

Office of the Speaker 30-14-2014  
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# GUAM POWER AUTHORITY

ATURIDÁT ILEKTRESEDÁT GUAHAN  
P.O.BOX 2977 • AGANA, GUAM U.S.A. 96932-2977

## GUAM POWER AUTHORITY FINANCIAL STATEMENT OVERVIEW July 2014

Attached is the Financial Statements and supporting schedules for the month and fiscal year-to-date ended July 31, 2014.

### Summary

The increase in net assets for the month ended was \$1.8 million as compared to the anticipated net increase of \$2.3 million at the beginning of the period. The total kWh sales for the month were 0.37% less than projected and non-fuel revenues were in line with estimated amounts. O & M expenses for the month were \$5.0 million which was \$0.2 million less than the projections for the month. Other expenses for the month such as interest expense, IPP costs (net of interest income and other income) totaled to \$4.4 million which was nearly as much as our projections for the month. There were no other significant departures from the budget during the period.

### Analysis

Description	Previous Month	Current Month	Target
Quick ratio	1.21	1.12	2
Days in receivables	33	31	52
Days in payables	24	28	30
LEAC (Over)/Under Recovery balance-YTD	\$328,327	\$636,943	\$280,584
T&D Losses	5.94%	5.12%	7.00%
Debt service coverage	1.35	1.38	1.75
Long-term equity ratio	21%	21%	30-40%
Days in cash	38	36	60

The Quick Ratio reflects the basic challenge facing GPA. The ratio is showing a slight decline compared to the beginning of the year. GPA has current obligations of approximately \$65 million and approximately \$73 million in cash and current receivables. The LEAC under recovery for the month is \$0.3 million. The Debt Service Coverage ratio is calculated using the methodology in use before the Fiscal Year 2002 change in accounting practice.

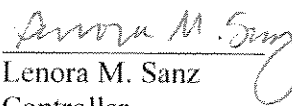
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**Financial Statement**  
**July 2014**  
**Significant Assumptions**

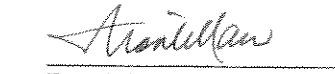
The significant assumptions in the financial statements are as follows:

- Accrual cutoff procedures were performed at month end
- An inventory valuation is performed at year-end only
- Accounts Receivable includes accruals based on prior months' usage.

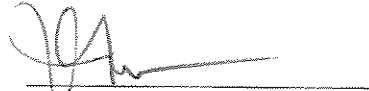
Prepared by:

  
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Lenora M. Sanz  
Controller

Reviewed by:

  
\_\_\_\_\_  
Randall V. Wiegand  
Chief Financial Officer

Approved by:

  
\_\_\_\_\_  
Joaquin C. Flores, P.E.  
General Manager

**GUAM POWER AUTHORITY**  
**(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)**  
**Statements of Net Position**  
**July 31, 2014 and September 30, 2013**

