

*Financial Statements, Required Supplementary
Information, and Supplementary and Other Information*

Guam Waterworks Authority

(A Component Unit of the Government of Guam)

*Years ended September 30, 2024 and 2023
with Report of Independent Auditors*



Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Financial Statements, Required Supplementary Information,
and Supplementary and Other Information

Years ended September 30, 2024 and 2023

Contents

Report of Independent Auditors.....	1
Management’s Discussion and Analysis	5
Audited Basic Financial Statements	
Statements of Net Position.....	26
Statements of Revenues, Expenses and Changes in Net Position	29
Statements of Cash Flows.....	31
Notes to Financial Statements.....	33
Required Supplementary Information	
Schedule 1 – Schedule of Proportionate Share of the Net Pension Liability – Defined Benefit Plan.....	71
Schedule 2 – Schedule of Proportionate Share of the Collective Total Pension Liability – Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees	72
Schedule 3 – Schedule of Proportionate Share of the Collective Total Pension Liability – Ad Hoc COLA Plan for DCRS Retirees	73
Schedule 4 – Schedule of Pension Contributions	74
Schedule 5 – Schedule of Proportionate Share of the Collective Total OPEB Liability	75
Schedule 6 – Notes to Required Supplementary Information	76
Supplementary and Other Information	
Schedule 7 – Schedule of Certain Operating and Maintenance Expenses.....	77
Schedule 8 – Schedule of Construction Work in Progress	78
Schedule 9 – System Development Charge Fund Schedules of Net Position, Revenue, Expenses and Changes in Net Position	79
Schedule 10 – Schedule of Operating Revenues	80
Schedule 11 – Schedule of Employee and Other Data	81

Report of Independent Auditors

Commissioners
Consolidated Commission on Utilities

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Guam Waterworks Authority (the Authority), a component unit of the Government of Guam, as of and for the years ended September 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents (collectively referred to as the "basic financial statements").

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority at September 30, 2024 and 2023, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis as well as the Schedules of Proportionate Share of the Net Pension Liability, the Schedule of Pension Contributions, the Schedule of Proportionate Share of the Total OPEB Liability, and the Notes to Required Supplementary Information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Schedule of Certain Operating and Maintenance Expenses, the Schedule of Construction Work in Progress, the Schedules of Net Position, Revenue, Expenses and Changes in Net Position for the System Development Charge Fund, and the Schedule of Operating Revenues are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Certain Operating and Maintenance Expenses, the Schedule of Construction Work in Progress, the Schedules of Net Position, Revenue, Expenses and Changes in Net Position for the System Development Charge Fund, and the Schedule of Operating Revenues are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the Schedule of Employee and Other Data but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2025 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Ernst + Young LLP

May 26, 2025

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis

Years ended September 30, 2024 and 2023

As management of the Guam Waterworks Authority (GWA), we offer readers of GWA's financial statements this narrative overview and analysis for the fiscal year ending September 30, 2024. It is based on the financial statements provided in the annual audit report. Selected comparable financial data from the prior year is also provided.

The following Management's Discussion and Analysis (MD&A) should be read in conjunction with GWA's basic financial statements and related notes to enhance understanding of the Authority's financial performance.

Introduction

GWA provides water and wastewater services to the majority of Guam's civilian population and some military facilities. In 2002, pursuant to Public Law 26-76, the Authority was converted from a government agency to a Guam public corporation governed by the Consolidated Commission on Utilities (CCU).

The CCU is an elected non-partisan body with five staggered positions. The five-member commission assumed policy responsibility and decision-making authority over GWA operations. Their roles include the development of operating and financial budgets and overall management strategy and direction. Two seats were up for election on November 5, 2024. The CCU hires the General Manager, the Legal Counsel, and the Chief Financial Officer for GWA. The CCU also oversees the Guam Power Authority (GPA).

GWA's main offices are co-located with GPA at the Gloria B. Nelson Public Service Building in Fadian, Mangilao. Satellite offices in Hagåtña and Upper Tumon serve both GWA and GPA customers. Operations and Maintenance personnel also work out of water and wastewater treatment plants as well as field offices in various locations. At the end of FY2024, GWA had a staff of 347 full-time equivalent (FTE) employees.

GWA owns and operates a variety of facilities that provide water and wastewater services. These facilities represent a significant investment of ratepayer funds and include substantial visible and underground infrastructure assets. The condition and performance of GWA's existing utility system assets were reviewed in the 2018 Water Resources Master Plan Update; the next update to the Master Plan is scheduled to be completed in FY2025.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

Introduction, continued

Water sources on the island of Guam include groundwater, surface water, and springs. Groundwater supplies about 90 percent of the drinking water for Guam's residents and visitors. Deep wells are used to extract groundwater for use. GWA owns 120 wells, of which 95 were operational (though all were not in use) on September 30, 2024. GWA's water system includes a network of transmission and distribution pipelines, booster pump stations, pressure regulating valve stations, reservoirs, tanks, and fire hydrants, all supporting the agency's effort to provide more efficient and reliable service to its customers while meeting regulatory requirements. At the end of FY2024, GWA had over 43,650 water customers.

GWA provides wastewater services for Guam's general population, Andersen Air Force Base, and other military installations in Northern Guam. At the end of FY2024, GWA had more than 31,150 wastewater customers. The wastewater system is separated into seven wastewater basins, served by six wastewater treatment plants, and an extensive collection system. The GWA wastewater collection systems are comprised of gravity sewer pipes, manholes, pump stations, ejector stations, force mains, and siphons.

GWA continues to transform by working to improve its management and operations. Recent successes include continued development of our asset management program and deployment of mobile workforce tools, advancing the implementation of District Metered Areas and proactive leak detection as part of our comprehensive Water Loss Control Program, initial testing for implementation of Advance Metering Infrastructure (AMI) to enhance customer metering and streamlining/automating certain aspects of our procurement processes. These efforts have all contributed to improved operations and set the stage for gains in efficiency and improved operating results in the near future.

Regulatory Oversight

Public Utilities Commission

The Guam Public Utilities Commission (PUC) has the responsibility and authority to regulate rates charged by GWA as well as approve all revenue-funded contracts over \$1 million. The PUC is governed by seven commissioners who serve six-year terms under appointments by the Governor and confirmation by the legislature.

On March 8, 2024, GWA submitted a draft petition to the PUC for approval of the Five-Year Financial Plan and rate relief for FY2025 through FY2029. The FY2025-FY2029 Five-Year Financial Plan, GWA Docket 24-05, was officially filed on June 6, 2024. The PUC issued a rate decision on September 24, 2024, approving an 11.5% increase in water and wastewater rates effective October 1, 2024. The PUC also approved rate increases of 10.75% for FY2026, and rate increases of 7.75% in FY2027, FY2028, and FY2029. Lifeline rate increases were approved only for FY2025. Rate increases for FY2026 through FY2029 are subject to annual true-up proceedings.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

Regulatory Oversight, continued

Public Utilities Commission, continued

A five-year Capital Improvement Program was submitted with the FY2025-FY2029 Financial Plan totaling \$899 million. Thirty percent (30%) of the CIP consists of Partial Consent Decree projects (wastewater collection), 22% of the CIP will address emerging contaminants (water production and water treatment), 23% is projected to be spent on line replacements which will address water loss, and the remainder will be used for general plant improvements, expansion of SCADA and a study to address the movement of the Hagåtña Wastewater Treatment Plant to secondary treatment.

A PUC Order, issued on March 28, 2024, approved in principle, a new rate design structure proposed in GWA Docket 19-08. The proposed rate design replaces the current residential two-tier rate structure with a three-block volumetric water charge. Additionally, residential customers will be charged a monthly meter-based fixed charge along with a volumetric charge for wastewater services instead of the current wastewater fixed monthly fee. A fixed monthly wastewater charge for commercial customers is proposed in combination with the current volumetric wastewater charges. GWA plans to include the implementation of the rate design with its FY2026 rates.

Guam and US Environmental Protection Agencies

GWA must adhere to Guam and federal regulations for both water and wastewater treatment and services. Water standards are based on the requirements established by the Safe Drinking Water Act (SDWA), while wastewater treatment and disposal are governed by the Clean Water Act (CWA). The U.S. Environmental Protection Agency (US EPA) issues NPDES (National Pollutant Discharge Elimination System) permits for GWA facilities when required and is responsible for monitoring its compliance. The Guam Environmental Protection Agency (GEPA) is the territorial agency in charge of monitoring GWA water system operations as well as SDWA compliance.

GWA is currently under a 2011 Court Order to address US EPA complaints and has completed all but one element, which involves repairing or replacing potable water reservoirs. Due to the challenges impacting construction capacity on Guam, including global supply chain disruptions, inflationary pressures, and the ongoing military buildup, the District Court approved GWA's request to extend the deadline for completing the reservoir projects to December 31, 2025.

In further regulatory enforcement efforts, GWA and US EPA negotiated a Partial Consent Decree (CD) to address its wastewater collection and conveyance systems. The negotiated Partial CD, signed by Guam signatories in December 2023, was filed by US EPA in Guam District Court on January 31, 2024. On August 9, 2024, the Partial CD was signed by Chief Judge Tydingco-Gatewood, and it went into effect.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

Regulatory Oversight, continued

Guam and US Environmental Protection Agencies, continued

The 2024 Partial CD requires the Authority to make certain improvements to the System and to undertake certain planning measures by specific dates in the next 10 years. Such improvements primarily relate to the wastewater collection system, including pipelines, pump stations, maintenance and other operational program improvements, and planning studies for secondary wastewater treatment.

Bond Refunding and Tender

GWA issued Series 2024AB Refunding Bonds to refinance all or a portion of Series 2013 Revenue Bonds and Series 2014A Refunding Bonds for debt service savings. Proceeds were also allocated to cover the purchase of certain GWA bonds tendered for cash pursuant to the Invitation to Tender Bonds. Additionally, proceeds were used to cover the costs of issuance of the Series 2024AB Refunding Bonds and associated refunding. The pricing of the refunding bonds occurred on February 29, 2024. The closing of the Series 2024A Refunding Bonds occurred on March 14, 2024, while the Series 2024B Refunding Bonds closed on April 2, 2024. The 2024AB Refunding and Tender resulted in debt service savings of \$21 million or net present value savings after adjustments of \$14.5 million.

Additional Bond and Short-Term Financing Authorization

Public Law 37-103 increased GWA's bond authorization by \$560 million for a portion of the revenue bond issuances needed to finance proposed capital improvement projects (CIP) contained in the FY2025-FY2029 Financial Plan. Additionally, the public law authorizes a Tax-Exempt Commercial Paper (TECP) Program or similar short term financing instruments to be used during initial construction periods to reduce interest expense. GWA is also authorized to apply for and secure a US EPA Water Infrastructure Finance and Innovation Act (WIFIA), US Department of Agriculture infrastructure, or commercial bank loan.

Debt Service Coverage

GWA Resolution 17-FY2020 adopted a debt service coverage target of 1.4X for FY2021 and a near-term goal of 1.5X beginning in FY2022 calculated on the same basis as is called for in the GWA Revenue Bond Indenture. However, in response to financial pressures created by the impacts of the global pandemic on Guam's economy, the PUC authorized a debt service coverage ratio of 1.3X for the remainder of the Five-year Financial Plan, i.e., through FY2024, in its September 2022 rate order.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

2022 Salary Market Update and Strategic Pay Scale

To enhance GWA's competitiveness in the job market, on May 28, 2024, the CCU accepted the recommendations made in Resolution 07-FY2024 relative to the 2022 Salary Market Review Update. A new and adjusted strategic pay scale and related structural pay adjustments contained in the 2022 Market Review were implemented in June 2024, migrating the 2022 pay scale to the 25th market percentile. Further, GWA will migrate to the 50th market percentile by FY2029, subject to the availability of funds.

Financial Management System

In FY2024, GWA launched Phase 2 of its Financial Management System upgrade, Oracle Procurement Cloud. The overall objective of the project is to support the efficient execution of CIP projects, including digitizing procurement, CIP planning, and engineering document management.

GWA has continued to leverage Oracle's Content and Experience Cloud (CEC) to assist with document storage, management, and collaboration.

Federal Assistance

U.S. Environmental Protection Agency (US EPA)

The Infrastructure Investment and Jobs Act, also known as the Bipartisan Infrastructure Law, was signed into law on November 15, 2021. As a result, the GWA FY2024 (Federal Fiscal Year 2023) allotment received through the US EPA State Revolving Fund was \$24 million. Funds must be obligated within three years and are used for a number of water and wastewater capital projects including sewer line upgrades, sewer force main improvements, and water distribution system pressure zone realignments. US EPA SRF expenditures totaled \$2.1 million in FY2024.

American Rescue Plan Act (ARPA)

In November 2022, GWA received \$8.6 million in ARPA funding from the Office of the Governor of Guam to enhance utility services to underserved areas impacted by the COVID-19 pandemic. This grant will fund water and wastewater infrastructure upgrades in Adacao; \$672 thousand was expended in FY2024.

Department of Interior (DOI)

In prior years, GWA was awarded grants for training and equipment purchases through the Office of Insular Affairs. DOI expenditures related to those grants totaled \$198 thousand in FY2024. Additionally, GWA was awarded \$400 thousand from the Bureau of Reclamation at the end of FY2024 for rehabilitation of the Santa Rita Springs.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

Federal Assistance, continued

Ratepayer Assistance Programs

The Guam Department of Administration administered programs to assist qualified applicants pay current and past due GWA bills. The Guam Emergency Rental Assistance Program (GERAP) and the Guam Homeowners Assistance Fund (GHAFP), funded through the second federal relief act, assists renters and homeowners with water and wastewater billings. In FY2024, total GERAP payments received were approximately \$539 thousand and total GHAFP payments received were approximately \$73 thousand.

Typhoon Mawar

After a review of GWA claims, FEMA provided an estimate of eligible reimbursements of \$1.1 million for Category B Emergency Protective Measures related to May 2023's Typhoon Mawar. On February 19, 2025, GWA received a notice of award for reimbursement of these claims totaling \$1.0 million from the Guam Homeland Security Office of Civil Defense. GWA is also working on Category F Permanent Work claims documentation currently estimated at \$1.3 million.

Additionally, GWA is working with its insurance company on claims, including business interruption, related to Typhoon Mawar. In FY2024, GWA's insurance company provided an advance of \$1.0 million towards typhoon damage related claims. In April 2025, GWA received \$660 thousand towards its business interruption claim. GWA's policy has a \$1 million deductible.

Water Loss

As of FY2024, GWA has established 21 and is constructing 4 additional district metered areas (DMAs) out of a planned 36 DMAs. The remaining 11 DMAs are currently contracted for design and will then be constructed. Within each DMA, water flow entering and leaving the DMA can be measured through flow meters and customer meters. Using this flow data, real water losses within each DMA can be determined. The data from the DMA is loaded into software to analyze loss patterns and trends and assess performance of leak detection and repair efforts. Leak detection campaigns are being performed to identify and repair leaks that otherwise would not have been reported.

The vast majority of leaks detected occur on service laterals less than 4 inches in diameter, and although reductions in losses have been achieved after detected leaks are repaired, they are not sustained as new leaks in other sections of the piping subsequently appear. The data resulting from the on-going water loss control program confirms that piping is beyond its useful service life and sustained reductions in water loss will require large scale line replacements. In FY2024, GWA issued several line replacement design contracts to begin these pipe replacement projects.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

Water Loss, continued

Additional leak detection equipment has been acquired and training for leak detection staff has been conducted. As of FY2024, GWA has deployed three (3) leak detection teams as scheduled to conduct recurring and regular sweeps of each operational DMA. Aside from the identification and repair of leaks that would otherwise not be reported, the teams have also identified illegal connections and reported them for action to GWA's revenue protection unit. Additional personnel are needed to fully staff each of the three teams, and an additional team may be required as more DMA's are brought on-line.

Guam's Economic Recovery

GWA continues to monitor the pace of Guam's post-pandemic tourism recovery and has maintained its cost-containment strategy, worked towards reducing production and enhanced water loss control efforts, while closely tracking the rebound's impact on revenues.

GWA also worked to maintain the timely execution of on-going CIP projects to enhance critical water and wastewater infrastructure systems, and to sustain economic activity related to these significant construction projects.

Overview of the Financial Statements

This MD&A is intended to serve as an introduction to GWA's basic financial statements. GWA's basic financial statements are for a single proprietary fund and include the financial statements, notes to those financial statements, and other supplementary and statistical information.

Proprietary Fund Financial Statements

GWA's operations are accounted for as a single proprietary fund using the full accrual basis of accounting. In this regard, GWA operations are accounted for in a manner similar to a private enterprise. Within this one proprietary fund, GWA segregates revenues and expenses for various purposes such as operations, debt service, and capital improvements, but that segregation does not create separate proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found beginning on page 33 of this report.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents supplementary and statistical information. Supplementary and statistical information can be found beginning on page 77 of this report.

