,489)	52,940
Net cash (used in) provided by operating activities	\$ (30,370)	\$ 3,117,913

See accompanying notes to financial statements.

# GUAM WATERWORKS AUTHORITY

Notes to Financial Statements  
September 30, 2002 and 2001

## (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 a seven-member Board of Directors appointed by the Governor of Guam which determines such matters as rates and charges for services, approval of contracts and GWA policies.

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

### Basis of Accounting

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

### Net Assets

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

### Estimates

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

# GUAM WATERWORKS AUTHORITY

Notes to Financial Statements  
September 30, 2002 and 2001

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

### 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).

### 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.

### 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 \$818,150 and \$786,300 for the years ended September 30, 2002 and 2001, 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 \$370,000 and \$2 million at September 30, 2002 and 2001, respectively.

### Reclassifications

Certain account balances in the 2001 financial statements have been reclassified to correspond with the 2002 financial statement presentation.

## GUAM WATERWORKS AUTHORITY

### Notes to Financial Statements September 30, 2002 and 2001

#### (2) Property, Plant and Equipment

	Beginning Balance October 1, 2001	Transfers and Additions	Transfers and Deletions	Ending Balance September 30, 2002
Utility Plant in Service – Water	\$ 190,081,683	\$ 2,504,922	\$ (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	<u>17,880,453</u>	<u>3,075,799</u>	<u>(15,489,785)</u>	<u>5,466,467</u>
	<u>\$ 245,467,294</u>	<u>\$ 6,660,425</u>	<u>\$ (15,024,871)</u>	<u>\$ 237,102,848</u>
	Beginning Balance October 1, 2000	Transfers and Additions	Transfers and Deletions	Ending Balance September 30, 2001
Utility Plant in Service – Water	\$ 183,131,528	\$ 7,060,980	\$ (110,825)	\$ 190,081,683
Utility Plant in Service - Wastewater	147,112,354	11,254,548	(196,013)	158,170,889
General Fixed Assets	14,600,033	3,782,453	12,820	18,395,306
Accumulated Depreciation	(128,788,174)	(10,362,850)	89,987	(139,061,037)
Construction Work in Progress	<u>25,619,367</u>	<u>10,601,572</u>	<u>(18,340,486)</u>	<u>17,880,453</u>
	<u>\$ 241,675,108</u>	<u>\$ 22,336,703</u>	<u>\$ (18,544,517)</u>	<u>\$ 245,467,294</u>

#### (3) Accounts Receivable

Accounts receivable at September 30, 2002 and 2001, are as follows:

	<u>2002</u>	<u>2001</u>
Customers:		
Private	\$ 16,292,471	\$ 16,701,686
Government	<u>7,891,593</u>	<u>6,683,257</u>
	24,184,064	23,384,943
Federal agencies	608,364	2,191,365
GPA	<u>242,836</u>	<u>184,903</u>
	<u>25,035,264</u>	<u>25,761,211</u>
Less allowance for doubtful receivables:		
Private	(10,008,832)	(6,903,807)
Government	<u>(7,627,875)</u>	<u>(5,104,713)</u>
	<u>(17,636,207)</u>	<u>(12,008,520)</u>
	<u>\$ 7,398,557</u>	<u>\$ 13,752,691</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.

## GUAM WATERWORKS AUTHORITY

Notes to Financial Statements  
September 30, 2002 and 2001

### (3) Accounts Receivable, Continued

Long-term accounts receivable at September 30, 2002 and 2001 are as follows:

	<u>2002</u>	<u>2001</u>
Receivable from promissory notes	\$ 752,593	\$ 123,842
Allowance for doubtful receivables	(752,593)	-
	\$ -	\$ <u>123,842</u>

### (4) Long-Term Debt

Long-term debt at September 30, 2002 and 2001 is as follows:

	<u>2002</u>	<u>2001</u>
Note payable to IBM, interest at 21.90%, due in monthly installments of principal and interest of \$42,170 through October 2004 (see below)	\$ 1,628,069	\$ 2,032,907
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 14).	9,000,000	-
Total long-term debt	10,628,069	2,032,907
Less current portion	(1,143,940)	(2,032,907)
	\$ <u>9,484,129</u>	\$ -

As of September 30, 2002, future maturities of long-term debt are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2003	\$ 1,143,940	\$ 126,432	\$ 1,270,372
2004	816,121	239,916	1,056,037
2005	422,358	169,808	592,166
2006	388,633	161,363	549,996
2007	396,477	153,519	549,996
2008 through 2012	<u>7,460,540</u>	<u>484,487</u>	<u>7,945,027</u>
	\$ <u>10,628,069</u>	\$ <u>1,335,525</u>	\$ <u>11,963,594</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. As of September 30, 2002, GWA had used \$2,302,553 of its credit line. 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. Accordingly, all unpaid principal at September 30, 2001 is classified as current in the accompanying balance sheet. 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. Accordingly, all unpaid principal at September 30, 2002 less amount due in 2004 based on the new restructured plan, is classified as current in the accompanying balance sheet.

