

**FEDERATED STATES OF MICRONESIA
TELECOMMUNICATIONS CORPORATION
(A COMPONENT UNIT OF THE FEDERATED STATES
OF MICRONESIA NATIONAL GOVERNMENT)**

**REPORT ON THE AUDIT OF FINANCIAL
STATEMENTS IN ACCORDANCE
WITH OMB CIRCULAR A-133**

YEARS ENDED SEPTEMBER 30, 2007 AND 2006

**FEDERATED STATES OF MICRONESIA
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(A COMPONENT UNIT OF THE FEDERATED STATES OF MICRONESIA NATIONAL GOVERNMENT)

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Years Ended September 30, 2007 and 2006

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INDEPENDENT AUDITORS' REPORT

Chairman
Board of Directors
Federated States of Micronesia
Telecommunications Corporation:

We have audited the accompanying statements of net assets of the FSM Telecommunications Corporation (the Corporation), a component unit of the Federated States of Micronesia National Government, as of September 30, 2007 and 2006, and the related statements of revenue, expenses, and changes in net assets and of cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

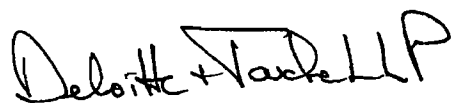
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan 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 the Corporation'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 in the first paragraph present fairly, in all material respects, the financial position of the Corporation as of September 30, 2007 and 2006, and its changes in 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 6 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 Corporation's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

Our audits were conducted for the purpose of forming an opinion on the Corporation's basic financial statements. The accompanying schedule of operating expenses (page 22) is presented for purposes of additional analysis and is not a required part of the basic financial statements. This schedule is the responsibility of the management of the Corporation. Such information has been subjected to the auditing procedures applied by us in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2007, on our consideration of the Corporation's internal control over financial reporting and on 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.

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, stylized font.

December 27, 2007

**FEDERATED STATES OF MICRONESIA
TELECOMMUNICATIONS CORPORATION**
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Management's Discussion and Analysis
Year Ending September 30, 2007

The following discussion and analysis of the financial performance and activity of the Federated States of Micronesia Telecommunications Corporation (FSMTC) is to provide an introduction and understanding of the basic financial statements of FSMTC for the year ended September 30, 2007. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

FSMTC is a public corporation of the Federated States of Micronesia National Government and is the primary provider of telecommunications services throughout the Federated States of Micronesia (FSM) and to points outside of the FSM. FSMTC also provides Cable TV in the State of Kosrae and a wireless TV broadcasting system in the State of Yap.

FSMTC is under the governance of an appointed five member Board of Directors by the President of the FSM and the governors of each State that have oversight over FSMTC, cable TV in Kosrae, and wireless TV broadcasting in Yap. The General Manager, who is the President and Chief Executive Officer, is also an ex-officio non-voting member of the Board.

The FSMTC provides telecommunications services which include Plain Old Telephone Services (POTS) to 8,494 active subscribers. Other telecommunications services provided are National and International Overseas Calls, Internet Services, Mobile Cellular Services, Cable Television in the State of Kosrae, and wireless TV in the State of Yap.

The FSMTC relies on calls made to and from outside and within the FSM, which account for approximately 43 % of FSMTC's generated revenues.

During FY2007, internet services accounted for \$2,615,378 or 20% of FSMTC's generated revenues. As of September 30, 2007, the total internet subscriber users were 1,279.

The mobile services account for \$2,192,320 or 17 % of FSMTC's generated revenues in FY2007. At September 30, 2007, the total mobile subscribers were 25,832, broken down as follows: Pohnpei 12,486, Chuuk 6,288, Yap 5,006 and Kosrae 2,052.

The following table summarizes the financial condition and operations of the FSMTC as of and for the years ended September 30, 2007, 2006 and 2005:

Assets:	<u>2007</u>	<u>2006</u>	<u>2005</u>
Cash and cash equivalents	\$ 1,260,460	\$ 2,276,011	\$ 1,663,535
TCD's and investments in securities	10,308,656	13,840,866	13,066,068
Receivables and prepayments	2,412,470	1,728,573	1,811,303
Other assets	642,886	355,316	736,968
Property, plant and equipment	<u>45,123,969</u>	<u>41,008,133</u>	<u>42,509,471</u>
	<u>\$ 59,748,441</u>	<u>\$ 59,208,899</u>	<u>\$ 59,787,345</u>
Current liabilities	\$ 2,774,620	\$ 1,576,947	\$ 1,766,254
Noncurrent liabilities	22,824,013	23,686,864	24,558,245
Net assets	<u>34,149,808</u>	<u>33,945,088</u>	<u>33,462,846</u>
	<u>\$ 59,748,441</u>	<u>\$ 59,208,899</u>	<u>\$ 59,787,345</u>

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	<u>2007</u>	<u>2006</u>	<u>2005</u>
Operating revenues	\$ 12,823,174	\$ 12,848,046	\$ 11,537,350
Operating expenses	<u>(13,030,683)</u>	<u>(12,076,681)</u>	<u>(11,196,215)</u>
(Loss) earnings from operations	(207,509)	771,365	341,135
Interest income and others	1,547,017	915,247	2,327,492
Interest expense	<u>(1,134,788)</u>	<u>(1,204,370)</u>	<u>(1,251,688)</u>
Increase in net assets	204,720	482,242	1,416,939
Net assets at beginning of year	<u>33,945,088</u>	<u>33,462,846</u>	<u>32,045,907</u>
Net assets at end of year	\$ <u>34,149,808</u>	\$ <u>33,945,088</u>	\$ <u>33,462,846</u>

Overall there were only minor changes in the balance sheet components. However, during the year ended September 30, 2007 the total amount received from telecommunication services exceeded the amount paid to suppliers and employees for goods and services. This resulted in net cash provided by operating activities amounting to \$3,254,118 per the cash flows statement.