Financial Condition and Results

In FY2024, the Authority experienced a substantial increase in its total net position, rising by \$6.2 million over FY2023. This improvement resulted from a net operating income of \$20.0 million, coupled with non-operating revenues of \$10.0 million, primarily from investment income. These gains were partially offset by non-operating expenses amounting to \$26.8 million, mainly due to interest expenses, and \$3.0 million in capital contributions.

The Authority's net investment in capital assets constitutes 94.1% of total net position which represents significant investments in GWA's utility infrastructure. The net amount invested in capital assets decreased by \$10.2 million compared to the previous year.

Summary Statement of Net Position

	September 30, 2024	September 30, 2023	<u>2024 to 2023 Comparison</u>		September 30, 2022
			Increase/ (Decrease)	% Change	
Current and other assets	\$ 333,682,275	\$ 325,180,362	\$ 8,501,913	2.6%	\$ 326,517,486
Capital assets, net	811,400,744	812,902,989	(1,502,245)	-0.2%	814,497,440
Deferred outflows of resources	<u>69,291,823</u>	<u>77,227,192</u>	<u>(7,935,369)</u>	-10.3%	<u>80,679,601</u>
Total assets and deferred outflows	<u>\$1,214,374,842</u>	<u>\$1,215,310,543</u>	<u>\$ (935,701)</u>	-0.1%	<u>\$1,221,694,527</u>
Current and other liabilities	\$ 196,805,836	\$ 182,998,550	\$ 13,807,286	7.5%	\$ 205,224,088
Long-term debt	631,351,050	650,847,410	(19,496,360)	-3.0%	662,573,147
Deferred inflows of resources	<u>45,550,274</u>	<u>46,950,249</u>	<u>(1,399,975)</u>	-3.0%	<u>31,668,558</u>
Total liabilities and deferred inflows	<u>873,707,160</u>	<u>880,796,209</u>	<u>(7,089,049)</u>	-0.8%	<u>899,465,793</u>
Net Position:					
Net investment in capital assets	320,670,696	330,849,577	(10,178,881)	-3.1%	322,499,972
Restricted	119,899,165	102,947,398	16,951,767	16.5%	99,393,423
Unrestricted	<u>(99,902,179)</u>	<u>(99,282,641)</u>	<u>(619,538)</u>	0.6%	<u>(99,664,661)</u>
Total net position	<u>340,667,682</u>	<u>334,514,334</u>	<u>6,153,348</u>	1.8%	<u>322,228,734</u>
Total liabilities, deferred inflows and net position	<u>\$1,214,374,842</u>	<u>\$1,215,310,543</u>	<u>\$ (935,701)</u>	-0.1%	<u>\$1,221,694,527</u>

Total operating revenues for FY2024 increased by 20.5%, or \$22.1 million, over the prior fiscal year. This growth can largely be attributed to a 16.7% rate increase approved by the PUC, effective October 1, 2023, directly impacting the Authority's water and wastewater revenues.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

Financial Condition and Results, continued

Water revenues, excluding System Development Charges, rose significantly by \$13.1 million, or 19.1%, driven by higher demand and the PUC-approved rate increase. In the residential sector, water revenue increased by \$5.5 million despite a slight decline in demand of 2.2%, equivalent to 69.5 million gallons. The hotel sector contributed an additional \$3.1 million, driven by a substantial 14.6% increase in demand, amounting to 80.9 million gallons which can be attributed to an increase in visitor arrivals. According to the Guam Visitors Bureau, visitor statistics showed a 25% increase, with total visitors reaching 752 thousand at the end of FY2024, compared to 602 thousand at the end of FY2023. The commercial sector also saw growth, adding \$3.0 million in revenue, supported by a 2.9% rise in demand, amounting to 23.9 million gallons.

Wastewater revenues, excluding System Development Charges, grew by \$8.4 million, or 22.4%. The hotel sector saw the most significant increase, with revenue rising by \$2.7 million, or 33.8%, driven by a 12.8% increase in wastewater flow, equivalent to 48.1 million gallons. The federal sector followed, with a revenue increase of \$2.0 million, or 28.2%, supported by an 8.8% rise in volume discharged, translating to 49.3 million gallons. The residential sector contributed \$1.7 million, or 18.0%, to revenues, despite a 3.0% decline in wastewater flow, amounting to a reduction of 56.9 million gallons.

Notably, the growth in non-residential wastewater revenues is closely tied to water consumption, with these revenues being billed at 80% of water demand. In contrast, residential customers with wastewater services are billed at a flat rate. Among the approximately 40 thousand residential customers with water services, only about 78%, or 31 thousand, have wastewater services.

Total operating expenses for FY2024 increased by 3.8%, or \$4.0 million, compared to FY2023. Power purchases decreased by \$2.5 million, or 10.3%, due to a decline in the LEAC (Levelized Energy Adjustment Clause) rates tied to the fluctuating price of oil. The LEAC dropped by 27% in the first half of FY2024 and increased by 13% in the second half. Overall consumption also decreased by 754 thousand kWh, with wastewater treatment demand down by 30% and water production demand up by 8%.

Water purchases from the Navy increased by \$1.6 million, or 23.1%, due to a 37.1%, or 219 million gallons, increase over FY2023. The Authority relies on the Navy's water supply to augment GWA's water production when necessary.

Salaries increased by \$1.5 million, or 5.9%, primarily due to a year-end pension adjustment of \$1.1 million. Additionally, employees received a structural pay adjustment to the 25% percentile on the updated 2022 pay scale approved in GWA Resolution 07-FY2024. The pay adjustment occurred in the last quarter of FY2024, resulting in an additional \$900 thousand in costs, inclusive of benefits.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

Financial Condition and Results, continued

Retiree healthcare costs increased by 87.4%, an additional \$4.0 million over FY2023. This rise is due to accounting rules that require recognition of future costs of promised postemployment benefits, even though these adjustments do not involve any current cash outlays.

Non-operating results reflect a decrease of \$15.6 million in non-operating revenues and a \$1.9 million reduction in interest expense due to the Authority's issuance of its 2024A and 2024B refunding of the 2013 and 2014A bonds and tender of portions of its 2016, 2017 and 2020B bonds in FY2024.

A comparative analysis of Revenues, Expenses, and Changes in Net Position for FY2024 and FY2023, as well as the results of FY2022 are illustrated in the table below:

Results of Operations/Statement of Revenues, Expenses and Changes in Net Position

	September 30, 2024	September 30, 2023	<u>2024 to 2023 Comparison</u>		September 30, 2022
			Increase/ (Decrease)	% Change	
Revenues:					
Water	\$ 82,701,804	\$ 69,482,859	\$13,218,945	19.0%	\$ 67,271,841
Wastewater	46,792,848	38,130,751	8,662,097	22.7%	35,434,169
Other	591,327	567,167	24,160	4.3%	464,488
Bad debts	(229,334)	(421,467)	192,133	-45.6%	(2,028,510)
Total operating revenue	<u>129,856,645</u>	<u>107,759,310</u>	<u>22,097,335</u>	20.5%	<u>101,141,988</u>
Expenses:					
Power purchases	21,892,448	24,397,961	(2,505,513)	-10.3%	18,577,440
Water purchases	8,662,002	7,038,954	1,623,048	23.1%	5,656,471
Sludge (waste) disposal fees	1,099,837	676,362	423,475	62.6%	658,813
Salaries, wages and benefits	25,922,460	24,470,756	1,451,704	5.9%	22,191,629
Depreciation	30,172,311	30,911,997	(739,686)	-2.4%	28,462,573
Administrative and general	8,213,661	8,346,930	(133,269)	-1.6%	7,297,610
Contractual	5,237,504	5,421,883	(184,379)	-3.4%	4,492,845
Retiree healthcare costs and other benefits	8,661,999	4,621,864	4,040,135	87.4%	8,864,985
Total operating expenses	<u>109,862,222</u>	<u>105,886,707</u>	<u>3,975,515</u>	3.8%	<u>96,202,366</u>
Net operating income	19,994,423	1,872,603	18,121,820	967.7%	4,939,622
Non-operating revenue	9,965,400	25,605,563	(15,640,163)	-61.1%	941,435
Less: Interest expense	(26,805,659)	(28,678,533)	1,872,874	-6.5%	(29,175,309)
Total non-operating revenues (expenses), net	<u>(16,840,259)</u>	<u>(3,072,970)</u>	<u>(13,767,289)</u>	448.0%	<u>(28,233,874)</u>
Income (loss) before capital contributions	3,154,164	(1,200,367)	4,354,531	-362.8%	(23,294,252)
Capital contributions	<u>2,999,184</u>	<u>13,485,967</u>	<u>(10,486,783)</u>	-77.8%	<u>35,806,383</u>
Change in net position	6,153,348	12,285,600	(6,132,252)	-49.9%	12,512,131
Net position - beginning year	<u>334,514,334</u>	<u>322,228,734</u>	<u>12,285,600</u>	3.8%	<u>309,716,603</u>
Net position - end of year	<u>\$340,667,682</u>	<u>\$334,514,334</u>	<u>\$ 6,153,348</u>	1.8%	<u>\$322,228,734</u>

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

Financial Condition and Results, continued

The tables below illustrate the distribution of revenues and demand among major customer classes:

Annual Water Revenues (Excluding System Development Charges)

<u>Class Type</u>	<u>FY24</u>	<u>FY23</u>	<u>2024 to 2023 Comparison</u>		<u>FY22</u>
			<u>Increase (Decrease)</u>	<u>% Change</u>	
Agricultural	\$ 501,463	\$ 368,471	\$ 132,992	36.1%	\$ 431,070
Golf Course	18,620	116,491	(97,871)	-84.0%	70,280
Commercial	17,467,530	14,461,167	3,006,363	20.8%	13,720,269
Federal	33,854	25,097	8,757	34.9%	28,145
Government	9,053,937	7,514,091	1,539,846	20.5%	7,611,024
Hotel	12,143,153	9,046,164	3,096,989	34.2%	7,125,401
Irrigation	38,727	34,965	3,762	10.8%	39,113
Residential	<u>42,668,267</u>	<u>37,209,436</u>	<u>5,458,831</u>	14.7%	<u>37,709,793</u>
Total	<u>\$81,925,551</u>	<u>\$68,775,882</u>	<u>\$13,149,669</u>	19.1%	<u>\$66,735,095</u>

Annual Wastewater Revenues (Excluding System Development Charges)

<u>Class Type</u>	<u>FY24</u>	<u>FY23</u>	<u>2024 to 2023 Comparison</u>		<u>FY22</u>
			<u>Increase (Decrease)</u>	<u>% Change</u>	
Commercial	\$ 9,280,158	\$ 8,538,306	\$ 741,852	8.7%	\$ 8,373,667
Federal	9,093,663	7,094,928	1,998,735	28.2%	6,110,211
Government	5,583,721	4,356,099	1,227,622	28.2%	4,391,010
Hotel	10,835,621	8,100,157	2,735,464	33.8%	6,523,248
Residential	<u>11,077,096</u>	<u>9,389,071</u>	<u>1,688,025</u>	18.0%	<u>9,327,418</u>
Total	<u>\$45,870,259</u>	<u>\$37,478,561</u>	<u>\$8,391,698</u>	22.4%	<u>\$34,725,554</u>

Water Demand by Rate Class

(in '000 gallons)

<u>Class Type</u>	<u>FY24</u>	<u>FY23</u>	<u>2024 to 2023 Comparison</u>		<u>FY22</u>
			<u>Increase (Decrease)</u>	<u>% Change</u>	
Agricultural	59,551	49,748	9,803	19.7%	65,719
Golf Course	158	6,415	(6,257)	-97.5%	3,796
Commercial	840,261	816,393	23,868	2.9%	818,460
Federal	1,317	1,099	218	19.8%	1,389
Government	462,968	445,116	17,852	4.0%	471,943
Hotel	635,654	554,767	80,887	14.6%	462,757
Irrigation	3,460	3,242	218	6.7%	4,888
Residential	<u>3,115,717</u>	<u>3,185,230</u>	<u>(69,513)</u>	-2.2%	<u>3,450,574</u>
Total	<u>5,119,086</u>	<u>5,062,010</u>	<u>57,076</u>	1.1%	<u>5,279,526</u>

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

Financial Condition and Results, continued

Wastewater Demand by Rate Class
(in '000 gallons)

<u>Class Type</u>	<u>FY24</u>	<u>FY23</u>	<u>2024 to 2023 Comparison</u>		<u>FY22</u>
			<u>Increase (Decrease)</u>	<u>% Change</u>	
Commercial	548,241	570,488	(22,247)	-3.9%	585,512
Federal	607,799	558,530	49,269	8.8%	508,438
Government	375,420	341,718	33,702	9.9%	365,856
Hotel	425,057	376,947	48,110	12.8%	318,491
Residential	<u>1,849,134</u>	<u>1,906,036</u>	<u>(56,902)</u>	-3.0%	<u>2,051,330</u>
Total	<u>3,805,651</u>	<u>3,753,719</u>	<u>51,932</u>	1.4%	<u>3,829,627</u>

Capital Assets

As of September 30, 2024, the Authority had \$811.4 million (net of accumulated depreciation) invested in utility capital assets. This fiscal year saw a net decrease of \$1.5 million in property, plant, and equipment, explained by the addition of \$27.5 million in assets placed in service, \$2.9 million in capital asset disposals due to replacements, a decrease in accumulated depreciation by \$28.0 million, and an increase in Construction Work in Progress (CWIP) by \$1.2 million. This CWIP increase reflects \$28.6 million in construction work added and \$27.4 million in construction closeouts. A schedule of CWIP is provided on page 78.

The increase in property, plant, and equipment is attributable to ongoing major capital improvement projects associated with a 2011 Federal Court Order, the Partial Consent Decree, the Authority's 5-year Capital Improvement Program, and the Water Resources Master Plan Update of August 2018.

Capital Assets, Net of Accumulated Depreciation

	<u>September 30, 2024</u>	<u>September 30, 2023</u>	<u>2024 to 2023 Comparison</u>		<u>September 30, 2022</u>
			<u>Increase (Decrease)</u>	<u>% Change</u>	
Capital assets, net	\$730,296,860	\$733,466,467	\$(3,169,607)	-0.4%	\$635,933,884
Land	5,741,163	5,287,305	453,858	8.6%	5,287,305
Construction in progress	<u>75,362,721</u>	<u>74,149,217</u>	<u>1,213,504</u>	1.6%	<u>173,276,251</u>
Total	<u>\$811,400,744</u>	<u>\$812,902,989</u>	<u>\$(1,502,245)</u>	-0.2%	<u>\$814,497,440</u>

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

Capital Assets, Net of Accumulated Depreciation, continued

The Authority's revenue, long-term debt, and grants-in-aid are integral in financing capital investments. During this fiscal year, significant construction projects were completed, resulting in major capital additions. These projects encompassed a variety of essential infrastructure improvements, including the rehabilitation and replacement of sewer lines, reservoir replacements, deep well pump and motor replacements, pressure zone realignment work, and the enhancement of sewer pump and water booster pump stations. Additionally, general plant improvements were also undertaken, all contributing to the Authority's mission of maintaining and upgrading its utility infrastructure.

The table below provides a detailed overview of these major capital additions, reflecting the Authority's commitment to investing in and improving its infrastructure to ensure reliable and efficient utility services.

FY2024 Capital Asset Additions

<u>Wastewater</u>	
Treatment plants	\$ 10,480
Sewer lines	3,202,333
Sewer pump stations	<u>1,378,311</u>
	4,591,124
 <u>Water</u>	
Reservoirs	4,872,055
Deepwells	1,990,402
Booster pump stations	1,079,521
Water lines	10,833,594
Meters	173,181
Fire hydrants	<u>628,447</u>
	19,577,200
 General Plant Improvements	 <u>3,283,155</u>
 Total	 <u>\$27,451,479</u>

For additional information concerning capital assets, please refer to Note 5 of the financial statements.

Debt

As of September 30, 2024, the Authority's total long-term debt stood at \$584.2 million, a decrease of \$29.3 million, or 4.8%, over the prior year. The Authority issued \$184.9 million in refunding bonds in FY2024, reducing future debt service payments, and achieving net present value savings of \$14.5 million.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

Debt, continued

Bond covenants require that GWA maintain its principal, interest, and reserve funds for outstanding bond issues. In addition, the Authority is required to set rates and charges to yield earnings equal to at least 125% of the current annual debt service requirements of the outstanding 2016 and 2020A revenue bond series and 2017, 2020B, 2024A and 2024B refunding bond series.

