

*Management Letter*

**Air Marshall Islands, Inc.**

*Year Ended September 30, 2022*





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December 4, 2023

Management and the Board of Directors  
 Air Marshall Islands, Inc.

In planning and performing our audit of the financial statements of Air Marshall Islands, Inc. (AMI) as of and for the year ended September 30, 2022, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the AMI’s internal control. Accordingly, we do not express an opinion on the effectiveness of the AMI’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 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. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

During our audit, we noted the following deficiencies in internal control (as described above) and other matters:

**Inventory**

Condition:

Of 29 inventory items tested, the following items were not included in the current year inventory valuation report:

<u>Part No.</u>	<u>Description</u>	<u>Actual Count</u>
GA-001-OFRK	Oil Filter Rinsing Kit	3
Assembly Fluid 1	Assembly Fluid 1	8

Recommendation:

We recommend management establish internal control policies and procedures requiring physically counted inventory items be included in the inventory valuation report.

### **Capital Assets**

#### Condition:

Of 18 capital assets selected from the capital asset register for existence verification, 9 items with a zero net book value were unable to be physically inspected or verified for existence. Furthermore, 1 item (an X-ray machine) with a zero net book value, whilst locatable, was formerly transferred to the RMI Ports Authority together with other fully depreciated items and no longer belonged to AMI.

#### Recommendation:

We recommend management establish internal control policies and procedures requiring updating of the capital asset register by periodic physical asset counts. Furthermore, we recommend capital assets transferred to the RMI Ports Authority be removed from the capital asset register.

### **Lease Contract**

#### Condition:

A \$750 per month office lease on Kwajalein was not supported by a lease agreement duly signed by all parties.

#### Recommendation:

We recommend management establish internal control policies and procedures requiring contractual arrangements be supported by executed agreements between the respective parties.

### **Board Sitting Fees**

#### Condition:

During the year ended September 30, 2022, AMI paid sitting fees of \$17,000 to Board members. These fees may constitute wages under the Income Tax Act 1989 and thus may be subject to withholding taxes. No withholding taxes were withheld by AMI.

#### Recommendation:

We recommend management obtain an interpretation from the Ministry of Finance, Banking and Postal Services Chief of Revenue and Taxation concerning the applicability of withholding taxes on sitting fees paid to Board members.

### **Retirement Savings Plan**

Condition:

During the year ended September 30, 2022, AMI made employer contributions, totaling \$39,277, to employee retirement savings plan. Taxes are not currently withheld and paid on the employer contributions.

Recommendation:

We recommend management obtain an interpretation from the Ministry of Finance, Banking and Postal Services Chief of Revenue and Taxation concerning the applicability of withholding taxes on employer contributions to employee retirement savings plan.

### **RMI Procurement Code**

Condition:

The RMI Procurement Code requires that small purchases less than \$25,000 be supported by no less than three price quotations. We noted one transaction (check # 67644) for warehouse door installation amounting to \$3,400, which lacked the necessary supporting price quotations.

Recommendation:

We recommend management require that documentation be adequate to comply with applicable procurement requirements.

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This communication is intended solely for the information and use of management, the Board of Directors, others within the organization, and the Office of the Auditor-General, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

At this time, we would like to thank all the staff and management of AMI for their cooperation extended to us during the course of our audit. We would be pleased to discuss the above matters or to respond to any questions, at your convenience.

Sincerely,

*Ernst + Young LLP*

*The Auditor's Communication With Those Charged  
With Governance*

**Air Marshall Islands, Inc.**

(A Component Unit of the Republic of the Marshall Islands)

*Year Ended September 30, 2022*





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December 4, 2023

To the Board of Directors of  
Air Marshall Islands, Inc.

We have performed an audit of the financial statements of Air Marshall Islands, Inc. (AMI), a component unit of the Republic of the Marshall Islands, as of and for the year ended September 30, 2022, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and have issued our report thereon dated December 4, 2023.

Provided below is a summary of required communications between the audit team and those charged with governance, as required by AICPA Clarified US Auditing Standard (AU-C) 260, *"The Auditor's Communication With Those Charged With Governance"*, and other applicable auditing standards.

