

*Management Letter*

**Marshall Islands Shipping Corporation**  
(A Component Unit of the Republic of the Marshall Islands)

*Year ended September 30, 2022*





Ernst & Young LLP  
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July 26, 2024

Mr. Danny Wase  
General Manager  
Marshall Islands Shipping Corporation

Dear Mr. Wase:

In planning and performing our audit of the financial statements of the business-type activities of Marshall Islands Shipping Corporation (MISC) as of and for the year ended September 30, 2022, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the MISC's internal control. Accordingly, we do not express an opinion on the effectiveness of the MISC's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

#### **Receivables - Allowance for Doubtful Accounts**

**Condition:** Trade and affiliate receivables amounting to \$566,998, which represent 85% of total trade and affiliate receivables, were deemed uncollectible as of September 30, 2022, and were fully provided with an allowance for uncollectible accounts.

**Recommendation:** We recommend management establish internal control policies and procedures requiring regular assessment of the collectability of accounts receivable. Furthermore, we recommend management establish a written policy governing receivable collections and write-offs.

### **Dry-docking expense**

Condition: MISC utilizes the deferral method in accounting for dry-docking expense whereby MISC capitalizes and amortizes the actual costs of each planned major maintenance activity to be expensed in a systematic rational manner over the estimated period until the next planned major maintenance activity. During the year ended September 30, 2022, MISC incurred dry-docking expenses of \$261,204, which were direct expensed. An audit adjustment was proposed to recognize prepaid dry-docking expense to be amortized over 3 years.

Recommendation: We recommend management establish internal control policies and procedures requiring adherence to established accounting treatment over accounting for dry-docking expense.

### **Voyage Analysis**

Condition: Cargo manifests do not appear to be supported by an analysis/reconciliation to support the recorded amount of cargo revenue.

Recommendation: We recommend a revenue analysis be performed per voyage to verify the reasonableness of recorded revenues against voyage data provided by the booking staff.

### **Social Security Act and the Social Security Health Fund Act**

Condition: MISC filed and paid employer and employee contributions withheld for the year ended September 30, 2022, in a manner inconsistent with the Social Security Act and the Social Security Health Fund Act resulting in penalties and interest being incurred. Specifically, contributions for the following quarters were not timely filed and paid:

<u>Quarter Ended</u>	<u>Due Date</u>	<u>Date Filed</u>	<u>Date Paid</u>	<u>Days Late</u>
September 30, 2022	10/10/2022	10/21/2022	10/24/2022	14 days
June 30, 2022	07/11/2022	07/11/2022	08/02/2022	22 days
March 31, 2022	04/11/2022	04/12/2022	04/12/2022	1 day
December 31, 2021	01/10/2022	01/28/2022	01/28/2022	18 days

Recommendation: We recommend management establish internal control policies and procedures requiring compliance with the Social Security Act and Social Security Health Fund Act.

### **Board Sitting Fees**

Condition: During the year ended September 30, 2022, MISC paid sitting fees of \$27,800 to Board members. These fees may constitute wages under the Income Tax Act 1989 and thus may be subject to withholding taxes. No withholding taxes were withheld by MISC.

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

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

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

*Ernst + Young LLP*

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

**Marshall Islands Shipping Corporation**  
(A Component Unit of the Republic of the Marshall Islands)

*Year ended September 30, 2022*





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July 26, 2024

To the Board of Directors of  
Marshall Islands Shipping Corporation

We have performed an audit of the financial statements of the Marshall Islands Shipping Corporation (MISC) as of and for the year ended September 30, 2022, 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, and have issued our report thereon dated July 26, 2024, which report was qualified due to the lack of implementation of GASB Statement No. 87, *Leases*.

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, management of MISC, 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 our report on MISC's financial statements as of and for the year ended September 30, 2022, which report was qualified due to the lack of implementation of GASB Statement No. 87, *Leases*.

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 MISC's ability to continue as a going concern.

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

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

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

We are not aware of any significant accounting policies used by MISC 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 MISC's operations. These budgets include determining how existing financial resources will be used in MISC's operations.
- Evaluating whether there are indications that the carrying value of MISC's long-lived assets is impaired.
- Determining the adequacy of the allowance for doubtful accounts and inventory obsolescence.
- Determining the reasonableness of economic useful lives assigned to depreciable assets.

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

A discussion of related party relationships and transactions is included in Note 5 of the financial statements. We noted no significant matters regarding MISC's relationships and transactions with related parties.

