BURGER · COMER · & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

July 31, 2026

Board of Directors
Pohnpei State Housing Authority

We have audited the financial statements of the Pohnpei State Housing Authority (the Authority), a component unit of the Pohnpei State Government, as of and for the year ended September 30, 2024, and have issued our report thereon dated July 31, 2026. Professional standards require that we communicate certain matters related to the conduct of the audit to those charged with governance. This letter presents those required communications and certain other matters that we believe will assist the Board of Directors in fulfilling its oversight responsibilities for the Authority's financial reporting process.

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

We appreciate the cooperation and assistance provided by the Authority's management and staff during the audit.

Respectfully,

Burger Comer & Associates

Tamuning, Guam

cc: Management of the Pohnpei State Housing Authority

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Our Responsibility Under Generally Accepted Auditing Standards and *Government Auditing Standards*

Our audit was conducted 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. The objectives of our audit were:

- To express an opinion on whether the Authority's statement of net position as of September 30, 2024, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America;

- To apply certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America; and

- To report on the Authority's internal control over financial reporting and on compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, based on an audit of the financial statements performed in accordance with *Government Auditing Standards*.

Our responsibilities include forming and expressing an opinion about whether the financial statements, which have been prepared by management with the oversight of the Board of Directors, are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. The audit 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 professional judgment, including our assessment of the risks of material misstatement, 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 such an opinion. Our consideration of internal control was not designed to identify all deficiencies that might be material weaknesses or significant deficiencies.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. Except for the implementation of the GASB pronouncements described below, no new significant accounting policies were adopted and the application of existing significant accounting policies was not changed during 2024.

Significant Audit Matters, Continued

Qualitative Aspects of Accounting Practices, Continued

We noted no significant unusual transactions or transactions for which authoritative guidance or consensus was lacking. Based on our audit procedures, the significant transactions selected for testing were recognized in the appropriate reporting period.

During the year ended September 30, 2024, the Authority implemented the following pronouncements:

- Applicable provisions of GASB Statement No. 99, *Omnibus 2022*, including provisions related to derivative instruments and nonexchange financial guarantees;
- GASB Statement No. 100, *Accounting Changes and Error Corrections*;

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

Management of the Authority is currently evaluating the future impact of adopting the following upcoming GASB statements:

- GASB Statement No. 101, *Compensated Absences*.
- GASB Statement No. 102, *Certain Risk Disclosures*.
- GASB Statement No. 103, *Financial Reporting Model Improvements*.
- GASB Statement No. 104, *Disclosures About Capital Assets*
- GASB Statement No. 105, *Subsequent Events*.

We have evaluated the significant qualitative aspects of the Authority's accounting practices, including accounting policies, accounting estimates and financial statement disclosures and concluded that the policies are appropriate, adequately disclosed, and consistently applied by management.

Independence

We are required to communicate any relationships between our firm and the Authority that, in our professional judgment, may reasonably be thought to bear on our independence. We are not aware of any such relationships that have not been previously communicated. We have complied with the applicable ethical requirements regarding independence and with the independence requirements of *Government Auditing Standards*. As permitted by professional standards, we assisted management in preparing the financial statements and related notes based on information provided by management. Management accepted responsibility for the financial statements, designated an individual with suitable skill, knowledge, or experience to oversee the service, evaluated the adequacy and results of the service, and accepted responsibility for the results. We applied appropriate safeguards to reduce any threats to independence to an acceptable level.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgements are ordinarily based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in the Authority's financial statements include: Management's estimates of the allowance for loan losses, which is determined based upon past collection experience and aging of the accounts, and; Management's estimate of depreciation expense, which is based on the estimated useful lives of the Authority's respective capital assets. During the year ended September 30, 2024, we are not aware of any significant changes in accounting estimates or in management's judgements relating to such estimates. We evaluated the key factors and assumptions used to develop the estimates and determined that they were reasonable to in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Corrected Misstatements and Reclassification Adjustments

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. As a 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 adjustments, listed in **Appendix A** to **Attachment II**, were brought to the attention of management during the course of our audit procedures and were corrected by management during the current period and are reflected in the 2024 financial statements.

