

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-05-10** | Period of Report: **1995-03-31**
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FILER

GTE FLORIDA INC

CIK: **40865** | IRS No.: **590397520** | State of Incorporation: **FL** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-03090** | Film No.: **95536312**
SIC: **4813** Telephone communications (no radiotelephone)

Business Address
*ONE TAMPA CITY CTR
TAMPA FL 33602
8132244011*

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the
Securities
Exchange Act of 1934

For the period ended March 31, 1995

or

Transition Report Pursuant to Section 13 or 15(d) of the
Securities
Exchange Act of 1934

For the transition period from to

Commission File Number: 1-3090

GTE FLORIDA INCORPORATED
(Exact name of registrant as specified in its charter)

FLORIDA 59-
0397520
(State or other jurisdiction of (I.R.S.
Employer
Incorporation or organization)
Identification No.)

One Tampa City Center, Tampa, Florida
33602
(Address of principal executive offices)
(Zip Code)

Registrant's telephone number, including area code 813-224-
4011

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X

NO

The Company had 23,400,000 shares of \$25 par value common stock outstanding at April 30, 1995. The Company's common stock is 100% owned by GTE Corporation.

<TABLE>

PART I. FINANCIAL INFORMATION

GTE FLORIDA INCORPORATED AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

<CAPTION>

Months Ended	Three
	March
31,	1995
1994	(Thousands of
Dollars)	<C>
OPERATING REVENUES:	
Local network services	\$ 151,650
143,502	
Network access services	114,805
107,963	
Long distance services	20,602
20,825	
Equipment sales and services	28,040
25,484	
Other	6,436
5,403	

	321,533	
303,177		
OPERATING EXPENSES:		
Cost of sales and services	74,088	
81,155		
Depreciation and amortization	69,850	
65,622		
Marketing, selling, general and administrative	97,948	
113,757		
	241,886	
260,534		
Net operating income	79,647	
42,643		
OTHER (INCOME) DEDUCTIONS:		
Interest expense	16,021	
15,572		
Other - net	(386)	
(897)		
INCOME BEFORE INCOME TAXES		
	64,012	
27,968		
INCOME TAXES		
	24,681	
10,140		
NET INCOME	\$ 39,331	\$
17,828		

</TABLE>

Per share data is omitted since the Company's common stock is 100% owned by GTE Corporation (GTE).

See Notes to Condensed Consolidated Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION

AND RESULTS OF OPERATIONS

(DOLLARS IN MILLIONS)

RESULTS OF OPERATIONS

Net income was \$39.3 for the three months ended March 31, 1995 compared to \$17.8 for the same period in 1994, reflecting an increase of \$21.5. This increase is primarily due to higher revenues resulting from customer growth and lower operating expenses related to reductions in workforce.

OPERATING REVENUES

Operating revenues were \$321.5 and \$303.2 for the three months ended March 31, 1995 and 1994, respectively. This reflects an increase of 6% or \$18.3.

Local network services revenues were \$151.7 and \$143.5 for the three months ended March 31, 1995 and 1994, respectively, reflecting an increase of 6% or \$8.2. This increase is primarily due to continued customer growth as reflected by a 4% increase in access lines, which generated \$4.3 in additional revenues, increased revenues of \$1.7 from enhanced custom calling features and increased revenues of \$1.4 from growth in Integrated Services Digital Network (ISDN), a service that permits high-speed transmission of integrated voice, data and image over one phone line.

Network access services revenues were \$114.8 and \$108.0 for the three months ended March 31, 1995 and 1994, respectively, reflecting an increase of 6% or \$6.8. This increase is primarily due to a 13% increase in minutes of use, which generated \$10.7 in additional revenues, partially offset by \$4.6 of unfavorable interstate access settlements.

Equipment sales and services revenues were \$28.0 and \$25.5 for the three months ended March 31, 1995 and 1994, respectively, reflecting an increase of 10% or \$2.5. This increase is primarily due to a \$2.2 increase in revenues derived from sales of Radio Paging services and Personal Secretary voice messaging services.

Other operating revenues were \$6.4 and \$5.4 for the three months ended March 31, 1995 and 1994, respectively, reflecting an increase of 19% or \$1.0. This increase is primarily due to a \$0.7 increase in Database 800 service revenue.

