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July 1, 2019

The Board of Directors
Pohnpei Utilities Corporation

Dear Members of the Board of Directors:

We have performed an audit of the financial statements of the Pohnpei Utilities Corporation (PUC) as of and for the year ended September 30, 2018, in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our report thereon dated July 1, 2019.

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.

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

Very truly yours,

Deloitte & Touche LLP

cc: The Management of Pohnpei Utilities Corporation

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 ("generally accepted government auditing standards"), have been described in our engagement letter dated October 2, 2018, a copy of which has been provided to you. As described in that letter, the objectives of an audit conducted in accordance with the aforementioned standards are to:

- Express an opinion on whether the statement of net position of PUC as of September 30, 2018, and the related statements of revenues, expenses, and changes in net position and of cash flows for the year then ended (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, 2018;

- Express an opinion on whether the supplementary information that accompanies the financial statements is fairly stated, in all material respects, in relation to the financial statements taken as a whole; and

- Report on PUC's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grants and other matters for the year ended September 30, 2018 based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in generally accepted government auditing standards.

Our responsibilities under generally accepted auditing standards and generally accepted government 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 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 with the oversight of management and are based on management's current judgments. Those judgments are ordinarily based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in PUC's 2018 financial statements include management's estimate of the allowance for doubtful accounts, which is determined based on 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, 2018, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

AUDIT ADJUSTMENTS, RECLASSIFICATIONS 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 and account reclassifications that we believe, either individually or in the aggregate, would have a significant effect on PUC's financial reporting process. Such proposed adjustments and reclassifications, listed in Appendix A to Attachment III, have been recorded in the accounting records and are reflected in the 2018 financial statements.

In addition, included as Appendix B to Attachment III, is a summary of uncorrected misstatements aggregated by us during the current engagement and pertaining to the prior 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 2 to PUC's 2018 financial statements. During the year ended September 30, 2018, there were no significant changes in previously adopted accounting policies or their application, except for the following pronouncements adopted by PUC, which did not have a material effect on the financial statements:

- GASB 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.

- GASB Statement No. 81, *Irrevocable Split-Interest Agreements,* which improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

- GASB Statement No. 85, *Omnibus 2017*, which addresses practice issues that have been identified during implementation and application of certain GASB Statements including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

- GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt.

SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset. The provisions in Statement No. 83 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The provisions in Statement No. 88 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions in Statement No. 89 are effective for fiscal years beginning after December 15, 2019. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61,* which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The provisions in Statement No. 90 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to PUC's 2018 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 2018.

OTHER INFORMATION IN THE ANNUAL REPORTS

When audited financial statements are included in documents containing other information such as PUC's 2018 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 PUC's 2018 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.

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 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 III, a copy of the representation letter we obtained from management.

CONTROL-RELATED MATTERS

We have issued a separate report to you, dated July 1, 2019, 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*. Within that report, we noted certain matters that we considered to be significant deficiencies under standards established by the American Institute of Certified Public Accountants.

We have also identified, and included in Attachment I, deficiencies related to PUC's internal control over financial reporting as of September 30, 2018 that we wish to bring to your attention.

The definition of a deficiency is also set forth in Attachment I.

A description of the responsibility of management for establishing and maintaining internal control over financial reporting and of the objectives of and inherent limitations of internal control over financial reporting, is set forth in Attachment II and should be read in conjunction with this report.

SECTION I – DEFICIENCIES

We identified the following deficiencies involving PUC's internal control over financial reporting as of September 30, 2018:

1. Advances from Employees

   Comment: At September 30, 2018, receivable – others of $133,028 are mainly advances due from employees, former employees or former board members which have been outstanding for several years. During the year ended September 30, 2018, approximately $42,000 of balances due from employees were added to the account for advances due from employees on travel vouchers.

   Recommendation: PUC should timely liquidate travel vouchers in accordance with PUC's travel policy.

2. Construction in Progress (CIP)

   Comment: Generators #4 and #5, donated by the World Bank, were placed in operation around the end of FY2016 or the beginning of FY2017. PUC's matching share of $86,264 to the generators has remained in the construction-in-progress account as the generators have not been officially transferred to PUC from the FSM National Government.

   Recommendation: PUC should obtain the fixed asset transfer document from the FSM National Government and capitalize the generators.

3. Account Payable

   Comment: At September 30, 2018, accounts payable includes several balances that had been carried over from the prior year without any current year movement.

   Recommendation: PUC should verify these accounts to determine validity.

4. Metered Power Accounts

   Comment: Out of 8 "ACTB" (active) metered power accounts receivables tested, one account did not appear to have any metering activities during the current year. The receivable balance of $29,659 at September 30, 2018 remains uncollected as of June 2019, the date of our fieldwork.

   Recommendation: PUC should closely monitor active meter accounts and disconnect as necessary in accordance with policy.

5. Check Register

   Comment: The check register that covers the period from October 1, 2018 to December 31, 2018 lacks various necessary information such as check number, date, payee and etc.

   Recommendation: PUC should ensure that all necessary information is included in the check register.