Uncorrected Misstatements

Professional standards require us to accumulate misstatements identified during the audit, other than those that are clearly trivial, and to communicate uncorrected misstatements to those charged with governance. The uncorrected misstatements summarized in **Appendix B** were presented to management. Management concluded that their effects are immaterial, individually and in the aggregate, to the financial statements taken as a whole. We concur with management's conclusion.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We requested certain representations from management that are included in the management representation letter dated July 31, 2026.

Management Consultations with Other Independent Accountants

To our knowledge, management did not consult with other independent accountants regarding the application of an accounting principle to the Authority's financial statements or the type of auditor's opinion that might be expressed on the financial statements.

Other Significant Findings or Issues

We discussed a variety of matters, including the application of certain accounting principles and auditing standards, with management; however, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Internal Control and Compliance Matters

We issued a separate report dated July 31, 2026, on the Authority's internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*.

We have identified, and included in **Attachment I**, certain deficiencies related to the Authority's internal control over financial reporting as of September 30, 2024 that we wish to bring to your attention.

Management's responsibility for establishing and maintaining internal control over financial reporting and the objectives and inherent limitations of internal control are described in **Attachment II**, which should be read in conjunction with this communication.

Restriction on Use

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

Attachment I—Management Letter Comments/Deficiencies

During our audit, we identified the following other deficiencies in internal control and opportunities for strengthening internal controls and operating efficiency. We are communicating these matters for the consideration of the Board of Directors and management. These matters are not considered material weaknesses or significant deficiencies.

Our audit was not designed to identify all deficiencies in internal control or all opportunities for improvement. Accordingly, other deficiencies or opportunities for improvement may exist that were not identified during our audit.

1. Loan Portfolio Administration and Documentation Controls

Comment: Management is responsible for establishing and maintaining effective internal controls over loan origination, servicing, documentation retention, and loan portfolio monitoring to ensure compliance with lending policies and accurate financial reporting. During testing of loan receivables and related loan file documentation, we identified multiple exceptions involving loan administration, loan portfolio maintenance, loan documentation, and loan system accuracy. The exceptions noted included discrepancies between loan portfolio data and executed agreements, incomplete supporting documentation, inconsistencies in restructuring documentation, and loan disbursement amounts exceeding approved loan origination balances, as detailed below:

A. Origination Date Differences

The origination dates recorded in the loan portfolio did not agree to the executed loan agreements for the following loans:

Loan no.	Origination Date Per Portfolio	Origination Date Per Agreement
2180	12/7/2023	12/13/2023
2203	4/4/2024	4/17/2024

B. Maturity Date Differences

The maturity dates recorded in the loan portfolio did not agree to the executed loan agreements for the following loans:

Loan no.	Maturity Date Per Portfolio	Maturity Date Per Agreement
2195	1/29/2026	2/26/2026
2197	2/29/2026	2/23/2026
2203	4/4/2031	4/4/2033
2204	4/30/2035	4/12/2035
2244	7/9/2026	8/9/2026
2255	7/30/2039	8/30/2039
2257	8/27/2032	8/27/2035

1. Loan Portfolio Administration and Documentation Controls, Continued

C. Loan Origination Amount Differences

Loan origination amounts recorded in the loan portfolio did not agree to executed loan agreements for the following loans:

Loan no.	Portfolio Loan Amount	Loan Agreement Amount	Difference	
2185	$35,000	$3,000	$32,000	Typo in promissory note
2204	$19,791	$19,757	$34	

D. Refinanced or Restructured Loans Remaining Active in Portfolio

Certain refinanced or restructured loans retained prior loan numbers as active accounts within the loan portfolio.

Loan No.	Old Loan No. Remaining Active
2208	2016
2213	980
2255	2084

E. Loan Term Differences

Differences were noted between loan terms recorded in the loan portfolio and the executed agreements.

Loan No.	Term per Loan Base	Term per Agreement	Difference
2203	9 years	7 years	2 years
2206	11 years	10 years	1 year

F. Missing Environmental or Historical Preservation Documentation

Environmental Protection Agency or Historical Preservation permit documentation was not included in the loan files for Loan Nos. 2191 and 2202.

