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March 11, 2016

Commissioners
Consolidated Commission on Utilities

Dear Commissioners:

We have performed an audit of the financial statements of Guam Power Authority (GPA) 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 March 11, 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 GPA 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, have been described in our engagement letter dated September 28, 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 whether GPA’s basic financial statements and the accompanying supplementary information, in relation to the basic financial statements as a whole, for the year ended September 30, 2015 (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, 2015;
- Express an opinion on whether the supplementary information that accompanies the financial statements, including the schedule of expenditures of federal awards, is fairly stated, in all material respects, in relation to the financial statements taken as a whole;
- Report on GPA’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 generally accepted government auditing standards; and
- Express an opinion on GPA’s compliance with requirements applicable to each major program and report on internal control over compliance in accordance with the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* (“OMB Circular A-133”).

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 Consolidated Commission on Utilities (CCU) 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 CCU 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 GPA'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 GPA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of GPA'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.

We also considered GPA's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133. Our audit does not, however, provide a legal determination of GPA's compliance with those requirements.

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 GPA's 2015 financial statements include management's estimate of the allowance for doubtful accounts, which is determined based upon past collection experience and aging of the accounts; management's estimate of inventory obsolescence, which is based on management's evaluation of the inventory's net realizable value; management's estimate of depreciation expense, which is based on estimated useful lives of the respective capital assets; and management's estimate of the net pension liability, deferred outflows and inflows of resources related to pension, which is based on an actuarial report issued by the Government of Guam Retirement Fund. During the year ended September 30, 2015, there were no significant changes in accounting estimates or in management's judgments relating to such estimates, except for management's estimate of accrued revenues which is now based on actual readings.

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. We have attached to this letter, as Appendix B to Attachment I, 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 in the aggregate, to the financial statements taken as a whole.

In addition, included in Appendix C to Attachment I, is the 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 prior period financial statements taken as a whole.

MATERIAL CORRECTED MISSTATEMENTS

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.

SIGNIFICANT ACCOUNTING POLICIES

GPA's significant accounting policies are set forth in Note 1 to GPA's 2015 financial statements. During the year ended September 30, 2015, there were no significant changes in previously adopted accounting policies or their application, except for the following pronouncements adopted by GPA:

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, which revise and establish new financial reporting requirements for most governments that provide their employees with pension benefits through plans that are administered through trusts. The implementation of these statements had a material effect resulting in the restatement of GPA's fiscal year 2014 financial statements to reflect the reporting of net pension liabilities and deferred inflows of resources and deferred outflows of resources for its qualified pension plan and the recognition of pension expense in accordance with the provisions of GASB Statement No. 68.
- 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 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 has not evaluated the impact that the implementation of this statement will have on the financial statements.

SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 has not evaluated the impact that the implementation of this statement will have 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 has not evaluated the impact that the implementation of this statement will have 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 OF GPA

When audited financial statements are included in documents containing other information, such as Annual Reports, 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 GPA issues an Annual Report or other documentation that includes the audited financial statements, we will be required to read the other information in GPA'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 CCU.

DISAGREEMENTS WITH MANAGEMENT

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

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 CCU.

SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

MANAGEMENT'S REPRESENTATIONS

We have made specific inquiries of GPA's management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations GPA 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 March 11, 2016, on GPA'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 also issued a separate report to you, also dated March 11, 2016, involving GPA's compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133. Within those reports, we noted certain matters that were considered to be significant deficiencies under standards established by the American Institute of Certified Public Accountants.

We have communicated to management, in separate letters also dated March 11, 2016, certain deficiencies and other matters related to GPA's internal control over financial reporting and to GPA's internal control over its information technology environment that we identified during our audit.

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This report is intended solely for the information and use of the Consolidated Commission on Utilities, the management of Guam Power Authority and the Office of Public Accountability - Guam and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

Very truly yours,

Deloitte + Touche LLP



GUAM POWER AUTHORITY

ATURIDÁT ILEKTRESEDÁT GUAHAN
P.O.BOX 2977 • AGANA, GUAM U.S.A. 96932-2977

March 11, 2016

Deloitte & Touche LLP
361 South Marine Drive
Tamuning, Guam 96913

Gentlemen:

We are providing this letter in connection with your audits of the statements of net position of the Guam Power Authority (GPA), a component unit of the Government of Guam, as of September 30, 2015 and 2014, and the related statements of revenues, expenses and changes in net position and of cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise GPA's basic 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 or change in net position, and cash flows of GPA in conformity with accounting principles generally accepted in the United States of America.

