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April 18, 2013

The Board of Directors
Federated States of Micronesia Development Bank

Dear Members of the Board of Directors:

We have performed an audit of the financial statements of the Federated States of Micronesia Development Bank (the Bank) as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our report thereon dated April 18, 2013.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the Bank is responsible.

OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS AND GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

Our responsibility under generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("generally accepted government auditing standards"), have been described in our engagement letter dated November 26, 2012, a copy of which has been provided to you. As described in that letter, the objectives of an audit conducted in accordance with the aforementioned standards are to:

- To express an opinion on the fairness of the presentation of the Bank's basic financial statements and the accompanying supplementary information, and to disclaim an opinion on the required supplementary information for the year ended December 31, 2012 in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), in all material respects;

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

- To report on the Bank's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended December 31, 2012 based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.

Our responsibilities under generally accepted auditing standards and generally accepted government auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared with the oversight of management and the Board of Directors are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Board of Directors of their responsibilities.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether caused by fraud or error. In making those risk assessments, we considered internal control over financial reporting relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Bank's internal control over financial reporting. Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in the Bank's 2012 financial statements include management's estimate of the allowance for loan losses, which is determined by management based upon periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect individual borrowers' ability to repay and estimated value of any underlying collateral, management's estimate of recording of assets at the lower of cost or market, which is based on net present value of future cashflows using market rental rates, and management's estimate of depreciation expense, which is based on estimated useful lives of the respective capital assets. During the year ended December 31, 2012, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

AUDIT ADJUSTMENTS AND RECLASSIFICATIONS

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. As the result of our audit work, we identified matters that resulted in audit adjustments that we believe, either individually or in the aggregate, would have a significant effect on the Bank's financial reporting process. Such proposed adjustments, listed as Appendix A to Attachment I, have been recorded in the accounting records and are reflected in the 2012 financial statements. Additionally, we identified account reclassifications that had significant effect on the Bank's financial statements presentation. Such reclassification entries, also listed in Appendix A to Attachment I, have been reflected in the 2012 financial statements.

SIGNIFICANT ACCOUNTING POLICIES

The Bank's significant accounting policies are set forth in note 1 to the Bank's 2012 financial statements. During the year ended December 31, 2012, there were no significant changes in previously adopted accounting policies or their application, except for the following pronouncements adopted by the Bank:

- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements,* which addressed how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. The implementation of this statement did not have a material effect on the accompanying financial statements.

- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements. The implementation of this statement did not have a material effect on the accompanying financial statements.

- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which established guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* which clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. These Statements amend the net asset reporting requirements in Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments,* and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. With the implementation of GASB Statement No. 63 and Statement No. 65, the Statement of Net Assets was renamed the Statement of Net Position. In addition, the Statement of Net Position includes two new classifications separate from assets and liabilities. Amounts reported as deferred outflows of resources are reported in a separate section following assets. Likewise, amounts reported as deferred inflows of resources are reported in a separate section following liabilities.

In December 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus,* which is designed to improve financial reporting for governmental entities by amending the requirements of Statements No. 14, *The Financial Reporting Entity,* and No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments,* to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively. The provisions of this statement are effective for periods beginning after June 15, 2012. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Bank.

In April 2012, GASB issued Statement No. 66, *Technical Corrections - 2012*, which enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The provisions of this statement are effective for periods beginning after December 15, 2012. Management has not yet determined the effect of implementation of this statement on the financial statements of the Bank.

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans,* which revises existing guidance for the financial reports of most pension plans, and Statement *N*o. 68, *Accounting and Financial Reporting for Pensions,* which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The provisions in Statement 67 are effective for financial statements for periods beginning after June 15, 2013. The provisions in Statement 68 are effective for fiscal years beginning after June 15, 2014. Management has not yet determined the effect of implementation of these statements on the financial statements of the Bank.

OTHER INFORMATION IN THE ANNUAL REPORTS

When audited financial statements are included in documents containing other information such as the Bank's 2012 Annual Report, we will read such other information and consider whether it, or the manner of its presentation, is materially inconsistent with the information, or the manner of its presentation, in the financial statements audited by us. We will read the other information in the Bank's 2012 Annual Report and will inquire as to the methods of measurement and presentation of such information. If we note a material inconsistency or if we obtain any knowledge of a material misstatement of fact in the other information, we will discuss this matter with management and, if appropriate, with the Board of Directors.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to the Bank's 2012 financial statements.

