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March 9, 2023

His Excellency David Kabua  
President  
Republic of the Marshall Islands

Dear President Kabua:

We have performed an audit of the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Republic of the Marshall Islands (RepMar) as of and for the year ended September 30, 2021, in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our report thereon dated March 9, 2023, which report includes an adverse opinion due to the omission of certain component units and emphasis-of-matter paragraphs regarding grantor agency receivables, social security obligations, implementation of GASB Statement No. 84, and the impact of COVID-19.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of RepMar is responsible.

This report is intended solely for the information and use of the management of RepMar, the Office of the Auditor General, federal awarding agencies, pass-through entities, and others within the RepMar organization 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,

A handwritten signature in black ink that reads "Deloitte &amp; Touche LLP". The signature is stylized, with the "D" and "T" being particularly prominent.

cc: The Management of Republic of the Marshall Islands

## OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS, GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS AND THE UNIFORM GUIDANCE

Our responsibility under (1) generally accepted auditing standards, (2) the standards applicable to financial audits, contained in Government Auditing Standards, issued by the Comptroller General of the United States ("generally accepted government auditing standards") (generally accepted auditing standards and generally accepted government auditing standards are collectively referred to herein as the "Auditing Standards") and (3) the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the Uniform Guidance) has been described in our engagement letter dated March 21, 2022. As described in that letter, the objectives of an audit conducted in accordance with the Auditing Standards and the Uniform Guidance are to:

- Express an opinion on the fairness of the presentation of RepMar's financial statements and the accompanying supplementary information, in relation to the financial statements as a whole, for the year ended September 30, 2021 (the "financial statements"), in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles") in all material respects, and to perform specified procedures on the required supplementary information for the year ended September 30, 2021;
- Express an opinion on whether the supplementary information that accompanies the financial statements, including the Schedule of Expenditures of Federal Awards, is fairly stated, in all material respects, in relation to the financial statements taken as a whole;
- Report on RepMar's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended September 30, 2021, based on an audit of financial statements performed in accordance with generally accepted government auditing standards; and
- Express an opinion on RepMar's compliance with requirements applicable to each major program and report on RepMar's internal control over compliance in accordance with the Uniform Guidance.

Our responsibilities under the Auditing Standards and Uniform Guidance include forming and expressing an opinion about whether the financial statements that have been prepared with the oversight of management and the Office of the President are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Office of the President of their responsibilities.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether caused by fraud or error. In making those risk assessments, we considered internal control over financial reporting relevant to RepMar's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of RepMar's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of RepMar's internal control over financial reporting. Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

We also considered RepMar's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance. Our audit does not, however, provide a legal determination of RepMar's compliance with those requirements.

## SIGNIFICANT ACCOUNTING POLICIES

RepMar's significant accounting policies are set forth in Note 1 to RepMar's 2021 financial statements. During the year ended September 30, 2021, there were no significant changes in previously adopted accounting policies or their application, other than the effect of adopting GASB No. 89 as disclosed below.

In 2020, GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance, which postponed the effective dates of GASB Statements No. 84, 89, 90, 91, 92 and 93 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. In accordance with GASB Statement No. 95, management has elected to postpone implementation of these statements. During the year ended September 30, 2021, RepMar implemented the following pronouncements:

- GASB Statement No. 84, Fiduciary Activities, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Certain assets previously not reported by the High Court are now reported in the fiduciary fund financial statements as a custodial fund resulting in an increase in beginning fiduciary net position of \$3,991,229.
- GASB Statement No. 90, Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 93, Replacement of Interbank Offered Rates, which establishes accounting and reporting requirements related to the replacement of Interbank Offered Rates such as the London Interbank Offered Rate (LIBOR) for hedging derivative instruments. The provision removing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of derivative instruments is effective for the fiscal year ending September 30, 2022. The implementation of this statement did not have a material effect on the accompanying financial statements.