The total cash and cash equivalents at the end of fiscal year 2007 are \$1,260,460 as compared to \$2,276,011 in fiscal year 2006. The cash flows statement showed that the net cash used for capital and related financing exceeded the net cash activities provided by operating activities by \$6,094,778, mainly due to the acquisition of new property, plant and equipment worth \$7,410,601. The statement of cash flows also showed that net cash provided by investing activities was \$5,079,227, mainly from the withdrawals of some marketable securities with Solomon Smith Barney.

The total revenue decreased by \$24,872 as compared to FY2006. Most were contributed from the decrease in revenues from external carriers and a decrease in revenues from both national and international overseas calls.

Operating expenses in FY2007 increased by \$954,002 in comparing with the FY2006 operating expenses. Most of the increase was contributed from these operating expenses: internet service expense of \$326,530, mobile service expense of \$222,705, and terminal equipment expense of \$246,463.

FSMTC investments in property, plant, and equipment, net of accumulated depreciation, amounted to \$45,123,969 in FY2007 and \$41,008,133 in FY2006. The increase was attributed from the additional \$7,410,601 worth of acquisition during FY2007.

FSMTC's notes payable with the US Department of Agriculture (Rural Utility Services) amounted to \$23,668,097 of which, \$844,084 was classified as current portion of the note. The interest on the funded debts paid during FY2007 was \$1,134,788 net of capitalized interest of \$70,025 in accordance with FASB 34, associated with construction projects that exceed one year. The principal amount paid during FY2007 was \$803,507.

Additional information on the Corporation's capital assets and long-term debt can be found in the footnotes to the financial statements.

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Management's Discussion and Analysis for the year ended September 30, 2006 is set forth in FSMTC's report on the audit of financial statements, which is dated December 29, 2006. That Discussion and Analysis explains the major factors impacting the 2006 financial statements and can be viewed at the Office of the Public Auditor's website at www.fsmpublicauditor.fm.

On November 1, 2005, The FSMTC Board of Directors approved a comprehensive strategic plan (the Plan) to direct FSMTC for the next five years from 2006 to 2011. The purpose of the Plan is for management directional tool for policy development as well as program delivery. It will guide the board, management, and staff in dealing with the challenges due to the continuous changes in technology.

Based on the plan, FSMTC is committed to spend \$104,225,504 for the next 5 years with and expected revenues of \$87,217,204, the aggregate shortfall is \$17 million. As a result, FSMTC may end up having to borrow from international financial markets to cover the shortfall or to tap into its cash reserve to cover it.

Following are the expected revenues and expenditures for the next four years:

<u>Revenue Source:</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Total</u>
Toll Revenue	\$ 3,641,760	\$ 3,751,013	\$ 3,863,543	\$ 3,979,449	\$ 15,235,765
Internet	1,894,761	1,951,604	1,951,604	2,010,152	7,808,121
Net Access	1,493,430	1,508,364	1,523,447	1,538,682	6,063,923
Mobil	4,631,637	4,863,219	5,106,380	5,361,699	19,962,935
External Carriers	134,520	134,520	134,520	134,520	538,080
Miscellaneous	354,276	361,361	368,589	375,960	1,460,186
Non-Operating Rev	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>4,000,000</u>
Total	\$ <u>13,150,384</u>	\$ <u>13,570,081</u>	\$ <u>13,948,083</u>	\$ <u>14,400,462</u>	\$ <u>55,069,010</u>
 <u>Expenditure Categories:</u>					
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Total</u>
On-Going Expenses:					
Operating Expenses	\$ 10,783,690	\$ 11,430,712	\$ 12,116,554	\$ 12,843,548	\$ 47,174,504
Capital Expenditures	700,000	700,000	700,000	700,000	2,800,000
 Program Expenditures:					
Board of Directors	26,318	27,634	29,015	30,466	113,433
International; Relations	145,590	152,869	160,512	168,538	627,509
Government Relations	17,640	18,522	19,448	20,421	76,031
Public Relations	131,198	137,757	144,645	151,878	565,478
Annual Report	50,000	50,000	50,000	50,000	200,000
Community Relations	1,000	1,000	1,000	502,855	505,855
Back-up System	2,500	2,500	2,500	2,500	10,000
Critical Spare Parts	20,000	20,000	20,000	20,000	80,000
Research and Development	400,208	420,218	441,229	463,290	1,724,945
Training and Development	110,250	115,763	121,551	127,628	475,192
Educational Programs	16,538	17,364	18,233	19,144	71,279