This communication is intended solely for the information and use of the Board of Directors and management of AMI and the Office of the Auditor-General., and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is also a matter of public record.

Very truly yours,

## **REQUIRED COMMUNICATIONS**

### **Auditors' Responsibilities under GAAS, including our discussion of the type of auditor's report we are issuing and the circumstances that affect the form and content of our auditor's report, if applicable**

Our responsibilities are included in our audit engagement agreement. A copy of such agreement has previously been provided to you.

We have issued an unmodified opinion on AMI's financial statements as of and for the year ended September 30, 2022.

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

An audit also includes the evaluation of the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the evaluation of the overall presentation of the financial statements.

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

Our audit strategy is consistent with the plan communicated during the July 2023 meeting.

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

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

### **Our views about the qualitative aspects of the entity's significant accounting practices, including:**

- **Accounting policies**
- **Accounting estimates**

Management has not selected or changed any significant policies or changed the application of those policies in the current year. A discussion of significant accounting policies and sensitive accounting estimates have been included in Note 2 of the financial statements.

We are not aware of any significant accounting policies used by AMI in controversial or emerging areas or for which there is a lack of authoritative guidance.

We determined that those charged with governance are informed about management's process for formulating particularly sensitive estimates and about the basis to our conclusions regarding the reasonableness of those estimates.

Management's judgment is called upon in:

- Preparing budgets that are used to administer and monitor AMI's operations. These budgets include determining how existing financial resources will be used in AMI's operations.
- Evaluating whether there are indications that the carrying value of AMI's long-lived assets is impaired.
- Determining the adequacy of the allowance for doubtful accounts and inventory obsolescence.
- Determining the reasonableness of economic useful lives assigned to depreciable assets.

### **Related party relationships and transactions**

A discussion of related party relationships and transactions is included in Note 7 of the financial statements. We noted no significant matters regarding AMI's relationships and transactions with related parties.

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

We are not aware of any matters that require communication.

### **Significant unusual transactions**

We are not aware of any significant unusual transactions executed by AMI.

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

None.

### **Material corrected misstatements related to accounts and disclosures**

Refer to "Management Representations Letter" in Appendix A.

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

Refer to "Management Representations Letter" in Appendix A.

### **Significant deficiencies and material weaknesses in internal control over financial reporting**

No significant deficiencies and material weaknesses have been identified. We have identified certain deficiencies in the internal control during the course of our audit which have been included in our separately issued management letter dated December 4, 2023.



**Fraud and noncompliance with laws and regulations (illegal acts)**

Noncompliance with laws and regulations identified during the course of our audit have been included in our Report of Independent Auditors 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* dated December 4, 2023.

**Obtain information relevant to the audit**

Inquiries regarding matters relevant to the audit were performed during the July 2023 meeting during the audit.

**Independence matters**

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

**New accounting pronouncements**

Management is still assessing the impact of adopting the following GASB Statements:

- GASB Statement No. 91
- GASB Statement No. 94
- GASB Statement No. 96
- GASB Statement No. 99
- GASB Statement No. 100
- GASB Statement No. 101

**Significant issues discussed with management in connection with the auditor's initial appointment or recurring retention**

We are not aware of any matters that require communication.

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

There were no material disagreements with AMI's management on financial accounting and reporting matters during the audit.

**Management's consultations with other accountants**

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

**Other material written communications with management**

None.

### **Other matters**

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

### **Representations from management**

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

### **AICPA ethics ruling regarding third-party service providers**

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

### **Engagement team's involvement with preparation of the financial statements**

Under GAS 2018 Revisions, Chapter 3 General Standards, Paragraph 3.73 Requirements for Performing Non-audit Services explains that the audit team should make consideration of management's ability to effectively oversee the non-audit (or non-attest) services to be performed. The engagement team should determine that the audited entity has designated an individual(s) who possesses suitable skill, knowledge or experience and that the individuals understand the services to be performed sufficiently to oversee them. The engagement team should document consideration of management's ability to oversee non-audit services to be performed.

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

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

The Board of Directors  
Air Marshall Islands, Inc.

