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June 26, 2014

The Board of Directors
Federated States of Micronesia
Coconut Development Authority

Dear Members of the Board:

We have performed an audit of the financial statements of the Federated States of Micronesia (FSM) Coconut Development Authority (the Authority), a component unit of the FSM National Government, as of and for the year ended September 30, 2013, in accordance with auditing standards generally accepted in the United States of America (“generally accepted auditing standards”) and have issued our report thereon dated June 26, 2014.

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 Authority is responsible.

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

Our responsibility under auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, have been described in our engagement letter dated September 11, 2013. As described in that letter, the objective of a financial statement audit conducted in accordance with the aforementioned standards is:

- To express an opinion on the fairness of the presentation of the Authority’s basic financial statements and to disclaim an opinion on the required supplementary information for the year ended September 30, 2013 in conformity with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”), in all material respects; and
- To report on the Authority’s internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended September 30, 2013 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 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.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether caused by fraud or error. In making those risk assessments, we considered internal control over financial reporting relevant to the Authority'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 Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority'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.

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 Authority's 2013 financial statements include management's estimate of the allowance for uncollectible accounts, which is determined based upon past collection experience and aging of the accounts; management's estimate of the allowance for inventory obsolescence, which is determined based upon expected inventory turnover and inventory aging; and management's estimate of depreciation expense, which is based on estimated useful lives of the respective capital assets. During the year ended September 30, 2013 we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

AUDIT ADJUSTMENTS AND UNCORRECTED MISSTATEMENTS

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 Authority'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 2013 financial statements.

In addition, Appendix B to Attachment I summarizes uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

SIGNIFICANT ACCOUNTING POLICIES

The Authority's significant accounting policies are set forth in Note 1 to the Authority's 2013 financial statements. During the year ended September 30, 2013, there were no significant changes in previously adopted accounting policies or their application, except for 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.

- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, which improved 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.
- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which enhanced 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 issued on or before November 30, 1989, which does not conflict or contradict GASB pronouncements. GASB Statement no. 62 superseded GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*.
- 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.

The implementation of these statements did not have a material effect on the Authority's 2013 financial statements.

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 Authority.

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 this statement on the financial statements of the Authority.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, which improves accounting and financial reporting for state and local governments' combinations and disposals of government operations. Government combinations include mergers, acquisitions, and transfers of operations. A disposal of government operations can occur through a transfer to another government or a sale. The provisions in Statement 69 are effective for fiscal years beginning after December 15, 2013. Management has not yet determined the effect of implementation of this statement on the financial statements of the Authority.

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. The provisions in Statement 70 are effective for fiscal years beginning after June 15, 2013. Management has not yet determined the effect of implementation of this statement on the financial statements of the Authority.

OTHER INFORMATION IN THE ANNUAL REPORTS

When audited financial statements are included in documents containing other information such as the Authority's 2013 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 Authority's 2013 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.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to the Authority's 2013 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 2013.

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

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

OTHER SIGNIFICANT FINDINGS OR ISSUES ARISING FROM THE AUDIT DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT

Throughout the year, routine discussions were held, or were the subject of correspondence, with management. In our judgment, such discussions or correspondence did not involve significant findings or issues requiring communication to the Board of Directors.

SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

MANAGEMENT'S REPRESENTATIONS

We have made specific inquiries of the Authority's management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations the Authority 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

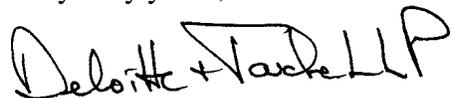
We have issued a separate report to you, dated June 26, 2014, on the Authority's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, which was based upon the audit performed in accordance with *Government Auditing Standards*.

* * * * *

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

We wish to thank the staff and management of the Authority for their cooperation and assistance during the course of this engagement.

Very truly yours,





Federated States of Micronesia ATTACHMENT I
COCONUT DEVELOPMENT AUTHORITY
P.O. Box 297
Kolonia, Pohnpei FM 96941

Phone: (691) 320-2892 Fax: (691) 320-5383 E-mail: fsmcda@gmail.com

June 26, 2014

Deloitte & Touche
Certified Public Accountants
Kolonia, Pohnpei

We are providing this letter in connection with your audits of the statements of net position of the Federated States of Micronesia (FSM) Coconut Development Authority (the Authority), a component unit of the FSM National Government, as of September 30, 2013 and 2012, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, which collectively comprise the Authority's basic financial statements, 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 Authority in conformity with accounting principles generally accepted in the United States of America (GAAP).

