AMERICAN SAMOA POWER AUTHORITY
(A Component Unit of American Samoa Government)

FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION AND INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2010 AND 2009

AMERICAN SAMOA POWER AUTHORITY
(A Component Unit of American Samoa Government)

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Years Ended September 30, 2010 and 2009

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
American Samoa Power Authority
Pago Pago, American Samoa

We have audited the accompanying statements of net assets of the American Samoa Power Authority (ASPA), a component unit of American Samoa Government, as of September 30, 2010 and 2009, and the related statements of revenues, expenses, and changes in net assets and of cash flows for the years then ended. These financial statements are the responsibility of the ASPA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of 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 ASPA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the American Samoa Power Authority as of September 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 16 is not a required part of the basic financial statements but is supplementary information required by the *Governmental Accounting Standards Board*. This supplementary information is the responsibility of the ASPA’s management. We have applied certain limited procedures to such information, which consisted principally of inquiries of management regarding the methods of measurements and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the ASPA taken as a whole. The additional information on pages 36 through 45 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This additional information is the responsibility of the ASPA’s management. Such additional information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2011, on our consideration of the ASPA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte & Touche LLP

June 16, 2011

AMERICAN SAMOA POWER AUTHORITY
(A Component Unit of American Samoa Government)

Management's Discussion and Analysis
September 30, 2010 and 2009

On behalf of the American Samoa Power Authority ("ASPA") organization, the senior management offers the readers of its financial statements, narrative overview and analysis of the financial activities of the ASPA for the fiscal year ended September 30, 2010. The information contained herein is based on current known facts, decisions and other conditions that have materially affected the ASPA during this reporting period. It is designed to provide the reader with a summary of the past two years of activities as well as our anticipated projects. We encourage the readers to consider the financial statements presented here in conjunction with the accompanying notes that follow this report.

FINANCIAL HIGHLIGHTS

Total assets increased by $16.5 million, with the most significant increase reflected in current assets of $11.9 million and restricted assets of $7.8 million while utility plant assets decreased by $3.2 million. In FY2010, ASPA received about $4.5 million of ARRA funds that are restricted for renewable energy projects. These projects were listed on ASPA FY2009 Consolidated Organizational and Operational Future Goals.

ASPA received a partial payment of about $5.4 million from its insurance policy during FY2010.

There is a significant amount of cash available from fuel division at fiscal year end which is all allocated for fuel payable of $4.2 million due in the following month of October 2010 which also contributed to the increase reflected in current assets.

In FY2010, FEMA approved funding for temporary and permanent repair projects for ASPA caused by the Earthquake and Tsunami disaster that affected American Samoa on September 29, 2009. ASPA restored power and water to areas that were affected and at September 30, 2010, about $3.4 million of receivable were still outstanding.

In FY2010, there were several capital improvement projects started but few completed due to the length of time required to complete additional federal requirements, such as NEPA for archaeology compliance. The ASPA again faced challenges in securing local rights of way at the project sites. The net result was minimal additions to the utility plant assets.

- In December 2008, the ASPA entered into a fuel supply agreement with a global oil company to enable the ASPA to become a fuel distributor to the islands of American Samoa and a supplier to its operating divisions. Being a fuel distributor, ASPA added a new division called "Fuels Marketing" to administer and monitor the supply of fuel from Singapore and to distribute to both the ASPA operations and commercial customers.

- In September 2010, the ASPA overall total net income was a surplus of $2 million. Of this total, the Fuel Division operating income was about $1.6 million while the other operating divisions made up the remaining balance of $396 thousand. The Fuels Marketing inventory asset value, at the end of FY2010, was approximately $4.1 million.

- Depreciation expense in FY2010 decreased by $669,700. ASPA Satala Power Plant and its Operations Center Building on the eastern side of Tutuila Island were totally destroyed by Earthquake and Tsunami disaster and were written off in FY2009. The loss of these assets has a direct impact on depreciation expense for utility plant.

- Total operating revenues, excluding the fuel sales, decreased by $422 thousand over previous year due to the loss of Samoa Packing Company, which was one of our largest industrial customers. In addition, ASPA raise its rates for Electric, Water, Wastewater and Solid Waste in July 2010, which generated additional revenue to cover operational expenses. The ASPA factors the variable fuel surcharge into its monthly billings to recover the variable cost of fuel oil, and therefore the cost of fuel has a direct impact on operating revenues. In FY2010, the fuel price peaked at $2.71 per gallon.

- The ASPA's operating and maintenance expenses in FY2010 increased dramatically by $8.4 million over FY2009. In November 2009, ASPA entered into a contract agreement with Aggreko International Project Ltd to generate power on the eastern side of Tutuila island due to the loss of the Satala Power Plant. At September 30, 2010, about $7.6 million of total cost is attributed to Aggreko Company for generating power. Although overall net operating expenses increased, fuel expense dropped about $2.5 million over prior year. Before Aggreko Company arrived on island, there was only one power plant from the western side of the island generating power to the island of American Samoa. ASPA went through a significant amount of temporary repairs, debris removal, relocation, and records recovery during the year due to the loss of its Power Plant and Operations Center by the Earthquake and Tsunami disaster. About $3 million of additional expenses related to Earthquake and Tsunami temporary repair projects were recorded at year end. In FY2010, Fuels Marketing recorded its full twelve (12) months of operation with additional costs of fuel sales of about $8.5 million.

- Nonoperating revenues increase significantly by $11.6 million in FY2010. Nonoperating revenues are those revenues received from FEMA, DOI-OMIP and other federal agencies. In FY2010, FEMA approved several projects related to Earthquake and Tsunami including the Aggreko Contract. FEMA is funding 90% and ASPA pays for 10% of the total cost. At September 30, 2010, about $10.7 million was booked as FEMA revenue from Aggreko Contract and other FEMA approved projects.

- Nonoperating expenses reflected an increase of $775,830 in FY2010 compared to FY2009. In July 2010, ASPA and ASG came into agreement for ASPA to lease Tafuna area for fifteen (15) years. About $696,845 of six years back rental payments were recorded as nonoperating expenses in FY2010.

- Net loss before capital contributions was significantly decreased to $754,263 in FY2010 from $3,785,343 in FY2009. Fuel division surplus of $1.6 million contributed to the reduction of net loss for FY2010.

- Extraordinary expenses of $114,640 were recorded for additional write-off of Utility plant assets destroyed by tsunami on September 29, 2009.

- Federal capital grants of $2.8 million were recorded as a result from CIP projects classified as under construction and the corresponding procurement of materials, equipment and services.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Annual Audit Report includes the Independent Auditor's Report, Management's Discussion and Analysis ("MD&A"), Financial Statements with accompanying notes, Supplementary Information and Disclosures in Accordance with Government Auditing Standards.

The financial statements of the ASPA are designed to provide readers with an accurate overview of the utility's finances similar to a private-sector business. They have been prepared using the accrual basis of accounting in accordance with Generally Accepted Accounting Principles ("GAAP") in the United States. Under this basis of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred, regardless of the timing of related cash flows. These statements offer short-and long-term financial information about the ASPA's activities.

The ***Statement of Net Assets*** presents information on all of the ASPA's assets and liabilities and information about the nature and amounts of investments in resources (assets) and the obligations to the ASPA creditors (liabilities). It also provides the basis for computing rate of return, evaluating its capital structure and assessing the liquidity and financial flexibility of the ASPA.

The ***Statement of Revenues, Expenses and Changes in Net Assets*** presents information on all of the current year's revenues and expenses. It also provides a measurement of the ASPA's operations over the past year and can be used to determine whether the ASPA has successfully recovered all its costs through its rates and other charges and to also analyze profitability and credit worthiness.

The ***Statement of Cash Flows*** provides relevant information about the ASPA's cash receipts and cash payments during the reporting period. This statement reports cash receipts and cash payments resulting from operating, financing and investing activities. When used with related disclosures and information, a statement of cash flows should provide insight into (a) the ASPA's ability to generate future net cash flows, (b) the ASPA's ability to meet its obligations as they come due, (c) the ASPA's needs for external financing, (d) the reasons for differences between operating income and associated cash receipts and payments and (e) the effects on the ASPA's financial position of both its cash and its non-cash investing, capital and financing transactions during the period. The changes in cash balances are an important indicator of the ASPA's liquidity and financial condition.

The Notes to financial statements provide additional information essential to a full understanding of the data provided in the financial statements. This includes, but is not limited to, significant accounting policies, significant financial statement balances and activities, material risks, commitments and obligations and subsequent events as applicable.

FINANCIAL ANALYSIS

Condensed Balance Sheet

	2010	2009	2008
Assets:			
Current assets	$ 32,648,577	$ 20,712,365	$ 17,581,646
Restricted assets	9,173,797	1,414,239	1,560,276
Utility plant, net	73,980,137	77,143,018	81,975,016
Total assets	$ 115,802,511	$ 99,269,622	$ 101,116,948

Net Assets and Liabilities

Liabilities:			
Current liabilities	$ 27,195,791	$ 11,040,920	$ 11,648,377
Long-term debt, net of current portion	1,738,610	3,119,749	4,519,666
Other long-term liabilities	1,095,129	1,378,986	-
Net Assets:			
Invested in utility plant, net of related debt	71,340,922	73,810,119	77,854,855
Restricted net assets	499,237	690,309	823,504
Unrestricted net assets	13,932,822	9,229,539	6,270,536
Total net assets and liabilities	$ 115,802,511	$ 99,269,622	$ 101,116,938

Current assets increased by $11.9 million. Current assets are those assets that mature in less than a year. The $11.9 million increase is primary attributed to the fuel inventory and cash reserve for fuel payment assigned to the Fuels Marketing Division. These assets include fuel inventory of $4.1 million and cash reserve for fuel payment of $4.2 million. In addition to Fuels Marketing assets, ASPA recorded about $3.4 million of receivables due from FEMA for Earthquake and Tsunami related expenses.

Restricted assets increase approximately $7.8 million. Restricted assets are those amounts required to be maintained in revenue bond fund accounts, set aside in accordance with the terms of U.S. Department of Interior capital grant agreements, and deposits into the employee supplementary income plan. In addition, about $4.5 million of ARRA funds are set aside for renewable energy projects that are under procurement review and final bidding. During the year, about $3 million of the total received from ASPA insurance policy is reserved for rebuilding of Satala Power Plant.

Utility plant continued to be the largest asset and accounted for 64% of total assets. These capital assets are used to provide services to our customers, and are not available for future spending, nor used to liquidate any liabilities. Refer to the note 5 to the financial statements for additional details regarding movements in utility plant.

Current liabilities are those debts payable within one year. The current ratio decreased from 1.94 in FY2009 to 1.23 in FY2010. The ASPA's net assets position increased to $85.8 million in FY2010 compared to $83.7 million in FY2009.

ASPA did not negotiate any new financing during FY2010. Refer to note 6 to the financial statements for additional details regarding financing activities.

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	2010	2009	2008
Operating Revenues:			
Electric	$ 44,931,984	$ 45,634,944	$ 62,506,067
Water	4,826,323	4,926,862	5,822,558
Sewer	1,138,664	813,273	963,243
Solid Waste	1,477,163	1,343,086	1,339,419
Fuels Marketing	63,288,032	44,594,929	-
Interdivisional eliminations	(32,614,871)	(21,271,109)	(3,518,933)
Total operating revenues	83,047,295	76,041,985	67,112,354
Cost of goods sold	28,566,336	20,060,707	-

Operating Expenses:			
Fuel oil	26,177,748	28,704,173	45,822,431
Operating and maintenance	24,207,568	15,848,788	11,068,598
Depreciation	6,846,120	7,515,820	7,594,699
Others	5,828,806	4,780,787	5,496,652
Total operating expenses	91,626,578	76,910,275	69,982,380
Net operating loss	(8,579,283)	(868,290)	(2,870,026)
Non operating revenues	8,946,823	695,907	808,536
Non operating expenses	(1,221,864)	(493,656)	(406,409)
Net loss before capital grants	(854,324)	(666,039)	(2,467,899)
Extraordinary item	100,061	(3,119,416)	-
Federal capital grants	2,797,277	2,566,415	1,467,744
Net change in net assets	2,043,014	(1,218,928)	(1,000,155)
Net assets at beginning of year	83,729,967	84,948,895	85,949,050
Net assets at end of year	$ 85,772,981	$ 83,729,967	$ 84,948,895

The statement of revenues, expenses and changes in net assets provide information as to the nature and source of these changes. In FY2010, ASPA lost about $450 thousand monthly of its revenues when Samoa Packing Company, a tuna cannery and one of its largest customers, ended its operation on September 30, 2009. In July 2010, ASPA raised its utility rates for Electric, Water, Sewer, and Solid Waste to recover its operational expenses. Aggregate operating revenues increased by $7 million in FY2010 compared to FY2009. Fuels Marketing added an additional $8.5 million for a complete twelve months of operation. In FY2009, Fuels Marketing operation started in December 2008.