December 4, 2023

## Appendix

A - Management Representations Letter

A - Management Representations Letter



AIR MARSHALL ISLANDS, INC.  
P.O. BOX 1319  
MAJURO, MARSHALL IS. 96960  
PHONE: (692) 625-3731 - FAX: (692) 625-3730  
www.airmarshallislands.net

*Letter of Representations*

December 4, 2023

Ernst & Young (RMI) Inc.  
PO Box 1288  
Majuro, Marshall Islands 96960

In connection with your audit of the basic financial statements of Air Marshall Islands, Inc. (AMI) as of September 30, 2022 and for the year then ended, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the financial statements present fairly, in all material respects, the financial position of the business-type activities of AMI and the changes in financial position and cash flows thereof in conformity with U.S. generally accepted accounting principles (US GAAP).

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

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

***Management's responsibilities***

We have fulfilled our responsibilities, as set forth in the terms of the audit engagement agreement dated March 27, 2023, for the preparation and fair presentation of the financial statements (including disclosures) in conformity with US GAAP applied on a basis consistent with that of the preceding years.

In preparing the financial statements, we evaluated whether there are conditions or events, considered in the aggregate, that raise substantial doubt about AMI's ability to continue as a going concern for one year after the date that the financial statements are issued, and to provide appropriate financial statement disclosure, when applicable, related to going concern and using the going concern basis of accounting unless we prepared the financial statements in accordance with the liquidation basis of accounting.

We acknowledge our responsibility for 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. We have provided you with:

A - Management Representations Letter, continued



AIR MARSHALL ISLANDS, INC.  
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*Letter of Representations*

- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, data, documentation and other matters
- Additional information that you have requested from us for the purpose of the audit
- Unrestricted access to persons within AMI from whom you determined it necessary to obtain evidence

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

From October 1, 2021 through the date of this letter, we have disclosed to you to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

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

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

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

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

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

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

A – Management Representations Letter, continued



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*Letter of Representations*

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

*Corrected misstatements*

We are in agreement with the audit adjustments you have proposed (Appendix A) and have posted the adjusting journal entries to AMI's books.

*Uncorrected misstatements*

We believe that the effects of any uncorrected misstatements, summarized in the accompanying schedule (Appendix B), accumulated by you during the current audit period presented are immaterial, both individually and in the aggregate, to the financial statements as a whole.

*Internal control*

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

We have communicated to you all significant deficiencies in the design or operation of internal control over financial reporting. There have been no significant changes in internal control since September 30, 2022.

*Minutes and contracts*

The dates of meetings of the Board of Directors from October 1, 2021 to the date of this letter are as follows:

<b>Date of Meeting</b>	<b>Meeting Type</b>
October 11, 2021	Regular Board Meeting
October 25, 2021	Special Board Meeting
December 30, 2021	Regular Board Meeting
February 25, 2022	Regular Board Meeting
March 4, 2022	Special Board Meeting
April 29, 2022	Regular Board Meeting
June 24, 2022	Regular Board Meeting
June 29, 2022	Special Board Meeting
July 14, 2022	Special Board Meeting
August 11, 2022	Special Board Meeting
August 12, 2022	Special Board Meeting
September 5, 2022	Special Board Meeting
September 21, 2022	Regular Board Meeting
October 31, 2022	Special Board Meeting

A – Management Representations Letter, continued



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*Letter of Representations*

December 30, 2022	Regular Board Meeting
March 24, 2023	Regular Board Meeting
April 5, 2023	Special Board Meeting
June 27, 2023	Regular Board Meeting
November 1, 2023	Regular Board Meeting
November 15, 2023	Special Board Meeting

We have made available to you all minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.

We also have made available to you all significant contracts, including amendments, and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.

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

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

*Ownership and pledging of assets*

Except for right-to-use another entity's nonfinancial asset (the underlying asset), AMI has satisfactory title to all assets appearing in the statement of net position. No security agreements have been executed under the provisions of the Uniform Commercial Code, and there are no liens or encumbrances on assets, nor has any asset been pledged. All assets to which AMI has satisfactory title appear in the statement of net position.