# GUAM WATERWORKS AUTHORITY

Notes to Financial Statements  
September 30, 2002 and 2001

## (5) Employees' Retirement Plan

Employees of GWA hired before September 30, 1995 are under the Government of Guam Employees' Retirement System (a defined benefit, contributory pension plan). Employees hired after September 30, 1995, are members of the Defined Contribution Retirement System (DCRS). Until December 31, 1999, those employees who are members of the defined benefit plan with less than 20 years of service at September 30, 1995, had the option to switch to the Defined Contribution Retirement System. Otherwise, they remained under the old plan.

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

As a result of the most recent actuarial valuation performed as of September 30, 2001, it has been determined that for the year ended September 30, 2002, a minimum combined employer and employee contribution rate of 41.27% of covered Defined Benefit Plan payroll is required to appropriately fund the current cost, amortize prior service costs and provide for interest on the unfunded accrued liability. Statutory contribution rates for employee and employer contributions were 9.5% and 19.675%, respectively, for the year ended September 30, 2002. The effect of GWA's prior year accruals for its share of pension underfunding reduces the actuarially determined employer contribution rate from 31.77% to an effective rate of 28.26% for the year ended September 30, 2002. In recognition of the above, an accrual increase of 8.585% of covered payroll is necessary to adjust the unfunded liability based on the difference between the effective rate of 28.26% and the employer's statutory rate of 19.675%. The effective employer accrual rate for the year ended September 30, 2001 was 20.05%.

The plan utilized the actuarial cost method termed "entry age normal" with an assumed rate of return of 7.5% and an assumed salary scale increase of 8.5% per annum for short service employees and 4% per annum for longer service employees. The most recent actuarial valuation performed as of September 30, 2001, did not provide a breakdown of actuarial present value of vested and non-vested accumulated plan benefits by sponsor or net assets available for benefits by sponsor. If the actuarial valuation were performed for GWA as a separate sponsor, the accrued unfunded liability at September 30, 2002 and 2001, may be materially different than that recorded in the accompanying financial statements.

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

Employer contributions into the DCRS are based on a statutory amount of 19.675% of the member's regular base pay. 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 14.675% is contributed towards the unfunded liability of the defined benefit plan.

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

In 2002, the Government of Guam, as a whole, adopted the provisions of Government Accounting Standards Board Statement No. 27, *Accounting for Pensions by State and Local Government Employees*. The effect of this change, which was retroactively applied, is as follows:

## GUAM WATERWORKS AUTHORITY

Notes to Financial Statements  
September 30, 2002 and 2001

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

	As originally stated in 2001	As restated in 2001
Unfunded pension liability	\$ <u>7,583,198</u>	\$ <u>1,290,651</u>
Personnel services expense	\$ <u>11,465,867</u>	\$ <u>11,459,351</u>
Retained earnings at beginning of year	\$ <u>217,454,533</u>	\$ <u>223,747,080</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, 2002 and 2001, the properties have not been recognized in the financial statements pending completion of formal transfer proceedings.

### (7) 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, 2002 and 2001 are \$3,556,253 and \$3,834,100, 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 relative to its property, plant and equipment, and no other risks are insured. GWA is of the opinion that it has suffered no material losses in the past three years related to damages to its utility plant-in-service.

#### Contract Commitments

Contract commitments in connection with projects currently in construction amount to approximately \$2.13 million at September 30, 2002.

#### 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.

# GUAM WATERWORKS AUTHORITY

Notes to Financial Statements  
September 30, 2002 and 2001

## (9) Cash and Cash Equivalents

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

Bank balances of demand and time deposit accounts held in the name of GWA totalled \$2,683,613 and \$1,624,108 as of September 30, 2002 and 2001, respectively, of which \$447,050 and \$315,234 were insured by the Federal Deposit Insurance Corporation and the remaining balances were uninsured and uncollateralized. In addition, \$32,868 was held on hand for the exchange fund and petty cash as of September 30, 2002 and 2001.

## (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.

The Public Utilities Commissions implemented 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 is 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. The surcharge is scheduled to continue in May 2003 with monthly payments to be made to GPA and effective October 2003, also to the U.S. Navy.