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Program Expenditures, Continued:

Website improvement	5,000	5,000	5,000	5,000	20,000
Manual Updates	52,920	55,566	58,344	61,262	228,092
Strategic Plan Update	5,000	5,000	5,000	5,000	20,000
Integrated MIS	-	-	-	-	-
Maintenance and Upgrades	314,213	329,923	346,419	463,740	1,454,295
Disaster Recovery Plan	2,500	2,500	2,500	2,500	10,000
Cable and Wireless TV	-	-	-	-	-
Fiber Optic	1,121,846	1,121,846	1,121,846	1,121,846	4,487,384
Outer Island Project	1,049,000	1,077,000	1,106,000	116,000	3,348,000
Pricing and Tariffs	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>20,000</u>
 Total	 \$ <u>14,960,411</u>	 \$ <u>15,696,174</u>	 \$ <u>16,474,796</u>	 \$ <u>16,880,616</u>	 \$ <u>64,011,997</u>

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Statements of Net Assets
September 30, 2007 and 2006

	2007	2006
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 1,260,460	\$ 2,276,011
Time certificates of deposit	111,142	107,966
Investment in securities	10,197,514	13,732,900
Accounts receivable, net of an allowance for doubtful accounts of \$380,355 and \$2,966,156 in 2007 and 2006, respectively	976,951	587,505
Receivable from carriers	465,586	157,959
Advance to employees	10,184	35,634
Inventory	642,886	355,316
Accrued interest and other accrued earnings	184,602	356,714
Other receivables and prepaid expenses	775,147	590,761
Total current assets	14,624,472	18,200,766
Property, plant and equipment, net	45,123,969	41,008,133
	\$ 59,748,441	\$ 59,208,899
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Current maturities of long-term debt	\$ 844,084	\$ 784,740
Accounts payable, trade	933,124	96,132
Deferred revenue-debit cards	196,243	137,647
Accrued leave payable	112,906	126,682
Other payables and accrued expenses	688,263	431,746
Total current liabilities	2,774,620	1,576,947
Long-term contracts payable		-
Long-term debt, net of current portion	22,824,013	23,686,864
Total liabilities	25,598,633	25,263,811
Commitments and contingencies		
Net assets:		
Invested in capital assets, net of related debt	21,455,872	16,536,529
Unrestricted	12,693,936	17,408,559
Total net assets	34,149,808	33,945,088
	\$ 59,748,441	\$ 59,208,899

See accompanying notes to financial statements.

**FEDERATED STATES OF MICRONESIA
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Statements of Revenue, Expenses, and Changes in Net Assets
Years Ended September 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating revenues:		
Overseas tolls	\$ 3,628,642	\$ 3,807,920
Internet	2,615,378	2,156,067
Net access	1,818,526	1,789,530
Mobile charges	2,192,320	2,131,777
External carriers	1,712,418	1,838,676
ICTV Kosrae cable charges	104,553	113,781
ICTV Yap cable charges	78,971	86,124
Collection of bad debt reserves	385,774	726,019
Miscellaneous	286,592	198,152
	<u>12,823,174</u>	<u>12,848,046</u>
Total operating revenues		
Operating expenses:		
Consumer operations	1,955,795	1,879,989
Corporate operations	2,540,281	2,430,780
Plant operations	1,757,805	1,534,086
Cable and wire	1,218,882	1,204,951
General support	1,162,137	1,202,439
Earth station	956,672	1,084,535
Internet expense	1,303,803	977,273
Central office	752,736	671,496
Wireless telephone - Ulithi	567,309	539,522
Terminal equipment	518,564	272,101
ICTV expense	296,699	279,509
	<u>13,030,683</u>	<u>12,076,681</u>
Total operating expenses		
(Loss) earnings from operations	<u>(207,509)</u>	<u>771,365</u>
Nonoperating revenues (expenses):		
Interest income - general	62,402	38,329
Interest expense	(1,134,788)	(1,204,370)
Gain on sale of fixed assets	-	3,251
Investment earnings	1,484,615	873,667
	<u>412,229</u>	<u>(289,123)</u>
Total nonoperating revenues (expenses), net		
Change in net assets	204,720	482,242
Total net assets at beginning of year	<u>33,945,088</u>	<u>33,462,846</u>
Total net assets at end of year	<u>\$ 34,149,808</u>	<u>\$ 33,945,088</u>

See accompanying notes to financial statements.

