



BURGER · COMER & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

November 30, 2023

To the Board of Directors and Management
Diving Seagull, Inc.

We have audited the financial statements of Diving Seagull, Inc. (the Company or DSI) a component unit of the Yap State Government, for the year ended September 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 16, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Diving Seagull, Inc. are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the Diving Seagull, Inc. changed accounting policies related to Leases, Construction Period, Conduit Debt Obligations, Omnibus 2020, Interbank Offered Rates, Availability Payment Arrangements, Subscription Based Information Technology Arrangements and Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans by adopting Statements of Governmental Accounting Standards (GASB Statement) Nos. 87, 89, 91, 92, and 93 in 2022. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the financial statements in the proper period.

We noted no transactions entered into by Diving Seagull, Inc. during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting Diving Seagull, Inc.'s financial statements were:

Management's estimate of the allowance for doubtful accounts is based on historical revenues, historical loss levels, and an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the depreciation of property and equipment, amortization of leasehold interest in land and the building and improvements are based on the estimated useful lives ranging from 2 to 25 years.

Amortization of leasehold improvements are computed using the straight-line method over the shorter of the remaining lease term or the estimated useful lives of the leasehold improvement. We evaluated the key factors and assumptions used to develop the depreciation and amortization in determining that it is reasonable in relation to the financial statements taken as whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. See the attached listing of adjusting journal entries and attached listing of uncorrected misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 30, 2023.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Diving Seagull Inc.'s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Diving Seagull, Inc.
Communication with those charged with governance

There were some documentation issues found during the audit which did not have a significant effect on the financials. We recommend that the standard operating procedures be strictly implemented and followed to minimize or prevent significant deficiencies of internal control over processes.

Restriction on Use

This information is intended solely for the information and use of Board of Directors and Management of Diving Seagull, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Bryce Conner & Associates