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December 7, 2009

The Board of Directors
Federated States of Micronesia
Telecommunications Corporation

Dear Members of the Board:

We have performed an audit of the financial statements of the Federated States of Micronesia (FSM) Telecommunications Corporation (the Corporation) as of and for the year ended September 30, 2009, in accordance with auditing standards generally accepted in the United States of America and have issued our report thereon dated December 7, 2009.

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

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

Our responsibility under auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and 7 CFR Part 1773, *Policy on Audits of Rural Utilities Service (RUS) Borrowers*, have been described in our engagement letter dated November 2, 2009, a copy of which has been provided to you. As described in that letter, the objective of a financial statement audit conducted in accordance with the aforementioned standards is:

- To express an opinion on the fairness of the Corporation's financial statements and to disclaim an opinion on the required supplementary information for the year ended September 30, 2009 in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), in all material respects;

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

- To report on the Corporation's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended September 30, 2009 based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, and 7 CFR Part 1773; and

- To issue an independent auditors' management letter.

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

We considered the Corporation's 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 Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in the Corporation's 2009 financial statements include management's estimate of the allowance for uncollectible accounts, which is determined based upon past collection experience and aging of the accounts, and management's estimate of depreciation expense, which is based on estimated useful lives of the respective capital assets. During the year ended September 30, 2009, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

AUDIT ADJUSTMENTS AND UNCORRECTED MISSTATEMENTS

As the result of our audit work, we identified matters that resulted in audit adjustments that we believe, either individually or in the aggregate, would have a significant effect on the Corporation's financial reporting process. Such proposed adjustments, listed in Appendix I, have been recorded in the accounting records and are reflected in the 2009 financial statements. Those proposed adjustments that were not recorded by management are also included in the schedule described in the next paragraph.

In addition, we have attached to this letter, as Appendix II, a summary of uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

SIGNIFICANT ACCOUNTING POLICIES

The Corporation's significant accounting policies are set forth in note 1 to the Corporation's 2009 financial statements. During the year ended September 30, 2009, there were no significant changes in previously adopted accounting policies or their application, except for the following pronouncements adopted by the Corporation:

- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which establishes standards for the measurement, recognition, and display of other postemployment benefits expense/expenditures and related liabilities, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers.

- GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which provides guidance and consistency under which a governmental entity would be required to report a liability related to pollution remediation.

- GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, which improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income.

- GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which improves financial reporting by contributing to the GASB's efforts to codify all GAAP for state and local governments so that they derive from a single source.

- GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, which incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants (AICPA) auditing literature into the GASB's accounting and financial reporting literature for state and local governments, and addresses three issues from the AICPA's literature - related party transactions, going concern considerations, and subsequent events.

The implementation of these pronouncements did not have a material effect on the financial statements of the Corporation.

For the year ended September 30, 2010, the following pronouncements will be adopted by the Corporation:

- In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which addresses whether and when intangible assets should be considered capital assets for financial reporting purposes.

- In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which is intended to improve how state and local governments report information about derivative instruments – financial arrangements used by governments to manage specific risks or make investments – in their financial statements.

- In December 2008, GASB issued Technical Bulletin No. 2008-1, *Determining the Annual Required Contribution Adjustment for Postemployment Benefits*, which clarifies the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for calculating the annual required contribution (ARC) adjustment.

Management does not believe that the implementation of these statements will have a material effect on the financial statements of the Corporation.

For the year ended September 30, 2011, the following pronouncements will be adopted by the Corporation:

- In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

Management does not believe that the implementation of these statements will have a material effect on the financial statements of the Corporation.

CRITICAL ACCOUNTING POLICIES AND PRACTICES

Critical accounting policies are those that are both most important to the portrayal of the Corporation's financial condition and results and require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. The Corporation has not identified any critical accounting policies or practices.

ALTERNATIVE ACCOUNTING TREATMENTS

We had no discussions with management regarding alternative accounting treatments within generally accepted accounting principles for policies and practices related to material items, including recognition, measurement, and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, related to the year ended September 30, 2009.