**FEDERATED STATES OF MICRONESIA
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Statements of Cash Flows
Years Ended September 30, 2007 and 2006

	2007	2006
Cash flows from operating activities:		
Cash received from customers	\$ 12,113,827	\$ 13,033,451
Cash paid to suppliers for goods and services	(5,120,668)	(5,283,764)
Cash paid to employees	(3,739,041)	(3,524,868)
Net cash provided by operating activities	3,254,118	4,224,819
Cash flows from capital and related financing activities:		
Repayments of long-term debt	(803,507)	(764,337)
Additions to property, plant and equipment	(7,410,601)	(1,784,085)
Proceeds from sale of fixed assets	-	3,251
Interest paid on long-term debt	(1,134,788)	(1,204,370)
Net cash used for capital and related financing activities	(9,348,896)	(3,749,541)
Cash flows from investing activities:		
Net change in time certificates of deposits	59,226	100,000
Additions to investments	-	(612,000)
Withdrawals of investment in securities	3,535,386	-
Investment earnings	1,484,615	649,198
Net cash provided by investing activities	5,079,227	137,198
Net change in cash and cash equivalents	(1,015,551)	612,476
Cash and cash equivalents at beginning of year	2,276,011	1,663,535
Cash and cash equivalents at end of year	\$ 1,260,460	\$ 2,276,011
Reconciliation of (loss) earnings from operations to net cash provided by operating activities:		
(Loss) earnings from operations	\$ (207,509)	\$ 771,365
Adjustments to reconcile (loss) earnings from operations to net cash provided by operating activities:		
Depreciation	3,294,765	3,285,423
(Increase) decrease in assets:		
Accounts receivable	(389,446)	(32,282)
Receivable from carriers	(307,627)	231,586
Advance to employees	25,450	(13,108)
Inventory	(287,570)	203,719
Deferred charges	-	177,933
Other receivables and prepaid expenses	(12,274)	(103,466)
Increase (decrease) in liabilities:		
Accounts payable, trade	836,992	(25,254)
Deferred revenue-debit cards	58,596	89,567
Accrued leave payable	(13,776)	11,506
Other payables and accrued expenses	256,517	(372,170)
Net cash provided by operating activities	\$ 3,254,118	\$ 4,224,819

Summary disclosure of noncash items:

During the year ended September 30, 2006, the Corporation transferred \$68,827 from long-term contracts payable to accrued expenses.

See accompanying notes to financial statements.

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Notes to Financial Statements
September 30, 2007 and 2006

(1) Organization and Summary of Significant Accounting Policies

Organization

The Federated States of Micronesia (FSM) Telecommunications Corporation (the Corporation) is established as a public corporation under the laws of the Federated States of Micronesia, the purpose of which is to provide telecommunications services, except radio and television broadcasting, throughout the FSM and to points outside the FSM. The Corporation began its operations in October 1983 and is a component unit of the Federated States of Micronesia National Government.

Basis of Accounting

Funding was made available under Section 215(a)(2) and Section 215(b)(2) of the Compact of Free Association and through loan funds from the United States Department of Agriculture (USDA) Rural Utilities Service (RUS).

The Corporation operates as a component unit-proprietary fund type of the FSM National Government. A component unit-proprietary fund is used to account for those operations that are financed and operated in a manner similar to private business and where the board decides that the determination of revenues earned, costs incurred and/or net income is necessary for management. Because it is a component unit-proprietary fund, the Corporation uses the accrual basis of accounting. Expenses are recorded by function in order to meet the reporting requirements as imposed by the RUS. Governmental Accounting Standards Board (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. The Corporation has implemented GASB 20 and elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

The Corporation maintains a chart of accounts as prescribed by the Uniform System of Accounts for telecommunication companies of the United States Federal Communications Commission's Rules.

The Corporation has adopted GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as amended by GASB Statement No.'s 37 and 38. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories:

- Invested in capital assets, net of related debt:

Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

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Notes to Financial Statements
September 30, 2007 and 2006

(1) Summary of Significant Accounting Policies, Continued

Basis of Accounting, Continued

- Restricted:
 - Nonexpendable – Net assets subject to externally imposed stipulations that require the Corporation to maintain them permanently.
 - Expendable – Net assets whose use by the Corporation is subject to externally imposed stipulations that can be fulfilled by actions of the Corporation pursuant to those stipulations or that expire by the passage of time.

The Corporation has no restricted net assets at September 30, 2007 and 2006.

- Unrestricted:

Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action by management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Cash and Cash Equivalents and Time Certificates of Deposit

For the purposes of the statements of net assets and of cash flows, cash and cash equivalents are defined as cash on hand, and cash in bank and time certificates of deposit with original maturities of three months or less from the date of acquisition. Time certificates of deposit with original maturities in excess of three months are separately classified in the statements of net assets. Certificate of deposit investment accounts established and set aside for future capital expenditure projects are classified within investment in securities.

Investments

Investments and related investment earnings are reported at fair value using quoted market prices. 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.

Management 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.

Accounts Receivable

Accounts receivable are due from businesses and individuals located within the FSM. Receivables from international carriers are due from entities within the United States and Japan.

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Notes to Financial Statements
September 30, 2007 and 2006

(1) Summary of Significant Accounting Policies, Continued

Allowance for Doubtful Accounts, Continued

The allowance for doubtful accounts is stated at an amount management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluations of the collectibility of these accounts and prior collection experience. The allowance is established through a provision for uncollectible receivables charged to expenses.

Inventory

Materials and supplies are valued at cost, which approximates market, using the first-in-first-out (FIFO) method.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is based on the straight-line method over the estimated useful lives of the respective assets. During the year ended September 30, 2006, the Corporation reassessed the estimated useful lives of its property, plant and equipment. The effect of this change in accounting estimate was not material to the financial statements.