## (11) Adoption of New Accounting Principle

Effective October 1, 2001, GWA adopted GASB Statement No. 34, *Basic Financial Statements and Management's Discussions and Analysis for State and Local Governments*. GASB No. 34 establishes a new financial reporting model that includes management's discussion and analysis, which is required supplementary information to the basic financial statements, and the presentation of net assets and changes in net assets in comparative financial statements. The provisions of GASB No. 34 were applied to all periods presented; accordingly, the balance sheet and statement of revenues, expenses and net changes for 2001 have been restated. Implementation of GASB No. 34 had no impact on the statement of cash flows.

Statement No. 34 requires as supplementary information, Management's Discussion and Analysis, which includes an analytical overview of the Authority's financial activities. Adoption also requires the classification of "current assets" and "current liabilities" from all other assets and liabilities on the balance sheet. Finally, reporting by major fund in the financial statements is required. A major fund is defined in the statement as any fund comprising more than 5% of the combined entity's total assets, liabilities, revenue or expenses, as well as any fiduciary fund, regardless of size. All fund comprising less than 5% are required to be aggregated into a single, "All Other" fund group.

**GUAM WATERWORKS AUTHORITY**

Notes to Financial Statements  
September 30, 2002 and 2001

(11) Adoption of New Accounting Principle, Continued

As discussed in note 5, GWA changed its method of accounting for pension costs in 2002 with retroactive effect.

(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 2002 and 2001, the net change in restricted cash equaled \$3,280 and \$2,965,565, respectively. The changes represent transfers to and transfers from the unrestricted fund, respectively, for the purposes previously mentioned in this note.

(13) Contributions Received

Contributions received by GWA during the years ended September 30, 2002 and 2001, are as follows:

	<u>2002</u>	<u>2001</u>
Grants from U.S. Government:		
Received from the Department of the Interior	\$ -	\$ 3,158,020
Received from the Environmental Protection Agency	-	1,015,345
Received from the Federal Emergency Management Agency	515,527	226,027
Received from the Economic Development Administration	<u>-</u>	<u>49,431</u>
	\$ <u>515,527</u>	\$ <u>4,448,823</u>
Other contributions:		
Received from Tumon Area Water and Sewer Association members, and used for the Southern Link Sewer project	\$ 229,323	\$ 3,421,984
Received from the Department of the Interior	537,724	-
Received from the Environmental Protection Agency	346,188	-
Received from the Department of Public Works	90,730	-
Proceeds received through refinancing of Water Bond, and used to pay GWA's obligations to GPA.	<u>2,750,000</u>	<u>-</u>
	\$ <u>3,953,965</u>	\$ <u>3,421,984</u>
Grants from Government of Guam:		
Received for Deepwell projects undertaken in conjunction with Department of Public Works	\$ <u>18,794</u>	\$ <u>2,800,388</u>
Contributions from other agencies:		
Proceeds received through refinancing of Water Bond, and used for emergency repairs to the Fujita Sewer Pump Station	\$ <u>-</u>	\$ <u>332,019</u>

## GUAM WATERWORKS AUTHORITY

Notes to Financial Statements  
September 30, 2002 and 2001

### (14) Prior Period Adjustment

During fiscal year ended September 30, 2002, GWA corrected certain errors in its CIP accounts as of September 30, 2001. This error was corrected by restating its accounts at September 30, 2001. The effects of this restatement on GWA's net assets at September 30, 2001 is as follows:

Balance previously reported as of September 30, 2001	\$ 223,747,080
Adjustment to CIP	<u>(609,895)</u>
Balance as reported in the accompanying financial statements	\$ <u>223,137,185</u>

### (15) Accrued Supplemental/COLA Annuities

As required by Public Law 26-35, as amended by 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.

### (16) Subsequent Events

On December 8, 2002, Supertyphoon Pongsona struck Guam with destructive winds of approximately 180 miles per hour. Estimates of the damage to GWA's property, plant and equipment resulting from the typhoon, have not been determined. GWA's intends to seek reimbursement from federal sources in compensation for its losses.

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 the 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 the Authority 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.

On January 2, 2003, a five-member publicly elected Consolidated Commission on Utilities (CCU) officially convened pursuant to Guam Public Law 26-76. The CCU replaced and assumed the duties and responsibilities of the previous seven-member Board of Directors.

