

**Arizona Independent Scheduling Administrator Association**  
**Statement of Financial Position**  
**January 31, 2003**

**Assets**

Current Assets

|                        |                 |
|------------------------|-----------------|
| Cash                   | \$ 137,925.63   |
| Accounts Receivable    | 58,289.20       |
| Prepaid Insurance      | 5,390.60        |
| Other Prepaid Expenses | <u>1,347.00</u> |
| Total Current Assets   | 202,952.43      |

Fixed Assets

|                          |                   |
|--------------------------|-------------------|
| Furniture and Equipment  | 13,830.07         |
| Accumulated Depreciation | <u>(7,467.75)</u> |
| Total Fixed Assets       | <u>6,362.32</u>   |

|              |                          |
|--------------|--------------------------|
| Total Assets | <u><u>209,314.75</u></u> |
|--------------|--------------------------|

**Liabilities**

Current Liabilities

|                                |                  |
|--------------------------------|------------------|
| Accounts Payable               | 3,446.38         |
| Insurance Payable              | 2,695.35         |
| Refundable Advances            | 3,675.00         |
| Unearned Membership Dues       | 3,208.33         |
| Capital Loans, Current Portion | 93,902.61        |
| Payroll Liabilities            | <u>23,867.40</u> |
| Total Current Liabilities      | 130,795.07       |

Long-Term Liabilities

|                                  |                   |
|----------------------------------|-------------------|
| Capital Loans, Long-Term Portion | <u>597,139.30</u> |
| Total Long-Term Liabilities      | <u>597,139.30</u> |

|                   |            |
|-------------------|------------|
| Total Liabilities | 727,934.37 |
|-------------------|------------|

**Net Assets**

|              |                     |
|--------------|---------------------|
| Unrestricted | <u>(518,619.62)</u> |
|--------------|---------------------|

|                  |                     |
|------------------|---------------------|
| Total Net Assets | <u>(518,619.62)</u> |
|------------------|---------------------|

|                                  |                             |
|----------------------------------|-----------------------------|
| Total Liabilities and Net Assets | <u><u>\$ 209,314.75</u></u> |
|----------------------------------|-----------------------------|

See accompanying notes and accountant's report

**Arizona Independent Scheduling Administrator Association**  
**Statement of Activities - Actual & Budget**  
**For The Month Ended January 31, 2003**

|   | <u>Tariff</u><br><u>Activities</u> | <u>Support</u><br><u>Services</u> | <u>Total</u>           | <u>Budget</u>       | <u>\$ Over</u><br><u>(Under)</u><br><u>Budget</u> | <u>% of</u><br><u>Budget</u> |
|---|------------------------------------|-----------------------------------|------------------------|---------------------|---|------------------------------|
| <b>Unrestricted Net Assets</b>                        |                                    |                                   |                        |                     |   |                              |
| Revenues & Support:                                   |                                    |                                   |                        |                     |   |                              |
| Membership Dues                                       |                                    |                                   | \$ 291.67              | \$ 5,760.00         | \$ (5,468.33)                                     | 5.1%                         |
| Tariff Income   |                                    |                                   | <u>57,467.74</u>       | <u>63,673.19</u>    | <u>(6,205.45)</u>                                 | 90.3%                        |
| Total Unrestricted Revenues & Support                 |                                    |                                   | <u>\$ 57,759.41</u>    | <u>\$ 69,433.19</u> | <u>\$ (11,673.78)</u>                             | 83.2%                        |
| Expenses:   |                                    |                                   |                        |                     |   |                              |
| Dues & Subscriptions                                  | \$ -                               | \$ -                              | \$ -                   | \$ 50.00            | \$ (50.00)  | 0.0%                         |
| Insurance   | 1,347.67                           | 1,509.42                          | 2,857.09               | 1,401.57            | 1,455.52  | 203.8%                       |
| Office Expenses & Supplies                            | 75.50                              | 97.06                             | 172.56                 | 410.00              | (237.44)  | 42.1%                        |
| Payroll & Employee Benefits                           | 6,260.22                           | 8,048.86                          | 14,309.08              | 16,920.68           | (2,611.60)  | 84.6%                        |
| Accrued Payroll Allowance                             | 627.08                             | 806.24                            | 1,433.32               | -                   | 1,433.32  | 0.0%                         |
| Postage & Delivery                                    | 49.04                              | 63.05                             | 112.09                 | 150.00              | (37.91)   | 74.7%                        |
| Printing & Reproduction                               | 18.92                              | 24.33                             | 43.25                  | 100.00              | (56.75)   | 43.3%                        |
| Professional Fees                                     | 810.88                             | 1,483.74                          | 2,294.62               | 3,200.00            | (905.38)  | 71.7%                        |
| Rent  | 589.31                             | 757.69                            | 1,347.00               | -                   | 1,347.00  | 0.0%                         |
| Telephone   | 87.19                              | 112.11                            | 199.30                 | 300.00              | (100.70)  | 66.4%                        |
| Travel & Entertainment                                | -                                  | 143.74                            | 143.74                 | 400.00              | (256.26)  | 35.9%                        |
| Depreciation  | 95.93                              | 123.33                            | 219.26                 | 220.00              | (0.74)  | 99.7%                        |
| Interest Expense                                      | 758.83                             | 906.33                            | 1,665.16               | 1,665.00            | 0.16  | 100.0%                       |
| Capital Loan Repayments                               |                                    |                                   |                        | 37,865.00           | (37,865.00)                                       | 0.0%                         |
| Other Expenses  |                                    |                                   |                        | <u>1,617.23</u>     | <u>(1,617.23)</u>                                 | 0.0%                         |
| Total Unrestricted Expenses                           |                                    |                                   | <u>\$ 10,720.57</u>    | <u>\$ 14,075.90</u> | <u>\$ (39,503.01)</u>                             | 38.6%                        |
| <b>Increase (Decrease) in Unrestricted Net Assets</b> |                                    |                                   | <u>\$ 32,962.94</u>    | <u>\$ 5,133.71</u>  | <u>\$ 27,829.23</u>                               | 642.1%                       |
| <b>Net Assets at Beginning of Period</b>              |                                    |                                   | <u>\$ (551,582.56)</u> |                     |   |                              |
| <b>Net Assets at End of Period</b>                    |                                    |                                   | <u>\$ (518,619.62)</u> |                     |   |                              |

