MARSHALLS ENERGY COMPANY, INC.

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

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION AND
INDEPENDENT AUDITOR'S REPORT

YEARS ENDED SEPTEMBER 30, 2021 AND 2020

MARSHALLS ENERGY COMPANY, INC.
(A Component Unit of the Republic of the Marshall Islands)

Years Ended September 30, 2021 and 2020
Table of Contents

		Page No.
I.	INDEPENDENT AUDITOR'S REPORT	1
II.	MANAGEMENT'S DISCUSSION AND ANALYSIS	3
III.	FINANCIAL STATEMENTS:	
	Statements of Net Position	9
	Statements of Revenues, Expenses and Changes in Net Position	10
	Statements of Cash Flows	11
	Notes to Financial Statements	12
IV.	OTHER SUPPLEMENTARY INFORMATION:	
	Schedule of Revenues, Expenses and Changes in Net Position by Division	27
V.	INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS	
	Independent Auditor's 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	28
	Schedule of Findings and Responses	30
	Unresolved Prior Year Findings	33

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Marshalls Energy Company, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Marshalls Energy Company, Inc. (MEC), a component unit of the Republic of the Marshall Islands, which comprise the statements of net position as of September 30, 2021 and 2020, 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.

Auditor's 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 Marshalls Energy Company, Inc. as of September 30, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte.

Emphasis of Matter

COVID-19

As discussed in Note 13 to the financial statements, MEC has determined that the COVID-19 pandemic may negatively impact its business, results of operations and net position. 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 8 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 Supplementary 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. The Other Supplementary Information is the responsibility of MEC's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such 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 13, 2022, on our consideration of MEC'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 MEC'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 MEC's internal control over financial reporting and compliance.

Deloitte & Touche LLP

October 13, 2022

Marshalls Energy Company, Inc. (MEC or the Company) herewith presents a discussion and analysis of the Company's financial performance for the fiscal year ended 30th September, 2021. It is to be read in conjunction with the financial statements following this section.

FINANCIAL HIGHLIGHTS

MEC's net position increased by $4.9 million in fiscal year 2021 compared to an increase of $11.5 million in fiscal year 2020. In 2021, total net utility operating revenues were $18.1 million, a decrease of $1 million from $19.1 million net utility operating revenues in 2020. Total utility operating expenses were $16.5 million and $17.1 million in 2021 and 2020, respectively. The net decrease of $0.6 million or 3% is mainly due to the net impact of decreases in cost of fuel of $1 million or 12%, administrative and general expenses of $0.2 million or 12%, and cost of power of $0.03 million or 1% offset by increases in distribution expense of $0.4 million or 23%, and depreciation expense of $0.3 million or 33% in 2021. The decrease in cost of fuel relates to the decrease in fuel prices experienced during the year compared to fiscal year 2020. Average fuel price for fiscal year 2021 decreased by 11% compared to fiscal year 2020. Fuel cost continues to be a significant component of generation operating costs and represents 45% and 49% of total operating costs in fiscal years 2021 and 2020, respectively.

Total net operating revenues for nonutility operations, fuel sales being the major component, were $16.9 million and $12.6 million in 2021 and 2020, respectively. This is an increase of $4.3 million, which mainly relates to increase in fuel gallons sold in line with global fuel prices decreasing. Provision for doubtful accounts expense for fuel sales were recognized as recovered in the amount of $1 million in 2021 compared to provision for allowance charged against operating revenues in the amount of $1.7 million in 2020. The provision and recovery for doubtful accounts expense relates to one customer in particular. Total nonutility operating expense increased by $1.6 million, from $12.6 million in 2020 to $14.3 million in 2021, and is line with the increase in sales volume in 2021 compared to 2020.

MEC received operational subsidies from RepMar in the amount of approximately $0.5 million in 2021 compared to subsidies of $1.9 million in 2020. These operational subsidies were received as cost recovery for the operations of Wotje and Jaluit power plants. No subsidies were received in 2020 and 2019 to fund the gap in solar tariff for maintenance services towards solar units in the outer islands.

In 2020 and 2019, MEC was appropriated grant funding in the amount of $1.5 million (for each year) from the 11th European Development Fund (EDF11) under the ACP-EU Partnership Agreement. This grant was received as budget support to MEC and was used to support reform initiatives set out in the report published under the ADB Technical Assistance (TA) for Capacity Building and Sector Reform for Renewable Investments in the Pacific.

MEC also received $2.1 million in fiscal year 2020 from the Japan Government Non-Project Grant Aid for fuel support.

FINANCIAL ANALYSIS OF MEC

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position provide an indication of MEC's financial condition. MEC's net position reflects the difference between total assets and total liabilities. An increase in net position over time normally indicates an improvement in financial condition. As illustrated in the figures below, MEC's net position increased for the year ended 30th September 2021.

FINANCIAL ANALYSIS OF MEC, CONTINUED

Statements of Net Position

A summary of MEC's Statements of Net Position is presented below:

Summary Statements of Net Position
As of September 30

	2021	2020	$ Change 2021-2020	% Change 2021-2020	2019
Assets:					
Current and other assets	$ 32,661,372	$ 23,531,792	$ 9,129,580	38.8%	$ 19,449,883
Capital assets	10,503,906	11,300,905	(796,999)	(7.1)%	6,338,653
Total assets	43,165,278	34,832,697	8,332,581	23.9%	25,788,536
Liabilities:					
Current and other liabilities	13,667,660	9,863,089	3,804,571	38.6%	11,738,213
Long-term debt	5,480,032	5,850,336	(370,304)	(6.3)%	6,428,742
Total liabilities	19,147,692	15,713,425	3,434,267	21.9%	18,166,955
Net position:					
Net investment in capital assets	17,369,030	12,359,846	5,009,184	40.5%	7,393,113
Restricted	216,674	358,453	(141,779)		-
Unrestricted	6,431,882	6,400,973	30,909	0.5%	228,468
Total net position	$ 24,017,586	$ 19,119,272	$ 4,898,314	25.6%	$ 7,621,581

Total assets increased by $8.3 million (or 24%) from $34.8 million in 2020 to $43.1 million in 2021 and increased by $9 million or (35%) from $25.8 million in 2019 to $34.8 million in 2020. Current and other assets increased in 2021 by $9.1 million offset by a decrease in capital assets of $0.8 million. The increase in current and other assets mainly relates to an increase in fuel and supplies of $1.8 million, which relates to an increase in distribution and powerplant supplies of $0.6 million and fuel supplies of $1.2 million. The EDF11 funding received over the past two years has been used to purchase distribution supplies, mainly transformers and cables in support of network strengthening projects, and for power plant supply parts that were purchased for the long overdue overhaul of engine #6. In addition, there was an increase in cash of $1.1 million, net accounts receivable of $1.6 million, deposit on acquisition of capital assets (MV Meram) of $2.7 million and long-term replacement parts of $3.1 million offset by decreases in deposit on acquisition of supplies and prepayments of $1.1 million.

The decrease in capital assets of $0.8 million or 7% is the result of depreciation expense of $1.2 million exceeding capital asset additions of $0.4 million.

Total liabilities increased by $3.4 million (or 22%) from $15.7 million in 2020 to $19.1 million in 2021 and decreased by $2.5 million (or 14%) from $18.2 million in 2019 to $15.7 million in 2020. The increase in total liabilities relates primarily to the increase in current and other liabilities of $3.8 million, which mainly relates to an increase in fuel supplier advance of $2 million, accounts payable of $1.8 million and unearned revenues of $1 million offset by a decrease in counterpart funding payable of $0.7 million and accrued annual leave payable of $0.3 million.

FINANCIAL ANALYSIS OF MEC, CONTINUED

Refer to Note 10 to the accompanying financial statements for additional information relating to fuel supply arrangements.