Fuel expenses decreased from $28.7 million in FY2009 to $26.2 million in FY2010. The decrease in fuel expenses reflects the decrease in fuel price in FY2010. The fuel discount of $.08 cents from Fuels Marketing also contributed to the reduction of fuel expenses.

The ASPA had several achievements in FY2010 of significant value to the community. The ASPA Board of Directors and Management have been working hard to reassess the ASPA's organizational structure, and continually implement ways to improve ASPA's utility services. Some of the most significant achievements and losses occurring in FY2010 are as follows:

Overall

The ASPA continued with net metering which started in April 2008 and allows eligible customers the opportunity to connect to and provide energy to the ASPA electric grid. Under the policy, customers with renewable energy systems equal to or less than 30 kw can offset their electric energy consumption and /or accumulate electric energy credits and thereby reduce their power bill.

Consolidated Rate Study

In August 2009, the rate revision was finalized and two public hearings were held for the public to view and comment on the new utility rates. The four (4) step Rate plan included the electric, water, wastewater, and solid waste. Due to the loss of revenue from the closure of Samoa Packing, the ASPA will not be able to lower the non-fuel electric rate. In July 2010, ASPA finally implemented the new utility rates for all divisions.

Earthquake and Tsunami Devastation

The earthquake and tsunami of September 29, 2009 devastated American Samoa and the ASPA critical infrastructure. The tsunami, within minutes after the earthquake, drove a series of waves that inundated the ASPA Satala Power Plant. The ASPA Satala Power Plant, which provided 50% of the power generation for the main island of Tutuila, was completely destroyed. There were damages throughout the power distribution system; damages on the water and wastewater facilities, pipes, and the like; and, left massive debris that needed to be removed. ASPA employees worked relentlessly to provide power to water wells, distribution, and critical facilities; restore power and power lines for residential, business, and government users; remove debris; and fix water and waste water facilities that were damaged. The ASPA is facing a total estimated cost of about $66+ million in qualifying tsunami-related public assistance program expenses. The ASPA is fortunate that the Governor has been able to secure from President Obama, a "90%-10%" federal public assistance program grant. However, even with the 90%-10% match, this will leave ASPA with having to deal with the estimated $6+ million in total expenses over the next year.

Samoa Packing Company

Samoa Packing Company was one of the ASPA's biggest customers and represented about 12% of our total revenues on a monthly basis. In September 30, 2009, the company finally closed down its operation in American Samoa. The closure of this tuna cannery impacted and will continue to impact monthly sales for the foreseeable future.

Business and Finance

Additional file servers were added to the network to provide load balancing between servers to accommodate the growing amount of maps, archival data and files throughout the organization. Enhancements to Daffron CIS, MMS and FMS modules were completed during yearly maintenance. Computer replacements and network installations for users that relocated to Tafuna after the September 2009 tsunami which devastated the Satala Administration Building were configured and installed in new locations. New locations were wired and configured to connect via wireless to the ASPA Network.

A four (4) hour reduction from all career-service employees and five percent (5%) pay rate reductions from management employees per pay period were implemented from March to October 2010 to alleviate the financial short-falls anticipated by Business and Finance due to financial constraints from the Tsunami of September 2009. This helped the ASPA finances during this period.

The first incremental increases in utility base rates for all services were implemented in July 2010. The second incremental for all utility base rates except for Electric was supposed to go into effect on October 1, 2010, but was delayed until March 2011. The second incremental raise will go into effect April 2011.

The Accounting team has been busy with the compilation of supporting documents for ASPA claims to both FEMA and the insurance company for the restoration of all utility services damaged by the Tsunami of September 29, 2009.

The warehouse division of ASPA started FY2010 needing to coordinate the logistics with FEMA, ASPA and other agencies to secure T&D materials, generator sets and transformers restoration effort for the tsunami that hit American Samoa at the end of FY2009. Much time and effort for the next 6 to 9 months was concentrated on this task.

It is fortunate that both T&D and water orders from the annual bid of 2009 were starting to arrive in the months of October to December 2009. This made sure that ASPA had adequate supplies to aid the restoration efforts.

One of the biggest accomplishments in FY2010 for ASPA was the restoration or recovery of ASPA documents damaged by the September 2009 Tsunami. The Tsunami of September 2009 drove a series of waves ashore which destroyed the ASPA Satala Administration Building and flooded the records stored there. These files included, but were not limited to, Human Resources Department files, Accounts Payable Section, Legal Department, and the Procurement Department. The Human Resources files included personnel records of over 450 employees and inactive files for outgoing employees. The Legal files included litigation cases, etc. The Accounts Payable files included copies of invoices and backup documents dated back to 5 years. Procurement Files included copies of travel documents, housing files, and purchase order copies with backups and bid solicitation documents. The total number of boxes that contained most of these documents was estimated at 700 banker boxes.

ASPA recruited twenty two (22) employees through the U.S. Department of Labor National Emergency Grant ("NEG") that was administered by the American Samoa Government ("ASG") Human Resources Division in February 2010 to assist with the Recovery Project. Unfortunately, the program ended on April 30, 2010. With the assistance of FEMA, ASPA was able to re-hire twelve (12) employees to continue working on the Recovery Project.

The Records Recovery project is considered a historic event for ASPA because of its inception. This is the first time ASPA has undertaken a project of this caliber. By the end of September 2010, the Records Recovery Project had completed the first phase which included cleaning, dusting, drying, sorting and copying of all the documents.

The Procurement Section solicited approximately a total of thirty-nine (39) bids, quotes, and proposals in FY2010. Included in these solicitations were eight (8) large projects valued at a total of $28 million. These projects included the Temporary Turnkey Power Generation, Manu'a (Tau/Faleasao) Water Supply System Improvements, Aunu'u Water Tank Replacement, and Purchase & Delivery of Septic Tanks, USEPA-NPDES Permit Condition Sampling, Fagalii-Maloata-Fagamalo (FMF) Water Supply System, Transportable Power Generation Systems & Ancillary System (TPGS) and Supply of Mobilgard ADL40 Lube Oil. The seven (7) projects were funded by federal grants with the exception of the Mobilgard Lube Oil which was funded with local operating funds.

Fuels Division

The ASPA Fuel Division continued healthy operations and growth and surpassed the $100 million gross revenue mark in August. The division continues to operate with minimal staff and minimal operational overhead. The continued partnerships with ExxonMobil, Clipper and Sunrise Oil have helped the division to ensure competition in the market and provide the ratepayer with the best possible rates during a particularly volatile fuel year. The Fuel Division plans to maintain current market share and work with ExxonMobil to effectively utilize a $2.0 million grant from the USDA to help pass through lower rates to the ratepayer. Additionally, the Fuel Division will help ASPA realize the goal of the installation of a Temporary Power Generation System and moving the island towards a cleaner operating environment by importing and utilizing Ultra Low Sulfur Diesel for the new system and the future permanent build at the Satala Site.

The biggest challenge for the Fuel Division is the fluctuation of the price of fuel from Singapore. In response to market fluctuations, ASPA is working to secure more favorable pricing terms and guarantees against the changes in the market place.

Generation

The Year 2010 was a busy year for the Generation Division. Just recovering from the 2009 earthquake and tsunami disaster and returning to some normalcy in the power system after the installation of the Aggreko rental generators, the Generation team faced many challenges and adjusted to the new reality; the old Satala power plant was no longer operational, and never will be again. However, the Generation team adapted to the new circumstances and made the best of it.

Earlier in the year, the Tafuna power station experienced a complete station black out three (3) times. This was expected as there was no more tie line connection between the Tafuna and the Satala power station and due to the decrease capacity of total generation units in Tafuna as it was no longer tied to Satala for extra capacity as both power stations are now operating in island mode. To avoid complete station blackouts, the Generation team had to modify relay settings to drop off load faster during an event. Since then, the Tafuna power station has not experienced a complete blackout.

Aside from routine maintenance and services, other accomplishments by the Generation team for FY2010 included the following:

- The full replacement of overhead substation transformers for the Ofu and Faleasao power plants in Manu'a to safer pad mount transformers. This project was implemented by Generation and T&D teams.
- The bidding of the 18MW Temporary Power Generation System (TPGS) to replace the Aggreko Rental Generators.
- Renewal of the SPCC plan (for EPA Compliance) for the Tafuna and Manu'a power plants; also carried out repairs and services to Tafuna generation facility for SPCC compliance.
- Serviced small ASG generators that were used during the tsunami recovery before returning back to their respective agencies.
- Bid out Anemometer equipment supply and started drafts on ARRA fund projects, to include surveying of sites for anemometers, PV system, and waste heat recovery equipment.
- Worked with ASPA adjustor and legal team for the Insurance Claim for the damaged Satala power plant.
- Involved with the kickoff of the American Samoa Renewable Energy Committee.
- Worked with FEMA personnel for the final FEMA assessment of the Satala power plant.

Transmission & Distribution

The Transmission & Distribution (T&D) had been faced with many challenges for FY2010. Our services to our customers and to our community were faced with a few obstacles which could have been avoided. Although, these obstacles did not slow down the T&D crew to being motivated and creative with an attitude to get things rolling. Such delays were a result of shortage of equipment, tools and materials for the crews to conduct our services. There are times when T&D would be faced with shuffling around certain equipment just to meet each of our services. With this in place, there will be a continuation of delay for the near future and a burden to not only our crew but to our people.

Our future goal other than completing projects would be getting a complete fleet (Bucket trucks, Backhoe, Wood chipper, Honey wagon-URD, etc) for each crew to avoid the continuous delays we face with both our Operations and PM work.

Besides from our services (New meter installation, Streetlight repairs, Meter disconnection, Meter reconnect, Tree trimming, Pole replacement, Pole relocation, Banner installation, Floodlights installation, Meter relocation, 24hrs Trouble calls), listed below are some of the major accomplishment of throughout FY2010:

- Reconnecting Tsunami related cases which meters where disconnected
- Permanent repairs to some urgent temporary fixes during the Tsunami
- Work on several road projects with pole relocation (Fagatogo road, Petesa road, Malaeloa road, Sa'ilele road)
- Successful response to Hurricane Rene warning (TC)
- Faleasao & Ofu power plant Overhead transformers replacement with new padmounted Transformers
- Fagatogo road upgrade (underground and relocation)
- Kickoff Express Feeder (10)
- ASPA compound lighting
- LBJ underground (ASPA work completed except for LBJ delay in internal work which needs to be done to enable our crew to do changeover)
- Airport Underground (continuing onto FY2011- cable has been energized, awaiting arrival of upgraded materials to complete the whole project)

Other projects are yet to be completed and have been extended for FY2011.