OPERATING EXPENSES

Operating expenses were \$241.9 and \$260.5 for the three months ended March 31, 1995 and 1994, respectively, reflecting a decrease of 7% or \$18.6. This decrease is primarily the result of an \$8.5 decrease in labor and benefit costs reflecting reductions in workforce associated with the Company's re-engineering plan initiated in 1994, a \$3.7 decrease in digital switching software upgrades and a \$2.7 decrease in charges related to unbillable calling card calls.

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GTE FLORIDA INCORPORATED AND SUBSIDIARY

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

OTHER DEDUCTIONS

Income tax expenses were \$24.7 and \$10.1 for the three months ended March 31, 1995 and 1994, respectively, reflecting an increase of \$14.6. This increase is primarily due to the increase in pretax income, the declining effects of deferred investment tax credits and the lower reversal of tax rate differentials on deferred tax balances.

CAPITAL RESOURCES AND LIQUIDITY

Management believes that the Company has adequate internal and external resources available to meet ongoing operating requirements for construction of new plant, modernization of facilities and payment of dividends. The Company generally funds its construction program from operations although external financing is available. Short-term borrowings can be obtained through commercial paper borrowings or borrowings from GTE. In addition, at March 31, 1995 a \$3,500 line of credit was available to the Company through shared lines of credit with GTE and other affiliates to support short-term financing needs.

The Company's primary source of funds during 1995 was cash from operating activities of \$118.3 compared to \$127.3 for the same period in 1994. The decrease primarily reflects unfavorable timing of payments of payables partially offset by increased operating results.

The Company's capital expenditures during the first three months of 1995 were \$56.8 compared to \$48.5 during the same period in

1994. The 1995 expenditures reflect the Company's continued growth in access lines, modernization of facilities and provisioning of new products and services, including Video Connect (an interactive and broadcast video product utilized in the broadcast, educational and business markets), broadband digital services and switched digital services. In 1995, construction costs are expected to increase slightly from \$274.0 of capital expenditures incurred during 1994.

Cash used for financing activities was \$71.4 in 1995 compared to \$78.7 in 1994. This included dividend payments of \$44.2 in 1995 compared to \$1.1 in 1994 and decreases in short-term debt of \$28.5 in 1995 compared to \$68.9 in 1994.

OTHER MATTERS

As previously reported, results for 1993 included a one-time pretax restructuring charge of \$194.3, which reduced net income by \$119.7, primarily for incremental costs related to implementation of the Company's three-year re-engineering plan. The re-engineering plan will redesign and streamline processes to improve customer-responsiveness and product quality, reduce the time necessary to introduce new products and services and further reduce costs.

GTE FLORIDA INCORPORATED AND SUBSIDIARY

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Implementation of the re-engineering plan began during 1994 and is expected to be completed by the end of 1996. Expenditures of \$51.1 have been made since inception of the re-engineering plan, including \$7.6 during the first three months of 1995. These expenditures were primarily associated with the consolidation of customer contact, network operations and operator service centers, separation benefits from employee reductions and incremental expenditures to redesign and streamline processes. The level of re-engineering activities and related expenditures are expected to accelerate during the remainder of 1995. There have been no significant changes made to the overall re-engineering plan as originally reported. As of March 31, 1995, \$143.2 remains in the restructuring reserve, of which \$55.8 is classified as a current liability. Management believes the reserve is adequate to cover future expenditures.

In March 1995, the Federal Communications Commission (FCC) increased the local-exchange carrier (LEC) productivity factors associated with its interstate price cap plan to provide three different options, on an interim basis, regarding the determination and use of productivity factors. These changes will be reflected in the LECs' annual tariff filing, effective August 1, 1995. The FCC is expected to continue to consider permanent changes to its price cap plan in a future rulemaking proceeding. GTE believes the impact of the interim rules will be minimized in the near-term because GTE has reduced its access fees in previous years to amounts below the FCC's maximum price.

In April 1995, GTE filed a motion with the U.S. District Court for the District of Columbia to remove the 1984 Consent Decree, which restricts the Company from providing interLATA services. GTE believes that the Consent Decree is no longer required since GTE has since divested its interests in the entities whose purchase gave rise to the Consent Decree.

In May 1995, the FCC approved GTE's applications to construct a new fiber-optic and coaxial-cable video network in four markets, including Pasco and Pinellas Counties, Florida. GTE expects to submit tariffs that set the rates for use of its video network to the FCC for approval and to commence the initial deployment of the network in late 1995 and early 1996.