	Unaudited July 2014	Audited September 2013	Change from Sept 30 2013
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>Current assets</b>			
Cash and cash equivalents			
Held by trustee for restricted purposes			
Interest and principal funds	\$ 16,165,305	\$ 27,161,855	\$ (10,996,550)
Bond indenture funds	41,159,175	75,591,572	(34,432,397)
Held by Guam Power Authority			
Bond indenture funds	35,590,368	47,755,672	(12,165,304)
Self insurance fund-restricted	16,269,298	13,514,022	2,755,276
Total cash and cash equivalents	<u>109,184,146</u>	<u>164,023,121</u>	<u>(54,838,975)</u>
Investments by trustee for restricted purpose:	<u>4,855,561</u>	<u>4,845,762</u>	<u>9,799</u>
Accounts receivable, net	50,942,829	49,939,244	1,003,585
Long-term receivables, net	<u>0</u>	<u>190,377</u>	<u>(190,377)</u>
Total current receivables	<u>50,942,829</u>	<u>50,329,621</u>	<u>613,208</u>
Materials and supplies inventory	18,336,754	19,585,471	(1,248,717)
Fuel inventory	52,313,075	42,190,454	9,922,621
Prepaid expenses	<u>1,419,763</u>	<u>537,109</u>	<u>902,654</u>
Total current assets	<u>237,072,128</u>	<u>281,711,538</u>	<u>(44,639,410)</u>
<b>Regulatory assets:</b>			
Cancelled unit, net of amortization	<u>0</u>	<u>13,479</u>	<u>(13,479)</u>
Total regulatory assets	<u>0</u>	<u>13,479</u>	<u>(13,479)</u>
<b>Utility plant, at cost:</b>			
Electric plant in service	945,066,778	931,105,289	13,961,489
Construction work in progress	71,897,692	41,327,906	30,569,786
Total	<u>1,016,964,470</u>	<u>972,433,195</u>	<u>44,531,275</u>
Less: Accumulated depreciation	<u>(467,194,377)</u>	<u>(445,698,246)</u>	<u>(21,696,131)</u>
Total utility plant	<u>549,570,093</u>	<u>526,734,955</u>	<u>22,835,138</u>
<b>Other non-current assets:</b>			
Investment - bond reserve funds held by trustee	49,165,151	49,278,574	(113,423)
Unamortized debt issuance costs	8,808,133	9,492,061	(683,928)
Other assets	<u>288,276</u>	<u>417,629</u>	<u>(129,353)</u>
Total other non-current assets	<u>58,261,560</u>	<u>59,188,264</u>	<u>(926,704)</u>
Total assets	<u>844,903,781</u>	<u>867,648,236</u>	<u>(22,744,455)</u>
<b>Deferred outflow of resources:</b>			
Unamortized loss on debt refunding	15,035,734	16,084,264	(1,048,530)
Unamortized forward delivery contract costs	<u>1,141,998</u>	<u>1,274,798</u>	<u>(132,800)</u>
Total deferred outflows of resources	<u>16,177,732</u>	<u>17,359,062</u>	<u>(1,181,330)</u>
	<b>\$ 861,081,513</b>	<b>\$ 885,007,298</b>	<b>\$ (23,925,785)</b>

**GUAM POWER AUTHORITY**  
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**Statements of Net Position**  
**July 31, 2014 and September 30, 2013**

	Unaudited June 2014	Audited September 2013	Change from Sept 30 2013
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>			
<b>Current liabilities</b>			
Current maturities of long-term debt	\$ 13,600,000	\$ 12,310,000	\$ 1,290,000
Current obligations under capital leases	13,064,559	13,064,559	0
Accounts payable			
Operations	15,882,379	23,137,050	(7,254,671)
Fuel	1,513,312	1,513,311	1
Accrued payroll and employees' benefits	860,492	1,077,440	(216,948)
Current portion of employees' annual leave	2,179,371	2,078,481	100,890
Interest payable	9,727,040	14,689,852	(4,962,812)
Customer deposits	8,582,808	8,041,970	540,838
	<u>65,409,961</u>	<u>75,912,663</u>	<u>(10,502,702)</u>
<b>Regulatory liabilities:</b>			
Provision for self insurance	16,094,904	12,980,814	3,114,090
	<u>16,094,904</u>	<u>12,980,814</u>	<u>3,114,090</u>
<b>Long term debt, net of current maturities</b>			
	530,585,392	545,937,741	(15,352,349)
Obligations under capital leases, net of current portion	62,429,412	73,203,679	(10,774,267)
DCRS sick leave liability	2,582,611	2,582,611	0
Employees' annual leave net of current portion	1,112,489	1,112,489	0
Customer advances for construction	3,169,845	3,149,507	20,338
	<u>681,384,614</u>	<u>714,879,504</u>	<u>(33,494,890)</u>
<b>Deferred inflows of resources:</b>			
Unearned fuel revenue, net	21,155,867	25,208,323	(4,052,456)
Unearned forward delivery contract revenue	4,185,460	4,672,141	(486,681)
Other unearned revenues	357,000	357,000	0
	<u>25,698,327</u>	<u>30,237,464</u>	<u>(4,539,137)</u>
<b>Commitments and contingencies</b>			
<b>Net Position:</b>			
Net investment in capital assets	37,889,346	32,028,799	5,860,547
Restricted	19,857,918	28,147,598	(8,289,680)
Unrestricted	96,251,308	79,713,932	16,537,376
	<u>153,998,572</u>	<u>139,890,329</u>	<u>14,108,243</u>
	<u>\$ 861,081,513</u>	<u>\$ 885,007,298</u>	<u>\$ (23,925,785)</u>

