



Financial Highlights

Guam Waterworks Authority Financial Audit

Fiscal Year 2024

May 27, 2025

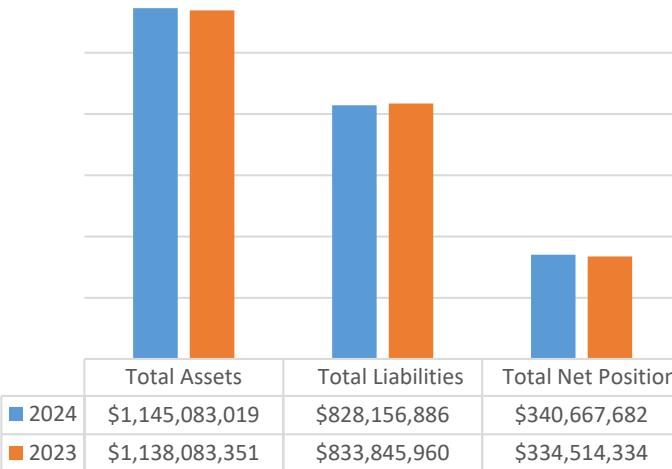
The Guam Waterworks Authority (GWA) received an unmodified (clean) opinion on its fiscal year (FY) 2024 financial statements from independent auditors Ernst & Young LLP (EY). EY rendered an unmodified opinion on GWA's compliance for major federal programs, and identified one significant deficiency in its report on Compliance and Internal Control. EY issued a Management Letter with two comments.

GWA closed FY 2024 with an increase in net position of \$6.2 million (M), from \$334.5M in FY 2023 to \$340.7M in FY 2024, resulting from net income generated during the year. As of the end of FY 2024, total assets increased by \$7.0M while total liabilities decreased by \$5.7M.

Increase in Total Assets and Decrease in Total Liabilities

Total assets increased by \$7.0M, from \$1.14 billion (B) in FY 2023 to \$1.15B in FY 2024, primarily due to the increases in cash and cash equivalents of \$16.6M and receivables of \$3.8M. However, the increases were significantly offset by the decrease of \$11.8M in total other non-current assets. Total liabilities decreased by \$5.7M, from \$833.8M in FY 2023 to \$828.2M in FY 2024, due mainly to the decreases in revenue bonds payable (less current maturities) of \$19.2M and net pension liability of \$6.0M. However, the post-employment benefits liability increased by \$16.0M, and payables to contractors increased by \$4.0M.

Increase in Total Assets and Decrease in Total Liabilities



Receivables and Related Party Transactions

As of FY 2024, receivables (net) of \$19.1M increased by \$3.8M from \$15.2M in FY 2023. The allowance decreased by \$705 thousand (K) as GWA wrote off \$1.0M of its uncollectible receivables that were beyond the four-year statute of limitations to recover. This is regularly done after attempts to collect have been exhausted. In addition, GWA recorded bad debts expense of \$312K for the year.

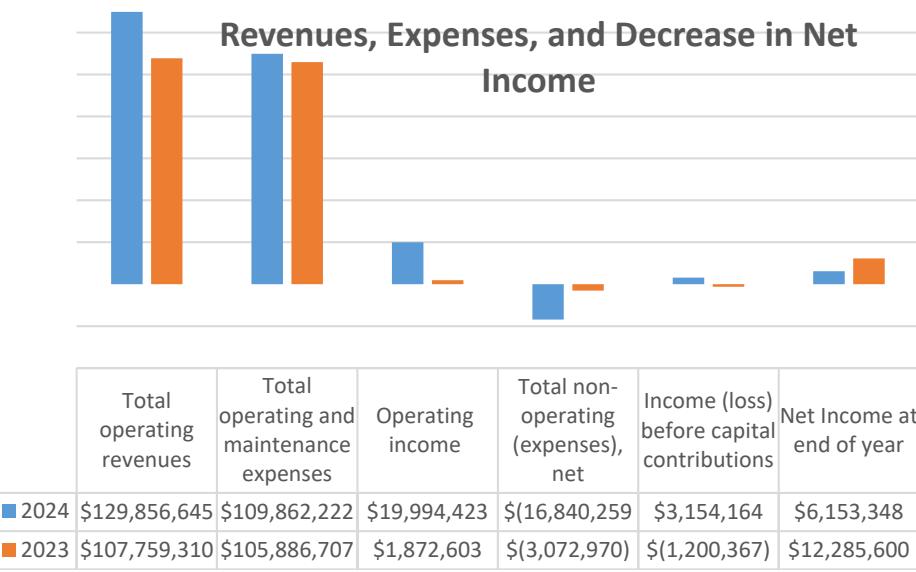
Unbilled receivables as of FY 2024 amounted to \$3.9M, with the highest from residential customers at \$1.8M. These unbilled receivables were then billed at the customer's regular bill cycle in October 2023, subject to collection when due.

As of September 30, 2024, GWA has a receivable of \$2.5M from the Guam Power Authority (GPA) for water and sewer charges on the facilities transferred by the Navy to GPA, while GWA owes GPA \$2.0M for power purchases, administrative expenses, and cost of reimbursements.

Revenues, Expenses, and Decrease in Net Income

For FY 2024, total operating revenues of \$129.9M had significantly increased by \$22.1M from the prior year's \$107.8M. Revenues for water and wastewater (excluding system development charges) increased by \$13.1M and \$8.4M, respectively. The growth can be primarily attributed to the 16.7% rate increase approved by the Public Utilities Commission effective October 2023, which directly impacted water and wastewater revenues.

For operating expenses, power purchases decreased by \$2.5M due to a decline in the Levelized Energy Adjustment Clause rates tied to the fluctuating oil price. Water purchases from the Navy, however, increased by \$1.6M (or 219M gallons) over FY 2023. GWA relies on the Navy's water supply to augment its water production.



