

GUAM WATERWORKS AUTHORITY

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

YEARS ENDED SEPTEMBER 30, 2004 AND 2003

INDEPENDENT AUDITORS' REPORT

Consolidated Commission on Utilities:

We have audited the accompanying balance sheets of Guam Waterworks Authority (GWA), a component unit of the Government of Guam, as of September 30, 2004 and 2003, and the related statements of operations and changes in net assets 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.

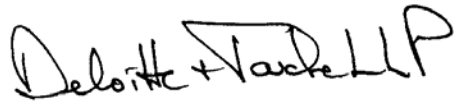
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Guam Waterworks Authority as of September 30, 2004 and 2003, 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.

The Management's Discussion and Analysis on pages 1-4 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of GWA's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurements and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audits of the financial statements for the years ended September 30, 2004 and 2003, were made for the purpose of expressing our opinion on the basic 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 basic financial statements and in our opinion, except for the information presented in Schedule 1 (page 21) upon which we express no assurance, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2005, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink that reads "Deloitte + Tuck LLP". The signature is stylized, with the "D" and "T" being particularly prominent.

June 17, 2005

GUAM WATERWORKS AUTHORITY

Management's Discussion and Analysis September 30, 2004

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, 2004. 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 direction of an elected five-member Consolidated Commission on Utilities (CCU) that replaced the appointed Board of Directors on January 2, 2003. Under the new governance structure, GWA is directly accountable to the ratepayers of Guam. The CCU also has oversight over 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.

The CCU inherited a utility that was being sued by the United States Environmental Protection Agency (USEPA) for failure to comply with the Safe Drinking Water Act and the Clean Water Act, the United States Navy for failure to pay for purchased water, and a vendor for defaulting on a lease agreement. From 1998 to 2003, the cumulative net losses from operations totaled nearly \$80 million. The utility was plagued with boil water notices, excessive sewage overflows, and a nearly non-existent disconnection policy.

Within six months of taking office, the Commission settled the lawsuit with the USEPA by entering into a Stipulated Order under the jurisdiction of the United States District Court of Guam. Under the Order, GWA was required to hire a qualified management team to include a General Manager, Chief Engineer, Chief Financial Officer, and a Compliance Officer (to monitor progress towards implementation of the Stipulated Order). The Order required GWA to create an interim financial plan and to petition the Guam Public Utilities Commission for rate relief to fund the financial plan. The cost of the Stipulated Order as it relates to the interim financial plan is approximately \$225 million. GWA intends to borrow approximately \$160 million to fund the capital projects listed in the plan. One of the requirements of the Order is to complete a Master Plan for the water system which will culminate in the development of a final financial plan which, when implemented, will assure that the residents of Guam will continue to receive safe, reliable water and wastewater services for the foreseeable future.

Additionally, the CCU entered into settlement agreements with the United States Navy and the vendor for payments owed by GWA.

In January 2004, GWA filed its first rate petition with the Public Utilities Commission. The result was a 7.5% increase in rates that took effect in April 2004. The PUC also agreed to continue to review information as it became available relative to GWA's financing plans and the related costs. The continued review resulted in an additional rate increase of 6.5% that took effect in October 2004 and the creation of a rate stabilization plan that would allow GWA to incrementally raise rates in recognition of the fact that GWA is likely to require significant additional revenue to pay the debt service associated with the system rehabilitation.

In order to address problems with the accuracy of GWA's aged meters, GWA initiated an automated meter reading (AMR) program. The program will enable GWA to read its meters via radio signal, will improve the accuracy of meter reads, and will allow GWA to better monitor daily customer usage patterns. GWA has entered into a contract for the purchase of the meters and is expecting to enter into an agreement for the financing of the meters to enable GWA to implement the AMR program more rapidly. The total cost of the metering program is approximately \$13.5 million. The project has been delayed as a result of a bid protest and some financing related issues, however, the first meters are expected to be placed into service in the summer of 2005.

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Management's Discussion and Analysis September 30, 2004

GWA is anticipating floating a bond or other debt instrument of approximately \$57 million in August, 2005. GWA believes the initial borrowing may need to take place with a credit rating below investment grade. However, GWA is confident that an investment grade rating will be achieved before the second issuance of bonds targeted for 2007.

One of the key elements in the ability of GWA to reduce costs has been the reduction in staffing levels which is shown in the chart below:



GWA is continuing to seek opportunities for decreasing employee levels and costs through streamlining and technology improvement for the next four years as system upgrades are put in place.

