



Deloitte & Touche LLP  
361 South Marine Corps Drive  
Tamuning, GU 96913-3911  
USA

Tel: (671)646-3884  
Fax: (671)649-4932  
[www.deloitte.com](http://www.deloitte.com)

June 20, 2015

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, 2014, 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, 2015.

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 August 24, 2014. 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 whether the statement of net position of PUC as of September 30, 2014, and the related statements of revenues, expenses, and changes in net position and of cash flows for the year ended September 30, 2014 (the “financial statements”), are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”), and perform specified procedures on the required supplementary information for the year ended September 30, 2014;
- 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, 2014 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 with the oversight of management and 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 2014 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, 2014, 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 2014 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 2014 financial statements. During the year ended September 30, 2014, there were no significant changes in previously adopted accounting policies or their application, except for the following pronouncements adopted by PUC:

- GASB Statement No. 66, *Technical Corrections - 2012*, which enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting.

## **SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

- GASB Statement No. 67, *Financial Reporting for Pension Plans*, which revises existing guidance for the financial reports of most pension plans.
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement.

The implementation of these statements did not have a material effect on PUC's 2014 financial statements.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The provisions in Statement 68 are effective for fiscal years beginning after June 15, 2014. Management has not yet determined the effect of implementation of this statement on PUC's financial statements.

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 PUC's financial statements.

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

## **OTHER INFORMATION IN THE ANNUAL REPORTS**

When audited financial statements are included in documents containing other information such as PUC's 2014 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 2014 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 2014 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 2014.

**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, 2015, 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, 2015, certain deficiencies and other matters related to PUC's internal control over financial reporting that we identified during our audit.

Board of Directors  
Pohnpei Utilities Corporation  
June 20, 2015  
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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, 2015

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

**BOARD OF  
DIRECTORS**

*Reed Oliver*  
*Chairman*

*Kanoverson Asher*  
*Vice-Chairman*

*Peterson Sam*  
*Secretary*

*Trevayne Esiel*  
*Director*

*Dr. Josephine Saimon*  
*Director*

*Vacant*  
*Director*

*Vacant*  
*Director*

We are providing this letter in connection with your audits of the financial statements of Pohnpei Utilities Corporation (PUC), a component unit of the State of Pohnpei, which comprise the statements of net position, the related statements of revenues, expenses and changes in net position and of cash flows as of and for the years ended September 30, 2014 and 2013, and the related notes to the financial statements, 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 financial position, results of operations, and cash flows in conformity with GAAP.
- b. 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
  - To prevent and detect fraud.
- c. Establishing and maintaining effective internal control over financial reporting.
- d. 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 financial statements was a matter of convenience rather than 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 AICPA's financial statement disclosure checklist for state and local governments. 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.

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

*Marcelino K. Actouka*  
*General Manager/CEO*  
*ceopuc@gmail.com*

P.O. Box C, Kolonias, Pohnpei  
Federated States of Micronesia 96941  
Phone: (691) 320-2374 Fax: (691) 320-2422 E-mail: puc@mail.fm

1. The basic financial statements referred to above are fairly presented in conformity with GAAP. In addition:
  - a. Net position components (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
  - b. Deposits and investment securities are properly classified in the category of custodial credit risks.
  - c. Capital assets, including infrastructure assets, are properly capitalized and reported and depreciated
  - d. Required supplementary information is measured and presented in prescribed guidelines; and
  - e. Applicable laws and regulation are followed in adopting, approving and amending budgets.
  
2. PUC has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.
  
3. PUC has provided you:
  - a. Contracts and grant agreements (including amendments, if any).
  - b. Financial records and related data for all financial transaction of PUC. The records, books and accounts, as provided to you, record the financial and fiscal operations of PUC and provide the audit trail to be used in a review of accountability. Information presented in financial reports is supported by the books and records from which the financial statements have been prepared.
  - c. Resolutions and minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared. Board meetings were held on the following dates:
 

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 12, 2014	May 14, 2014	May 27, 2014
June 23, 2014	June 24, 2014	June 26, 2014
July 2, 2018	July 18, 2014	July 28, 2014
August 8, 2014	August 21, 2014	August 23, 2014
August 27, 2014	August 28, 2014	September 5, 2014
September 17, 2014	September 23, 2014	September 29, 2014
September 30, 2014	October 16, 2014	November 13, 2014
November 28, 2014	December 3, 2014	December 23, 2014
December 30, 2014	January 13, 2015	January 30, 2015
February 27, 2015		
  