Long-Term Debt

	September 30, <u>2024</u>	September 30, <u>2023</u>	<u>2024 to 2023 Comparison</u>		September 30, <u>2022</u>
			<u>Increase</u> <u>(Decrease)</u>	<u>% Change</u>	
2013 Bond Series	\$ ---	\$ 18,365,000	\$(18,365,000)	-100.0%	\$21,510,000
2014 Refunding Bond Series	---	60,050,000	(60,050,000)	-100.0%	64,055,000
2016 Bond Series	81,890,000	134,140,000	(52,250,000)	-39.0%	134,975,000
2017 Refunding Bond Series	57,660,000	100,930,000	(43,270,000)	-42.9%	103,180,000
2020A Bond Series	134,000,000	134,000,000	---	---	134,000,000
2020B Refunding Bond Series	125,835,000	166,075,000	(40,240,000)	-24.2%	166,075,000
2024A Refunding Bond Series	133,575,000	---	133,575,000	---	---
2024B Refunding Bond Series	<u>51,275,000</u>	<u>---</u>	<u>51,275,000</u>	<u>---</u>	<u>---</u>
Total	<u>\$584,235,000</u>	<u>\$613,560,000</u>	<u>\$(29,325,000)</u>	<u>-4.8%</u>	<u>\$623,795,000</u>

As of the end of FY2024, Moody's Investor Services and Standard & Poor's maintained their existing GWA bond rating of Baa2, and A-, respectively. The ratings are important benchmarks of an issuer's ability to meet its financial obligation. Each rating agency incorporates a rating scale indicating the credit quality of the issuer. The scales are comprised of alphabetical symbols such as "AAA", "AA", "A", "BBB", "BB", and "B." For example, categorical ratings in the "AAA," "AA" and "A" ranges denote high credit quality meaning the issuer has a high capacity to meet its financial commitments whereas categorical ratings in the "BBB," "BB" and "B" ranges denote average credit quality. The lower the number of alpha characters assigned indicates the issuer is more susceptible to adverse effects or changes in circumstances and economic conditions than those with a higher number of alpha characters.

For more information concerning debt, please refer to Note 6 to the financial statements.

Please refer to the MD&A in the FY2023 GWA Financial Audit for additional information related to FY2023. A copy of the audit is posted on the GWA website at www.guamwaterworks.org/finance/ or can be obtained by contacting the Chief Financial Officer.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

Looking Forward

Outlook, Challenges, and Opportunities

With the FY2025–FY2029 Financial Plan and related CIP Program approved, continued investments in the military buildup, and signs of renewed efforts by the Guam Visitors Bureau to improve arrivals from Japan, Korea, and Taiwan, GWA's outlook for the coming year continues to be defined by cautious optimism. Construction activity related to the military buildup continues apace and post-Typhoon Mawar assessments of resiliency by federal entities brings the possibility of additional infrastructure investment for both military and civilian systems. GWA remains concerned about regulatory and permitting delays for construction projects, the availability of companies bidding on construction contracts, and the persistent impact of inflationary pressures on construction costs and operational expenses. The impact of actions taken by the Trump Administration (e.g., actions on tariffs, immigration/visas, and federal program austerity) remain unclear but are anticipated to result in increasing costs and reduced federal funding. These anticipated effects, along with the uncertainty in financial markets, may pose additional challenges to GWA's capital financing efforts.

Operationally, GWA's implementation of the recommended salary compensation adjustments have seen a positive impact on employee turnover and retention. However, strategies to recruit certain hard-to-fill positions have yet to bear fruit. The Authority is investing in training and certification to maintain operational capabilities.

In FY2024, GWA transitioned to a cloud-based procurement process integrated with our enterprise financial management system in an effort to address challenges that affect our financial and operational planning and execution. In the coming year, GWA will continue to improve operational and capital project procurement through restructuring procurement processes and personnel assignments for greater effectiveness and efficiency, and continued enhancement of and training on our new cloud-based procurement system. However, delays from external review of our specialized utility procurements by the Office of the Attorney General will likely continue to hamper such efforts.

GWA will continue to advance needed capital improvement projects to address required system upgrades and enhancements for both water and wastewater services. Paramount among these are wastewater collection system improvements and new water treatment systems to address per- or poly-fluoroalkyl substances (PFAS) and other emerging contaminants in Guam's water supply. In late FY2024, the U.S. District Court approved and entered a Partial Consent Decree (CD) between the United States and GWA/Government of Guam for compliance requirements related to the federal Clean Water Act. The Partial CD will require significant improvements to the wastewater collection system. In mid-FY2024, the US EPA issued the first-ever national enforceable standard for PFAS under the Safe Drinking Water Act. These new regulations will require new water treatment systems to be constructed and operational within a short compliance window.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

Looking Forward, continued

Outlook, Challenges, and Opportunities, continued

GWA will work to attain additional funding from grants, short-term construction financing instruments and GWA long-term revenue bonds to facilitate these needed regulatory compliance improvements, while continuing to enhance both water and wastewater service levels for our customers. In the coming year, GWA will also continue to work on its water distribution system to improve pressures and reduce losses through design and construction of strategic pipe replacement projects, additional work under its pressure zone realignment program (Phase II), and expansion of leak detection efforts under our Water Loss Control Program.

Legal Matters

In a civil action before the Superior Court of Guam GWA continues to seek resolution in a quiet-title action for its Northern District Wastewater Treatment Plant. While a final judgement has not been issued, an April 2024 decision and order by the Superior Court granted title to the opposing party. In May 2024, GWA sought an interlocutory appeal on the trial court's April order and an earlier decision. In January 2025, the Guam Supreme Court granted GWA's request for an appeal. The appeal remains ongoing and as a result, GWA's quiet-title litigation before the Superior Court is stayed until the Guam Supreme Court appeal is resolved.

On November 5, 2024, GWA was served a civil suit resulting from a \$4.4 million demand in damages from Gershman Brickner and Bratton, Inc. (GBB); the federal dump's Receiver. The suit alleges that GWA is responsible for increased leachate flows and volumes to the Ordot Dump resulting in extraordinary costs to the federal receiver and the local Guam Solid Waste Authority (GSWA) for treatment and investigation. On January 6, 2025, GWA filed a Motion to Dismiss the matter citing GBB's failure to properly file a government claim and for its failure to have the authority to seek a claim on behalf of the GSWA without its consent. As of April 2025, GWA's Motion to Dismiss is now under advisement awaiting a decision by the Superior Court.

GWA is a class member and claimant in the National Water Provider Settlement class action suit for PFAS. In 2024 and 2025, GWA entered settlement and filed timely claims with four settling Defendants: the 3M, Dupont Tyco and BASF manufacturing companies. The final stages of review and award allocation for the 3M and Dupont settlements are expected in calendar year 2025; however, information on when payment awards will be issued for all four settling Defendants remain unknown and are currently under review by the court appointed claims administrator.

Court Order Compliance

As noted above, the 2011 U.S. District Court Order deadline was extended from June 30, 2023, to December 31, 2025. Funding for the completion of all remaining work in the 2011 Court Order is in place, and GWA continues to work diligently to complete all work by the extended deadline.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

Looking Forward, continued

Partial Consent Decree

As mentioned above, the Partial CD is focused on GWA's wastewater collection system as it relates to compliance with the federal Clean Water Act. With the goal of reducing/preventing sewer system overflows (SSOs), the compliance requirements in the Partial CD involve assessment, planning and upgrade/rehabilitation of sewer gravity mains, pump stations and force mains, along with other operational enhancements (cleaning, CCTV inspection, SSO response, pre-treatment and asset management programs) to maintain proper performance of the wastewater collection system.

In the coming year, GWA will have several deliverables and milestones with which it must comply. These include:

- Inventory of all Force Main piping in GWA's system
- Force Main Contingency Plan
- CCTV Inspection Certification
- Gravity Main Assessment (based on CCTV)
- Tier 1 (Priority) Pump Station Work Plan

Secondary Treatment

US EPA issued NPDES permits for the Northern District, Hagåtña, Agat-Santa Rita, and Umatac-Merizo WWTPs that became effective on January 1, 2020. The NPDES permits include secondary treatment standards, some of which the Hagåtña WWTP is unable to meet until a secondary treatment process is implemented at the facility. Under the 2024 Partial CD, GWA will have seven years from the effective date of the Decree to complete a feasibility study for upgrading or replacing the Hagåtña WWTP to secondary treatment. GWA has timely submitted NPDES Permit renewal applications prior to the end of FY2024. US EPA has administratively extended the existing permits while it evaluates and processes GWA's permit application.

Emerging Contaminants

As stated above, in April of 2024, the US EPA announced its final rule for the regulation of 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 or MCL to remove the contaminants prior to entry into the distribution system. The promulgation of the proposed regulations on PFAS compounds will require the Authority to design and construct new treatment systems that have not before been needed for Safe Drinking Water Act compliance. GWA is in the process of finalizing the procurement of the design services for these systems and will move quickly to initiate construction of the treatment systems as part of its 5-year Capital Improvement Program.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

Looking Forward, continued

Emerging Contaminants, continued

Additionally, the GEPA has advised that they 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.

Water Loss Control

The Capital Improvement Program for FY2025-FY2029, discussed below, includes several projects that will advance the Water Loss Control Program. This includes additional phases of the Pressure Zone Alignment project, valve and piping projects, and water line replacement projects. Additional leak detection staff have been included in the FY2025-FY2029 Financial Plan as has consulting services for continued DMA implementation.

Additionally, GWA intends to implement Advance Metering Infrastructure (AMI) meters to eliminate the need for much of the current human interaction and automatically upload consumption data daily to a web-based server. The consumption data can be directed daily to the web-based water loss monitoring and analysis software, providing real time access to water loss data.

Capital Project Risk

In 2018, GWA completed a comprehensive update to its 20-year master planning document. The *2018 Water Resources Master Plan* was adopted by the CCU and subsequently formed the basis of GWA's third and current 5-year Capital Improvement Plan for FY2020-FY2024. Since 2006, GWA has demonstrated improved performance in planning and implementation of capital projects for system improvements required by the 2011 Court Order and more recent regulatory priorities resulting from on-going negotiations with US EPA. The current update of the plan is being finalized and will be issued in 2025. Capital improvement program requirements have already been incorporated into the Authority's FY2025-FY2029 5-Year Capital Improvement Program.

The magnitude of GWA's capital requirements has been affected by construction cost increases resulting from construction demand created by the DoD's buildup on Guam. Additionally, the 5-year CIP includes new capital project requirements driven by 2024 Partial CD compliance and emerging contaminants discussed above. The program also includes accelerated piping infrastructure replacement to effectively sustain reductions in water loss as part of the Authority's ongoing water loss control program.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

Looking Forward, continued

Underwriters and Short-Term Financing

Two underwriters for GWA were selected pursuant to GEDA RFP 24-004. The GEDA Board approved the selection at their October 24, 2024, meeting. Additionally, four firms were selected by the GEDA Board on January 16, 2025, to assist with Short Term Construction and Infrastructure Financing as a result of GEDA RFP 25-001.

GWA is working with GEDA, its financial advisors, as well as the selected firms to determine the appropriate financing tools given the current and projected market conditions.

Five-Year Financial Plan Implementation

While the PUC approved an 11.5% rate increase for FY2025, GWA continues to monitor collections as customer assistance programs funded by federal grants are phased out. Reductions in utility rates, power and Navy water, have been somewhat offset by increases in consumption. The financial plan targeted a 1.32X DSC for FY2025. Ordering Provisions in Docket 24-05 include a DSC standard of 1.5X for FY2027-FY2029.

The CCU approved the FY2026 true-up in Resolution 028-FY2025; GWA submitted the FY2026 true-up to the PUC on April 25, 2025. As stated previously, the true-up included implementation of the proposed rate design changes. Separately, CCU Resolution 26-FY2025 approved updates to the miscellaneous fees and charges based on an internal GWA cost of service study. On May 1, 2025, the recommended schedule of fees and charges was submitted to the PUC for approval. GWA also anticipates submission of new fees for private well-owners to cover monitoring costs to the CCU in May 2025.

Sewer Loan Revolving Fund

The FY2023 Budget Act, Public Law 36-107, appropriated \$2.0 million to the GWA Sewer Loan Revolving Fund to provide loans for residents connecting to the public wastewater system. GWA expects to conclude the requisite Administrative Adjudication Act (AAA) procedures in FY2025 so that customers can benefit from the loan program.

Federal Assistance

The Trump administration has initiated significant changes to federal grant programs. On January 27, 2025, the Office of Management and Budget (OMB) issued memorandum M-25-13, instructing all federal agencies to pause:

1. Issuance of new awards.
2. Disbursement of funds under existing awards.
3. Activities related to open Notices of Funding Opportunities (NOFOs).
4. Any other relevant actions pending OMB review.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

Looking Forward, continued

Federal Assistance, continued

The funding freeze faced immediate legal challenges. On January 28, 2025, a federal judge temporarily blocked the administration's attempt to halt federal aid disbursements, citing potential harm to ongoing programs. Despite this, reports indicate that certain agencies continued to enforce the funding pause, leading to further legal disputes. It is unknown how the Trump administration's recent policies will impact the level of federal funding that will be made available to GWA.

American Rescue Plan Act (ARPA) and Bipartisan Infrastructure Law (BIL)

By December 2024, GWA obligated the remaining ARPA funding for the upgrades to water and wastewater infrastructure in Adacao. Additionally, in December 2024 GWA was awarded \$750 thousand for planning and preliminary engineering work for water and wastewater infrastructure improvements necessary to support the new Government of Guam medical campus and is working with GEDA on additional related water and wastewater infrastructure construction work.

The Guam Economic Development Authority (GEDA) awarded a \$62.9 million subgrant to Guam Waterworks Authority (GWA) for the design and construction of water and wastewater infrastructure supporting the Mangilao Medical Campus (MMC). Funded through the State and Local Fiscal Recovery Fund (SLFRF) under the American Rescue Plan Act (ARPA), the agreement runs from February 2025 to December 2026. The scope includes offsite infrastructure such as new wells, water line extensions, storage tanks, and multiple wastewater system upgrades across Route 10, Route 1, Barrigada, and Mangilao. GWA is responsible for project execution, reporting, and compliance with federal and local laws, with payments contingent on approved deliverables and adherence to detailed reporting and audit requirements.

The Infrastructure Investment and Jobs Act, also known as the Bipartisan Infrastructure Law, signed into law on November 15, 2021, resulted in an increase to GWA's allotment received through the US EPA State Revolving Fund in FY2025 to \$34 million. GWA anticipated receiving up to \$27 million annually in FY2026 and FY2027; however, it is uncertain how the policies of the new federal administration will affect these funding levels. In the subsequent years, the US EPA SRF funding is anticipated to drop to an annual amount of \$4 million due to Congressional earmarks.

The Guam Environmental Protection Agency has identified \$500 thousand in BIL funds to be used by GWA towards testing PFAS and other emerging contaminants. The funding is intended to assist with monitoring PFAS within its water systems and provide additional data on which to base the design and construction of treatment systems required for the removal of such compounds from the drinking water supply.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

Looking Forward, continued

Request for Information

This financial report is to provide interested parties with a general overview of GWA's finances. If you have any questions about this report or need additional information, you may submit a request in writing to: Chief Financial Officer (CFO), Guam Waterworks Authority, Gloria B. Nelson Public Service Building, 688 Route 15, Mangilao, Guam 96913, email to finance@guamwaterworks.org, or telephone (671) 300-6862.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Statements of Net Position

	September 30, <u>2024</u>	<u>2023</u>
Assets and deferred outflows of resources		
Current assets:		
Cash and cash equivalents:		
Unrestricted	\$ 51,776,370	\$ 50,324,888
Restricted	47,882,117	32,707,733
Receivables, net of allowance for doubtful accounts	19,067,116	15,237,682
Materials and supplies inventory, net of allowance for obsolescence of \$199,791 (\$122,856 in 2023)	4,960,656	5,096,658
Prepaid expenses	<u>1,217,846</u>	<u>1,206,948</u>
Total current assets	<u>124,904,105</u>	<u>104,573,909</u>
Capital assets:		
Utility plant in service:		
Water system	463,754,614	444,848,078
Wastewater system	683,350,559	679,249,470
Non-utility property	<u>34,757,389</u>	<u>33,683,228</u>
	1,181,862,562	1,157,780,776
Less accumulated depreciation	<u>(452,839,346)</u>	<u>(424,928,727)</u>
	729,023,216	732,852,049
Lease and subscription-based IT assets, net	1,273,644	614,418
Land and land rights	5,741,163	5,287,305
Construction work in progress	<u>75,362,721</u>	<u>74,149,217</u>
Capital assets, net	<u>811,400,744</u>	<u>812,902,989</u>
Other noncurrent assets:		
Restricted cash and cash equivalents	<u>208,778,170</u>	<u>220,606,453</u>
Total assets	<u>1,145,083,019</u>	<u>1,138,083,351</u>
Deferred outflows of resources:		
Deferred outflows on bond refunding	24,067,333	27,184,464
Deferred outflows from pension	13,056,974	18,328,046
Deferred outflows from OPEB	28,992,788	28,539,954
Regulatory assets	<u>3,174,728</u>	<u>3,174,728</u>
Total deferred outflows of resources	<u>69,291,823</u>	<u>77,227,192</u>
Total assets and deferred outflows of resources	<u>\$1,214,374,842</u>	<u>\$1,215,310,543</u>

