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March 15, 2022

The Board of Directors
Federated States of Micronesia Telecommunications Cable Corporation

Dear Members of the Board of Directors:

We have performed an audit of the financial statements of the Federated States of Micronesia Telecommunications Cable Corporation (the Company) as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our report thereon dated March 15, 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 the management, the Board of Directors, and others within the Company, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Deloitte + Touche LLP

cc: The Management of Federated States of Micronesia Telecommunications Cable Corporation

Deloitte.

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 ("generally accepted government auditing standards"), have been described in our engagement letter dated June 14, 2021, a copy of which has been provided to you. As described in that letter, the objectives of an audit conducted in accordance with the aforementioned standards are to:

- Express an opinion on whether the statement of net position of the Company as of December 31, 2020 and the related statements of revenues, expenses and changes in net position and of cash flows for the year then ended (the "financial statements"), are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles") and perform specified procedures on the required supplementary information for the year ended December 31, 2020.

- Report on the Company's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grants and other matters for the year ended December 31, 2020 based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in generally accepted government auditing standards.

Our responsibilities under generally accepted auditing standards and generally accepted government auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared with the oversight of management and the Board of Directors 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 Directors of their responsibilities.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether caused by fraud or error. In making those risk assessments, we considered internal control over financial reporting relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control over financial reporting. Our consideration of internal control over financial reporting was not designed to 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 with the oversight of 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 2020 financial statements include management's estimate of allowance for loan losses, which is determined based on past collection experience and aging of the accounts. During the year ended December 31, 2020, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

CORRECTED MISSTATEMENTS

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

SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are set forth in note 2 to the Company's 2020 financial statements. During the year ended December 31, 2020, there were no significant changes in previously adopted accounting policies or their application.

During the year ended December 31, 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones 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.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Management does not believe that this statement, upon implementation, will have material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 84 will be effective for fiscal year ending December 31, 2021.

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 fiscal year ending December 31, 2022.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. 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. 89 will be effective for fiscal year ending December 31, 2021.

In March 2018, GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statement Nos. 14 and 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Management does not believe that this statement, upon implementation, will have material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 95, GASB Statement No. 90 will be effective for fiscal year ending December 31, 2021.

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 fiscal year ending December 31, 2022.

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. 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. 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. 93, *Replacement of Interbank Offered Rates*. The primary objective of this statement is to address those and other accounting and financial reporting implications of the replacement of an IBOR. 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. 93 will be effective for 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 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 fiscal year ending December 31, 2023.

SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 fiscal year ending December 31, 2022.

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

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to the Company's 2020 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 2020.

OTHER INFORMATION IN THE ANNUAL REPORTS

When audited financial statements are included in documents containing other information such as the Company's 2020 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 Company's 2020 Annual Report and will inquire as to the methods of measurement and presentation of such information. If we note a material inconsistency or if we obtain any knowledge of a material misstatement of fact in the other information, we will discuss this matter with management and, if appropriate, with the Board of Directors.

SIGNIFICANT FINDINGS OR ISSUES DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT PRIOR TO OUR RETENTION

Throughout the year, routine discussions were held, or were the subject of correspondence, with management regarding the application of accounting principles or auditing standards in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions or correspondence, 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 Company's management and staff and had unrestricted access to the Company's senior management in the performance of our audit.

Deloitte.

MANAGEMENT'S REPRESENTATIONS

We have made specific inquiries of the Company's management about the representations embodied in the 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.

EMPHASIS-OF-MATTER PARAGRAPH

Asset Realization

As discussed in Note 4 to the financial statements, the Company is involved in a dispute with its sole customer. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

CONTROL-RELATED MATTERS

We have issued a separate report to you, dated March 15, 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 upon the audit performed in accordance with *Government Auditing Standards*.

We have identified, and included in Attachment II, certain deficiencies related to the Company's internal control over financial reporting as of December 31, 2020 that we wish to bring to your attention.

The definition of a control deficiency is also set forth in Attachment II.

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

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FSMT Cable Corporation
P.O. Box 2202,
Kolonia, Pohnpei, FM 96941

March 15, 2022

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

Gentlemen:

We are providing this letter in connection with your audits of the statements of net position of Federated States of Micronesia Telecommunications Cable Corporation (the Company) as of December 31, 2020 and 2019 and the related statements of revenues, expenses and changes in net position and of cash flows for the years then ended, and the related notes, 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 Company 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 preparation and fair presentation in the basic financial statements of financial position, results of operations and cash flows of the Company in conformity 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 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. 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 basic financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America. In addition:

   a. Net position components (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.

   a. Deposits and investment securities are properly classified in category of custodial credit risk.

   b. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.