Water Division

The Water Division continues to progress in daily operations with the acquisition of special tools that help us overcome challenges with our aging infrastructure. Some mentionable positive events from FY2010 include:

At the beginning of FY2010, ASPA Water Operators (Treatment and Distribution) were approved by the Association Board of Certification (ABC) to sit for the Distribution System Operator (DSO) and Water Treatment Plant Operator (WTPO) exam. Five of eleven operators were able to pass the exam with a passing score of 70 or higher. In the future, we hope to continue with the examination schedule that has been set and provide the opportunity for more operators to become certified and ultimately reach the certification level that will bring the ASPA into compliance with AS-EPA regulations.

The Water Quality Monitoring cycle for FY2010 has been completed. At the completion of the monitoring cycle, ASPA qualified for several reduction waivers which will result in a cost savings to the Water Division. Asbestos tests conducted show "non detect" results and due to these results, the ASPA has received a waiver indicating that testing will be conducted at maximum reduction status which is one (1) sample every nine (9) years. Lead (Pb) and Copper (Cu) testing results show that a majority of ASPA water systems are well below the Lead and Copper Rule (LCR) action levels. The Pb and Cu 90th percentile results have triggered the AS-EPA to give ASPA a reduction waiver for these water systems. Disinfection by Product (DBPs) testing results have qualified ASPA for another waiver in testing. The ASPA "Central System" has received a reduction waiver in sample sites to four (4) sample sites a quarter from fourteen (14) sample sites a quarter in 2010. A costs savings will be seen in testing and in shipping and labor as well. In the future, the Water Quality Monitoring schedule will see additional requirements as ASPA begins to participate in required testing.

The Water Division acquired Valve Exercising Machine and a new vehicle to facilitate completions of valve exercising schedule which will confirm valve status, size, turns and cleaning valve pit. A water audit can be achieved easily by section with system valves maintainance and exercise.

The leak detection equipment has maintained a constant flow of leaks found and as well as pinpoint leaks which reduce the size of excavated areas.

Several trainings are scheduled for the water division system operators' certifications, double backflow assembly tester, and cross connection. There will be 15 water crew members schedule to sit the certification exam this year for different levels.

Ta'u Manua new wells and tank project completed now provides Ta'u and Faleasao village with the best quality water in American Samoa and eliminates the use of an RO unit.

Fagalii Malota Fagamalo project has been awarded and the notice to proceed has been issued to the contractor for installation of new water lines, new water storage tank for these three villages.

Wastewater Division

Operational Preventive Maintenance

Meeting the wastewater challenge means having a prudent and practical commitment to boost public health and to secure the sustainability of our natural resources. Overall the staff and infrastructure are very competent in protecting the environment, public health and meeting our customer expectations. There have been no major sewer spills due to equipment failure. The ASPA has been operating Utulei and Fogagogo wastewater treatment plants well below our USEPA issue permit limitation.

Wastewater utilizes File Maker Pro as the core program to manage and maintain the wastewater facilities. This program has proven highly efficient and reliable as commended by the USEPA compliance inspection report of December 2007. This compliance report is very important to the ASPA if it is to maintain the 301(h) variance of the Clean Water Act to operate secondary treatment facilities. For this year alone, the ASPA has seen improvements in the preventative maintenance program with a 14% reduction in trouble service orders compared to previous year. However there has been a 20% increase in numbers of pump faults. Fourteen percent (14%) of these faults were mainly due to electrical and debris which was often attended and put back into the system. Throughout the year, the ASPA is completing approximately 82% of the scheduled preventive maintenance events. This is a good achievement, however, our goal is to achieve about 90% or higher completion.

Major work completed this year include the annual shutdown for inspection and maintenance work for Tafuna Treatment plant Clarigester tanks #2 and #3. Correction work to main shaft of drive gear to both tanks were completed.

USEPA Tentative Decision to Deny 301(h) Waiver

The USEPA has tentatively denied the renewal of the 301(h) waivers as described in tentative decision documents (TDDs) issued for each of the WWTPs. The denials are based primarily on observed violations of American Samoa Water Quality Standards (ASWQS) in the receiving waters. Without this waiver, future capital costs associated with treatment plants upgrades to full secondary treatment and to maintain and operate it could be a financial burden to ASPA and its rate payers. The estimated cost of conversion is between $51 and $66 million dollars. To date, a final decision for the renewal of the 301(h) waiver from USEPA has not been issued.

Ground Water Protection Projects

The groundwater protection projects funded jointly by USEPA and DOI/CIP are progressing very well. This year, under the Tualauta Sewer Project, the crew installed approximately 28,469 linear feet of service lines and connected 101 facilities in the Tualauta area. Since the year 2001, the ASPA has substantially increased the number of customers connected to the public sewer system by about 71%.

In addition, under the Island Wide Septic Tank Project, our crew installed 77 septic tanks with drainfields to homes throughout the island where sewer mains are not available. Influent from these septic tanks will be filtered and treated on-site. Sludge stored in these tanks will be emptied and transported to a treatment plant for further treatment. The total number of septic tanks installed since the project first started in 2004 now stands at 310 homes.

East Side Village Sewer System

The design of the East Side Village (Leloaloa, Aua, & Onesosopo) Sewer System is approximately 99% complete. This project will connect approximately 400 homes in the public sewer system. Wastewater from these three community areas will be collected and piped via gravity and force mains to the ASPA's Utulei Sewage Treatment Plant (STP). The existing, but unusable, clarigester No. 1 at the STP will be redesigned and rehabilitated to accommodate the increased wastewater flows to the STP from the East Side Villages. In addition, the existing Malaloa sewage lift station will be upgraded to accommodate the increased wastewater flows which will pass through that facility while flowing to the Utulei STP. It is anticipated that construction for this major project will be completed in the year 2012.

Solid Waste

The Solid Waste Division's success and challenges for FY2010 is the SW Collection In-House Project. After two years of ASPA SWD in-house collection, the ASPA has added 53 off-roads to its collection schedule. These off-roads lead to residential customers of five or more that were never serviced before. These customers were disposing on roadside bins and/or business bins. Collection of the off-roads is critical to ASPA that ensures service reaches all customers and residents in American Samoa. The two and three times a week pick up frequency for several villages was key to ensure solid waste were not over piled and up-keeping of a safety and friendly environment.

The Division has been working closely with commercial business on the bin placement strategy. Provided the narrow and limited space for several business, it was expressed and enforced that business secure locations for bins. This not only enforces responsibilities for the business owner, but also provides a uniform collection for ASPA. Businesses would roll out their bins on tipping days and roll back to the locations. Liabilities on bins security is also a customer and business responsibility. The ASPA SW is now able to recover damage costs on bins from this project.

The ASPA SW was able to commission and operate its first and only weighbridge scale before the end of the fiscal year. The weighbridge scale operation is a success project that provides accurate data on disposed wastes to the landfill. The ASPA conducted a waste characterization study in 2008 and this was based on a two season sort of two-weeks at the landfill. The outcome of the study indicated that disposed wastes equates on an average of 70 – 110 tons that can generate a 2-MW electric facility. The weighbridge scale has been collecting data since October 2010 and such shall be compared to the study. Data will guide the ASPA on a Waste to Energy Project that will bring benefits of low diesel consumption as well as less solid waste to the landfill.

Planning & Special Projects

The Planning & Special Project's major focus was being the lead coordinator, liaison and coordinator between the FEMA and the ASPA with all project worksheets to be submitted to the local State Grantee office (American Samoa Disaster Recovery Office, ASDRO) after its completion with all the required documentation for reimbursement and drawdown.

All the grant payments request to the USEPA and also drawdowns of reimbursements from the FEMA was a major accomplishment for the PSP office. The challenge of following up, tracking of each FEMA project worksheet and also preparing extension letters with justification and working between the Grantee (ASG ASDRO Office) and FEMA Region IX continues to be the focus for the PSP.

PSP continues to aggressively pursue federal grant opportunities with RUS, USEPA, USDOI, USDOE and other federal agencies in all areas of the utility, especially with a focus on renewable energy.

Consolidated Organizational and Operational Future Goals

The Engineering Service Division (ESD), in collaboration with the Power Generation, Water, Waste Water and Solid Waste Divisions, has been working on the pre-planning for design and specifications of various constructions projects funded by the federal agencies. The projects are as follows:

- Under the Safe Drinking Water Act (SDWA), the ASPA will be installing 27,000 linear feet of water lines for the Fagalii-Maloata-Fagamalo (FMF) Water Supply System Project. These are the last remaining three villages in Tutuila that will be connected to the ASPA water distribution system.

- The A/E design for the Aua Waste Water collection system which was to be completed in September 2010 was delayed and is expected to be completed by June 2011. There are five design packages and most designs are substantially completed with the first package the upgrading of the Utulei clarigister going out for bid in May 2011. The other design packages will go out for bid thereafter. Major construction work will be implemented in FY2011 and 2012. The waste water system will be constructed in five phases and estimated project cost is $20 million.

- The installation of the replacement Tramway water tank (500,000 gallons) is expected to be completed by December 2011.

- Design and installation of a secondary treatment on-site wastewater system at Leone High School to handle 12,000 gallons of wastewater per day is under review.

- Replacement of the Cathodic Protection System for water system welded steel storage tanks (9) will be implemented in 2011.

- Installation of a 32,000 gallon replacement tank for Aun'uu is expected to be completed by June 2011.

- Replacement of deteriorated galvanized iron and ACP water pipes for the ASG housing water system at Lions Park is under design.

- Replacement of the deteriorated 4 inch galvanized iron (3,500 LF) in the Futiga land site is under design.

- Manifolding of wells 83, 168 & 169 is under design.

- Relocation of 12 inch water mains at Fagatogo harbor due to water line damage sustained during the Tsunami is under design.
- Installation of the water SCADA system to be completed in 2011.
- Completion of the Water Maintenance Building in 2011.
- Replacement of 23MW power generation plant for the Satala power plant.
- Installation of 1 MW PV farm will be completed by December 2011.
- Construction and Installation of the ORC Waste heat recovery for the Deutz generators.
- Installation of the Waste to Energy facility (2MW) is under review.
- Installation of anemometer devices throughout the island for wind study will completed by October 2011.
- Implementation of an aggressive effort to track and identify busted waterlines and leak pipes for repair.

THREE YEAR COMPARISON OF FINANCIAL RATIOS

	2010	2009	2008
Net Assets	$ 85,772,981	$ 83,729,967	$ 84,948,895
Total Assets	$ 115,802,511	$ 99,269,622	$101,116,938
Equity Level	74.07%	84.3%	84.0%

WORKING CAPITAL:

The amount of current assets in excess of current liabilities.

	2010	2009	2008
Current Assets	$ 33,486,710	$ 21,436,295	$ 18,319,710
Current Liabilities	27,195,791	11,040,920	11,648,377
Working Capital	$ 6,290,919	$ 10,395,375	$ 6,671,333

CURRENT RATIO:

	2010	2009	2008
Current Assets	$ 33,486,710	$ 21,436,295	$ 18,319,710
Current Liabilities	$ 27,195,791	$ 11,040,920	$ 11,648,377
Current Ratio	1.23	1.94	1.50

RATE OF RETURN:

Net income (loss) as a percentage of net utility plant.

	2010	2009	2008
Net income (loss)	$ 2,043,014	$ (1,218,928)	$ (1,000,155)
Utility plant, net	$ 73,980,137	$ 77,143,018	$ 81,975,016
Rate of Return	0.03%	-1.58%	-0.12%

REQUEST FOR INFORMATION

Any requests for additional information in regards to this report may be addressed to American Samoa Power Authority, Chief Financial Officer, P.O. Box PPB, Pago Pago, AS 96799.

Management's Discussion and Analysis for the years ended September 30, 2009 and 2008 is set forth in the report on audit of ASPA's financial statements which is dated June 14, 2010. That Discussion and Analysis explains in more detail major factors impacting the 2009 and 2008 financial statements.

