

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

**Marshall's Energy Company, Inc.**

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

*Year ended September 30, 2022*



January 13, 2025

Board of Directors  
Marshalls Energy Company, Inc.

We have performed an audit of the financial statements of the Marshalls Energy Company, Inc. (MEC), a component unit of the Republic of the Marshall Islands, as of and for the year ended September 30, 2022, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and have issued our report thereon dated January 13, 2025.

This report summarizes our communications with those charged with governance as required by our professional standards to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process.

## **REQUIRED COMMUNICATIONS**

Professional standards require the auditor to provide the Board of Directors (the Board) with additional information regarding the scope and results of the audit that may assist the Board in overseeing the financial reporting and disclosure processes which the management of MEC is responsible. We summarize these required communications as follows:

### **Overview of the planned scope and timing of the audit**

Our audit scope and timing is consistent with the plan communicated in our engagement letter dated March 27, 2023 and at our audit planning meeting with management.

### **Auditors' Responsibilities under Auditing Standards Generally Accepted in the United States (US GAAS) and Generally Accepted Government Auditing Standards (GAGAS)**

The financial statements, required supplementary information, supplementary and other information are the responsibility of MEC's management as prepared with the oversight of those charged with governance. Our audit was designed in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, to obtain reasonable, rather than absolute, assurance that the financial statements are free of material misstatement.

An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

Our responsibilities are included in our audit engagement letter.

### **Changes to the audit strategy, timing of the audit and significant risks identified**

Our audit strategy is consistent with the plan communicated during the July 2023 meeting.

### **Matters relevant to our evaluation of the entity's ability to continue as a going concern**

We did not identify any events or conditions that led us to believe there was substantial doubt about MEC's ability to continue as a going concern.

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

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

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

We are not aware of any significant policies used by MEC in controversial or emerging areas or for which there is a lack of authoritative guidance.

We determined that those charged with governance are informed about management's process for formulating particularly sensitive estimates and about the basis to our conclusions regarding the reasonableness of those estimates.

Management's judgment is called upon in:

- Preparing budgets that are used to administer and monitor MEC's operations. These budgets include determining how existing financial resources will be used in MEC's operations.
- Evaluating whether there are indicators that the carrying value of MEC's long-lived assets is impaired.

- Determining the adequacy of the allowance for doubtful accounts and inventory obsolescence.
- Determining the reasonableness of economic useful lives assigned to depreciable assets.

**Related party relationships and transactions**

A discussion of related party relationships and transactions is included in Note 11 of the financial statements. We noted no significant matters regarding MEC's relationships and transactions with related parties.

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

We are not aware of any matters that require communication.

**Significant unusual transactions**

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

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

None.

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

Refer to "Management Representations Letter" in Appendix A.

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

Refer to "Management Representations Letter" in Appendix A.

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

We have issued our Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated January 13, 2025. In that report, we identified certain deficiencies in internal control that we consider to be material weaknesses.

**Fraud and noncompliance with laws and regulations (illegal acts)**

We are not aware of any matters that require communication.

**Obtain information relevant to the audit**

Inquiries regarding matters relevant to the audit were performed during the July 2023 meeting during the audit.

### **Independence matters**

We are not aware of any matters that in our professional judgment would impair our independence.

### **New accounting pronouncements**

Management is still assessing the impact of adopting the following GASB statements:

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

### **Significant issues discussed with management in connection with the auditor's initial appointment or recurring retention**

We are not aware of any matters that require communication.

### **Disagreements with management and significant difficulties encountered in dealing with management when performing the audit**

There were no material disagreements with MEC's management on financial accounting and reporting matters during the audit.

### **Management's consultations with other accountants**

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

### **Other material written communications with management**

None.

### **Other matters**

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

### **Representations from management**

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

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

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

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

Under *Government Auditing Standards* 2018 Revisions, Chapter 3 General Standards, Paragraph 3.73 Requirements for Performing Non-audit Services explains that the audit team should make consideration of management's ability to effectively oversee the non-audit (or non-attest) services to be performed. The engagement team should determine that the audited entity has designated an individual(s) who possesses suitable skill, knowledge or experience and that the individual understands the services to be performed sufficiently to oversee them. The engagement team should document consideration of management's ability to oversee non-audit services to be performed.