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

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

In May 2019, GASB issued Statement No. 91, Conduit Debt Obligations, which clarifies 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. The provisions in Statement No. 91 are effective for fiscal years beginning after December 15, 2020. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

**SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

In January 2020, GASB issued 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. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports, the terminology used to refer to derivative instruments and the applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefits. The requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reissuance recoveries and terminology used to refer to derivative instruments are effective upon issuance. In accordance with GASB Statement No. 95, the remaining requirements of GASB Statement No. 92 are effective for the fiscal year ending September 30, 2022. Management does not believe that this statement upon implementation, will have a material effect on the financial statements.

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

In May 2020, GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements, which 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 June 2020, GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32, which increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and 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. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 97 will be effective for fiscal year ending September 30, 2022.

We have evaluated the significant qualitative aspects of the RepMar's accounting practices, including accounting policies, accounting estimates and financial statement disclosures and concluded that the policies are appropriate, adequately disclosed, and consistently applied by management.

## ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared with the oversight of management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in RepMar's 2021 financial statements include management's estimate of the allowance for uncollectible accounts, which is determined based on management's evaluation of the collectability of current accounts and historical trends. During the year ended September 30, 2021, there were no significant changes in accounting estimates or in management's judgements relating to such estimates.

## UNCORRECTED MISSTATEMENTS

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. We have attached to this letter, as Appendices A, B and C to Attachment II, summaries of uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest and prior period presented and passed disclosures that we presented to management during the current audit engagement that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

## CORRECTED MISSTATEMENTS

As the result of our audit work, we identified matters that resulted in audit adjustments that we believe, either individually or in the aggregate, would have a significant effect on RepMar's financial reporting process. Such adjustments, listed in Attachment I, were brought to the attention of management as a result of our audit procedures and were corrected by management during the current period and are reflected in the 2021 financial statements.

## DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to the RepMar's 2021 financial statements.

## OUR VIEWS ABOUT SIGNIFICANT MATTERS THAT WERE THE SUBJECT OF CONSULTATION WITH OTHER ACCOUNTANTS

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2021.

## SIGNIFICANT FINDINGS OR ISSUES DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT PRIOR TO OUR RETENTION

Throughout the year, routine discussions were held, or were the subject of correspondence, with management regarding the application of accounting principles or auditing standards in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions or correspondence were not held in connection with our retention as auditors.

## OTHER SIGNIFICANT FINDINGS OR ISSUES ARISING FROM THE AUDIT DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT

Throughout the year, routine discussions were held, or were the subject of correspondence, with management. In our judgment, such discussions or correspondence did not involve significant findings or issues requiring communication to the Office of the President.

## SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

In our judgment, we received the full cooperation of RepMar's management and staff and had unrestricted access to RepMar's senior management in the performance of our audit.



## MANAGEMENT'S REPRESENTATIONS

We have made specific inquiries of RepMar's management about the representations embodied in the financial statements. In addition, we have requested that management provide to us the written representations RepMar is required to provide to its independent auditors under generally accepted auditing standards. We have attached to this letter, as Attachment II, a copy of the representation letter we obtained from management.

## MODIFICATION TO OUR OPINION PARAGRAPH

RepMar's component units' column does not include the financial statements of the College of the Marshall Islands (CMI), Kwajalein Atoll Joint Utilities Resources, Inc. (KAJUR), Majuro Water and Sewer Company, Inc. (MWSC) and the Marshall Islands Marine Resources Authority (MIMRA). Accounting principles generally accepted in the United States of America require financial information about CMI, KAJUR, MWSC and MIMRA to be part of the aggregate discretely presented component units, thus increasing the component units' column assets, liabilities, revenues, and expenses, and changing its net position. The amount by which this departure would affect the assets, liabilities, net position, revenues, and expenses of the aggregate discretely presented component units has not been determined. Accordingly, our opinion on RepMar's aggregate discretely presented component units for the year ended September 30, 2021 was adverse.

The proposed wording of the adverse opinion paragraph follows:

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the Republic of the Marshall Islands as of September 30, 2021, or the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## EMPHASIS-OF-MATTER PARAGRAPHS

### Federal Grants Receivable

Certain receivables due from federal grantor agencies recorded within the Grants Assistance Fund remain uncollected. RepMar is currently negotiating with these grantors for a final determination insofar as collection on these amounts. Management is of the opinion that collection efforts will be favorable and thus no allowance for uncollectible accounts is considered necessary.