See accompanying notes and accountant's report

**Arizona Independent Scheduling Administrator Association**  
**Statement of Cash Flows**  
**For The Month Ended January 31, 2003**

**Cash Flows From Operating Activities**

|   |                  |
|---|------------------|
| Increase (Decrease) in Net Assets               | \$ 32,962.94     |
| Add (Deduct) Items Not Affecting Cash           |                  |
| Depreciation Expense                            | 219.26           |
| Decrease (Increase) in Accounts Receivable      | 4,332.69         |
| Decrease (Increase) in Prepaid Expenses         | 4,204.09         |
| Increase (Decrease) in Accounts Payable         | 1,225.67         |
| Increase (Decrease) in Insurance Payable        | (1,347.67)       |
| Increase (Decrease) in Unearned Membership Dues | 1,958.33         |
| Increase (Decrease) in Payroll Liabilities      | <u>(97.10)</u>   |
| Net Cash Provided By Operating Activities       | <u>43,458.21</u> |

**Cash Flows From Investing Activities**

|  |                 |
|--|-----------------|
| Purchase of Fixed Assets                         | <u>(600.36)</u> |
| Net Cash Provided (Used) By Investing Activities | <u>(600.36)</u> |

**Cash Flows From Financing Activities**

|  |                    |
|--|--------------------|
| Principal Payments on Capital Loans              | <u>(37,864.52)</u> |
| Net Cash Provided (Used) By Financing Activities | <u>(37,864.52)</u> |

**Net Increase (Decrease) in Cash** 4,993.33

**Cash At Beginning Of Period** 132,932.30

**Cash At End Of Period** \$ 137,925.63

**Supplemental Disclosure of Cash Flow Information:**

Cash paid for interest on loans \$ 1,665.16

**Arizona Independent Scheduling Administrator Association**  
**Notes To The Financial Statements**  
**January 31, 2003**

**Note A - Nature of Activities and Significant Accounting Policies**

Nature of Activities

The Arizona Independent Scheduling Administrator Association (the Association) is a non-profit Arizona Corporation formed in September 1998 to act as an independent electric transmission scheduling administrator. The purpose of the Association is to facilitate open, non-discriminatory transmission access to support implementation of retail electric competition in the State of Arizona.

The Association is funded through dues and contributions from its members, and revenues received from Arizona electric utilities based on a Federal Energy Regulatory Commission (FERC) tariff enacted in 2001. The tariff specifies that a designated portion of the revenues be used by the Association for payment of operating expenses and a designated portion be used for repayment of capital loans.

The board of directors of the Association includes representatives from Arizona electric utilities and other interested parties. Accounts receivable and capital loans of \$56,725.79 and \$93,902.61 respectively, from the represented or affiliate companies of these board members as of January 31, 2003, and revenues and support of \$56,725.79 for the month then ended, are included in the accompanying financial statements.