**GUAM POWER AUTHORITY**  
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**Statement of Revenues, Expenses and Changes in Net Assets**

	July 31			Ten Months Ended July 31		
	Unaudited 2014	Audited 2013	% of change Inc (dec)	Unaudited 2014	Audited 2013	% of change Inc (dec)
<b>Revenues</b>						
Sales of electricity	\$ 36,600,763	\$ 36,074,253	1	\$ 358,736,065	\$ 366,466,159	(2)
Working Capital surcharge	601,742	967,348	(38)	5,806,174	9,580,367.44	(39)
Miscellaneous	58,297	285,039	(80)	1,576,332	2,170,821	(27)
Total	<u>37,260,802</u>	<u>37,326,640</u>	(0)	<u>366,112,571</u>	<u>378,217,347</u>	(3)
Bad debt expense	<u>(113,500)</u>	<u>(102,333)</u>	11	<u>(1,135,000)</u>	<u>(1,023,330)</u>	11
Total revenues	<u>37,147,302</u>	<u>37,224,307</u>	(2)	<u>364,977,571</u>	<u>377,194,017</u>	(2)
<b>Operating and maintenance expenses</b>						
Production fuel	23,101,845	25,318,985	(9)	227,825,641	246,944,568	(8)
Other production	1,402,580	1,571,911	(11)	15,601,914	17,862,114	(13)
	<u>24,504,425</u>	<u>26,890,896</u>	(9)	<u>243,427,555</u>	<u>264,806,682</u>	(9)
Depreciation	2,684,596	2,292,139	17	26,573,152	24,629,114	8
Energy conversion cost	1,754,841	1,724,611	2	17,176,471	16,841,964	2
Transmission & distribution	1,147,378	1,365,244	(16)	10,052,418	11,095,652	(9)
Customer accounting	318,077	371,245	(14)	3,141,488	3,213,005	(2)
Administrative & general	2,149,759	2,359,161	(9)	25,189,056	25,968,949	(2)
Total operating and maintenance expenses	<u>32,559,076</u>	<u>35,003,296</u>	(7)	<u>325,760,140</u>	<u>346,555,366</u>	(6)
<b>Operating income</b>	<u>4,588,226</u>	<u>2,221,011</u>	107	<u>39,217,431</u>	<u>30,638,651</u>	28
<b>Other income (expenses)</b>						
Interest income	66,042	136,456	(52)	982,350	1,744,495	(44)
Interest expense and amortization	(3,050,616)	(3,263,452)	(6)	(31,066,567)	(34,740,872)	(11)
Bond issuance costs	(104,094)	(290,943)	(65)	(112,909)	(2,999,429)	(96)
Allowance for funds used during construction	330,033	230,059	43	3,327,289	3,953,703	(16)
Other expense	(4,296)	(14,473)	(70)	(56,404)	(191,562)	(71)
Total other income (expenses)	<u>(2,768,931)</u>	<u>(3,211,353)</u>	(12)	<u>(26,926,241)</u>	<u>(32,233,665)</u>	(10)
<b>Income (loss) before capital contributions</b>	<u>1,819,295</u>	<u>(990,342)</u>	(284)	<u>12,291,190</u>	<u>(1,595,014)</u>	(87)
Capital contributions	<u>5,440</u>	<u>365,343</u>	(99)	<u>1,817,051</u>	<u>8,260,441</u>	(78)
<b>Increase (decrease) in net assets</b>	<u>1,824,735</u>	<u>(624,999)</u>	(392)	<u>14,108,241</u>	<u>6,665,427</u>	112
<b>Total net assets at beginning of period</b>	<u>152,173,837</u>	<u>144,548,608</u>	5	<u>139,890,329</u>	<u>137,258,222</u>	2
<b>Total net assets at end of period</b>	<u>\$ 153,998,572</u>	<u>\$ 143,923,609</u>	7	<u>\$ 153,998,572</u>	<u>\$ 143,923,649</u>	7