OUR VIEWS ABOUT SIGNIFICANT MATTERS THAT WERE THE SUBJECT OF CONSULTATION WITH OTHER ACCOUNTANTS

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2012.

SIGNIFICANT FINDINGS OR ISSUES DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT PRIOR TO OUR RETENTION

Throughout the year, routine discussions were held, or were the subject of correspondence, with management regarding the application of accounting principles or auditing standards in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions or correspondence, were not held in connection with our retention as auditors.

SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

MANAGEMENT'S REPRESENTATIONS

We have made specific inquiries of the Bank's management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations the Bank is required to provide to its independent auditors under generally accepted auditing standards. We have attached to this letter, as Attachment I, a copy of the representation letter we obtained from management.

CONTROL-RELATED MATTERS

We have issued a separate report to you, dated April 18, 2013, on the Bank's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, which was based upon the audit performed in accordance with *Government Auditing Standards*. We have communicated to management, in separate letters also dated April 18, 2013, other matters that we identified during our audit.

* * * * * * * *

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

Very truly yours,

Deloitte & Touche LLP

ATTACHMENT I

FEDERATED STATES OF MICRONESIA DEVELOPMENT BANK

Corporate Office
P.O. Box M
POHNPEI, FSM 96941

April 18, 2013

Deloitte & Touche LLP
361 South Marine Corps Drive
Tamuning GU 96913

Gentlemen:

We are providing this letter in connection with your audits of the statements of net position of the Federated States of Micronesia Development Bank (the "Bank"), a component unit of the FSM National Government as of December 31, 2012, and 2011, and the related statements of revenues, expenses and changes in net position and of cash flows for the years then ended, for the purpose of expressing an opinion as to whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Bank in conformity with accounting principles generally accepted in the United States of America (GAAP). Furthermore, we are providing this letter in connection with your audits of the respective statements of net position of the Investment Development Fund (IDF), the Pohnpei Development Loan Fund (PDLF), and the Yap Development Loan Fund (YDLF) (the Funds), administered by the Bank, as of December 31, 2012, and the related statements of changes in fiduciary net position for the year then ended, for the purpose of expressing an opinion as to whether the respective financial statements present fairly, in all material respects, the financial position and results of operations of the Funds in conformity with GAAP. We confirm that we are responsible for the following:

a. The fair presentation in the Bank's basic financial statements of financial position, results of operations, and cash flows, in conformity with GAAP.

b. The fair presentation in the Funds' respective financial statements of financial position and results of operations in conformity with GAAP.

c. The design, implementation, and maintenance of programs and controls to prevent and detect fraud.

d. Establishing and maintaining effective internal control over financial reporting.

e. The review and approval of the financial statements and related notes and acknowledge your role in the preparation of this information. Specifically, we acknowledge that your role in the preparation of the financial statements was a matter of convenience rather than one of necessity. We have reviewed the financial statement preparation assistance provided by you and acknowledge that the financial statements are prepared in accordance with the accounting policies generally accepted in the United States of America. Our review was based on the use of AICPA State and Local Government Financial Statement and Note Disclosures Checklist. We have agreed with the audit adjusting and reclassification entries included in Appendix A.

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

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

1. The financial statements referred to above are fairly presented in conformity with GAAP. In addition:

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

   b. Deposits and investment securities are properly classified in the category of custodial credit risk.

   c. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.

   d. Required supplementary information is measured and presented within prescribed guidelines.

2. The Bank has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.

3. The Bank has provided you:

   a. Financial records and related data.

   b. Summaries of actions of the Board of Directors which are dated as follows:

      - January 26, 2012 (regular meeting)
      - May 2, 2012 (regular meeting)
      - July 31, 2013 (regular meeting)
      - October 30-31, 2012 (regular meeting)
      - January 28-29, 2013 (regular meeting) *draft minutes only

   c. Contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies.