### Social Security Obligations

In 2019, MISSA obtained an actuarial valuation of the Retirement Fund as of October 1, 2018. The valuation reported actuarial accrued liabilities and market value of assets for the Retirement Fund of \$428,740,000 and \$79,270,000, respectively, as of October 1, 2018. The funded ratio of the Retirement Fund as of October 1, 2018 is 18%. As of September 30, 2021, MISSA recorded total fund equity of \$104,145,809 in the Retirement Fund, as funds available to fund future benefit obligations. These conditions indicate that MISSA may be unable to meet its future benefit obligations.

### Implementation of Governmental Accounting Standards Board (GASB) Statement No. 84

During the year ended September 30, 2021, RepMar implemented GASB Statement No. 84, Fiduciary Activities, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Certain assets previously not reported by the High Court are now reported in the fiduciary fund financial statements as a custodial fund resulting in an increase in beginning fiduciary net position of \$3,991,229.

## EMPHASIS-OF-MATTER PARAGRAPHS, CONTINUED

## COVID-19

On January 30, 2020, the World Health Organization (WHO) declared the novel strain of coronavirus (COVID-19) outbreak a Public Health Emergency of International Concern. On February 7, 2020, RepMar's Office of the President issued a State of Emergency declaration due to COVID-19. RepMar's Ministry of Health and Human Services in conjunction with the National Disaster Committee and the Cabinet subsequently issued Health Travel Advisory and Restrictions Issuance No. 9 suspending passenger air travel into the Marshall Islands effective March 8, 2020. On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and recommended the containment and mitigation measures worldwide. During the year ended September 30, 2021, four confirmed cases were identified in the Marshall Islands that were subsequently isolated and contained. On August 8, 2022, community transmission was identified, which may negatively impact RepMar's financial position. However, the effect of the pandemic on RepMar is uncertain. Therefore, while RepMar expects this matter to potentially have a negative impact on its financial position, the related financial impact cannot be reasonably estimated at this time.

Major donor organizations have committed resources to assist RepMar in responding to the threat posed by the pandemic, including the Asian Development Bank (ADB) and the World Bank (WB). The ADB has committed \$24,500,000 for COVID-19 response in the Marshall Islands, comprising \$16,000,000 from the Health Expenditure and Livelihoods Support Program, \$6,000,000 from Phase 3 of the Pacific Disaster Resilience Program, and \$1,000,000 from COVID-19 Emergency Response. In addition, the WB has committed \$2,500,000 to assist RepMar with prevention and detection of COVID-19 and to strengthening the local health system. Finally, RepMar is also able to avail of certain funding under the provisions of the Coronavirus Aid, Relief, and Economic Security (CARES) Act passed by the U.S. Congress and signed into law by President Donald Trump on March 27, 2020.

The proposed wording of the emphasis-of-matters paragraphs follows:

## Federal Grants Receivable

As discussed in Note 3 to the financial statements, RepMar is currently negotiating with federal grantor agencies to determine the ultimate collectability of certain receivables from federal agencies.

## Social Security Obligations

As discussed in Note 14 to the financial statements, the Marshall Islands Social Security Administration may be unable to meet its future benefit obligations.

## Implementation of Governmental Accounting Standards Board (GASB) Statement No. 84

As described in Note 1 to the financial statements, RepMar implemented GASB Statement No. 84, Fiduciary Activities, during the year ended September 30, 2021.

## COVID-19

As discussed in Note 15 to the financial statements, RepMar determined that the COVID-19 pandemic may negatively impact its financial position.

Our opinions are not modified with respect to these matters.



## CONTROL-RELATED MATTERS

We have issued a separate report to you, dated March 9, 2023, on RepMar's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, which was based upon the audit performed in accordance with Government Auditing Standards. Within that report, we noted certain matters that were considered to be material weaknesses under standards established by the American Institute of Certified Public Accountants. We have also issued a separate report to you, also dated March 9, 2023, involving RepMar's compliance with requirements applicable to each major program and on internal control over compliance in accordance with the Uniform Guidance. Although we have included management's written responses to our comments, such responses have not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we do not express an opinion or provide any form of assurance on the appropriateness of the responses or the effectiveness of any corrective actions described therein.