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

   d. Applicable laws and regulations are followed in adopting, approving and amending budgets.

   e. Expenses have been appropriately recorded, accrued, classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

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

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. Meetings were held for the following dates:

March 9, 2020	March 30, 2021
June 22, 2020	August 4, 2021
November 6, 2020	

      For recent meetings for which minutes have not yet been prepared, nothing of significance was discussed that would require adjustments to, or disclosure in, the basic financial statements.

   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 financial statements have been prepared.

   c. Contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with regulatory agencies.

4. There has been no:

   a. Action taken by the Company's management that contravenes the provisions of federal laws and FSM National and state laws and regulations, or of contracts and grants applicable to the Company.

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

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

6. We have no knowledge of any fraud or suspected fraud affecting the Company involving:

   a. Management.

   b. Employees who have significant roles in internal control over financial reporting.

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

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

8. 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 of Governmental Accounting and Financial Reporting Standards ("GASB Codification") Section C50, Claims and Judgments.

9. 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.

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

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

12. We have informed you of all investigations or legal proceedings that have been initiated during the year ended December 31, 2020 or are in process as of December 31, 2020.

13. We are responsible for all nonaudit services performed by you during the year ended December 31, 2020 and through March 15, 2022.

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

15. 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 FSMTC with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to December 31, 2020.

16. Management has identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.

Except where otherwise stated below, immaterial matters less than $18,400 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.

17. There are no transactions that have not been properly recorded and reflected in the financial statements.

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

19. Regarding related parties:

    a. We have disclosed to you the identity of the Company's related parties and all the related party relationships and transactions of which we are aware.

    b. To the extent applicable, related parties and all the related-party relationships and transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral) have been appropriately identified, properly accounted for, and disclosed in the financial statements.

20. In preparing the financial statements in conformity with GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:

    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.

21. There are no:

    a. Instances of identified or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

    b. Known actual or possible litigation and claims whose effects should be considered when preparing the financial statements that have not been disclosed to you and accounted for and disclosed in accordance with GAAP.

c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Codification Section C50, Claims and Judgments.

22. The Company 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.

23. The Company has complied with all aspects of contractual agreements that may affect the financial statements.

24. No department or agency of the Company has reported a material instance of noncompliance to us.

25. Financial instruments with significant individual or group concentration of credit risk have been appropriately identified, properly recorded, and disclosed in the financial statements.

26. Regarding required supplementary information:

    a. We confirm that we are responsible for the required supplementary information.

    b. The required supplementary information is measured and presented in accordance with GASB Codification of Government Accounting and Financial Reporting Standards Section 2200, Comprehensive Annual Financial Report.

    c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.

27. Management is aware of its responsibility to disclose whether, subsequent to December 31, 2020, 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 change or corrective action has so occurred.

28. Receivables recorded in the 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.

29. The Company is responsible for determining and maintaining the adequacy of the allowance for doubtful loans receivable, as well as estimates used to determine such amounts. Management believes the allowances are adequate to absorb currently estimated bad debts in the account balances.

30. Quantitative and qualitative information regarding the allowance for doubtful accounts has been properly disclosed in the financial statements.

31. During the year ended December 31, 2020, GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance, which postpones 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.

32. Regarding the future implementation of GASB Statements effective for the years ending December 31, 2021 and after, as detailed in the note 2 of the financial statements, FSMTCC 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. FSMTCC has not completed the process of evaluating the impact that will result from adopting GASB Statement No. 87 Leases, as discussed in Note 2. FSMTCC is therefore unable to disclose the impact that adopting GASB Statement No. 87 will have on its financial position, results of operations, and cash flows when such statement is adopted.

33. Other than those described in Note 6 to the financial statements, no events have occurred subsequent to December 31, 2020, but before March 15, 2022 the date the financial statements were available to be issued that require consideration as adjustments to or disclosures in the Company's financial statements.

