

**MARSHALL ISLANDS POSTAL
SERVICE AUTHORITY**

**(A COMPONENT UNIT OF THE REPUBLIC
OF THE MARSHALL ISLANDS)**

**FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION AND
INDEPENDENT AUDITORS' REPORT**

YEARS ENDED SEPTEMBER 30, 2020 AND 2019

MARSHALL ISLANDS POSTAL SERVICE AUTHORITY
(A COMPONENT UNIT OF THE REPUBLIC OF THE MARSHALL ISLANDS)

Years Ended September 30, 2020 and 2019
Table of Contents

	<u>Page No.</u>
I. Independent Auditors' Report	1
II. Management's Discussion and Analysis	3
III. Financial Statements:	
Statements of Net Position	8
Statements of Revenues, Expenses and Changes in Net Position	9
Statements of Cash Flows	10
Notes to Financial Statements	11
IV. Other Supplementary Information:	
Combining Schedule of Operating Income (Loss) by Station	21
V. Independent Auditors' Report on Compliance with Laws and Regulations:	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	22
Unresolved Prior Year Findings	24

INDEPENDENT AUDITORS' REPORT

Board of Directors
Marshall Islands Postal Service Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the Marshall Islands Postal Service Authority (the Authority), a component unit of the Republic of the Marshall Islands, which comprise the statements of net position as of September 30, 2020 and 2019, and the related statements of revenues, expenses and changes in net position and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

COVID-19

As discussed in Note 9 to the financial statements, the Authority has determined that the COVID-19 pandemic may negatively impact its business, results of operations and net position and the Authority is unable to reasonably estimate its ultimate financial impact. The Authority may become dependent upon the financial support of RepMar as a result of the pandemic; however, the effect on RepMar of the pandemic is also uncertain, which may impact the ability to provide financial support to the Authority. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

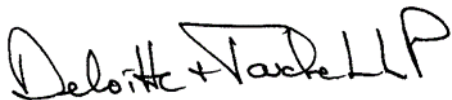
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 7 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Other Supplementary Information listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2021, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



October 6, 2021

MARSHALL ISLANDS POSTAL SERVICE AUTHORITY

Management's Discussion and Analysis Years Ended September 30, 2020 and 2019

As management of the Marshall Islands Postal Service Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ending September 30, 2020. We encourage the readers to consider the information presented here in conjunction with additional information that we have furnished in the Authority's financial statements, which follow this narrative.

The Authority was created by the Postal Service Act of 1983 for the purpose of establishing an effective and efficient postal service for the Republic. The operation of the Authority was accounted for as a separate fund within the Government of the Republic of the Marshall Islands (RepMar) Ministry of Finance, Banking and Postal Services. Effective October 1, 2008, the Authority established a separate bank account outside of RepMar's Treasury for the purpose of receiving and disbursing funds in accordance with the Postal Service Fund (Amendment) Act of 2007. Accordingly, the accompanying Management's Discussion and Analysis only pertains to the operations of the Authority once the operation were separated from RepMar's Ministry of Finance, Banking and Postal Services.

FINANCIAL HIGHLIGHTS

The assets of the Authority exceeded its liabilities at the close of business for the year by \$957,088 (net position) increasing by \$146,020 from \$811,068 in the prior year.

As of the close of business on September 30, 2020, the Authority earned \$714,963 in gross revenues. Most of this was derived from revenues generated from stamp sales and postal box rentals, which account for 80% and 14% (or 94%) of the total revenue earned during the year. On the other hand, the Authority incurred various expenses, which are directly and indirectly related to the provision of domestic and international mail services, and which totaled \$790,574. These expenses were funded, in part, by the operating revenues generated by the Authority with the remainder funded by an operating subsidy received from RepMar.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's financial statements are comprised of four components: 1) Statements of Net Position, 2) Statements of Revenues, Expenses and Changes in Net Position, 3) Statements of Cash Flows, and 4) Notes to the Financial Statements.

The Authority, like other government agencies, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The Authority is comprised of a single proprietary fund. A proprietary fund operates by charging its customer a fee for the service provided (operating revenue), like a typical business enterprise. A proprietary fund may also receive revenue from government agencies as grants or support (non-operating revenue). These financial statements are designed to provide readers with a broad overview of the Authority's finances, in a matter similar to a private-sector business.

The Statements of Net Position present information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The Statements of Net Position can be found on page 8.

The Statements of Revenues, Expenses, and Changes in Net Position present information showing how the Authority's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. accounts receivable and accounts payable). The Statements of Revenues, Expenses, and Changes in Net Position can be found on page 9.

MARSHALL ISLANDS POSTAL SERVICE AUTHORITY

Management's Discussion and Analysis Years Ended September 30, 2020 and 2019

The Statements of Cash Flows present information showing how the Authority's cash increased or decreased during the year. Cash is received and used in three ways: operating activities, capital and non-capital financing activities, and investing activities. The Statements of Cash Flows can be found on page 10.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 11 to 20.

The Authority has also presented as additional information to the basic financial statements, on page 21, a Combining Schedule of Operating Income (Loss) by Station for the year ended September 30, 2020.

Financial Analysis

Net Position

Net position may serve over time as a useful indicator of a governmental entity's financial position. The Summary Statements of Net Position below was prepared to give insight on the Authority's resources, liabilities, and net position. At the close of business on September 30, 2020, the Authority's assets exceeded its liabilities by \$957,088, which is comprised of unrestricted net position of \$888,371 and net investment in capital assets of \$68,717. Accordingly, this means that there are unrestricted assets available to be used to finance the day-to-day operations of the Authority.

