

**YAP STATE PUBLIC SERVICE CORPORATION
(A COMPONENT UNIT OF THE STATE OF YAP)**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

SEPTEMBER 30, 2020 AND 2019

**YAP STATE PUBLIC SERVICE CORPORATION
(A COMPONENT UNIT OF THE STATE OF YAP)**

Years Ended September 30, 2020 and 2019
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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Yap State Public Service Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of the Yap State Public Service Corporation (YSPSC), a component unit of the State of Yap, which comprise the statements of net position as of September 30, 2020 and 2019, 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 Yap State Public Service Corporation as of September 30, 2020 and 2019, 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.

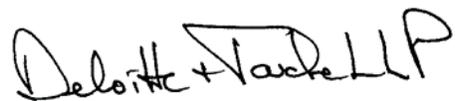
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2021 on our consideration of the YSPSC'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 YSPSC's internal control over financial reporting and compliance.



June 22, 2021

**YAP STATE PUBLIC SERVICE CORPORATION
(A COMPONENT UNIT OF THE STATE OF YAP)**

Management's Discussion and Analysis
Years Ended September 30, 2020 and 2019

The following Management's Discussion and Analysis is required by GASB Statement No. 34 issued by the U.S. Governmental Accounting Standards Board. Its objective is to provide the reader with an introduction and overview of the financial statements of the Yap State Public Service Corporation (YSPSC) for the years ended September 30, 2020 and 2019. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto which follow this section.

GASB 34 of the U.S. Governmental Accounting Standards Board requires that published financial statements must contain a management discussion and analysis. This section of the YSPSC's annual report presents our discussion of YSPSC's performance for the years ended September 30, 2020, 2019 and 2018. It should be read in conjunction with financial statements that follow this section.

The following table summarizes the financial condition and operations of YSPSC as of 2020, 2019 and 2018.

	<u>2020</u>	<u>2019</u>	<u>2018</u>
ASSETS			
Plant in service, net	\$ 16,457,245	\$ 17,047,637	\$ 17,968,016
Work in progress, net of current portion	40,637	17,400	57,490
Current and other assets	<u>4,200,648</u>	<u>3,811,413</u>	<u>4,177,959</u>
Total assets	\$ <u>20,698,530</u>	\$ <u>20,876,450</u>	\$ <u>22,203,465</u>
NET POSITION AND LIABILITIES			
Net investment in capital assets	\$ 6,753,189	\$ 7,093,196	\$ 8,110,210
Restricted	-	-	37,273
Unrestricted	<u>3,378,524</u>	<u>2,902,049</u>	<u>2,559,191</u>
Total net position	<u>10,131,713</u>	<u>9,995,245</u>	<u>10,706,674</u>
Notes payable, net of current portion	9,341,688	9,568,836	9,520,211
Current portion of notes payable	403,005	403,005	395,085
Other current liabilities	<u>822,124</u>	<u>909,364</u>	<u>1,581,495</u>
Total liabilities	<u>10,566,817</u>	<u>10,881,205</u>	<u>11,496,791</u>
Total net position and liabilities	\$ <u>20,698,530</u>	\$ <u>20,876,450</u>	\$ <u>22,203,465</u>

**YAP STATE PUBLIC SERVICE CORPORATION
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Management's Discussion and Analysis
Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>	<u>2018</u>
REVENUES, EXPENSES, AND NET POSITION			
Operating revenues	\$ 5,738,732	\$ 5,791,118	\$ 5,919,246
Operating expenses	<u>5,424,219</u>	<u>6,377,180</u>	<u>6,121,071</u>
Income (loss) from operations	314,513	(586,062)	(201,825)
Operating grants and subsidies	148,056	144,084	229,000
Interest expense	(201,443)	(216,576)	(160,242)
Interest income	960	1,863	7,543
Grant expenses	(148,056)	(209,894)	(191,727)
Foreign exchange (loss) gain	(180,649)	102,796	303
Other income (expenses)	<u>16,012</u>	<u>(349)</u>	<u>1,400</u>
Non-operating loss	<u>(365,120)</u>	<u>(178,076)</u>	<u>(113,723)</u>
Net loss before capital contributions	(50,607)	(764,138)	(315,548)
Capital contributions	<u>187,075</u>	<u>52,709</u>	<u>438,456</u>
Change in net position	136,468	(711,429)	122,908
Net position, beginning	<u>9,995,245</u>	<u>10,706,674</u>	<u>10,583,766</u>
Net position, ending	\$ <u>10,131,713</u>	\$ <u>9,995,245</u>	\$ <u>10,706,674</u>

FINANCIAL OPERATIONS OVERVIEW

YSPSC has successfully completed its twenty-five years of operations as an independent public corporation. Of its mission to provide reliable water, sewer, and electricity services adequate to meet the needs of the people of Yap at the minimum price possible, the Corporation is always mindful of its commitment to provide the State's utility needs. With the continuous focus on venturing into renewable energy related fields for alternative solutions to the rising costs of energy production, certain projects that were initiated as a result of the venture, came to completion in 2016 and continue on to 2020. Currently, all inhabited islands in the outer islands are now experiencing access to modern and sustainable electricity services through solar power. Among the many accomplishments of YSPSC is the completion of the Hybrid Renewable Energy System. This system includes three new generators installed to the power plant, three wind turbines, and solar panel installations across the island. Funding was provided by ADB and World Bank. The challenge continues for management to ascertain the most cost-effective combination of conventional and renewable energy systems that would best suit the energy demands of the people of Yap State.

