

June 30, 2014

The Board of Directors
Federated States of Micronesia Petroleum Corporation

Dear Members of the Board of Directors:

We have performed an audit of the financial statements of the Federated States of Micronesia Petroleum Corporation (the Company), a component unit of the FSM National Government, as of December 31, 2013, in accordance with auditing standards generally accepted in the United States of America (“generally accepted auditing standards”) and have issued our report thereon dated and have issued our report thereon dated June 30, 2014.

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

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

Our responsibility under generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, have been described in our engagement letter dated September 11, 2013. As described in that letter, the objective of a financial statement audit conducted in accordance with the aforementioned standards is:

- To express an opinion on the fairness of the presentation in the Company’s basic financial statements and to disclaim an opinion on the required supplementary information for the year ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”), in all material respects; and
- To report on the Company’s internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended December 31, 2013 based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether caused by fraud or error. In making those risk assessments, we considered internal control over financial reporting relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control over financial reporting. Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are ordinarily based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in the Company's 2013 financial statements include management's estimate of the allowance for doubtful accounts, which is determined based upon past collection experience and aging of the accounts, management's estimate of inventory obsolescence, which is based on management's evaluation of the inventory's realizable value, and management's estimate of depreciation expense, which is based on estimated useful lives of the respective capital assets. During the year ended December 31, 2013, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

MATERIAL CORRECTED MISSTATEMENTS

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

UNCORRECTED MISSTATEMENTS

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. We have attached to this letter, as Appendices B and C to Attachment I, summaries of uncorrected misstatements and disclosures aggregated by us during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are set forth in Note 2 to the Company's 2013 financial statements. During the year ended December 31, 2013, there were no significant changes in previously adopted accounting policies or their application, except for the following pronouncements adopted by the Company:

- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, which improved financial reporting for governmental entities by amending the requirements of Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively. The implementation of this statement did not have a material effect on the accompanying financial statements.

- GASB Statement No. 66, *Technical Corrections - 2012*, which enhanced the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The provisions of this statement are effective for periods beginning after December 15, 2012. The implementation of this statement did not have a material effect on the accompanying financial statements.

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans*, which revises existing guidance for the financial reports of most pension plans, and Statement No. 68, *Accounting and Financial Reporting for Pensions*, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The provisions in Statement 67 are effective for financial statements for periods beginning after June 15, 2013. The provisions in Statement 68 are effective for fiscal years beginning after June 15, 2014. Management has not yet determined the effect of implementation of these statements on the financial statements of the Company.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, which improves accounting and financial reporting for state and local governments' combinations and disposals of government operations. Government combinations include mergers, acquisitions, and transfers of operations. A disposal of government operations can occur through a transfer to another government or a sale. The provisions in Statement 69 are effective for fiscal years beginning after December 15, 2013. Management has not yet determined the effect of implementation of this statement on the financial statements of the Company.

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. The provisions in Statement 70 are effective for fiscal years beginning after June 15, 2013. Management has not yet determined the effect of implementation of this statement on the financial statements of the Company.

OTHER INFORMATION IN THE ANNUAL REPORTS TO SHAREHOLDERS

When audited financial statements are included in documents containing other information, such as Annual Reports, we will read such other information and consider whether it, or the manner of its presentation, is materially inconsistent with the information, or the manner of its presentation, in the financial statements audited by us. In the event that the Company issues an Annual Report or other documentation that includes the audited financial statements, we will be required to read the other information in the Company's 2013 Annual Report and will inquire as to the methods of measurement and presentation of such information. If we note a material inconsistency or if we obtain any knowledge of a material misstatement of fact in the other information, we will discuss this matter with management and, if appropriate, with the Board.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to the Company's 2013 financial statements.

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

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2013.

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

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

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

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

SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

MANAGEMENT'S REPRESENTATIONS

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

CONTROL-RELATED MATTERS

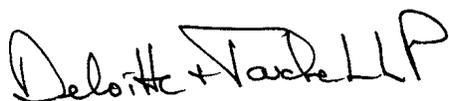
We have issued a separate report to you, also dated June 30, 2014, on the Company's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, which was based on the audit performed in accordance with *Government Auditing Standards*.

We have also communicated to management, in a separate letter also dated June 30, 2014, certain control deficiencies and other matters that we identified during our audit.

