The Auditor's Communication with Those Charged with Governance

## State of Kosrae Federated States of Micronesia

Year Ended September 30, 2023





Ernst & Young LLP 231 Ypao Road Suite 201 Ernst & Young Building Tamuning, Guam 96913 Tel: +1 671 649 3700 Fax: +1 671 649 3920 ev.com

August 6, 2025

Management and Those Charged with Governance Governor, State of Kosrae Federated States of Micronesia

We have performed an audit of the financial statements of the governmental activities, the aggregate discreetly presented component units, each major fund and the aggregate remaining fund information of the State of Kosrae (the State) as of and for the year ended September 30, 2023, and the related nots to the financial statements, which collectively comprise the State's basic financial statements, in accordance with auditing standards generally accepted in the United States of America (GAAS), 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 July 31, 2025.

This report summarizes our communications with those charged with governance as required by our professional standards to assist you in fulfilling your obligations to oversee the financial reporting and disclosure process.

#### REQUIRED COMMUNICATIONS

Professional standards require the auditor to provide those charged with governance with additional information regarding the scope and results of the audit that may assist those charged with governance in overseeing the financial reporting and disclosure processes which the management of State is responsible.

We summarize these required communications as follows:

#### Overview of the planned scope and timing of the audit

Our audit scope and timing is consistent with the plan communicated in our engagement letter and at our audit planning meetings with management.

# Auditors' Responsibilities under Auditing Standards Generally Accepted in the Unites States (US GAAS) and Generally Accepted Government Auditing Standards (GAGAS)

The financial statements, required supplementary information and supplementary information are the responsibility of the State's management as prepared with the oversight of those charged with governance. Our audit was designed in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, to obtain reasonable, rather than absolute, assurance that the financial statements are free of material misstatement.

An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

#### Changes to the audit strategy, timing of the audit and significant risks identified

Our audit strategy is consistent with the plan communicated during the various audit planning meetings..

#### Matters relevant to our evaluation of the entity's ability to continue as a going concern

We did not identify any events or conditions that led us to believe there was substantial doubt about the State's ability to continue as a going concern.

#### Our views about qualitative aspects of the entity's significant accounting practices, include:

- Accounting policies
- Accounting estimates

Management has not selected or changed any significant policies or changed the application of those policies in the current year. We have provided a discussion of significant accounting policies and our views regarding significant accounting estimates and financial statement disclosures and related matters in Note 1 of the basic financial statements.

We determined that those charged with governance are informed about management's process for formulating particularly sensitive estimates and about the basis to our conclusions regarding the reasonableness of those estimates.

Management's judgment is called upon in:

- Preparing budgets that are used to administer and monitor the State's operations. These
  budgets include determining how existing financial resources will be used in the State's
  operations.
- Determining the adequacy of the allowance for accounts receivable.
- Determining the assumptions used in measuring significant accounting estimates for financial reporting purposes.

#### Related party relationships and transactions

We noted no significant matters regarding the State's relationships and transactions with related parties.

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

We are not aware of any matters that require communication.

#### Significant unusual transactions

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

#### Difficult or contentious matters subject to consultation outside of the audit team

There were no difficult or contentious matters that required consultation outside of the audit team.

#### Material corrected misstatements related to accounts and disclosures

Refer to "Management Representations Letter" in Appendix A.

# Uncorrected misstatements related to accounts and disclosures, considered by management to be immaterial

Certain uncorrected misstatements accumulated by us were identified during the audit and pertaining to the latest period presented, which were determined by the State's management to be immaterial, both individually and in the aggregate, to the financial statements as a whole (see Appendix A – Management Representations Letter).

#### Significant deficiencies and material weaknesses in internal control over financial reporting

We have identified material weaknesses and significant deficiencies in the internal control during the course of our audit which have been included in our separately issued report of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, dated July 31, 2025.

#### Fraud and illegal acts

We are not aware of any matters that require communication.

#### **Independence matters**

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

#### Other material written communications with management

None.

#### **New accounting pronouncements**

Management is still assessing the impact of adopting the following GASB Statements:

- GASB Statement No. 100
- GASB Statement No. 101
- GASB Statement No. 102
- GASB Statement No. 103
- GASB Statement No. 104

# Significant issues discussed with management in connection with the auditor's initial appointment or recurring retention

We are not aware of any matters that require communication.

# Disagreements with management and significant difficulties encountered in dealing with management when performing the audit

There were no material disagreements with the State's management on financial accounting and reporting matters during the audit.

#### Management's consultations with other accountants

We are not aware of any consultations made by management with other accountants or specialists.

#### Other material written communications with management

None.

#### Other matters

There are no other matters arising from the audit that are significant and relevant to those charged with governance regarding the oversight of the financial reporting process.

#### AICPA ethics ruling regarding third-party service providers

From time to time, and depending on the circumstances, (1) we may subcontract portions of the Audit Services to other EY firms, who may deal with the State or its affiliates directly, although EY alone will remain responsible to you for the Audit Services and (2) personnel (including non-certified public accountants) from an affiliate of EY or another EY firm or any of their respective affiliates, or 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 EY in connection with the Audit Services.

#### Representations from management

We have obtained from management a representation letter related to the audit and a copy of the management representations letter is included in Appendix A.

#### Engagement team's involvement with preparation of the financial statements

Under GAS 2018 Revisions, Chapter 3 General Standards, Paragraph 3.37 Requirements for Performing Non-audit Services explains that the audit team should make consideration of management's ability to effectively oversee the non-audit (or non-attest) services to be performed. The engagement team should determine that the audited entity has designated an individual who possesses suitable skill, knowledge or experience and that the individual understands the services to be performed sufficiently to oversee them. The engagement team should document consideration of management's ability to oversee non-audit services to be performed.

The engagement team believes that this significant threat is reduced to an acceptable level upon application of the following safeguards:

- An engagement quality control review was performed by a qualified Ernst & Young Partner who was not otherwise involved in the audit.
- The preparation of the financial statements is based on the State's trial balance with our understanding that the State's underlying books and records are maintained by the State's accounting department and that the final trial balance prepared by the State is complete.
- All adjusting journal entries that Ernst & Young posted to the trial balance have been approved by management of the State.
- The State's Director of Finance and the State's Financial Advisor have the skill sets to oversee and review the completeness and accuracy of the financial statements and footnote disclosures.

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

Ernst + Young LLP

## Appendix

A – Management Representations Letter

#### A – Management Representations Letter



# KOSRAE STATE GOVERNMENT DEPARTMENT OF ADMINISTRATION AND FINANCE OFFICE OF THE DIRECTOR P.O. BOX 878 TOFOL, KOSRAE STATE, FM 96944

August 6, 2025

Ernst & Young LLP Suite 201 Ernst & Young Building Ypao Beach Road Tamuning, Guam 96932 Director Office: (691) 370-3400/3163/3170 \* Faxcimile: (691) 37 Division of Planning & Statistics: (691) 370-316 Division of Finance & Budget: (691) 370-300 Division of Personnel & Employment Services: (691) 37

In connection with your audit of the basic financial statements of the State of Kosrae (the State) as of September 30, 2023 and for the year then ended, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the State and the respective changes in financial position and cash flows, where applicable, thereofin accordance with accounting principles generally accepted in the United States of America (US 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.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief:

#### Management's responsibilities

We have fulfilled our responsibilities, as set forth in the terms of the audit engagement agreement dated May6, 2024, for the preparation and fair presentation of the financial statements (including disclosures) in conformity with US GAAP applied on a basis consistent with that of the preceding periods except for the effects of adopting new accounting standards.