Results of Operations

Operating Profit/Loss: The fiscal year 2020 financial operating income was \$314,513 as compared to the FY 2019 operating loss of \$586,062. In 2020, operating revenues decreased by 1% or \$52,386 while operating expenses decreased by 15% or \$952,961 as compared to fiscal year 2019.

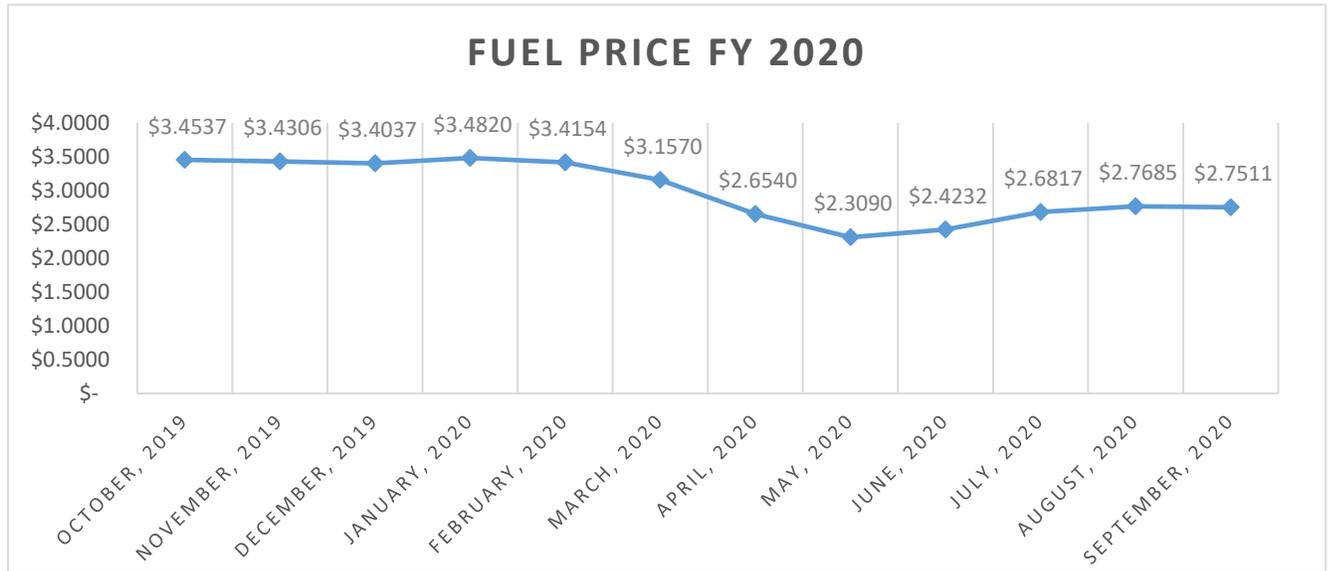
**YAP STATE PUBLIC SERVICE CORPORATION
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Management’s Discussion and Analysis
Years Ended September 30, 2020 and 2019

Electric Revenue/Kilowatt Hours Billed: The fiscal year 2020 electric revenue of \$5,244,716, indicates a slight decrease of 0.4% over fiscal year 2019. Electricity consumption of 9.053MWH for 2020 decreased by 0.6% compared to FY 2019 of 8.992 MWH. In fiscal year 2020, 44% was consumed by commercial customers, 26% of the KWH was billed to government and 30% was for residential.

Water Revenue: Water sales and wastewater services revenue of \$521,948 slightly decreased by 0.4% percent as compared to fiscal year 2019 of \$523,756. In fiscal year 2020, commercial water customers used 25%, government customers used 14%, while residential users were billed 61%. Total consumption for all classes was 86.90 million gallons.

Production Fuel: Production fuel, which represents 39% of total operating expenses, decreased by 16% or \$397,994 as compared to fiscal year 2019. The average monthly fuel price paid by YSPSC for fiscal year-2020 was \$2.9942 compared to \$3.54 in 2019. The graph below shows the fuel price for FY 2020.



Other Operating Expenses: Other operating expenses decreased by 14% in 2020 as compared to 2019. Other production costs decreased by 38% and depreciation decreased by 4%. General and administrative expenses decreased by 31% while salaries and wages increased by 2% in 2020.

Significant Changes to Net Position

Cash – Ending cash of \$1,646,183 at September 30, 2020 is 118% more than the \$754,654 at the end of fiscal year 2019, and was attributable to cash provided by operating activities and grants received from DOI.

Receivables – Customer receivables, net of \$953,126 at September 30, 2020 decreased by 12% over 2019 receivables of \$1,081,298.

