

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

Majuro Atoll Local Government

Year ended September 30, 2017



July 24, 2026

Mayor Ladie Jack
Majuro Atoll Local Government

We have performed an audit of the financial statements of the governmental activities and the general fund of Majuro Atoll Local Government (MALGOV) as of and for the year ended September 30, 2017, 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 July 24, 2026.

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 those charged with governance with additional information regarding the scope and results of the audit that may assist those charged with governance in overseeing the financial reporting and disclosure processes which the management of MALGOV 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 May 3, 2024 as well as various audit planning meetings 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 are the responsibility of MALGOV'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.

We issued an unmodified opinion on MALGOV's financial statements as of and for the year ended September 30, 2017.

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

Our audit strategy is consistent with the plan communicated in our engagement letter dated May 3, 2024 as well as various audit planning meetings with management.

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

None.

Fraud and noncompliance with laws and regulations (illegal acts)

We are not aware of any matters that require communication.

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 MALGOV'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**
- **Financial statement disclosures**

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 estimates has been included in note 2 to the financial statements.

Related party relationships and transactions

We noted no significant matters regarding MALGOV's relationships and transactions with related parties.

Significant unusual transactions

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

New accounting pronouncements

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

- GASB Statement No. 75
- GASB Statement No. 81
- GASB Statement No. 83 through GASB Statement No. 105

No issues have been identified regarding management's planned application of new accounting pronouncements.

Independence matters

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

Obtain information relevant to the audit

Inquiries regarding matters relating to the audit were performed during the audit:

- Fraud and noncompliance with laws and regulations (illegal acts)
- Tips or complaints regarding MALGOV's financial reporting
- Significant unusual transactions
- Subsequent events

Significant findings or issues arising during the audit that were discussed, or were the subject of correspondence, with management

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 difficulties encountered in dealing with management in performing the audit.

Management consultations with other accountants

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

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

There were no difficult or contentious matters that required consultation outside of the audit team.

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

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.

Deficiencies in internal control over financial reporting

We have identified material weaknesses in the internal control during the course of our audit which have been included in our separately issued report of MALGOV’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, dated July 24, 2026.

Representations we are requesting 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.

Other information included in annual report

There was no other information available as of the date of our audit report.

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 MALGOV 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.

Other matters

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

Engagement team's involvement with preparation of the financial statements

Under *Government Auditing Standards* 2018 Revision, Chapter 3 Ethics, Independence and Professional Judgment, Paragraphs 3.73-74 explains that the audit team should make consideration of management's ability to effectively oversee the non-audit services to be provided. The engagement team should determine that the audited entity has designated an individual 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.
- The preparation of the financial statements is based on MALGOV's trial balance with our understanding that MALGOV's underlying books and records are maintained by the MALGOV's accounting department and that the final trial balance prepared by MALGOV is complete.
- All adjusting journal entries that Ernst & Young posted to the trial balance have been approved by management of MALGOV.
- MALGOV's Chief Financial Officer has the skill sets to oversee and review the completeness and accuracy of the financial statements and footnote disclosures.

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

Very truly yours,

Ernst & Young LLP

Appendix

A - Management Representations Letter

A - Management Representations Letter



MAJURO ATOLL LOCAL GOVERNMENT
Finance Department

Post Office Box 796 * Majuro, Marshall Islands * 96960 * Tel: 625-8147/2060

July 24, 2026

Ernst & Young (RMI), Inc.

P.O. Box 1288
Majuro, MH 96960

In connection with your audit of the basic financial statements of the Majuro Atoll Local Government (MALGOV) as of September 30, 2017 and for the year then ended, and the related notes to the financial statements, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form opinions whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of MALGOV and the respective changes in financial position and cash flows, where applicable, thereof in conformity with US 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 May 3, 2024 for the preparation and fair presentation of the financial statements (including disclosures) in accordance 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 MALGOV's ability to continue as a going concern for one year after the date that the financial statements are issued (or available to be issued, if applicable), 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



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Management's responsibilities, continued

We acknowledge our responsibility for the design, implementation and maintenance of the system 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 MALGOV 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, 2016 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 of any opinion unit that comprises the basic 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 have disclosed to you and provided you full access to information and any internal investigations relating to unauthorized access to our information technology systems that has a material effect on the financial statements on any opinion unit that comprises the basic financial statements, including disclosures.

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.

Corrected misstatements

A - Management Representations Letter, continued



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We have reviewed and approved the adjustments, summarized in the accompanying schedule, and reflected these adjustments in the financial statements. Refer to the "Schedule of Corrected Misstatements" in Appendix A.