Net position increased by $4.9 million from a net position of $19.1 million in fiscal year 2020 to $24 million in fiscal year 2021. A summary of MEC's Statements of Revenues, Expenses, and Changes in Net Position is presented below:

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

	2021	2020	$ Change 2021-2020	% Change 2021-2020	2019
Operating revenues:					
Utility revenues	$ 18,147,656	$ 19,120,009	$ (972,353)	(5.1)%	$ 18,454,203
Nonutility revenues	16,919,345	12,639,510	4,279,835	33.9%	16,313,432
Total operating revenues	35,067,001	31,759,519	3,307,482	10.4%	34,767,635
Operating expenses:					
Utility expenses	16,479,522	17,058,578	(579,056)	(3.4)%	19,324,068
Nonutility expenses	14,266,773	12,645,273	1,621,500	12.8%	16,915,826
Total operating expenses	30,746,295	29,703,851	1,042,444	3.5%	36,239,894
Operating profit (loss)	4,320,706	2,055,668	2,265,038	110.2%	(1,472,259)
Nonoperating revenues:					
RMI subsidies	515,840	1,932,372	(1,416,532)	(73.3)%	2,016,514
Japan Grant Aid	16,528	2,100,611	(2,084,083)		-
Other grants	119,305	-	119,305	#DIV/0!	90,435
	651,673	4,032,983	(3,381,310)	(83.8)%	2,106,949
Nonoperating expenses:					
Interest expense	74,065	103,685	(29,620)	(28.6)%	154,603
	4,898,314	5,984,966	(1,086,652)		480,087
Capital contributions	-	5,512,725	(5,512,725)	(100.0)%	-
Change in net position	$ 4,898,314	$ 11,497,691	$ (6,599,377)	(57.4)%	$ 480,087

The Statements of Revenue, Expenses and Changes in Net Position identify the various revenue and expense items that contributed to the change in net position. MEC's total revenue increased in 2021 by $3.3 million (or 10%) to a total of $35.1 million compared to $31.8 million in 2020.

Utility revenue decreased by $1.0 million (or 5%) from $19.1 million in 2020 to $18.1 million in 2021. The decrease in utility revenues relates to a decrease in electric regular sales offset by an increase in cash power sales compared to 2020.

FINANCIAL ANALYSIS OF MEC, CONTINUED

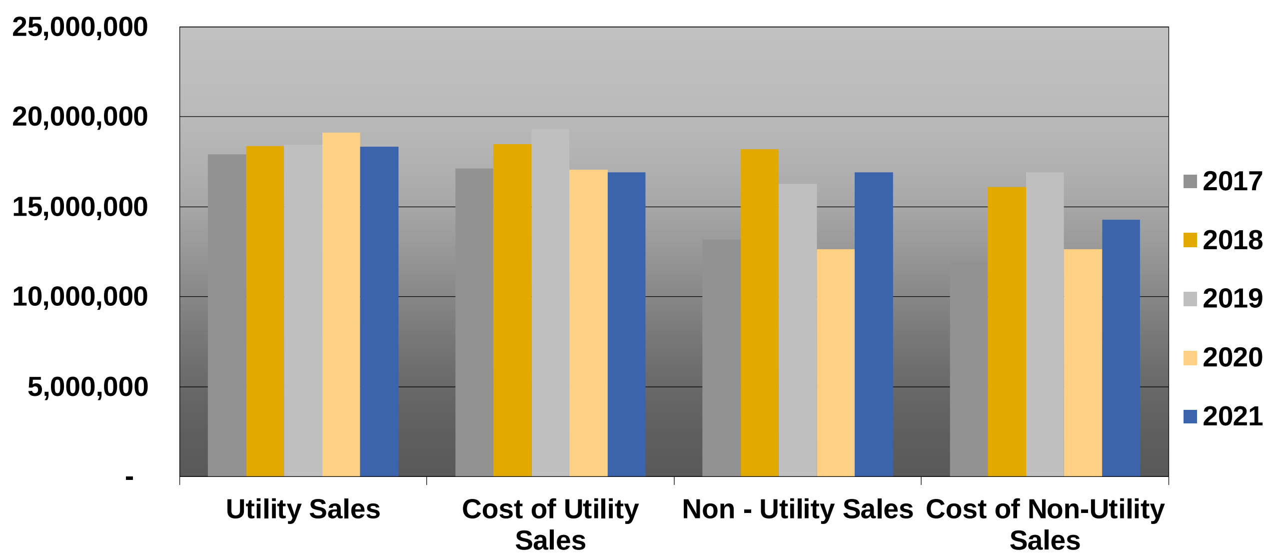
Nonutility revenue is mainly fuel sales. Nonutility revenue increased by $4.3 million (or 34%) in 2021 to $16.9 million compared to $12.6 million in 2020. The increase mainly relates to increased sales volume compared to 2020.

Total expenses increased by $1 million from $29.7 million in 2020 to $30.7 million in 2021. Nonutility expenses increased by $1.6 million while utility expenses decreased by $0.6 million. The decrease relates to a decrease in global fuel prices in 2021. Operating earnings in 2021 was $4.3 million, which was mainly comprised of operating income of $1.6 million from utility operations and operating income of $2.7 million from non-utility operations.

Total earnings before capital contributions for 2021 decreased by $1.1 million compared to an increase of $5.5 million in 2020.

The graphic below shows the major components of the Statement of Revenues and Expenses trend for the past five years:

Major Components of the Statements of Revenues and Expenses
Years Ended September 30



Management's Discussion and Analysis for the year ended September 30, 2020 is set forth in MEC's report on the audit of financial statements, which is dated November 2, 2021. That Management Discussion and Analysis explains the major factors impacting the 2020 financial statements.

CAPITAL ASSETS AND DEBT

Net capital assets decreased by $0.8 million or 7% from $11.3 million in fiscal year 2020 to $10.5 million in fiscal year 2021. The decrease is due primarily to depreciation expense exceeding current year capital asset acquisitions. A summary of MEC's capital assets as of September 30, 2021 compared with 2020 and 2019 is presented below:

Summary Schedule of Capital Assets
As of September 30

	2021	2020	$ Change 2021-2020	% Change 2021-2020	2019
Utility plant:					
Power plant engines	$ 23,314,238	$ 23,314,238	$ -	0.0%	$ 20,090,438
Tank farm	23,900,000	23,900,000	-	0.0%	-
Distribution	3,316,665	3,316,665	-	0.0%	-
Solar power systems	8,564,830	8,564,830	-	0.0%	1,110,417
Other	8,744,697	8,606,505	138,192	1.6%	8,313,478
Nonutility plant:					
LPG terminal	209,994	209,994	-	0.0%	181,862
	68,050,424	67,912,232	138,192	0.2%	29,696,195
Accumulated depreciation	(58,218,647)	(57,198,279)	(1,020,368)	1.8%	(24,223,392)
	9,831,777	10,713,953	(882,176)	(8.2)%	5,472,803
CWIP	672,129	586,952	85,177	14.5%	865,850
	$ 10,503,906	$ 11,300,905	$ (796,999)	(7.1)%	$ 6,338,653

Please refer to Note 5 to the accompanying financial statements for additional information regarding MEC's capital assets.

A summary of MEC's long-term debt as of September 30, 2021 compared with 2020 and 2019 is presented below:

Summary Schedule of Long-term Debt
As of September 30

	2021	2020	$ Change 2021-2020	% Change 2021-2020	2019
Rural Utilities Service	$ -	$ -	$ -		$ 213,612
Asian Development Bank	5,480,032	5,850,336	(370,304)	(6.3)%	6,215,130
	$ 5,480,032	$ 5,850,336	$ (370,304)	(6.3)%	$ 6,428,742

In 1997, MEC obtained a $12.5 million loan from the Rural Utilities Service for the purpose of financing the construction of a new power plant. This loan was paid in full in fiscal year 2020. In 2010, MEC obtained a $10 million loan from the Asian Development Bank (ADB) through RepMar for the purpose of paying off a bank loan. This loan matures in 2034. Please refer to Note 6 to the accompanying financial statements for additional information regarding MEC's long-term debt.