4. There have been no:

   a. Actions taken by the Bank's management that contravene the provisions of federal laws and FSM National laws and regulations, or of contracts and grants applicable to the Bank.

b. Communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the financial statements.

5. We believe the effects of the uncorrected financial statement misstatement detected in the current year that relate to the prior year presented is immaterial to the financial statements for the year-ended December 31, 2011 taken as a whole.

6. The Bank has not performed a formal risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud. However, management has made available to you its understanding about the risks of fraud in the Bank and does not believe that the financial statements are materially misstated as a result of fraud.

7. We have no knowledge of any fraud or suspected fraud affecting the Bank involving:

   a. Management

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

   c. Others if the fraud could have a material effect on the financial statements.

8. We have no knowledge of any allegations of fraud or suspected fraud affecting the Bank received in communications from employees, former employees, regulators, or others.

9. The Bank is involved in various legal actions in the normal course of business, including a variety of legal actions and claims that seek monetary damages or punitive damages. Based on current information, including legal consultation, management believes any ultimate liability that could possibly arise from these actions would not materially affect the Bank's financial position, results of operations or cash flows. This condition has been disclosed in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification (ASC) Topic No. 450 *Contingencies*.

10. Significant assumptions used by us in making accounting estimates are reasonable.

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

12. Management has identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.

13. There are no reportable conditions, including significant deficiencies and material weaknesses, in the design or operation of internal control that could adversely affect the Bank's ability to initiate record, process and report financial information.

Except where otherwise stated below, matters less than $84,600 for the Bank and $14,400 for the Funds collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the financial statements.

14. Except for as described in item 5, there are no transactions that have not been properly recorded in the accounting records underlying the financial statements.

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

16. The following, to the extent applicable, have been appropriately identified, properly recorded, and disclosed in the financial statements:

    a. Related-party transactions and associated amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral.

    b. Guarantees, whether written or oral, under which the Entity is contingently liable. The Bank, from time to time, may issue conditional guarantees to commercial banks for commercial loan borrowers that may represent 50% to 90% of the total outstanding loan balances. There were no outstanding loan guarantees to which the Bank are contingently liable as of December 31, 2012 and 2011.

17. In preparing the financial statements in conformity with GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:

    a. It is at least reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events.

    b. The effect of the change would be material to the financial statements.

18. Risks associated with concentrations, based on information known to management, that meet all of the following criteria have been disclosed in the financial statements:

    a. The concentration exists at the date of the financial statements.

    b. The concentration makes the enterprise vulnerable to the risk of a near-term severe impact.

    c. It is at least reasonably possible that the events that could cause the severe impact will occur in the near term.

19. There are no:

    a. Violations or possible violations of laws or regulations whose effects should be

considered for disclosure in the financial statements or as a basis for recording a loss contingency.

b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB ASC 450, *Contingencies*.

20. The Bank has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral except as disclosed in the financial statements.

21. The Bank has complied with all aspects of contractual agreements that may have an effect on the financial statements in the event of noncompliance.

22. Regarding required supplementary information:

    a. We confirm that we are responsible for the required supplementary information

    b. The required supplementary information is measured and presented in accordance with GAAP.

    c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.

23. Regarding supplementary information:

    a. We are responsible for the fair presentation of the supplementary information in accordance with GAAP.

    b. We believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP.

    c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.

24. During the year ended December 31, 2012, the Bank implemented the following pronouncements:

    - GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements,* which addressed how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. The implementation of this statement did not have a material effect on the accompanying financial statements.

    - GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements. The implementation of this statement did not have a material effect on the accompanying financial statements.

- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which established guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* which clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. These Statements amend the net asset reporting requirements in Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments,* and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. With the implementation of GASB Statement No. 63 and Statement No. 65, the Statement of Net Assets was renamed the Statement of Net Position. In addition, the Statement of Net Position includes two new classifications separate from assets and liabilities. Amounts reported as deferred outflows of resources are reported in a separate section following assets. Likewise, amounts reported as deferred inflows of resources are reported in a separate section following liabilities.

In December 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus,* which is designed to improve financial reporting for governmental entities by amending the requirements of Statements No. 14, *The Financial Reporting Entity,* and No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments,* to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively. The provisions of this statement are effective for periods beginning after June 15, 2012. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Bank.