OTHER INFORMATION IN THE ANNUAL REPORTS TO SHAREHOLDERS

When audited financial statements are included in documents containing other information such as the Corporation's 2009 Annual Report, we will read such other information and consider whether it, or the manner of its presentation, is materially inconsistent with the information, or the manner of its presentation, in the financial statements audited by us. We will read the other information in the Corporation's 2009 Annual Report and will inquire as to the methods of measurement and presentation of such information. If we note a material inconsistency or if we obtain any knowledge of a material misstatement of fact in the other information, we will discuss this matter with management and, if appropriate, with the Board.

The audited financial statements for the year ended September 30, 2009 were not included in documents containing other information such as the Corporation's Annual Report to the date of this letter.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to the Corporation's 2009 financial statements.

CONSULTATION WITH OTHER ACCOUNTANTS

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2009.

MANAGEMENT'S REPRESENTATIONS

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

MAJOR ISSUES DISCUSSED WITH MANAGEMENT PRIOR TO OUR INITIAL ENGAGEMENT OR RETENTION

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

SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

CONTROL-RELATED MATTERS

We have issued a separate report to you, also dated December 7, 2009, wherein no matters involving the Corporation's internal control over financial reporting that were considered to be significant deficiencies under standards established by the American Institute of Certified Public Accountants, and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters were reported. We have also issued a separate independent auditors' management letter report to you, also dated December 7, 2009, on specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters.

We have also communicated to management, in a separate letter also dated December 7, 2009, other matters that we identified during our audit.

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

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

Very truly yours,

Deloitte + Touche LLP

FSMTC
Proposed Audit Adjustment
09/30/09

Journal Entries - AJE

#	Name	Debit	Credit
	1 AJE To adjust CPE materials		
12200	MTR'LS & SPLS-NON EXEMPT	-	27,895.00
64230-20	BURIED METALLIC EXPE-PNI	27,895.00	-
		27,895.00	27,895.00
	To adjust the Materials Account		

Journal Entries - RJE

#	Name	Debit	Credit
	1 RJE To recognize intangible assets		
20040	PUC-LONG TERM W/O-OTHERS	-	3,473,486.00
24421DTT	INDEFEASIBLE RIGHT TO USE	3,473,486.00	-
		0.00	0.00
	To recognize and reclassify intangible assets		

The above adjustments are not due to fraud or illegal acts. In connection with the Audit Adjustment listed above, we have reviewed and approved them, on the basis of information we have provided to you.

Marcelino Semens
Acting CFO

10-07-09
Date

FSMTC FY2009
Appendix A
09/30/09

	Pre-Tax Correcting Entry				
	Balance Sheet				Income Statement
Entry Description	Assets Dr (Cr)	Liabilities Dr (Cr)	Retained Earnings Beg of Year Dr (Cr)	Other Equity A/Cs Dr (Cr)	Operating Income Dr (Cr)
PAJE <1>					
Dr. Interest Capitalization	18,398				
Cr. Interest Expense					(18,398)
To adjust the interest capitalization account					
PAJE <2>					
Dr. Allowance	(12,733)				
Cr. Bad Debt Expense					12,733
To adjust Bad Debt Expense					
PAJE <3>					
Dr. Miscellaneous expenses					43,101
Cr. Investments	(43,101)				
To adjust investment account					
PAJE <4>					
Dr. Allowance - A/R others	(11,517)				
Cr. Bad Debt Expense					11,517
To adjust Bad Debt Expense for A/R Others					
	(48,953)	0	0	0	48,953

The above adjustments are not due to fraud or illegal acts. In connection with the Audit Adjustment listed above, we have reviewed and approved them, on the basis of information we have provided to you.

