



**Financial Highlights**  
**Guam Waterworks Authority Financial Audit**  
**Fiscal Year 2023**

June 25, 2024

The Guam Waterworks Authority (GWA) received an unmodified (clean) opinion in their fiscal year (FY) ended September 30, 2023 financial statements. GWA also received an unmodified opinion on its compliance for all major federal programs with no audit findings reported. GWA is to be commended for having no federal award findings or questioned costs for FY 2023. GWA closed with an increase in net position (net income) of \$12.3 Million (M), which was primarily due to the \$24.5M in grants from the government of Guam and interest income in FY 2023. GWA did not qualify as a low-risk auditee for the first time in seven years due to the late submission of its FY 2022 financial audit.

**Increases in Expenses Exceeded Increases in Revenues Resulting to Net Loss**

GWA's operating revenues increased by \$6.6M (or 6.5%) going from \$101.1M in FY 2022 to \$107.8M in FY 2023. The increase is primarily due to increases in water revenues and wastewater revenues (excluding system development charges) of \$2M and \$2.8M, respectively, and a decrease in bad debts expense (\$1.6M). Despite overall demand decreasing by 4.1% or 217.5M gallons, a Public Utilities Commission-approved rate increase of 5.5% effective October 1, 2022, contributed to the revenue growth.

Operating and Maintenance expenses, however, continued to increase by \$9.7M (or 10.1%), going from \$96.2M in FY 2022 to \$105.9M in FY 2023. This is primarily due to the rise in power and water purchases and waste disposal fees totaling \$7.2M, and other operating expense categories totaling \$6.7M. Power purchases continued to be one of the largest contributing factors of increases due to the Levelized Energy Adjustment Clause rates being tied to the price of oil. Of the \$2.3M increase in salaries, wages and benefits, \$900 thousand (K) was used to fund premium pay for employees directly involved in the recovery after Typhoon Mawar. GWA reports that property insurance claims or Federal Emergency Management Agency (FEMA) public assistance funds do not expect to cover the recovery of typhoon-related expenses until FY 2024 or later. However, these total increases of \$13.9M was offset by the reduction in retiree health care costs by \$4.2M.

The total non-operating expenses (net) experienced a net loss of \$3.1M in FY 2023 when compared to a net loss of \$23.3M in FY 2022. Gains of \$14.5M from grants from the Government of Guam and \$10.1M in interest income improved the total non-operating expenses, net by \$25.2M.

**Revenue Recognition and Receivables**

At the end of each month, GWA accrued unbilled revenues for each cycle based on the most recent cycle billing. Unbilled customer receivables as of September 30, 2023 was \$3.1M, a decrease of \$45K from the prior year's \$3.2M. This receivable is included in the receivables (net of allowance for doubtful accounts) of \$15.2M, which decreased by \$1.7M from \$16.9M in the prior FY.

During FY 2023, GWA wrote off long outstanding receivables against the corresponding allowance and other bad debts expenses totaling \$862K.

### Liabilities Decreased by \$34M

As of September 30, 2023, GWA’s total liabilities reduced by \$34M, going from \$867.8M in FY 2022 to \$833.8M in FY 2023. The largest factors contributing to the reduction were the decreases in other post-employment benefits liability by \$29.1M and revenue bonds payable by \$12.3M. The net pension liability, however, increased by \$13.4M, from \$46M in FY 2022 to \$59.4M in FY 2023.

### Revenue Bonds and Pledged Revenues

As of September 30, 2023, GWA had an outstanding revenue bonds payable (less current maturities) of \$640.1M, which decreased by \$12.3M from \$652.3M in FY 2022. Total principal and interest remaining on these bonds is \$1.1 Billion (B) payable through 2050. For FY 2023, debt service paid on these bonds was \$39M and total pledged GWA system revenues were \$103.2M. Interest expense for the revenue bonds payable in FY 2023 decreased by \$497K compared with FY 2022, as there were higher principal repayments in FY 2023 than in FY 2022.