*Receivables and revenues*

Receivables have been determined in accordance with all relevant GASB Statements, including GASB Statements No. 33 and 62 - as amended.

Adequate provision has been made for losses, costs and expenses that may be incurred subsequent to the statement of net position date in respect of sales and services rendered prior to that date and for uncollectible accounts, discounts, returns and allowances, etc., that may be incurred in the collection of receivables at that date.

A – Management Representations Letter, continued



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*Letter of Representations*

***Leases***

Our calculation of the cumulative effect of initially applying GASB Statement No. 87 - as amended that is reported did not result on restatement of beginning net position for the earliest period restated that is in accordance with our accounting policies established under GASB Statement No. 87 - as amended.

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

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

***Prepayments and deposits***

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

***Long-lived assets used, including amortizable intangible assets***

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

***Related party relationships and transactions***

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

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

***Side agreements and other arrangements***

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



A – Management Representations Letter, continued



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*Letter of Representations*

*Arrangements with financial institutions*

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

*Events of default under debt agreements*

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

*Contingent liabilities*

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

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

There have been no internal investigations or communications from regulatory agencies or government representatives concerning investigations or allegations of noncompliance with laws or regulations in any jurisdiction, noncompliance with or deficiencies in financial reporting practices, or other matters that could have a material effect on the financial statements.

There are no other liabilities or gain or loss contingencies considered material, individually or in the aggregate, that are required to be accrued or disclosed by GASB Statement No. 62 - as amended, nor are there any accruals for loss contingencies included in the statements of net position or gain contingencies reflected in earnings that are not in conformity with the provisions of GASB Statement No. 62 - as amended.

We have consulted legal counsel concerning litigation, claims or assessments.

*Oral or written guarantees*

There are no oral or written guarantees other than those reported in the financial statements, including guarantees of the debt of others.

*Purchase commitments*

At September 30, 2022, AMI had no purchase commitments for inventories in excess of normal requirements or at prices that were in excess of market at that date.

A – Management Representations Letter, continued



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***Letter of Representations***

There were no agreements or commitments to repurchase assets previously sold. There were no material commitments outstanding at September 30, 2022 as a result of being a party to futures or forwards contracts, short sales or hedge transactions.

***Non-compliance with laws and regulations, including fraud***

We acknowledge that we are responsible to determine that AMI's business activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws or regulations, including fraud.

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

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

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

***Independence***

We have communicated to you the names of all AMI's affiliates, officers and directors.

We are not aware of any capital lease, material cooperative arrangement or other business relationship between AMI and Ernst & Young (RMI), Inc. or any other member firm of the global Ernst & Young organization

We are not aware of any reason that Ernst & Young (RMI), Inc. would not be considered to be independent for purposes of AMI's audit.

***Conflicts of interest***

There are no instances where any officer or employee of AMI has an interest in a company with which AMI does business that would be considered a "conflict of interest." Such an interest would be contrary to AMI's policy.

A – Management Representations Letter, continued



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*Letter of Representations*

*Effects of new accounting principles*

As discussed in Note 2 of the financial statements, we have not completed the process of evaluating the effects that will result from adopting the amendments to the codification provided in Governmental Accounting Standards Board (GASB):

- GASB Statement No. 91
- GASB Statement No. 94
- GASB Statement No. 96
- GASB Statement No. 99
- GASB Statement No. 100
- GASB Statement No. 101

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

*Going concern*

In preparing the financial statements, we evaluated the entity's ability to continue as a going concern for twelve months after the date that the financial statements are issued (or available to be issued, if applicable), and provide appropriate financial statement disclosure, as necessary under GASB requirements.

*Required supplementary information*

We acknowledge our responsibility for the required supplementary information on management's discussion and analysis on pages 4 through 15, which have been measured and presented in conformity with the guidelines established by the Governmental Accounting Standards Board in its applicable GASB Statement. There have been no changes in the methods of measurement or presentation of the required supplementary information from those used in the prior period.

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

*Additional representations*

- We have identified and disclosed to you all provisions of laws and regulations that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.