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 and material weaknesses in the design or operation of internal control over financial reporting. There have been no significant changes in internal control since September 30, 2017.

Minutes and contracts and internal audit reports

The dates of meetings of shareholders, directors, committees of directors and important management committees from the beginning of the period covered by the financial statements to the date of this letter are as follows:

Date	Summary of Discussion
September 20, 2017	FY2017 Appropriation Ordinance (No. 2017-01)
September 20, 2017	Compensation Ordinance (No. 2017-02)
September 20, 2017	FY 2018 Appropriation Ordinance (No. 2017-03)
April 09, 2018	Borrowing Ordinance of 2018 (No. 2018-01)
April 09, 2018	Healthy Diet (No. 2018-02)
April 09, 2018	Fisheries Management Ordinance of 2018 (No. 2018-03)
April 9, 2018	Prohibition of Human Remains at Sea Ordinance of 2018 (No. 2018-04)
April 9, 2018	Boat Registration Ordinance of 2018 (No. 2018-5)
September 25, 2018	Appropriation Ordinance of Regular 2018 for FY2019 (No. 2018-07)
September 25, 2018	Mooring Ordinance of 2018 (No. 2018-08)
September 30, 2018	Appropriation Ordinance of 2019 for Fiscal Year 2Q20 (2019-01)
January 31, 2020	Mooring Ordinance of 2020 Regular (No. 2020-01)
January 31, 2020	Boat Registration Ordinance of 2020 (2020-02)
January 31, 2020	General Revenue Tax Regular (Tobacco Product Amendment) Ordinance of 2020 (No. 2020-03)
January 31, 2020	Borrowing Ordinance of Regular 2020 (No. 2020-04)
September 17, 2021	Appropriation Ordinance of 2021 for Fiscal Year 2022 (No. 2021-01)
September 21, 2021	Majuro Constitution 1st Regular Amendment Ordinance (No. 2021-02)
September 21, 2021	Borrowing Ordinance of Regular 2021 (No. 2021-03)

A - Management Representations Letter, continued



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Date	Summary of Discussion
September 17, 2022	Appropriation Ordinance of 2022 for Fiscal Year 2023 (No. 2022-01)
August 29, 2023	Council Members Salaries Regular and Compensation Ordinance (No. 2023-01)

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.

Minutes and contracts and internal audit reports, continued

We have also made available to you all internal audit reports (or reports from similar functions) that were issued to management during the year that address internal control over financial reporting.

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

MALGOV has satisfactory title to all assets appearing in the statement of net position. No security agreements have been carried out 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 MALGOV has satisfactory title appear in the statement of net position.

Receivables and revenues

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 any 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.

Prepayments

A - Management Representations Letter, continued



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

Long-lived assets (asset groups) to be held and used, including amortizable intangible assets

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

Fair value measurements

We are responsible for the estimation methods and assumptions used in measuring assets and liabilities reported or disclosed at fair value, including information obtained from brokers, pricing services or other third parties. Our valuation techniques have been consistently applied from period to period. The fair value measurements reported or disclosed represent our best estimate of fair value as of the measurement date in accordance with the requirements of GASB Statement No. 72 - as amended. In addition, our disclosures related to fair value measurements are consistent with the objectives outlined in GASB Statement No. 72 - as amended.

We have evaluated the fair value information provided to us by brokers, pricing services or other parties that has been used in the financial statements and believe this information to be reliable and consistent with the requirements of GASB Statement No. 72 - as amended.

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 basic 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.

A - Management Representations Letter, continued



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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.

Events of default under debt agreements

No events of default have occurred with respect to any of MALGOV's debt agreements.

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 other than those disclosed in the financial statements.

Contingent liabilities, continued

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 other than those disclosed or accrued in the financial statements.

There have been no internal investigations or communications from regulatory agencies or government representatives in any jurisdiction concerning investigations or allegations of noncompliance with laws or regulations, noncompliance with or deficiencies in financial reporting practices, or other matters that could affect the financial statements other than those disclosed or accrued in 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 other than those accrued or disclosed in the financial statements, nor are there any accruals for loss contingencies included in the statement of net position or gain contingencies reflected in earnings that are not in conformity with the provisions of GASB Statement No. 62 - as amended.

There are no oral or written guarantees, including guarantees of the debt of others.

Purchase commitments

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At September 30, 2017, MALGOV had no purchase commitments for inventories in excess of normal requirements or at prices that were in excess of market at those dates.