A summary of the Authority's Statements of Net Position for 2020 with comparative presentation for 2019 and 2018 is presented below:

Summary Statements of Net Position As of September 30

	<u>2020</u>	<u>2019</u>	<u>\$ Change</u> <u>2020-2019</u>	<u>% Change</u> <u>2020-2019</u>	<u>2018</u>
Assets:					
Current and other assets	\$ 1,013,032	\$ 817,495	\$ 195,537	23.9%	\$ 771,627
Capital assets	<u>68,717</u>	<u>92,713</u>	<u>(23,996)</u>	<u>(25.9)%</u>	<u>87,122</u>
Total assets	<u>1,081,749</u>	<u>910,208</u>	<u>171,541</u>	<u>18.8%</u>	<u>858,749</u>
Liabilities:					
Current and other liabilities	<u>124,661</u>	<u>99,140</u>	<u>25,521</u>	<u>25.7%</u>	<u>96,884</u>
Net position:					
Net investment in capital assets	68,717	92,713	(23,996)	(25.9)%	87,122
Unrestricted	<u>888,371</u>	<u>718,355</u>	<u>170,016</u>	<u>23.7%</u>	<u>674,743</u>
Total net position	<u>\$ 957,088</u>	<u>\$ 811,068</u>	<u>\$ 146,020</u>	<u>18.0%</u>	<u>\$ 761,865</u>

Changes in Net Position

Current year activities resulted in a positive net position of the Authority of \$146,020. The Summary Statements of Revenues, Expenses, and Changes in Net Position below was prepared to show the net position calculation for the year.

MARSHALL ISLANDS POSTAL SERVICE AUTHORITY

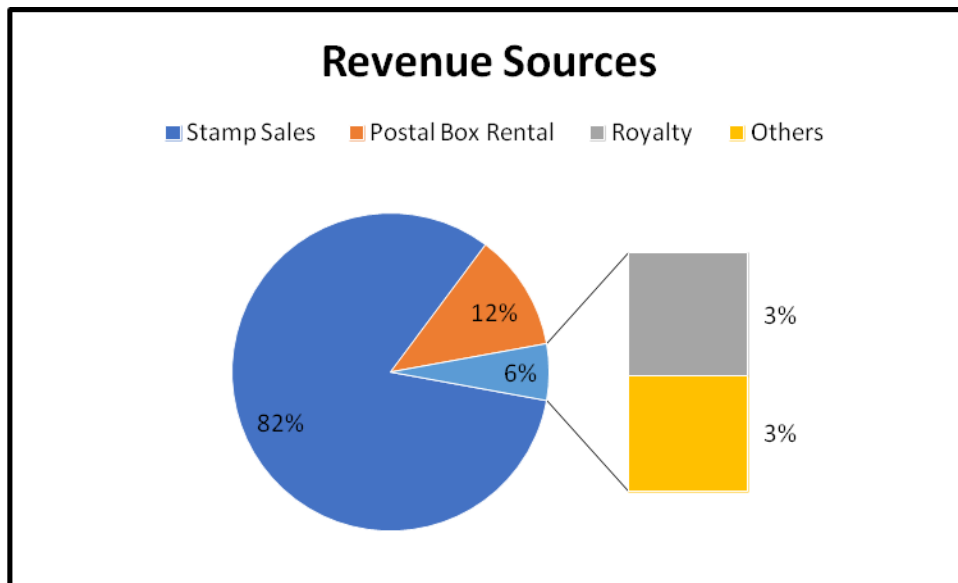
Management's Discussion and Analysis Years Ended September 30, 2020 and 2019

A summary of the Authority's Statements of Revenues, Expenses, and Changes in Net Position for 2020 with comparative presentation for 2019 and 2018 is presented below:

Summary Statements of Revenues, Expenses and Changes in Net Position Years Ended September 30

	2020	2019	\$ Change 2020-2019	% Change 2020-2019	2018
Operating:					
Operating revenues	\$ 698,514	\$ 520,174	\$ 178,340	34.3%	\$ 598,694
Operating expenses	790,574	709,051	81,523	11.5%	680,530
Operating loss	(92,060)	(188,877)	96,817	(51.3)%	(81,836)
Nonoperating:					
Nonoperating revenues	238,080	238,080	-	0.0%	177,568
Change in net position	146,020	49,203	96,817	196.8%	95,732
Net position - beginning	811,068	761,865	49,203	6.5%	666,133
Net position - ending	<u>\$ 957,088</u>	<u>\$ 811,068</u>	<u>\$ 146,020</u>	18.0%	<u>\$ 761,865</u>

The Authority's gross revenues reported at the end of the year amounted to \$714,963. Approximately 94% or \$688,403 of the Authority's revenue generated during the year comes from stamp sales and postal box rental fees, which accounts for 80% and 14%, respectively, of the total of \$714,963 earned during the year. The chart below was prepared to describe the composition of the Authority's revenue sources for 2020.



