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December 2, 2022

The Board of Directors
Federated States of Micronesia Petroleum Corporation

Dear Members of the Board of Directors:

We have performed an audit of the consolidated financial statements of the Federated States of Micronesia Petroleum Corporation and Subsidiary (the Company), a component unit of the FSM National Government, as of and for the year ended December 31, 2021 (the "financial statements"), in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our report thereon dated December 2, 2022.

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 Company is responsible.

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

Very truly yours,

Deloitte & Touche LLP

cc: The Management of Federated States of Micronesia Petroleum Corporation

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

Our responsibility under generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, have been described in our engagement letter dated March 16, 2022. As described in that letter, our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the consolidated financial statements that have been prepared by management with the oversight of the Board of Directors are prepared, in all material respects, in accordance with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”). The audit of the consolidated financial statements does not relieve management or the Board of Directors of their responsibilities. We considered internal control relevant to the Company’s preparation of the consolidated financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.

SIGNIFICANT ACCOUNTING POLICIES

The Company’s significant accounting policies are set forth in Note 2 to the Company’s 2021 consolidated financial statements. During the year ended December 31, 2021, there were no significant changes in previously adopted accounting policies or their application.

In 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the effective dates of GASB Statement No. 84, 89, 90, 91, 92 and 93 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. In accordance with GASB Statement No. 95, management has elected to postpone implementation of these statements except for GASB Statement No. 90, which was implemented during the year ended December 31, 2019.

During the year ended December 31, 2021, the Company implemented the following pronouncements:

- GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period.
- GASB Statement No. 93, *Replacement of Interbank Offered Rates*, which establishes accounting and reporting requirements related to the replacement of Interbank Offered Rates such as the London Interbank Offered Rate (LIBOR) for hedging derivative instruments. The provision removing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of derivative instruments is effective for the year ending December 31, 2022.

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

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. Management believes that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 87 will be effective for the fiscal year ending December 31, 2022.

SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 91 will be effective for the fiscal year ending December 31, 2023.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports, the terminology used to refer to derivative instruments and the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefits. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. The requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reissuance recoveries and terminology used to refer to derivative instruments are effective upon issuance. In accordance with GASB Statement No. 95, the remaining requirements of GASB Statement No. 92 is effective for the fiscal year ending December 31, 2022.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 94 will be effective for the fiscal year ending December 31, 2023.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 96 will be effective for the fiscal year ending December 31, 2023.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 97 will be effective for the fiscal year ending December 31, 2022.

SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

In October 2021, GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 98 will be effective for the fiscal year ending December 31, 2022.

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

ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's current judgments. Those judgments are ordinarily based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in the Company's 2021 consolidated financial statements include management's estimate of inventory obsolescence, which is based on management's evaluation of the inventory's net realizable value, and management's estimate of depreciation expense, which is based on estimated useful lives of the respective capital assets. During the year ended December 31, 2021, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

UNCORRECTED MISSTATEMENTS

Our audit of the consolidated financial statements was designed to obtain reasonable rather than absolute, assurance about whether the consolidated financial statements are free of material misstatement, whether caused by error or fraud.

We have attached to this letter, Appendix B to Attachment I, a summary of uncorrected misstatements that we presented to management during the current audit engagement that were determined by management to be immaterial, both individually and in the aggregate, to the consolidated financial statements taken as a whole. Uncorrected misstatements or matters underlying these uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even if we have concluded that the uncorrected misstatements are immaterial to the consolidated financial statements for the year ended December 31, 2021.

CORRECTED MISSTATEMENTS

Our audit of the consolidated financial statements was designed to obtain reasonable rather than absolute, assurance about whether the consolidated financial statements are free of material misstatement, whether caused by error or fraud. The misstatements included in Appendix A to Attachment I, were brought to the attention of management as a result of our audit procedures and were corrected by management during the current period.

OTHER INFORMATION IN THE ANNUAL REPORTS OF THE COMPANY

When audited consolidated financial statements are included in documents containing other information such as the Company's Annual Reports, we will read such other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. In the event that the Company issues an Annual Report or other documentation that includes the audited consolidated financial statements, we will be required to read the other information in the Company's 2021 Annual Report and will compare selected amounts or other items in the other information with such amounts or other items in the consolidated financial statements. When we read the other information, we will remain alert for indications that (1) a material inconsistency exists between the other information and our knowledge obtained in the audit and (2) a material misstatement of fact exists or the other information is otherwise misleading. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we will be required to communicate the matter to you, request that the correction be made, and, if not corrected, describe it in our report.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to the Company's 2021 consolidated financial statements.

