

**AMERICAN SAMOA POWER AUTHORITY  
(A Component Unit of American Samoa Government)**

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**FINANCIAL STATEMENTS AND  
ADDITIONAL INFORMATION AND  
INDEPENDENT AUDITORS' REPORT**

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**YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

**AMERICAN SAMOA POWER AUTHORITY**  
(A Component Unit of American Samoa Government)

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## **INDEPENDENT AUDITOR'S REPORT**

The Board of Directors  
American Samoa Power Authority  
Pago Pago, American Samoa

### **Report on Financial Statements**

We have audited the accompanying financial statements of American Samoa Power Authority (ASPA), a component unit of American Samoa Government, which comprise the statements of net position as of September 30, 2014 and 2013, and the related statements of revenues, expenses, and changes in net position and of cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Samoa Power Authority as of September 30, 2014 and 2013, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 11 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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 financial statements, and other knowledge we obtained during our audit of the 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.

### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules on pages 32 through 41 are presented for purposes of additional analysis and are not a required part of the 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying schedules on pages 32 through 41 are fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2015 on our consideration of the ASPA'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 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 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 ASPA's internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Deloitte & Touche LLP".

May 11, 2015

**AMERICAN SAMOA POWER AUTHORITY**  
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Management's Discussion and Analysis  
September 30, 2014 and 2013

On behalf of the American Samoa Power Authority ("ASPA") organization, the senior management offers the readers its financial statements, narrative overview and analysis of the financial activities of the ASPA for the fiscal year ended September 30, 2014. The information contained herein is based on current known facts, decisions and other conditions that have materially affected the ASPA during this reporting period. It is designed to provide the reader with a summary of the past two years of activities as well as our anticipated projects. We encourage the readers to consider the financial statements presented here in conjunction with the accompanying notes that follow this report.

**FINANCIAL HIGHLIGHTS**

- Total assets slightly increased by \$2.1 million in fiscal year 2014. In December 2013, ASPA was no longer a fuel supplier; as a result, there was a reduction of \$17.6 million in fuel inventory with a significant decrease in total current assets.
- Other completed projects were Feeders permanent repairs, Satala tie line restoration, FMF water projects, and the continuation of the east side sewer line project. In addition, more renewable energy projects started during the year. These are ASPA federally funded projects in progress during the year that resulted in a significant addition of \$19.9 million to the utility plant assets.
- For the year ended September 30, 2014, ASPA's overall change in net position was a surplus of \$8.5 million. Of this total, the Fuel Division operating income before close of business was \$1.1 million. Electric division ended the year with a surplus of \$22.9 million while Water, Wastewater, and Solidwaste recorded a total loss of \$3,843,991 of which \$2.7 million was attributed to Solidwaste.
- Total local operating revenues, excluding Fuel sales, decreased by \$911 thousand from the previous year. ASPA raised its incremental rates for Water, Wastewater and Solid Waste in October 2012. However, any additional revenue realized from the increased rates were offset by the fuel discounts received from fuel supplier that were passed on to customers during the year. The ASPA factors the variable fuel surcharge into its monthly billings to recover the variable cost of fuel oil, and therefore the cost of fuel has a direct effect on operating revenues. In FY2014, fuel prices peaked at an average of \$3.67 per gallon.
- In FY2014, the American Samoa Government (ASG) made an effort in making payments for its outstanding utility bills. However, at September 30, 2014, bad debt recorded was \$973,514. ASPA continues to follow up with ASG regarding the outstanding utility bills.
- The ASPA's local operating and maintenance expenses in FY2014 increased by \$5.3 million over FY2013, of which \$1.6 million is due to the increase in operating costs of Solid Waste division; \$1.4 million is attributed to increase in Water operating expenses, and \$2 million increase in power production and transmission and distribution expenses. During 2014, fuel expenses for the Electric division decreased by \$1.1 million before the closure of the fuel business. The Ground Mounted Solar Panels (PV Farm) added more panels at its overflow site and has helped to reduce fuel consumption during the year.
- Net income/(loss) before capital contributions and extraordinary item was a loss of (\$14,341,693) in FY2014 compared to a loss of (\$1,584,617) in FY2013. Electric division shows a loss of (\$7.5 million), Water division with (\$2.6 million), Wastewater division with (\$2.5 million), and Solidwaste with (\$2.7 million). Fuel division shows an income of \$1.1 million before closure.

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- Federal capital grants of \$22.8 million were recorded as a result from Satala Power Plant Generators FEMA Funded of \$17 million and DOI and EPA-funded projects of \$6 million.
- In FY2013, ASPA recorded \$2.5 million in local revenues from the American Samoa Government's 10% share of FEMA tsunami-funded projects, mainly the Satala Power Plant project. However, the revenue was fully allowed for.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The Annual Audit Report includes the Independent Auditor's Report, Management's Discussion and Analysis ("MD&A"), Financial Statements with accompanying notes, Supplementary Information and Disclosures in Accordance with Government Auditing Standards.

The financial statements of the ASPA are designed to provide readers with an accurate overview of the utility's finances similar to a private-sector business. They have been prepared using the accrual basis of accounting in accordance with Generally Accepted Accounting Principles ("GAAP") in the United States. Under this basis of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred, regardless of the timing of related cash flows. These statements offer short-and long-term financial information about the ASPA's activities.

The **Statement of Net Position** presents information on all of the ASPA's assets and liabilities and information about the nature and amounts of investments in resources (assets) and the obligations to the ASPA creditors (liabilities). It also provides the basis for computing rate of return, evaluating its capital structure and assessing the liquidity and financial flexibility of the ASPA.

The **Statement of Revenues, Expenses and Changes in Net Position** presents information on all of the current year's revenues and expenses. It also provides a measurement of the ASPA's operations over the past year and can be used to determine whether the ASPA has successfully recovered all its costs through its rates and other charges and to also analyze profitability and credit worthiness.

The **Statement of Cash Flows** provides relevant information about the ASPA's cash receipts and cash payments during the reporting period. This statement reports cash receipts and cash payments resulting from operating, financing and investing activities. When used with related disclosures and information, a statement of cash flows should provide insight into (a) the ASPA's ability to generate future net cash flows, (b) the ASPA's ability to meet its obligations as they come due, (c) the ASPA's needs for external financing, (d) the reasons for differences between operating income and associated cash receipts and payments and (e) the effects on the ASPA's financial position of both its cash and its non-cash investing, capital and financing transactions during the period. The changes in cash balances are an important indicator of the ASPA's liquidity and financial condition.

The **Notes to Financial Statements** provide additional information essential to a full understanding of the data provided in the financial statements. This includes, but is not limited to, significant accounting policies, significant financial statement balances and activities, material risks, commitments and obligations and subsequent events as applicable.

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Management's Discussion and Analysis  
September 30, 2014 and 2013

**FINANCIAL ANALYSIS**

Condensed Balance Sheet

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Assets:			
Current Assets	\$ 37,885,637	\$ 55,327,158	\$ 54,058,422
Restricted Assets	1,233,983	1,592,722	1,392,876
Utility Plant	<u>127,247,679</u>	<u>107,342,754</u>	<u>100,423,809</u>
Total Assets	<u>\$ 166,367,299</u>	<u>\$ 164,262,634</u>	<u>\$ 155,875,107</u>
Net Position and Liabilities			
Liabilities:			
Current Liabilities	\$ 12,862,596	\$ 18,728,602	\$ 35,599,727
Long-term debt, net of current portion	1,057,676	1,660,912	2,821,845
Accrued annual leave, net of current portion	<u>1,787,532</u>	<u>1,713,156</u>	<u>1,341,942</u>
Total Liabilities	<u>15,707,804</u>	<u>22,102,670</u>	<u>39,763,514</u>
Net Position:			
Net investment in utility plant	125,586,854	105,022,687	96,731,963
Restricted net position	133,967	511,540	421,131
Unrestricted net position	<u>24,938,674</u>	<u>36,625,737</u>	<u>18,958,499</u>
Total net position	<u>150,659,495</u>	<u>142,159,964</u>	<u>116,111,593</u>
Total net position and liabilities	<u>\$ 166,367,299</u>	<u>\$ 164,262,634</u>	<u>\$ 155,875,107</u>

Current assets decreased by \$17.4 million. Current assets are those assets that mature in less than a year. The \$17.4 million decrease is primarily attributed to the closure of the fuel business. At September 30, 2014, there was no more bulk fuel in stock.

Restricted assets are those amounts required to be maintained in revenue bond fund accounts, set aside in accordance with the terms of U.S. Department of the Interior capital grant agreements, and deposits into the employee supplementary income plan.

The utility plant continued to be the largest asset and accounted for 76% of total assets. These capital assets are used to provide services to our customers, and are not available for future spending, nor used to liquidate any liabilities. Refer to note 5 to the financial statements for additional details regarding movements in utility plant.

Current liabilities are those debts payable within one year. The current ratio increased from 3.01 in FY2013 to 3.03 in FY2014. ASPA's net position increased to \$150 million in FY2014 compared to \$142 million in FY2013.

Refer to note 6 to the financial statements for details regarding ASPA's financing activities.

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Condensed Statement of Revenues, Expenses and Changes in Net Position

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>OPERATING REVENUES</b>			
Electric	\$ 48,156,228	\$ 48,751,842	\$ 50,209,193
Water	8,571,997	8,420,508	7,219,499
Sewer	2,507,860	2,825,369	3,644,562
Solid Waste	2,679,374	2,803,364	2,581,692
Fuels Marketing	10,007,295	42,323,102	42,114,538
Other Sales	<u>1,972,238</u>	<u>1,997,251</u>	<u>1,300,588</u>
Total operating revenues	<u>73,894,992</u>	<u>107,121,436</u>	<u>107,070,042</u>
Bad debt (expense) recovery	<u>(973,514)</u>	<u>4,646,805</u>	<u>(5,118,069)</u>
Net Operating Revenues	<u>72,921,478</u>	<u>111,768,241</u>	<u>101,951,973</u>
Operating grants revenues-federal	<u>240,796</u>	<u>146,569</u>	<u>574,763</u>
Cost of goods sold	9,291,872	39,925,716	38,851,980
<b>OPERATING EXPENSES:</b>			
Fuel oil	38,014,209	35,450,656	37,008,538
Operating and maintenance:			
Power Production	4,365,756	3,392,065	2,449,956
Power Transmission and Distribution	5,447,208	4,347,049	2,566,369
Engineering Services	1,438,564	1,502,156	1,219,884
Water, Wastewater, Solidwaste and Fuel	12,440,185	13,205,339	10,834,160
Depreciation	8,327,428	8,512,409	8,015,986
Others	<u>7,857,736</u>	<u>7,165,187</u>	<u>6,986,816</u>
Total cost and operating expenses	<u>87,182,958</u>	<u>113,500,577</u>	<u>107,933,689</u>
Grant operating expenses	<u>240,796</u>	<u>146,569</u>	<u>574,763</u>
Net operating loss	(14,261,480)	(1,732,336)	(5,981,716)
Non Operating Revenues	1,166,795	-	-
Non Operating Expenses	(1,211,504)	-	-
Interest and other Income	147,657	600,563	2,201,977
Interest Expense	<u>(183,161)</u>	<u>(452,844)</u>	<u>(337,978)</u>
Loss before capital grants and extraordinary item	(14,341,693)	(1,584,617)	(4,117,717)
Extraordinary item	-	17,000,000	-
Local Capital Grants	-	196,220	-
Federal capital grants	<u>22,841,224</u>	<u>10,436,768</u>	<u>15,474,719</u>
Net change in net position	8,499,531	26,048,371	11,357,002
Net position at beginning of year	<u>142,159,964</u>	<u>116,111,593</u>	<u>104,754,591</u>
Net position at end of year	\$ <u>150,659,495</u>	\$ <u>142,159,964</u>	\$ <u>116,111,593</u>

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The statement of revenues, expenses and changes in net position provide information as to the nature and source of these changes. Aggregate operating revenues decreased in FY2014 compared to FY2013. In October 2013, ASPA did not raise its fourth incremental utility rates for Water, Wastewater, and Solidwaste to recover its operational expenses. ASPA closed down its fuel business in December 2013 and therefore has a huge impact in reduction in operating revenues.