Capitalization Policy

The Corporation capitalizes buildings, land improvements and equipment that have a cost of \$2,000 or more and an estimated useful life of at least five years.

Plant Under Construction

Plant under construction represents the accumulated costs of unfinished capital projects. These costs are capitalized as property, plant and equipment upon completion of each project.

Valuation of Long-Lived Assets

The Corporation, using its best estimates based on reasonable and supportable assumptions and projections, reviews assets for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable. Impaired assets are reported at the lower of cost or fair value. At September 30, 2007 and 2006, no assets had been written down.

Compensated Absences

It is the Corporation's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave. Vacation pay is accrued when incurred.

Advertising Cost

Advertising costs are charged to operations when incurred.

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Notes to Financial Statements
September 30, 2007 and 2006

(1) Summary of Significant Accounting Policies, Continued

Income Taxes

Corporate profits are not subject to income tax in the FSM. The FSM National Government imposes a gross revenue tax of 3% on revenues. The Corporation is specifically exempt from any taxes except import taxes in accordance with its enabling legislation.

Operating and Non-Operating Revenues and Expenses

Operating revenues and expenses generally result directly from the operation and maintenance of telecommunication services, except radio and television broadcastings. Non-operating revenues and expenses result from non-recurring income and costs such as interest and investment gains and losses.

New Accounting Standards

During fiscal year 2007, the Corporation implemented GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section, an amendment to NCGA Statement 1*. GASB Statement No. 44 improves the understandability and usefulness of statistical section information and adds information from the new financial reporting model for state and local governments required by GASB Statement No. 34. The implementation of this pronouncement did not have a material impact on the accompanying 2007 financial statements.

In April 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. GASB Statement No. 43 establishes uniform financial reporting for other postemployment benefit plans by state and local governments. The provisions of this Statement are effective for periods beginning after December 15, 2007. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Corporation.

In July 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post employment Benefits Other Than Pensions*. GASB Statement No. 45 establishes standards for the measurement, recognition, and display of other post employment benefits expense/expenditures and related liabilities, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The provisions of this Statement are effective for periods beginning after December 15, 2008. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Corporation.

In September 2006, GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfer of Assets and Future Revenues*. GASB Statement No. 48 establishes criteria that governments will use to ascertain whether certain transactions should be regarded as a sale or a collateralized borrowing. The statement also includes a provision that stipulates that governments should not revalue assets that are transferred between financial reporting entity components. The provisions of this Statement are effective for periods beginning after December 15, 2006. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Corporation.

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(1) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In December 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. GASB Statement No. 49 provides guidance and consistency under which a governmental entity would be required to report a liability related to pollution remediation. The provisions of this Statement are effective for periods beginning after December 15, 2007. Management does not believe that the implementation of this Statement will have a material effect on the financial statements of the Corporation.

In May 2007, GASB issued Statement No. 50, *Pension Disclosures an amendment of GASB Statements No. 25 and 27*. GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other post-employment benefits. The provisions of this Statement are effective for periods beginning after June 15, 2007. Management does not believe the implementation of this statement will have a material effect on the financial statements of the Corporation.

In June 2007, GASB issued statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. GASB Statement No. 51 addresses whether and when intangible assets should be considered capital assets for financial reporting purposes. The provisions of this Statement are effective for periods beginning after June 15, 2009. Management does not believe that the implementation of this Statement will have a material effect on the financial statements of the Corporation.

Reclassification

Certain 2006 balances have been reclassified to conform to the 2007 financial statement presentation.

(2) Investment – Island Cable Television

On December 8, 1998, the Corporation acquired a 50% ownership in Island Cable Television - Pohnpei for \$450,000. The Corporation recorded this investment under the equity method of accounting. Goodwill of \$383,062 resulting from the purchase was being amortized over a period of fifteen (15) years. The remaining goodwill balance of \$325,603 as of September 30, 2002 was written-off.

(3) 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.

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September 30, 2007 and 2006

(3) Deposits and Investments, Continued

The deposit and investment policies of the Corporation are governed by the Board of Directors. As such, the Board of Directors is authorized to delegate certain responsibilities to third parties. Investment managers have discretion to purchase, sell, or hold the specific securities to meet the objectives set forth in the investment policy.

Generally, the Corporation can invest in bonds and other indebtedness of the U.S. and in preferred or common stock of any corporation created or existing under the laws of the U.S. or any U.S. state, territory, or commonwealth. Additionally, a maximum of 20% of the total portfolio may be invested in non-U.S. equities.

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 the Corporation or its agent in the Corporation'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 the Corporation's name; or
- Category 3 Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent but not in the Corporation'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 under 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, the Corporation'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 but not in the Corporation's name. The Corporation does not have a deposit policy for custodial credit risk.

As of September 30, 2007 and 2006, the carrying amount of the Corporation's total cash and cash equivalents and time certificates of deposit were \$1,371,602 and \$2,383,977, respectively, and the corresponding bank balances were \$1,457,437 and \$2,332,980, respectively, all of which are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2007 and 2006, bank deposits in the amount of \$300,000 were FDIC insured. Accordingly, these deposits are exposed to custodial credit risk. The Corporation does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. The Corporation has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on its deposits.