We confirm that we are responsible for the following:

- a. The preparation and fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America (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 and related notes 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.

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

1. The 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 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. GPA has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.
3. GPA has made available to you:
 - a. All minutes of the meetings of Consolidated Commission on Utilities or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - b. All financial records and related data for all financial transactions of GPA and for all funds administered by GPA. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by GPA 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.
 - d. All Public Utilities Commission (PUC) Orders impacting GPA during the year and up to the report date.
4. There have been no:
 - a. Actions taken by GPA management that contravene the provisions of federal laws and Guam laws and regulations, or of contracts and grants applicable to GPA.

- 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 except that in February 2011, The U.S. Environmental Protection Agency (EPA), under the Clean Air Act, established new rules under National Emission Standards for Hazardous Air Pollutants for Reciprocating Internal Combustion Engine Maximum Achievable Control Technology (RICE MACT). These new rules require stack emissions control and continuous monitoring system equipment to be installed on all GPA peaking and baseload diesel generators including its Cabras 3&4 and MEC 8&9 slow speed diesel units. Compliance under the diesel MACT was due May 3, 2013. Non-compliance under the diesel MACT could result in penalty fees of \$37,500 per unit per day. GPA applied for and received a one year extension for complying with the rules with respect to its small diesel peaking units. The required stack emission equipment was installed within the extension period. As to compliance with the other units subjected to RICE MACT, GPA requested EPA to enter into a consent decree allowing time for GPA to comply with the regulations and allowing potential fines and penalties for non-compliance to be used for compliance with regulations. In January 2015, GPA submitted its compliance plan outlining the proposed timelines for inclusion in a consent decree. GPA believes result of negotiations with EPA will defer potential fines post RICE MACT deadlines for the slow speed diesel units. If the consent decree is not reached, the maximum liability for GPA would be \$132 million as of September 30, 2015. No liability that may result from potential noncompliance has been recorded in the financial statements.

EPA also established rules for Electric Generating Unit Maximum Achievable Control Technology (EGU MACT) which applies to Cabras 1&2 and Tanguisson steam boiler units. Compliance under the EGU MACT was due in April 2015. Non-compliance could result in penalty fees of \$37,500 per unit per day. GPA obtained PUC approval to early terminate the associated energy conversion agreement of the Tanguisson unit. By deactivating the Tanguisson unit, GPA did not incur compliance costs for this unit. As to compliance for Cabras 1&2, a consent decree requested from EPA for compliance with RICE MACT is also expected to cover the EGU MACT compliance.

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. We believe the effect 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, 2014 taken as a whole. Such uncorrected misstatements have been attached as Appendix C.
7. GPA has not performed a 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 GPA and do not believe that the financial statements are materially misstated as a result of fraud.

8. We have no knowledge of any fraud or suspected fraud affecting GPA involving:
 - a. Management.
 - b. Employees who have significant roles in GPA's internal control over financial reporting.
 - c. Others, where the fraud could have a material effect on the financial statements.
9. We have no knowledge of any allegations of fraud or suspected fraud affecting GPA's financial statements communicated by employees, former employees, analysts, regulators, or others.
10. 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.
11. Significant assumptions used by us in making accounting estimates are reasonable.
12. We are responsible for the preparation of the Schedule of Expenditures of Federal Awards in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations ("OMB Circular A-133"). We have identified and disclosed all of GPA's government programs and related activities subject to the OMB Circular A-133 compliance audit. In addition, we have accurately completed the appropriate sections of the data collection form.
13. We are responsible for compliance with local, state, and federal laws, rules, and regulations, including compliance with the requirements of OMB Circular A-133, and the provisions of grants and contracts relating to GPA'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. GPA is responsible for maintaining accounting and administrative control over revenues, obligations, expenditures, assets, and liabilities.
14. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal awards that could have a material effect on our federal programs.
15. We have disclosed to you all deficiencies in the design or operation of internal control over financial reporting identified as part of our evaluation, including separately disclosing to you all such deficiencies that are significant deficiencies or material weaknesses in internal control over financial reporting.
16. No events have occurred subsequent to September 30, 2015 that require consideration as adjustments to or disclosures in the schedule of federal awards

and related notes or that existed at the end of the reporting period that affect noncompliance during the reporting period.