* * * * *

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

Very truly yours,



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William Hawley
Chairman
 Private Sector Representative

File Ref. PC/F/2/2014

Faustino Yagmog
Vice Chairman
 Yap State Representative

June 30, 2014

Resty Shotaro
Secretary
 Chuuk State Representative

Deloitte & Touche
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Member
 Pohnpei State Representative

Redley Killion
Member
 Private Sector Representative

Peter Garamfel
Member
 Private Sector Representative

Witson Phillip
Member
 Kosrae State Representative

We are providing this letter in connection with your audits of the statements of net position of the Federated States of Micronesia (FSM) Petroleum Corporation (the Company) and its discretely presented component unit, together a component unit of the FSM National Government, as of December 31, 2013 and 2012, and the related statements of revenues, expenses and changes in net position and of cash flows for the years then ended for the purpose of expressing an opinion as to whether the basic financial statements present fairly, in all material respects, the financial position and results of operations of the Company in conformity with accounting principles generally accepted in the United States of America (GAAP).

We confirm that we are responsible for the following:

- a. The fair presentation in the basic financial statements of the financial position of the Company in conformity with GAAP.
- b. The fair presentation of the required supplementary information, including Management's Discussion and Analysis, accompanying the basic financial statements that are required by the Governmental Accounting Standards Board.
- c. The design, implementation, and maintenance of programs and controls to prevent and detect fraud.
- d. Establishing and maintaining effective internal control over financial reporting.
- e. The review and approval of the financial statements and related notes and acknowledge your role in the preparation of this information. Specifically, we acknowledge that your role in the preparation of the financial statements was a matter of convenience rather than one of necessity. We have reviewed the financial statement preparation assistance provided by you and acknowledge that the financial statements are prepared in accordance with GAAP. Our review was based on the use of the financial statement disclosure checklist for stand-alone business-type activities obtained from the Government Finance Officers Association. Additionally, we agree with the recorded adjustments included in Appendix A.

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

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

1. The basic financial statements referred to above are fairly presented in conformity with GAAP. In addition:
 - a. Net position components (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
 - b. Deposits and investment securities are properly classified in category of custodial credit risk.
 - c. Interfund, internal, and intra-Entity activity and balances have been appropriately classified and reported.
 - d. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
 - e. Required supplementary information is measured and presented within prescribed guidelines.
 - f. Applicable laws and regulations are followed in adopting, approving and amending budgets.
 - g. 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.
2. The Company has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.
3. The Company has made available to you all:
 - a. Minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared. Board meetings were held on the following dates:

February 4-8, 2013	July 24-28, 2013
March 29, 2013	November 22-30, 2013
May 11, 2013	
 - b. Financial records and related data for all financial transactions of the Company and for all funds administered by the Company. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by the Company and provide the audit trail to be used in a review of accountability. Information presented in financial reports is supported by the books and records from which the financial statements have been prepared.
 - c. Contracts and grant agreements (including amendments, if any).
4. There has been no:
 - a. Action taken by the Company management that contravenes the provisions of FSM laws and regulations.
 - b. Communication from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the financial statements.
5. We believe the effects of any uncorrected financial statement misstatements aggregated by you during the current audit engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix B.

ATTACHMENT I, CONTINUED

6. We have completed our procedures to evaluate the accuracy and completeness of the disclosures in our financial statements. As a result of the evaluation process, we identified certain disclosures that, although required by GAAP, have been omitted from our financial statements. Those omitted disclosures that are regarded as more than clearly trivial are attached as Appendix C. We believe the effects of the omitted disclosures are quantitatively and qualitatively immaterial, both individually and in the aggregate, to the financial statements as a whole.
7. The Company has not performed a formal risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud. However, management has made available to you their understanding about the risks of fraud in the Company and do not believe that the financial statements are materially misstated as a result of fraud.
8. We have no knowledge of any fraud or suspected fraud affecting the Company involving:
 - a. Management.
 - b. Employees who have significant roles in internal control over financial reporting.
 - c. Others, if the fraud could have a material effect on the financial statements.
9. We have no knowledge of any allegations of fraud or suspected fraud affecting the Company received in communications from employees, former employees, or others.
10. There are no unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards ("GASB Codification") Section C50, *Claims and Judgments*.
11. Significant assumptions used by us in making accounting estimates are reasonable.
12. We are responsible for compliance with FSM laws, rules and regulations, and provisions of grants and contracts relating to the Company's operations. We are responsible for establishing and maintaining the components of internal control relating to our activities in order to achieve the objectives of providing reliable financial reports, effective and efficient operations, and compliance with laws and regulations. The Company is responsible for maintaining accounting and administrative control over revenues, obligations, expenditures, assets, and liabilities.
13. We are responsible for follow-up on all prior-year findings. We have prepared a summary schedule of prior-year findings reporting the status of our efforts in implementation of the prior-year's corrective action plan.
14. We have included in the corrective action plan for current-year findings, the name of the person in our organization responsible for implementation of the actions, the best actions to be taken, and the estimate of a completion date. We have taken timely and appropriate steps to remedy fraud, illegal acts, violation of provisions of contracts or grant agreements, or abuse that you report.
15. Management has identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.

Except where otherwise stated below, matters less than \$150,000, collectively, are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the financial statements.