Summary of Financial Condition-Comparative Analysis

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

	<u>FY2004</u>	<u>FY2003</u>	<u>Percent Increase (Decrease)</u>
Assets:			
Cash	\$ 4,231,807	\$ 3,464,281	22.16
Receivables, net	8,404,461	6,666,719	26.07
Other assets	2,195,576	1,401,511	56.65
Plant in service, net	<u>221,668,469</u>	<u>227,778,375</u>	(2.68)
	\$ <u>236,500,313</u>	\$ <u>239,310,886</u>	

- The balance in cash increased as a result of attempts to build cash reserves as required by the Stipulated Order.
- The increase in receivables was caused partly by the increase in rates charged by the Utility and partly by a problem in obtaining timely meter readings.
- Other assets increased largely as a result of materials and inventories acquisition.

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Management's Discussion and Analysis September 30, 2004

	<u>FY2004</u>	<u>FY2003</u>	<u>Percent Increase (Decrease)</u>
Liabilities:			
Current Liabilities	\$ 12,291,754	\$ 12,616,428	(2.57)
Long Term Liabilities	<u>24,995,716</u>	<u>25,672,383</u>	(2.64)
	<u>37,287,470</u>	<u>38,288,811</u>	
Net Assets	<u>199,212,843</u>	<u>201,022,075</u>	(.90)
	\$ <u>236,500,313</u>	\$ <u>239,310,886</u>	

- The change in long term liabilities reflects the reduction in the liability to the Guam Power Authority and the U.S. Navy. The surcharge payments were applied to these liabilities in accordance with a PUC Order.

	<u>FY2004</u>	<u>FY2003</u>	<u>Percent Increase (Decrease)</u>
Operating Revenues	\$ 38,840,590	\$ 37,573,954	3.37
Operating Expenses	42,248,398	47,343,433	(10.76)
Non-Operating Revenues, net	<u>1,598,576</u>	<u>2,367,256</u>	(32.47)
Decrease in Net Assets	\$ <u>1,809,232</u>	\$ <u>7,402,223</u>	

- The increase in operating revenues reflects the result of increased rates which was nearly offset by problems in meeting customer demand for water services.
- The decrease in operating expenses is consistent with the Utility's continuing efforts to cut costs and improve the efficiency of some operational practices.

Assets

Utility Plant in Service: Utility Plant in Service makes up about 94% of GWA's total assets. The following is a detailed summary of this account with comparative data from the prior fiscal year:

	<u>FY2004</u>	<u>FY2003</u>
Water System	\$ 194,823,853	\$ 192,962,490
Sewer System	174,628,020	173,819,906
Non Utility Property	16,999,915	16,622,625
Construction Work In Progress (CWIP)	3,444,858	1,864,754
Allowance for Depreciation	<u>(168,228,177)</u>	<u>(157,491,400)</u>
	\$ <u>221,668,469</u>	\$ <u>227,778,375</u>

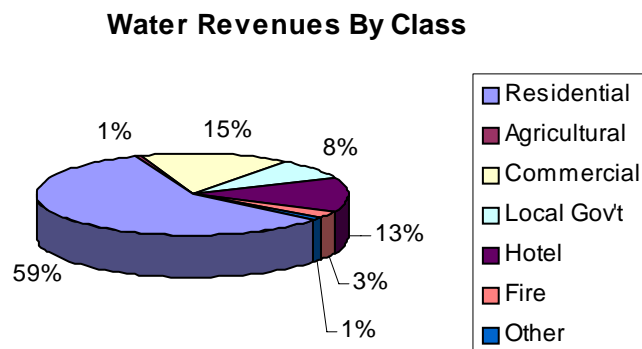
Operating Revenues

Revenues during the fiscal year amounted to approximately \$38.8 million consisting of water revenues of \$25.6 million and wastewater revenues of \$13.2 million which represent slight increases from the prior year. The increases are primarily attributed to another rate increase that took effect in April 2004.

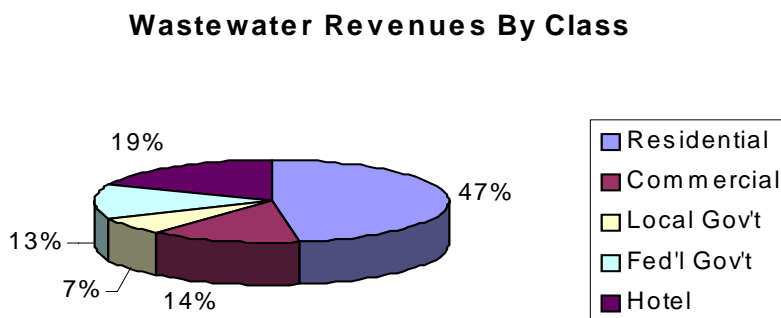
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Management's Discussion and Analysis
September 30, 2004

Water Revenue: Residential customers make up 59% of the water revenues. The chart below summarizes the revenues by type:



Wastewater Revenue: Residential and hotel customers make up approximately 47% and 19% of wastewater revenue, respectively. Below is a breakdown of wastewater revenue by customer class:



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Balance Sheets
September 30, 2004 and 2003

<u>ASSETS</u>	<u>2004</u>	<u>2003</u> (As Restated)
Property, plant and equipment:		
Utility plant in service:		
Water system	\$ 194,823,853	\$ 192,962,490
Wastewater system	174,628,020	173,819,906
Non utility property	16,999,915	16,622,625
Construction work in progress	3,444,858	1,864,754
	<u>389,896,646</u>	<u>385,269,775</u>
Less accumulated depreciation	<u>(168,228,177)</u>	<u>(157,491,400)</u>
Property, plant and equipment, net	<u>221,668,469</u>	<u>227,778,375</u>
Current assets:		
Cash:		
Unrestricted	4,066,678	3,299,883
Restricted	165,129	164,398
Accounts receivable, net	8,404,461	6,666,719
Materials and supplies inventory, net of allowance for obsolescence of \$380,425 at September 30, 2004 and 2003	2,141,846	1,401,511
Other assets	53,730	-
	<u>14,831,844</u>	<u>11,532,511</u>
Total current assets	<u>236,500,313</u>	<u>239,310,886</u>
	<u>\$ 236,500,313</u>	<u>\$ 239,310,886</u>

See accompanying notes to financial statements.

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Balance Sheets, Continued
September 30, 2004 and 2003

<u>LIABILITIES AND NET ASSETS</u>	<u>2004</u>	<u>2003</u> (As Restated)
Current liabilities:		
Current maturities of long-term debt	\$ 2,463,578	\$ 2,886,407
Accounts payable:		
United States Navy	130,987	-
Guam Power Authority	1,588,829	1,427,227
Trade	3,841,760	3,723,556
Accrued payroll and employee benefits	331,842	463,417
Current portion of employee annual leave	384,690	597,125
Accrued supplemental/COLA annuities	1,236,418	989,562
Deferred revenue	376,722	253,338
Payable to contractors	426,182	851,522
Customer deposits	1,510,746	1,424,274
Total current liabilities	12,291,754	12,616,428
Long-term debt, less current maturities:		
Guam Power Authority	11,295,826	13,161,443
United States Navy	8,181,048	8,626,590
Employee annual leave, less current portion	660,969	806,972
Retirement fund deferred contributions	4,376,883	2,476,320
DCRS sick leave liability	317,068	286,484
Advances for construction	163,922	218,666
Other liabilities	-	95,908
Total liabilities	37,287,470	38,288,811
Commitments and contingencies		
Net assets:		
Invested in capital assets, net of related debt	221,668,469	227,778,375
Restricted	165,129	164,398
Unrestricted	(22,620,755)	(26,920,698)
Total net assets	199,212,843	201,022,075
	\$ 236,500,313	\$ 239,310,886

See accompanying notes to financial statements.

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Statements of Operations and Changes in Net Assets Years Ended September 30, 2004 and 2003

	2004	2003 (As Restated)
Operating revenues:		
Water:		
Private	\$ 23,320,725	\$ 22,225,345
Government	2,064,725	2,103,560
	<u>25,385,450</u>	<u>24,328,905</u>
Wastewater:		
Private	10,513,474	10,361,684
Government	2,718,565	2,632,028
	<u>13,232,039</u>	<u>12,993,712</u>
Other	223,101	251,337
Total operating revenues	<u>38,840,590</u>	<u>37,573,954</u>
Operating and maintenance expenses:		
Water purchases	5,127,204	5,118,616
Power purchases	8,688,115	7,513,728
	<u>13,815,319</u>	<u>12,632,344</u>
Salaries and wages	12,918,917	15,228,718
Depreciation	9,425,878	10,035,700
Administrative and general	3,553,020	6,292,966
Contractual	2,535,264	3,153,705
	<u>42,248,398</u>	<u>47,343,433</u>
Total operating and maintenance expenses		
Operating loss	<u>(3,407,808)</u>	<u>(9,769,479)</u>
Other income (expense):		
Recoveries of bad debts	1,700,104	291,382
Interest income	72,526	12,684
Interest expense	(828,499)	(241,416)
Other expense	(146,505)	(186,371)
Loss on inventory writedown	-	(295,350)
Loss on missing deposits	(7,000)	(122,401)
Loss on asset disposal	(3,664)	(2,448)
Write-off of discontinued projects	(117,382)	(413,468)
Supplemental/COLA annuities	(246,856)	(83,714)
	<u>422,724</u>	<u>(1,041,102)</u>
Total other income (expense), net		
Loss before capital contributions	<u>(2,985,084)</u>	<u>(10,810,581)</u>
Capital contributions:		
Grants from U.S. Government	597,098	2,660,249
Other contributions	578,754	748,109
	<u>1,175,852</u>	<u>3,408,358</u>
Total capital contributions		
Decrease in net assets	<u>(1,809,232)</u>	<u>(7,402,223)</u>
Net assets at beginning of year, as restated	<u>201,022,075</u>	<u>208,424,298</u>
Net assets at end of year	<u><u>\$ 199,212,843</u></u>	<u><u>\$ 201,022,075</u></u>

See accompanying notes to financial statements.

