

*Financial Statements, Required Supplementary
Information, Supplementary Information, and
Report on Internal Control and Compliance*

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

*Year ended September 30, 2022
with Report of Independent Auditors*



Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Financial Statements, Required Supplementary Information
and Supplementary Information

Year ended September 30, 2022

Table of Contents

| | |
|---|----|
| Report of Independent Auditors..... | 1 |
| Management’s Discussion and Analysis | 4 |
| Audited Basic Financial Statements | |
| Statement of Net Position | 13 |
| Statement of Revenues, Expenses and Changes in Net Position | 14 |
| Statement of Cash Flows | 15 |
| Notes to Financial Statements..... | 16 |
| Supplementary Information | |
| Combining Schedule of Operating Income (Loss) By Station | 29 |
| Report on Internal Control and Compliance | |
| 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 <i>Government Auditing Standards</i> | 30 |

Report of Independent Auditors

The Board of Directors
Marshall Islands Postal Service Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of Marshall Islands Postal Service Authority (MIPSA), a component unit of the Republic of the Marshall Islands, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise MIPSA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of MIPSA as of September 30, 2022, and the changes in financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MIPSA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MIPSAs ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 MIPSAs internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MIPSAs ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 4 through 12 be presented to supplement the financial statements. Such information is the responsibility of management and, 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 basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise MIPSAs financial statements. The supplementary information on page 29 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2024, on our consideration of MIPSAs 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 MIPSAs 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 MIPSAs internal control over financial reporting and compliance.

Ernst & Young LLP

June 7, 2024

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Management's Discussion and Analysis

Year ended September 30, 2022

As stewards of the Marshall Islands Postal Service Authority (the "Authority"), entrusted with the task of ensuring the seamless operation of one of the nation's vital infrastructural pillars, we proudly present this comprehensive narrative overview and analysis encapsulating the financial activities of the Authority for the fiscal year culminating on September 30, 2022 with comparative information for 2021 and 2020.

Nestled within the legislative framework of the Postal Service Act of 1983, the Authority emerged with a singular mission: to forge an unparalleled postal service, one that not only connects the scattered archipelagos of the Republic but also embodies efficiency and efficacy at every turn. Established as a distinct entity within the Government of the Republic of the Marshall Islands (RepMar), the Authority initially operated under the auspices of the Ministry of Finance. However, recognizing the need for operational autonomy to better serve the populace, a pivotal moment arose on October 1, 2008.

With the enactment of the Postal Service Fund (Amendment) Act of 2007, a paradigm shift occurred as the Authority embarked on a journey toward independence. This legislative milestone facilitated the establishment of a dedicated bank account, liberating the Authority from the confines of RepMar's Treasury. Thus, began a new chapter in the Authority's evolution, marked by fiscal sovereignty and enhanced operational agility.

In presenting this Management's Discussion and Analysis, it is imperative to underscore that the narrative herein pertains solely to the post-separation operations of the Authority. Delve into these insights not in isolation but as a complementary companion to the exhaustive financial statements meticulously curated by our team. Together, they offer a panoramic view, elucidating the nuances and intricacies that characterize the financial landscape of the Authority.

As custodians of public trust and fiduciary responsibility, we invite our esteemed readers to traverse this narrative voyage with discerning eyes, recognizing that behind every figure lies a story of resilience, innovation, and commitment to service excellence. Through transparent discourse and informed analysis, we endeavor to foster greater understanding and confidence in the stewardship of the Authority's financial resources, ensuring the continued prosperity of our beloved Republic.

Management's Discussion and Analysis for the year ended September 30, 2021 is set forth in the Authority's report on the audit of financial statements, which is dated December 2, 2022. Such Management Discussion and Analysis explains the major factors impacting the FY2021 financial statements and can be obtained from the Authority's Postmaster General via the contact information on page 12 or by visiting the website of the RMI Office of the Auditor General at www.rmioag.com.

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Management's Discussion and Analysis, continued

FINANCIAL HIGHLIGHTS

The assets of the Authority exceeded its liabilities at the close of business for the year by \$1,332,536 (net position) increasing by \$65,058 (or 5.1%) from \$1,267,478 prior year.

In the fiscal year ending September 30, 2022, the Authority recorded total revenues of \$976,981, primarily derived from stamp sales and postal box rentals, which collectively constituted 94% of the total revenue. Meanwhile, the Authority incurred expenses totaling \$1,080,585, intricately linked to the provision of domestic and international mail services. While operational revenues contributed to mitigating a portion of these expenses, the balance was supplemented by an operating subsidy of \$197,059 provided by the Government of the Republic of the Marshall Islands (RepMar).

This financial symbiosis ensures the continued viability and provision of essential postal services across the Republic. Guided by principles of fiscal prudence, the Authority remains committed to transparent financial management and strategic resource allocation, thereby upholding its mandate as a cornerstone of postal infrastructure within the Marshall Islands and delivering value to stakeholders and constituents alike.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The Statements of Net Position present information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The Statement of Net Position can be found on page 13.

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Management's Discussion and Analysis, continued

OVERVIEW OF THE FINANCIAL STATEMENTS, CONTINUED

The Statements of Revenues, Expenses, and Changes in Net Position present information showing how the Authority's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. accounts receivable and accounts payable). The Statements of Revenues, Expenses, and Changes in Net Position can be found on page 14.

The Statements of Cash Flows present information showing how the Authority's cash increased or decreased during the year. Cash is received and used in three ways: operating activities, capital and non-capital financing activities, and investing activities. The Statements of Cash Flows can be found on page 15.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 16 to 28.

The Authority has also presented as additional information to the basic financial statements, on page 29, a Combining Schedule of Operating Income (Loss) by Station for the year ended September 30, 2022.

Financial Analysis

Statement of Net Position

The statement of net position presents the assets, liabilities, and net position as of the end of the fiscal year. The statement of net position is a point of time financial statement. The purpose of the statement of net position is to present to the readers of the financial statements a fiscal snapshot of the Authority. The statement of net position presents end of year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and net position (assets minus liabilities) and may serve over time as a useful indicator of a governmental entity's financial position. The summary Statements of Net Position below was prepared to give insight on the Authority's resources, liabilities, and net position.

At the close of business on September 30, 2022, the Authority's assets exceeded its liabilities by \$1,332,536, which is comprised of unrestricted net position of \$1,233,883 and net investment in capital assets of \$98,653. Accordingly, this means that there are unrestricted assets available to be used to finance the day-to-day operations of the Authority.