**YAP STATE PUBLIC SERVICE CORPORATION
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Management's Discussion and Analysis
Years Ended September 30, 2020 and 2019

	Project Type	Project Description	Location	Approximated Cost (\$M)	Funding Status
3	Additional 800 kWh BESS under REDP	Increasing PV capacity and production in the North, where the load is mainly residential and at night, from 200 kWp to 500 kWp under REDP will require the additional BESS to regulate and limit voltage fluctuation, and to store PV production for nighttime use.	Yap Sports Complex in the North of Yap Main Island	USD0.961	Unfunded - Targeting ADB REDP Savings
4	Ormazabal Substation HV switchboard extension with 4 new Circuit Breaker Panels	2 Circuit Breaker Panels will be used for the PV and BESS installations under REDP, and 2 will be kept as spares or used for future underground mesh.	Yap Power Plant Substation	AUD0.161	Unfunded - Targeting ADB REDP Savings
5	830 kW diesel generator	Installation of a second peak load genset to create redundancy for the peak diesel generation.	Yap Power Plant	USD0.3262	WB SEDAP
6	Diesel Integration	Integration of the new 830 kW diesel to be installed under SEDAP	Yap Power Plant	USD0.3	WB SEDAP
7	Solar PV Micro-grid for Ifalik	48.7 kWp, 878 kWh BESS solar PV micro-grid	Ifalik	USD1.15	Unfunded
8	Solar PV Micro-grid for Lamotrek	28.8 kWp, 518 kWh BESS solar PV micro-grid	Lamotrek	USD0.69	Unfunded
9	Rehabilitation of North Rep Systems	Installation of 60kWp of PV, 64.8kW of inverter capacity, 12,000Ah 48Vdc batteries.	Falalop, Ulithi	USD0.252	EDF11 SEAM

**YAP STATE PUBLIC SERVICE CORPORATION
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Management's Discussion and Analysis
Years Ended September 30, 2020 and 2019

	Project Type	Project Description	Location	Approximated Cost (\$M)	Funding Status
10	Grid Resiliency				
	a). Yap Underground Mesh	Installation of underground mesh to key government, commercial, and public infrastructures	Yap Main Island	USD3.752	Unfunded
	b). Replacing all Wooden Primary Poles with Concrete Poles	443 concrete, 45' Class B guyed poles & accessories	Yap Main Island	USD2.766	Unfunded
	c). Outer Islands Underground Mesh	Converting the aerial network for the 4.16 kV mini-grids in Falalop Ulithi and Falalop Woleai to underground mesh	Falalop, Ulithi & Falalop, Woleai	USD0.861	Unfunded
11	Power Plant Resiliency	Enclose the main diesel fleet in individual concrete rooms, and reinforce the Control Room against Cat 5 cyclonic wind load.	Yap Main Island	USD1.208	Unfunded
12	Distribution Equipment	1 Mini-Bucket Truck; 1 Digger Derrick Truck; 2 4X4 Utility Trucks	Yap Main Island	USD0.62	Unfunded

The Management Discussion and Analysis for the years ended September 30, 2019 and 2018 is set forth in the report on the audit of YSPSC's financial statements which is dated January 17, 2020. That Discussion and Analysis explains more in details major factors affecting the 2019 and 2018 financial statements.

The management and staff of YSPSC will be pleased to answer any questions that may arise in relation to matters discussed in this report. Kindly refer your comments or questions to YSPSC at telephone no. (691) 350-4427, P.O. Box 667, Colonia, Yap FM, 96943.

YAP STATE PUBLIC SERVICE CORPORATION
(A Component Unit of the State of Yap)

Statements of Net Position
September 30, 2020 and 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Non-current assets:		
Utility plant:		
Depreciable capital assets:		
Plant in service	\$ 36,176,777	\$ 35,565,182
Less accumulated depreciation	<u>(19,719,532)</u>	<u>(18,517,545)</u>
Depreciable utility plant, net	16,457,245	17,047,637
Non-depreciable capital assets:		
Work in progress	<u>40,637</u>	<u>17,400</u>
Utility plant, net	<u>16,497,882</u>	<u>17,065,037</u>
Other noncurrent assets:		
Investments	161,010	150,000
Long-term deposit	274,545	274,545
Long-term replacement parts	446,274	376,436
Deposit for asset acquisition	13,395	-
Advances to contractors	<u>82,284</u>	<u>197,402</u>
Total other noncurrent assets	<u>977,508</u>	<u>998,383</u>
Current assets:		
Cash and cash equivalents	1,646,183	754,654
Accounts receivable and unbilled accrued revenue, net of allowance for doubtful accounts	953,126	1,081,298
Inventory	564,923	937,734
Prepaid expenses	<u>58,908</u>	<u>39,344</u>
Total current assets	<u>3,223,140</u>	<u>2,813,030</u>
	<u>\$ 20,698,530</u>	<u>\$ 20,876,450</u>
 <u>NET POSITION AND LIABILITIES</u> 		
Net position:		
Net investment in capital assets	\$ 6,753,189	\$ 7,093,196
Unrestricted	<u>3,378,524</u>	<u>2,902,049</u>
Total net position	<u>10,131,713</u>	<u>9,995,245</u>
Commitments and contingencies		
Current liabilities:		
Current portion of notes payable	403,005	403,005
Accounts payable	163,949	236,496
Employees' annual leave and accrued payroll	129,203	119,004
Refunds payable to customers	175,318	175,318
Deferred revenue	172,492	200,548
Other payables and customer deposits	<u>181,162</u>	<u>177,998</u>
Total current liabilities	1,225,129	1,312,369
Notes payable, net of current portion	<u>9,341,688</u>	<u>9,568,836</u>
Total liabilities	<u>10,566,817</u>	<u>10,881,205</u>
	<u>\$ 20,698,530</u>	<u>\$ 20,876,450</u>

