



Legislature of the Virgin Islands

#100 Lagoon Homes Ste. 2
St. Croix, U.S. Virgin Islands 00840

TEL: (340) 712-2364
FAX: (340) 712-2302

POST AUDIT DIVISION

July 12, 2016

COMMITTEE ON FINANCE

Fiscal Year 2017 Budget Hearings

VIRGIN ISLANDS WATER AND POWER AUTHORITY AGENCY OVERVIEW

TABLE OF CONTENTS

Title	Page Number
Background and History	2
Governing Board and Structure	2
Statement of Operations – <i>Electric System</i>	3
Statement of Operations – <i>Water System</i>	4
Long Term Debt	5
Outstanding Receivables	6
Aging Receivables – <i>STT Electric</i>	7
Aging Receivables – <i>STX Electric</i>	7
Aging Receivables – <i>STT Water</i>	8
Aging Receivables – <i>STX Water</i>	8
Summary	9

BACKGROUND AND HISTORY

Established under Title 30, Chapter 5, Virgin Islands Code, as a body corporate and politic constituting a public corporation and autonomous governmental instrumentality of the Government of the United States Virgin Islands, The *Virgin Islands Water and Power Authority* (WAPA) was created for the purpose of developing adequate water and electric power systems and providing those services to the people of the United States Virgin Islands. With a core purpose of enhancing the economic development and the quality of life for people living throughout the territory, WAPA produces and distributes electricity and potable water to approximately 54,000 electrical customers and 13,000 portable water customers.

GOVERNING BOARD AND STRUCTURE

WAPA is governed by a nine member board, six of whom shall not be employees of the Government and shall be appointed by the Governor with the advice and consent of the Legislature. Of the non-governmental members, three must be from the district of St. Thomas/St. John, and three from the district of St. Croix. Non-government members serve three-year terms; may be reappointed with the advice and consent of the Legislature; and may be removed for cause by the Governor. Vacancies may be filled only for the remainder of existing terms, and members with expired terms serve until the appointment and confirmation of their successor. The other three government members of the Board serve during the term of their government position at the pleasure of the Governor and receive no additional compensation besides their government salary for serving as board members. Non-government members receive stipends of \$50 for each day of work performing board duties. All members receive reimbursement or per diem for travel expenses. The current members and their terms are as follows:

Virgin Islands Water and Power Authority Board Members

	Position	Appointed	Term Expires
1. Attorney Gerald T. Groner	Chairman	July 28, 2014	July 28, 2017
2. Juanita Young	Vice - Chairman	July 28, 2014	July 28, 2017
3. Noel Loftus	Secretary	July 28, 2014	July 28, 2017
4. Cheryl Boynes Jackson	Member	May 12, 2014	May 12, 2017
5. VACANT	Member		
6. Elizabeth Armstrong	Member	April 16, 2013	April 16, 2016
7. Commissioner Devin Carrington	Member	<i>Status Update Needed</i>	<i>Status Update Needed</i>
8. Director Marvin Pickering	Member	<i>Status Update Needed</i>	<i>Status Update Needed</i>
9. Director Gustav James	Member	<i>Status Update Needed</i>	<i>Status Update Needed</i>

The authority is self-supporting and has not been listed as a recipient of any proposed general fund appropriation for Fiscal Year 2017.

STATEMENT OF OPERATIONS

Exhibit I displays comparative income statements of WAPA’s operations for its electricity system for Fiscal Years 2013 and 2014.

