

GUAM WATERWORKS AUTHORITY

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

YEARS ENDED SEPTEMBER 30, 2000 AND 1999

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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, 2000 and 1999, and the related statements of operations and deficit 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, such financial statements present fairly, in all material respects, the financial position of Guam Waterworks Authority as of September 30, 2000 and 1999, 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.

Our audit of the financial statements for the years ended September 30, 2000 and 1999, was made for the purpose of expressing our opinion on the financial statements taken as a whole. The accompanying schedules on pages 14-16 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, is fairly stated in all material respects, in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2001, 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 + Touche LLP". The signature is stylized and appears to be written in a cursive or semi-cursive script.

April 20, 2001

GUAM WATERWORKS AUTHORITY

Balance Sheets September 30, 2000 and 1999

<u>ASSETS</u>	<u>2000</u>	<u>1999</u>
Property, plant and equipment:		
Utility plant in service	\$ 330,243,882	\$ 328,869,977
Non utility property	14,600,033	14,036,149
Construction work in progress	25,619,367	22,486,511
	<u>370,463,282</u>	<u>365,392,637</u>
Less accumulated depreciation	<u>(128,788,174)</u>	<u>(119,729,173)</u>
Total property, plant and equipment	<u>241,675,108</u>	<u>245,663,464</u>
Long-term receivable (note 2)	<u>172,057</u>	<u>179,136</u>
Current assets:		
Cash (note 8):		
Unrestricted	1,673,663	853,032
Restricted (note 12)	3,207,675	3,114,114
Accounts receivable, net (note 2)	19,410,226	17,708,690
Materials and supplies inventory, net of allowance for obsolescence of \$85,075 at September 30, 2000 and 1999	<u>721,441</u>	<u>400,680</u>
Total current assets	<u>25,013,005</u>	<u>22,076,516</u>
	<u>\$ 266,860,170</u>	<u>\$ 267,919,116</u>

See accompanying notes to financial statements.

GUAM WATERWORKS AUTHORITY

Balance Sheets, Continued
September 30, 2000 and 1999

<u>CAPITALIZATION AND LIABILITIES</u>	<u>2000</u>	<u>1999</u>
Capitalization (note 10):		
Contributed capital:		
Grants by Government of Guam	\$ 117,558,773	\$ 122,065,084
Grants by U.S. Government	64,359,494	63,799,970
Contributions-in-aid of construction	58,532,694	59,345,237
Contributions from other agencies	1,268,408	1,239,277
	<hr/>	<hr/>
Total contributed capital	241,719,369	246,449,568
Deficit	<hr/> (24,242,214) <hr/>	<hr/> (19,041,904) <hr/>
Total capitalization	<hr/> 217,477,155 <hr/>	<hr/> 227,407,664 <hr/>
Current liabilities:		
Current maturities of long-term debt (note 3)	767,309	584,275
Accounts payable:		
United States Navy	8,586,517	8,414,731
Guam Power Authority	15,821,451	7,583,885
Trade	6,565,896	5,652,439
Accrued payroll and employee benefits	1,086,944	933,752
Current portion of employee annual leave	413,806	465,605
Payable to contractors	874,214	1,655,709
Customer deposits	1,550,797	1,214,038
	<hr/>	<hr/>
Total current liabilities	35,666,934	26,504,434
Long-term debt, less current maturities (note 3)	1,535,244	1,796,316
Employee annual leave, less current portion	1,385,352	1,632,840
Retirement fund deferred contributions (note 4)	7,536,774	7,380,875
Advances for construction	3,205,007	3,174,750
Other liabilities	53,704	22,237
	<hr/>	<hr/>
Total liabilities	49,383,015	40,511,452
Commitments and contingencies (notes 7 and 9)	<hr/> \$ 266,860,170 <hr/>	<hr/> \$ 267,919,116 <hr/>

See accompanying notes to financial statements.