Marcelino Semens
Acting CFO

1-07-09
Date

December 7, 2009

Deloitte & Touche LLP
361 South Marine Corps Drive
Tamuning, Guam 96913-3911

Gentlemen:

We are providing this letter in connection with your audits of the statements of net assets of the Federated States of Micronesia (FSM) Telecommunications Corporation (the Corporation), a component unit of the FSM National Government, as of September 30, 2009 and 2008 and the related statements of revenues, expenses and changes in net assets and of cash flows for the years then ended, 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 Corporation in conformity with accounting principles generally accepted in the United States of America (GAAP). We confirm that we are responsible for the following:

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

b. The fair presentation of the required supplementary information, including Management's Discussion and Analysis, accompanying the basic financial statements.

c. The fair presentation of the additional information accompanying the basic financial statements that is presented for the purpose of additional analysis of the basic financial statements.

d. The design and implementation of programs and controls to prevent and detect fraud.

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

f. The review and approval of the financial statements and related notes and acknowledge your role in the preparation of this information. Specifically, we acknowledge that your role in the preparation of the financial statements was a matter of convenience rather than one of necessity. We have reviewed the financial statement preparation assistance provided by you and acknowledge that the financial statements are prepared in accordance with GAAP. Our review was based on the use of the financial statement disclosure checklist for stand-alone business-type activities obtained from the Government Finance Officers Association.

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

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

FSMTC Headquarters • Post Office Box 1210 • Pohnpei, FM 96941
Phone 1 691 320 2740 • Fax 1 691 320 2745 • http://telecom.fm • customerservice@mail.fm

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

   a. Net asset components (invested in capital assets and unrestricted) are properly classified and, if applicable, approved.

   b. 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.

   c. Revenues are appropriately classified in the statement of activities.

   d. Deposits are properly classified in category of custodial credit risk.

   e. Capital assets are properly capitalized, reported, and if applicable, depreciated.

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

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

3. We have provided to you our views on the reported findings, conclusions, and recommendations for your report.

4. The Corporation has made available to you all:

   a. Minutes of meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.

   b. Financial records and related data for all financial transactions of the Corporation. The records, books, and accounts, as provided to you, record the financial and fiscal operations of the Corporation and provide the audit trail to be used in a review of accountability. Information presented in financial reports is supported by the books and records from which the financial statements have been prepared.

   c. Contracts and grant agreements (including amendments, if any).

5. There has been no:

   a. Action taken by the Corporation management that contravenes the provisions of FSM laws and regulations, or of contracts and grants applicable to the Corporation;

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

6. The Corporation 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 Corporation and do not believe that the financial statements are materially misstated as a result of fraud.

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

   a. Management.

   b. Employees who have significant roles in the Corporation's internal control over financial reporting.

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

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

9. There are no unasserted claims or assessments that legal counsel has advised us are probably of assertion and must be disclosed in the financial statements in accordance with Financial Accounting Standards Board (FASB) Statement No. 5, *Accounting for Contingencies*.

10. The Schedule of Expenditures of Federal Awards was prepared in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have identified in that schedule all awards provided by federal agencies in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, or direct appropriations. In addition, we have accurately completed the appropriate sections of the data collection form.

11. We are responsible for compliance with local, state and federal laws, rules and regulations, including compliance with the requirements of OMB Circular A-133, and provisions of grants and contracts relating to the Corporation'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 Corporation is responsible for maintaining accounting and administrative control over revenues, obligations, expenditures, assets, and liabilities.

12. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on its federal programs.

13. We have:

    a. Identified the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each federal program.

    b. Complied, in all material respects, with the requirements identified above in connection with federal awards.

    c. Identified and disclosed interpretations of any compliance requirements that have varying interpretations.

14. 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.

15. We believe the effects of any uncorrected financial statement misstatements aggregated by you during the current audit engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix A.

Except where otherwise stated below, matters less than $46,800 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to, or disclosure in, the financial statements.

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

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

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

    b. Guarantees, whether written or oral, under which the Corporation is contingently liable.

    c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements.

    d. Financial instruments with significant or group concentration of credit risk.

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

19. There are no:

    a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB Statement No. 5.

20. No department or agency of FSM has reported a material instance of noncompliance to us.

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

22. The Corporation has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral except for assets financed under RUS funding and pledged as collateral for such loans.