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Statements of Cash Flows Years Ended September 30, 2004 and 2003

	2004	2003 (As Restated)
<u>Increase in cash</u>		
Cash flows from operating activities:		
Cash received from customers	\$ 37,076,421	\$ 36,599,290
Cash payments to suppliers for goods and services	(19,393,144)	(22,911,603)
Cash payments to employees for services	(11,230,926)	(13,713,458)
Net cash provided by (used in) operating activities	<u>6,452,351</u>	<u>(25,771)</u>
Cash flows from capital and related financing activities:		
Contributed capital received	1,175,852	3,408,358
Acquisition of utility plant	(3,370,716)	(723,558)
Repayments of long-term debt	(2,733,988)	(1,649,629)
Interest paid	(828,499)	(241,416)
Net cash (used in) provided by capital and related financing activities	<u>(5,757,351)</u>	<u>793,755</u>
Cash flows from investing activities:		
Transfers (to) from restricted fund	(731)	80,992
Interest income received	72,526	12,684
Net cash provided by investing activities	<u>71,795</u>	<u>93,676</u>
Net increase in unrestricted cash	766,795	861,660
Unrestricted cash at beginning of year	<u>3,299,883</u>	<u>2,438,223</u>
Unrestricted cash at end of year	<u><u>\$ 4,066,678</u></u>	<u><u>\$ 3,299,883</u></u>

See accompanying notes to financial statements.

GUAM WATERWORKS AUTHORITY

Statements of Cash Flows, Continued Years Ended September 30, 2004 and 2003

	2004	2003 (As Restated)
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	\$ (3,407,808)	\$ (9,769,479)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	9,425,878	10,035,700
Bad debt expense	1,018,936	2,150,543
Recovered revenue	1,700,104	291,382
Other expense	(521,407)	(1,103,752)
(Increase) decrease in assets:		
Accounts receivable	(2,004,084)	(1,418,703)
Materials and supplies inventory	(740,335)	29,931
Long-term receivable	(752,594)	-
Other assets	(53,730)	-
Increase (decrease) in liabilities:		
Accounts payable	108,837	(1,280,222)
Accrued payroll	(131,575)	157,909
Employees' annual leave	(358,438)	(395,061)
Accrued supplemental/COLA annuities	246,856	(83,714)
Customer deposits	86,472	(165,735)
Other liabilities	(95,908)	(24,212)
Retirement fund deferred contributions	1,900,563	1,263,158
DCRS sick leave liability	30,584	286,484
Net cash provided by (used in) operating activities	<u>\$ 6,452,351</u>	<u>\$ (25,771)</u>

See accompanying notes to financial statements.

GUAM WATERWORKS AUTHORITY

Notes to Financial Statements
September 30, 2004 and 2003

(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 five-member Consolidated Commission on Utilities (CCU) 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.

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Notes to Financial Statements
September 30, 2004 and 2003

(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). Current policy is to capitalize items over \$700.

Accrued Annual Leave

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

During the year ended September 30, 2003, Public Law 27-05 was implemented, reducing the amount of leave employees can earn in a fiscal year (either 104 or 156 hours) and the maximum accumulation amount of annual leave to 320 hours. Any annual leave earned in excess of 320 hours, but not to exceed 100 hours as of February 28, 2003 shall be credited to the employees sick leave. The remaining excess hours must be used by September 30, 2004 or will be lost. Public Law 27-106 does not allow lump sum compensation or retirement credit for annual leave in excess of three hundred twenty (320) hours.

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 \$561,210 and \$855,525 for the years ended September 30, 2004 and 2003, respectively.

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Notes to Financial Statements
September 30, 2004 and 2003

(1) Organization Summary of Significant Accounting Policies, Continued

Operating and Non-Operating Revenue and Expenses

Operating revenues and expenses generally result directly from the operation and maintenance of GWA. Non-operating revenues and expenses result from capital and financing activities, costs and related recoveries from natural disasters, surcharge and certain other non-recurring income and costs.

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 \$973,280 and \$1,800,000 at September 30, 2004 and 2003, respectively.