16. Except as listed in Appendix B, there are no transactions that have not been properly recorded in the accounting records underlying the financial statements.
17. The Company has no plans or intentions that may affect the carrying value or classification of assets and liabilities.
18. The following, to the extent applicable, have been appropriately identified, properly recorded, and disclosed in the financial statements:

ATTACHMENT I, CONTINUED

- a. Related-party transactions and associated amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral).
 - b. Guarantees, whether written or oral, under which the Company is contingently liable.
 - c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line-of-credit, or similar arrangements.
19. In preparing the financial statements in conformity with GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:
- a. It is at least reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events.
 - b. The effect of the change would be material to the financial statements.
20. Risks associated with concentrations, based on information known to management, that meet all of the following criteria have been disclosed in the financial statements:
- a. The concentration exists at the date of the financial statements.
 - b. The concentration makes the Company vulnerable to the risk of a near-term severe impact.
 - c. It is at least reasonably possible that the events that could cause the severe impact will occur in the near term.
21. There are no:
- a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Codification Section C50, *Claims and Judgments*, except as disclosed in Note 4 to the financial statements.
22. The Company has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.
23. The Company has complied with all aspects of contractual agreements that may have an effect on the financial statements in the event of noncompliance.
24. The Company believes that it is not subject to 21 percent income tax assessed by the government of FSM on major corporations and are in the process of obtaining legal opinion.
25. No department or agency of the Company has reported a material instance of noncompliance to us.
26. No events have occurred after December 31, 2013 but before June 30, 2014, the date the financial statements were available to be issued that require consideration as adjustments to or disclosures in the Company's financial statements.
27. Regarding required supplementary information:
- a. We confirm that we are responsible for the required supplementary information.
 - b. The required supplementary information is measured and presented in accordance with GASB Codification of Government Accounting and Financial Reporting Standards Section 2200, *Comprehensive Annual Financial Report*.

- c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.
28. Receivables recorded in the financial statements represent valid claims or other charges arising on or before the date of the statements of net assets and have been appropriately reduced to their estimated net realizable value.
29. Provision has been made to reduce excess or obsolete inventories to their estimated net realizable value. All inventories are the property of the Company and do not include any items consigned to it or any items billed to customers.
30. At December 31, 2013 and 2012, construction in-progress of \$4,985,403 and \$5,320,502, respectively, represent capitalizable costs incurred on ongoing projects.
31. The Company purchases commercial insurance to cover its potential risks from refueling operations, inventory and facilities. It also maintains workmen's compensation coverage. It is substantially self-insured for all other risks. Management is of the opinion that no material losses have been sustained as a result of this practice.
32. During fiscal year 2013, the Company implemented the following pronouncements:
- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which addressed how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into.
 - GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, which improved financial reporting for governmental entities by amending the requirements of Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively.
 - GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which enhanced the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements issued on or before November 30, 1989, which does not conflict or contradict GASB pronouncements. GASB Statement no. 62 superseded GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*.
 - GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which established guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. These Statements amend the net asset reporting requirements in Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. With the implementation of GASB Statement No. 63 and Statement No. 65, the Statement of Net Assets was renamed the Statement of Net Position. In addition, the Statement of Net Position includes two new classifications separate from assets and liabilities. Amounts reported as deferred outflows of resources are reported in a separate section following assets. Likewise, amounts reported as deferred inflows of resources are reported in a separate section following liabilities.

The implementation of the above statements did not have a material effect on the financial statements of the Company

33. In April 2012, GASB issued Statement No. 66, *Technical Corrections - 2012*, which enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The provisions of this statement are effective for periods beginning after December 15, 2012. Management has not yet determined the effect of implementation of this statement on the financial statements of the Company.
34. In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans*, which revises existing guidance for the financial reports of most pension plans, and Statement No. 68, *Accounting and Financial Reporting for Pensions*, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The provisions in Statement 67 are effective for financial statements for periods beginning after June 15, 2013. The provisions in Statement 68 are effective for fiscal years beginning after June 15, 2014. Management has not yet determined the effect of implementation of these statements on the financial statements of the Company.
35. In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, which improves accounting and financial reporting for state and local governments' combinations and disposals of government operations. Government combinations include mergers, acquisitions, and transfers of operations. A disposal of government operations can occur through a transfer to another government or a sale. The provisions in Statement 69 are effective for fiscal years beginning after December 15, 2013. Management has not yet determined the effect of implementation of this statement on the financial statements of the Company.
36. In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. The provisions in Statement 70 are effective for fiscal years beginning after June 15, 2013. Management has not yet determined the effect of implementation of this statement on the financial statements of the Company.