**GUAM WATERWORKS AUTHORITY**

Schedule 1  
Schedule of Equalization of Net Loss  
Years Ended September 30, 1990 through 2002

	2002	2001 As restated (note 4)	2000 As restated	1999	1998 (1)	1997 (1)	1996 (1)	1995 (1)	1994 (1)	1993 (1)	1992 (1)	1991 (1)	1990 (1)
Net loss	\$ 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	\$ 67,612
Less transfers from GovGuam	2,859,524	2,800,388	-	-	-	-	18,538,800	22,743,010	16,136,274	24,959,972	27,447,270	22,064,351	24,009,417
Less other operating revenues recognized in 1999 attributable to prior years	-	-	-	4,282,966	-	-	-	-	-	-	-	-	-
Effect of unfunded pension liability	77,489	(52,940)	(155,899)	927,990	437,109	(3,516,573)	3,926,422	5,053	(278,750)	(784,801)	(1,478,412)	(1,389,512)	(2,346,147)
Equalization of net loss	<u>\$ 17,649,900</u>	<u>\$ 3,386,481</u>	<u>\$ 9,774,610</u>	<u>\$ 14,967,359</u>	<u>\$ 21,026,777</u>	<u>\$ 8,485,831</u>	<u>\$ 24,951,703</u>	<u>\$ 30,041,530</u>	<u>\$ 26,777,565</u>	<u>\$ 27,244,933</u>	<u>\$ 30,363,217</u>	<u>\$ 22,419,358</u>	<u>\$ 21,730,882</u>

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

See accompanying independent auditors' report.

**GUAM WATERWORKS AUTHORITY**

Schedule 2  
 Schedule of Certain Operating and Maintenance Expenses  
 Years Ended September 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Salaries and wages:		
Regular, differential and hazardous pay	\$ 10,946,079	\$ 9,940,973
Overtime pay	1,071,804	1,531,410
Pension costs	2,944,881	3,085,942
Total salaries and wages	<u>\$ 14,962,764</u>	<u>\$ 14,558,325</u>
Employees at end of year	311	316
Administrative and general:		
Bad debts	\$ 9,216,734	\$ 3,594,225
Materials and supplies	2,065,320	1,069,347
Liability claims	884,319	108,213
Chemicals	552,600	353,412
Regulatory expense	217,989	367,467
Transportation	203,930	247,043
Advertising	11,258	35,115
Annual leave	-	448,640
Miscellaneous	185,746	168,918
Total administrative and general	<u>\$ 13,337,896</u>	<u>\$ 6,392,380</u>
Contractual:		
Labor, materials and others	\$ 1,888,228	\$ 2,053,059
Equipment rental	864,679	1,755,638
Legal	129,262	459,831
Testing	371,460	130,158
Accounting	62,139	-
Miscellaneous	-	38,694
Total contractual	<u>\$ 3,315,768</u>	<u>\$ 4,437,380</u>

See accompanying independent auditors' report.

**GUAM WATERWORKS AUTHORITY**

Schedule 3  
Schedule of Cash Flows Indicating Financing Method  
Year Ended September 30, 2002

Cash flows used in operating activities	\$ (30,370)
Less nonpayment to GPA	<u>(1,030,514)</u>
Cash flows if all GPA expenses for 2002 were paid	(1,060,884)
Cash flows used for acquisition of utility plant, net of contributed capital received	<u>2,013,402</u>
Cash flows if GPA were fully paid and if utility plant were built, net of contributed capital received	<u><u>\$ 952,518</u></u>

See accompanying independent auditors' report.

**GUAM WATERWORKS AUTHORITY**

Schedule 4  
 Schedule of Construction Work in Progress  
 Years Ended September 30, 2002 and 2001

Project Title	Type	Ending Balance 2001	Additions and Transfers	Close out to FA FY2002	Ending Balance 2002
Commercial Port Sewer Pump	Wastewater	\$ 904,069	\$ 1,355,829	\$ 2,259,898	\$ -
New Chaot Pump Station	Wastewater	135,276	1,881,799	-	2,017,075
Pump Replacement at Liguan Terrace	Wastewater	870,608	152,492	1,023,100	-
Southern Link Trunk Sewer	Wastewater	3,429,852	570,148	4,000,000	-
Design/Construction WW Pump	Wastewater 404 Projects	2,076,857	872,218	2,949,075	-
Northern Treatment Plant	Wastewater	1,033,447	370,290	1,403,737	-
All Others	Water/Wastewater	9,430,344	(2,126,977)	3,853,975	3,449,392
		<u>\$ 17,880,453</u>	<u>\$ 3,075,799</u>	<u>\$ 15,489,785</u>	<u>\$ 5,466,467</u>

See accompanying independent auditors' report.