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Management's Discussion and Analysis, continued

Statement of Net Position, continued

A summary of MIPSAs Statements of Net Position as of September 30, 2022 compared with 2021 and 2020 is presented below:

Summary Statements of Net Position
As of September 30

| | | | \$ Change | % Change | |
|----------------------------------|---------------------|---------------------|------------------|-------------|-------------------|
| | 2022 | 2021 | 2022-2021 | 2022-2021 | 2020 |
| Assets: | | | | | |
| Current and other assets | \$ 1,463,261 | \$ 1,390,084 | \$ 73,177 | 5.3% | \$ 1,013,032 |
| Capital assets | <u>262,310</u> | <u>270,891</u> | <u>(8,581)</u> | (3.2)% | <u>293,952</u> |
| Total assets | <u>1,725,571</u> | <u>1,660,975</u> | <u>64,596</u> | 3.9% | <u>1,306,984</u> |
| Liabilities: | | | | | |
| Current and other liabilities | <u>393,035</u> | <u>393,497</u> | <u>(462)</u> | (0.1)% | <u>349,896</u> |
| Net position: | | | | | |
| Net investment in capital assets | 98,653 | 64,653 | 34,000 | 52.6% | 68,717 |
| Unrestricted | <u>1,233,883</u> | <u>1,202,825</u> | <u>31,058</u> | 2.6% | <u>888,371</u> |
| Total net position | <u>\$ 1,332,536</u> | <u>\$ 1,267,478</u> | <u>\$ 65,058</u> | 5.1% | <u>\$ 957,088</u> |

Total assets of the Authority increased by \$353,991 (or 27%) from 2020 to 2021 and increased by \$64,596 (or 3.9%) from 2021 to 2022.

Current and other assets increased by \$377,052 (or 37%) from 2020 to 2021 and increased by \$73,177 (or 5.3%) from 2021 to 2022. This increase is primarily the result of an increase in cash balances.

Capital assets decreased by \$23,961 (or 8.2%) from 2020 to 2021 and decreased by \$8,581 (or 3.2%) from 2021 to 2022. This decrease is primarily the result of annual depreciation expense exceeding capital asset additions.

Total liabilities of the Authority increased by \$43,601 (or 12.5%) from 2020 to 2021 and decreased by \$462 (0.1%) from 2021 to 2022. This movement is primarily the result of changes in accrued payroll related liabilities.

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Management's Discussion and Analysis, continued

Statement of Revenues, Expenses, and Changes in Net Position

Current year activities resulted in a positive net position of the Authority of \$65,058. The summary Statements of Revenues, Expenses, and Changes in Net Position below was prepared to show the net position calculation for the year.

A summary of MIPSAs's Statements of Net Position as of September 30, 2022 compared with 2021 and 2020 is presented below:

Summary Statements of Revenues, Expenses and Changes in Net Position
Year ended September 30

| | | | \$ Change | % Change | |
|-------------------------|------------------|-------------------|---------------------|-------------|-------------------|
| | 2022 | 2021 | 2022-2021 | 2022-2021 | 2020 |
| Operating: | | | | | |
| Operating revenues | \$ 976,981 | \$ 1,026,247 | \$ (49,266) | (4.8)% | \$ 698,514 |
| Operating expenses | <u>1,080,585</u> | <u>937,271</u> | <u>143,314</u> | 15.3% | <u>790,574</u> |
| Operating income (loss) | <u>(103,604)</u> | <u>88,976</u> | <u>(192,580)</u> | (216.4)% | <u>(92,060)</u> |
| Nonoperating: | | | | | |
| Nonoperating revenues | 197,059 | 221,414 | (24,355) | (11.0)% | 238,080 |
| Nonoperating expenses | <u>28,397</u> | <u>-</u> | <u>28,397</u> | | <u>-</u> |
| | <u>168,662</u> | <u>221,414</u> | <u>(52,752)</u> | (23.8)% | <u>238,080</u> |
| Change in net position | <u>\$ 65,058</u> | <u>\$ 310,390</u> | <u>\$ (245,332)</u> | (79.0)% | <u>\$ 146,020</u> |

Changes in total net position as presented on the statement of net position based on the activity presented in the statement of revenues, expenses, and changes in net position. The purpose of the statement is to present the revenues received by MIPSAs, both operating and non-operating, and expenses incurred by MIPSAs, operating and non-operating, and other revenues, expense, gains, and losses received or spent by MIPSAs.

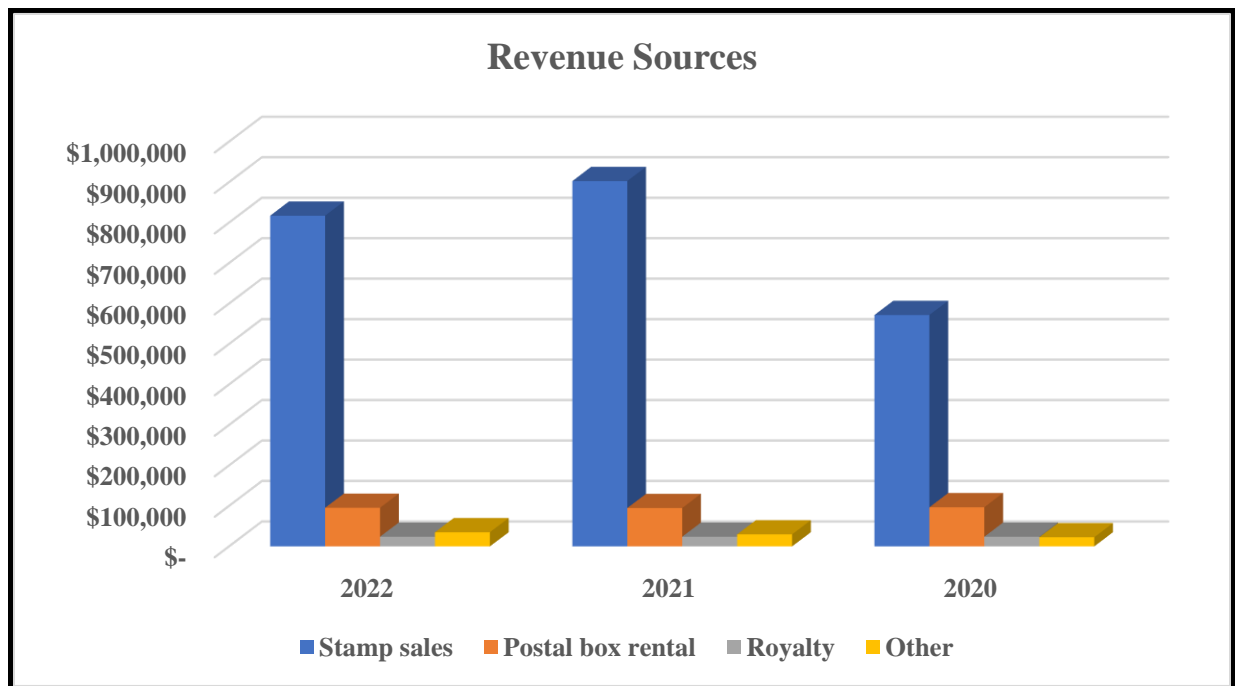
Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Management's Discussion and Analysis, continued

Statement of Revenues, Expenses, and Changes in Net Position, Continued

Revenue Sources

The Authority's revenues reported at the end of the year amounted to \$976,981 in 2022, a decrease of \$49,266 (or 4.8%) from \$1,026,247 in 2021. Approximately 93% or \$912,434 of the Authority's operating revenue generated during 2022 comes from stamp sales and postal box rental fees, which accounts for 84% and 10%, respectively, of the total of \$976,981 earned during the year. The chart below was prepared to describe the composition of the Authority's revenue sources for 2022 compared with 2021 and 2020.