(2) Property, Plant and Equipment

	Beginning Balance October 1, 2003	Transfers and Additions	Transfers and Deletions	Ending Balance September 30, 2004
Utility Plant in Service – Water	\$ 192,962,490	\$ 2,275,506	\$ (414,143)	\$ 194,823,853
Utility Plant in Service - Wastewater	173,819,906	808,114	-	174,628,020
General Fixed Assets	16,622,625	377,290	-	16,999,915
Accumulated Depreciation	(157,491,400)	(10,736,777)	-	(168,228,177)
Construction Work in Progress	<u>1,864,754</u>	<u>1,956,767</u>	<u>(376,663)</u>	<u>3,444,858</u>
	<u>\$ 227,778,375</u>	<u>\$ (5,319,100)</u>	<u>\$ (790,806)</u>	<u>\$ 221,668,469</u>
	Beginning Balance October 1, 2002	Transfers and Additions	Transfers and Deletions	Ending Balance September 30, 2003
Utility Plant in Service – Water	\$ 192,213,194	\$ 908,049	\$ (158,753)	\$ 192,962,490
Utility Plant in Service - Wastewater	170,512,495	3,557,411	(250,000)	173,819,906
General Fixed Assets	18,234,201	258,681	(1,870,257)	16,622,625
Accumulated Depreciation	(149,323,509)	(10,035,700)	1,867,809	(157,491,400)
Construction Work in Progress	<u>5,466,467</u>	<u>221,796</u>	<u>(3,823,509)</u>	<u>1,864,754</u>
	<u>\$ 237,102,848</u>	<u>\$ (5,089,763)</u>	<u>\$ (4,234,710)</u>	<u>\$ 227,778,375</u>

(3) Accounts Receivable

Accounts receivable at September 30, 2004 and 2003, are as follows:

	2004	2003
Customers:		
Private	\$ 17,320,628	\$ 17,973,496
Government	<u>8,202,912</u>	<u>7,683,408</u>
	25,523,540	25,656,904
Federal agencies	723,279	378,176
GPA	<u>286,547</u>	<u>226,001</u>
	<u>26,533,366</u>	<u>26,261,081</u>

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Notes to Financial Statements
September 30, 2004 and 2003

(3) Accounts Receivable, Continued

	<u>2004</u>	<u>2003</u>
Less allowance for doubtful receivables:		
Private	(12,273,090)	(11,673,779)
Government	<u>(5,855,815)</u>	<u>(7,920,583)</u>
	(18,128,905)	(19,594,362)
	\$ <u>8,404,461</u>	\$ <u>6,666,719</u>

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

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

Long-term accounts receivable at September 30, 2004 and 2003 are as follows:

	<u>2004</u>	<u>2003</u>
Receivable from promissory notes	\$ -	\$ 508,700
Allowance for doubtful receivables	<u>-</u>	<u>(508,700)</u>
	\$ <u>-</u>	\$ <u>-</u>

(4) Long-Term Debt

Long-term debt at September 30, 2004 and 2003 is as follows:

	<u>2004</u>	<u>2003</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)	\$ -	\$ 484,129
Note payable to the U.S. Navy, interest at 1.25%, due in monthly installments of principal and interest of \$45,833 through March 2009, \$132,545 through March 2011, and \$264,853 through June 2012 (see note 15).	8,626,591	9,000,000
Payable to the Guam Power Authority in settlement of previously unpaid balances, interest at 4.33%, payable in monthly principal and interest installments of \$212,899 through 2010.	<u>13,313,861</u>	<u>15,190,311</u>
Total long-term debt	21,940,452	24,674,440
Less current portion	<u>(2,463,578)</u>	<u>(2,886,407)</u>
	\$ <u>19,476,874</u>	\$ <u>21,788,033</u>

GUAM WATERWORKS AUTHORITY

Notes to Financial Statements
September 30, 2004 and 2003

(4) Long-Term Debt, Continued

As of September 30, 2004, 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>
2005	\$ 2,463,578	\$ 641,206	\$ 3,104,784
2006	2,558,315	546,469	3,104,784
2007	2,657,060	447,724	3,104,784
2008	2,759,988	344,796	3,104,784
2009	3,287,431	236,148	3,523,579
2010 through 2012	<u>8,214,080</u>	<u>151,587</u>	<u>8,365,667</u>
	\$ <u>21,940,452</u>	\$ <u>2,367,930</u>	\$ <u>24,308,382</u>

Long-term debt includes invoices financed by IBM Credit Corporation (ICC) under a \$3.5 million line of credit. The purpose of the credit line is for the preapproved purchase, installation and upgrades of GWA's accounting and operating software and hardware systems, technical training and support of such systems, and related expenses. On June 4, 2001, ICC restructured 100% of the outstanding balance of credit line due to nonpayment under existing terms. GWA adhered to the restructured plan until January 2002. On June 21, 2002, GWA was officially in default on its line of credit agreement. Beginning March 2003 to May 2003, GWA made payments to ICC based on the June 2001 restructured terms. In May 2003, ICC restructured 100% of the remaining balance. The credit line has been fully paid as of September 30, 2004.