17. We have disclosed all known noncompliance with direct and material compliance requirements occurring subsequent to September 30, 2015.
18. There have been no changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by GPA with regard to significant deficiencies and material weaknesses in internal control over compliance, subsequent to September 30, 2015.
19. Federal awards expenditures have been charged in accordance with applicable cost principles.
20. The Reporting Package submitted to the Federal Audit Clearinghouse (FAC) as defined by the Uniform Grant Guidance section 2CFR200.512(3)(c) does not contain protected personally identifiable information.
21. We have disclosed all contracts or other agreements with service organizations.
22. We have disclosed to you all communications from service organizations relating to noncompliance with the requirements of federal statutes, regulations, and terms and conditions of federal awards at those organizations.
23. We have:
 - a. Identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program under audit.
 - b. Complied, in all material respects, with the direct and material compliance requirements identified above in connection with federal awards except as disclosed in the Schedule of Findings and Questioned Costs.
 - c. Identified and disclosed interpretations of any compliance requirements that have varying interpretations.
 - d. Made available all federal awards (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities. Management has made available all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements. Federal financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared and are prepared on a basis consistent with that presented in the Schedule of Expenditures of Federal Awards. The copies of federal program financial reports provided are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through agency, as applicable.
 - e. Identified and disclosed all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards, including the results of other audits, program reviews, or any communications

from federal awarding agencies and pass-through entities concerning possible noncompliance related to the objectives of the audit.

- f. Identified previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit and the corrective actions taken to address significant findings and recommendations, including the status of follow-up on prior audit findings (and information about all management decisions) by federal awarding agencies and pass-through entities.
 - g. Provided to you our views on the reported findings, conclusions, and recommendations for your report.
24. We are responsible for follow-up on all prior-year(s) findings. We have prepared a summary schedule of prior-year findings by federal awarding agency and pass-through entity, including all management decisions, to report the status of our efforts in implementation of the prior-year's corrective action plan. The summary schedule of prior audit findings includes all findings required to be included in accordance with OMB Circular A-133.
 25. We are responsible for taking corrective action on audit findings and have developed a corrective action plan that meets the requirements of OMB Circular A-133. We have included in the corrective action plan for current-year findings, the name of the person in our organization responsible for implementation of the actions, the best actions to be taken, and the estimate of a completion date. We have taken timely and appropriate steps to remedy fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that you report.
 26. 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 \$735,600 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.

27. Except as disclosed in Appendices B and C, there are no transactions that have not been properly recorded and reflected in the financial statements.
28. GPA has no plans or intentions that may affect the carrying value or classification of assets and liabilities.
29. Regarding related parties:
 - a. We have disclosed to you the identity of GPA's related parties and all the related party relationships and transactions of which we are aware.

In October 2011, U.S. Federal Emergency Management Agency reimbursed GPA for certain typhoon related costs incurred in 2002 of approximately \$1,800,000. The reimbursement was received by the Government of Guam (GovGuam) DOA which plans to offset such amount against billings to GPA related to the Autonomous Agency Collections Fund. Due to uncertainty of receipt, GPA has not recorded the reimbursement in the financial statements.

GPA has not had significant transactions with members of the CCU or companies affiliated with members of the CCU during 2015 and 2014.

- 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.
30. 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 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.
31. There are no:
 - a. Instances of identified or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements except as disclosed in the Schedule of Findings and Questioned Costs.
 - 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 except as disclosed in the financial statements.
32. GPA 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.
33. GPA has complied with all aspects of contractual agreements that may affect the financial statements.
34. No department of GPA or agency of the Federal Government or the Government of Guam has reported a material instance of noncompliance to us.
35. Other than those described in Note 13 to the financial statements, no events have occurred after September 30, 2015 but before March 11, 2016, the date the financial statements were available to be issued that require consideration as adjustments to or disclosures in the financial statements.
36. 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 requirements of 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.