See accompanying notes to financial statements.

YAP STATE PUBLIC SERVICE CORPORATION
(A Component Unit of the State of Yap)

Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2020 and 2019

	2020	2019
Operating revenues:		
Electricity sales	\$ 5,244,716	\$ 5,267,362
Water sales and wastewater services	521,948	523,756
	5,766,664	5,791,118
Provision for doubtful accounts	(27,932)	-
Total net operating revenues	5,738,732	5,791,118
Operating expenses:		
Production fuel	2,109,120	2,507,114
Depreciation	1,201,987	1,257,248
Salaries and wages and related expenses	1,152,253	1,127,039
Other production costs	571,564	923,625
Administrative and general	389,295	562,154
Total operating expenses	5,424,219	6,377,180
Operating income (loss)	314,513	(586,062)
Nonoperating income (loss):		
Interest income	960	1,863
Foreign exchange (loss) gain	(180,649)	102,796
Operating grants and subsidies	148,056	144,084
Interest expense	(201,443)	(216,576)
Grant expenses	(148,056)	(209,894)
Other income (loss), net	16,012	(349)
Total nonoperating loss, net	(365,120)	(178,076)
Net loss before capital contributions	(50,607)	(764,138)
Capital contributions	187,075	52,709
Change in net position	136,468	(711,429)
Net position at beginning of year	9,995,245	10,706,674
Net position at end of year	\$ 10,131,713	\$ 9,995,245

See accompanying notes to financial statements.

YAP STATE PUBLIC SERVICE CORPORATION
(A Component Unit of the State of Yap)

Statements of Cash Flows
Years Ended September 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Cash received from customers	\$ 5,870,068	\$ 5,693,970
Cash paid to suppliers	(2,789,279)	(4,325,194)
Cash paid to employees	(1,142,054)	(1,141,289)
Net cash provided by operating activities	1,938,735	227,487
Cash flows from investing activities:		
Interest and other income	960	1,863
Purchase of investments	(11,010)	(150,000)
Net cash used in investing activities	(10,050)	(148,137)
Cash flows from noncapital financing activities:		
Proceeds from operating grants and subsidies	120,000	230,000
Other income (expense)	16,012	(349)
Expenses paid from operating grant proceeds	(148,056)	(209,894)
Net cash (used in) provided by noncapital financing activities	(12,044)	19,757
Cash flows from capital and related financing activities:		
Acquisition of utility plant	(566,315)	(454,057)
Increase in work in progress	(23,237)	-
Deposit for asset acquisition	(13,395)	-
Advance payment to contractors	-	(151,098)
Interest paid	(201,443)	(216,576)
Proceeds from loans	-	571,500
Capital contributions received	187,075	52,709
Repayment of loans payable	(407,797)	(412,159)
Net cash used in capital and related financing activities	(1,025,112)	(609,681)
Net change in cash and cash equivalents	891,529	(510,574)
Cash and cash equivalents at beginning of year	754,654	1,265,228
Cash and cash equivalents at end of year	\$ 1,646,183	\$ 754,654
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 314,513	\$ (586,062)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	1,201,987	1,257,248
Provision for doubtful accounts	27,932	-
Decrease (increase) in assets:		
Receivables	100,240	(126,562)
Inventory	372,811	264,652
Prepaid expenses	(19,564)	(10,381)
Other receivables	-	29,361
Increase (decrease) in liabilities:		
Accounts payable	(72,547)	34,240
Accrued taxes and other liabilities	-	(620,812)
Employees' annual leave and accrued payroll	10,199	(14,250)
Other payables and customer deposits	3,164	53
Net cash provided by operating activities	\$ 1,938,735	\$ 227,487

See accompanying notes to financial statements.

YAP STATE PUBLIC SERVICE CORPORATION
(A Component Unit of the State of Yap)

Statements of Cash Flows, Continued
Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Noncash capital and financing activity:		
Notes payable	\$ (180,649)	\$ 102,796
Foreign exchange loss (gain)	180,649	(102,796)
Addition of utility plant	\$ 45,280	\$ -
Long term replacement parts	69,838	-
Advances to contractors	(115,118)	-
Retirement of capital assets	\$ -	\$ (235,798)
Accumulated depreciation	-	235,798
Addition to utility plant	\$	\$ 40,090
Work in progress		(40,090)
Utility plant	\$ -	\$ (157,278)
Accrued taxes and other liabilities	-	157,278

See accompanying notes to financial statements.