GUAM WATERWORKS AUTHORITY

Statements of Operations and Deficit
Years Ended September 30, 2000 and 1999

	<u>2000</u>	<u>1999</u>
Operating revenues:		
Water:		
Private	\$ 22,639,562	\$ 21,126,400
Government	<u>2,551,547</u>	<u>2,561,630</u>
	<u>25,191,109</u>	<u>23,688,030</u>
Wastewater:		
Private	10,920,954	9,983,039
Government	<u>2,465,748</u>	<u>2,215,986</u>
	<u>13,386,702</u>	<u>12,199,025</u>
Other (note 13)	<u>569,375</u>	<u>4,626,160</u>
Total operating revenues	<u>39,147,186</u>	<u>40,513,215</u>
Operating and maintenance expenses:		
Water purchases	6,618,266	6,330,290
Power purchases	<u>8,244,320</u>	<u>6,791,870</u>
	14,862,586	13,122,160
Salaries and wages	13,159,125	14,930,255
Administrative and general	7,987,480	9,395,702
Depreciation	9,059,001	9,076,732
Contractual	<u>6,138,934</u>	<u>3,857,695</u>
Total operating and maintenance expenses	<u>51,207,126</u>	<u>50,382,544</u>
Operating loss	<u>(12,059,940)</u>	<u>(9,869,329)</u>
Other income:		
Interest income	30,874	27,557
Operating grants	<u>29,631</u>	<u>85,369</u>
	<u>60,505</u>	<u>112,926</u>
Net loss	(11,999,435)	(9,756,403)
Depreciation on property, plant and equipment acquired with contributed capital (note 11)	<u>6,799,125</u>	<u>7,826,079</u>
Net increase in deficit	(5,200,310)	(1,930,324)
Deficit at beginning of year	<u>(19,041,904)</u>	<u>(17,111,580)</u>
Deficit at end of year	<u><u>\$ (24,242,214)</u></u>	<u><u>\$ (19,041,904)</u></u>

See accompanying notes to financial statements.

GUAM WATERWORKS AUTHORITY

Statements of Cash Flows
Years Ended September 30, 2000 and 1999

	<u>2000</u>	<u>1999</u>
<u>Increase (decrease) in cash</u>		
Cash flows from operating activities:		
Cash received from customers	\$ 36,214,157	\$ 32,625,125
Cash payments to suppliers for goods and services	(18,975,445)	(19,625,690)
Cash payments to employees for services	<u>(13,305,218)</u>	<u>(14,987,091)</u>
Net cash provided by (used in) operating activities	<u>3,933,494</u>	<u>(1,987,656)</u>
Cash flows from non-capital financing activities:		
Operating grants received	<u>29,631</u>	<u>85,369</u>
Net cash provided by non-capital financing activities	<u>29,631</u>	<u>85,639</u>
Cash flows from capital and related financing activities:		
Contributed capital received	2,068,926	8,248,099
Acquisition of utility plant	(5,079,009)	(8,129,410)
Proceeds from issuance of long-term debt	679,805	1,061,780
Repayments of long-term debt	<u>(749,529)</u>	<u>-</u>
Net cash (used in) provided by capital and related financing activities	<u>(3,079,807)</u>	<u>1,180,469</u>
Cash flows from investing activities:		
Transfers (to) from restricted fund (note 12)	(93,561)	359,984
Interest income received	<u>30,874</u>	<u>115,453</u>
Net cash (used in) provided by investing activities	<u>(62,687)</u>	<u>475,437</u>
Net increase (decrease) in cash	820,631	(246,381)
Unrestricted cash at beginning of year	<u>853,032</u>	<u>1,099,413</u>
Unrestricted cash at end of year	<u><u>\$ 1,673,663</u></u>	<u><u>\$ 853,032</u></u>

See accompanying notes to financial statements.

GUAM WATERWORKS AUTHORITY

Statements of Cash Flows, Continued
Years Ended September 30, 2000 and 1999

	<u>2000</u>	<u>1999</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	\$ (12,059,940)	\$ (9,869,329)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	9,059,001	9,076,732
Bad debt expense	1,575,384	2,686,717
Other revenues	-	(4,282,966)
(Increase) decrease in assets:		
Accounts receivable	(3,276,870)	(3,666,108)
Materials and supplies inventory	(320,761)	23,962
Long-term receivable	7,079	(25,914)
Increase (decrease) in liabilities:		
Accounts payable	8,541,314	5,971,719
Accrued payroll	153,192	(128,293)
Employees' annual leave	(299,287)	71,457
Customer deposits	336,759	86,898
Other liabilities	31,467	(644,582)
Advances for construction	30,257	(359,959)
Retirement fund deferred contributions	155,899	(927,990)
Net cash provided by (used in) operating activities	\$ <u>3,933,494</u>	\$ <u>(1,987,656)</u>

See accompanying notes to financial statements.

GUAM WATERWORKS AUTHORITY

Notes to Financial Statements
September 30, 2000 and 1999

(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 collection, transmission, and distribution of water to villages and communities of Guam. The wastewater system is engaged in the interception 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 of contracts and GWA policies.

The financial statements of GWA have been prepared in conformity with generally accepted accounting principles (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.