OUR VIEWS ABOUT SIGNIFICANT MATTERS THAT WERE THE SUBJECT OF CONSULTATION WITH OTHER ACCOUNTANTS

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2021.

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

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

SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

MANAGEMENT'S REPRESENTATIONS

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

CONTROL-RELATED MATTERS

We have issued a separate report to you, also dated December 2, 2022, on the Company's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, which was based on the audit performed in accordance with *Government Auditing Standards*.

We have also communicated to management, in a separate letter also dated December 2, 2022, certain control deficiencies and other matters related to the Company's internal control over financial reporting that we identified during our audit.

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



December 2, 2022

Deloitte & Touche
P.O. Box 753
Kolonia, Pohnpei 96941

We are providing this letter in connection with your audits of the consolidated statements of net position of the Federated States of Micronesia (FSM) Petroleum Corporation and its subsidiary, Vital Energy, Inc. (VEI) (together, the "Company"), a component unit of the FSM National Government, as of December 31, 2021 and 2020, and the related consolidated statements of revenues, expenses and changes in net position and of cash flows, and the related notes to the consolidated financial statements, for the years then ended, for the purpose of expressing an opinion as to whether the consolidated financial statements present fairly, in all material respects, the financial position and results of operations of the Company in accordance with accounting principles generally accepted in the United States of America (GAAP).

We confirm that we are responsible for the following:

- a. The preparation and fair presentation in the consolidated financial statements of the financial position, results of operations, and cash flows of the Company in accordance with GAAP.
- b. The design, implementation, and maintenance of internal control:
 - Relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - To prevent and detect fraud.
- c. The review and approval of the consolidated 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 consolidated financial statements was a matter of convenience rather than one of necessity. We have reviewed the consolidated financial statement preparation assistance provided by you and acknowledge that the consolidated financial statements are prepared in accordance with GAAP. Our review was based on the use of the financial statement disclosure checklist for stand-alone business-type activities obtained from the Government Finance Officers Association. Additionally, we agree with the recorded adjustments included in Appendix A.

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

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

1. The consolidated financial statements referred to above are fairly presented in accordance with GAAP. In addition:
 - a. The consolidated 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.



- b. Majority equity interests in legally separate organizations are properly accounted for in accordance with GASB Statement No. 90, *Majority Equity Interests*.
 - c. Net position components (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
 - d. Deposits and investment securities are properly classified in category of custodial credit risk.
 - e. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
 - f. Required supplementary information is measured and presented within prescribed guidelines.
 - g. Other supplementary information is measured and presented within prescribed guidelines.
 - h. Applicable laws and regulations are followed in adopting, approving and amending budgets.
 - i. The Company's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available is appropriately disclosed and the related net position is properly recognized under the policy.
 - j. The consolidated financial statements properly classify all funds and activities, including special and extraordinary items.
2. The Company has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.
3. The Company has made available to you:
- a. All minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared. Board meetings were held on the following dates: January 5, 2021; April 29, 2021; July 28-29, 2021; October 28-29, 2021; January 13, 2022 and April 28, 2022.
 - b. All financial records and related data for all financial transactions of the Company and for all funds administered by the Company. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by the Company 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 consolidated financial statements have been prepared.
 - c. Contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies.
4. There has been no:
- a. Action taken by the Company management that contravenes the provisions of federal laws and FSM laws and regulations or of contracts and grants applicable to the Company.
 - b. Communication with other regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the consolidated financial statements.