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Notes to Financial Statements
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(3) Deposits and Investments, Continued

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 the Corporation or its agent in the Corporation'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 the Corporation's name; or
- Category 3 Investments that are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Corporation'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 elements of custodial credit risk in GASB Statement No. 3.

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. With the exception of investments in U.S. government securities, which are explicitly or implicitly guaranteed by the United States government, all other investments must be rated in accordance with the Corporation's investment policy.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, the Corporation will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. As of September 30, 2007 and 2006, the Corporation's investments are held in the name of the Corporation and are administered by investment managers subject to Securities Investor Protection Corporation insurance in accordance with the Corporation's investment policy. Furthermore, as of September 30, 2007 and 2006, certificates of deposit in the amounts of \$0 and \$635,873, respectively, were FDIC insured.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. The Corporation's investment policy limits investment maturities to no more than one year to manage its exposure to fair value losses arising from increasing interest rates.

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure by issuer and amount of investments in any one issuer that represents five percent (5%) or more of total investments for the Corporation. As of September 30, 2007 and 2006, there were no investments in any one issuer that exceeded 5% of total investments.

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Notes to Financial Statements
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(3) Deposits and Investments, Continued

B. Investments, Continued

As of September 30, 2007 and 2006, investments at fair value are as follows:

	<u>2007</u>	<u>2006</u>
Fixed income:		
U.S. Treasury obligations	\$ 1,094,980	\$ 1,165,945
U.S. Government agencies	519,633	821,863
Corporate notes	<u>1,455,521</u>	<u>1,755,609</u>
	3,070,134	3,743,417
Other investments:		
Domestic and international equities	6,602,383	8,712,500
Money market funds	524,997	641,110
Certificates of deposit	<u>-</u>	<u>635,873</u>
	<u>\$ 10,197,514</u>	<u>\$ 13,732,900</u>

As of September 30, 2007, the Corporation's investments in debt securities were as follows:

	Moody's Credit Rating	Investment Maturities (In Years)				Fair Value
		Less Than 1	1 to 5	6 to 10	Greater Than 10	
U.S. Treasury obligations	Aaa/P-1	\$ -	\$ 547,042	\$ 547,938	\$ -	\$ 1,094,980
U.S. Government agencies	Aaa/P-1	-	183,613	336,020	-	519,633
Corporate notes	A1/P-1	-	265,038	-	-	265,038
Corporate notes	A2/P-1	-	150,317	-	-	150,317
Corporate notes	A3/P-2	101,037	-	-	-	101,037
Corporate notes	Aaa/P-1	-	99,927	-	-	99,927
Corporate notes	Aa1/P-1	-	245,864	-	-	245,864
Corporate notes	Aa2/P-1	-	74,779	-	-	74,779
Corporate notes	Aa3/P-1	-	<u>518,559</u>	-	-	<u>518,559</u>
		<u>\$ 101,037</u>	<u>\$ 2,085,139</u>	<u>\$ 883,958</u>	<u>\$ -</u>	<u>\$ 3,070,134</u>

As of September 30, 2006, the Corporation's investments in debt securities were as follows:

	Moody's Credit Rating	Investment Maturities (In Years)				Fair Value
		Less Than 1	1 to 5	6 to 10	Greater Than 10	
U.S. Treasury obligations	Aaa/P-1	\$ -	\$ 825,270	\$ 340,675	\$ -	\$ 1,165,945
U.S. Government agencies	Aaa/P-1	183,225	432,143	206,495	-	821,863
Corporate notes	A1/P-1	101,930	212,093	-	-	314,023
Corporate notes	A2/P-1	76,696	264,402	-	-	341,098
Corporate notes	A3/P-2	126,796	-	-	-	126,796
Corporate notes	Aaa/P-1	-	98,983	-	-	98,983
Corporate notes	Aa1/P-1	-	118,268	-	-	118,268
Corporate notes	Aa2/P-1	-	222,354	-	-	222,354
Corporate notes	Aa3/P-1	<u>352,755</u>	<u>181,332</u>	-	-	<u>534,087</u>
		<u>\$ 841,402</u>	<u>\$ 2,354,845</u>	<u>\$ 547,170</u>	<u>\$ -</u>	<u>\$ 3,743,417</u>

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Notes to Financial Statements
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(4) Property, Plant and Equipment

Property, plant and equipment, net of accumulated depreciation, as of September 30, 2007 and 2006, is as follows:

	Estimated Useful Lives	Balance October 1, 2006	Additions	Retirements	Balance September 30, 2007
General support	5-35 years	\$ 15,059,822	\$ 677,309	\$ (1,410,626)	\$ 14,326,505
Central office	20 years	10,516,546	-	(4,380)	10,512,166
Earth station	20 years	5,125,704	10,305	-	5,136,009
Terminal equipment	5-20 years	4,400,828	54,378	(1,867,535)	2,587,671
Cellular network	10-20 years	5,493,570	998,232	(64,325)	6,427,477
Internet equipment	8 years	759,079	304,373	-	1,063,452
Pole, cable and wiring	15-20 years	<u>33,649,369</u>	<u>56,960</u>	<u>(4,502)</u>	<u>33,701,827</u>
Total Accumulated depreciation		75,004,918 <u>(35,828,233)</u>	2,101,557 <u>(3,294,765)</u>	(3,351,368) <u>3,351,368</u>	73,755,107 <u>(35,771,630)</u>
Plant under construction		39,176,685 <u>1,831,448</u>	(1,193,208) <u>6,839,372</u>	- <u>(1,530,328)</u>	37,983,477 <u>7,140,492</u>
Property, plant and equipment, net		\$ <u>41,008,133</u>	\$ <u>5,646,164</u>	\$ <u>(1,530,328)</u>	\$ <u>45,123,969</u>
	Estimated Useful Lives	Balance October 1, 2005	Additions	Retirements	Balance September 30, 2006
General support	5-35 years	\$ 14,047,752	\$ 1,089,402	\$ (77,332)	\$ 15,059,822
Central office	20 years	10,437,148	79,398	-	10,516,546
Earth station	20 years	5,044,216	81,488	-	5,125,704
Terminal equipment	5-20 years	4,262,385	138,443	-	4,400,828
Cellular network	10-20 years	5,103,086	390,484	-	5,493,570
Internet equipment	8 years	759,026	53	-	759,079
Pole, cable and wiring	15-20 years	<u>33,192,424</u>	<u>456,945</u>	<u>-</u>	<u>33,649,369</u>
Total Accumulated depreciation		72,846,037 <u>(32,620,142)</u>	2,236,213 <u>(3,285,423)</u>	(77,332) <u>77,332</u>	75,004,918 <u>(35,828,233)</u>
Plant under construction		40,225,895 <u>2,283,576</u>	(1,049,210) <u>1,232,118</u>	- <u>(1,684,246)</u>	39,176,685 <u>1,831,448</u>
Property, plant and equipment, net		\$ <u>42,509,471</u>	\$ <u>182,908</u>	\$ <u>(1,684,246)</u>	\$ <u>41,008,133</u>

(5) Capitalized Interest

Interest is capitalized on all construction-in-progress pursuant to FASB 34, *Capitalization of Interest Costs* provided that the construction period exceeds one year. Interest capitalized on qualifying construction-in-progress was \$70,025 and \$39,614 during the years ended September 30, 2007 and 2006, respectively.

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Notes to Financial Statements
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(6) Long-term Debt

	<u>2007</u>	<u>2006</u>
Loan payable to Rural Utilities Service (RUS), with a 35 year term, interest at 5%, collateralized by the Corporation's specific ground leases and essentially all other assets. Pursuant to a loan agreement dated August 1, 1990, the Corporation is required to make monthly payments of both principal and interest to RUS.	\$ 23,668,097	\$ 24,471,604
Less: current portion	<u>844,084</u>	<u>784,740</u>
	<u>\$ 22,824,013</u>	<u>\$ 23,686,864</u>

Future minimum principal and interest payments on notes payable for subsequent years ending September 30, are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 844,084	\$ 1,164,236	\$ 2,008,320
2009	887,269	1,121,051	2,008,320
2010	932,664	1,075,656	2,008,320
2011	980,381	1,027,939	2,008,320
2012	1,030,539	977,781	2,008,320
2013 through 2017	5,999,621	4,041,979	10,041,600
2018 through 2022	7,699,666	2,341,934	10,041,600
2023 through 2025	<u>5,293,873</u>	<u>394,038</u>	<u>5,687,911</u>
	<u>\$ 23,668,097</u>	<u>\$ 12,144,614</u>	<u>\$ 35,812,711</u>

A summary of changes in long-term liabilities during fiscal years 2007 and 2006, is as follows:

	<u>Balance October 1, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance September 30, 2007</u>	<u>Due Within one Year</u>
Note payable to Rural Utilities Service	\$ <u>24,471,604</u>	\$ <u> -</u>	\$ <u>(803,507)</u>	\$ <u>23,668,097</u>	\$ <u>844,084</u>

	<u>Balance October 1, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance September 30, 2006</u>	<u>Due Within one Year</u>
Note payable to Rural Utilities Service	\$ 25,235,941	\$ -	\$ (764,337)	\$ 24,471,604	\$ 784,740
Long-term contracts	<u>68,827</u>	<u> -</u>	<u>(68,827)</u>	<u> -</u>	<u> -</u>
	<u>\$ 25,304,768</u>	<u>\$ -</u>	<u>\$ (833,164)</u>	<u>\$ 24,471,604</u>	<u>\$ 784,740</u>

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(7) Commitments and Contingencies

Leases

The Corporation has fifteen operating leases as of September 30, 2007. Seven are residential real estate leases for contract employees, which have a term of one or two years. Three represent leases for satellite stations of Yap, Pohnpei, and Kosrae with thirty-year leases. Three are for land site for three of state offices with 25-35 year terms beginning in 1988 for Pohnpei and Yap and 1990 for Kosrae. One is for a training center and one is for the previous central office on Pohnpei; both for 25 year terms beginning in 1983 for the training center and 1994 for the old central office. The Corporation has also entered into various circuit leases expiring through 2015 and 2025.