**YAP STATE PUBLIC SERVICE CORPORATION
(A COMPONENT UNIT OF THE STATE OF YAP)**

Notes to Financial Statements
September 30, 2020 and 2019

(1) Organization and Summary of Significant Accounting Policies

Organization

Yap State Public Service Corporation (YSPSC) is a legally separate component unit of the Government of Yap State. YSPSC provides electrical, water and sewer services in the State of Yap. YSPSC commenced operations on April 1, 1996, with the assets and liabilities of the Division of Public Utilities of the Yap State Department of Public Utilities and Contracts transferred as of that date. YSPSC is governed by a seven-member Board of Directors who are nominated by the Governor of Yap with the advice and consent of the Yap State Legislature.

Basis of Accounting

The accounting policies of YSPSC conform to accounting principles generally accepted in the United States of America as applicable to governmental entities, specifically proprietary funds. All proprietary funds are accounted for on a flow of economic resources measurement focus. The accrual basis of accounting is utilized by proprietary funds. Under this method of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Government 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 YSPSC's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted and consist of the following net position categories:

- Net investment in capital assets:
 - Net investment in capital assets includes restricted and unrestricted capital assets, net of accumulated depreciation and reduced by outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- Restricted:
 - Nonexpendable – Net position subject to externally imposed stipulations that require YSPSC to maintain them permanently.
 - Expendable – Net position whose use by YSPSC is subject to externally imposed stipulations that can be fulfilled by actions of YSPSC pursuant to those stipulations or that expire with the passage of time.
- Unrestricted:
 - Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

YSPSC has no restricted net position at September 30, 2020 and 2019.

**YAP STATE PUBLIC SERVICE CORPORATION
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Notes to Financial Statements
September 30, 2020 and 2019

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

Utility Plant

Utility plant assets were transferred from Division of Public Utilities to YSPSC as of April 1, 1996 at the estimated net book value in the absence of documents to support cost. The net book value of the utility plant assets transferred was \$6,805,075 as of April 1, 1996. Plant assets acquired after April 1, 1996 are carried at cost. YSPSC generally capitalizes utility plant with a cost of \$500 or more. Depreciation is computed using the straight-line method over the estimated useful lives of the assets (3-40 years for plant assets).

Cash and Cash Equivalents

For purposes of the statements of net position and the statements of cash flows, cash and cash equivalents are defined as cash on hand, cash in bank and time certificates of deposit with original maturities of three months or less. Time certificates of deposit with original maturities in excess of three months are classified separately.

Investments

Investments and related investment earnings are reported at fair value using quoted market prices except for certain money market accounts, which are recorded at amortized cost. Fair value is the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the date as of which the fair value of an asset or liability is determined. Management intends to hold the investments for more than 5 years and thus, has reported investments as other noncurrent assets in the statements of net position.

Receivables

All receivables are due from government agencies, businesses and individuals located within the State of Yap and are interest free and uncollateralized. The allowance for uncollectible accounts is estimated at an amount which management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluations of the collectability of these accounts and prior collection experience. The allowance is established through a provision for bad debts charged to expense. Bad debts are written off against the allowance using the specific identification method.

Inventory

Supply inventories are carried at specific identification cost or at estimated values when contributed by the State of Yap. Fuel inventories are carried at cost determined using the first in-first out method.

Annual and Sick Leave

Earned but unused annual leave is paid to employees upon termination of their employment. Accordingly, YSPSC accrues these benefits in the period earned.

**YAP STATE PUBLIC SERVICE CORPORATION
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Notes to Financial Statements
September 30, 2020 and 2019

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

Revenues

Sales of electricity and water are recorded as billed to customers on a monthly billing cycle basis. As of September 30, 2020 and 2019, unbilled revenues of \$204,373 and \$217,951, respectively, are estimated and accrued based on the most recent billing cycles.

Operating and Non-operating Revenues and Expenses

YSPSC considers revenues and expenses directly related to utility operations to be operating revenues and expenses. Revenues and expenses related to investing, financing and capital activities and revenues and expenses related to natural disasters are reflected as non-operating.

Risk Management

YSPSC is exposed to various risks of loss from torts, theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; and natural disasters.

Commercial insurance coverage has been obtained for claims arising from most of these matters. YSPSC is self-insured for typhoon risks. Management is of the opinion that no material losses have been sustained as a result of this practice during the past three years.

Use of Estimates

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

New Accounting Standards

During the year ended September 30, 2020, YSPSC implemented the following pronouncements:

GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective dates of GASB Statement Nos. 84, 89, 90, 91, 92 and 93 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. In accordance with GASB Statement No. 95, management has elected to postpone implementation of these statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 84 will be effective for fiscal year ending September 30, 2021.