The ASPA had several achievements in fiscal year 2014 of significant value to the community. The ASPA Board of Directors and Management have been working hard to reassess the ASPA's organizational structure, and continually implement ways to improve ASPA's utility services. Some of the most significant achievements occurring in fiscal year 2014 are as follows:

PROGRAM ACCOMPLISHMENTS:

- **Fagali'i, Malota, Fagamalo (FMF) Water Supply System Project** - This project is 100% complete. This project connects the last three (3) remaining villages on Tutuila, in American Samoa, with an approved potable drinking water supply in order to comply with the Safe Drinking Water Act (SDWA).
- **Futiga Waterline** - Project is 100% complete. All families that were on the corroded 4" galvanized iron pipe have been relocated to this new 6" PVC waterline. Reduced the water loss and will improve the water pressure in the village heading to Futiga.
- **Five New Wells - 1,2,3, 15& 24** - Five new wells are proposed at Malaeimi (Wells 1, 2 and 3); Pago Pago (Well 24), and Malaeloa (Well 15). All five wells drilled and currently performing pump test. These new wells will replace GUDI wells.
- **Tramway Tank Replacement - PHASE 1** - This project is 100% complete. Phase one of the project calls for installation of the access road, transmission line supply and installation and geotechnical investigation for the tank site. **PHASE 2-** USEPA funding will be available in September of this year for this phase. Conceptual and Hydraulic analysis is 100% complete. Design is 50% complete.
- **Masefau Service Road Drainage Line** - The existing service road to Well 241 and Well 242 are in poor condition. A Notice to Proceed was issued to the successful bidder, Happy Trucking, and contractor have mobilized their equipment to the project site. Road work will start first week of November 2015.
- **Government Housing Distribution Line Replacement** – Another local construction company is the successful bidder. The contractor has agreed to start the project while we solicit help from DOI for more funding. ASPA has approved materials submittal from contractor and contractor has placed materials order.
- **Non Revenue Water** - NRW Task Force continues to find and repair leaks on water mains and laterals. ASPA leak detection team and two local contractors repair leaks on 2" and smaller pipes while water crew repair leaks on bigger pipes. NRW reduced to 60% from 62% last year.

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- **On-site Septic Tank** - Project is ongoing, and has expanded to Manu'a islands and also to healthy homes project in partnership with Department of Health.
- **Eastside Village WW Collection System - Package 1:** Rehabilitation of Clarigester #1 – construction is 98% complete. Fletcher Construction was the successful bidder for **Package 2 & 4**. The first crew is potholing for existing utilities while the second crew is right behind them excavating and installing the 12" HDPE force main. Due to issues with its procurement, **Package 3** may possibly be re-advertised for bids. **Package 5:** Design engineering firm has started work on splitting Package 5 into two separate phases-5A and 5B. Design engineering firm is also working on the construction/engineering estimate for the overlap of Package 5 into Package 4.
- **UV Disinfection** - USEPA has approved the award of this project. ASPA and a local contractor have executed a contract for the construction and installation of the Disinfection Systems. ASPA has given the contractor 30-days to come up with the Performance Bond before authorization to proceed is issued. This project will protect coastal water and reefs.
- **Fagatogo Sewerline Extension** - Design at 95% complete. Permit process underway. 9 homes will be connected.
- **Tualauta Sewer Line Extension** - Malaeimi Valley Sewer Extension: The work plan is currently with Mike Lee of USEPA for his review and approval. The 1993 design by Hart Pacific Engineering will be modified to address changes to the landscape and the construction of new homes. If necessary, a new design will replace the 1993 Hart Pacific Engineering design to properly address the new layout and current topography. Engineering is currently working with Survey and ROW to collect data for the re-design work.
- **Fogagogo Honorable Representative Star Area** - The design is about 90% complete. An elevation assessment is being done for families around the area for the extension of the sewer line. The Section 106 application is in the process, with the LUP to follow. ASPA team is currently seeking funds for this project. Extending sewer line system in these areas will protect and reduce groundwater contamination.
- **DBAS Projects** - Based on the Memorandum of Understanding (MOU), ASPA is to assist with inspection of the relocation and realignment. The realigned sewer has been constructed and tied into the existing ASPA line. Construction and project is 100% complete
- **Wind Map Study** – Project is 100% complete. This study and mapping is now complete. ASPA is awaiting a complete report of the study from AWS Truepower LLS Company.
- **Grid Stability Project** - This study is now complete. A draft report is being reviewed by ASPA before it's finalized. The purpose of this project is to evaluate and ascertain maximum allowable renewable energy to the ASPA Grid.
- **Wind Turbine** – Contract award to PowerWorks Wind Turbines Company out of California, for the purchase of 2 each, 100kW Wind Turbines. The project includes installation and training. The 2 each 100kW unit's to be shipped by February 2015. Installation and site work is scheduled to start in April 2015.

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- **Geo-thermal Study** - Scientist/Engineering teams probed Tutuila Island and installed Magnetotellurics (MT) equipment in over 100 locations over a three week period in July. The study took place in the central part of the island in the Futiga, Iliili, and Aoloau area. MT is an electromagnetic geophysical method of imaging the earth's subsurface by measuring variations of electrical and magnetic fields for geothermal, mining, oil and gas exploration. Final analysis for the MT study was submitted and the results have been positive. The next step is for drilling to obtain gradient temperature to further analyze geothermal resource.
- **Waste Conversion Project** - ICRC is a waste stream conversion company that develops waste transformation technologies. ICRC has secured 100% funding for this Waste Conversion project with ASPA. ICRC flew in and inspected the site, also met with ASPA management to clarify local & federal permitting requirements and land lease.
- **Parcel C 1068kw PV System** - 85% design review was completed; PSI placed orders for the inverters and rack system. Inverters are due to arrive in December 2014.
- **217.85kw PV System (Overflow PV Site)** – Project is over 70% complete; all PV panels and racking system are installed. ASPA installation crew are now working on the installation of conduits and wiring between the PV arrays and combiner boxes. ASPA carpenter crew started construction on the concrete building to house the inverters and distribution switchboard that will connect the PV system to supply the ASPA grid. Project is expected to be fully commissioned by January 2015.
- **Ofu Hybrid Project** - RFP was closed in the beginning of November, and ASPA received five (5) proposals. A Source Evaluation Board (SEB) has completed the evaluation process after shortlisting the top three (3) contractors. The SEB recommendation to award has been submitted to ASPA Procurement, and is awaiting final approval by the ASPA Board of Directors as per procurement process. The Ofu PV Hybrid project will involve the use of a 300kW PV system and a modularized battery storage system to supply power for Ofu and Olosega. The battery storage system will store excess green energy generated by the PV system to supply power after day light. The Ofu PV Hybrid System will help reduce dependence on diesel fuel. A similar project RFP is also in preparation for Ta'u.
- **Tie-Line (TL) Replacement Project** - This project is now completed. The TL system will allow the transfer of 5MW of load in either direction between the Satala and Tafuna Power Plant.
- **Satala Base Load Diesel Generators, Switchgear & Auxiliaries** - The generators are currently in storage in Milwaukee, WI. Switchgear and auxiliaries gear design and shop drawings have been submitted for ASPA review.
- **New Satala Power Plant** - The construction of the new power plant is awarded to Louis Berger Group (LBG) from Washington DC; subcontractor for the Satala power plant building construction is a local contractor. The building project cost is approximately \$12M. The groundbreaking ceremony for the start of this project was held on September 12, 2014. The Star-Kist foundation has been completely demolished. LBG is now working on the local permitting process to obtain building permits to start the foundation work.

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- **ASPA Operations Center** – A local contractor was the successful bidder. Project construction is currently underway and construction duration is one year. The new ASPA Operation Center is designed to be a LEED certified building.
- **Manua Debit Meters** - A total of 181 Debit Meters have been installed in Manua, which is 65% of the overall residential and commercial customers in the Manua Islands. Debit Meter customers in Manua can purchase tokens for power with scratch cards being sold at the local stores without having to come to Tutuila to buy power. We hope to install the remaining 35% of the customers in early 2015.
- **DOE Debit Meters** - There are over 50 DOE schools buildings and offices that currently have debit meters. Schools that are currently on a debit meter have realized savings and a drop in their usage. School officials are doing a better job with monitoring their usage and turning off lights and air conditioning units after hours.
- **Online Payments** - ASPA has recently launched their online bill view and payments to benefit the people of the Territory. Currently, 106 total customers signed up to view customer billing information online through the Ebiz Solution. Online payments made for this current quarter is at \$15,397. This will provide convenience for customers to pay their bills on island and from off island.

**THREE YEAR COMPARISON OF FINANCIAL RATIOS:**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Net Position	\$ 150,659,495	\$ 142,159,164	\$ 116,111,593
Total Assets	166,367,299	164,262,634	155,875,107
Equity Level	90.56%	86.54%	74.49%

**WORKING CAPITAL:**

The amount of current assets in excess of current liabilities.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Current Assets	\$ 38,985,653	\$ 56,408,340	\$ 55,030,167
Current Liabilities	<u>12,862,596</u>	<u>18,728,602</u>	<u>35,599,727</u>
Working Capital	\$ <u>26,123,057</u>	\$ <u>37,679,738</u>	\$ <u>19,430,440</u>

**CURRENT RATIO:**

Current assets compared to current liabilities.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Current Assets	\$ 38,985,653	\$ 56,408,340	\$ 55,030,167
Current Liabilities	12,862,596	18,728,602	35,599,727
Current Ratio	3.03	3.01	1.55

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**RATE OF RETURN:**

Net Income as a percentage of net utility plant.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Net Income	\$ 8,499,531	\$ 26,048,371	\$ 11,357,002
Net Utility plant	127,247,679	107,342,754	100,423,809
Rate of Return	6.68%	24.27%	11.31%

**REQUEST FOR INFORMATION**

Any requests for additional information in regards to this report may be addressed to American Samoa Power Authority, Business and Finance Manager, P.O. Box PPB, Pago Pago, American Samoa 96799.

Management's Discussion and Analysis for the years ended September 30, 2013 and 2012 is set forth in the report on audit of ASPA's financial statements which is dated May 2, 2014. That Discussion and Analysis explains in more detail major factors impacting the 2013 and 2012 financial statements.