The engagement team believes that this significant threat is reduced to an acceptable level upon application of the following safeguards:

- An engagement quality control review was performed by a qualified Ernst & Young Partner who was not otherwise involved in the audit.
- All adjusting journal entries that Ernst & Young posted to the trial balance have been approved by management of MEC.
- The preparation of the financial statements is based on MEC's trial balance with our understanding that MEC's underlying books and records are maintained by MEC's accounting department and that the final trial balance prepared by MEC is complete.
- MEC's Chief Financial Officer has the skill sets to oversee and review the completeness and accuracy of the financial statements and footnote disclosure.

\*\*\*\*\*

The Board of Directors of  
Marshalls Energy Company, Inc.

January 13, 2025

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

Very truly yours,

*Ernst + Young LLP*

The Board of Directors of  
Marshalls Energy Company, Inc.

January 13, 2025

## Appendix

A - Management Representations Letter

A - Management Representations Letter

Marshall's Energy Company, Inc.  
Letter of Representations



**MARSHALL'S ENERGY COMPANY Inc.**

P.O. Box 1439  
Majuro, Marshall Islands MH96960  
Telephone: (692) 625-3827/3829 Fax: (692) 625-3397  
Website: [www.mecrmi.com](http://www.mecrmi.com)

January 13, 2025

Ernst & Young (RMI) Inc.  
PO Box 1439  
Majuro, Marshall Islands 96960

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

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

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

***Management's responsibilities***

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

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

A - Management Representations Letter, continued

Marshalls Energy Company, Inc.  
Letter of Representations

***Management's responsibilities, continued***

We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. We have provided you with:

- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, data, documentation and other matters.
- Additional information that you have requested from us for the purpose of the audit.
- Unrestricted access to persons within MEC from whom you determined it necessary to obtain evidence.

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

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

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

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

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

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

A – Management Representations Letter, continued

Marshall's Energy Company, Inc.  
Letter of Representations

***Management's responsibilities, continued***

We have a process to track the status of audit findings and recommendations.

We have provided views on your reported findings, conclusions, and recommendations, as well as management's planned corrective actions, for the report.

We have taken timely and appropriate steps to remedy fraud, and noncompliance with provisions of laws, regulations, contracts or grant agreements, that you have reported.

***Corrected misstatements***

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

***Uncorrected misstatements***

There are no uncorrected misstatements (including the effects of correcting or reversing prior period uncorrected misstatements), or uncorrected misstatements in disclosures relating to the current period financial statements.

***Internal control***

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

We have communicated to you all significant deficiencies in the design or operation of internal control over financial reporting. There have been no significant changes in internal control since September 30, 2022.

***Minutes and contracts***

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

**Date of Meeting**

October 20, 2021  
November 19, 2021  
December 17, 2021  
January 14, 2022  
February 18, 2022  
February 24, 2022  
March 16, 2022  
April 6, 2022

**Meeting Type**

Regular Board Meeting  
Regular Board Meeting  
Regular Board Meeting  
Special Board Meeting  
Regular Board Meeting  
Special Board Meeting  
Regular Board Meeting  
Regular Board Meeting

A – Management Representations Letter, continued

Marshall's Energy Company, Inc.  
Letter of Representations

*Minutes and contracts, continued*

<b>Date of Meeting</b>	<b>Meeting Type</b>
May 11, 2022	Regular Board Meeting
June 15, 2022	Regular Board Meeting
June 22, 2022	Special Board Meeting
July 13, 2022	Regular Board Meeting
August 31, 2022	Regular Board Meeting
September 27, 2022	Regular Board Meeting
October 4, 2022	Regular Board Meeting
October 26, 2022	Regular Board Meeting
November 15, 2022	Regular Board Meeting
December 14, 2022	Regular Board Meeting
January 4, 2023	Special Board Meeting
January 18, 2023	Regular Board Meeting
February 14, 2023	Regular Board Meeting
February 17, 2023	Regular Board Meeting
February 22, 2023	Special Board Meeting
March 15, 2023	Regular Board Meeting
April 12, 2023	Regular Board Meeting
May 10, 2023	Regular Board Meeting
June 14, 2023	Regular Board Meeting
August 28, 2023	Special Board Meeting
September 6, 2023	Regular Board Meeting
October 13, 2023	Regular Board Meeting
October 26, 2023	Regular Board Meeting
November 16, 2023	Regular Board Meeting
December 8, 2023	Regular Board Meeting
February 6, 2024	Regular Board Meeting
February 28, 2024	Regular Board Meeting
March 6, 2024	Regular Board Meeting
May 2, 2024	Regular Board Meeting
May 13, 2024	Regular Board Meeting
July 03, 2024	Regular Board Meeting
July 25, 2024	Special Board Meeting

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

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

A – Management Representations Letter, continued

Marshalls Energy Company, Inc.  
Letter of Representations

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

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

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

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

***Receivables and revenues***

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

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

***Inventories***

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

***Prepayments and deposits***

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

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

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

A – Management Representations Letter, continued

Marshall's Energy Company, Inc.  
Letter of Representations

***Related party relationships and transactions***

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

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

***Side agreements and other arrangements***

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

***Arrangements with financial institutions***

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements have been properly recorded or disclosed in the financial statements.