The following summarizes movements in GWA's non-current liabilities for the years ended September 30, 2004 and 2003:

	<u>Outstanding September 30, 2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>Outstanding September 30, 2004</u>	<u>Current</u>	<u>Noncurrent</u>
Guam Power Authority	\$ 15,190,311	\$ -	\$ 1,876,450	\$ 13,313,861	\$ 2,018,035	\$ 11,295,826
U.S. Navy	9,000,000	-	373,409	8,626,591	445,543	8,181,048
IBM	484,129	-	484,129	-	-	-
Employee annual leave	1,404,097	-	358,438	1,045,659	384,690	660,969
Retirement fund deferred contributions	2,476,320	1,900,563	-	4,376,883	-	4,376,883
DCRS sick leave liability	286,484	30,584	-	317,068	-	317,068
Other liabilities	<u>314,574</u>	<u>-</u>	<u>150,652</u>	<u>163,922</u>	<u>-</u>	<u>163,922</u>
	\$ <u>29,155,915</u>	\$ <u>1,931,147</u>	\$ <u>3,243,078</u>	\$ <u>27,843,984</u>	\$ <u>2,848,268</u>	\$ <u>24,995,716</u>

GUAM WATERWORKS AUTHORITY

Notes to Financial Statements September 30, 2004 and 2003

(4) Long-Term Debt, Continued

	Outstanding September 30, <u>2002</u>	<u>Increases</u>	<u>Decreases</u>	Outstanding September 30, <u>2003</u>	<u>Current</u>	<u>Noncurrent</u>
Guam Power Authority	\$ 15,696,000	\$ -	\$ 505,689	\$ 15,190,311	\$ 2,028,868	\$ 13,161,443
U.S. Navy	9,000,000	-	-	9,000,000	373,410	8,626,590
IBM	1,628,069	-	1,143,940	484,129	484,129	-
Employee annual leave	1,799,158	-	395,061	1,404,097	597,125	806,972
Retirement fund deferred contributions	1,213,162	1,263,158	-	2,476,320	-	2,476,320
DCRS sick leave liability	-	286,484	-	286,484	-	286,484
Other liabilities	<u>351,116</u>	<u>-</u>	<u>36,542</u>	<u>314,574</u>	<u>-</u>	<u>314,574</u>
	<u>\$ 29,687,505</u>	<u>\$ 1,549,642</u>	<u>\$ 2,081,232</u>	<u>\$ 29,155,915</u>	<u>\$ 3,483,532</u>	<u>\$ 25,672,383</u>

(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.

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 actuarial valuations performed as of September 30, 2002, 2001 and 2000 (applicable to fiscal year 2004, 2003 and 2002, respectively), contribution rates for the years ended September 30, 2004, 2003 and 2002, respectively, have been determined as follows:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Normal costs (% of DB Plan payroll)	17.66%	16.42%	15.15%
Unfunded liability costs (% of total payroll)	<u>16.23%</u>	<u>22.94%</u>	<u>18.58%</u>
	33.89%	39.36%	33.73%
Employee contributions (DB Plan employees)	<u>9.50%</u>	<u>9.50%</u>	<u>9.50%</u>
	24.39%	29.86%	24.23%
Agency specific adjustments	<u>- %</u>	<u>2.68%</u>	<u>0.91%</u>
Government contribution as a % of DB Plan payroll	<u>24.39%</u>	<u>32.54%</u>	25.14%
Government contribution as a % of total payroll	<u>20.81%</u>	<u>29.25%</u>	<u>N/A</u>

GUAM WATERWORKS AUTHORITY

Notes to Financial Statements
September 30, 2004 and 2003

(5) Employees' Retirement Plan, Continued

Statutory contribution rates for employer and employee contributions were 20.81% and 9.5%, respectively, for the year ended September 30, 2004. For the year ended September 30, 2003, statutory contribution rates for employer and employee contributions were initially set at 26% and 9.5%, respectively, by the Guam Legislature. The employer contribution rate was reduced to 18% by legislative action effective March 1, 2003.

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, 2002, 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, 2004 and 2003, 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.

Statutory employer contributions into the DCRS for the years ended September 30, 2004 and 2003 are determined using the same rate as the DB plan. Of the amount contributed by the employer, only 5% of the member's regular base pay is deposited into the member's individual annuity account. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

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.

Public Law 26-86 allows members of the Defined Contribution Retirement System to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. Management recorded an estimated liability of \$317,068 and \$286,484 at September 30, 2004 and 2003, respectively, for benefits to be payable under Public Law 26-86.

Retirement expense for the years ended September 30, 2004 and 2003 is as follows:

	<u>2004</u>	<u>2003</u>
Cash contribution and accruals	\$ 2,835,588	\$ 2,963,017
Increase in accrued unfunded liability to the retirement fund	<u>1,900,563</u>	<u>1,263,158</u>
	\$ <u>4,736,151</u>	\$ <u>4,226,175</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, 2004 and 2003, the properties have not been recognized in the financial statements pending completion of formal transfer proceedings.

