

June 7, 2016

The Board of Directors  
Yap State Public Service Corporation

Dear Members of the Board:

We have performed an audit of the financial statements of Yap State Public Service Corporation (YSPSC), a component unit of the State of Yap, as of and for the year ended September 30, 2015, 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 7, 2016.

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 YSPSC is responsible.

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

Our responsibility under generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, has been described in our engagement letter dated December 14, 2015. As described in that letter, the objectives of a financial statement audit conducted in accordance with the aforementioned standards are:

- To express an opinion on the fairness of the presentation of YSPSC's basic financial statements and to disclaim an opinion on the required supplementary information for the year ended September 30, 2015 in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), in all material respects; and
- To report on YSPSC'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, 2015 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.

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 YSPSC'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 YSPSC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of YSPSC'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 with the oversight of 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 YSPSC's 2015 financial statements include management's estimate of the allowance for uncollectible accounts, which is determined based upon past collection experience and aging of the accounts; management's estimate of the allowance for inventory obsolescence, which is determined based upon expected inventory turnover and inventory aging; 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, 2015, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

## **MATERIAL CORRECTED MISSTATEMENTS 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. Material misstatements were brought to the attention of management as a result of our audit procedures and were corrected by management during the current period. These corrected misstatements are listed in Appendix A to Attachment I and are reflected in the 2015 financial statements.

In addition, listed in Appendix B to Attachment I, is a summary of 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 the aggregate, to the financial statements taken as a whole.

## **SIGNIFICANT ACCOUNTING POLICIES**

During the year ended September 30, 2015, YSPSC implemented the following pronouncements:

- GASB *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 implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB *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 implementation of this statement did not have a material effect on the accompanying financial statements.

- GASB 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 implementation of this statement did not have a material effect on the accompanying financial statements.

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurements and requires entities to expand their fair value disclosures by determining major categories of debt and equity securities within the fair value hierarchy on the basis of the nature and risk of the investment. The provisions in Statement 72 are effective for fiscal years beginning after June 15, 2015. Management believes that the implementation of this statement only requires additional disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques and will not have a material effect on the financial statements.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which aligns the reporting requirements for pensions and pension plans not covered in GASB Statements 67 and 68 with the reporting requirements in Statement 68. The provisions in Statement No. 73 are effective for fiscal years beginning after June 15, 2015, with the exception of the provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and addresses financial reporting requirements for governments whose employees are provided with postemployment benefits other than pensions (other postemployment benefits or OPEB). The provisions in Statement No. 74 are effective for fiscal years beginning after June 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The provisions in Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which eliminates two of the four categories of authoritative GAAP that exist under the existing hierarchy prescribed by Statement 55. The two categories that will remain under the new standard are (1) GASB Statements and (2) GASB technical bulletins and implementation guides in addition to AICPA guidance that the GASB clears. The provisions in Statement No. 76 are effective for fiscal years beginning after June 15, 2015. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*, which requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The provisions in Statement No. 77 are effective for fiscal years beginning after December 15, 2015. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

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

When audited financial statements are included in documents containing other information such as YSPSC's 2015 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. We will read the other information in YSPSC's 2015 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 YSPSC's 2015 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 2015.

## **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.

## **SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT**

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

## **MANAGEMENT'S REPRESENTATIONS**

We have made specific inquiries of YSPSC's management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations YSPSC 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 7, 2016, on YSPSC'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 on the audit performed in accordance with *Government Auditing Standards*.

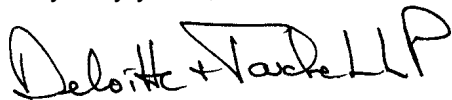
We have communicated to the Project's management in a separate letter also dated June 7, 2016, certain deficiencies and other matters related to YSPSC's internal control over financial reporting that we identified during our audit.

\* \* \* \* \*

This report is intended solely for the information and use of the Board of Directors, management, and others within YSPSC, the Yap State Legislature, and the Office of the FSM National 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 YSPSC for their cooperation and assistance during the course of this engagement.