G. Incomplete Collateral Documentation

Mortgage agreements for Loan Nos. 2255, 2198, and 2204 did not contain specific parcel identification details for collateralized land. For Loan Nos. 2198 and 2204, parcel details existed in original agreements but were not carried forward into restructured agreements.

1. Loan Portfolio Administration and Documentation Controls, Continued

H. Missing Refinance Support Documentation

For Loan No. 2189, supporting documentation related to the refinance request, including original property inspection documentation or site pictures, and construction material listings, could not be located.

I. Additional Loan File Documentation Exceptions

Additional exceptions identified during testing included:

- Missing loan booking sheets – Loan No 2180;
- Missing title assignment documentation and related signatures – Loan Nos 2205 and 2208;
- Incomplete or outdated credit checks – Loan Nos. 2178, 2188, 2197, 2232, 2238, 2239, and 2259;
- Lack of supporting documentation for borrower income representations – Loan No. 2169;
- Missing restructuring request documentation – Loan Nos. 2198 and 2204;
- Missing restructuring agreement forms – Loan Nos. 2213, 2198, and 2236;
- Missing notices to proceed – Loan Nos. 2213 and 2198; and
- Missing loan statements supporting balances immediately prior to restructuring – Loan Nos. 2213 and 2236.

J. Loan Disbursements Exceeding Approved Origination Amounts

Excluding loans already reported within Finding 2024-002 of the Schedule of Findings and Responses, an additional ninety-one (91) loans within the loan portfolio reflected cumulative disbursement balances exceeding approved origination amounts.

a. Restructured Loans with Apparent System Classification Issues

Loan No.	Originated Amount per Portfolio	Disbursed Amount per Portfolio	Difference
297	$18,145	$18,465	$320
491	$3,440	$3,510	$70
1308	$16,347	$17,039	$692
1476	$25,100	$25,284	$184
1478	$20,000	$20,545	$545
1527	$21,876	$21,974	$97
1544	$19,559	$19,671	$112
1831	$32,622	$33,217	$595
1869	$20,929	$21,091	$162
2016	$8,815	$15,627	$6,812

Management indicated that certain over-disbursement balances may relate to system classification issues involving waived accrued interest being recorded as disbursements.

1. Loan Portfolio Administration and Documentation Controls, Continued

b. Loans with Incorrect Prior-Year Loan Input

Loan No.	Originated Amount per Portfolio	Disbursed Amount per Portfolio	Difference
1580	$10,000	$10,132	$132
1838	$6,678	$6,843	$165
1710	$7,500	$7,567	$67
1726	$10,217	$11,040	$823
2018	$23,418	$26,173	$2,754

Management indicated these differences were attributable to incorrect loan input in prior years.

c. Remaining Loans Under Investigation

Management was unable to provide explanations for the remaining seventy-six (76) loans with cumulative disbursement balances exceeding approved origination amounts. Total excess disbursements for these loans approximated $49,425.

Recommendation: The deficiencies identified increase the risk of inaccurate loan portfolio records; unsupported lending activity; errors in financial reporting; inconsistent application of lending policies and procedures; increased operational and compliance risks; and the potential misstatement of loan receivable balances and related activity. The Authority should strengthen controls over loan administration and portfolio monitoring by:

- Performing periodic reviews of loan portfolio data for accuracy and completeness;
- Reconciling loan system information to executed loan agreements;
- Establishing standardized documentation requirements for all loan originations, refinances, and restructures;
- Performing periodic quality control reviews of loan files for compliance by personnel independent of loan preparation;
- Investigating and resolving loans with disbursement balances exceeding approved origination amounts;
- Enhancing supervisory review procedures over loan documentation and system input; and
- Establishing procedures to ensure restructuring and refinance documentation is complete, supported, and retained within the loan file.

Views of Responsible Officials: Management has indicated that corrective actions will be implemented to strengthen controls over loan administration, documentation retention, and loan portfolio monitoring.

Repeat Finding: Certain aspects of this finding are substantially similar to prior year findings related to loan documentation, loan system maintenance, and loan disbursement monitoring.