In preparing the basic financial statements, we evaluated whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the State's ability to continue as a going concern for one year after the basic financial statement date.

We acknowledge our responsibility for 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. We have provided you with:

- Access to all information, of which we are aware, that is relevant to the preparation and
  fair presentation of the financial statements such as records, documentation and other
  matters. This responsibility includes identifying the use of new technologies or
  techniques in preparing such information (e.g., the use of generative artificial
  intelligence), and additional details you may require regarding the use of any such
  technologies and techniques in order to perform your audit procedures.
- · Additional information that you have requested from us for the purpose of the audit
- Unrestricted access to persons within the Company from whom you determined it necessary to obtain evidence

We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

From May 3, 2024 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the financial statements of any opinion unit that comprises the basic financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

#### **Uncorrected misstatements**

We believe that the effects of any uncorrected misstatements, (including those related to supplementary information) summarized in the accompanying schedule, accumulated by you during the current and prior audit period presented are immaterial, both individually and in the aggregate, to the financial statements for each opinion unit. In addition, to the extent that uncorrected misstatements (including those related to supplementary information) have been subsequently identified in the current period that affect prior period financial statements, we have evaluated the effect of correcting prior period financial statements and believe that the effects of the uncorrected misstatements are immaterial, both individually and in the aggregate, to both the current and prior period financial statements for each opinion unit and supplementary information.

Refer to the "Schedule of Uncorrected Misstatements" in Appendix A.

#### Corrected misstatements

We have reviewed and approved the adjustments, summarized in the accompanying schedule, and reflected these adjustments in the financial statements. Refer to the "Schedule of Corrected Misstatements" in Appendix B.

#### Methods, significant assumptions, and data used in making accounting estimates

The appropriateness of the methods, the consistency in application, the accuracy and completeness of data, and the reasonableness of significant assumptions used by us in developing accounting estimates and related disclosures, including those measured at fair value, are reasonable and supportable.

#### Internal control

There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

We have communicated to you all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting. There have been no significant changes in internal control since September 30, 2023.

#### Minutes and contracts and internal audit reports

We have not prepared any minutes of the meetings of members, officers or summaries of actions of recent meetings held from October 1, 2022 to the date of this letter.

We also have made available to you all significant contracts, including amendments, and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.

We have also made available to you all internal audit reports (or reports from similar functions) that were issued to management during the year that address internal control over financial reporting.

#### Ownership and pledging of assets

Except for assets accounted for in accordance with GASB Statements No. 87, 94 and 96—as amended, for which we were provided a right-to-use another entity's nonfinancial asset (the underlying asset), the State has satisfactory title to all assets appearing in the statement of net position. No security agreements have been executed under the provisions of the Uniform Commercial Code, and there are no liens or encumbrances on assets, nor has any asset been pledged, except as disclosed in the basic financial statements. All assets to which the State has satisfactory title appear in the statement of net position.

#### Receivables and revenues

Adequate provision has been made for any receivable as of the statement of net position date that may not be collectible, including any losses, costs and expenses that may be incurred related to the collection of those receivables.

Revenues and other governmental fund financial resources are recognized in the period in which they became both measurable and available to finance expenditures of the fiscal period.

#### Prepayments

We believe that all material expenditures for which recognition has been deferred to future periods are recoverable.

#### Long-lived assets to be held and used, including amortizable intangible assets

No events or changes in circumstances have occurred that indicate the carrying amounts of longlived assets to be held and used, including intangible assets that are subject to amortization, may not be recoverable.

#### Purchase commitments

At September 30, 2023, the State had no purchase commitments for inventories in excess of normal requirements or at prices that were in excess of market at those dates.

There were no agreements or commitments to repurchase assets previously sold. There were no material commitments outstanding at September 30, 2023as a result of being a party to futures or forwards contracts, short sales or hedge transactions.

#### Non-compliance with laws and regulations, including fraud

We acknowledge that we are responsible to determine that State's business activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws or regulations, including fraud.

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

We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

We have disclosed to you all significant facts relating to any frauds or suspected frauds, or allegations of fraud known to us that may have affected the State (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the financial statements. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the financial statements.

We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

#### Inventories

Physical counts and measurements of inventories were made by competent employees under the supervision of management and book records were appropriately adjusted after giving recognition to cut-off for materials received and products shipped.

Adequate provision has been made for losses under firm purchase commitments for goods or inventory. There have been no reductions of the selling prices of finished goods subsequent to September 30, 2023 and none are contemplated.

#### Leases

We have identified and accounted for all contracts that meet the criteria to be accounted for as a lease under GASB Statement No. 87—as amended. We have appropriately considered any modifications, termination or purchase options in the contract.

We represent to you that the State does not have any:

- Public Private and Public-Public Partnerships (PPP) and Availability Payment Arrangements (APA) under GASB Statement No. 94as amended.
- Subscription-Based Information Technology Arrangements (SBITDA) under GASB Statement No. 96 as amended.

#### Related party relationships and transactions

We have made available to you the names of all related parties and all relationships and transactions with related parties.

The substance of transactions with related parties as defined in GASB Statement No. 56—as amended, has been considered and appropriate adjustments or disclosures are made in the basic financial statements, and information concerning these transactions and amounts have been made available to you.

#### Events of default under debt agreements

No events of default have occurred with respect to any of the State's debt agreements.

#### Side agreements and other arrangements

There have been no side agreements or other arrangements (either written or oral) that have not been disclosed to you.

#### Arrangements with financial institutions

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

#### Fair value measurements

We have evaluated the fair value information provided to us by brokers, pricing services or other parties that has been used in the basic financial statements and believe this information to be reliable and consistent with the requirements of GASB Statement No. 72—as amended. We are responsible for the estimation methods and assumptions used in measuring assets and liabilities reported or disclosed at fair value, including information obtained from brokers, pricing services or other third parties. Our valuation techniques have been consistently applied from period to period. The fair value measurements reported or disclosed represent our best estimate of fair value as of the measurement date in accordance with the requirements of GASB Statement No. 72—as amended. In addition, our disclosures related to fair value measurements are consistent with the objectives outlined in GASB Statement No. 72—as amended.

#### Contingent liabilities

There are no unasserted claims or assessments, including those our lawyers have advised us of that are probable of assertion and must be disclosed in accordance with GASB Statement No. 62—as amended other than those disclosed in the financial statements.

There have been no violations or possible violations of laws or regulations in any jurisdiction whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency other than those disclosed or accrued in the financial statements.

There have been no internal investigations or communications from regulatory agencies or government representatives concerning investigations or allegations of noncompliance with laws or regulations in any jurisdiction, noncompliance with or deficiencies in financial reporting practices, or other matters that could have a material effect on the financial statements.

There are no other liabilities or gain or loss contingencies considered material, individually or in the aggregate, that are required to be accrued or disclosed by GASB Statement No. 62—as amended, nor are there any accruals for loss contingencies included in the statements of net position or gain contingencies reflected in earnings that are not in conformity with the provisions of GASB Statement No. 62—as amended.

There are no oral or written guarantees including guarantees of the debt of others.

We have not consulted legal counsel concerning litigation, claims or assessments.

#### Conflicts of interest

There are no instances where any officer or employee of the State has an interest in a company with which the State does business that would be considered a "conflict of interest." Such an interest would be contrary to State policy.

#### Gong concern

We represent there are conditions and events that raise substantial doubt about the State's ability to continue as a going concern for twelve months beyond the date of thefinancial statements, including any currently known information that may raise substantial doubt shortly thereafter.