We have communicated to management, in a separate letter dated March 9, 2023, certain deficiencies and other matters related to RepMar's internal control over financial reporting that we identified during our audit.

\* \* \* \* \*



Republic of the Marshall Islands  
Appendix A  
Summary of Uncorrected Misstatements - Governmental Activities  
September 30, 2021

	Assets		Liabilities		Equity		Income	
	Dr.	(Cr.)	Dr.	(Cr.)	Dr.	(Cr.)	Dr.	(Cr.)
To correct overstatement of capital assets		(301,094)					301,094	
To correct understatement of capital assets	1,210,509							(1,210,509)
	1,210,509	(301,094)					301,094	(1,210,509)

Republic of the Marshall Islands  
Appendix A  
Summary of Uncorrected Misstatements - General Fund  
September 30, 2021

	Assets		Liabilities		Equity		Income	
	Dr.	(Cr.)	Dr.	(Cr.)	Dr.	(Cr.)	Dr.	(Cr.)
To correct overstatement of cash		\$ (302,152)					\$ 302,152	
To correct overstatement of accounts payable			\$ 791,463					\$ (791,463)
		\$ (302,152)	\$ 791,463				\$ 302,152	\$ (791,463)

Republic of the Marshall Islands  
Appendix A  
Summary of Uncorrected Misstatements - Grants Assistance Fund  
September 30, 2021

	Assets		Liabilities		Equity		Income	
	Dr.	(Cr.)	Dr.	(Cr.)	Dr.	(Cr.)	Dr.	(Cr.)
To correct overstatement of grants payable								
			\$ 181,008				\$ (181,008)	
			\$ 181,008				\$ (181,008)	

Republic of the Marshall Islands  
 Appendix B  
 Summary of Uncorrected Misstatements - Governmental Activities  
 September 30, 2020

	Assets		Liabilities		Equity		Income	
	Dr.	(Cr.)	Dr.	(Cr.)	Dr.	(Cr.)	Dr.	(Cr.)
To correct understatement of capital assets								
	\$ 173,977							\$ (173,977)
	\$ 173,977							\$ (173,977)

Republic of the Marshall Islands  
Appendix C  
Summary of Disclosure Items Passed  
September 30, 2021

Footnote Number	Footnote Title	Description of Omitted or Unclear Disclosure	Authoritative Literature Reference	Dollar Amount of Omitted Disclosure
# 7	Long-term Debt	Discretely Presented Component Units: Note payable by Majuro Resort, Inc. to Marshall Islands Development Bank in the amount of \$300,000, interest at 7% per annum, with principal and interest payable in monthly installments of \$4,886 commencing February 28, 2022 through January 28, 2029, collateralized by a chattel mortgage over the 150-room hotel and the assignment of business operations payments. The purpose of the loan is to provide working capital and to fund certain building structure renovations.	GASB Codification Section 2300.120a, 2300.120b, 2300.120c  GASB Codification Section 2300.901.III.B8  GASB Codification Section 1500.129  GASB Codification Section 1500.130	\$ 303,000



**Republic of the Marshall Islands**  
**Ministry of Finance, Banking and Postal Services**  
 P.O. Box D ~ Majuro ~ Marshall Islands ~ 96960  
 Phone Nos. (692) 625-8322 / (692) 625-3607

March 9, 2023

Deloitte & Touche LLP  
 361 South Marine Corp Drive  
 Tamuning, GU 96913

We are providing this letter in connection with your audit of the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Republic of the Marshall Islands (the "Government"), as of and for the year ended September 30, 2021, which collectively comprise the Government's basic financial statements for the purpose of expressing an opinion as to whether the basic financial statements present fairly, in all material respects, the financial position, results of operations or changes in fund balances, and cash flows, as applicable, of the Government in accordance with accounting principles generally accepted in the United States of America (GAAP) and your single audit of the Government for the year ended September 30, 2021.