There were no agreements or commitments to repurchase assets previously sold. There were no material commitments outstanding at September 30, 2017 as a result of being a party to futures or forwards contracts, short sales or hedge transactions.

Non-compliance with laws and regulations, including fraud

We acknowledge that we are responsible to determine that MALGOV 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 disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

Non-compliance with laws and regulations, including fraud, continued

We have disclosed to you all significant facts relating to any frauds or suspected frauds, or allegations of fraud known to us that may have affected MALGOV (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the financial statements. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the financial statements.

Independence

We have communicated to you the names of MALGOV affiliates, officers and directors, or individuals who serve in such capacity for MALGOV.

A - Management Representations Letter, continued



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We are not aware of any business relationship between MALGOV 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 independent for purposes of MALGOV's audit.

Conflicts of interest

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

Effects of new accounting principles

As discussed in Note 1 to the financial statements, we have not completed the process of evaluating the effects that will result from adopting the amendments to the following codification provided in Governmental Accounting Standards Board (GASB):

- GASB Statement No. 75
- GASB Statement No. 81
- GASB Statement No. 83 through GASB Statement No. 105

MALGOV is therefore unable to disclose the effects that adopting the amendments in the aforementioned GASB Statements will have on its financial position and the changes in its financial position when such statements are adopted.

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, and provide appropriate financial statement disclosure, as necessary under GASB requirements.

Required supplementary information

Management has omitted the Management's Discussion and Analysis and the budgetary comparison schedule that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the

A - Management Representations Letter, continued



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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.

Additional representations

- We recognize that we are responsible for MALGOV'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 a 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.
- 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.
- 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.
- 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 made available to your representatives all financial records and related data.

Additional representations, continued

- The financial statements properly classify all funds and activities.

A - Management Representations Letter, continued



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- 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 identified and disclosed to you all instances of identified or suspected noncompliance with laws, regulations, and provisions of contracts and grant agreements where the noncompliance could have a direct and material effect on the financial statements.
 - We have followed all applicable laws and regulations in adopting, approving and amending budgets, deposits and investments, including collateral requirements on depository accounts and investments.
 - There have been no instances of abuse that occurred or are likely to have occurred that could be quantitatively or qualitatively material to the financial statements.
 - The financial statements properly classify all funds and activities in accordance with GASB Statement No. 54 - as amended.
 - All funds that meet the quantitative criteria in GASB Statement No. 34, as amended and GASB Statement No. 37, for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users. Components of net position (net investment in capital assets; restricted; and unrestricted), and classifications of fund balance (nonspendable fund balance, and restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
 - Investments are properly valued.
 - Expenses have been appropriately classified in or allocated to functions and programs in the statements of activities, and allocations have been made on a reasonable basis.
 - Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments or contributions to permanent fund principal.
 - Interfund, internal and intra-entity activity and balances have been appropriately classified and reported.

A - Management Representations Letter, continued



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Additional representations, continued

- Risk disclosures associated with deposits and investment securities and derivatives transactions are presented in accordance with GASB requirements.
- Capital assets, including infrastructure and intangible assets, 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.
- MALGOV has obligated, expended, received and used public funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by MALGOV or federal law. Such obligation, expenditure, receipt or use of public funds was in accordance with any limitations, conditions or mandatory directions imposed by MALGOV or federal law.
- Money or similar assets handled by MALGOV or federal government have been properly and legally administered and the accounting and recordkeeping related thereto is proper, accurate and in accordance with law.
- 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 non recognized through the date of this letter.

Assistance with preparation of financial statements

We have received a draft copy of our financial statements as of and for the year ended September 30, 2017. The accuracy and completeness of the financial statements, including footnote disclosures, are our responsibility.

A - Management Representations Letter, continued



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We acknowledge that Ernst & Young (RMI), Inc., assisted in the preparation of our financial statements and footnotes based on information in our trial balance and accounting records. We represent that:

- Our underlying books and records are maintained by our division of finance and accounting and that the final trial balance prepared is complete;

Assistance with preparation of financial statements, continued

- All adjusting journal entries posted in the trial balance have been approved by us;
- We have designated a competent representative to oversee your services and that our personnel have sufficient financial competence who are able to challenge and review the completeness and accuracy of the financial statements, including footnote disclosures;
- We have reviewed the financial statements for accuracy and completeness, and
- We acknowledge that we have taken responsibility for them.