Virgin Islands Water and Power Authority Electric System Statement of Operations

	FY 2013 Audited Actuals	FY 2014 Audited Actuals
<i>Operating Revenues</i>		
Electricity sales to customers	\$ 60,160,624	\$ 48,818,266
Electricity sales to the Virgin Islands Government	16,217,759	15,316,764
Fuel escalator revenues	242,864,638	227,236,715
LEAC revenue - RFM	15,652,442	14,743,793
OPEB Surcharge	-	3,064,093
Maintenance Charge	-	8,802,335
Payment in lieu of taxes	462,412	435,562
Line loss surcharge	1,480,347	1,480,347
Other operating revenues	4,319,351	3,405,191
Bad debt expense	(2,156,712)	(1,986,868)
Total Operating Revenues	\$ 339,000,861	\$ 321,215,542
<i>Operating Expense</i>		
Production:		
Fuel	240,874,507	231,479,318
Operations and maintenance	29,590,585	26,121,817
Total Production Expense	\$ 270,465,092	\$ 257,601,135
Distribution	10,215,931	10,546,466
Customer service	6,499,685	6,597,527
Administrative and general	27,877,954	31,394,703
Payment in lieu of taxes	500,000	500,000
Depreciation and amortization	23,319,980	15,906,038
Total Operating Expense	\$ 338,878,642	\$ 322,545,869
<i>Operating Income(loss)</i>	\$ 122,219	\$ (1,330,327)
Non-operating revenue (expense):		
Interest expense	(13,888,691)	(13,520,972)
Investment earnings	119,391	90,676
Allowance for funds used during construction	308,567	352,219
Total Non -Operating Expense	\$ (13,460,733)	\$ (13,078,078)
Capital grants and contributions	4,944,004	11,521,024
Decrease in Net Position	(8,394,510)	(2,887,380)
Net position, beginning of year	56,477,285	48,082,775
<i>Net position, end of year</i>	\$ 48,082,775	\$ 45,195,395

Exhibit I

Exhibit II displays comparative income statements of WAPA’s operations for its water system for Fiscal Years 2013 and 2014. The Post Audit Division has not received any budgetary information from the Authority for the fiscal year ended 2015 nor any projections for fiscal year 2017.

**Virgin Islands Water and Power Authority
 Water System Statement of Operations**

	FY 2013 Audited Actuals	FY 2014 Audited Actuals
<i>Operating Revenues:</i>		
Water sales to customers	\$ 12,862,382	\$ 10,374,206
Water sales to the Virgin Islands Government	11,365,459	10,383,518
Fuel escalator revenues	13,014,619	10,343,859
Line loss surcharge	-	395,485
Other operating revenues	524,894	420,469
Bad debt expense	(60,767)	(415,486)
Total Operating Revenues	\$ 37,706,587	\$ 31,502,051
<i>Operating and Production Expenses</i>		
Production cost of water distributed	\$ 18,614,867	\$ 12,128,267
Operations and maintenance	7,000,506	7,944,279
Customer service	1,174,849	1,352,112
Administrative and general	4,474,508	5,099,855
Depreciation, net of amortization	4,097,298	3,413,191
Total Operating and Production Expense	\$ 36,062,028	\$ 29,937,704
<i>Operating Income (loss)</i>	\$ 1,644,559	\$ 1,564,347
<i>Non-operating (Expense):</i>		
Interest Expense	(1,364,442)	(864,360)
Investment earning	26,992	28,546
Total Non-Operating Expense	\$ (1,337,450)	\$ (835,814)
Capital grants and contributions	\$ 3,185,476	\$ 3,007,146
Increase in net position	3,492,585	3,735,679
Net position, beginning of year	45,660,245	49,152,830
<i>Net position, end of year</i>	\$ 49,152,830	\$ 52,888,509

Exhibit II

LONG TERM DEBT

As of June 30, 2016, the Authority reported a total amount of **\$287,871,037** in long-term debt.

Virgin Islands Water and Power Authority **Long Term Debt**

		Principal
<i>Electric System</i>		
	Senior Lien Bonds	
	Series 2003 Bonds	\$ 45,525,000
	Series 2010 A Bonds	33,655,000
	Series 2010 B Bonds	8,925,000
	Series 2010 C Bonds	37,330,000
	Series 2012 A Bonds	17,390,000
	Subordinated Bonds	
	Series 2007 A Bonds	57,585,000
	Series 2012 B Bonds	7,150,000
	Series 2012 C Bonds	<u>32,065,000</u>
	TOTAL Senior and Subordinated Bonds	\$ 239,625,000
	Line of Credit	25,128,440
	Term Loan	477,597
	Loan	13,000,000
	TOTAL Electric System	\$ 278,231,037
<i>Water System</i>		
	Revenue and Refunding Bonds Series 1998	7,140,000
	Line of Credit	2,500,000
	TOTAL Water System	\$ 9,640,000
	COMBINED Electric & Water Systems	\$ 287,871,037

