

February 27, 2010

The Board of Commissioners
Consolidated Commission on Utilities

Dear Members of the Board of Commissioners:

We have performed an audit of the financial statements of Guam Power Authority (GPA) as of and for the year ended September 30, 2009, in accordance with auditing standards generally accepted in the United States of America (“generally accepted auditing standards”) and have issued our report thereon dated February 27, 2010.

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 auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, have been described in our engagement letter dated August 7, 2009. As described in that letter, the objective of a financial statement audit conducted in accordance with the aforementioned standards is:

- To express an opinion on the fairness of GPA’s basic financial statements and the accompanying supplementary information, and to disclaim an opinion on the required supplementary information for the year ended September 30, 2009 in conformity with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”), in all material respects;
- To express an opinion on whether the supplementary information that accompanies the basic financial statements is presented fairly, in all material respects, in relation to the basic financial statements taken as a whole;
- To 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, 2009 based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*; and
- To report on GPA’s compliance with requirements applicable to each major federal program and 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 by management with the oversight of 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.

We considered GPA's internal control over financial reporting as a basis for designing audit procedures that are 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 would not necessarily 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.

MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in GPA's 2009 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 realizable value, and management's estimate of depreciation expense, which is based on estimated useful lives of the respective capital assets. We are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

AUDIT ADJUSTMENTS AND UNCORRECTED MISSTATEMENTS

As the result of our audit work, we identified matters that resulted in audit adjustments that we believe either individually or in the aggregate with others have had a significant effect on GPA's financial reporting process. Such adjustments, listed in Appendix A, have been recorded in the accounting records and are reflected in the 2009 financial statements.

In addition, we have attached to this letter, as Appendix B, 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.

SIGNIFICANT ACCOUNTING POLICIES

GPA's significant accounting policies are set forth in Note 1 to GPA's 2009 financial statements. During the year ended September 30, 2009, there were no significant changes in previously adopted accounting policies or their application. New accounting policies adopted during the year ended September 30, 2009 are also set forth in Note 1 to GPA's 2009 financial statements.

CRITICAL ACCOUNTING POLICIES AND PRACTICES

Critical accounting policies are those that are both most important to the portrayal of GPA's financial condition and results and require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

We had no oral discussions with management regarding critical accounting policies and practices related to the year ended September 30, 2009.

ALTERNATIVE ACCOUNTING TREATMENTS

We had no discussions with management regarding alternative accounting treatments within generally accepted accounting principles for policies and practices related to material items, including recognition, measurement, and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, related to the year ended September 30, 2009.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to GPA's 2009 financial statements.

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 2009.

MAJOR ISSUES DISCUSSED WITH MANAGEMENT PRIOR TO OUR INITIAL ENGAGEMENT OR RETENTION

Throughout the year, routine discussions regarding the application of accounting principles or auditing standards were held with management in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions 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 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 Appendix C, a copy of the representation letter we obtained from management.

OTHER MATTERS

Subsequent to the issuance of GPA's 2008 financial statements, the Government of Guam's Department of Administration issued a determination concerning the redesignation of the Defined Benefit (DB) Plan as a cost-sharing multiple-employer plan. Prior to this determination, the DB Plan was designated as a single-employer plan, requiring GPA to measure and disclose an amount for annual pension cost.

Annual pension cost amounted to GPA's annual required contributions (ARC) to the plan with the difference between the ARC and actual required contributions recognized as a net pension obligation.

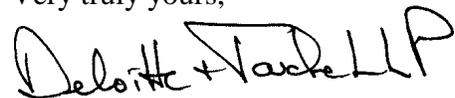
The redesignation of the DB Plan as a cost-sharing multiple-employer plan resulted in the reversal of the previously reported unfunded pension liability, totaling \$10,720,832, and related pension costs of \$704,538 as well as related disclosure in the financial statements.