The major source of revenue of the Authority is the sale of stamps for domestic and international mail. As indicated below, stamp sales increased by \$330,869 (or 58%) from FY2020 to FY2021 and decreased by \$85,447 (or 9.5%) from FY2021 to FY2022. Compared to FY2021, the total operating revenue for FY2022 decreased by \$49,266 or 4.8%, due to the unpredicted disruption of air transportation service during FY2022. However, the Authority received funding from the National Government, classified as “non-operating revenue”, which amounted to \$197,059 and which increased the net position to \$1,332,536 from \$1,267,478 in the previous year.

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Management's Discussion and Analysis, continued

Statement of Revenues, Expenses, and Changes in Net Position, Continued

Revenue Sources, continued

A summary of revenues of the Authority by funding source for the year ended September 30, 2022 compared with 2021 and 2020 is presented below:

Summary Schedule of Operating Revenues by Source
Years ended September 30

| | 2022 | 2021 | \$ Change 2022-2021 | % Change 2022-2021 | 2020 |
|-----------------------------|-------------------|---------------------|---------------------------|--------------------------|-------------------|
| Operating revenues: | | | | | |
| Stamp sales | \$ 817,098 | \$ 902,545 | \$ (85,447) | (9.5)% | \$ 571,676 |
| Postal box rentals | 95,336 | 94,801 | 535 | 0.6% | 96,727 |
| Royalty | 24,000 | 24,000 | - | 0.0% | 24,000 |
| Other | 34,977 | 29,759 | 5,218 | 17.5% | 22,560 |
| Bad debt recovery (expense) | 5,570 | (24,858) | 30,428 | (122.4)% | (16,449) |
| | <u>\$ 976,981</u> | <u>\$ 1,026,247</u> | <u>\$ (49,266)</u> | (4.8)% | <u>\$ 698,514</u> |

Expense Distribution

Total costs incurred as of the close of business on September 30, 2022 were \$1,108,980. Of this amount, the Authority incurred \$721,964 and \$88,517, respectively, for employee salaries and wages, and depreciation and amortization expense. These expense line items account for 75% of the total expense of \$1,080,585 incurred during the year.

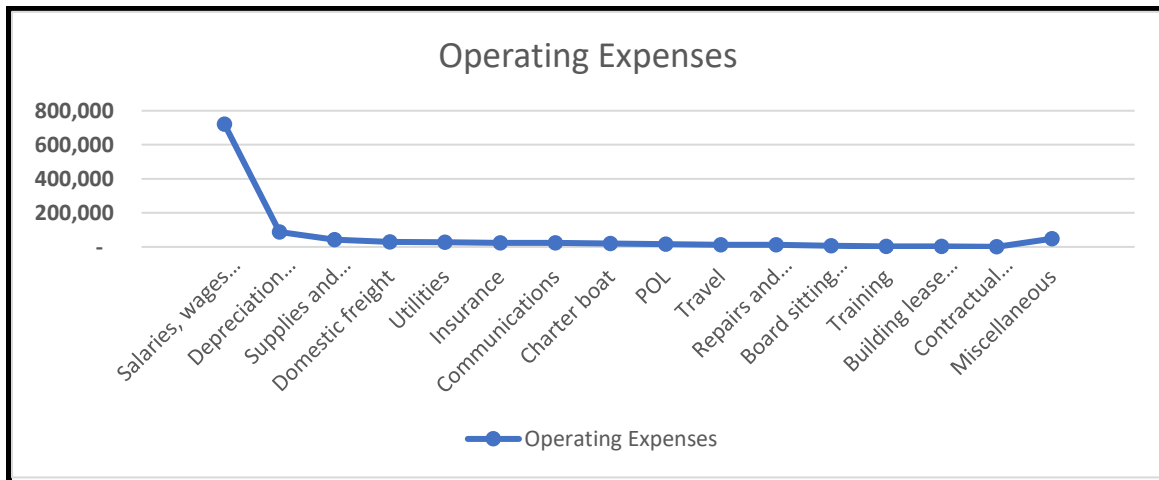
Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Management's Discussion and Analysis, continued

Statement of Revenues, Expenses, and Changes in Net Position, Continued

Expense Distribution, continued

The graph below was prepared to describe the expenses distribution of the Authority during the year.



Capital Assets and Debt

During the year, the Authority purchased various equipment and other fixed assets at a cost of approximately \$79,936. A summary of the Authority's capital assets for 2022 with comparative presentation for 2021 and 2020 is presented below:

Summary Schedule of Capital Assets
As of September 30

| | 2022 | 2021 | \$ Change 2022-2021 | % Change 2022-2021 | 2020 |
|-----------------------------|------------------|------------------|---------------------------|--------------------------|------------------|
| Depreciable capital assets: | | | | | |
| Motor vehicles | \$ 295,760 | \$ 234,770 | \$ 60,990 | 26.0% | \$ 234,770 |
| Furniture and equipment | 159,945 | 140,999 | 18,946 | 13.4% | 127,274 |
| | 455,705 | 375,769 | 79,936 | 21.3% | 362,044 |
| Accumulated depreciation | (374,552) | (330,113) | (44,439) | 13.5% | (293,327) |
| | <u>\$ 81,153</u> | <u>\$ 45,656</u> | <u>\$ 35,497</u> | 77.7% | <u>\$ 68,717</u> |