Exhibit III

OUTSTANDING RECEIVABLES

The Authority submitted total outstanding receivables owed by departments and agencies of the Government of the Virgin Islands totaling **\$31.4M**. The chart below presents a summary of outstanding receivables due to WAPA for electric and water service as of *June 30, 2016*.

Department	Balance	Current	Over 30 Days	Over 60 Days	Over 90 Days	Over 180 Days	Over 270 Days	Over 360 Days
St. Thomas Electric Ind.	5,070,733	616,972	207,739	245,900	734,248	814,609	886,749	1,564,517
St. Croix Electric Independent	7,837,307	295,542	198,537	177,353	643,394	516,818	993,726	5,011,935
Combined Electric Independent	12,908,040	912,514	406,276	423,253	1,377,642	1,331,427	1,880,472	6,576,452
St. Thomas Water Independent	2,524,171	477,843	61,839	32,751	184,979	202,789	355,548	1,208,422
St. Croix Water Independent	1,519,239	41,116	39,715	37,057	110,779	64,619	167,403	1,058,547
Combined Water Independent	4,043,410	518,959	101,554	69,808	295,758	267,408	522,951	2,266,969
St. Thomas Electric Executive	5,919,521	824,584	888,274	400,818	1,097,228	1,115,262	1,149,008	444,339
St. Croix Electric Executive	7,920,081	1,060,927	741,813	520,360	1,443,374	1,362,562	1,347,766	1,443,267
Combined Electric Executive	13,839,601	1,885,512	1,630,087	921,178	2,540,603	2,477,824	2,496,774	1,887,606
St. Thomas Water Executive	301,399	74,579	69,245	12,221	32,469	19,220	25,578	68,085
St. Croix Water Executive	344,933	(25,092)	19,856	23,883	71,662	84,210	105,701	64,705
Combined Water Executive	646,332	49,487	89,101	36,104	104,131	103,430	131,279	132,790
TOTAL	31,437,383	3,366,472	2,227,018	1,450,343	4,318,134	4,180,089	5,031,476	10,863,817
Summary								
Executive Departments	14,485,933	1,934,999	1,719,188	957,282	2,644,734	2,581,254	2,628,053	2,020,396
Semi Autonomous	16,951,450	1,431,473	507,830	493,061	1,673,400	1,598,835	2,403,423	8,843,421
TOTAL	31,437,383	3,366,472	2,227,018	1,450,343	4,318,134	4,180,089	5,031,476	10,863,817
Street Lights								
St. Thomas	3,242,947	236,606	238,120	236,773	710,381	799,300	767,331	254,435
St. Croix	5,195,079	326,035	326,294	330,169	985,347	1,098,456	1,057,737	1,071,041
TOTAL	8,438,025	562,642	564,414	566,942	1,695,729	1,897,756	1,825,068	1,325,476

Exhibit IV

*Virgin Islands Water and Power Authority
 Aging Receivables (Electric STT)
 As of June 30, 2016*

	Balance	Current	Over 30 Days	Over 60 Days	Over 90 Days	Over 360 Days
HOSPITAL FACILITIES BOARD	\$1,760,828	\$73,235	\$56,235	\$32,751	\$98,906	1,132,785
PORT AUTHORITY	66,853	66,839	14	-	-	-
LEGISLATURE	1185	1185				
HOUSING FINANCE AUTHORITY	3,831	2,899	-	-	52	76
HOUSING AUTHORITY	689,515	331,736	4,888	-	86,021	75,558
TOTAL	\$2,522,212	\$4745,894	\$61,137	\$32,751	\$184,979	\$1,208,419

