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June 26, 2026

The Board of Trustees
Chuuk State Health Care Plan

Dear Members of the Board of Trustees:

We were engaged to audit the financial statements of the Chuuk State Health Care Plan (the "Plan"), a component unit of the State of Chuuk, as of and for the year ended September 30, 2024, in accordance with auditing standards generally accepted in the United States of America ("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, and have issued our report thereon dated June 26, 2026. As described in the Basis for Disclaimer of Opinion section of that report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion and, accordingly, we do not express an opinion on the financial statements.

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 Plan is responsible.

This report is intended solely for the information and use of management, the Board of Trustees, and others within the Plan, 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 Plan for their cooperation and assistance during the course of this engagement.

Very truly yours,

Shinoda CPA

cc: Management of Chuuk State Health Care Plan

Required Communications

Our responsibility under generally accepted auditing standards and generally accepted government auditing standards

Our responsibility is to conduct an audit of the Plan's financial statements 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, and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are required to be independent of the Plan and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit.

Basis for disclaimer of opinion

The Plan did not perform reconciliations or maintain subsidiary ledgers for a substantial portion of the account balances reported in its September 30, 2024 statement of net position. As of the date of our audit report, management was still in the process of performing such procedures to determine the adjustments necessary to correct the financial statements as of and for the year ended September 30, 2024. We were unable to confirm or verify the recorded balances in the financial statements through alternative audit procedures. Consequently, we were unable to determine the extent of adjustments required for recorded or unrecorded balances in the financial statements. Because of the significance of this matter, we do not express an opinion on the accompanying financial statements.

Significant accounting policies

The Plan's significant accounting policies, including recently issued and adopted accounting pronouncements, are set forth in Note 2 to the Plan's 2024 financial statements.

Because of the matter described in the Basis for Disclaimer of Opinion section above, we were unable to obtain sufficient appropriate audit evidence to evaluate whether the significant accounting policies have been appropriately applied to the recorded account balances. Based on the limited procedures we were able to perform, nothing came to our attention to indicate that the significant accounting policies described in Note 2 are, in themselves, inappropriate; however, we are unable to conclude on the qualitative aspects of the Plan's accounting practices as they relate to the underlying account balances.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared with the oversight of management and are based on management's current judgments. Significant accounting estimates reflected in the Plan's 2024 financial statements include management's estimate of the allowance for uncollectible accounts, which is determined based on past collection experience and the credit risk of specific customers, and management's estimate of depreciation expense, which is based on the estimated useful lives of the respective capital assets. Because of the matter described in the Basis for Disclaimer of Opinion section above, we were unable to obtain sufficient appropriate audit evidence regarding these estimates or the account balances to which they relate, and accordingly we are unable to conclude on the reasonableness of management's estimates.

Corrected misstatements

Because management did not complete the reconciliations and analyses of significant account balances, and was unable to provide subsidiary ledgers and supporting documentation for a substantial portion of the recorded balances, we were unable to determine the corrections or adjustments necessary to the financial statements. Corrected misstatements in the financial statement reclassification are listed in Appendix A to Attachment II and are reflected in the 2024 financial statements.

Uncorrected misstatements

Because we were unable to obtain sufficient appropriate audit evidence regarding a substantial portion of the recorded account balances, we were unable to determine the nature and amount of misstatements, if any, that remain uncorrected in the financial statements. As a result, the financial statements may contain material misstatements, individually or in the aggregate, the extent of which could not be determined.

Significant deficiencies and material weaknesses in internal control over financial reporting

In connection with our engagement, we identified certain deficiencies in internal control over financial reporting that we consider to be a significant deficiency and a material weakness. These are described in the accompanying Schedule of Findings as item 2024-001, Board Compensation (significant deficiency), and item 2024-002, Timeliness of Record Maintenance and Financial Statement Preparation (material weakness). These matters are more fully described in our separate report on internal control over financial reporting and on compliance and other matters issued under Government Auditing Standards.