37. Regarding supplementary information:

- a. We are responsible for the preparation and fair presentation of the supplementary information in accordance 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.

38. We adopted the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68, which revise and establish new financial reporting requirements for most governments that provide their employees with pension benefits through plans that are administered through trusts. The implementation of these statements had a material effect on the financial statements resulting in the restatement of GPA's fiscal year 2014 financial statements to reflect the reporting of net pension liabilities and deferred inflows of resources and deferred outflows of resources for its qualified pension plan and the recognition of pension expense in accordance with the provisions of GASB Statement No. 68.

39. We adopted the provisions of 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 financial statements.

40. 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.

41. 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 has not evaluated the impact that the implementation of this statement will have on the financial statements.
42. 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 has not evaluated the impact that the implementation of this statement will have on the financial statements.
43. 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 has not evaluated the impact that the implementation of this statement will have on the financial statements.
44. 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.
45. 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.
46. GPA did not record the asset retirement obligation related to the power plants because we do not have sufficient information to estimate the fair value of the

asset retirement obligation. We do not believe any unrecorded asset retirement liability will be material to the financial statements.

47. Tax-exempt bonds issued have retained their tax-exempt status.
48. GPA 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, GPA considered the following factors:
 - a. The magnitude of the decline in service utility is significant
 - b. The decline in service utility is unexpected.
49. We agree with the findings of management's expert contracted by the GovGuam Retirement Fund in evaluating the actuarial evaluation of the GovGuam's retirement plan and have adequately considered the qualifications of management's expert in determining amounts and disclosures used in the financial statements and underlying accounting records. We further agree with the findings of management's expert in gauging and sampling various GPA storage tanks containing fuel oil for purposes of fiscal year-end stock inventory ascertainment and have adequately considered the qualifications of management's expert in determining amounts and disclosures used in the financial statements and underlying accounting records. We did not give any instructions, nor cause any instructions to be given, to management's expert with respect to values or amounts derived in an attempt to bias his or her work, and we are not aware of any matters that have affected the independence or objectivity of management's expert.
50. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed in the financial statements.
51. Financial instruments with significant individual or group concentration of credit risk have been appropriately identified, properly recorded, and disclosed in the financial statements.
52. 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.
53. Provision has been made to reduce excess or obsolete inventories to their estimated net realizable value. All inventories are the property of GPA and do not include any items consigned to it or any items billed to customers. In particular, GPA determined that inventories for the damaged Cabras 4 generator can be used for Cabras 3 generator as the engines are identical. Additional provision for Cabras 4 inventories is not necessary.
54. We have disclosed to you all new or changes to the existing pension plan.
55. We believe that the actuarial assumptions and methods used to measure pension and postretirement liabilities and costs for financial accounting purposes are appropriate in the circumstances. These amounts have been appropriately recognized and displayed as assets, liabilities and, where applicable, deferred inflows, deferred outflows, net position and changes in net position in the financial statements in accordance with GASB Statement No. 68.