MEC FOCUS IN THE COMING FISCAL YEAR

MEC finalized its 3-year Business Plan (BP) in September 2021. The BP is a legal requirement under the SOE Act, 2015. The plan outlines the key objectives and strategic actions for fiscal years 2022 to 2024. An important component in the key objectives is the implementation of recommendations set out in the report issued to MEC under the TA for Capacity Building and Energy Sector Reform for Renewable Investments in the Pacific.

The BP will drive the operational and management strategies and is MEC's key focus over the next 3 years to achieving the MEC vision and enhancing the quality of life for the people of the RMI.

The BP contains a total of 46 strategic actions, spread over 18 key objectives and covers 7 key areas.

In 2018, the RMI government received a $12.7 million grant from the ADB under the Energy Security Project to assist MEC with the rehabilitation of MEC's tank farm. Implementation is expected to move forward now that the RMI border has reopened with community transmission of COVID19 having now occurred. The intent of this project is to bolster the RMI's energy security and mitigate risks associated with potential catastrophic failure due to the current condition of the tank farm facility. In December 2021, the RMI government received an additional $7 million grant from the ADB to supplement this rehabilitation project and further increase the energy security of the Marshall Islands.

The COVID19 outbreak was sudden but short-lived. Preparations and drills conducted in 2020 had prepared MEC for this and fortunately, at the time of COVID outbreak, MEC was able to operate normal operating hours for all its services. There was no disruption to the provision of MEC services. Furthermore, MEC was equipped with the necessary PPE and procedures required to carry out the essential services.

On September 23, 2022, MEC welcomed the arrival of its new fuel tanker, MV Meram, into Majuro. The fuel tanker has the ability to store 160,000 gallons of fuel and is capable of delivering fuel to multiple islands. Prior to the surge in global fuel prices stemming from the war in Ukraine, MEC typically spent over $500K a year in freight and charter costs. This acquisition will ensure that MEC can deliver fuel to Ebeye, Wotje and Jaluit in a timely manner ensuring that power rationing will no longer be required. MEC has also advised the RepMar Appropriations Committee that MEC will require a $4.5 million subsidy to keep pace with the price of fuel since it has not yet been granted approval by the RMI Cabinet to raise electricity tariffs. Last year, MEC was paying $2 million to $2.5 million each month for diesel. Since the Ukraine war, that cost has increased to over $5 million per month. Whilst MEC waits for RMI Cabinet approval to increase tariffs, MEC has had to dig into cash reserves to cover the increased cost of diesel. MEC anticipates a cash deficit by December 2022 if this situation is not addressed.

ADDITIONAL INFORMATION

This discussion and analysis is designed to provide MEC's customers and other stake holders with an overview of the company's operations and financial condition as at 30th September, 2021. Should the reader have questions regarding the information included in this report, or wish to request additional financial information, please contact the Marshalls Energy Company, Inc. Chief Executive Officer at P.O. Box 1439, Majuro, Marshall Islands, MH 96960.

MARSHALLS ENERGY COMPANY, INC.
(A COMPONENT UNIT OF THE REPUBLIC OF THE MARSHALL ISLANDS)

Statements of Net Position
September 30, 2021 and 2020

	2021	2020
ASSETS		
Utility plant:		
Electric plant in service	$ 67,840,455	$ 67,702,238
Less accumulated depreciation and amortization	(58,198,525)	(57,188,630)
	9,641,930	10,513,608
Construction work in progress	672,129	586,952
Net utility plant	10,314,059	11,100,560
Nonutility property	209,969	209,969
Less accumulated depreciation	(20,122)	(9,624)
Nonutility property, net	189,847	200,345
Total capital assets	10,503,906	11,300,905
Long-term replacement parts	4,166,777	1,058,941
Deposit on acquisition of capital assets	2,698,347	-
Total non-current assets	17,369,030	12,359,846
Current assets:		
Cash	8,944,673	7,697,189
Restricted cash	216,674	358,453
Time certificates of deposit	3,059,214	2,998,764
Accounts receivables, net	5,741,882	4,142,757
Fuel and supplies	7,541,489	5,744,019
Deposit on acquisition of supplies	253,213	795,063
Prepayments	29,103	626,606
Security deposit	10,000	110,000
Total current assets	25,796,248	22,472,851
Total assets	$ 43,165,278	$ 34,832,697
NET POSITION AND LIABILITIES		
Net position:		
Net investment in capital assets	$ 17,369,030	$ 12,359,846
Restricted	216,674	358,453
Unrestricted	6,431,882	6,400,973
Total net position	24,017,586	19,119,272
Commitments and contingencies		
Noncurrent liabilities:		
Long-term debt	5,132,801	5,508,272
Counterpart fund payable	285,540	999,389
Advance from fuel supplier, net of current portion	1,520,000	-
Accrued leave, net of current portion	77,041	300,262
Total noncurrent liabilities	7,015,382	6,807,923
Current liabilities:		
Current portion of long-term debt	347,231	342,064
Accounts payable - fuel	2,559,696	496,346
Accounts payable - other	463,219	727,264
Payable to affiliates	541,524	503,295
Accrued leave	147,246	269,553
Accrued taxes	2,023,552	1,955,570
Other accrued liabilities	79,678	96,521
Advance from fuel supplier, current portion	480,000	-
Unearned revenue - power	3,278,287	3,033,593
Unearned revenue - fuel	2,211,877	1,481,296
Total current liabilities	12,132,310	8,905,502
Total liabilities	19,147,692	15,713,425
Total net position and liabilities	$ 43,165,278	$ 34,832,697

See accompanying notes to financial statements.

MARSHALLS ENERGY COMPANY, INC.
(A COMPONENT UNIT OF THE REPUBLIC OF THE MARSHALL ISLANDS)

Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2021 and 2020

	2021	2020
Utility operations:		
Operating revenues:		
Electricity sales	$ 18,847,716	$ 19,727,133
Other	39,327	60,903
	18,887,043	19,788,036
Provision for doubtful accounts	(739,387)	(668,027)
Total net operating revenues	18,147,656	19,120,009
Operating expenses:		
Cost of fuel	7,337,483	8,370,141
Cost of power	4,057,519	4,092,232
Administrative and general	1,663,907	1,884,653
Distribution operations	2,259,225	1,840,938
Depreciation and amortization	1,161,388	870,614
Total operating expenses	16,479,522	17,058,578
Operating income from utility operations	1,668,134	2,061,431
Nonutility operations:		
Operating revenues:		
Fuel sales	15,113,428	13,527,504
Propane sales	327,279	369,569
Lubricants sales	301,327	243,214
Other	155,443	195,888
	15,897,477	14,336,175
Recovery of (provision for) doubtful accounts	1,021,868	(1,696,665)
Total net operating revenues	16,919,345	12,639,510
Operating expenses:		
Cost of fuel	13,247,446	11,600,391
Cost of propane and lubricants	425,309	442,747
Other	594,018	602,135
Total operating expenses	14,266,773	12,645,273
Operating income (loss) from nonutility operations	2,652,572	(5,763)
Operating income	4,320,706	2,055,668
Nonoperating income (expense):		
RepMar subsidies	515,840	1,932,372
Japan Grant Aid	16,528	2,100,611
Other grants	119,305	-
Interest expense	(74,065)	(103,685)
Total nonoperating income (expense), net	577,608	3,929,298
Earnings before capital contributions	4,898,314	5,984,966
Capital contributions:		
Republic of the Marshall Islands	-	5,512,725
Change in net position	4,898,314	11,497,691
Net position at beginning of year	19,119,272	7,621,581
Net position at end of year	$ 24,017,586	$ 19,119,272

See accompanying notes to financial statements.