#### Effects of new accounting principles

As discussed in Note 1 to the financial statements, we have not completed the process of evaluating the effects that will result from adopting the amendments to the codification provided in Governmental Accounting Standards Board (GASB):

- GASB Statement No. 99
- GASB Statement No. 100
- GASB Statement No. 101
- GASB Statement No. 102
- GASB Statement No. 103
- GASB Statement No. 104

The State is therefore unable to disclose the effects that adopting the amendments in the aforementioned GASB Statements will have on its financial position and the changes in its financial position when such statements are adopted.

#### Oral and written guarantees

There are no oral or written guarantees, including guarantees of the debt of others.

#### Required supplementary information

We acknowledge our responsibility for the required supplementary information on management's discussion and analysis and budgetary comparison information for the general fund, which have been measured and presented in conformity with the guidelines established by the Governmental Accounting Standards Board in its applicable GASB Statement. There have been no changes in the methods of measurement or presentation of the required supplementary information from those used in the prior period.

There are no significant assumptions or interpretations underlying the measurement or presentation of the information.

#### Supplementary information

We are responsible for the preparation and fair presentation of the following schedules(the "Supplementary Information") and its form and content in conformity with GASB:

- Combining schedule of expenditures by account-Governmental Funds
- Statement of revenues, expenditures by function and changes in fund balance-General Fund
- Statement of revenues, expenditures by function and changes in fund balance-budget and actual-General Fund
- Combing balance sheet-nonmajor governmental funds-special revenues funds
- Combining statement of revenues, expenditures by function and changes in fund balances- nonmajor governmental funds-special revenues funds
- Combining statement of revenues, expenditures by account and changes in fund balancesnonmajor governmental funds-special revenues funds
- Combining balance sheet-Grants Revenue Fund

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- Combining statement of revenues, expenditures by function and changes in fund balance-Grants Assistance Fund
- Combining statement of revenues, expenditures by account and changes in fund balance-Grants Assistance Fund

We believe the supplementary information, including its form and content, is fairly stated in all material respects in conformity with GASB.

There have been no changes in the methods of measurement or presentation of the supplementary information from those used in the prior period.

There are no significant assumptions or interpretations underlying the measurement or presentation of the information.

#### Subsequent events

Subsequent to September 30, 2023 no events or transactions have occurred or are pending that would have a material effect on the basic financial statements at that date or for the period then ended, or that are of such significance in relation to the State's affairs to require mention in a note to the basic financial statements in order to make them not misleading regarding the financial position, changes in financial position and, where applicable, cash flows of the State.

#### Independence

We have communicated to you the names of State's affiliates, as described in the AICPA Code of Professional Conduct ET section 1.224.020 State and Local Government Client Affiliates officers and directors, or individuals who serve in such capacity for the State.

We are not aware of any business relationship between State and Ernst & Young LLP or any other member firm of the global Ernst & Young organization.

We are not aware of any reason that Ernst & Young LLP would not be independent for purposes of the State's audit.

#### Pacific Island Development Bank

We represent that the State owns 900 shares (with a purchase price of \$1,000 per share) in the Pacific Island Development Bank (PIDB). The purpose of our interest in PIDB is to promote economic development through loans provided by PIDB rather than for the purpose of income or profit. Hence, the \$915,000 interest in PIDB does not meet the definition of an investment under GASB72. Accordingly, we recorded the \$915,000 as other assets in our financial statements.

#### Federated States of Micronesia-Early Retirement Program Trust Fund

The Asian Development Bank (ADB) requires the Federated States of Micronesia to have monies available to satisfy repayment terms. As such, the purpose of the Early Retirement Program Trust Fund is to have monies in an investment account whereby withdrawals can be made to repay the ADP.

#### We confirm to you:

- the ADB loan balance is allocated among the State Governments and the FSM National Government
- We believe the Early Retirement Program Trust Fund d meets the definition of an External Investment Pool as per GASB Statement No. 31 paragraph 22

"An arrangement that commingles (pools) the moneys of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio; one or more of the participants is not part of the sponsor's reporting entity. An external investment pool can be sponsored by an individual government, jointly by more than one government, or by a nongovernmental entity. An investment pool that is sponsored by an individual state or local government is an external investment pool if it includes participation by a legally separate entity that is not part of the same reporting entity as the sponsoring government. If a government-sponsored pool includes only the primary government and its component units, it is an internal investment pool and not an external investment pool."

#### Trust Fund for the People of the Federated States of Micronesia

In May 2003, an agreement was entered into between the United States of America and the Federated States of Micronesia (FSM). The agreement created a trust known as the "Trust Fund for the People of the Federated States of Micronesia. The purpose of the Fund is to contribute to the economic advancement and long-term self-reliance of the FSM by providing an annual source of revenue after fiscal year 2023.

#### We confirm to you:

 The Fund meets the definition of a permanent fund as per GASB Statement No. 34 paragraph 65.

"Permanent Funds should be used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs-that is, for the benefit of the government or its citizenry"

- That annual investment income and annual investment expenses are allocated among the Federated States of Micronesia National Government, the State Governments of Kosrae, Pohnpei, Chuuk and the United States Government (the Participants) based on the percentage of each Participants total principal and earnings at the beginning of the year over the total fund balance at the beginning of the year.
- We believe the Fund meets the definition of an External Investment Pool as per GASB Statement No. 31 paragraph 22.

#### Investments in subsidiaries and other entities

The equity method is used to account for the State's investment in the common stock of Bank of the Federated States of Micronesia because the State has the ability to exercise significant influence over the investee's operating and financial policies.

#### Other representations

- We recognize that we are responsible for the State's compliance with laws, regulations, and provisions of contracts and grant agreements that are applicable to it. We have identified and disclosed to your representatives, all laws and regulations that have direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- We have identified to your representatives all previous audits, attestation engagements, and other studies related to the audit objectives and whether the related recommendations have been implemented.
- We have informed you of any investigations or legal proceedings that have been initiated or are in process with respect to the period under audit.
- We have a process to track the status of audit findings and recommendations.
- We have provided views on your reported findings, conclusions, and recommendations, as well as management's planned corrective actions, for the report.
- We have taken timely and appropriate steps to remedy fraud, and noncompliance with provisions of laws, regulations, contracts or grant agreements, that you have reported.
- There has been no noncompliance or possible noncompliance with provisions of
  contracts or grant agreements in any jurisdiction whose effects should be considered for
  disclosure in the financial statements or as a basis for recording a loss contingency.
- We have made available to your representatives all financial records and related data.
- The financial statements properly classify all funds and activities.
- We have identified and disclosed to you, all provisions of laws and regulations that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds. We have identified and disclosed to you, all instances of identified or suspected noncompliance with laws, regulations, and provisions of contracts and grant agreements where the noncompliance could have a direct and material effect on the financial statements.
- We have followed all applicable laws and regulations in adopting, approving and amending budgets, tax or debt limits and covenants and secondary market disclosures, deposits and investments, including collateral requirements on depository accounts and investments and tax levies and refunds.
- The financial statements include all component units as well as joint ventures with an
  equity interest, and properly disclose all other joint ventures and other related
  organizations.
- The financial statements include all fiduciary activities as required by GASB Statement No.84
- The financial statements properly classify all funds and activities in accordance with GASB

- Statement No. 54—as amended.
- All funds that meet the quantitative criteria in GASB Statement No. 34, as amended and GASB Statement No. 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. Components of net position (net investment in capital assets; restricted; and unrestricted), and classifications of fund balance (nonspendable fund balance, and restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- Investments are properly valued.
- Provisions for uncollectible receivables have been properly identified and recorded.
- Expenses have been appropriately classified in or allocated to functions and programs in the statements of activities, and allocations have been made on a reasonable basis.
- Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments or contributions to permanent fund principal.
- Interfund, internal and intra-entity activity and balances have been appropriately classified and reported.
- Special and extraordinary items are appropriately classified and reported.
- Risk disclosures associated with deposits and investment securities and derivatives transactions are presented in accordance with GASB requirements.
- Capital assets, including infrastructure and intangible assets, are properly capitalized, reported and, if applicable, depreciated.
- Our 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 is appropriately disclosed and net position was properly recognized under the
  policy.
- We are following either 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 or are following paragraph 18 of GASB Statement No. 54 to determine the fund balance classifications for financial reporting purposes.
- Subsequent events have been evaluated and classified as recognized or nonrecognized through the date of this letter.