56. We have no intention of terminating our participation in the Government of Guam Retirement plans or taking any other action that could result in an effective termination or reportable event for any of the plans. We are not aware of any occurrences that could result in the termination of any of our pension plans to which we contribute.
57. GPA is subject to various rate regulatory matters and, using its best estimate based on reasonable and supportable assumptions and projections, no provision for any probable and reasonably estimable disallowances or liabilities due to customers as a result of such matters is necessary.
58. All additions to GPA's property accounts consist of replacements or additions that are properly capitalizable.
59. There were no items of physical property contained in the property accounts of GPA that were either (a) abandoned or (b) out of service and not regarded as either (i) standby property or equipment or (ii) property held for use only temporarily out of service, as that term is commonly understood in the public utility business.
60. GPA's provisions for depreciation have been determined in accordance with the orders of and the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission and the Public Utilities Commission. Based on the present operating conditions and probable useful lives of the properties, we believe that the provisions being made using the depreciation rates in effect will be adequate to depreciate the properties over their respective useful lives.
61. GPA has evaluated the likelihood that any of its regulated operating assets or assets under construction will be abandoned. We believe the likelihood of abandonment is less than probable, except for the damaged Cabras 4 generator as disclosed in the financial statements.
62. All regulatory assets and liabilities have been recorded in accordance with the orders or other guidance of GPA's regulatory commission and in accordance with the provisions of FASB ASC 980, *Regulated Operations*. Regulatory assets represent incurred costs that are probable of recovery from future revenues. Regulatory liabilities represent amounts imposed by rate actions of GPA's regulators that may require refunds to customers, represent amounts provided in current rates that are intended to recover costs that are expected to be incurred in the future for which GPA remains accountable, or represent a gain or other reduction of allowable costs to be given to customers over future periods. All expenditures that have been deferred to future periods are recoverable.
63. GPA has obligated, expended, received, and used public funds of the Government of Guam and U.S. Federal Government in accordance with the purpose for which such funds have been appropriated or otherwise authorized by Guam or federal law. Such obligation, expenditure, receipt, or use of public funds was in accordance with any limitations, conditions, or mandatory directions imposed by Guam or federal law.
64. Money or similar assets handled by the Authority on behalf of the Government of Guam or Federal Government have been properly and legally administered, and the accounting and record keeping related thereto is proper, accurate, and in accordance with law.

65. No evidence of fraud or dishonesty in fiscal operations of programs administered by GPA has been discovered.
66. On March 31, 2011, GPA received an invoice from the GovGuam DOA of \$12,250,000 representing an annual assessment of \$875,000 for each of the fiscal years 1998 to 2011 pursuant to 5 GCA Chapter 22 Section 22421, *Transfer of Autonomous Agency Revenues To Autonomous Agency Collections Fund*. In September 2013, GPA received another invoice for \$875,000 from the Chamorro Land Trust Commission referring to the same annual assessment aforementioned. There was no invoice received for the years ended September 30, 2015 and 2014. GPA obtained an approval from the CCU to offer GovGuam DOA a settlement amount of \$2.6 million. However, such settlement offer is conditional on the approval by the PUC of a surcharge to recover the assessment from ratepayers. The PUC has not approved the surcharge as of September 30, 2015 and therefore, no liability or other impact has been recognized in the financial statements.
67. In 1991, Public Law 21-59 was enacted to establish a bonus system for employees of GovGuam, autonomous and semi-autonomous agencies, public corporations and other public instrumentalities of GovGuam who earn a superior performance grade. The bonus is calculated at 3.5% of the employee's base salary beginning 1991 but was suspended by law for the years 1996, 2002, 2003 and 2004. Between 1991 and 2008, GPA did not calculate or pay any bonuses. In 2010, the Guam Legislature authorized GPA to implement a Pay for Performance program, similar to the GovGuam unified pay systems for certified, technical and professional positions, covering the evaluation period of 2009. As of September 30, 2015 and 2014, GPA determined that there was no liability for employees covered in the new pay system. Therefore, no liability has been recognized in the accompanying financial statements.
68. On August 31, 2015, GPA suffered an explosion and fire at its Cabras 3 and 4 generator building. Based on a preliminary investigation, the Cabras 4 generator, carried at \$33 million at September 30, 2015 is not repairable while the Cabras 3 unit, will require major repairs to return to service. However, due to the extent of damage and instability of the structure caused by the explosion, GPA has been unable to perform a detailed investigation of the root cause of the explosion. The related insurance recoveries cannot presently be determined. At September 30, 2015, no provisions or recoveries have been recorded in the financial statements due to this uncertainty.
69. In 2012, GPA developed its Integrated Resource Plan (IRP) which was approved by the CCU and the PUC on December 12, 2012 and July 30, 2013, respectively. The objectives of the IRP are primarily to identify the timing, size, technology of future power generating units, and to address issues such as fuel diversification and the renewable portfolio standards. Specifically, the IRP recommendations include the replacement of older generation equipment with combined cycle combustion turbine generators which can utilize either Liquefied Natural Gas (LNG) or Ultra-Low Sulfur (ULS) diesel fuel oil; adding 40-45 MWh of generation from renewable energy sources; and diversification of its fuel source to LNG and ULS diesel fuel oil.