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

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

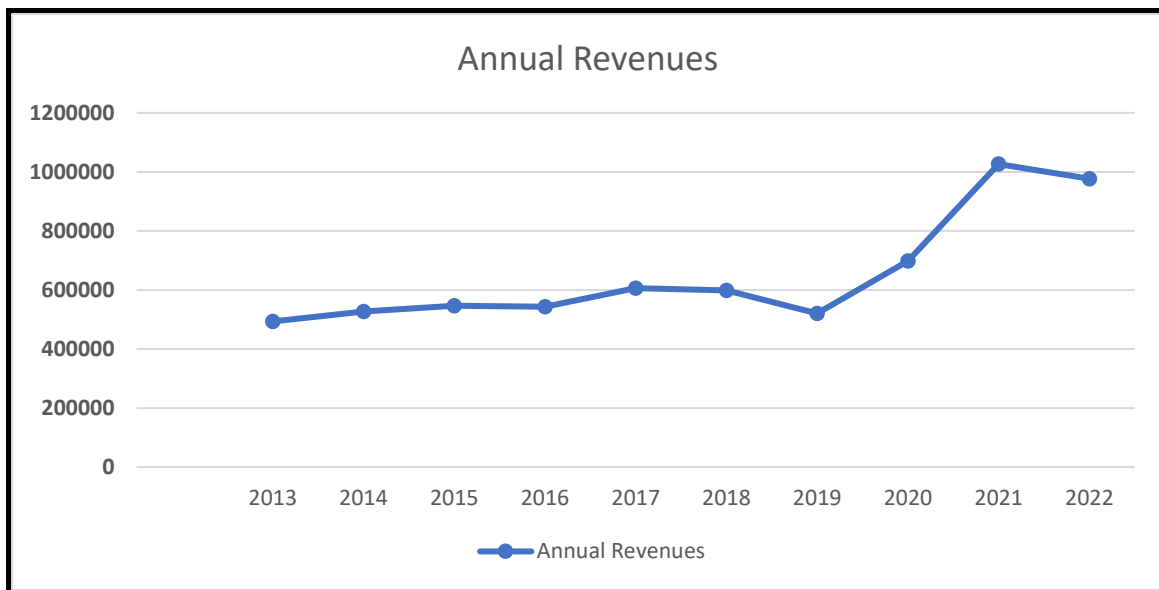
Management's Discussion and Analysis, continued

ECONOMIC OUTLOOK

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

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

Compared to previous years, annual revenue collections have increased significantly as follows:



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

REQUEST FOR INFORMATION

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

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Statement of Net Position

September 30, 2022

Assets

| | |
|---|----------------------------|
| Current assets: | |
| Cash | \$ 1,387,370 |
| Receivables: | |
| Postal box rental | 73,671 |
| Royalties | 48,000 |
| Affiliates | 6,500 |
| Other | 386 |
| | <u>128,557</u> |
| Less allowance for doubtful accounts | (86,417) |
| | <u>42,140</u> |
| Inventory | 7,254 |
| Prepaid expenses | 8,997 |
| Total current assets | 1,445,761 |
| Deposit for capital asset acquisition | 17,500 |
| Capital assets, net of accumulated depreciation | 81,153 |
| Lease assets, net | 181,157 |
| | <u><u>\$ 1,725,571</u></u> |

Liabilities and Net Position

| | |
|--|----------------------------|
| Current liabilities: | |
| Accounts payable - trade | \$ 23,928 |
| Accounts payable - affiliates | 46,892 |
| Accrued payroll | 63,030 |
| Unearned revenues | 23,834 |
| Current portion of accrued annual leave | 16,473 |
| Current portion of lease liabilities | 38,008 |
| Total current liabilities | 212,165 |
| Noncurrent liabilities: | |
| Accrued annual leave, net of current portion | 26,878 |
| Lease liabilities, net of current portion | 153,992 |
| Total noncurrent liabilities | 180,870 |
| Total liabilities | 393,035 |
| Commitments and contingencies | |
| Net position: | |
| Net investment in capital assets | 98,653 |
| Unrestricted | 1,233,883 |
| Total net position | 1,332,536 |
| | <u><u>\$ 1,725,571</u></u> |

See accompanying notes.

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Statement of Revenues, Expenses and Changes in Net Position

Year ended September 30, 2022

| | |
|------------------------------------|---------------------|
| Operating revenues: | |
| Stamp sales | \$ 817,098 |
| Postal box rentals | 95,336 |
| Royalty | 24,000 |
| Other | 34,977 |
| Recovery of bad debt | <u>5,570</u> |
| Total operating revenues | <u>976,981</u> |
| Operating expenses: | |
| Salaries, wages and other benefits | 721,964 |
| Depreciation and amortization | 88,517 |
| Supplies and materials | 43,117 |
| Domestic freight | 29,014 |
| Utilities | 27,579 |
| Insurance | 24,515 |
| Communications | 22,814 |
| Charter boat | 20,833 |
| POL | 15,824 |
| Travel | 13,340 |
| Repairs and maintenance | 11,913 |
| Board sitting fees | 6,138 |
| Training | 3,301 |
| Building lease rental | 3,249 |
| Contractual services | 480 |
| Miscellaneous | <u>47,987</u> |
| Total operating expenses | <u>1,080,585</u> |
| Loss from operations | <u>(103,604)</u> |
| Nonoperating revenues (expenses): | |
| Contributions from RepMar | 197,059 |
| Interest expense | <u>(28,397)</u> |
| Total nonoperating revenues, net | <u>168,662</u> |
| Change in net position | 65,058 |
| Net position at beginning of year | <u>1,267,478</u> |
| Net position at end of year | <u>\$ 1,332,536</u> |

See accompanying notes.

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Statement of Cash Flows

Year ended September 30, 2022

| | |
|---|---------------------|
| Cash flows from operating activities: | |
| Cash received from customers | \$ 954,716 |
| Cash payments to suppliers for goods and services | (273,034) |
| Cash payments to employees for services | <u>(688,943)</u> |
| Net cash used in operating activities | <u>(7,261)</u> |
| Cash flows from capital and related financing activities: | |
| Acquisition and construction of capital assets | (78,439) |
| Principal paid on lease liabilities | (33,235) |
| Interest paid on lease liabilities | <u>(28,397)</u> |
| Cash used in capital and related financing activities | <u>(140,071)</u> |
| Cash flows from noncapital financing activities: | |
| Contributions received from RepMar | <u>197,059</u> |
| Net change in cash | 49,727 |
| Cash at beginning of year | <u>1,337,643</u> |
| Cash at end of year | <u>\$ 1,387,370</u> |
| Reconciliation of loss from operations to net cash used in operating activities: | |
| Loss from operations | \$ (103,604) |
| Adjustments to reconcile loss from operations to net cash used in operating activities: | |
| Depreciation and amortization | 88,517 |
| Changes in assets and liabilities: | |
| Accounts receivable | (22,583) |
| Inventory | 2,295 |
| Prepaid expense | (4,659) |
| Accounts payable | 6,977 |
| Payable to affiliates | (7,543) |
| Accrued payroll | 31,860 |
| Accrued annual leave | 1,161 |
| Unearned revenue | <u>318</u> |
| Net cash used in operating activities | <u>\$ (7,261)</u> |

See accompanying notes.

