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June 20, 2014

The Board of Directors
Pohnpei Utilities Corporation

Dear Members of the Board:

We have performed an audit of the financial statements of the Pohnpei Utilities Corporation (PUC) as of and for the year ended September 30, 2013, in accordance with auditing standards generally accepted in the United States of America (“generally accepted auditing standards”) and have issued our report thereon dated June 20, 2014.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of PUC is responsible.

OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS AND GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

Our responsibility under auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, have been described in our engagement letter dated September 13, 2013. As described in that letter, the objective of a financial statement audit conducted in accordance with the aforementioned standards is:

- To express an opinion on the fairness of PUC’s basic financial statements and the accompanying supplementary information, and to disclaim an opinion on the required supplementary information for the year ended September 30, 2013 in conformity with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”), in all material respects;
- To express an opinion on whether the supplementary information that accompanies the basic financial statements is presented fairly, in all material respects, in relation to the basic financial statements taken as a whole; and
- To report on PUC’s internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended September 30, 2013 based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.

Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the Board of Directors are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Board of Directors of their responsibilities.

OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS AND GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS, CONTINUED

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether caused by fraud or error. In making those risk assessments, we considered internal control over financial reporting relevant to PUC's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of PUC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of PUC's internal control over financial reporting. Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in PUC's 2013 financial statements include management's estimate of the allowance for uncollectible accounts, which is determined by management based upon periodic review of the allowance for uncollectible accounts, which is determined based upon past collection experience and aging of the accounts; and, management's estimate of depreciation expense, which is based on estimated useful lives of the respective capital assets. During the year ended September 30, 2013, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

AUDIT ADJUSTMENTS AND UNCORRECTED MISSTATEMENTS

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. As the result of our audit work, we identified matters that resulted in audit adjustments that we believe, either individually or in the aggregate, would have a significant effect on PUC's financial reporting process. Such proposed adjustments, listed as Appendix A to Attachment I, have been recorded in the accounting records and are reflected in the 2013 financial statements.

In addition, Appendix B to Attachment I summarizes uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

SIGNIFICANT ACCOUNTING POLICIES

PUC's significant accounting policies are set forth in Note 1 to PUC's 2013 financial statements. During the year ended September 30, 2013, there were no significant changes in previously adopted accounting policies or their application, except for the following pronouncements adopted by PUC:

- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which addressed how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into.

SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, which improved financial reporting for governmental entities by amending the requirements of Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively.
- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which enhanced the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements issued on or before November 30, 1989, which does not conflict or contradict GASB pronouncements. GASB Statement No. 62 superseded GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*.
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which established guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position, and 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. These Statements amend the net asset reporting requirements in Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. With the implementation of GASB Statement No. 63 and Statement No. 65, the Statement of Net Assets was renamed the Statement of Net Position. In addition, the Statement of Net Position includes two new classifications separate from assets and liabilities. Amounts reported as deferred outflows of resources are reported in a separate section following assets. Likewise, amounts reported as deferred inflows of resources are reported in a separate section following liabilities.

The implementation of these statements did not have a material effect on PUC's 2013 financial statements.

In April 2012, GASB issued 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 provisions of this statement are effective for periods beginning after December 15, 2012. Management has not yet determined the effect of implementation of this statement on the financial statements of PUC.

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans*, which revises existing guidance for the financial reports of most pension plans, and 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 67 are effective for financial statements for periods beginning after June 15, 2013. The provisions in Statement 68 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 PUC.

SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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. Management has not yet determined the effect of implementation of this statement on the financial statements of PUC.

In April 2013, GASB issued 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 provisions in Statement 70 are effective for fiscal years beginning after June 15, 2013. Management has not yet determined the effect of implementation of this statement on the financial statements of PUC.