Related party relationships and transactions

We noted no significant matters regarding the Plan's relationships and transactions with related parties other than those disclosed in Note 5 to the financial statements, which include premiums receivable from, and premium revenue earned from, the Chuuk State Government, a portion of which relates to court judgments obtained against the Chuuk State Government for which repayment depends on future Chuuk State appropriations.

Changes to the terms of the audit with no reasonable justification for the change

None.

Significant unusual transactions

We are not aware of any significant unusual transactions executed by the Plan.

Other information in the annual reports

When audited financial statements are included in documents containing other information such as the Plan's 2024 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. We will read the other information in the Plan's 2024 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 Trustees.

Disagreements with management

We have not had any disagreements with management related to matters that are material to the Plan's 2024 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 2024.

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. Other than the matters described under "Significant difficulties encountered in performing the audit" below and in the Basis for Disclaimer of Opinion section, such discussions or correspondence did not involve significant findings or issues requiring communication to the Board of Trustees.

Significant difficulties encountered in performing the audit

We encountered significant difficulties during the course of our audit. As described in the Basis for Disclaimer of Opinion section, the Plan did not perform periodic or year-end reconciliations of the general ledger, did not maintain subsidiary ledgers for several significant accounts (including investments, capital assets, advances, accounts payable, and accrued expenses), and was unable to provide essential source documents supporting recorded transactions. A preliminary trial balance for the year ended September 30, 2024 was initially submitted in February 2026, and a corrected trial balance reflecting significant adjustments was submitted in May 2026; however, the trial balance remained incomplete and did not include all transactions or adjustments for several significant accounts. These conditions prevented us from obtaining sufficient appropriate audit evidence and from performing adequate alternative procedures and resulted in our disclaimer of opinion on the financial statements.

Fraud and noncompliance with laws and regulations (illegal acts)

We are not aware of any matters that require communication. However, because of the matter described in the Basis for Disclaimer of Opinion section, had the scope of our work been sufficient to enable us to express an opinion on the financial statements, instances of fraud or noncompliance may have been identified and reported.

Independence matters

We are not aware of any matters that in our professional judgment would impair our independence.

AICPA ethics ruling regarding third-party service providers

From time to time, and depending on the circumstances, (1) Shinoda CPA may subcontract portions of the Audit Services to others, who may deal with the Plan or its affiliates directly, although Shinoda CPA alone will remain responsible to you for the Audit Services and (2) personnel, including non-certified public accountants from independent third-party service providers (including independent contractors), may participate in providing the Audit Services. In addition, third-party service providers may perform services for Shinoda CPA in connection with the Audit Services.

Management's representations

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

Control-related matters

We have issued a separate report to you, dated June 26, 2026, on the Plan's internal control over financial reporting and on its compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards. Within that report, we noted certain matters that we considered to be a significant deficiency and a material weakness under standards established by the American Institute of Certified Public Accountants.

A description of the responsibility of management for establishing and maintaining internal control over financial reporting and of the objectives of and inherent limitations of internal control over financial reporting, is set forth in Attachment I and should be read in conjunction with this report.

Attachment I

Definition

The definition of a deficiency is as follows:

A 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 deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective is not always met. A deficiency in operation exists when (a) a properly designed control does not operate as designed, or (b) the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

Management's responsibility for, and the objectives and limitations of, internal control over financial reporting

The following comments concerning management's responsibility for internal control over financial reporting and the objectives and inherent limitations of internal control over financial reporting are adapted from auditing standards generally accepted in the United States of America.

Management's responsibility

The Plan's management is responsible for the overall accuracy of the financial statements and their conformity with generally accepted accounting principles. In this regard, management is also responsible for establishing and maintaining effective internal control over financial reporting.

Objectives of internal control over financial reporting

Internal control over financial reporting is a process affected by those charged with governance, management, and other personnel and designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Internal control over the safeguarding of assets against unauthorized acquisition, use, or disposition may include controls related to financial reporting and operations objectives. Generally, controls that are relevant to an audit of financial statements are those that pertain to the entity's objective of reliable financial reporting (i.e., the preparation of reliable financial statements that are fairly presented in conformity with generally accepted accounting principles).