We confirm that we are responsible for the following:

- a. The preparation and fair presentation in the basic financial statements of financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, in accordance with GAAP.
- b. 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.
  - To prevent and detect fraud.
- c. The review and approval of the financial statements and related notes, and we acknowledge your role in the preparation of this information. Specifically, we acknowledge that your role in the preparation of the financial statements was a matter of convenience rather than one of necessity. We have reviewed the financial statement preparation assistance provided by you and acknowledge that the financial statements are prepared in accordance with GAAP. Our review was based on the use of the financial statement disclosure checklist for general purpose financial statements obtained from the Government Finance Officers Association.

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.



We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

1. The basic financial statements referred to above are fairly presented in accordance with GAAP. In addition:
  - a. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
  - b. The financial statements include all fiduciary activities as required by GASB Statement No. 84, Fiduciary Activities, as amended.
  - c. Majority equity interests in legally separate organizations are properly accounted for in accordance with GASB Statement No. 90, Majority Equity Interests.
  - d. Net position components (net investment in capital assets, restricted, and unrestricted) are properly classified and, if applicable, approved.
  - e. Deposits and investment securities are properly classified in the category of custodial credit risk.
  - f. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
  - g. Required supplementary information is measured and presented within prescribed guidelines.
  - h. Applicable laws and regulations are followed in adopting, approving, and amending budgets.
  - i. The Government's 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 the related net position is properly recognized under the policy.
  - j. The financial statements properly classify all funds and activities, including special and extraordinary items.
  - k. All funds that meet the quantitative criteria in the GASB Codification of Government Accounting and Financial Reporting Standards ("GASB Codification") Section 2200.159 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
  - l. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
  - m. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
  - n. The Government has followed GASB Codification Section 1800.178 regarding which resources (restricted, committed, assigned, or unassigned) are considered to be spent for expenditures to determine the fund balance classifications for financial reporting purposes.

- o. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
  - p. Fund balance restrictions, commitments, and assignments are properly classified and, if applicable, approved.
- 2. The Government has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.
- 3. The Government has made available to you:
  - a. All financial records and related data for all financial transactions of the Government and for all funds administered by the Government. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by the Government and provide the audit trail to be used in a review of accountability. Information presented in financial reports is supported by the books and records from which the financial statements have been prepared.
  - b. Contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies.
- 4. There has been no:
  - a. Action taken by Government management that contravenes the provisions of federal laws and Guam laws and regulations, or of contracts and grants applicable to the Government.
  - b. Communications with other regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the financial statements.
- 5. We believe the effects of any uncorrected financial statement misstatements aggregated by you during the current audit engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole for each opinion unit. A summary of such uncorrected misstatements has been attached as Appendix A.
- 6. We believe the effects of the uncorrected financial statement misstatements detected in the current year that relate to the prior year presented, when combined with those misstatements aggregated by you during the prior-year audit engagement and pertaining to the prior year presented, are immaterial, both individually and in the aggregate, to the financial statements for the year ended September 30, 2020 taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix B.
- 7. We have completed our procedures to evaluate the accuracy and completeness of the disclosures in our financial statements. As a result of the evaluation process, we identified certain disclosures that, although required by GAAP, have been omitted from our financial statements. Those omitted disclosures that are regarded as more than clearly trivial are attached as Appendix C. We believe the effects of the omitted disclosures are quantitatively and qualitatively immaterial, both individual and in the aggregate, to the financial statements as a whole.
- 8. The Government has not performed a formal risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud. However, management has made available to you their understanding about the risks of fraud in the Government and do not believe that the financial statements are materially misstated as a result of fraud.