MARSHALLS ENERGY COMPANY, INC.
(A COMPONENT UNIT OF THE REPUBLIC OF THE MARSHALL ISLANDS)

Statements of Cash Flows
Years Ended September 30, 2021 and 2020

		2021		2020
Cash flows from operating activities:				
Cash received from customers	$	34,443,151	$	34,750,411
Cash payments to suppliers for goods and services		(28,172,562)		(30,000,739)
Cash payments to employees for services		(3,535,153)		(3,579,540)
Net cash provided by operating activities		2,735,436		1,170,132
Cash flows from noncapital financing activities:				
Operating RepMar subsidies received		515,840		1,757,920
Other grants received		135,833		3,100,000
Advance from fuel supplier		2,000,000		-
Counterpart funding paid		(713,849)		-
Principal paid on long-term debt		(370,304)		(364,794)
Interest paid on long-term debt		(74,065)		(100,598)
Net cash provided by noncapital financing activities		1,493,455		4,392,528
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets		(3,062,736)		(88,883)
Principal paid on long-term debt		-		(213,612)
Interest paid on long-term debt		-		(3,087)
Net cash used for capital and related financing activities		(3,062,736)		(305,582)
Cash flows from investing activities:				
Net increase in time certificates of deposit		(60,450)		(53,787)
Net change in cash		1,105,705		5,203,291
Cash at beginning of year		8,055,642		2,852,351
Cash at end of year	$	9,161,347	$	8,055,642
Consisting of:				
Cash	$	8,944,673	$	7,697,189
Restricted cash		216,674		358,453
	$	9,161,347	$	8,055,642
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	$	4,320,706	$	2,055,668
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization		1,161,388		870,614
(Recovery of) provision for doubtful accounts		(282,481)		2,364,692
Decrease (increase) in assets:				
Accounts receivable		(1,316,644)		(934,372)
Due from employees		-		15,823
Fuel and supplies		(1,797,470)		1,082,141
Deposits and other prepayments		1,239,353		(1,318,865)
Long-term replacement parts		(3,107,836)		(91,056)
Increase (decrease) in liabilities:				
Accounts payable - fuel		2,063,350		(3,083,894)
Accounts payable - other		(264,045)		260,226
Payable to affiliates		38,229		9,410
Accrued leave		(345,528)		193,671
Accrued taxes		67,982		(20,620)
Other accrued liabilities		(16,843)		(139,569)
Unearned fuel purchase incentive		-		(1,654,309)
Unearned income		975,275		1,560,572
Net cash provided by operating activities	$	2,735,436	$	1,170,132
Noncash capital and related financing activities:				
Transfer of assets from RepMar:				
Capital assets	$	-	$	(37,894,878)
Accumulated depreciation		-		32,382,153
Capital contribution		-		5,512,725
	$	-	$	-

See accompanying notes to financial statements.

(1) Organization

Marshalls Energy Company, Inc. (MEC) was granted a corporate charter by the Cabinet of the Republic of the Marshall Islands (RepMar) on February 2, 1984. MEC's principal lines of business are predominantly the generation and transmission of electricity and the buying and selling of petroleum products. Other lines of business include the rental of equipment and accommodation facilities. The principal markets for the generation and transmission of electricity are government agencies, businesses and residential customers located on the atolls of Majuro, Jaluit and Wotje. Petroleum products are sold primarily to foreign and domestic fishing vessels as well as Kwajalein Atoll Joint Utilities Resources, Inc. (KAJUR), the public utility company on the island of Ebeye.

An exclusive franchise to construct, maintain and operate a distribution system for furnishing electrical power within Majuro Atoll was granted to MEC by RepMar on March 8, 1983. Simultaneously, RepMar leased to MEC, for a nominal amount, a 12-megawatt power plant, a 6-million-gallon capacity fuel storage facility, electrical transmission systems and related facilities on Majuro Atoll. The term of both the lease and the franchise is for a 50-year period commencing on December 1, 1996.

Pursuant to Cabinet Minute C.M. 162 (93), RepMar leased to MEC, for a nominal amount, the right to operate and manage the power generating and distribution system in Jaluit Atoll effective November 1, 1993. The term of the lease is for a 50-year period commencing on December 1, 1996.

Through Cabinet action in October 2000, RepMar contracted MEC to develop, operate and maintain the power generation system on Wotje Atoll.

MEC is governed by an eight-member RMI Combined Utilities Board of Directors appointed by the Cabinet of RepMar. The RMI Combined Utilities Board of Directors also have governance over KAJUR, which is a component unit of RepMar.

MEC's financial statements are incorporated into the financial statements of RepMar as a component unit.

(2) Summary of Significant Accounting Policies

The accounting policies of MEC conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities, specifically proprietary funds. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles.

MEC considers utility and nonutility revenues and costs that are directly related to the generation, transmission and distribution of electricity and fuel sale operations to be operating revenues and expenses. Revenues and expenses related to financing and other activities are reflected as nonoperating.

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 - and 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 34, establish financial reporting standards for governmental entities, which require that management's discussion and analysis of the financial activities be included with the basic financial statements and notes and modifies certain other financial statement disclosure requirements.

(2) Summary of Significant Accounting Policies, Continued

To conform to these requirements, equity is presented in the following net position categories:

- Net investment in capital assets - capital assets, net of accumulated depreciation and related debt, plus construction or improvement of those assets.

- Restricted: Nonexpendable net position subject to externally imposed stipulations that require MEC to maintain such permanently. As of September 30, 2021 and 2020, MEC does not have nonexpendable restricted net position.

- Restricted: Expendable net position whose use by MEC is subject to externally imposed stipulations that can be fulfilled by actions of MEC pursuant to those stipulations or that expire with the passage of time. As of September 30, 2021 and 2020, MEC has expendable net position of $216,674 and $358,453, respectively, associated with a repairs and maintenance fund established in accordance with the Subsidiary Loan Agreement between RepMar and the Asian Development Bank (ADB).

- Unrestricted - net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of 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 MEC's policy to use unrestricted resources first, then restricted resources as they are needed.

Basis of Accounting

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources, and liabilities and deferred inflows of resources 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.

Revenue Recognition

Sales of electricity are recorded as billed to customers on a monthly billing cycle basis. Unbilled revenues are not accrued as the most recent meter reading date approximates the end of the reporting period. Revenue from fuel and propane sales are billed to customers on a daily basis based on the actual quantity of fuel and propane delivered.

Cash and Time Certificates of Deposit

Custodial credit risk is the risk that in the event of a bank failure, MEC'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. MEC 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. Deposits maintained in time certificates of deposit with original maturity dates greater than three months are separately classified.

(2) Summary of Significant Accounting Policies, Continued

Cash and Time Certificates of Deposit, Continued

As of September 30, 2021 and 2020, the carrying amount of cash and time certificates of deposit was $12,220,561 and $11,054,406, respectively, and the corresponding bank balances were $12,344,549 and $11,264,140, respectively. Of the bank balance amounts, $4,027,186 and $5,328,848, respectively, were maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2021 and 2020, bank deposits in the amount of $250,000 were FDIC insured. The remaining bank deposits of $8,317,363 and $5,935,292, respectively, were maintained in a financial institution not subject to depository insurance. MEC does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC coverage are uncollateralized. Accordingly, these deposits were exposed to custodial credit risk.

As of September 30, 2021 and 2020, a cash deposit of $216,674 and $358,453, respectively, was restricted for repairs and maintenance of capital assets directly related to power generation and distribution in accordance with the Subsidiary Loan Agreement between RepMar and the ADB. (See note 5).

Receivables

All receivables are due from government agencies, 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. Management determines the adequacy of the allowance for uncollectible accounts based upon review of the aged accounts receivable. The allowance is established through a provision for bad debts charged to expense. Bad debts are written off against the allowance on the specific identification method.

Fuel and Supplies

Fuel and supplies are valued at the lower of cost (moving average) or market (net realizable value).

Prepayments

Prepayments represent certain payments made to vendors or persons for services reflecting costs applicable to future accounting periods.