***Contingent liabilities***

There are no unasserted claims or assessments, including those our lawyers have advised us of that are probable of assertion and must be disclosed in accordance with GASB Statement No. 62 - as amended.

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

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

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

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

A – Management Representations Letter, continued

Marshalls Energy Company, Inc.  
Letter of Representations

***Oral or written guarantees***

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

***Purchase commitments***

At September 30, 2022, MEC purchase commitments have been properly disclosed in Note 12.

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

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

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

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

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

***Independence***

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

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

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

***Conflicts of interest***

There are no instances where any officer or employee of MEC has an interest in a company with which MEC has done business with that would be considered a "conflict of interest." Such an interest would be contrary to MEC's policy.

A – Management Representations Letter, continued

Marshalls Energy Company, Inc.  
Letter of Representations

***Effects of new accounting principles***

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

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

***Going concern***

In preparing the financial statements, we evaluated the entity's ability to continue as a going concern for twelve months after the date that the financial statements are issued (or available to be issued, if applicable), and provide appropriate financial statement disclosure, as necessary under GASB requirements.

***Required supplementary information.***

We acknowledge our responsibility for the required supplementary information on management's discussion and analysis, which have been measured and presented in conformity with the guidelines established by the Governmental Accounting Standards Board in its applicable GASB Statement. There have been no changes in the methods of measurement or presentation of the required supplementary information from those used in the prior period.

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

***Other representations***

- We have identified and disclosed to you, all provisions of laws and regulations that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- We have followed all applicable laws and regulations in adopting, approving and amending budgets, tax or debt limits and covenants and secondary market disclosures, deposits and investments, including collateral requirements on depository accounts and investments and tax levies and refunds.
- Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.

A – Management Representations Letter, continued

Marshall's Energy Company, Inc.  
Letter of Representations

***Other representations, continued***

- Expenses have been appropriately classified in or allocated to functions in the statement of revenues, expenses and change in net position, and allocations have been made on a reasonable basis.
- Revenues are appropriately classified in the statement of revenues, expenses and change in net position.
- Provisions for uncollectible receivables have been properly identified and recorded.
- Interfund, internal and intra-entity activity and balances have been appropriately classified and reported.
- Risk disclosures associated with deposits and investment securities and derivatives transactions are presented in accordance with GASB requirements.
- Capital assets, including infrastructure, are properly capitalized, reported and, if applicable, depreciated.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available is appropriately disclosed and net position was properly recognized under the policy.
- We are following either our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available or are following paragraph 18 of GASB Statement No. 54 to determine the fund balance classifications for financial reporting purposes.
- Subsequent events have been evaluated and classified as recognized or nonrecognized through the date of this letter.

***Other matters***

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

A – Management Representations Letter, continued

Marshalls Energy Company, Inc.  
Letter of Representations

***Other matters, continued***

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

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

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

***Subsequent events***

Subsequent to September 30, 2022, we have disclosed in Note 15 of the financial statements, the events or transactions occurred or are pending that would have a material effect on the basic financial statements at that date or for the period then ended, or that are of such significance in relation to MEC's affairs to require mention in a note to the basic financial statements in order to make them not misleading regarding the financial position, changes in financial position and cash flows of MEC.

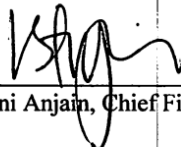
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We understand that your audit was conducted in accordance auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits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

