

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

**RMI Ports Authority**

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

*Years ended September 30, 2023 and 2022  
with Report of Independent Auditors*



**Shape the future  
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RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Financial Statements, Required Supplementary Information, Supplementary  
Information, and Reports on Internal Control and Compliance

Years ended September 30, 2023 and 2022

**Contents**

Report of Independent Auditors.....	1
Management’s Discussion and Analysis .....	4
Audited Basic Financial Statements	
Statements of Net Position.....	16
Statements of Revenues, Expenses and Changes in Net Position .....	18
Statements of Cash Flows.....	20
Notes to Financial Statements.....	21
Supplementary Information	
Combining Divisional Statements of Revenues, Expenses and Changes in Net Position.....	38
Reports on Internal Control and Compliance	
Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	40
Report of Independent Auditors on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance .....	42
Schedule of Expenditures of Federal Awards.....	47
Notes to Schedule of Expenditures of Federal Awards .....	48
Schedule of Findings and Questioned Costs.....	49



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## Report of Independent Auditors

The Board of Directors  
RMI Ports Authority

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of the business-type activities of RMI Ports Authority (the Authority), a component unit of the Republic of the Marshall Islands, as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements as listed in the table of contents (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority as of September 30, 2023 and 2022, and the changes in financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 15 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary information on pages 38 and 39 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2026, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

The logo for Ernst & Young, featuring the company name in a stylized, cursive script font.

January 12, 2026

RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Management's Discussion and Analysis

Years ended September 30, 2023 and 2022

## I. INTRODUCTION

Our discussion and analysis of the financial performance of both the Airport and Seaport Divisions of the RMI Ports Authority (the Authority) provides an overview of the Authority's financial activities presented in the audited financial statements for the fiscal year ended September 30, 2023 with comparative information for the years ended September 30, 2022 and 2021. This discussion and analysis should be read in conjunction with the more detailed information contained within the accompanying audited financial statements.

The Authority is a component unit of the Republic of the Marshall Islands (RepMar) and was established as a public corporation under RMI Public Law 2003-81, known as the RMI Ports Authority Act of 2003. The new Act supersedes the previous Acts of the Marshall Islands Airports Authority (MIAA) and the Marshall Islands Ports Authority (MIPA) and merges the two aforementioned authorities into one single ports authority.

A seven-member Board of Directors governs the Authority, all of whom are appointed by the Cabinet. One of the members is designated by the Cabinet as the Chairperson of the Board. The Authority is responsible for establishing, maintaining, managing and operating all airports and port facilities designated by the law and by the RMI Government. At the time of writing, the Authority has the overall responsibilities in management, operations and maintenance of all airport and seaport facilities in Majuro, except for the fish base facilities.

On March 1, 2018, the Authority entered into an agreement with the Kwajalein Atoll Local Government (KALGOV) transferring duties and responsibilities of establishment, maintenance, and operation of the Ebeye Port from KALGOV to the Authority. Effective March 1, 2018, all Ebeye Port employees became employees of the Authority.

## II. OVERVIEW OF FINANCIAL STATEMENTS

The Authority's financial reports and subsequent statements are prepared in accordance with the accounting principles generally accepted in the United States of America mandated by the Governmental Accounting Standards Board (GASB).

The Authority operates on the accrual basis of accounting wherein revenues are recognized when earned, not when received, and expenses are recorded when incurred, not when paid. Capital assets of more than \$500 are capitalized and depreciated over their useful lives.

This annual report consists of four parts: the Management's Discussion and Analysis (MD&A), Basic Financial Statements, Notes to the Financial Statements, and Independent Auditor's Reports on Internal Control and on Compliance.

RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Management's Discussion and Analysis, continued

### III. FINANCIAL HIGHLIGHTS

The financial health can be evaluated by several factors such as ports facilities, strategic direction, financial status, tourism, economic activities, community service obligations and human resources. One important question is whether the Authority is financially stable at the beginning of the year or at the end of the year.

- As of the fiscal year ended September 30, 2023, total net position was \$53.4 million, a significant increase of \$1 million or 2% from \$52.4 million from last fiscal year.
- Total operating revenues increased by \$0.9 million or 30%. The performance indicators will explain the increase as explained in this report. Please also refer to the Revenue Performance Indicators and Divisional Revenues and Expenses sections of this report.
- Total operating expenses, inclusive of depreciation and amortization, were \$7.8 million for FY2023. It increased by \$0.3 million or 4% as compared to FY2022. The details of the increase will also be discussed in the Divisional Revenues and Expenses section of this report.
- The Authority incurred an operating loss of \$3.9 million for FY2023. The said amount is below from last fiscal year's operating loss of \$4.5 million. The major drivers in the decrease in operating loss were caused by the decrease in operational cost streams driven through cost reduction efforts and changes in the market.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position provide an indication of the Authority's financial condition. The Authority's net position reflects the difference between total assets and total liabilities. An increase/decrease in net position over time normally indicates an improvement/deterioration of the Authority's financial condition. As illustrated in the figures that follow, the Authority's net position increased by \$1 million in FY2023 and a decrease by \$3 million in FY2022.

**RMI Ports Authority**  
(A Component Unit of the Republic of the Marshall Islands)

**Management's Discussion and Analysis, continued**

**IV. STATEMENT OF NET POSITION**

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

**Summary Statements of Net Position**  
As of September 30

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u> <u>2023-2022</u>	<u>% Change</u> <u>2023-2022</u>	<u>2021</u>
<b>Assets:</b>					
Current and other assets	\$ 5,957,168	\$ 5,688,119	\$ 269,049	4.7%	\$ 6,398,941
Capital and lease assets	<u>52,774,879</u>	<u>49,849,524</u>	<u>2,925,355</u>	5.9%	<u>51,887,790</u>
<b>Total assets</b>	<u>58,732,047</u>	<u>55,537,643</u>	<u>3,194,404</u>	5.8%	<u>58,286,731</u>
<b>Liabilities:</b>					
Current and other liabilities	<u>4,782,805</u>	<u>2,609,015</u>	<u>2,173,790</u>	83.3%	<u>2,338,076</u>
<b>Deferred inflows of resources:</b>					
Lease revenues	<u>570,352</u>	<u>549,562</u>	<u>20,790</u>	3.8%	<u>689,674</u>
<b>Net position:</b>					
Net investment in capital assets	49,822,066	48,627,096	1,194,970	2.5%	51,032,710
Unrestricted	<u>3,556,824</u>	<u>3,751,970</u>	<u>( 195,146 )</u>	(5.2)%	<u>4,226,271</u>
<b>Total net position</b>	<u>\$ 53,378,890</u>	<u>\$ 52,379,066</u>	<u>\$ 999,824</u>	1.9%	<u>\$ 55,258,981</u>

The Authority's financial data for FY2023 showed that total assets settled at \$58.7 million, up from \$55.5 million, an increase of \$3 million or 5% . This can be attributed to the following major drivers, namely:

1. Current and other assets increased by \$269,049 or 5%. Below are the major changes in the components of current and other assets:
  - a) Cash account decreased by \$284,351 or 15% from \$1.9 million recorded in FY2022 to \$1.7 million for FY2023. This decrease was the result of cash used in capital and related financing activities of \$613,459 offset by cash provided by operating activities of \$329,108.
  - b) Time certificates of deposit (TCD) account with Bank of the Marshall Islands (BOMI) increased by \$83,120 or 3% due to interest earned during FY2023.
  - c) Net receivables increased by \$391,519 or 75% from \$0.5 million recorded in FY2022 to \$0.9 million for FY2023. However, there are noted subsequent collections in FY2024.

RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Management's Discussion and Analysis, continued

**IV. STATEMENT OF NET POSITION, CONTINUED**

2. Capital and lease assets increased by \$2.9 million or 6% from \$49.8 million recorded in FY2022 to \$52.8 million for FY2023. This increase was primarily the result from capital asset acquisitions of \$7.3 million offset by depreciation charges for FY2023 of \$4.4 million.
3. Current and other liabilities increased by \$2.2 million or 83%. Below are the major changes in the components of current and other liabilities:
  - a) Payable to affiliates and federal agencies increased by a total of \$440,686 or 51% from \$0.9 million recorded in FY2022 to \$1.3 million for FY2023.
  - b) Contracts payable increased by \$1.7 million or 464% from \$0.4 million recorded in FY2022 to \$2.1 million for FY2023 due to the significant costs incurred for the Airport Improvement Program (AIP) project, which started on December 2022, including those other AIP projects in the pipeline, for FY2023.
4. One of the financial indicators to measure the financial capacity to meet current obligation is the current or liquidity ratio. At the end of FY2023, the Authority had a liquidity ratio of \$1.38 to \$1. This could be interpreted as the Authority having \$1.38 in its coffers for every \$1 owed. This benchmark showed a decrease from the FY2022 liquidity ratio of \$2.96 to \$1.
5. The total net position increased by \$1 million or 2% from \$52.4 million recorded in FY2022 to \$53.4 million for FY2023. This increase was the result of combined revenues and contributions of \$8.9 million offset by expenses of \$7.9 million.

**V. STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

The purpose of this statement is to present the revenues received and expenses paid by the Authority, both for operating and non-operating, as well as any revenues, expenses, gains and losses, capital contributions and changes in net position for a given period.

RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Management's Discussion and Analysis, continued

**V. STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION, CONTINUED**

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

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u> <u>2023-2022</u>	<u>% Change</u> <u>2023-2022</u>	<u>2021</u>
Operating:					
Revenues	\$ 3,860,089	\$ 2,976,674	\$ 883,415	29.7%	\$ 2,988,546
Expenses	<u>7,777,152</u>	<u>7,502,329</u>	<u>274,823</u>	3.7%	<u>7,395,917</u>
Operating loss	( <u>3,917,063</u> )	( <u>4,525,655</u> )	<u>608,592</u>	(13.4)%	( <u>4,407,371</u> )
Nonoperating:					
Revenues	206,978	167,873	39,105	23.3%	627,506
Expenses	<u>119,060</u>	<u>115,747</u>	<u>3,313</u>	2.9%	<u>55,610</u>
	<u>87,918</u>	<u>52,126</u>	<u>35,792</u>	68.7%	<u>571,896</u>
	( 3,829,145 )	( 4,473,529 )	644,384	(14.4)%	( 3,835,475 )
Capital contributions	<u>4,828,969</u>	<u>1,593,614</u>	<u>3,235,355</u>	203.0%	<u>154,538</u>
Change in net position	<u>\$ 999,824</u>	<u>\$( 2,879,915 )</u>	<u>\$ 3,879,739</u>	(134.7)%	<u>\$( 3,680,937 )</u>

The Authority's operating revenues for FY2023 increased by \$883,415 or 30%. Below are the major changes in the components of operating revenues:

1. Airport Division's operating revenues increased by \$339,748 or 44% from \$775,318 recorded in FY2022 to \$1,115,066 for FY2023.
2. Seaport Division's operating revenues increased by \$543,667 or 25% from \$2,201,356 recorded in FY2022 to \$2,745,023 for FY2023.