In October 2014, CCU decided to postpone LNG implementation as Guam does not have the seaport facility to offload and process LNG for use at GPA's power plant. The CCU approved instead to build a new power plant by 2020 to meet tougher federal air emission standards. The new power plant would be powered

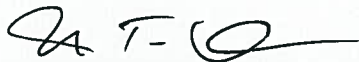
by ultra-low-sulfur diesel. GPA intends for the new units to be capable of dual fuel firing if LNG is made available on Guam. In January 2015, the PUC rejected the petition to procure a new power plant.

In August 2015, GPA lost 78MW of base load capacity and experienced insufficient generation reserve after the explosion and fire at the Cabras 3&4 Power Plants. Because of the EGU MACT, the future availability of Cabras 1&2 units is also uncertain. In light of this situation, PUC ordered GPA to submit a plan and a proposed request for procurement for new generation capacity. GPA's plan must address, among others, (1) how much generation should be procured in megawatts (2) what size units should be procured (3) should the procurement only be for combined cycle units (4) fuel source for the new units. GPA must also include an evaluation whether the Cabras 3 and 4 units can be returned to service and if so, when. GPA is required to submit its plan to PUC. At the time GPA submits its plan, GPA should also submit its request for proposals for the new generation capacity.

GPA reassessed the estimated useful lives of its Cabras 1&2 and Cabras 3&4 power plants based on the expected retirement of these plants when a new power plant becomes operational by 2020. The estimated useful life of Tanguission plant was also reassessed to end in line with the termination of the associated energy conversion agreement. GPA recorded additional depreciation expense of \$4,947,435 during the year ended September 30, 2015 due to revised estimated useful lives of these power plants.

70. Guam Public Law 20-110 requires certain entities to remit payments to a hazardous substance expense fund. There are questions as to the enforceability of the law; accordingly, no provision has been made in the financial statements for payments to be made under this law. GPA is covered by its self-insurance and worker's compensation insurance in case of accidents due to hazardous substances.

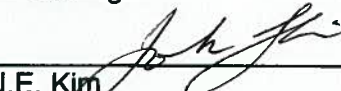
Very truly yours,



Joseph Duenas
Chairman, Consolidated Commission on Utilities



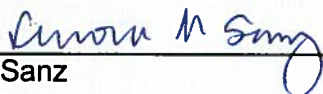
John Benavente
General Manager



John J.E. Kim
Chief Financial Officer



Cora Montellano
Asst. Chief Financial Officer



Lenora Sanz
Controller

Appendix A
Adjusting Journal Entries and Reclassifying Journal Entries

Adjusting Journal Entries

#	Name	Debit	Credit
1 CAJE To record manual voiding of AP due to glitch			
555004	Other Contractual	-	1,070,106.55
232000.20	Operation	2,590,936.55	-
980427.91	Int. exp-capital lease-MEC	-	629,727.69
227000.20	Oblig. under cap lease-MEC	-	891,102.31
		<u>2,590,936.55</u>	<u>2,590,936.55</u>
	To correct entry of voided transaction.		
2 CAJE To adjust accrued SL			
926650	DC	270,926.90	-
228000.12	Accum Prov-50% DCRS SL	-	270,926.90
		<u>270,926.90</u>	<u>270,926.90</u>
3 CAJE To correct bid deposit refund entry			
135000.21	BOG - Disbursement Account	-	20,635.40
232000.20	Operation	20,635.40	-
		<u>20,635.40</u>	<u>20,635.40</u>
4 CAJE To adjust accrued AL			
233020	Accrued Annual Leave & Hol.	211,198.48	-
506000	Misc. Steam Power Exp.	-	43,295.69
514000	Maint of misc steam plant	-	43,295.69
583000	Closing/Others	-	21,119.85
588000	Closing/others	-	26,399.81
903010	Customer records & collectio	-	14,783.89
920000	Others	-	35,903.74
598000	Closings/others	-	26,399.81
		<u>211,198.48</u>	<u>211,198.48</u>
5 CAJE To writeoff advances to construction over 5 years			
400451	Miscellaneous Service	-	3,093,025.73
252364	Cust adv-poles,towers &fixtu	2,477,347.50	-
252365	Cust adv-Overhead con & devi	536,757.77	-
252366	Cust adv-Underground conduit	347.92	-
252367	Cust adv-U/ground cond./devi	14,141.93	-
252368	Cust adv-Line transformer	12,951.70	-
252369	Cust adv-Services	51,089.82	-
252373	Cust adv-St lighting	389.09	-
		<u>3,093,025.73</u>	<u>3,093,025.73</u>
6 CAJE To reclassify AR inactive accounts			
142000.10	A/R Elect.-Residential	-	1,231,619.41
142000.99	A/R Elect.-Conversion IA	1,231,619.41	-
		<u>1,231,619.41</u>	<u>1,231,619.41</u>
7 CAJE To record DOI Grant			
201100	Grant by DOI	-	1,031,099.55
143000.100	Receivable from Federal Govt	1,031,099.55	-
		<u>1,031,099.55</u>	<u>1,031,099.55</u>