See accompanying notes.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Statements of Net Position, continued

	September 30, <u>2024</u>	<u>2023</u>
Liabilities, deferred inflows of resources and net position		
Current liabilities:		
Current maturities of revenue bonds payable	\$ 10,445,000	\$ 10,760,000
Accounts payable:		
Guam Power Authority	2,083,943	1,854,699
Trade	3,499,226	2,607,142
Accrued interest	6,852,336	7,070,516
Accrued payroll and employee benefits	872,091	1,334,022
Current portion of employee annual leave	634,205	729,390
Current portion of lease and subscription-based IT liabilities	204,577	375,103
Payable to contractors	12,578,904	8,565,009
Customer deposits	2,311,776	2,268,968
Due to Grantor	7,599,831	8,272,170
Other liabilities	<u>907,716</u>	<u>798,438</u>
Total current liabilities	<u>47,989,605</u>	<u>44,635,457</u>
Revenue bonds payable, less current maturities	620,906,050	640,087,410
Employee annual leave, less current portion	1,235,314	913,289
DCRS sick leave liability	1,351,694	1,429,998
Lease and subscription-based IT liabilities	96,219	192,245
Net pension liability	53,371,429	59,402,698
Collective total other post-employment benefits liability	<u>103,206,575</u>	<u>87,184,863</u>
Total liabilities	<u>828,156,886</u>	<u>833,845,960</u>
Deferred inflows of resources:		
Regulatory liabilities	631,637	646,937
Deferred inflows on bond refunding	7,532,330	---
Deferred inflows from pension	4,909,340	3,009,820
Deferred inflows from OPEB	<u>32,476,967</u>	<u>43,293,492</u>
Total deferred inflows of resources	<u>45,550,274</u>	<u>46,950,249</u>

See accompanying notes.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Statements of Net Position, continued

	September 30, <u>2024</u>	<u>2023</u>
Net position:		
Net investment in capital assets	320,670,696	330,849,577
Restricted for:		
Debt service	63,941,087	63,409,545
Service operations	<u>55,958,078</u>	<u>39,537,853</u>
Total restricted - expendable	<u>119,899,165</u>	<u>102,947,398</u>
Unrestricted	(<u>99,902,179</u>)	(<u>99,282,641</u>)
Total net position	<u>340,667,682</u>	<u>334,514,334</u>
Total liabilities, deferred inflows of resources and net position	<u>\$1,214,374,842</u>	<u>\$1,215,310,543</u>

See accompanying notes.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Statements of Revenues, Expenses and Changes in Net Position

	Year ended September 30,	
	<u>2024</u>	<u>2023</u>
Operating revenues:		
Water:		
Private	\$ 70,389,155	\$ 59,343,982
Government	8,754,865	7,284,629
Legislative surcharge	2,781,530	2,147,271
System development charge	<u>776,254</u>	<u>706,977</u>
	<u>82,701,804</u>	<u>69,482,859</u>
Wastewater:		
Private	30,453,396	25,467,513
Government	14,140,891	11,063,720
Legislative surcharge	1,275,973	947,328
System development charge	<u>922,588</u>	<u>652,190</u>
	<u>46,792,848</u>	<u>38,130,751</u>
Other	<u>591,327</u>	<u>567,167</u>
Bad debts expense	(<u>229,334</u>)	(<u>421,467</u>)
Total operating revenues	<u>129,856,645</u>	<u>107,759,310</u>
Operating and maintenance expenses:		
Power purchases	21,892,448	24,397,961
Water purchases	8,662,002	7,038,954
Waste disposal fees	<u>1,099,837</u>	<u>676,362</u>
	31,654,287	32,113,277
Depreciation	30,172,311	30,911,997
Salaries, wages and benefits	25,922,460	24,470,756
Administrative and general	8,213,661	8,346,930
Contractual	5,237,504	5,421,883
Retiree healthcare costs and other benefits	<u>8,661,999</u>	<u>4,621,864</u>
Total operating and maintenance expenses	<u>109,862,222</u>	<u>105,886,707</u>
Operating income	\$ <u>19,994,423</u>	\$ <u>1,872,603</u>

See accompanying notes.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Statements of Revenues, Expenses and Changes in Net Position, continued

	Year ended September 30,	
	<u>2024</u>	<u>2023</u>
Nonoperating revenues (expenses):		
Interest income	\$ 13,949,794	\$ 11,604,779
Insurance recoveries	1,000,000	---
Grants from the Government of Guam	---	14,460,048
Others, net	(219,504)	626,929
Interest expense	(26,805,659)	(28,678,533)
Bond issuance costs	(3,364,221)	(554,655)
Loss on capital asset disposals	(1,400,669)	(531,538)
 Total non-operating expenses, net	 (16,840,259)	 (3,072,970)
 Income (loss) before capital contributions	 3,154,164	 (1,200,367)
Capital contributions:		
Grants from the U.S. Government	<u>2,999,184</u>	<u>13,485,967</u>
 Change in net position	 6,153,348	 12,285,600
Net position at beginning of year	<u>334,514,334</u>	<u>322,228,734</u>
Net position at end of year	<u>\$340,667,682</u>	<u>\$334,514,334</u>

See accompanying notes.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Statements of Cash Flows

	Year ended September 30,	
	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Cash received from customers	\$127,084,900	\$120,965,897
Cash payments to supplies for goods and services	(43,969,246)	(46,755,481)
Cash payments to employees for services	(28,417,575)	(27,081,802)
Cash payments for retiree healthcare costs	(3,909,646)	(3,560,495)
Net cash provided by operating activities	<u>50,788,433</u>	<u>43,568,119</u>
Cash flows from capital and related financing activities:		
Proceeds from revenue bond issuances	212,168,699	---
Federal grants received	1,311,964	10,208,987
Insurance proceeds	1,000,000	---
Proceeds from disposals of capital assets	21,871	---
Acquisition of capital assets	(23,049,455)	(41,331,452)
Interest paid on revenue bonds	(27,013,904)	(28,801,678)
Principal paid on revenue bond maturities	(224,379,819)	(10,235,000)
Legal proceeds	<u>---</u>	<u>950,000</u>
Net cash used for capital and related financing activities	<u>(59,940,644)</u>	<u>(69,209,143)</u>
Cash flows from noncapital financing activity – Local government grants received	<u>---</u>	<u>14,460,048</u>
Cash flows from investing activity – Interest income received	<u>13,949,794</u>	<u>11,604,779</u>
Net change in cash and cash equivalents	4,797,583	423,803
Cash and cash equivalents at beginning of year	<u>303,639,074</u>	<u>303,215,271</u>
Cash and cash equivalents at end of year	<u>\$308,436,657</u>	<u>\$303,639,074</u>
Reconciliation of cash and cash equivalents to the statement of net position:		
Current assets:		
Cash and cash equivalents	\$ 51,776,370	\$ 50,324,888
Restricted cash and cash equivalents	47,882,117	32,707,733
Noncurrent assets:		
Restricted cash and cash equivalents	<u>208,778,170</u>	<u>220,606,453</u>
	<u>\$308,436,657</u>	<u>\$303,639,074</u>

See accompanying notes.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Statements of Cash Flows, continued

	Year ended September 30,	
	<u>2024</u>	<u>2023</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$19,994,423	\$ 1,872,603
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	30,172,311	30,911,997
Bad debts expense	229,334	421,467
Capitalized labor and benefits	(3,321,043)	(3,075,928)
Non-cash pension costs	6,925,523	5,565,339
Non-cash OPEB costs	7,389,859	4,166,314
Other non-cash adjustments	(219,504)	(323,071)
(Increase) decrease in assets:		
Receivables	(2,371,548)	4,519,295
Materials and supplies inventory	136,002	(623,993)
Prepaid expenses	(10,898)	526,069
Regulatory assets	---	(377,969)
Increase (decrease) in liabilities:		
Accounts payable	1,121,328	(45,808)
Accrued payroll and employee benefits	(461,931)	215,213
Employee annual leave	226,840	(78,241)
Customer deposits	42,808	(6,345)
Due to Grantor	(672,339)	8,272,170
Other liabilities	109,278	(28,619)
DCRS sick leave liability	(78,304)	53,494
Net pension liability	(5,786,200)	(5,290,923)
Collective total other post-employment benefits liability	(<u>2,637,506</u>)	(<u>3,104,945</u>)
Net cash provided by operating activities	<u>\$50,788,433</u>	<u>\$43,568,119</u>
Supplemental information on noncash capital activities:		
Lease and subscription IT assets	\$ 108,550	\$ 614,418
Lease and subscription IT liabilities	(<u>108,550</u>)	(<u>614,418</u>)
	<u>\$ ---</u>	<u>\$ ---</u>

See accompanying notes.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements

Years ended September 30, 2024 and 2023

1. Reporting Entity

The Guam Waterworks Authority (GWA), a component unit of the Government of Guam (GovGuam), is subject to the regulations of the Public Utilities 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 elected Consolidated Commission on Utilities (CCU). PUC determines such matters as rates and charges for services.

2. Summary of Significant Accounting Policies

Basis of Accounting

GWA utilizes the flow of economic resources measurement focus. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Net Position

Net position represents the residual interest in GWA's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted and consists of the following categories:

Net investment in capital assets - consists of capital assets, net of accumulated depreciation, and reduced by outstanding debt attributable to the acquisition, construction, or improvement of those assets, net of debt service reserve. Deferred outflows of resources that are attributable to related debt are also included in this component.

Restricted nonexpendable - net position subject to externally imposed stipulations that require GWA to maintain them permanently.

Restricted expendable - net position whose use is subject to externally imposed stipulations that can be fulfilled by actions of GWA pursuant to those stipulations or that expire with the passage of time.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Net Position, continued

Unrestricted - net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action by management or the CCU or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use, generally it is GWA's policy to use restricted resources first and the unrestricted resources when they are needed.

Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure 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.

Risk Management

GWA is exposed to various risks of loss; theft of, damage to, and destruction of assets; operation liability; errors and omissions; employee injuries and illnesses; natural disasters and employee health, dental and accident benefits. There is commercial insurance coverage obtained to provide for claims arising from most of these matters. No material losses have been sustained as a result of GWA's risk management practices during the past three years.

Cash and Cash Equivalents

For purposes of the statements of net position and of cash flows, cash and cash equivalents is defined as cash deposits in banks, time certificates of deposit, and short-term investments in U.S. Treasury obligations with original maturities of three months or less.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is stated at an amount which management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluations of the collectability of these accounts and prior collection experience. The allowance is established through a provision for bad debts charged to revenues. Bad debts are written-off against the allowance based on the specific identification method.

Materials and Supplies Inventory

Materials and supplies inventory is stated at the lower of cost or market with cost determined by the weighted average costing method.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Prepaid Expenses

Certain payments made to vendors or persons for services reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the accompanying statements of net position.

Capital Assets

Plant in service of \$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 capital assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Current policy is to capitalize items over \$5,000.

Noncurrent Restricted Cash and Cash Equivalents

The purpose of noncurrent restricted cash and cash equivalents is for long-term capital improvements and bond related activities.

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (deduction of net position) until then. GWA has determined the deferred outflows on debt defeasance of the 2005, 2010, 2013 and 2024 series bonds, regulatory assets, the difference between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability, the net difference between projected and actual earnings on pension plan investments, changes of assumptions, pension and OPEB contributions made subsequent to the measurement date, and changes in proportion and difference between GWA pension and OPEB contributions and proportionate share of contributions qualify for reporting in this category.

Deferred Inflows of Resources

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (additions to net position) until then. GWA has determined regulatory liabilities, the difference between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension and OPEB liabilities, the net difference between projected and actual earnings on pension plan investments, changes of assumptions, and changes in proportion and differences between GWA pension and OPEB contributions and proportionate share of contributions qualify for reporting in this category.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Compensated Absences

Vesting annual leave is accrued and reported as an expense and a liability in the period earned. No liability is accrued for non-vesting sick leave benefits. Annual leave expected to be paid out within the next fiscal year is accrued and is included in current liabilities. The maximum accumulation of annual leave convertible to pay upon termination of employment is limited to 320 hours. Pursuant to Public Law 27-106, employees who have accumulated annual leave in excess of three hundred twenty (320) hours as of February 28, 2003, may carry over their excess and shall use the excess amount of leave prior to retirement or termination from service. Any unused leave over 320 hours shall be lost upon retirement.

Public Law 26-86 allows members of the Defined Contribution Retirement System (DCRS) to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. A liability is accrued for estimated sick leave to be paid out to DCRS members upon retirement.

Pensions

Pensions are required to be recognized and disclosed using the accrual basis of accounting. GWA recognizes a net pension liability for the defined benefit pension plan in which it participates, which represents GWA's proportionate share of excess total pension liability over the pension plan assets – actuarially calculated – of a single employer defined benefit plan, measured one year prior to fiscal year-end and rolled forward. The total pension liability also includes GWA's proportionate share of the liability for ad hoc cost-of-living adjustments (COLA) and supplemental annuity payments that are anticipated to be made to defined benefit plan members and for anticipated future COLA payments to DCRS members. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and are amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Other Postemployment Benefits (OPEB)

OPEB is required to be recognized and disclosed using the accrual basis of accounting. GWA recognizes an OPEB liability for the defined benefit OPEB plan in which it participates, which represents GWA's proportionate share of total OPEB liability - actuarially calculated - of a single employer defined benefit plan, measured one year prior to fiscal year-end and rolled forward. An OPEB trust has not been established, thus the OPEB plan does not presently report OPEB plan fiduciary net position. Instead, the OPEB plan is financed on a substantially "pay-as-you-go" basis.

Changes in the total OPEB liability during the period are recorded as OPEB expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in total OPEB liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the qualified OPEB plan and recorded as a component of OPEB expense beginning with the period in which they are incurred.

Bond Premiums and Discounts

Bond premiums and discounts are amortized using the straight-line method, which approximates the effective yield method, over the life of the related bond issue.

Contribution in Aid of Construction

Contribution in aid of construction represents contributions received by GWA from consumers for improvement of water services and assets owned by GWA. These amounts are recorded as a deferred inflow of resources net of amortization.

Revenue Recognition

Customer water meters are read on a cyclical basis throughout a monthly period based on the route schedules of GWA. Revenue is recognized in the period that meters are read. Wastewater treatment is billed at a flat rate of \$32.14 (\$27.54 in 2023) per month for residential accounts and 80% of current water consumption for commercial and government accounts. At the end of each month, unbilled revenues are accrued for each cycle based on the most recent cycle billing. Unbilled receivables at September 30, 2024 and 2023 is \$3,864,984 and \$3,135,371, respectively and is included in receivables in the accompanying statement of net position.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Operating and Non-Operating Revenue and Expenses

Operating revenues and expenses generally result directly from GWA's ongoing operations. Non-operating revenues and expenses result from capital and financing activities, costs and related recoveries from natural disasters, and certain other non-recurring income and expenses.

Grants and Contributions

Grants and contributions consist of government mandated and voluntary nonexchange transactions.

Recently Adopted Accounting Pronouncement

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied more easily. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of local government financial statements. The adoption of this statement does not have material effect on the financial statements.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections. The adoption of this statement does not have material effect on the financial statements.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences. GASB Statement No. 101 will be effective for fiscal year ending September 30, 2025.

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. GASB Statement No. 102 will be effective for fiscal years ending September 30, 2025.

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance the effectiveness of the financial reporting model in providing information that is essential for decision making and assessing a government's accountability and address certain application issues identified through pre-agenda research conducted by the GASB. This Statement establishes new accounting and financial reporting requirements or modifies existing requirements related to management's discussion and analysis (MD&A), unusual or infrequent items, presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position, information about major component units in basic financial statements, budgetary comparison information and financial trends information in the statistical section. GASB Statement No. 103 will be effective for fiscal years ending September 30, 2026.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital as-sets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. GASB Statement No. 104 will be effective for fiscal years ending September 30, 2026.

GWA is currently evaluating the effects the above upcoming accounting pronouncements might have on its financial statements.

3. Deposits and Investments

GWA's bond indenture agreements require the establishment of special funds to be held and administered by trustees and by GWA. In addition, proceeds from borrowings to fund capital improvements are maintained by GWA in construction accounts. Funds in these accounts are required by loan agreement or public law to be used to fund capital improvements.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

3. Deposits and Investments, continued

The deposits and investment policies of GWA are governed by 15 GCA 21, *Investments and Deposits*, in conjunction with applicable bond indentures. Authorized investments include obligations issued or guaranteed by the U.S. government or agencies of the U.S. government; bonds, notes or other indebtedness rated in the highest rating by Moody's Investors Service (Moody's) or Standard & Poor's Corporation (S&P); obligations issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation with remaining maturities of not more than three years; any bonds or other obligations of any state of the U.S. or any agency, instrumentality or local government unit of such state which are rated in the highest rating category of either Moody's or S&P; demand and time deposits in or certificates of deposit or bankers acceptances with U.S. domestic banks which have a rating of their short term certificates of deposit of A-1 or better by S&P and P-1 by Moody's and mature no more than 360 days after purchase; commercial paper which is rating in the highest classification by S&P and Moody's; and money market funds rated AAA or better by S&P.

