The Auditor's Communication with Those Charged with Governance

Federated States of Micronesia
National Government

Year Ended September 30, 2024

Shape the future
with confidence

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July 31, 2026

Management and Those Charged with Governance
Honorable Wesley Simina
President
Federated States of Micronesia

We have performed an audit of the financial statements of the governmental activities, the aggregate discreetly presented component units, each major fund and the aggregate remaining fund information of the Federated States of Micronesia National Government (FSMNG) as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the FSMNG's basic financial statements, in accordance with auditing standards generally accepted in the United States of America (GAAS), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and have issued our report thereon dated July 31, 2026.

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

REQUIRED COMMUNICATIONS

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

We summarize these required communications as follows:

Overview of the planned scope and timing of the audit

Our audit scope and timing is consistent with the plan communicated in our engagement letter dated December 11, 2025 and at our audit planning meeting with management.

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

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

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

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

Our responsibilities are included in our audit engagement letter.

We have issued the following opinions on FSMNG's opinion units as of and for the year ended September 30, 2024:

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
Aggregate Discretely Presented Component Units	Unmodified
General Fund	Unmodified
Grants Assistance Fund	Unmodified
Compact Trust Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

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

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

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

None.

Fraud and noncompliance with laws and regulations (illegal acts)

We were informed by Management that an alleged misappropriation of cash occurred during the period from 2023 to 2024 involving two employees of National Government's Treasury Office in Yap State. The exact amount of the loss has not yet been determined, as the matter remains under investigation by the FSM National Police.

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

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

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

- **Accounting policies**
- **Accounting estimates**
- **Financial statement disclosures**

Management has not selected or changed any significant policies or changed the application of those policies in the current year.

A discussion of significant accounting policies and estimates has been included in Note 1 of the basic financial statements.

Related party relationships and transactions

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

Significant unusual transactions

We are not aware of any significant unusual transactions entered into by the FSMNG.

New accounting pronouncements

We have not identified issues regarding management's planned application of new accounting pronouncements.

Independence matters

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

Obtain information relevant to the audit

Inquiries regarding matters relevant to the audit were performed during the May 26, 2026 meeting and in the update status meetings during the audit.

- Fraud and noncompliance with laws and regulations (illegal acts)
- Tips or complaints regarding FSMNG's financial reporting
- Significant unusual transactions
- Subsequent events

Significant findings or issues during the audit that were discussed, or were the subject of correspondence with management

We are not aware of any matters that require communication.

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

There were no difficulties encountered in dealing with management in performing the audit.

Management's consultations with other accountants

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

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

During the audit, we consulted with our Professional Practice Group on the following matters:

- Delay in issuance of the financial statements
- Engagement team involvement with preparation of the financial statements
- Prior period adjustment

Material corrected misstatements related to accounts and disclosures

Refer to "Management Representations Letter" in Appendix A.

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

Current period uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even if they are immaterial to the current period financial statements. Refer to the "Management Representations Letter" in Appendix A.

Deficiencies in internal control over financial reporting

In planning and performing our audit of the financial statements of the FSMNG as of and for the year ended September 30, 2024, we considered its internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the FSMNG's internal control. Accordingly, we do not express an opinion on the effectiveness of the FSMNG's internal control. Our consideration of internal control was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies might exist that were not identified.

As of and for the year ended September 30, 2024, we have identified significant deficiencies and material weaknesses included in our independent auditor's report on internal control over financial reporting.

Representations we are requesting from management

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

Other information included in annual report

There was no other information available as of the date of our audit report.

AICPA ethics ruling regarding third-party service providers

From time to time, and depending on the circumstances, (1) we may subcontract portions of the audit services to other EY firms, who may deal with the FSMNG or its affiliates directly, although EY alone will remain responsible to you for the audit services and (2) personnel (including non-certified public accountants) from an affiliate of EY or another EY firm or any of their respective affiliates, or from independent third-party service providers (including independent contractors), may participate in providing the audit services. In addition, third-party service providers may perform services for EY in connection with the audit services

Other matters

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

Engagement team's involvement with preparation of the financial statements

Under GAS 2018 Revision, Chapter 3 Ethics, Independence and Professional Judgment, Paragraphs 3.73-74 explains that the audit team should make consideration of management's ability to effectively oversee the non-audit services to be provided. The engagement team should determine that the audited entity has designated an individual who possesses suitable skill, knowledge or experience and that the individual understands the services to be performed sufficiently to oversee them. The engagement team should document consideration of management's ability to oversee non-audit services to be performed.

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

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

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

Very truly yours,

Ernst + Young LLP

Appendix

A – Management Representations Letter

GOVERNMENT OF THE
FEDERATED STATES OF MICRONESIA
Department of Finance and Administration
P.O. Box PS 158
Palikir, Pohnpei FM 96941
Tel: (691) 320-2640/5852 Fax: (691) 320-7728
E-mail: fsmsofa@mail.fm

Secretary of Finance
&
Administration

July 31, 2026

Ernst & Young LLP

231 Ypao Road
Suite 201 Ernst & Young Building
Tamuning, Guam 96913

In connection with your audit of the basic financial statements of the Federated States of Micronesia National Government (FSMNG) as of September 30, 2024 and for the year then ended, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the FSMNG and the respective changes in financial position and cash flows, where applicable, thereof and the related notes (collectively referred to hereafter as the "basic financial statements"), in accordance with accounting principles generally accepted in the United States of America (US GAAP).

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

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

Management's responsibilities

We have fulfilled our responsibilities, as set forth in the terms of the audit engagement agreement dated December 11, 2025, for the preparation and fair presentation of the financial statements (including disclosures) in conformity with US GAAP applied on a basis consistent with that of the preceding periods except for the effects of adopting new accounting standards.

In preparing the basic financial statements, we evaluated whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the FSMNG's ability to continue as a going concern for twelve months beyond the financial statement date, including consideration of any currently known information that may raise substantial doubt shortly thereafter.

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

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

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

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

From October 1, 2023 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the financial statements of any opinion unit that comprises the basic financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

We recognize that we are responsible for the FSMNG's compliance with the laws, regulations, provisions of contracts and grant agreements that are applicable to it. We have identified and disclosed to you all laws, regulations, provisions of contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

We have provided you all previous audits, attestation engagements, and other studies related to the audit objectives and whether the related recommendations have been implemented.

There has been no noncompliance or possible noncompliance with provisions of contracts or grant agreements in any jurisdiction whose effects should be considered for disclosure in the basic financial statements or as a basis for recording a loss contingency, other than those disclosed or accrued in the basic financial statements.

We have informed you of any investigations or legal proceedings that have been initiated or are in process with respect to the period under audit.

We have a process to track the status of audit findings and recommendations.

We have provided views on your reported findings, conclusions, and recommendations, as well as management's planned corrective actions, for the report.

We are responsible for the presentation of the Schedule of Expenditures of Federal Awards ("the SEFA") in accordance with the Uniform Guidance, 2 CFR 200.510(b). We believe the SEFA, including its form and content, is presented in accordance with the Uniform Guidance, 2 CFR 200.510(b). There have been no changes in the methods of measurement or presentation of the SEFA from those used in the prior period. There are no significant assumptions or interpretations underlying the measurement or presentation of the SEFA. We are responsible for the significant assumptions and interpretations underlying the measurement or presentation of the SEFA. We believe that the significant assumptions and interpretations used are reasonable.

Uncorrected misstatements

We believe that the effects of any uncorrected misstatements, summarized in the accompanying schedule, accumulated by you during the current and prior audit period presented are immaterial, both individually and in the aggregate, to the financial statements for each opinion unit. Refer to the "Schedule of Uncorrected Misstatements" in Appendix A.

Corrected misstatements

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

Financial reporting entity and net position/fund balance

We have identified and accounted all component units as well as joint ventures with an equity interest, and properly disclosed all other joint ventures and other related organizations.

The basic financial statements include all fiduciary activities as required by Governmental Accounting Standards Board (GASB) Statement No.84.

We have identified and properly classified all funds and activities in accordance with GASB Statement No. 54—as amended. We have identified and disclosed to you, all provisions of laws and regulations that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.

All funds that meet the quantitative criteria in GASB Statement No. 34—as amended and GASB Statement No. 37—as amended, for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable fund balance, and restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved. We properly recognized, in accordance with our policy, whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

We apply the provisions of paragraph 18 of GASB Statement No. 54—as amended to determine the fund balance classifications for financial reporting purposes.

Internal control

We have communicated to you all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting.

There have been no significant changes in internal control since latest statement of net position date.

Minutes and contracts and internal audit reports

We have not prepared any minutes of the meetings of members, officers or summaries of actions of recent meetings held from October 1, 2023 to the date of this letter.

We also have made available to you all significant agreements and contracts, including amendments, and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that have a material effect on the basic financial statements.

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

Certain risk disclosures

There are no risks related to vulnerabilities due to material concentrations or constraints.

Ownership and pledging of assets

No security agreements have been executed under the provisions of the Uniform Commercial Code, and there are no liens or encumbrances on assets, nor has any asset been pledged, except as disclosed in the basic financial statements. All assets to which the FSMNG has satisfactory title appear on the statement of net position.

Receivables and revenues

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

We have elected an accounting policy that defines when revenues become both measurable and available and we have consistently applied that policy for recognizing revenues.

Inventories

Inventories, including goods that are defective, slow-moving, obsolete or unusable, are stated at amounts not in excess of their estimated market values.

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

Adequate provision has been made for losses under firm purchase commitments for goods or inventory. There have been no reductions of the selling prices of finished goods subsequent to the latest statement of net position date and none are contemplated.

Deposit, investment securities, and investment derivative risk disclosures

Information about deposits, investment securities and derivative transactions are presented and disclosed in accordance with the GASB requirements. Those balances with credit risk, concentrations of credit risk, interest rate risk, and foreign currency risk have been properly disclosed in the basic financial statements.

Leases

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

To measure the lease liability, we used the rate the lessor charges to us or the rate implicit in the lease. When the interest rate could not be readily determined, we then estimated our incremental borrowing rate (IBR). We believe our IBR is a reasonable estimate and represents an estimate of the interest rate that would be charged for borrowing the lease payment amounts during the lease term.

Prepayments

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

Capital assets including intangible assets

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

Fair value measurements

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

We have evaluated the fair value information provided to us by brokers, pricing services or other parties that has been used in the basic financial statements and believe this information to be reliable and consistent with the requirements of GASB Statement No. 72—as amended.

Related party relationships and transactions

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

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

Side agreements and other arrangements

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

Arrangements with financial institutions

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

We have provided you with the complete list of bank accounts owned by FSMNG.

Debt

We have complied with debt limits and debt related covenants.

We have properly separated information in debt disclosures related to direct borrowings and direct placements of debt from other debt and disclosed any unused lines of credit, collateral pledged to secure debt, terms in debt agreements related to significant default or termination events with finance-related consequences, and significant subjective acceleration clauses in accordance with GASB Statement No. 88—as amended.

Events of default under debt agreements

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

Contingencies and other liabilities

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

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

There have been no internal investigations or communications from regulatory agencies or government representatives in any jurisdiction concerning investigations or allegations of noncompliance with laws or regulations, noncompliance with or deficiencies in financial reporting practices, or other matters that could affect the financial statements, other than those disclosed or accrued in the basic financial statements.

There are no other liabilities considered material, individually or in the aggregate, that are required to be accrued or disclosed, other than those accrued or disclosed in the basic financial statements. There are also no other gain or loss contingencies considered material, individually or in the aggregate, that are required to be accrued or disclosed by GASB Statement No. 62—as amended, other than those accrued or disclosed in the basic financial statements, nor are there any accruals for loss contingencies included in the statement of fund balances or gain contingencies that are not in conformity with the provisions of GASB Statement No. 62—as amended.

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

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

Oral and written guarantees

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

Purchase commitments

As of the date, FSMNG had no purchase commitments for inventories in excess of normal requirements or at prices that were in excess of market at that date.

There were no agreements or commitments to repurchase assets previously sold. There were no material commitments outstanding at September 30, 2024 as a result of being a party to futures or forwards contracts, short sales or hedge transactions.

Classification and allocation of revenues and expenses

Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments or contributions to permanent fund principal.

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.