CONTROL-RELATED MATTERS

We have issued a separate report to you, also dated February 27, 2010, containing certain matters involving GPA's internal control over financial reporting that we consider to be material weaknesses or significant deficiencies under standards established by the American Institute of Certified Public Accountants, and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. We have also issued a separate report to you, also dated February 27, 2010, involving GPA's compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133. Although we have included management's written responses to our comments contained in those reports, such responses have not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we do not express an opinion or provide any form of assurance on the appropriateness of the responses or the effectiveness of any corrective actions described therein. We have communicated to management, in a separate letter also dated February 27, 2010, other matters that we identified during our audit.

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,

Handwritten signature of Deloitte + Touche LLP in black ink.

APPENDIX A

SUMMARY

Number	Type	Description	Assets	Liabilities	Net Assets	(Increase) Decrease in Net Assets
1	AJE	To reverse grant revenue	(287,726.00)	-	287,726.00	-
2	AJE	To reverse unfunded retirement	-	10,720,832.00	(10,720,832.00)	-
3	AJE	To write down value of Mark V	(770,409.00)	-	-	770,409.00
4	AJE	To adjust deferred clearing accounts	(187,865.00)	-	-	187,865.00
Total Posted			<u>(1,246,000.00)</u>	<u>10,720,832.00</u>	<u>(10,433,106.00)</u>	<u>958,274.00</u>

DETAIL

#	Name	Debit	Credit
1 AJE To reverse grant revenue - Single Audit			
143000.10	Job Orders & Misc.	-	287,726.00
201100	Grant by DOI	287,726.00	-
		<u>287,726.00</u>	<u>287,726.00</u>
To adjust contingent claim recognize as a grant revenue.			
2 AJE To reverse unfunded retirement			
263000.12	FY 89	997,010.00	-
263000.13	FY 90	2,214,547.00	-
263000.14	FY 91	1,545,391.00	-
263000.15	FY 92	2,660,952.00	-
263000.16	FY 93	2,374,007.00	-
263000.19	FY 96	-	1,443,495.00
263000.20	FY 97	-	2,747,060.00
263000.01	FY 78	457,000.00	-
263000.02	FY 79	494,145.00	-
263000.03	FY 80	427,812.00	-
263000.04	FY 81	514,620.00	-
263000.05	FY 82	187,732.00	-
263000.06	FY 83	233,596.00	-
263000.07	FY 84	182,035.00	-
263000.08	FY 85	179,814.00	-
263000.09	FY 86	502,826.00	-
263000.10	FY 87	516,355.00	-
263000.11	FY 88	1,057,085.00	-
263000.17	FY 94	479,918.00	-
263000.18	FY 95	202,185.00	-
216000	Retained Earnings	-	10,720,832.00
263000.21	FY 02	2,249,937.00	-
263000.22	FY 03	-	9,794,296.00
263000.23	FY04	1,557,290.00	-
263000.24	FY05	2,668,476.00	-
263000.25	FY06	1,387,176.00	-
263000.26	FY07	911,236.00	-
263000.27	FY08	704,538.00	-
		<u>24,705,683.00</u>	<u>24,705,683.00</u>
To reverse unfunded accrued retirement as an adjustment to beginning net asset.			
3 AJE To write down value of Mark V			
107100	CWIP - Work Orders	-	770,409.00
426000	Extraordinary gain/loss	770,409.00	-
		<u>770,409.00</u>	<u>770,409.00</u>
To provide an allowance on the obsolescence of equipment purchased.			
4 AJE To adjust deferred clearing account			
184000	Deferred Clearing	-	187,865.00
935000	Closing	187,865.00	-
		<u>187,865.00</u>	<u>187,865.00</u>
To reverse deferred clearing mostly attributed error in encoding for Engineering payroll in PYs.			