In April 2012, GASB issued Statement No. 66, *Technical Corrections - 2012,* which enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The provisions of this statement are effective for periods beginning after December 15, 2012. Management has not yet determined the effect of implementation of this statement on the financial statements of the Bank.

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans,* which revises existing guidance for the financial reports of most pension plans, and Statement No. 68, *Accounting and Financial Reporting for Pensions,* which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The provisions in Statement 67 are effective for financial statements for periods beginning after June 15, 2013. The provisions in Statement 68 are effective for fiscal years beginning after June 15, 2014. Management has not yet determined the effect of implementation of these statements on the financial statements of the Bank.

25. On August 30, 2010, the Bank entered into a line of credit agreement in the amount of EUR 4,000,000 with European Investment Bank for a term of fifteen years. The loan is uncollateralized and bears interest at the London Interbank Offered Rate on the date of

drawdown plus a 1.76% risk premium per annum. No drawdowns have occurred as of December 31, 2012 and 2011.

26. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed in the financial statements.

27. The equity investment in Bank of the FSM, carried at cost, represents 150,000 and 100,000 common shares at December 31, 2012 and 2011 and approximately an 16.1% and 10.7% ownership interest, respectively. Since the book value of the shares exceeds the carrying value, management believes that the equity investment has not become impaired.

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

29. Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the balance-sheet date and have been appropriately reduced to their estimated net realizable value.

30. All impaired loans receivables have been properly recorded and disclosed in the financial statements.

31. The Bank is responsible for determining and maintaining the adequacy of the allowance for doubtful accounts receivable, as well as estimates used to determine such amounts. Management believes the allowances are adequate to absorb currently estimated bad debts in the account balances. Additionally, the Bank has been authorized for determining and maintaining the adequacy of the allowance for doubtful accounts receivables for the Trust Funds.

32. The Bank carries insurance to cover its potential risks from vehicle usage. The Bank is substantially self-insured for all other risks. Management is of the opinion that no material losses have been sustained as a result of this practice during the past three year.

33. The Bank has obligated, expended, received, and used public funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by FSM and federal laws. Such obligations, expenditures, receipt, or use of public funds was in accordance with any limitations, conditions, or mandatory directions imposed by FSM or federal laws.

34. Money or similar assets handled by the Bank on behalf of the Government of the FSM or its component states or the U.S. Federal Government have been properly and legally administered and the accounting and recordkeeping related thereto is proper, accurate and in accordance with law.

35. No events have occurred after December 31, 2012 but before April 18, 2012, the date the financial statements were available to be issued, that require consideration as adjustments to or disclosures in the financial statements.