OTHER INFORMATION IN THE ANNUAL REPORTS

When audited financial statements are included in documents containing other information such as PUC's 2013 Annual Report, we will read such other information and consider whether it, or the manner of its presentation, is materially inconsistent with the information, or the manner of its presentation, in the financial statements audited by us. In the event that PUC issues an Annual Report or other documentation that includes the audited financial statements, we will read the other information in PUC's 2013 Annual Report and will inquire as to the methods of measurement and presentation of such information. If we note a material inconsistency or if we obtain any knowledge of a material misstatement of fact in the other information, we will discuss this matter with management and, if appropriate, with the Board of Directors.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to PUC's 2013 financial statements.

OUR VIEWS ABOUT SIGNIFICANT MATTERS THAT WERE THE SUBJECT OF CONSULTATION WITH OTHER ACCOUNTANTS

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2013.

SIGNIFICANT FINDINGS OR ISSUES DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT PRIOR TO OUR RETENTION

Throughout the year, routine discussions were held, or were the subject of correspondence, with management regarding the application of accounting principles or auditing standards in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions or correspondence were not held in connection with our retention as auditors.

**OTHER SIGNIFICANT FINDINGS OR ISSUES ARISING FROM THE AUDIT DISCUSSED,
OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT**

Throughout the year, routine discussions were held, or were the subject of correspondence, with management. In our judgment, such discussions or correspondence did not involve significant findings or issues requiring communication to the Board of Directors.

SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

In our judgment, we received the full cooperation of PUC's management and staff and had unrestricted access to PUC's senior management in the performance of our audit.

MANAGEMENT'S REPRESENTATIONS

We have made specific inquiries of PUC's management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations PUC is required to provide to its independent auditors under generally accepted auditing standards. We have attached to this letter, as Attachment I, a copy of the representation letter we obtained from management.

CONTROL-RELATED MATTERS

We have issued a separate report to you, dated June 20, 2014, on PUC's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, which was based upon the audit performed in accordance with *Government Auditing Standards*.

We have communicated to management, in a separate letter also dated June 20, 2014, certain deficiencies and other matters related to PUC's internal control over financial reporting that we identified during our audit.

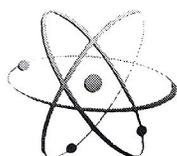
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This report is intended solely for the information and use of the Board of Directors, management, others within PUC and the Office of the Public Auditor and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank the staff and management of PUC for their cooperation and assistance during the course of this engagement.

Very truly yours,

Deloitte & Touche LLP



POHNPEI UTILITIES CORPORATION

"Dedicated to improving the Quality of Life on Pohnpei"

June 20, 2014

BOARD OF DIRECTORS

Deloitte & Touche
P.O. Box 753
Kolonias, Pohnpei 96941

Reed B. Oliver
Chairman

Kanoberson Asher
Vice Chairman

Peterson Sam
Secretary

Trevayne Esiel
Director

Josephine Saimon
Director

Vacant
Director

Vacant
Director

We are providing this letter in connection with your audits of the statements of net position of Pohnpei Utilities Corporation (PUC), a component unit of the State of Pohnpei, as of September 30, 2013 and 2012 and the related statements of revenues, expenses and changes in net position and of cash flows for the years then ended, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of PUC in conformity with accounting principles generally accepted in the United States of America (GAAP). We confirm that we are responsible for the following:

- a. The fair presentation in the basic financial statements of PUC's net position, and the related statements of revenues, expenses and changes in net position, and cash flows in conformity with GAAP.
- b. The fair presentation of the information included in supplemental schedules and Management's Discussion and Analysis accompanying the basic financial statements.
- c. The design, implementation and maintenance of programs and controls to prevent and detect fraud related to federal awards.
- d. Establishing and maintaining effective internal control over financial reporting.
- e. The review and approval of the financial statements and related notes and acknowledge your role in the preparation of this information. Specifically, we acknowledge that your role in the preparation of the financial statements was a matter of convenience rather than one of necessity. We have reviewed the financial statement preparation assistance provided by you and acknowledge that the financial statements are prepared in accordance with GAAP. Our review was based on the use of the financial statement disclosure checklist for stand-alone business-type activities obtained from the Government Finance Officers Association. Additionally, we agreed with the adjusting and reclassification entries included in Appendix A.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Marcelino K. Actouka
General Manager/CEO

P.O Box C, Kolonia, Pohnpei
Federated States of Micronesia 96941

Phone: (691)320-2374 Fax: (691) 320-2422 E-mail: puc@mail.fm

ATTACHMENT I, CONTINUED

We confirm, to the best of our knowledge and belief, the following representations made to you during your audits.