AMERICAN SAMOA POWER AUTHORITY  
(A Component Unit of American Samoa Government)

Statements of Net Position  
September 30, 2014 and 2013

	2014	2013
<u>ASSETS</u>		
Depreciable utility plant, net	\$ 90,560,152	\$ 87,371,839
Nondepreciable utility plant	36,687,527	19,970,915
Utility plant, net	127,247,679	107,342,754
Other non-current assets:		
Restricted assets:		
Cash and cash equivalents	133,967	511,540
Current assets:		
Cash and cash equivalents	8,285,265	10,911,121
Accounts receivable, net of allowance for doubtful accounts of \$3,086,348 and \$2,308,297 in 2014 and 2013, respectively	4,228,493	5,064,299
Federal grants receivable, net of allowance for doubtful accounts of \$1,709,267 and \$1,400,529 in 2014 and 2013, respectively	5,676,479	5,514,576
Unbilled revenues, net of allowance for doubtful accounts of \$24,886 and \$27,680 in 2014 and 2013, respectively	2,263,450	2,537,853
Other accounts receivable, net of allowance for doubtful accounts of \$565,246 and \$683,966 in 2014 and 2013, respectively	106,007	2,999,186
Due from American Samoa Government (ASG), net of allowance for doubtful accounts of \$4,546,822 and \$6,119,237 in 2014 and 2013, respectively	9,051,183	8,659,561
Due from ASG agencies, net of allowance for doubtful accounts of \$954,345 and \$1,068,810 in 2014 and 2013, respectively	1,347,461	926,694
Materials, supplies, and fuel	5,812,816	18,161,659
Prepaid expenses and other assets	1,114,483	552,209
Total unrestricted current assets	37,885,637	55,327,158
Restricted assets:		
Cash and cash equivalents	907,536	909,966
Investments	192,480	171,216
Total restricted current assets	1,100,016	1,081,182
Total current assets	38,985,653	56,408,340
	\$ 166,367,299	\$ 164,262,634
<u>NET POSITION AND LIABILITIES</u>		
Net position:		
Net investment in utility plant	\$ 125,586,854	\$ 105,022,687
Restricted	133,967	511,540
Unrestricted	24,938,674	36,625,737
Total net position	150,659,495	142,159,964
Commitments and contingencies		
Current liabilities:		
Notes payable	-	3,892,833
Current portion of long-term debt	603,149	659,155
Accounts payable	9,208,394	10,542,156
Federal grant and insurance advances	79,984	79,984
Accrued expenses	2,971,069	3,554,474
Total current liabilities	12,862,596	18,728,602
Accrued annual leave, net of current portion	1,787,532	1,713,156
Long-term debt, net of current portion	1,057,676	1,660,912
Total liabilities	15,707,804	22,102,670
	\$ 166,367,299	\$ 164,262,634

See accompanying notes to financial statements.

AMERICAN SAMOA POWER AUTHORITY  
(A Component Unit of American Samoa Government)

Statements of Revenues, Expenses and Changes in Net Position  
Years Ended September 30, 2014 and 2013

	2014	2013
Operating revenues - local:		
Electricity sales	\$ 48,156,228	\$ 48,751,842
Water sales	8,571,997	8,420,508
Wastewater sales	2,507,860	2,825,369
Solidwaste sales	2,679,374	2,803,364
Fuel sales	10,007,295	42,323,102
Other sales	1,972,238	1,997,251
Total operating revenues - local	73,894,992	107,121,436
Bad debt (expense) recovery	(973,514)	4,646,805
Net operating revenues - local	72,921,478	111,768,241
Operating grants revenues - federal	240,796	146,569
Cost of fuel sales	9,291,872	39,925,716
Operating expenses - local:		
Fuel oil	38,014,209	35,450,656
Operating and maintenance:		
Power production	4,365,756	3,392,065
Power transmission and distribution	5,447,208	4,347,049
Engineering services	1,438,564	1,502,156
Water, wastewater, solidwaste and fuel	12,440,185	13,205,339
Depreciation	8,327,428	8,512,409
General and administrative	7,857,736	7,165,187
Total cost and operating expenses - local	87,182,958	113,500,577
Operating expenses - federal	240,796	146,569
Net operating loss	(14,261,480)	(1,732,336)
Nonoperating revenues (expenses):		
Income from ASG and ASG agencies projects, net of bad debt expense	1,166,795	-
Cost of ASG and ASG agencies projects	(1,211,504)	-
Interest and other income	147,657	600,563
Interest expense	(183,161)	(452,844)
Net nonoperating (expenses) revenues	(80,213)	147,719
Loss before extraordinary item	(14,341,693)	(1,584,617)
Extraordinary item - insurance recoveries	-	17,000,000
(Loss) earnings before capital grants	(14,341,693)	15,415,383
Local capital grants	-	196,220
Federal capital grants	22,841,224	10,436,768
Net change in net position	8,499,531	26,048,371
Net position at beginning of year	142,159,964	116,111,593
Net position at end of year	\$ 150,659,495	\$ 142,159,964

See accompanying notes to financial statements.

AMERICAN SAMOA POWER AUTHORITY  
(A Component Unit of American Samoa Government)

Statements of Cash Flows  
Years Ended September 30, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Cash received from customers	\$ 76,390,691	\$ 101,312,402
Cash payments to suppliers for goods and services	(55,700,875)	(88,201,234)
Cash paid to employees	(13,451,674)	(11,171,004)
Operating grants received	240,796	146,569
Net cash provided by operating activities	7,478,938	2,086,733
Cash flows from investing activities:		
Interest and other income	147,657	75,215
Decrease (increase) in restricted cash and cash equivalents and investments	358,739	(199,846)
Net cash provided by (used in) investing activities	506,396	(124,631)
Cash flows from noncapital financing activities:		
Repayment of notes payable	(3,892,833)	(1,405,354)
Interest payments	(71,162)	(268,094)
Net cash used in noncapital financing activities	(3,963,995)	(1,673,448)
Cash flows from capital and related financing activities:		
Additions to utility plant and construction work in progress	(28,232,353)	(15,431,354)
Capital grants received	22,356,399	15,319,255
Repayment of long-term debt	(659,242)	(1,371,778)
Interest payments	(111,999)	(184,750)
Net cash used in capital and related financing activities	(6,647,195)	(1,668,627)
Net decrease in cash and cash equivalents	(2,625,856)	(1,379,973)
Cash and cash equivalents at beginning of year	10,911,121	12,291,094
Cash and cash equivalents at end of year	\$ 8,285,265	\$ 10,911,121

See accompanying notes to financial statements.

AMERICAN SAMOA POWER AUTHORITY  
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Statements of Cash Flows, Continued  
Years Ended September 30, 2014 and 2013

	2014	2013
Reconciliation of net operating loss to net cash provided by operating activities:		
Net operating loss	\$ (14,261,480)	\$ (1,732,336)
Adjustments to reconcile net operating loss to net cash provided by operating activities:		
Depreciation	8,327,428	8,512,409
Bad debt expense (recovery)	973,514	(4,646,805)
(Increase) decrease in assets:		
Accounts receivable	40,482	(1,375,204)
Unbilled revenue	277,199	279,128
Other accounts receivable	2,269,257	(4,616,198)
Due from ASG	215,746	38,473
Due from other ASG component units	(306,986)	(135,233)
Materials, supplies and fuel	12,348,843	3,550,403
Prepaid expenses and other assets	(562,274)	380,039
Increase (decrease) in liabilities:		
Accounts payable	(1,333,762)	740,145
Accrued expenses	(509,029)	1,091,912
	\$ 7,478,938	\$ 2,086,733

See accompanying notes to financial statements.

**AMERICAN SAMOA POWER AUTHORITY**  
(A Component Unit of American Samoa Government)

Notes to Financial Statements  
September 30, 2014 and 2013

(1) Organization and Summary of Significant Accounting Policies

Organization

The American Samoa Power Authority (ASPA) is a component unit of the American Samoa Government (ASG). ASPA generates and distributes electrical power and provides water, wastewater and solidwaste services for the islands of American Samoa. ASPA was formally established through a legislative act by the American Samoa Government (ASG) as of October 1, 1981. Prior to that date, utility services were provided by ASG's Department of Public Works. The separate power authority was established to provide better accountability for the utility's operations and cost of service. Effective October 1, 1988, the water utility and wastewater divisions of the Department of Public Works of ASG were transferred by Executive Order to ASPA. This transfer was later approved into law in 1991. In 1995, the solidwaste division of ASG was transferred by Executive Order to ASPA. In December 2008, ASPA entered into a fuel supply agreement with a global oil company to enable ASPA to become a fuel distributor to the islands of American Samoa and a supplier to its own operating divisions. The agreement expired in November 2013 and was not renewed. Effective December 2013, ASPA's fuels marketing division was dissolved and ASPA is no longer a fuel distributor on the island.

ASPA is governed by a five-member Board of Directors appointed by the Governor and confirmed by the legislature. The first three members serve four-year staggered terms, and the fourth and fifth members serve four-year concurrent terms. All rates charged by ASPA are developed and promulgated in accordance with ASG Administrative Procedure Act 4.1001 and the Public Utility Regulatory Policies Act.

The financial statements of ASPA include the electric, fuels (through December 31, 2013), water, wastewater and solidwaste divisions of ASPA. The Board of Directors is not financially accountable for any other governmental entity.

Basis of Accounting

ASPA uses the flow of economic resources measurement focus. The financial statements of ASPA are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental entities using the accrual basis of accounting. 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 ASPA's assets after liabilities are deducted and consist of three sections: net investment in capital assets; restricted; and unrestricted. Net investment in capital assets include capital assets, restricted and unrestricted, net of accumulated depreciation, reduced by outstanding capital debt net of debt service reserve. Net position is reported as restricted when constraints are imposed by third parties or enabling legislation. The accounts shown as restricted net position are the amounts required to be maintained in revenue bond fund accounts and amounts set aside in accordance with the terms of U.S. Department of the Interior capital grant agreements. All of ASPA's restricted net position is expendable. All other net position is unrestricted.

**AMERICAN SAMOA POWER AUTHORITY**  
(A Component Unit of American Samoa Government)

Notes to Financial Statements  
September 30, 2014 and 2013

(1) Organization and Summary of Significant Accounting Policies, Continued

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

Utility Plant

The utility plant of the electric division acquired prior to October 1, 1981, is recorded at ASG's carrying value at September 30, 1981, the date of transfer. The assets of the water and wastewater divisions were transferred to ASPA at ASG's original cost less depreciation as of October 1, 1988. The plant assets of the solid waste division were transferred to ASPA at ASG's original cost less accumulated depreciation in 1995. Acquisition and construction of the electric utility plant subsequent to October 1, 1981, the water and wastewater utility plants subsequent to October 1, 1988, and the solid waste utility plant subsequent to 1995 are recorded at cost. These costs include payroll and certain general and administrative costs associated with the construction activity. ASPA capitalizes plant acquisitions with original costs in excess of \$1,000.

Depreciation

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets (3-40 years).

Inventory Valuation

Materials and supplies inventories and fuel inventories are stated at the lower of cost (using the average method) or market.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Restricted cash and investments are separately classified in the statement of net position.