#### Assistance with preparation of financial statements

We have received a draft copy of our financial statements as of and for the year ended September 30, 2023. The accuracy and completeness of the financial statements, including footnote disclosures, are our responsibility.

We acknowledge that Ernst & Young LLP assisted in preparation of our financial statements and footnotes based on information in our trial balance and accounting records. We represent that:

- Our underlying books and records are maintained by our accounting department and that
  the final trial balance prepared in complete and, all adjusting journal entries posted in the
  trial balance have been approved by us, and
- We have designated a competent representative to oversee your services and that our
  personnel have sufficient financial competence who are able to challenge and review the
  completeness and accuracy of the financial statements, including footnote disclosures,
  and
- We have reviewed the financial statements for accuracy and completeness, and
- · We acknowledge that we have taken responsibility for them.

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

Very truly yours,

Mr. Lipar George

Director, Department of Administration and Finance

Kosrae State Government

## Appendices

- A Schedule of Uncorrected Misstatements
- B Schedule of Corrected Misstatements
- C Subsequent Events

Appendix A - Schedule of Uncorrected Misstatements

Note   Compared   Co	carse Stale Government - Covernment-wide			Period Ended:	Period Ended: 30-369-2023	- Cuttency:	OSO		
Assets   A	ments	SANCES SERVICES SERVICES	September 2018	Analysis	of misstatements i	Jebit/(Credit)	STREET, STREET	THE REPORT OF THE PARTY NAMED	
1,150    1	Account (Note 1)	Assets	Assets Non-current	Liabilities Current	Usbilities Non-current	Equity	Effect on the current period OCI		Income
Anable and Lathered Fibres amounts in Leases  (4.7)	missistements are recorded as journal entries with a description.)	Debiti(Credit) (Note 2)	Debit/Cradit) (Note 2)	Debit/(Credit) (Note 2)	Debl/(Credit) (Note 2)	Debit(Credit)	Debit/Credit	Debit(Credit)	Prior
12.70    15.310	N. Control of the Con	STREET, STREET	AND DESCRIPTIONS	STATISTICS.				Section of the least of the lea	
13.70   13.1	correct the Lease Hecelvable and Defered Inflows amous	nts in Leases						日本の大学の 一大学の	
THE PART OF THE PA	eferred intows - Losses		THE PROPERTY OF THE PARTY OF TH	CONTRACT CONTRACTOR	(53,150)	HOLESTER IN	No tree and or		The same
13.70    (19.370	sates Revenue								1000
(19,370)	ecevables	19,780	AND RESIDENCE OF THE PARTY OF T				Calculation St.	THE ROLL WITH	
119 370    0   63 150    0   53 150    0   0   53 150    0   0   53 150    0   0   53 150    0   0   53 150    0   0   53 150    0   0   53 150    0   0   0   53 150    0   0   0   0   0   0   0   0   0	asses Receivable	(410)	(19,370)		HARRIST TOTAL				
The finest year 2022 (C4)  The absplicat of O.KSS 87  The 2022 (C4)  The absplicat of O.KSS 87  The 2022 (C4)  The absplicat of O.KSS 87  The absplication of CASS 87  The absplication of CAS	3 record unrecorded liability for a claim of \$50,000 against K	KSG settled in PY2022	SHIP AS II	MR SECTION AND ADDRESS OF THE PERSON ADDRESS OF THE PERSON AND ADDRESS OF THE PERSON ADDRESS OF THE PERSON AND ADDRESS OF THE PERSON AND ADDRESS OF	DECEMBER THE STREET				
19.3/10 (19.3/10) (19.3/10	tgarion Expenses	Opposition 1 and 1	Part of the last			THE STREET		Charles of the Party of the Par	STATE OF
The back year 2022 (GF)  The adoption of GASS BF  The adoption of	The state of the s								
The host year 2022 (CP)  The adoption of GASS 87  The adoption of GASS									
The adoption of OAGS ST T TAYON TO THE STORY	a record the movement in the investments for fiscel year 20.	122(04)						The state of the s	
19.20 (19.319)  19.20 (19.310) (19.310) (19.310) (19.318)  19.20 (19.310) (19.310) (19.310) (19.318)  19.20 (19.310) (19.310) (19.310) (19.318)  S. M. S.	et charge in the fair value of investments								
19.20 (19.319)  19.20 (19.310) (19.310) (19.310) (19.318)  19.20 (19.310) (19.310) (19.310) (19.318)  19.20 (19.210) (19.310) (19.310) (19.318)  19.20 (19.210) (19.310) (19.310) (19.318)  19.20 (19.310) (19.310) (19.318)  19.20 (19.318) (19.310) (19.318)  19.20 (19.318) (19.318) (19.318)  19.20 (19.318) (19.318) (19.318)  19.20 (19.318) (19.318) (19.318) (19.318)  19.20 (19.318) (19.318) (19.318) (19.318) (19.318)  19.20 (19.318) (							The second second		
19.370 (19.370) (19.3									
19.200 (19.20)	arly Hetrement Program								
19,370] (15,370] 0 (51,150] 0 (51	et charge in teir value of investment								
19.370 (19.370) (19.3		Service and the		The state of the s					
19.370    19.370    0   53.150    0   53.150    19.370	or additional adjustments related to the adoption of G	3458 87							
13.70    (19.370    0   63.150    0   53.150    19.370	ses and charges								
13.70    (19.70  0  0  53.150  0  53.150    19.70    19									THE REAL PROPERTY.
13.70					П			П	
19.20  (19.2	misstatements before income tax	19,370							
On FS amounts	misstatements	19,370	П					Ш	
0.7%    0.2%	mounts	5,003,539			(4.51	29.60	a	(240,083)	
	misstatements on FiS amounts	0.3%					521	-15.6%	
94.1 (S 14.5)		Memo: Total of non	taxable items (ma	rked X above)				55180	
0 180		Uncorrected misst	itements before in	come tax			3.99		
		Less: Tax effect of	misatetements at c	current year margin	al rato		63	0	
		Uncorrected misst	stements in Income	XIII 4				0	

ugust 2022)