Revenue Sources

The major source of revenue of the Authority is the sale of stamps for domestic and international mail. As indicated below, stamp sales decreased by 7% from FY2018 to FY2019 and increased by 37% from FY2019 to FY2020. Compared to FY2019, the total operating revenue for FY2020 increased by \$160,155 or 29% due to more individuals utilizing the Postal Services than in the previous year. However, the Authority received funding from the National Government, classified as "non-operating revenue", amounting to \$238,080 that increased the net position to \$957,088 from \$811,068 in the previous year.

MARSHALL ISLANDS POSTAL SERVICE AUTHORITY

Management's Discussion and Analysis Years Ended September 30, 2020 and 2019

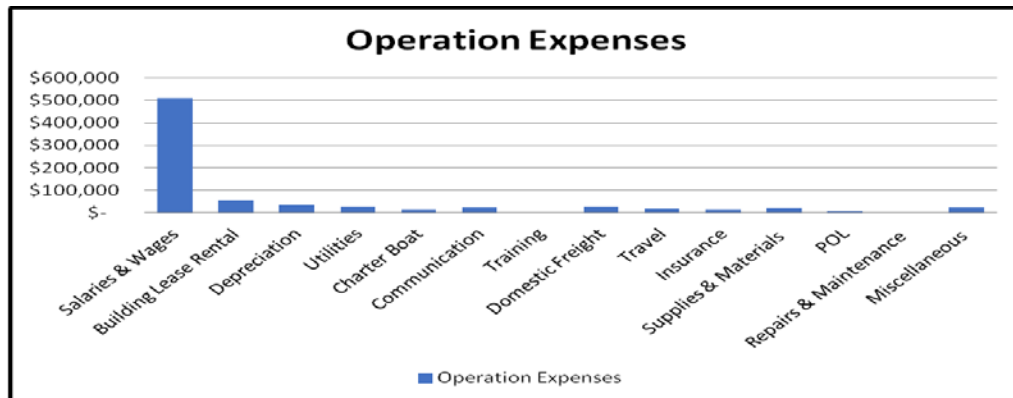
A summary of the Authority's gross revenues for 2020 with comparative presentation for 2019 and 2018 is presented below:

Summary Schedule of Gross Revenues Years Ended September 30

	2020	2019	\$ Change 2020-2019	% Change 2020-2019	2018
Revenues:					
Stamp sales	\$ 571,676	\$ 416,787	\$ 154,889	37.2%	\$ 447,662
Postal box rental	96,727	91,810	4,917	5.4%	101,490
Royalty	24,000	32,000	(8,000)	(25.0)%	41,006
Other	22,560	14,211	8,349	58.8%	15,140
	<u>\$ 714,963</u>	<u>\$ 554,808</u>	<u>\$ 160,155</u>	28.9%	<u>\$ 605,298</u>

Expense Distribution

Total costs incurred as of the close of business on September 30, 2020 were \$790,574. Of this amount, the Authority incurred \$509,798 and \$55,184, respectively, for salaries and building rental. These expense line items account for 71% of the total expense of \$790,574 incurred during the year. The graph below was prepared to describe the distribution of expenses of the Authority during the year.



Capital Assets and Debt

During the year, the Authority purchased various equipment and other fixed assets at a cost of \$12,329. A summary of the Authority's capital assets for 2020 with comparative presentation for 2019 and 2018 is presented below:

	2020	2019	\$ Change 2020-2019	% Change 2020-2019	2018
Motor vehicles	\$ 234,770	\$ 234,770	-	0.0%	\$ 210,470
Office furniture & equipment	127,274	114,945	12,329	10.7%	95,524
	362,044	349,715	12,329	3.5%	305,994
Accumulated depreciation	(293,327)	(257,002)	(36,325)	14.1%	(218,872)
	<u>\$ 68,717</u>	<u>\$ 92,713</u>	<u>\$ (23,996)</u>	(25.9)%	<u>\$ 87,122</u>

For additional information concerning capital assets, please refer to Note 4 of the accompanying financial statements. The Authority did not incur any long-term debt nor have any outstanding debt at the end of the year.

MARSHALL ISLANDS POSTAL SERVICE AUTHORITY

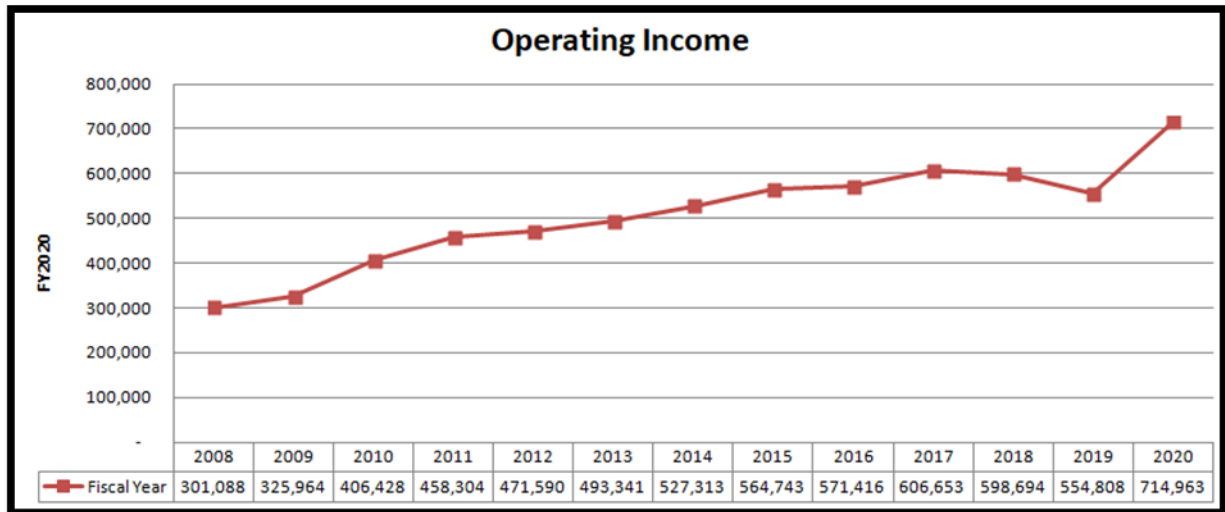
Management's Discussion and Analysis
Years Ended September 30, 2020 and 2019

