

ANNUAL REPORT

FY 1966

RYUKYU DOMESTIC WATER CORPORATION

ANNUAL REPORT

Fiscal Year 1966

RYUKYU DOMESTIC WATER CORPORATION

RYUKYU DOMESTIC WATER CORPORATION

INSTRUMENTALITY OF UNITED STATES CIVIL ADMINISTRATION

RYUKYU ISLANDS

P. O. BOX 375

NAHA, OKINAWA

TEL: 8-4536, 8-1720, 8-4075, 8-8403

September 19, 1966

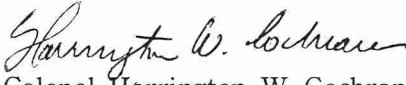
Mr. Gerald Warner
Civil Administrator
United States Civil Administration of the Ryukyu Islands

Dear Sir:

Submitted is the annual report for the fiscal year ended June 30, 1966 of the Ryukyu Domestic Water Corporation.

The first section of the report reviews the activities of the Corporation during the fiscal year. Section II presents the financial statements audited by a certified public accountant.

Sincerely yours,


Colonel Harrington W. Cochran
Chairman, Board of Directors

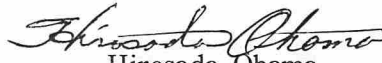

Hirosada Ohama
President

TABLE OF CONTENTS

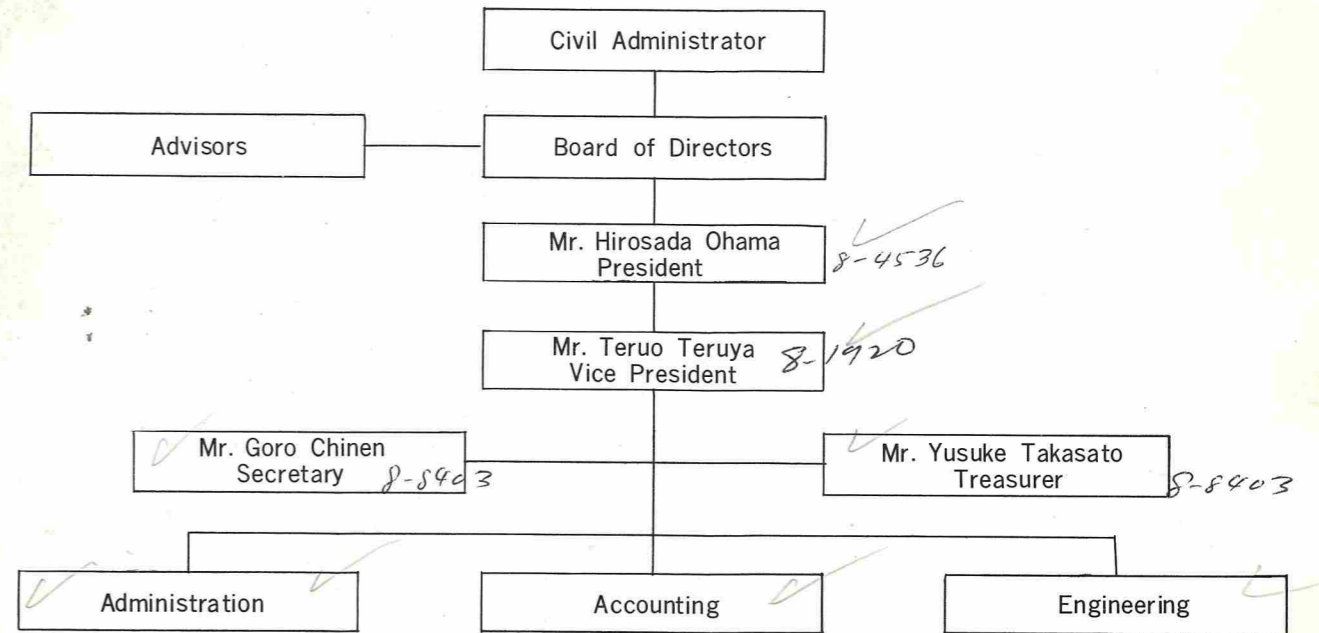
	Page
LETTER OF SUBMITTAL.....	iii
TABLE OF CONTENTS.....	v
LIST OF PHOTOGRAPHS.....	vi
ORGANIZATION CHART AND BOARD OF DIRECTORS.....	vii
SCHEMATIC DIAGRAM OF INTEGRATED ISLAND WATER SYSTEM.....	viii
RYUKYU DOMESTIC WATER CORPORATION AT A GLANCE.....	x
REPORT.....	1
I. FISCAL YEAR 1966 IN REVIEW.....	1
1. Summary.....	1
2. Operations.....	1
Operation of Integrated Island Water System.....	2
Sale of Water.....	2
Transfer of Retail Customers.....	3
Adoption of Uniform System of Accounts.....	3
Employee Development.....	3
Affiliation with American Water Works Association.....	4
3. Capital Investment Programs.....	4
Construction Contract Awarded.....	4
Design and/or Study Completed.....	5
Projects under Construction.....	6
Projects under Design and/or Study.....	8
FY 1966 General Fund Program.....	9
Capital Contribution Expected in FY 1967.....	9
II. FINANCIAL STATEMENTS.....	10
1. Audit Report by Certified Public Accountant.....	12
2. Comparative Balance Sheet.....	13
3. Comparative Statement of Income and Retained Earnings.....	14
4. Notes to Financial Statements.....	15

LIST OF PHOTOGRAPHS

	Page
1. Schematic Diagram of Integrated Island Water System.....	viii
2. A Meeting of the Board of Directors.....	x
3. Presentation of Check by Under Secretary of the Army McGiffert.....	xi
4. Appointment of New President by Civil Administrator.....	1
5. General View of Tengan Dam.....	5
6. A Clear Well of Ishikawa Water Treatment Plant.....	6
7. Panorama of the 10 MG Naha Storage Tank.....	7
8. 36-Inch Pipeline Installation.....	7

ORGANIZATION CHART OF THE RYUKYU DOMESTIC WATER CORPORATION

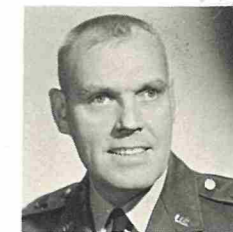
(As of 30 June 1966)