APPENDIX B

Description	Assets	Liabilities	Net Assets	(Increase) Decrease in Net Assets
<i>To reclass AR excessive payment to liability</i>				
(Dr.) AR Trade	343,590			
(Cr.) Accounts Payable		(343,590)		
<i>To correct the over accrued annual leave</i>				
(Dr.) Accrued Annual Leave		229,028		
(Cr.) Salaries and Wages				(229,028)
<i>To write down PBX system</i>				
(Dr) Write down of value				358,647
(Cr) Fixed asset	(358,647)			
<i>To write off prepaid parts</i>				
(Dr) Other expensee				110,675
(Cr) Prepaid parts	(110,675)			
<i>To properly classify deferred payment</i>				
(Dr) Temes Financing-current		255,792		
(Cr) Temes financing-noncurrent		(255,792)		
<i>To provide allowance for DPW disputed receivable</i>				
(Dr) Bad debt expense				390,377
(Cr) Allowance for bad debt-NR	(390,377)			
<i>To provide allowance for materials inventory obsolescence</i>				
(Dr) Inventory Obsolescence Expense				1,057,745
(Cr) Material and Supplies Inventory	(1,057,745)			
	(1,573,854)	(114,562)	0	1,688,416



GUAM POWER AUTHORITY

ATURIDAT ILEKTRESEDAT GUAHAN
P O BOX 2977, AGANA, GUAM 96932-2977

February 27, 2010

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

We are providing this letter in connection with your audits of the statements of net assets of the Guam Power Authority (the Authority), as of September 30, 2009 and 2008, and the related statements of changes in net assets and cash flows for the years then ended, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, results of operations and changes in net assets and cash flows of the Authority in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the following:

- a. The fair presentation in the financial statements of the Authority's net assets, related statements of revenues, expenses and change in net assets, and cash flows, in conformity with accounting principles generally accepted in the United States of America (GAAP).
- b. The fair presentation of the required supplementary information, including the Management's Discussion and Analysis, and supplemental schedules accompanying the financial statements that are presented for the purpose of additional analysis of the financial statements.
- c. The design and implementation of programs and controls to prevent and detect fraud, including fraud related to federal awards.
- d. Establishing and maintaining effective internal control over financial reporting.
- e. The review and approval of the financial statements, accompanying schedules 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 stand-alone business-type activities checklist by the Government Finance Officers Association. Additionally, we agreed with the adjusting and reclassification entries included in Appendix A.

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

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 asset components (invested in capital assets, net of related debt; restricted; and unrestricted) are properly classified and, if applicable, approved.
- b. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
- c. Required supplementary information is measured and presented within prescribed guidelines.
- d. Costs to federal awards have been charged in accordance with applicable cost principles.

2. The Authority has made available to you all:

- a. Summaries of actions of the Consolidated Commission on Utilities which are dated as follows:

<u>Name</u>	<u>Date</u>
Regular Meeting	October 21, 2008
Regular Meeting	November 24, 2008
Regular Meeting	December 9, 2008
Regular Meeting	January 27, 2009
Regular Meeting	February 24, 2009
Regular Meeting	March 24, 2009
Regular Meeting	April 28, 2009
Regular Meeting	May 26, 2009
Regular Meeting	June 23, 2009
Regular Meeting	August 18, 2009
Regular Meeting	September 15, 2009
Regular Meeting	October 20, 2009
Regular Meeting	November 24, 2009
Regular Meeting	December 15, 2009
Regular Meeting	January 12, 2010
Regular Meeting	February 9, 2010

- b. Financial records and related data for all financial transactions of the Authority. The records, books, and accounts, as provided to you, record the financial and fiscal operations of the Authority 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.

3. There has been no:

- a. Action taken by the Authority's management that contravenes the provisions of federal laws and Guam laws and regulations, or of contracts and grants applicable to the Authority.
- b. Communication from other regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the financial statements.