### Federal Assistance

GWA received financial assistance from several federal government agencies, which helped in the funding of its water and wastewater infrastructure and improvements. These are as follows:

#### Summary of Federal Grants

Federal Agency	Date /Period Granted	Amount	Purpose/Project	Remarks
U.S. Department of Defense	Between FY 2016 and 2022	\$173.2M	Water and wastewater system improvements related to Marine relocation from Okinawa to Guam.	Projects were completed in 2023 with \$8.1M in grant related expenditures.
U.S. Environmental Protection Agency	FY 2023	\$9.9M annual allotment plus \$26M increase.	Water and wastewater capital projects	FY 2023 total State Revolving Fund expenditures- \$4.9M
American Rescue Plan (through the Office of the Governor)	FY 2023	\$12.4M	Mitigate needed rate increases in FY 2023.	Fully utilized by end of FY 2023.
American Rescue Plan (through the Office of the Governor)	FY 2023	\$8.6M (additional)	Water and wastewater infrastructure upgrades in Adacao.	FY 2023 expenditures-\$365K
Department of Interior	FY 2023	\$297K-Technical Assistance Program	Leak detection, sewer inspection, sewer cleaning equipment & training.	FY 2023 expenditures-\$72K
Federal Emergency Management Agency	FY 2023	\$36K	Reimburse typhoon related damages’ expenditures.	N/A

### Certificate of Title Litigation

GWA continues to seek resolution in a quiet-title action for the Northern Wastewater Treatment Plant (WWTP), which is still in litigation in the Superior Court of Guam. While a final judgement has not been issued, an April 2024 decision and order by the trial court granted title to the opposing party. GWA strongly believes the Superior Court erred, disagrees with the order and has sought permission for interlocutory appeal at the Guam Supreme Court. The Governor, Legislature, and

Public Utilities Commission have filed briefs in the Guam Supreme Court supporting GWA's request. Because an estimate of the amount or range of potential loss cannot be determined at this time, the accompanying financial statements do not include any provision for liability that may result from such claims.

### **Regulatory Oversight - Court Order**

In 2002, the U.S. Government filed a complaint against GWA and GovGuam for alleged violations under the Federal Clean Water Act and the Safe Drinking Water Act. Because of GWA's non-compliance, the US Government sought both civil penalties and injunctive relief to address the non-compliance. Both GWA and the U.S. Department of Justice, Environmental and Natural Resources Division mutually agreed in the form of a Court Order to resolve the violation issues. GWA is currently under a 2011 Court Order to address the U.S. Environmental Protection Agency (U.S. EPA) complaints and has completed all but one element, which involves repairing or replacing potable water reservoirs. The District Court approved a request to extend the deadline for completion of the projects to December 31, 2025, due to the impacts to the construction capabilities on Guam resulting from the pandemic, global supply chain issues, and related inflationary pressures.

In further regulatory enforcement efforts, over the last five years, GWA has been negotiating with U.S. EPA on a consent decree to address its wastewater collection and conveyance systems; the negotiated partial consent decree was signed by Guam signatories in December 2023 and was filed by U.S. EPA in Guam District Court on January 31, 2024.

### **Compliance and Internal Control**

EY rendered an unmodified opinion in the auditor's report issued on compliance for major federal programs. There were no audit findings reporting. GWA is to be commended for having no federal award findings or questioned costs for FY 2023.

### **Report on Schedule of Expenditures of Federal Awards (SEFA)**

During FY 2023, GWA expended a total of \$25.9M of federal awards from five different federal agencies. Of the \$25.9M, \$8.1M was from U.S. Department of Defense, \$72K was from U.S. Department of Interior, \$12.8M was from U.S. Department of Treasury, \$4.9M was from the U.S. Environmental Protection Agency, and \$36K was from the U.S. Department of Homeland Security. Auditors opined that the SEFA was fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Management Letter**

In a separate management letter, auditors identified two findings relating to the amortization of regulatory asset and timely determination of the service date of construction in progress.

For more details, refer to GWA's FY 2023 Financial Statements, Compliance and Internal Control, and Auditor's Communication With Those Charged With Governance at [www.opaguam.org](http://www.opaguam.org) and [www.guamwaterworks.org](http://www.guamwaterworks.org).