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements

Year ended September 30, 2022

1. Organization

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

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

MIPSAs is governed by a five-member Board of Directors appointed by the President of RepMar. The Board of Directors, in turn, is responsible for the appointment of the Postmaster General who oversees the day-to-day operations of MIPSAs. MIPSAs’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 MIPSAs 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.

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

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

- Net investment in capital assets - capital assets, net of accumulated depreciation and related debt, plus construction or improvement of those assets.
- Restricted - net position whose use by MIPSAs is subject to externally imposed stipulations that can be fulfilled by actions of the MIPSAs pursuant to those stipulations or that expire with the passage of time. MIPSAs have no restricted net position as of September 30, 2022.
- 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 MIPSAs'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 statement 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.

Cash

Custodial credit risk is the risk that in the event of a bank failure, MIPSAs'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. MIPSAs 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 and savings accounts. As of September 30, 2022, the carrying amount of cash was \$1,387,370 and the corresponding bank balance was \$1,398,494. Of the bank balance amount, \$734,656, was maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. The remaining amount of \$663,838 was maintained in a financial institution not subject to depository insurance.

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Cash, continued

As of September 30, 2022, bank deposits in the amount of \$250,000 were FDIC insured. MIPSAs does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

Receivables

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

Stamp Inventory

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

Prepaid Expenses

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

Capital Assets

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

| | <u>Estimated Useful Lives</u> |
|-------------------------------|-------------------------------|
| Motor vehicles | 4 years |
| Other furniture and equipment | 3 years |

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Leases

MIPSA is a party as lessee for various noncancellable long-term land leases. MIPSA determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, land, or equipment in exchange for consideration. Leases result in the recognition of right-to-use lease assets and lease liabilities on the statement of net position. Lease assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis.

Deferred Outflows of Resources

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

Compensated Absences

Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. As of September 30, 2022, the accumulated vacation leave liability amounted to \$43,351.

Unearned Income

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

Deferred Inflows of Resources

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

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements

In 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed 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, MIPSAs management has elected to postpone implementation of these statements.

During the year ended September 30, 2022, MIPSAs implemented the following pronouncements:

- GASB Statement No. 87, *Leases*, which 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. As a result of adoption of GASB Statement No. 87, MIPSAs has recognized right-to-use leased assets and related lease liabilities in the initial amount of \$225,235.
- GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 92, *Omnibus 2020*, which enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB 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*, which increases consistency and comparability related to the reporting of fiduciary component units; mitigates costs associated with the reporting of certain pension plans and other postemployment benefit (OPEB) plans as fiduciary component units; and enhances 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. The implementation of this statement did not have a material effect on the accompanying financial statements.

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements, continued

- GASB Statement No. 98, *The Annual Comprehensive Financial Report*, which establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 99, *Omnibus 2022*, which provides clarification guidance on several of its recent statements that addresses different accounting and financial reporting issues identified during implementation of the new standards and during the GASB's review of recent pronouncements. GASB Statement No. 99:
 - 1) Amends guidance in GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, requiring that the accounting and financial reporting of Supplemental Nutrition Assistance Program (SNAP) transactions should follow the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, as amended. These provisions were effective upon issuance and implementation did not have a material effect on the accompanying financial statements.
 - 2) Requires disclosures related to nonmonetary transactions, in the notes to financial statements, of the measurement attribute(s) applied to the assets transferred rather than the basis of accounting for those assets. These provisions were effective upon issuance and implementation did not have a material effect on the accompanying financial statements.
 - 3) Provides guidance on accounting for pledges of future revenues when resources are not received by the pledging government. The guidance addresses the process of blending a component unit created to issue debt on behalf of a primary government when that component unit is required to be presented as a blended component unit. This guidance was effective upon issuance and implementation did not have a material effect on the accompanying financial statements.
 - 4) Provides clarification of provisions in GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended, related to the focus of the government-wide financial statements. This guidance was effective upon issuance and implementation did not have a material effect on the accompanying financial statements.

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements, continued

- 5) Provides terminology updates related to certain provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and terminology used in GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. These updates were effective upon issuance and implementation did not have a material effect on the accompanying financial statements.
- 6) GASB Statement No. 93, *Replacement of Interbank Offered Rates*, which amended GASB Statement No. 53 to address transition away from the London Interbank Offered Rate (LIBOR). GASB Statement No. 99 extends the period during which the LIBOR is considered an appropriate benchmark interest rate to when LIBOR ceases to be determined using methodology in place as of December 31, 2021. This guidance was effective upon issuance and implementation did not have a material effect on the accompanying financial statements.

Upcoming Accounting Pronouncements

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

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

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

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

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. This Statement contains guidance whose effective dates are in future periods. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 99:

- 1) Modifies guidance in GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, to bring all guarantees under the same financial reporting requirements and disclosures effective for fiscal year ending September 30, 2024.
- 2) Provides guidance on classification and reporting of derivative instruments within the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for fiscal year ending September 30, 2024.
- 3) Provides clarification of provisions in GASB Statement No. 87 related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives effective for fiscal year ending September 30, 2023.
- 4) Provides clarification of provisions in GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset. Effective for fiscal year ending September 30, 2023.

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

- 5) Provides clarification of provisions in GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability. Effective for fiscal year ending September 30, 2023.
- 6) Modifies accounting and reporting guidance in GASB Statement No. 53 related to termination of hedge. Guidance is effective for fiscal year ending September 30, 2023.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62*. This Statement enhances accounting and financial reporting requirements for accounting changes and error corrections and requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. Requirements applicable to changes in accounting principles apply to the implementation of a new pronouncement if there is no specific transition guidance in the new pronouncement. The Statement also requires that aggregate amounts of adjustments to, and restatements of, beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 100 will be effective for fiscal year ending September 30, 2024.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The primary objective of the Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid, provided the services have occurred, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or noncash means. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 101 will be effective for fiscal year ending September 30, 2025.

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

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 receipts tax of 3% on revenues. The Authority is specifically exempt from this tax.

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.

3. Royalties

In 2018, MIPSAs entered into a two-year stamp and philatelic center agreement with Inter-Governmental Philatelic Corporation (IGPC) to assist MIPSAs in the design, production, sale and distribution of new postage stamps throughout the world. In return, MIPSAs would be the recipient of royalties as calculated in accordance with the agreement. The agreement is automatically renewable unless otherwise notified in writing by either party three months prior to the expiration date. It guaranteed a minimum annual royalty payment of \$32,000.