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

We are not aware of any matters that require communication.

### **Significant unusual transactions**

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

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

None.

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

Refer to "Management Representations Letter" in Appendix A.

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

Refer to "Management Representations Letter" in Appendix A.

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

We have issued our Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated July 26, 2024. In that report, we identified certain deficiencies in internal control that we consider to be material weaknesses.

**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 MISC's management on financial accounting and reporting matters during the audit.

**Management's consultations with other accountants**

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

**Other material written communications with management**

None.

**Other matters**

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

### **Representations from management**

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

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

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

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

Under *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 MISC.
- The preparation of the financial statements is based on MISC's trial balance with our understanding that MISC's underlying books and records are maintained by MISC's accounting department and that the final trial balance prepared by MISC is complete.
- MISC's Chief Financial Officer have the skill sets to oversee and review the completeness and accuracy of the financial statements and footnote disclosures.

The Board of Directors  
Marshall Islands Shipping Corporation

July 26, 2024

## Appendix

A - Management Representations Letter

A - Management Representations Letter



## Marshall Islands Shipping Corporation

P.O. Box 1198 • Majuro, Republic of the Marshall Islands 96960

Phone: (692) 625-7447/7448 • Fax: (692) 625-5007 • Cell: (692) 455-5199

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July 26, 2024

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

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

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

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

### *Management's responsibilities*

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

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

A - Management Representations Letter, continued

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:

- 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 MISC from whom you determined it necessary to obtain evidence.

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

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

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

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

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

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

A – Management Representations Letter, continued

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.

***Corrected misstatements***

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

***Uncorrected misstatements***

There are no uncorrected misstatements (including the effects of correcting or reversing prior period uncorrected misstatements), or uncorrected misstatements in disclosures relating to the current 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 have communicated to you all significant deficiencies in the design or operation of internal control over financial reporting. There have been no significant changes in internal control since September 30, 2022.

***Minutes and contracts***

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

<b>Date of Meeting</b>	<b>Meeting Type</b>
December 10, 2021	Regular Board Meeting
December 17, 2021	Regular Board Meeting
February 18, 2022	Regular Board Meeting
March 4, 2022	Special Board Meeting
April 5, 2022	Regular Board Meeting
May 16, 2022	Special Board Meeting
May 31, 2022	Special Board Meeting
June 10, 2022	Special Board Meeting
June 17, 2022	Regular Board Meeting
August 12, 2022	Regular Board Meeting

A – Management Representations Letter, continued

<b>Date of Meeting</b>	<b>Meeting Type</b>
August 25, 2022	Special Board Meeting
October 14, 2022	Special Board Meeting
October 20, 2022	Regular Board Meeting
December 14, 2022	Regular Board Meeting
February 23, 2023	Special Board Meeting
April 6, 2023	Regular Board Meeting
June 6, 2023	Special Board Meeting
July 6, 2023	Regular Board Meeting
July 20, 2023	Special Board Meeting
October 5, 2023	Regular Board Meeting
November 6, 2023	Special Board Meeting
February 6, 2024	Regular Board Meeting
February 22, 2024	Special Board Meeting
March 6, 2024	Special Board Meeting
April 5, 2024	Regular Board Meeting
April 29, 2024	Special Board Meeting
May 2, 2024	Special Board Meeting

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

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

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

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

***Ownership and pledging of assets.***

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

A – Management Representations Letter, continued

***Receivables and revenues***

Receivables represent valid claims against the debtors indicated and do not include amounts for goods shipped or services provided subsequent to the statement of net position date, goods shipped on consignment, or other types of arrangements not constituting sales. Receivables have been determined in accordance with all relevant GASB Statements, including GASB Statements No. 33 and 62 - as amended.

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

***Inventories***

Physical counts and measurements of inventories were made by competent employees under the supervision of management and book records were appropriately adjusted after giving recognition to cut-off for materials received and products shipped.

***Prepayments and deposits***

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

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

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

***Related party relationships and transactions***

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

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

A – Management Representations Letter, continued

***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.

***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.

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

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

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

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

***Oral or written guarantees***

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

A – Management Representations Letter, continued

***Purchase commitments***

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

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

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

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

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

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

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

***Independence***

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

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

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

A – Management Representations Letter, continued

***Conflicts of interest***

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

***Effects of new accounting principles***

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

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

MISC 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.

MISC has not implemented 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. Management is unable to ascertain the impact, if any, on the financial statements.