2. Reconciliation and Financial Reporting Process

Comment: The Authority continues to maintain accounting records through manual Excel-based journals, including the Cash Receipts Journal (CRJ), Direct Deposit Journal (DDJ), Cash Disbursements Journal (CDJ), and Voucher Payable Journal (VPJ), as the purchased accounting software has not yet been implemented. During audit procedures, reconciling differences were identified between the journals and the general ledger. In addition, while the Authority performs monthly bank reconciliations, formal year-end reconciliation controls between subsidiary journals and the compiled general ledger and trial balance have not been established.

The absence of formal reconciliation and review controls increases the risk that errors or discrepancies in the accounting records may not be identified and corrected timely, which could result in misstatements to the financial statements.

Recommendation: The Authority should strengthen controls over the financial reporting process by:

- Implementing formal year-end reconciliation procedures;
- Requiring supervisory review and approval of reconciliations;
- Providing adequate accounting and system training to staff; and
- Prioritizing implementation of the accounting software to improve reliability and consistency of financial reporting.

3. Untimely Remittance of Collections Due to Pohnpei State Government

Comment: As of September 30, 2024, collections totaling approximately $109,001 related to USDA Rural Development loans had not been remitted to Pohnpei State Government in accordance with the underlying agreement. The Authority has not established sufficient monitoring procedures to ensure timely remittance of collections. The balance is comprised of current year and cumulative prior year collections totaling $38,915 and $70,086, respectively. As a result, the Authority is not in compliance with the remittance provisions of the underlying agreement and may be exposed to potential disputes, liabilities, or other administrative consequences.

Recommendation: The Authority should establish procedures to ensure timely remittance of collections due to Pohnpei State Government and consider segregating such collections within a dedicated escrow or clearing account.

4. Allowance for Credit Loss Methodology

Comment: The Authority's allowance for credit losses methodology does not separately identify, monitor, or evaluate restructured or refinanced loans when assessing the adequacy of the allowance for credit losses. Current procedures do not incorporate specific consideration of the heightened credit risk characteristics associated with these loan types. As a result, the allowance methodology may not fully reflect the increased collectability risks inherent in restructured or refinanced loans. Sound credit loss estimation practices generally require management to evaluate higher-risk loan categories separately and incorporate relevant qualitative and quantitative risk factors into the allowance assessment process.

4. Allowance for Credit Loss Methodology, Continued

Recommendation: Management should enhance its allowance for credit losses methodology to separately identify, monitor, and evaluate restructured and refinanced loans as higher-risk loan categories. The methodology should incorporate additional evaluation criteria specific to restructured and refinanced loans, including borrower repayment capacity, payment history following restructuring or refinancing, delinquency trends, collateral adequacy, loan modification terms, and historical loss experience associated with similar loans. Management should also establish procedures to periodically review and document the collectability assessment of these loans to ensure the allowance for credit losses is reasonable, adequately supported, and reflective of the Authority's overall credit risk exposure.

5. Delinquent Related-Party Loans

Comment: The Authority has related-party loans (Nos. 1090, 1092, and 1571) with outstanding delinquent balances totaling approximately $57,494 as of year-end. Certain related-party loans had no payment activity during the current fiscal year, and some balances have remained delinquent for more than twelve months. The existence of long-outstanding delinquent related-party loans increases collection risk and may create the appearance of inconsistent application of loan servicing and collection practices. Sound lending and collection practices require that collection procedures and credit monitoring activities be applied consistently to all borrowers, including related parties.

Recommendation: Management should strengthen its monitoring and collection procedures for related-party loans to ensure that delinquent accounts are identified, evaluated, and addressed in a timely manner. Collection efforts, repayment requirements, and delinquency enforcement procedures should be consistently applied to related-party borrowers in the same manner as non-related-party borrowers. Management should also periodically review related-party loan balances for collectability, document collection actions taken, and evaluate whether additional allowance for credit losses or other corrective actions are necessary for significantly delinquent accounts.

6. Cash Disbursement Approval and Classification Controls

Comment: During our testing of cash disbursements, 2 out of 29 samples selected for testing did not contain evidence of approval and certification by the Authority's Director. In addition, we noted that a $66,000 transfer between cash accounts was initially recorded in the voucher payable journal as a loan disbursement, resulting in an incorrect increase to loans receivable. Although the entry was subsequently corrected in the general ledger by the Authority's financial support personnel and did not affect the financial statements, the correction was not reflected in the underlying subledger. These matters indicate weaknesses in controls over disbursement approval procedures and the accuracy and consistency of accounting records maintained between the general ledger and subsidiary records.