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

24. In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:

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

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

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

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

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

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

26. No events have occurred subsequent to September 30, 2009 that requires consideration as adjustments to or disclosures in the financial statements.

27. The Corporation does not purchase insurance for its Outside Plant. As most of these items are underground, the Corporation is of the opinion that losses such, if any, will be minimal. Therefore, the Corporation is self insured for Outside Plant and all other risks not encompassed in the forgoing. Management is of the opinion that no material losses have resulted from this practice.

28. There have been no significant reductions in insurance coverage, and there have been no settlements in excess of insurance coverage for the past three years.

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

30. During the year ended September 30, 2005, the Corporation reassessed the estimated useful lives of its property, plant, and equipment. The effects of this change is accounting estimate was not material to the financial statements.

31. In the ordinary course of business, claims have been filed against the Corporation. Management does not believe that the plaintiffs will prevail and the ultimate outcome is currently not determinable. Therefore, no provision has been recorded in the financial statements for losses, if any, which may occur.

32. Management is aware of its responsibility to disclose whether, subsequent to September 30, 2009, 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 action has so occurred.

33. During fiscal year 2009, the Corporation implemented the following pronouncements:

- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which establishes standards for the measurement, recognition, and display of other postemployment benefits expense/expenditures and related liabilities, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers.

- GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which provides guidance and consistency under which a governmental entity would be required to report a liability related to pollution remediation.

- GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, which improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income.

- GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which improves financial reporting by contributing to the GASB's efforts to codify all GAAP for state and local governments so that they derive from a single source.

- GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, which incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants (AICPA) auditing literature into the GASB's accounting and financial reporting literature for state and local governments, and addresses three issues from the AICPA's literature - related party transactions, going concern considerations, and subsequent events.

The implementation of these pronouncements did not have a material effect on the financial statements.

34. In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* GASB Statement No. 51 addresses whether and when intangible assets should be considered capital assets for financial reporting purposes. The provisions of this statement are effective for periods beginning after June 15, 2009. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Corporation.

35. In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which is intended to improve how state and local governments report information about derivative instruments - financial arrangements used by governments to manage specific risks or make investments - in their financial statements. The provisions of this statement are effective for periods beginning after June 15, 2009. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Corporation.

36. In December 2008, GASB issued Technical Bulletin No. 2008-1, *Determining the Annual Required Contribution Adjustment for Postemployment Benefits*, which clarifies the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for calculating the annual required contribution (ARC) adjustment. The provisions of this statement are effective for periods beginning after December 15, 2008. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Corporation.

37. In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The provisions of this statement are effective for periods beginning after June 15, 2010. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Corporation.

Very truly yours,

Signed: _____ Date Signed: 12/07/09
Takuro Akinaga
Title: President/CEO

Signed: _____ Date Signed: 12/07/09
Marcelino Semens
Title: Acting Chief Financial Officer

FSMTC FY2009
Appendix A
09/30/09

	Pre-Tax Correcting Entry				
	Balance Sheet				Income Statement
Entry Description	Assets Dr (Cr)	Liabilities Dr (Cr)	Retained Earnings Beg of Year Dr (Cr)	Other Equity A/Cs Dr (Cr)	Operating Income Dr (Cr)
PAJE <1>					
Dr. Interest Capitalization	18,398				
Cr. Interest Expense					(18,398)
To adjust the interest capitalization account					
PAJE <2>					
Dr. Allowance	(12,733)				
Cr. Bad Debt Expense					12,733
To adjust Bad Debt Expense					
PAJE <3>					
Dr. Miscellaneous expenses					43,101
Cr. Investments	(43,101)				
To adjust investment account					
PAJE <4>					
Dr. Allowance - A/R others	(11,517)				
Cr. Bad Debt Expense					11,517
To adjust Bad Debt Expense for A/R Others					
	(48,953)	0	0	0	48,953

The above adjustments are not due to fraud or illegal acts. In connection with the Audit Adjustment listed above, we have reviewed and approved them, on the basis of information we have provided to you.

Marcelino Semens
Acting CFO

12-07-09
Date