Investments

Investments and related investment earnings are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

**AMERICAN SAMOA POWER AUTHORITY**  
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Notes to Financial Statements  
September 30, 2014 and 2013

(1) Organization and Summary of Significant Accounting Policies, Continued

Accounts Receivable and Allowance for Doubtful Accounts

ASPA grants credit to companies, individuals and governmental agencies in American Samoa on an unsecured basis. The allowance for doubtful accounts is established through a provision charged to expense. Accounts are charged against the allowance when management believes that the collection of the balance is unlikely. The allowance is an amount that management believes will be adequate to absorb possible losses on existing balances that may be uncollectible, based on evaluations of collectability and prior loss experience.

During the year ended September 30, 2013, ASPA reassessed the collectability of its receivable from ASG, resulting in a reduction in the allowance against that receivable of \$5,166,737 and a bad debt recovery of the same amount.

Compensated Absences

Employees accrue annual leave at various rates between four to ten hours per bi-weekly pay period depending on years of service. Contract employees' annual leave varies based on the terms of the contract. Employees are not permitted to carry over more than 480 hours of annual leave from year to year. Exceptions to this limitation policy may be granted. Career service and contract employees accrue four hours of sick leave per bi-weekly pay period. Employees may accrue unlimited hours of sick leave. Employees terminated for reasons other than retirement, employees who are medically separated and employees who retire with maximum service credit of 30 years are entitled to compensation for unused accrued sick leave in excess of 239 hours at separation of service.

Revenues

Sales of electricity and water are recorded as billed to customers on a monthly billing cycle basis. For electricity billings, ASPA factors a variable fuel surcharge into its monthly billings to recover the variable costs of fuel. Unbilled revenue represents an estimate of earned but unbilled revenues based on individual customer consumption patterns applied to the number of days of consumption between the most recent meter reading date and the end of the reporting period. At September 30, 2014 and 2013, unbilled revenues are accrued based on the most recent billing cycles.

Revenue from fuel sales is billed to customers on a daily basis based on the actual quantity of fuel delivered. ASPA invoices customers at the price set by the ASG, less any discount contractually agreed by the parties.

Operating and Non-operating Revenues and Expenses

ASPA considers revenues and costs that are directly related to utility and fuel operations to be operating revenues and expenses. Federal grant revenues utilized in operations are also classified as operating revenues. Revenues and expenses related to financing, investing and other activities are reflected as non-operating.

**AMERICAN SAMOA POWER AUTHORITY**  
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Notes to Financial Statements  
September 30, 2014 and 2013

(1) Organization and Summary of Significant Accounting Policies, Continued

Operating Leases

ASPA maintains operating leases with several landowners for well sites and pumping station sites. These leases are for terms of up to 50 years and have various expiration dates through 2040. Many of the leases are prepaid in five-to ten-year increments. Such prepayments have been included in prepaid expenses. Prepayments are discounted and discounts are amortized on a straight-line basis over the period of prepayment. The rents payable are based on price per square foot, which, in previous years, has increased by 5% every fifth year. Many of the leases are renewable at their expiration. These renewal options allow ASPA to retain use of the productive wells and pumping station sites. Management expects that in the normal course of business, leases for productive wells will be renewed or replaced by new leases.

Workers' Compensation

ASPA participates in the ASG internal service fund covering workers' compensation. ASPA pays an annual premium to the ASG internal service fund for coverage of all workers' compensation claims. The internal service fund is self-insured against all claims. Accordingly, ASPA does not recognize workers' compensation liabilities. Workers' compensation premiums paid to ASG are \$124,473 and \$102,001 for the years ended September 30, 2014 and 2013, respectively.

Income Taxes

ASPA is not subject to federal or local taxes on income or revenues.

New Accounting Standards

During the year ended September 30, 2014, ASPA implemented the following pronouncements:

- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 66, *Technical Corrections - 2012*, which enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 67, *Financial Reporting for Pension Plans*, which revises existing guidance for the financial reports of most pension plans. The implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. The implementation of this statement did not have a material effect on the accompanying financial statements.

**AMERICAN SAMOA POWER AUTHORITY**  
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Notes to Financial Statements  
September 30, 2014 and 2013

(1) Organization and Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The provisions in Statement 68 are effective for fiscal years beginning after June 15, 2014. The implementation of this statement will have a material effect on the financial statements of ASPA and will require a restatement disclosure upon implementation.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, which improves accounting and financial reporting for state and local governments' combinations and disposals of government operations. Government combinations include mergers, acquisitions, and transfers of operations. A disposal of government operations can occur through a transfer to another government or a sale. The provisions in Statement 69 are effective for fiscal years beginning after December 15, 2013. ASPA elected to early adopt Statement No. 69 with respect to the presentation and disclosure of the closure of the fuels marketing division (see note 16).

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, which addresses an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions in Statement 71 are effective for fiscal years beginning after June 15, 2014. Management has not yet determined the effect of implementation of this statement on the financial statements of ASPA.

Reclassification

Certain reclassification has been made to 2013 financial statements to correspond to the 2014 presentation.

(2) Deposits and Investments

GASB Statement No. 40 addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. As an element of interest rate risk, disclosure is required of investments that have fair values that are highly sensitive to changes in interest rates. GASB Statement No. 40 also requires disclosure of formal policies related to deposit and investment risks.

A. Deposits:

GASB Statement No. 40 requires disclosures for deposits that have exposure to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, ASPA's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized, or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. ASPA does not have a deposit policy for custodial credit risk.

**AMERICAN SAMOA POWER AUTHORITY**  
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Notes to Financial Statements  
September 30, 2014 and 2013

(2) Deposits and Investments, Continued

A. Deposits, Continued:

As of September 30, 2014 and 2013, the carrying amount of ASPA's total cash and cash equivalents was \$9,326,768 and \$12,332,627, respectively, and the corresponding bank balances were \$9,942,868 and \$12,600,098, respectively. Of the bank balances, \$8,566,253 and \$11,201,681, respectively, are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2014 and 2013, bank deposits in the amount of \$523,358 and \$500,000, respectively, were FDIC insured. ASPA does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk. ASPA has not experienced any losses on such accounts and management believes it is not exposed to any significant credit risk on its deposits.

B. Investments:

GASB Statement No. 40 provides for disclosure requirements addressing common risks of investments such as credit risk, interest rate risk, concentration of credit risk, foreign currency risk and custodial credit risk.

As of September 30, 2014 and 2013, the composition of ASPA's investments are as follows:

	2014		2013	
	Fair Value	Percent	Fair Value	Percent
Domestic equities	\$ <u>192,480</u>	<u>100.0%</u>	\$ <u>171,216</u>	<u>100.0%</u>

Domestic equities are unrated. Credit ratings were not available for deposits in Smith Barney Money Funds, included in the restricted cash and cash equivalents in the statements of net position, carried at \$1,011,384 and \$1,391,402 at September 30, 2014 and 2013, respectively.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, ASPA will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. ASPA's investments are held and administered by trustees. Based on negotiated trust and custody contracts, all of these investments were held in ASPA's name by ASPA's custodial financial institutions at September 30, 2014 and 2013.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. ASPA does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

(3) Risk Management

ASPA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. At September 30, 2014, ASPA carries life insurance on behalf of its employees, directors and officers, and maintains a comprehensive business policy and general liability insurance. ASPA also participates in ASG's self-insurance pool for workers' compensation claims, where ASPA pays ASG 1.05% of gross payroll for workers' compensation coverage. Except for an insurance claims settlement associated with an earthquake and tsunami (see note 4), ASPA had no claims settlements in excess of coverage for the years ended September 30, 2014, 2013 and 2012.

**AMERICAN SAMOA POWER AUTHORITY**  
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Notes to Financial Statements  
September 30, 2014 and 2013

(3) Risk Management, Continued

Another potential area of risk relates to the price of fuel. ASPA has incorporated a fuel factor in the billing rate that is adjusted monthly based on actual fuel costs to mitigate the possibility of substantial losses or windfalls due to the varying cost of fuel.

(4) Natural Disaster Damages

In September 2009, the Territory of American Samoa sustained significant damage as a result of an earthquake and tsunami. ASPA infrastructure sustained significant damage as a result of these two occurrences, and destroyed utility plant was written off. A Presidential Federal Disaster Declaration was obtained for destruction recovery with the Federal Emergency Management Agency (FEMA) providing funding through the American Samoa Government with a percentage (10%) matching share provided by ASPA. FEMA reimbursements are made on a percentage (90%) basis of submitted allowable costs. As of September 30, 2014 and 2013, respectively, ASPA has outstanding receivables from FEMA for tsunami restoration and other projects of \$2,135,233 and \$1,576,778 of which \$1,071,573 and \$831,230, respectively, was provided with an allowance. ASPA continues to work with FEMA to collect the outstanding receivables.

In May 2012, ASPA settled the insurance claim for the tsunami and earthquake for \$17.5 million. An estimated amount of \$500,000 was applied against business interruption and was recorded as other income in 2012. In 2012, the remaining proceeds were included in federal grant and insurance advances liability pending notification from FEMA as to whether these funds will reduce the FEMA share of capital project construction or if the proceeds may be used for ASPA's matching share of current and future construction of replacement plant. During 2013, discussions with FEMA led to allocation of the insurance proceeds to the rebuilding of the utility plant destroyed by the tsunami. The \$17 million insurance recoveries is presented as an extraordinary item in the accompanying statements of revenues, expenses and changes in net position for the year ended September 30, 2013.

In 2014, ASPA applied \$1.75 million of the insurance recoveries against the receivable from ASG for the 10% local match and recorded a bad debt recovery of the same amount. At September 30, 2014 and 2013, ASPA has recorded receivables of \$3,559,397 and \$5,309,397, respectively, from ASG for reimbursement of the 10% local matching requirement for FEMA grants. ASPA has recorded an allowance against the entire receivable because of uncertainty regarding its collectability.

All U.S. Department of Homeland Security grants awarded to the Territory of American Samoa were frozen in 2007. FEMA took action on October 9, 2007 to restrict access to FEMA funds for the Territory of American Samoa. In 2010, FEMA released the restriction for the Territory of American Samoa including ASPA. As of September 30, 2014 and 2013, ASPA has outstanding FEMA accounts from prior to 2010 and related allowances as follows:

	<u>2014</u>	<u>2013</u>
FEMA receivables	\$ 637,694	\$ 2,029,758
Allowance for doubtful receivables	<u>(637,694)</u>	<u>(569,299)</u>
	<u>\$ -</u>	<u>\$ 1,460,457</u>

**AMERICAN SAMOA POWER AUTHORITY**  
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Notes to Financial Statements  
September 30, 2014 and 2013

**(5) Utility Plant**

A summary of changes in capital assets for the years ended September 30, 2014 and 2013, is as follows:

	<u>Beginning Balance</u> <u>October 1, 2013</u>	<u>Transfers and</u> <u>Additions</u>	<u>Transfers and</u> <u>Deletions</u>	<u>Ending Balance</u> <u>September 30, 2014</u>
<u>Depreciable assets:</u>				
Electric power generation facilities	\$ 45,079,533	\$ 2,823,027	\$ -	\$ 47,902,560
Electric transmission and distribution facilities	44,479,210	329,514	(83,593)	44,725,131
Electric general plant	5,129,246	596,785	(40,569)	5,685,462
Water operating facilities	46,330,985	5,076,347	(191,955)	51,215,377
Wastewater operating facilities	64,255,917	2,582,386	-	66,838,303
Solidwaste operating facilities	<u>5,319,748</u>	<u>116,609</u>	<u>-</u>	<u>5,436,357</u>
Total utility plant in service	210,594,639	11,524,668	(316,117)	221,803,190
Less accumulated depreciation	<u>(123,222,800)</u>	<u>(8,327,428)</u>	<u>307,190</u>	<u>(131,243,038)</u>
	87,371,839	3,197,240	(8,927)	90,560,152
<u>Non-depreciable assets:</u>				
Construction work-in-progress	<u>19,970,915</u>	<u>27,629,061</u>	<u>(10,912,449)</u>	<u>36,687,527</u>
	\$ <u>107,342,754</u>	\$ <u>30,826,301</u>	\$ <u>(10,921,376)</u>	\$ <u>127,247,679</u>
	<u>Beginning Balance</u> <u>October 1, 2012</u>	<u>Transfers and</u> <u>Additions</u>	<u>Transfers and</u> <u>Deletions</u>	<u>Ending Balance</u> <u>September 30, 2013</u>
<u>Depreciable assets:</u>				
Electric power generation facilities	\$ 46,113,072	\$ 107,815	\$ (1,141,354)	\$ 45,079,533
Electric transmission and distribution facilities	44,301,235	655,160	(477,185)	44,479,210
Electric general plant	5,087,373	177,518	(135,645)	5,129,246
Water operating facilities	45,043,261	1,408,688	(120,964)	46,330,985
Wastewater operating facilities	63,715,362	730,462	(189,907)	64,255,917
Solidwaste operating facilities	<u>5,598,263</u>	<u>17,614</u>	<u>(296,129)</u>	<u>5,319,748</u>
Total utility plant in service	209,858,566	3,097,257	(2,361,184)	210,594,639
Less accumulated depreciation	<u>(116,933,720)</u>	<u>(8,512,409)</u>	<u>2,223,329</u>	<u>(123,222,800)</u>
	92,924,846	(5,415,152)	(137,855)	87,371,839
<u>Non-depreciable assets:</u>				
Construction work-in-progress	<u>7,498,963</u>	<u>15,223,729</u>	<u>(2,751,777)</u>	<u>19,970,915</u>
	\$ <u>100,423,809</u>	\$ <u>9,808,577</u>	\$ <u>(2,889,632)</u>	\$ <u>107,342,754</u>

**AMERICAN SAMOA POWER AUTHORITY**  
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Notes to Financial Statements  
September 30, 2014 and 2013

(6) Notes Payable and Long-Term Debt

Notes payable consist of the following at September 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Note drawn on a bank line of credit of \$5 million with line expiry on May 30, 2014, interest at the bank's prime rate plus 2.75% (4.75% at September 30, 2013), collateralized by two Deutz engines and auxiliary equipment.	\$ <u>          -</u>	\$ <u>3,892,833</u>

Changes in notes payable for the years ended September 30, 2014 and 2013, are as follows:

	<u>Outstanding September 30, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Outstanding September 30, 2014</u>
Note to a bank	\$ <u>3,892,833</u>	\$ <u>          -</u>	\$ <u>(3,892,833)</u>	\$ <u>          -</u>
	<u>Outstanding September 30, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Outstanding September 30, 2013</u>
Note to a bank	\$ <u>5,298,187</u>	\$ <u>          -</u>	\$ <u>(1,405,354)</u>	\$ <u>3,892,833</u>

The proceeds from the bank rolling line of credit are used, from time to time, to finance fuel purchases when ASPA cash reserves are inadequate at the time that payment is due. The line of credit was paid in full in March 2014. The old line of credit was replaced by a new \$5 million line of credit at 2.75% over the bank's prime rate to fund working capital requirements. No advances were outstanding against the credit line at September 30, 2014.

Long-term debt consists of the following at September 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Loan payable to Federal Financing Bank (FFB), original principal of \$3 million, payable in quarterly installments of \$90,909, with interest fixed at 3.296%, due on December 31, 2013, collateralized by a generator and auxiliary equipment.	\$ -	\$ 90,909
Loan payable to a bank, original principal of \$2.8 million, payable in monthly installments of \$54,132 including interest at the bank's prime rate plus 2.75% (6.0% at September 30, 2014 and 2013), due on August 29, 2017. The loan is collateralized by a solar power generation system.	1,200,391	1,759,700
Revenue bond purchased by the United States Department of Agriculture, Rural Utilities Services (RUS), original principal of \$550,000, payable in monthly installments of \$2,497 with interest fixed at 4.5%, due on December 20, 2040.	<u>460,434</u>	<u>469,458</u>
Total long-term debt	1,660,825	2,320,067
Less current portion	<u>603,149</u>	<u>659,155</u>
Long-term portion of long-term debt	\$ <u>1,057,676</u>	\$ <u>1,660,912</u>

**AMERICAN SAMOA POWER AUTHORITY**  
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Notes to Financial Statements  
September 30, 2014 and 2013

(6) Notes Payable and Long-Term Debt, Continued

Changes in long-term debt for the years ended September 30, 2014 and 2013, are as follows:

	Outstanding September 30, <u>2013</u>	<u>Increases</u>	<u>Decreases</u>	Outstanding September 30, <u>2014</u>	<u>Current</u>
Loan payable to FFB	\$ 90,909	\$ -	\$ (90,909)	\$ -	\$ -
Loan payable to a bank	1,759,700	-	(559,309)	1,200,391	593,711
Loan payable to RUS	<u>469,458</u>	<u>-</u>	<u>(9,024)</u>	<u>460,434</u>	<u>9,438</u>
	<u>\$ 2,320,067</u>	<u>\$ -</u>	<u>\$ (659,242)</u>	<u>\$ 1,660,825</u>	<u>\$ 603,149</u>

  

	Outstanding September 30, <u>2012</u>	<u>Increases</u>	<u>Decreases</u>	Outstanding September 30, <u>2013</u>	<u>Current</u>
Loan payable to FFB	\$ 454,545	\$ -	\$ (363,636)	\$ 90,909	\$ 90,909
Loan payable to a bank	2,759,216	-	(999,516)	1,759,700	559,213
Loan payable to RUS	<u>478,084</u>	<u>-</u>	<u>(8,626)</u>	<u>469,458</u>	<u>9,033</u>
	<u>\$ 3,691,845</u>	<u>\$ -</u>	<u>\$ (1,371,778)</u>	<u>\$ 2,320,067</u>	<u>\$ 659,155</u>

The \$3,000,000 Federal Financing Bank (FFB) loan proceeds were used to retire a 2002 National Rural Utilities Cooperative Finance Corporation (CFC) revolving line of credit used to fund initial purchase costs of the eighth Deutz generator and to pay \$150,000 towards commissioning costs. The FFB loan is guaranteed by the United States Department of Agriculture, Rural Utilities Service. The loan was paid in full in December 2013.

The proceeds from the \$2,800,000 bank loan were used to acquire a photovoltaic solar power generation system.

The 2000 RUS water and wastewater revenue bond was issued in December 2000 in the original amount of \$550,000 to finance water improvements. The bond resolution requires establishment of a reserve account into which an amount equal to one-tenth of the annual payments of principal and interest on the bond must be deposited each year. The balance in the reserve account at September 30, 2014 and 2013 is \$30,119 and \$30,104, respectively. The resolution also requires ASPA to maintain and collect rates and charges for water supplied and for wastewater collection and disposal services furnished that will be sufficient to pay principal and interest on the bond and normal system costs of maintenance and operation.

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Notes to Financial Statements  
September 30, 2014 and 2013

(6) Notes Payable and Long-Term Debt, Continued

Future minimum principal and interest payments on all long-term debt for subsequent years ending September 30, are as follows:

<u>Year(s) Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 603,149	\$ 76,399	\$ 679,548
2016	616,551	39,347	655,898
2017	10,324	19,640	29,964
2018	10,799	19,165	29,964
2019	11,295	18,669	29,964
2020-2024	64,752	85,068	149,820
2025-2029	81,056	68,764	149,820
2030-2034	101,465	48,355	149,820
2035-2039	127,014	22,806	149,820
2040-2041	<u>34,420</u>	<u>988</u>	<u>35,408</u>
	<u>\$ 1,660,825</u>	<u>\$ 399,201</u>	<u>\$ 2,060,026</u>

(7) Noncurrent Liabilities

Changes in accrued annual leave for the years ended September 30, 2014 and 2013, are as follows:

	Beginning Balance October 1,			Ending Balance September 30,	
	<u>2013</u>	<u>Addition</u>	<u>Reduction</u>	<u>2014</u>	<u>Current</u>
Accrued annual leave	\$ <u>2,353,659</u>	\$ <u>812,955</u>	\$ <u>(787,449)</u>	\$ <u>2,379,165</u>	\$ <u>591,633</u>

  

	Beginning Balance October 1,			Ending Balance September 30,	
	<u>2012</u>	<u>Addition</u>	<u>Reduction</u>	<u>2013</u>	<u>Current</u>
Accrued annual leave	\$ <u>1,879,471</u>	\$ <u>1,359,857</u>	\$ <u>(885,669)</u>	\$ <u>2,353,659</u>	\$ <u>640,503</u>

The current portion of accrued annual leave is included in accrued expenses in the statements of net position.

(8) Retirement Fund

ASPA is a member of the American Samoa Government Employees' Retirement Fund (the Fund). The Fund is a cost sharing multiple employer contributory defined benefit retirement fund which was established in 1971 to provide retirement annuities to the employees of ASG. All full-time ASPA employees, other than contract specialists, are covered by the Fund.

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Notes to Financial Statements  
September 30, 2014 and 2013

(8) Retirement Fund, Continued

Normal retirement begins for members attaining the age of 65 who have completed five years of service, or at age 55 with 30 years or more of service. Early retirement can begin at age 55 if the member has ten or more years of service; however, retirement benefits are reduced by 3% for each year the benefit commencement date precedes normal retirement. The normal retirement benefit, payable monthly for life, equals 2% of the highest average annual salary, excluding overtime, during any three consecutive years multiplied by the number of years of service up to a maximum of 30 years. The minimum annual benefit is \$600.

A surviving spouse of an active member, who dies before retirement but after attaining eligibility for retirement, may receive, if eligible, either a refund of employee contributions with interest or a life annuity equal to one-half the retirement annuity that would have been paid to the deceased member. An additional death benefit of \$2,500 to \$10,000, based on years of service, is payable to surviving spouse of active members of the Fund.

The Fund issues a stand-alone financial report. It may be obtained by writing to the Director, American Samoa Government Employees' Retirement Fund, Pago Pago, American Samoa 96799.

ASPA has agreed to contribute amounts to the Fund each year on an actuarially determined basis as provided by the American Samoa Government Code Section 7.1433. The contribution rate was 8% of employees' regular earnings, excluding overtime, for 2014, 2013 and 2012.

Each member of the Fund contributes 3% of regular earnings and earns interest at 5% compounded annually. Employee contributions are made through payroll deductions. Employee contributions and the related interest earned are refunded in full to members whose employment is terminated for any reason other than retirement, and as a death benefit to the survivors of deceased employees not yet eligible for retirement. Employees are fully vested in the employer portion, payable as a retirement annuity, after ten years of participation in the Fund.

ASPA's retirement contributions for the years ended September 30, 2014, 2013 and 2012, were \$758,989, \$605,292 and \$559,452, respectively, equal to the required contributions for each year.