1. The basic financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America. In addition:
 - a. Net position components (invested in capital assets net of related debt, restricted and unrestricted) are properly classified and approved.
 - b. Deposits and investment securities are properly classified in the category of custodial credit risk.
 - c. Revenues and expenses are appropriately classified in the statements of revenues, expenses and changes in net position within operating and non-operating revenues and expenses.
 - d. Capital assets are properly capitalized, reported and depreciated.
2. Regarding required supplementary information:
 - a. We confirm that we are responsible for the required supplementary information.
 - b. The required supplementary information is measured and presented in accordance with GASB Codification Section 2200, *Comprehensive Annual Financial Report*.
 - c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.
3. Regarding supplementary information:
 - a. We are responsible for the fair presentation of the supplementary information in accordance with GAAP.
 - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP.
 - c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.
4. PUC has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.
5. PUC has made available to you all:
 - a. Financial records and related data.
 - b. Contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies.
 - c. Minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared. The following is a complete schedule of all Board meetings during fiscal year 2013 and through the date of this letter:

October 25, 2012	December 28, 2012	January 11, 2013
January 12, 2013	January 17, 2013	February 8, 2013
February 27, 2013	March 8, 2013	March 11, 2013
March 12, 2013	March 23, 2013	April 30, 2013
May 14, 2013	June 3, 2013	July 5, 2013
July 17, 2013	July 28, 2013	July 31, 2013
August 23, 2013	September 13, 2013	September 25, 2013
September 30, 2013	October 16, 2013	November 20, 2013
January 10, 2014	February 28, 2014	March 3, 2014
March 5, 2014	March 14, 2014	March 28, 2014
April 11, 2014	May 14, 2014**	May 27, 2014**

**Minutes of meetings have not been prepared. We represent that there were no significant matters discussed during those meetings that would affect the September 30, 2013 financial statements.

6. There have been no:
 - a. Action taken by PUC's management that contravenes the provisions of federal laws and Pohnpei State laws and regulations, or of contracts and grants applicable to PUC.
 - b. Communication from other regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the financial statements.
7. We believe the effects of any uncorrected financial statement misstatements aggregated by you during the current audit engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix B.
8. PUC has not performed a formal risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud. However, management has made available to you their understanding about the risks of fraud in PUC and do not believe that the financial statements are materially misstated as a result of fraud.
9. We have no knowledge of any fraud or suspected fraud affecting PUC involving:
 - a. Management.
 - b. Employees who have significant roles in internal control over financial reporting.
 - c. Others if the fraud could have a material effect on the financial statements.
10. We have no knowledge of any allegations of fraud or suspected fraud affecting PUC received in communications from employees, former employees, analysts, regulators, or others.
11. There are no unasserted claims or assessments that legal counsel has advised us are

probable of assertion and must be disclosed in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards ("GASB Codification") Section C50, *Claims and Judgments*.

12. Significant assumptions used by us in making accounting estimates are reasonable.

Except where otherwise stated below, matters less than \$55,500 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the financial statements.

13. Except as listed in Appendix B, there are no transactions that have not been properly recorded in the accounting records underlying the financial statements.

14. PUC has no plans or intentions that may affect the carrying value or classification of assets and liabilities.

15. The following, to the extent applicable, have been appropriately identified and properly recorded and disclosed in the financial statements:

a. Related party transactions and associated amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral).

b. Guarantees, whether written or oral, under which PUC is contingently liable.

16. In preparing the financial statements in conformity with GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:

a. It is at least reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events.

b. The effect of the change would be material to the financial statements.