Non-compliance with laws and regulations, including fraud

We acknowledge that we are responsible to determine that the FSMNG's business activities are conducted in accordance with laws, regulations, and provision of contracts and grant agreements and that we are responsible for identifying and addressing any non-compliance with applicable laws, regulations, and provisions of contracts and grant agreements, including fraud.

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

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

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

We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the FSMNG's internal control over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees where the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") that could result in a misstatement of the financial statements or otherwise affect the financial reporting of the FSMNG.

Independence

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

We are not aware of any business relationship between FSMNG and Ernst & Young.

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

Conflicts of interest

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

Required supplementary information

We acknowledge our responsibility for the required supplementary information on the management's discussion and analysis, and budgetary comparison information for the general fund, which have been measured and presented in conformity with the guidelines established by the Governmental Accounting Standards Board in its applicable GASB Statement.

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

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

Other information

We confirm that we have not identified any other information as defined in AICPA AU-C 720, *The Auditor's Responsibilities Relating to Other Information Included in Annual Reports*.

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

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

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

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

Effects of new accounting principles

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

- GASB Statement No. 101
- GASB Statement No. 102
- GASB Statement No. 103
- GASB Statement No. 104
- GASB Statement No. 105

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

Supplementary information

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

- Combining schedule of expenditures by account-Governmental Funds
- Statement of revenues, expenditures by function and changes in fund balance-General Fund

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

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

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

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

Other Assets

We represent that the FSMNG maintains equity membership shares in Asia Development Bank (ADB) with a carrying amount totaling $6,927,442. In addition, FSMNG owns 50,000 shares in United Micronesia Development Association (UMDA) with a carrying amount of $1,500,000.

The purpose of our interest in ADB and UMDA is to promote economic development rather than for the purpose of income or profit. Hence, the $6,627,442 and $1,500,000 interest in ADB and UMDA, respectively, do not meet the definition of an investment under GASB72. Accordingly, we recorded the $8,427,442 as other assets in our financial statements.

Federated States of Micronesia-Early Retirement Program Trust Fund

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

We confirm to you:

- the ADB loan balance is allocated among the FSMNG Governments and the FSM State Governments

- We believe the Early Retirement Program Trust Fund meets the definition of an External Investment Pool as per GASB Statement No. 31 paragraph 22.

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

Trust Fund for the People of the Federated States of Micronesia

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

We confirm to you:

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

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

- that annual investment income and annual investment expenses are allocated among the Federated States of Micronesia National Government, the FSMNG Governments of Kosrae, Pohnpei, Chuuk and the United States Government (the Participants) based on the percentage of each Participants total principal and earnings at the beginning of the year over the total fund balance at the beginning of the year.

- We believe the Fund meets the definition of an External Investment Pool as per GASB Statement No. 31 paragraph 22.

Investments in subsidiaries and other entities

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

Other representations

- We recognize that we are responsible for the FSMNG's compliance with laws, regulations, and provisions of contracts and grant agreements that are applicable to it. We have identified and disclosed to your representatives, all laws and regulations that have direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

- We have identified to your representatives all previous audits, attestation engagements, and other studies related to the audit objectives and whether the related recommendations have been implemented.

- We have informed you of any investigations or legal proceedings that have been initiated or are in process with respect to the period under audit.

- We have a process to track the status of audit findings and recommendations.

- We have provided views on your reported findings, conclusions, and recommendations, as well as management's planned corrective actions, for the report.

- We have taken timely and appropriate steps to remedy fraud, and noncompliance with provisions of laws, regulations, contracts or grant agreements, that you have reported.

- There has been no noncompliance or possible noncompliance with provisions of contracts or grant agreements in any jurisdiction whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

- We have made available to your representatives all financial records and related data.

- The financial statements properly classify all funds and activities.

- We have identified and disclosed to you, all provisions of laws and regulations that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds. We have identified and disclosed to you, all instances of identified or suspected noncompliance with laws, regulations, and provisions of contracts and grant agreements where the noncompliance could have a direct and material effect on the financial statements.

- We have followed all applicable laws and regulations in adopting, approving and amending budgets, tax or debt limits and covenants and secondary market disclosures, deposits and investments, including collateral requirements on depository accounts and investments and tax levies and refunds.

- The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.

- The financial statements include all fiduciary activities as required by GASB Statement No.84.

- The financial statements properly classify all funds and activities in accordance with GASB Statement No. 54—as amended.

- All funds that meet the quantitative criteria in GASB Statement No. 34, as amended and GASB Statement No. 37, for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

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

- Investments are properly valued.

- Provisions for uncollectible receivables have been properly identified and recorded.

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

- Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments or contributions to permanent fund principal.

- Interfund, internal and intra-entity activity and balances have been appropriately classified and reported.

- Special and extraordinary items are appropriately classified and reported.

- Risk disclosures associated with deposits and investment securities and derivatives transactions are presented in accordance with GASB requirements.

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

- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available is appropriately disclosed and net position was properly recognized under the policy.

- We are following either our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available or are following paragraph 18 of GASB Statement No. 54 to determine the fund balance classifications for financial reporting purposes.

- Subsequent events have been evaluated and classified as recognized or nonrecognized through the date of this letter.

Assistance with preparation of financial statements

We have received a draft copy of our financial statements as of and for the year ended September 30, 2024. The accuracy and completeness of the financial statements, including footnote disclosures, are our responsibility.

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

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

Subsequent events

Subsequent to September 30, 2024, no events or transactions have occurred or are pending that would have a material effect on the basic financial statements at that date or for the period then ended, or that are of such significance in relation to the FSMNG's affairs to require mention in a note to the basic financial statements in order to make them not misleading regarding the financial position, changes in financial position and, where applicable, cash flows of the FSMNG.

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

Very truly yours,

Rose N. Nakanaga
Secretary, Department of Finance and Administration
Federated States of Micronesia National Government.

Melynda Irons
Acting Assistant Secretary of National Treasury Division, DOFA
Federated States of Micronesia National Government

Peni Tikoisireli
Financial Advisor to the Secretary
Federated States of Micronesia National Government

Appendices

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

Appendix A – Schedule of Uncorrected Misstatements

General Fund

Communication schedule for uncorrected misstatements

Entity: FSM National Government-General Fund   Period Ended: 30-Sep-2024   Currency: USD

Uncorrected misstatements			Analysis of misstatements Debit/(Credit)								Income statement effect of the prior period	
No.	W/P ref.	Account (Note 1)	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period			
		(misstatements are recorded as journal entries with a description)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable	Prior period Debit/(Credit)	Non taxable
Factual misstatements:												
PY SAD 0	G1	To record the correct amount of ADB shares as other assets										
		Beginning fund balance									497,746	X
		Other assets										
PY SAD 0	HD.01	To record the proper amount of investments with BoFSM as of 9/30/2023										
		Internal investment pool										
		Net change in the fair value investments									(650,010)	X
PY SAD0	E1	To create allowance on Receivables										
		01-8812-00-00-00000-00 (bad debt expense)									468,864	X
		01-2221-00-00-00000-00 (Allowance for Bad Debt)										
		25-2221-00-00-00000-00 (Allowance for Bad Debt)										
		53-2221-00-00-00000-00 (Allowance for Bad Debt)										
PY SAD05		To adjust allowance for doubtful loans - MLFC										
		91-1811-00-00-00000-00-AS-1 - Allowance for D/A										
		91-7999-10-92-01095-00-RE-1 - Recovery of bad debt									(1,034,768)	X
SAD01	N1 SWP	Unprovided supports on one SURL sample										
		31-3110-00-00-00000-00-LI - Accounts Payable			(518,875)							
		31-8310-20-39-81400-00-EX - Gen Contractual Srvcs							518,800	X		
		01-8370-20-39-02050-25-EX - Bank Charges							75	X		
SAD02	C1 SWP	Unconfirmed bank balance										
		Cash	(2,700,609)									
		Expense							2,700,609	X		
SAD03	C1 SWP	To reverse stale checks back to payable										
		Cash	1,371,784									
		Payable			(1,371,784)							

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General Fund, continued

Communication schedule for uncorrected misstatements

Entity: FSM National Government-General Fund **Period Ended:** 30-Sep-2024 **Currency:** USD

Uncorrected misstatements			Analysis of misstatements Debit/(Credit)								Income statement effect of the prior period	
No.	W/P ref.	Account (Note 1)	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period			
		(misstatements are recorded as journal entries with a description)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable	Prior period Debit/(Credit)	Non taxable
SAD04	C1 SWP	Duplicate entry										
		Cash	(125,663)									
		Expense							125,663	X		
SAD05	PAL	To adjust long-oustanding accrued liabilities										
		01-3115-00-00-00000-00-LI - A/P Dormant Accounts			1,248,049							
		01-3665-00-00-00000-00-LI - NORMA Rebate Account			1,186,902							
		01-7999-00-00-00000-00-RE - Other miscellaneous							(2,434,951)	X		
SAD06	E1	Difference between confirmation from States and due to FSM states										
		01-3613-00-00-00000-00-LI - A/P Fish Fees KOS			1,263,288							
		01-3614-00-00-00000-00-LI - A/P Fish Fees PNI			448,268							
		01-6245-10-29-00199-00-RE - Fishing Right Fees							(1,711,557)	X		
		01-3622-00-00-00000-00-LI - A/P Current Revenue CHK			237,062							
		Revenue							(237,062)	X		
Total of uncorrected misstatements before income tax			(1,454,488)	0	2,492,911	0	0	0	(1,038,423)		(718,168)	
Total of uncorrected misstatements			(1,454,488)	0	2,492,911	0	0	0	(1,038,423)		(718,168)	
Financial statement amounts			703,449,225	0	(66,471,067)	0	(636,978,158)		(66,804,051)		(22,528,739)	
Effect of uncorrected misstatements on F/S amounts			-0.2%	0.0%	-3.8%	0.0%	0.0%		1.6%		3.2%	
			Memo: Total of non-taxable items (marked 'X' above)						(1,038,423)		(718,168)	
			Uncorrected misstatements before income tax					1.6%	(1,038,423)		(718,168)	
			Less: Tax effect of misstatements at current year marginal rate					0%	0		0	
			Uncorrected misstatements in income tax						0		0	
			Cumulative effect of uncorrected misstatements after tax but before turnaround					1.6%	(1,038,423)		(718,168)	
			Turnaround effect of prior period uncorrected misstatements						After tax	Memo: Before tax		
			All factual and projected misstatements:						718,168	718,168		
			Judgmental misstatements (Note 3):						0	0		
			Cumulative effect of uncorrected misstatements, after turnaround effect					0.5%	(320,255)			
			Current year income before tax						(66,804,051)			
			Current year income after tax						(66,804,051)			

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Appendix A – Schedule of Uncorrected Misstatements, continued

Grant Assistance Fund

Communication schedule for uncorrected misstatements

Entity: FSM National Government - Grant Assistance Fund **Period Ended:** 30-Sep-2024 **Currency:** USD

Uncorrected misstatements			Analysis of misstatements Debit/(Credit)								Income statement effect of the prior period	
No.	W/P ref.	Account (Note 1)	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period			
		(misstatements are recorded as journal entries with a description)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable	Prior period Debit/(Credit)	Non taxable
Factual misstatements:												
PY SAD01	E.01	To record variance between FSMNG and FSM States records										
		Due to FSM State Governments										
		Other income									(351,688)	X
SAD01	E2	To record bad debt recovery on federal receivable										
		20-1811-00-00-00000-00-AS - Allow for D/A General	471,455									
		20-7999-00-00-00000-00-RE - Bad debt recovery							(471,455)	X		
SAD02	P2	To record the difference between the deferred revenue schedule and confirmation replies										
		23-3710-00-00-00000-00-LI-1 - Deferred Revenues			2,172,492							
		23-7310-10-20-36348-18-RE - Foreign Grants							(792,181)	X		
		23-7310-10-20-36366-21-RE - Foreign Grants							(183,625)	X		
		23-7310-30-42-36370-23-RE - Foreign Grants							(241,619)	X		
		23-7310-30-45-36356-19-RE - Foreign Grants							(741,098)	X		
		23-7310-80-87-36436-15-RE - Foreign Grants							(518,228)	X		
		23-7310-80-92-36946-20-RE - Foreign Grants							304,259	X		
SAD03	P2	To record lapsed grant-funded projects requiring reimbursement of unused funds to the grantor										
		23-3710-00-00-00000-00-LI-1 - Deferred Revenues			1,071,060							
		Due to grantor			(1,071,060)							
SAD04	E2	Difference between schedule and TB amount of due to FSM states										
		Expense							4,561,184	X		
		Due to FSM States			(4,561,184)							
SAD05	E3	Difference between subledger and amounts confirmed by States (over statement of federal expenditures as FSMNG erroneously recorded expendtire and liability instead recording expenditure at time of cash										
		Due to FSM States			3,688,199							
		Revenue							(3,688,199)	X		
Total of uncorrected misstatements before income tax			471,455	0	1,299,507	0	0	0	(1,770,963)		(351,688)	
Total of uncorrected misstatements			471,455	0	1,299,507	0	0	0	(1,770,963)		(351,688)	
Financial statement amounts			43,982,338	0	(25,109,767)	0	(18,872,571)		(883,344)		2,767,836	