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.

Change in Accounting Estimates

Management changed its estimate of the amount of obsolete materials and supplies inventory at September 30, 1999. The effect of the change was a reduction of net loss of \$314,925.

Management changed its estimate of the amount of uncollectible accounts receivable at September 30, 1999. The effect of the change was a reduction of net loss of \$3,812,918.

GUAM WATERWORKS AUTHORITY

Notes to Financial Statements
September 30, 2000 and 1999

(1) Organization Summary of Significant Accounting Policies, Continued

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.

Contributed Capital

Government funded projects are recorded as contributed capital as the cost of the projects are incurred. Approved capital grants not yet received amounted to approximately \$4.1 million and \$4.9 million at September 30, 2000 and 1999, respectively.

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 \$20 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 \$786,300 and \$401,000 for the years ended September 30, 2000 and 1999, respectively.

Reclassifications

Several of the 1999 balances have been reclassified to conform to the 2000 financial statement presentation.

GUAM WATERWORKS AUTHORITY

Notes to Financial Statements
September 30, 2000 and 1999

(2) Accounts Receivable

Accounts receivable at September 30, 2000 and 1999, are as follows:

	<u>2000</u>	<u>1999</u>
Customers:		
Private	\$ 15,245,717	\$ 11,653,385
Government	<u>6,668,939</u>	<u>6,771,527</u>
	21,914,656	18,424,912
Federal agencies	4,779,990	5,001,086
GPA	309,206	288,421
Others	<u>-</u>	<u>12,564</u>
	<u>27,003,852</u>	<u>23,726,983</u>
Less allowance for doubtful receivables:		
Private	(5,084,995)	(4,274,975)
Government	<u>(2,508,631)</u>	<u>(1,743,318)</u>
	<u>(7,593,626)</u>	<u>(6,018,293)</u>
	\$ <u>19,410,226</u>	\$ <u>17,708,690</u>

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

GWA has obtained a signed commitment from a private customer that requires making specified minimum monthly payments on account until the account balance is paid in full. Payment terms do not include interest. At September 30, 2000, minimum future cash flows are as follows:

2001	\$ 9,600
2002	9,600
2003	8,855
2004	6,000
2005	6,000
Thereafter	<u>141,602</u>
	\$ <u>181,657</u>

(3) Long-Term Debt

Long-term debt represents invoices financed by IBM relating to the installation of GWA's accounting and operating systems, payable in equal monthly installments of \$72,000 until 2003, including interest ranging from 5.25% to 7.62%. GWA has a \$3.5 million credit line with IBM Credit Corporation. The purpose is for the preapproved purchase of software and hardware systems, technical training and support of such systems, and related expenses. As of September 30, 2000 and 1999, GWA has used \$2,302,553 and \$2,380,591, respectively, of its credit line.

GUAM WATERWORKS AUTHORITY

Notes to Financial Statements
September 30, 2000 and 1999

(3) Long-Term Debt, Continued

Minimum future long-term debt payments through the year 2006 are as follows:

	<u>Principal</u>	<u>Interest</u>
2001	\$ 767,309	\$ 131,897
2002	790,865	80,723
2003	602,727	25,950
2004	66,946	7,242
2005	69,319	2,764
Thereafter	<u>5,387</u>	<u>28</u>
	\$ <u>2,302,553</u>	\$ <u>248,604</u>

(4) 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, 1999, it has been determined that for the year ended September 30, 2000, a minimum combined employer and employee contribution rate of 33.41% 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 18.6%, respectively, for the year ended September 30, 2000. The effect of GWA's prior year accruals for its share of pension underfunding reduces the actuarially determined employer contribution rate from 23.91% to an effective rate of 19.74% for the year ended September 30, 2000. In recognition of the above, an accrual increase of 1.14% of covered payroll is necessary to adjust the unfunded liability based on the difference between the effective rate of 19.74% and the employer's statutory rate of 18.6%. The effective employer accrual rate for the year ended September 30, 1999 was 12.41%.

The plan utilized the actuarial cost method termed "entry age normal" with an assumed rate of return of 8% and an assumed salary scale increase of 5.5% per annum. The most recent actuarial valuation performed as of September 30, 1999, 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, 2000 and 1999, may be materially different than that recorded in the accompanying financial statements.