Very truly yours,



Jared Morris
Chief Executive Officer

**APPENDIX A
SUMMARY OF AUDIT ADJUSTMENTS
DECEMBER 31, 2013 AUDIT**

#	Name	Debit	Credit
	1 AJE To correct beg. net position.		
5550-00-00	RETAINED EARNINGS	305,785.00	-
1500-00-00	INVESMNT - GUAM-CORP--	-	305,785.00
		305,785.00	305,785.00
	To reconcile beg. net position to audited balance in 2012.		
	2 AJE To take up unrecorded liabilities.		
4000-00-00	ACCOUNTS PAYABLE	-	97,616.00
1900-10-00	CIP - PNI	97,616.00	-
		97,616.00	97,616.00
	To take up unrecorded liabilities at 12/31/13.		
	3 AJE To take up unrecorded liabilities.		
7420-30-00	R & M COMPUTER HARDWARE - KOS	481.60	-
4000-00-00	ACCOUNTS PAYABLE	-	52,000.00
7420-10-00	R & M COMPUTER HARDWARE - PNI	1,726.22	-
7420-00-00	R & M COMPUTER HARDWARE - CORP	17,524.92	-
7420-20-00	R & M COMPUTER HARDWARE - CHK	844.54	-
7420-40-00	R & M COMPUTER HARDWARE - YAP	319.28	-
1900-00-00	CIP - CORP	27,172.79	-
1125-00-00	Due From Guam Energy In FMP	173.10	-
7420-10-01	R & M COMPUTERS-PNI-Power Gen	3,757.55	-
		52,000.00	52,000.00
	To record unrecorded liability at 12/31/2013.		
	4 AJE To adjust CIP.		
2020-10-00	TANKS-PNI	97,244.56	-
2025-10-00	STATIONARY BULK DIESEL-PNI	2,075,389.34	-
2045-40-00	GEN SUPPORT PRO-YAP	1,343,661.54	-
2050-00-00	COMPUTER HARDWARE/SOFTWARE-CORP	22,627.50	-
2005-00-00	LAND & BUILDING-CORP	147,504.00	-
1900-10-00	CIP - PNI	-	2,132,633.90
1900-40-00	CIP - YAP	-	1,343,661.54
1900-00-00	CIP - CORP	-	210,131.50
		3,686,426.94	3,686,426.94
	To move completed CIP to respective fixed asset accounts at 12/31/2013.		

**APPENDIX A
SUMMARY OF AUDIT ADJUSTMENTS
DECEMBER 31, 2013 AUDIT**

#	Name	Debit	Credit
5 AJE To capitalize interest expense.			
7130-10-00	INTEREST & FINANCE CHARGE-PNI	-	66,888.00
7130-40-00	INTEREST & FINANCE CHARGE-YAP	-	18,493.00
7130-20-00	INTEREST & FINANCE CHARGE-CHK	-	75.00
7130-30-00	INTEREST & FINANCE CHARGE-KOS	-	9,392.00
1900-10-00	CIP - PNI	66,888.00	-
1900-40-00	CIP - YAP	18,493.00	-
1900-30-00	CIP - KOS	9,392.00	-
1900-20-00	CIP - CHK	75.00	-
		<u>94,848.00</u>	<u>94,848.00</u>
	To capitalized interest expense on loan to CIP.		
6 AJE To correct inventory balance (Yap).			
6500-40-00	COGS ADO - YAP	51,641.00	-
6650-40-00	COGS DPK - YAP	-	626.00
1300-40-00	INVENTORY ULP - YAP	-	546.00
1310-40-00	INVENTORY ADO - YAP	-	51,641.00
1330-40-00	INVENTORY DPK - YAP	626.00	-
6550-40-00	COGS ULP - YAP	546.00	-
		<u>52,813.00</u>	<u>52,813.00</u>
	To correct Yap terminal inventory balance at 12/31/2013.		
7 AJE To correct PNI inventory balance.			
6500-10-00	COGS ADO - PNI	-	153,834.00
1310-10-00	INVENTORY ADO - PNI	153,834.00	-
		<u>153,834.00</u>	<u>153,834.00</u>
	To add back sales from 1/1-5/2014 not taken up by the entity for PNI ADO (closing dipping 1/6/2014).		

**APPENDIX C
SUMMARY OF UNCORRECTED DISCLOSURE MISSTATEMENTS**

Disclosure Number	Disclosure Title	Description of Disclosure Misstatement	Authoritative Literature Guidance	Amount of Disclosure Misstatement (if applicable)
1	Related Party Transactions	Rental agreement of Shina Lawrence, wife of Matthias Lawrence, with Elizabeth Llavore, for her apartment. FSMPC pays for the rental consideration as employee benefit.	If the enterprise has engaged in material related party transactions, the notes should disclose terms of the transactions and the balance of related party receivable not visible on the face of the basic financial statements.	\$ 7,200
2	Related Party Transactions	Purchase of LPG from a director' personal business		\$ 22,249