5. 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 consolidated financial statements taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix B.
6. The Company has not performed a formal risk assessment, including the assessment of the risk that the consolidated 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 Company and do not believe that the consolidated financial statements are materially misstated as a result of fraud.
7. We have no knowledge of any fraud or suspected fraud affecting the Company involving:
 - a. Management.
 - b. Employees who have significant roles in the Company's internal control.
 - c. Others, where the fraud could have a material effect on the consolidated financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the Company's consolidated financial statements communicated by employees, former employees, analysts, regulators, or others.
9. There are no unasserted claims or assessments that we are aware of or that legal counsel has advised us are probable of assertion and must be disclosed in accordance with GASB Codification Section C50, *Claims and Judgments* except as described in Note 11 to the consolidated financial statements.
10. The Company is a defendant in several legal actions including potential losses from land lease disputes have been identified by management as over \$3 million for full payment of the lease. The ultimate outcome is presently undeterminable; however, Company management is of the opinion that resolution of these matters will not have a material effect on consolidated financial statements.
11. The methods, significant assumptions, and the data used by us in making the accounting estimates and the related disclosures are appropriate to achieve recognition, measurement, or disclosure that is in accordance with GAAP.
12. We are responsible for compliance with local, state, and federal laws, rules, and regulations, including compliance with the provisions of grants and contracts relating to the Company's operations. We are responsible for understanding and complying with the requirements of the federal statutes and regulations. We are responsible for establishing and maintaining the components of internal control relating to our activities in order to achieve the objectives of providing reliable financial reports, effective and efficient operations, and compliance with laws and regulations. We are responsible for maintaining accounting and administrative control over revenues, obligations, expenditures, assets, and liabilities.
13. We have informed you of all investigations or legal proceedings that have been initiated during the year ended December 31, 2021 or are in process as of December 31, 2021.
14. We are responsible for all nonaudit services performed by you during the year ended December 31, 2021 and through December 2, 2022.
15. We have disclosed to you all deficiencies in the design or operation of internal control over financial reporting identified as part of our evaluation, including separately disclosing to you all such deficiencies that are significant deficiencies or material weaknesses in internal control over financial reporting.



16. No changes in internal control over compliance or other factors that might significantly affect internal control over financial reporting, including any corrective actions taken by the Company with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to December 31, 2021.
17. We are responsible for taking corrective action on audit findings and have developed a corrective action plan. We have taken timely and appropriate steps to remedy fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that you report.
18. 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.
19. We have adopted the provisions of GASB Codification Section 2100, *Defining the Financial Reporting Entity*. We believe that we have properly identified and reported as a component unit of the Company each organization that meets the criteria established in GASB Codification Section 2100.
20. The Company has appropriately identified and disclosed all segments in accordance with GASB Codification Section 2500, *Segment Information*.

Except where otherwise stated below, matters less than \$202,000, 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 consolidated financial statements.

21. Except as listed in Appendix B, there are no transactions that have not been properly recorded and reflected in the consolidated financial statements.
22. The Company has no plans or intentions that may affect the carrying value or classification of assets and liabilities. At December 31, 2021, Due to States and the FSM National Government (FSMNG) includes \$500,000 that represents a non-interest bearing advance payable to the FSMNG. There is no specific repayment terms and management has classified the advance as long-term since it has



36. Regarding supplementary information:

- a. We are responsible for the preparation and fair presentation of the supplementary information in accordance with GAAP.
- b. We believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP.
- c. The methods of measurement and presentation of the supplementary information has not changed from those used in the prior period.

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

38. Receivables recorded in the consolidated financial statements represent valid claims or other charges arising on or before the date of the statements of net assets and have been appropriately reduced to their estimated net realizable value.

39. Provision has been made to reduce excess or obsolete inventories to their estimated net realizable value. All inventories are the property of the Company and do not include any items consigned to it or any items billed to customers.

40. The construction-in-progress (CIP) projects of \$2,568,015 in Nauru which were charged to the through-put tax liability as of December 31, 2021 were valid Compliance and Integrity Projects at Nauru Facilities and were approved by the Government of Nauru (GON).

41. We believe that all expenditures that have been deferred to future periods are recoverable.

42. The Company purchases commercial insurance to cover its potential risks from refueling operations, inventory and facilities. It also maintains workmen's compensation coverage. It is substantially self-insured for all other risks. Management is of the opinion that no material losses have been sustained as a result of this practice.

43. In 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the effective dates of GASB Statement No. 84, 89, 90, 91, 92 and 93 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. In accordance with GASB Statement No. 95, management has elected to postpone implementation of these statements.

44. Regarding the future implementation of GASB Statements effective for the years ending December 31, 2022 and after, as detailed in the Note 2 of the financial statements, the Company does not believe the implementation will have a material effect on its financial statements with the exception of *Statement No. 87, Leases*, which will be effective for fiscal year ending December 31, 2022. The Company has not completed the process of evaluating the impact that will result from adopting GASB Statement No. 87 *Leases*, as discussed in Note 2. The Company is therefore unable to disclose the impact that adopting GASB Statement No. 84 will have on its financial position, results of operations, and cash flows when such statement is adopted.

45. No events have occurred after December 31, 2021 but before December 2, 2022, the date the consolidated financial statements were available to be issued that require consideration as adjustments to or disclosures in the Company's consolidated financial statements.