**GUAM POWER AUTHORITY**  
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**Statements of Cash Flows**  
**Period Ended June 30, 2014**

	Month Ended 7/31/2014	YTD Ended 7/31/2014
<b>Increase(decrease) in cash and cash equivalents</b>		
Cash flows from operating activities:		
Cash received from customers	\$38,627,877	\$ 364,806,756
Cash payments to suppliers and employees for goods and services	<u>34,326,116</u>	<u>315,601,761</u>
Net cash provided by operating activities	\$4,301,762	49,204,995
Cash flows from investing activities:		
Interest and dividends on investments and bank accounts	66,042	982,350
Investments by trustee for restricted purposes	-	(9,799)
Net cash provided by investing activities	66,042	972,551
Cash flows from non-capital financing activities		
Interest paid on short term debt	(6,658)	(61,328)
Provision for self insurance funds	<u>(347,180)</u>	<u>(2,755,276)</u>
Net cash provided by noncapital financing activities	(353,838)	(2,816,604)
Cash flows from capital and related financing activities		
Acquisition of utility plant	(3,993,823)	(49,408,286)
Principal paid on bonds and other long-term debt	-	(12,310,000)
Interest paid on bonds(net of capitalized interest)	330,033	(24,178,111)
Interest paid on capital lease obligations	(796,194)	(8,462,653)
Interest & principal funds held by trustee	(3,387,538)	10,996,550
Reserve funds held by trustee	(576)	113,423
Bond funds held by trustee	3,543,753	34,432,397
Principal payment on capital lease obligations	(1,127,498)	(10,774,267)
Grant from DOI/FEMA	5,440	1,817,051
Debt issuance costs/loss on defeasance	(171,611)	(1,752,349)
Net cash provided by (used in) capital and related financing activities	<u>(5,598,014)</u>	<u>(59,526,245)</u>
Net (decrease) increase in cash and cash equivalents	(1,584,048)	(12,165,303)
Cash and cash equivalents, beginning	<u>37,174,416</u>	<u>47,755,671</u>
<b>Cash and cash equivalents-Funds held by GPA, July 31, 2014</b>	<b>\$ 35,590,368</b>	<b>\$ 35,590,368</b>

**GUAM POWER AUTHORITY**  
**(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)**  
**Statements of Cash Flows, Continued**  
**Period Ended July 31, 2014**

	Month Ended 7/31/2014	YTD Ended 7/31/2014
<b>Reconciliation of operating earnings to net cash provided by operating activities:</b>		
Operating earnings net of depreciation expense and excluding interest income	\$4,588,226	\$39,217,431
Adjustments to reconcile operating earnings to net cash provided by operating activities:		
Depreciation and amortization	2,684,596	26,573,152
Other expense	(108,390)	(169,313)
(Increase) decrease in assets:		
Accounts receivable	1,384,714	(613,208)
Materials and inventory	47,337	1,248,717
Fuel inventory	(3,786,698)	(9,922,621)
Prepaid expenses	(83,236)	(902,654)
Cancelled unit	-	13,479
Unamortized debt issuance cost	157,572	683,928
Other assets	(12,727)	129,353
Unamortized loss on debt refunding	104,853	1,048,530
Unamortized forward delivery contract costs	13,280	132,800
Increase (decrease) in liabilities:		
Accounts payable-operations	459,784	(7,254,670)
Accrued payroll and employees' benefits	(1,079,517)	(216,948)
Employees' annual leave	33,845	100,890
Customers deposits	98,997	540,838
Deferred credit-self insurance funds	324,124	3,114,090
Customer advances for construction	2,534	20,338
Unearned forward delivery contract revenue	(48,668)	(486,681)
Unearned fuel revenue	(478,864)	(4,052,456)
<b>Net cash provided by operating activities</b>	<b>\$4,301,762</b>	<b>\$49,204,995</b>