The Authority's operating expenses for FY2023 increased by \$274,823 or 4%. Below are the major changes in the components of operating expenses:

1. Airport Division's operating expenses decreased by \$1,946,043 or 33% from \$5,909,999 recorded in FY2022 to \$3,963,956 for FY2023.
2. Seaport Division's operating expenses increased by \$2,220,866 or 139% from \$1,592,330 recorded in FY2022 to \$3,813,196 for FY2023.

RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Management's Discussion and Analysis, continued

**V. STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION,  
CONTINUED**

Below are the major changes in the components of operating expenses:

- a) Salaries and wages expense increased by \$158,518 or 11% from \$1.4 million for FY2022 to \$1.6 million for FY2023.
- b) Depreciation and amortization expense minimally increased by \$51,440 or 1% from \$4.3 million for FY2022 and to \$4.4 million for FY2023.

The Authority's net non-operating revenues for FY2023 increased by \$35,792 or 69% from \$52,126 recorded in FY2022 to \$87,918 for FY2023. The major reason for the increase is the growth in interest income earned from both TCD and for leases with the Authority being a lessor with \$206,978 recorded in FY2023 compared to \$167,873 in FY2022.

Finally, capital contributions for FY2023 significantly increased by \$3.2 million or 203%. The major reason for the increase of AIP grants received from the U.S. Department of Transportation Federal Aviation Administration (FAA). These funds are considered capital contributions since they are given to the Authority without directly providing goods and/or services. Instead, they are provided to the Authority for the purpose of funding capital-related improvements.

Change in net position for FY2023 increased by \$3.9 million or 135% from negative \$2.9 million for FY2022 to positive \$1 million for FY2023.

The substantial increase in change in net position provided growth in net position at the end of the fiscal year, which was pegged at \$53.4 million versus the recorded amount a fiscal year ago of \$52.4 million, an increase of \$1 million or 2%.

Overall, as of the fiscal year ended September 30, 2023, total net position of \$53.4 million is regarded as strong and stable considering the ups and downs as described above.

The MD&A for the year ended September 30, 2022 is set forth in the Authority's report on the audit of financial statements for FY2022, which was dated September 26, 2024. The MD&A explains the major factors impacting the FY2022 financial statements and can be obtained from the RMI Office of the Auditor-General's website at [www.rmioag.com](http://www.rmioag.com).

RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Management's Discussion and Analysis, continued

**VI. DIVISIONAL REVENUES AND EXPENSES**

Please see below in-depth analysis of Airport and Seaport Combined Operating Revenues and Expenses on the Statement of Revenues and Expenses.

**Summary Airport and Seaport Operating Revenues and Expenses**  
Years ended September 30

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u> <u>2023-2022</u>	<u>% Change</u> <u>2023-2022</u>	<u>2021</u>
Operating revenues:					
Airport Division	\$ 1,115,066	\$ 775,318	\$ 339,748	43.8%	\$ 645,934
Seaport Division	<u>2,745,023</u>	<u>2,201,356</u>	<u>543,667</u>	24.7%	<u>2,342,612</u>
Total operating revenues	<u>3,860,089</u>	<u>2,976,674</u>	<u>883,415</u>	29.7%	<u>2,988,546</u>
Operating expenses:					
Airport Division	3,963,956	5,909,999	( 1,946,043 )	(32.9)%	5,940,218
Seaport Division	<u>3,813,196</u>	<u>1,592,330</u>	<u>2,220,866</u>	139.5%	<u>1,455,699</u>
Total operating expenses	<u>7,777,152</u>	<u>7,502,329</u>	<u>274,823</u>	3.7%	<u>7,395,917</u>
Operating loss	\$( <u>3,917,063</u> )	\$( <u>4,525,655</u> )	\$ <u>608,592</u>	(13.4)%	\$( <u>4,407,371</u> )

**VII. REVENUE PERFORMANCE INDICATORS AND ANALYSIS OF DIVISIONAL EXPENSES**

**AIRPORT REVENUE PERFORMANCE INDICATORS**

**Scheduled Flights - Traffic**  
Years ended September 30

	<u>2023</u>	<u>2022</u>	<u>Change</u> <u>2023-2022</u>	<u>% Change</u> <u>2023-2022</u>	<u>2021</u>
UNITED AIRLINES	322	164	158	96.3%	84
AIR NAURU	90	2	88	4400.0%	2
AIR MARSHALL ISLANDS	916	1,080	( 164 )	(15.2)%	882
ASIA PACIFIC AIRLINES	<u>65</u>	<u>122</u>	<u>( 57 )</u>	<u>(46.7)%</u>	<u>114</u>
TOTAL	<u>1,393</u>	<u>1,368</u>	<u>25</u>	1.8%	<u>1,082</u>

RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Management's Discussion and Analysis, continued

**VII. REVENUE PERFORMANCE INDICATORS AND ANALYSIS OF DIVISIONAL EXPENSES, CONTINUED**

**AIRPORT REVENUE PERFORMANCE INDICATORS, CONTINUED**

The increase in the number of scheduled flights of 25 or 2% from 1,368 for FY2022 to 1,393 for FY2023 registered a favorable increase in dollar amounts as total landing charges for both United Airlines and Air Nauru. The factor towards this change was the COVID-19 pandemic border barriers being lifted and flights resuming operations normalizing flight traffic. Landing fees revenues increased by \$28,658 or 15% from \$196,265 recorded in FY2022 to \$224,923 for FY2023.

**Departure - International**  
Years ended September 30

	<u>2023</u>	<u>2022</u>	Change <u>2023-2022</u>	% Change <u>2023-2022</u>	<u>2021</u>
ADULTS	14,279	1,768	12,511	707.6%	1,787
STUDENTS	<u>306</u>	<u>794</u>	( 488 )	(61.5)%	<u>825</u>
TOTAL	<u><u>14,585</u></u>	<u><u>2,562</u></u>	<u><u>12,023</u></u>	469.3%	<u><u>2,612</u></u>

Departure Fees - International registered an increase of 12,023 passengers or 469%. Due to the border opening, the fluctuations are continuing to reach pre-COVID-19 travel limits. Departure fees revenues significantly increased by \$314,429 or 503% from \$62,485 recorded in FY2022 to \$361,771 for FY2023.

**Unscheduled/Special Flight Traffic**  
Years ended September 30

	<u>2023</u>	<u>2022</u>	Change <u>2023-2022</u>	% Change <u>2023-2022</u>	<u>2021</u>
<b>NUMBER OF FLIGHTS (MTOW)</b>					
0-45,000	128	85	43	50.6%	53
45,001-90,000	24	28	( 4 )	(14.3)%	29
Greater than 90001	<u>37</u>	<u>76</u>	( 39 )	(51.3)%	<u>43</u>
TOTAL	<u><u>189</u></u>	<u><u>189</u></u>	---	0.0%	<u><u>125</u></u>

RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Management's Discussion and Analysis, continued

**VII. REVENUE PERFORMANCE INDICATORS AND ANALYSIS OF DIVISIONAL EXPENSES, CONTINUED**

**AIRPORT REVENUE PERFORMANCE INDICATORS, CONTINUED**

**Unscheduled/Special Flight Traffic**  
Years ended September 30

	<u>2023</u>	<u>2022</u>	<u>Change</u> <u>2023-2022</u>	<u>% Change</u> <u>2023-2022</u>	<u>2021</u>
<b>% TO TOTAL</b>					
0-45,000	68%	45%	23%	51.1%	42%
45,001-90,000	12%	15%	-3%	(20.0)%	23%
Greater than 90001	<u>20%</u>	<u>40%</u>	<u>-20%</u>	<u>(50.0)%</u>	<u>35%</u>
<b>TOTAL</b>	<u>100%</u>	<u>100%</u>			<u>100%</u>

Ground handling fees revenues minimally increased by \$3,629 or 6.6% from \$55,235 recorded in FY2022 to \$58,864 for FY2023.

**SEAPORT REVENUE PERFORMANCE INDICATORS**

**Vessel Arrivals**  
Years ended September 30

	<u>2023</u>	<u>2022</u>	<u>Change</u> <u>2023-2022</u>	<u>% Change</u> <u>2023-2022</u>	<u>2021</u>
CARGO VESSELS	98	74	24	32.4%	68
FISHING VESSELS INTERNATIONAL	385	375	10	2.7%	363
FISHING VESSELS LOCAL	603	538	65	12.1%	542
FOREIGN TANKERS	18	14	4	28.6%	19
MILITARY SHIPS	3	2	1	50.0%	2
OTHER	10	3	7	233.3%	2
<b>TOTAL</b>	<u>1,117</u>	<u>1,006</u>	<u>111</u>	<u>11.0%</u>	<u>996</u>

Pilotage fees revenues increased by \$396,954 or 47.4% from \$837,717 recorded in FY2022 to \$1,234,671 for FY2023. In addition, vessel entry fees revenues remained steady at \$319,442 recorded in FY2022 to \$377,046 for FY2023, representing an increase of \$57,604 or 18%.

RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Management's Discussion and Analysis, continued

**VII. REVENUE PERFORMANCE INDICATORS AND ANALYSIS OF DIVISIONAL EXPENSES, CONTINUED**

**SEAPORT REVENUE PERFORMANCE INDICATORS, CONTINUED**

**Wharfage Fees**  
Years ended September 30

	<u>2023</u>	<u>2022</u>	Change <u>2023-2022</u>	% Change <u>2023-2022</u>	<u>2021</u>
METRIC TONS	49,163	95,657	(46,494)	(48.6)%	42,306
REVENUE TONS:					
DOMESTIC	5,099	6,893	(1,794)	(26.0)%	12,902
INTERNATIONAL	130,014	149,496	(19,482)	(13.0)%	145,155

Wharfage fees revenues marginally decreased by \$35,240 or 6% from \$588,063 recorded in FY2022 to \$552,823 for FY2023.

**Bunkering Fees**  
Years ended September 30

	<u>2023</u>	<u>2022</u>	Change <u>2023-2022</u>	% Change <u>2023-2022</u>	<u>2021</u>
FUEL (BARRELS)	174,089	137,394	36,695	26.7%	103,038
WATER (GALLONS)	145,000	311,000	(166,000)	(53.4)%	505,800

Revenues from bunkering fees - fuel increased as a direct result of the increase in bunkered fuel of 36,695 barrels or 26.7% from 137,394 barrels in FY2022 to 174,089 barrels in FY2023. Revenues from bunkering fees - water decreased as a direct result of the decrease in bunkered water of 166,000 gallons or 53.4% from 311,000 gallons in FY2022 to 145,000 gallons in FY2023. Overall, dockage fees revenues increased by \$41,484 or 18.7% from \$221,992 recorded in FY2022 to \$263,476 for FY2023.