Custodial credit risk is the risk that in the event of a bank failure, GWA's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized, collateralized with securities held by the pledging financial institution, or held by the pledging financial institution but not in the depositor-government's name. GWA does not have a deposit policy for custodial credit risk.

As of September 30, 2024 and 2023, the carrying amount of GWA's total deposits was \$89,111,882 and \$86,322,834, and the corresponding bank balance was \$88,972,984 and \$88,198,370, respectively. Of that bank balance, \$23,554,882 and \$23,038,585 were uninsured and uncollateralized, respectively as of September 30, 2024 and 2023.

As of September 30, 2024 and 2023, the remaining amount of \$219,318,845 and \$217,310,310, respectively, represents short-term investments held and administered by GWA's trustees in GWA's name in accordance with various trust agreements and bond indentures.

Unrestricted cash and cash equivalents at September 30, 2024 and 2023 in the amount of \$16,165,703 and \$15,427,230, respectively, are subject to internally imposed restrictions by the CCU to provide additional liquidity to assist GWA in addressing unforeseen obligations and unexpected short-term cash flow demands and the amount of \$9,947,328 and \$8,778,927, respectively are subject to internally imposed restrictions by the CCU to fund capital expenditures.

Restricted cash and cash equivalents consist of cash received for specific capital projects and for bond indenture related accounts. The working capital funds are internally imposed restrictions and are not subject to externally imposed stipulations.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

3. Deposits and Investments, continued

The composition of restricted cash and cash equivalents at September 30, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Current restricted:		
Sewer Hook-up Revolving Fund	\$ 2,172,114	\$ 2,079,769
Legislative Surcharge Fund	74,446	6,863
Bid Escrow Fund	990,824	958,711
Customer Deposit Fund	2,351,163	2,157,517
Revenue Trust and Revenue Fund	11,507,306	10,593,092
System Development Fund	7,160,562	5,375,796
Working Cap – Reserved for CAPEX	20,542,219	8,452,503
Working Cap – Reserved for O&M	<u>3,083,483</u>	<u>3,083,482</u>
	<u>47,882,117</u>	<u>32,707,733</u>
Noncurrent restricted:		
2010 Bond Indenture Funds:		
Construction Fund	3,144,121	3,648,718
Bond Reserve Fund	---	7,566,460
2013 Bond Indenture Funds:		
Construction Fund	2,014,974	3,459,448
Bond Reserve Fund	---	12,031,688
Reserved for Debt Service	---	1,494,615
2014 Bond Indenture Funds:		
Operations, Maintenance, Renewal and Replacement Reserve Fund	19,560,351	17,423,213
Bond Reserve Fund	---	8,068,508
Reserved for Debt Service	---	2,032,467
2016 Bond Indenture Funds:		
Construction Fund	18,506,062	27,091,177
Bond Reserve Fund	---	7,591,999
Reserved for Debt Service	1,297,905	2,061,782
2017 Bond Indenture Funds:		
Reserved for Debt Service	1,399,148	2,015,191
2020A Bond Indenture Funds:		
Construction Fund	108,145,643	111,457,380
Bond Reserve Fund	---	6,659,700
Reserved for Debt Service	1,847,966	1,753,543

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

3. Deposits and Investments, continued

	<u>2024</u>	<u>2023</u>
Noncurrent restricted, continued:		
2020B Bond Indenture Funds:		
Reserved for Debt Service	\$ 1,229,928	\$ 1,540,498
2024A Bond Indenture Funds:		
Cost of Issuance Fund	16,946	---
Bond Reserve Fund	42,180,075	---
Reserved for Debt Service	2,810,063	---
2024B Bond Indenture Funds:		
Cost of Issuance Fund	5,970	---
Reserved for Debt Service	1,668,696	---
Various – Construction Fund	<u>4,950,322</u>	<u>4,710,066</u>
	<u>208,778,170</u>	<u>220,606,453</u>
Total restricted cash and cash equivalents	<u>\$256,660,287</u>	<u>\$253,314,186</u>

4. Receivables

Receivables at September 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Customers:		
Private	\$19,624,964	\$17,349,003
Government	<u>3,321,993</u>	<u>3,343,918</u>
	22,946,957	20,692,921
Federal grants receivable	538,199	2,191,346
Guam Power Authority	2,516,111	218,391
Other	<u>1,725,880</u>	<u>1,500,400</u>
	<u>27,727,147</u>	<u>24,603,058</u>
Less allowance for doubtful accounts	(<u>8,660,031</u>)	(<u>9,365,376</u>)
	<u>\$19,067,116</u>	<u>\$15,237,682</u>

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

5. Capital Assets

Capital assets activities for the years ended September 30, 2024 and 2023 are as follows:

	Estimated Useful Lives in Years	Beginning Balance October 1, 2023	Transfers and Additions	Transfers and Deletions	Ending Balance September 30, 2024
Depreciable:					
Utility Plant in Service Water	25-50	\$ 444,848,078	\$ 21,295,194	\$(2,388,658)	\$ 463,754,614
Utility Plant in Service Wastewater	25-50	679,249,470	4,430,989	(329,900)	683,350,559
General Fixed Assets	25-50	<u>33,683,228</u>	<u>1,271,439</u>	<u>(197,278)</u>	<u>34,757,389</u>
		1,157,780,776	26,997,622	(2,915,836)	1,181,862,562
Less: Accumulated Depreciation		<u>424,928,727</u>	<u>29,491,632</u>	<u>(1,581,013)</u>	<u>452,839,346</u>
		<u>732,852,049</u>	<u>(2,494,010)</u>	<u>(1,334,823)</u>	<u>729,023,216</u>
Lease assets:					
Equipment	1-4	928,842	---	---	928,842
Building		<u>22,473</u>	<u>---</u>	<u>---</u>	<u>22,473</u>
		951,315	---	---	951,315
Less: Accumulated amortization		<u>498,065</u>	<u>267,380</u>	<u>---</u>	<u>765,445</u>
		<u>453,250</u>	<u>(267,380)</u>	<u>---</u>	<u>185,870</u>
Subscription-based IT assets		304,253	1,339,905	---	1,644,158
Less: Accumulated amortization		<u>143,085</u>	<u>413,299</u>	<u>---</u>	<u>556,384</u>
		<u>161,168</u>	<u>926,606</u>	<u>---</u>	<u>1,087,774</u>
Non-depreciable:					
Land		5,287,305	453,858	---	5,741,163
Construction Work in Progress		<u>74,149,217</u>	<u>28,587,981</u>	<u>(27,374,477)</u>	<u>75,362,721</u>
		<u>\$ 812,902,989</u>	<u>\$ 27,207,055</u>	<u>\$(28,709,300)</u>	<u>\$ 811,400,744</u>

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

5. Capital Assets, continued

	Estimated Useful Lives in Years	Beginning Balance October 1, 2022	Transfers and Additions	Transfers and Deletions	Ending Balance September 30, 2023
Depreciable:					
Utility Plant in Service Water	25-50	\$ 420,470,606	\$ 24,883,755	\$ (506,283)	\$ 444,848,078
Utility Plant in Service Wastewater	25-50	576,276,943	102,972,527	---	679,249,470
General Fixed Assets	25-50	<u>33,353,690</u>	<u>414,583</u>	<u>(85,045)</u>	<u>33,683,228</u>
		1,030,101,239	128,270,865	(591,328)	1,157,780,776
Less: Accumulated Depreciation		<u>394,700,179</u>	<u>30,535,664</u>	<u>(307,116)</u>	<u>424,928,727</u>
		<u>635,401,060</u>	<u>97,735,201</u>	<u>(284,212)</u>	<u>732,852,049</u>
Lease assets:					
Equipment	1-4	760,208	168,634	---	928,842
Building		<u>22,473</u>	<u>---</u>	<u>---</u>	<u>22,473</u>
		782,681	168,634	---	951,315
Less: Accumulated amortization		<u>249,858</u>	<u>248,207</u>	<u>---</u>	<u>498,065</u>
		<u>532,823</u>	<u>(79,573)</u>	<u>---</u>	<u>453,250</u>
Subscription-based IT assets		---	304,253	---	304,253
Less: Accumulated amortization		<u>---</u>	<u>143,085</u>	<u>---</u>	<u>143,085</u>
		<u>---</u>	<u>161,168</u>	<u>---</u>	<u>161,168</u>
Non-depreciable:					
Land		5,287,305	---	---	5,287,305
Construction Work in Progress		<u>173,276,251</u>	<u>28,518,008</u>	<u>(127,645,042)</u>	<u>74,149,217</u>
		<u>\$ 814,497,439</u>	<u>\$126,334,804</u>	<u>\$ (127,929,254)</u>	<u>\$ 812,902,989</u>

Lease assets

Guam Power Authority (GPA)

In February 2015, GWA moved to a building owned by GPA. GWA does not currently have a signed lease agreement with GPA but pays for its share of building maintenance costs. GWA's use of the building did not amount to a lease as the resolution passed by the CCU did not convey the right to use an underlying asset. For the years ended September 30, 2024 and 2023, GWA's share of building maintenance cost totaled \$291,811 and \$286,165, respectively

Morrigo Equipment, LLC (Morrigo)

GWA and Morrigo have an equipment lease agreement with lease term of five (5) years for dump trucks, backhoe loaders and backhoe trailers, with various inception dates based on the delivery dates of the equipment. The lease agreement may be terminated for convenience by GWA with penalty.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

6. Long-Term Debt

Long-term debt at September 30, 2024 and 2023 is as follows:

Revenue Bonds

	<u>2024</u>	<u>2023</u>
2013 Series revenue bonds, interest at 5.25% per annum, payable semiannually in January and July, principal and mandatory sinking fund payments in varying annual installments commencing with a payment of \$2,695,000 in July 2020, increasing to \$4,045,000 in July 2028. On August 26, 2020, these bonds were partially refunded through the issuance of \$166,075,000 2020B refunding bonds. On March 14, 2024, the remaining outstanding balance were fully refunded through the issuance of \$133,575,000 2024A refunding bonds.	\$ ---	\$ 18,365,000
2014 Series refunding bonds, interest at 5% per annum, payable semiannually in January and July, principal and mandatory sinking fund payments in varying annual installments commencing with a payment of \$2,900,000 in July 2015, maturity date in July 2035. On April 2, 2024, these bonds were fully refunded through the issuance of \$51,275,000 2024B refunding bonds.	---	60,050,000
2016 Series revenue bonds, interest at 5% per annum, payable semiannually in January and July, principal and mandatory sinking fund payments in varying annual installments commencing with a payment of \$420,000 in July 2020, maturity date in January 2046. On March 14, 2024, these bonds were partially refunded through the issuance of \$133,575,000 2024A refunding bonds.	81,890,000	134,140,000
2017 Series refunding bonds, interest at 5% per annum, payable semiannually in January and July, principal and mandatory sinking fund payments in varying annual installments commencing with a payment of \$55,000 in July 2019, maturity date in July 2040. On March 14, 2024, these bonds were partially refunded through the issuance of \$133,575,000 2024A refunding bonds.	57,660,000	100,930,000

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

6. Long-Term Debt, continued

Revenue Bonds, continued

	<u>2024</u>	<u>2023</u>
2020A Series revenue bonds, interest at 5% per annum, payable semiannually in January and July, principal and mandatory sinking fund payments in varying annual installments commencing with a payment of \$30,880,000 in July 2047, maturity date in January 2050.	134,000,000	134,000,000
2020B Series refunding bonds, interest at varying rates from 2.75% to 3.70% per annum, payable semiannually in January and July, principal and mandatory sinking fund payments in varying annual installments commencing with a payment of \$1,260,000 in July 2028, maturity date in July 2043. On March 14, 2024, these bonds were partially refunded through the issuance of \$133,575,000 2024A refunding bonds.	125,835,000	166,075,000
2024A Series refunding bonds, interest at 5% per annum, payable annually in July, principal and mandatory sinking fund payments in varying annual installments commencing with a payment of \$2,960,000 in July 2025, maturity date in January 2046.	133,575,000	---
2024B Series refunding bonds, interest at 5% per annum, payable annually in July, principal and mandatory sinking fund payments in varying annual installments commencing with a payment of \$4,075,000 in July 2025, maturity date in July 2034.	<u>51,275,000</u>	<u>---</u>
Total revenue bonds payable	584,235,000	613,560,000
Less current maturities	(<u>10,445,000</u>)	(<u>10,760,000</u>)
	573,790,000	602,800,000
Bond premium – 2024A series bonds	14,075,764	---
Bond premium – 2016 series bonds	11,224,379	13,618,006
Bond premium – 2020A series bonds	9,764,763	10,150,215
Bond premium – 2017 series bonds	7,088,262	10,327,219
Bond premium – 2024B series bonds	4,962,882	---
Bond premium – 2014 series bonds, net	<u>---</u>	<u>3,191,970</u>
	<u>\$620,906,050</u>	<u>\$640,087,410</u>

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

6. Long-Term Debt, continued

Revenue Bonds, continued

Annual debt service requirements to maturity for principal and interest are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 10,445,000	\$ 27,409,343	\$ 37,854,343
2026	10,965,000	26,887,093	37,852,093
2027	11,510,000	26,338,843	37,848,843
2028	13,300,000	25,763,343	39,063,343
2029	14,675,000	25,110,718	39,785,718
2030 through 2034	83,575,000	115,079,238	198,654,238
2035 through 2039	106,035,000	94,478,215	200,513,215
2040 through 2044	136,290,000	68,025,255	204,315,255
2045 through 2049	160,780,000	32,775,375	193,555,375
2050	<u>36,660,000</u>	<u>916,500</u>	<u>37,576,500</u>
	<u>\$584,235,000</u>	<u>\$442,783,923</u>	<u>\$1,027,018,923</u>

On March 14, 2024, GWA issued \$133.58 million in Refunding Bonds to refund \$18.37 million of outstanding 2013 Series bonds, \$51.39 million outstanding 2016 Series bonds, \$40.91 million of outstanding 2017 Series bonds and \$40.24 million outstanding of 2020B Series bonds. The net proceeds of \$151.09 million (after payment of \$1.96 million in underwriting fees, insurance and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments.

On April 2, 2024, GWA issued \$51.28 million in Refunding Bonds to refund \$55.84 million outstanding 2014 Series bonds. The net proceeds of \$56.48 million (after payment of \$0.67 million in underwriting fees, insurance and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments.

Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in GWA's financial statements. The economic gain from this transaction was \$14.5 million.

The refunding resulted in a difference between the reacquisition price and net carrying amount of the old debt of \$7.74 million. This difference, reported in the accompanying financial statements as a deferred inflow of resources, is being charged to operations using the effective-interest method.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

6. Long-Term Debt, continued

Revenue Bonds, continued

Changes in GWA's long-term debt for the year ended September 30, 2024 and 2023 are as follows:

	Outstanding October 1, <u>2023</u>	<u>Increases</u>	<u>Decreases</u>	Outstanding September 30, <u>2024</u>	<u>Current</u>
Revenue Bonds:					
2013 series A bonds	\$ 18,365,000	\$ ---	\$(18,365,000)	\$ ---	\$ ---
2014 series A and B bonds	60,050,000	---	(60,050,000)	---	---
2016 series A bonds	134,140,000	---	(52,250,000)	81,890,000	925,000
2017 series A bonds	100,930,000	---	(43,270,000)	57,660,000	2,485,000
2020 series A bonds	134,000,000	---	---	134,000,000	---
2020 series B bonds	166,075,000	---	(40,240,000)	125,835,000	---
2024 series A bonds	---	133,575,000	---	133,575,000	2,960,000
2024 series B bonds	---	51,275,000	---	51,275,000	4,075,000
Unamortized premium on bonds	<u>37,287,410</u>	<u>19,574,316</u>	<u>(9,745,676)</u>	<u>47,116,050</u>	<u>---</u>
	<u>\$650,847,410</u>	<u>\$204,424,316</u>	<u>\$(223,920,676)</u>	<u>\$631,351,050</u>	<u>\$10,445,000</u>
	Outstanding October 1, <u>2022</u>	<u>Increases</u>	<u>Decreases</u>	Outstanding September 30, <u>2023</u>	<u>Current</u>
Revenue Bonds:					
2013 series A bonds	\$ 21,510,000	\$ ---	\$(3,145,000)	\$ 18,365,000	\$ 3,315,000
2014 series A and B bonds	64,055,000	---	(4,005,000)	60,050,000	4,205,000
2016 series A bonds	134,975,000	---	(835,000)	134,140,000	875,000
2017 series A bonds	103,180,000	---	(2,250,000)	100,930,000	2,365,000
2020 series A bonds	134,000,000	---	---	134,000,000	---
2020 series B bonds	166,075,000	---	---	166,075,000	---
Unamortized premium on bonds	<u>38,778,147</u>	<u>---</u>	<u>(1,490,737)</u>	<u>37,287,410</u>	<u>---</u>
	<u>\$662,573,147</u>	<u>\$ ---</u>	<u>\$(11,725,737)</u>	<u>\$650,847,410</u>	<u>\$10,760,000</u>

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

6. Long-Term Debt, continued

Pledged Revenues

The 2013, 2014, 2016, 2017, 2020A, 2020B, 2024A and 2024B Series Bonds are limited obligations of GWA and are payable solely from, and secured solely by a lien on and pledge of, GWA system revenues (excluding legislative surcharges and system development charges) to secure the payment of principal and interest on the Bonds. As of September 30, 2024, total principal and interest remaining on these bonds is \$1,027,018,923 payable through January 2050. For the years ended September 30, 2024 and 2023, debt service paid on these bonds was \$251,393,723 and \$39,036,678, respectively, and total pledged GWA system revenues were \$123,738,307 and \$103,159,844, respectively.