GUAM WATERWORKS AUTHORITY

Notes to Financial Statements
September 30, 2004 and 2003

(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, 2004 and 2003 are \$3,280,492 and \$3,138,878, 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 \$2.7 million at September 30, 2004.

Medicare

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

Single Audit Questioned Costs

GWA undergoes annual compliance audits to satisfy federal grantor requirements. As of September 30, 2004, \$115,000 in questioned costs exist that arose from these audits. The questioned costs will be resolved by the applicable grantor and due to GWA's inability to predict the ultimate outcome of this matter, no provision for any liability, if any, that may result from this matter has been made in the accompanying financial statements.

GUAM WATERWORKS AUTHORITY

Notes to Financial Statements
September 30, 2004 and 2003

(8) Commitments and Contingencies, Continued

Stipulated Order

In 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 GWA's non-compliance with the National Primary Drinking Water Regulations, the U.S. Government is seeking both civil penalties and injunctive relief to address such non-compliance. Both GWA and the U.S. Government of Justice, Environmental and Natural Resources Division mutually agreed in the form of Stipulated Order to resolve the violation issues.

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

Typhoon Pongsona

In 2003, GWA incurred additional expenses related to Typhoon Pongsona amounting to approximately \$1.67 million. GWA may be able to receive reimbursement for this amount from the federal government. While management is currently in negotiations to obtain reimbursements, these costs have been expensed.

(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 totaled \$4,066,678 and \$3,299,883 as of September 30, 2004 and 2003, respectively, of which \$405,812 and \$213,444 were insured by the Federal Deposit Insurance Corporation and the remaining balances were uninsured and uncollateralized. In addition, \$4,000 and \$9,450, respectively, was held on hand for the exchange fund and petty cash as of September 30, 2004 and 2003. Restricted cash on hand consists of cash received for specific capital projects. At year end, restricted cash amounted to \$165,129.

(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 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, 2004 and 2003

(11) Adoption of New Accounting Principles

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

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

(12) System Development Fund

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

The Fund shall be expended only for expanding, upgrading or repairing water and wastewater facilities on Guam. Such restricted cash is placed in various savings and time certificate of deposit accounts. In 2004 and 2003, the net change in restricted cash equaled \$731 and \$(80,992), respectively. The changes represent transfers from and transfers to 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, 2004 and 2003, are as follows:

	<u>2004</u>	<u>2003</u>
Grants from U.S. Government:		
Received from the Department of the Interior	\$ -	\$ 642,019
Received from the Environmental Protection Agency	328,078	143,037
Received from the Federal Emergency Management Agency	269,020	1,825,761
Received from the Economic Development Administration	<u>-</u>	<u>49,432</u>
	\$ <u>597,098</u>	\$ <u>2,660,249</u>
Other contributions:		
Proceeds received through refinancing of Water Bond	\$ <u>578,754</u>	\$ <u>748,109</u>

GUAM WATERWORKS AUTHORITY

Notes to Financial Statements
September 30, 2004 and 2003

(14) Accrued Supplemental/COLA Annuities

As required by Public Law 26-35, as amended by Public Law 26-49 and 27-29 thereafter, GWA must pay to the Government of Guam Retirement Fund certain supplemental benefits paid to retirees. The supplemental benefits derive from an annual appropriation by the Guam Legislature and do not relate to covered Plan benefits. GWA's regulator has determined that payment of this liability will not be a recoverable cost. GWA has not been able to initiate litigation to resolve this matter. Therefore, GWA is currently unable to predict when the accrued balance will be paid.

(15) PUC Surcharge

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

On May 9, 2002, the Guam Legislature passed Public Law 26-81. The Law established a one-year moratorium of the 11.5% surcharge, wherein GWA was prohibited for the moratorium period from any further billings of the surcharge. Additionally, in order for GWA to pay its debt to GPA, the law appropriated \$2.75 million to GWA from a bond re-financing. In May 2003, the one year moratorium expired and proceeds from the renewed surcharge have gone toward GWA's obligation to GPA and effective October 2003, also to the obligation to the U.S. Navy.

(16) Prior Year Restatements

As discussed in note 1, Public Law 26-86 allows members of the DCRS to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. During the year ended September 30, 2004, GWA has estimated that a liability of \$286,484 existed as of September 30, 2003.