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Appendix A – Schedule of Uncorrected Misstatements, continued

Grant Assistance Fund, continued

Communication schedule for uncorrected misstatements

Entity: FSM National Government - Grant Assistance Fund Period Ended: 30-Sep-2024 Currency: USD

Uncorrected misstatements			Analysis of misstatements Debit/(Credit)									
No.	W/P ref.	Account (Note 1)	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period		Income statement effect of the prior period	
		(misstatements are recorded as journal entries with a description)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable	Prior period Debit/(Credit)	Non taxable
Effect of uncorrected misstatements on F/S amounts			1.1%	0.0%	-5.2%	0.0%	0.0%		200.5%		-12.7%	
		Memo: Total of non-taxable items (marked 'X' above)							(1,770,963)		(351,688)	
		Uncorrected misstatements before income tax						200.5%	(1,770,963)		(351,688)	
		Less: Tax effect of misstatements at current year marginal rate						0%	0		0	
		Uncorrected misstatements in income tax							0		0	
		Cumulative effect of uncorrected misstatements after tax but before turnaround						200.5%	(1,770,963)		(351,688)	
		Turnaround effect of prior period uncorrected misstatements							After tax	Memo: Before tax		
		All factual and projected misstatements:							351,688	351,688		
		Judgmental misstatements (Note 3):							0	0		
		Cumulative effect of uncorrected misstatements, after turnaround effect						160.7%	(1,419,275)			
		Current year income before tax							(883,344)			
		Current year income after tax							(883,344)			

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Appendix A – Schedule of Uncorrected Misstatements, continued

Compact Trust Fund

Communication schedule for uncorrected misstatements

Entity: FSM National Government - Compact Trust Fund Period Ended: 30-Sep-2024 Currency: USD

Uncorrected misstatements			Analysis of misstatements Debit/(Credit)								Income statement effect of the prior period	
No.	W/P ref.	Account (Note 1)	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period			
		(misstatements are recorded as journal entries with a description)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable	Prior period Debit/(Credit)	Non taxable
Total of uncorrected misstatements before income tax			0	0	0	0	0	0	0		0	
Total of uncorrected misstatements			0	0	0	0	0	0	0		0	
Financial statement amounts			0	23,752,115	0	0	(23,752,115)		(3,464,596)		(2,277,119)	
Effect of uncorrected misstatements on F/S amounts			0.0%	0.0%	0.0%	0.0%	0.0%		0.0%		0.0%	
		Memo: Total of non-taxable items (marked 'X' above)							0		0	
		Uncorrected misstatements before income tax						0.0%	0		0	
		Less: Tax effect of misstatements at current year marginal rate						0%	0		0	
		Uncorrected misstatements in income tax							0		0	
		Cumulative effect of uncorrected misstatements after tax but before turnaround						0.0%	0		0	
		Turnaround effect of prior period uncorrected misstatements							After tax	Memo: Before tax		
		All factual and projected misstatements:							0	0		
		Judgmental misstatements (Note 3):							0	0		
		Cumulative effect of uncorrected misstatements, after turnaround effect						0.0%	0			
		Current year income before tax							(3,464,596)			
		Current year income after tax							(3,464,596)			

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Appendix A – Schedule of Uncorrected Misstatements, continued

<u>Aggregate Remaining Fund</u>

Communication schedule for uncorrected misstatements

Entity: FSM National Government-aggregate remaining fund information **Period Ended:** 30-Sep-2024 **Currency:** USD

Uncorrected misstatements	Analysis of misstatements Debit/(Credit)								Income statement effect of the prior period	
No. / W/P ref. / Account (Note 1)	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period			
(misstatements are recorded as journal entries with a description)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable	Prior period Debit/(Credit)	Non taxable
Factual misstatements:										
Total of uncorrected misstatements before income tax	0	0	0	0	0	0	0		0	
Total of uncorrected misstatements	0	0	0	0	0	0	0		0	
Financial statement amounts	79,381,236	0	(721,580)	0	(78,659,656)		(10,301,016)		(4,546,485)	
Effect of uncorrected misstatements on F/S amounts	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%		0.0%	
Memo: Total of non-taxable items (marked 'X' above)							0		0	
Uncorrected misstatements before income tax						0.0%	0		0	
Less: Tax effect of misstatements at current year marginal rate						0%	0		0	
Uncorrected misstatements in income tax							0		0	
Cumulative effect of uncorrected misstatements after tax but before turnaround						0.0%	0		0	
Turnaround effect of prior period uncorrected misstatements							After tax	Memo: Before tax		
All factual and projected misstatements:							0	0		
Judgmental misstatements (Note 3):							0	0		
Cumulative effect of uncorrected misstatements, after turnaround effect						0.0%	0			
Current year income before tax							(10,301,016)			
Current year income after tax							(10,301,016)			

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A – Management Representations Letter, continued

Appendix A – Schedule of Uncorrected Misstatements, continued

Government Wide

Communication schedule for uncorrected misstatements

Entity: FSM National Government-govt wide Period Ended: 30-Sep-2024 Currency: USD

Uncorrected misstatements			Analysis of misstatements Debit/(Credit)									
No.	W/P ref.	Account (Note 1)	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period		Income statement effect of the prior period	
		(misstatements are recorded as journal entries with a description)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable	Prior period Debit/(Credit)	Non taxable
Factual misstatements:												
GF PY SAD 01	G1	To record the correct amount of ADB shares as other assets										
		Beginning fund balance									497,746	X
		Other assets										
GF PY SAD 02	HD.01	To record the proper amount of investments with BoFSM as of 9/30/2023										
		Internal investment pool										
		Net change in the fair value investments									(650,010)	X
GF PY SAD03	E1	To create allowance on Receivables										
		01-8812-00-00-00000-00 (bad debt expense)									468,864	X
		01-2221-00-00-00000-00 (Allowance for Bad Debt)										
		25-2221-00-00-00000-00 (Allowance for Bad Debt)										
		53-2221-00-00-00000-00 (Allowance for Bad Debt)										
GF PY SAD05		To adjust allowance for doubtful loans - MLFC										
		91-1811-00-00-00000-00-AS-1 - Allowance for D/A										
		91-7999-10-92-01095-00-RE-1 - Recovery of bad debt									(1,034,768)	X
GF SAD01	N1 SWP	Unprovided supports on one SURL sample										
		31-3110-00-00-00000-00-LI - Accounts Payable			(518,875)							
		31-8310-20-39-81400-00-EX - Gen Contractual Srvcs							518,800	X		
		01-8370-20-39-02050-25-EX - Bank Charges							75	X		
GF SAD02	C1 SWP	Unconfirmed bank balance										
		Cash	(2,700,609)									
		Expense							2,700,609	X		
GF SAD03	C1 SWP	To reverse stale checks back to payable										
		Cash	1,371,784									
		Payable			(1,371,784)							
GF SAD04	C1 SWP	Duplicate entry										
		Cash	(125,663)									
		Expense							125,663	X		

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Appendix A – Schedule of Uncorrected Misstatements, continued

Government Wide, continued

Communication schedule for uncorrected misstatements

Entity: FSM National Government-govt wide Period Ended: 30-Sep-2024 Currency: USD

Uncorrected misstatements			Analysis of misstatements Debit/(Credit)								Income statement effect of the prior period	
No.	W/P ref.	Account (Note 1)	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period			
		(misstatements are recorded as journal entries with a description)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable	Prior period Debit/(Credit)	Non taxable
GAF PY SAD01	E.01	To record variance between FSMNG and FSM States records										
		Due to FSM State Governments										
		Other income									(351,688)	X
GAF SAD01	E2	To record bad debt recovery on federal receivable										
		20-1811-00-00-00000-00-AS - Allow for D/A General	471,455									
		20-7999-00-00-00000-00-RE - Bad debt recovery							(471,455)	X		
GAF SAD02	P2	To record the difference between the deferred revenue schedule and confirmation replies										
		23-3710-00-00-00000-00-LI-1 - Deferred Revenues			2,172,492							
		23-7310-10-20-36348-18-RE - Foreign Grants							(792,181)	X		
		23-7310-10-20-36366-21-RE - Foreign Grants							(183,625)	X		
		23-7310-30-42-36370-23-RE - Foreign Grants							(241,619)	X		
		23-7310-30-45-36356-19-RE - Foreign Grants							(741,098)	X		
		23-7310-80-87-36436-15-RE - Foreign Grants							(518,228)	X		
		23-7310-80-92-36946-20-RE - Foreign Grants							304,259	X		
GAF SAD03	P2	To record lapsed grant-funded projects requiring reimbursement of unused funds to the grantor										
		23-3710-00-00-00000-00-LI-1 - Deferred Revenues			1,071,060							
		Due to grantor			(1,071,060)							
GAF SAD04	E2	Difference between schedule and TB amount of due to FSM states										
		Expense							4,561,184	X		
		Due to FSM States			(4,561,184)							
GAF SAD05	E3	Difference between schedule and TB amount of due to FSM states										
		Due to FSM States			3,688,199							
		Revenue							(3,688,199)	X		
GW SAD01	KG1	To correct depreciation expense (SL vs GL), To correct the balance based on the fixed asset register,										
		95-8690-10-29-01095-00-EX - Depreciation Expense							619,018	X		
		95-4110-00-00-00000-00-FB - Fund Balance Surplus					(619,018)					
		95-2857-00-00-00000-00-AS - Accum Deprec		200,471								
		95-8690-00-00-00000-00-EX - Depreciation Expense							(200,471)	X		
		95-2851-00-00-00000-00-AS - Accum Deprec Furn,Fix &		(1,204,179)								

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Appendix A – Schedule of Uncorrected Misstatements, continued

Government Wide, continued

Communication schedule for uncorrected misstatements

Entity: FSM National Government-govt wide | Period Ended: 30-Sep-2024 | Currency: USD

Uncorrected misstatements			Analysis of misstatements Debit/(Credit)								Income statement effect of the prior period	
No.	W/P ref.	Account (Note 1)	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period			
		(misstatements are recorded as journal entries with a description)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable	Prior period Debit/(Credit)	Non taxable
		95-2852-00-00-00000-00-AS - Accum Deprec Vehicles		(909,928)								
		95-2853-00-00-00000-00-AS - Accum Deprec Vessels		(111,364)								
		95-2854-00-00-00000-00-AS - Accum Deprec Comput		(8,649)								
		95-2855-00-00-00000-00-AS - Accu. Deprec Buildings		4,780								
		95-2856-00-00-00000-00-AS - Accum Deprec Aircraft		(0)								
		95-2857-00-00-00000-00-AS - Accum Deprec		17,325								
		95-4110-00-00-00000-00-FB - Fund Balance Surplus					2,212,015					
GW SAD02	KG1	<Title of the misstatement>										
		01-4110-00-00-00000-00-FB - Unreserved Fund Balance					(1,175,503)					
		95-7999-00-00-00000-00-RE - Capital outlay							(2,541,404)	X		
		95-2811-00-00-00000-00-AS - Fixed Assets Furn and		3,083,492								
		95-2812-00-00-00000-00-AS - Fixed Assets Motor		1,018,577								
		95-2813-00-00-00000-00-AS - Fixed Assets Boats &		228,677								
		95-2814-00-00-00000-00-AS - Fixed Assets Computer		(28,327)								
		95-2815-00-00-00000-00-AS - Fixed Assets Buildings &		(239,000)								
		95-2816-00-00-00000-00-AS - Fixed Assets Aircraft		0								
		95-2817-00-00-00000-00-AS - Fixed Assets Infrastructure		(346,513)								
GW SAD03	KG1	To adjust the depreciation expense for FY2024 based on recalculation procedure.										
		95-2852-00-00-00000-00-AS - Accum Deprec Vehicles		(303,438)								
		95-2853-00-00-00000-00-AS - Accum Deprec Vessels		(4,719)								
		95-2854-00-00-00000-00-AS - Accum Deprec Comput		(533)								
		95-2851-00-00-00000-00-AS - Accum Deprec Furn,Fix &		(254,006)								
		95-2855-00-00-00000-00-AS - Accu. Deprec Buildings		(6,450)								
		95-8690-10-29-01095-00-EX - Depreciation Expense							569,147	X		
		95-8690-00-00-00000-00-EX - Depreciation Expense							12,175	X		
		95-2857-00-00-00000-00-AS - Accum Deprec		(12,175)								
		95-2851-00-00-00000-00-AS - Accum Deprec Furn,Fix &		131,941								
		95-2852-00-00-00000-00-AS - Accum Deprec Vehicles		(393,911)								
		95-2853-00-00-00000-00-AS - Accum Deprec Vessels		(31,577)								
		95-2854-00-00-00000-00-AS - Accum Deprec Comput		(24,666)								
		95-2855-00-00-00000-00-AS - Accu. Deprec Buildings		(818,029)								
		95-2856-00-00-00000-00-AS - Accum Deprec Aircraft		(0)								
		95-2857-00-00-00000-00-AS - Accum Deprec		(4,581,755)								
		Fund Balance					5,717,998					
GW SAD04	KG1	Total amount of additions where no supports provided										
		Expense							1,143,395	X		
		PPE		(1,143,395)								