(9) Employee Supplemental Income Plan

ASPA administers the American Samoa Power Authority Employee Supplemental Income Plan (the Plan) which is established to provide supplemental income for certain medical expenses. Full-time career service employees and two year contract employees are eligible to participate in the Plan. Part-time and temporary service employees are not eligible. The Plan pays employees a fixed amount of \$750 when referred off-island for medical treatment. The Plan also pays \$60 per day of off-island hospital confinement and follow-up appointments. Enrolled family members are eligible for benefits at 50% of the employee rate. Employees contribute at graduated premium levels depending on the number of enrolled family members. The Plan has an annual family limit of \$5,000 with a life-time limit of \$10,000 per employee family group. If this limit is reached, the employee may opt to continue in the program up to a limit of \$30,000, but at incrementally higher premium rates. ASPA contributes to the Plan for all eligible employees at a rate based on the employees' family group size. All contributions from employees and employer are invested and recorded with a corresponding liability amount included in the statement of net position. All changes in the invested funds are adjusted to the corresponding liability account.

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Notes to Financial Statements  
September 30, 2014 and 2013

(9) Employee Supplemental Income Plan, Continued

There have been no claims in excess of the value of the Plan assets.

At September 30, 2014 and 2013, plan assets of \$1,100,016 and \$1,081,182, respectively, are included as restricted cash and investments and accrued liabilities of the same amount are recorded in the statements of net position. ASPA's contributions for the years ended September 30, 2014 and 2013 were \$140,268 and \$133,666, respectively.

(10) Commitments

Lease Commitments

ASPA occupies two parcels of land owned by ASG (Parcels B and C) at a total monthly rate of \$13,430 for a period of 10 years. ASPA has options to extend the lease agreements for a total of 30 years for Parcel B and 50 years for Parcel C, subject to escalation rates after a certain number of years. In 2014, ASPA exercised the option to extend the lease agreement for Parcel B to 2039.

The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of September 30, 2014, not including the escalations and unexercised options for extensions:

<u>Year Ending</u> <u>September 30,</u>	
2015	\$ 207,852
2016	186,555
2017	188,033
2018	194,356
2019	193,763
2020-2024	740,717
2025-2029	648,255
2030-2034	603,508
2035-2039	<u>580,705</u>
	\$ <u><u>3,543,744</u></u>

In connection with some of these operating leases, ASPA guarantees to provide certain quantities of water to lessors.

Fuel Supply Contracts

In December 2013, ASPA entered into fuel supply contracts with two local fuel distributors to purchase diesel fuel oil. The agreements are for two years commencing on December 15, 2013 with options to extend for two additional one-year terms at ASPA's sole discretion.

Construction Contract

ASPA is in the process of rebuilding the utility plant destroyed by the tsunami in September 2009. As of September 30, 2014, ASPA has a contract to acquire generator sets with a total price of \$37 million, of which \$25 million has been paid and recorded as construction work-in-progress.

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Notes to Financial Statements  
September 30, 2014 and 2013

(10) Commitments, Continued

Construction Contract, Continued

As of September 30, 2014, ASPA has various on-going construction contracts for a total contract price of \$17 million of which, \$0.95 million has been paid and recorded as construction work-in-progress.

Renewable Energy Contract

In 2014, ASPA entered into a power purchase agreement with a company to purchase a minimum of 54,000 kWh per day and no more than 96,000 kWh per day, at ASPA's prevailing tariff for electricity sold to commercial customers, of net energy output generated from a waste to energy power plant beginning on the commercial operation date for twenty years, which may be extended for additional ten years by mutual agreement. ASPA may accept energy above 96,000 kWh per day at its sole discretion. Net energy output of the power plant is dependent upon ASPA providing non-hazardous municipal solid waste under a waste supply agreement with the same company for a period of twenty years, which may be extended for additional ten years by mutual agreement. ASPA guarantees to deliver a minimum waste amount, which will be reduced proportionately based on the operational efficiency of the waste facilities, but will pay a cost for the shortfall. The waste tipping fee is \$36,000 per month.

(11) Landfill Closure and Postclosure Care Costs

ASPA utilizes several acres of land in Futiga, American Samoa, for its two-cell solid waste landfill site. The first cell was operated by ASG for approximately 30 years before it was transferred to ASPA in February 1995. ASPA has operated the landfill for approximately 12 years and has expanded the landfill to include a new section, approximately the same size and capacity as the original fill site. At September 30, 2014, the new landfill cell has a remaining estimated useful life of 2 years. Total estimated closure and postclosure costs for the two landfill cells is \$814,480 based on a 2003 study.

ASPA has obtained an opinion from the American Samoa Environmental Protection Agency (ASEPA) that American Samoa has no local statutes governing the operation of municipal landfills and therefore, no local regulations govern closure and postclosure requirements. As a result, management is of the opinion that ASPA has no legal obligation under federal or local law to incur closure and postclosure costs for the two landfill sites, and no closure or postclosure costs have been accrued at September 30, 2014 and 2013.

In August 2012, ASPA implemented a recycling program wherein residents turn in pre-sorted recyclables for coupons, which can be redeemed against utility bills. This project not only helps customers pay their utility bills but also helps reduce waste on the island. In February 2013, the project was put on hold. ASPA recorded a loss from redeemed coupons of \$463,174 for the year ended September 30, 2013 which is included in other expense in the accompanying statements of revenues, expenses and changes in net position.

ASPA is currently researching other alternatives and has identified land and is currently under lease discussions with the landowners. In addition, ASPA has a contract in place with a company for a Waste to Energy Project at the landfill (see note 10). This project will reduce solid waste deposits in the landfills and extend their useful lives.

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Notes to Financial Statements  
September 30, 2014 and 2013

(12) Related Party Transactions and Balances

Services provided to ASG by ASPA, including all charges for utilities, are billed to ASG and are recorded as receivables in the interfund account. Selected services provided by ASG to ASPA are recorded as payables to ASG in the interfund account and are offset against receivables.

In 2014, ASPA performed projects for ASG and ASG agencies. The revenues and costs of those projects are presented as nonoperating revenues and expenses in the accompanying statements of revenues, expenses and changes in net position. Outstanding receivables as of September 30, 2014 on those projects are included in due from ASG and ASG agencies in the accompanying statements of net position.

(13) Major Customers

Fuel sales to a local fuel distributor approximated 14% and 39% of total operating revenues for 2014 and 2013, respectively. Transactions with one major private sector industrial customer approximated 14% and 9% of total operating revenues for 2014 and 2013, respectively. ASG accounted for approximately 8% and 7% of total operating revenues for 2014 and 2013, respectively.

(14) Contingencies

Legal

ASPA is involved in various litigation involving disputes over landfill leases, including the terms of leases and the areas of land located in the landfill. The ultimate outcome of these matters and the financial impact on ASPA's financial statements is not presently determinable and no reserves have been recorded for potential impact of these contingencies.

ASPA is also involved in various other legal proceedings. Management believes that any losses arising from these actions will not materially affect ASPA's financial position.

United States Environmental Protection Agency (USEPA)

The USEPA has issued an executive order against ASPA in relation to toxic gases released by a contractor at a scrap metal yard. The USEPA has completed the cleanup of the scrap metal yard for the toxic gases, during which it was discovered that the contractor buried considerable scrap metal and materials below the surface of the scrap metal yard in violation of its contract. ASPA has completed the cleanup of the scrap metal yard for these buried materials and ASPA is pursuing a claim against the contractor. ASPA is negotiating with the USEPA to waive the cleanup cost it owes for the cleanup of the toxic gases. No provision has been established for this contingency.

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Notes to Financial Statements  
September 30, 2014 and 2013

(14) Contingencies, Continued

United States Environmental Protection Agency (USEPA), Continued

ASPA operates two wastewater treatment plants which are required to maintain National Pollutant Discharge Elimination System (NPDES) permits. At present, these wastewater treatment plants operate under a waiver from secondary treatment standards for ocean discharge under section 301(h) of the Clean Water Act. One of the requirements of this waiver provision is that it be reassessed before each renewal of the associated NPDES permit. In 2009, USEPA issued Tentative Decision Documents (TDD) indicating that the two facilities are unlikely to meet the criteria for waiver renewal based on operational practices and monitoring data available at that time. USEPA exercised its discretion to defer final decisions on the waiver renewal in favor of working with ASPA to pursue process modifications and feasible treatment system upgrades which, collectively, have the potential to address the concerns identified in the TDD. USEPA has been working with ASPA and the American Samoa EPA to conduct additional monitoring and evaluation, including consideration of alternative actions, to address the situation.

USEPA has not issued final decisions on the waiver renewals and the two facilities are operating under administrative extensions of their existing permits. USEPA will analyze the effectiveness of the modifications being implemented by ASPA. It is anticipated that the reevaluation process will be completed in 2016 and USEPA will issue a final decision on the waiver request. No provision has been established for this contingency.

Federal Grants

ASPA has participated in a number of federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives and regulatory authorities. The purpose of the audits is to ensure compliance with conditions relating to the granting of funds and other reimbursement regulations. ASPA's management believes that any liability for reimbursement which may arise as the result of these audits would not be material to the financial position of ASPA.

(15) Restricted Net Position

At September 30, 2014 and 2013, net position is restricted for the following purposes:

	<u>2014</u>	<u>2013</u>
Capital projects	\$ 103,848	\$ 481,436
Debt service	<u>30,119</u>	<u>30,104</u>
	\$ <u>133,967</u>	\$ <u>511,540</u>

(16) Discontinued Operations

The fuel supply agreement with a global oil company expired in November 2013 and was not renewed. Effective December 2013, ASPA's fuels marketing division was dissolved and ASPA is no longer a fuel distributor on the island. ASPA sold all remaining fuels at cost. Revenues and expenses of the fuels marketing division for the year ended September 30, 2014 approximated \$17 million and \$16 million, respectively, which represents three months of operation.

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Combining Statement of Net Position  
September 30, 2014

	Electric	Water	Wastewater	Solidwaste	Fuels Marketing	Total	Interdivision Eliminations	Combined
<b>ASSETS</b>								
Depreciable utility plant, net	\$ 35,470,143	\$ 24,027,233	\$ 30,253,975	\$ 808,801	\$ -	\$ 90,560,152	\$ -	\$ 90,560,152
Nondepreciable utility plant	31,809,957	2,042,523	2,835,047	-	-	36,687,527	-	36,687,527
Utility plant, net	67,280,100	26,069,756	33,089,022	808,801	-	127,247,679	-	127,247,679
Other non-current assets:								
Restricted assets:								
Cash and cash equivalents	-	133,967	-	-	-	133,967	-	133,967
Current assets:								
Cash and cash equivalents	8,283,363	-	-	1,902	-	8,285,265	-	8,285,265
Accounts receivable, net	2,920,863	938,528	221,929	147,173	-	4,228,493	-	4,228,493
Interdivisional loans	45,748,267	-	-	-	-	45,748,267	(45,748,267)	-
Federal grants receivable, net	1,336,330	2,112,994	2,126,043	101,112	-	5,676,479	-	5,676,479
Unbilled revenue, net	2,041,671	422,036	-	-	-	2,463,707	(200,257)	2,263,450
Other accounts receivable, net	99,247	4,382	2,378	-	-	106,007	-	106,007
Due from ASG, net	6,975,555	738,252	451,642	885,734	-	9,051,183	-	9,051,183
Due from ASG agencies, net	1,212,193	63,293	50,582	21,393	-	1,347,461	-	1,347,461
Materials, supplies and fuel	4,349,027	1,363,552	100,237	-	-	5,812,816	-	5,812,816
Prepaid expenses and other assets	876,401	182,790	13,934	41,358	-	1,114,483	-	1,114,483
Total unrestricted current assets	73,842,917	5,825,827	2,966,745	1,198,672	-	83,834,161	(45,948,524)	37,885,637
Restricted assets:								
Cash and cash equivalents	907,536	-	-	-	-	907,536	-	907,536
Investments	192,480	-	-	-	-	192,480	-	192,480
Total restricted current assets	1,100,016	-	-	-	-	1,100,016	-	1,100,016
Total current assets	74,942,933	5,825,827	2,966,745	1,198,672	-	84,934,177	(45,948,524)	38,985,653
	<u>\$ 142,223,033</u>	<u>\$ 32,029,550</u>	<u>\$ 36,055,767</u>	<u>\$ 2,007,473</u>	<u>\$ -</u>	<u>\$ 212,315,823</u>	<u>\$ (45,948,524)</u>	<u>\$ 166,367,299</u>

See accompanying independent auditors' report.