The accompanying 2003 financial statements have been restated for the foregoing as follows:

	2003 <u>Salaries and Wages</u>
As originally stated	\$ <u>14,942,234</u>
As restated	\$ <u>15,228,718</u>
	2003 <u>DCRS Sick Leave Liability</u>
As originally stated	\$ <u>-</u>
As restated	\$ <u>286,484</u>

GUAM WATERWORKS AUTHORITY

Schedule 1
Schedule of Equalization of Net Los:
Years Ended September 30, 1990 through 2004

	2004	2003 (As Restated)	2002	2001	2000	1999	1998 (1)	1997 (1)	1996 (1)	1995 (1)	1994 (1)	1993 (1)	1992 (1)	1991 (1)	1990 (1)
Net loss	\$ 1,809,232	\$ 7,402,223	\$ 14,712,887	\$ 639,033	\$ 9,930,509	\$ 9,756,403	\$ 20,589,668	\$ 12,002,404	\$ 2,486,481	\$ 7,293,467	\$ 10,920,041	\$ 3,069,762	\$ 4,394,359	\$ 1,744,519	\$ 67,612
Less transfers from GovGuam	578,754	748,109	2,859,524	2,800,388	-	-	-	-	18,538,800	22,743,010	16,136,274	24,959,972	27,447,270	22,064,351	24,009,417
Less other operating revenues recognized in 1999 attributable to prior years	-	-	-	-	-	4,282,966	-	-	-	-	-	-	-	-	-
Effect of unfunded pension liability	(1,900,563)	(1,263,158)	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 los:	<u>\$ 487,423</u>	<u>\$ 6,887,174</u>	<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 statement

See accompanying independent auditors' report

GUAM WATERWORKS AUTHORITY

Schedule 2 Schedule of Certain Operating and Maintenance Expenses Years Ended September 30, 2004 and 2003

	2004	2003 (As restated)
Salaries and wages:		
Regular, differential and hazardous pay	\$ 7,813,121	\$ 9,700,873
Pension costs	4,736,151	4,226,175
Overtime pay	339,061	1,015,186
Sick leave	30,584	286,484
	<u>12,918,917</u>	<u>15,228,718</u>
Total salaries and wages	\$ 12,918,917	\$ 15,228,718
Employees at end of year	242	263
Administrative and general:		
Materials and supplies	\$ 1,047,976	\$ 2,546,410
Bad debts	1,018,936	2,150,543
Chemicals	446,517	389,176
Public Utility Commission	339,345	165,610
Transportation	267,375	856,787
Communications	110,804	30,384
Liability claims	85,732	25,356
Advertising	53,776	22,951
Regulatory expense	33,260	-
Miscellaneous	149,299	105,749
	<u>3,553,020</u>	<u>6,292,966</u>
Total administrative and general	\$ 3,553,020	\$ 6,292,966
Contractual:		
Equipment rental	\$ 1,007,267	\$ 1,274,103
Labor, materials and others	952,489	1,231,640
Testing	218,204	485,882
Accounting	205,979	85,054
Legal	94,657	77,026
Engineering	56,668	-
	<u>2,535,264</u>	<u>3,153,705</u>
Total contractual	\$ 2,535,264	\$ 3,153,705
Other expense:		
Privatization	\$ 125,675	\$ -
Other	20,830	186,371
	<u>146,505</u>	<u>186,371</u>
	\$ 146,505	\$ 186,371

See accompanying independent auditors' report.

GUAM WATERWORKS AUTHORITY

Schedule 3
Schedule of Cash Flows Indicating Financing Method
Year Ended September 30, 2004

Cash flows provided by operating activities	\$ 6,452,351
Less nonpayment to GPA for 2004 expenses	<u>-</u>
Cash flows if all GPA expenses for 2004 were paid	6,452,351
Cash flows used for acquisition of utility plant, net of contributed capital received	<u>(2,194,864)</u>
Cash flows if GPA were fully paid and if utility plant were built, net of contributed capital received	<u><u>\$ 4,257,487</u></u>

See accompanying independent auditors' report.

GUAM WATERWORKS AUTHORITY

Schedule 4 Schedule of Construction Work in Progress Year Ended September 30, 2004

Project Title	Type	Ending Balance 2003	Additions and Transfers	Close out to FA FY2004	Write-off of Discontinued Project	Ending Balance 2004
Talofofo/Windward Hills Water System	Water	\$ 373,172	\$ -	\$ -	\$ -	\$ 373,172
Agat/Santa Rita Sewer System	Wastewater	302,212	-	-	-	302,212
Leyang South Barrigada	Wastewater	250,600	378,363	-	-	628,963
Ordot/Chalan Pago 2B	Wastewater	600,461	-	-	-	600,461
All Others	Water/Wastewater	338,309	1,578,405	(259,282)	(117,382)	1,540,050
		<u>\$ 1,864,754</u>	<u>\$ 1,956,768</u>	<u>\$ (259,282)</u>	<u>\$ (117,382)</u>	<u>\$ 3,444,858</u>

See accompanying independent auditors' report.