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Appendix A – Schedule of Uncorrected Misstatements, continued

Government Wide, continued

Communication schedule for uncorrected misstatements

Entity: FSM National Government-govt wide Period Ended: 30-Sep-2024 Currency: USD

Uncorrected misstatements			Analysis of misstatements Debit/(Credit)									
No.	W/P ref.	Account (Note 1)	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period		Income statement effect of the prior period	
		(misstatements are recorded as journal entries with a description)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable	Prior period Debit/(Credit)	Non taxable
GF SAD05	PAL	To adjust long-oustanding accrued liabilities										
		01-3115-00-00-00000-00-LI - A/P Dormant Accounts			1,248,049							
		01-3665-00-00-00000-00-LI - NORMA Rebate Account			1,186,902							
		01-7999-00-00-00000-00-RE - Other miscellaneous							(2,434,951)	X		
GF SAD06	E1	Difference between confirmation from States and due to FSM states										
		01-3613-00-00-00000-00-LI - A/P Fish Fees KOS			1,263,288							
		01-3614-00-00-00000-00-LI - A/P Fish Fees PNI			448,268							
		01-6245-10-29-00199-00-RE - Fishing Right Fees							(1,711,557)	X		
		01-3622-00-00-00000-00-LI - A/P Current Revenue CHK			237,062							
		Revenue							(237,062)	X		
Total of uncorrected misstatements before income tax			(983,033)	(5,737,351)	3,792,418	0	6,135,492	0	(3,207,526)		(1,069,856)	
Total of uncorrected misstatements			(983,033)	(5,737,351)	3,792,418	0	6,135,492	0	(3,207,526)		(1,069,856)	
Financial statement amounts			672,394,291	241,583,127	(49,820,372)	(33,507,940)	(830,649,106)		(68,941,988)		(19,915,276)	
Effect of uncorrected misstatements on F/S amounts			-0.1%	-2.4%	-7.6%	0.0%	-0.7%		4.7%		5.4%	
			Memo: Total of non-taxable items (marked 'X' above)						(3,207,526)		(1,069,856)	
			Uncorrected misstatements before income tax					4.7%	(3,207,526)		(1,069,856)	
			Less: Tax effect of misstatements at current year marginal rate					0%	0		0	
			Uncorrected misstatements in income tax						0		0	
			Cumulative effect of uncorrected misstatements after tax but before turnaround					4.7%	(3,207,526)		(1,069,856)	
			Turnaround effect of prior period uncorrected misstatements						After tax	Memo: Before tax		
			All factual and projected misstatements:						1,069,856	1,069,856		
			Judgmental misstatements (Note 3):						0	0		
			Cumulative effect of uncorrected misstatements, after turnaround effect					3.1%	(2,137,670)			
			Current year income before tax						(68,941,988)			
			Current year income after tax						(68,941,988)			

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Appendix A – Schedule of Uncorrected Misstatements, continued

Discretely Presented Component Unit

Communication schedule for uncorrected misstatements

Entity: FSM National Government - Discretely Presented Component Unit   Period Ended: 30-Sep-2024   Currency: USD

Uncorrected misstatements			Analysis of misstatements Debit/(Credit)								Income statement effect of the prior period	
No.	W/P ref.	Account (Note 1) (misstatements are recorded as journal entries with a description)	Assets Current Debit/(Credit) (Note 2)	Assets Non-current Debit/(Credit) (Note 2)	Liabilities Current Debit/(Credit) (Note 2)	Liabilities Non-current Debit/(Credit) (Note 2)	Equity components Debit/(Credit)	Effect on the current period OCI Debit/(Credit)	Income statement effect of the current period Debit/(Credit)	Non taxable	Prior period Debit/(Credit)	Non taxable
Factual misstatements:												
COM SAD01	C.02.1	To reverse outstanding checks that are stale as of FY2024										
		Cash	224,709									
		Accounts Payable			(224,709)							
COM SAD02	UE1.00	To reverse indirect cost revenues and expenses for external reporting purposes										
		Indirect cost revenues							304,360	X	252,875	
		Indirect cost expenses							(304,360)	X	(252,875)	
COM SAD03	P1.00	To close invalid accrued liability account which has a debit balance (GL code 201-5376-000)										
		Miscellaneous expense							197,805	X		
		Accrued liabilities			(197,805)							
COM PY SAD 01		To write off long outstanding payables										
		Other income									(262,290)	
COM PY SAD 03		To correct overstatement of allowance for doubtful accounts										
		Recovery of bad debts									(645,239)	
COM SAD04	E.05	To correct difference between general ledger and Due from FSM National Government sub-ledger										
		Grants and contracts receivable	(121,471)									
		Government grants and contracts							121,471	X		
COM SAD05	E.05	To adjust the allowance for doubtful accounts from the FSM National Government based on receivables outstanding greater than one year.										
		Grants and contracts receivable: Allowance for doubtful	114,068									
		Government grants and contracts							(114,068)	X		
COM SAD06	E.03	To adjust the allowance for doubtful accounts from the US Federal Government based on receivables outstanding greater than one year.										
		Federal grants and contracts							153,552	X		
		Grants and contracts receivable: Allowance for doubtful	(153,552)									

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Appendix A – Schedule of Uncorrected Misstatements, continued

Discretely Presented Component Unit, continued

Communication schedule for uncorrected misstatements

Entity: FSM National Government - Discretely Presented Component Unit   Period Ended: 30-Sep-2024   Currency: USD

Uncorrected misstatements			Analysis of misstatements Debit/(Credit)								Income statement effect of the prior period	
No.	W/P ref.	Account (Note 1)	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period			
		(misstatements are recorded as journal entries with a description)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable	Prior period Debit/(Credit)	Non taxable
COM SAD07	UE.12	This is to reclassify the grant revenue initially recorded in "federal grants and cotracts" to "federal capital grants".										
		Federal grants and contracts							255,649	X		
		Federal capital grants							(255,649)	X		
MICARE PY SAD01	E0100	To provide an allowance for travel advances not cleared > 1 year										
		Expense									34,945	X
		Allowance for uncollectible - travel advances										
MICARE SAD01	VD SWP	FY23 claims only recorded in FY24										
		420 · Retained Earnings					97,129					
		2002.01 · Medical Claims							(65,613)	X		
		2005.01 · Medical Claim							(31,516)	X		
FSMPC SAD01	PAL	To offset deposits against receivables for Vital Carrier charter services										
	4086-20-	CUSTOMER CREDIT BAL - CHK			383,901							
	1250-20-	OTHER RECEIVABLES - CHK		(383,901)								
FSMPC SAD02	F SWP	To reflect balances as per PetroX										
	6500-10-	COGS ADO - PNI							104,979			
	6650-40-	COGS DPK - YAP - AVIATION							116,410			
	1310-10-	INVENTORY ADO - PNI	(104,979)									
	1330-40-	INVENTORY DPK - YAP	(116,410)									
FSMPC SAD03	LRE	To reflect balances as per amortization schedules										
	2101-00-	Leased Assets Land- Corp		(617,055)								
	4691-00-	Lease Liability-Land-Corp				486,183						
		Rent Expense - Lease liability							130,872			
FSMPC (VEI SAD01)	O0100	To provide an allowance for deferred tax asset										
		Deferred tax expense							113,792			
		Deferred tax asset		(113,792)								
FSMPC (VEI SAD02)	F SWP	To reflect fuel inventory balances as per count										
	6515-10-	COST OF GOODS ULSD (10PPM)							(460)			
	6550-10-	COGS ULP - NAR							10,924			
	6650-10-	COGS DPK - NAR							181,238			
	1300-10-	INVENTORY ULP - NAR	(10,924)									

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Appendix A – Schedule of Uncorrected Misstatements, continued

Discretely Presented Component Unit, continued

Communication schedule for uncorrected misstatements

Entity: FSM National Government - Discretely Presented Component Unit   Period Ended: 30-Sep-2024   Currency: USD

Uncorrected misstatements			Analysis of misstatements Debit/(Credit)								Income statement effect of the prior period	
No.	W/P ref.	Account (Note 1) (misstatements are recorded as journal entries with a description)	Assets Current Debit/(Credit) (Note 2)	Assets Non-current Debit/(Credit) (Note 2)	Liabilities Current Debit/(Credit) (Note 2)	Liabilities Non-current Debit/(Credit) (Note 2)	Equity components Debit/(Credit)	Effect on the current period OCI Debit/(Credit)	Income statement effect of the current period Debit/(Credit)	Non taxable	Prior period Debit/(Credit)	Non taxable
	1325-10-	Inventory ULSD (10PPM) - NAR	460									
	1330-10-	INVENTORY DPK-NAR	(181,238)									
FSMPC SAD04	G SWP	To reclassify ROU, opex, CIP and inventory from prepayments										
	2100-00-	Lease Assets Building Corp		186,781								
	1400-00-	DEFERRED CHARGE-CORP	(186,781)									
		Operating expenses							33,859			
		CIP		152,016								
		Inventory	23,500									
	1410-00-	PREPAID PURCHASE ORDER - CORP	(209,375)									
		CIP		552,032								
	1410-00-	PREPAID PURCHASE ORDERS	(552,032)									
FSMTCC SAD01	N, T	To match PY FS equity										
		5050 PRIOR YEAR RETAINED EARNINGS					1,401					
		7990 MISCELLANEOUS EXPENSES							(1,401)			
FSMTCC SAD02	LRE	To record ROU, LL and amortization										
		Interest Expense							4,435			
		2960 RIGHT OF USE LEASE ASSETS		108,420								
		3960 RIGHT OF USE LEASE ASSETS:ACCUM DEPR -		(20,240)								
		4103 CURRENT OPERATING LEASE LIABILITY			(50,896)							
		4600 OPERATING LEASE LIABILITY				(12,767)						
		7510-10 RENTAL EXPENSE - HOLDING:LEASE							(3,289)			
		7510-20 RENTAL EXPENSE - HOLDING:LEASE							(25,663)			
FSMTCC SAD03	N, K	To reverse accrual that should be for FY25										
		4115 Accrued Consultant Liability			396,212							
		2000-20 PROJECT - KOSRAE/EMCS		(46,346)								
		2000-30 PROJECT - YAP		(46,346)								
		2000-40 PROJECT - POHNPEI		(257,174)								
		2000-40 PROJECT - POHNPEI		(46,346)								
FSMTCC SAD04	K SWP	To correct capital assets' NBV										
		7800-60 DEPRECIATION EXPENSES -							151,446			
		3700 ACCUM DEPR - SUBMARINE CABLE		(151,446)								
		3100 ACCUM AMOR - GRANT FUNDED ASSET		241,141								
		7800-50 DEPRECIATION EXPENSES -							(241,141)			
FSMDB SAD01	LRE.00	To record GASB 87 application of the bank as the lessee.										
		RTU Leased Asset		437,423								