AMERICAN SAMOA POWER AUTHORITY  
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Combining Statements of Net Position, Continued  
September 30, 2014

	Electric	Water	Wastewater	Solidwaste	Fuels Marketing	Total	Interdivision Eliminations	Combined
<b><u>NET POSITION AND LIABILITIES</u></b>								
Net position (deficit):								
Net investment in utility plant	\$ 66,079,709	\$ 25,609,322	\$ 33,089,022	\$ 808,801	\$ -	\$ 125,586,854	\$ -	\$ 125,586,854
Restricted	-	133,967	-	-	-	133,967	-	133,967
Unrestricted	64,355,214	(15,614,014)	(8,067,996)	(15,734,530)	-	24,938,674	-	24,938,674
Total net position (deficit)	<u>130,434,923</u>	<u>10,129,275</u>	<u>25,021,026</u>	<u>(14,925,729)</u>	<u>-</u>	<u>150,659,495</u>	<u>-</u>	<u>150,659,495</u>
Current liabilities:								
Current portion of long-term debt	593,711	9,438	-	-	-	603,149	-	603,149
Accounts payable	6,965,431	1,081,471	947,717	414,032	-	9,408,651	(200,257)	9,208,394
Interdivisional loans	-	19,619,388	9,711,657	16,417,222	-	45,748,267	(45,748,267)	-
Federal grant advances	68,984	11,000	-	-	-	79,984	-	79,984
Accrued expenses	2,284,318	445,979	240,772	-	-	2,971,069	-	2,971,069
Total current liabilities	<u>9,912,444</u>	<u>21,167,276</u>	<u>10,900,146</u>	<u>16,831,254</u>	<u>-</u>	<u>58,811,120</u>	<u>(45,948,524)</u>	<u>12,862,596</u>
Noncurrent liabilities:								
Accrued annual leave, net of current portion	1,268,986	282,003	134,595	101,948	-	1,787,532	-	1,787,532
Long-term debt, net of current portion	606,680	450,996	-	-	-	1,057,676	-	1,057,676
Total liabilities	<u>11,788,110</u>	<u>21,900,275</u>	<u>11,034,741</u>	<u>16,933,202</u>	<u>-</u>	<u>61,656,328</u>	<u>(45,948,524)</u>	<u>15,707,804</u>
	<u>\$ 142,223,033</u>	<u>\$ 32,029,550</u>	<u>\$ 36,055,767</u>	<u>\$ 2,007,473</u>	<u>\$ -</u>	<u>\$ 212,315,823</u>	<u>\$ (45,948,524)</u>	<u>\$ 166,367,299</u>

See accompanying independent auditors' report.

AMERICAN SAMOA POWER AUTHORITY  
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Combining Statement of Revenues, Expenses and Changes in Net Position  
Year Ended September 30, 2014

	Electric	Water	Wastewater	Solidwaste	Fuels Marketing	Total	Interdivision Eliminations	Combined
Operating revenues - local:								
Operating sales	\$ 51,747,288	\$ 8,571,997	\$ 2,507,860	\$ 2,679,374	\$ 17,000,159	\$ 82,506,678	\$ (10,583,924)	\$ 71,922,754
Other sales	915,692	167,236	29,696	372,502	488,475	1,973,601	(1,363)	1,972,238
Total operating revenues - local	52,662,980	8,739,233	2,537,556	3,051,876	17,488,634	84,480,279	(10,585,287)	73,894,992
Bad debt (expense) recovery	(440,053)	(139,354)	(213,807)	(187,412)	7,112	(973,514)	-	(973,514)
Net operating revenues - local	52,222,927	8,599,879	2,323,749	2,864,464	17,495,746	83,506,765	(10,585,287)	72,921,478
Operating grants revenues - federal	161,151	40,824	37,603	1,218	-	240,796	-	240,796
Cost of fuel sales	-	-	-	-	15,762,209	15,762,209	(6,470,337)	9,291,872
Operating expenses - local:								
Fuel oil	38,536,736	-	-	-	-	38,536,736	(522,527)	38,014,209
Operating and maintenance:								
Power production	4,385,641	-	-	-	-	4,385,641	(19,885)	4,365,756
Power transmission and distribution	5,482,866	-	-	-	-	5,482,866	(35,658)	5,447,208
Engineering services	1,438,564	-	-	-	-	1,438,564	-	1,438,564
Water, wastewater, solidwaste and fuel	-	8,329,453	1,974,208	5,023,919	576,713	15,904,293	(3,464,108)	12,440,185
Depreciation	4,565,855	1,646,374	1,921,256	193,943	-	8,327,428	-	8,327,428
General and administrative	5,333,757	1,261,018	956,733	407,701	(28,701)	7,930,508	(72,772)	7,857,736
Total costs and operating expenses - local	59,743,419	11,236,845	4,852,197	5,625,563	16,310,221	97,768,245	(10,585,287)	87,182,958
Operating grants expenses - federal	161,151	40,824	37,603	1,218	-	240,796	-	240,796
Net operating (loss) earnings	(7,520,492)	(2,636,966)	(2,528,448)	(2,761,099)	1,185,525	(14,261,480)	-	(14,261,480)
Nonoperating revenues (expenses):								
Income from ASG and ASG agencies projects, net of bad debt expense	1,166,795	-	-	-	-	1,166,795	-	1,166,795
Cost of ASG and ASG agencies projects	(1,211,504)	-	-	-	-	(1,211,504)	-	(1,211,504)
Interest and other income (expense)	88,905	133	16	58,603	-	147,657	-	147,657
Interest expense	(91,058)	(20,941)	-	-	(71,162)	(183,161)	-	(183,161)
Net nonoperating (expenses) revenues	(46,862)	(20,808)	16	58,603	(71,162)	(80,213)	-	(80,213)
(Loss) earnings before capital grants and special item	(7,567,354)	(2,657,774)	(2,528,432)	(2,702,496)	1,114,363	(14,341,693)	-	(14,341,693)
Federal capital grants	18,796,513	2,302,972	1,718,401	23,338	-	22,841,224	-	22,841,224
Special item - transfer of interdivisional loans of fuels marketing to electric division	11,665,745	-	-	-	(11,665,745)	-	-	-
Change in net position	22,894,904	(354,802)	(810,031)	(2,679,158)	(10,551,382)	8,499,531	-	8,499,531
Net position at beginning of year	107,540,019	10,484,077	25,831,057	(12,246,571)	10,551,382	142,159,964	-	142,159,964
Net position at end of year	\$ 130,434,923	\$ 10,129,275	\$ 25,021,026	\$ (14,925,729)	\$ -	\$ 150,659,495	\$ -	\$ 150,659,495

See accompanying independent auditors' report.

AMERICAN SAMOA POWER AUTHORITY  
(A Component Unit of American Samoa Government)

Combining Statement of Cash Flows  
Year Ended September 30, 2014

	Electric	Water	Wastewater	Solidwaste	Fuels Marketing	Total	Interdivision Eliminations	Combined
Cash flows from operating activities:								
Cash received from customers	\$ 53,079,320	\$ 8,612,754	\$ 2,379,827	\$ 2,808,540	\$ 30,469,794	\$ 97,350,235	\$ (20,959,544)	\$ 76,390,691
Cash payments to suppliers for goods and services	(49,818,238)	(7,500,647)	(1,770,063)	(4,981,432)	(12,590,039)	(76,660,419)	20,959,544	(55,700,875)
Cash paid to employees	(9,763,053)	(2,057,061)	(1,057,369)	(526,028)	(48,163)	(13,451,674)	-	(13,451,674)
Operating grants received	161,151	40,824	37,603	1,218	-	240,796	-	240,796
Net cash (used in) provided by operating activities	<u>(6,340,820)</u>	<u>(904,130)</u>	<u>(410,002)</u>	<u>(2,697,702)</u>	<u>17,831,592</u>	<u>7,478,938</u>	<u>-</u>	<u>7,478,938</u>
Cash flows from investing activities:								
Interest and other income	88,905	133	16	58,603	-	147,657	-	147,657
Increase in restricted cash and cash equivalents and investments	(18,834)	156,955	180,700	39,918	-	358,739	-	358,739
Net cash provided by investing activities	<u>70,071</u>	<u>157,088</u>	<u>180,716</u>	<u>98,521</u>	<u>-</u>	<u>506,396</u>	<u>-</u>	<u>506,396</u>
Cash flows from noncapital and related financing activities:								
Repayment of notes payable	-	-	-	-	(3,892,833)	(3,892,833)	-	(3,892,833)
Interest payments	-	-	-	-	(71,162)	(71,162)	-	(71,162)
Interdivisional loans	8,982,510	1,338,702	1,422,027	2,584,773	(14,328,012)	-	-	-
Net cash provided by (used in) noncapital financing activities	<u>8,982,510</u>	<u>1,338,702</u>	<u>1,422,027</u>	<u>2,584,773</u>	<u>(18,292,007)</u>	<u>(3,963,995)</u>	<u>-</u>	<u>(3,963,995)</u>
Cash flows from capital and related financing activities:								
Additions to utility plant and construction work in progress	(23,186,400)	(3,005,702)	(1,919,677)	(136,367)	15,793	(28,232,353)	-	(28,232,353)
Capital grants received	19,034,682	2,444,006	726,936	150,775	-	22,356,399	-	22,356,399
Repayment of long-term debt	(650,219)	(9,023)	-	-	-	(659,242)	-	(659,242)
Interest payments	(91,058)	(20,941)	-	-	-	(111,999)	-	(111,999)
Net cash (used in) provided by capital and related financing activities	<u>(4,892,995)</u>	<u>(591,660)</u>	<u>(1,192,741)</u>	<u>14,408</u>	<u>15,793</u>	<u>(6,647,195)</u>	<u>-</u>	<u>(6,647,195)</u>
Net decrease in cash and cash equivalents	(2,181,234)	-	-	-	(444,622)	(2,625,856)	-	(2,625,856)
Cash and cash equivalents at beginning of year	10,464,597	-	-	1,902	444,622	10,911,121	-	10,911,121
Cash and cash equivalents at end of year	<u>\$ 8,283,363</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,902</u>	<u>\$ -</u>	<u>\$ 8,285,265</u>	<u>\$ -</u>	<u>\$ 8,285,265</u>

See accompanying independent auditors' report.