ECONOMIC OUTLOOK

The Authority plays an important role to provide the excellent services to the people who are either sending or receiving their mail.

With commitment and strive for excellence, the Authority continues to improve its customer service with added new post office substations in the rural areas such as Wotje and Jaluit, amongst other initiatives.

Compared to previous years, revenue collections have increased significantly.



With the philosophy for commitment and strive for excellence, public trust, and high standard of accountability by the Board of Directors and the management, the Authority continues to contribute and assist the economic development of the Marshall Islands.

Management's Discussion and Analysis for the year ended September 30, 2019 is set forth in the Authority's report on the audit of financial statements, which is dated April 23, 2020. That Management's Discussion and Analysis explain the major factors impacting 2019 financial statements and can be obtained from the Authority's Postmaster General via the contact information below or by visiting the website of the RMI Office of the Auditor General at www.rmioag.com.

REQUEST FOR INFORMATION

The Financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Post Office's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Postmaster General, Post Office, Majuro, MH 96960.

MARSHALL ISLANDS POSTAL SERVICE AUTHORITY

Statements of Net Position
September 30, 2020 and 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Current assets:		
Cash	\$ 942,347	\$ 758,135
Receivables:		
Postal box rental	102,898	95,605
Royalties	32,000	32,000
Receivable from affiliates	14,000	-
Other receivables	3,534	4,821
	<u>152,432</u>	<u>132,426</u>
Less allowance for doubtful accounts	(102,898)	(95,605)
	<u>49,534</u>	<u>36,821</u>
Inventory	17,816	19,288
Prepaid expenses	3,335	3,251
Total current assets	<u>1,013,032</u>	<u>817,495</u>
Capital assets, net	68,717	92,713
	<u>\$ 1,081,749</u>	<u>\$ 910,208</u>
<u>LIABILITIES AND NET POSITION</u>		
Current liabilities:		
Accounts payable	\$ 8,430	\$ 6,360
Payable to affiliates	38,971	31,448
Accrued payroll	24,934	16,914
Current portion of accrued annual leave payable	10,730	7,736
Unearned income	24,088	24,061
Total current liabilities	<u>107,153</u>	<u>86,519</u>
Accrued annual leave payable, net of current portion	17,508	12,621
Total liabilities	<u>124,661</u>	<u>99,140</u>
Commitments and contingency		
Net position:		
Net investment in capital assets	68,717	92,713
Unrestricted	888,371	718,355
Total net position	<u>957,088</u>	<u>811,068</u>
	<u>\$ 1,081,749</u>	<u>\$ 910,208</u>

See accompanying notes to financial statements.

MARSHALL ISLANDS POSTAL SERVICE AUTHORITY

Statements of Revenues, Expenses, and Changes in Net Position
Years Ended September 30, 2020 and 2019

	2020	2019
	<u> </u>	<u> </u>
Operating revenues:		
Stamp sales	\$ 571,676	\$ 416,787
Postal box rentals	96,727	91,810
Royalty	24,000	32,000
Other	22,560	14,211
	<u>714,963</u>	<u>554,808</u>
Total operating revenues		
Less provision for uncollectible accounts	(16,449)	(34,634)
	<u>698,514</u>	<u>520,174</u>
Operating expenses:		
Salaries, wages and employee benefits	509,798	418,581
Building lease rental	55,184	59,900
Depreciation	36,325	38,130
Utilities	27,932	28,109
Domestic freight	27,448	22,625
Communications	22,708	22,387
Supplies and materials	20,566	9,562
Travel	16,237	17,283
Charter boat	14,583	16,666
Insurance	14,338	8,698
Petroleum, oil and lubricants	5,600	5,482
Board sitting fees	4,950	5,419
Repairs and maintenance	4,319	3,451
Training	2,222	21,241
Contractual services	2,000	12,875
Miscellaneous	26,364	18,642
	<u>790,574</u>	<u>709,051</u>
Total operating expenses		
Operating loss	(92,060)	(188,877)
Nonoperating income:		
Contributions from RepMar	238,080	238,080
	<u>238,080</u>	<u>238,080</u>
Change in net position	146,020	49,203
Net position at beginning of year	811,068	761,865
Net position at end of year	\$ <u>957,088</u>	\$ <u>811,068</u>

See accompanying notes to financial statements.