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Appendix A – Schedule of Uncorrected Misstatements, continued

Discretely Presented Component Unit, continued

Communication schedule for uncorrected misstatements

Entitv: FSM National Government - Discretelv Presented Component Unit Period Ended: 30-Sep-2024 Currencv: USD

Communication schedule for uncorrected misstatements

Entity: FSM National Government - Discretely Presented Component Unit Period Ended: 30-Sep-2024 Currency: USD

Uncorrected misstatements			Analysis of misstatements Debit/(Credit)								Income statement effect of the prior period	
No.	W/P ref.	Account (Note 1)	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period			
		(misstatements are recorded as journal entries with a description)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable	Prior period Debit/(Credit)	Non taxable
		Amortization Expense							55,516		53,434	
		Interest Expense							4,103		4,887	
		Retained Earnings					9,462					
		Accumulated Amortization - RTU Leased Asset		(152,824)								
		Prepaid Expense	(47,918)									
		Lease Liability				(250,598)						
		Office Rental							(53,220)		(53,220)	
		Lease Expense							(1,944)			
FSMDB SAD02	VB.002	To record GASB 101 application of the bank.										
		Employee benefit expense							230,000			
		Accrued vacation leave			(50,000)							
		Accrued sick leave			(180,000)							
FSMTC PY SAD01	N.00	To record additional payable to OAE as of 9/30/2023										
		Legal expenses (corporate operations)									60,424	X
		Other accrued liabilities										
FMSNFC SAD01	VD.01.2	To adjust prior years' admin expenses only recorded in FY2024										
		Unrestricted Net Position									28,113	
		Administrative expenses										
FSMNFC SAD02	VB.01.2	To adjust prior year's payroll expenses only recorded in FY2024										
		Unrestricted Net Position									32,137	
		Payroll expenses										
Judgmental misstatements:												
FSMDB SAD-03	EH.08	To record the remaining overstatement of allowance										
		Allowance for D/L - HQ		1,953,000								
		Prov for D/L - HQ							(1,953,000)		(1,891,000)	
Projected misstatements:												
COM PY SAD01		To record differences in inventory count per audit										
		Academic support									(139,000)	X

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Appendix A – Schedule of Uncorrected Misstatements, continued

Discretely Presented Component Unit, continued

Communication schedule for uncorrected misstatements

Entity: FSM National Government - Discretely Presented Component Unit Period Ended: 30-Sep-2024 Currency: USD

Uncorrected misstatements			Analysis of misstatements Debit/(Credit)								Income statement effect of the prior period	
No.	W/P ref.	Account (Note 1)	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period			
		(misstatements are recorded as journal entries with a description)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable	Prior period Debit/(Credit)	Non taxable
Total of uncorrected misstatements before income tax			(1,321,943)	1,795,343	76,703	222,818	107,992	0	(880,913)		(2,776,809)	
Total of uncorrected misstatements			(1,321,943)	1,795,343	76,703	222,818	107,992	0	(880,913)		(2,776,809)	
Financial statement amounts			127,122,718	159,075,853	(35,800,670)	(14,861,682)	(235,536,219)		(14,985,836)		(7,846,288)	
Effect of uncorrected misstatements on F/S amounts			-1.0%	1.1%	-0.2%	-1.5%	0.0%		5.9%		35.4%	
			Memo: Total of non-taxable items (marked 'X' above)						261,631		(43,631)	
			Uncorrected misstatements before income tax					5.9%	(880,913)		(2,776,809)	
			Less: Tax effect of misstatements at current year marginal rate					0%	0		0	
			Uncorrected misstatements in income tax						0		0	
			Cumulative effect of uncorrected misstatements after tax but before turnaround					5.9%	(880,913)		(2,776,809)	
			Turnaround effect of prior period uncorrected misstatements						After tax	Memo: Before tax		
			All factual and projected misstatements:						885,809	885,809		
			Judgmental misstatements (Note 3):						1,090,410	1,090,410		
			Cumulative effect of uncorrected misstatements, after turnaround effect					-7.3%	1,095,306			
			Current year income before tax						(14,985,836)			
			Current year income after tax						(14,985,836)			

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Appendix B – Schedule of Corrected Misstatements

General Fund

Communication schedule for corrected misstatements

Entity: FSM National Government-General Fund **Period ended:** 30-Sep-2024 **Currency:** USD

Corrected misstatements			Analysis of misstatements Debit/(Credit)							
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period	
		(misstatements are recorded as journal entries with a description)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable
SAD01	T1	To correct opening fund balance to equal PY audited balance								
		01-4110-00-00-00000-00-FB - Unreserved Fund Balance					125,664			
		01-7999-10-29-01099-00-RE - Other Miscellaneous							(125,664)	X
SAD02	T1	To correct opening fund balance in Postal Services fund to equal PY audited balance								
		01-7999-10-29-01099-00-RE - Other Miscellaneous							369,273	X
		01-1999-00-00-00000-99-AS - Due To/ From	(369,273)							
		99-1999-00-00-00000-01-AS - Due To/ From	369,273							
		99-1999-00-00-00000-42-AS - Due To/ From	(369,273)							
SAD03	T1	To include in the General Fund IDF with FSMDB								
		02-1211-00-00-00000-00-AS - Time certificates of deposit	1,998,820							
		02-1710-00-00-00000-00-AS - A/R Interest	19,313							
		02-1810-00-00-00000-00-AS - A/R General	71,935							
		02-3110-00-00-00000-00-AS - Accounts Payable			(1,372)					
		02-4110-00-00-00000-00-AS - Unreserved Fund Balance					(2,073,814)			
		02-7810-10-29-00199-00-RE - Dividend & Interest Income							(14,882)	X
SAD04	H1	To correct IMF's opening fund balance to equal PY audited balance								
		99-1999-00-00-00000-95-AS - Due To/ From	711							
		99-1999-00-00-00000-18-AS - Due To/ From	(711)							
SAD05	H1	To record sales and market value of Bank of FSM Shares								
		01-7895-10-29-00199-00-RE - Unrealized Earnings							(1,811,930)	X
		01-1165-00-00-00000-00-AS - FSM Shares in BFSM	1,811,930							
SAD06	H1	To correct earnings to match schedule								
		01-7890-10-29-00199-00-RE - Realized Gain On Equities							4,249	X
		01-1110-00-00-00000-00-AS - Investment Hawaiian Trust	(4,249)							
SAD07	FS.02	To record FSM Trust Fund earnings								
		01-8910-10-29-00199-00-EX - Transfer Out							37,945,843	X
		89-7910-10-27-89100-00-RE - Operating Transfers In							(37,945,843)	X
		01-1999-00-00-00000-99-AS - Due To/ From	(37,945,843)							
		89-1999-00-00-00000-99-AS - Due To/ From	37,945,843							
		99-1999-00-00-00000-01-AS - Due To/ From	37,945,843							
		99-1999-00-00-00000-89-AS - Due To/ From	(37,945,843)							
SAD08	E1	To adjust allowance doubtful accounts for recovery on MLFC loan								

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A – Management Representations Letter, continued

Appendix B – Schedule of Corrected Misstatements, continued

General Fund, continued

Communication schedule for corrected misstatements

Entity: FSM National Government-General Fund **Period ended:** 30-Sep-2024 **Currency:** USD

Corrected misstatements			Analysis of misstatements Debit/(Credit)							
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period	
		(misstatements are recorded as journal entries with a description)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable
		91-1811-00-00-00000-00-AS - Allow for D/A General	1,184,056							
		91-7999-10-92-90000-00-RE - Recovery of bad debt							(1,184,056)	X
SAD09	E1	To correct receivables account								
		01-7999-00-00-00000-00-RE - Other miscellaneous							1,176,268	X
		01-1813-00-00-00000-00-AS - A/R Corporate Tax	(1,176,268)							
		01-2211-00-00-00000-00-AS - Allow D/A Travel Advs	3,590,507							
		01-7999-00-00-00000-00-RE - Other miscellaneous							(3,590,507)	X
		01-1811-00-00-00000-00-AS - Allow for D/A General	733,684							
		01-7999-00-00-00000-00-RE - Other miscellaneous							(733,684)	X
SAD10	E1 SWP	True-up on allowance for doubtful debts on general receivables and advances								
		01-8812-10-21-00199-00-EX - Bad Debt Exp							635,917	X
		01-1811-00-00-00000-00-AS - Allow for D/A General	(84,349)							
		01-2211-00-00-00000-00-AS - Allow D/A Travel Advs	(551,568)							
SAD11	G WP	To adjust allowance on advances to supplier								
		01-8812-10-21-00199-00-EX - Bad Debt Exp							1,130,115	X
		01-2251-00-00-00000-00-AS - Allownace Advance to Supplier	(1,130,115)							
SAD12	N1 SWI	FY24 liability not recorded								
		01-8270-98-98-09817-24-EX - Contributions, Subsidies & Gra							500,000	X
		01-3110-00-00-00000-00-LI - Accounts Payable			(500,000)					
Total of corrected misstatements before income tax			6,094,423	0	(501,372)	0	(1,948,150)	0	(3,644,901)	
Financial statement amounts			703,449,225	0	(66,471,067)	0	(636,978,158)		(66,804,051)	
Effect of corrected misstatements on F/S amounts			0.9%	0.0%	0.8%	0.0%	0.3%		5.5%	

[For US PCAOB audits we are required to communicate all misstatements that are accumulated on our SAD.]

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Appendix B – Schedule of Corrected Misstatements, continued

Grant Assistance Fund

Communication schedule for corrected misstatements

Entity: FSM National Government - Grant Assistance Fund Period ended: 30-Sep-2024 Currency: USD

Corrected misstatements			Analysis of misstatements Debit/(Credit)							
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period	
		(misstatements are recorded as journal entries with a description)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable
SAD01	T2	To correct IMF's opening fund balance to equal PY audited balance								
		18-1999-00-00-00000-99-AS - Due To/ From	711							
		18-4110-00-00-00000-00-FB - Unreserved Fund Balance					(711)			
		95-4020-00-00-00000-00-FB - Investment in Fixed Assets					711			
		95-1999-00-00-00000-99-AS - Due To/ From	(711)							
SAD02	T2	To correct federal grants fund's opening fund balance to equal PY audited balance								
		20-1310-00-00-00000-00-AS - A/R Fed. Grants Na	2,801,337							
		20-4110-00-00-00000-00-FB - Unreserved Fund Balance					(2,801,337)			
SAD03	T2	To correct foreign assistance grants fund's opening fund balance to equal PY audited balance								
		23-7310-10-29-00199-00-RE - Foreign Grants							6,094,275	X
		23-7310-10-29-09999-00-RE - Foreign Grants							3,244,946	X
		23-4110-00-00-00000-00-FB - Unreserved Fund Balance					(9,339,221)			
SAD04		To record service rendered for consultant t. Kalupahana invoice #1&2								
		23-8310-30-96-36966-22-EX - Gen Contractual Srvcs							20,259	X
		23-7310-30-96-36966-22-RE - Foreign Grants							(20,259)	X
SAD05		Due to/from states adjustments								mi
		10-3112-00-00-00000-00-LI - A/P Other not on Subledger			743,777					
		10-3635-00-00-00000-00-LI - Fed D/D Payable Yap			2,104,936					
		10-3634-00-00-00000-00-LI - Fed D/D Payable PNI			3,975,089					
		10-3633-00-00-00000-00-LI - Sector DD Payable KOS			756,316					
		10-3632-00-00-00000-00-LI - Sector DD Payable CHK			1,165,919					
		11-3112-00-00-00000-00-LI - A/P Other not on Subledger			347,497					
		11-3635-00-00-00000-00-LI - Fed D/D Payable Yap			(39,518)					
		11-3634-00-00-00000-00-LI - Fed D/D Payable PNI			(4,074,323)					
		11-3633-00-00-00000-00-LI - Sector DD Payable KOS			(796,341)					
		11-3632-00-00-00000-00-LI - Sector DD Payable CHK			5,402,987					
		12-3112-00-00-00000-00-LI - A/P Other not on Subledger			327,753					
		12-3635-00-00-00000-00-LI - Fed D/D Payable Yap			14,061					
		12-3634-00-00-00000-00-LI - Fed D/D Payable PNI			(41,488)					
		12-3633-00-00-00000-00-LI - Sector DD Payable KOS			(133,837)					
		12-3632-00-00-00000-00-LI - Sector DD Payable CHK			202,905					