Very truly yours,

Pieter Bakker
Chief Executive Officer

Gordon Segal
Operations Manager

APPENDIX A
CORRECTED MISSTATEMENTS
December 31, 2020

#	Name	Debit	Credit
	1 AJE To correct accumulated depreciation		
1556DT	Accumulated Amortization - IRU	71,077.19	
1555	Accumulated Amortization - Grant Funded Assets		70,595.28
7902	Depreciation Expense - Grant Funded Assets		481.91
	To correct accumulated depreciation misposting	71,077.19	71,077.19
	2 AJE To correct retention payable and grant assets		
2110DT	Retention payable	34,556.81	
1505	Grant Funded Assets		34,556.81
1555	Accumulated Amortization - Grant Funded Assets	586.99	
7902	Depreciation Expense - Grant Funded Assets		586.99
1201DT	Receivables from Grantor		34,556.81
5500	Cost Recovery - World Bank	34,556.81	
	To correct grant receivable, retention payable and grant assets	69,700.61	69,700.61
	3 AJE To correct subsidiary receivables		
1201DT	Receivables from Grantor		48,462.00
5500	Cost Recovery - World Bank	48,462.00	
	To correct Receivables from grantor and world bank grant already recognized in FY2019	48,462.00	48,462.00
	4 AJE To correct Accounts payable		
2100	Accounts Payable	77,171.47	
7653	Advertising - Digital Media		35,789.14
7751	Support Costs - Network Operations Centre		23,520.70
7850	Other Miscellaneous Expenses	2,389.37	
6102	Landing Party Cost - Chuuk		3,801.00
7302	Professional Services - Other Consultants		16,250.00
7551	Bank Fees and Charges		200.00
	To correct accounts payable as of 12/31/2020	79,560.84	79,560.84
	5 AJE To correct grant assets		
7751	Support Costs - Network Operations Centre	233,000.04	
1505	Grant Funded Assets		233,000.04
1555	Accumulated Amortization - Grant Funded Assets	4,864.27	
7902	Depreciation Expense - Grant Funded Assets		4,864.27
	To correct grant funded assets and related depreciation	237,864.31	237,864.31

#	Name	Debit	Credit
	7 AJE To record Invoice no. 17 and 18 to FSMTC		
1200	Accounts receivable	65,873.25	
5001	Capacity Revenue		65,873.25
	To record invoice no.s 17 and 18 which was omitted in FY2020.	65,873.25	65,873.25
	8 AJE To correct Accounts payable		
2100	Accounts Payable	51,435.97	
6202	Marine Maintenance - Chuuk to Pohnpei		37,710.70
6201	Marine Maintenance - Yap		13,725.27
	To correct accounts payable as of 12/31/2020.	51,435.97	51,435.97
	9 AJE To accrue expenses as of FY2020		
7104	Contractual Consultant Costs	31,545.00	
2100	Accounts Payable		31,545.00
1201DT	Receivables from Grantor	3,970.00	
5500	Cost Recovery - World Bank		3,970.00
	To accrue expenditures subsequently paid in FY2021	35,515.00	35,515.00
	10 AJE To record correct receivable from grantor		
5500	Cost Recovery - World Bank	147,160.78	
1201DT	Receivables from Grantor		147,160.78
	To record receivable from grantor	147,160.78	147,160.78
	11 AJE To accrue receivable from Grantors		
1201DT	Receivables from Grantor	40,869.15	
5500	Cost Recovery - World Bank		40,869.15
	To accrue receivables from grantors	40,869.15	40,869.15

ATTACHMENT II

SECTION I – DEFICIENCIES

We identified the following deficiencies involving the Company's internal control over financial reporting as of December 31, 2020:

(1) Bank Reconciliation

Comment: The Company's accounting policy and procedures manual includes preparation of monthly bank reconciliations. Bank reconciliations were not timely provided during the current year audit.

Recommendation: We recommend that the Company implement cash monitoring procedures on a monthly basis.

(2) Capitalization of assets

Comment: For four (4) capitalized assets (Telin-PT. Telekamunikasi Indonesia International), aggregating $233,000 were an expense in nature. An audit adjustment was proposed to correct this matter.

Recommendation: We recommend that the Company follow its capitalization policy.

(3) Unrecorded Expenses and Liabilities

Comment: Unrecorded expenses and liabilities pertaining to advertising, landing cost, professional services and repairs and maintenance aggregated $31,545. An audit adjustment was proposed to correct this matter.

Recommendation: We recommend that management implement a checklist of accruals to be recorded at year-end and verify that all expenses and liabilities are timely recorded.

(3) Procurement

Comment: For three (3) expenditures (PV00606, PV00616 and PV00848), procurement documents were not provided.

Recommendation: We recommend the Company maintain procurement documentation of its vendor selection processes.

(4) Journal Entries

Comment: There was no evidence of management review and approval of general journal entries prior to posting by the accountant

Recommendation: We recommend that journal entries be supported, reviewed and approved prior to posting.

(5) Accrual of World Bank grant

Comment: An accrual of $44,839 of grant income was not recorded as of December 31, 2020. An audit adjustment was proposed to correct this matter.

Recommendation: We recommend the Company include accruals of World Bank grants in the financial closing process.

SECTION II – DEFINITION

The definition of a deficiency is as follows:

A *deficiency* in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when (a) a properly designed control does not operate as designed, or (b) the person performing the control does not possess the necessary authority or competence to perform the control effectively.

ATTACHMENT III

MANAGEMENT'S RESPONSIBILITY FOR, AND THE OBJECTIVES AND LIMITATIONS OF, INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Management's Responsibility

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

Objectives of Internal Control over Financial Reporting

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

Inherent Limitations of Internal Control over Financial Reporting

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