MARSHALL ISLANDS POSTAL SERVICE AUTHORITY

Statements of Cash Flows
Years Ended September 30, 2020 and 2019

	2020	2019
	<u> </u>	<u> </u>
Cash flows from operating activities:		
Cash received from customers	\$ 685,828	\$ 503,919
Cash payments to suppliers for goods and services	(240,993)	(257,906)
Cash payments to employees for services	(486,374)	(417,129)
Net cash used for operating activities	<u>(41,539)</u>	<u>(171,116)</u>
Cash flows from noncapital financing activities:		
Contributions from RepMar	<u>238,080</u>	<u>238,080</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(12,329)</u>	<u>(43,721)</u>
Net change in cash	184,212	23,243
Cash at beginning of year	758,135	734,892
Cash at end of year	<u>\$ 942,347</u>	<u>\$ 758,135</u>
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	\$ (92,060)	\$ (188,877)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	36,325	38,130
Provision for uncollectible accounts	16,449	34,634
(Increase) decrease in assets:		
Receivables	(29,162)	(55,372)
Inventory	1,472	(4,062)
Prepaid expenses	(84)	2,175
Increase (decrease) in liabilities:		
Accounts payable	2,070	(3,679)
Payable to affiliates	7,523	3,793
Accrued payroll	8,020	(407)
Accrued annual leave payable	7,881	(1,934)
Unearned income	27	4,483
Net cash used for operating activities	<u>\$ (41,539)</u>	<u>\$ (171,116)</u>

See accompanying notes to financial statements.

MARSHALL ISLANDS POSTAL SERVICE AUTHORITY

Notes to Financial Statements
September 30, 2020 and 2019

(1) Organization

The Marshall Islands Postal Service Authority (the "Authority"), a component unit of the Republic of the Marshall Islands (RepMar), was created by the Postal Service Act of 1983 for the purpose of establishing an effective and efficient postal service for the Republic. The Authority provides both domestic and international mail services from six service outlets - the Uliga, Delap and Airport postal stations located on Majuro Atoll, the Ebeye postal station located on Kwajalein Atoll, the Jabor postal station located on Jaluit Atoll and the Wotje postal station located on Wotje Atoll.

The operations of the Authority were accounted for as a separate fund within RepMar's Ministry of Finance. Effective October 1, 2008, the Authority established a separate bank account outside of RepMar's Treasury for the purpose of receiving and disbursing funds in accordance with the Postal Service Fund (Amendment) Act of 2007. Accordingly, the accompanying financial statements relate solely to those accounting records maintained by the Authority and do not incorporate any accounts related to the Authority's operations that may be accounted for by RepMar's Treasury or any of RepMar's other branches, departmental units or component units.

The Authority is governed by a five-member Board of Directors appointed by the President of RepMar. The Board of Directors, in turn, is responsible for the appointment of the Postmaster General who oversees the day-to-day operations of the Authority. The Authority's financial statements are incorporated into the financial statements of RepMar as a component unit.

(2) Summary of Significant Accounting Policies

GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, establish standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net position categories:

- Net investment in capital assets - capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- Restricted - net position whose use by the Authority is subject to externally imposed stipulations that can be fulfilled by actions of the Authority pursuant to those stipulations or that expire by the passage of time. The Authority has no restricted net position at September 30, 2020 and 2019.
- Unrestricted - net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action by management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use for the same purpose, it is the Authority's policy to use unrestricted resources first, then restricted resources as they are needed.

MARSHALL ISLANDS POSTAL SERVICE AUTHORITY

Notes to Financial Statements
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Accounting

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of the fund are included in the statements of net position. Proprietary fund operating statements present increases and decreases in net position. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Authority considers revenues and costs that are directly related to operations to be operating revenues and expenses. Revenues and expenses related to financing and other activities are reflected as nonoperating.

Cash

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. The Authority does not have a deposit policy for custodial credit risk.

For purposes of the statements of net position and cash flows, cash is defined as cash on hand and cash held in demand accounts. As of September 30, 2020 and 2019, the carrying amount of cash was \$942,347 and \$758,135, respectively, and the corresponding bank balances were \$855,308 and \$787,771, respectively. Of the bank balance amounts, \$318,878 and \$197,412, respectively, were maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. The remaining bank deposits of \$536,430 and \$590,359, respectively, were maintained in a financial institution not subject to depository insurance. As of September 30, 2020 and 2019, bank deposits in the amount of \$250,000 and \$197,412, respectively, were FDIC insured. The Authority does not require collateralization of its cash deposits; therefore, bank deposits in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

Receivables

All receivables are due from businesses and individuals located within the Republic of the Marshall Islands and are interest free and uncollateralized. The allowance for uncollectible accounts is stated at an amount which management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluations of the collectability of these accounts and prior collection experience. The allowance is established through a provision for bad debts charged to current operations. Accounts are written off using the specific identification method.

Stamp Inventory

Stamp inventory consists of stamps purchased for resale and are valued at the lower of cost (first-in, first-out) or market value.

MARSHALL ISLANDS POSTAL SERVICE AUTHORITY

Notes to Financial Statements
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

Fixed Assets

The Authority does not have a capitalization policy for fixed assets; however, items with a cost that equals or exceeds \$500 are generally capitalized at the time of acquisition. Depreciation is calculated using the straight-line method based on the estimated useful lives of the respective assets. The estimated useful lives of these assets are as follows:

Motor vehicles	4 years
Other furniture and equipment	3 years

Prepaid Expenses

Certain payments to vendors or persons for goods and services reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the accompanying financial statements.

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (deduction of net position) until then. The Authority has no items that qualify for reporting in this category.