Prior-Year Defeasance of Debt

In prior years, GWA defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payouts on the old bonds. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in GWA's financial statements. As of September 30, 2024, bonds outstanding of \$206,730,000, are considered defeased.

Bond Covenants

The General Indenture, dated December 1, 2005, as updated by supplemental indentures, sets forth the establishment of accounts, the application of revenues, and certain other covenants to ensure proper operation and maintenance of the water and wastewater system and payment of debt service. Management believes GWA was in compliance with all bond covenants as of and for the years ended September 30, 2024 and 2023. The primary requirements of the General Indenture are summarized below:

Rate Covenant - GWA has covenanted to at all times fix, prescribe and collect rates, fees and charges in connection with the services furnished by the water and wastewater system which will be sufficient to yield the sum of net revenues during each fiscal year equal to at least 125% of the annual debt service for such fiscal year. Net revenues are defined generally as all GWA system revenues (excluding legislative surcharges, system development charges and Federal grants) less operating and maintenance expenses (excluding depreciation and amortization charges and certain extraordinary, nonrecurring expenses).

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

6. Long-Term Debt, continued

Bond Covenants, continued

Operation and Maintenance Funds - the General Indenture creates an Operation and Maintenance Fund, available for working capital purposes, and the Operation, Maintenance, Renewal and Replacement Reserve Fund, available for emergency renewals, replacements and other contingency items. With respect to the Operation and Maintenance Fund, GWA must maintain a balance in such account equal to the amount of operation and maintenance expenses budgeted by GWA to be paid from revenues during the next succeeding calendar month. With respect to the Operation, Maintenance, Renewal and Replacement Reserve Fund, GWA must maintain a balance in such account equal to one-fourth of the budgeted sum for the then current fiscal year.

Debt Service Fund - the General Indenture creates a Debt Service Fund available for the purpose of: (1) paying interest on bonds as it shall become due and payable; (2) paying the principal of Serial Bonds when due and payable; (3) purchasing or redeeming or paying at maturity Term Bonds; (4) paying Parity Payment Agreement Payments due and payable; and (5) paying Credit Agreement Reimbursement Payments due and payable. As of September 30, 2024 and 2023, GWA is not currently a party to any Parity Payment Agreements.

Bond Reserve Fund - the General Indenture created a Bond Reserve Fund available for the purpose of paying debt service on Bonds (including Payment Agreement Payments) in the event of a deficiency in the Debt Service Fund. GWA is required to maintain an amount within the Bond Reserve Fund equal to the maximum annual debt service for the then current or future fiscal year on all outstanding bonds.

Events of default with finance related consequences - the General Indenture specifies a number of Events of Default and related remedies. In the event that the amount in any Fund or Account is insufficient for the purposes for which such Fund or Account was established, the Trustee shall transfer such amount as is necessary to satisfy such deficiency. If after making all such transfers, the amount in the Debt Service Fund is insufficient, the Trustee shall promptly issue a notice of default to Bondholders.

Acceleration - the remedies granted to the Trustee and the Bondholders under the General Indenture do not include any right to accelerate the payment of the outstanding bonds. The Trustee is authorized to take certain actions upon the occurrence of an event of default, including proceedings to enforce the rights of Bondholders as outlined in the General Indenture.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

7. Change in Other Long-Term Liabilities

Changes in GWA's other long-term liabilities for the year ended September 30, 2024 are as follows:

	Outstanding October 1, <u>2023</u>	<u>Increases</u>	<u>Decreases</u>	Outstanding September 30, <u>2024</u>	<u>Current</u>
Other:					
Employee annual leave	\$ 1,642,679	\$ 1,754,785	\$(1,527,945)	\$ 1,869,519	\$ 634,205
DCRS sick leave liability	1,429,998	---	(78,304)	1,351,694	---
Lease liabilities	438,714	---	(246,469)	192,245	103,802
Subscription- based IT liabilities	128,634	108,550	(128,633)	108,551	100,775
Net pension liability	59,402,698	---	(6,031,269)	53,371,429	---
OPEB liability	<u>87,184,863</u>	<u>16,021,712</u>	<u>(---)</u>	<u>103,206,575</u>	<u>---</u>
	<u>\$150,227,586</u>	<u>\$17,885,047</u>	<u>\$(8,012,620)</u>	<u>\$160,100,013</u>	<u>\$ 838,782</u>
	Outstanding October 1, <u>2022</u>	<u>Increases</u>	<u>Decreases</u>	Outstanding September 30, <u>2023</u>	<u>Current</u>
Other:					
Employee annual leave	\$ 1,720,920	\$ 1,496,472	\$(1,574,713)	\$ 1,642,679	\$ 729,390
DCRS sick leave liability	1,376,504	53,494	---	1,429,998	---
Lease liabilities	535,103	171,639	(268,028)	438,714	246,469
Subscription- based IT liabilities	---	308,006	(179,372)	128,634	128,634
Net pension liability	46,038,335	13,364,363	---	59,402,698	---
OPEB liability	<u>116,272,057</u>	<u>---</u>	<u>(29,087,194)</u>	<u>87,184,863</u>	<u>---</u>
	<u>\$165,942,919</u>	<u>\$15,393,974</u>	<u>\$(31,109,307)</u>	<u>\$150,227,586</u>	<u>\$1,104,493</u>

The future payments of lease and subscription-based IT liabilities are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$204,576	\$10,033	\$214,609
2026	62,073	3,153	65,226
2027	<u>34,147</u>	<u>1,376</u>	<u>35,523</u>
	<u>\$300,796</u>	<u>\$14,562</u>	<u>\$315,358</u>

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

8. Pensions

GWA is statutorily responsible for providing pension benefits for GWA employees through the GovGuam Retirement Fund (GGRF).

A. General Information About the Pension Plans

Plan Description: GGRF administers the GovGuam Defined Benefit (DB) Plan, a single-employer defined benefit pension plan, and the Defined Contribution Retirement System (DCRS). The DB Plan provides retirement, disability, and survivor benefits to plan members who enrolled in the plan prior to October 1, 1995. Article 1 of 4 GCA 8, Section 8105, requires that all employees of GovGuam, regardless of age or length of service, become members of the DB Plan prior to the operative date. Employees of a public corporation of GovGuam, which includes GWA, have the option of becoming members of the DB Plan prior to the operative date. All employees of GovGuam, including employees of GovGuam public corporations, whose employment commences on or after October 1, 1995, and prior to January 1, 2018 are required to participate in the Defined Contribution Retirement System (DCRS) Plan. Hence, the DB Plan became a closed group.

Members of the DB Plan who retired prior to October 1, 1995, or their survivors, are eligible to receive annual supplemental annuity payments. In addition, retirees under the DB and DCRS Plans who retired prior to September 30, 2020 are eligible to receive an annual ad hoc cost of living allowance (COLA).

A single actuarial valuation is performed annually covering all plan members and the same contribution rate applies to each employer. GGRF issues a publicly available financial report that includes financial statements and required supplementary information for the DB Plan. That report may be obtained by writing to the Government of Guam Retirement Fund, 424 A Route 8, Maite, Guam 96910, or by visiting GGRF's website – www.ggrf.com.

Benefits Provided: The DB Plan provides pension benefits to retired employees generally based on age and/or years of credited service and an average of the three highest annual salaries received by a member during years of credited service, or \$6,000, whichever is greater. Members who joined the DB Plan prior to October 1, 1981 may retire with 10 years of service at age 60 (age 55 for uniformed personnel); or with 20 to 24 years of service regardless of age with a reduced benefit if the member is under age 60; or upon completion of 25 years of service at any age. Members who joined the DB Plan on or after October 1, 1981 and prior to August 22, 1984 may retire with 15 years of service at age 60 (age 55 for uniformed personnel); or with 25 to 29 years of service regardless of age with a reduced benefit if the member is under age 60; or upon completion of 30 years of service at any age.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

8. Pensions, continued

A. General Information About the Pension Plans, continued

Members who joined the DB Plan after August 22, 1984 and prior to October 1, 1995 may retire with 15 years of service at age 65 (age 60 for uniformed personnel); or with 25 to 29 years of service regardless of age with a reduced benefit if the member is under age 65; or upon completion of 30 years of service at any age. Upon termination of employment before attaining at least 25 years of total service, a member is entitled to receive a refund of total contributions including interest. A member who terminates after completing at least 5 years of service has the option of leaving contributions in the GGRF and receiving a service retirement benefit upon attainment of the age of 60 years. In the event of disability during employment, members under the age of 65 with six or more years of credited service who are not entitled to receive disability payments from the United States Government are eligible to receive sixty six and two-thirds of the average of their three highest annual salaries received during years of credited service. The DB Plan also provides death benefits.

Supplemental annuity benefit payments are provided to DB retirees in the amount of \$4,238 per year, but not to exceed \$40,000 per year when combined with their regular annual retirement annuity. Annual COLA payments are provided to DB and DCRS retirees in a lump sum amount of \$2,200. Both supplemental annuity benefit payments and COLA payments are made at the discretion of the Guam Legislature, but are funded on a “pay-as-you-go” basis so there is no plan trust. It is anticipated that ad hoc COLA and supplemental annuity payments will continue to be made for future years at the same level currently being paid.

On September 20, 2016, the Guam Legislature enacted Public Law 33-186, which created two new government retirement plans; the DB 1.75 Plan and the Guam Retirement Security Plan (GRSP).

On February 4, 2020, the Guam Legislature terminated the GRSP. Commencing April 1, 2017, eligible employees elected, during the “election window”, to participate in the DB 1.75 Plan with an effective date of January 1, 2018.

The DB 1.75 Plan is open for participation by certain existing employees, new employees, and reemployed employees who would otherwise participate in the DC Plan and who make election on a voluntary basis to participate in the DB 1.75 Plan by December 31, 2017. Employee contributions are made by mandatory pre-tax payroll deduction at the rate of 9.5% of the employee’s base salary while employer contributions are actuarially determined. Members of the DB 1.75 Plan automatically participate in the GovGuam deferred compensation plan, pursuant to which employees are required to contribute 1% of base salary as a pre-tax mandatory contribution. Benefits are fully vested upon attaining 5 years of credited service.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

8. Pensions, continued

A. General Information About the Pension Plans, continued

Members of the DB 1.75 Plan may retire at age 62 with 5 years of credited service, or at age 60 with 5 years of credited service without survivor benefits, or at age 55 with 25 years of credited service but the retirement annuity shall be reduced $\frac{1}{2}$ of 1% for each month that the age of the member is less than 62 years (6% per year). Credited service is earned for each year of actual employment by the member as an employee. Upon retirement, a retired member is entitled to a basic retirement annuity equal to an annual payment of 1.75% of average annual salary multiplied by years of credited service. Average annual salary means the average of annual base salary for the three years of service that produce the highest average.

Contributions: Plan members of the DB Plan are required to contribute a certain percentage of their annual covered salary. The contribution requirements of the plan members and GWA are established and may be amended by the GGRF.

GWA's statutory contribution rates were 29.43% and 28.43% for the years ended September 30, 2024 and 2023, respectively. Employees are required to contribute 9.5% of their annual pay for the years ended September 30, 2024 and 2023.

GWA's contributions to the DB Plan for the years ended September 30, 2024 and 2023 were \$5,639,689 and \$5,187,181, respectively, which were equal to the statutorily required contributions for the year then ended.

GWA's contributions for supplemental annuity benefit and COLA payments for the years ended September 30, 2024 and 2023 were \$611,800 and \$594,000, respectively which were equal to the statutorily required contributions for the years then ended.

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

Contributions into the DCRS plan by members are based on an automatic deduction of 6.2% 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 for the DCRS plan for the years ended September 30, 2024 and 2023 is determined using the same rates as the DB Plan. Of the amount contributed by the employer, only 6.2% of the member's regular pay is deposited into the DCRS. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

8. Pensions, continued

A. General Information About the Pension Plans, continued

GWA's contributions to the DCRS Plan for the years ended September 30, 2024 and 2023 were \$3,823,503 and \$3,988,179, respectively, which were equal to the required contributions for the respective years then ended. Of these amounts, \$2,491,199 and \$2,560,130 were contributed towards the unfunded liability of the DB Plan for the years ended September 30, 2024 and 2023, respectively.

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liability: At September 30, 2024 and 2023, GWA reported a net pension liability for its proportionate share of the net pension liabilities measured as of September 30, 2022 and September 30, 2021, respectively, which is comprised of the following:

	<u>2024</u>	<u>2023</u>
Defined Benefit Plan	\$41,197,565	\$48,214,836
Ad Hoc COLA/supplemental annuity Plan for DB retirees	10,123,344	9,694,959
Ad Hoc COLA Plan for DCRS retirees	<u>2,050,520</u>	<u>1,492,903</u>
	<u>\$53,371,429</u>	<u>\$59,402,698</u>

GWA's proportion of the GovGuam net pension liabilities was based on GWA's expected plan contributions relative to the total expected contributions received by the respective pension plans for GovGuam and GovGuam's component units. At September 30, 2024 and 2023, GWA's proportionate shares of the GovGuam net pension liabilities were as follows:

	<u>2024</u>	<u>2023</u>
Defined Benefit Plan	2.95%	3.24%
Ad Hoc COLA/supplemental annuity Plan for DB retirees	3.76%	3.78%
Ad Hoc COLA Plan for DCRS retirees	2.62%	2.48%

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

8. Pensions, continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued

Pension Expense (Benefit): For the years ended September 30, 2024 and 2023, GWA recognized pension expense (benefit) for its proportionate share of plan pension expense from the above pension plans as follows:

	<u>2024</u>	<u>2023</u>
Defined Benefit Plan	\$5,645,481	\$5,565,339
Ad Hoc COLA/supplemental annuity Plan for DB retirees	868,052	(57,891)
Ad Hoc COLA Plan for DCRS retirees	<u>411,990</u>	<u>128,000</u>
	<u>\$6,925,523</u>	<u>\$5,635,448</u>

Deferred Outflows and Inflows of Resources: At September 30, 2024 and 2023, GWA reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2024</u>					
	<u>Defined Benefit Plan</u>		<u>Ad Hoc COLA/ Supplemental Annuity Plan for DB Retirees</u>		<u>Ad Hoc COLA Plan for DCRS Retirees</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 423,016	\$ 463,409	\$ ---	\$410,000	\$200,897	\$ 26,380
Net difference between projected and actual earnings on pension plan investments	5,361,803	---	---	---	---	---
Changes of assumptions	---	248,620	155,090	515,766	396,982	363,012
Contributions subsequent to the measurement date	5,639,689	---	611,800	---	89,700	---
Changes in proportion and difference between GWA contributions and proportionate share of contributions	<u>---</u>	<u>2,683,825</u>	<u>---</u>	<u>48,444</u>	<u>177,998</u>	<u>149,884</u>
	<u>\$11,424,508</u>	<u>\$3,395,854</u>	<u>\$766,890</u>	<u>\$974,210</u>	<u>\$865,577</u>	<u>\$539,276</u>

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

8. Pensions, continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued

	2023					
	<u>Defined Benefit Plan</u>		<u>Ad Hoc COLA/ Supplemental Annuity Plan for DB Retirees</u>		<u>Ad Hoc COLA Plan for DCRS Retirees</u>	
	<u>Deferred</u>	<u>Deferred</u>	<u>Deferred</u>	<u>Deferred</u>	<u>Deferred</u>	<u>Deferred</u>
	<u>Outflows of</u>	<u>Inflows of</u>	<u>Outflows of</u>	<u>Inflows of</u>	<u>Outflows of</u>	<u>Inflows of</u>
	<u>Resources</u>	<u>Resources</u>	<u>Resources</u>	<u>Resources</u>	<u>Resources</u>	<u>Resources</u>
Difference between expected and actual experience	\$ 934,747	\$ 128,930	\$ ---	\$ 82,856	\$184,632	\$ 29,569
Net difference between projected and actual earnings on pension plan investments	10,865,968	---	---	---	---	---
Changes of assumptions	---	---	15,824	1,051,976	310,418	399,897
Contributions subsequent to the measurement date	5,187,181	---	594,000	---	79,200	---
Changes in proportion and difference between GWA contributions and proportionate share of contributions	<u>31,255</u>	<u>1,014,548</u>	<u>---</u>	<u>123,413</u>	<u>124,821</u>	<u>178,631</u>
	<u>\$17,019,151</u>	<u>\$1,143,478</u>	<u>\$609,824</u>	<u>\$1,258,245</u>	<u>\$699,071</u>	<u>\$608,097</u>

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as reduction of the net pension liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at September 30, 2024 and 2023 will be recognized in pension expense as follows:

<u>Year ending September 30,</u>	<u>Defined Benefit Plan</u>	<u>Ad Hoc COLA/ Supplemental Annuity Plan for DB Retirees</u>	<u>Ad Hoc COLA Plan for DCRS Retirees</u>
2025	\$ 425,021	\$(678,195)	\$ 31,682
2026	(328,680)	(140,925)	31,684
2027	2,759,482	---	31,682
2028	(466,858)	---	33,750
2029	---	---	31,230
Thereafter	<u>---</u>	<u>---</u>	<u>76,573</u>
	<u>\$2,388,965</u>	<u>\$(819,120)</u>	<u>\$236,601</u>

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

8. Pensions, continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued

Actuarial Assumptions: The actuarial assumptions used are based upon recommendations from the actuarial experience study for the period October 1, 2015 through September 30, 2020.