BOARD OF DIRECTORS



Col. Harrington W. Cochran
Chairman



Lt. Col. Parker Fredericks, Jr.
Member



Mr. Seiko Kohagura
Member

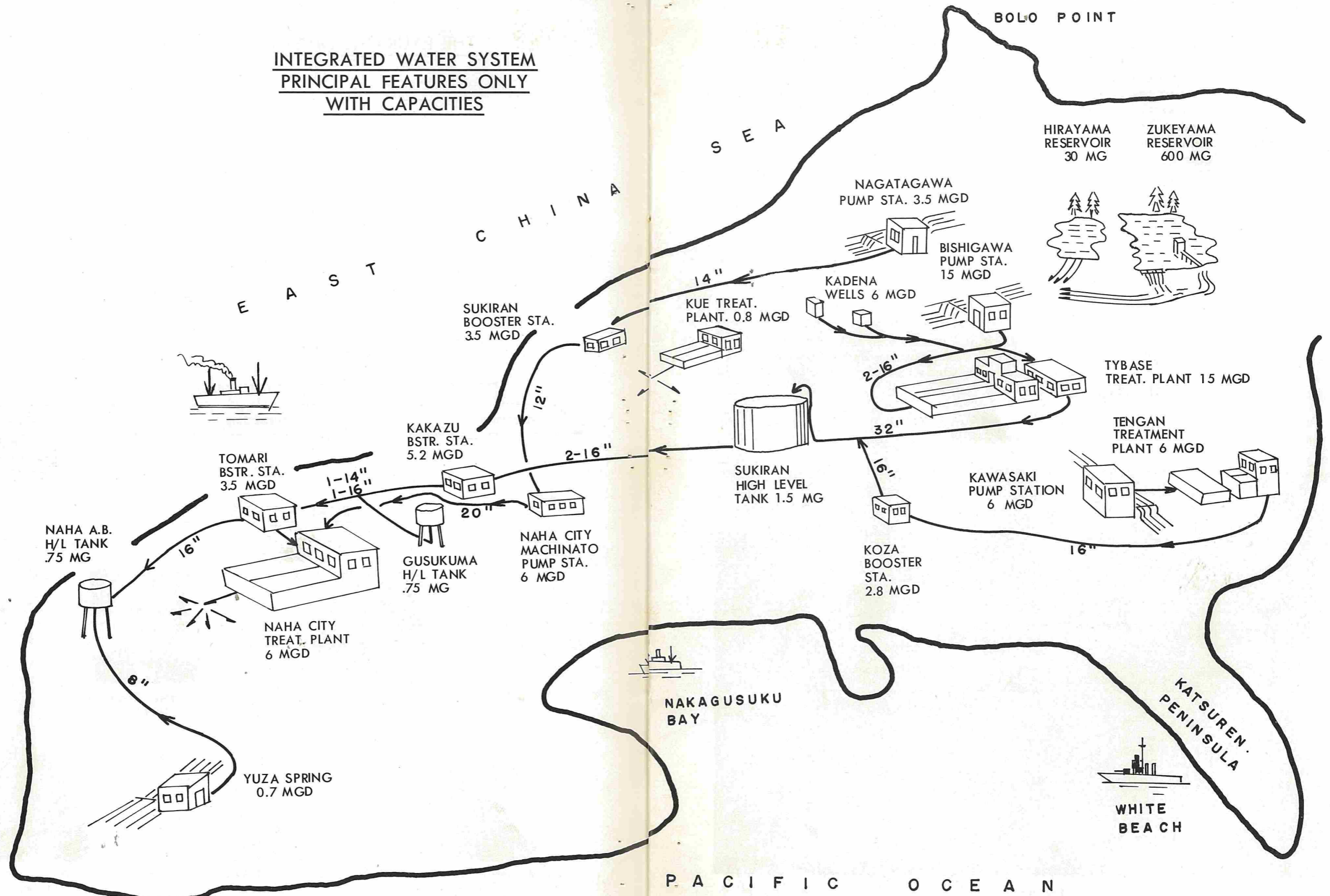


Mr. Nobuo Takamura
Member



Mr. Hirosada Ohama
Member

**INTEGRATED WATER SYSTEM
PRINCIPAL FEATURES ONLY
WITH CAPACITIES**



P A C I F I C O C E A N

RYUKYU DOMESTIC WATER CORPORATION AT A GLANCE

Establishment and Objectives: The Ryukyu Domestic Water Corporation (RDWC) was established on 4 September 1958 by High Commissioner Ordinance Number 8, as an instrumentality of the United States Civil Administration of the Ryukyu Islands (USCAR), for the purpose of providing safe and adequate water service for the use and benefit of the Ryukyuan people and for the industrial development of the Ryukyu Islands.

Scope of Business: To accomplish its objectives, the Corporation is empowered to:

1. Produce, purchase, distribute and sell water to public and private consumers at rates approved by the Civil Administrator of the Ryukyu Islands.
2. Acquire, maintain and operate domestic water producing properties and facilities in the Ryukyus for the collection, treatment, transmission, distribution and sale of water.
3. Acquire or construct dams, pumping stations, treatment plants, transmission lines, and

incidental works, including storage facilities, in the Ryukyus.

4. Unite various water supply installations into one or more systems by interconnecting pipe lines.

Management and Operations: The management of the Corporation is vested in a Board of Directors, which is composed of five members all appointed by the Civil Administrator. At present, the members of the Board are appointed from the staffs of USCAR, RDWC, the Government of the Ryukyu Islands, United States Army, Ryukyu Islands (USARYIS), and the Ryukyu Development Loan Corporation.

The business affairs of the Corporation are carried out by the Ryukyuan staff of 25 as of 30 June 1966 under the direct supervision of the President who also serves as a member of the Board.

Integrated Island Water System: The Integrated Island Water System is the main source



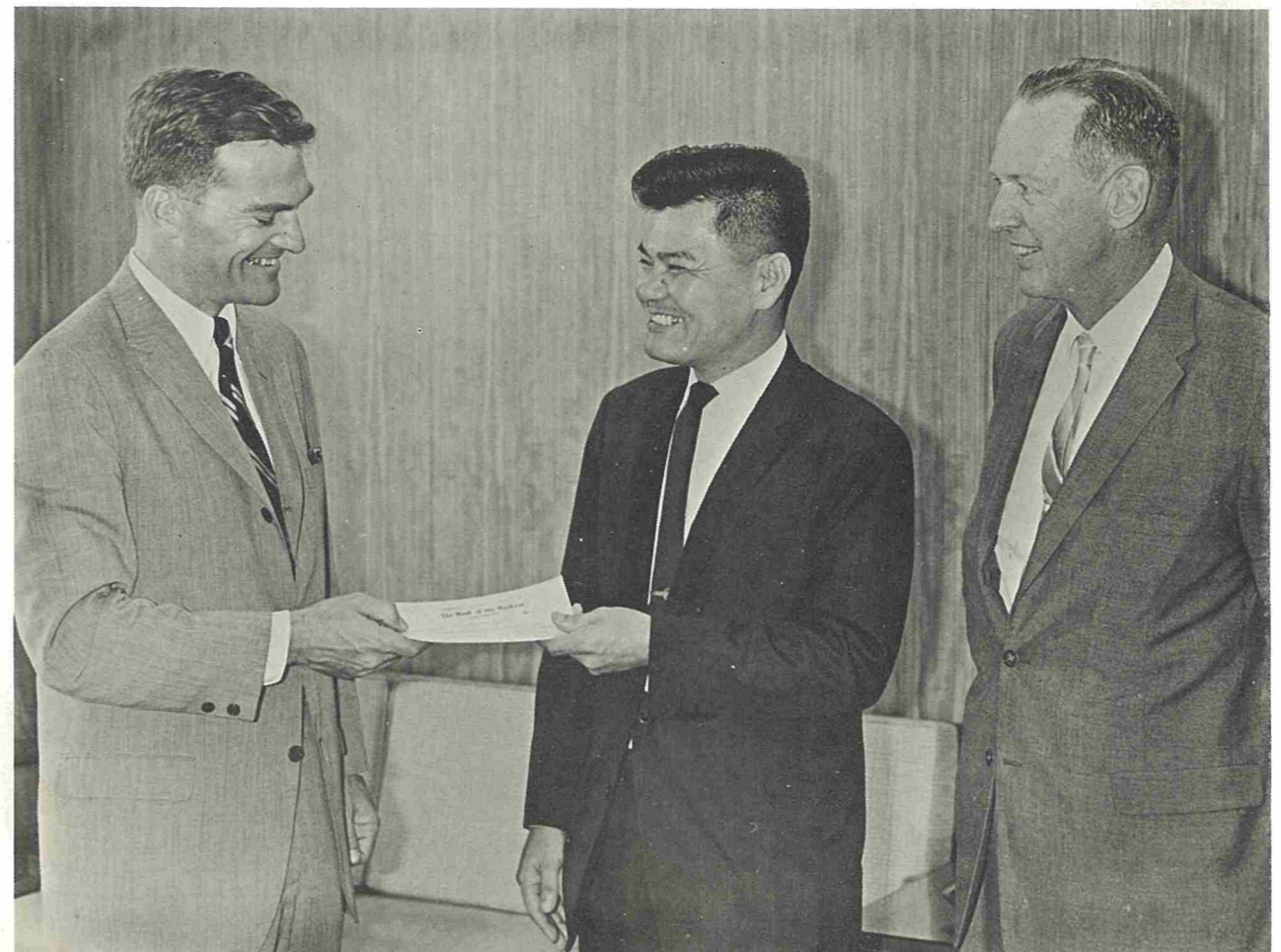
A meeting of the Board of Directors (USCAR PHOTO)