**VIII. CAPITAL ASSETS AND DEBT**

Net capital assets increased from \$49.8 million in FY2022 to \$52.7 million in FY2023, an increase of \$2.9 million. Capital asset acquisitions in FY2023 of \$7.3 million were offset by depreciation of \$4.4 million.

RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Management's Discussion and Analysis, continued

**VIII. CAPITAL ASSETS AND DEBT, CONTINUED**

A summary of the Authority's capital assets as of September 30, 2023 compared with FY2022 and FY2021 is presented in the schedule that follows:

**Summary Schedule of Capital Assets**  
As of September 30

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u> <u>2023-2022</u>	<u>% Change</u> <u>2023-2022</u>	<u>2021</u>
Runway apron upgrade	\$ 36,159,648	\$ 36,159,648	\$ ---	0.0%	\$ 36,159,648
Roadway	26,720,033	26,720,033	---	0.0%	26,720,033
Facilities	26,164,840	26,164,840	---	0.0%	26,164,840
Buildings	14,203,616	14,203,616	---	0.0%	13,823,713
Others	<u>5,374,694</u>	<u>4,944,167</u>	<u>430,527</u>	8.7%	<u>3,947,941</u>
	108,622,831	108,192,304	430,527	0.4%	106,816,175
Accumulated depreciation	<u>( 66,036,414 )</u>	<u>( 61,665,074 )</u>	<u>( 4,371,340 )</u>	7.1%	<u>( 57,319,945 )</u>
	<u>42,586,417</u>	<u>46,527,230</u>	<u>( 3,940,813 )</u>	(8.5)%	<u>49,496,230</u>
Lease assets	868,496	855,080	13,416	1.6%	855,080
Accumulated amortization	<u>( 64,548 )</u>	<u>( 34,771 )</u>	<u>( 29,777 )</u>	85.6%	---
	<u>803,948</u>	<u>820,309</u>	<u>( 16,361 )</u>	(2.0)%	<u>855,080</u>
CWIP	<u>9,384,514</u>	<u>2,501,985</u>	<u>6,882,529</u>	275.1%	<u>1,536,480</u>
	<u>\$ 52,774,879</u>	<u>\$ 49,849,524</u>	<u>\$ 2,925,355</u>	5.9%	<u>\$ 51,887,790</u>

Capital asset acquisitions primarily represent the acquisition of transportation equipment from AIP grant, and office, furniture and equipment for head office. The Authority has several projects ongoing that are included in the \$9.4 million for the Authority's CWIP as of September 30, 2023. These include capitalized costs of \$6.2 million associated with the 25/7 runway rehabilitation, asphaltting and parking area, including civil engineering design, \$0.2 million associated with the Authority's Airport Geographic Information System (AGIS), and \$0.5 million associated with the Authority's E-Vault. The Majuro Airport Terminal and Port Master Plan projects are currently on hold until funding is made available by a grantor. The Authority continues to operate the existing Majuro Airport Terminal, which was constructed in 1971. A structural analysis of the building was performed by an engineering company who concluded that the present condition is a potential life safety issue and poses an immediate danger to the general public and others who utilize the facility. The Authority has incurred certain short-term remedial costs to address the engineering company's concerns.

RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Management's Discussion and Analysis, continued

## VIII. CAPITAL ASSETS AND DEBT, CONTINUED

Management has commenced initial discussions with potential donor organizations regarding the construction of a new terminal. In July 2024, the RMI Government and the Government of Japan signed and exchanged diplomatic notes for the Project for the Reconstruction of Amata Kabua International Airport Passenger Terminal (Detailed Design). Refer to Note 3 of the accompanying financial statements for additional information relating to capital assets. Currently, the Authority has no long-term debt.

## IX. EXTERNAL FACTORS AND ECONOMIC OUTLOOK

- § Marshall Islands experienced a modest economic recovery in 2023, with GDP growth supported by fisheries, copra production and external aid. International grants from the U.S., World Bank, ADB, ROC Taiwan and JICA played a critical role in funding infrastructure and public services, including transportation. The challenges are: (a) High operating costs due to geographic isolation and small passenger volumes, (b) Aging infrastructure and limited capacity to handle increased traffic or larger aircraft, (c) Climate vulnerability, including sea-level rise and extreme weather, threatens long term viability.
- § Growth in transshipment activities and fishing revenues is expected to support GDP growth, forecasted at 2.5% in 2025 and 3.0% in 2026. However, infrastructure at key ports like Majuro Atoll remains limited and in need of modernization to handle larger cargo volumes and improve efficiency. Seaport operates one of the world's largest ship registries, making it a major player in global shipping despite its small size. Its flag of convenience status attracts international shipping companies, contributing significantly to national revenue. The economy is rebounding from a 4.5% contraction in 2022, largely due to reduced fisheries output.
- § Digital transformation is beginning to reshape both airports and seaports in the Marshall Islands, though progress is gradual due to infrastructure and funding limitations. Self-service check-in and mobile boarding are being explored to reduce wait times and improve efficiency. Real-time flight updates and digital signage are being introduced to enhance communication with travelers. Operational efficiency such as runway maintenance, baggage handling, and security screening help reduce delays and improve safety. Digital modelling and GIS tools are being used to assess climate risks and plan resilient port infrastructure. Seaport streamlining vessel registration, enhance compliance monitoring and improve data transparency for international partners.

## X. ADDITIONAL FINANCIAL INFORMATION

This report is designed to provide the Authority's customers and other interested parties with an overview of the Authority's financial condition, results of operations and changes in net position. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the RMI Ports Authority's Executive Director, Mr. Thomas Maddison at P.O. Box 109, Majuro, MH 96960 or visit our website at [www.ports.mh](http://www.ports.mh).

RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Statements of Net Position

	September 30,	
	<u>2023</u>	<u>2022</u>
<b><u>ASSETS</u></b>		
Current assets:		
Cash	\$ 1,654,181	\$ 1,938,532
Time certificate of deposit	2,831,234	2,748,114
Receivables, net		
Trade	1,146,483	552,633
Leases	137,086	119,409
Affiliates	1,064,193	1,015,273
Accrued interest	83,900	62,340
Federal agencies	---	38,364
Employees	18,738	17,521
	<u>2,450,400</u>	<u>1,805,540</u>
Less allowance for doubtful accounts	( 1,534,914 )	( 1,281,573 )
	915,486	523,967
Prepaid expenses and other assets	7,974	1,500
Total current assets	<u>5,408,875</u>	<u>5,212,113</u>
Leases receivable	548,293	476,006
Capital assets:		
Nondepreciable capital assets	9,384,514	2,501,985
Other capital assets, net of accumulated depreciation	42,586,417	46,527,230
Lease assets, net	803,948	820,309
Total noncurrent assets	<u>53,323,172</u>	<u>50,325,530</u>
Total assets	<u>\$ 58,732,047</u>	<u>\$ 55,537,643</u>

See accompanying notes.

RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Statements of Net Position, continued

	September 30,	
	2023	2022
<b><u>LIABILITIES, DEFERRED INFLOWS OF</u></b>		
<b><u>RESOURCES AND NET POSITION</u></b>		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 52,461	\$ 83,538
Contracts payable	2,091,160	370,486
Payable to affiliates	1,061,680	855,729
Due to RepMar	285,714	285,714
Payable to federal agencies	234,735	---
Lease liabilities	3,355	5,822
Other liabilities and accruals	195,402	161,606
Total current liabilities	3,924,507	1,762,895
Lease liabilities, net of current portion	858,298	846,120
Total liabilities	4,782,805	2,609,015
Deferred inflows of resources:		
Lease revenues	570,352	549,562
Commitments and contingencies		
Net position:		
Net investment in capital assets	49,822,066	48,627,096
Unrestricted	3,556,824	3,751,970
Total net position	53,378,890	52,379,066
Total liabilities, deferred inflows or resources and net position	\$ 58,732,047	\$ 55,537,643

See accompanying notes.

RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Statements of Revenues, Expenses and Changes in Net Position

	Year ended September 30,	
	2023	2022
Operating revenues:		
Seaport fees	\$ 2,743,926	\$ 2,115,386
Aviation fees	725,533	360,356
Concession and lease income	210,255	235,731
Special overtime charges	166,609	144,785
Cargo	83,218	99,598
Other	183,889	144,800
Total operating revenues	4,113,430	3,100,656
Bad debts expense	( 253,341 )	( 123,982 )
Net operating revenues	3,860,089	2,976,674
Operating expenses:		
Depreciation and amortization	4,431,340	4,379,900
Salaries and wages	1,555,571	1,397,053
Utilities	445,246	319,176
Pilotage	385,247	266,683
Training and travel	333,432	46,725
Pilot boat	102,014	156,215
Gas, oil and fuel	87,475	113,981
Repairs and maintenance	82,975	112,171
Insurance	57,470	54,784
Professional fees	39,410	25,452
Communications	37,899	41,726
Fire, safety and security	33,683	2,698
Recreational	22,055	15,899
Dues and subscriptions	21,439	30,633
Bank charges	20,820	10,420
Taxes and licenses	20,248	2,774
Supplies	16,427	15,681
Sitting fees	11,550	17,600
Printing and advertising	11,276	6,679
Land lease	5,202	---
Loss from fraudulent activity	---	438,793
Miscellaneous	56,373	47,286
Total operating expenses	7,777,152	7,502,329
Operating loss	( 3,917,063 )	( 4,525,655 )

See accompanying notes.

RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Statements of Revenues, Expenses and Changes in Net Position, continued

	Year ended September 30,	
	<u>2023</u>	<u>2022</u>
Nonoperating revenues (expenses):		
Interest income	206,978	167,873
Interest expense	( 119,060 )	( 115,747 )
Total nonoperating revenues, net	<u>87,918</u>	<u>52,126</u>
Loss before capital contributions	( 3,829,145 )	( 4,473,529 )
Capital contributions from U.S. Government	<u>4,828,969</u>	<u>1,593,614</u>
Change in net position	999,824	( 2,879,915 )
Net position at beginning of year	<u>52,379,066</u>	<u>55,258,981</u>
Net position at end of year	<u><u>\$ 53,378,890</u></u>	<u><u>\$ 52,379,066</u></u>

*See accompanying notes.*

RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Statements of Cash Flows

	Year ended	
	September 30,	
	2023	2022
Cash flows from operating activities:		
Cash received from customers	\$ 3,503,784	\$ 3,135,256
Cash payments to suppliers for goods and services	( 1,659,165 )	( 1,598,616 )
Cash payments to employees for services	( 1,515,511 )	( 1,430,251 )
Net cash provided by operating activities	329,108	106,389
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	( 5,389,616 )	( 2,179,492 )
Proceeds from sale of capital assets	1,746	---
FAA grants received	4,867,333	1,678,957
Principal paid on lease liabilities	( 3,705 )	( 3,138 )
Interest paid on lease liabilities	( 89,217 )	( 81,273 )
Net cash used in capital and related financing activities	( 613,459 )	( 584,946 )
Net change in cash	( 284,351 )	( 478,557 )
Cash at beginning of year	1,938,532	2,417,089
Cash at end of year	\$ 1,654,181	\$ 1,938,532
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$( 3,917,063 )	\$( 4,525,655 )
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	4,431,340	4,379,900
Bad debts	253,341	123,982
Changes in assets and liabilities:		
Receivables:		
Trade	( 593,850 )	35,732
Leases	12,334	177,775
Affiliates	( 48,920 )	( 38,795 )
Employees	( 1,217 )	( 1,104 )
Prepaid expenses and other assets	( 6,474 )	17,205
Accounts payable	( 31,077 )	18,883
Payable to affiliates	205,951	79,173
Deferred inflow of resources - lease revenue	20,790	( 140,112 )
Other liabilities and accruals	3,953	( 20,595 )
Net cash provided by operating activities	\$ 329,108	\$ 106,389

See accompanying notes.

RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements

Years ended September 30, 2023 and 2022

**1. Organization**

The RMI Ports Authority (the Authority), a component unit of the Republic of the Marshall Islands (RepMar), was created under Public Law No. 2003-81, which integrated the Marshall Islands Airport Authority (MIAA) with the Marshall Islands Ports Authority (MIPA) into a single Ports Authority and transferred all assets and liabilities of the former MIAA and MIPA to the Authority, effective June 4, 2004. The Authority's principal line of business is the operation and maintenance of commercial port facilities in the Marshall Islands. Services are currently provided to passengers and carriers, commercial and private, arriving and departing at the Amata Kabua International Airport and all vessels, both commercial and private, arriving at port facilities in Majuro. In 2018, the Authority entered into an agreement with the Kwajalein Atoll Local Government (KALGOV) transferring duties and responsibilities of establishment, maintenance, and operation of the Ebeye Port from KALGOV to the Authority. All Ebeye Port employees became employees of the Authority.

The Authority is governed by a seven-member Board of Directors appointed by the Cabinet of RepMar.

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

**2. Summary of Significant Accounting Policies**

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental entities, specifically proprietary funds. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and 34*, establish financial reporting standards for governmental entities, which require that management's discussion and analysis of the financial activities be included with the basic financial statements and notes and modifies certain other financial statement disclosure requirements.

RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

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

- *Net investment in capital assets* - capital assets, net of accumulated depreciation and related debt, plus construction or improvement of those assets.
- *Restricted* - net position whose use by the Authority is subject to externally imposed stipulations that can be fulfilled by actions of the Authority pursuant to those stipulations or that expire with the passage of time. The Authority has no restricted net position as of September 30, 2023 and 2022.
- *Unrestricted* - net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use for the same purpose, it is the Authority's policy to use unrestricted resources first, then restricted resources as they are needed.

**Basis of Accounting**

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources, and liabilities and deferred inflows of resources associated with the operation of the fund are included in the statements of net position. Proprietary fund operating statements present increases and decreases in net position. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

**Cash and Time Certificates of Deposit**

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. The Authority does not have a deposit policy for custodial credit risk.

For purposes of the statements of net position and of cash flows, cash is defined as cash on hand and cash held in demand and savings accounts. Deposits maintained in time certificates of deposit with original maturity dates greater than ninety days are separately classified. As of September 30, 2023 and 2022, the carrying amount of cash and time certificates of deposit were \$4,485,415 and \$4,686,646, respectively, and the corresponding bank balances were \$4,511,708 and \$4,806,586, respectively. Of the bank balance amounts, \$1,145,553 and \$1,637,376, respectively, were maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. The remaining amounts of \$3,366,155 and \$3,169,210, respectively, were maintained in a financial institution not subject to depository insurance.

RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**Cash and Time Certificates of Deposit, continued**

As of September 30, 2023 and 2022, bank deposits in the amount of \$250,000 were FDIC insured. Accordingly, deposits more than FDIC insurance coverage are exposed to custodial credit risk. The Authority does not require collateralization of its cash deposits; therefore, deposit levels more than FDIC insurance coverage are uncollateralized.

**Receivables**

All receivables are due from government agencies, businesses and individuals located within the Republic of the Marshall Islands and are interest free and uncollateralized. The allowance for uncollectible accounts is stated at an amount which management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluations of the collectability of these accounts and prior collection experience. Management determines the adequacy of the allowance for uncollectible accounts based upon review of the aged accounts receivable. The allowance is established through a provision for bad debts charged to income. Bad debts are written off against the allowance on the specific identification method.

**Construction Work-in-Progress**

Construction work-in-progress represents the accumulated costs of unfinished capital projects. These costs are capitalized as property, plant and equipment upon completion of each project.

**Property, Plant and Equipment**

Property, plant and equipment are stated at cost. Individual items with a cost of \$500 or greater are capitalized. Contributed property, plant and equipment are stated at their estimated fair value at the date of transfer from RepMar. Depreciation is calculated on the straight-line method based on the estimated useful lives of the respective assets. The estimated useful lives of these assets are as follows:

	<u>Estimated Useful Lives</u>
Runway apron upgrade	15 years
Roadways	6 - 30 years
Facilities	5 - 50 years
Buildings	3 - 34 years
Vehicles	5 - 20 years
Office furniture, fixtures and equipment	2 - 5 years
Equipment	2 - 5 years

RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**Deferred Outflows of Resources**

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

**Leases**

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

The Authority is also a party as lessor for various long-term leases of certain spaces at the Amata Kabua International Airport, container yards and warehouse spaces located at the Port of Majuro. The Authority recognizes lease receivables and deferred inflow of resources at the commencement of the lease term, with exceptions for certain short-term leases. As lessor, the assets underlying the lease are not derecognized. The lease receivables are measured at the present value of the lease payments expected to be received during the lease term. The deferred inflow of resources is measured at the value of the lease receivables in addition to any payments received at or before the commence of the lease term that relate to future periods.

**Deferred Inflows of Resources**

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (addition to net position) until then. As of September 30, 2023 and 2022, the Authority has recorded deferred inflow of resources for lease revenues within the accompanying statements of net position.

**Compensated Absences**

Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick benefits. As of September 30, 2023 and 2022, an accumulated vacation leave liability of \$80,381 and \$38,120, respectively, were included within the accompanying statements of net position as other liabilities and accruals.

RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**Taxes**

Corporate profits are not subject to income tax in the Republic of the Marshall Islands. The Government of the Republic of the Marshall Islands imposes a gross receipts tax of 3% on revenues. The Authority is specifically exempt from this tax.

**Revenue Recognition**

The Authority's revenues are derived primarily from providing various services to major shipping and airline customers under an approved tariff rate schedule and are reported as operating revenues. Capital grants, financing or investing related transactions are reported as non-operating revenues. Revenue is recognized on accrual basis and is recorded upon billing when services have been completed. All expenses related to operating the Authority are reported as operating expenses. Interest income or federal program revenues are the primary components of non-operating expenses and revenues.

**Recently Adopted Accounting Pronouncements**

During the year ended September 30, 2023, the Authority implemented the following pronouncements:

- GASB Statement No. 91, *Conduit Debt Obligations*, which provides 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.
- GASB 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.
- GASB 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.

RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**Recently Adopted Accounting Pronouncements, continued**

- GASB Statement No. 99, *Omnibus 2022*, which enhances comparability in accounting and financial reporting and improves consistency of authoritative literature by addressing (1) practice issues that have been identified during the implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. This Statement provides clarification of provisions in:
  - 1) GASB Statement No. 87, *Leases*, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
  - 2) GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
  - 3) GASB Statement No. 96 related to the SBITA term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.

This Statement modifies accounting and reporting guidance in:

- 4) GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, related to termination of hedge.

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

**Upcoming Accounting Pronouncements**

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

- 1) Modifies guidance in GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, to bring all guarantees under the same financial reporting requirements and disclosures effective for the fiscal year ending September 30, 2024.
- 2) Provides guidance on classification and reporting of derivative instruments within the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for the fiscal year ending September 30, 2024.

RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**Upcoming Accounting Pronouncements, continued**

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

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

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The primary objective of this Statement is to provide users of the government financial statements with essential information about risks related to a government's vulnerabilities due to ascertain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact has occurred, has begun to occur, or is more likely than not to begin to occur within 12 months of the date the financial statements are issued. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 102 will be effective for the fiscal year ending September 30, 2025.

RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**Upcoming Accounting Pronouncements, continued**

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The primary objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues identified through agenda research conducted by the GASB. This Statement establishes new accounting and financial reporting requirements—or modifies existing requirements—related to the following: a) management's discussion and analysis (MD&A); b) unusual or infrequent items; c) presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position; d) information about major component units in basic financial statements; e) budgetary comparison information; and f) financial trends information in the statistical section. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 103 will be effective for the fiscal year ending September 30, 2026.

In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The primary objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 104 will be effective for the fiscal year ending September 30, 2026.

RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**Estimates**

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Reclassifications**

Reclassifications of components of receivables from leases as well as certain operating expenses have been made to the accompanying 2022 financial statements for comparative purposes. Such reclassifications have no effect on the previously reported operating loss and net change in net position.