4. 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.
5. We understand materials and supplies inventory and utility plant assets were tested using statistical or other sampling techniques and that certain errors in recording valuation reserve of inventory obsolescence and disposals of assets as of September 30, 2009 were found by you in the sample items selected. The effect of the known errors identified has been included in the summary of uncorrected misstatements attached to this letter as Appendix B. We also understand that to estimate the total amount of errors in materials and supplies inventory and utility plant assets, a mathematical projection of the likely errors has been computed, which results in a potential overstatement of \$1,105,000 of materials and supplies inventory and \$253,000 of utility plant assets at September 30, 2009. Only additional testing and verification by either the Authority or you would produce a more accurate estimate of the errors within materials and supplies inventory and utility plant assets. Such potential overstatements are not included as part of Appendix B. Based on our judgment of the materiality of the overstatements, we believe the effects of such potential unrecorded errors, as well as the effects when considered with the items in Appendix B, are immaterial to the financial statements taken as a whole.
6. The Authority 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 its understanding about the risks of fraud in the Authority and does 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 Authority involving:
 - a. Management.
 - b. Employees who have significant roles in internal control over financial reporting.
 - c. Others if the fraud could have a material effect on the financial statements.
8. We have no knowledge of any allegations of material fraud or suspected fraud affecting the Authority received in communications from employees, former employees, analysts, regulators, shortsellers, or others.
9. There are no unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification (ASC) Topic No. 450 *Contingencies* (formerly FASB Statement No. 5, *Accounting for Contingencies*.)
10. The Schedule of Expenditures of Federal Awards was prepared in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. We have identified in that schedule all awards provided by federal agencies in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, or direct appropriations. In addition, we have accurately completed the appropriate sections of the data collection

of the data collection form.

11. We are responsible for compliance with Guam and federal laws, rules and regulations, including compliance with the requirements of OMB Circular A-133, and provisions of grants and contracts relating to the Authority'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 Authority is responsible for maintaining accounting and administrative control over revenues, obligations, expenditures, assets, and liabilities.
12. 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 laws, regulations, and provisions of contracts and grant agreements that could have a material effect on its federal programs.
13. We have:
 - a. Identified the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each federal program. The types of requirements identified include: activities allowed or disallowed; allowable costs/cost principles; matching, level of effort, or earmarking; procurement; reporting; and special tests and provisions.
 - b. Complied, in all material respects, with the requirements identified above in connection with federal awards.
 - c. Made available all information related to federal 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 entity, as applicable.
 - d. Identified and disclosed all amounts, questioned and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews related to the objectives of the audit.
 - e. 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.
 - f. Provided to you our views on the reported findings, conclusions, and recommendations for your report.
14. We are responsible for follow-up on all prior year(s) findings. We have prepared a summary schedule of prior-year findings reporting the status of our efforts in implementation of the prior-year's corrective action plan.

15. 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.
16. There are no significant deficiencies and material weaknesses, in the design or operation of internal control that could adversely affect the Authority's ability to initiate, record, process, and report financial information except as set forth in your reports on internal control and compliance.
17. 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, matters less than \$780,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the financial statements.

18. Except as listed in Appendix B, there are no transactions that have not been properly recorded in the accounting records underlying the financial statements.
19. The Authority has no plans or intentions that may affect the carrying value or classification of assets and liabilities.
20. The following, to the extent applicable, have been appropriately identified, properly recorded, and disclosed in the financial statements:
 - a. Related party transactions and associated amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral).

During the years ended September 30, 2009 and 2008, GPA billed Government of Guam agencies \$55,005,422 and \$52,988,852, respectively, for sales of electricity. Receivables (excluding long-term receivables) from Government of Guam agencies were \$5,403,926 and \$5,087,395 at September 30, 2009 and 2008, respectively.

GPA provides electrical and administrative services to GWA, a component unit of the Government of Guam, which is also governed by the CCU. Electricity sales to GWA for the years ended September 30, 2009 and 2008 were \$14,935,862 and \$14,528,245, respectively. Total amounts billed by GPA to GWA for administrative expenses and cost reimbursements amounted to \$567,991 and \$280,851 in 2009 and 2008, respectively. Outstanding receivables for administrative expenses and cost reimbursements billed by GPA to GWA amounted to \$1,549,355 and \$1,322,476 as of September 30, 2009 and 2008, respectively. In addition, GPA has a long-term receivable of \$3,998,968 and \$5,209,286 due from GWA at September 30, 2009 and 2008, respectively.

- b. Guarantees, whether written or oral, under which the Authority is contingently liable.
21. 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.