of potable water for the people on Okinawa. The System consists of facilities owned by USARYIS and RDWC, and is presently operated by the former organization. Under an operational agreement, the Corporation purchases water at cost from USARYIS to supply the requirements of eleven municipalities located in the most densely populated areas of the central and southern part of the Island including Naha City.

The System, now capable of producing an average of 25 million gallons per day, with peak demands exceeding 27 million gallons, is undergoing rapid expansion under the Master Water Plan developed and financed by the Corporation. The Corporation's investment in the System amounted to \$9.8 million as of 30 June

1966 and is expected to exceed \$20 million in a few years.

Financing: There are three sources of funds for capital investment of RDWC: the General Fund of USCAR, the Army Civil Function appropriation (Administration Ryukyu Islands Army), and the retained earnings of the Corporation. The former two constitute the major fund sources and contributions therefrom, as of 30 June 1966, amounted to \$12.494 million and \$6 million respectively. It is the established policy of the Corporation to reinvest all of its retained earnings, which amounted to \$2.6 million as of 30 June 1966, for the improvement and expansion of the existing facilities and for the development of new sources for an expanded water supply.



On 28 June 1966, Under Secretary of the Army David E. McGiffert (left) presented a check for \$3.3 million to Mr. Hirosada Ohama (center), President of Ryukyu Domestic Water Corporation for further development of the master water plan projects of the Integrated Island Water System. Civil Administrator Gerald Warner (right) looks on the presentation.

The \$3,326,000 from USCAR General Fund is the final increment of fiscal year 1966 funds made available to RDWC to finance its master water plan projects. (USCAR PHOTO)

I. FISCAL YEAR 1966 IN REVIEW

1. Summary

Fiscal Year 1966 marked the eighth year of the operation of the Ryukyu Domestic Water Corporation. During the fiscal year, a new management team took over the operation of the Corporation. To increase the efficiency and effectiveness of its organization, various management improvement programs were initiated and implemented with particular emphasis upon employee development and simplification of accounting and administrative procedures.

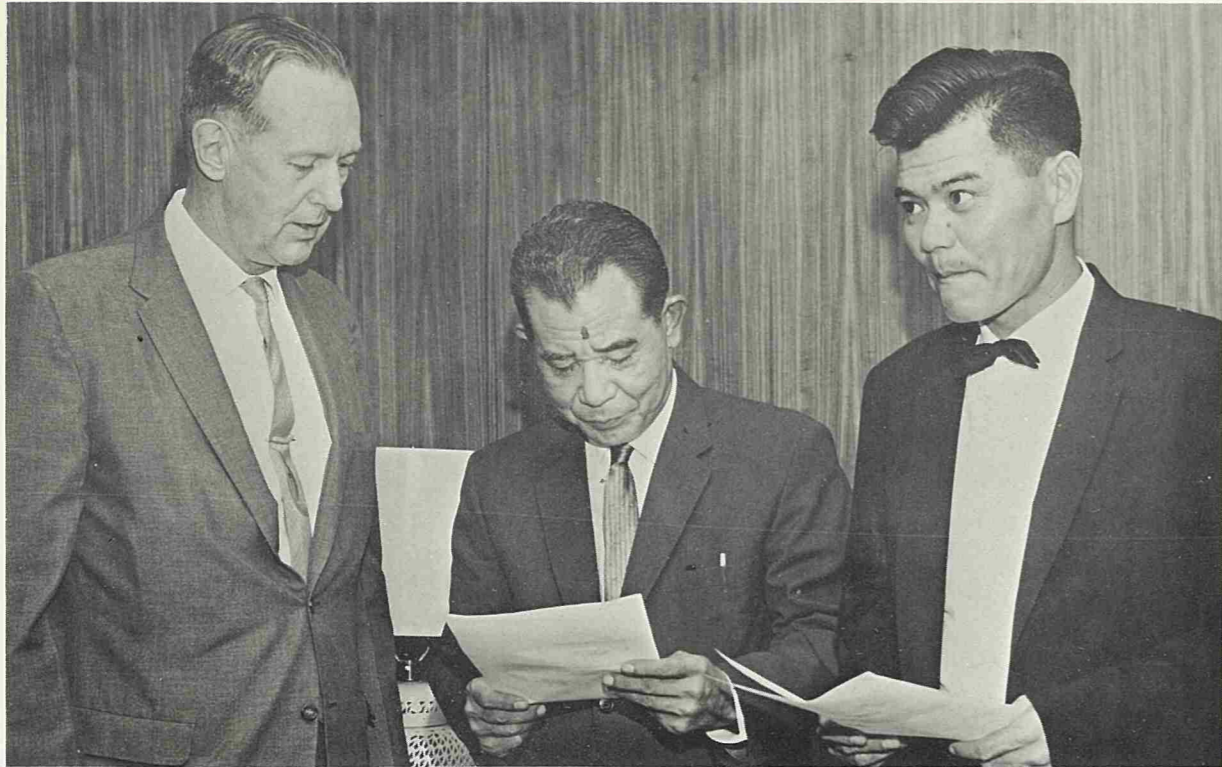
In the fiscal year under review, the Corporation received an additional capital contribution of \$4 million from the General Fund of USCAR, the biggest source of its capital funds, for continuous implementation of capital investment programs based on its Master Water Plan. During the fiscal year, 4 construction contracts were awarded, 11 design and/or study projects were completed, and 10 projects already under construction together with 13 design and/or study projects were in steady progress. Thus,

funds expended by the Corporation for the improvement and expansion of the existing facilities and for the development of new resources amounted to \$9.8 million as of 30 June 1966.