Very truly yours,

A handwritten signature in black ink that reads "Deloitte + Tatchell LLP". The signature is stylized, with the "D" and "T" being particularly prominent.



# Yap State Public Service Corporation

P.O. Box 667, Colonia, Yap, FSM 96943

Phone: 691-350-4427 Fax: 691-350-4518

Chairman:  
John Hasmai

Directors:  
Ignathio Waithog  
Lonnie Fread  
Francis Faney  
Paul Zimmer  
Mike Hasurmai  
Alfonso Ganang

General Manager:  
Faustino R. Yangmog

Asst. Gen. Manager:  
Victor Nabeyan

Comptroller:  
Virginia B. Hernandez

June 7, 2016

Deloitte & Touche LLP  
Certified Public Accountants  
361 South Marine Corps Drive  
Tamuning, Guam 96913-3911

Gentlemen:

We are providing this letter in connection with your audits of the financial statements of the Yap State Public Service Corporation (YSPSC), a component unit of the State of Yap, as of and for the years ended September 30, 2015 and 2014 for the purpose of expressing an opinion as to whether the basic financial statements present fairly, in all material respects, the financial position, changes in net position and cash flows of YSPSC 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, changes in net position and cash flows, in conformity with GAAP.
- b. The design, implementation, and maintenance of programs and controls 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 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 agree with the adjusting 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.



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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 GAAP. In addition:
  - a. Net position components (invested in capital assets; net of related debt; restricted and unrestricted) are properly classified and, if applicable, approved.
  - b. Deposits are properly classified in the category of custodial credit risk.
  - c. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
  - d. Required supplementary information is measured and presented within prescribed guidelines.
  - e. Applicable laws and regulations are followed in adopting, approving, and amending budgets.
2. YSPSC has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.
3. YSPSC has provided you:
  - a. Minutes of the meetings of Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
  - b. Financial records and related data for all financial transactions of YSPSC. The records, books, and accounts, as provided to you, record the financial and fiscal operations of the YSPSC 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. Contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies.
4. There has been no:
  - a. Action taken by YSPSC management that contravenes the provisions of federal laws and Yap State laws and regulations.
  - 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.
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. YSPSC 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 the YSPSC and do not believe that the financial statements are materially misstated as a result of fraud.

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7. We have no knowledge of any fraud or suspected fraud affecting YSPSC 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.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting YSPSC received in communications from employees, former employees, analysts, regulators, or others.
9. During the years ended September 30, 2015 and 2014 and to the date of this letter, we are not aware of any pending or threatened litigation, claims, or assessments, or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards ("GASB Codification") Section C50, *Claims and Judgments*, and we have not consulted a lawyer concerning litigation, claims, or assessments, or potential litigation or unasserted claims or assessments during the years ended September 30, 2015 and 2014 and to the date of this letter.
10. Significant assumptions used by us in making accounting estimates are reasonable.

Except where otherwise stated below, matters less than \$29,200 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 basic financial statements.

11. Except as listed in Appendix B, there are no transactions that have not been properly recorded in the accounting records underlying the financial statements.
12. YSPSC has no plans or intentions that may affect the carrying value or classification of assets and liabilities.
13. 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), as follows:
    - 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.
    - Guarantees, whether written or oral, under which YSPSC is contingently liable.



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14. 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.
15. Risk 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.
16. There are no:
  - 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*, except as follows:
    - 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.
    - 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, and is included as a current liability in the Statement of Net Assets. Although FSM National Government has not asserted a claim to this liability, neither has it forgiven this debt.