We are not aware of any estimates at September 30, 2013 that may change and that the effect of the change would be material to the financial statements.

17. Risks associated with concentrations, based on information known to management, that meet all of the following criteria have been disclosed in the financial statements:

a. The concentration exists at the date of the financial statements;

b. The concentration makes the enterprise vulnerable to the risk of a near-term severe impact; and

c. It is at least reasonably possible that the events that could cause the severe impact will occur in the near term.

18. There are no:

ATTACHMENT I, CONTINUED

- a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Codification Section C50, *Claims and Judgments*.
19. PUC is self-insured for all losses such as torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Management is of the opinion that no material losses have been sustained as a result of this practice during the past three years.
 20. PUC has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, other than those disclosed in note 7 to the financial statements.
 21. PUC has complied with all aspects of contractual agreements that would have an effect on the financial statements in the event of noncompliance. Specifically, PUC has not received written communication from any of its lenders regarding any noncompliance of loan agreement covenants.
 22. No department or agency of Pohnpei State has reported a material instance of noncompliance to us.
 23. PUC has determined whether a capital asset has been impaired in accordance with GASB Codification Section 1400.180-1400.200, *Impairment of Capital Assets*. In making this determination, PUC considered the following factors:
 - a. The magnitude of the decline in service utility is significant
 - b. The decline in service utility is unexpected.

Specifically, with regard to the nonoperational NanPil Hydropower (Plant), as the Plant is currently undergoing rehabilitation, which is funded by a grant by the Secretariat of the Pacific Community (SPC) and is expected to be completed during the year ended September 30, 2014, we believe that the asset has not been impaired as of September 30, 2013.

24. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed in the financial statements.
25. Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the balance-sheet date and have been appropriately reduced to their estimated net realizable value.
26. Provision has been made to reduce excess or obsolete inventories to their estimated net realizable value. All inventories are the property of PUC and do not include any items consigned to it or any items billed to customers.
27. PUC is responsible for determining and maintaining the adequacy of the allowance for doubtful accounts receivable, as well as estimates used to determine such amounts. Management believes the allowances are adequate to absorb currently estimated bad debts in the account balances.

28. There have been no actions taken by management, which contravene the provisions of local laws or regulations or of contracts applicable to PUC.
29. PUC has obligated, expended, received, and used public funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by federal or local law. Such obligation, expenditure, receipt, or use of public funds was in accordance with any limitations, conditions, or mandatory directions imposed by federal or local law.
30. Money or similar assets handled by PUC on the local governments have been properly and legally administered and the accounting and recordkeeping related thereto is proper, accurate, and in accordance with law.
31. No evidence of fraud or dishonesty in fiscal operations of programs administered by PUC has been discovered.
32. During fiscal year 2013, PUC implemented the following pronouncements
 - GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, which addressed how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into.
 - GASB Statement No. 61, The Financial Reporting Entity: Omnibus, which improved financial reporting for governmental entities by amending the requirements of Statements No. 14, The Financial Reporting Entity, and No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively.
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 - GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which established guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position, and 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. These Statements amend the net asset reporting requirements in Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the

definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. With the implementation of GASB Statement No. 63 and Statement No. 65, the Statement of Net Assets was renamed the Statement of Net Position. In addition, the Statement of Net Position includes two new classifications separate from assets and liabilities. Amounts reported as deferred outflows of resources are reported in a separate section following assets. Likewise, amounts reported as deferred inflows of resources are reported in a separate section following liabilities.

The implementation of these statements did not have a material effect on PUC's 2013 financial statements.

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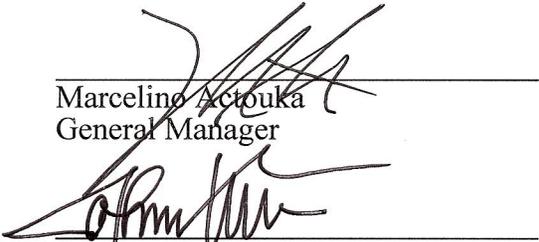
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33. PUC does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk. PUC has not experienced any losses on such accounts and management believes it is not exposed to any significant credit risk on its deposits.
34. No events have occurred after September 30, 2013, but before June 20, 2014, the

date the financial statements were available to be issued that require consideration as adjustments to or disclosures in the financial statements.