Very truly yours,



Jack Chong Gum, Chief Executive Officer



Leihani Anjain, Chief Financial Officer

A – Management Representations Letter, continued

Appendix A – Schedule of Corrected Misstatements

Appendices

A – Schedule of Corrected Misstatements

Summary of corrected misstatements

Entity: Marshall's Energy Company, Inc

Period ended: 30-Sep-2022

Currency: USD

Create communication

PM: 2,451,300

TE: 1,225,650

Nominal amount: 122,565

Corrected misstatements		Analysis of misstatements Debit/(Credit)							
No.	V/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period
		[misstatements are recorded as journal entries with a description]	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non-taxable
Add new misstatement									
		To record allowance for doubtful debts against fuel and others							
VD		GL Code 8720 Bad debt expense						3,553,356	
E		GL Code 1210 Allowance for Doubtful Debt	(3,553,356)						
									>= TE, see (Note 1)
		To record allowance for doubtful debts against solar receivables during FY 2022							
VD		GL Code 8720 Bad debt expense						194,799	
E		GL Code 1234 Allowance for Doubtful Debt	(194,799)						
									< TE, see (Note 2)
		Recognition of Right-to-use asset and lease liability as per GASB 87 implementation							
LPE		GL Code 1935 Intangible Right-to-use asset		762,437					
LPE		GL Code 2420 and 2425 Lease liability			(762,437)				
									< TE, see (Note 2)
		To record amortization of intangible RIQUA (GASB 87)							
VD		GL Code 8505 Amortization expense						49,981	
LPE		GL Code 1935 Intangible right to use asset		(49,981)					
									< TE, see (Note 2)
		To recognize the ADB Grant in CIP for FY 2022							
K		GL Code 1900 CIP		2,606,067					
K		GL Code 3910 PIH Capital Contribution ADB						(2,606,067)	
									>= TE, see (Note 1)
		To record reduction in lease liability upon payment of rentals							
LPE		GL code 8710 Interest expense						2,370	
LPE		GL Code 2420 and 2425 Lease liability				65,686			
LPE		GL Code 8450 Rent expense						(67,956)	
									< TE, see (Note 2)
		To record JSC Grant and Counterparty Fund Payable							
VD		GL Code 9100 RegMar Subsidy						82,750	
VD		GL Code 8999 Contribution to KAUIJR						147,250	
E		GL Code 1205 Accounts Receivable	2,270,366						
VD		GL Code 3901 Grant Income-Japan						(1,354,508)	
N		GL Code 2560 Counterpart fund payable				(1,135,859)			
									>= TE, see (Note 1)
Total of corrected misstatements before income tax			(1,067,789)	3,318,523	0	(1,842,709)	0	0	(408,025)
Financial statement amounts			27,022,293	20,900,702	(20,044,369)	(7,698,954)	(24,017,586)	3,837,913	
Effect of corrected misstatements on F/S amounts			-4.0%	15.9%	0.0%	23.9%	0.0%	-10.6%	

A – Management Representations Letter, continued

Reclassification misstatements schedule

Entity

Marshall's Energy Company, Inc.

Period ended:

30-Sep-2022

Currency:

USD

PM:

2,451,300

TE:

1,225,650

Nominal amount:

122,565

We accumulate reclassification misstatements in the income statement and balance sheet and other balance sheet misstatements that have no effect on income, that are above our SAD nominal amount. We determine which of these reclassification misstatements merit the attention of those charged with governance and transfer them to the SAD uncorrected tab. (Note 1)

		Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI
No.	W/P ref.	(Reclassification misstatements are recorded as journal entries with a description)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)
Add new misstatement								
		To reclassify the advance payments received from fuel customers in unearned revenue fuel						
E		GL Code 1205 Trade Receivables	937,266					
PUA		GL Code 2075 Unearned Revenue Fuel Sales			(937,266)			
		To reclassify the advance payments received from electric customers in Unearned Revenue Power						
E		GL Code 1230 Accounts Receivable Electric	429,268					
PUA		GL Code 2070 Unearned Revenue Power			(429,268)			
		To adjust the scratch card balance from the cash power sales balance.						
UA		GL Code 5008 Cash Power Sales						
PUA		GL Code 2071 Scratch Card Deferred Income			(153,077)			
		To reclassify the inventory parts which are long term replacement parts held in stock of MEC						
F		GL Code 1996 Long term replacement		3,174,407				
F		GL Code 1330 Inventory - Service	(1,831,802)					
F		GL Code 1340 Inventory - Power Plant	(1,342,605)					
		Reclassification of Accounts Payable balance to Payable to Affiliates						
N		GL Code 2000 Accounts Payable			2,468,297			
N		GL Code 2006dt Payable to Affiliates			(2,468,297)			
		To reclassify the Unearned revenue on Cash Power from Cash power sales						
UA		GL Code 5008 Cash Power Sales						
PUA		GL Code 2070 Unearned Revenue Cash Power			(307,136)			
Total uncorrected reclassification misstatements			(1,807,853)	3,174,407	(1,826,767)	0	0	0
Financial statement amounts			27,022,293	20,900,702	(20,044,368)	(7,696,954)	(24,017,586)	