The approximate future minimum annual lease payments payable by the Corporation are as follows:

<u>Year ending September 30;</u>	<u>Total</u>
2008	\$ 572,613
2009	553,413
2010	540,113
2011	540,113
2012	540,113
2013 through 2017	1,612,793
2018 through 2022	23,937
2023 through 2025	<u>8,820</u>
	\$ <u>4,391,915</u>

Self Insurance

The Corporation purchases insurance to cover risks associated with its buildings and equipment (\$17,530,500 of coverage) and vehicles (up to \$1 million of coverage and \$500 per vehicle per incident). Additionally, the Corporation purchases fidelity insurance coverage for selected employees (total coverage of \$2,204,000) and workmen's compensation insurance (coverage of up to \$50,000 per employee). The Corporation also purchases general liability insurance in connection with operations (up to \$1 million per occurrence). There have been no significant reductions in coverage, and there have been no settlements in excess of insurance coverage for the past three years. The Corporation does not purchase insurance for its Outside Plant. As most of these items are underground, the Corporation is of the opinion that losses from such, if any, will be minimal. Therefore, the Corporation is self insured for Outside Plant and all other risks not encompassed in the forgoing. Management is of the opinion that no material losses have resulted from this practice.

Construction Commitments

During the year ended September 30, 2007, the Corporation entered into various contracts for construction and expansion of its facilities and services. Approximately \$2,532,560 is outstanding under these contracts as of September 30, 2007.

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Notes to Financial Statements
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(7) Commitments and Contingencies, Continued

External Carriers

External carriers located in other countries are subject to oversight policies from their respective regulatory agencies. Currently, U.S. regulatory agencies are contemplating a reduction of the tariff rate used by the Corporation for settlement with certain U.S. carriers. The ultimate outcome of this matter and the related impact on the Corporation cannot be predicted at this time.

Litigation

In the ordinary course of business, claims have been filed against the Corporation. Management does not believe that the plaintiffs will prevail and the ultimate outcome is currently not determinable. Therefore, no provision has been recorded in the accompanying financial statements for losses, if any, that may result.

(8) Related Party Transactions

The Corporation's services are provided to its affiliates at the same rates as are charged to third parties. The Corporation is a component unit of the Federated States of Micronesia National Government. As of September 30, 2007, the Corporation has receivables from the FSM National Government of approximately \$170,139 (\$315,681 at September 30, 2006).

(9) Retirement Plan

The Corporation's retirement plan (the Plan) is a self-administered program established to pay retirement, disability and survivor income to employees and their survivors to supplement similar benefits that employees received from the FSM Social Security System. The Plan is a contributory plan in which the Corporation contributes 10 percent of the participant's annual salary, and the participant contributes 3 or more percent from his or her annual salary. Participation is optional. The Corporation's controller is the designated Plan administrator. Contributions to the Plan during the years ended September 30, 2007 and 2006 were \$251,946 and \$237,886, respectively. Management is of the opinion that the plan does not represent an asset or liability of the Corporation. For the years ended September 30, 2007 and 2006, plan assets were \$4,201,774 and \$3,443,200, respectively.

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Schedule of Operating Expenses
Years Ended September 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Salaries and wages	\$ 3,750,715	\$ 3,523,266
Depreciation	3,294,765	3,285,423
Circuit lease	1,657,981	1,207,367
Utilities	909,171	656,798
Repairs and maintenance	746,819	534,155
Advertising	530,280	408,146
Cost of sales	428,683	376,163
Travel	311,942	435,834
Communications	284,455	251,250
Training	158,936	11,754
Contractual services	143,158	435,686
Petroleum and lubricants	93,217	72,199
Supplies	92,788	120,011
ICTV affiliated	86,976	61,050
Professional fees	80,988	107,613
Import tax expense	78,651	56,325
Insurance	60,946	72,373
Freight	58,265	34,317
Rental expenses	50,658	44,605
Publications and printing	35,811	26,262
Representation	35,519	38,005
Miscellaneous	<u>139,959</u>	<u>318,079</u>
Total	\$ <u>13,030,683</u>	\$ <u>12,076,681</u>

See Accompanying Independent Auditors' Report.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Chairman
Board of Directors
Federated States of Micronesia
Telecommunications Corporation:

We have audited the financial statements of the Federated States of Micronesia Telecommunications Corporation (the Corporation), as of and for the year ended September 30, 2007, and have issued our report thereon dated December 27, 2007. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Corporation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the Corporation's financial statements that is more than inconsequential will not be prevented or detected by the Corporation's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Corporation's internal control.

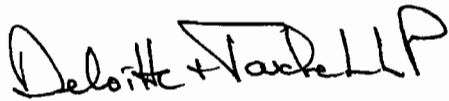
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Corporation in a separate letter dated December 27, 2007.

This report is intended solely for the information and use of the Board of Directors and management of the Corporation, federal awarding agencies, the Rural Utilities Service, supplemental lenders, pass-through entities, the cognizant audit and other federal agencies, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, stylized font.

December 27, 2007