Appendix A
Adjusting Journal Entries and Reclassifying Journal Entries

Adjusting Journal Entries

#	Name	Debit	Credit
8 CAJE To write off long outstanding interest AR			
171000.59	BOA-Series A93	-	28,108.00
171000.98	1999 Debt service fund	-	95,921.00
171000.990	Notes receivable-Gov Guam	-	111,519.00
980431.50	Others	299,483.00	-
171000.52	Cap. Interest Ser A93	-	479.00
171000.102	Interest receivable-2012 Bon	-	63,456.00
		<u>299,483.00</u>	<u>299,483.00</u>
9 CAJE To write off outstanding B&V invoices			
400456	Other income	-	24,690.00
232000.20	Operation	101,303.06	-
107391	Contract	-	76,613.06
		<u>101,303.06</u>	<u>101,303.06</u>
10 CAJE To accrue FY15 AP accruals			
107100	CWIP-Closing	186,837.22	-
107200	Closing	39,689.83	-
189000	Garage - Clearing	1,474.76	-
548000	Generation Expenses	117.35	-
553000	Maint of Gen Electric plant	935.01	-
570000	Maint. of Station Equipt	50,833.08	-
923000	Other contractual services	40,356.28	-
928000	Regulatory commission expens	71,329.75	-
931000	Rental	17,299.21	-
143000.10	Job Orders & Misc.	6,969.89	-
232000.20	Operation	-	420,129.38
935000	Building Maintenance	4,287.00	-
		<u>420,129.38</u>	<u>420,129.38</u>
11 CAJE To reverse misposted payment for 2014 bonds COI			
990428	Amortization of Debt Expense	-	602,989.00
232000.9	Others	602,989.00	-
		<u>602,989.00</u>	<u>602,989.00</u>
12 CAJE Additional FY15 AP Accruals			
549000	Misc. Other Power Generation	106,874.01	-
232000.20	Operation	-	106,874.01
		<u>106,874.01</u>	<u>106,874.01</u>
13 CAJE Reclassify management fees			
107100	CWIP-Closing	94,715.17	-
506000	Misc. Steam Power Exp.	-	94,715.17
		<u>94,715.17</u>	<u>94,715.17</u>
14 CAJE To accrue Temes invoices w/out PO			
107200	Closing	673,272.27	-
506000	Misc. Steam Power Exp.	22,135.00	-
232000.20	Operation	-	695,407.27
		<u>695,407.27</u>	<u>695,407.27</u>