9. We have no knowledge of any fraud or suspected fraud affecting the Government involving:
  - a. Management.
  - b. Employees who have significant roles in the Government's internal control.
  - c. Others, where the fraud could have a material effect on the financial statements.
10. We have no knowledge of any allegations of fraud or suspected fraud affecting the Government's financial statements communicated by employees, former employees, analysts, regulators, or others.
11. There are no unasserted claims or assessments that we are aware of or that legal counsel has advised us are probable of assertion and must be disclosed in accordance with GASB Codification Section C50, Claims and Judgments, except as disclosed in Note 14 to the financial statements.
12. The methods, significant assumptions, and the data used by us in making the accounting estimates and the related disclosures are appropriate to achieve recognition, measurement, or disclosure that is in accordance with GAAP.
13. We are responsible for the preparation of the Schedule of Expenditures of Federal Awards in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("OMB Uniform Guidance"). We have identified and disclosed all of the Government's government programs and related activities subject to the OMB Uniform Guidance compliance audit. The Schedule of Expenditures of Federal Awards is a complete list of all federal awards required to be presented for the year ended September 30, 2021. In addition, we have accurately completed the appropriate sections of the data collection form.
14. We are responsible for compliance with local, state, and federal laws, rules, and regulations, including compliance with the requirements of OMB Uniform Guidance and the provisions of grants and contracts relating to the Government's operations. We are responsible for understanding and complying with the requirements of the federal statutes and regulations, and the terms and conditions of federal awards related to each of the Government's federal programs. We are responsible for establishing and maintaining the components of internal control relating to our activities in order to achieve the objectives of providing reliable financial reports, effective and efficient operations, and compliance with laws and regulations. We are responsible for maintaining accounting and administrative control over revenues, obligations, expenditures, assets, and liabilities.
15. We have informed you of all investigations or legal proceedings that have been initiated during the year ended September 30, 2021 or are in process as of September 30, 2021.
16. We are responsible for all non-audit services performed by you during the year ended September 30, 2021 and through March 9, 2023. We assume all management responsibilities for those services, including overseeing those services by designating an individual who possesses suitable skills, knowledge, or experience. We have evaluated the adequacy and results of the services performed and accept responsibility for the results of the services.

17. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal awards that could have a material effect on its federal programs.
18. We have disclosed to you all deficiencies in the design or operation of internal control over financial reporting identified as part of our evaluation, including separately disclosing to you all such deficiencies that are significant deficiencies or material weaknesses in internal control over financial reporting.
19. No events have occurred subsequent to September 30, 2021, that require consideration as adjustments to or disclosures in the schedule of federal awards and related notes or that existed at the end of the reporting period that affect noncompliance during the reporting period.
20. We have disclosed all known noncompliance with direct and material compliance requirements occurring subsequent to September 30, 2021.
21. Other than those described in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance, no changes in internal control over compliance or other factors that might significantly affect internal control over financial reporting, including any corrective actions taken by the Government with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to September 30, 2021.
22. Federal awards expenditures have been charged in accordance with applicable cost principles, as applicable.
23. The Reporting Package submitted to the Federal Audit Clearinghouse (FAC) as defined by the OMB Uniform Guidance section 2CFR200.512(3)(c) does not contain protected personally identifiable information.
24. We have disclosed all contracts or other agreements with service organizations.
25. We have disclosed to you all communications from service organizations relating to noncompliance with the requirements of federal statutes, regulations, and terms and conditions of federal awards at those organizations.
26. We have:
  - a. Identified previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit and the corrective actions taken to address significant findings and recommendations. We have also provided the status of the follow-up on prior audit findings (and information about all management decisions) by federal awarding agencies and pass-through entities.
  - b. Provided to you our views on the reported findings, conclusions, and recommendations, as well as management's planned corrective actions, for your report.
  - c. Identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program under audit.