We confirm that we are responsible for the following:

- a. The fair presentation in the basic financial statements of financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America (GAAP).
- b. The design and implementation of programs and controls to prevent and detect fraud.
- c. Establishing and maintaining effective internal control over financial reporting.
- d. The review and approval of the financial statements and related notes and acknowledge your role in the preparation of this information. Specifically, we acknowledge that your role in the preparation of the financial statements was a matter of convenience rather than one of necessity. We have reviewed the financial statement preparation assistance provided by you and acknowledge that the financial statements are prepared in accordance with GAAP. Our review was based on the use of the financial statement disclosure checklist for stand-alone business-type activities obtained from the Government Finance Officers Association. Additionally, we agreed with the adjusting 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.



Federated States of Micronesia
COCONUT DEVELOPMENT AUTHORITY

P.O. Box 297
 Kolonia, Pohnpei FM 96941

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June 26, 2014

Deloitte & Touche
 Certified Public Accountants
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- c. Establishing and maintaining effective internal control over financial reporting.
- d. The review and approval of the financial statements and related notes and acknowledge your role in the preparation of this information. Specifically, we acknowledge that your role in the preparation of the financial statements was a matter of convenience rather than one of necessity. We have reviewed the financial statement preparation assistance provided by you and acknowledge that the financial statements are prepared in accordance with GAAP. Our review was based on the use of the financial statement disclosure checklist for stand-alone business-type activities obtained from the Government Finance Officers Association. Additionally, we agreed with the adjusting 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 basic 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 approved.
 - b. Deposits and investment securities are properly classified in the category of custodial credit risk.
 - c. Revenues and expenses are appropriately classified in the statements of revenues, expenses and changes in net position within operating and non-operating revenues and expenses.
 - d. Capital assets are properly capitalized, reported and depreciated.
2. 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 GASB Codification Section 2200, *Comprehensive Annual Financial Report*.
 - c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.
3. The Authority has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.
4. The Authority has made available to you all:
 - a. Financial records and related data.
 - b. Contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies.
 - c. Resolutions and minutes of the meetings of stockholders, directors, and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared. The only meeting during the year ended September 30, 2013 to the date of this letter occurred on June 18 to 20, 2013.
5. There has been no:
 - a. Action taken by the Authority management that contravenes the provisions of FSM laws and regulations or of contracts and grants applicable to the Authority.
 - b. Communication from other regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the financial statements.

6. We believe the effects of any uncorrected financial statement misstatements aggregated by you during the current audit engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix B.
7. The Authority has not performed a formal risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud. However, management has made available to you their understanding about the risks of fraud in the Authority and does not believe that the financial statements are materially misstated as a result of fraud.
8. We have no knowledge of any fraud or suspected fraud affecting the Authority involving:
 - a. Management
 - b. Employees who have significant roles in the Authority's internal control over financial reporting
 - c. Others if the fraud could have a material effect on the financial statements.
9. We have no knowledge of any allegations of fraud or suspected fraud affecting the Authority received in communications from employees, former employees, analysts, regulators, or others.
10. There are no unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards ("GASB Codification") Section C50, *Claims and Judgments*.
11. We have included in the financial statements all assets and liabilities under the Authority's control.
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. Management acknowledges that it is currently dependent on the FSM National Government for cash funding in order to maintain the Authority as a going concern. Although the FSM National government has provided funding in the past, the Authority does not have a formal agreement with the FSM National Government to provide funds in the future. Management believes that the continuation of the Authority's operations is dependent upon the future financial support of the FSM National Government and/or significant improvements in operations achieved through reductions in the purchase price of copra.
14. Significant assumptions used by us in making accounting estimates are reasonable.

Except where otherwise stated below, matters less than \$2,600 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to, or disclosure in, the financial statements.

15. Except as listed in Appendix B, there are no transactions that have not been properly recorded in the accounting records underlying the financial statements.

16. The Authority has no plans or intentions that may affect the carrying value or classification of assets and liabilities.
17. 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 Authority is contingently liable.
18. 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.

We are not aware of any estimates at September 30, 2013 that may change and that the effect of the change would be material to the financial statements.
19. 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; and
 - c. It is at least reasonably possible that the events that could cause the severe impact will occur in the near term.
20. 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 GASB Codification Section C50, *Claims and Judgments*.
 - c. Commitments of the Authority except as disclosed in Note 4 to the financial statements.
21. The Authority has satisfactory title to all owned assets and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.
22. The Authority has complied with all aspects of contractual agreements that may have an effect on the financial statements in the event of noncompliance.