With the rising standard of living and rapid economic growth in the Ryukyus, water sold by the Corporation to municipal waterworks and other consumers in FY 1966 increased to 4.458 billion gallons, showing an increase of 20 percent over the previous fiscal year.

2. Operations

Effective 1 August 1965, Mr. Jinsuke Okuda, President of the Corporation was appointed as President of the Ryukyu Electric Power Corporation, and Vice President Hirosada Ohama was promoted to the Presidency of the Corporation. Mr. Teruo Teruya, then Director of the Research Department of the Ryukyu Development Loan Corporation, was appointed as Vice President on the same date.



U.S. Civil Administrator Gerald Warner (L) appointed new presidents of the Ryukyu Electric Power Corporation (REPC) and the Ryukyu Domestic Water Corporation (RDWC) on July 26. Jinsuke Okuda (C) President of RDWC, was named president of REPC and Hirosada Ohama (R) was promoted from the vice presidency to the top position in RDWC. Their appointments became effective on August 1, 1965. (USCAR PHOTO)

Operation of Integrated Island Water System: The Integrated Island Water System (IWS) consists of facilities owned by USARYIS and RDWC. Under the agreement between the two parties of 15 May 1958, as amended, USARYIS is responsible for the operation and maintenance of the entire Integrated Island Water System and furnishes at cost to RDWC the daily amount of water needed to satisfy the requirements of local municipalities and other consumers to the maximum extent possible. In FY 1966, IWS produced a total of 8.9 billion gallons of water (8.1 billion gallons of treated water and 0.8 billion gallons of raw water) and furnished to RDWC a total of 4.5 billion gallons (3.7 billion gallons of treated water and 0.8 billion gallons of raw

water).

Sale of Water: During the fiscal year 1966, the Corporation sold 3.684 billion gallons of treated water to its customers, which consisted of eleven (11) municipalities, two (2) housing companies and 200 some retail customers, and 774 million gallons of raw water to Naha City to supplement the raw water requirements of its own treatment plant. The table below presents the breakdown of the water sold by type of customers in the past two fiscal years, and the chart on the next page illustrates the growth in the quantities of water sold by RDWC from FY 1960 through FY 1966.

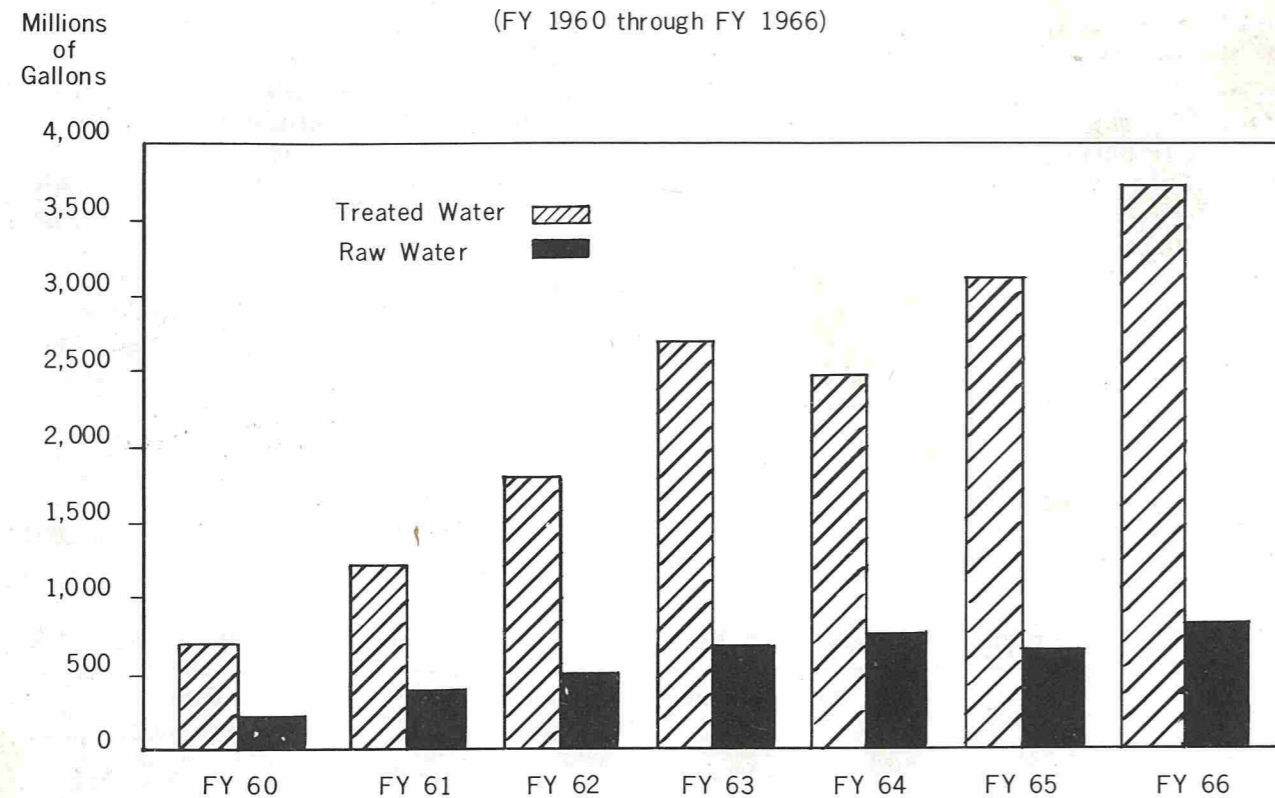
BREAKDOWN OF WATER SOLD BY RDWC

(In Thousands of Gallons)

	<u>FY 1966</u>	<u>FY 1965</u>	<u>Percentage of Increase or (Decrease)</u>
Treated Water Sold			
Municipalities:			
Naha	1,118,117	996,715	12
Koza	647,723	520,206	25
Ginowan	608,565	490,510	24
Urasoe	425,689	335,458	27
Misato	192,707	165,466	16
Gushikawa	144,543	104,794	38
Chatan	124,497	92,278	35
Kadena	164,561	67,436	144
Yomitan	104,109	67,016	55
Kitanakagusuku	88,164	38,941	126
Yonagusuku	7,932	5,882	35
Sub-total	3,626,607	2,884,702	26
Housing Company	16,977	117,751	(86)
Commercial and residential customers	40,126	96,869	(59)
Total Treated Water Sold	<u>3,683,710</u>	<u>3,099,322</u>	19
Raw Water Sold (to Naha City only)	<u>774,427</u>	<u>628,506</u>	23
GRAND TOTAL	<u>4,458,137</u>	<u>3,727,828</u>	20

WATER SOLD BY RDWC

(FY 1960 through FY 1966)



Transfer of Retail Customers: In accordance with its basic policy to encourage municipalities to develop their own water distribution systems for eventual integration into the Island Water System, the Corporation transferred one housing company and 131 retail customers to the municipalities concerned during the fiscal year under review. As of 30 June 1966, there remained only one housing company and 95 retail customers directly served by RDWC. These remaining retail customers will be transferred as soon as such municipalities become capable of providing adequate water service to them.