Appendix A - Schedule of Uncorrected Misstatements, continued

osrae State Government - Government-wide	_		Period Ended:	Period Ended: 30-Sep-2023	Currency:	OSO		
Taints	のののないのである。	<b>製造の大学の表現を表現</b>	Analysis	Analysis of misstatements Debit/Credit	Deblt/(Credit)		CARRICULINA ETIC	njazan
Account (Note 1)	Assets	Assets Non-current	Liebilities	Liebilities Nen-current	Equity	Effect on the current period OCI	Income statement effect of the current period	nt effec perfod
misstatements are recorded as journal entries with a description )	Debit(Credit) (Note 2)	Debit(Credit) (Note 2)	Dabbi/Cradit) (Note 2)	DebhijCradh) (Note 2)	Debis(Credit)	Debla(Credit)	Debis(Credit)	Ron taxable
	Currulative effect	Currulative effect of uncorrected misstatements after tax but before turnaround	tatements offer tax	but before turnarou	pu	-15.6%	53,153	
	Turnaround offeet	Turnary affect of prior period uncorrected misstatements	prected misetatem	nds			After tax Merro: Before tax	Momo: E
			₹	All factual and projected misstanements:	ad micetalaments:		(15,805) (15,805)	(15,805
				Judgmental mixatamments (Note 3):	Abernords [Note 3]:		C	
	Cumulative effect	Cumulative effect of uncorrected misstatements, after turnsround effect	talements, after tur	naround offect		11.0%	37,345	
	Current year income before tax	ne before tax					1,30,778	
	Current vear income after tax	ne after tax					(340,483)	

(3 August 2022)

Appendix A - Schedule of Uncorrected Misstatements, continued

chedule for uncorrected misstatements			Pariod Ended	Pariod Ended: 30-Sep-2023	Currency	OSN		
-	The same of the same of		Aratysis	valvais of misstatements Debit/Cradi	DebiviCredit	THE RESERVE AND PERSONS NAMED IN	HATTER CONTROL OF STREET	
Account (Note 1)	Assets Current	Assetz Nen-current	Liabilities Current	Usbilities Nen-current	Equity	Effect on the current period	income statement effect of the current period	hoon N
nisatehenents are recorded as journal entries with a description )	Debta(Credit) (Note 2)	Debit/(Crodit) [Note 7)	Debit/(Cradit) (Note 2)	Debis(Cradit) (Note 2)	Debit/Credit	Dobie(Credit)	Dehit(Credit) Non taxable	4.8
Medie Spanis Asocalandadanas	Office of the Spinster	No. of Concession, Name of Street, or other Persons, Name of Street, Name of S	The second	AND STREET, ST	Residence of the last of the l	STATE OF THE PARTY.	おかける あられば	
mercrif the movement in the inventments for final year 2007 (GF)	(35) COX				MR TOTAL		The state of the seal	1
counge in the fall value of investments								
								J
dy Retirement Program	THE PARTY OF THE P		STATE OF STREET	Manual Supplement				
d change in talt value of investment								
record additional adjustments relable to the adoption of CASB 8/	/ASE BY		September 1			Sec. 1010, 438		
es and chergos								
correct the Leasu Receivable and Deffered Inflows amounts in Leases	ounts in Leases				Alternative and an article			
ilemed hilbers - Leases				(53,150)	The Section	Constitution of the	- 1	
ases Revenue		ALTERNATION OF THE PERSON NAMED IN	THE RESERVED	The state of the s			x, 52,128 x	
revubles	19,730	STATE OF THE PARTY		OR SOMETHINGS AND			STATE OF STA	
ases Receivable	(410)	(01,270)		Composition of the last of the				
reverse Lnsupported Communications Expenses in General Fund	neral Furd	SESSON SILVERS						
ak 01-1057-0C-00-000C-00	11,730	Manage State of the last of th	The state of the s	TO SECURITION			ш	
pend turus 01-6212-00-00-0000-00							x (01.700) x	1
risstatements before income tax	31,070	(19,270)	10	(53,150)		0	41,450	Ц
mistatements	31,070	(19.370)	3	(53.150)		0 0	41,450	Ц
Bourts	5 082 377	10	(47523.7	0	(4,330,060)		(2.117.268)	Ш
missiatements on F/S amounts	1×10	140.0	14.00	6.0%	0.0%	Cal Cal	23%	Ш
	Meme: Total of so	Meme: Total of son taxable lisens (merked 'X' above)	rhed X shove)				41.450	
	Uncorrected miss Less: lex effecto	Uncorrected mississements before income tax Less: lex effect of missistements at current year marginal rates	come tax current year margin	alrate		47.ht	41,450	ЦUL
	Uncorrected miss	Uncorrected misstatements in income tax	3					

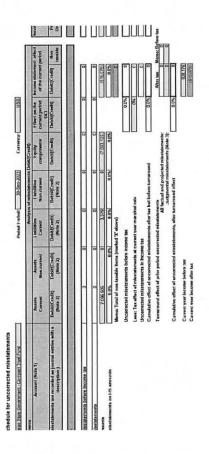
Janst 2022)

Appendix A - Schedule of Uncorrected Misstatements, continued

rae State Government - General Fund			Poriod Endod:	Period Ended: 30-Sep-2023	Currency:	dso		
ents.	THE PERSON NAMED IN	THE PERSON NAMED IN	Analysis	Analysis of misstatements Debit[Credit]	Debit/[Credit)	BANKAR BA		MINERAL SERVICE
Account (Note 1)	Assets	Assets Non-current	Unbillion	Lisbildes Mos.curnnt	Equity	Effect on the current period OCI	Effect on the Income statement effect surrant period of the current period OCI	nt effect period
nisstatements are recorded as journal entries with a description )	DebtisiCredit) (Note 7)	Debla(Credit) (Note 7)	Debit(Credit) (Note 7)	Debit/Credit	Debit(Credit)	Debit(Credit)	Debla[Credit] Debla[Credit]	Non
	Cumulative effect	funcomected miss	Cumulative effect of uncorrected misstatements after tax but before turnaround	but before turnaro.	pur	-2.0%	41,450	
	Tumeround effect	of prior period unc	umaround effect of prior period uncorrected misstatements All fact	nts Includ and project Judomental missi	All factual and projected misstatements: Judomental misstatements (Note 3):		Alter tax   Memo; Before tax 34.195   34.195	Memo; Be 34, 195
	Cumulative effect	of uncorrected miss	Cumulative effect of uncorrected misstatements, after turnareund effect	around effect		3.6%	75,645	
	Current year income before tax	se before tax					(281,395)	

August 2022

Appendix A - Schedule of Uncorrected Misstatements, continued



ugust 2022

Appendix A - Schedule of Uncorrected Misstatements, continued

ents. Account (Note 1)	And in case of the last of the							
Account (Note 1)			Analysis	Analysis of misstatements Debit(Gredit	Jehist(Credit)	SAME AND ADDRESS OF THE PARTY O	STATISTICS OF THE PARTY OF THE	Service Services
THE RESIDENCE OF THE PARTY OF T	Assets	Assets Non-curent	Current	Uablides Non-current	Equity	Effect on the current period OCI	Income statement effect of the current period	et effect period
sectatements are recorded as journal entries with a De description ]	Debit/Credit) (Note 2)	Debit/Credit) (Note 2)	Debit(Credit) (Note 2)	Dabbil(Credit) (Note 2)	Debit(Credit)	DebbiCredit	DeblufCredity	Non tromble
	に対象がある	STATISTICS OF	NORTH STATES	STATE OF THE PARTY	STATE OF THE PARTY	and the second	Contraction of the last	Distance of the last
destatements before income far	0	0	IO	10	C	-	C	
isstatements	0	0	0	0	0	0	0	
structs .	559.418	0	[535,413)	0	0		1,063,973	Value of
refestatements on F/S amounts	6.0%	5.0%	0.0%	4.0.0	200		0.0%	310
Mem	no: Total of son	ifemo: Total of son-taxable Items (tracked X above)	had X above)				0	
Direct	unrected missta	Uncorrected misstalements before income tax	Corne Lax			1000	0	
Loss	a: Tax effect of	nisstalements at Ca	Less: Tax effect of misstalements at current year marginal rate	ate		340	0	
Unce	corrected missta	Uncorrected misstatements in income tax	3				0	
Cum	nufative effect o	f uncorrected raiss	Cumulative effect of uncorrected misstatements after tax but before turneround	out before turnarou	nd	500	Ö	_
Ten	naround offoct	of prior period unco	Turnaround offect of prior period uncorrected missualements All fact Jun	All factual and projected inhistatements: Audgmental misstatements (Note 3):	ed inhistratements:		After tex	Meme: Before tax
Cum	nutative effect o	I uncorrected relate	Cumulative effect of uncorrected misetatements, after turnaround effect	uround effect		0.0%	0	
Cum	Current year income before tax	e before tax					0	-
Cum	Current year income after tax	e after tax					1,868,973	

ugust 2022)