4. There have been no:

- a. Actions taken by PUC's management that contravenes the provisions of federal laws and FSM laws and regulations.
  - b. Communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the financial statements.
5. 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.
  6. 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.
  7. We have no knowledge of any fraud or suspected fraud affecting PUC involving:
    - a. Management
    - b. Employees who have significant roles in PUC's internal control over financial reporting
    - c. Others, if the fraud could have a material effect on the financial statements.
  8. We have no knowledge of any allegations of fraud or suspected fraud affecting PUC received in communications from employees, former employees, regulators, or others.
  9. 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*.
  10. Significant assumptions used by us in making accounting estimates are reasonable.
  11. Management has identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.

Except where otherwise stated below, immaterial matters less than \$57,000 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.

12. Except as listed in Appendix B, there are no transactions that have not been properly recorded in the accounting records underlying the financial statements.
13. During fiscal year 2014, PUC implemented the following pronouncements:
  - GASB Statement No. 66, *Technical Corrections - 2012*, which enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting.

- GASB Statement No. 67, *Financial Reporting for Pension Plans*, which revises existing guidance for the financial reports of most pension plans.
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement.

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

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The provisions in Statement 68 are effective for fiscal years beginning after June 15, 2014. Management does not believe that the implementation of this statement will have a material effect on the financial statements of PUC.

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

14. 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.

15. 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.
16. PUC has no plans or intentions that may affect the carrying value or classification of assets and liabilities.
17. The following, to the extent applicable, have been appropriately identified, 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.
18. 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.
19. 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.
  - c. It is at least reasonably possible that the events that could cause the severe impact will occur in the near term.
20. There are no:
  - a. Instances of identified or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.
  - b. Known actual or possible litigation and claims whose effects should be considered when preparing the financial statements that have not been disclosed to you and accounted for and disclosed in accordance with GAAP.

- c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Codification Section C50, *Claims and Judgments*.
21. 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 except as disclosed in the notes to the financial statements.
22. 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.
23. 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.
24. We believe that all expenditures that have been deferred to future periods are recoverable.
25. With regard to the fair value measurements and disclosures of certain assets, liabilities, and specific components of equity, such as:
  - a. The measurement methods, including the related assumptions, used in determining fair value were appropriate, consistent with market participant assumptions where available without undue cost and effort, and were consistently applied in accordance with GAAP.
  - b. The completeness and adequacy of the disclosures related to fair values are in conformity with accounting principles generally accepted in the United States of America.
  - c. No events have occurred after September 30, 2014, but before June 20, 2015, the date the financial statements were available to be issued that require adjustment to the fair value measurements and disclosures included in the financial statements.
26. PUC purchases commercial insurance to cover its potential risks of loss from fire on its building and the contents and full coverage on property damages. It is substantially self-insured for all other risks. Management is of the opinion that no material losses have been sustained as a result of this practice.
27. PUC has complied with all aspects of contractual agreements that may have an effect on the financial statements in the event of noncompliance.
28. No department or agency of PUC has reported a material instance of noncompliance to us.
29. No events have occurred after September 30, 2014, but before June 20, 2015, the date the financial statements were available to be issued that require consideration as adjustments to, or disclosures in, the financial statements except as disclosed in Note 14 to the financial statements.



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Marcelino Acouka  
General Manager



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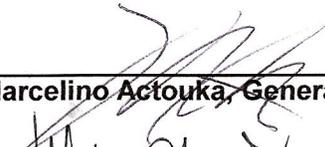
Daisy Nanpei  
Comptroller