A summary of actuarial assumptions applied to all periods included in the measurement is shown below.

Defined Benefit Plan:

Inflation:	2.50% per year
Investment rate of return:	7.0%
Payroll growth:	4.00% for Fiscal Year 2023; 2.50% per year thereafter
Salary increases:	6.0% per year in the first 5 years, 4.5% for years 6-10, 3.0% for years 11 to 15, and 3.0% for service after 15 years
Retirement age:	40% of employees assumed to retire when first eligible for unreduced retirement, 20% per year thereafter until age 75, at which time all remaining employees are assumed to retire
Investment rate of return:	The long-term expected rate of return on pension plan investments was determined using a building-block method in which the best estimate range of expected future real rates of return (expected returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.
Mortality:	Based on the PUB-2010 General Employees Amount-Weighted and PUB-2010 General Healthy Retiree Amount-Weighted mortality table, set forward by 4 years for males and 2 years for females, respectively then increased by 30% for ages less than 80

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

8. Pensions, continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees:

Inflation:	2.50% per year
Payroll growth:	4.00% for Fiscal Year 2023; 2.50% per year thereafter
Salary increases:	6.0% per year in the first 5 years, 4.5% for years 6-10, 3.0% for years 11 to 15, and 3.0% for service after 15 years
Retirement age:	40% of employees assumed to retire when first eligible for unreduced retirement, 20% per year thereafter until age 75, at which time all remaining employees are assumed to retire
Mortality:	Based on the PUB-2010 General Employees Amount-Weighted and PUB-2010 General Healthy Retiree Amount-Weighted mortality table, set forward by 4 years for males and 2 years for females, respectively then increased by 30% for ages less than 80

Ad Hoc COLA Plan for DCRS Retirees:

Inflation:	2.50% per year
Payroll growth:	4.00% for Fiscal Year 2023; 2.50% per year thereafter
Salary increases:	6.0% per year in the first 5 years, 4.5% for years 6-10, 3.0% for years 11 to 15, and 3.0% for service after 15 years
Retirement age:	5% of employees assumed to retire each year for ages 55 to 64, 10% of employees per year thereafter from age 65 until age 74, at which time all remaining employees are assumed to retire
Mortality:	Based on the PUB-2010 General Employees Amount-Weighted and PUB-2010 General Healthy Retiree Amount-Weighted mortality table, set forward by 4 years for males and 2 years for females, respectively then increased by 30% for ages less than 80

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

8. Pensions, continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued

Expected Rate of Return and Asset Allocation: The Fund has a target asset allocation based on the investment policy adopted by the GGRF Board of Trustees. The target allocation and best estimates of the expected nominal return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Nominal Return</u>	<u>Component Return</u>
U.S. Equities (large cap)	26.0%	7.88%	2.05%
U.S. Equities (small cap)	4.0%	9.44%	0.38%
Non-U.S. Equities	17.0%	10.16%	1.73%
Non-U.S. Equities (emerging markets)	3.0%	12.09%	0.36%
U.S. Fixed Income (aggregate)	22.0%	4.71%	1.04%
Risk Parity	8.0%	6.64%	0.53%
High Yield Bonds	8.0%	6.52%	0.52%
Global Real Estate (REITs)	2.5%	9.38%	0.23%
Global Equity	7.5%	8.73%	0.65%
Global Infrastructure	2.0%	8.20%	0.16%
Expected average return for one year			7.66%
Expected geometric mean (30 years)			6.94%

Discount Rate: The discount rate used to measure the total pension liability for the DB Plan was 7.0%, which is equal to the expected investment rate of return. The expected investment rate of return applies to benefit payments that are funded by plan assets (including future contributions), which includes all plan benefits except supplemental annuity payments to DB retirees and ad hoc COLA to both DB and DCRS retirees. The discount rate used to measure the total pension liability for the supplemental annuity and ad hoc COLA payments was 4.09% (4.02% at September 30, 2023), which is equal to the rate of return of a high-quality bond index.

Discount Rate Sensitivity Analysis: The following presents the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to GWA's proportionate share of the net pension liability if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Defined Benefit Plan:

	1% Decrease in Discount Rate <u>6.0%</u>	Current Discount Rate <u>7.0%</u>	1% Increase in Discount Rate <u>8.0%</u>
Net Pension Liability	<u>\$50,595,433</u>	<u>\$41,197,565</u>	<u>\$33,152,890</u>

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

8. Pensions, continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees:

	1% Decrease in Discount Rate <u>3.09%</u>	Current Discount Rate <u>4.09%</u>	1% Increase in Discount Rate <u>5.09%</u>
Net Pension Liability	\$ <u>11,045,358</u>	\$ <u>10,123,344</u>	\$ <u>9,318,092</u>

Ad Hoc COLA Plan for DCRS Retirees:

	1% Decrease in Discount Rate <u>3.09%</u>	Current Discount Rate <u>4.09%</u>	1% Increase in Discount Rate <u>5.09%</u>
Net Pension Liability	\$ <u>2,314,256</u>	\$ <u>2,050,520</u>	\$ <u>1,827,519</u>

C. Payables to the Pension Plans

As of September 30, 2024 and 2023, GWA recorded payables to GGRF of \$138,453 and \$98,858, respectively, representing unremitted statutorily required contributions.

9. Other Post Employment Benefits (OPEB)

GWA participates in the retiree health care benefits program. GovGuam's Department of Administration is responsible for administering the GovGuam Group Health Insurance Program, which provides medical, dental, and life insurance benefits to retirees, spouses, children and survivors. Active employees and retirees who waive medical and dental coverage are considered eligible for the life insurance benefit only. The program covers retirees and is considered an OPEB plan.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

9. Other Post Employment Benefits (OPEB), continued

A. General Information About the OPEB Plan

Plan Description: The OPEB plan is a single-employer defined benefit plan that provides healthcare benefits to eligible employees and retirees who are members of the GovGuam Retirement Fund. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Governor’s recommended budget and the annual General Appropriations Act enacted by the Guam Legislature provide for a premium level necessary for funding the program each year on a “pay-as-you-go” basis. GovGuam issues a publicly available financial report that includes financial statements and required supplementary information for the OPEB Plan. That report may be obtained by writing to the Government of Guam Department of Administration, Suite 224, 2nd Floor, ITC Building, 590 South Marine Corps Drive, or by visiting the Guam Department of Administration website – <https://da.doa.guam.gov/reports/guam-other-post-employment-benefits-opeb-reports/>.

Benefits: GovGuam provides postemployment medical, dental and life insurance benefits to retirees, spouses, children and survivors. Active employees and retirees who waive medical and dental coverage are considered eligible for the life insurance benefit only.

Contributions: No employer contributions are assumed to be made since an OPEB trust has not been established. Instead, the OPEB Plan is financed on a substantially “pay-as-you-go” basis whereby contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

Total OPEB liability at the fiscal year presented for the OPEB Plan was measured on and was determined by actuarial valuations as of the following dates:

Reporting Date:	September 30, 2024	September 30, 2023
Measurement Date:	September 30, 2023	September 30, 2022
Valuation Date:	September 30, 2022	September 30, 2022

Collective total OPEB liability as of September 30, 2024 and 2023 is \$103,206,575 and \$87,184,863, respectively.

Proportionate share of total OPEB liability at September 30, 2024 and 2023 is 3.77% and 3.80%, respectively.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

9. Other Post Employment Benefits (OPEB), continued

B. Total OPEB Liability:

Actuarial Assumptions: A summary of actuarial assumptions applied to all periods included in the measurement is shown below:

Inflation:	2.50%
Healthcare cost trend rate:	<p>For non-Medicare claims, 8% for FY2023, then 26% for FY2024 and 7% for FY2025, decreasing 0.5% per year to 4.5% in FY2030 and an ultimate rate of 4.1% for FY2031 and later years.</p> <p>For Medicare claims, 8% for FY2023, then 14% for FY2024 and 7% for FY2025, decreasing 0.5% per year to 4.5% in FY2030 and an ultimate rate of 4.1% for FY2031 and later years.</p> <p>For both Medicare and non-Medicare retiree contributions, 8% for FY2023, then 0% for FY2024 and 7% for FY2025, decreasing 0.5% per year to 4.5% in FY2030 and an ultimate rate of 4.1% for FY2031 and later years.</p>
Dental trend rates:	<p>For claims, the initial trend rates are 4.25% for year 1 and 8.21% for year two and reflect the actual changes in plan costs through October 1, 2024, and then 4.25% in subsequent years. For retiree contributions, the initial trend rate is 4.25% for year one and 0% for year two and reflects the actual changes in retiree contributions through October 1, 2024, and then 4.25% in subsequent years. These trend rates are based on a blend of historical retiree premium rate increases as well as observed U.S. national trends.</p>
Employee mortality rates	<p>PUB-2010 General Employees Headcount-Weighted Mortality Table, set forward 4 years and 2 years for males and females, respectively, with 130% of rates prior to age 80. Projected generationally using 50% of scale MP-2020.</p>

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

9. Other Post Employment Benefits (OPEB), continued

B. Total OPEB Liability, continued

Healthy retiree mortality rates:	PUB-2010 General Healthy Retiree Headcount-Weighted Mortality Table, set forward 4 years and 2 years for males and females, respectively, with 130% of rates prior to age 80. Projected generationally using 50% of scale MP-2020.
Disabled retiree mortality rates:	PUB-2010 General Disabled Retiree Headcount-Weighted Mortality Table, set forward 4 years and 2 years for males and females, respectively, with 130% of rates prior to age 80. Projected generationally using 50% of scale MP-2020.

Discount rate: The discount rate used to measure the total OPEB liability was 4.09%. The projection of cash flows used to determine the discount rate assumed that contributions from the Government will be made in accordance with the plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments of current plan members. Therefore, the 4.09% municipal bond rate was applied to all periods to determine the total OPEB liability.

Sensitivity of the total OPEB liability to changes in the discount rate: The following presents the sensitivity of the total OPEB liability to changes in the discount rate. The sensitivity analysis shows the impact to GWA's proportionate share of the total OPEB liability if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease in Discount Rate <u>3.09%</u>	Current Discount Rate <u>4.09%</u>	1% Increase in Discount Rate <u>5.09%</u>
Total OPEB Liability	<u>\$119,633,795</u>	<u>\$103,206,575</u>	<u>\$89,876,030</u>

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

9. Other Post Employment Benefits (OPEB), continued

B. Total OPEB Liability, continued

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates: The following presents the sensitivity of the total OPEB liability to changes in the healthcare cost trend rate. The sensitivity analysis shows the impact to GWA's proportionate share of the total OPEB liability if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$ <u>87,839,831</u>	\$ <u>103,206,575</u>	\$ <u>122,884,366</u>

C. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the years ended September 30, 2024 and 2023, GWA reported total OPEB expense of \$7,389,859 and \$4,166,314, respectively. for its proportionate share of the GovGuam total OPEB expense. At September 30, 2024 and 2023, GWA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>2024</u>		<u>2023</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 3,487,443	\$19,775,455	\$ 8,077,845	\$28,629,763
Difference between expected and actual experience	15,791,492	4,358,671	6,799,163	4,009,180
Contributions subsequent to the measurement date	2,735,797	---	2,481,241	---
Changes in proportion and difference between employer contributions and proportionate share of contributions	<u>6,978,056</u>	<u>8,342,841</u>	<u>11,181,705</u>	<u>10,654,549</u>
	<u>\$28,992,788</u>	<u>\$32,476,967</u>	<u>\$28,539,954</u>	<u>\$43,293,492</u>

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

9. Other Post Employment Benefits (OPEB), continued

C. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB, continued

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as reduction of the total OPEB liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending September 30,

2025	\$2,499,252
2026	(627,580)
2027	(2,890,026)
2028	(3,438,293)
2029	(3,438,295)
Thereafter	<u>1,674,967</u>
	<u><u>\$ (6,219,975)</u></u>

10. Agreements with the United States Navy

Pursuant to a Memorandum of Agreement, the U.S. 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 year ended September 30, 2024 and 2023 amount to \$8,662,002 and \$7,038,954.

11. 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 accompanying financial statements.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

11. Commitments and Contingencies, continued

Litigation

GWA is seeking to quiet title in property listed in a current court action. The court action was first brought by the Government of Guam, Department of Land Management (DLM) to rescind and correct certificates of title which DLM has claimed were erroneously issued to a private party. The quiet title action addresses certificates of title for property upon which GWA's Northern District Wastewater Treatment Plant (NDWWTP) is located. The private party holding the certificates of title argues it legally acquired the disputed property through foreclosure, first returned to ancestral land owners, and second by GWA's presumptive failure to perform required surveys triggering an automatic reversion of the land. Court records show the private party is seeking the enjoyment, use, and occupancy of the property and just compensation from GWA for inverse condemnation in the amount of \$220 million, as well as damages for trespass and encroachment by GWA. If the Guam Superior Court enters a judgment, granting the claimed compensation, against the Authority, the resulting liability could have a material and adverse impact on GWA's financial position.

GWA has argued that the ownership of the disputed property has been well documented and permitted through public laws, adopted land use plans, and federal and local government leases, easements, and deeds and that the collective review of these laws and conveyance documents prevents the property under NDWWTP from being transferred to a private land owner as it houses an existing public utility first constructed in 1979. While a final judgement has not been issued, an April 2024 decision and order by the Superior Court granted title to the opposing party. In May 2024, GWA sought an interlocutory appeal on the trial court's April order and an earlier decision. In January 2025, the Guam Supreme Court granted GWA's request to appeal. The appeal remains ongoing and as a result, GWA's quiet-title litigation before the Superior Court is stayed until the Guam Supreme Court appeal is resolved.

GWA is of the opinion that based on the current status of the litigation, and courses of actions still available to it, liabilities of a material nature will not be realized, and therefore no related provision has been recorded in the accompanying financial statements for the potential impact, if any, of this matter.

Contract Commitments

Contract commitments in connection with projects currently in construction approximate \$101,553,925 at September 30, 2024, of which \$14,497,259 will be funded by federal grants from the U.S. Government.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

11. Commitments and Contingencies, continued

Regulatory Oversight - Court Orders

In 2002, the US Government filed a complaint against GWA 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 sought both civil penalties and injunctive relief to address such non-compliance. Both GWA and the U.S. Department of Justice, Environmental and Natural Resources Division, mutually agreed in the form of a Court Order to resolve the violation issues.

In 2003, a Court Order for Preliminary Relief was filed before the District Court of Guam. The Stipulation required implementation of short-term projects and initial planning measures by GWA. GWA was 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 Court 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.

In 2006, the Court Order was amended, which required GWA to perform approximately \$220 million of capital improvement projects and perform other actions to bring GWA's system into compliance. However, GWA was unable to meet all deadlines set out in the amended Court Order. The District Court ordered the parties to stipulate as to the scope of the remaining projects and project completion dates. The parties were unable to reach an agreement on all items. As a result, on November 10, 2011, the District Court issued an order setting new deadlines for the unfinished projects and included new projects that were not part of the amended Court Order. As of September 2021, of the 93 items required by the Court Order, 92 are either complete or in progress (e.g., continuous reporting requirement). GWA continues to make progress in completing the one remaining item, using 2020A Series Bond Revenue to repair, rehabilitate or replace water storage reservoirs.

GWA together with the Government of Guam, as a co-Defendant, filed an unopposed motion in the U.S. District Court to extend the final completion deadline from June 23, 2023, to December 31, 2025. The Court approved the extension and GWA continues its work to complete the sole remaining compliance requirement by the new deadline.