Recommendation: The Authority should strengthen internal controls over cash disbursement processing to ensure that all disbursements are properly reviewed, approved, and supported by appropriate documentation prior to processing. Management should also implement procedures to ensure that transfers between cash accounts are accurately recorded in both the general ledger and subsidiary records and are not improperly classified as loan disbursements. Periodic reconciliations between the general ledger and underlying subledgers should be performed and documented to identify and timely correct discrepancies.

7. Negative Loan Receivable Balances

Comment: The Authority's loan portfolio included negative loan receivable balances totaling approximately $10,657 as of September 30, 2024. The balances primarily resulted from payroll allotments continuing after related loans had been fully repaid. Negative loan balances may result in inaccurate loan receivable records and unrecorded liabilities for borrower overpayments.

Recommendation: Loan receivable records should accurately reflect borrower balances, and overpayments should be identified and resolved timely. The Authority should implement procedures to:

- Notify borrowers upon loan payoff;
- Coordinate cancellation of payroll allotments;
- Review negative balances periodically; and
- Record liabilities for unresolved overpayments and borrower advances where applicable.

8. Loan Policy and Lending Criteria

Comment: The Authority's current loan approval practices differ from the formal point-based scoring methodology described in its Rules and Regulations. The Authority has not formally updated its Rules and Regulations to reflect current lending practices. Differences between actual practices and formal policies create inconsistencies in loan approval decisions and reduce transparency in lending operations.

Recommendation: The Authority should formally review and update its Rules and Regulations to reflect current lending and approval practices.

Attachment II—Management's Responsibility for Internal Control

Management is responsible for establishing and maintaining effective internal control over financial reporting. In fulfilling this responsibility, management must make estimates and judgments to assess the expected benefits and related costs of internal-control policies and procedures.

The objectives of internal control over financial reporting are to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. Internal control includes policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Authority's assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures are made only in accordance with authorizations of management and the Board of Directors; and
- provide reasonable assurance regarding prevention, or timely detection, of unauthorized acquisition, use, or disposition of the Authority's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with established policies and procedures may deteriorate.

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July 31, 2026

Burger Comer Magliari, LLC
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This representation letter is provided in connection with your audit of the financial statements of the Pohnpei State Housing Authority (the Authority) which comprise the statements of net position, statements of revenues, expenses, and changes in net position and of cash flows for the years then ended September 30, 2024 and 2023, and the disclosures (collectively, the “financial statements”), for the purpose of expressing an opinion as to whether the 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 (U.S. GAAP).

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. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

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 out in the terms of the audit engagement letter dated November 20, 2025, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S GAAP and for preparation of supplementary information in accordance with the applicable criteria.

2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all the following:

    a. Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (non-spendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
    b. Receivables recorded in the financial statements represent valid claims or other charges arising on or before the date of the statements of net position and have been appropriately reduced to their estimated net realizable value.

c. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
d. Revenues are appropriately classified in the statement of activities.
e. If applicable, interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
f. If applicable, Deposits and investment securities and derivative instrument transactions are properly classified as to risk and are properly disclosed.
g. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated, or amortized.
h. If applicable, financial instruments with significant individual or group concentration of credit risk have been appropriately identified, properly recorded, and disclosed in the financial statements.
i. Required supplementary information is measured and presented within prescribed guidelines.
   i. We confirm that we are responsible for the required supplementary information.
   ii. The required supplementary information is measured and presented in accordance with GASB Statement No. 98, *Annual Comprehensive Financial Report*.
   iii. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.
j. Applicable laws and regulations are followed in adopting, approving, and amending budgets.