**3. Capital Assets**

Capital asset activities for the years ended September 30, 2023 and 2022, were as follows:

	2023			
	<u>October 1, 2022</u>	<u>Additions</u>	<u>Transfers and Disposals</u>	<u>September 30, 2023</u>
Nondepreciable capital assets:				
Construction work-in-progress	\$ <u>2,501,985</u>	\$ <u>6,882,529</u>	\$ <u>---</u>	\$ <u>9,384,514</u>
Depreciable capital assets:				
Runway apron upgrade	36,159,648	---	---	36,159,648
Roadway	26,720,033	---	---	26,720,033
Facilities	26,164,840	---	---	26,164,840
Buildings	14,203,616	---	---	14,203,616
Vehicles	3,348,115	334,725	(31,969)	3,650,871
Office furniture, fixtures & equipment	828,705	29,374	---	858,079
Equipment	<u>767,347</u>	<u>98,397</u>	<u>---</u>	<u>865,744</u>
	108,192,304	462,496	(31,969)	108,622,831
Less accumulated depreciation	( <u>61,665,074</u> )	( <u>4,401,563</u> )	<u>30,223</u>	( <u>66,036,414</u> )
	<u>46,527,230</u>	( <u>3,939,067</u> )	( <u>1,746</u> )	<u>42,586,417</u>
	<u>\$ 49,029,215</u>	<u>\$ 2,943,462</u>	<u>\$ ( 1,746 )</u>	<u>\$ 51,970,931</u>

RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

**3. Capital Assets, continued**

	2022			
	October 1, 2021	Additions	Transfers and Disposals	September 30, 2022
Nondepreciable capital assets:				
Construction work-in-progress	\$ <u>1,536,480</u>	\$ <u>1,808,069</u>	\$ <u>(842,564)</u>	\$ <u>2,501,985</u>
Depreciable capital assets:				
Runway apron upgrade	36,159,648	---	---	36,159,648
Roadway	26,720,033	---	---	26,720,033
Facilities	26,164,840	---	---	26,164,840
Buildings	13,823,713	379,903	---	14,203,616
Vehicles	2,449,613	898,502	---	3,348,115
Office furniture, fixtures & equipment	755,831	72,874	---	828,705
Equipment	<u>742,497</u>	<u>24,850</u>	---	<u>767,347</u>
	106,816,175	1,376,129	---	108,192,304
Less accumulated depreciation	<u>( 57,319,945)</u>	<u>(4,345,129)</u>	---	<u>(61,665,074)</u>
	<u>49,496,230</u>	<u>(2,969,000)</u>	---	<u>46,527,230</u>
	\$ <u>51,032,710</u>	\$ <u>(1,160,931)</u>	\$ <u>(842,564)</u>	\$ <u>49,029,215</u>

As of September 30, 2023 and 2022, construction work-in-progress includes certain capitalized costs associated with the new Majuro Airport Terminal of \$275,985 and \$309,684, respectively, and the Port Master Plan of \$401,900 and \$401,900, respectively. Construction of these projects is currently on hold due to insufficient funding. Management believes that continuation of these projects is dependent upon funding being made available by a grantor.

**4. Leased Assets**

Leased asset activities for the years ended September 30, 2023 and 2022, were as follows:

	2023			
	October 1, 2022	Additions	Transfers and Disposals	September 30, 2023
Lease assets:				
Right-to-use assets	\$855,080	\$13,416	\$ ---	\$868,496
Less accumulated amortization	<u>( 34,771)</u>	<u>(29,777)</u>	---	<u>( 64,548)</u>
	<u>\$820,309</u>	<u>\$(16,361)</u>	\$ ---	<u>\$803,948</u>

RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

**4. Leased Assets, continued**

	2022			
	October 1, 2021	Additions	Transfers and Disposals	September 30, 2022
Lease assets:				
Right-to-use assets	\$855,080	\$ ---	\$ ---	\$855,080
Less accumulated amortization	---	(34,771)	---	( 34,771)
	\$855,080	\$(34,771)	\$ ---	\$820,309

**5. Leases**

*As Lessor*

The Authority is a lessor for non-cancelable leases for various long-term leases of certain spaces at the Amata Kabua International Airport, container yards and warehouse spaces located at the Port of Majuro. The terms of the agreements range from 2 to 10 years generally at fixed monthly payments with no variable payments or escalation clauses. In accordance with GASB Statement No. 87, *Leases*, the Authority recognizes a lease receivable and a deferred inflow of resources at commencement of the lease term. As of September 30, 2023 and 2022, lease receivables totaled \$685,379 and \$595,415, respectively, and deferred inflow of resources associated with the Authority's leases totaled \$570,352 and \$549,562, respectively.

Future minimum payments that are included in the measurement of the lease receivable as of September 30, 2023, are as follows:

Year ending September 30,	Principal	Interest	Total
2024	\$137,086	\$ 103,085	\$ 240,171
2025	125,294	65,667	190,961
2026	88,074	51,795	139,869
2027	90,440	39,225	129,665
2028	56,989	29,373	86,362
2029 - 2033	187,496	38,821	226,317
	\$685,379	\$ 327,966	\$1,013,345

RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

**5. Leases, continued**

*As Lessee*

The Authority has entered into leases for certain use of land. The terms of the agreements range from 20 to 25 years generally at fixed quarterly payments with no variable payments or escalation clauses. The calculated interest rates used were 13.5%.

The following is a summary of principal and interest requirements to maturity for the lease liabilities as of September 30, 2023:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 3,355	\$ 120,829	\$ 124,184
2025	4,407	115,653	120,060
2026	5,262	115,027	120,289
2027	6,744	114,233	120,977
2028	7,702	113,275	120,977
2029 - 2033	60,730	546,217	606,947
2034 - 2038	124,349	487,178	611,527
2039 - 2043	245,553	368,494	614,047
2044 - 2048	219,836	175,095	394,931
2049 - 2053	86,190	99,560	185,750
2054 - 2058	72,609	34,680	107,289
2059 - 2063	<u>24,916</u>	<u>5,324</u>	<u>30,240</u>
	<u>\$861,653</u>	<u>\$2,295,565</u>	<u>\$3,157,218</u>

**6. Long-term Liabilities**

A summary of changes in long-term liabilities for the years ended September 30, 2023 and 2022 are as follows:

	<u>2023</u>				
	<u>October 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>September 30, 2023</u>	<u>Due Within One Year</u>
<u>Lease liabilities:</u>					
Land lease	<u>\$851,942</u>	<u>\$13,742</u>	<u>\$(4,031)</u>	<u>\$861,653</u>	<u>\$3,355</u>
	<u>2022</u>				
	<u>October 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>September 30, 2022</u>	<u>Due Within One Year</u>
<u>Lease liabilities:</u>					
Land lease	<u>\$855,080</u>	<u>\$ ---</u>	<u>\$(3,138)</u>	<u>\$851,942</u>	<u>\$5,822</u>

RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

**7. Employee Retirement Plan**

The Authority provides a defined contribution retirement savings plan (the Plan) for the benefit of eligible employees. An employee is eligible to become a member of the Plan following the completion of the three months continuous employment. Plan participants may contribute a minimum of \$10 of their salaries to be matched by the Authority up to 10% of base salaries. Withdrawal from the Plan occurs upon termination of employment, death, or financial hardship. Plan assets are held in a trust fund administered by a trustee in accordance with the trust agreement. Contributions under the plan are at the discretion of the Authority and management has the authority to establish or amend Plan provisions and contribution requirements. During the years ended September 30, 2023 and 2022, the Authority contributed \$24,968 and \$39,999, respectively, to the plan participant accounts. As of September 30, 2023 and 2022, total plan assets were \$368,505 and \$309,373, respectively.

**8. Related Party Transactions**

The Authority was created by the Nitijela of RepMar and is thus considered a component unit of RepMar. Accordingly, the Authority is affiliated with all RepMar-owned and affiliated entities. The Authority's services are provided to RepMar and all RepMar-owned and affiliated entities. Services are extended to these entities at more favorable terms and conditions than those afforded to third parties. The Authority utilizes services from certain affiliated entities at the same terms and conditions as those provided to third parties. A summary of related party transactions for the years ended September 30, 2023 and 2022 and related receivable and payable balances as of September 30, 2023 and 2022, are as follows:

	2023			
	<u>Receivables</u>	<u>Revenues</u>	<u>Payables</u>	<u>Expenses</u>
RepMar	\$ 94,192	\$ 82,555	\$ 816,439	\$142,586
Air Marshall Islands, Inc.	873,307	55,852	5,250	4,871
Marshalls Energy Company, Inc.	52,148	120,997	143,822	448,726
Marshall Islands Shipping Corporation	37,831	20,820	---	---
Marshall Islands Social Security Administration	---	---	85,170	309
Marshall Islands National Telecommunications Authority	1,250	554	10,939	37,855
Tobolar Copra Processing Authority	---	23,939	---	100
Other	5,465	7,631	60	24,509
	<u>\$1,064,193</u>	<u>\$312,348</u>	<u>\$1,061,680</u>	<u>\$658,956</u>

RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

**8. Related Party Transactions, continued**

	2022			
	<u>Receivables</u>	<u>Revenues</u>	<u>Payables</u>	<u>Expenses</u>
RepMar	\$ 93,491	\$ 34,755	\$678,682	\$138,221
Air Marshall Islands, Inc.	820,223	59,747	4,375	6,234
Marshalls Energy Company, Inc.	39,717	144,298	88,172	314,564
Marshall Islands Shipping Corporation	56,203	41,636	---	---
Marshall Islands Social Security Administration	---	---	78,314	266
Marshall Islands National Telecommunications Authority	1,250	328	4,690	41,619
Tobolar Copra Processing Authority	---	20,611	---	---
Other	<u>4,389</u>	<u>18,799</u>	<u>1,496</u>	<u>37,655</u>
	<u>\$1,015,273</u>	<u>\$320,174</u>	<u>\$855,729</u>	<u>\$538,559</u>

In accordance with established tariffs, the Authority imposes compulsory pilotage fees on all commercial vessels arriving at port facilities in Majuro that are one-hundred gross tonnage and over. In order to provide this service, the Authority utilizes the services of qualified pilots. Since the inception of compulsory pilotage, most qualified pilots are employees of the Authority and other RepMar ministries and agencies. Pilots retain 40% of the compensation and the Authority retains 60%. 10% of the compensation collected by the Authority shall be remitted to the Ministry of Transportation, Communication and Information Technology. It is the intention of the Authority to train pilots in accordance with the pilotage regulations. During the years ended September 30, 2023 and 2022, the Authority compensated a qualified pilot, who is an Authority employee, for pilotage services amounting to \$99,722 and \$64,794, respectively.

In 2007, the Authority entered into a memorandum of understanding (MOU) with RepMar's Ministry of Finance, Banking and Postal Services to transfer the responsibility of lease payments to the Authority for parcels of land under the Authority's jurisdiction based on ground leases executed by RepMar. Under the MOU, the Authority shall pay the Ministry of Finance, Banking and Postal Services an annual lease payment of \$281,444, payable in four equal quarterly installments of \$70,361. In 2011, the Authority entered into an amended MOU to reimburse the Ministry of Finance, Banking and Postal Services an additional \$54,126 for lease payments made by RepMar to various landowners on certain lands controlled or occupied by the Authority. This amount covered periods from 2007 to the first quarter of 2011. The revised annual lease payment of \$294,180 is payable in four equal quarterly installments of \$73,545, commencing February 18, 2011. In 2017, the Authority entered into an amended MOU to pay the Ministry of Finance, Banking and Postal Services a reduction of \$182,367 for certain lease payments made by RepMar to various landowners on certain lands controlled or occupied by the Authority. The revised annual lease payment of \$111,813 is payable in four equal quarterly installments of \$27,953, commencing October 2017.

RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

**8. Related Party Transactions, continued**

The Authority is under a 5-year lease agreement with the Marshall Islands Shipping Corporation to lease out warehouse space, which commenced on August 1, 2020, and which requires a minimum monthly lease payment of \$2,297.

Public Law Nos. 2010-43, 2011-58 and 2019-111 authorized annual \$500,000 distributions from the Authority to RepMar's General Fund for fiscal years 2011, 2012 and 2020, of which payments of \$214,286 were made in 2011. As of September 30, 2023 and 2022, the Authority was liable to RepMar for \$285,714 pertaining to these authorized distributions. Management is of the opinion that no further payments will be required. The Authority is currently negotiating with RepMar for forgiveness of the foregoing liabilities and adjustment, if any, will be recorded prospectively.

**9. Risk Management**

The Authority 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. The Authority has elected to purchase commercial insurance from independent third parties for the risks of loss to which it is exposed with the exception of its dock facilities or operations. Settled claims have not exceeded this commercial coverage in any of the past three years. For other risks of loss to which it is exposed, the Authority has elected not to purchase commercial insurance. Instead, the Authority believes it is more economical to manage its risks internally. Claims expenses 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 material losses have resulted from the Authority's risk management activities for the past three years.

**10. Commitments and Contingencies**

*Gross Receipts Fee and Short-Term Leases*

The Authority was under a lease agreement with a stevedoring company for the container yard located at the Port of Majuro that expired on December 31, 2020 and which required payment of \$19,194 per annum paid quarterly, plus a gross receipts fee equal to 1.5% of total operating revenues. The Authority amended the lease agreement, which commenced on January 1, 2021 and expires on December 30, 2030. The terms of the amended lease require a minimum lease payment of \$38,388 per annum paid quarterly, plus a gross receipts fee equal to 1.5% of total operating revenues. Additional rental income from gross receipts fee under this lease for the years ended September 30, 2023 and 2022 amounted to \$32,246 and \$58,338, respectively.

The Authority is the lessor of certain space at the Amata Kabua International Airport. The leases have two-year term or greater expiring on varying dates through September 30, 2025.

RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

**10. Commitments and Contingencies, continued**

*Gross Receipts Fee and Short-Term Leases, continued*

Total future minimum lease income for subsequent years ending September 30 is as follows:

Year ending <u>September 30,</u>	
2024	\$ 60,756
2025	98,847
2026	98,190
2027	87,400
2028	70,915
2029 - 2031	<u>103,394</u>
	<u>\$519,502</u>

*U.S. Federal Grants*

As of September 30, 2023, the Authority has been awarded a total of \$107,099,730 of grant awards from the United States Department of Transportation. As of September 30, 2023, \$18,399,163 has not been received and expended for various capital projects.

The Authority participates in a number of federally assisted grant programs under the U.S. Department of Transportation's Federal Aviation Administration. These programs are subject to financial and compliance audits to ascertain if Federal laws and guidelines have been followed. The Authority's management believes that liabilities, if any, for reimbursement which may arise as a result of these audits will not be material to the financial position of the Authority.

*Airport Terminal*

The Authority currently operates the existing Majuro Airport Terminal, which was constructed in 1971. A structural analysis of the building was performed by an engineering company who concluded that the present condition is a potential life safety issue and poses an immediate danger to the general public and others who utilize the facility. Management has commenced initial discussions with potential donor organizations in regard to the construction of a new terminal. Management believes that continuation of the terminal construction is dependent upon funding being made available by potential donor organizations. No provision has been recorded in the accompanying financial statements for losses, if any, that may occur as a result of this matter.

RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

**10. Commitments and Contingencies, continued**

*Litigation*

In the ordinary course of business, a claim has been filed against the Authority. Management does not believe that the plaintiff will prevail and the ultimate outcome is currently not determinable. Therefore, no provision has been recorded in the accompanying financial statements for losses, if any, that may result.

*Other*

In 2012, the Authority's Board of Directors directed management to issue and/or approve bunkering, dock usage, and other services or clearances for Koo's fishing vessels without pilotage. The Board will continue to work with the Minister of Transportation, Communication and Information Technology and the RepMar Cabinet to achieve a resolution of this matter.

**11. Loss from Fraudulent Activities**

In 2021, the Authority was subject to an email phishing fraud scheme associated with the impersonation of the Authority's major vendors/contractors and the Authority incurred losses from these fraudulent activities of \$464,484. During the year ended September 30, 2022, the Authority incurred additional losses from these fraudulent activities of \$438,793 before the scheme was discovered.

RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Combining Divisional Statement of Revenues, Expenses and Changes in Net Position

Year ended September 30, 2023

	<u>Airport Division</u>	<u>Seaport Division</u>	<u>Total</u>
Operating revenues:			
Seaport fees	\$ 209	\$ 2,743,717	\$ 2,743,926
Aviation fees	725,533	---	725,533
Concession and lease income	91,580	118,675	210,255
Special overtime charges	166,609	---	166,609
Cargo	83,218	---	83,218
Other	<u>174,588</u>	<u>9,301</u>	<u>183,889</u>
Total operating revenues	1,241,737	2,871,693	4,113,430
Bad debts expense	( 126,671 )	( 126,670 )	( 253,341 )
Net operating revenues	<u>1,115,066</u>	<u>2,745,023</u>	<u>3,860,089</u>
Operating expenses:			
Depreciation and amortization	2,220,672	2,210,668	4,431,340
Salaries and wages	794,786	760,785	1,555,571
Utilities	399,165	46,081	445,246
Pilotage	5,126	380,121	385,247
Training and travel	221,244	112,188	333,432
Pilot boat	---	102,014	102,014
Gas, oil and fuel	76,309	11,166	87,475
Repairs and maintenance	69,567	13,408	82,975
Insurance	24,043	33,427	57,470
Professional fees	19,705	19,705	39,410
Communications	24,835	13,064	37,899
Fire, safety and security	623	33,060	33,683
Recreational	10,143	11,912	22,055
Dues and subscriptions	16,936	4,503	21,439
Bank charges	16,220	4,600	20,820
Taxes and licenses	19,742	506	20,248
Supplies	7,898	8,529	16,427
Sitting fees	5,848	5,702	11,550
Printing and advertising	5,958	5,318	11,276
Land lease	3,475	1,727	5,202
Miscellaneous	<u>21,661</u>	<u>34,712</u>	<u>56,373</u>
Total operating expenses	3,963,956	3,813,196	7,777,152
Operating loss	( 2,848,890 )	( 1,068,173 )	( 3,917,063 )
Nonoperating revenues (expenses):			
Interest income	103,489	103,489	206,978
Interest expense	( 59,530 )	( 59,530 )	( 119,060 )
Total nonoperating revenues, net	<u>43,959</u>	<u>43,959</u>	<u>87,918</u>
Loss before capital contributions	( 2,804,931 )	( 1,024,214 )	( 3,829,145 )
Capital contributions from U.S. Government	<u>4,828,969</u>	<u>---</u>	<u>4,828,969</u>
Change in net position	2,024,038	( 1,024,214 )	999,824
Net position at beginning of year	<u>29,701,393</u>	<u>22,677,673</u>	<u>52,379,066</u>
Net position at end of year	<u>\$ 31,725,431</u>	<u>\$ 21,653,459</u>	<u>\$ 53,378,890</u>

RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Combining Divisional Statement of Revenues, Expenses and Changes in Net Position

Year ended September 30, 2022

	Airport Division	Seaport Division	Total
Operating revenues:			
Seaport fees	\$ 3,690	\$ 2,111,696	\$ 2,115,386
Aviation fees	360,144	212	360,356
Concession and lease income	93,784	141,947	235,731
Special overtime charges	144,785	---	144,785
Cargo	95,405	4,193	99,598
Other	139,501	5,299	144,800
Total operating revenues	<u>837,309</u>	<u>2,263,347</u>	<u>3,100,656</u>
Bad debts expense	( 61,991 )	( 61,991 )	( 123,982 )
Net operating revenues	<u>775,318</u>	<u>2,201,356</u>	<u>2,976,674</u>
Operating expenses:			
Depreciation and amortization	3,984,370	395,530	4,379,900
Salaries and wages	824,279	572,774	1,397,053
Loss from fraudulent activity	438,793	---	438,793
Utilities	296,651	22,525	319,176
Pilotage	---	266,683	266,683
Pilot boat	---	156,215	156,215
Gas, oil and fuel	91,848	22,133	113,981
Repairs and maintenance	94,646	17,525	112,171
Insurance	18,843	35,941	54,784
Training and travel	10,523	36,202	46,725
Communications	27,193	14,533	41,726
Dues and subscriptions	28,560	2,073	30,633
Professional fees	12,726	12,726	25,452
Sitting fees	8,800	8,800	17,600
Recreational	13,304	2,595	15,899
Supplies	13,425	2,256	15,681
Bank charges	5,965	4,455	10,420
Printing and advertising	4,251	2,428	6,679
Taxes and licenses	2,529	245	2,774
Fire, safety and security	2,518	180	2,698
Miscellaneous	30,774	16,512	47,286
Total operating expenses	<u>5,909,998</u>	<u>1,592,331</u>	<u>7,502,329</u>
Operating income (loss)	<u>( 5,134,680 )</u>	<u>609,025</u>	<u>( 4,525,655 )</u>
Nonoperating revenues (expenses):			
Interest income	83,937	83,936	167,873
Interest expense	( 82,902 )	( 32,845 )	( 115,747 )
Total nonoperating revenues, net	<u>1,035</u>	<u>51,091</u>	<u>52,126</u>
Income (loss) before capital contributions	<u>( 5,133,645 )</u>	<u>660,116</u>	<u>( 4,473,529 )</u>
Capital contributions from U.S. Government	<u>1,593,614</u>	<u>---</u>	<u>1,593,614</u>
Change in net position	<u>( 3,540,031 )</u>	<u>660,116</u>	<u>( 2,879,915 )</u>
Net position at beginning of year	<u>33,241,425</u>	<u>22,017,556</u>	<u>55,258,981</u>
Net position at end of year	<u>\$ 29,701,394</u>	<u>\$ 22,677,672</u>	<u>\$ 52,379,066</u>



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## Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors  
RMI Ports Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities of RMI Ports Authority (the Authority), which comprise the statement of net position as of September 30, 2023, and the related statements of revenues, expenses and changes in net position and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 12, 2026.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2023-001 and 2023-002 that we consider to be material weaknesses.