AMERICAN SAMOA POWER AUTHORITY
(A Component Unit of American Samoa Government)

Statements of Net Assets
September 30, 2010 and 2009

		2010		2009
ASSETS				
Utility plant, net	$	73,980,137	$	77,143,018
Other non-current assets:				
Restricted assets:				
Cash and cash equivalents		7,985,150		340,309
Investments		350,000		350,000
Interest receivable		514		-
Total restricted non-current assets		8,335,664		690,309
Current assets:				
Cash and cash equivalents		6,989,465		2,432,452
Accounts receivable, net of allowance for doubtful accounts of $1,480,987 and $1,553,369 in 2010 and 2009, respectively		3,652,827		2,988,050
Federal grants receivable, net of allowance for doubtful accounts of $531,868 and $925,091 in 2010 and 2009, respectively		4,670,180		466,882
Unbilled revenues, net of allowance for doubtful accounts of $29,822 and $22,006 in 2010 and 2009, respectively		2,877,880		2,113,657
Other accounts receivable, net of allowance for doubtful accounts of $726,302 and $585,781 in 2010 and 2009, respectively		1,623,090		1,675,538
Due from American Samoa Government (ASG), net of allowance for doubtful accounts of $682,761 and $47,728 in 2010 and 2009, respectively		2,993,649		3,472,303
Due from ASG agencies, net of allowance for doubtful accounts of $38,031 and $58,002 in 2010 and 2009, respectively		316,576		325,140
Materials, supplies, and fuel		9,017,432		6,640,880
Prepaid expenses and other assets		507,478		597,463
Total unrestricted current assets		32,648,577		20,712,365
Restricted assets:				
Cash and cash equivalents		352,356		238,471
Investments		485,607		485,459
Interest receivable		170		-
Total restricted current assets		838,133		723,930
Total current assets		33,486,710		21,436,295
	$	115,802,511	$	99,269,622
NET ASSETS AND LIABILITIES				
Net assets:				
Invested in utility plant, net of related debt	$	71,340,922	$	73,810,119
Restricted		499,237		690,309
Unrestricted		13,932,822		9,229,539
Total net assets		85,772,981		83,729,967
Commitments and contingencies				
Current liabilities:				
Notes payable		6,846,469		5,664,475
Current portion of long-term debt		1,381,057		1,346,759
Accounts payable		6,767,966		2,028,554
Federal grant and insurance advances		9,862,560		125,410
Accrued expenses		2,337,739		1,875,722
Total current liabilities		27,195,791		11,040,920
Noncurrent liabilities:				
Accrued annual leave, net of current portion		1,095,129		1,378,986
Long-term debt, net of current portion		1,738,610		3,119,749
Total liabilities		30,029,530		15,539,655
	$	115,802,511	$	99,269,622

See accompanying notes to financial statements.

AMERICAN SAMOA POWER AUTHORITY
(A Component Unit of American Samoa Government)

Statements of Revenues, Expenses and Changes in Net Assets
Years Ended September 30, 2010 and 2009

	2010	2009
Operating revenues:		
Electricity sales	$ 41,661,356	$ 42,279,941
Water sales	4,739,921	4,787,437
Wastewater sales	1,077,765	758,324
Solidwaste sales	1,448,784	1,297,292
Fuel sales	33,236,074	25,808,558
Other sales	883,395	1,110,433
Total operating revenues	83,047,295	76,041,985
Bad debt (expense) recovery	(297,163)	827,964
Net operating revenues	82,750,132	76,869,949
Cost of fuel sales	28,566,336	20,060,707
Operating expenses:		
Fuel oil	26,177,748	28,704,173
Operating and maintenance:		
Power production	10,188,279	3,078,753
Power transmission and distribution	1,675,054	2,147,904
Engineering services	1,159,590	1,274,359
Water, wastewater, solidwaste and fuel	11,184,645	9,347,772
Depreciation	6,846,120	7,515,820
General and administrative	5,531,643	5,608,751
Total cost and operating expenses	91,329,415	77,738,239
Net operating loss	(8,579,283)	(868,290)
Nonoperating revenues (expenses):		
Federal operating grants	8,946,823	648,285
Interest and other income (expense)	(765,067)	47,622
Interest expense	(456,797)	(493,656)
Total nonoperating revenues	7,724,959	202,251
Loss before extraordinary item	(854,324)	(666,039)
Extraordinary item - tsunami damages, repairs and reimbursements, net	100,061	(3,119,304)
Loss before capital grants	(754,263)	(3,785,343)
Federal capital grants	2,797,277	2,566,415
Net change in net assets	2,043,014	(1,218,928)
Net assets at beginning of year	83,729,967	84,948,895
Net assets at end of year	$ 85,772,981	$ 83,729,967

See accompanying notes to financial statements.

AMERICAN SAMOA POWER AUTHORITY
(A Component Unit of American Samoa Government)

Statements of Cash Flows
Years Ended September 30, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Cash received from customers	$ 81,467,572	$ 77,318,058
Cash payments to suppliers for goods and services	(76,019,975)	(66,096,868)
Cash paid to employees	(8,833,836)	(9,891,040)
Payment to ASG for prior year land lease	(696,845)	-
Net cash (used in) provided by operating activities	(4,083,084)	1,330,150
Cash flows from investing activities:		
Interest and other income	50,747	47,622
(Increase) decrease in restricted cash and cash equivalents and investments	(7,759,558)	146,037
Net cash (used in) provided by investing activities	(7,708,811)	193,659
Cash flows from noncapital financing activities:		
Operating grants received	8,488,127	648,285
Proceeds from insurance claims	5,360,000	-
Proceeds from notes payable	1,553,177	5,175,010
Repayment of notes payable	(250,000)	(1,835,673)
Repayment of long-term debt	(774,340)	(737,552)
Interest payments	(350,932)	(351,269)
Net cash provided by noncapital financing activities	14,026,032	2,898,801
Cash flows from capital and related financing activities:		
Additions to utility plant and construction work in progress	(3,916,848)	(5,803,126)
Capital grants received	2,564,273	2,263,263
Capital grants advanced	4,475,000	-
Repayment of notes payable	(121,183)	(230,000)
Repayment of long-term debt	(572,501)	(557,261)
Interest payments	(105,865)	(180,439)
Net cash provided by (used in) capital and related financing activities	2,322,876	(4,507,563)
Net increase (decrease) in cash and cash equivalents	4,557,013	(84,953)
Cash and cash equivalents at beginning of year	2,432,452	2,517,405
Cash and cash equivalents at end of year	$ 6,989,465	$ 2,432,452

See accompanying notes to financial statements.

AMERICAN SAMOA POWER AUTHORITY
(A Component Unit of American Samoa Government)

Statements of Cash Flows, Continued
Years Ended September 30, 2010 and 2009

	2010	2009
Reconciliation of net operating loss to net cash (used in) provided by operating activities:		
Net operating loss	$ (8,579,283)	$ (868,290)
Adjustments to reconcile net operating loss to net cash (used in) provided by operating activities:		
Depreciation	6,846,120	7,515,820
Bad debt expense (recovery)	297,163	(827,964)
Payment to ASG for prior year land lease	(696,845)	-
Tsunami repairs	(3,001,523)	-
(Increase) decrease in assets:		
Accounts receivable	(592,395)	1,790,313
Unbilled revenue	(771,566)	1,281,481
Other accounts receivable	(88,109)	(1,024,365)
Due from ASG	(156,225)	(1,009,419)
Due from other ASG component units	28,571	238,065
Materials, supplies and fuel	(2,376,552)	(3,067,268)
Prepaid expenses and other assets	89,985	(233,681)
Increase (decrease) in liabilities:		
Accounts payable	4,739,412	(2,879,502)
Accrued expenses	178,163	414,960
Net cash (used in) provided by operating activities	$ (4,083,084)	$ 1,330,150

See accompanying notes to financial statements.

(1) Organization and Summary of Significant Accounting Policies

Organization

The American Samoa Power Authority (ASPA) is a component unit of the American Samoa Government (ASG). ASPA generates and distributes electrical power and provides water, wastewater and solidwaste services for the islands of American Samoa. ASPA was formally established through a legislative act by the American Samoa Government (ASG) as of October 1, 1981. Prior to that date, utility services were provided by ASG's Department of Public Works. The separate power authority was established to provide better accountability for the utility's operations and cost of service. Effective October 1, 1988, the water utility and wastewater divisions of the Department of Public Works of ASG were transferred by Executive Order to ASPA. This transfer was later approved into law in 1991. In 1995, the solidwaste division of ASG was transferred by Executive Order to ASPA. In December 2008, ASPA entered into a fuel supply agreement with a global oil company to enable ASPA to become a fuel distributor to the islands of American Samoa and a supplier to its operating divisions.

ASPA is governed by a five-member Board of Directors appointed by the Governor and confirmed by the legislature. The first three members serve four-year staggered terms, and the fourth and fifth members serve four-year concurrent terms. All rates charged by ASPA are developed and promulgated in accordance with ASG Administrative Procedure Act 4.1001 and the Public Utility Regulatory Policies Act.

The financial statements of ASPA include the electric, fuels, water, wastewater and solidwaste divisions of ASPA, and the Board of Directors is not financially accountable for any other governmental entity.

Basis of Accounting

ASPA uses the flow of economic resources measurement focus. The financial statements of ASPA are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental entities using the accrual basis of accounting. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting* requires that proprietary activities apply all applicable GASB pronouncements as well as Statements and Interpretations issued by the Financial Accounting Standards Board (FASB), Accounting Principle Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989. ASPA has implemented GASB No. 20 and elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

Net Assets

Net assets represent the residual interest in ASPA's assets after liabilities are deducted and consist of three sections: invested in capital assets, net of related debt; restricted expendable and nonexpendable, and unrestricted. Net assets invested in capital assets, net of related debt include capital assets, restricted and unrestricted, net of accumulated depreciation, reduced by outstanding debt net of debt service reserve. Net assets are reported as restricted when constraints are imposed by third parties or enabling legislation. The accounts shown as restricted assets are amounts required to be maintained in revenue bond fund accounts and amounts set aside in accordance with the terms of U.S. Department of the Interior capital grant agreements. All of ASPA's restricted net assets are expendable. All other net assets are unrestricted.

(1) Organization and Summary of Significant Accounting Policies, Continued

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Utility Plant

The utility plant of the electric division acquired prior to October 1, 1981, is recorded at ASG's carrying value at September 30, 1981, the date of transfer. The assets of the water and wastewater divisions were transferred to ASPA at ASG's original cost less depreciation as of October 1, 1988. The plant assets of the solid waste division were transferred to ASPA at ASG’s original cost less accumulated depreciation in 1995. Acquisition and construction of the electric utility plant subsequent to October 1, 1981, the water and wastewater utility plants subsequent to October 1, 1988, and the solid waste utility plant subsequent to 1995 are recorded at cost. These costs include payroll and certain general and administrative costs associated with the construction activity. ASPA capitalizes plant acquisitions with original costs in excess of $1,000.

Depreciation

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets (3-40 years).

Inventory Valuation

Materials and supplies inventories and fuel inventories are stated at the lower of cost (using the average method) or market.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Restricted cash and investments are separately classified in the statement of net assets.

Investments

Investments and related investment earnings are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Accounts Receivable and Allowance for Doubtful Accounts

ASPA grants credit to companies, individuals and governmental agencies in American Samoa on an unsecured basis. The allowance for doubtful accounts is established through a provision charged to expense. Accounts are charged against the allowance when management believes that the collection of the balance is unlikely. The allowance is an amount that management believes will be adequate to absorb possible losses on existing balances that may be uncollectible, based on evaluations of collectability and prior loss experience.

(1) Organization and Summary of Significant Accounting Policies, Continued

Compensated Absences

Employees accrue annual leave at various rates between four to ten hours per bi-weekly pay period depending on years of service. Contract employees' annual leave varies based on the terms of the contract. Employees may accrue annual leave but are not permitted to carry over from year to year more than 480 hours of annual leave. Exceptions to this limitation policy may be granted. Career service and contract employees accrue four hours of sick leave per bi-weekly pay period. Employees may accrue unlimited hours of sick leave. Employees terminated for reasons other than retirement, employees who are medically separated and employees who retire with maximum service credit of 30 years are entitled to compensation for unused accrued sick leave in excess of 239 hours at separation of service.