23. No department or agency of the FSM National Government has reported a material instance of noncompliance to us.
24. Management understands that it is to disclose whether, subsequent to September 30, 2013, any changes occurred in internal control or other factors that might significantly affect internal control and we advise you that no such changes have occurred to the date of this letter.
25. 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.
26. The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has elected to purchase commercial insurance from independent third parties for the risks of loss to which it is exposed associated with its warehouse and buildings. The Authority is self-insured for all other risks. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.
27. Provision has been made to reduce excess or obsolete inventories to their estimated net realizable value. All inventories are the property of the Authority and do not include any items consigned to it, any items billed to customers, or any items for which the liability has not been recorded.
28. We believe that all expenditures that have been deferred to future periods are recoverable.
29. During fiscal year 2013, the Authority implemented the following pronouncements, implementation of which did not have a material effect on the financial statements:
 - 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.
 - GASB Statement No. 61, The Financial Reporting Entity: Omnibus, which improved 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.
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 - 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.

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30. No events have occurred after September 30, 2013 but before June 25, 2014, the date the financial statements were available to be issued that require consideration as adjustments to, or disclosures in, the financial statements other than that in June 2014, the FSM

Congress approved the integration of the Authority into the operations of the FSM Petroleum Corporation, which is also a component unit of the FSM National Government. This integration is expected to occur as of October 1, 2014.

Very truly yours,

A handwritten signature in black ink, appearing to read "Peterson Sam", written over a horizontal line.

Peterson Sam
General Manager

**APPENDIX A
CORRECTED MISSTATEMENTS**

#	Name	Debit	Credit
1 AJE Correction of opening balance			
3001A	Opening Balance	86,815.72	-
9002.3	Grant from the Government of India	-	86,815.72
		<u>86,815.72</u>	<u>86,815.72</u>
2 AJE To adjust inventory			
1040	Copra bags inventory	-	18,631.50
1041	Copra inventory	-	51,768.46
1042	FINISHED PRODUCT INVENTORY	-	1,823.85
5001A	Cost of Goods Sold	72,223.81	-
		<u>72,223.81</u>	<u>72,223.81</u>
3 AJE To adjust receivable to net realizable value			
6028	Bad Debts Expense	44,879.00	-
1010C	ALLOWANCE FOR DOUBTFUL ACCOUNTS	-	44,879.00
		<u>44,879.00</u>	<u>44,879.00</u>
4 AJE To Book Operating Expense from FSM-NG			
6000	Personnel	84,046.03	-
6002	Travel	11,394.81	-
9002.1	Operational Grant from FSMNG	-	105,354.84
6004B	Communication	642.67	-
6004G	Utilities	3,862.04	-
6005D	POL	3,494.29	-
6005G	SUPPLIES & MATERIALS	1,915.00	-
		<u>105,354.84</u>	<u>105,354.84</u>
6 AJE To record depreciation expense			
6029	Depreciation expense	64,090.00	-
1110	FIXED ASSETS, ALLOWANCES	2,005.45	-
3001B	Opening Balance Equity	-	66,095.45
		<u>66,095.45</u>	<u>66,095.45</u>
7 AJE fixed assets			
1104	Office equipment	-	35,892.00
1100B	BUILDING:Accumulated Dep./Building	123,813.70	-
3001B	Opening Balance Equity	-	87,921.70
		<u>123,813.70</u>	<u>123,813.70</u>
8 AJE fund balance			
6005L	MISCELLENOUS EXPENSE	13.29	-
1004	CASH IN BANK (FOOD)	-	75,264.17
2002	CUSTOMER DEPOSIT	-	1,000.00
2001	ACRUED EXPENSE	-	4,532.82
2005	INCOME TAX PAYABLES	-	1,045.94
2004	SOC. SECURITY PAYABLES	-	1,106.10
2008	EMPLOYEES BENEFITS	-	971.50
1110	FIXED ASSETS, ALLOWANCES	-	78,131.80
2009DT	Accrued leave	-	7,429.76
2007	ALLOTMENT PAYABLES	13.83	-
3001B	Opening Balance Equity	169,454.97	-
		<u>169,482.09</u>	<u>169,482.09</u>

ACKNOWLEDGEMENT:

We have reviewed the above adjusting entries and agreed for them to be recorded in the September 30, 2013 financial statements. These adjustments are due to errors, not due to fraud or illegal activities.



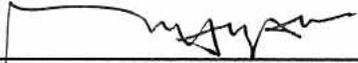
 Peterson Sam, General Manager

**APPENDIX B
UNCORRECTED MISSTATEMENTS**

	Assets	Liabilities	Change in Net Position
Dr. Depreciation expense			1,052
Cr. Accumulated depreciation		(1,052)	
<i>To correct accumulated depreciation</i>			
Dr. Inventory - allowance	3,960		
Cr. Cost of sales			(3,960)
<i>To decrease inventory allowance based on audit analysis</i>			

ACKNOWLEDGEMENT:

We have reviewed the above adjusting entries and believe that they are immaterial to the September 30, 2013 financial statements, individually and in aggregate. These adjustments are due to errors, not due to fraud or illegal activities.



Peterson Sam, General Manager