Very truly yours,

Anna Mendiola
CEO/President

Sihna Lawrence
CFO

APPENDIX A			
AUDIT ADJUSTING ENTRIES			
#	Name	Debit	Credit
	1 AJE To correct beginning net assets on FSMDB TB		
50200-005	LATE CHARGES - YDLF	-	1,467.00
32010-005	UNRESERVED-YDLF	1,467.00	-
36000-000	RETAINED EARNINGS	-	16,493.00
32010-001	UNRESERVED-HQ	-	13,511.00
50510-001	MISC. INCOME-PDLF	13,511.00	-
71700-001	MISC EXPENSE/BANK CHARGES - HQ	16,493.00	-
		31,471.00	31,471.00
	To adjust differences in beginning net assets - entry to be posted to the FSMDB trial balance.		
	2 AJE To correct beginning net asset on IDF TB		
10285-006 IDF	ALLOWANCE FOR D/L - PSIDF	119,007.00	-
37000-000 IDF	Retained Earnings	-	117,728.00
40500-006 IDF	MISC. INCOME-PSIDF	-	1,279.00
		119,007.00	119,007.00
	To adjust differences in beginning net assets - entry to be posted to the IDF trial balance.		
	3 AJE To correct interfund difference		
10700-001	Due From IDF - HQ	-	3,164.00
20450-006	Due To IDF	3,164.00	-
10800-001	DUE FROM IRP-HQ	27,145.00	-
20449-001	DUE TO IRP-HQ	-	6,947.00
71700-001	MISC EXPENSE/BANK CHARGES - HQ	-	20,198.00
		30,309.00	30,309.00
	To adjust interfund (FSMDB vs. IRP & FSMDB vs. IDF) differences - post to FSMDB TB.		
	4 AJE To adjust reserve for loan losses		
10250-001	ALLOWANCE FOR D/L-HQ	30,501.00	-
10250-002	ALLOWANCE FOR D/L-KOSRAE	495,994.00	-
10250-004	ALLOWANCE FOR D/L-CHUUK	-	520,467.00
10250-005	ALLOWANCE FOR D/L-YAP	465,806.00	-
71800-001	PROV FOR D/L -HQ	-	30,501.00
71800-002	PROV FOR D/L - KOSRAE	-	495,994.00
71800-004	PROV FOR D/L - CHUUK	520,467.00	-
71800-005	PROV FOR D/L - YAP	-	465,806.00
		1,512,768.00	1,512,768.00
	To adjust the reserve for loan losses to the amount calculated as maximum allowed, after factoring in audit differences in loan gradings.		
	5 AJE To adjust reserve for loan loss - IDF		
10285-002 IDF	ALLOWANCE FOR D/L - KIDF	450.00	-
10285-006 IDF	ALLOWANCE FOR D/L - PSIDF	-	1,159,044.00
DT4 (IDF TB)	Bad debt expense - IDF	1,158,594.00	-
		1,159,044.00	1,159,044.00
	To adjust IDF loan loss reserve based on audit.		

APPENDIX A			
FINANCIAL STATEMENT RECLASSIFICATION ENTRY			
#	Name	Debit	Credit
	1 RJE To eliminate FSMDB internal receivable/payable		
10720-005	DUE FROM FSMDB-RESIDENTIAL-YAP	-	1,281.00
10720-004	DUE FROM FSMDB-RESIDENTIAL-CKK	-	542.00
10730-001	DUE FROM FSMDB-SLRF-HQ	-	350.00
20452-001	DUE TO RESIDENTIAL-HQ	10,083.00	-
20480-001	DUE TO SLRF-HQ	350.00	-
10720-001	DUE FROM FSMDB-RESIDENTIAL-HQ	-	9,950.00
10720-002	DUE FROM FSMDB-RESIDENTIAL-KOS	-	666.00
20452-002	DUE TO RESIDENTIAL-KOS	533.00	-
20452-004	DUE TO RESIDENTIAL-CKK	542.00	-
20452-005	DUE TO RESIDENTIAL-YAP	1,281.00	-
		12,789.00	12,789.00
	For FS presentation purposes only - to eliminate FSMDB internal receivables/payable.		
	2 RJE To eliminate FSMDB internal receivable/payabe		
10733-001	DUE FROM FSMDB-CONSUMER-HQ	-	73,372.00
10733-004	DUE FROM FSMDB-CONSUMER-CKK	-	43,832.00
10733-005	DUE FROM FSMDB-CONSUMER-YAP	-	800.00
20420-001	DUE TO CONSUMER LENDING REVOLVING-HQ	73,036.00	-
20420-004	DUE TO CONSUMER LENDING REVOLVING-CKK	43,832.00	-
20420-005	DUE TO CONSUMER LENDING REVOLVING-YAP	799.00	-
10733-002	DUE FROM FSMDB-CONSUMER-KOS	-	984.00
20420-002	DUE TO CONSUMER LENDING REVOLVING-KOS	1,321.00	-
		118,988.00	118,988.00
	For FS presentation purposes only - to eliminate FSMDB internal receivables/payable.		
	3 RJE To reclassify cash, TCD and AIR in MSSB acct		
10116-001	INVESTMENTS-FSMDB (ABROAD)	-	328,963.00
DT2	TCD - MSSB investment reclass	240,000.00	-
DT1	Cash & cash equivalent - MSSB investment reclass	45,963.00	-
DT3	Accrued interest receivable - MSSB investment reclass	43,000.00	-
		328,963.00	328,963.00
	To reclassify cash & cash equivalents, accrued interest and TCD from MSSB managed accounts.		