Revenues

Sales of electricity and water are recorded as billed to customers on a monthly billing cycle basis. For electricity billings, ASPA factors in a variable fuel surcharge into its monthly billings to recover the variable costs of fuel. Unbilled revenue represents an estimate of earned but unbilled revenues based on individual customer consumption patterns applied to the number of days of consumption between the most recent meter reading date and the end of the reporting period. At September 30, 2010 and 2009, unbilled revenues are accrued based on the most recent billing cycles.

Revenue from fuel sales is billed to customers on a daily basis based on the actual quantity of fuel delivered. ASPA invoices customers at the price set by the ASG, less any discount agreed by the parties.

Operating and Non-operating Revenues and Expenses

ASPA considers revenues and costs that are directly related to utility and fuel operations to be operating revenues and expenses. Revenues and expenses related to financing, investing and other activities are reflected as non-operating.

Workers' Compensation

ASPA participates in the ASG internal service fund covering workers' compensation. ASPA pays an annual premium to the ASG internal service fund for coverage of all workers' compensation claims. The internal service fund is self-insured against all claims. Accordingly, ASPA does not recognize workers' compensation liabilities. Workers’ compensation premiums paid to ASG are $83,479 and $86,734, respectively, for the years ended September 30, 2010 and 2009.

Operating Leases

ASPA maintains operating leases with several landowners for well sites and pumping station sites. These leases are for terms of up to 50 years and have various expiration dates through 2040. Many of the leases are prepaid in five-to ten-year increments. Such prepayments have been included in prepaid expenses. Prepayments are discounted and discounts are amortized on a straight-line basis over the period of prepayment. The rents payable are based on price per square foot, which, in previous years, has increased by 5% every fifth year. Many of the leases are renewable at their expiration. These renewal options allow ASPA to retain use of the productive wells and pumping station sites. Management expects that in the normal course of business, leases for productive wells will be renewed or replaced by new leases.

(1) Organization and Summary of Significant Accounting Policies, Continued

Income Taxes

ASPA is not subject to federal or local taxes on income or revenues.

New Accounting Standards

During fiscal year 2010, ASPA implemented the following pronouncements:

- GASB 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.
- GASB 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.
- GASB 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.
- GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*, which provides guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code, and establishes requirements for recognizing and measuring the effects of the bankruptcy process on assets and liabilities, and for classifying changes in those items and related costs.

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

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 ASPA.

In December 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which amends Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans. The provisions of Statement 57 related to the use and reporting of the alternative measurement method are effective immediately. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in OPEB plan financial statements for periods beginning after June 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the ASPA.

(1) Organization and Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus,* which updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. 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 ASPA.

Reclassification

Certain reclassifications have been made to 2009 financial statements to correspond to the 2010 presentation.

(2) Deposits and Investments

GASB Statement No. 40 addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. As an element of interest rate risk, disclosure is required of investments that have fair values that are highly sensitive to changes in interest rates. GASB Statement No. 40 also requires disclosure of formal policies related to deposit and investment risks.

A. Deposits:

GASB Statement No. 3 previously required government entities to present deposit risks in terms of whether the deposits fell into the following categories:

Category 1 Deposits that are federally insured or collateralized with securities held by ASPA or its agent in ASPA's name;

Category 2 Deposits that are uninsured but fully collateralized with securities held by the pledging financial institution's trust department or agent in ASPA's name;

Category 3 Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent but not in ASPA's name and non-collateralized deposits.

GASB Statement No. 40 amended GASB Statement No. 3 to in effect eliminate disclosure for deposits falling into categories 1 and 2 but retained disclosures for deposits falling in category 3. Category 3 deposits are those deposits that have exposure to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, ASPA's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized, or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. ASPA does not have a deposit policy for custodial credit risk.

(2) Deposits and Investments, Continued

As of September 30, 2010 and 2009, the carrying amount of ASPA's total cash and cash equivalents was $15,326,971 and $3,011,232, respectively, and the corresponding bank balances were $15,357,732 and $3,692,620, respectively. Of the bank balances, $14,845,165 and $2,447,416, respectively, are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2010 and 2009, bank deposits in the amount of $500,000 were FDIC insured. ASPA does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk. ASPA has not experienced any losses on such accounts and management believes it is not exposed to any significant credit risk on its deposits.

B. Investments:

GASB Statement No. 3 previously required government entities to present investment risks in terms of whether the investments fell into the following categories:

Category 1 Investments that are insured or registered, or securities held by ASPA or its agent in ASPA's name;

Category 2 Investments that are uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in ASPA's name;

Category 3 Investments that are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in ASPA's name.

GASB Statement No. 40 amended GASB Statement No. 3 to in effect eliminate disclosure for investments falling into categories 1 and 2, and provided for disclosure requirements addressing other common risks of investments such as credit risk, interest rate risk, concentration of credit risk, and foreign currency risk. GASB Statement No. 40 did retain and expand the element of custodial credit risk in GASB Statement No. 3.

As of September 30, 2010 and 2009, the composition of ASPA's investments is as follows:

	2010		2009	
	Fair Value	Percent	Fair Value	Percent
Municipal bonds:				
Educational Fdg Of The Sth Inc Ln Rv Sr 2-3; maturing on December 1, 2035	$ 350,000	41.9%	$ 350,000	41.9%
Educational Fdg South Inc Tenn Edl Ln Rev Ser B-1; maturing on December 1, 2035	250,000	29.9%	250,000	29.9%
Panhandle Plains Tex Hgr Ed Au Inc Sir Nts Sr-A-5; maturing on October 1, 2031	100,000	12.0%	100,000	12.0%
Domestic equities	135,607	16.2%	135,459	16.2%
Total investments	$ 835,607	100.0%	$ 835,459	100.0%

(2) Deposits and Investments, Continued

Municipal bonds owned by ASPA are rated AAA by Moody's Credit Ratings. Credit ratings were not available for deposits in a Smith Barney Money Fund carried at $478,464 and $559,991 at September 30, 2010 and 2009, respectively.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, ASPA will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. ASPA's investments are held and administered by trustees. Based on negotiated trust and custody contracts, all of these investments were held in ASPA's name by ASPA's custodial financial institutions at September 30, 2010 and 2009.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. ASPA does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

(3) Risk Management

ASPA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. At September 30, 2010, ASPA carries life insurance on behalf of its employees and directors and officers liability insurance, and maintains a comprehensive business policy and general liability insurance. ASPA also participates in ASG's self-insurance pool for workers' compensation claims, where ASPA pays ASG 1.05% of gross payroll for workers' compensation coverage. Except for insurance claims associated with the earthquake and tsunami (see note 4), ASPA had no claims settlements in excess of coverage for the years ended September 30, 2010, 2009 and 2008.

Another potential area of risk relates to the price of fuel. ASPA has incorporated a fuel factor in the billing rate that is adjusted monthly based on actual fuel costs to mitigate the possibility of substantial losses or windfalls due to the varying cost of fuel.

(4) Natural Disaster Damages

In September 2009, the Territory of American Samoa sustained significant damage as a result of an earthquake and tsunami. ASPA infrastructure sustained significant damage as a result of these two occurrences, and utility plant was written off. A Presidential Federal Disaster Declaration was obtained for destruction recovery with the Federal Emergency Management Agency (FEMA) providing funding through the American Samoa Government with a percentage (10%) matching share provided by ASPA. FEMA reimbursements are made on a percentage (90%) basis of submitted allowable costs. For the year ended September 30, 2010, ASPA recorded FEMA reimbursements and insurance recoveries of $3,216,224 and $5,360,000, respectively, which are based on assessments made thus far. Ultimate actual damages and related insurance and FEMA recoveries are likely to be materially different than estimated. The insurance proceeds have been recorded as an advance liability until they can be appropriately offset against repair expenses.

Tsunami damages, repairs and FEMA reimbursements presented as extraordinary item in the statements of revenues, expenses and changes in net assets for the years ended September 30, 2010 and 2009, are as follows:

	2010	2009
Damaged utility plant written-off	$ (114,640)	$ (3,119,304)
Repairs	(3,001,523)	-
Reimbursements from FEMA	3,216,224	-
	$ 100,061	$ (3,119,304)

(4) Natural Disaster Damages, Continued

All U.S. Department of Homeland Security grants awarded to the Territory of American Samoa were frozen in 2007. The Federal Emergency Management Agency (FEMA) took action on October 9, 2007 to restrict access to FEMA funds for the Territory of American Samoa. In 2010, FEMA finally released restriction for the Territory of American Samoa including ASPA. At September 30, 2010 and 2009, FEMA grants receivable of $531,868 and $925,091, respectively, which is included in the federal grants receivable in the statement of net assets, is fully provided with an allowance. ASPA continues to work with FEMA to collect the outstanding receivables.

(5) Utility Plant

A summary of changes in capital assets for the years ended September 30, 2010 and 2009, is as follows:

	Beginning Balance October 1, 2009	Transfers and Additions	Transfers and Deletions	Ending Balance September 30, 2010
Depreciable assets:				
Electric power generation facilities	$ 18,647,474	$ 80,249	$ (123,565)	$ 18,604,158
Electric transmission and distribution facilities	38,431,156	1,178,500	-	39,609,656
Electric general plant	4,446,160	252,354	-	4,698,514
Water operating facilities	43,395,188	175,350	(123,425)	43,447,113
Wastewater operating facilities	59,399,812	810,824	-	60,210,636
Solidwaste operating facilities	5,158,540	126,267	-	5,284,807
Total utility plant in service	169,478,330	2,623,544	(246,990)	171,854,884
Less accumulated depreciation	(95,393,255)	(6,846,120)	13,381	(102,225,994)
	74,085,075	(4,222,576)	(233,609)	69,628,890
Non-depreciable assets:				
Construction work-in-progress	3,057,943	3,525,190	(2,231,886)	4,351,247
	$ 77,143,018	$ (697,386)	$ (2,465,495)	$ 73,980,137

	Beginning Balance October 1, 2008	Transfers and Additions	Transfers and Deletions	Ending Balance September 30, 2009
Depreciable assets:				
Electric power generation facilities	$ 41,122,710	$ 1,217,101	$ (23,692,337)	$ 18,647,474
Electric transmission and distribution facilities	37,519,897	947,192	(35,933)	38,431,156
Electric general plant	5,088,517	41,731	(684,088)	4,446,160
Water operating facilities	42,957,179	534,290	(96,281)	43,395,188
Wastewater operating facilities	57,700,385	1,740,105	(40,678)	59,399,812
Solidwaste operating facilities	4,010,877	1,147,663	-	5,158,540
Total utility plant in service	188,399,565	5,628,082	(24,549,317)	169,478,330
Less accumulated depreciation	(109,294,383)	(7,515,820)	21,416,948	(95,393,255)
	79,105,182	(1,887,738)	(3,132,369)	74,085,075
Non-depreciable assets:				
Construction work-in-progress	2,869,834	3,680,475	(3,492,366)	3,057,943
	$ 81,975,016	$ 1,792,737	$ (6,624,735)	$ 77,143,018

(6) Notes Payable and Long-Term Debt

Notes payable consist of the following at September 30, 2010 and 2009:

	2010	2009
Note drawn on a bank line of credit of $7,200,000 with line expiry on April 30, 2011, interest at the bank's prime rate plus 1% (4.25% at September 30, 2010 and 2009), collateralized by two Deutz engines and auxiliary equipment.	$ 6,478,187	$ 5,175,010
Note drawn from a $3,000,000 line of credit from the National Rural Utilities Cooperative Finance Corporation (CFC), with line expiry on December 20, 2010, interest at prevailing bank prime rate published in the Wall Street Journal plus 1% (4.95% at September 30, 2010 and 2009).	368,282	489,465
	$ 6,846,469	$ 5,664,475

Changes in notes payable for the years ended September 30, 2010 and 2009, are as follows:

	Outstanding September 30, 2009	Increases	Decreases	Outstanding September 30, 2010
Note to a bank	$ 5,175,010	$ 1,553,177	$ (250,000)	$ 6,478,187
Note to CFC	489,465	-	(121,183)	368,282
	$ 5,664,475	$ 1,553,177	$ (371,183)	$ 6,846,469

	Outstanding September 30, 2008	Increases	Decreases	Outstanding September 30, 2009
Note to a bank	$ 1,835,673	$ 5,175,010	$ (1,835,673)	$ 5,175,010
Note to CFC	719,465	-	(230,000)	489,465
	$ 2,555,138	$ 5,175,010	$ (2,065,673)	$ 5,664,475

The proceeds from the bank rolling line of credit are used, from time to time, to finance fuel purchases when ASPA cash reserves are inadequate at the time that payment is due.