Very truly yours,



Jared Morris
Chief Executive Officer



Cherish Mendiola
Acting Chief Financial Officer

APPENDIX A - POSTED ADJUSTMENTS AND FINANCIAL STATEMENTS RECLASSIFICATION ENTRIES

Audit Adjustments and Reclassifications
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FSMPC**Journal Entries - RJE**

#	Name	Debit	Credit
	1 To reclassify current portion of long-term debt		
4600-00-00	LOAN FSMDB-CORP--	1,415,010	
4600-00-01	LOAN FSMDB-CORP--Current Portion		1,415,010
		1,415,010	1,415,010

To present current portion of long-term debt.

2 RJE Reclassify Japan operating grant through FSMNG as non-capital contribution

6270-00-00	MISCELLANEOUS I-CORP--	653,384.00	
Audit FY22-1	Non capital grant		653,384.00
		653,384.00	653,384.00

To reclassify Japan operating grant passed through FSMNG as non-capital contribution.

VEI**Journal Entries - AJE**

#	Name	Debit	Credit
	1 AJE Adjustment to correct beginning RE		
5550-00-00	RETAINED EARNINGS	372,487	
5200-00-00DT	Paid In Captital (Nauru)		372,487
5550-00-00	RETAINED EARNINGS	665,053	
DT2015-1	Translation Adjustment		665,053
5550-00-00	RETAINED EARNINGS		62,764
DT2015-1	Translation Adjustment		62,764
		62,764	
		1,100,304	1,100,304

Adjustment to correct beginning RE

2 AJE To true-up intercompany balances between Guam and Nauru

1125-00-00	DUE FROM VITAL GUAM	80,117	
DT2015-1	Translation Adjustment		80,117
		80,117	80,117

To true-up intercompany balances between Guam and Nauru

APPENDIX A - POSTED ADJUSTMENTS AND FINANCIAL STATEMENTS RECLASSIFICATION ENTRIES

Audit Adjustments and Reclassifications
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3 AJE To true-up long-term loan from FSMPC

4600-10-00	LONG TERM LOAN FROM FSMPC		126,372
DT2015-1	Translation Adjustment	82,651	
4600-00-00-GU	LONG TERM LOAN-Corp-CORP	50,601	
1125-00-00-GU	Due From FSM Petro - Guam Corp		6,880
		133,252	133,252
		133,252	133,252

To agree book balance to confirmation

4 AJE To reverse CIP pertaining to GON's integrity and compliance

4042-10-00	TAX PAYABLE - Thru Put - Nauru	83,083	
1900-10-00	CIP - NAR		83,083
		83,083	83,083
		83,083	83,083

To reverse CIP pertaining to GON's integrity and compliance projects

Journal Entries - RJE

#	Name	Debit	Credit
	1 RJE To reclassify taxes payable from trade payable		
4000-00-00	ACCOUNTS PAYABLE	446,790	
4041-10-00	SALES TAX - NAURU GOVT.		446,790
		446,790	446,790
		446,790	446,790

To reclassify taxes payable from trade payable

2 RJE To reclassify translational adjustment to equity

7823-00-00	Revaluation Gain (G/L Revalue)		183,988
7824-00-00	Revaluation Loss (G/L Revalue)	46,290	
DT2015-1	Translation Adjustment	137,698	
		183,988	183,988
		183,988	183,988

To reclassify to translational adjustments to equity

3 RJE To present current portion of long-term payable to FSMPC

4600-10-00	LONG TERM LOAN FROM FSMPC	1,988,128	
4600-10-00-1	LONG TERM LOAN FROM FSMPC - NONCURRENT		1,988,128
		1,988,128	1,988,128
		1,988,128	1,988,128

To present current portion of long-term payable to FSMPC

APPENDIX B - UNPOSTED ADJUSTMENTS AND FINANCIAL STATEMENT RECLASSIFICATION ENTRIES

Misstatement Description	Type of Misstatement	Balance Sheet			Income Statement
		Assets Dr (Cr)	Liabilities Dr (Cr)	Net Position Dr (Cr)	Revenue Expenses Dr (Cr)
FSMPC					
1. To record allowance on inventory lower of cost an	Factual	(66,766)			66,766
VEI					
1. To adjust deferred tax asset as of 12/31/2021	Factual	269,000			(269,000)
2. To provide an allowance for deferred tax asset as	Judgmental	(379,000)			379,000
3. To correct VEI's sales variance with customer	Factual	38,516			(38,516)
		(138,250)	-	-	138,250