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- 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 is as follows:

Year ending September 30,	
2016	\$ 25,000
2017	25,000
2018	25,000
2019	25,000
2020	25,000
2021 through 2025	125,000
2026 through 2030	125,000
2031 through 2035	125,000
2036 and over	<u>443,750</u>
Total	<u>\$ 943,750</u>

17. YSPSC 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 financial statements.
18. YSPSC has complied with all aspects of contractual agreements that may have an effect on the financial statements in the event of noncompliance.
19. No events have occurred after September 30, 2015, but before June 7, 2016, the date the financial statements were available to be issued that require consideration as adjustments to or disclosure in the financial statements.
20. 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 the Governmental Accounting Standards Board.
  - c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.
21. Subsequent to September 30, 2015, there have not been any changes in internal control or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses.
22. Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before September 30, 2015 and have been appropriately reduced to their estimated net realizable value.
23. Quantitative and qualitative information regarding the allowance for doubtful accounts has been properly disclosed in the financial statements.
24. 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.



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25. 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.
26. Provision has been made to reduce excess or obsolete inventories to their estimated net realizable value. All inventories are the property of YSPSC and do not include any items consigned to it or any items billed to customers.
27. YSPSC received the following grants and capital contributions during the years ended September 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
U.S. Department of the Interior grants	\$ 538,501	\$ 258,522
Yap State matching and operating grants	150,000	586,839
French grant	-	57,183
European Union (EU) capital grant	-	391,373
SPC-North REP	15,022	12,000
ADB	-	79,499
	<u>\$ 703,523</u>	<u>\$ 1,385,416</u>

28. Restricted net assets consist of the following at September 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Unexpended portion of EU capital grant	\$ 638,661	\$ 724,013
Unexpended portion of Yap State matching grant	160,530	320,920
Unexpended portion of Yap State grant	103,945	586,839
Unexpended portion of French grant	93,193	57,183
Unexpended portion of SPC-North REP	<u>10,812</u>	<u>58,342</u>
	<u>\$ 1,007,141</u>	<u>\$ 1,747,297</u>

29. During the year ended September 30, 2015, YSPSC implemented the following pronouncements:
- GASB *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 implementation of this statement did not have a material effect on the accompanying financial statements.
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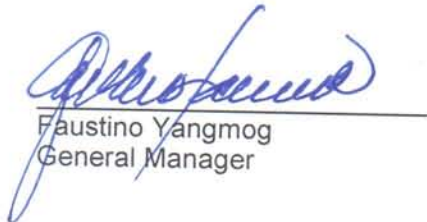


June 7, 2016  
Page Eight

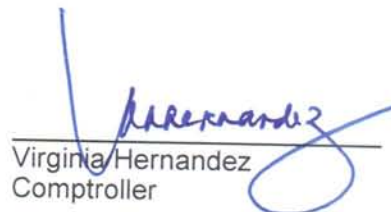
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Very truly yours,



Faustino Yangmog  
General Manager



Virginia Hernandez  
Comptroller

Yap State Public Service Corporation  
Summary of Corrected Misstatements  
September 30, 2015

GL Code	GL Account	Debit	Credit
	<b>1 AJE To reverse over accrual of liability</b>		
19600	WIP NORTH REP	-	2,526.33
21011	Accounts Payable -- Vendors	41,701.97	-
52019	Travel Exp - Admin	-	4,262.00
52078	FSM Import Tax - Admin	-	4,874.14
52082	Freight/Shipping-Ulithi	-	763.30
52083	Freight/Shipping-Woleai	-	805.41
53011	Generator Fuel - Yap	-	18,162.00
54015	Repairs and Maint -Ulithi Elec	-	1,477.45
55011	Minor Tools & Spares - Pwr Gen	-	2,833.80
20000	WIP - EFII	-	5,997.54
	<i>To reverse long o/s and non-existing liabilities.</i>		
		41,701.97	41,701.97
	<b>2 AJE To accrue unpaid salaries</b>		
51011	Wages & Salaries - Pwr Gen	24,827.15	-
21019DT	Accrued payroll	-	24,827.15
	<i>To accrue unpaid salaries as of 9/30/15.</i>		
		24,827.15	24,827.15
	<b>3 AJE To reclass cash</b>		
11021	BFSM Collection Account	-	23,832.77
41011	Power Sales	23,832.77	-
	<i>To reverse cash improperly included as deposit in transit.</i>		
		23,832.77	23,832.77
	<b>4 AJE To adjust advances to employees</b>		
22055	W/H - Other Payroll Deduct	19,479.86	-
51019	Wages & Salaries -Admin	-	12,134.52
59099	Prior Period Adjustment	-	7,345.34
	<i>To correct understatement of employee advances as of 9/30/15.</i>		
		19,479.86	19,479.86
	<b>5 AJE To adjust deferred revenue</b>		
22071	Deferred Revenue - CRISP	-	15,599.98
42400	CPUC-CRISP Revenue	15,599.98	-
42500	PLT/DOI REVENUE	-	21,258.71
22077	Deferred Revenue - PLT	21,258.71	-
42700	DOI REVENUE	33,675.19	-
22078DT	Deferred Revenue - VES	-	33,675.19
	<i>To adjust deferred revenue per SEFA schedule</i>		
		70,533.88	70,533.88