In further regulatory enforcement efforts, GWA and the U.S. EPA entered and filed a Partial Consent Decree (Partial CD) in the Guam U.S. District Court on January 31, 2024. In August 2024, the federal court entered an Order accepting the Partial CD making it effective August 9, 2024. The Order triggers proximate deadlines from August 9, 2024, for GWA to address a series of assessments, planning, reporting, rule updates, and construction measures within a 10-year period to avoid stipulated penalties. The deadlines to be completed vary from months to years over the 10-year period. To date, GWA is on track to meet all deadlines due.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

12. Supplemental Annuities/COLA

As required by GovGuam's Annual Appropriation's Act, GWA must reimburse GovGuam's Department of Administration for certain supplemental and healthcare benefits paid to retirees. During the years ended September 30, 2024 and 2023, GWA levied a 3.80% and 3.50% surcharge, respectively amounting to \$4,057,503 and \$3,094,599, respectively, in order to satisfy this legislative mandate.

13. System Development Charge (SDC)

In 2010, PUC approved the implementation of a water and sewer SDC, which authorized GWA to charge water and wastewater SDC to applicable customers on and after March 2, 2010. SDC revenues generated and collected are to be expended for costs associated with the construction, expansion, upgrade, and repair of water and wastewater facilities for users who are for the first time connecting property into the Guam water or wastewater system or for builders if the density of the existing connection is increased. SDC revenues may also be used to pay the principal sum and interest and other finance costs on bonds, notes or other obligations issued by or on behalf of GWA to finance such capital improvements or facilities expansion or renovations. During the years ended September 30, 2024 and 2023, SDC revenues were \$1,698,842 and \$1,359,167, respectively.

14. Related Party Transactions

GWA receives electrical and administrative services from GPA, a component unit of the Government of Guam also governed by the CCU. Electricity purchases from GPA for the years ended September 30, 2024 and 2023 were \$21,892,448 and \$24,397,961, respectively, and GWA was also charged \$593,742 and \$566,256, respectively, for administrative services provided by GPA. Outstanding payables for power purchases, administrative expenses and cost reimbursements owed by GWA to GPA were \$1,961,502 and \$1,746,771 as of September 30, 2024 and 2023, respectively.

For the years ended September 30, 2024 and 2023, GWA billed GPA a total of \$2,501,224 and \$134,497 for water and sewer charges on the facilities transferred by the Navy to GPA. The amount due from GPA as of September 30, 2024 and 2023 was \$2,516,111 and \$218,391, respectively, which is included in receivables in the accompanying statements of net position.

GWA receives waste disposal services from Guam Solid Waste Authority (GSWA). Waste disposal fees for the year ended September 30, 2024 and 2023 were \$1,099,837 and \$676,362, respectively. Outstanding payables for waste disposal fees owed by GWA to GSWA were \$84,595 and \$143,629 as of September 30, 2024 and 2023, respectively, and were included in trade accounts payable in the accompanying statements of net position.

Required Supplementary Information

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Required Supplementary Information (Unaudited)
Schedule of Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*

Defined Benefit Plan

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
GWA's proportionate share of the net pension liability	\$41,197,565	\$48,214,836	\$32,556,486	\$42,300,716	\$40,222,332	\$37,292,034	\$33,100,479	\$38,799,923	\$40,053,650
GWA's proportion of the net pension liability	2.95%	3.24%	3.38%	3.39%	3.31%	3.16%	2.90%	2.83%	2.79%
GWA's covered payroll**	\$19,718,173	\$19,156,692	\$18,724,804	\$17,738,557	\$16,874,281	\$16,251,058	\$14,729,699	\$14,353,805	\$14,388,631
GWA's proportionate share of the net pension liability as percentage of its covered payroll	208.93%	251.69%	173.87%	238.47%	238.36%	229.47%	224.72%	270.31%	278.37%
Plan fiduciary net position as a percentage of the total pension liability	59.17%	54.45%	70.14%	61.48%	62.25%	63.28%	60.63%	54.62%	52.32%

*Data is presented for those years for which information is available.

**Covered-employee payroll data from the actuarial valuation date with one-year lag.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Required Supplementary Information (Unaudited)
Schedule of Proportionate Share of the Collective Total Pension Liability
Last 10 Fiscal Years*

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
GWA's proportionate share of the net pension liability	\$10,123,344	\$9,694,959	\$11,715,208	\$12,486,188	\$12,866,333	\$11,195,277	\$10,909,240
GWA's proportion of the net pension liability	3.76%	3.78%	3.80%	3.88%	3.97%	3.86%	3.79%

*Data is presented for those years for which information is available.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Required Supplementary Information (Unaudited)
Schedule of Proportionate Share of the Collective Total Pension Liability
Last 10 Fiscal Years*

Ad Hoc COLA Plan for DCRS Retirees

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
GWA's proportionate share of the net pension liability	\$2,050,520	\$1,492,903	\$1,766,641	\$1,577,875	\$1,299,011	\$1,105,860	\$1,441,633
GWA's proportion of the net pension liability	2.62%	2.48%	2.50%	2.38%	2.17%	2.24%	2.31%

*Data is presented for those years for which information is available.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Required Supplementary Information (Unaudited)
Schedule of Pension Contributions
Last 10 Fiscal Years*

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 4,365,333	\$ 4,474,004	\$ 4,263,160	\$ 4,116,086	\$ 3,998,221	\$ 4,029,190	\$ 3,491,479	\$ 3,524,561	\$ 3,759,121
Contributions in relation to the actuarially determined contribution	<u>5,639,689</u>	<u>5,187,181</u>	<u>5,180,477</u>	<u>4,038,242</u>	<u>4,025,886</u>	<u>4,296,287</u>	<u>3,630,252</u>	<u>3,527,186</u>	<u>3,749,595</u>
Contribution deficiency (excess)	\$ <u>(1,274,356)</u>	\$ <u>(713,177)</u>	\$ <u>(917,317)</u>	\$ <u>77,844</u>	\$ <u>(27,665)</u>	\$ <u>(267,097)</u>	\$ <u>(138,773)</u>	\$ <u>(2,625)</u>	\$ <u>9,526</u>
GWA's covered payroll**	\$ <u>20,283,563</u>	\$ <u>19,718,173</u>	\$ <u>18,724,804</u>	\$ <u>17,738,557</u>	\$ <u>16,874,281</u>	\$ <u>16,251,058</u>	\$ <u>14,729,699</u>	\$ <u>14,353,805</u>	\$ <u>14,388,631</u>
Contributions as a percentage of covered payroll	27.80%	26.31%	27.67%	22.77%	23.86%	26.44%	24.65%	24.57%	26.06%

*Data is presented for those years for which information is available.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Required Supplementary Information (Unaudited)
Schedule of Proportionate Share of the Collective Total OPEB Liability
Last 10 Fiscal Years*

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
GWA's proportionate share of the OPEB liability	\$103,206,575	\$87,184,863	\$116,272,057	\$106,433,894	\$84,163,331	\$62,656,405	\$88,950,661
GWA's proportion of the OPEB liability	3.77%	3.80%	4.19%	4.23%	3.30%	3.34%	3.66%

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years' information is available.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Notes to Required Supplementary Information (Unaudited)

Changes in Assumptions – Pension Plans

Amounts reported in 2023 actuarial valuation reflected an assumption related to administrative expenses to increase to \$7,402,000 per year.

Amounts reported in 2022 actuarial valuation reflected an assumption related to administrative expenses to decrease to \$6,798,000 per year.

Amounts reported in 2021 actuarial valuation reflected an assumption related to administrative expenses to increase to \$6,565,000 per year.

Amounts reported in 2020 actuarial valuation reflected an assumption related to administrative expenses to decrease to \$6,439,000 per year.

Amounts reported in 2019 actuarial valuation reflected an assumption related to administrative expenses to decrease to \$6,860,000 per year.

Amounts reported in 2018 actuarial valuation reflected an assumption related to administrative expenses to increase to \$7,082,000 per year.

Amounts reported in the 2017 actuarial valuation reflect a change in assumption of payroll growth to 2.75% rather than 3%. The mortality, retirement age and disability assumption were changed to more closely reflect actual experience. Assumption related to administrative expense reflected an increase to \$6,344,000 per year and a revised allocation to the various pension plans to reflect actual experience.

Amounts reported in 2016 actuarial valuation reflect a change in assumption of administrative expenses to \$6,078,000 per year rather than \$5,806,000.

Amounts reported in 2015 actuarial valuation reflect a change in assumption of payroll growth to 3% rather than 3.5% which was used to determine amounts reported prior to 2015.

Other Postemployment Benefit Plan

The information presented has no assets accumulated in a trust to pay related benefits.

Supplementary and Other Information

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Schedule of Certain Operating and Maintenance Expenses

	Year ended September 30,	
	<u>2024</u>	<u>2023</u>
Salaries, wages and benefits:		
Regular, differential and hazardous pay	\$16,826,909	\$16,535,676
Pension costs and other benefits	8,330,722	6,724,057
Overtime pay	<u>764,829</u>	<u>1,211,023</u>
Total salaries, wages and benefits	<u>\$25,922,460</u>	<u>\$24,470,756</u>
Administrative and general:		
Materials and supplies	\$ 1,396,741	\$ 1,965,599
Chemicals	1,882,201	1,778,433
Insurance	1,803,101	1,779,677
Transportation	504,105	632,636
Miscellaneous	665,430	629,100
Merchant fees	860,821	669,025
Public Utility Commission	552,292	213,555
Communications	136,781	114,403
Training	198,701	164,370
Liability claims	144,593	300,724
Advertising	<u>68,895</u>	<u>99,408</u>
Total administrative and general	<u>\$ 8,213,661</u>	<u>\$ 8,346,930</u>
Contractual:		
Labor, materials and others	1,404,959	\$ 1,824,658
Accounting	1,879,040	1,706,562
Legal	559,014	619,291
Property rental	582,808	570,187
Equipment rental	124,257	439,277
Testing	<u>687,426</u>	<u>261,908</u>
Total contractual	<u>\$ 5,237,504</u>	<u>\$ 5,421,883</u>
Other expense:		
Interest expense	\$26,805,659	\$28,678,533
Retiree healthcare costs and other benefits	8,661,999	4,621,864
Bond issuance costs	<u>3,364,221</u>	<u>554,655</u>
Total other expense	<u>\$38,831,879</u>	<u>\$33,855,052</u>

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Schedule of Construction Work in Progress

Year ended September 30, 2024

Project Title	Type	Beginning Balance FY2024	Additions and Transfers	Close-outs and Adjustments	Ending Balance FY2024
Asan / Santa Rita Springs Rehabilitation	Water	\$ 917,108	\$ 99,583	\$ -	\$ 1,016,691
Deepwell New Wells Site Development and Rehabilitation	Water	1,956,680	371,372	-	2,328,052
Equipment Purchases	Water/Wastewater	53,214	1,956,733	(1,403,105)	606,842
Facilities Improvement	Water/Wastewater	812,689	223,756	-	1,036,445
Fire Hydrant Replacement Project	Water	200,616	372,627	(570,008)	3,235
GIS Mapping	Water	-	96,736	-	96,736
Hydraulic Modeling	Water/Wastewater	644,072	-	-	644,072
I&I SSES for Central/Northern/Southern Sewer Systems	Wastewater	2,102,046	-	(650,055)	1,451,991
Information Technology	Water/Wastewater	463,611	848,546	(1,234,900)	77,257
Island Wide Real Property Survey & Mapping	Water/Wastewater	882,181	-	(449,863)	432,318
Island Wide Water Reservoirs	Water	38,474,936	17,430,365	(7,643,144)	48,262,157
Meters and related	Water	560,139	9,366	(32,981)	536,524
Pressure Zone Realignment	Water	7,017,097	1,561,505	(8,310,311)	268,291
Program Management Office	Water/Wastewater	4,568,990	95,429	(690,955)	3,973,464
Pumps, Motors, Cables and related Replacements	Water/Wastewater	98,343	1,171,131	(1,124,354)	145,120
Route 1 Sanitary Sewer Rehabilitation and Replacement (Asan-Adelup-Hagatna	Wastewater	19,320	-	(19,320)	-
SCADA System for Water and Wastewater	Water/Wastewater	1,766,215	126,545	(1,885,520)	7,240
Sewer Pump Station Improvements	Wastewater	2,531,783	679,381	(371,344)	2,839,820
Tamuning Hot Spots Sewer Line Rehabilitation and Replacement	Wastewater	2,652,719	(7,631)	(2,645,088)	-
Tumon Hot Spots Sewer Line Rehabilitation	Wastewater	432,574	12,405	-	444,979
Ugum Water Treatment Plant Rehabilitation	Water	192,425	685,058	-	877,483
Upgrade to Secondary Treatment at NDWWTP	Wastewater	660,382	-	-	660,382
Wastewater Collection Systems	Wastewater	1,698,240	563,712	-	2,261,952
Water and Wastewater Infrastructure Improvements	Water/Wastewater	530,245	1,193,357	-	1,723,602
Water BPS Improvements	Water	875,236	190,053	(342,044)	723,245
Water Distribution Systems	Water	4,038,356	907,952	(1,485)	4,944,823
Total Balance per Schedule		\$ 74,149,217	\$ 28,587,981	\$ (27,374,477)	\$ 75,362,721

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

System Development Charge Fund
Schedules of Net Position, Revenue, Expenses and Changes in Net Position

	September 30, <u>2024</u>	<u>2023</u>
Assets		
Current assets:		
Restricted cash	\$7,160,562	\$5,375,796
Receivables	<u>1,334,015</u>	<u>1,256,707</u>
	<u>\$8,494,577</u>	<u>\$6,632,503</u>
Liabilities and Net Position		
Current liabilities:		
Due to GWA	\$ <u>1,091,264</u>	\$ <u>1,121,582</u>
Net Position:		
Restricted	<u>7,403,313</u>	<u>5,510,921</u>
	<u>\$8,494,577</u>	<u>\$6,632,503</u>
Revenues, Expenses and Changes in Net Position		
Revenues:		
System development charge	\$1,698,842	\$1,359,167
Other revenues	<u>193,550</u>	<u>71,608</u>
	1,892,392	1,430,775
Expenses:		
Transfer out	<u>---</u>	<u>3,494,785</u>
Change in net position	1,892,392	(2,064,010)
Net position at beginning of year	<u>5,510,921</u>	<u>7,574,931</u>
Net position at end of year	<u>\$7,403,313</u>	<u>\$5,510,921</u>

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Schedule of Operating Revenues

	Year ended September 30,	
	<u>2024</u>	<u>2023</u>
Water	\$ 79,144,020	\$ 66,628,611
Wastewater	44,594,287	36,531,233
Surcharges:		
Legislative	4,057,503	3,094,599
System development charge	1,698,842	1,359,167
Other	591,327	567,167
Bad debts expense	(<u>229,334</u>)	(<u>421,467</u>)
Total operating revenues	<u>\$129,856,645</u>	<u>\$107,759,310</u>

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Schedule of Employee and Other Data

Years ended September 30, 2024 and 2023

2024					
Cost Category	Full-Time Employees	Personnel Services	Contractual Services	Materials and Supplies	Total
Administration and Support	72	\$ 5,570,925	\$ 1,668,451	\$ 72,220	\$ 7,311,596
Compliance & Safety	18	2,043,936	1,072,148	43,961	3,160,045
Engineering	28	1,643,813	---	7,953	1,651,766
Executive Management	43	4,057,108	1,588,523	14,321	5,659,952
Operations: Construction & Maintenance	27	2,030,871	47,689	73,721	2,152,281
Operations: Water Distribution	49	3,026,386	438,184	788,992	4,253,562
Operations: Water Production & Treatment	34	1,941,582	125,826	124,951	2,192,359
Operations: Wastewater Collection	48	3,309,869	242,888	193,623	3,746,380
Operations: Wastewater Treatment	28	2,297,970	53,795	76,999	2,428,764
Total	347	\$ 25,922,460	\$ 5,237,504	\$ 1,396,741	\$ 32,556,705

2023					
Cost Category	Full-Time Employees	Personnel Services	Contractual Services	Materials and Supplies	Total
Administration and Support	77	\$ 5,112,182	\$ 1,596,785	\$ 77,851	\$ 6,786,818
Compliance & Safety	19	1,811,794	672,121	64,406	2,548,321
Engineering	29	1,186,589	2,473	27,478	1,216,540
Executive Management	43	3,631,323	1,348,315	15,706	4,995,344
Operations: Construction & Maintenance	32	2,349,856	155,315	244,063	2,749,234
Operations: Water Distribution	48	3,105,810	709,925	791,256	4,606,991
Operations: Water Production & Treatment	31	2,013,591	243,204	427,736	2,684,531
Operations: Wastewater Collection	48	2,876,194	593,899	174,008	3,644,101
Operations: Wastewater Treatment	29	2,383,417	99,846	143,094	2,626,357
Total	356	\$ 24,470,756	\$ 5,421,883	\$ 1,965,598	\$ 31,858,237