Adoption of Uniform System of Accounts: With a belief that uniformity in utility accounting is most desirable in the public interest and, also, in preparation for RDWC becoming a wholesale producer and seller of water on the Island, the Corporation decided to revise its system of accounts in line with Uniform System of Accounts recommended by National Association of Railroad and Utilities Commissioners,

U.S.A. In this connection, one member of the RDWC accounting staff was sent to Hawaii for three months to study and observe the accounting systems and practices of water utilities there. As of 30 June 1966, the adoption by RDWC of the Uniform System of Accounts was already in progress and is expected to be completed before the end of FY 1967.

Employee Development: To increase the efficiency and effectiveness of its organization with growing responsibilities and workload, the Corporation intensified training programs for its employees during the fiscal year under review. During the fiscal year, three employees of the Corporation, one civil engineer, one accountant and one secretary, were trained in Hawaii for three to four months under the program sponsored by the Institute for Technical Interchange of the East-West Center and another employee, secretary, was receiving training there under the same program as of 30 June 1966. The supervisory mechanical engineer of RDWC was also in the United States as a member of Public

Works Mission, National Leaders Program for three-month tour to study and observe American waterworks practices. The Secretary of the Corporation attended an International Personnel Management for Executive Conference for foreign nationals held at Camp Zama, Japan during the period 30 March to 8 April 1966. All these training programs were locally administered by USCAR.

In addition, the Corporation encouraged self-improvement programs along with its intensified on-and off-the-job training programs. It is the policy of the Corporation to reimburse an employee attending an educational institution during the off-duty hours for such cost of training as tuition and registration fee upon satisfactory completion of the training if the subject or field of study is considered to directly contribute to improvement of his work performance.

Affiliation with American Water Works Association: The Corporation became affiliated with American Water Works Association in January 1966 as a technical service member. The affiliation with AWWA will keep RDWC and its employees well informed of the latest developments in the modern waterworks engineering and practices to improve its water service to the general public.

3. Capital Investment Programs

The capital investment programs of the Corporation are primarily based upon a Master Water Plan developed in FY 1962. The Plan contemplates the development of the ample potentials of the northern water sources in 4 stages during the next 40 years in order to meet the increased demand of some 40 million gallons per day, which is expected to be required by the year 2000.

As of 30 June 1966, there was a total of \$20,409,000 programmed for the capital investment programs of RDWC, which consisted of \$20,016,000 for the first stage of the northern water development projects and \$393,000 for other capital expansion programs. By source of funds, \$12,494,000 were made available from the General Fund of USCAR, \$6,000,000 from ARIA Fund, and the remaining \$1,915,000 from the retained earnings of RDWC.

The District Engineer, United States Army Engineer District, Okinawa, acts as the contracting officer of the Corporation for the design and construction of water projects. He is responsible for the execution of engineering studies, designation of an architect engineer, selection of design, solicitation and examination of bids, recommendation for contract awards and contract modifications, and supervision and acceptance of construction work from contractors.

Construction Contracts Awarded: During the fiscal year under review, the Corporation awarded construction contracts for the following four projects:

(1) Modification to Kawasaki Raw Water Pumping Station

The modifications principally consist of replacement of the existing 14-inch raw water transmission main by a new 20-inch steel cylinder concrete pipe and replacement of three existing pumps in the pumping station with pumps with increased efficiency. Contract was awarded to a local firm on 5 January 1966. Completion is scheduled in November 1966.

(2) Modification to Nagata Raw Water Pumping Station

Construction contract was awarded to a local firm on 17 August 1965. Completion of the facility will make it possible to deliver raw water to Naha City up to 3.5 mgd, an increase of 1.5 mgd from the current capacity. Completion is scheduled in August 1966.

(3) Highway 5 Central Feeder System, Stages I and II

The first stage consists of construction of a booster pumping station along Highway 5, 2 million-gallon storage tank in the vicinity of Minami-Uebaru, Ginowan City, and installation of a 20-inch pipeline along Highway 5 from Futenma Intersection to Maehara Intersection of Highway 34 in the total length of 3.4 miles.

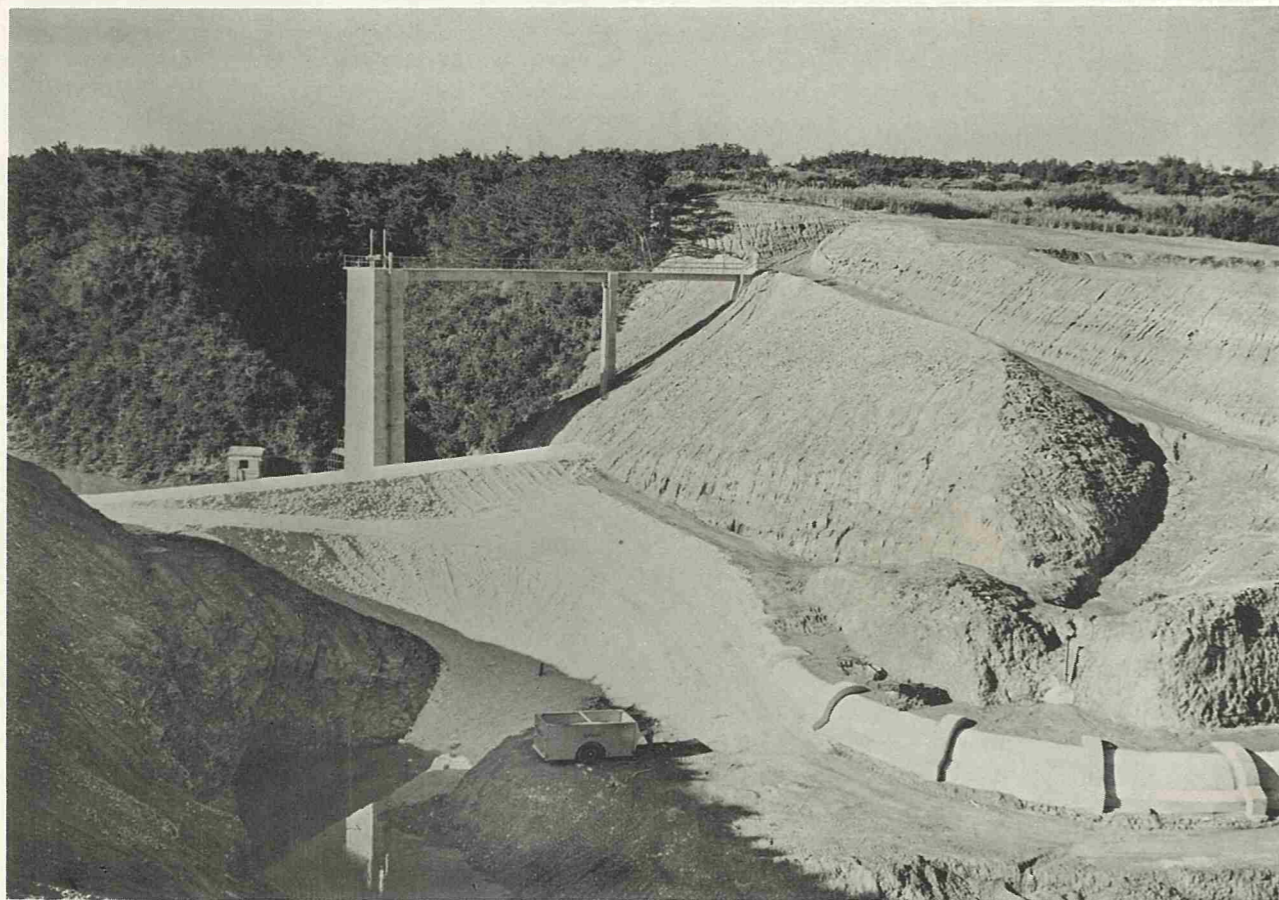
The second stage of construction is to install 7,000 feet of a 20-inch pipeline from the southern end of the above pipeline to Highway 1. The completion is scheduled in May 1967.