Yap State Public Service Corporation  
Summary of Corrected Misstatements  
September 30, 2015

GL Code	GL Account	Debit	Credit
<b>6 AJE To record understatement of AP</b>			
21011	Accounts Payable -- Vendors	-	31,549.70
58001	Interest Expense	3,174.40	-
58005	Training Expenses - PLT	3,500.00	-
58012	Value Engineering Project	24,875.30	-
	<i>To record understatement of AP</i>	<u>31,549.70</u>	<u>31,549.70</u>
<b>7 AJE To reverse AR</b>			
11050	Accounts Receivable - Customer	-	24,645.16
41011	Power Sales	24,645.16	-
	<i>To reverse o/s AR owned by YSPSC</i>	<u>24,645.16</u>	<u>24,645.16</u>
<b>8 AJE To accrue AR in arrears</b>			
41019-A	Electric Sales -Ulithi C.Power	-	35,000.48
11050DT	AR Arrears	35,000.48	-
	<i>To accrue AR - arrears from cash power</i>	<u>35,000.48</u>	<u>35,000.48</u>
<b>9 AJE To reclass capital contribution</b>			
31016	Contrib Cap - DOI	397,495.65	-
42700DT	Capital contributions	-	397,495.65
	<i>To reclass capital contributions for FS presentation.</i>	<u>397,495.65</u>	<u>397,495.65</u>
<b>10 AJE To adjust inventory valuation</b>			
11072	Inventory - Power Plant	28,081.11	-
11073	Inventory - Water & Sewer	-	897.49
11075	Inventory - Power Distribution	-	4,668.76
55011	Minor Tools & Spares - Pwr Gen	-	28,081.11
55012	Minor Tools & Spares - Pwr Dis	4,668.76	-
55013	Minor Tools & Spares - Water	897.49	-
	<i>To adjust inventory valuation at 9/30/15.</i>	<u>33,647.36</u>	<u>33,647.36</u>
<b>11 AJE To recognize forex gain from LTD</b>			
23012	ADB Loan Payable	348,385.02	-
42015	Foreign Exchange Gain (Loss)	-	348,385.02
	<i>To recognize forex gain from LTD</i>	<u>348,385.02</u>	<u>348,385.02</u>
<b>12 AJE To adjust FA and depreciation exp</b>			
11081	Prepayments - Vendors	66,837.21	-
12011	Generators	-	66,837.21
	<i>To adjust overstatement of fixed asset.</i>	<u>66,837.21</u>	<u>66,837.21</u>

Yap State Public Service Corporation  
Summary of Corrected Misstatements  
September 30, 2015

GL Code	GL Account	Debit	Credit
	<b>13 AJE To reclass rent expense</b>		
19900	WIP - ADB Ren. Energy	-	8,333.33
52097	Rent Expense - Windfarm	8,333.33	-
	<i>To reclass improperly capitalized rent expense</i>		
		<u>8,333.33</u>	<u>8,333.33</u>

Signed:

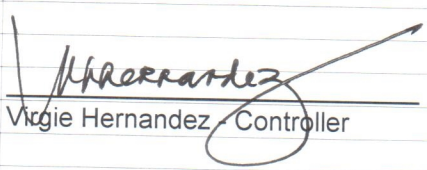
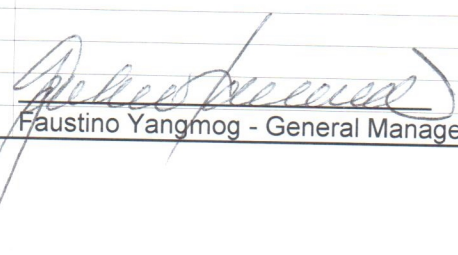
  
Virgie Hernandez - Controller

Approved:

  
Faustino Yangmog - General Manager



**Yap State Public Service Corporation  
Summary of Reclassification Entries  
September 30, 2015**

<b>GL Code</b>	<b>GL Account</b>	<b>Debit</b>	<b>Credit</b>
	<b>1 RJE To reclass FA for FS presentation</b>		
12080	Renewable Energy System	-	146,052.00
12082	Renewable Energy System - ADB	146,052.00	-
	<i>To reclass FA for FS presentation.</i>	<u>146,052.00</u>	<u>146,052.00</u>
	<b>2 RJE To reclass current portion of LTD</b>		
23011	Current Portion of LT Debt	-	45,416.74
23012	ADB Loan Payable	45,416.74	-
	<i>To reclass current portion of LTD at 9/30/15</i>	<u>45,416.74</u>	<u>45,416.74</u>
	<b>3 RJE To reclass grant expense</b>		
51019	Wages & Salaries -Admin	17,808.45	-
58008	EFII Facility Grant Expense	-	17,808.45
	<i>To reclass salaries for FS presentation.</i>	<u>17,808.45</u>	<u>17,808.45</u>
	<b>4 RJE To reclass other receivables</b>		
11057	Other Accounts Receivable	-	274,544.74
11081DT	Deposit for Fuel Purchase Contract	274,544.74	-
	<i>To separately present deposit for fuel purchases as noncurrent asset.</i>	<u>274,544.74</u>	<u>274,544.74</u>
	<b>5 RJE To reclass WIP to Advances to Contractors</b>		
19900	WIP - ADB Ren. Energy	-	41,799.65
11802DT	Advances to contractors	41,799.65	-
	<i>To reclass WIP to Advances to Contractors.</i>	<u>41,799.65</u>	<u>41,799.65</u>
Signed:	 Virgie Hernandez - Controller		
Approved:	 Faustino Yangmog - General Manager		

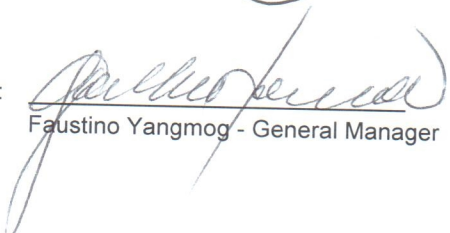
**Yap State Public Service Corporation  
Summary of Uncorrected Misstatements  
September 30, 2015**

Description	Assets		Liabilities		Equity		Income	
	Dr.	(Cr.)	Dr.	(Cr.)	Dr.	(Cr.)	Dr.	(Cr.)
1 PAJE To adjust inventory due to extrapolated difference from inventory valuation at 9/30/15	21,507							(21,507)
2 PAJE To adjust understatement of allowance for bad debts		(30,763)					30,763	
3 PAJE To overstatement of LTD			20,948					(20,948)
4 PAJE To adjustment overstatement of allowance for inventory obsolescence	15,554							(15,554)
5 PAJE To adjustment overstatement of receivables		(25,819)					25,819	
6 PAJE To reclass expense account improperly capitalized		(6,000)					6,000	
7 PAJE To adjustment understatement of depreciation expense		(8,410)					8,410	
8 PAJE To adjust overstatement of capitalized expense		(12,946)					12,946	
Total	37,061	(83,938)	20,948	-	-	-	83,938	(58,009)

Signed:

  
Virgie Hernandez - Controller

Approved:

  
Faustino Yangmog - General Manager