Inherent limitations of internal control over financial reporting

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

CHUUK STATE HEALTH CARE PLAN
P.O. BOX 1679
WENO, CHUUK STATE, FSM 96942

PHONE NO. (691) 330-5474
FAX NO. (691) 330-5473

June 26, 2026

Hiromi Shinoda
Shinoda CPA
P.O. Box 1360 Kolonia Pohnpei
Federated States of Micronesia FSM96941

We are providing this letter in connection with your engagement to audit the financial statementsof the Chuuk State Health Care Plan (the "Plan" or "CSHCP"), a component unit of the State of Chuuk, which comprise the statement of net position as of September 30, 2024, and the related statements of revenues, expenses and changes in net position and of cash flows for the year then ended, and the related notes to the financial statements, for the purpose of forming 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 Plan in conformity with accounting principles generally accepted in the United States of America (GAAP). We recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in your audit. We confirm that we are responsible for the following:

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

b. The design, implementation, and maintenance of internal controls:

- Relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
- To prevent and detect fraud.

c. 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 statements 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 a financial statement disclosure checklist. 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.

Attachment II

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

1. We have fulfilled our responsibilities, as set forth in the terms of the audit engagement letter dated July 25, 2025, for the preparation and fair presentation of the financial statements (including disclosures) in conformity with GAAP applied on a basis consistent with that of the preceding period.

2. The Plan has provided to you all relevant information and access of which we are aware, as agreed in the terms of the audit engagement letter.

3. The Plan has made available to you:

- All minutes of the meetings of the Board of Trustees, or summaries of actions of recent meetings, that have been prepared.
- All financial records and related data that have been maintained for the financial transactions of the Plan. The records, books, and accounts, as provided to you, record the financial and fiscal operations of the Plan to the extent maintained. We acknowledge that, as further described in representation 35 below, reconciliations and subsidiary ledgers were not maintained for a substantial portion of the account balances.
- Contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal and state agencies.

4. There have been no:

- Actions taken by Plan management that contravene the provisions of federal laws and Chuuk State laws and regulations, or of contracts and grants applicable to the Plan.
- Communications with 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.

5. We have reviewed and approved the adjustments summarized in the accompanying schedule and have reflected those adjustments in the financial statements. Refer to the schedule of corrected misstatements in Appendix A.

6. The Plan 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 Plan.

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

- Management.

- Employees who have significant roles in the Plan's internal control.
- Others, where 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 Plan's financial statements communicated by employees, former employees, analysts, regulators, or others.

9. There are no unasserted claims or assessments that we are aware of, or that legal counsel has advised us are probable of assertion and must be disclosed, in accordance with GASB Codification Section C50, Claims and Judgments.

10. The methods, significant assumptions, and the data used by us in making the accounting estimates and the related disclosures are appropriate to achieve recognition, measurement, or disclosure that is in accordance with GAAP.

11. We are responsible for compliance with local, state, and federal laws, rules, and regulations, including compliance with the provisions of grants and contracts relating to the Plan'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. We are responsible for maintaining accounting and administrative control over revenues, obligations, expenditures, assets, and liabilities.

12. We have informed you of all investigations or legal proceedings that have been initiated during the year ended September 30, 2024, or are in process as of September 30, 2024.

13. We are responsible for all nonaudit services performed by you during the year ended September 30, 2024, and through the date of this letter, including the preparation of the financial statements, and we have established and maintained an oversight of those services.

14. We have disclosed to you all deficiencies in the design or operation of internal control over financial reporting identified as part of our evaluation, including separately disclosing to you all such deficiencies that are significant deficiencies or material weaknesses in internal control over financial reporting.

15. We are responsible for taking corrective action on audit findings and have developed, or will develop, a corrective action plan.

16. 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.