(4) Modification to Zukeyama Dam, Phase I

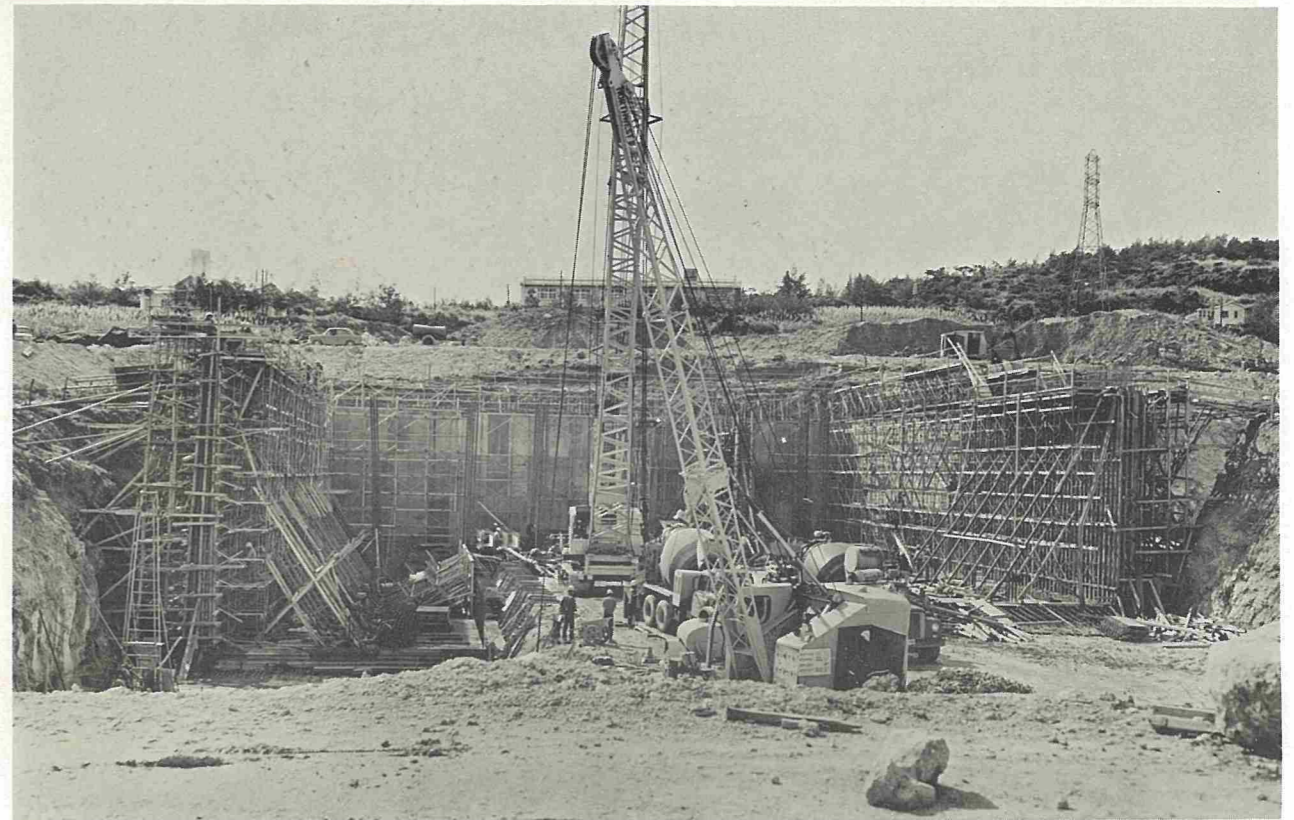
The project is to improve the existing 600 million-gallon storage capacity reservoir by constructing a filter blanket on the downstream face of the left abutment and also grout abutment foundation. The contract was awarded to a local firm on 30 June 1966 and completion of the project is scheduled in November 1966.

Design and/or Study Completed: During the reporting period, design and/or study were completed for the following 11 projects:

- (1) Tengan Well Field
- (2) Pump Study, Eastside Transmission System (Highways 13 and 35, Highways 24 and 13, and Highways 13 and 30)
- (3) Well Field, Kadena-Kinzer
- (4) Central Feeder System, Stages I and II
- (5) Highway 44 Connection, Eastside Transmission System
- (6) Pipeline from Yonabaru to Chinen
- (7) Modification to Zukeyama Dam, Phase I
- (8) Study for Transmission Water Line from Tybase Water Treatment Plant to Kadena-Yomitan
- (9) A 30-inch Raw Water Pipeline from Bishi River to Tybase and Ancillary Facilities
- (10) Five-million-gallon Storage Tanks at Plaza and Highway 34, Westside Storage Facilities
- (11) Ufu Dam, Northern Water Development Facilities, Stage I