On January 21, 1993, the Florida Public Service Commission (FPSC) issued an order effective January 6, 1993 to reduce rates \$14.5. This order established a midpoint return on equity of 12.2% for 1993 and beyond for all state ratemaking purposes. The Company filed a motion for reconsideration of the rate order and the Commission lowered the rate reduction by \$0.8. The Company filed an appeal of various aspects of the FPSC's rate case decision with the Florida Supreme Court. Oral arguments were heard by the Court on January 31, 1994. On July 7, 1994, the Court issued its opinion accepting the Company's argument that the Commission should not have made a \$4.8 adjustment for expenses associated with affiliate transactions and remanded this issue to the Commission. On April 3, 1995, the Commission approved a \$4.8 increase to certain local rates, effective May 2, 1995.

<TABLE>

GTE FLORIDA INCORPORATED AND SUBSIDIARY

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

TOTAL ASSETS	\$ 2,945,041	\$
2,990,255		

</TABLE>

See Notes to Condensed Consolidated Financial Statements.

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<TABLE>

GTE FLORIDA INCORPORATED AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS
LIABILITIES AND SHAREHOLDERS' EQUITY

<CAPTION>

December 31,	March 31,
1994	1995
	(Thousands of
Dollars)	
<S>	<C>
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CURRENT LIABILITIES:

Short-term debt, including current maturities	\$ 108,946	\$
137,508		
Accounts payable	84,288	
117,191		
Accrued taxes	48,640	
32,073		
Accrued payroll and vacations	37,175	
40,466		
Accrued interest	14,928	
8,911		
Accrued dividends	27,526	
43,669		
Accrued restructuring costs and other	97,761	
94,224		
Total current liabilities	419,264	
474,042		

LONG-TERM DEBT	730,494
729,754	

DEFERRED CREDITS AND RESERVES, primarily deferred income taxes, investment tax credits and restructuring costs	585,639
588,100	

SHAREHOLDERS' EQUITY:	
Preferred stock	60,096
60,096	
Common stock	585,000
585,000	
Other capital	289
289	
Reinvested earnings	564,259
552,974	
Total shareholders' equity	1,209,644
1,198,359	

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 2,945,041	\$
2,990,255		

</TABLE>

See Notes to Condensed Consolidated Financial Statements.

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<TABLE>

GTE FLORIDA INCORPORATED AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

<CAPTION>

Months Ended

Three

March

31,			
		1995	
1994			(Thousands of
Dollars)			
<S>	<C>		
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CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$	39,331	\$
17,828			
Adjustments to reconcile net income to			
net cash from operating activities:			
Depreciation and amortization		69,850	
65,622			
Deferred income taxes and investment			
tax credits		5,860	
9,159			
Provision for uncollectible accounts		5,303	
3,748			
Changes in current assets and			
current liabilities		(5,936)	
48,861			
Other - net		3,937	
(17,870)			
Net cash from operating activities		118,345	
127,348			
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures		(56,829)	
(48,542)			
Cash used in investing activities		(56,829)	
(48,542)			
CASH FLOWS FROM FINANCING ACTIVITIES:			
Long-term debt issued		272	
- - -			
Long-term debt retired		(49)	
(35)			
Dividends paid to shareholders		(44,189)	
(1,071)			
Net change in affiliate notes		1,073	
(8,780)			
Decrease in short-term debt		(28,536)	
(68,850)			
Net cash used in financing activities		(71,429)	
(78,736)			

Increase (decrease) in cash	(9,913)		
70			
Cash at beginning of period	10,527		
6,688			
Cash at end of period	\$	614	\$
6,758			

</TABLE>

See Notes to Condensed Consolidated Financial Statements.

GTE FLORIDA INCORPORATED AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) The unaudited condensed consolidated financial statements included herein have been prepared by the Company, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. However, in the opinion of management of the Company, the condensed consolidated financial statements include all adjustments, which consist only of normal recurring accruals, necessary to present fairly the financial information for such periods. These condensed consolidated financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's 1994 Annual Report on Form 10-K.

(2) Reclassifications of prior year data have been made in the financial statements where appropriate to conform to the 1995 presentation.

GTE FLORIDA INCORPORATED AND SUBSIDIARY

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits required by Item 601 of Regulation S-K.

(27) Financial Data Schedule.

(b) The Company filed no reports on Form 8-K during the
first quarter of 1995.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

INCORPORATED

(Registrant)

Date: May 10, 1995
EDWARDS, III

EDWARDS, III

Controller

Accounting Officer)

WILLIAM M.

WILLIAM M.

(Chief

<TABLE> <S> <C>

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