In 2020, MIPSAs renewed the agreement for one additional year with a guaranteed minimum annual royalty payment of \$24,000. On January 1, 2021, MIPSAs renewed the agreement for a further additional year with a guaranteed minimum annual royalty payment of \$24,000. For the year ended September 30, 2022, MIPSAs recognized \$24,000 in royalty revenues in accordance with these royalty agreements. As of September 30, 2022, royalty's receivable of \$48,000, was due from IGPC with a corresponding allowance for doubtful accounts of \$31,805 as of September 30, 2022.

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

4. Capital Assets

Capital asset activities for the year ended September 30, 2022, were as follows:

| | October <u>1, 2021</u> | <u>Additions</u> | Transfers and <u>Disposals</u> | September <u>30, 2022</u> |
|-------------------------------|---------------------------|--------------------|-----------------------------------|------------------------------|
| Depreciable capital assets: | | | | |
| Motor vehicles | \$ 234,770 | \$ 60,990 | \$ --- | \$ 295,760 |
| Furniture and equipment | <u>140,999</u> | <u>18,946</u> | <u>---</u> | <u>159,945</u> |
| | 375,769 | 79,936 | --- | 455,705 |
| Less accumulated depreciation | (<u>330,113</u>) | (<u>44,439</u>) | <u>---</u> | (<u>374,552</u>) |
| | <u>45,656</u> | <u>35,497</u> | <u>---</u> | <u>81,153</u> |
| Lease assets: | | | | |
| Right-to-use assets | 225,235 | --- | --- | 225,235 |
| Less accumulated amortization | <u>---</u> | (<u>44,078</u>) | <u>---</u> | (<u>44,078</u>) |
| | <u>225,235</u> | (<u>44,078</u>) | <u>---</u> | <u>181,157</u> |
| | <u>\$ 270,891</u> | <u>\$ (8,581)</u> | <u>\$ ---</u> | <u>\$ 262,310</u> |

5. Leases

MIPSA is a lessee under non-cancelable leases for certain office space. The terms of the agreements range from 3 to 10 years generally at fixed monthly payments with no variable payments or escalation clauses. The calculated interest rate used was 13.5%.

The following is a summary of principal and interest requirements to maturity for the lease liabilities as of September 30, 2022:

| <u>Year ending September 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------------|-------------------|------------------|-------------------|
| 2023 | \$ 38,008 | \$ 23,624 | \$ 61,632 |
| 2024 | 43,468 | 18,164 | 61,632 |
| 2025 | 19,224 | 13,676 | 32,900 |
| 2026 | 20,087 | 11,113 | 31,200 |
| 2027 | 22,973 | 8,227 | 31,200 |
| 2028 - 2032 | <u>48,240</u> | <u>8,360</u> | <u>56,600</u> |
| | <u>\$ 192,000</u> | <u>\$ 83,164</u> | <u>\$ 275,164</u> |

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

6. Change in Long-term Liabilities

A summary of changes in long-term liabilities for the year ended September 30, 2022 are as follows:

| | October 1, 2021 | <u>Additions</u> | <u>Reductions</u> | September 30, 2022 | Due Within One Year |
|----------------------|--------------------|------------------|-------------------|-----------------------|------------------------|
| Accrued annual leave | \$ 42,190 | \$50,319 | \$(49,159) | \$ 43,351 | \$16,473 |
| Lease liability | <u>225,235</u> | --- | <u>(33,235)</u> | <u>192,000</u> | <u>38,008</u> |
| | <u>\$267,425</u> | <u>\$50,319</u> | <u>\$(82,394)</u> | <u>\$235,351</u> | <u>\$54,481</u> |

7. Related Party Transactions

MIPSA is a component unit of RepMar and is therefore affiliated with all RepMar-owned and affiliated entities. MIPSA provides postal services to all RepMar-owned and affiliated entities at substantially the same terms and conditions as those provided to third parties. MIPSA utilizes services from certain affiliated entities at substantially the same terms and conditions as those incurred from third parties. A summary of related party transactions as of and for the year ended September 30, 2022 is as follows:

| | <u>Expenses</u> | <u>Payables</u> |
|--|------------------|-----------------|
| Marshall Islands Social Security Administration | \$ 66,968 | \$33,011 |
| Marshall Islands National Telecommunications Authority | 22,814 | 1,490 |
| Air Marshall Islands, Inc. | 29,014 | 4,264 |
| RMI Ports Authority | 2,000 | --- |
| Marshall Islands Development Bank | 7,200 | --- |
| Marshall's Energy Company, Inc. | 2,400 | 2,200 |
| RepMar | <u>---</u> | <u>5,927</u> |
| | <u>\$130,396</u> | <u>\$46,892</u> |

During the year ended September 30, 2022, the operations of MIPSA were funded by appropriations of \$197,059 from the Nitijela of RepMar.

As of September 30, 2022, MIPSA recognized receivables from RepMar for reimbursable audit fees of \$6,500.

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

8. Risk Management

MIPSA 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. MIPSA has elected to purchase commercial insurance from independent third parties for the risks of loss to which it is exposed. No instances have occurred in the past three year where settlements have exceeded available insurance coverage.

Supplementary Information

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Combining Schedule of Operating Income (Loss) By Station

Year ended September 30, 2022

| | Uliga | Delap | Ebeye | Airport | Jabor | Wotje | Total |
|-------------------------------|---------------------|-------------------|---------------------|------------------|-------------------|-------------------|---------------------|
| Operating revenues: | | | | | | | |
| Stamp sales | \$ 585,645 | \$ 154,313 | \$ 56,203 | \$ 11,712 | \$ 6,323 | \$ 2,902 | \$ 817,098 |
| Postal box rentals | 60,646 | 6,076 | 21,130 | 3,030 | 2,612 | 1,842 | 95,336 |
| Royalty | 24,000 | --- | --- | --- | --- | --- | 24,000 |
| Other | 32,347 | 1,235 | 1,228 | 9 | 158 | --- | 34,977 |
| Recovery of bad debt | 5,570 | --- | --- | --- | --- | --- | 5,570 |
| Total operating revenues | <u>708,208</u> | <u>161,624</u> | <u>78,561</u> | <u>14,751</u> | <u>9,093</u> | <u>4,744</u> | <u>976,981</u> |
| Operating expenses: | | | | | | | |
| Salaries, wages and benefits | 536,959 | --- | 136,854 | --- | 22,310 | 25,841 | 721,964 |
| Depreciation and amortization | 59,854 | 6,102 | 14,350 | 2,405 | 1,269 | 4,537 | 88,517 |
| Supplies and materials | 40,010 | --- | 3,107 | --- | --- | --- | 43,117 |
| Domestic freight | 22,718 | --- | 1,588 | --- | 3,159 | 1,549 | 29,014 |
| Utilities | 22,299 | --- | 5,040 | 240 | --- | --- | 27,579 |
| Insurance | 24,515 | --- | --- | --- | --- | --- | 24,515 |
| Communications | 16,140 | --- | 6,674 | --- | --- | --- | 22,814 |
| Charter boat | --- | --- | 20,833 | --- | --- | --- | 20,833 |
| POL | 15,091 | --- | 733 | --- | --- | --- | 15,824 |
| Travel | 13,340 | --- | --- | --- | --- | --- | 13,340 |
| Repairs and maintenance | 11,913 | --- | --- | --- | --- | --- | 11,913 |
| Board sitting fees | 6,138 | --- | --- | --- | --- | --- | 6,138 |
| Training | 3,301 | --- | --- | --- | --- | --- | 3,301 |
| Building lease rental | 3,249 | --- | --- | --- | --- | --- | 3,249 |
| Contractual Services | 480 | --- | --- | --- | --- | --- | 480 |
| Miscellaneous | 44,539 | 143 | 2,710 | --- | 200 | 395 | 47,987 |
| Total operating expenses | <u>820,546</u> | <u>6,245</u> | <u>191,889</u> | <u>2,645</u> | <u>26,938</u> | <u>32,322</u> | <u>1,080,585</u> |
| Operating income (loss) | <u>\$(112,338)</u> | <u>\$ 155,379</u> | <u>\$(113,328)</u> | <u>\$ 12,106</u> | <u>\$(17,845)</u> | <u>\$(27,578)</u> | <u>\$(103,604)</u> |