Appendix A - Schedule of Uncorrected Misstatements, continued

chequie for uncorrected missiatements								
srae State Government - Other Governmental Funds	1		Period Ended:	Period Ended: 30-Sep-2023	Currency:	OSO		
MASTER STATE OF THE PROPERTY O	THE RESERVED	TOWNSTRANSFORMS	Analysis	Analysis of misstatements Debit/(Credit)	ebit/(Credit)	(本)の世界の日本の日本	CONTRACTOR NAMED IN	A SSPORE
Account (Note 1)	Assets	Assets Non-curment	Llabilities Current	Liabilities Non-current	Equity	Effect on the current period OCI	Income statement effect of the current period	t effect wrind
nisstatoments are recorded as journal entries with a description )	Debti/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Rote 2)	Debit/(Credit) (Note 2)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non
Visstatements before income tax	0	0	0	o	0	0	0	
isstatoments	0	0	0	0	0	0	0	
sounts	1,928,545	0	(282,641)	0	(1,645,904)		(61.216)	
misstatements on F/S amounts	5600	5,00	5,000	7,00	200		9,00	
	Memo: Total of non	Memo: Total of non-taxable items (marked X above)	rkad X above)				0	
	Uncorrected missta	Uncorrected misstatements before income tax	come tax			%0'0	0	
	Less: Tax effect of	misstatements at c	Less: Tax effect of misstatements at current year marginal rate	rate		950	0	
	Uncorrected missta	Uncorrected misstatements in income tax	that .				0	
	Cumulative effect o	of uncorrected miss	Cumulative effect of uncorrected misstatements after tax but before turnaround	out before turnaroun	P	%0.0	0	
	Tumeround effect	of prior period unc	Turnaround effect of prior period uncorrected misstatements All fact Ju	ments All factual and projected misstatements: Judgmental misstatements (Note 3);	d misstatements: tements (Note 3):		Alter tex 0	Memo: Before tax
	Cumulative effect o	of uncorrected miss	Cumulative effect of uncorrected misstatements, after turnsround effect	around effect	_	50.0	0	
	Current year inceme before tax	se before tax					148,739	
	Current year income after tax	se after tax					161216	

Audust 2023

Appendix A - Schedule of Uncorrected Misstatements, continued

	Entity:	Kowae State Government - Discretely Presented Component Units		Period ended: 30-Sep-2023 Currency: USD
We	ecumulate all n	We accumulate all misstatements in disclosures that ment the attention of those charged with governance. (Note 1)		
V	FN reference	Description of misstatements in disclosures	Authoritative guidance reference	Evaluation of and conclusion on effect of the uncorrected misstatemen disclosures.
Uncorre	cled minstatem	Incorrected misstatements in discioures;		
Kosrae Port Authority	Kosrae Nobe 9 Port Authority	The lobal penson assets amount are not disclosed to the financial statement.	Pensions-Employers-Reporting for Beneits Provided Through Trusts that Meet Specified Criteria-Defreed Beneit (Cod.PZ0)	Promotes Engalant Reporting to Execute Provided With two conditional reconstitutions in discharges, determined that Provided States before Broad Broad Institutionable a way the result of control delicitations, and added to an image way from the provided states of the
Correct	ed misstatemen	Corrected misstatements in disclosures:		
(Hote 1)	We communic We include the An automated	(the it). We commercial mostalements in disclosures that most the attention of those charged with governance based on our probasional judgment.  An extended beneal terms are unablanced to communications to communications exist the communication sent terms.  An extended service into so an extended communications in one existed on the lab as we need to consider how body to communicate each term.	rged with governance based on our professional judgment, se need to consider how best to communicate each farm.	

Appendix A - Schedule of Uncorrected Misstatements, continued

Absence	parse State Government - Discretely Presented Conponent Units	I Units		Period Ended:	30-Sep-2023	Currency:	JSD ISD		
Assets	ments	September Springer	STATE OF THE PERSONS	Analysis	of minutatoments (	Jobb/(Crodit)	PER	MUNICIPALISM OF SECURITIES AND ASSESSMENT OF	1870/8
Contract	Account (Note 1)	Assets	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity	Effect on the current period	Income statement effect of the current period	ffect
19,81    1	(misstatements are recorded as journal entries with a description.)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debiu(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit)	Debit/Credit)	Debit/(Credit) No	Non
19,831   0   0   0   0   0   0   0   0   0	н	The state of the s						STATE OF THE PERSON NAMED IN	
19,881	o adjust CL based on the updated SL schedule								
19,831   0   0   0   0   0   0   0   0   0	oan receivables	19,681					10000		
19 81   0   0   0   0   0   0   0   0   0	ther expenses							(19,841)	
19,851   0   0   0   0   0   0   0   0   0									
19,811   0   0   0   0   0   0   0   0   0	nisstatements before income tax	19,831			0		0	(19,881)	
1563.566  11.566.231  1556.683  17.562.396  17.562.396  (78)   Manon Cottal of Institute and Insti	nisstatements	19,881			0		0	(19,881)	
Moreover, of the control of the cont	mounts	3,659,856			(122,230)	(17,546,394	<b>E</b>	(893,753)	
Marine Total of non-stackin turns prairted X above)  Uncorrected misstatements before become tax  Lass: Tax effect of misstatements and current year marginal rate  Uncorrected misstatements and current year marginal rate  Uncorrected misstatements and current year marginal rate  Computer where of uncorrected misstatements after tax but before turnshound  Turnshound affect of prior period uncorrected misstatements.  And Computer where of uncorrected misstatements, after turnshound affect  Correct were incorrected misstatements, after turnshound affect  Correct were affected of uncorrected misstatements, after turnshound affect  Correct were affected of uncorrected misstatements, after turnshound affect  And	misstatements on F/S amounts	.0.5%						2.7%	
record  Second Sec		Memo: Total of nor	-taxable items (mar	(sed X above)				D	
wround 27%   Control of the control		Uncorrected missta	itaments before inc	ome tax			575	(19,881)	
Pojeted nisatieneents:  This statements (Nets 2):  The statements (Nets 2):  The statements (Nets 2):  The statements (Nets 2):		Less: Tax effect of	misstatements at co	urrent year marginal	rate		950	0	
Ath misstatements (Note 3): 27%		Uncorrected misst	staments in income	**				0	
Afticate instatements: 1274		Cumulative effect o	funcorrected raiss	fatements after tax l	ut before turnarous	p q	22%	(19,881)	
22%		Turnaround effect	of prior period unco	prected misstaleme	factual and project Judgmental miss	ted misstatements	11 24	20	Memo; Befon
		Cumulative effect of	funcorrected miss	tatements, after turn	around effect			(19,881)	
		Current year incorr	e before tax					(893,753)	

ugust 2022)