Compensated Absences

Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. As of September 30, 2020 and 2019, the accumulated vacation leave liability totals \$28,238 and \$20,357, respectively.

Unearned Income

Unearned income includes amounts received for postal box rental fees prior to the end of the fiscal year but related to the subsequent accounting period.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (additions to net position) until then. The Authority has no items that qualify for reporting in this category.

Taxes

Corporate profits are not subject to income tax in the Republic of the Marshall Islands. The Government of the Republic of the Marshall Islands imposes a gross receipts tax of 3% on revenues. The Authority is specifically exempt from this tax.

MARSHALL ISLANDS POSTAL SERVICE AUTHORITY

Notes to Financial Statements
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards

During the year ended September 30, 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective dates of GASB Statement No. 84, 89, 90, 91, 92 and 93 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. In accordance with GASB Statement No. 95, management has elected to postpone implementation of these statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 84 will be effective for fiscal year ending September 30, 2021.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. Management believes that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 87 will be effective for fiscal year ending September 30, 2022.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 89 will be effective for fiscal year ending September 30, 2022.

In March 2018, GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 90 will be effective for fiscal year ending September 30, 2021.

MARSHALL ISLANDS POSTAL SERVICE AUTHORITY

Notes to Financial Statements
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 91 will be effective for fiscal year ending September 30, 2023.

In January 2020, GASB issued statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports, the terminology used to refer to derivative instruments and the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefits. The requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reissuance recoveries and terminology used to refer to derivative instruments are effective upon issuance. In accordance with GASB Statement No. 95, the remaining requirements of GASB Statement No. 92 is effective for the fiscal year ending September 30, 2022.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The primary objective of this statement is to address those and other accounting and financial reporting implications of the replacement of an IBOR. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. Except for paragraphs 11b, 13, and 14, GASB Statement No. 93 will be effective for fiscal year ending September 30, 2021. The requirement in paragraphs 11b, 13, and 14 are effective for fiscal year September 30, 2022.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This statement also provides guidance for accounting and financial reporting for availability payment arrangements. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 94 will be effective for fiscal year ending September 30, 2023.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 96 will be effective for fiscal year ending September 30, 2023.

MARSHALL ISLANDS POSTAL SERVICE AUTHORITY

Notes to Financial Statements
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. GASB Statement No. 97 will be effective for fiscal year ending September 30, 2022.

(3) Royalties

On January 1, 2018, the Authority entered into a two-year stamp and philatelic center agreement with Inter-Governmental Philatelic Corporation (IGPC) to assist the Authority in the design, production, sale and distribution of new postage stamps throughout the world. In return, the Authority would be the recipient of royalties as calculated in accordance with the agreement. The agreement is automatically renewable unless otherwise notified in writing by either party three months prior to the expiration date. It guaranteed a minimum annual royalty payment of \$32,000. On January 1, 2020, the Authority renewed the agreement for one additional year with a guaranteed minimum annual royalty payment of \$24,000. For the years ended September 30, 2020 and 2019, the Authority recognized \$24,000 and \$32,000, respectively, in royalty revenues in accordance with royalty agreements. As of September 30, 2020 and 2019, royalty's receivable of \$32,000 and \$32,000, respectively, were due from IGPC.

(4) Fixed Assets

Capital asset activity for the years ended September 30, 2020 and 2019 is as follows:

	<u>October 1, 2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>September 30, 2020</u>
Motor vehicles	\$ 234,770	\$ -	\$ -	\$ 234,770
Office furniture and equipment	<u>114,945</u>	<u>12,329</u>	<u>-</u>	<u>127,274</u>
	349,715	12,329	-	362,044
Less accumulated depreciation	<u>(257,002)</u>	<u>(36,325)</u>	<u>-</u>	<u>(293,327)</u>
	<u>\$ 92,713</u>	<u>\$ (23,996)</u>	<u>\$ -</u>	<u>\$ 68,717</u>
	<u>October 1, 2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>September 30, 2019</u>
Motor vehicles	\$ 210,470	\$ 24,300	\$ -	\$ 234,770
Office furniture and equipment	<u>95,524</u>	<u>19,421</u>	<u>-</u>	<u>114,945</u>
	305,994	43,721	-	349,715
Less accumulated depreciation	<u>(218,872)</u>	<u>(38,130)</u>	<u>-</u>	<u>(257,002)</u>
	<u>\$ 87,122</u>	<u>\$ 5,591</u>	<u>\$ -</u>	<u>\$ 92,713</u>

MARSHALL ISLANDS POSTAL SERVICE AUTHORITY

Notes to Financial Statements
September 30, 2020 and 2019

(5) Change in Long-Term Liabilities

Other long-term liabilities will be liquidated in the future from the Authority's operations. During the years ended September 30, 2020 and 2019, the following changes occurred in liabilities reported as part of the Authority's long-term liabilities in the statements of net position:

	Balance October 1, <u>2019</u>	<u>Additions</u>	<u>Reductions</u>	Balance September <u>30, 2020</u>	Due Within <u>One Year</u>
Compensated absences	\$ <u>20,357</u>	\$ <u>35,701</u>	\$ <u>(27,820)</u>	\$ <u>28,238</u>	\$ <u>10,730</u>
	Balance October 1, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance September <u>30, 2019</u>	Due Within <u>One Year</u>
Compensated absences	\$ <u>22,291</u>	\$ <u>28,769</u>	\$ <u>(30,703)</u>	\$ <u>20,357</u>	\$ <u>7,736</u>

(6) Related Party Transactions

The Authority is a component unit of RepMar and is therefore affiliated with all RepMar-owned and affiliated entities. The Authority provides postal services to all RepMar-owned and affiliated entities at substantially the same terms and conditions as those provided to third parties.