The line of credit from CFC was obtained to serve as a bridging loan until FEMA payments commenced in connection with the January 2004 Cyclone Heta and February 2005 Cyclone Olaf recovery efforts.

(6) Notes Payable and Long-Term Debt, Continued

Long-term debt consists of the following at September 30, 2010 and 2009:

	2010	2009
Loan payable to a bank, original principal of \$2.8 million, payable in monthly installments of \$69,015 including interest at the bank's prime rate plus 1% (4.25% at September 30, 2010 and 2009), due on January 24, 2012. The loan is collateralized by receivables, inventory, equipment and intangibles.	\$ 848,734	\$ 1,623,074
Loan payable to Federal Financing Bank (FFB), original principal of \$3 million, payable in quarterly installments of \$90,909, with interest fixed at 3.296%, due on December 31, 2013, collateralized by a generator and auxiliary equipment.	1,181,819	1,545,455
Loan payable to a bank, original principal of \$1 million, payable in monthly installments of \$19,333 including interest at the bank's prime rate plus 1% (4.25% at September 30, 2010 and 2009), due on September 19, 2013. The loan is collateralized by receivables, inventory, equipment and intangibles.	594,897	796,224
Loan payable to United States Department of Agriculture, Rural Utilities Services (RUS), original principal of \$550,000, payable in monthly installments of \$2,497 with interest fixed at 4.5%, due on December 20, 2040.	494,217	501,755
Total long-term debt	3,119,667	4,466,508
Less current portion	1,381,057	1,346,759
Long-term portion of long-term debt	\$ 1,738,610	\$ 3,119,749

Changes in long-term debt for the years ended September 30, 2010 and 2009, are as follows:

	Outstanding September 30, 2009	Increases	Decreases	Outstanding September 30, 2010	Current	Noncurrent
Loan payable to a bank	\$ 1,623,074	\$ -	\$ (774,340)	\$ 848,734	\$ 807,319	\$ 41,415
Loan payable to FFB	1,545,455	-	(363,636)	1,181,819	363,636	818,183
Loan payable to a bank	796,224	-	(201,328)	594,896	202,216	392,680
Loan payable to RUS	501,755	-	(7,537)	494,218	7,886	486,332
	\$ 4,466,508	\$ -	\$ (1,346,841)	\$ 3,119,667	\$ 1,381,057	\$ 1,738,610

(6) Notes Payable and Long-Term Debt, Continued

	Outstanding September 30, 2008	Increases	Decreases	Outstanding September 30, 2009	Current	Noncurrent
Loan payable to a bank	$ 2,360,626	$ -	$ (737,552)	$ 1,623,074	$ 773,105	$ 849,969
Loan payable to FFB	1,909,091	-	(363,636)	1,545,455	363,636	1,181,819
Loan payable to a bank	982,640	-	(186,416)	796,224	202,479	593,745
Loan payable to RUS	508,964	-	(7,209)	501,755	7,539	494,216
	$ 5,761,321	$ -	$(1,294,813)	$ 4,466,508	$ 1,346,759	$ 3,119,749

The proceeds from the $2,800,000 bank loan were used to pay-off ASPA's accrued fuel bill arrears dating back several years and to enter into a new fuel purchase agreement with its vendors. The new fuel agreement allows for an additional 6 cents per gallon discount on fuel prices.

The $3,000,000 Federal Financing Bank (FFB) loan proceeds were used to retire a 2002 National Rural Utilities Cooperative Finance Corporation (CFC) revolving line of credit used to fund initial purchase costs of the eighth Deutz generator and to pay $150,000 towards commissioning costs. The FFB loan is guaranteed by the United States Department of Agriculture, Rural Utilities Service.

The proceeds from the $1,000,000 bank loan were used to purchase vehicles and heavy equipment.

The 2000 RUS water and wastewater revenue bond was issued in December 2000 in the original amount of $550,000 to finance water improvements. The bond resolution requires establishment of a reserve account into which an amount equal to one-tenth of the annual payments of principal and interest on the bond must be deposited each year. The balance in the reserve account at September 30, 2010 and 2009 is $23,298 and $18,789, respectively. The resolution also requires ASPA to maintain and collect rates and charges for water supplied and for wastewater collection and disposal services furnished that will be sufficient to pay principal and interest on the bond and normal system costs of maintenance and operation.

Future minimum principal and interest payments on all long-term debt for subsequent years ending September 30, are as follows:

Year(s) Ending September 30,	Principal	Interest	Total
2011	$ 1,381,057	$ 107,196	$ 1,488,253
2012	627,811	61,945	689,756
2013	550,433	36,422	586,855
2014	99,932	20,941	120,873
2015	9,438	20,526	29,964
2016-2020	54,103	95,717	149,820
2021-2025	67,726	82,094	149,820
2026-2030	84,780	65,040	149,820
2031-2035	106,127	43,693	149,820
2036-2041	138,260	17,004	155,264
	$ 3,119,667	$ 550,578	$ 3,670,245

(6) Notes Payable and Long-Term Debt, Continued

ASPA is not in compliance with certain financial ratio covenants associated with its $2.8 million and $1 million loans payable to a bank and its $7.2 million line of credit. ASPA has not received any notification of non-compliance with these covenants from the bank. No adjustments have been made in the accompanying financial statements as a result of this noncompliance.

Changes in the accrued annual leave for the years ended September 30, 2010 and 2009, are as follows:

	Beginning Balance October 1, 2009	Addition	Reduction	Ending Balance September 30, 2010	Current	Noncurrent
Accrued annual leave	$1,721,153	$762,217	$(834,245)	$1,649,125	$553,996	$1,095,129

	Beginning Balance October 1, 2008	Addition	Reduction	Ending Balance September 30, 2009	Current	Noncurrent
Accrued annual leave	$1,344,885	$803,337	$(427,069)	$1,721,153	$342,167	$1,378,986

The current portion of accrued annual leave is included in the accrued expenses in the statement of net assets.

(7) Interfund Account With ASG

Services provided to ASG by ASPA, including all charges for utilities, are billed to ASG and are recorded as receivables in the interfund account. Selected services provided by ASG to ASPA are recorded as payables to ASG in the interfund account and are offset against receivables.

(8) Major Customers

Transactions with two major private sector industrial customers approximated 8% and 12% of total operating revenues for 2010 and 2009, respectively. ASG accounted for approximately 7% and 6% of total operating revenues for 2010 and 2009, respectively.

(9) Retirement Fund

ASPA is a member of the American Samoa Government Employees' Retirement Fund (the Fund). The Fund is a cost sharing multiple employer contributory defined benefit retirement fund which was established in 1971 to provide retirement annuities to the employees of ASG. All full-time ASPA employees, other than contract specialists, are covered by the Fund.

Normal retirement begins for members attaining the age of 65 who have completed five years of service, or at age 55 with 30 years or more of service. Early retirement can begin at age 55 if the member has ten or more years of service; however, retirement benefits are reduced. Mandatory retirement is at age 70 with five years of service. The annual retirement benefit, payable monthly for life, equals 2% of the average annual salary multiplied by the number of years of service up to a maximum of 30 years. The average annual salary is the average of the three highest average annual salaries during the last ten years. The minimum annual benefit is $600. The value of a member's individual account is payable at the member's option either as a single-life annuity or as a qualified joint and survivor annuity.

(9) Retirement Fund, Continued

A surviving spouse of an active member who dies before retirement, but after attaining eligibility for retirement, may receive either a refund of employee contributions with interest or a life annuity equal to one-half the retirement annuity that would have been paid to the deceased member. An additional death benefit of $2,500 to $10,000, based on years of service, is payable to survivors of active members of the Fund.

The Fund issues a stand-alone financial report. It may be obtained by writing to the Director, American Samoa Government Employees' Retirement Fund, Pago Pago, American Samoa 96799.

ASPA has agreed to contribute amounts to the Fund each year on an actuarially determined basis as provided by the American Samoa Government Code Section 7.1433. The contribution rate was 8% of employees' earnings for 2010 and 2009.

Each member of the Fund contributes 3% of earnings and earns interest at 5% compounded annually. Employee contributions are made through payroll deductions. Employee contributions and the related interest earned are refunded in full to members whose employment is terminated for any reason other than retirement, and as a death benefit to the survivors of deceased employees not yet eligible for retirement. Employees are fully vested in the employer portion, payable as a retirement annuity, after ten years of participation in the Fund.

ASPA's contributions for the years ended September 30, 2010, 2009 and 2008, were $523,859, $519,728 and $500,482, respectively, equal to the required contributions for each year.

(10) Employee Supplemental Income Plan

ASPA administers the American Samoa Power Authority Employee Supplemental Income Plan (the Plan) which is established to provide supplemental income for certain medical expenses. Full-time career service employees and two year contract employees are eligible to participate in the Plan. Part-time and temporary service employees are not eligible. The Plan pays employees a fixed amount of $750 when referred off-island for medical treatment. The Plan also pays $60 per day of off-island hospital confinement and follow-up appointments. Enrolled family members are eligible for benefits at 50% of the employee rate. Employees contribute at graduated premium levels depending on number of enrolled family members. The Plan has an annual family limit of $5,000 with a life-time limit of $10,000 per employee family group. If this limit is reached, the employee may opt to continue in the program up to a limit of $30,000, but at incrementally higher premium rates. ASPA contributes to the Plan for all eligible employees at a rate based on the employees' family group size. All contributions from employees and employer are invested and recorded with a corresponding liability amount included in the statement of net assets. All changes in the invested funds are adjusted to the corresponding liability account.

There have been no claims in excess of the value of the Plan assets.

At September 30, 2010 and 2009, plan assets of $838,133 and $723,930, respectively, are included as restricted cash and investments and accrued liabilities of the same amount are recorded in the statements of net assets.

(11) Operating Leases

ASPA occupies a parcel of land owned by ASG. Due to a dispute between the parties, ASPA did not pay ASG rental payments during several years ASPA occupied the land. In August 2010, in compliance with a settlement agreement, which completely discharges ASPA from any obligation, ASPA paid a lump-sum payment of $696,845 representing six years back rental payments related to ASPA's occupation and use of ASG's land. Thereafter, a lease agreement was executed by the parties at a monthly rate of $9,678 for a period of 10 years.

The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of September 30, 2010:

Year Ending September 30,	
2011	$ 251,569
2012	144,936
2013	150,928
2014	150,904
2015	166,399
2016-2020	776,970
2021-2025	175,879
2026-2032	174,320
	$ 1,991,905

In connection with some of these operating leases, ASPA guarantees to provide certain quantities of water to lessors.

(12) Landfill Closure and Postclosure Care Costs

ASPA utilizes several acres of land in Futiga, American Samoa, for its two-cell solid waste landfill site. The first cell was operated by ASG for approximately 30 years before it was transferred to ASPA in February 1995. ASPA has operated the landfill for approximately 13 years and has expanded the landfill to include a new section, approximately the same size and capacity as the original fill site. At September 30, 2010, the new landfill cell has a remaining estimated useful life of 2.5 years. Total estimated closure and postclosure costs for the two landfill cells is $814,480 based on a 2003 study.