17. No organizations were identified that meet the criteria established in GASB Codification Section 2100, Defining the Financial Reporting Entity.

18. Except as affected by the scope limitations described in representation 35, there are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

19. The Plan has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

20. Regarding related parties:

- We have disclosed to you the identity of the Plan's related parties and all the related party relationships and transactions of which we are aware, including those with the Chuuk State Government and the Chuuk Public Utilities Corporation.
- To the extent applicable, related parties and all the related-party relationships and transactions, including premiums, receivables, loans, transfers, and guarantees (written or oral), have been appropriately identified, properly accounted for, and disclosed in the financial statements.

21. 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:

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

22. There are no:

- Instances of identified or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.
- Known actual or possible litigation and claims whose effects should be considered when preparing the financial statements that have not been disclosed to you and accounted for and disclosed in accordance with GAAP.
- Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Codification Section C50, Claims and Judgments.

23. Regarding required supplementary information:

- We confirm that we are responsible for the required supplementary information, including the Management's Discussion and Analysis.

- The required supplementary information is measured and presented in accordance with the guidelines established by the Governmental Accounting Standards Board.
- The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.

24. The Plan 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.

25. The Plan has complied with all aspects of contractual agreements that may have an effect on the financial statements.

26. Financial instruments with significant individual or group concentration of credit risk, including premiums receivable from the Chuuk State Government and the Chuuk Public Utilities Corporation, have been appropriately identified, properly recorded, and disclosed in the financial statements.

27. 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.

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

29. The Plan is responsible for determining and maintaining the adequacy of the allowance for uncollectible accounts receivable, as well as estimates used to determine such amounts. Management believes the allowance is adequate to absorb currently estimated uncollectible amounts in the account balances.

30. All additions to the Plan's property accounts consist of replacements or additions that are properly capitalizable.

31. The Plan has determined whether a capital asset has been impaired in accordance with GASB Codification Section 1400.180-1400.200, Impairment of Capital Assets.

32. Regarding the future implementation of GASB Statements effective for the years ending September 30, 2025, and after, as detailed in Note 2 of the financial statements (including GASB Statement Nos. 101, 102, 103, and 104), the Plan has not yet completed the process of evaluating the effects that will result from their adoption and is therefore unable to disclose the effects that adopting those Statements will have on its financial statements.

33. The Plan is party to certain legal actions and claims for the recovery of premiums that are in various stages of court proceedings or settlement discussions, as disclosed in the

financial statements. No gains or recoveries have been recorded in the accompanying statements. The ultimate outcome of these matters is not currently predictable, and any changes in these estimates will be resolved prospectively.

34. No events have occurred after September 30, 2024, but before the date of this letter, the date the financial statements were available to be issued, that require consideration as adjustments to, or disclosures in, the financial statements. In preparing the financial statements, we have evaluated the Plan's ability to continue as a going concern, and we are not aware of any conditions or events that raise substantial doubt about the Plan's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

35. The Plan did not perform reconciliations or maintain subsidiary ledgers for a substantial portion of the account balances reported in its September 30, 2024 statement of net position, and did not maintain or provide certain records, including bank reconciliations, premium receivable and payable schedules, a fixed asset register, and supporting documentation for certain material revenue and expense transactions. As of the date of this letter, management was still in the process of performing such procedures to determine the adjustments, if any, that may be necessary to correct the financial statements as of and for the year ended September 30, 2024. We understand that, due to such inadequacies and the resulting omission of auditing procedures required by auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants, your report on the financial statements will be a disclaimer of opinion.

We understand that your audit was conducted in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and was, therefore, designed primarily for the purpose of expressing an opinion on the financial statements of the Plan, and that your tests of the accounting records and other auditing procedures were limited to those that you considered necessary for that purpose.

Willie Bisalen, Executive Director
Chuuk State Health Care Plan

Attachment II

Appendix A - List of Corrected Misstatements

AJE 1

(Dr) Investment #12055	141,946.00
(Cr) Cash #11012	(141,946.00)