22. 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.
23. Risks associated with concentrations, based on information known to management, that meet all of the following criteria have been disclosed in the financial statements:
- a. The concentration exists at the date of the financial statements.
 - b. The concentration makes the enterprise vulnerable to the risk of a near-term severe impact.
 - c. It is at least reasonably possible that the events that could cause the severe impact will occur in the near term.
24. There are no:
- a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by ASC Topic No. 450 *Contingencies* except as disclosed and/or recorded in the financial statements.
25. The Authority 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.
26. The Authority has complied with all aspects of contractual agreements that would have an effect on the financial statements in the event of noncompliance, including all requirements associated with the 1993 and 1999 Series bonds.
27. No events have occurred subsequent to September 30, 2009 to the date of our signatures below, that require consideration as adjustments to or disclosures in the financial statements. Additionally, no events have occurred subsequent to September 30, 2009, that require consideration as adjustments to or disclosures in the schedule of federal awards and related notes.
28. No department or agency of the Federal Government or the Government of Guam have reported a material instance of noncompliance to us.
29. With regard to the fair value measurements and disclosures of certain assets, we believe that:
- a. The measurement methods, including the related assumptions, used in determining fair value were appropriate and were consistently applied.

- b. The completeness and adequacy of the disclosures related to fair values are in conformity with GAAP.
- c. No events have occurred subsequent to September 30, 2009 that require adjustment to the fair value measurements and disclosures included in the financial statements.

30. During fiscal year 2009, the Authority implemented the following pronouncements

- GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, which improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income.
- GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which improves financial reporting by contributing to the GASB's efforts to codify all GAAP for state and local governments so that they derive from a single source.
- GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, which incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants (AICPA) auditing literature into the GASB's accounting and financial reporting literature for state and local governments, and addresses three issues from the AICPA's literature - related party transactions, going concern considerations, and subsequent events.

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

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which addresses whether and when intangible assets should be considered capital assets for financial reporting purposes. The provisions of this statement are effective for periods beginning after June 15, 2009. The effect of the implementation of this statement on the financial statements of GPA has not been determined.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which is intended to improve how state and local governments report information about derivative instruments - financial arrangements used by governments to manage specific risks or make investments - in their financial statements. The provisions of this statement are effective for periods beginning after June 15, 2009. The effect of the implementation of this statement on the financial statements of GPA has not been determined.

In December 2008, GASB issued Technical Bulletin No. 2008-1, *Determining the Annual Required Contribution Adjustment for Postemployment Benefits*, which clarifies the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for calculating the annual required contribution (ARC) adjustment. The provisions of this statement are effective for periods beginning after December 15,

2008. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Authority.

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The provisions of this statement are effective for periods beginning after June 15, 2010. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Authority

31. 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.
32. Provision has been made to reduce excess or obsolete inventories to their estimated net realizable value. All inventories are the property of the Authority and do not include any items consigned to it.
33. We believe that all expenditures that have been deferred to future periods are recoverable.
34. 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.
35. We represent to you that, subsequent to September 30, 2009, there were no changes in internal control or other factors that might significantly affect internal control, including any corrective action taken by management with regard to reportable conditions (including material weaknesses).
36. The Authority has obligated, expended, received, and used public funds of the Authority 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.
37. 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 recordkeeping related thereto is proper, accurate, and in accordance with law.
38. The Authority has complied, in all material respects, with the requirements identified in item 13 (a) above in connection with federal awards.
39. The Authority is responsible for complying, and has complied, with OMB Circular A-133.
40. No evidence of fraud or dishonesty in fiscal operations of programs administered by the Authority has been discovered.
41. Management of the Authority is of the opinion that accounts and notes receivable from the Guam Department of Education and the Guam Waterworks Authority are fully collectible.

Very truly yours,



Simon Sanchez
Chairman, Consolidated Commission on Utilities

3/20/10

Date



Joaquin Flores
General Manager

3/29/10

Date



Randall Wiegand
Chief Financial Officer

3/26/10

Date



Lenora Sanz
Controller

3/26/10

Date