## **Report on Compliance and Other Matters**

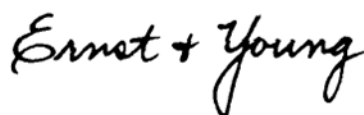
As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material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

## **The Authority's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The logo for Ernst + Young, featuring the company name in a stylized, handwritten-style font.

January 12, 2026



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## Report of Independent Auditors on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Board of Directors  
RMI Ports Authority

### **Report of Independent Auditors on Compliance for the Sole Major Federal Program**

#### ***Qualified Opinion on the Sole Major Federal Program***

We have audited RMI Ports Authority's (the Authority's) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the Authority's sole major federal program for the year ended September 30, 2023. The Authority's sole major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion on the Sole Major Federal Program section of our report, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its sole major federal programs for the year ended September 30, 2023.

#### ***Basis for Qualified Opinion on the Sole Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and 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* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on compliance for the sole major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

*Matters Giving Rise to Qualified Opinion on the Sole Major Federal Program*

As described in items 2023-003 and 2023-006 in the accompanying Schedule of Findings and Questioned Costs, the Authority did not comply with requirements regarding the following:

<b><u>Finding Number</u></b>	<b><u>Assistance Listing Number (ALN)</u></b>	<b><u>Program Name</u></b>	<b><u>Compliance Requirement</u></b>
2023-003	20.106	Airport Improvement Program (AIP)	Equipment and Real Property Management
2023-006	20.106	Airport Improvement Program (AIP)	Special Tests and Provisions - Wage Rate Requirements

Compliance with such requirements is necessary, in our opinion, for the Authority to comply with requirements applicable to the program.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance, and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2023-004 and 2023-005. Our opinion on the sole major federal program is not modified with respect to this matter.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Authority's response to the noncompliance findings identified in our compliance audit and described in the accompanying Schedule of Findings and Questioned Costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The Authority is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Authority's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

## Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations during our audit, we did identify certain deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as items 2023-003 and 2023-006, that we consider to be material weaknesses, as defined above. In addition, we did identify certain deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as items 2023-004 and 2023-005, that we consider to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Authority's response to the internal control over compliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The Authority is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Authority's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the Authority as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated January 12, 2026, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Ernst + Young*

January 12, 2026

RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Expenditures of Federal Awards

Year ended September 30, 2023

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Numbers</u>	<u>Federal Assistance Listing Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Transportation</u>			
Direct Program:			
Airport Improvement Program		20.106	\$ 4,828,969
<b>Total Federal Expenditures of Federal Awards</b>			<b>\$ 4,828,969</b>

RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Schedule of Expenditures of Federal Awards

Year ended September 30, 2023

**1. Scope of Audit**

The RMI Ports Authority (the Authority) was created under Public Law No. 2003-81 and is a component unit of the Republic of the Marshall Islands (RepMar). Only the transactions of the Authority are included within the scope of the Single Audit.

**2. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Authority under programs of the federal government for the year ended September 30, 2023. The information in this Schedule is presented 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* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the net position, changes in net position or cash flows of the Authority.

**3. Summary of Significant Accounting Policies**

**Basis of Accounting**

Expenditures reported on the Schedule are reported on the accrual basis of accounting, consistent with the manner in which the Authority maintains its accounting records. All expenses and capital outlays are reported as expenditures. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. The Authority has not elected to use the 10-percent de-minimis indirect cost rate allowed under the Uniform Guidance.

RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs

Year ended September 30, 2023

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

X  **Yes**            **No**

Significant deficiency(ies) identified?

     **Yes**       X  **None reported**

Noncompliance material to financial statements noted?

     **Yes**       X  **No**

**Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified?

X  **Yes**            **No**

Significant deficiency(ies) identified?

X  **Yes**            **None reported**

Type of auditor's report issued on compliance for the sole major federal program

Qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

X  **Yes**            **No**

Identification of the sole major federal program:

**Assistance Listing Number**

**Name of Federal Program**

**(ALN)**

20.106

Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

     **Yes**       X  **No**

RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

**Section II - Financial Statement Findings**

<u>Finding Number</u>	<u>Finding</u>
2023-001	Timely Financial Reporting
2023-002	Manual Journal Entries

**Section III - Federal Award Findings and Questioned Costs**

<u>Finding Number</u>	<u>ALN</u>	<u>Requirement</u>	<u>Questioned</u> <u>Costs</u>	
2023-003	20.106	Equipment and Real Property Management	\$ ---	*
2023-004	20.106	Matching, Level of Effort, and Earmarking	152,150	
2023-005	20.106	Reporting	---	*
2023-006	20.106	Special Tests and Provisions - Wage Rate Requirements	---	*
Total Questioned Costs			<u>\$152,150</u>	

\* Questioned costs are undeterminable. See related finding for more information.

RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

**Finding No. 2023-001**

Area: Timely Financial Reporting

Criteria: Timely financial reporting should be facilitated by an internal control structure conducive to the preparation and independent review of reconciliations of all significant general ledger accounts.

Condition: The Authority did not finalize the closing of the year ended September 30, 2023 financial information (trial balance, subsidiary and general ledgers) until March 10, 2025. Furthermore, although the Authority has an established set of policies and procedures regarding preparation and review of reports, accurate and timely preparation and review of reconciliations and reports were not performed. During the year ended September 30, 2023, various accounting records did not appear to have been processed and timely updated as evidenced by the following:

1. The Schedule of Expenditures of Federal Awards was not timely reconciled resulting in multiple versions being provided during the audit.
2. Examination of bank reconciliations indicated that the reconciling items did not appear to be properly monitored and investigated.
3. Tests of accounts receivable revealed uncollectible amounts, totaling \$253,341, which were not included in management's estimate for the allowance for doubtful accounts. An audit adjustment was proposed to correct this misstatement.
4. Grant revenue (GL Account # 40570) was understated for the year ended September 30, 2023. An audit adjustment of \$273,099 was proposed to correct this misstatement.
5. Grants receivable and payable (GL Account #s 10204 and 22019) were overstated and understated, respectively, as of September 30, 2023. Audit adjustments of \$38,364 and \$234,735, respectively, were proposed to correct these misstatements.
6. Construction work-in-progress (GL Account #s 103099, 103099U, 103099V, 103099W, 103099Y, 103101B and 103101C) were understated as of September 30, 2023. Audit adjustments aggregating \$1,759,236 were proposed to correct these misstatements.
7. Contractor's payable (GL Account # 20102) was understated as of September 30, 2023. An audit adjustment of \$1,720,675 was proposed to correct this misstatement.
8. Depreciation expense (GL Account # 60250) was understated for the year ended September 30, 2023. Audit adjustments aggregating \$1,322,949 were proposed to correct these misstatements, including the related accumulated depreciation.

RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

**Finding No. 2023-001, continued**

Area: Timely Financial Reporting

Cause: The Authority lacks strict implementation of internal control policies and procedures over timely year-end closing processes and over timely reviews and reconciliations of significant general ledger accounts.

Effect: An inability to meet established reporting deadlines as a result from the condition above.

Identified as a Repeat Finding: 2022-001

Recommendation: We recommend the Authority's management to strictly implement internal control policies and procedures to facilitate timely and accurate general ledger reconciliation processes. Furthermore, the Authority's management should examine personnel staffing requirements and qualifications associated with the Authority's accounting function.

Views of Responsible Officials and Corrective Action Plan: The Authority agrees with the finding and provides details in its Corrective Action Plan.

RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

**Finding No. 2023-002**

Area: Manual Journal Entries

Criteria: All journal entries are required to have proper and adequate supporting documentation. Proper and adequate documentation consist of source documents, supportive calculations, and/or other items necessary to substantiate the accuracy and appropriateness of a journal entry.

Condition: For the year ended September 30, 2023, we noted the following internal control weaknesses related to manual journal entries prepared:

- a. Management has access to post manual journal entries directly into the general ledger without approval. Consequently, these entries do not follow the same review and approval process expected for all journal entries.
- b. Majority of the manual journal entries were not supported by supporting calculations and/or related attachments and those entries included vague or general descriptions.

Cause: The Authority lacks internal control policies and procedures in place to ensure that manual journal entries are properly prepared, supported, approved and monitored. Furthermore, system controls are not in place to ensure proper segregation of duties related to the preparation and posting of journal entries.

Effect: Financial statement amounts may be misstated and/or not properly supported. Failure to implement effective processes and procedures could increase the risks of fraud and mismanagement of funds.

Identified as a Repeat Finding: 2022-002

Recommendation: We recommend the Authority's management reconsider access to posting journal entries directly into the general ledger to help establish proper segregation of duties. Additionally, all journal entries posted should be appropriately reviewed and approved. Lastly, we also recommend the Authority's management that a journal book or an electronic filing system should be maintained so that a copy of each manual journal entry in the series is filed together with appropriate supporting documentation and the related approval for the manual journal entry.

Views of Responsible Officials and Corrective Action Plan: The Authority agrees with the finding and provides details in its Corrective Action Plan.

RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

**Finding No. 2023-003**

Federal Agency:	U.S Department of Transportation
Assistance Listing Program:	20.106 Airport Improvement Program
Federal Award Nos.:	3-68-0001-018-2017 3-68-0001-020-2019 3-68-0001-022-2020 3-68-0001-023-2020 3-68-0001-024-2020 3-68-0001-025-2022
Area:	Equipment and Real Property Management
Questioned Costs:	\$ Undeterminable

Criteria: Non-federal entities other than states must follow Sections 200.313(c) through (e) of the Uniform Guidance. Section 200.313(d) states that procedures for managing equipment, whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:

- a. Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property;
- b. A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years;
- c. A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated;
- d. Adequate maintenance procedures must be developed to keep the property in good condition; and
- e. If the non-Federal entity is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

Condition: Capital asset records do not meet the criteria above and are not effectively maintained since updates to the records occur only once a year. Specifically, we noted the following deficiencies:

1. For 1 (or 100%) of 1 item tested, the Authority included description of the property which is generic or limited and property records did not include serial number or identification number, federal award identification number, percentage of federal participation in the project costs for the federal award under which the property was acquired, and the location, use and condition of the property.

RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

**Finding No. 2023-003, continued**

Federal Agency:	U.S Department of Transportation
Assistance Listing Program:	20.106 Airport Improvement Program
Federal Award Nos.:	3-68-0001-018-2017 3-68-0001-020-2019 3-68-0001-022-2020 3-68-0001-023-2020 3-68-0001-024-2020 3-68-0001-025-2022
Area:	Equipment and Real Property Management
Questioned Costs:	\$ Undeterminable

Condition, continued:

2. The Authority did not perform required physical inventory and reconciliation for all equipment and real properties acquired from Federal funds.
3. For 5 (or 33%) of 16 items tested, there is no control system to ensure adequate safeguards to prevent loss, damage, or theft of all equipment and real properties acquired from Federal funds.
4. Long-lived assets are not routinely evaluated for possible impairment.