- d. Complied, in all material respects, with the direct and material compliance requirements identified above in connection with federal awards except as disclosed in the Schedule of Findings and Questioned Costs.
  - e. Identified and disclosed interpretations of any compliance requirements that have varying interpretations.
  - f. Made available all federal awards (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities. Management has made available all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements. Federal financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared and are prepared on a basis consistent with that presented in the Schedule of Expenditures of Federal Awards. The copies of federal program financial reports provided are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
  - g. Identified and disclosed all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards, including the results of other audits, program reviews, or any communications from federal awarding agencies and pass-through entities concerning possible noncompliance related to the objectives of the audit.
  - h. Monitored subrecipients to determine that they have expended subawards in compliance with federal statutes, regulations, and terms and conditions of the subaward and have met the other pass-through entity requirements of OMB Uniform Guidance.
  - i. Issued management decisions for audit findings that relate to federal awards made to subrecipients. Such management decisions were issued within six months of acceptance of the audit report by the FAC. In addition, we have followed up to determine whether the subrecipient has taken timely and appropriate action on all deficiencies detected through audits, on-site reviews, and other means that pertain to the federal award provided to the subrecipient from the Government.
  - j. Considered the results of the subrecipient's audits and made any necessary adjustments to the Government's own books and records.
27. We are responsible for follow-up on all prior-year(s) findings. We have prepared a summary schedule of prior-year findings by federal awarding agency and pass-through entity, including all management decisions, to report the status of our efforts in implementation of the prior-year's corrective action plan. The summary schedule of prior audit findings includes all findings required to be included in accordance with Government Auditing Standards and OMB Uniform Guidance.
28. We are responsible for taking corrective action on audit findings and have developed a corrective action plan that meets the requirements of OMB Uniform Guidance. We have included in the corrective action plan for current-year findings the name of the person in our organization responsible for implementation of the actions, the best actions to be taken, and the estimate of a completion date. We have taken timely and appropriate steps to remedy fraud, illegal acts, or violations of provisions of contracts or grant agreements that you report.

29. Management has identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.
30. We believe that we have properly identified, reported, and classified each component unit of the Government and each organization that meets the criteria established in GASB Codification Section 2100, Defining the Financial Reporting Government. Alele Museum, Inc. and the Republic of the Marshall Islands Private Industry Council, Inc. are related organizations under GASB Statement No. 14, The Financial Reporting Entity, as amended by GASB Statement No. 39. The Government is responsible for appointing voting members to the governing boards of these legally separate organizations, but the Government's financial accountability for these organizations does not extend beyond making the appointments. Accordingly, Alele Museum, Inc. and the Republic of the Marshall Islands Private Industry Council, Inc. are classified as other stand-alone governmental units, not component units of the Government, and therefore are not part of the financial statements of the Government.
31. 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, management has elected to postpone implementation of these statements.
32. During the year ended September 30, 2021, the Government implemented the following pronouncements:
- GASB Statement No. 84, Fiduciary Activities, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Certain assets and liabilities previously reported as part of the agency fund classification of the statement of fiduciary net position are now reported in the fiduciary fund financial statements as custodial funds. The adoption of GASB Statement No. 84 resulted in the restatement of the Government's October 1, 2020 net position for the custodial funds of \$3,991,229.
  - GASB Statement No. 90, Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The implementation of this statement did not have a material effect on the financial statements.
  - GASB Statement No. 93, Replacement of Interbank Offered Rates, which establishes accounting and reporting requirements related to the replacement of Interbank Offered Rates such as the London Interbank Offered Rate (LIBOR) for hedging derivative instruments. The provision removing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of derivative instruments is effective for the year ended September 30, 2022. The implementation of this statement did not have a material effect on the financial statements.



33. In June 2017, GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. Management believes that this Statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 87 will be effective for the fiscal year ending September 30, 2022.
34. In June 2018, GASB issued Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 89 will be effective for the fiscal year ending September 30, 2022.
35. In May 2019, GASB issued Statement No. 91, Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 91 will be effective for the fiscal year ending September 30, 2023.
36. In January 2020, GASB issued Statement No. 92, Omnibus 2020. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports, the terminology used to refer to derivative instruments and the applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefits. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. The requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reissuance recoveries and terminology used to refer to derivative instruments are effective upon issuance. In accordance with GASB Statement No. 95, the remaining requirements of GASB Statement No. 92 is effective for the fiscal year ending September 30, 2022.

37. 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.
38. 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.
39. In June 2020, GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 97 will be effective for fiscal year ending September 30, 2022.

Except where otherwise stated below, matters less than \$500,000 collectively for the governmental activities, the General Fund and the Compact Trust Fund, \$400,000 collectively for the Grants Assistance Fund, and \$300,000 collectively for the aggregate remaining fund information, and are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to, or disclosure in, the basic financial statements.