3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5. The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP. Additionally,
   a. The significant judgments made in making accounting estimates have considered all relevant information of which management is aware.
   b. The appropriateness and consistency of the measurement processes used by management in determining accounting estimates.
   c. That the assumptions appropriately reflect management's intent and ability to carry out specific courses of action.
   d. That the disclosures related to accounting estimates, including those describing estimation uncertainty, are complete and appropriate under GAAP.
   e. That, when necessary, appropriate specialized skills or expertise have been applied.
   f. That no subsequent event requires adjustment to the accounting estimates and related disclosures included in the financial statements.
   g. That for any accounting estimates not recognized or disclosed in the financial statements, management decided to exclude them after considering the appropriate recognition and disclosure criteria in GAAP.
   h. The Authority is responsible for determining and maintaining the adequacy of the allowance for loan losses, as well as estimates used to determine it. Management believes

the allowances are adequate to absorb currently estimated bad debts in the account balances.

i. Quantitative and qualitative information regarding the allowance for loan losses has been properly disclosed in the financial statements.

6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

7. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.

8. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter under: **Appendix B.** Except as listed in **Appendix B**, there are no transactions that have not been properly recorded in the accounting records underlying the financial statements.

9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.

10. Guarantees, whether written or oral, under which the Authority is contingently liable, if any, have been properly recorded or disclosed.

11. We have provided you with:

    a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements.
    b) Unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
    c) Minutes of meetings of the Authority's Board of Directors held on: November 14, 2023, March 14, 2025, and September 29, 2025.
    d) Minutes of the meetings of the Authority's Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
    e) Contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies.
    f) Additional information that you have requested from us for the purpose of the audit.

12. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

13. 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 do not believe that the financial statements are materially misstated as a result of fraud.

14. We have no knowledge of any fraud or suspected fraud that affects the Authority and involves—
    - Management,
    - Employees who have significant roles in internal control, or
    - Others where the fraud could have a material effect on the financial statements.

15. We have no knowledge of any allegations of fraud or suspected fraud affecting the Authority's financial statements communicated by employees, former employees, regulators, or others.

16. We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.

17. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

18. We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware that includes sales, purchases, loans, transfers, lease agreements, and guarantees (written or oral) have been appropriately identified, properly accounted for, and disclosed in the financial statements.

Government-specific:

19. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

20. The Authority has a process to track the status of audit findings and recommendations.

21. We have identified to you any previous audits, attestation engagements, and other studies related to the objectives of the audit and whether related recommendations have been implemented.

22. We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.

23. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.

24. The Authority has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.

25. We are responsible for compliance with State, FSM and Federal laws, rules, and regulations, including compliance with the provisions of grants and contracts relating to the Authority'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 Authority is responsible for maintaining accounting and administrative control over revenues, obligations, expenditures, assets, and liabilities.

26. As applicable, we have appropriately identified, recorded, and disclosed all leases in accordance with **GASB Statement (GASBS) No. 87** .

27. As applicable, we have appropriately disclosed or recognized conduit debt obligations and/or certain arrangements associated with conduit debt obligations in accordance with **GASBS No. 91 .**

28. We have appropriately disclosed identified, recorded, and disclosed public-private and public-public partnerships and availability payment arrangements in accordance with **GASBS No. 94 .**

29. We have appropriately identified, recorded, and disclosed subscription-based information technology arrangements in accordance with **GASBS No. 96** .

30. We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements.

31. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

32. As part of your audit, you assisted with preparation of the financial statements and disclosures. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and disclosures. Additionally, we agree with the adjusting journal entries as listed in: **Appendix A** to this letter.

33. 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.

34. The Authority has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

35. The financial statements include all fiduciary activities required by **GASBS No. 84** , as amended.

36. The financial statements properly classify all funds and activities in accordance with **GASBS No. 34** , as amended.

37. All funds that meet the quantitative criteria in **GASBS Nos. 34** and **37** for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

38. Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.

39. We have appropriately disclosed the Authority's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

40. We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.

41. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

Entity specific:

42. The Authority has ensured that all significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable. All estimates have been disclosed in the financial statements for which known information is available prior to the issuance of the financial statements indicates that:
    a. It is 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.

43. Management is aware of its responsibility to disclose whether, subsequent to September 30, 2024, any changes in internal control or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses, have occurred. We represent to you that no such changes or corrective actions have occurred.