GUAM WATERWORKS AUTHORITY

Notes to Financial Statements
September 30, 2000 and 1999

(4) Employees' Retirement Plan, Continued

The Guam Legislature enacted legislation during the year ended September 30, 2000 which offered retirement incentives for employees to retire or voluntarily separate from service with the Government of Guam and also required the Retirement Fund to incur the costs of providing certain supplemental retiree benefits. This legislation resulted in a significant increase in the Retirement Fund's unfunded accrued liability and is the primary reason for the increase in the employer's contribution rate for the year ended September 30, 2000.

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 18.6% 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 13.6% is contributed towards the unfunded liability of the defined benefit plan.

Members of the DCRS who have completed five years of government service, and have attained the age of 55 years at termination, have a vested balance of 100% of both member and employer contributions plus any earnings thereon. Members who have completed five years of service, but have not attained the age of 55, are eligible only for the amount of member contributions plus any earnings thereon.

Retirement expense for the years ended September 30, 2000 and 1999 is as follows:

	<u>2000</u>	<u>1999</u>
Cash contributions	\$ 3,083,741	\$ 3,433,332
Adjustment of accrued unfunded liability	<u>155,899</u>	<u>(927,990)</u>
	\$ <u>3,239,640</u>	\$ <u>2,505,342</u>

(5) 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, 2000 and 1999, the properties have not been recognized in the financial statements pending completion of formal transfer proceedings.

(6) 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 United States Navy for the years ended September 30, 2000 and 1999 are \$4,516,915 and \$4,979,719, respectively.

GUAM WATERWORKS AUTHORITY

Notes to Financial Statements
September 30, 2000 and 1999

(7) Commitments and Contingencies

Claims

The United States Navy is suing for recovery of payment for water provided by the U.S. Navy to the former Public Utility Agency of Guam and to GWA from the Fena reservoir. GWA is counter suing the U.S. Navy for relief for the improper and unlawful taking of property including the Fena reservoir. Furthermore, 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 \$3.87 million at September 30, 2000.

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.

(8) 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 \$4,848,471 and \$3,934,526 as of September 30, 2000 and 1999, respectively, of which \$160,052 and \$225,498 were insured by the Federal Deposit Insurance Corporation and the remaining balances were uninsured and uncollateralized. In addition, \$32,868 and \$31,120, respectively, were held on hand for the exchange fund and petty cash as of September 30, 2000 and 1999.

(9) 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.

GUAM WATERWORKS AUTHORITY

Notes to Financial Statements September 30, 2000 and 1999

(10) Changes in Capitalization

Changes in capitalization during the years ended September 30, 2000 and 1999, are as follows:

	<u>Contributed Capital</u>	<u>Accumulated Depreciation, Contributed Assets</u>	<u>Deficit</u>	<u>Total</u>
Balance at September 30, 1998	\$ 344,998,815	\$ (100,680,951)	\$ (17,111,580)	\$ 227,206,284
Contributed capital received	9,957,783	-	-	9,957,783
Net loss for year ended September 30, 1999	<u>-</u>	<u>(7,826,079)</u>	<u>(1,930,324)</u>	<u>(9,756,403)</u>
Balance at September 30, 1999	354,956,598	(108,507,030)	(19,041,904)	227,407,664
Contributed capital received	2,068,926	-	-	2,068,926
Net loss for year ended September 30, 2000	<u>-</u>	<u>(6,799,125)</u>	<u>(5,200,310)</u>	<u>(11,999,435)</u>
Balance at September 30, 2000	\$ <u>357,025,524</u>	\$ <u>(115,306,155)</u>	\$ <u>(24,242,214)</u>	\$ <u>217,477,155</u>

Components of contributions are as follows:

	<u>2000</u>	<u>1999</u>
Government of Guam	\$ -	\$ 2,156,624
U.S. Government	2,039,795	7,410,698
Contributions in aid of construction	-	363,107
Other agencies	<u>29,131</u>	<u>27,354</u>
	\$ <u>2,068,926</u>	\$ <u>9,957,783</u>

(11) Depreciation on Contributed Assets

Depreciation on fixed assets financed with contributions is closed to the appropriate contributions account at the end of the year. Depreciation on contributed assets for the years ended September 30, 2000 and 1999 is as follows:

	<u>2000</u>	<u>1999</u>
Government of Guam	\$ 4,506,312	\$ 4,890,158
U.S. Government	1,500,221	2,032,880
Contributions-in-aid of construction (private entities)	<u>792,592</u>	<u>903,041</u>
	\$ <u>6,799,125</u>	\$ <u>7,826,079</u>

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Notes to Financial Statements
September 30, 2000 and 1999

(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 2000 and 1999, the net change in restricted cash equaled \$93,561 and \$(359,984), respectively. The changes represent transfers from and transfers to the unrestricted fund, respectively, for the purposes previously mentioned in this note.