## APPENDIX A - POSTED ADJUSTMENTS AND FINANCIAL STATEMENTS RECLASSIFICATIONS

G/L Acct #	G/L Acct Name	Debit	Credit
<b>1 AJE Unreleased checks</b>			
130-02-00	CASH AT BANK - BANK OF FSM	192,648	-
232-00-00	ACCOUNTS PAYABLE	-	192,648
		<u>192,648</u>	<u>192,648</u>
<b>2 AJE Reconcile the G/L to physical count</b>			
154-01-00	FUEL INVENTORY	15,461	-
547-01-03	POL - FUEL	-	15,461
		<u>15,461</u>	<u>15,461</u>
<b>3 AJE Record parts issuance from Engine #7</b>			
554-17-03	REPAIRS & MAINT. - PARTS	67,407	-
154-02-00	PARTS INVENTORY - GENERATION	-	67,407
		<u>67,407</u>	<u>67,407</u>
<b>4 AJE To record additional allowance</b>			
904-00-06	UNCOLLECTIBLE ACCOUNTS	869,928	-
144-00-00	ACCUM PROV-UNCOLLECTIBLE ACCTS	-	266,182
144-00-01	ACCUM PROV-UNCOLLECT-WATER	-	603,746
		<u>869,928</u>	<u>869,928</u>
<b>5 AJE Reconcile loan balances per G/L to confirmation</b>			
431-00-00	OTHER INTEREST EXPENSE	168	-
222-00-00	FSM DEVELOPMENT BANK LOAN	-	168
222-01-00	BANK OF GUAM LOAN-secured loan	384	-
431-00-00	OTHER INTEREST EXPENSE	-	384
431-00-00	OTHER INTEREST EXPENSE	7,419	-
223-00-00	ADB SEWER LOAN	-	7,419
224-00-00	OTHER LONG-TERM DEBT	1,408	-
431-00-00	OTHER INTEREST EXPENSE	-	1,408
431-00-00	OTHER INTEREST EXPENSE	1,150	-
224-01-00	RUS LOAN	-	1,150
431-00-00	OTHER INTEREST EXPENSE	1,359	-
224-01-01	ASIAN DEV. BANK LOAN	-	1,359
231-00-00	NOTES PAYABLE	869	-
431-00-00	OTHER INTEREST EXPENSE	-	869
		<u>12,757</u>	<u>12,757</u>
<b>6 AJE Correct erroneous entry</b>			
232-00-00	ACCOUNTS PAYABLE	100,000	-
223-00-00	ADB SEWER LOAN	-	100,000
		<u>100,000</u>	<u>100,000</u>
<b>7 AJE to record impairment loss on NPP4 Unit #1</b>			
	ASSET IMPAIRMENT LOSS	457,531	-
110-00-00	ACCUMULATED DEPRECIATION	11,732	-
101-01-00	PRODUCTION PLANT	-	469,263
		<u>469,263</u>	<u>469,263</u>

APPENDIX A, CONTINUED

<b>8 AJE to record impairment loss on Engine #9</b>			
110-00-00	ACCUMULATED DEPRECIATION	2,855,187	-
101-01-00	PRODUCTION PLANT	-	2,855,187
110-00-00	ACCUMULATED DEPRECIATION	535,822	-
	ASSET IMPAIRMENT LOSS	572,775	-
101-01-00	PRODUCTION PLANT	-	1,108,597
		<u>3,963,784</u>	<u>3,963,784</u>
<b>1 RJE To reclass current portion to 231-01-00</b>			
224-01-01	ASIAN DEV. BANK LOAN	43,148	-
224-01-00	RUS LOAN	8,278	-
224-00-00	OTHER LONG-TERM DEBT	73,070	-
222-00-00	FSM DEVELOPMENT BANK LOAN	110,772	-
222-01-00	BANK OF GUAM LOAN-secured loan	32,814	-
223-00-00	ADB SEWER LOAN	134,789	-
231-01-00	Notes Payable - current portion	-	402,871
		<u>402,871</u>	<u>402,871</u>

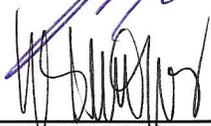
  
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**Marcelino Actouka, General Manager**

  
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**Daisy Nanpei, Comptroller**

APPENDIX B - UNPOSTED ADJUSTMENTS AND FINANCIAL STATEMENTS RECLASSIFICATIONS

Entry Description	Type of Entry	Statement of Condition			Change in Net Position
		Assets	Liabilities	Beginning Net Position	
		Dr (Cr)	Dr (Cr)	Dr (Cr)	
<b>1. To reclassify negative receivables to liability.</b>	<b>Factual</b>				
Accounts receivable		70,404			
Liability			(70,404)		
<b>2. To reconcile inventory balances per G/L to Valuation Reports.</b>	<b>Factual</b>				
Inventory		58,365			
R&M expense					(58,365)
<b>3. To record 9/30/2014 expense</b>	<b>Factual</b>				
R&M expense					17,800
Liability			(17,800)		
		<b>128,769</b>	<b>(88,204)</b>	<b>-</b>	<b>(40,565)</b>

  
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 Marcelino Actouka, General Manager

  
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 Daisy Nanpei, Comptroller