SECTION I – DEFICIENCIES, CONTINUED

6. Procurement

Comment: For all 17 nonpayroll transactions tested, there was no evidence of price comparison analysis. Justification of selection of contractor was not in file and not available for inspection.

Recommendation: Procurement policies and guidelines should be followed. Procurement method should be clearly documented and supported.

7. Tax Payment

Comment: PUC is responsible for withholding income and social security taxes on the cost of living allowance (COLA) from employees and for timely filing tax returns with respective tax authorities. Although estimated tax liabilities were recorded in the financial statements as of September 30, 2018, through audit adjustments, tax returns have not been filed since the inception of the COLA program in April 2015.

Recommendation: PUC should withhold the said taxes and timely file tax returns with respective tax authorities.

SECTION II – DEFINITION

The definition of a deficiency is as follows:

A *deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in *design* exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective is not always met. A deficiency in operation exists when (a) a properly designed control does not operate as designed, or (b) the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

MANAGEMENT'S RESPONSIBILITY FOR, AND THE OBJECTIVES AND LIMITATIONS OF, INTERNAL CONTROL OVER FINANCIAL REPORTING

The following comments concerning management's responsibility for internal control over financial reporting and the objectives and inherent limitations of internal control over financial reporting are adapted from auditing standards generally accepted in the United States of America.

Management's Responsibility

PUC's management is responsible for the overall accuracy of the financial statements and their conformity with generally accepted accounting principles. In this regard, management is also responsible for establishing and maintaining effective internal control over financial reporting.

Objectives of Internal Control over Financial Reporting

Internal control over financial reporting is a process affected by those charged with governance, management, and other personnel and designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Internal control over the safeguarding of assets against unauthorized acquisition, use, or disposition may include controls related to financial reporting and operations objectives. Generally, controls that are relevant to an audit of financial statements are those that pertain to the entity's objective of reliable financial reporting (i.e., the preparation of reliable financial statements that are fairly presented in conformity with generally accepted accounting principles).

Inherent Limitations of Internal Control over Financial Reporting

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

POHNPEI UTILITIES CORPORATION

"Dedicated to improving the Quality of Life on Pohnpei"

Nixon T. Anson
General Manager/CEO
nanson@mypuc.fm

July 1, 2019

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

We are providing this letter in connection with your audits of the statements of net position of Pohnpei Utilities Corporation (the Corporation), a component unit of the State of Pohnpei, as of September 30, 2018 and 2017 and the related statements of revenues, expenses and changes in net position and of cash flows for the years then ended, and the related notes, 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 the Corporation 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 preparation and fair presentation in the basic financial statements of financial position of the Corporation 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. 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 recorded adjustments 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.

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

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 (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.

    b. Deposits and investment securities are properly classified in 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. The Corporation has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.

3. The Corporation has made available to you:

    a. All minutes of the meetings of the Board of Directors or summaries of actions of recent meetings up to May 15, 2019, for which minutes of meetings after that date until the date of this letter have not been prepared but did not contain significant matters of audit concern.

    b. All financial records and related data for all financial transactions of the Corporation and for all funds administered by the Corporation. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by the Corporation 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 regulatory agencies.

4. There have been no:

    a. Action taken by the Corporation's management that contravenes the provisions of federal laws and FSM National and state laws and regulations, or of contracts and grants applicable to the Corporation.

    b. Communications with 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 the uncorrected financial statement misstatements detected in the current year that relate to the prior year presented, when combined with those misstatements aggregated by you during the prior-year audit engagement and pertaining to the prior year presented, are immaterial, both individually and in the aggregate, to the financial statements for the year ended September 30, 2017 taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix B.

6. The Corporation 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 Corporation 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 the Corporation involving:

    a. Management.

    b. Employees who have significant roles in internal control over financial reporting.

    c. Others, where 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 the Corporation received in communications from employees, former employees, analysts, regulators, or others.

9. There are no unasserted claims or assessments that we are aware of or 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.

12. We have adopted the provisions of GASB Codification Section 2100, *Defining the Financial Reporting Entity*. No organizations were identified that meet the criteria established in GASB Codification Section 2100, *Defining the Financial Reporting Entity*, for inclusion as a component unit.

13. We are responsible for compliance with FSM laws, rules and regulations, including compliance with the provisions of grants and contracts relating to the Corporation's operations. We are responsible for establishing and maintaining the components of internal control relating to our activities in order to achieve the objectives of providing reliable financial reports, effective and efficient operations, and compliance with laws and regulations. The Corporation is responsible for maintaining accounting and administrative control over revenues, obligations, expenditures, assets, and liabilities.

Except where otherwise stated below, immaterial matters less than $52,800 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.

14. Except as listed in Appendix B, there are no transactions that have not been properly recorded and reflected in the financial statements.

15. The Corporation has no plans or intentions that may affect the carrying value or classification of assets and liabilities.

16. Regarding related parties:

    a. We have disclosed to you the identity of the Corporation's related parties and all the related party relationships and transactions of which we are aware.

    b. To the extent applicable, related parties and all the related-party relationships and transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral) have been appropriately identified, properly accounted for, and disclosed in the financial statements.