Long-term Replacement Parts

Long-term replacement parts are slow-moving inventory not reasonably expected to be realized in cash during MEC's normal operating cycle and are valued at the lower of cost (moving average) or market (net realizable value).

Plant and Nonutility Property

Plant and nonutility property with a cost that equals or exceeds $500 is capitalized. Such assets are stated at cost. Depreciation of plant and nonutility property and amortization of leasehold land and residences are calculated on the straight-line method based on the estimated useful lives of the respective assets. Costs pertaining to distribution and line supplies are expensed during the year of installation as MEC considers the estimated useful lives of these supplies to be less than one year.

(2) Summary of Significant Accounting Policies, Continued

Plant and Nonutility Property, Continued

The estimated useful lives of these assets are as follows:

Power plant engines	5 - 30 years
Tank farm	30 years
Distribution	30 years
Plant and machinery	2 - 20 years
Vehicles	3 - 5 years
Leasehold improvements	20 years
Residences	3 - 25 years
Fences and seawalls	8 - 20 years
Leasehold land	20 years
Solar power systems	15 - 20 years
Furniture and fixtures	1 - 5 years
Land and building	20 years
Computer software	3 - 5 years

Deferred Outflows of Resources

In addition to assets, the statements 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. MEC has no items that qualify for reporting in this category.

Deferred Inflows of Resources

In addition to liabilities, the statements 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. MEC has no items that qualify for reporting in this category.

Compensated Absences

MEC recognizes the cost of accrued annual leave at the time such leave is earned. As of September 30, 2021 and 2020, MEC recorded accrued annual leave of $224,287 and $195,346, respectively, which is included within the statements of net position as accrued leave. Unused annual or vacation leave hours in excess of the 208 hours annual limit will not be carried over into a succeeding payroll year. Annual or vacation time can be taken up to a maximum of twenty (20) days in a payroll year.

Unearned Revenue

Unearned revenue is recognized when cash, receivables or other assets are recorded prior to being earned and primarily represents amounts received for cash power and fuel sales prior to the end of the fiscal year but are utilized or delivered in the subsequent accounting period.

(2) Summary of Significant Accounting Policies, Continued

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 revenue tax (GRT) of 3% on revenues. Pursuant to the Income Tax Act of 1989, as amended, sales of electricity by public utility companies are exempt from GRT. Accordingly, MEC is exempt from GRT on the sale of electric services. MEC is required to pay GRT on all other revenues. As of September 30, 2021 and 2020, MEC is liable for current and delinquent GRT of $1,822,219 and $1,764,706, respectively. Pursuant to the Import Duties (MEC Exemption) Act of 2008, MEC is exempt from paying import duty on all types of fuel imported in the Republic of the Marshall Islands, including fuel imported for power generation and for commercial resale.

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.

During the year ended September 30, 2021, MEC implemented the following pronouncements:

- GASB Statement No. 84, Fiduciary Activities, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

- GASB Statement No. 90, Majority Equity Interests – An Amendment of GASB Statements No. 14 and 61, which improves 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.

- GASB Statement No. 93, Replacement of Interbank Offered Rates, which establishes accounting and reporting requirements related to the replacement of Interbank Offered Rates such as the London Interbank Offered Rate (LIBOR) for hedging derivative instruments. The provision removing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of derivative instruments is effective for the year ending September 30, 2022.

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

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

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

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 the fiscal year ending September 30, 2022.

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

(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. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 97 will be effective for the fiscal year ending September 30, 2022.

Estimates

The preparation of financial statements in accordance with 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.

Reclassifications

Certain reclassifications have been made to the 2020 financial statements to conform to the 2021 presentation.

(3) Accounts Receivable

Accounts receivable as of September 30, 2021 and 2020, consist of the following:

	2021	2020
RepMar and other affiliates	$ 12,290,092	$ 11,040,800
Other:		
Electricity	4,387,593	4,435,049
Solar	1,661,567	1,482,825
Fuel	714,504	774,551
Other	231,143	235,030
	19,284,899	17,968,255
Less allowance for uncollectible accounts	(13,543,017)	(13,825,498)
	$ 5,741,882	$ 4,142,757

(4) Fuel and Supplies

Fuel and supplies as of September 30, 2021 and 2020, consist of the following:

	2021	2020
Fuel	$ 4,132,047	$ 2,892,409
Distribution and power plant supplies	3,007,457	2,390,425
Lubricants	356,286	411,484
Propane gas	45,699	49,701
	$ 7,541,489	$ 5,744,019

(5) Capital Assets

Capital asset activity for the years ended September 30, 2021 and 2020 is as follows:

	2021			
	October 1, 2020	Additions	Disposals	September 30, 2021
Depreciable:				
Utility Plant:				
Power plant engines	$ 23,314,238	$ -	$ -	$ 23,314,238
Tank farm	23,900,000	-	-	23,900,000
Distribution	3,316,665	-	-	3,316,665
Plant and machinery	2,574,489	19,338	-	2,593,827
Land and building	1,846,877	17,164	-	1,864,041
Solar power systems	8,564,830	-	-	8,564,830
Vehicles	1,053,171	173,989	(145,495)	1,081,665
Leasehold improvements	641,012	-	-	641,012
Residences	561,073	-	-	561,073
Fences and seawalls	371,702	-	-	371,702
Leasehold land	330,000	-	-	330,000
Computer software	63,345	3,092	-	66,437
Furniture and fixtures	1,164,836	70,129	-	1,234,965
	67,702,238	283,712	(145,495)	67,840,455
Less accumulated depreciation and amortization	(57,188,630)	(1,150,890)	140,995	(58,198,525)
	10,513,608	(867,178)	(4,500)	9,641,930
Non depreciable:				
Construction work-in-progress	586,952	85,177	-	672,129
	11,100,560	(782,001)	(4,500)	10,314,059
Depreciable Nonutility Plant:				
LPG terminal	209,969	-	-	209,969
Less accumulated depreciation and amortization	(9,624)	(10,498)	-	(20,122)
	200,345	(10,498)	-	189,847
	$ 11,300,905	$ (792,499)	$ (4,500)	$ 10,503,906

(5) Capital Assets, Continued

	2020			
	October 1, 2019	Additions	Disposals	September 30, 2020
Depreciable:				
Utility Plant:				
Power plant engines	$ 20,090,438	$ 3,223,800	$ -	$ 23,314,238
Tank farm	-	23,900,000	-	23,900,000
Distribution	-	3,316,665	-	3,316,665
Plant and machinery	2,335,357	239,132	-	2,574,489
Land and building	1,846,877	-	-	1,846,877
Solar power systems	1,110,417	7,454,413	-	8,564,830
Vehicles	1,100,608	48,581	(96,018)	1,053,171
Leasehold improvements	641,012	-	-	641,012
Residences	561,073	-	-	561,073
Fences and seawalls	371,702	-	-	371,702
Leasehold land	330,000	-	-	330,000
Computer software	43,981	19,364	-	63,345
Furniture and fixtures	1,082,868	81,968	-	1,164,836
	29,514,333	38,283,923	(96,018)	67,702,238
Less accumulated depreciation and amortization	(24,041,530)	(33,243,118)	96,018	(57,188,630)
	5,472,803	5,040,805	-	10,513,608
Non depreciable:				
Construction work-in-progress	865,850	28,687	(307,585)	586,952
	6,338,653	5,069,492	(307,585)	11,100,560
Depreciable Nonutility Plant:				
LPG terminal	181,862	209,969	(181,862)	209,969
Less accumulated depreciation and amortization	(181,862)	(9,624)	181,862	(9,624)
	-	200,345	-	200,345
	$ 6,338,653	$ 5,269,837	$ (307,585)	$ 11,300,905

In accordance with the Subsidiary Loan Agreement between RepMar and the Asian Development Bank (ADB), MEC created a separate bank account dedicated for repair and maintenance funds (R&M Fund). Starting October 1, 2010, MEC made automatic $35,000 monthly transfers into the R&M Fund from its revenue accounts. Amounts in the R&M Fund shall be used exclusively for repair, maintenance, procurement of spare parts, materials and equipment (and related labor costs) directly related to power generation and distribution. As of September 30, 2021 and 2020, the R&M Fund has a balance of $216,674 and $358,453, respectively.