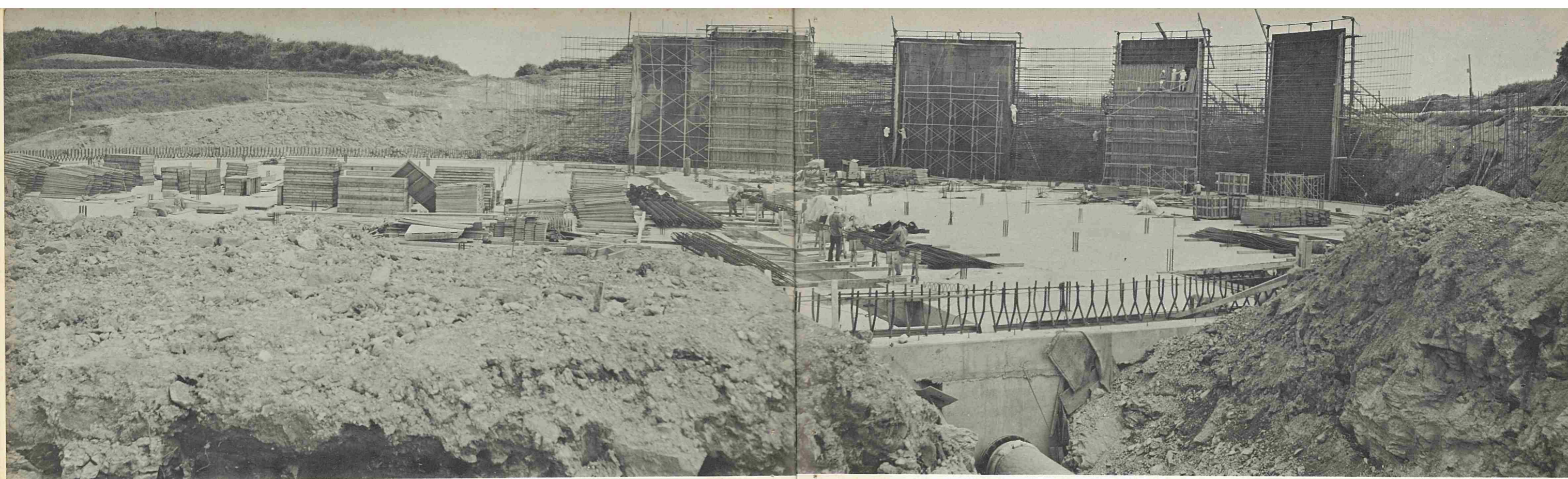
General view of Tengan Dam. Water is expected to fill as high as the gate tower completed. (USAEDO PHOTO)



A clear well, part of Ishikawa Water Treatment Plant, is under construction. (USAEDO PHOTO)

Projects under Construction: As of 30 June 1966, there were 10 projects under construction, including those awarded during the fiscal year:

	<u>Percentage of Work Completed</u>
(1) Tengan Dam	59
(2) Ishikawa Water Treatment Plant	28
(3) Pipe Installation, Kanna to Highway 30	20
(4) Pipe Installation, Highway 30 to Naha	88
(5) A 10 MG Storage Tank at Naha	78
(6) Modification to Kawasaki Raw Water Pumping Station	0
(7) Highway 5 Central Feeder System, Stages I and II	0
(8) Modification to Zukeyama Dam, Phase I	0
(9) Modification to Flocculation Basins at Tybase Water Treatment Plant	85
(10) Modification to Nagata Raw Water Pumping Station	95



Panorama of the 10 million-gallon water storage tank now under construction at Uema, Naha City.
(USAEDO PHOTO)



Installation of 36-inch water transmission pipeline. (left) The 36-inch transmission line extends from Naha to Ishikawa Water Treatment Plant then to Kanna, northern Okinawa. (USAEDO PHOTO)

Projects under Design and/or Study: As of the end of fiscal year 1966, the following projects were under design and/or study:

- | | |
|---|--|
| <ul style="list-style-type: none"> (1) Kanna Dam and Pumping Station (2) Camp Hansen Dam, Pumping Station, and Pipeline (3) Pipeline from Ufu to Kanna (4) Spare Parts for Ishikawa Water Treatment Plant (5) Definitive Studies and Exploration for Development and Utilization of Water Sources in Northern Okinawa (6) Modification to Tengan and Tybase High Lift Pumping Stations (7) Transmission Water Line from Tybase | <ul style="list-style-type: none"> Water Treatment Plant to Kadena-Yomitan, and Ancillary Facilities (8) A 5 MG Storage Tank at Highway 34, Westside Storage Facilities (9) A 30-inch Raw Water Pipeline from Bishi River to Tybase Water Treatment Plant and Ancillary Facilities (10) Definitive Study for Utilization of Kadena Aquifer (11) Modification to Zukeyama Dam, Phase II (12) A 10 MG Storage Tank (No.2) at Naha, Eastside Transmission System (13) Stream Gaging and Exploration of Water Resources |
|---|--|

FY 1966 General Fund Program: The capital contribution in the amount of \$4,000,000 made available from USCAR General Fund in FY 1966 has been programmed for the following 9 projects:

- (1) Design and Construction of Storage Facility at Machinato
- (2) Construction of Northern Water Development Facilities, Stage I (Second and Final Phase)
- (3) Design of Northern Water Development Facilities, Stage II (Initial Phase)
- (4) Design and Construction of Transmission Main (Central Feeder System, Stage II)
- (5) Design of Booster Pumping Stations

(6) Design for Modification of Existing Water Transmission Facilities

(7) Construction of Water Transmission Line from Yonabaru to Chinen

(8) Construction and Operation of Stream Gaging Stations

(9) Procurement of Spare Parts for Ishikawa Water Treatment Plant

Capital Contribution Expected in FY 1967:

In FY 1967, contributions to RDWC of \$1.250 million are expected from the USCAR General Fund for substantially completing the first stage of the northern water development projects and in initiating, within the available funds, certain water development projects for the second stage as conceived in the Master Water Plan for the Integrated Island Water System.

II. FINANCIAL STATEMENTS

KANWA HOKAMA
Certified Public Accountant

314 Yosemite, Naha, Okinawa
Tel. 2-1072

AUDIT REPORT

Board of Directors
Ryukyu Domestic Water Corporation
Naha, Okinawa, Ryukyu Islands

I have examined the balance sheet of the Ryukyu Domestic Water Corporation as of June 30, 1966 and the related statement of income and retained earnings for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

In my opinion, the accompanying balance sheet and statement of income and retained earnings present fairly the financial position of the Ryukyu Domestic Water Corporation at June 30, 1966 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The financial statements of the previous years were examined by other independent accountants.

Kanwa Hokama
Certified Public Accountant

Naha, Okinawa
August 15, 1966

RYUKYU DOMESTIC WATER CORPORATION

COMPARATIVE BALANCE SHEET

	June 30	
	1966	1965
ASSETS		
Current assets:		
Cash - (Note 2)		
General fund	\$ 920,506.68	\$ 708,244.70
Construction fund	13,220,471.44	13,647,105.13
Accounts receivable -		
Trade and other	89,670.19	81,283.58
Accrued interest	345,232.99	227,465.41
Materials and supplies (Note 3)	52,501.38	69,335.35
Prepaid expenses	17,024.75	10,257.36
Total current assets	<u>\$14,645,407.43</u>	<u>\$14,743,691.53</u>
Fixed assets: (Note 4) (Note 5)		
Land	\$ 9,407.91	\$ 9,407.91
Depreciable fixed assets	3,294,276.00	3,055,011.62
Less: Accumulated depreciation	(303,685.27)	(207,725.31)
Construction in progress -		
Master Water Plan Projects	6,521,090.83	1,459,996.30
Total fixed assets	<u>\$ 9,521,089.47</u>	<u>\$ 4,316,690.52</u>
Total assets	<u>\$24,166,496.90</u>	<u>\$19,060,382.05</u>
EQUITIES		
Current liabilities:		
Accounts payable -		
Trade	\$ 82,928.01	\$ 66,067.25
Other and accrued	138,578.73	2,222.12
Customers' deposits	1,795.00	3,465.00
Total current liabilities	<u>\$ 223,301.74</u>	<u>\$ 71,754.37</u>
Other liabilities:		
Reserve for employees' benefits	16,377.34	11,477.65
Total liabilities	<u>\$ 239,679.08</u>	<u>\$ 83,232.02</u>
Capital and retained earnings:		
Capital - (Note 6)	\$21,288,318.21	\$17,288,318.21
Retained earnings	2,638,499.61	1,688,831.82
Total capital and retained earnings	<u>\$23,926,817.82</u>	<u>\$18,977,150.03</u>
Total equities	<u>\$24,166,496.90</u>	<u>\$19,060,382.05</u>