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

New Accounting Standards, Continued

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 87 will be effective for fiscal year ending September 30, 2022.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 89 will be effective for fiscal year ended September 30, 2022.

In March 2018, GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 90 will be effective for fiscal year ending September 30, 2021.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 91 will be effective for fiscal year ending September 30, 2023.

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

New Accounting Standards, Continued

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports, the terminology used to refer to derivative instruments and the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefits. The requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reissuance recoveries and terminology used to refer to derivative instruments are effective upon issuance. The remaining requirements of GASB Statement No. 92 are effective for the fiscal year ending September 30, 2022.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The primary objective of this Statement is to address those and other accounting and financial reporting implications of the replacement of an IBOR. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 93 will be effective for fiscal year ending September 30, 2022.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 94 will be effective for fiscal year ending September 30, 2023.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 96 will be effective for fiscal year ending September 30, 2023.

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

New Accounting Standards, Continued

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 97 will be effective for fiscal year ending September 30, 2022.

(2) Cash and Cash Equivalents

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.

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, YSPSC'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. YSPSC does not have a deposit policy for custodial credit risk.

As of September 30, 2020 and 2019, the carrying amount of the YSPSC's total cash and cash equivalents was \$1,646,183 and \$754,654, respectively, and the corresponding bank balances were \$1,574,546 and \$699,997, respectively, which are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. At each of September 30, 2020 and 2019, bank deposits in the amount of \$500,000 were FDIC insured. Collateralization of deposits is not required; therefore deposits in excess of the FDIC insured amounts are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

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Notes to Financial Statements
September 30, 2020 and 2019

(3) Accounts Receivable and Accrued Unbilled Revenue

YSPSC's accounts receivable, less allowance for doubtful accounts, and accrued unbilled revenue at September 30, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Gross accounts receivable	\$ 831,948	\$ 918,610
Less allowance for doubtful accounts	<u>(83,195)</u>	<u>(55,263)</u>
Net accounts receivable	748,753	863,347
Accrued unbilled revenue	<u>204,373</u>	<u>217,951</u>
Net accounts receivable and accrued unbilled revenue	\$ <u>953,126</u>	\$ <u>1,081,298</u>

(4) Investments

Investments recorded at fair value or amortized cost are comprised of the following:

	<u>2020</u>	<u>2019</u>
Common stock	\$ 103,602	\$ 95,494
Fixed income securities	48,180	50,750
Money market funds	<u>9,228</u>	<u>3,756</u>
	\$ <u>161,010</u>	\$ <u>150,000</u>

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, YSPSC will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. YSPSC's investments are held and administered by trustees. Accordingly, these investments are exposed to custodial credit risk.

Based on negotiated trust and custody contracts, all of these investments were held in the YSPSC's name by the YSPSC's custodial financial institutions at September 30, 2019.

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure by issuer and amount of investments in any one issuer that represents five percent (5%) or more of total investments for the YSPSC. As of September 30, 2019, no investments in any one issuer represented five percent or more of total investments for YSPSC.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. YSPSC 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.

YSPSC categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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Notes to Financial Statements
September 30, 2020 and 2019

(4) Investments, Continued

As of September 30, 2020 and 2019, YSPSC's investments recorded at fair value were as follows:

	Hierarchy As of September 30, 2020			Moody's Credit Rating	No Maturity	Maturity At September 30, 2020			
	Level 1	Level 2	Level 3			Less than 1 year	1 - 5 years	6 - 10 years	More than 10 years
Investments by fair value level:									
Fixed income securities	\$ 48,180	\$ -	\$ -	NR	\$ 48,180	\$ -	\$ -	\$ -	\$ -
Common stock	<u>103,602</u>	<u>-</u>	<u>-</u>	NR	<u>103,602</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>151,782</u>	<u>-</u>	<u>-</u>		<u>151,782</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Investments measured at amortized cost:									
Money market funds	<u>9,228</u>				<u>9,228</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	\$ <u>161,010</u>				\$ <u>161,010</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

	Hierarchy As of September 30, 2019			Moody's Credit Rating	No Maturity	Maturity At September 30, 2019			
	Level 1	Level 2	Level 3			Less than 1 year	1 - 5 years	6 - 10 years	More than 10 years
Investments by fair value level:									
Fixed income securities	\$ 50,750	\$ -	\$ -	NR	\$ 50,750	\$ -	\$ -	\$ -	\$ -
Common stock	<u>95,494</u>	<u>-</u>	<u>-</u>	NR	<u>95,494</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>146,244</u>	<u>-</u>	<u>-</u>		<u>146,244</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Investments measured at amortized cost:									
Money market funds	<u>3,756</u>				<u>3,756</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	\$ <u>150,000</u>				\$ <u>150,000</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

(5) Utility Plant

A summary of changes in capital assets for the years ended September 30, 2020 and 2019 is as follows:

	Beginning Balance October 1, 2019	Transfers and Additions	Transfers and Deletions	Other	Ending Balance September 30, 2020
Depreciable plant:					
Production plant	\$ 22,376,887	\$ 544,818	\$ -	\$ -	\$ 22,921,705
Distribution plant	8,923,584	61,739	-	-	8,985,323
General plant	<u>4,264,711</u>	<u>5,038</u>	<u>-</u>	<u>-</u>	<u>4,269,749</u>
	35,565,182	611,595	-	-	36,176,777
Less accumulated depreciation	<u>(18,517,545)</u>	<u>(1,201,987)</u>	<u>-</u>	<u>-</u>	<u>(19,719,532)</u>
Net depreciable plant	17,047,637	(590,392)	-	-	16,457,245
Non-depreciable plant:					
Work in progress	<u>17,400</u>	<u>23,237</u>	<u>-</u>	<u>-</u>	<u>40,637</u>
	\$ <u>17,065,037</u>	\$ <u>(567,155)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>16,497,882</u>

	Beginning Balance October 1, 2018	Transfers and Additions	Transfers and Deletions	Other	Ending Balance September 30, 2019
Depreciable plant:					
Production plant	\$ 22,503,067	\$ 266,896	\$ (235,798)	\$ (157,278)	\$ 22,376,887
Distribution plant	8,751,394	172,190	-	-	8,923,584
General plant	<u>4,209,650</u>	<u>55,061</u>	<u>-</u>	<u>-</u>	<u>4,264,711</u>
	35,464,111	494,147	(235,798)	(157,278)	35,565,182
Less accumulated depreciation	<u>(17,496,095)</u>	<u>(1,257,248)</u>	<u>235,798</u>	<u>-</u>	<u>(18,517,545)</u>
Net depreciable plant	17,968,016	(763,101)	-	(157,278)	17,047,637
Non-depreciable plant:					
Work in progress	<u>57,490</u>	<u>-</u>	<u>(40,090)</u>	<u>-</u>	<u>17,400</u>
	\$ <u>18,025,506</u>	\$ <u>(763,101)</u>	\$ <u>(40,090)</u>	\$ <u>(157,278)</u>	\$ <u>17,065,037</u>

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Notes to Financial Statements
September 30, 2020 and 2019

(5) Utility Plant, Continued

During the year ended September 30, 2019, management of YSPSC determined that \$235,798 of fully depreciated capital were impaired and were no longer in use. Accordingly, these capital assets were written-off.

In 2018, Federated States of Micronesia National Government (FSMNG) obtained a loan from the Asia Development Bank (ADB) to finance a Yap Renewable Energy Development Project. During the year ended September 30, 2019, YSPSC management determined that \$157,278 of estimated capital assets and accrued liabilities would not be recorded based on advice from the FSM National Government.

(6) Notes Payable

Notes payable at September 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Uncollateralized loan of original principal of \$2,270,837 payable to the Asia Development Bank (ADB) borrowed through the Federated States of Micronesia (FSM) and Yap State for construction of certain water projects. YSPSC was to be liable to Yap State for interest at 6.82% on the outstanding balance; however, Yap State has waived the interest payment requirement. The loan is repayable semiannually in Special Drawing Rights (SDR) commencing August 2007, maturing in 2034. An SDR adjustment and additional consulting fees increased the loan balance by \$639,957 in fiscal year 2009. In fiscal year 2015, an SDR adjustment of \$348,385 decreased the loan balance.	\$ 1,672,620	\$ 1,722,853
Loan guaranteed by the Federated States of Micronesia with a maximum amount of \$4,680,000 payable to ADB borrowed through the FSM and Yap State for the Yap Renewable Energy Development Project. YSPSC is liable to Yap State for interest at 0.80% which includes a 0.20% maturity premium, net of a 0.20% rebate. The loan is repayable semiannually for a period of 20 years commencing December 1, 2018.	4,497,281	4,590,973
Loan guaranteed by the Federated States of Micronesia with a maximum amount of \$4,360,000 for renewable energy, YSPSC is liable to ADB for interest at 2%. The loan is repayable semiannually for a period of 20 years commencing December 1, 2018. An SDR adjustment decreased the loan balance by \$81,055 in fiscal year 2019. In fiscal year 2020, an SDR adjustment of \$109,751 increased the loan balance.	<u>3,574,792</u>	<u>3,658,015</u>
Total notes payable	9,744,693	9,971,841
Less current portion	<u>403,005</u>	<u>403,005</u>
	<u>\$ 9,341,688</u>	<u>\$ 9,568,836</u>

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Notes to Financial Statements
September 30, 2020 and 2019

(6) Notes Payable, Continued

The scheduled debt service of the notes payable is as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 403,005	\$ 98,652	\$ 501,657
2022	496,605	93,639	590,244
2023	496,605	88,447	585,052
2024	496,605	83,255	579,860
2025	496,605	78,063	574,668
2026 through 2030	2,951,028	302,631	3,253,659
2031 through 2035	2,806,754	155,007	2,961,761
2036 through 2039	<u>1,597,486</u>	<u>26,623</u>	<u>1,624,109</u>
	<u>\$ 9,744,693</u>	<u>\$ 926,317</u>	<u>\$ 10,671,010</u>