40. Except as listed in Appendices A and B, there are no transactions that have not been properly recorded and reflected in the financial statements.
41. The Government has no plans or intentions that may affect the carrying value or classification of assets and liabilities.

## 42. Regarding related parties:

- a. We have disclosed to you the identity of all the Government's related parties and all the related-party relationships and transactions of which we are aware.
- b. To the extent applicable, related parties and all the related-party relationships and transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral) have been appropriately identified, properly accounted for, and disclosed in the financial statements.

## 43. In preparing the financial statements in accordance with GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:

- a. It is reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events.
- b. The effect of the change would be material to the financial statements.

## 44. There are no:

- a. Instances of identified or suspected noncompliance with laws, regulations, or provisions of contracts or grant agreements whose effects should be considered when preparing the financial statements, or other instances that warrant the attention of those charged with governance.
- b. Known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and that have not been disclosed to you and accounted for and disclosed in accordance with GAAP.
- c. Known actual or likely instances of abuse that have occurred that could be quantitatively or qualitatively material to the financial statements.
- d. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Codification Section C50, Claims and Judgments, except as disclosed in Note 14 to the financial statements.

## 45. The Government has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral except as discussed in Note 11 to the financial statements.

## 46. The Government has complied with all aspects of contractual agreements that may affect the financial statements.

## 47. No department or agency of the Government has reported a material instance of noncompliance to us.

## 48. The Government has identified all derivative instruments as defined by GASB Codification Section D40, Derivative Instruments, and appropriately recorded and disclosed such derivatives in accordance with GASB Codification Section D40.

49. Other than those described in Note 16 to the financial statements, no events have occurred after September 30, 2021, but before March 9, 2023, the date through which subsequent events were evaluated, that require consideration as adjustments to, or disclosures in, the financial statements.
50. Regarding required supplementary information:
  - a. We confirm that we are responsible for the required supplementary information.
  - b. The required supplementary information is measured and presented in accordance with GASB Codification Section 2200, Comprehensive Annual Financial Report.
  - c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.
51. Regarding supplementary information:
  - a. We are responsible for the preparation and fair presentation of the supplementary information in accordance with GASB Codification Section 2200, Comprehensive Annual Financial Report.
  - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with GASB Codification Section 2200, Comprehensive Annual Financial Report.
  - c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.
52. Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the balance-sheet date and have been appropriately reduced to their estimated net realizable value. Certain receivables due from federal grantor agencies recorded within the Grants Assistance Fund remain uncollected. The Government is currently negotiating with these grantors for a final determination insofar as collection on these amounts. Management is of the opinion that collection efforts will be favorable and thus no allowance for uncollectible accounts is considered necessary.
53. Management of the Government believes that it is in compliance with all significant limitations and restrictions of the Asian Development Bank and International Cooperation and Development Fund loan agreement covenants as of September 30, 2021.
54. We have appropriately identified and properly recorded and disclosed in the financial statements all interfund transactions, including repayment terms.
55. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed in the financial statements.
56. Financial instruments with significant individual or group concentration of credit risk have been appropriately identified, properly recorded, and disclosed in the financial statements.

57. The Government 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. It is the policy of the primary government not to purchase commercial insurance for the risks of loss to which it is exposed. Instead, the Government management believes it is more economical to manage its risks internally. In the event of claim settlements and judgments, the Government reports all of its risk management activities in its General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. No losses have occurred as a result of these risks in any of the past three fiscal years.
58. The Government has previously authorized the issuance of certain commemorative coins that are represented to be the legal tender of the Republic of the Marshall Islands. Under the terms of the contract, if an owner of the coins presents them in the Republic of the Marshall Islands, the Government must redeem them for the face value. In 1998, the Cabinet directed the Minister of Finance, Banking and Postal Services to terminate the contract. No provision for any liability that may result from the termination of the contract has been made in the financial statements as the Government has not been required to redeem such coins and no longer considers such coins to be legal tender.
59. No evidence of fraud, possible irregularities, or dishonesty in fiscal operations of federal programs administered by the Government has been discovered.

Very truly yours,



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Patrick Langrine  
Secretary