ASPA has obtained an opinion from the American Samoa Environmental Protection Agency (ASEPA) that American Samoa has no local statutes governing the operation of municipal landfills and therefore, no local regulations govern closure and postclosure requirements. As a result, management is of the opinion that ASPA has no legal obligation under federal or local law to incur closure and postclosure costs for the two landfill sites, and no closure or postclosure costs have been accrued at September 30, 2010 and 2009.

(13) Contingencies

ASPA is a defendant in a claim seeking damages against ASPA, the American Samoa Medical Center, and the American Samoa Government in the amount of $3,000,000 each as a result of injuries sustained from contact with a live electrical power line. ASPA denies liability in this case. However, the ultimate outcome of this matter and the financial impact on ASPA's financial statements is not presently determinable, therefore no provision has been established in the accompanying financial statements.

ASPA is a defendant in a claim seeking damages in the amount of $350,000 as a result of a house fire. The plaintiff alleges the fire was caused by a faulty meter box. The amount or range of possible loss is unknown at this time and no provision has been established.

ASPA is also involved in various litigation involving disputes over landfill leases, including the terms of leases and the areas of land located in the landfill. The ultimate outcome of these matters and the financial impact on ASPA's financial statements is not presently determinable.

ASPA is also involved in various other legal proceedings. Management believes that any losses arising from these actions will not materially affect ASPA's financial position.

The United States Environmental Protection Agency (USEPA) has issued a Tentative Decision Document denying ASPA's application for renewal of a variance from waste water treatment requirements included in the Clean Water Act. If the tentative decision to deny the waiver is finalized, ASPA will be required to invest millions of dollars to upgrade its water treatment plants. No final decision has been issued.

The USEPA has also issued an executive order against ASPA in relation to toxic gases released by a contractor at a scrap metal yard. The cleanup costs are estimated to be as much as $1,300,000. ASPA is still working on the final cleanup of the scrap metal yard and will pursue a claim against the contractor. No provision has been established for this contingency.

ASPA has participated in a number of federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives and regulatory authorities. The purpose of the audits is to ensure compliance with conditions relating to the granting of funds and other reimbursement regulations. ASPA's management believes that any liability for reimbursement which may arise as the result of these audits would not be material to the financial position of ASPA.

AMERICAN SAMOA POWER AUTHORITY
(A Component Unit of American Samoa Government)

Combining Statement of Net Assets
September 30, 2010

	Electric	Water	Wastewater	Solidwaste	Fuels Marketing	Total	Interdivision Eliminations	Combined
ASSETS								
Utility plant, net	$ 16,347,665	$ 23,870,415	$ 31,663,587	$ 2,098,470	$ -	$ 73,980,137	$ -	$ 73,980,137
Other non-current assets:								
Cash and cash equivalents	7,880,462	38,322	42,623	23,743	-	7,985,150	-	7,985,150
Investments	122,879	41,925	118,942	66,254	-	350,000	-	350,000
Interest receivable	180	62	175	97	-	514	-	514
	8,003,521	80,309	161,740	90,094	-	8,335,664	-	8,335,664
Current assets:								
Cash and cash equivalents	2,524,468	-	-	95,453	4,369,544	6,989,465	-	6,989,465
Accounts receivable, net	2,726,466	591,484	160,240	174,637	-	3,652,827	-	3,652,827
Interdivisional loans	39,465,381	-	-	-	-	39,465,381	(39,465,381)	-
Federal grants receivable, net	2,975,304	920,781	408,186	365,909	-	4,670,180	-	4,670,180
Unbilled revenue, net	2,621,113	286,186	45,078	-	-	2,952,377	(74,497)	2,877,880
Other accounts receivable, net	60,993	15,997	862	20,220	6,966,136	7,064,208	(5,441,118)	1,623,090
Due from ASG, net	2,553,817	212,415	34,669	192,748	-	2,993,649	-	2,993,649
Due from ASG agencies, net	288,490	11,446	5,461	11,179	-	316,576	-	316,576
Materials, supplies and fuel	4,004,226	940,557	-	-	4,072,649	9,017,432	-	9,017,432
Prepaid expenses and other assets	277,243	128,385	63,043	38,807	-	507,478	-	507,478
Total unrestricted current assets	57,497,501	3,107,251	717,539	898,953	15,408,329	77,629,573	(44,980,996)	32,648,577
Restricted assets:								
Cash and cash equivalents	352,356	-	-	-	-	352,356	-	352,356
Investments	485,607	-	-	-	-	485,607	-	485,607
Interest receivable	170	-	-	-	-	170	-	170
Total restricted current assets	838,133	-	-	-	-	838,133	-	838,133
Total current assets	58,335,634	3,107,251	717,539	898,953	15,408,329	78,467,706	(44,980,996)	33,486,710
	$ 82,686,820	$ 27,057,975	$ 32,542,866	$ 3,087,517	$ 15,408,329	$ 160,783,507	$ (44,980,996)	$ 115,802,511

See accompanying independent auditors' report.

AMERICAN SAMOA POWER AUTHORITY
(A Component Unit of American Samoa Government)

Combining Statements of Net Assets, Continued
September 30, 2010

	Electric	Water	Wastewater	Solidwaste	Fuels Marketing	Total	Interdivision Eliminations	Combined
NET ASSETS AND LIABILITIES								
Net assets (deficit):								
Invested in utility plant, net of related debt	$ 14,202,668	$ 23,376,197	$ 31,663,587	$ 2,098,470	$ -	$ 71,340,922	$ -	$ 71,340,922
Restricted	167,094	80,309	161,740	90,094	-	499,237	-	499,237
Unrestricted	45,737,622	(12,294,720)	(10,309,995)	(12,541,150)	3,341,065	13,932,822	-	13,932,822
Total net assets (deficit)	60,107,384	11,161,786	21,515,332	(10,352,586)	3,341,065	85,772,981	-	85,772,981
Current liabilities:								
Notes payable	368,282	-	-	-	6,478,187	6,846,469	-	6,846,469
Current portion of long-term debt	1,373,171	7,886	-	-	-	1,381,057	-	1,381,057
Accounts payable	7,145,073	181,214	184,941	254,936	4,517,417	12,283,581	(5,515,615)	6,767,966
Interdivisional loans	-	14,712,362	10,662,380	13,031,693	1,058,946	39,465,381	(39,465,381)	-
Federal grant advances	9,856,895	(15,967)	21,632	-	-	9,862,560	-	9,862,560
Accrued expenses	1,793,246	371,880	75,918	89,111	7,584	2,337,739	-	2,337,739
Total current liabilities	20,536,667	15,257,375	10,944,871	13,375,740	12,062,134	72,176,787	(44,980,996)	27,195,791
Noncurrent liabilities:								
Accrued annual leave, net of current portion	790,491	152,482	82,663	64,363	5,130	1,095,129	-	1,095,129
Long-term debt, net of current portion	1,252,278	486,332	-	-	-	1,738,610	-	1,738,610
Total liabilities	22,579,436	15,896,189	11,027,534	13,440,103	12,067,264	75,010,526	(44,980,996)	30,029,530
	$ 82,686,820	$ 27,057,975	$ 32,542,866	$ 3,087,517	$ 15,408,329	$ 160,783,507	$ (44,980,996)	$ 115,802,511

See accompanying independent auditors' report.

AMERICAN SAMOA POWER AUTHORITY
(A Component Unit of American Samoa Government)

Combining Statement of Revenues, Expenses and Changes in Net Assets
Year Ended September 30, 2010

	Electric	Water	Wastewater	Solidwaste	Fuels Marketing	Total	Interdivision Eliminations	Combined
Operating revenues:								
Operating sales	$ 44,166,951	$ 4,739,921	$ 1,077,765	$ 1,461,244	$ 63,288,032	$ 114,733,913	$ (32,570,013)	$ 82,163,900
Other sales	765,033	86,402	60,899	15,919	-	928,253	(44,858)	883,395
Total operating revenues	44,931,984	4,826,323	1,138,664	1,477,163	63,288,032	115,662,166	(32,614,871)	83,047,295
Bad debt (expense) recovery	(279,927)	54,410	9,432	(81,078)	-	(297,163)	-	(297,163)
Net operating revenues	44,652,057	4,880,733	1,148,096	1,396,085	63,288,032	115,365,003	(32,614,871)	82,750,132
Cost of sales	-	-	-	-	55,381,244	55,381,244	(26,814,908)	28,566,336
Operating expenses:								
Fuel oil	29,414,799	-	-	-	-	29,414,799	(3,237,051)	26,177,748
Operating and maintenance:						-		
Power production	10,267,172	-	-	-	-	10,267,172	(78,893)	10,188,279
Power transmission and distribution	1,717,101	-	-	-	-	1,717,101	(42,047)	1,675,054
Engineering services	1,159,590	-	-	-	-	1,159,590	-	1,159,590
Water, wastewater, solidwaste and fuel	-	4,817,892	1,565,350	1,260,784	5,933,946	13,577,972	(2,393,327)	11,184,645
Depreciation	2,671,997	1,616,974	2,036,543	520,606	-	6,846,120	-	6,846,120
General and administrative	3,505,686	1,249,738	310,443	466,742	47,679	5,580,288	(48,645)	5,531,643
Total costs and operating expenses	48,736,345	7,684,604	3,912,336	2,248,132	61,362,869	123,944,286	(32,614,871)	91,329,415
Net operating (loss) earnings	(4,084,288)	(2,803,871)	(2,764,240)	(852,047)	1,925,163	(8,579,283)	-	(8,579,283)
Nonoperating revenues (expenses):								
Federal operating grants	8,828,848	40,275	39,788	37,912	-	8,946,823	-	8,946,823
Interest and other income (expense)	(677,577)	(118,355)	-	30,865	-	(765,067)	-	(765,067)
Interest expense	(156,049)	(22,425)	-	-	(278,323)	(456,797)	-	(456,797)
Total nonoperating revenues (expenses)	7,995,222	(100,505)	39,788	68,777	(278,323)	7,724,959	-	7,724,959
Earnings (loss) before extraordinary item	3,910,934	(2,904,376)	(2,724,452)	(783,270)	1,646,840	(854,324)	-	(854,324)
Extraordinary item - tsunami damages, repairs and reimbursements , net	51,064	40,299	4,927	3,771	-	100,061	-	100,061
Income (loss) before capital grants	3,961,998	(2,864,077)	(2,719,525)	(779,499)	1,646,840	(754,263)	-	(754,263)
Federal capital grants	-	897,622	1,720,139	179,516	-	2,797,277	-	2,797,277
Change in net assets	3,961,998	(1,966,455)	(999,386)	(599,983)	1,646,840	2,043,014	-	2,043,014
Net assets at beginning of year	56,145,386	13,128,241	22,514,718	(9,752,603)	1,694,225	83,729,967	-	83,729,967
Net assets at end of year	$ 60,107,384	$ 11,161,786	$ 21,515,332	$ (10,352,586)	$ 3,341,065	$ 85,772,981	$ -	$ 85,772,981

See accompanying independent auditors' report.