Marcelino Actouka
General Manager



Johnny Adolph
Comptroller

ATTACHMENT I, CONTINUED

APPENDIX A

#	Name	Debit	Credit
1 Reconciling PUC sinking fund			
431-00-00	OTHER INTEREST EXPENSE	132.61	-
129-04-00	PUC SINKING FUND	-	132.61
		132.61	132.61
2 Reconciling BOG R/P checking			
431-00-00	OTHER INTEREST EXPENSE	105.35	-
130-04-00	BOG R/P CHECKING ACCT.	-	105.35
		105.35	105.35
3 Reconciling BOG fuel account			
419-00-00	INTEREST & DIVIDEND INCOME	-	270.74
449-00-00	OTHER SALES	-	1,232.14
130-10-00	CASH AT BANK - BOG (FUEL)	1,502.88	-
		1,502.88	1,502.88
4 Reconciling ADB debt service account			
419-00-00	INTEREST & DIVIDEND INCOME	-	85.94
129-07-00	ADB DEBT SERVICE ACCOUNT	85.94	-
		85.94	85.94
5 Reconciling RUS debt service account			
431-00-00	OTHER INTEREST EXPENSE	31.27	-
129-06-00	RUS DEBT SERVICE ACCOUNT	-	31.27
		31.27	31.27
6 CFC contribution for NPP4			
107-07-00	W I P GENERATION	720,815.67	-
414-26-00	Contribution from CFC - NPP4	-	720,815.67
		720,815.67	720,815.67
7 Write off Engine #7			
101-01-00	PRODUCTION PLANT	-	2,185,850.00
110-00-00	ACCUM DEP RE-POWER UTIL PLANT	2,185,850.00	-
154-02-00	PARTS INVENTORY - GENERATION	-	43,713.00
154-02-00	PARTS INVENTORY - GENERATION	344,802.00	-
554-17-03	REPAIRS & MAINT. - PARTS	43,713.00	-
411-60-00	Gain on disposal of fixed assets	-	344,802.00
		2,574,365.00	2,574,365.00
8 A/P reconciled			
232-00-00	ACCOUNTS PAYABLE	9,541.57	-
921-15-07	MISC. - OTHER	-	9,541.57
		9,541.57	9,541.57
9 Unearned cash power reconciled			
235-00-00	CUSTOMER DEPOSITS	-	33,246.44
447-00-00	CASH POWER SALES	33,246.44	-
		33,246.44	33,246.44
10 Reclassification of Nanpil fencing and coral road			
101-04-01	GENERAL PLANT - WATER/SEWER	-	30,000.00
101-05-01	GENERAL IMPROVEMENTS W/S	30,000.00	-
		30,000.00	30,000.00
11 Not Used			
12 reconcile G/L to schedule			
130-02-00	CASH AT BANK - BANK OF FSM	-	350.51
674-05-09	MISC. OTHERS	350.51	-
		350.51	350.51