The Authority utilizes services from certain affiliated entities at substantially the same terms and conditions as those incurred from third parties.

During the years ended September 30, 2020 and 2019, the operations of the Authority were funded by appropriations of \$238,080 and \$238,080, respectively, from the Nitijela of RepMar.

As of September 30, 2020, the Authority recognized a \$14,000 receivable from RepMar for reimbursable audit fees.

A summary of related party transactions as of and for the years ended September 30, 2020 and 2019 is as follows:

	<u>2020</u>	
	<u>Expenses</u>	<u>Payables</u>
Marshall Islands Social Security Administration	\$ 49,308	\$ 27,894
Marshall Islands National Telecommunications Authority	22,708	3,706
Air Marshall Islands, Inc.	27,448	2,377
RMI Ports Authority	3,000	-
Marshall Islands Development Bank	7,200	-
Marshalls Energy Company, Inc.	2,400	-
RepMar	-	3,765
Others	<u>3,015</u>	<u>1,229</u>
	\$ <u>115,079</u>	\$ <u>38,971</u>

MARSHALL ISLANDS POSTAL SERVICE AUTHORITY

Notes to Financial Statements
September 30, 2020 and 2019

(6) Related Party Transactions, Continued

	2019	
	<u>Expenses</u>	<u>Payables</u>
Marshall Islands Social Security Administration	\$ 42,049	\$ 22,336
Marshall Islands National Telecommunications Authority	22,387	3,321
Air Marshall Islands, Inc.	22,625	3,076
RMI Ports Authority	3,000	-
Marshall Islands Development Bank	9,000	-
Marshalls Energy Company, Inc.	2,400	-
RepMar	<u>-</u>	<u>2,715</u>
	<u>\$ 101,461</u>	<u>\$ 31,448</u>

(7) Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The Authority has elected to purchase commercial insurance from independent third parties for the risks of loss to which it is exposed. No instances have occurred in the past three years where settlements have exceeded available insurance coverage.

(8) Commitments and Contingencies

Commitments

On December 20, 2014, the Authority entered into a one-year lease for the Ebeye Post Office, which expired on December 20, 2015. The Authority opted to continue this lease on a month-to-month basis. As of September 2019, no lease agreement renewal has occurred. On March 19, 2020, the Authority entered into a five-year lease for the Ebeye Post Office, commencing March 1, 2020. During the years ended September 30, 2020 and 2019, related rent expense was \$12,000 per year.

On January 1, 2008, the Authority entered into a five-year lease for the Delap Post Office, with an option to extend for an additional four terms of five years each subject to renegotiation of the payment provisions. The Authority exercised the option to renew for an additional five-year period, which expired on December 31, 2018. The lease terms required rental payments of \$800 per month. On January 1, 2019, the Authority entered into a new five-year lease, which commenced on January 1, 2019 and expires on December 31, 2023. During the years ended September 30, 2020 and 2019, related rent expense was \$9,600 per year.

On May 1, 2012, the Authority entered into a two-year lease for the Uliga Post Office, with an option to extend for an additional three terms of two years each subject to renegotiation of the payment provisions. The Authority exercised the option to renew the lease agreement for 2 years, which commences on October 1, 2020 and expires on September 30, 2022. The lease terms require rental payments of \$1,936 per month. On December 10, 2020, the Authority entered into a 2-year lease for the Uliga Accounting Office, commencing December 10, 2020 for \$350 a month. During the years ended September 30, 2020 and 2019, related rent expense was \$23,234 per year.

MARSHALL ISLANDS POSTAL SERVICE AUTHORITY

Notes to Financial Statements
September 30, 2020 and 2019

(8) Commitments and Contingencies, Continued

Commitments, Continued

On February 1, 2013, the Authority entered into a two-year lease agreement for the Airport Post Office, with an option to extend for an additional term of five years subject to renegotiation of the payment provisions. The Authority exercised the option to renew the lease for 2 years, which commenced on February 1, 2017 and expired on January 21, 2019. The lease terms require rental payments of \$250 per month. On March 7, 2019, the Authority entered into a new lease agreement, which commenced on February 1, 2019 and expires on January 31, 2021. Further, on January 29, 2021, the Authority entered into a new lease agreement, which commenced on February 1, 2021 and expires on January 31, 2024. During the years ended September 30, 2020 and 2019, related rent expense was \$3,000 per year.

On April 1, 2017, the Authority entered into a ten-year lease agreement for the Jaluit Post Office, with an option to extend for an additional term of five years subject to renegotiation of the payment provisions. The lease commenced on April 1, 2017 and expires on March 31, 2027. The lease terms require rental payments of \$200 per month. During the years ended September 30, 2020 and 2019, related rent expense was \$2,400 per year.

On June 6, 2018, the Authority entered into a five-year lease agreement for the Wotje Post Office, with an option to extend for an additional term of five years subject to renegotiation of the payment provisions. The lease commenced on June 8, 2018 and expires on June 7, 2023. The lease terms require rental payments of \$750 per month. On January 4, 2019, the contract was amended to reduce monthly rent from \$750 to \$600 per month. During the years ended September 30, 2020 and 2019, related rent expense was \$7,200 and \$9,000, respectively.