(6) Long-Term Debt

Long-term debt as of September 30, 2021 and 2020 is as follows:

	Interest Rate	Maturity Dates	2021	2020
Asian Development Bank (ADB)	1%	2034	$ 5,480,032	$ 5,850,336

(6) Long-Term Debt, Continued

Annual repayment requirements to maturity for principal and interest are as follows:

Year ending September 30,	Principal	Interest	Total
2022	$ 347,231	$ 80,050	$ 427,281
2023	381,141	74,379	455,520
2024	386,898	68,622	455,520
2025	392,741	62,779	455,520
2026	398,673	56,847	455,520
2027-2031	2,085,526	192,074	2,277,600
2032-2034	1,487,822	37,142	1,524,964
	$ 5,480,032	$ 571,893	$ 6,051,925

Change in Long-term Debt

A summary of changes in long-term debt for the years ended September 30, 2021 and 2020 is as follows:

	Balance October 1, 2020	Additions	Reductions	Balance September 30, 2021	Due Within One Year
Loan payable:					
ADB	$ 5,850,336	$ -	$ (370,304)	$ 5,480,032	$ 347,231

	Balance October 1, 2019	Additions	Reductions	Balance September 30, 2020	Due Within One Year
Notes payable:					
Rural Utilities Service	$ 213,612	$ -	$ (213,612)	$ -	$ -
Loan payable:					
ADB	6,215,130	-	(364,794)	5,850,336	342,064
	$ 6,428,742	$ -	$ (578,406)	$ 5,850,336	$ 342,064

The Rural Utilities Service (RUS) mortgage notes were unconditionally guaranteed by RepMar, under which RepMar would make debt service payments to RUS in the event of default by MEC and were collateralized by a leasehold mortgage and security agreement over the assets of MEC. During the year ended September 30, 2020, RUS debt was repaid.

Debt Covenants

MEC obtained a subsidiary loan from the ADB, through RepMar. The ADB Subsidiary Loan Agreement, dated September 8, 2010, is utilized to pay off a bank loan that was originally procured for operating purposes. The Loan Agreement specifies that in case of default, RepMar, at its option, may by notice to MEC declare the principal of the subsidiary loan then outstanding to be due and payable immediately together with the interest and other charges.

(7) Change in Long-Term Liabilities

Changes in other long-term liabilities during the years ended September 30, 2021 and 2020 were as follows:

	Balance October 1, 2020	Additions	Reductions	Balance September 30, 2021	Due Within One Year
Accrued leave	$ 569,815	$ 268,433	$ (613,961)	$ 224,287	$ 147,246
Advance from fuel supplier	-	2,000,000	-	2,000,000	480,000
Counterpart fund fund payable	999,389	-	(713,849)	285,540	-
	$ 1,569,204	$ 2,268,433	$ (1,327,810)	$ 2,509,827	$ 627,246

	Balance October 1, 2019	Additions	Reductions	Balance September 30, 2020	Due Within One Year
Accrued leave	$ 376,144	$ 359,612	$ (165,941)	$ 569,815	$ 269,553
Counterpart fund fund payable	-	999,389	-	999,389	-
Unearned fuel purchase incentive	1,654,309	-	(1,654,309)	-	-
	$ 2,030,453	$ 1,359,001	$ (1,820,250)	$ 1,569,204	$ 269,553

(8) Employee Retirement Plan

MEC, together with KAJUR and MWSC, have implemented a defined contribution retirement savings plan (the Plan) for their respective employees, whereby employees eighteen years and older are eligible to participate upon one year of employment. Plan participants may contribute any amount of their salaries to be matched 100% by their respective employers up to 10% of base salaries. Withdrawal from the Plan occurs upon termination of employment, death, or financial hardship. Plan assets are held in a trust fund administered by a trustee in accordance with the trust agreement. Management has the authority to establish or amend Plan provisions and contribution requirements. MEC contributed $65,699 and $78,701 to Plan participant accounts during the years ended September 30, 2021 and 2020, respectively, and total combined plan assets were $1,796,276 and $1,200,577 as of September 30, 2021 and 2020, respectively.

(9) Related Party Transactions

MEC is wholly-owned by RepMar and is therefore affiliated with all RepMar-owned and affiliated entities, including KAJUR and MWSC. RepMar subscribes for electricity generated by MEC and is charged for electricity usage at substantially the same rates as those charged to commercial establishments. In addition, RepMar purchases fuel from MEC at the same commercial terms and conditions as afforded to third parties. MEC's receivables from related parties are afforded more favorable payment terms than those extended to unrelated parties.

(9) Related Party Transactions, Continued

A summary of related party transactions for the years ended September 30, 2021 and 2020, and the related receivable and payable balances as of September 30, 2021 and 2020, are as follows:

	2021			
	Revenues	Expenses	Receivables	Payables
RepMar	$ 2,652,917	$ 1,358,890	$ 799,490	$ 518,857
Kwajalein Atoll Joint Utilities Resources, Inc.	3,205,896	-	7,175,197	-
Majuro Water and Sewer Company, Inc.	335,833	8,269	3,484,638	1,392
Marshall Islands Social Security Administration	34,409	663,959	11,620	-
Majuro Resort, Inc.	302,886	97,199	404,233	-
Marshall Islands National Telecommunications Authority	495,423	92,211	125,053	20,713
College of Marshall Islands	508,934	-	120,600	-
Other	921,282	128,341	169,261	562
	$ 8,457,580	$ 2,348,869	$ 12,290,092	$ 541,524

	2020			
	Revenues	Expenses	Receivables	Payables
RepMar	$ 2,810,442	$ 1,069,458	$ 666,539	$ 480,111
Kwajalein Atoll Joint Utilities Resources, Inc.	3,266,355	66,980	6,166,163	-
Majuro Water and Sewer Company, Inc.	329,547	5,705	3,177,695	-
Marshall Islands Social Security Administration	36,347	641,992	10,257	-
Majuro Resort, Inc.	434,029	52,440	557,774	3,642
Marshall Islands National Telecommunications Authority	581,111	87,300	157,606	17,844
College of Marshall Islands	480,308	-	153,776	-
Other	994,248	129,788	150,990	1,698
	$ 8,932,387	$ 2,053,663	$ 11,040,800	$ 503,295

The allowance for uncollectable accounts pertaining to receivables from affiliates amounted to $9,264,470 and $9,767,130 as of September 30, 2021 and 2020, respectively.

During the year ended September 30, 2020, MEC transferred a 10,000 gallon fuel tank to Kwajalein Atoll Joint Utilities Resources, Inc. (KAJUR) at cost in the amount of $68,929. As of September 30, 2021, KAJUR has yet to remit payment associated with this transfer.

During the years ended September 30, 2021 and 2020, MEC received subsidies from RepMar as follows:

	2021	2020
General Fund:		
Jaluit and Wotje operations	$ -	$ 432,372
European Development Fund:		
Renewal Energy and Energy Efficiency Grant	515,840	1,500,000
	$ 515,840	$ 1,932,372

During the years ended September 30, 2021 and 2020, MEC was the subrecipient of RepMar grant funding from the 11th European Development Fund (EDF11) under the ACP-EU Partnership Agreement to support reform of the energy sector in RMI.

(9) Related Party Transactions, Continued

In 2017, MEC entered into a project agreement with the ADB associated with a $2,000,000 grant agreement (Grant Number 0554 RMI (SF)) between RepMar and the ADB for the Majuro Power Network Strengthening Project, the objective of which is to: (1) install advanced metering infrastructure on the Majuro distribution network and; (2) prepare and endorse MEC's business process reengineering and the management improvement action plans. During the year ended September 30, 2021, $77,063 was made available to MEC under this grant agreement.