ATTACHMENT I, CONTINUED

APPENDIX A, CONTINUED

#	Name	Debit	Credit
13 Reclassify stale checks to liability account			
130-02-00	CASH AT BANK - BANK OF FSM	32,476.80	-
242-00-00	MISC. CURRENT/ACCRUED LIAB.	-	32,476.80
		32,476.80	32,476.80
14 Reclassify undelivered checks to cash			
130-02-00	CASH AT BANK - BANK OF FSM	167,665.92	-
232-00-00	ACCOUNTS PAYABLE	-	167,665.92
		167,665.92	167,665.92
15 Reconcile bank balance per schedule to confirmation			
130-03-00	CASH AT BANK, PAYROLL	-	201.89
674-05-09	MISC. OTHERS	201.89	-
		201.89	201.89
16 Reclassify stale checks to liability			
130-03-00	CASH AT BANK, PAYROLL	7,285.83	-
242-00-00	MISC. CURRENT/ACCRUED LIAB.	-	7,285.83
		7,285.83	7,285.83
17 Correction of beginning net position			
215-00-00	APPROPRIATED RETAINED EARNINGS	954.00	-
Blank (4687)	Miscellaneous - GL off	-	954.00
		954.00	954.00
18 Adjust G/L balance to confirmation			
129-02-00	PUC SCHOLARSHIP FUND	44.77	-
419-00-00	INTEREST & DIVIDEND INCOME	-	44.77
		44.77	44.77
19 Adjust G/L balance to confirmation			
419-00-00	INTEREST & DIVIDEND INCOME	-	1,511.55
129-03-00	PUC TCDS @ BOG & BFSM	1,511.55	-
		1,511.55	1,511.55
20 Reserve additional bad debts			
144-00-00	ACCUM PROV-UNCOLLECTIBLE ACCTS	56,823.00	-
144-00-01	ACCUM PROV-UNCOLLECT-WATER	-	291,343.00
904-00-06	UNCOLLECTIBLE ACCOUNTS	234,520.00	-
		291,343.00	291,343.00
21 Inventory balance adjustment			
154-01-00	FUEL INVENTORY	-	15,499.00
547-01-03	POL - FUEL	15,499.00	-
		15,499.00	15,499.00
22 Not Used			
23 To adjust several loan balances			
431-00-00	OTHER INTEREST EXPENSE	21,187.00	-
224-01-01	ASIAN DEV. BANK LOAN	-	13,021.00
224-01-00	RUS LOAN	-	4,226.00
224-00-00	OTHER LONG-TERM DEBT	-	2,862.00
222-00-00	FSM DEVELOPMENT BANK LOAN	-	487.00
222-01-00	BANK OF GUAM LOAN-secured loan	-	591.00
		21,187.00	21,187.00
24 Record audit fee (expense)			
232-00-00	ACCOUNTS PAYABLE	-	12,500.00
923-03-07	AUDIT FEES	12,500.00	-
		12,500.00	12,500.00

ATTACHMENT I, CONTINUED

APPENDIX A, CONTINUED

#	Name	Debit	Credit
	25 To expense invalid WIP		
107-08-00	W I P WATER/SEWER	-	48,534.00
617-04-09	MAINTENANCE-WATER/SEWER	48,534.00	-
		<u>48,534.00</u>	<u>48,534.00</u>
	26 To adjust G/L to confirmation		
107-07-00	W I P GENERATION	10,563.00	-
414-26-00	Contribution from CFC - NPP4	-	10,563.00
		<u>10,563.00</u>	<u>10,563.00</u>
	27 To correct mistake that occurred in estimating unit		
154-02-00	PARTS INVENTORY - GENERATION	-	26,758.00
411-60-00	Gain on disposal of fixed assets	26,758.00	-
		<u>26,758.00</u>	<u>26,758.00</u>
	28 To correct the overstatement of expense		
154-02-00	PARTS INVENTORY - GENERATION	42,324.00	-
554-17-03	REPAIRS & MAINT. - PARTS	-	42,324.00
		<u>42,324.00</u>	<u>42,324.00</u>

ATTACHMENT I, CONTINUED

APPENDIX B

	Asset	Liabilities	Change in Net position
PAJE #1	Dr (Cr)	Dr (Cr)	Dr (Cr)
Construction work in progress	53,356		
ADB Loan		(53,356)	
Difference between G/L and confirmation			
 PAJE #2			
A/R	87,145		
Deposit		(87,145)	
To reclassify negative receivables			
 PAJE #3			
Bad debts			75,000
Prepayment	(75,000)		
To write off potential unrecoverable contract deposit			
 PAJE #4			
Accumulated Depreciation	129,364		
Depreciation Expense			(129,364)
To adjust for the effect of Solar System useful change from 10 years to 15 years, based on updated consultation			
	194,865	(140,501)	(54,364)