Appendix A
Adjusting Journal Entries and Reclassifying Journal Entries

Adjusting Journal Entries

#	Name	Debit	Credit
1 AJE To book beg deferrals (GASB 68)			
216000	Retained Earnings	-	2,595,198.79
DT GASB 68	Deferred inflow of resources	-	4,654,368.95
DT1 GASB 68	Deferred outflow of resources	7,249,567.74	-
		<u>7,249,567.74</u>	<u>7,249,567.74</u>
2 AJE To book correct GASB 68 restatement			
926100	Pension Retirement	4,347,943.58	-
216000	Retained Earnings	-	1,548,937.01
DT GASB 68	Deferred inflow of resources	-	3,040,069.05
DT1 GASB 68	Deferred outflow of resources	241,062.48	-
		<u>4,589,006.06</u>	<u>4,589,006.06</u>
3 AJE To write-off Tango asset under capital lease			
101100	Property under capital lease	-	16,000,000.00
108399	GP - Other Tangible Property	14,333,334.00	-
426000	Extraordinary gain/loss	1,666,666.00	-
		<u>16,000,000.00</u>	<u>16,000,000.00</u>

Reclassifying Journal Entries

#	Name	Debit	Credit
1 RJE To reclass current portion of capital lease oblig			
227000	Obligation under capital lease	1,695,267.00	-
227000.90	Current portion-oblig. cap l	-	1,695,267.00
		<u>1,695,267.00</u>	<u>1,695,267.00</u>
2 RJE To reclass amounts reported as investment			
132000.42	USB-2012 Bond Fund	-	9,458,441.76
DT13200.42	Investments - bond funds held by trustee	9,458,441.76	-
		<u>9,458,441.76</u>	<u>9,458,441.76</u>
	To reclass amounts reported as cash but should be classified as investment		
3 RJE To reclass current portion of annual leave			
228000.10	Accum Prov for Pension/Ben	-	65,571.00
233020	Accrued Annual Leave & Hol.	65,571.00	-
		<u>65,571.00</u>	<u>65,571.00</u>
4 RJE To reclass cash equivalents to investments			
111000.50	BOG- Working Capital Fund	-	4,855,561.21
DT13200.42	Investments - bond funds held by trustee	4,855,561.21	-
		<u>4,855,561.21</u>	<u>4,855,561.21</u>
	To reclass a portion of BOG working capital fund held by trustee to investments (maturity over 90 days).		
5 RJE To correct PY fuel payable already paid			
232000.10	Oil	19,047,931.27	-
232000.20	Operation	-	19,047,931.27
		<u>19,047,931.27</u>	<u>19,047,931.27</u>
6 RJE To separately classify enegy sense fund			
111000.50	BOG- Working Capital Fund	-	1,806,014.00
Blank (4907)	Energy Sense Fund	1,806,014.00	-
		<u>1,806,014.00</u>	<u>1,806,014.00</u>

Appendix B
Uncorrected Misstatements

Entry Description	Statement of Net Position			Statement of Revenues, Expenses and Changes in Net Position
	Assets Dr (Cr)	Liabilities Dr (Cr)	Net Position Beg of Year Dr (Cr)	Dr (Cr)
<1> Accrued Interest Payable Other Income <i>To adjust accrued interest on customer deposits</i>		240,629		(240,629)
<2> AR Private Customer Deposit <i>To adjust credit balances in AR</i>	353,156	(353,156)		
<3> Other Contractual Services Office furnitures and fixtures Construction work in progress <i>To expense CC&B post implementation costs and capitalize remaining CC&B project costs in the CIP</i>	293,022 (530,172)			237,150
<4> Customer Deposit-Inactive Other Income <i>To write-off long outstanding staled checks from customer deposit refunds</i>		340,745		(340,745)
	116,006	228,219	0	(344,224)

Appendix C
Prior Year Misstatements Identified in Current Year

Entry Description	Statement of Net Position			Statement of Revenues, Expenses and Changes in Net Position
	Assets Dr (Cr)	Liabilities Dr (Cr)	Net Position Beg of Year Dr (Cr)	Dr (Cr)
<1> CIP Accounts Payable <i>Unrecorded invoice from Temes for Cabras #2 Turbine Overhaul</i>	636,214	(636,214)		
<2> Closing Bond Issue Costs <i>To reverse double booked COI of 2014 bonds</i>	326,063			(326,063)
<3> Customer advances for constructions Beg net position Other income <i>To adjust the advances to construction over 5 years.</i>		3,070,225	(3,065,598)	(4,627)
	<u>962,277</u>	<u>2,434,011</u>	<u>(3,065,598)</u>	<u>(330,690)</u>