Form 430GL (3 August 2022)

Appendix B – Schedule of Corrected Misstatements, continued

Grant Assistance Fund, continued

Communication schedule for corrected misstatements

Entity: FSM National Government - Grant Assistance Fund **Period ended:** 30-Sep-2024 **Currency:** USD

Corrected misstatements			Analysis of misstatements Debit/(Credit)							
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period	
		(misstatements are recorded as journal entries with a description)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable
		13-3112-00-00-00000-00-LI - A/P Other not on Subledger			497,306					
		13-3635-00-00-00000-00-LI - Fed D/D Payable Yap			302,033					
		13-3633-00-00-00000-00-LI - Sector DD Payable KOS			252,405					
		13-3632-00-00-00000-00-LI - Sector DD Payable CHK			79,616					
		14-3112-00-00-00000-00-LI - A/P Other not on Subledger			2,322,531					
		14-3635-00-00-00000-00-LI - Fed D/D Payable Yap			114,686					
		14-3634-00-00-00000-00-LI - Fed D/D Payable PNI			(125,965)					
		14-3633-00-00-00000-00-LI - Sector DD Payable KOS			(516,443)					
		14-3632-00-00-00000-00-LI - Sector DD Payable CHK			(687,424)					
		15-3112-00-00-00000-00-LI - A/P Other not on Subledger			369,040					
		15-3635-00-00-00000-00-LI - Fed D/D Payable Yap			2,221,200					
		15-3634-00-00-00000-00-LI - Fed D/D Payable PNI			185,958					
		15-3633-00-00-00000-00-LI - Sector DD Payable KOS			(722,804)					
		15-3632-00-00-00000-00-LI - Sector DD Payable CHK			(1,096,347)					
		16-3112-00-00-00000-00-LI - A/P Other not on Subledger			48,146					
		16-3635-00-00-00000-00-LI - Fed D/D Payable Yap			312,841					
		16-3634-00-00-00000-00-LI - Fed D/D Payable PNI			(318,970)					
		16-3633-00-00-00000-00-LI - Sector DD Payable KOS			(53,171)					
		16-3632-00-00-00000-00-LI - Sector DD Payable CHK			(582,277)					
		19-3112-00-00-00000-00-LI - A/P Other not on Subledger			(1,242,557)					
		19-3635-00-00-00000-00-LI - Fed D/D Payable Yap			1,685,415					
		19-3634-00-00-00000-00-LI - Fed D/D Payable PNI			344,683					
		19-3633-00-00-00000-00-LI - Sector DD Payable KOS			(25,420)					
		19-3632-00-00-00000-00-LI - Sector DD Payable CHK			0					
		19-3637-00-00-00000-00-LI - Sector DD Payable COM			(189,030)					
		10-7999-00-00-00000-00-RE - Other income							(8,746,037)	X
		11-7999-00-00-00000-00-RE - Other income							(840,301)	X
		12-7999-00-00-00000-00-RE - Other income							(369,395)	X
		13-7999-00-00-00000-00-RE - Other income							(1,131,360)	X
		14-7999-00-00-00000-00-RE - Other income							(1,107,386)	X
		15-7999-00-00-00000-00-RE - Other income							(957,047)	X
		16-7999-00-00-00000-00-RE - Other income							593,432	X
		19-7999-00-00-00000-00-RE - Other income							(573,091)	X
SAD06		To REVERSE jv240825 - COMPACT SECTOR PAYABLE TO THE STATES								mi
		10-3112-00-00-00000-00-LI - A/P Other not on Subledger			(743,777)					
		10-3635-00-00-00000-00-LI - Fed D/D Payable Yap			(2,104,936)					
		10-3634-00-00-00000-00-LI - Fed D/D Payable PNI			(3,975,089)					

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Appendix B – Schedule of Corrected Misstatements, continued

Grant Assistance Fund, continued

Communication schedule for corrected misstatements

Entity: FSM National Government - Grant Assistance Fund **Period ended:** 30-Sep-2024 **Currency:** USD

Corrected misstatements			Analysis of misstatements Debit/(Credit)							
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period	
		(misstatements are recorded as journal entries with a description)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable
		10-3633-00-00-00000-00-LI - Sector DD Payable KOS			(756,316)					
		10-3632-00-00-00000-00-LI - Sector DD Payable CHK			(1,165,919)					
		11-3112-00-00-00000-00-LI - A/P Other not on Subledger			(347,497)					
		11-3112-00-00-00000-00-LI - A/P Other not on Subledger			39,518					
		11-3635-00-00-00000-00-LI - Fed D/D Payable Yap			4,074,323					
		11-3634-00-00-00000-00-LI - Fed D/D Payable PNI			796,341					
		11-3633-00-00-00000-00-LI - Sector DD Payable KOS			(5,402,987)					
		12-3112-00-00-00000-00-LI - A/P Other not on Subledger			(327,753)					
		12-3635-00-00-00000-00-LI - Fed D/D Payable Yap			(14,061)					
		12-3634-00-00-00000-00-LI - Fed D/D Payable PNI			41,488					
		12-3633-00-00-00000-00-LI - Sector DD Payable KOS			133,837					
		12-3632-00-00-00000-00-LI - Sector DD Payable CHK			(202,905)					
		13-3112-00-00-00000-00-LI - A/P Other not on Subledger			(497,306)					
		13-3635-00-00-00000-00-LI - Fed D/D Payable Yap			(302,033)					
		13-3633-00-00-00000-00-LI - Sector DD Payable KOS			(252,405)					
		13-3632-00-00-00000-00-LI - Sector DD Payable CHK			(79,616)					
		14-3112-00-00-00000-00-LI - A/P Other not on Subledger			(2,322,531)					
		14-3635-00-00-00000-00-LI - Fed D/D Payable Yap			(114,686)					
		14-3634-00-00-00000-00-LI - Fed D/D Payable PNI			125,965					
		14-3633-00-00-00000-00-LI - Sector DD Payable KOS			516,443					
		14-3632-00-00-00000-00-LI - Sector DD Payable CHK			687,424					
		15-3112-00-00-00000-00-LI - A/P Other not on Subledger			(369,040)					
		15-3635-00-00-00000-00-LI - Fed D/D Payable Yap			(2,221,200)					
		15-3634-00-00-00000-00-LI - Fed D/D Payable PNI			(185,958)					
		15-3633-00-00-00000-00-LI - Sector DD Payable KOS			722,804					
		15-3632-00-00-00000-00-LI - Sector DD Payable CHK			1,096,347					
		16-3112-00-00-00000-00-LI - A/P Other not on Subledger			(48,146)					
		16-3635-00-00-00000-00-LI - Fed D/D Payable Yap			(312,841)					
		16-3634-00-00-00000-00-LI - Fed D/D Payable PNI			318,970					
		16-3633-00-00-00000-00-LI - Sector DD Payable KOS			53,171					
		16-3632-00-00-00000-00-LI - Sector DD Payable CHK			582,277					
		19-3112-00-00-00000-00-LI - A/P Other not on Subledger			1,242,557					
		19-3635-00-00-00000-00-LI - Fed D/D Payable Yap			(1,685,415)					
		19-3634-00-00-00000-00-LI - Fed D/D Payable PNI			(344,683)					
		19-3633-00-00-00000-00-LI - Sector DD Payable KOS			25,420					
		19-3638-00-00-00000-00-LI - Due to Compact Trust Fund			0					
		19-3637-00-00-00000-00-LI - Sector DD Payable COM			189,030					
		10-7999-00-00-00000-00-RE - Other miscellaneous							8,746,037	X

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Appendix B – Schedule of Corrected Misstatements, continued

Grant Assistance Fund, continued

Communication schedule for corrected misstatements

Entity: FSM National Government - Grant Assistance Fund **Period ended:** 30-Sep-2024 **Currency:** USD

Corrected misstatements			Analysis of misstatements Debit/(Credit)							
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period	
		(misstatements are recorded as journal entries with a description)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable
		11-7999-00-00-00000-00-RE - Other miscellaneous							840,301	X
		12-7999-00-00-00000-00-RE - Other miscellaneous							369,395	X
		13-7999-00-00-00000-00-RE - Other miscellaneous							1,131,360	X
		14-7999-00-00-00000-00-RE - Other miscellaneous							1,107,386	X
		15-7999-00-00-00000-00-RE - Other miscellaneous							957,047	X
		16-7999-00-00-00000-00-RE - Other miscellaneous							(593,432)	X
		19-7999-00-00-00000-00-RE - Other miscellaneous							573,091	X
Total of corrected misstatements before income tax			2,801,337	0	(0)	0	(12,140,558)	0	9,339,221	
Financial statement amounts			43,982,338	0	(25,109,767)	0	(18,872,571)		(883,344)	
Effect of corrected misstatements on F/S amounts			6.4%	0.0%	0.0%	0.0%	64.3%		-1057.3%	

[For US PCAOB audits we are required to communicate all misstatements that are accumulated on our SAD.]

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Appendix B – Schedule of Corrected Misstatements, continued

Compact Trust Fund

Communication schedule for corrected misstatements

Entity: FSM National Government - Compact Trust Fund **Period ended:** 30-Sep-2024 **Currency:** USD

Corrected misstatements			Analysis of misstatements Debit/(Credit)							
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period	
		(misstatements are recorded as journal entries with a description)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable
1	H SWP	To adjust general ledger to equal investment account balance confirmation with third party.								
		88-1150-00-00-00000-00-AS - People of FSM Trust Fund		(7,512,292)						
		88-4110-00-00-00000-00-FB - Unreserved Fund Balance					5,972,468			
		88-7895-10-27-88100-00-RE - Unrealized Earnings							1,539,824	X
Total of corrected misstatements before income tax			0	(7,512,292)	0	0	5,972,468	0	1,539,824	
Financial statement amounts			0	23,752,115	0	0	(23,752,115)		(3,464,596)	
Effect of corrected misstatements on F/S amounts			0.0%	-31.6%	0.0%	0.0%	-25.1%		-44.4%	

[For US PCAOB audits we are required to communicate all misstatements that are accumulated on our SAD.]

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A – Management Representations Letter, continued

Appendix B – Schedule of Corrected Misstatements, continued

Aggregate Remaining Fund

Communication schedule for corrected misstatements

Entity: FSM National Government-aggregate remaining fund information **Period ended:** 30-Sep-2024 **Currency:** USD

Corrected misstatements			Analysis of misstatements Debit/(Credit)							
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period	
		(misstatements are recorded as journal entries with a description)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable
SAD01	T WP	To correct opening fund balance in Postal Services fund to equal PY audited balance								
		42-1999-00-00-00000-99-AS - Due To/ From	369,273							
		42-4110-00-00-00000-00-FB - Unreserved Fund Balance					(369,273)			
Total of corrected misstatements before income tax			369,273	0	0	0	(369,273)	0	0	
Financial statement amounts			79,381,236	0	(721,580)	0	(78,659,656)		(10,301,016)	
Effect of corrected misstatements on F/S amounts			0.5%	0.0%	0.0%	0.0%	0.5%		0.0%	

[For US PCAOB audits we are required to communicate all misstatements that are accumulated on our SAD.]