In 2018, MEC entered into a project agreement with the ADB associated with a $12,700,000 grant agreement (Grant Number 0637 RMI (SF)) between RepMar and the ADB for the Energy Security Project (the Project), the objective of which is to achieve sustained, safe, and reliable operation of the Majuro tank farm and continued supply of fuel to power generation facilities throughout the Marshall Islands (See Note 14). During the year ended September 30, 2021, $42,242 was made available to MEC under this grant agreement.

In 2020, the RepMar Cabinet authorized and approved the transfer from RepMar to MEC of all assets associated with Majuro public power distribution services. Capital assets of $37,894,878, net of accumulated depreciation of $32,382,153, were transferred representing capital contributions of $5,512,725.

In 2020, the Government of Japan and RepMar entered into a grant agreement for Grant Aid in the amount of JPY33,390,000 with MEC as the ultimate grantee. The purpose of the Grant is to assist in the supply of petroleum fuel to MEC and mitigating the social and economic difficulties caused by volatile and sustained high oil prices. The Grant was paid directly by the Government of Japan through an independent procurement agent to MEC's fuel supplier. During the year ended September 30, 2020, MEC received the equivalent gallons of fuel from the supplier in the amount of $3,100,000. As part of the agreement, MEC was required to establish a counterpart fund with RepMar in the amount of $999,389 no later than March 19, 2023. During the year ended September 30, 2021, MEC contributed $713,849 to RepMar for the purpose of establishing this required fund. As of September 30, 2021, MEC has reported a long-term liability of $285,540 to set aside the counterpart fund payments to RepMar.

As of September 30, 2021 and 2020, MEC is liable for certain delinquent gross revenue taxes payable to RepMar. Accrued taxes payable exclude related penalties and interest.

(10) Commitments

Fuel Purchase Agreement

In 2017, MEC entered into a diesel fuel supply agreement ("the supply agreement") with ExxonMobil Asia Pacific Pte. Ltd. (ExxonMobil) for an initial period of three years with automatic renewal for an additional period of seven years. In accordance with the supply agreement, MEC is obligated to purchase a minimum quota of 310,000 bbls per annum. Concurrently, MEC entered into a marketing assistance program agreement ("the marketing agreement") with ExxonMobil whereby ExxonMobil provided $2,000,000 to MEC as a fuel purchase incentive for the purpose of assisting MEC in the marketing of ExxonMobil products. In the event that MEC is unable to purchase the minimum quota, MEC will be subject to certain damages as outlined in the marketing agreement. In July 2020, MEC did not renew the supply agreement with ExxonMobil and repaid the unliquidated fuel purchase incentive of $1,654,309.

(10) Commitments, Continued

Fuel Purchase Agreement, Continued

On November 13, 2020, MEC entered into a diesel fuel supply agreement ("the supply agreement") with a new supplier for an initial period of five years with automatic renewal for an additional period of five years, unless one of the parties serves a notice of intention not to renew the contract at least 180 days prior to the expiry of the contract. Concurrently, MEC entered into an operations assistance program agreement ("the OAP agreement") with the supplier whereby the supplier provided a $2,000,000 drawdown facility to MEC as working capital assistance. On September 8, 2021, the supplier advanced $2,000,000 to MEC under this agreement, payable in monthly payments of $40,000, commencing October 8, 2021, and maturing November 12, 2025.

Fuel Tanker Purchase Agreement

On June 1, 2021, MEC entered into a $2,450,000 sales and purchase agreement for a shipping vessel of which payments of $1,989,321 have been made as of September 30, 2021.

(11) Contingencies

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which contemplates the continuation of MEC as a going concern. Management acknowledges that it is currently dependent on RepMar and its affiliates to pay for actual services rendered and goods sold to maintain its operations. Management also acknowledges that operations are heavily dependent on fuel, and that global fuel prices are highly volatile. Should Repmar and its affiliates choose to delay or discontinue payments for actual services rendered and goods sold, and if fuel prices rise, MEC management may have to consider alternative measures including, among other possibilities, an increase in electricity and fuel rates to maintain MEC as a going concern.

MEC is a party to several legal proceedings arising from its operations; however, no provision for any liability was made in the accompanying financial statements due to the uncertainty of the legal proceeding outcomes. Although financial exposure has yet to be determined, MEC's management believes that the provision for any liability will not be material to the accompanying financial statements.

MEC is in the process of developing and implementing plans and systems to ensure effective waste oil management and environmental protection. MEC's management believes that no provision for any liability, if any, which may arise from this matter is required to be reflected in the accompanying financial statements.

MEC has a material amount of unpaid gross revenue and withholding payroll taxes payable to RepMar as of September 30, 2021. The nonpayment of taxes is an effort to address increasing accounts receivable balances due from related parties via an offsetting exercise to reduce each party's liabilities. MEC's management believes that no provision for any additional liability, if any, which may arise from this matter is required to be reflected in the accompanying financial statements.

MEC has a material amount of nonmoving construction work-in-progress as of September 30, 2021. The non-movement of construction work-in-progress is due to (a) MEC is in the process of working on various covenants imposed by the grantor prior to grant finalization; and (b) existing land disputes between landowners. MEC's management believes that no impairment, if any, that may arise from this matter is required to be reflected in the accompanying financial statements.

(12) Risk Management

MEC 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. MEC has elected to purchase commercial insurance from independent third parties for the risks of loss to which it is exposed. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

Insurance proceeds of $3,410,336 received in 2007 for fire damage to MEC's power plant building and engines were recorded net of estimated repair costs. Subsequent to the year ended September 30, 2019, MEC received $320,000 against this claim with the balance being fully provided for during the year ended September 30, 2019. During the year ended September 30, 2020, MEC has written off the remaining balance of the claim and reversed the corresponding allowance for uncollectible accounts.

(13) 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. During the year ended September 30, 2021, four confirmed cases were identified in the Marshall Islands that were isolated and contained. On August 8, 2022, community transmission was identified and MEC has determined that such may negatively impact MEC's business, results of operations, and financial position and MEC 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 MEC 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.

(14) Subsequent Event

On December 17, 2021, MEC entered into a project agreement with the ADB associated with a $7,000,000 grant agreement (Grant Number 0817 RMI (SF)) between RepMar and the ADB for additional financing of the Energy Security Project initially funded under Grant Number 0637 RMI (SF) to fund tank farm refurbishment.

MARSHALLS ENERGY COMPANY, INC.
(A COMPONENT UNIT OF THE REPUBLIC OF THE MARSHALL ISLANDS)

Schedule of Revenues, Expenses and Changes in Net Position by Division
Year Ended September 30, 2021