17. 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.

18. 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*.

19. The Corporation 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.

20. The Corporation has complied with all aspects of contractual agreements that may affect the financial statements.

21. No department or agency of the Corporation has reported a material instance of noncompliance to us.

22. 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 of Government Accounting and Financial Reporting Standards 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.

23. Management is aware of its responsibility to disclose whether, subsequent to September 30, 2018, 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, have occurred. We represent to you that no such changes or corrective action has so occurred.

24. Agreements 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 or other charges arising on or before the date of the statements of net assets 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 et realizable value. All inventories are the property of the Corporation and do not include any items consigned to it or any items billed to customers.

27. We believe that all expenditures that have been deferred to future periods are recoverable.

28. Quantitative and qualitative information regarding the allowance for doubtful accounts has been properly disclosed in the financial statements.

29. All additions to the Corporation's property accounts consist of replacements or additions that are properly capitalizable.

30. The Corporation 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, the Corporation considered the following factors:

    a. The magnitude of the decline in service utility is significant.

    b. The decline in service utility is unexpected.

31. During fiscal year ended September 30, 2018, the Corporation implemented the following pronouncements, which did not have a material effect on the Corporation's financial statements:

    - GASB 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.

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32. The Corporation 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.

33. No events have occurred subsequent to September 30, 2018, but before July 1, 2019 the date the financial statements were available to be issued that require consideration as adjustments to or disclosures in the Corporation's financial statements.

Very truly yours,

for

Nixon Anson
General Manager

for

Daisy Nanpei
Comptroller

APPENDIX A
CORRECTED MISSTATEMENTS

Pohnpei Utilities Corporation
Corrected Misstatements September 30, 2018

GL	Name	Debit	Credit
	1 AJE Depreciation		
110-00-00	ACCUM DEPRE-POWER UTIL PLANT	6,282.00	
403-01-00	DEPRE - PRODUCTION PLANT		6,282.00
		6,282.00	6,282.00
	To correct over depreciation.		
	2 AJE AJ-003288		
554-18-03	REPAIRS & MAINT. - REPAIRS	64,971.12	
232-00-00	ACCOUNTS PAYABLE		64,971.12
		64,971.12	64,971.12
	AJ-003288 to record additional invoices per confirmation from Adams Brothers Corporation,		
	3 AJE SDR		
419-00-00	INTEREST & DIVIDEND INCOME	89,985.29	
101-01-01	WATER PRODUCTION PLANT		21,870.86
101-02-01	SEWERAGE COLL.& TREATM. PLANT		68,114.43
		89,985.29	89,985.29
	SDR adjustments.		
	4 AJE Dateline		
232-00-00	ACCOUNTS PAYABLE	21,931.45	
554-17-03	REPAIRS & MAINT. - PARTS		21,931.45
		21,931.45	21,931.45
	To remove Dateline Exports invoices that were already paid.		
	5 AJE Bas debts		
904-00-06	UNCOLLECTIBLE ACCOUNTS	51,402.00	
144-00-00	ACCUM PROV-UNCOLLECTIBLE ACCTS		51,402.00
904-00-06	UNCOLLECTIBLE ACCOUNTS	4,854.00	
144-00-01	ACCUM PROV-UNCOLLECT-WATER		4,854.00
144-00-02	ACCUM-PROV-UNCOLLECT OTHER A/R	16,978.00	
904-00-06	UNCOLLECTIBLE ACCOUNTS		16,978.00
		73,234.00	73,234.00
	To adjust allowance for doubtful accounts based on audit analysis.		

APPENDIX A, CONTINUED
CORRECTED MISSTATEMENTS, CONTINUED

	6 AJE Other sales		
414-22-00	FSM CONGRESS APPROPRIATION	15,390.00	
449-00-00	OTHER SALES		15,390.00
		15,390.00	15,390.00
	To reclassify the contract revenue to the correct account.		
	7 AJE Reclass to deferred		
414-22-00	FSM CONGRESS APPROPRIATION	313,137.70	
235-00-00	CUSTOMER DEPOSITS		313,137.70
		313,137.70	313,137.70
	To reclassify the cash drawdown to the unearned revenue account.		
	8 AJE Unpaid taxes		
143-00-00	ACCOUNTS RECEIVABLE - OTHER	59,616.00	
535-07-01	SAL & WAGES COLA	33,120.00	
242-03-00	OTHER ACCRUALS		92,736.00
		92,736.00	92,736.00
	To record unpaid income and social security taxes on COLA.		

APPENDIX B
UNCORRECTED MISSTATEMENTS RELATED TO PRIOR YEAR
SEPTEMBER 30, 2017

Name	Debit	Credit
1 PAJE CWIP		
Repair and Maintenance Expense	135,908.37	
CWIP		135,908.37
	135,908.37	135,908.37

To correct CWIP

Name	Debit	Credit
2 PAJE Travel Advances		
Advances	24,019.00	
Travel		24,019.00
	24,019.00	24,019.00

To correct CWIP