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Appendix B – Schedule of Corrected Misstatements, continued

Government Wide

Communication schedule for corrected misstatements

Entity: FSM National Government-govt wide **Period ended:** 30-Sep-2024 **Currency:** USD

Corrected misstatements			Analysis of misstatements Debit/(Credit)							
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period	
		(misstatements are recorded as journal entries with a description)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable
SAD01		To correct opening fund balance to equal PY audited balance								
		01-4110-00-00-00000-00-FB - Unreserved Fund Balance					125,664			
		01-7999-10-29-01099-00-RE - Other Miscellaneous							(125,664)	X
SAD02		To correct opening fund balance in Postal Services fund to equal PY audited balance								
		01-7999-10-29-01099-00-RE - Other Miscellaneous							369,273	X
		01-1999-00-00-00000-99-AS - Due To/ From	(369,273)							
		42-1999-00-00-00000-99-AS - Due To/ From	369,273							
		42-4110-00-00-00000-00-FB - Unreserved Fund Balance					(369,273)			
		99-1999-00-00-00000-01-AS - Due To/ From	369,273							
		99-1999-00-00-00000-42-AS - Due To/ From	(369,273)							
SAD03		To include in the General Fund IDF with FSMDB								
		02-1211-00-00-00000-00-AS - Time certificates of	1,998,820							
		02-1710-00-00-00000-00-AS - A/R Interest	19,313							
		02-1810-00-00-00000-00-AS - A/R General	71,935							
		02-3110-00-00-00000-00-AS - Accounts Payable			(1,372)					
		02-4110-00-00-00000-00-AS - Unreserved Fund Balance					(2,073,814)			
		02-7810-10-29-00199-00-RE - Dividend & Interest Income							(14,882)	X
SAD04		To correct IMF's opening fund balance to equal PY audited balance								
		18-1999-00-00-00000-99-AS - Due To/ From	711							
		18-4110-00-00-00000-00-FB - Unreserved Fund Balance					(711)			
		95-4020-00-00-00000-00-FB - Investment in Fixed Assets		711						
		95-1999-00-00-00000-99-AS - Due To/ From	(711)							
		99-1999-00-00-00000-95-AS - Due To/ From	711							
		99-1999-00-00-00000-18-AS - Due To/ From	(711)							
SAD05		To correct federal grants fund's opening fund balance to equal PY audited balance								
		20-1310-00-00-00000-00-AS - A/R Fed. Grants Na	2,801,337							
		20-4110-00-00-00000-00-FB - Unreserved Fund Balance					(2,801,337)			
SAD06		To correct foreign assistance grants fund's opening fund balance to equal PY audited balance								
		23-7310-10-29-00199-00-RE - Foreign Grants							6,094,275	X
		23-7310-10-29-09999-00-RE - Foreign Grants							3,244,946	X
		23-4110-00-00-00000-00-FB - Unreserved Fund Balance					(9,339,221)			

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Appendix B – Schedule of Corrected Misstatements, continued

Government Wide, continued

Communication schedule for corrected misstatements

Entity: FSM National Government-govt wide **Period ended:** 30-Sep-2024 **Currency:** USD

Corrected misstatements			Analysis of misstatements Debit/(Credit)							
No.	**W/P ref.**	**Account**	**Assets Current**	**Assets Non-current**	**Liabilities Current**	**Liabilities Non-current**	**Equity components**	**Effect on the current period OCI**	**Income statement effect of the current period**	
		(misstatements are recorded as journal entries with a description)	**Debit/(Credit)**	**Debit/(Credit)**	**Debit/(Credit)**	**Debit/(Credit)**	**Debit/(Credit)**	**Debit/(Credit)**	**Debit/(Credit)**	**Non taxable**
SAD07		To adjust ADB loan payable to equal amount confirmed by ADB								
		94-2326-00-00-00000-00-AS - Amt For Retirement Ltd		4,250,912						
		94-2999-00-00-00000-00-AS - Right of Use Asset		(1,413,470)						
		94-3811-00-00-00000-00-LI - Loans Payable:ADB 1257				(193,695)				
		94-3812-00-00-00000-00-LI - Loan Payble:ADB 1459				(307,105)				
		94-3813-00-00-00000-00-LI - Loans Payable:ADB 1520				(590,205)				
		94-3814-00-00-00000-00-LI - Notes Payable:ADB 1816				(134,758)				
		94-3815-00-00-00000-00-LI - Loans Payble:ADB 1873				(201,152)				
		94-3816-00-00-00000-00-LI - Loans Payable:ADB 1874				(230,229)				
		94-3817-00-00-00000-00-LI - Loans Payable:ADB 2099				(463,962)				
		94-3818-00-00-00000-00-LI - Loans Payble:ADB 2100				(364,432)				
		94-3819-00-00-00000-00-LI - Loans Payable:ADB 3004				(187,387)				
		94-3820-00-00-00000-00-LI - Loans Payable:ADB3005				(164,528)				
		94-4110-00-00-00000-99-FB - Unreserved Fund Balance					(1,051,712)			
		94-4110-00-00-00000-00-FB - Unreserved Fund Balance					1,051,722			
SAD08		To adjust Capital Assets Fund to equal detailed Fixed Assets Register								
		95-2811-00-00-00000-00-AS - Fixed Assets Furn and Equipmen		268,607						
		95-2812-00-00-00000-00-AS - Fixed Assets Motor Vehicles		421,497						
		95-2813-00-00-00000-00-AS - Fixed Assets Boats & Vessel		4,995						
		95-2814-00-00-00000-00-AS - Fixed Assets Computer Equipmen		52,663						
		95-2815-00-00-00000-00-AS - Fixed Assets Buildings & Impro		1,264,229						
		95-2817-00-00-00000-00-AS - Fixed Assets Infrastructure		570,109						
		95-2818-00-00-00000-00-AS - Fixed Assets CIP		8,180,205						
		95-2855-00-00-00000-00-AS - Accu. Deprec Buildings		21,364,866						
		95-2857-00-00-00000-00-AS - Accum Deprec Infrastructure		17,326						
		95-2999-00-00-00000-00-AS - Right of Use Asset		1,413,470						
		95-7999-00-00-00000-00-RE - Other Miscellaneous							2,937,046	X
		95-7999-00-00-00000-00-RE - Other Miscellaneous							(1,312,811)	X
		95-2851-00-00-00000-00-AS - Accum Deprec Furn,Fix & Equip		(961,701)						
		95-2852-00-00-00000-00-AS - Accum Deprec Vehicles		(337,335)						
		95-2853-00-00-00000-00-AS - Accum Deprec Vessels		(71,084)						
		95-2859-00-00-00000-00-AS - Accum Deprec Right of use assets		(100,659)						
		95-4110-00-00-00000-00-FB - Unreserved Fund Balance					(1,312,811)			
		95-4110-00-00-00000-00-FB - Unreserved Fund Balance					(32,221,659)			
		95-8690-10-29-01095-00-EX - Depreciation Expense							(176,953)	X

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Appendix B – Schedule of Corrected Misstatements, continued

Government Wide, continued

Communication schedule for corrected misstatements

Entity: FSM National Government-govt wide **Period ended:** 30-Sep-2024 **Currency:** USD

Corrected misstatements			Analysis of misstatements Debit/(Credit)							
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period	
		(misstatements are recorded as journal entries with a description)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable
SAD09		To adjust general ledger to equal investment account balance confirmation with third party.								
		88-1150-00-00-00000-00-AS - People of FSM Trust Fund		(7,512,292)						
		88-4110-00-00-00000-00-FB - Unreserved Fund Balance					5,972,468			
		88-7895-10-27-88100-00-RE - Unrealized Earnings							1,539,824	X
SAD10		To adjust general ledger to equal Annual Leave Payable Register as of 9/30/24.								
		94-2326-00-00-00000-00-AS - Amt For Retirement Ltd		(806,549)						
		94-3410-00-00-00000-00-LI - Vacation Leave Accrual				806,549				
SAD11		To record service rendered for consultant t. Kalupahana invoice #1&2								
		23-8310-30-96-36966-22-EX - Gen Contractual Srvcs							20,259	X
		23-7310-30-96-36966-22-RE - Foreign Grants							(20,259)	X
SAD12		To record sales and market value of Bank of FSM Shares								
		01-7895-10-29-00199-00-RE - Unrealized Earnings							(1,811,930)	
		01-1165-00-00-00000-00-AS - FSM Shares in BFS	1,811,930							
SAD13		Due to/from states								
		10-3112-00-00-00000-00-LI - A/P Other not on Subledger			743,777					
		10-3635-00-00-00000-00-LI - Fed D/D Payable Yap			2,104,936					
		10-3634-00-00-00000-00-LI - Fed D/D Payable PNI			3,975,089					
		10-3633-00-00-00000-00-LI - Sector DD Payable KOS			756,316					
		10-3632-00-00-00000-00-LI - Sector DD Payable CHK			1,165,919					
		11-3112-00-00-00000-00-LI - A/P Other not on Subledger			347,497					
		11-3635-00-00-00000-00-LI - Fed D/D Payable Yap			(39,518)					
		11-3634-00-00-00000-00-LI - Fed D/D Payable PNI			(4,074,323)					
		11-3633-00-00-00000-00-LI - Sector DD Payable KOS			(796,341)					
		11-3632-00-00-00000-00-LI - Sector DD Payable CHK			5,402,987					
		12-3112-00-00-00000-00-LI - A/P Other not on Subledger			327,753					
		12-3635-00-00-00000-00-LI - Fed D/D Payable Yap			14,061					
		12-3634-00-00-00000-00-LI - Fed D/D Payable PNI			(41,488)					
		12-3633-00-00-00000-00-LI - Sector DD Payable KOS			(133,837)					
		12-3632-00-00-00000-00-LI - Sector DD Payable CHK			202,905					
		13-3112-00-00-00000-00-LI - A/P Other not on Subledger			497,306					
		13-3635-00-00-00000-00-LI - Fed D/D Payable Yap			302,033					

mi

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Appendix B – Schedule of Corrected Misstatements, continued

Government Wide, continued

Communication schedule for corrected misstatements

Entity: FSM National Government-govt wide **Period ended:** 30-Sep-2024 **Currency:** USD

Corrected misstatements			Analysis of misstatements Debit/(Credit)							
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period	
		(misstatements are recorded as journal entries with a description)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable
		13-3633-00-00-00000-00-LI - Sector DD Payable KOS			252,405					
		13-3632-00-00-00000-00-LI - Sector DD Payable CHK			79,616					
		14-3112-00-00-00000-00-LI - A/P Other not on Subledger			2,322,531					
		14-3635-00-00-00000-00-LI - Fed D/D Payable Yap			114,686					
		14-3634-00-00-00000-00-LI - Fed D/D Payable PNI			(125,965)					
		14-3633-00-00-00000-00-LI - Sector DD Payable KOS			(516,443)					
		14-3632-00-00-00000-00-LI - Sector DD Payable CHK			(687,424)					
		15-3112-00-00-00000-00-LI - A/P Other not on Subledger			369,040					
		15-3635-00-00-00000-00-LI - Fed D/D Payable Yap			2,221,200					
		15-3634-00-00-00000-00-LI - Fed D/D Payable PNI			185,958					
		15-3633-00-00-00000-00-LI - Sector DD Payable KOS			(722,804)					
		15-3632-00-00-00000-00-LI - Sector DD Payable CHK			(1,096,347)					
		16-3112-00-00-00000-00-LI - A/P Other not on Subledger			48,146					
		16-3635-00-00-00000-00-LI - Fed D/D Payable Yap			312,841					
		16-3634-00-00-00000-00-LI - Fed D/D Payable PNI			(318,970)					
		16-3633-00-00-00000-00-LI - Sector DD Payable KOS			(53,171)					
		16-3632-00-00-00000-00-LI - Sector DD Payable CHK			(582,277)					
		19-3112-00-00-00000-00-LI - A/P Other not on Subledger			(1,242,557)					
		19-3635-00-00-00000-00-LI - Fed D/D Payable Yap			1,685,415					
		19-3634-00-00-00000-00-LI - Fed D/D Payable PNI			344,683					
		19-3633-00-00-00000-00-LI - Sector DD Payable KOS			(25,420)					
		19-3632-00-00-00000-00-LI - Sector DD Payable CHK			0					
		19-3637-00-00-00000-00-LI - Sector DD Payable COM			(189,030)					
		10-7999-00-00-00000-00-RE - Other income							(8,746,037)	X
		11-7999-00-00-00000-00-RE - Other income							(840,301)	X
		12-7999-00-00-00000-00-RE - Other income							(369,395)	X
		13-7999-00-00-00000-00-RE - Other income							(1,131,360)	X
		14-7999-00-00-00000-00-RE - Other income							(1,107,386)	X
		15-7999-00-00-00000-00-RE - Other income							(957,047)	X
		16-7999-00-00-00000-00-RE - Other income							593,432	X
		19-7999-00-00-00000-00-RE - Other income							(573,091)	X
SAD14		To correct earnings to match schedule								
		01-7890-10-29-00199-00-RE - Realized Gain On Equities							4,249	
		01-1110-00-00-00000-00-AS - Investment Hawaiia	(4,249)							
SAD15		To record adjustment on leases								mi

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A – Management Representations Letter, continued

Appendix B – Schedule of Corrected Misstatements, continued

Government Wide, continued

Communication schedule for corrected misstatements

Entity: FSM National Government-govt wide **Period ended:** 30-Sep-2024 **Currency:** USD