	Generation	Distribution	Tank Farm	MEC Gas	Admin.	TOTAL
Operating revenues:						
Fuel, propane and lube sales	$ 7,355	$ -	$ 15,426,476	$ 327,279	$ -	$ 15,761,110
Cost of sales	-	-	13,506,170	177,264	2,100	13,685,534
Gross profit on sales	7,355	-	1,920,306	150,015	(2,100)	2,075,576
Electric and service billings	18,847,716	-	-	-	-	18,847,716
Service and other income	16,799	45,353	44,905	2,020	66,617	175,694
Less (provision for) recovery of doubtful accounts	(739,387)	-	1,021,868	-	-	282,481
Total electricity sales and other income	18,125,128	45,353	1,066,773	2,020	66,617	19,305,891
Total net operating revenue	18,132,483	45,353	2,987,079	152,035	64,517	21,381,467
Operating expenses:						
Fuel and lubes	7,605,381	11,254	-	-	-	7,616,635
Salaries, wages and benefits	1,418,336	711,963	81,490	58,180	919,656	3,189,625
Repairs and maintenance	878,632	956,219	117,038	12,379	49,360	2,013,628
Depreciation and amortization	904,810	83,303	23,540	14,470	135,265	1,161,388
Gross revenue tax	637	2,311	447,385	9,594	191	460,118
Freight and handling	187,553	231,833	19,889	4,449	3,968	447,692
Import tax	198,508	228,733	1,629	-	4,802	433,672
Insurance	193,935	9,235	92,350	3,078	9,235	307,833
Professional and consulting fees	-	2,500	117,663	-	138,851	259,014
Auto, POL and maintenance	32,840	73,503	13,021	3,557	51,291	174,212
Bank charges	56,717	-	-	-	92,622	149,339
Membership and other fees	4,585	780	6,089	45	113,565	125,064
Utility	1,022	2,058	979	-	96,833	100,892
Communications	37,056	5,570	1,806	894	41,137	86,463
Travel	66,559	983	6,125	-	7,284	80,951
Office supplies	18,330	3,448	9,668	726	49,836	82,008
Equipment rental	54,968	13,680	5,545		3,548	77,741
Safety and uniforms	42,100	6,580	18,727	829	4,203	72,439
Security services	15,679	-	17,105	36,199	-	68,983
Housing	33,346	-	9,509	-	168	43,023
Entertainment	339	384	334	38	33,117	34,212
Lease rental	13,964	-	-	-	13,200	27,164
Donations	6,816	1,186	586	347	7,012	15,947
Advertising	573	1,274	727	-	9,226	11,800
Staff training	-	-	-	-	9,250	9,250
Other	7,197	543	286	-	3,642	11,668
Total operating expenses	11,779,883	2,347,340	991,491	144,785	1,797,262	17,060,761
Operating income (loss)	6,352,600	(2,301,987)	1,995,588	7,250	(1,732,745)	4,320,706
Nonoperating income (expense):						
RepMar subsidies	515,840	-	-	-	-	515,840
Japan Grant Aid	-	-	-	-	16,528	16,528
Other grants	-	42,242	-	-	77,063	119,305
Interest expense	-	-	(2,302)	-	(71,763)	(74,065)
	515,840	42,242	(2,302)	-	21,828	577,608
Change in net position	$ 6,868,440	$ (2,259,745)	$ 1,993,286	$ 7,250	$ (1,710,917)	$ 4,898,314

See accompanying independent auditors' report.

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INDEPENDENT AUDITOR'S 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
Marshalls Energy Company, Inc.:

We have audited, 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, the financial statements of the Marshalls Energy Company, Inc. (MEC), which comprise the statement of net position as of September 30, 2021, 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 13, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MEC's internal control over financial reporting (internal control) as a basis for designing 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 MEC's internal control. Accordingly, we do not express an opinion on the effectiveness of MEC'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 or significant deficiencies. 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 MEC's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Responses as items 2021-001 and 2021-002.

MEC's Response to Findings

MEC's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. MEC's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Deloitte & Touche LLP

October 13, 2022

Finding No. 2021-001

Local Noncompliance

Criteria: RepMar's Procurement Code states the following:

(a) Section 124 - unless otherwise authorized by law, all Government contracts shall be awarded by competitive sealed bidding.

(b) Section 127 - procurement of goods and services not exceeding $25,000 may be made in accordance with small purchase procedures promulgated by RepMar's Policy Office. Small purchase procedures are those relatively simple and informal methods for securing services, supplies, or other property that do not cost more than $25,000. RepMar's Ministry of Finance has previously declared that if small purchase procedures are used, price or rate quotations shall be obtained from an adequate number of qualified sources.

(c) Section 128 - a contract may be awarded for supply, service, or construction item without competition when it is determined in writing that there is only one source for the required supply, service, or construction item.

Condition: The below were awarded to vendors without documentation of the basis of the award, with no quotations obtained from an adequate number of qualified vendors and/or with no evidence of competitive sealed bidding.

Category	Amount
Insurance	$ 328,387
Repairs and maintenance	76,372
Cost of goods sold	80,248
Equipment rental	14,000
	$ 499,007

Further, MEC entered into a $2,450,000 sales and purchase agreement for a shipping vessel and prepaid a further $84,390 for certain services associated with the vessel acquisition for which insufficient written documentation indicating the history of procurement, including the rationale for vendor selection, was made available.

Cause: The cause of the above condition is the lack of established policies and procedures requiring documentation of procurement procedures to ensure compliance with RepMar's Procurement Code.

Effect: The effect of the above condition is noncompliance with RepMar's Procurement Code.

Recommendation: We recommend management establish adequate internal control policies and procedures requiring compliance with RepMar's Procurement Code. We recommend management complete documentation of procurement process, from request of proposals from a number of qualified vendors, evaluation of submitted bids to documentation of rationale for vendor selected. Specifically, if there are limited bids received, management should document the matter and perform additional procedures to document compliance with the competitive sealed bidding requirement of the code, if applicable.

Finding No. 2021-001, Continued

Local Noncompliance

Prior Year Status: Recommendation concerning management to establish policies and procedures pertaining to compliance with RepMar's Procurement Code was reported as a finding in the audit of MEC for fiscal years 2016 through 2020.

Auditee Response and Corrective Action Plan: MEC recognizes the need to formally establish its own procurement policy tailored to the specialized needs of the industry.

For the insurance vendor - MEC has had the same vendor for the past 10 years at least and because of MEC's aged assets and recent fires, MEC has had difficulties in satisfying data collection and other minimum maintenance requirements for other insurance providers and has continued with the same insurance provider who has been willing to continue their insurance.

For repairs and maintenance, involves two different purchases, both instances were treated as emergencies for one engine on Majuro and one on Wotje.

For COGS and equipment rental, these relate to charter and freight of vessels to transport fuel to KAJUR and Wotje and currently there is a shortage of vessels operating for transporting fuel and so in organizing such delivery MEC engages the vessel that is available at that point in time; relates to fuel supply security for powerplants on Ebeye and Wotje.

For the vessel purchase, the 2nd option in BER (Malaysia vessel) was not selected due to vessel being needed to be built from scratch. Vessel was not readily available. The Ratson vessel was selected because of:

1. Vessel availability
2. The price of vessel was reasonable
3. The vessel was relatively new (2020)
4. The vessel met MEC tanker needs

For the associated services, the contractor was chosen due to:

1. The contractor being close to the shipyard
2. The contractor was readily available
3. There is past experience with the company's services

As of the date of this report, MEC's internal procurement policy is being developed by management and to be finalized and approved by the Board within the next fiscal year.

Finding No. 2021-002

Local Noncompliance

Criteria: 48 MIRC Chapter 1, Income Tax Act of 1989, Section 110, states that every business shall on or before the last day of the following the close of each quarter, pay the amount of tax imposed on gross revenues under Section 109 of the Chapter.

Condition: MEC filed and paid gross revenue taxes for the year ended September 30, 2021 in a manner inconsistent with the criteria, which included gross revenue taxes from previous years in the amount of $1,670,835 that have not been paid.

Cause: The cause of the above condition is the lack of policies and procedures to monitor timely payment of gross revenue taxes.

Effect: The effect of the above condition is noncompliance with RepMar Income Tax Act of 1989, as amended.

Recommendation: We recommend management establish policies and procedures to comply with the RepMar Income Tax Act of 1989, as amended.

Prior Year Status: Recommendation concerning management to establish policies and procedures pertaining to compliance with the RepMar Income Tax Act of 1989, as amended, was reported as a finding in the audit of MEC for fiscal years 2016 through 2020.

Auditee Response and Corrective Action Plan: MEC understands this noncompliance. The reason for the nonpayment of taxes is an effort to address increasing accounts receivable balance of an SOE via an offsetting exercise to reduce each party's liabilities. An exercise of this nature is not unprecedented. It previously resulted in an offset of $2.3 million for outstanding obligations and accounts receivable between the GRMI and a few SOEs.

Unresolved Prior Year Findings
Year Ended September 30, 2021

The status of unresolved prior year findings is discussed within the Schedule of Findings and Responses section of this report.