44. 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.*

45. There has been no action taken by the Authority's management that contravenes the provisions of Federal laws and Federated States of Micronesia's (FSM) laws and regulations or of contracts and grants applicable to the Authority.

46. We are responsible for taking corrective action on audit findings and have developed a corrective action plan. We have taken timely and appropriate steps to remedy fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that you report.

47. 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.

48. No organizations were identified that meet the criteria established in GASB codification section 2100, *Defining the Financial Reporting Entity*.

49. Regarding related third parties:
    a. We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.
    b. To the extent applicable, related parties and all the related party relationship and transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral) have been appropriately identified, properly accounted for, and disclosed in the financial statements.

50. During the year ended September 30, 2024, the Authority implemented the following pronouncements:
    a. Certain effective provisions of GASB Statement No. 99, *Omnibus 2022* relating to GASB Statement No. 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees* and GASB Statement No. 53. *Accounting and Financial Reporting for Derivative Instruments.* The Authority implemented the GASB pronouncement with the applicable transition guidance prescribed in the Statement. The Authority has sufficient and appropriate documentation supporting the conclusion that the implementation of this standard had no material impact on the financial statements.
    b. GASB Statement No. 100, *Accounting Changes and Error Corrections.* The Authority implemented the GASB pronouncement with the applicable transition guidance prescribed in the Statement. The Authority has sufficient and appropriate documentation supporting the conclusion that the implementation of this standard had no material impact on the financial statements.

51. The Authority is still in the process of evaluating the impact which upcoming GASB pronouncements may have on the financial statements of the Authority:
    a. GASB Statement No. 101, *Compensated Absences*.
    b. GASB Statement No. 102, *Certain Risk Disclosures*.
    c. GASB Statement No. 103, *Financial Reporting Model Improvements*.
    d. GASB Statement No. 104, *Disclosures about Capital Assets*.
    e. GASB Statement No. 105, *Subsequent Events.*

52. During the years ended September 30, 2009, and 2010, the State of Pohnpei transferred to the Authority defaulted USDA RD loans, which the state had guaranteed. The Authority bears responsibility for collection and returning the collections to Pohnpei State Government (PSG) for approximately $1,280,779 of the balance. The Authority is not responsible for the ultimate recovery of these balances and as such, no liability beyond what has been collected and due to PSG has been recorded in the Authority's financial statements. On September 30, 2024, cumulative unremitted collections due to PSG were $109,001.

53. To the best of our knowledge and belief, no events have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Very truly yours,

Henry Saimon Jr.
Executive Director

Appendix A

Adjusting Entries

Account Number	Account Name	Debit Amount	Credit Amount
01 - Journal Entries			
AJE 2024-001.1			
1112A	ALLOWANCE FOR LOAN (ESCROW)	38,914.92	
2013	DUE TO PSG		38,914.92
	Journal Entry Totals	**38,914.92**	**38,914.92**
To decrease escrow loan allowance for current year escrow collections and recognize additional amounts due to PSG (09/30/2024)			
AJE 2024-001.2			
1111C	ALLOWANCE FOR CHARGE-OFF LOAN (PHA)	10,032.65	
1113C	ALLOWANCE FOR CHARGE-OFF LOAN (HPG)	170.00	
4001	INTEREST INCOME FROM LOANS	5,413.90	
1111B	CHARGE-OFF LOAN (PHA)		5,243.90
1113B	CHARGE-OFF LOAN (HPG)		170.00
4007	RECOVERY ON LOSS/INCOME		10,202.65
	Journal Entry Totals	**15,616.55**	**15,616.55**
To decrease Charge-off (PHA) loan allowance (and) to reclassify amounts recognized as interest in the charged-off subledger to principal as recoveries.			
AJE 2024-001.3			
1113A	ALLOWANCE FOR LOAN (HPG)		5,863.33
1111A	ALLOWANCE FOR LOAN (PHA)	187,275.46	
4007	RECOVERY ON LOSS/INCOME		181,412.13
	Journal Entry Totals	**187,275.46**	**187,275.46**
To decrease allowances for (1) refinanced and restructured loans not covered in the existing PSHA loan loss policy and (2) To decrease allowances on loans not covered by the PSHA loan loss policy on the basis of payment history and months late rates.			
AJE 2024-002			
4003	Miscellenous Income	46,586.99	
1118	Due from PSG		46,586.99
	Journal Entry Totals	**46,586.99**	**46,586.99**
Adjustment to recognize PSG payment of PSHA unobligated payout - via Check 303417 for the period FY18 - 2021			
AJE 2024-003			
1302	Accumulated Depreciation	13,400.00	
1301	Property & Equipment		13,400.00
4003	Miscellenous Income	825.00	
4303	Gain on Sale of FA inventory		620.00
4303	Gain on Sale of FA inventory		205.00
	Journal Entry Totals	**14,225.00**	**14,225.00**
Adjustment to reflect disposal of (GE-0775, Vehicle 2004 Ford Escape acquired on 03/07/2018 disposed on 10/26/2023) and (GE-0775, Vehicle 2004 Nissan Murano acquired on 01/24/2019 disposed on 10/31/2023)			
AJE 2024-004			
1111	LOAN RECEIVABLE (PHA)	27,781.72	
1113	LOAN RECEIVABLE (HPG)	9,194.44	
2000	VOUCHER PAYABLE		36,976.16
	Journal Entry Totals	**36,976.16**	**36,976.16**
Adjustment to reflect recognition of loan disbursements with service dates in the current period, posted in the subsequent period.			