A – Management Representations Letter, continued



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*Letter of Representations*

- We have identified and disclosed to you violations (and possible violations) of laws, regulations and provisions of contracts and grant agreements with effects that should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
- We have followed all applicable laws and regulations in adopting, approving and amending budgets, tax or debt limits and covenants and secondary market disclosures, deposits and investments, including collateral requirements on depository accounts and investments and tax levies and refunds.
- Components of net position (net investment in capital assets and unrestricted) are properly classified and, if applicable, approved.
- Expenses have been appropriately classified in or allocated to functions in the statement of revenues, expenses and change in net position, and allocations have been made on a reasonable basis.
- Revenues are appropriately classified in the statement of revenues, expenses and change in net position.
- Provisions for uncollectible receivables have been properly identified and recorded.
- Capital assets, including infrastructure, are properly capitalized, reported and, if applicable, depreciated.
- AMI is liable for certain advances from RepMar in the amount of \$3,116,890. AMI does not expect that RepMar will pursue collection of these advances prior to September 30, 2023. Accordingly, such have been presented as long-term liabilities within the statement of net position.

***Other matters***

We have received a draft copy of our financial statements as of and for the year ended September 30, 2022. The accuracy and completeness of the financial statements, including footnote disclosures, are our responsibility.

You have assisted in the preparation of our financial statements based on information in our trial balance and accounting records. It is our understanding that:

- Our underlying books and records are maintained by our accounting department and that the final trial balance prepared by us is complete and,
- All adjusting journal entries posted to the trial balance have been approved by us, and

A – Management Representations Letter, continued



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- We have designated a competent representative to oversee your services and that our personnel have sufficient financial competence who are able to challenge and review the completeness and accuracy of the financial statements, including footnote disclosures.

We have reviewed the draft financial statements for accuracy and completeness.

*Subsequent events*

Subsequent to September 30, 2022, no events or transactions have occurred or are pending that would have a material effect on the basic financial statements at that date or for the period then ended, or that are of such significance in relation to AMI's affairs to require mention in a note to the basic financial statements in order to make them not misleading regarding the net position, changes in net position and, where applicable, cash flows of AMI.

\*\*\*\*

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

Very truly yours,

  
\_\_\_\_\_  
Captain Albon Jelke  
General Manager/CEO

A – Management Representations Letter, continued

Appendices

A – Schedule of Corrected Misstatements

B – Schedule of Uncorrected Misstatements

A – Management Representations Letter, continued

Appendix A – Schedule of Corrected Misstatements

Communication schedule for corrected misstatements

Entity: AIR Marshall Islands, Inc. Period ended: 30-Sep-2022 Currency: USD

Corrected misstatements		Analysis of misstatements Debit/(Credit)								
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period	
(misstatements are recorded as journal entries with a description)			Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable
-AJE		To decrease provision for doubtful debts								
EJ0110		Allowance for Bad Debts	19,083							
EJ0110		Bad Debts Expense							(19,083)	X
-AJE		To record accrual of COVID-19 support received from RepMar								
I0113		Due from Affiliates -Noncurrent	32,582							
I0113		Government Contributions							(32,582)	X
-AJE		To record initial lease asset and liability upon adoption of GASB87								
LRE01		Intangible right-to-use lease asset		134,695						
LRE01		Lease liability				(134,695)				
-AJE		To amortize lease asset and reduce liability at year-end under GASB87								
LRE01		Interest Income/Exp							14,742	X
LRE01		Amortization Expense							26,058	X
LRE01		Lease liability				20,965				
LRE01		Space Rental							(35,727)	X
LRE01		Accumulated Amortization		(28,058)						
-AJE		To record accrual for unpaid invoice for aircraft fuel purchases with DFAS								
ND140		Aircraft Fuel							80,785	X
ND140		Accounts Payable -System			(80,785)					
<b>Total of corrected misstatements before income tax</b>			<b>51,665</b>	<b>108,636</b>	<b>(80,785)</b>	<b>(113,710)</b>	<b>0</b>	<b>0</b>	<b>34,193</b>	
<b>Financial statement amounts</b>			<b>4,472,068</b>	<b>9,625,610</b>	<b>(2,208,923)</b>	<b>(3,208,361)</b>	<b>(6,082,394)</b>		<b>(1,232,565)</b>	

Form 430GL (3 August 2022)

A – Management Representations Letter, continued

Appendix A – Schedule of Corrected Misstatements

Communication schedule for corrected misstatements


Entity: AIR Marshall Islands, Inc.