The Association was incorporated as an organization whose time frame is limited by the articles of incorporation and by provisions in the by-laws. Consequently, agreements between the Association and the participating utilities include winding-up provisions. These provisions specify repayments on capital loans and other debts will be waived if the Association terminates operations or the participating utilities withdraw from agreements with the Association. Additionally, the participating utilities are obligated to pay any remaining operating costs committed to before termination and costs that could not reasonably be avoided after the effective date of termination.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## Financial Statement Presentation

The financial statements of the Association have been prepared on the accrual basis of accounting. The Association reports information regarding its financial position and activities based upon donor-imposed restrictions via three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Since the Association does not have any restrictions imposed by donors on its net assets, the accompanying financial statements only present unrestricted net assets.

## Functional Allocation of Expenses

The Association uses two functional categories to allocate its expenses. Activities authorized by a FERC tariff relating to monitoring transmission access are classified as tariff activities on the accompanying statement of activities – actual and budget. Expenses that provide administrative and general support for these tariff activities are classified as support services.

## Income Taxes

The Association is a not-for-profit organization that is exempt from income taxes under section 501(c)(6) of the Internal Revenue Code.

## Accounts Receivable

Accounts receivable are considered by management to be fully collectible and accordingly no allowance for doubtful accounts is considered necessary.

## Furniture and Equipment

Purchased furniture and equipment are capitalized at cost. The Association capitalizes all property and equipment acquisitions over \$500 with an estimated useful life greater than one year. Furniture and equipment are depreciated using a methodology substantially consistent with the straight-line method.

## Sick and Vacation Accrual

Sick and vacation amounts that employees have accrued while working for the Association are included in payroll liabilities in the accompanying financial statements.

## Cash

The Association maintains its cash in a bank account that is insured up to \$100,000 by the Federal Deposit Insurance Corporation. At January 31, 2003, the Association had deposits in the bank of \$41,221.98 in excess of the federally insured limit. The Association has never experienced any loss on such accounts.

## **Note B - Capital Loans**

Five electric utilities loaned amounts as evidenced by promissory notes to finance the start-up activities of the Association. Principal and interest on the capital loans by two of the electric utilities are being paid over a two-year period in accordance with a FERC tariff. Two other utilities have forgiven their loans to the Association.

The fifth utility has agreed to not seek collection on their capital loan unless the utility executes a transmission provider agreement with the Association and becomes subject to the applicable FERC tariff. This FERC tariff would enable the Association to collect from the utility the funds necessary to make payments on the capital loan. Management considers it unlikely that the Association will be obligated to pay any of this loan amount totaling \$597,139.30 (principal and interest), which is included in the accompanying statement of financial position.

## **Note C - Refundable Advances**

Member utilities advanced funds to the Association to help pay for ongoing expenses. The remaining balance as shown in the accompanying financial statements will be repaid when transmission provider agreements are signed by the remaining member utilities.

## **Note D – Tariff Income**

The Association receives monthly revenues from certain transmission providers in accordance with a FERC tariff. Other Arizona utilities have chosen to support the Association using the same methodology used in the FERC tariff, even though they are not subject to the FERC tariff. Both the revenues required by FERC and those revenues not required are included in tariff income for one month ended January 31, 2003 as noted below.

| <b>FERC Tariff \$</b> | <b>One Month Ended</b> |
|-----------------------|------------------------|
| Subject to            | 55,879.07              |
| Not Subject to        | 1,588.67               |
| Total                 | 57,467.74              |

## **Note E – Concentration of Revenue Sources**

Most of the Association's revenues are obtained from two Arizona electric utilities in accordance with a FERC tariff. These utilities are subject to both State and Federally imposed regulation. It is possible that these utilities could be affected by events, including regulatory change, the impact of which would have a materially negative impact on the future revenues of the Association.

# Clinton R. Wasser, CPA

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To the Board of Directors  
Arizona Independent Scheduling Administrator Association  
Phoenix, AZ

I have compiled the accompanying statement of financial position of Arizona Independent Scheduling Administrator Association (a nonprofit organization) as of January 31, 2003, and the related statement of activities – actual and budget and cash flows for the month then ended in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The budgeted information included in the statements of activities – actual and budget is presented for supplementary analysis purposes only.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them. In addition, the budgeted information included in the statements of activities – actual and budget has not been audited or reviewed by me, and, accordingly, I do not express an opinion or any other form of assurance on it.



Clinton R. Wasser, CPA

March 18, 2003