The above adjusting entries were the result of bookkeeping errors, not fraud, and we agree to record them:

Very truly yours,

Henry Saimon Jr.
Executive Director

Appendix B

Passed Adjusting Journal Entries

		Financial Statement Effect—Amount of Over (Under) Statement of:				
		Assets	Liabilities	Equity	Net Income	Expense
Account Number	Account Name	Debit (Credit)	Debit (Credit)	Debit (Credit)	Debit (Credit)	Debit (Credit)
PAJE 2024-001						
1111	LOAN RECEIVABLE (PHA)	5,693.53				
1113	LOAN RECEIVABLE (HPG)	4,712.98				
1112	LOAN RECEIVABLE (ESCROW)	249.59				
2002	OTHER PAYABLE (REFUND)		-10,656.10			
Passed adjustment to recognize liability for loan overcollections (09/30/2024)						
PAJE 2024-002						
1004	CASH IN BOFSM (LOAN)	1,825.21				
1005	CASH IN BOFSM (OPERATION)	407.00				
1007	CASH IN BOG (HPG CHECKING)	3,087.51				
4003	MISC INCOME				-5,319.72	
Passed adjustment to write-off stale outstanding checks (09/30/2024)						
PAJE 2024-003						
6000	SALARIES AND WAGES					4,833.14
2105	ACCRUED EXPENSE					2,982.52
2002	VOUCHER PAYABLE		-7,815.66			
Passed adjustment to accrue year-end salaries/wages/fringe benefits (09/30/2024)						
PAJE 2024-004						
6017	DEPRECIATION EXPENSE					575.00
6016	MISC. EXPENSE					9.57
1302	ACCUMULATED DEPRECIATION		-584.57			
Passed correction to depreciation and accumulated depreciation for prior year timing difference. (09/30/2024)						
PAJE 2024-005						
1111	LOAN RECEIVABLE (PSHA)	11,808.92				
1113	LOAN RECEIVABLE (HPG)	-1,175.29				
6003	REPAIRS & MAINTENANCE					-4,636.08
4006	PROCESSING FEES					157.00
4003	MISCELLANEOUS INCOME				-80.00	
6007	COMMUNICATION					225.38
6011	OFFICE SUPPLIES					1,023.75
4001	INTEREST INCOME (ON LOAN)				-6,013.17	
6016	MISC. EXPENSE					205.00
4003	MISCELLANEOUS INCOME				-1,515.51	
Passed correction to reconcile SL to GL. (09/30/2024)						
PAJE 2024-006						
4007	RECOVERY ON LOSS/INCOME				1,174.27	
1111A	ALLOWANCE FOR LOAN (PHA)		-1,174.27			
Passed adjustment to increase the allowance based on estimate for additional receivable increases from subsequent testing. (09/30/2024)						
Grand Total		26,609.45	-20,230.60	0.00	-11,754.13	5,375.28