Subsequent events

Subsequent to September 30, 2017, no events or transactions have occurred or are pending that would have a material effect on the financial statements at that date or for the period then ended, or that are of such significance in relation to MALGOV's affairs to require mention in a note to the financial statements in order to make them not misleading regarding the financial position, results of operations or cash flows of MALGOV, except as disclosed in note 15 to the financial statements.

We understand that your audit was conducted in accordance with 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 MALGOV and that your tests of the accounting records and other auditing procedures were limited to those that you considered necessary for that purpose.

A - Management Representations Letter, continued



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A black ink signature of Mr. Ladie Jack, consisting of stylized, flowing letters.

Mr. Ladie Jack
Mayor

A blue ink signature of Ms. Ryana Kumar, featuring a stylized 'R' and 'K'.

Ms. Ryana Kumar
Chief Financial Officer

Appendix A

A - Management Representations Letter, continued



MAJURO ATOLL LOCAL GOVERNMENT
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Summary of corrected misstatements

Entity: Majuro Atoll Local Government Period ended: 30-Sep-2017 Currency: USD

No.	WIP ref.	Account	Analysis of misstatements Debit(Credit)							Income statement effect of the current period	Non taxable
			Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Debit(Credit)		
VB0 To remove payroll expenses related to pay period range: 9/18/2016 - 10/1/2016											
		Fund Balance						90,336			
		Salaries & Wages								(74,636)	
		Night Differential								(11,682)	
		Overtime								(4,681)	
		Social Security Contribution								(8,555)	
		Personnel Benefits								(832)	
VB0 To set up an accrual for pay period range 9/17/2017 - 9/30/2017											
		Salaries & Wages								81,972	
		Night Differential								1,781	
		Overtime								3,008	
		Allowance Payable			(100,221)						
		Social Security Payable			(8,978)						
		Income Tax Payable			(17,751)						
		Accrued Salaries			(18,811)						
N01 To tie up with confirmation replies											
		Notes Payable					60,000				
		Short-Term Loan Payable (BOMI)			(3,078)						
		Social Security Payable			(45,830)						
		Income Tax Payable			816,640						
		Individual Assurance Company-IAC			47,111						
		Fund Balance					(877,837)				
N02 To record interest related to income tax payable											
		Debt service								116,956	
		Accrued interest payable			(116,956)						
N03 To record penalty related to income tax payable											
		Unpaid debts								233,812	
		Penalty payable			(233,812)						
E01 To properly present Accounts Receivable Grants which is initially included as part of Accounts Receivables Customers											
		Accounts Receivables-Grants	181,200								
		Accounts Receivables-Customers	(181,200)								
E02 To record the employee receivable for Jaye Kabua in relation to 65% Cost sharing agreement signed for the purchase of vehicle on February 9, 2017											
		Accounts Receivables-Employees	2,654								
		Vehicles								(2,654)	

A - Management Representations Letter, continued



MAJURO ATOLL LOCAL GOVERNMENT
Finance Department

Post Office Box 796 * Majuro, Marshall Islands * 96960 * Tel: 625-8147/2060

Appendix A, continued

Summary of corrected misstatements

Entity: Majuro Atoll Local Government

Period ended: 30-Sep-2017

Currency: USD

Corrected misstatements		Analysis of misstatements Debit/(Credit)								
No.	W/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)	Debit/(Credit)	Non taxable
E04		To record the employee receivable for Schulyer Kendall in relation to his purchase of vehicle of which the installment payment shall be deducted from his lease payment with MALGOV								
		Accounts Receivables-Employees	30,350						(30,350)	
		Vehicles								
E05		To record the employee receivable for Lein Zedkua in relation to his purchase of vehicle of which the installment payment shall be deducted from his lease payment with MALGOV on								
		Accounts Receivables-Employees	35,407						(35,407)	
		Vehicles								
E06		To record the employee receivable for Schulyer Kendall in relation to his purchase of vehicle of which the installment payment shall be deducted from his lease payment with MALGOV								
		Accounts Receivables-Employees	1,000						(1,000)	
		Vehicles								
VD0		To correct and properly classify long unpaid debts								
		FUND BALANCE					105,000			
		Long Unpaid debts							(105,000)	
E03		To record the employee receivable for Lein Zedkua in relation to his purchase of vehicle of which the installment payment shall be deducted from his lease payment with MALGOV on								
		Accounts Receivables-Employees	50,314						(50,314)	
		Vehicles								
Total of corrected misstatements before income tax			119,725	0	180,208	60,000	(482,601)	0	122,568	