Exhibit V

*Virgin Islands Water and Power Authority
 Aging Receivables (Electric STX)
 As of June 30, 2016*

	Balance	Current	Over 30 Days	Over 60 Days	Over 90 Days	Over 360 Days
HOSPITAL FACILITIES BOARD	\$7,547,051	\$1,801,105	\$188,679	\$169,375	\$619,576	\$4,931,908
GOVT EMP. RETIR SYS HOUSING FINANCE AUTHORITY	122,891	5,921	3,233	7,301	22,962	33,483
	50,155	3,827	304	479	856	40,542
UNIVERSITY OF THE VI LEGISLATURE	66,322	60,383	5,940	-	-	-
	5,995	-	-	-	-	5,995
TOTAL	\$7,792,414	1,871,236	198,156	177,155	643,394	5,011,928

Exhibit VI

Virgin Islands Water and Power Authority
Aging Receivables (Water STT)
As of June 30, 2016

	Balance	Current	Over 30 Days	Over 60 Days	Over 90 Days	Over 360 Days
HOSPITAL FACILITIES BOARD	1,760,828	\$73,235	\$56,931	\$32,751	\$98,906	\$1,132,785
PORT AUTHORITY	66,853	66,839	14	-	-	-
HOUSING AUTHORITY LEGISLATURE	623,727 1185	135,031 1185	114,161 -	33,282 -	139,900 -	- -
HOUSING FINANCE AUTHORITY	3,831	2,899	-	-	52	881
TOTAL	\$2,456,424	\$279,189	\$171,106	\$66,033	\$238,858	\$1,133,666

Exhibit VII

Virgin Islands Water and Power Authority
Aging Receivables (Water STX)
As of June 30, 2016

Department	Balance	Current	Over 30 Days	Over 60 Days	Over 90 Days	Over 360 Days
HOSPITAL FACILITIES BOARD	\$1,454,495	\$35,532	\$38,541	\$36,611	\$110,683	\$1,001,617
HOUSING FINANCE AUTHORITY	43,664	76	-	-	-	43,588
LOTTERY	13,613	46	79	116	96	12,877
UNIVERSITY OF THE VI	20,999	19,586	1,082	330	-	-
TOTAL	\$1,532,771	\$55,240	\$39,702	\$37,057	\$110,779	\$1,058,082

Exhibit VIII

SUMMARY

On February 26, 2016, the Virgin Islands Water and Power Authority received a request for information essential to formulating an analysis in preparation of the Authority's scheduled appearance before the Committee on Finance. As of Tuesday July 19, 2016 the Post Audit Division has not received any information to assist in formulating a complete analysis for fiscal year 2017. Inquiries to the Authority resulted in a citation of internal challenges for the delay and an impending approval by the Board on Thursday July 21st, 2016.

Additionally, The Authority provided the division with an audit for fiscal year ended June 30, 2014. This audit was completed on January 31, 2015. At the time of the Authority's budget appearance in September of 2015, WAPA officials announced that the audit had not commenced. Questions pertaining to an audit of WAPA for the fiscal year ended 2015 revealed that an audit of both the electrical system as well as the water system was completed on June 17, 2016, and accepted by the Authority's Finance Committee on Thursday July 7, 2016. The audit has been placed on the Board's full agenda for review on Thursday July 21, 2016.

Following are key observations made by Post Audit:

- (1) The Electric System Total Operating Revenues for FY 2014 appear to be understated by \$100,656 and should read \$321,316,198 (page 3).
- (2) The Water System Total Operating and Production Expense for FY 2013 appears to be overstated by \$700,000 and should read \$35,362,028 (page 4).
- (3) Government outstanding receivables, as reflected on Exhibit IV, suggest that approximately 35% of the \$31.4 million are at least 1 year past due.
- (4) No level of receivables was indicated for the private sector, which suggests which that they are at an insignificant level and, if that is so, it would further suggest a different tolerance for private sector versus public sector receivables.



Jose L. George
Post Auditor