Changes in long-term liabilities for the years ended September 30, 2020 and 2019 are as follows:

	<u>Outstanding September 30, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Outstanding September 30, 2020</u>	<u>Current</u>
ADB loan (1459)	\$ 1,722,853	\$ -	\$ 50,233	\$ 1,672,620	\$ 121,126
ADB loan (3004)	4,590,973	93,692	4,497,281	93,600	
ADB loan (3005)	<u>3,658,015</u>	<u>-</u>	<u>83,223</u>	<u>3,574,792</u>	<u>188,279</u>
	<u>\$ 9,971,841</u>	<u>\$ -</u>	<u>\$ 227,148</u>	<u>\$ 9,744,693</u>	<u>\$ 403,005</u>
	<u>Outstanding September 30, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Outstanding September 30, 2019</u>	<u>Current</u>
ADB loan (1459)	\$ 1,865,720	\$ -	\$ 142,867	\$ 1,722,853	\$ 121,126
ADB loan (3004)	4,283,993	396,007	89,027	4,590,973	93,600
ADB loan (3005)	<u>3,765,583</u>	<u>175,493</u>	<u>283,061</u>	<u>3,658,015</u>	<u>188,279</u>
	<u>\$ 9,915,296</u>	<u>\$ 571,500</u>	<u>\$ 514,955</u>	<u>\$ 9,971,841</u>	<u>\$ 403,005</u>

(7) Commitments and Contingencies

YSPSC does not currently hold title to real property underlying its operating sites. Such property substantially is held in the name of the State of Yap. YSPSC is not charged for use of this property.

YSPSC is the ultimate beneficiary of two diesel generators and a substation upgrade from World Bank and a 200 KWP panel solar system from PEC Fund that are operational as of September 30, 2020. These projects were granted to the FSM National Government and turn-over of ownership and related documents to YSPSC is still on-going as of September 30, 2020. YSPSC does not currently hold title to this property and such is not recorded in the accompanying financial statements.

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Notes to Financial Statements
September 30, 2020 and 2019

(7) Commitments and Contingencies, Continued

Federal Grants

YSPSC participates in a number of federally assisted grant programs. These programs are subject to financial and compliance audits to ascertain if Federal laws and guidelines have been followed. Cumulative unresolved prior years' questioned costs as of September 30, 2020 amounted to \$247,296. The ultimate disposition of these questioned costs can be determined only by final action of the respective grantor agencies. Therefore, no provision for any liability that may result upon resolution of this matter has been made in the accompanying financial statements.

Payable to Federated States of Micronesia

In February 2008, the Yap State Legislature enacted YSL No. 7-25 to amend No. 4-4, YSPSC's enabling legislation, mandating that YSPSC credit back certain charges to prior customers. YSL No. 7-25 directed YSPSC to repeal all fuel surcharges and fees in excess of \$0.035 per kWh and to refund to customers all fuel surcharges and fees collected in excess of \$0.035 per kWh from March 2006 to February 2008. At September 30, 2011, the total variable fuel charge refund has been repaid to residential and commercial customers. The repayment of those costs over the legislated \$0.035 was facilitated by a loan from the State of Yap for \$1,600,000 authorized by YSL No. 7-38.

YSL No. 39 then authorized the Governor to forgive any refund that may be owed by YSPSC to Yap State Government agencies for these declared excessive surcharges. The refund owed FSM National Government as a prior customer remains outstanding at \$175,318 at September 30, 2020 and 2019, and is included as a current liability in the statements of net position. Although the FSM National Government has not asserted a claim to this liability, it has not forgiven this debt.

Lease Commitments

YSPSC's future annual rental commitments under a long-term operating lease for the Yap Renewable Energy Development Project site assuming YSPSC exercises its option to extend the terms are as follows:

<u>Year ending September 30,</u>	
2021	\$ 25,000
2022	25,000
2023	25,000
2024	25,000
2025	25,000
2026 through 2030	125,000
2031 through 2035	125,000
2036 through 2040	125,000
2041 and subsequent	<u>318,750</u>
Total	\$ <u>818,750</u>

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Notes to Financial Statements
September 30, 2020 and 2019

(7) Commitments and Contingencies, Continued

Contract Commitments

There are no contract commitments in connection with projects currently in construction as at September 30, 2020 and 2019.

(8) Grants

YSPSC received the following grants and capital contributions during the years ended September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Yap State Government	\$ 187,075	\$ -
U.S. Department of the Interior grants	148,056	144,084
International Organization for Migration (IOM)	<u>-</u>	<u>52,709</u>
	<u>\$ 335,131</u>	<u>\$ 196,793</u>

(9) Related Party Transactions

In the ordinary course of business, YSPSC enters into transactions with the State of Yap and private businesses in which certain YSPSC's board members hold positions of influence. Several board members hold management positions with the State of Yap, of which YSPSC is a component unit. Several board members hold management positions with private companies with which YSPSC, from time to time, engages in business transactions. YSPSC management is of the opinion that its transactions with related parties are executed under the same laws and conditions as are entered into with unrelated entities.