Corrected misstatements			Analysis of misstatements Debit/(Credit)								
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period		
		(misstatements are recorded as journal entries with a description)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable	
		94-2999-00-00-00000-00-AS - Right of Use Asset		2,050,561							
		EY001 - EX - Interest- lease							57,420	X	
		EY002 - EX - Amortization expense- lease							488,971	X	
		94-3720-00-00-00000-00-LI - Leases Payable			1,081,241						
		EY003 - AS - Accumulated amortization		(1,053,663)							
		EY004 - LI - Lease liability - non current				(2,181,990)					
		EY005 - EX - Leased Housing & Offices							(442,539)	X	
SAD16		To record FSM Trust Fund earnings									
		01-8910-10-29-00199-00-EX - Transfer Out							37,945,843	X	
		89-7910-10-27-89100-00-RE - Operating Transfers In							(37,945,843)	X	
		01-1999-00-00-00000-99-AS - Due To/ From	(37,945,843)								
		89-1999-00-00-00000-99-AS - Due To/ From	37,945,843								
		99-1999-00-00-00000-01-AS - Due To/ From	37,945,843								
		99-1999-00-00-00000-89-AS - Due To/ From	(37,945,843)								
SAD17		To reclass ROA ans Acc. Amort to Capital Asset Fund									mi
		94-2999-00-00-00000-00-AS - Right of Use Asset		(2,050,561)							
		EY003 - AS - Accumulated amortization		1,053,663							
		94-2326-00-00-00000-00-AS - Amt For Retirement Ltd		996,898							
		95-2999-00-00-00000-00-AS - Right of Use Asset		2,050,561							
		95-2859-00-00-00000-00-AS - Accumulated amortization		(1,053,663)							
		95-2859-00-00-00000-00-AS - Accumulated amortization		100,659							
		95-7999-00-00-00000-00-RE - Other incom (Capital additions)							(1,097,557)		
SAD18		To adjust allowance doubtful accounts for recovery on MLFC loan									
		91-1811-00-00-00000-00-AS - Allow for D/A Gener	1,184,056								
		91-7999-10-92-90000-00-RE - Recovery of bad debt							(1,184,056)	X	
SAD 1		Reversal of JV240825									mi
		10-3112-00-00-00000-00-LI - A/P Other not on Subledger			(743,777)						
		10-3635-00-00-00000-00-LI - Fed D/D Payable Yap			(2,104,936)						
		10-3634-00-00-00000-00-LI - Fed D/D Payable PNI			(3,975,089)						
		10-3633-00-00-00000-00-LI - Sector DD Payable KOS			(756,316)						
		10-3632-00-00-00000-00-LI - Sector DD Payable CHK			(1,165,919)						
		11-3112-00-00-00000-00-LI - A/P Other not on Subledger			(347,497)						
		11-3112-00-00-00000-00-LI - A/P Other not on Subledger			39,518						

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Appendix B – Schedule of Corrected Misstatements, continued

Government Wide, continued

Communication schedule for corrected misstatements

Entity: FSM National Government-govt wide **Period ended:** 30-Sep-2024 **Currency:** USD

Corrected misstatements			Analysis of misstatements Debit/(Credit)							
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period	
		(misstatements are recorded as journal entries with a description)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable
		11-3635-00-00-00000-00-LI - Fed D/D Payable Yap			4,074,323					
		11-3634-00-00-00000-00-LI - Fed D/D Payable PNI			796,341					
		11-3633-00-00-00000-00-LI - Sector DD Payable KOS			(5,402,987)					
		12-3112-00-00-00000-00-LI - A/P Other not on Subledger			(327,753)					
		12-3635-00-00-00000-00-LI - Fed D/D Payable Yap			(14,061)					
		12-3634-00-00-00000-00-LI - Fed D/D Payable PNI			41,488					
		12-3633-00-00-00000-00-LI - Sector DD Payable KOS			133,837					
		12-3632-00-00-00000-00-LI - Sector DD Payable CHK			(202,905)					
		13-3112-00-00-00000-00-LI - A/P Other not on Subledger			(497,306)					
		13-3635-00-00-00000-00-LI - Fed D/D Payable Yap			(302,033)					
		13-3633-00-00-00000-00-LI - Sector DD Payable KOS			(252,405)					
		13-3632-00-00-00000-00-LI - Sector DD Payable CHK			(79,616)					
		14-3112-00-00-00000-00-LI - A/P Other not on Subledger			(2,322,531)					
		14-3635-00-00-00000-00-LI - Fed D/D Payable Yap			(114,686)					
		14-3634-00-00-00000-00-LI - Fed D/D Payable PNI			125,965					
		14-3633-00-00-00000-00-LI - Sector DD Payable KOS			516,443					
		14-3632-00-00-00000-00-LI - Sector DD Payable CHK			687,424					
		15-3112-00-00-00000-00-LI - A/P Other not on Subledger			(369,040)					
		15-3635-00-00-00000-00-LI - Fed D/D Payable Yap			(2,221,200)					
		15-3634-00-00-00000-00-LI - Fed D/D Payable PNI			(185,958)					
		15-3633-00-00-00000-00-LI - Sector DD Payable KOS			722,804					
		15-3632-00-00-00000-00-LI - Sector DD Payable CHK			1,096,347					
		16-3112-00-00-00000-00-LI - A/P Other not on Subledger			(48,146)					
		16-3635-00-00-00000-00-LI - Fed D/D Payable Yap			(312,841)					
		16-3634-00-00-00000-00-LI - Fed D/D Payable PNI			318,970					
		16-3633-00-00-00000-00-LI - Sector DD Payable KOS			53,171					
		16-3632-00-00-00000-00-LI - Sector DD Payable CHK			582,277					
		19-3112-00-00-00000-00-LI - A/P Other not on Subledger			1,242,557					
		19-3635-00-00-00000-00-LI - Fed D/D Payable Yap			(1,685,415)					
		19-3634-00-00-00000-00-LI - Fed D/D Payable PNI			(344,683)					
		19-3633-00-00-00000-00-LI - Sector DD Payable KOS			25,420					
		19-3638-00-00-00000-00-LI - Due to Compact Trust Fund			0					
		19-3637-00-00-00000-00-LI - Sector DD Payable COM			189,030					
		10-7999-00-00-00000-00-RE - Other miscellaneous							8,746,037	X
		11-7999-00-00-00000-00-RE - Other miscellaneous							840,301	X
		12-7999-00-00-00000-00-RE - Other miscellaneous							369,395	X
		13-7999-00-00-00000-00-RE - Other miscellaneous							1,131,360	X
		14-7999-00-00-00000-00-RE - Other miscellaneous							1,107,386	X

Form 430GL (3 August 2022)

Appendix B – Schedule of Corrected Misstatements, continued

Government Wide, continued

Communication schedule for corrected misstatements

Entity: FSM National Government-govt wide **Period ended:** 30-Sep-2024 **Currency:** USD

Corrected misstatements			Analysis of misstatements Debit/(Credit)							
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period	
		(misstatements are recorded as journal entries with a description)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable
		15-7999-00-00-00000-00-RE - Other miscellaneous							957,047	X
		16-7999-00-00-00000-00-RE - Other miscellaneous							(593,432)	X
		19-7999-00-00-00000-00-RE - Other miscellaneous							573,091	X
SAD20		To correct receivables								
		01-7999-00-00-00000-00-RE - Other miscellaneous							1,176,268	X
		01-1813-00-00-00000-00-AS - A/R Corporate Tax	(1,176,268)							
		01-2211-00-00-00000-00-AS - Allow D/A Travel Ad	3,590,507							
		01-7999-00-00-00000-00-RE - Other miscellaneous							(3,590,507)	X
		01-1811-00-00-00000-00-AS - Allow for D/A Gener	733,684							
		01-7999-00-00-00000-00-RE - Other miscellaneous							(733,684)	X
SAD21	E1 SW	True-up on allowance for doubtful debts on general receivables and advances								
		01-8812-10-21-00199-00-EX - Bad Debt Exp							635,917	X
		01-1811-00-00-00000-00-AS - Allow for D/A Gener	(84,349)							
		01-2211-00-00-00000-00-AS - Allow D/A Travel Ad	(551,568)							
SAD22	G WP	To adjust allowance on advances to supplier								
		01-8812-10-21-00199-00-EX - Bad Debt Exp							1,130,115	X
		01-2251-00-00-00000-00-AS - Allownace Advance	(1,130,115)							
SAD23	N1 SW	FY24 liability not recorded								
		01-8270-98-98-09817-24-EX - Contributions, Subsidies & Gra							500,000	X
		01-3110-00-00-00000-00-LI - Accounts Payable			(500,000)					
Total of corrected misstatements before income tax			9,265,033	28,700,956	579,869	(4,212,894)	(42,020,684)	0	7,687,720	
Financial statement amounts			672,394,291	241,583,127	(49,820,372)	(33,507,940)	(830,649,106)		(68,941,988)	
Effect of corrected misstatements on F/S amounts			1.4%	11.9%	-1.2%	12.6%	5.1%		-11.2%	

[For US PCAOB audits we are required to communicate all misstatements that are accumulated on our SAD.]

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Appendix C – Subsequent Events

FSM National Government
September 30, 2024 Audit
Subsequent Events Questionnaire

Coverage: **For the period from October 1, 2024 to audit report date**

Question	Response Yes, No or Not applicable.	If yes, please provide additional information.
1 Have there been any business combinations, acquisitions of significant assets, segment disposals, disposals of significant assets or extraordinary, unusual or infrequently occurring transactions, except as disclosed in the financial statements? Have any other significant unusual transactions been entered into?	No	
2 Have any significant contingent liabilities or commitments arisen, except as disclosed in the audited financial statements?	No	
3 Have any significant changes occurred in trends in sales/revenues or costs that could affect accounting estimates (e.g., valuation of receivables or inventories, realization of deferred charges, provisions for warranties or employee benefits or unearned income)?	No	
4 Have any significant changes occurred, or are pending, in the capital accounts, long term debt, including debt covenants and compliance with them, or working capital, except as disclosed in the financial statements?	No	
5 Have any significant changes occurred in the status of items, including contingent liabilities and commitments that were accounted for on the basis of tentative, preliminary or inconclusive data?	No	
6 Have any significant unusual or non-recurring adjustments been recorded (or are necessary)?	NO	
7 Have any communications, written or oral, occurred with regulatory agencies with which the entity files financial statements?	NO	
8 Have there been any changes in the entity's related parties?	NO	
9 Have any other events occurred, other than those disclosed in response to the previous questions or those reflected or disclosed in the financial statements that could have a material effect on the audited financial statements? This includes subsequent events of material investees accounted for by the equity method.	No	
10 Any significant new contracts or agreements (including amendments) and written communications with the SEC or other regulatory agencies (if applicable) with which the entity files financial statements, that could have an effect on the audited financial statements?	No	
11 Minutes, if any, of the meetings of owners, management and those charged with governance that have been held subsequent to the balance sheet date to determine whether any subsequent events have occurred that may affect the financial statements	NO	
12 Matters discussed at meetings held subsequent to the balance sheet date, for which minutes are not yet available	No	
13 Cash receipts records for significant or large amounts (e.g., proceeds of loans, significant sales of productive assets or other unusual items).	No	
14 Cash disbursements records for unusual payments and payments of liabilities not recorded as of the balance sheet date.	No	
15 Collections on accounts receivable and credit memoranda issued for sales returns and allowances, and determine whether there is significant time lag in issuing credits.	No	
16 General journal entries for entries that would have a material effect on the financial statements as of the balance sheet date.	No	
17 Knowledge of any fraud or suspected fraud affecting the entity involving (1) management, (2) employees who have significant roles in internal control or (3) others, when the fraud could have a material effect on the financial statements.	No	
18 Knowledge of allegations of financial improprieties, including fraud or suspected fraud (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), when such allegations could result in a misstatement of the financial statements or otherwise affect the financial reporting of the entity.	No	

Rose Nakanaga
Secretary, Department of Finance & Administration
FSM Department of Finance and Administration

July 31, 2026
Date

Melynda Irons
Acting Assistant Secretary of National Treasury Division
FSM Department of Finance and Administration

July 31, 2026
Date

Peni Tikoisireli
Financial Advisor to the Secretary
FSM Department of Finance and Administration

July 31, 2026
Date

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