Appendix B - Schedule of Corrected Misstatements

_	Kusiare Slake Government - Government-wide			Period ended.	30-Sep-2023	Cunency.	OSD	
ements	THE RESERVE THE PERSON NAMED IN COLUMN TWO IS NOT THE PERSON NAMED IN COLUMN TWO IS NAMED IN COLUMN TWO I	Charles Commission	STATE STATE OF STATE	Analys	Analysis of misstatements Deb U(Credit)	nts Deb V(Cred	A)	TO SERVICE STATE OF THE PARTY O
- F	Account	Assets	Assets Non-current	Liabilities Current	Liablites Non-current	Equity	Effect on the current period OCI	Income s of the c
	(misstalements are recorded as journal entries milts a description)	Debit/(Gredit)	Debit/(Credit)	Debit(Credit)	Debit/(Credit)	Debil/(Credit)	Debii/(Credit)	Debit(G
cferre	eferreUrcomed Revenue Wash off adjustment						The second second	
d Rev	10-3710-00-00-00000-00			State III State I	520,258			
d Kev	11:3/10-00-00-00-00				500,743		HELD SHOOT SEED	
d Rev	d Rev/12.3710-00-00-00000-00				16,918			
Dev	d Revise 3740 m an onno an				261 335			
d Rev	15-3710-00-000000-00				28.275			Columnaca
Hev.	d Revit8 3710 00 00 00000 00	AND DESCRIPTION OF THE PERSON NAMED IN	AND DESCRIPTION OF	THE PROPERTY OF	32,627			
d Rev	d Rev 19-3710-00-00-00000-00	CONTRACTOR OF THE PARTY OF THE	SELECTION OF THE PERSON		+03,034			The State of
slance	ilance 10-4-10-00-00-000-00	DOSERIE MINORE				(450,431		
alance	ulanoe 11-4-10-00-00-00-00	Though the same				(1// 052	Marie Control of	demonstrate
alance	ilance 12-4:10-00-00-00000-00					(17.9'8		
Blance	lance13-4:10-00-00-00000-00				R. L. S. C. S. S. S. S.	(21,730		
alanoe	lance 14-4: 10-00-00-00000-00			Section 1	Section 1997	61010)		
alano	Nanos 15-41 10-00-00-00000-00			District Control		(544 877		
penele	Lang 16 1'10 00 00 00000 00			Appropriate special section of the s	STREET, STREET,	(23 655)		
alance	slance 10-4-10-00-00-00000-00		THE PROPERTY OF		DOUBLE COOLINE	(43 035)		
efanoe	lance 16-4: 51-00-00-00000-00		A Continue of the last			43,835		The second
slance	lance19-4110-cu-ou-uu-uu				THE STREET STREET	(4/8/42		
e	10-7005-10-20-10000-22	NAME OF TAXABLE PARTY.			Application of the		THE PERSON NAMED IN	(6)
9	11-7050-10-20-11000-23			The second second				(32:
	12-7050-10-20-12000-21							
e	13-7995-10-20-13000-21	STREET, STREET						2
U	14 7006 10 20 14000 23				AND SCHOOL SHARE		- T - B	(16:
U	15-7995-10-20-15000-22	Section of the last of the las	Name and Address of the Owner, where the Owner, which is the Owner, where the Owner, which is the Owner, where the Owner, which is the Ow					2e:
y	10-7995-10-20-10000-22	10 TO		Colonia Della Tech	Representation of			14
9	19-7995-04-14-19040-23							4
	Prior Period Adjustment for Leases					The Sand Sand	CONTRACTOR OF THE PARTY OF THE	
	00-1710-00-00-00-00		124,515	100000000000000000000000000000000000000				S. Contract
	00-3720-00-00-00000-00			The second second	(04,635)			
	00-4:10-00-00-00000-00	-				(29 030)		
		STATE STATES						
I					100 100			1

ugust 2022)

Appendix B - Schedule of Corrected Misstatements, continued

- January	Transition codes continued to the continued to the codes of the codes	SCHOOL STORY		Analog	Analysis of misstalomants Dobit/(Crodit)	nte Dobit/ICrad	12	
je je	Account	Assets	Assets Non-current	Liabilities Current.	Liabilities Non-current	Fquity	Fquity Fifteet on the Income s components current period of the of	Income s of the c
100	(misstatements are recorded as journal entries Debtil(Credit) Debtil(Credit) Debtil(Credit) Debtil(Credit) Debtil(Credit) Debtil(Credit) Mth a description)	Debit(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debiti(Credit)	Debit/(Credit)	Debit/Cr
nt am	nt amounts	5,863,539	39,000,671	(1,650,132)	(4,610,544)	(38.603,534)		(34
4 mis	d misstatements on F/S amounts	%0.0	0.3%	%0.0	42.7%	4.8%		

(OB audits we are required to communicate all misstatements that are accumulated on our SAD.)

August 2022

Appendix B - Schedule of Corrected Misstatements, continued

tements	THE RESERVE OF THE PROPERTY OF THE PARTY OF	SECREPTION OF THE PARTY.	CALL SAME BACKETAN	Analys	Analysis of misstatements Debit/(Credit)	nts Debit/(Credi	4	100
je.	Account	Assets	Assets Non-current	Liabilities	Liabilities Non-current	Equity	Effect on the current period OCI	Income s of the
	(mistationens are recorded as journal antries Debtel(Credit) Debte	Dabit/(Cradit)	Debit/(Credit)	Debit/[Credit]	Dabit/(Cradit)	Debit/(Credit)	Debit/(Credit)	Debit/(Ci
OZA RI	22/LRUTo correct opening balances of Leases Receivable and Deferred Inflows from Resources	and Deferred Infly	ws from Resource	22		The state of the s	STATE OF STREET	
	I pases Receivable	(Illessormania in	174,514	Spinister Company				
Service Co.	Deferred Inflows of Resources	Charles and the same of the sa	The second second		(54,686)			7-2-1
	Fund Balance				distribution of the second	(29.328)		
1 miss	misstataments before income tax	0	124,514	0	(54,685)	(29,328)	0	
ant amounts	ounts	9,082,377	0	(4,752,317)	0	(4,330,360)		(2,11
Sim b	d misstatements on F/S amounts	0.0%	%0.0	0.0%	%0.0	%L'0		

AOB audits we are required to communicate all misstatements that are accumulated on our SAD.

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Appendix B - Schedule of Corrected Misstatements, continued