Cause: The Authority lacks internal control policies and procedures over compliance with applicable equipment and real property management requirements. Moreover, internal control policies and procedures requiring periodic and timely performance and independent review of capital assets reconciliations and related general ledger accounts are not effectively implemented.

Effect: The Authority is exposed to the risk of possible unauthorized use, misappropriation and disposition of property without being noticed due to the lack of internal controls and proper supporting accounting records. Questioned costs, if any, that may result from inadequate property records, maintenance procedures, and the absence of timely reconciliations are not determinable.

Identified as a Repeat Finding: 2022-003

Recommendation: We recommend the Authority's responsible personnel to establish internal control policies and procedures to ensure that the required information is contained in all property records and to perform required physical inventory and reconciliation for all equipment and real properties acquired from Federal funds at least once every two years in accordance with applicable equipment and real property management requirements.

Views of Responsible Officials and Corrective Action Plan: The Authority agrees with the finding and provides details in its Corrective Action Plan.

RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

**Finding No. 2023-004**

Federal Agency:	U.S Department of Transportation
Assistance Listing Program:	20.106 Airport Improvement Program
Federal Award Nos.:	3-68-0001-020-2019 3-68-0001-025-2022
Area:	Matching, Level of Effort, and Earmarking
Questioned Costs:	\$152,120

Criteria: All match funding must be provided in compliance with the requirements of 2 CFR Part 200.306. The grantee's share of project costs on an AIP grant (also known as cost share) is defined in 49 USC 47109 and set forth in the grant award. The nonfederal share varies by airport size and is generally 25 percent for large and medium hub airports and 10 percent for all other airports.

Acceptable match, whether cash or in-kind, must be allowable and eligible. In addition, match must be provided by the recipient; or provided as cash by a third party; or provided as in-kind by a third party; or any combination of cash and in-kind provided by the recipient and/or a third party.

Condition: For 3 (or 34%) items tested, the Authority did not consider matching requirements upon request for reimbursement and submission of related signed/dated SF-270 or SF-271 to the Federal Aviation Administration. Consideration of matching requirements for these transactions were subsequently corrected only during the audit process.

Cause: The Authority lacks internal control policies and procedures compliance with applicable matching, level of effort, earmarking requirements relative to matching requirements.

Effect: The Authority is in noncompliance with applicable matching requirements. Total questioned costs amounted to \$152,120.

Recommendation: We recommend the Authority's responsible personnel to establish internal control policies and procedures to require monitoring of matching requirements prior to the submission of request for reimbursement.

Views of Responsible Officials and Corrective Action Plan: The Authority agrees with the finding and provides details in its Corrective Action Plan.

RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

**Finding No. 2023-005**

Federal Agency:	U.S Department of Transportation
Assistance Listing Program:	20.106 Airport Improvement Program
Federal Award Nos.:	3-68-0001-018-2017 3-68-0001-020-2019 3-68-0001-022-2020 3-68-0001-023-2020 3-68-0001-024-2020 3-68-0001-025-2022
Area:	Reporting
Questioned Costs:	\$ Undeterminable

Criteria: In accordance with applicable reporting requirements and with grant terms and conditions, the Authority is responsible for submitting a signed/dated SF-270 (non-construction projects) or SF-271 or equivalent (construction projects) and SF-425 annually, due 90 days after the end of each federal fiscal year in which the grants are open (due December 31 of each year).

Condition: For the year ended September 30, 2023, the Authority could not provide and submit the required annual SF-425 report for the grants open as of and for the year ended September 30, 2023, having a due date of December 31, 2023.

Cause: The Authority lacks internal control policies and procedures over submission of required reports and monitoring report deadlines to ensure compliance with reporting requirements.

Effect: The Authority is in noncompliance with applicable reporting requirements and could be subject to penalties or sanctions from the Federal Aviation Administration. No questioned costs are reported as we were unable to determine the quantitative impact to the program.

Identified as a Repeat Finding: 2022-004

Recommendation: We recommend the Authority's responsible personnel to establish internal control policies and procedures in monitoring required reports and corresponding filing dates, including review of extensions, and to ensure timely review and submission of the required reports.

Views of Responsible Officials and Corrective Action Plan: The Authority agrees with the finding and provides details in its Corrective Action Plan.

RMI Ports Authority  
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Questioned Costs, continued

**Finding No. 2023-006**

Federal Agency:	U.S Department of Transportation
Assistance Listing Program:	20.106 Airport Improvement Program
Federal Award Nos.:	3-68-0001-018-2017 3-68-0001-020-2019 3-68-0001-022-2020 3-68-0001-023-2020 3-68-0001-024-2020 3-68-0001-025-2022
Area:	Special Tests and Provisions – Wage Rate Requirements
Questioned Costs:	\$ Undeterminable

Criteria: All laborers and mechanics employed by contractors or subcontractors to work on construction contracts more than \$2,000 financed by federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor (DOL) (40 USC 3141–3144, 3146, and 3147).

Nonfederal entities shall include in their construction contracts subject to the Wage Rate Requirements (which still may be referenced as the Davis-Bacon Act) a provision that the contractor or subcontractor comply with those requirements and the DOL regulations (29 CFR Part 5, Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction). This includes a requirement for the contractor or subcontractor to submit to the nonfederal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6; the A-102 Common Rule (section 36(i)(5)); OMB Circular A-110 (2 CFR Part 215, Appendix A, Contract Provisions); 2 CFR Part 176, Subpart C; and 2 CFR section 200.326).

Condition: For the year ended September 30, 2023, the Authority did not receive and review certified weekly payrolls from contractors and/or subcontractors.

Cause: The Authority lacks internal control policies and procedures to obtain required certified weekly payrolls reports from contractors and/or subcontractors to ensure compliance with wage rate requirements.

Effect: The Authority is in noncompliance with applicable wage rate requirements. No questioned costs are reported as we were unable to determine the quantitative impact to the program.

Recommendation: We recommend the Authority’s responsible personnel to establish internal control policies and procedures to ensure that contractors and/or subcontractors are submitting weekly certified payrolls as required.

Views of Responsible Officials and Corrective Action Plan: The Authority agrees with the finding and provides details in its Corrective Action Plan.



Republic of the Marshall Islands

**PORTS AUTHORITY**

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**Summary Schedule of Prior Audit Findings  
Year Ended September 30, 2023**

<b>Finding Number</b>	<b>ALN/Program</b>	<b>Area</b>	<b>Questioned Costs</b>	<b>Status</b>
2022-001	N/A	<b>Timely Financial Reporting</b>	N/A	Not yet resolved. The same condition was repeated in Finding 2023-001.
2022-002	N/A	<b>Manual Journal Entries</b>	N/A	Not yet resolved. The same condition was repeated in Finding 2023-002.
2022-003	20.106 Airport Improvement Program	<b>Equipment and Real Property Management</b>	\$ Undeterminable	Not yet resolved. The same condition was repeated in Finding 2023-003.
2022-004	20.106 Airport Improvement Program	<b>Reporting</b>	\$ Undeterminable	Not yet resolved. The same condition was repeated in Finding 2023-005.



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**Corrective Action Plan  
 Year Ended September 30, 2023**

Finding Number	ALN/Program	Finding	Planned Corrective Action	Questioned Costs	Target Date to Complete	Responsible Persons
2023-001	N/A	<b>Timely Financial Reporting</b>	<p>RMIPA will revise its financial and accounting policies, along with related SOPs, to strengthen timely reporting. The updated framework will define process ownership, establish internal submission deadlines, and specify required documentation,</p> <p>To ensure operational discipline, a reporting tracking system will be established to document report status and compliance against deadlines. Responsible personnel will be assigned to each reporting requirement.</p>	N/A	October 1, 2025	<p>Zorina Tayag Deputy Director</p> <p>Hunter Tibon CFO</p>
2023-002	N/A	<b>Manual Journal Entries</b>	<p>RMIPA will reinstate the use of journal vouchers following the identification of inconsistent documentation practices. Journal voucher preparation and filing will be resumed and will be formalized through an updated SOP to ensure accuracy, retention, and audit readiness.</p>	N/A	October 1, 2025	<p>Hunter Tibon CFO</p> <p>Omela Ben Finance Manager</p> <p>Temeilang Waser AP Manager</p>



2023-003	20.106 Airport Improvement Program	<b>Equipment and Real Property Management</b>	<p>To strengthen equipment and real property management, RMIPA will implement the following:</p> <ul style="list-style-type: none"> <li>• Assign a designated staff member responsible for maintaining the fixed asset register and overseeing asset tracking and updates.</li> <li>• Update SOPs for asset acquisition, maintenance, tracking, and monitoring to ensure consistent application of procedures across all divisions.</li> <li>• Create a dedicated position responsible for the management of equipment and property, including oversight of asset management and maintenance throughout all RMIPA operational areas.</li> <li>• Update SOP/checklist governing the formal decommissioning and disposal of assets to ensure proper authorization, documentation, and timely record updates.</li> </ul> <p>These measures will enhance accountability, accuracy, and transparency in fixed asset management and ensure compliance with internal controls and audit reporting requirements.</p>	\$ Undeterminable	January 31, 2026	<p>Zorina Tayag Deputy Director</p> <p>Stanley Myazoe Property</p> <p>Hunter Tibon CFO</p>
2023-004	20.106 Airport Improvement Program	<b>Matching, Level of Effort, and Earmarking</b>	<p>RMIPA will update its processes to better track obligations alongside expenses for more accurate financial reporting and compliance. This includes obtaining additional Microix modules to enhance internal tracking and compliance.</p>	\$152,120	October 1, 2025	<p>Hunter Tibon CFO</p> <p>Temeilang Waser AP Manager</p>
2023-005	20.106 Airport Improvement Program	<b>Reporting</b>	<p>SOP will be developed in alignment with contract terms and conditions, assigning responsible parties for each type of reporting, including SF-270 and SF-425 and others. A tracking system will be implemented and strictly monitored to ensure timely submission of these</p>	\$ Undeterminable	October 1, 2025	<p>Hunter Tibon CFO</p>



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			reports. Automated notifications will be issued to responsible parties 60 days and 30 days in advance of each reporting deadline to prevent delays and maintain compliance.			
2023-006	20.106 Airport Improvement Program	<b>Special Tests and Provisions – Wage Rate Requirements</b>	RMIPA will strictly enforce contractors to submit wage-rate compliance documentation as a condition for invoice payment. This reporting requirement will be formally integrated into contract oversight practices.	\$ Undeterminable	October 1, 2025	Zorina Tayag Deputy Director  Hunter Tibon CFO  Pryzm