Period ended: 30-Sep-2022

Currency: USD

Corrected misstatements		Analysis of misstatements Debit/(Credit)							
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period
(misstatements are recorded as journal entries with a description)			Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit) Non taxable
Effect of corrected misstatements on F/S amounts			1.2%	1.1%	3.7%	3.5%	0.0%		-2.8%

**Concurrence:**  
The above adjustment have been discussed with us and we agree to record them.

  
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Captain Albon Jelke  
General Manager/CEO



A – Management Representations Letter, continued

Appendix B – Schedule of Uncorrected Misstatements

Communication schedule for uncorrected misstatements

Entity: AIR Marshall Islands, Inc. Period Ended: 30-Sep-2022 Currency: USD

No.	WIP ref.	Account (Note 1) (misstatements are recorded as journal entries with a description)	Analysis of misstatements Debit/(Credit)					Effect on the current period OCI	Income statement effect of the current period		Income statement effect of the prior period	
			Assets Current Debit/(Credit) (Note 2)	Assets Non-current Debit/(Credit) (Note 2)	Liabilities Current Debit/(Credit) (Note 2)	Liabilities Non-current Debit/(Credit) (Note 2)	Equity components Debit/(Credit)		Debit/(Credit)	Debit/(Credit)	Non taxable	Prior period Debit/(Credit)
<b>Reclassification misstatements:</b>												
<b>Factual misstatements:</b>												
CY-AJE-01		To adjust prepaid aircraft fuel balance to the third party confirmation with Exxon Mobil										
	VD0320	Aircraft Fuel								21,940	X	
	VD0320	Prepaid expenses -Mobil	(21,940)									
<b>Total of uncorrected misstatements before income tax</b>			(21,940)	0	0	0	0	0	0	21,940		0
<b>Total of uncorrected misstatements</b>			(21,940)	0	0	0	0	0	0	21,940		0
<b>Financial statement amounts</b>			4,472,066	9,625,810	(2,556,603)	(3,328,387)	(8,829,399)			(1,292,969)		(33,700)
<b>Effect of uncorrected misstatements on F/S amounts</b>			-0.5%	0.0%	0.0%	0.0%	0.0%			-1.8%		0.0%
Memo: Total of non-taxable items (marked 'X' above)										0		0
<b>Uncorrected misstatements before income tax</b>									-1.8%	21,940		0
<b>Less: Tax effect of misstatements at current year marginal rate</b>									0%	0		0
<b>Uncorrected misstatements in income tax</b>										0		0
<b>Cumulative effect of uncorrected misstatements after tax but before turnaround</b>									-1.8%	21,940		0
<b>Turnaround effect of prior period uncorrected misstatements</b>												
<b>All factual and projected misstatements:</b>												
<b>Judgmental misstatements (Note 3):</b>										0		0
<b>Cumulative effect of uncorrected misstatements, after turnaround effect</b>									-1.8%	21,940		0
<b>Current year income before tax</b>										(1,210,629)		
<b>Current year income after tax</b>										(1,232,569)		

A – Management Representations Letter, continued

Appendix B – Schedule of Uncorrected Misstatements

Communication schedule for uncorrected misstatements

Entity: AIR Marshall Islands, Inc.

Period Ended: 30-Sep-2022

Currency: USD

Uncorrected misstatements		Analysis of misstatements Debit/(Credit)								Income statement effect of the prior period		
No.	WIP ref.	Account (Note 1)	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period		Prior period Debit/(Credit)	Non taxable
(misstatements are recorded as journal entries with a description )			Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable	

Concurrence:  
We believe that the effects of any uncorrected misstatements, summarized on the accompanying schedule, accumulated by you, during the current year audit are immaterial, both individually and in the aggregate, to the financial statements.

*Alison Jelle*  
\_\_\_\_\_  
Captain Alison Jelle  
General Manager/CEO