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*

The Board of Directors
Marshall Islands Postal Service Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Marshall Islands Postal Service Authority (MIPSA), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise MIPSA's basic financial statements, and have issued our report thereon dated June 7, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MIPSA'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 MIPSA's internal control. Accordingly, we do not express an opinion on the effectiveness of MIPSA'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. A *significant deficiency* is a deficiency, or a 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.

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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

Ernst + Young LLP

June 7, 2024

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

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Year ended September 30, 2022



June 7, 2024

To the Board of Directors of
Marshall Islands Postal Service Authority

We have performed an audit of the financial statements of the Marshall Islands Postal Service Authority (MIPSA), 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 June 7, 2024.

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 MIPSA 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 MIPSAs 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 MIPSAs 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 MIPSAs 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 MIPSAs operations. These budgets include determining how existing financial resources will be used in MIPSAs operations.
- Evaluating whether there are indications that the carrying value of MIPSAs 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

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

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 MIPSAs.

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 B.

Significant deficiencies and material weaknesses in internal control over financial reporting

No material weaknesses have been identified.

Fraud and noncompliance with laws and regulations (illegal acts)

We are not aware of any matters that require communication.

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 MIPSAs 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 MIPSAs 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 *Government Auditing Standards* 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 MIPSAs.
- The preparation of the financial statements is based on MIPSAs's trial balance with our understanding that MIPSAs's underlying books and records are maintained by MIPSAs's accounting department and that the final trial balance prepared by MIPSAs is complete.
- MIPSAs's Accounts Manager have the skill sets to oversee and review the completeness and accuracy of the financial statements and footnote disclosures.

Appendix

A - Management Representations Letter

A - Management Representations Letter



MARSHALL ISLANDS POSTAL SERVICE AUTHORITY
P. O. BOX 9998 MAJURO, MH 96960, TEL: (692) 625-7369/3221
Email: mipsa.mh@gmail.com

Jun 7th, 2024

Ernst & Young LLP
Majuro, Marshall Islands
P.O Box 1288, 96960

In connection with your audit of the basic financial statements of Marshall Islands Postal Service Authority (MIPSA) 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 opinions whether the financial statements present fairly, in all material respects, the financial position of the business-type activities of MIPSA and the changes in financial position and cash flows in conformity with US 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 accordance with US GAAP applied on a basis consistent with that of the preceding period except for the effects of adopting new accounting standards.

In preparing the financial statements, we evaluated whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MIPSA's ability to continue as a going concern for one year after the date that the financial statements are issued (or available to be issued, if applicable), 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

- 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 MIPSAs 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, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

Governmental entities

We recognize that we are responsible for MIPSAs 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.

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.

A - Management Representations Letter, continued

Corrected misstatements

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

Uncorrected misstatements

We believe that the effects of any uncorrected misstatements, summarized in the accompanying schedule (Appendix B), accumulated by you during the current and prior audit period presented are immaterial, both individually and in the aggregate, to the financial statements for each opinion unit. In addition, to the extent that uncorrected misstatements have been subsequently identified in the current period that affect prior period financial statements, we have evaluated the effect of correcting prior period financial statements and believe that the effects of the uncorrected misstatements are immaterial, both individually and in the aggregate, to both the current and prior period financial statements.

Internal control

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

We are not aware of any significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting.

Minutes and contracts and internal audit reports

The dates of meetings of members, officers or summaries of actions of recent meetings held from October 1, 2021 to the date of this letter are as follows:

Date Meeting Type

| | |
|---------------|-----------------------|
| Dec 20, 2021, | Special Board Meeting |
| Aug 17, 2023, | Special Board Meeting |
| Nov 16, 2023, | Regular Board Meeting |
| Feb 15, 2024, | Regular Board Meeting |

Certain minutes of meetings of members were not made available. There were no matters of significance discussed by the members of the Board of Directors during these meetings that required adjustment to, or disclosure in, the financial statements as of September 30, 2022.

We 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.

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

A - Management Representations Letter, continued

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 assets (the underlying assets), MIPSAsatisfactory title to all assets appearing in the statement of net position. No security agreements have been executed under the provisions of any law, and there are no liens or encumbrances on assets, nor has any asset been pledged. All assets to which MIPSAsatisfactory 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 expenditures that may be incurred subsequent to the balance sheet date in respect of any sales and servicesrendered prior to that date and for uncollectible accountsand allowances, etc., that may be incurred in the collection of receivables at that date.

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

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

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 basic financial statements, and information concerning these transactions and amounts have been made available to you.

Side agreements and other arrangements

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

A - Management Representations Letter, continued

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.

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 other than those disclosed in the financial statements.

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

There have been no internal investigations or communications from regulatory agencies or government representatives in any jurisdiction concerning investigations or allegations of noncompliance with laws or regulations, noncompliance with or deficiencies in financial reporting practices, or other matters that could affect the financial statements other than those disclosed or accrued in the 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, *Contingencies* other than those accrued or disclosed in the financial statements, nor are there any accruals for loss contingencies included in the statement of financial position or gain contingencies reflected in earnings that are not in conformity with the provisions of GASB Statement No. 62 - as amended.

We have not consulted with outside 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, MIPS A had no purchase commitments for inventories in excess of normal requirements or at prices that were in excess of market at those dates.

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.

