

**Arizona Independent Scheduling Administrator Association**  
**Statement of Financial Position**  
**March 31, 2004**

**Assets**

Current Assets

Cash	\$ 81,926.32
Accounts Receivable	13,301.23
Prepaid Insurance	20,406.67
Other Prepaid Expenses	638.00
Total Current Assets	116,272.22

Fixed Assets

Furniture and Equipment	13,830.07
Accumulated Depreciation	(10,357.23)
Total Fixed Assets	3,472.84

Total Assets	119,745.06
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**Liabilities**

Current Liabilities

Accounts Payable	3,706.52
Refundable Advances	3,675.00
Unearned Membership Dues	2,625.00
Line of Credit	15,977.26
Payroll Liabilities	31,340.86
Total Current Liabilities	57,324.64

Long-Term Liabilities

Capital Loans	597,139.30
Total Long-Term Liabilities	597,139.30

Total Liabilities	654,463.94
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**Net Assets**

Unrestricted	(534,718.88)
Total Net Assets	(534,718.88)
Total Liabilities and Net Assets	\$ 119,745.06

See accompanying notes and accountant's report

**Arizona Independent Scheduling Administrator Association  
Statement of Activities - Actual & Budget  
For The Quarter Ended March 31, 2004**

	<u>Tariff Activities</u>	<u>Support Services</u>	<u>Total</u>	<u>Budget</u>	<u>\$ Over (Under) Budget</u>	<u>% of Budget</u>
<b>Unrestricted Net Assets</b>						
Revenues & Support:						
Membership Dues			\$ 875.00	\$ 5,750.00	\$ (4,875.00)	15.2%
Tariff Income			<u>30,493.66</u>	<u>37,791.00</u>	<u>(7,297.34)</u>	80.7%
Total Unrestricted Revenues & Support			<u>\$ 31,368.66</u>	<u>\$ 43,541.00</u>	<u>\$ (12,172.34)</u>	72.0%
Expenses:						
Dues & Subscriptions	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%
Insurance	3,314.40	4,780.42	8,094.82	7,074.00	1,020.82	114.4%
Office Expenses & Supplies	39.51	355.60	395.11	788.00	(392.89)	50.1%
Payroll & Employee Benefits	2,605.62	23,450.55	26,056.17	25,993.14	63.03	100.2%
Accrued Payroll Allowance	256.19	2,305.67	2,561.86	4,583.71	(2,021.85)	55.9%
Postage & Delivery	40.33	362.92	403.25	522.00	(118.75)	77.3%
Printing & Reproduction	12.98	116.77	129.75	120.00	9.75	108.1%
Professional Fees	3,059.00	3,239.12	6,298.12	2,670.00	3,628.12	235.9%
Rent	95.70	861.30	957.00	975.00	(18.00)	98.2%
Telephone	74.29	668.56	742.85	525.00	217.85	141.5%
Travel & Entertainment	5.74	51.61	57.35	399.00	(341.65)	14.4%
Depreciation	47.77	429.89	477.66	583.00	(105.34)	81.9%
Interest Expense	<u>11.38</u>	<u>102.46</u>	<u>113.84</u>	<u>-</u>	<u>113.84</u>	0.0%
Total Unrestricted Expenses	<u>\$ 9,562.91</u>	<u>\$ 36,724.87</u>	<u>\$ 46,287.78</u>	<u>\$ 44,232.85</u>	<u>\$ 2,054.93</u>	104.6%
<b>Increase (Decrease) in Unrestricted Net Assets</b>			<u>\$ (14,919.12)</u>	<u>\$ (691.85)</u>	<u>\$ (14,227.27)</u>	2156.4%
<b>Net Assets at Beginning of Period</b>			<u>\$ (519,799.76)</u>			
<b>Net Assets at End of Period</b>			<u>\$ (534,718.88)</u>			

See accompanying notes and accountant's report

**Arizona Independent Scheduling Administrator Association**  
**Statement of Cash Flows**  
**For The Quarter Ended March 31, 2004**

	<u>Quarter</u>
<b>Cash Flows From Operating Activities</b>	
Increase (Decrease) in Net Assets	\$ (14,919.12)
Add (Deduct) Items Not Affecting Cash	
Depreciation Expense	477.66
Decrease (Increase) in Accounts Receivable	(3,349.23)
Decrease (Increase) in Prepaid Expenses	(11,090.21)
Increase (Decrease) in Accounts Payable	2,598.28
Increase (Decrease) in Unearned Membership Dues	2,625.00
Increase (Decrease) in Payroll Liabilities	<u>3,502.24</u>
Net Cash Provided By Operating Activities	<u>(20,155.38)</u>
 <b>Cash Flows From Investing Activities</b>	
Purchase of Fixed Assets	<u>-</u>
Net Cash Provided (Used) By Investing Activities	<u>-</u>
 <b>Cash Flows From Financing Activities</b>	
Net Borrowings (Payments) on Line of Credit	<u>15,977.26</u>
Net Cash Provided (Used) By Financing Activities	<u>15,977.26</u>
 <b>Net Increase (Decrease) in Cash</b>	 <u>(4,178.12)</u>
 <b>Cash At Beginning Of Period</b>	 <u>86,104.44</u>
 <b>Cash At End Of Period</b>	 <u>\$ 81,926.32</u>
 <b>Supplemental Disclosure of Cash Flow Information:</b>	
Cash paid for interest on loans	<u>\$ 3.60</u>

See accompanying notes and accountant's report

**Arizona Independent Scheduling Administrator Association**  
**Notes To The Financial Statements**  
**March 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 of \$12,717.28 from the represented or affiliate companies of these board members as of March 31, 2004, and revenues and support of \$29,180.53 for the quarter then ended, respectively, 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 accrued payroll allowances and 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 times during the past year, the Association had deposits in the bank 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. Loaned amounts were repaid to two utilities in accordance with a FERC tariff. Two other utilities have forgiven their loans to the Association.

Another 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. The 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 become obligated to repay 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 – Line of Credit**

The Association has a \$50,000 line of credit with interest payable at prime plus 2.875% (6.875% at March 31, 2004). Interest is due monthly with borrowed amounts secured by deposits held at the bank to the extent allowed by local law. There is an outstanding balance of \$15,977.26 at March 31, 2004.

## **Note E – 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 the quarter ended March 31, 2004 as noted below.

<b>FERC Tariff</b>	<b>Current Quarter (\$)</b>
Subject to	27,770.28
Not Subject to	2,723.38
Total	30,493.66

**Note F - Retirement Plan**

The Association funds Simplified Employee Pension – Individual Retirement Accounts (SEP IRA's) for its employees. Contributions by the Association to SEP IRA's totaled \$4,743.36 for the quarter ended March 31, 2004. The contributions are included in payroll & employee benefits in the accompanying financial statements.

**Note G – 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.

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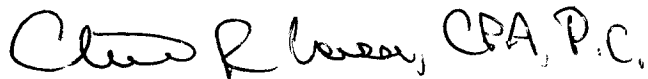
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To the Board of Directors  
Arizona Independent Scheduling Administrator Association  
Phoenix, AZ

I have compiled the accompanying statement of financial position of Arizona Independent Scheduling Administrator Association (a nonprofit organization) as of March 31, 2004, and the related statements of activities – actual and budget and cash flows for the quarter 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, P.C.

June 7, 2004