ements	2		THE STREET, SALES	Analys	Analysis of misstatements Debit/(Credit)	ents Debit/(Cred	(u)	STATE OF THE PARTY
	Account	Assets	Assets Non-current	Llabilities Current	Liabilities Non-current	Equity	Effect on the current period OCI	of the
	(misstatements are recorded as journal entries with a description)	Debiti(Credit)	Debiti(Credit)	Debiti(Credit)	Debiti(Credit)	Debiti(Credit)	Debit(Credit)	Debiv(C
red R	ed Rey Unearned Revenue Wash-off Adjustment		Manager Manager				STATE OF STREET	
Verlue	-				520,258			
Vernie	17-37 10-00-00-00000-03	OH THE REAL PROPERTY.			16,918		1 Sy A 1 S 1 A	
venue		Personal Control	District Street, or other lines	THE RELIES	24,280		HOLD WINDS	
venue		THE PARTY OF STREET	September 1	The San In the	253,365	MILE STREET, S		AND PARTY.
verille		THE DESCRIPTION	STATE STATE OF		281,275			
venue		THE SAME THAT THE		ALCOHOLD STREET	32,527	STREET, STREET	The second second	
versue	19-3710-00-00-00000-03	THE RESIDENT		III SOURCE STREET	433,005		The state of the	Marie Control
8	10-4110-00-00-00000-00					(450 431)		
9	11-4110-00-00-00000-00	ALC: SELECTED			CONTRACTOR STATE	(177,652)		
9	12-4110-00-00-00000-00	THE STATE OF THE PARTY OF THE P	No. of Concession, Name of Street, or other	Control State of the	A STATE OF THE PARTY OF THE PAR	(17.918)		
œ	13-4110-00-00-00000-03		General State of the State of t			(71730		
9	14-4110-00-00-00000-00			Total Security Control	STREET, STREET	(91079)		
9	15-4110-00-00-00000-00				THE RESIDENCE OF THE PARTY OF T	1544.877	Control of the latest service and the latest	10000000
9	16-4110-00-00-00000-00					(23 555)		-
22	18-4110-00-00-00000-03			HER STUDIOS SER	Mark market	(43 835)		The state of the s
9	18-4151-00-CO-00000-00		SALING MILES			43,835		
0	19-4110-00-00-00000-00			ON NAMED OF THE		(479.742)		
	10-7955-10-20-10000-22	Beer Brandston			10 THE RES		NAMES OF TAXABLE PARTY.	33)
	11-7050-10-20-11000-23	The last section	THE R. P. LEWIS CO., LANSING					(3,
1000	12-7050-10-20-12000-21	STREET, SQUARE, SQUARE,			THE PROPERTY OF	CHARLES THE PARTY	the secondary	
	13-7955-10-20-13000-21			The state of the state of				
	14-7955-10-20-14000-23			CONTROL OF THE PARTY OF THE PAR		CHI TO THE OWNER.		-
	15-7955-10-20-15000-22				The second second	Contract of the last		77
	16-7955-10-20-16000-22	THE RESIDENCE OF	STATE STATE STATE OF	CATALOG CORNERS TO	PERSONAL PROPERTY.			
	19-7955-04-14-19040-23							
mis	misstatements before income tax	0	0		7,062,37	(1 806 984)	0	(2)
ont an	HIT amounts	599,418	0	(599,418)		0	6	1,8
- P	designation of City amountainte	2000	%00	50.0	0.0%	0.0%		L

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Appendix B - Schedule of Corrected Misstatements, continued

ilements			Analys	Analysis of misstatements Debit/(Credit)	nnts Debit/(Cred	Q1	THE PERSON NAMED IN
Account	Assets Current	Assets Non-current	Llabilities Current	Liabilities Non-current	Equity	The same of	Effect on the Income stateme current period of the current OCI
isstitements are recorded as journal entries Debit!(Credit) Debit!	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/Credit	Debit/(Credit)	Debit/(Credit)	Debit/Credity
d misstatements before income tax	0	0	0	0	0	0	0
ent amounts	7,096,505	0	3,379	0	(7,093,126)		(615,076)
ad misstatements on F/S amounts	%0.0	0.0%	%0'0	%0.0	%0'0		%0.0

OB audits we are required to communicate all misstatements that are accumulated on our SAD.)

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Appendix B - Schedule of Corrected Misstatements, continued

tements	itements	STREET, STATES	Analysi	Analysis of misstatements Debit/(Credit)	Analysis of misstatements Debit/(Credit	9	Particular Company
Account	Assets	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity	The state of the last	Effect on the Income stateme current period of the current OCI
sstatements are recorded as journal entries Debit/Credity	Debit/(Credit)	Debit/(Credit)	Debil/(Credit)	Debil/(Credit)	Debil/(Credit)	Debit/(Credit)	Debil/(Credit)
d misstatements before income tax	u	C	O	o	O	С	С
ent amounts	1,928,545	0	(282,641)	0	(1,645,904)		(61,216)
and misstatements on F/B amounts	0.0%	0.0%	0.0%	2,000	240'0		0,0%

AOB audits we are required to communicate all misstatements that are accumulated on our SAD.]

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Appendix B - Schedule of Corrected Misstatements, continued

oments			Analys	is of misstatems	Analysis of misstatements Debit/(Credit)	0	
Account	Assets	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity	Equity Effect on the Income staten components current period of the current OCI	Income staten of the curre
sstatements are recorded as journal entities Debit/(Credit) with a description)	Debil/(Credit)	DebiU(Credit)	Debit/(Credit)	Debiu(Credit)	Debit/(Credit)	Debit/Credity Debit/Credity Debit/Credity Debit/Credity Debit/Credity Debit/Credity	Debii/(Credit
misstatements before income tax	0	0	0	0	0	0	
ent amounts	3,669,856	14.554,731	(555,463)	(122 230)	(17,546,334)		(893,753
ed misstatements on F/S amounts	20.0%	760.0	%0.0	7,00	%0.0		0.0%

B audits we are required to communicate all misstatements that are accumulated on our SAD.]

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### Appendix C - Subsequent Events

	rae State Government sequent Events Questionnaire		
	erage: For the period from October 1, 2023 to report date		
4	Question	Response Yes or No	If yes, please provide additional information
1	Have there been any business combinations, acquisitions of significant assets, segment disposals, disposals of significant assets or extraordinary, unusual or infrequently occurring transactions, except as disclosed in the audited financial statements?	No	
2	Have there been any new significant contingent liabilities or commitments that arisen, except as disclosed in the audited financial statements?	No	
3	Have any significant changes occurred in trends in sates/revenues or costs that could affect accounting estimates (e.g., valuation of receivables or inventories, realization of deferred changes, provisions for warranties or employee benefits or unearmed income)?	No	
4	Have any significant changes occurred, or are pending, in the capital accounts, long-term debt, including debt covenants and compliance with them, or working capital, except as disclosed in the audited financial statements?	No	
5	Have there been any significant changes that occurred in the status of items, including contingent liabilities and commitments that were accounted for on the basis of tentative, preliminary or inconclusive data?	No	
6	Were there any significant, unusual or nonrecurring adjustments that have been recorded (or are necessary)?	No	
7	Were there any communications, written or oral, that occurred with the regulatory agencies with which the ctity files financial statements?	No	
8	Have there been any changes in the entity's related parties? Have any significant new related party transactions occurred?	No	
9	Have any other events occurred other than those disclosed in response to the previous questions or those reflected or disclosed in the financial statuments that could have a material effect on the audited financial statements? This includes appropriate inquiries regarding subsequent events of material investees accounted for by the equity method.	No	
10	Are you aware of any fraud or suspected fraud affecting (Kosrae State Government) involving (1) meangement, (2) employeus who have significant rules in internal control or (3) others, when the fraud could have a material effect on the audited financial statements?	No	
11	Are you aware of any allegations of financial improprieties, including fraud or suspected fraud (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), when such allegations could result in a misstatement of the audited financial statements or otherwise affect the financial reporting of (Kosrae State Government)?	No	
12	Are you aware of any close relationships, or business, employment or other relationships that could bear on EY's independence (e.g. business/financial relationships, litigation with EV, family relationship, employment, loans, cooperative arrangements, etc.)?	Мо	
13	Are you aware of any cash receipt records for significant or unusually large amounts that may pertain to proceeds of loans, significant sales of productive assets or other unusual items?	No	
14	Are you aware of any cash disbursement records for that may pertain to unusual payments, payments of Rabilities not recorded as of the balance sheet date or other unusual litems?	No	
15	Are you aware of any significant time leg that may pertain to collections on accounts receivable, credit memoranda issues for sales returns and allowances?	No	
16	Are you aware of any journal entries that would have a material effect on the financial statements as of the balance sheet date?	No	

or George, Director, Department of Date