A - Management Representations Letter, continued

Non-compliance with laws and regulations, including fraud

We acknowledge that we are responsible to determine that MIPSAs 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 MIPSAs 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 MIPSAs.

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

Independence

We have communicated to you the names of MIPSAs affiliates, officers and directors.

We are not aware of any capital lease, material cooperative arrangement or other business relationship between MIPSAs and Ernst & Young LLP or any other member firm of the global Ernst & Young organization.

We are not aware of any reason that Ernst & Young LLP would not be independent for purposes of MIPSAs audit.

Conflicts of interest

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

Effects of new accounting principles

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

A - Management Representations Letter, continued

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

MIPSA 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, 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.

Supplementary Information

We are responsible for the preparation and fair presentation of the following schedules (the "Supplementary Information"):

- Combining Schedule of Operating Income (Loss) by Station

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

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

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

A - Management Representations Letter, continued

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.
- 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.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available is appropriately disclosed and net position was properly recognized under the policy.
- Subsequent events have been evaluated and classified as recognized or nonrecognized through the date of this letter.

Financial statements approval

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

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

- MIPSAs's underlying books and records are maintained by MIPSAs's accounting department and that the final trial balance prepared by MIPSAs is complete; and
- Management of MIPSAs has designated a competent representative to oversee your services and that there are MIPSAs personnel with sufficient financial competence who are able to challenge and review the completeness and accuracy of the financial statements.

We acknowledge, that we have reviewed the draft financial statements for accuracy and completeness, and we take responsibility for them.

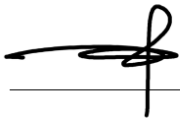
Subsequent events

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

A - Management Representations Letter, continued

We understand that your audit was conducted in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, and was, therefore, designed primarily for the purpose of expressing opinions on the financial statements of MIPSAs 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,

A handwritten signature in black ink, appearing to read 'Dexter Jikit', written over a horizontal line.

PMG, Dexter Jikit

A handwritten signature in black ink, appearing to read 'Bobby Zed', written over a horizontal line.

Acting PMG, Bobby Zed

A - Management Representations Letter, continued



MARSHALL ISLANDS POSTAL SERVICE AUTHORITY
P. O. BOX 9998 MAJURO, MH 96960, TEL: (692) 625-7369/3221
Email: mipsa.mh@gmail.com

Appendices

- A – Schedule of Corrected Misstatements
- B – Schedule of Uncorrected Misstatements

A - Management Representations Letter, continued



MARSHALL ISLANDS POSTAL SERVICE AUTHORITY

P. O. BOX 9998 MAJURO, MH 96960, TEL: (692) 625-7369/3221

Email: mipsa.mh@gmail.com

Appendix A – Schedule of Corrected Misstatements

| Communication schedule for corrected misstatements | | | | | | | | | | |
|--|----------|--|--|--------------------|---------------------|-------------------------|-------------------|----------------------------------|---|-------------|
| Entity: MI POSTAL SERVICE AUTHORITY | | | 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-1 | | To reverse the wrong recording of Postal Box Revenue | | | | | | | | |
| | UA.00 | Postal Box Rental Fees | | | | | | | 39,664 | X |
| | UA.00 | Bad debt expense | | | | | | | (39,664) | X |
| AJE #2 | | Recording of deferred revenue for station 3 i.e Ebeye | | | | | | | | |
| | UA.00 | Postal Box Rental Fees | | | | | | | 3,000 | X |
| | UA.00 | Deferred Revenue | | | (3,000) | | | | | |
| AJE #3 | | Correcting the Wrong Reversal of Bad debt expense | | | | | | | | |
| | UA.00 | Bad Debt Expense | | | | | | | 317 | X |
| | UA.00 | Postal Box Rental Fees | | | | | | | (317) | X |
| AJE#4 | | Reversing the wrong recording of liabilities in abandoned account | | | | | | | | |
| | N.00 | Accounts Payable - Vendor | | | 40,681 | | | | | |
| | N.00 | Accounts Payable | | | (40,681) | | | | | |
| AJE#5 | | To record the increase in Allowance for DA | | | | | | | | |
| | UA.00 | Bad debt expense | | | | | | | 12,746 | X |
| | EI-0100 | Prov for bad debt expense | (12,746) | | | | | | | |
| AJE # 6 | | Initial recognition of lease liability and ROUA as per GASB 87 | | | | | | | | |
| | LRE.00 | ROUA | | 225,235 | | | | | | |
| | LRE.00 | Lease Liability | | | (225,235) | | | | | |
| AJE # 7 | | Recording of depreciation expenses of ROUA for the year | | | | | | | | |
| | LRE.00 | Dep - ROUA | | | | | | | 44,078 | |
| | LRE.00 | Acc Dep - ROUA | | (44,078) | | | | | | |
| AJE # 8 | | Recording of the payment of lease liability | | | | | | | | |
| | LRE.00 | Lease Liability | | | | 33,235 | | | | |
| | LRE.00 | Finance Cost / Interest Expense | | | | | | | 28,397 | |
| | LRE.00 | Building Lease | | | | | | | (61,632) | |

A - Management Representations Letter, continued



MARSHALL ISLANDS POSTAL SERVICE AUTHORITY

P. O. BOX 9998 MAJURO, MH 96960, TEL: (692) 625-7369/3221

Email: mipsa.mh@gmail.com

Appendix B- Schedule of Uncorrected Misstatement

Communication schedule for uncorrected misstatements

| Entity: MI POSTAL SERVICE AUTHORITY | | Period Ended: 30-Sep-2022 | | Currency: USD | | | | | | | |
|--|----------|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------|----------------------------------|---|---|--|
| Uncorrected misstatements | | Analysis of misstatements Debit/(Credit) | | | | | | | | Income statement effect of the prior period | |
| No. | W/P ref. | Account (Note 1) | Assets Current | Assets Non-current | Liabilities Current | Liabilities Non-current | Equity components | Effect on the current period OCI | Income statement effect of the current period | | |
| | | (misstatements are recorded as journal entries with a description) | Debit/(Credit) (Note 2) | Debit/(Credit) (Note 2) | Debit/(Credit) (Note 2) | Debit/(Credit) (Note 2) | Debit/(Credit) | Debit/(Credit) | Debit/(Credit) | Non taxable | |
| Factual misstatements: | | | | | | | | | | | |
| PA/E#1 | F.01 | To record stamp inventory | | | | | | | | | |
| | | Inventory on hand | 6,192 | | | | | | | | |
| | | Income | | | | | | | (6,192) | | |
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| Total of uncorrected misstatements before income tax | | | 6,192 | 0 | 0 | 0 | 0 | 0 | (6,192) | 0 | |
| Total of uncorrected misstatements | | | 6,192 | 0 | 0 | 0 | 0 | 0 | (6,192) | 0 | |