AMERICAN SAMOA POWER AUTHORITY
(A Component Unit of American Samoa Government)

Combining Statement of Cash Flows
Year Ended September 30, 2010

	Electric	Water	Wastewater	Solidwaste	Fuels Marketing	Total	Interdivision Eliminations	Combined
Cash flows from operating activities:								
Cash received from customers	$ 44,025,180	$ 4,635,314	$ 924,967	$ 1,325,939	$ 60,679,984	$ 111,591,384	$ (30,123,812)	$ 81,467,572
Cash payments to suppliers for goods and services	(40,371,167)	(5,269,506)	(1,571,204)	(1,370,680)	(57,561,230)	(106,143,787)	30,123,812	(76,019,975)
Cash paid to employees	(6,056,774)	(1,421,252)	(525,250)	(695,208)	(135,352)	(8,833,836)	-	(8,833,836)
Payment to ASG for prior year land lease	(696,845)	-	-	-	-	(696,845)	-	(696,845)
Net cash (used in) provided by operating activities	(3,099,606)	(2,055,444)	(1,171,487)	(739,949)	2,983,402	(4,083,084)	-	(4,083,084)
Cash flows from investing activities:								
Interest and other income	19,268	614	-	30,865	-	50,747	-	50,747
(Increase) decrease in restricted cash and cash equivalents and investments	(7,950,630)	87,580	65,940	37,552	-	(7,759,558)	-	(7,759,558)
Net cash (used in) provided by investing activities	(7,931,362)	88,194	65,940	68,417	-	(7,708,811)	-	(7,708,811)
Cash flows from noncapital and related financing activities:								
Operating grants received	8,258,306	239,398	60,711	(70,288)	-	8,488,127	-	8,488,127
Proceeds from insurance claims	5,360,000	-	-	-	-	5,360,000	-	5,360,000
Proceeds from notes payable	-	-	-	-	1,553,177	1,553,177	-	1,553,177
Repayment of notes payable	-	-	-	-	(250,000)	(250,000)	-	(250,000)
Repayment of long-term debt	(774,340)	-	-	-	-	(774,340)	-	(774,340)
Interest payments	(72,609)	-	-	-	(278,323)	(350,932)	-	(350,932)
Interdivisional loans	(3,656,902)	2,096,347	896,500	482,604	181,451	-	-	-
Net cash provided by noncapital financing activities	9,114,455	2,335,745	957,211	412,316	1,206,305	14,026,032	-	14,026,032
Cash flows from capital and related financing activities:								
Additions to utility plant and construction work in progress	(1,553,951)	(729,649)	(1,453,732)	(179,516)	-	(3,916,848)	-	(3,916,848)
Capital grants received	110,493	391,116	1,602,068	460,596	-	2,564,273	-	2,564,273
Capital grants advanced	4,475,000	-	-	-	-	4,475,000	-	4,475,000
Repayment of notes payable	(121,183)	-	-	-	-	(121,183)	-	(121,183)
Repayment of long-term debt	(564,964)	(7,537)	-	-	-	(572,501)	-	(572,501)
Interest payments	(83,440)	(22,425)	-	-	-	(105,865)	-	(105,865)
Net cash provided by (used in) capital and related financing activities	2,261,955	(368,495)	148,336	281,080	-	2,322,876	-	2,322,876
Net increase in cash and cash equivalents	345,442	-	-	21,864	4,189,707	4,557,013	-	4,557,013
Cash and cash equivalents at beginning of year	2,179,026	-	-	73,589	179,837	2,432,452	-	2,432,452
Cash and cash equivalents at end of year	$ 2,524,468	$ -	$ -	$ 95,453	$ 4,369,544	$ 6,989,465	$ -	$ 6,989,465

See accompanying independent auditors' report.

AMERICAN SAMOA POWER AUTHORITY
(A Component Unit of American Samoa Government)

Combining Statement of Cash Flows, Continued
Year Ended September 30, 2010

	Electric	Water	Wastewater	Solidwaste	Fuels Marketing	Total	Interdivision Eliminations	Combined
Reconciliation of net operating (loss) revenue to net cash (used in) provided by operating activities:								
Net operating (loss) revenue	$ (4,084,288)	$ (2,803,871)	$ (2,764,240)	$ (852,047)	$ 1,925,163	$ (8,579,283)	$ -	$ (8,579,283)
Adjustments to reconcile net operating (loss) revenue to net cash (used in) provided by operating activities:								
Depreciation	2,671,997	1,616,974	2,036,543	520,606	-	6,846,120	-	6,846,120
Bad debt expense (recovery)	279,927	(54,410)	(9,432)	81,078	-	297,163	-	297,163
Payment to ASG for prior year land lease	(696,845)	-	-	-	-	(696,845)	-	(696,845)
Tsunami repairs	(2,058,641)	(415,476)	(102,214)	(425,192)	-	(3,001,523)	-	(3,001,523)
(Increase) decrease in assets:								
Accounts receivable	(202,531)	(133,282)	(163,094)	(93,488)	-	(592,395)	-	(592,395)
Unbilled revenue	(709,560)	(61,894)	(9,713)	-	-	(781,167)	9,601	(771,566)
Other accounts receivable	27,396	14,388	-	(3,304)	(2,608,048)	(2,569,568)	2,481,459	(88,109)
Due from ASG	(60,303)	(9,354)	(35,478)	(51,090)	-	(156,225)	-	(156,225)
Due from ASG agencies	38,193	(866)	(5,413)	(3,343)	-	28,571	-	28,571
Materials, supplies and fuel	(1,463,109)	(210,871)	-	-	(702,572)	(2,376,552)	-	(2,376,552)
Prepaid expenses and other assets	124,243	23,005	(63,043)	5,780	-	89,985	-	89,985
Increase (decrease) in liabilities:								
Accounts payable	2,978,295	(66,405)	(64,693)	92,026	4,356,145	7,295,368	(2,555,956)	4,739,412
Accrued expenses	55,620	46,618	9,290	(10,975)	12,714	113,267	64,896	178,163
Net cash (used in) provided by operating activities	$ (3,099,606)	$ (2,055,444)	$ (1,171,487)	$ (739,949)	$ 2,983,402	$ (4,083,084)	$ -	$ (4,083,084)

See accompanying independent auditors' report.

AMERICAN SAMOA POWER AUTHORITY
(A Component Unit of American Samoa Government)

Statements of Revenues, Expenses and Changes in Net Assets - Electric
Years Ended September 30, 2010 and 2009

	2010	2009
Operating revenues:		
Electricity sales	$ 44,166,951	$ 44,761,605
Other sales	765,033	873,339
Total operating revenues	44,931,984	45,634,944
Bad debt (expense) recovery	(279,927)	674,641
Net operating revenues	44,652,057	46,309,585
Operating expenses:		
Fuel oil	29,414,799	28,821,731
Operating and maintenance:		
Power production	10,267,172	3,078,753
Power transmission and distribution	1,717,101	2,147,904
Engineering services	1,159,590	1,274,359
Depreciation	2,671,997	3,307,357
General and administrative	3,505,686	3,644,871
Total operating expenses	48,736,345	42,274,975
Net operating (loss) revenues	(4,084,288)	4,034,610
Nonoperating revenues (expenses):		
Federal operating grants	8,828,848	80,205
Interest and other income (expense)	(677,577)	18,687
Interest expense	(156,049)	(231,741)
Total nonoperating revenues (expenses)	7,995,222	(132,849)
Earnings before extraordinary item	3,910,934	3,901,761
Extraordinary item - tsunami damages, repairs and reimbursements, net	51,064	(3,119,304)
Change in net assets	3,961,998	782,457
Net assets at beginning of year	56,145,386	55,362,929
Net assets at end of year	$ 60,107,384	$ 56,145,386

See accompanying independent auditors' report.

AMERICAN SAMOA POWER AUTHORITY
(A Component Unit of American Samoa Government)

Statements of Revenues, Expenses and Changes in Net Assets - Water
Years Ended September 30, 2010 and 2009

	2010	2009
Operating revenues:		
Water sales	$ 4,739,921	$ 4,802,178
Other sales	86,402	124,684
Total operating revenues	4,826,323	4,926,862
Bad debt recovery	54,410	67,478
Net operating revenues	4,880,733	4,994,340
Operating expenses:		
Operating and maintenance	4,817,892	4,915,196
Depreciation	1,616,974	1,649,505
General and administrative	1,249,738	1,067,070
Total operating expenses	7,684,604	7,631,771
Net operating loss	(2,803,871)	(2,637,431)
Nonoperating revenues (expenses):		
Federal operating grants	40,275	31,250
Interest and other income (expense)	(118,355)	1,994
Interest expense	(22,425)	(7,208)
Total nonoperating (expenses) revenues	(100,505)	26,036
Loss before extraordinary item	(2,904,376)	(2,611,395)
Extraordinary item - tsunami damages, repairs and reimbursements, net	40,299	-
Loss before capital grants	(2,864,077)	(2,611,395)
Federal capital grants	897,622	452,154
Change in net assets	(1,966,455)	(2,159,241)
Net assets at beginning of year	13,128,241	15,287,482
Net assets at end of year	$ 11,161,786	$ 13,128,241

See accompanying independent auditors' report.

AMERICAN SAMOA POWER AUTHORITY
(A Component Unit of American Samoa Government)

Statements of Revenues, Expenses and Changes in Net Assets - Wastewater
Years Ended September 30, 2010 and 2009

	2010	2009
Operating revenues:		
Wastewater sales	$ 1,077,765	$ 760,648
Other sales	60,899	52,625
Total operating revenues	1,138,664	813,273
Bad debt recovery	9,432	154
Net operating revenues	1,148,096	813,427
Operating expenses:		
Operating and maintenance	1,565,350	1,271,251
Depreciation	2,036,543	2,039,615
General and administrative	310,443	395,110
Total operating expenses	3,912,336	3,705,976
Net operating loss	(2,764,240)	(2,892,549)
Nonoperating revenues:		
Federal operating grants	39,788	38,775
Interest and other income	-	535
Total nonoperating revenues	39,788	39,310
Loss before extraordinary item	(2,724,452)	(2,853,239)
Extraordinary item - tsunami damages, repairs and reimbursements, net	4,927	-
Loss before capital grants	(2,719,525)	(2,853,239)
Federal capital grants	1,720,139	1,558,426
Change in net assets	(999,386)	(1,294,813)
Net assets at beginning of year	22,514,718	23,809,531
Net assets at end of year	$ 21,515,332	$ 22,514,718

See accompanying independent auditors' report.

AMERICAN SAMOA POWER AUTHORITY
(A Component Unit of American Samoa Government)

Statements of Revenues, Expenses and Changes in Net Assets - Solidwaste
Years Ended September 30, 2010 and 2009

	2010	2009
Operating revenues:		
Solidwaste sales	$ 1,461,244	$ 1,301,870
Other sales	15,919	41,216
Total operating revenues	1,477,163	1,343,086
Bad debt (expense) recovery	(81,078)	85,691
Net operating revenues	1,396,085	1,428,777
Operating expenses:		
Operating and maintenance	1,260,784	1,779,106
Depreciation	520,606	519,343
General and administrative	466,742	452,180
Total operating expenses	2,248,132	2,750,629
Net operating loss	(852,047)	(1,321,852)
Nonoperating revenues:		
Federal operating grants	37,912	498,055
Interest and other income	30,865	26,406
Total nonoperating revenues	68,777	524,461
Loss before extraordinary item	(783,270)	(797,391)
Extraordinary item - tsunami damages, repairs and reimbursements, net	3,771	-
Loss before capital grants	(779,499)	(797,391)
Federal capital grants	179,516	555,835
Change of net assets	(599,983)	(241,556)
Net assets at beginning of year	(9,752,603)	(9,511,047)
Net assets at end of year	$ (10,352,586)	$ (9,752,603)

See accompanying independent auditors' report.

AMERICAN SAMOA POWER AUTHORITY
(A Component Unit of American Samoa Government)

Statements of Revenues, Expenses and Changes in Net Assets - Fuels Marketing
Years Ended September 30, 2010 and 2009

	2010	2009
Operating revenues:		
Fuel sales	$ 63,288,032	$ 44,484,716
Other sales	-	110,213
Total operating revenues	63,288,032	44,594,929
Cost of goods sold	55,381,244	38,619,307
Operating expenses:		
Operating and maintenance	5,933,946	3,977,170
General and administrative	47,679	49,520
Total costs and operating expenses	61,362,869	42,645,997
Net operating revenues	1,925,163	1,948,932
Nonoperating expenses:		
Interest expense	(278,323)	(254,707)
Total nonoperating expense	(278,323)	(254,707)
Change of net assets	1,646,840	1,694,225
Net assets at beginning of year	1,694,225	-
Net assets at end of year	$ 3,341,065	$ 1,694,225

See accompanying independent auditors' report.