Total future minimum lease payments for subsequent years ending September 30, are as follows:

<u>Year ending</u> <u>September 30,</u>	
2021	\$ 61,634
2022	58,124
2023	31,800
2024	17,800
2025	7,400
2026 - 2027	<u>3,600</u>
	\$ <u>180,368</u>

Contingencies

During the years ended September 30, 2020 and 2019, the Authority incurred losses from operations of \$92,060 and \$188,877, respectively. For the years ended September 30, 2020 and 2019, the Authority received operational subsidies of \$238,080 and \$238,080, respectively, from the Nitijela of RepMar. Although RepMar has provided funding in the past, the Authority does not have a formal agreement with RepMar to provide future funding. A significant reduction in the level of budgetary support from RepMar, if this were to occur, may have an effect on the Authority's programs and activities. For the year ended September 30, 2021, RepMar appropriated \$223,200 to fund the Authority's operations.

MARSHALL ISLANDS POSTAL SERVICE AUTHORITY

Notes to Financial Statements
September 30, 2020 and 2019

(9) COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended the containment and mitigation measures worldwide. On October 28, 2020, one confirmed case was identified in the Marshall Islands that was subsequently isolated and contained. On November 17, 2020, an additional three cases were identified and which were isolated and contained. As of October 6, 2021, no community transmission has been identified. The Authority has determined that should community transmission occur within the Marshall Islands, it may negatively impact the Authority's business, results of operations, and financial position and the Authority may become dependent upon the financial support of RepMar. However, the effect of the pandemic on RepMar is also uncertain and future available funding to RepMar component units may be limited. Therefore, while the Authority expects this matter to potentially have a negative impact on its business, results of operations, and financial position, the related financial impact cannot be reasonably estimated at this time.

MARSHALL ISLANDS POSTAL SERVICE AUTHORITY

Combining Schedule of Operating Income (Loss) By Station
Year Ended September 30, 2020

	Uluga	Delap	Ebeye	Airport	Jabor	Wotje	Total
Operating revenues:							
Stamp sales	\$ 368,361	\$ 122,176	\$ 36,696	\$ 35,046	\$ 4,949	\$ 4,448	\$ 571,676
Postal box rentals	61,311	5,992	21,856	3,044	2,770	1,754	96,727
Royalty	24,000	-	-	-	-	-	24,000
Other	20,549	969	681	146	85	130	22,560
	<u>474,221</u>	<u>129,137</u>	<u>59,233</u>	<u>38,236</u>	<u>7,804</u>	<u>6,332</u>	<u>714,963</u>
Total operating revenues							
Less provision for uncollectible accounts	(16,449)	-	-	-	-	-	(16,449)
	<u>457,772</u>	<u>129,137</u>	<u>59,233</u>	<u>38,236</u>	<u>7,804</u>	<u>6,332</u>	<u>698,514</u>
Operating expenses:							
Salaries, wages and employee benefits	405,116	-	70,022	-	18,442	16,218	509,798
Building lease rental	23,234	9,600	12,000	3,000	2,400	4,950	55,184
Depreciation	31,533	-	1,189	-	1,273	2,330	36,325
Utilities	24,414	-	3,000	390	128	-	27,932
Domestic freight	17,894	-	4,789	-	25	-	27,448
Communications	19,506	-	1,432	-	4,287	2,223	22,708
Supplies and materials	20,022	100	249	100	-	95	20,566
Travel	15,262	-	975	-	-	-	16,237
Charter boat	-	-	14,583	-	-	-	14,583
Insurance	14,338	-	-	-	-	-	14,338
Petroleum, oil and lubricants	4,831	-	769	-	-	-	5,600
Board sitting fees	4,950	-	-	-	-	-	4,950
Repairs and maintenance	3,219	-	1,100	-	-	-	4,319
Training	2,222	-	-	-	-	-	2,222
Contractual services	2,000	-	-	-	-	-	2,000
Miscellaneous	24,999	180	738	47	200	200	26,364
	<u>613,540</u>	<u>9,880</u>	<u>110,846</u>	<u>3,537</u>	<u>26,755</u>	<u>26,016</u>	<u>790,574</u>
Total operating expenses							
Operating income (loss)	<u>\$ (155,768)</u>	<u>\$ 119,257</u>	<u>\$ (51,613)</u>	<u>\$ 34,699</u>	<u>\$ (18,951)</u>	<u>\$ (19,684)</u>	<u>\$ (92,060)</u>

See accompanying independent auditors' report.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Marshall Islands Postal Service Authority:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Marshall Islands Postal Service Authority (the Authority), which comprise the statement of net position as of September 30, 2020, and the related statements of revenues, expenses and changes in net position and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 6, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for determining audit procedures that are appropriate in the circumstances 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

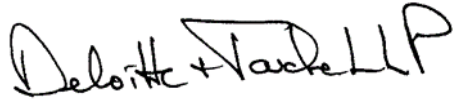
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Deloitte + Tatchell LLP". The signature is written in a cursive, slightly stylized font.

October 6, 2021

MARSHALL ISLANDS POSTAL SERVICE AUTHORITY

Unresolved Prior Year Findings
Year Ended September 30, 2020

There were no unresolved prior year audit findings.