RYUKYU DOMESTIC WATER CORPORATION

COMPARATIVE STATEMENT OF INCOME AND RETAINED EARNINGS

	Year ended June 30	
	1966	1965
Sales - (Note 7)	\$ 880,901.96	\$ 761,327.65
Cost of sales	461,915.95	420,599.48
Gross margin	<u>\$ 418,986.01</u>	<u>\$ 340,728.17</u>
Operating expenses:		
Depreciation - (Note 4)	\$ 123,342.10	\$ 68,893.34
Salaries and employees' benefits	51,865.07	35,209.69
Land rent	13,074.18	21,667.30
Repairs and maintenance -		
office and vehicle	2,111.26	3,881.01
Field maintenance	4,104.38	2,341.77
General and office supplies	1,809.96	1,395.16
Audit fee	1,000.00	1,000.00
Telephone, telegraph and postage	894.17	936.48
Insurance	1,487.07	881.77
Training expense	131.64	880.07
Utilities	963.06	617.21
Travel expenses	2,068.29	317.77
Miscellaneous	1,843.34	894.94
Total operating expenses	<u>\$ 204,694.52</u>	<u>\$ 138,916.51</u>
Net operating income	<u>\$ 214,291.49</u>	<u>\$ 201,811.66</u>
Other income:		
Interest on time deposits	\$ 720,124.29	\$ 395,724.27
Miscellaneous income	1,404.16	2,663.26
Gain on sales of fixed assets	235.38	630.44
Total other income	<u>\$ 721,763.83</u>	<u>\$ 399,017.97</u>
Net income	<u>\$ 936,055.32</u>	<u>\$ 600,829.63</u>
Adjustments to retained earnings:		
- (Note 8)		
Add: Prior year's income	\$ 35,240.02	
Less: Prior year's expenses and extraneous loss	(21,627.55)	(\$ 8,772.18)
Net change to retained earnings	<u>\$ 949,667.79</u>	<u>\$ 592,057.45</u>
Retained earnings, beginning of year	<u>1,688,831.82</u>	<u>1,096,774.37</u>
Retained earnings, end of year	<u>\$2,638,499.61</u>	<u>\$1,688,831.82</u>

RYUKYU DOMESTIC WATER CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 1966

1. Organization and accounting:

The Ryukyu Domestic Water Corporation, a public corporate entity, established by HICOM ORDINANCE Number 8 (September 4, 1958), is under the control of the United States Civil Administration of the Ryukyu Islands. The corporation plans to adopt the Uniform System of Accounts for Class A and B Water Utilities prepared by the National Association of Railroad and Utilities Commissioners, United States during FY 1967. Grouping of the depreciable fixed assets for depreciation purpose has followed the Uniform System of Accounts for FY 1966.

2. Cash:

Cash at June 30, 1966 consists of the following:

	General fund	Construction fund
a) Petty cash	\$ 200.00	
b) Demand deposits	336.68	\$ 131.44
c) Interest bearing time deposits	919,970.00	13,220,340.00
	<u>\$920,506.68</u>	<u>\$13,220,471.44</u>

3. Inventories:

Inventories at June 30, 1966 are residue materials from completed projects and are stated at acquisition costs. Meters were included in the inventories account in the previous year, meters which are in service and held in reserve are now included in the depreciable fixed assets in compliance with the Uniform System of Accounts.

4. Fixed assets and depreciation:

Fixed assets are stated at actual costs incurred for those constructed by the corporation and at transfer values established by the board of directors for those contributed by the United States Government.

Fixed assets are grouped and classified into five major plant accounts for depreciation purpose in accordance with the Uniform System of Accounts, and composite service lives for individual groups are computed based on the service lives of property units within those five groups. Based on the study of the corporation's engineers most of the service lives for individual units of the fixed assets have been revised during the year ended June 30, 1966. If the old service lives were used, depreciation for the same year would have been \$43,000 less than the reported amount. Depreciation is computed on the straight-line method.

A schedule for the fixed assets and depreciation is as follows:

Group	Cost	Depreciation Rate	Depreciation for FY 1966
1. Source of supply plant	\$1,180,284.88	4.5%	\$ 52,666.26
2. Pumping plant	172,667.01	10.0%	17,266.70
3. Water treatment plant	379,063.71	1.7%	6,251.05
4. Transmission and distribution plant	1,524,638.13	3.0%	43,572.32
5. General plant	37,622.27	10.0%	3,585.77
	<u>\$3,294,276.00</u>		<u>\$123,342.10</u>

5. Construction in progress:

Balance of the construction in progress account at June 30, 1966 consists of the following:

Group	Expended by June 30, 1966
1. Source of supply plant	\$ 984,928.23
2. Pumping plant	99,207.89
3. Water treatment plant	898,645.35
4. Transmission and distribution plant	4,512,374.59
5. Preliminary survey and research unallocated	25,934.77
	<u>\$6,521,090.83</u>

6. Capital:

Capital at June 30, 1966 of \$21,288,318.21 has been contributed entirely by the United States Government. During FY 1966 additional capital of \$4,000,000.00 was provided by the USCAR General Fund.

7. Sales:

Sales for the year ended June 30, 1966 consist of the following:

	<u>M/Gallons</u>	<u>Amount</u>
Treated water:		
Municipalities	3,626,607	\$795,677.63
Housing companies	16,977	5,941.95
Individual customers	40,126	15,408.92
Total treated water sales	<u>3,683,710</u>	<u>\$817,028.50</u>
Raw water sales to Naha City	<u>774,427</u>	<u>61,954.16</u>
Total water sales	<u>4,458,137</u>	<u>\$878,982.66</u>
Connections and repair services		<u>1,919.30</u>
Total sales		<u><u>\$880,901.96</u></u>

8. Retained earnings:

Adjustments to the retained earnings for the year ended June 30, 1966 are as follows:

Addition:	Prior year's sales	\$ 4,680.90	
	Prior years' excessive land rental	4,600.42	
	Prior year's excessive depreciation	<u>25,958.70</u>	\$35,240.02
Deduction:	Prior year's bonuses	\$ 2,409.43	
	Prior year's cost of sales	993.35	
	Extraneous loss from abandoned projects	<u>18,224.77</u>	<u>21,627.55</u>
Net addition to the retained earnings			<u><u>\$13,612.47</u></u>

9. Taxes:

The corporation is exempt from all taxes.