(13) Other Revenues

Other operating revenues for the years ended September 30, 2000 and 1999 are as follows:

	<u>2000</u>	<u>1999</u>
Change in accounting estimate	\$ -	\$ 3,812,918
Incorrectly reported payables from prior years	-	279,417
Reversal of stale dated checks from prior years	-	190,631
Miscellaneous revenues	<u>569,375</u>	<u>343,194</u>
	\$ <u>569,375</u>	\$ <u>4,626,160</u>

GUAM WATERWORKS AUTHORITY

Schedule 1
Schedule of Equalization of Net Loss
Years Ended September 30, 2000 and 1999

	<u>2000</u>	<u>1999</u>	<u>1998 (1)</u>	<u>1997 (1)</u>	<u>1996 (1)</u>	<u>1995 (1)</u>	<u>1994 (1)</u>	<u>1993 (1)</u>	<u>1992 (1)</u>	<u>1991 (1)</u>	<u>1990 (1)</u>
Net loss	\$ 11,999,435	\$ 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	-	-	-	-	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	<u>(155,899)</u>	<u>927,990</u>	<u>437,109</u>	<u>(3,516,573)</u>	<u>3,926,422</u>	<u>5,053</u>	<u>(278,750)</u>	<u>(784,801)</u>	<u>(1,478,412)</u>	<u>(1,389,512)</u>	<u>(2,346,147)</u>
Equalization of net loss	<u>\$ 11,843,536</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 Equalization of Operating Revenues Years Ended September 30, 2000 and 1999

	<u>2000</u>	<u>1999</u>	<u>Change</u>
Total operating revenues	\$ 39,147,186	\$ 40,513,215	
Effect of other operating revenues recognized in 1999 attributable to prior years	<u>-</u>	<u>(4,282,966)</u>	
Equalization of operating revenues	<u>\$ 39,147,186</u>	<u>\$ 36,230,249</u>	<u>\$ 2,916,937</u>

Schedule 3 Schedule of Cash Flows Indicating Financing Method Year Ended September 30, 2000

Cash flows provided by operating activities	\$ 3,933,494
Less nonpayment to GPA	<u>(8,237,566)</u>
Cash flow deficiency if GPA expenses for 2000 were paid	(4,304,072)
Cash flows used for acquisition of utility plant, net of contributed capital received	<u>(3,010,083)</u>
Cash flow deficiency if GPA were paid and if utility plant were built, net of contributed capital received	<u>\$ (7,314,155)</u>

Schedule 4 Schedule of Items Impacting Increase in Gross Accounts Receivable September 30, 2000

Impact of write-off of September 30, 1999 accounts receivable	\$ 1,839,798
Impact on receivables as a result of rate increase	1,500,000
Impact of difference resulting from cycle billing period	252,534
Other	<u>(102,588)</u>
Amount of difference between 2000 and 1999 gross customer accounts receivable	<u>\$ 3,489,744</u>

See accompanying independent auditors' report.

GUAM WATERWORKS AUTHORITY

Schedule 5
Schedule of Certain Operating and Maintenance Expenses
Years Ended September 30, 2000 and 1999

	<u>2000</u>	<u>1999</u>
Salaries and wages:		
Regular, differential and hazardous pay	\$ 10,901,395	\$ 13,696,779
Overtime pay	<u>2,257,730</u>	<u>1,233,476</u>
Total salaries and wages	<u>\$ 13,159,125</u>	<u>\$ 14,930,255</u>
Employees at end of year	317	376
Administrative and general:		
Pension costs	\$ 3,239,640	\$ 2,505,342
Materials and supplies	1,624,648	2,399,729
Bad debts	1,575,386	2,686,717
Annual leave	522,753	671,156
Regulatory expense	253,405	132,169
Chemicals	230,834	310,966
Communications	226,719	328,146
Transportation expnese	182,583	261,669
Miscellaneous	46,230	54,246
Advertising	44,137	6,203
Insurance	<u>41,145</u>	<u>39,359</u>
Total administrative and general	<u>\$ 7,987,480</u>	<u>\$ 9,395,702</u>
Contractual:		
Equipment rental	\$ 3,236,384	\$ 1,698,021
Labor, materials and others	2,669,633	1,825,807
Legal	146,295	217,555
Testing	85,622	116,312
Engineering	<u>1,000</u>	<u>-</u>
Total contractual	<u>\$ 6,138,934</u>	<u>\$ 3,857,695</u>

See accompanying independent auditors' report.