***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.

A – Management Representations Letter, continued

***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.

***Other representations***

- We have identified and disclosed to you, all provisions of laws and regulations that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- We have followed all applicable laws and regulations in adopting, approving and amending budgets, tax or debt limits and covenants and secondary market disclosures, deposits and investments, including collateral requirements on depository accounts and investments and tax levies and refunds.
- Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
- Expenses have been appropriately classified in or allocated to functions in the statement of revenues, expenses and change in net position, and allocations have been made on a reasonable basis.
- Revenues are appropriately classified in the statement of revenues, expenses and change in net position.
- Provisions for uncollectible receivables have been properly identified and recorded.
- Interfund, internal and intra-entity activity and balances have been appropriately classified and reported.
- Risk disclosures associated with deposits and investment securities and derivatives transactions are presented in accordance with GASB requirements.

A – Management Representations Letter, continued

- Capital assets, including infrastructure, are properly capitalized, reported and, if applicable, depreciated.
- 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.
- We are following either our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available or are following paragraph 18 of GASB Statement No. 54 to determine the fund balance classifications for financial reporting purposes.
- Subsequent events have been evaluated and classified as recognized or nonrecognized through the date of this letter.

***Other matters***

We have received a draft copy of the financial statements of MISC 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 MISC.

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

- MISC's underlying books and records are maintained by MISC's accounting department and that the final trial balance prepared by MISC is complete; and
- Management of MISC has designated a competent representative to oversee your services and that there are MISC 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 basic financial statements at that date or for the period then ended, or that are of such significance in relation to MISC'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 cash flows of MISC.

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A – Management Representations Letter, continued

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



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Danny Wase, General Manager



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Cathleen Hainrick, Chief Accountant

A – Management Representations Letter, continued

Appendices

A – Schedule of Corrected Misstatements

A – Management Representations Letter, continued

Appendix A – Schedule of Corrected Misstatements

Summary of corrected misstatements		Period ended: 30-Sep-2022	Currency: US Dollars	Nominal amount:			
Entity: Marshall Islands Shipping Corporation		PM: 218,900	TE: 108,450				
No	V/P ref.	Account	Analysis of misstatements Debit/(Credit)				Income statement effect of the current period OCI
			Assets Current Debit/(Credit)	Assets Non-current Debit/(Credit)	Liabilities Current Debit/(Credit)	Liabilities Non-current Debit/(Credit)	
(misstatements are recorded as journal entries with a description)							
Add new misstatement							
1		To amortize the Prepaid drydocking related to MV Aerman VD Drydocking expense GL Code 10020 G Prepaid Drydocking GL Code 4011	(83,296)				83,296
2		To capitalize the shipping and repair works for MV Aerman G Prepaid Drydocking GL Code 4011, 4012 VD Drydocking expense GL Code 10020	42,304	84,609			(156,913)
3		To capitalize the drydock expense of SV KVAI G Prepaid Drydocking GL Code 4011, 4012 VD Drydocking expense GL Code 10020	44,784	89,527			(134,251)
4		To amortize the drydock preparation for 3 months period of MV Aerman under FY 2022 VD Depreciation/Amortization GL Code 10039 G Prepaid Drydocking GL Code 4011	(10,576)				10,576
5		To amortize the drydock preparation for 1 month related to SV KVAI in FY 2022 VD Depreciation/Amortization GL Code 10039 G Prepaid Drydocking GL Code 4011	(3,730)				3,730
6		To record reversal of disposal in depreciation expense in Other Equipment of MISC K-PPB Depreciation expense K-PPB Accumulated Depreciation Other equipment	(65,069)				65,069
7		To record reversal of disposals in depreciation expense in Outboard Engines K-PPB Depreciation expense outboard engines K-PPB Acc Dep Outboard Engines	(21,106)				21,106
8		To reclassify the advance received from customer to Unearned revenue/contract liability E Trade Debtor Island Ventures Limited PUA:1 Unearned Revenue GL Code 7053	27,853	(27,853)			
9		To correct the understated liability of MISSA Payable as of 30 Sep 2022 VB Personal Benefits GL Code 10043.2 IN MISSA Payable Social Security and Basic Health		(28,478)			28,478
<b>Total of corrected misstatements before income tax</b>			17,318	87,961	0	0	(48,349)
<b>Financial statement amounts</b>			395,656	8,547,627	(942,909)	0	(8,012,938)
<b>Effect of corrected misstatements on F/S amounts</b>			4.4%	1.0%	6.0%	0.0%	0.0%