Total operating and maintenance expenses increased by \$4.0M compared with the prior year, which was mainly attributed to increases in retiree health care cost and benefits of \$4.0M; and salaries and wages and benefits of \$1.5M, which were offset by the decrease in power purchase of \$2.5M.

Non-operating revenues (net) amounting to \$10.0M decreased by \$15.6M during the year as no grant was received from the Government of Guam (GovGuam), which provided \$14.5M in the prior year. Non-operating revenues of \$10.0M were offset by interest expense amounting to \$26.8M, which is a decrease of \$1.9M from the prior year. The decrease was partly due to the refunding of bonds.

The total non-operating expenses (net) amounting to \$16.8M grew by \$13.7M from the prior year's \$3.1M. For FY 2024, GWA generated net income of \$6.2M after capital contributions (grant from the U.S. Government) of \$3.0M. This net income decreased by \$6.1M from the prior year's net income of \$12.3M due to the decrease in the grant from U.S. Government of \$10.5M.

Revenue Bonds and Pledged Revenues

As of September 30, 2024, GWA had outstanding revenue bonds payable (less current portion) of \$620.9M, which decreased by \$19.2M from \$640.1M in FY 2023. The total principal and interest remaining on these bonds is \$1.0B payable through January 2050. For FY 2024, debt service paid on these bonds was \$251.4M, and total pledged GWA system revenues were \$123.7M.

Legal Matters

Certificate of Title Litigation

GWA is continuously seeking a resolution in a quiet title for the Northern Wastewater Treatment Plant. In May 2024, GWA sought an interlocutory appeal with the Guam Supreme Court in its April 2024 decision and order for the reversion of land in favor of the opposing party (private property owner). In January 2025, GWA's request for an appeal was granted, and the litigation before the Superior Court is stayed until the Supreme Court appeal is resolved.

Civil Suit-Gershman, Brickner and Bratton (GBB)

In November 2024, GWA was served a civil suit resulting from a \$4.4M demand in damages from GBB, the federal dump's Receiver. The suit alleges that GWA is responsible for the increased leachate flows and volumes to the Ordot Dump, which has resulted in extraordinary costs to the Receiver and Guam Solid Waste Authority for treatment and investigation. GWA filed a Motion to Dismiss in January 2025, and is under advisement awaiting a decision by the Superior Court as of April 2025.

Regulatory Oversight-Court Orders

In 2002, the U.S. Government filed a complaint against GWA and GovGuam for alleged violations under the federal Clean Water Act and Safe Drinking Water Act. GWA is currently under the 2011 Court Order to address the U.S. Environmental Protection Agency (U.S. EPA) complaints. The 2011 U.S. District Court order deadline was extended from June 2023 to December 2025. GWA continues to work to complete the sole remaining compliance requirement by the new deadline.

Partial Consent Decree

The Partial Consent Decree is focused on the wastewater collection system as it relates to compliance with the federal Clean Water Act. In the coming year, GWA must comply with the following deliverables: a) inventory of all Force main piping in GWA's system, b) Force Main contingency plan, c) CCTV Inspection certification, d) Gravity main assessment, and e) Tier 1 pump station work plan.

Emerging Contaminants

In April of 2024, the U.S. EPA announced the regulation of poly-fluoroalkyl substances (PFAS) compounds under the Safe Drinking Water Act. The proposed regulations require that public water systems treat source water with concentrations of these substances above a Maximum Contaminant Level to remove the contaminants prior to entry into the distribution system. GWA is finalizing the procurement of the design services for these systems. Additionally, Guam EPA will be promulgating local drinking water regulations for a pesticide compound known as dieldrin, which is currently unregulated at the federal level. GWA has contracted for the required design and construction of treatment systems to remove the contaminants at affected well sites.

Federal Assistance

The Trump Administration had initiated significant changes to federal grant programs. In January 2025, the Office of Management and Budget (OMB) instructed all federal agencies to pause: a) issuance of new awards, b) disbursement of funds under existing awards, c) activities related to open Notices of Funding Opportunities, and d) any other relevant actions pending OMB review. It is unknown how the Trump administration's recent policies will affect the funding levels available to GWA.

Compliance and Internal Control

EY rendered an unmodified opinion on compliance for major federal programs. However, it noted one

significant deficiency relative to noncompliance with 2 Code of Federal Regulations Section 180.300, which requires verification if the person they intend to do business is not excluded or disqualified. No question cost was reported as EY did not identify any suspended or debarred individuals in its review of selected transactions. EY recommended that GWA develop and implement a formal procedure of verification prior to entering into covered transactions.

Report on Schedule of Expenditures and Federal Awards (SEFA)

During FY 2024, GWA expended a total of \$3.0M of federal awards from three different federal agencies, with the largest from U.S. EPA amounting to \$2.1M. EY opined that the SEFA was fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Management Letter

In its Management Letter for FY 2024, EY issued two comments/observations with their recommendations relative to: 1) amortization of deferred outflows of resources-bond defeasance; and 2) timely determination of service date of construction in progress (CIP).

1. The impact of partial refunding of two series bonds was not properly considered in the revised amortization schedule, which should be reflected therein to properly reflect the impact and recognize the catch-up adjustments for the transaction.
2. Prior year CIP assets with service dates updated to have commenced in the prior year due to late determination of service dates. Management should make a timely determination of proper service date of CIP assets to avoid inconsistencies with current and prior year balances.

For more details, refer to GWA's FY 2024 Financial Statements, Report on Compliance and Internal Control, and Auditor's Communication to those Charged with Governance. at www.opaguam.org and www.guamwaterworks.org.