AMERICAN SAMOA POWER AUTHORITY  
(A Component Unit of American Samoa Government)

Combining Statement of Cash Flows, Continued  
Year Ended September 30, 2014

	Electric	Water	Wastewater	Solidwaste	Fuels Marketing	Total	Interdivision Eliminations	Combined
Reconciliation of net operating (loss) earnings to net cash (used in) provided by operating activities:								
Net operating (loss) earnings	\$ (7,520,492)	\$ (2,636,966)	\$ (2,528,448)	\$ (2,761,099)	\$ 1,185,525	\$ (14,261,480)	\$ -	\$ (14,261,480)
Adjustments to reconcile net operating (loss) earnings to net cash (used in) provided by operating activities:								
Depreciation	4,565,855	1,646,374	1,921,256	193,943	-	8,327,428	-	8,327,428
Bad debt expense (recovery)	440,053	139,354	213,807	187,412	(7,112)	973,514	-	973,514
(Increase) decrease in assets:								
Accounts receivable	220,398	(99,412)	(14,910)	(65,594)	-	40,482	-	40,482
Unbilled revenue	265,767	13,600	-	-	-	279,367	(2,168)	277,199
Other accounts receivable	(355,384)	5,858	9,712	-	12,981,160	12,641,346	(10,372,089)	2,269,257
Due from ASG	536,632	(56,941)	(86,064)	(177,881)	-	215,746	-	215,746
Due from ASG agencies	(251,073)	10,416	(66,467)	138	-	(306,986)	-	(306,986)
Materials, supplies and fuel	616,717	91,353	(54,814)	-	11,695,587	12,348,843	-	12,348,843
Prepaid expenses and other assets	(525,062)	(19,094)	(9,943)	(8,175)	-	(562,274)	-	(562,274)
Increase (decrease) in liabilities:								
Accounts payable	(4,296,428)	266,737	343,847	(6,029)	(8,016,146)	(11,708,019)	10,374,257	(1,333,762)
Accrued expenses	(37,803)	(265,409)	(137,978)	(60,417)	(7,422)	(509,029)	-	(509,029)
Net cash (used in) provided by operating activities	<u>\$ (6,340,820)</u>	<u>\$ (904,130)</u>	<u>\$ (410,002)</u>	<u>\$ (2,697,702)</u>	<u>\$ 17,831,592</u>	<u>\$ 7,478,938</u>	<u>\$ -</u>	<u>\$ 7,478,938</u>

See accompanying independent auditors' report.

AMERICAN SAMOA POWER AUTHORITY  
(A Component Unit of American Samoa Government)

Statements of Revenues, Expenses and Changes in Net Position - Electric  
Years Ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating revenues - local:		
Electricity sales	\$ 51,747,288	\$ 52,340,202
Other sales	915,692	876,989
Total operating revenues - local	<u>52,662,980</u>	<u>53,217,191</u>
Bad debt (expense) recovery	<u>(440,053)</u>	<u>3,361,099</u>
Net operating revenues - local	<u>52,222,927</u>	<u>56,578,290</u>
Operating grants revenues - federal	<u>161,151</u>	<u>-</u>
Operating expenses - local:		
Fuel oil	38,536,736	39,683,002
Operating and maintenance:		
Power production	4,385,641	3,418,555
Power transmission and distribution	5,482,866	4,383,017
Engineering services	1,438,564	1,502,156
Depreciation	4,565,855	4,709,887
General and administrative	<u>5,333,757</u>	<u>4,549,946</u>
Total operating expenses - local	<u>59,743,419</u>	<u>58,246,563</u>
Operating grants expenses - federal	<u>161,151</u>	<u>-</u>
Net operating loss	<u>(7,520,492)</u>	<u>(1,668,273)</u>
Nonoperating revenues (expenses):		
Income from ASG and ASG agencies projects, net of bad debt expense	1,166,795	-
Cost of ASG and ASG agencies projects	(1,211,504)	-
Interest and other income (expense)	88,905	1,014,820
Interest expense	<u>(91,058)</u>	<u>(160,916)</u>
Net nonoperating (expense) revenues	<u>(46,862)</u>	<u>853,904</u>
Loss before capital grants, special and extraordinary items	(7,567,354)	(814,369)
Local capital grants	-	196,220
Federal capital grants	18,796,513	5,409,235
Special item - transfer of interdivisional loans of fuels marketing to electric division	11,665,745	-
Extraordinary item - insurance recoveries	<u>-</u>	<u>17,000,000</u>
Change in net position	22,894,904	21,791,086
Net position at beginning of year	<u>107,540,019</u>	<u>85,748,933</u>
Net position at end of year	<u>\$ 130,434,923</u>	<u>\$ 107,540,019</u>

See accompanying independent auditors' report.

AMERICAN SAMOA POWER AUTHORITY  
(A Component Unit of American Samoa Government)

Statements of Revenues, Expenses and Changes in Net Position - Water  
Years Ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating revenues - local:		
Water sales	\$ 8,571,997	\$ 8,420,508
Other sales	<u>167,236</u>	<u>203,398</u>
Total operating revenues - local	8,739,233	8,623,906
Bad debt (expense) recovery	<u>(139,354)</u>	<u>568,434</u>
Net operating revenues - local	<u>8,599,879</u>	<u>9,192,340</u>
Operating grants revenues - federal	<u>40,824</u>	<u>1,996</u>
Operating expenses - local:		
Operating and maintenance	8,329,453	6,947,393
Depreciation	1,646,374	1,567,407
General and administrative	<u>1,261,018</u>	<u>1,614,537</u>
Total operating expenses - local	<u>11,236,845</u>	<u>10,129,337</u>
Operating grants expenses - federal	<u>40,824</u>	<u>1,996</u>
Net operating loss	<u>(2,636,966)</u>	<u>(936,997)</u>
Nonoperating revenues (expenses):		
Interest and other income (expense)	133	(427)
Interest expense	<u>(20,941)</u>	<u>(23,834)</u>
Net nonoperating expenses	<u>(20,808)</u>	<u>(24,261)</u>
Loss before capital grants	(2,657,774)	(961,258)
Federal capital grants	<u>2,302,972</u>	<u>1,274,267</u>
Change in net position	(354,802)	1,213,899
Net position at beginning of year	<u>10,484,077</u>	<u>9,270,178</u>
Net position at end of year	<u>\$ 10,129,275</u>	<u>\$ 10,484,077</u>

See accompanying independent auditors' report.

AMERICAN SAMOA POWER AUTHORITY  
(A Component Unit of American Samoa Government)

Statements of Revenues, Expenses and Changes in Net Position - Wastewater  
Years Ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating revenues - local:		
Wastewater sales	\$ 2,507,860	\$ 2,825,369
Other sales	29,696	34,724
Total operating revenues - local	<u>2,537,556</u>	<u>2,860,093</u>
Bad debt (expense) recovery	<u>(213,807)</u>	<u>214,572</u>
Net operating revenues - local	<u>2,323,749</u>	<u>3,074,665</u>
Operating grants revenues - federal	<u>37,603</u>	<u>104,421</u>
Operating expenses - local:		
Operating and maintenance	1,974,208	1,603,287
Depreciation	1,921,256	1,998,307
General and administrative	956,733	481,631
Total operating expenses - local	<u>4,852,197</u>	<u>4,083,225</u>
Operating grants expenses - federal	<u>37,603</u>	<u>104,421</u>
Net operating loss	<u>(2,528,448)</u>	<u>(1,008,560)</u>
Nonoperating revenues:		
Interest and other income	<u>16</u>	<u>14</u>
Total nonoperating revenues	<u>16</u>	<u>14</u>
Loss before capital grants	(2,528,432)	(1,008,546)
Federal capital grants	<u>1,718,401</u>	<u>2,887,996</u>
Change in net position	(810,031)	1,879,450
Net position at beginning of year	<u>25,831,057</u>	<u>23,951,607</u>
Net position at end of year	<u>\$ 25,021,026</u>	<u>\$ 25,831,057</u>

See accompanying independent auditors' report.

AMERICAN SAMOA POWER AUTHORITY  
(A Component Unit of American Samoa Government)

Statements of Revenues, Expenses and Changes in Net Position - Solidwaste  
Years Ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating revenues - local:		
Solidwaste sales	\$ 2,679,374	\$ 2,882,311
Other sales	372,502	111,413
Total operating revenues - local	<u>3,051,876</u>	<u>2,993,724</u>
Bad debt (expense) recovery	<u>(187,412)</u>	<u>509,812</u>
Net operating revenues - local	<u>2,864,464</u>	<u>3,503,536</u>
Operating grants revenues - federal	<u>1,218</u>	<u>40,152</u>
Operating expenses - local:		
Operating and maintenance	5,023,919	3,459,882
Depreciation	193,943	233,979
General and administrative	407,701	540,798
Total operating expenses - local	<u>5,625,563</u>	<u>4,234,659</u>
Operating grants expenses - federal	<u>1,218</u>	<u>40,152</u>
Net operating loss	<u>(2,761,099)</u>	<u>(731,123)</u>
Nonoperating revenues (expenses):		
Interest and other income	<u>58,603</u>	<u>(413,844)</u>
Total nonoperating revenues (expenses)	<u>58,603</u>	<u>(413,844)</u>
Loss before capital grants	(2,702,496)	(1,144,967)
Federal capital grants	<u>23,338</u>	<u>(35,620)</u>
Change in net position	(2,679,158)	(1,180,587)
Net position at beginning of year	<u>(12,246,571)</u>	<u>(11,065,984)</u>
Net position at end of year	<u>\$ (14,925,729)</u>	<u>\$ (12,246,571)</u>

See accompanying independent auditors' report.

AMERICAN SAMOA POWER AUTHORITY  
(A Component Unit of American Samoa Government)

Statements of Revenues, Expenses and Changes in Net Position - Fuels Marketing  
Years Ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating revenues - local:		
Fuel sales	\$ 17,000,159	\$ 82,271,614
Other revenues	488,475	822,255
Total operating revenues - local	<u>17,488,634</u>	<u>83,093,869</u>
Bad debt recovery (expense)	<u>7,112</u>	<u>(7,112)</u>
Net operating revenues - local	<u>17,495,746</u>	<u>83,086,757</u>
Cost of fuel sales	15,762,209	75,641,882
Operating expenses - local:		
Operating and maintenance	576,713	4,765,212
Depreciation	-	2,829
General and administrative	<u>(28,701)</u>	<u>64,217</u>
Total costs and operating expenses - local	<u>16,310,221</u>	<u>80,474,140</u>
Net operating earnings	<u>1,185,525</u>	<u>2,612,617</u>
Nonoperating expenses:		
Interest expense	<u>(71,162)</u>	<u>(268,094)</u>
Total nonoperating expense	<u>(71,162)</u>	<u>(268,094)</u>
Earnings before special item	1,114,363	2,344,523
Special item - transfer of interdivisional loans of fuels marketing to electric division	<u>(11,665,745)</u>	<u>-</u>
Net position at beginning of year	<u>10,551,382</u>	<u>8,206,859</u>
Net position at end of year	<u>\$ -</u>	<u>\$ 10,551,382</u>

See accompanying independent auditors' report.